ICHOR COAL N.V. GROUP (53748662)

Unaudited Interim Consolidated Financial Statements

30 June 2017

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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE SIX MONTHS ENDED 30 JUNE 2017 (unaudited)

The accompanying notes form part of these financial statements.

	Note	30 June 2017 € k	31 Dec 2016 € k
Assets			
Non-current assets			
Intangible assets	5.1	4,731	4,873
Property, plant and equipment	5.2	31,254	32,082
Investments accounted for using the equity method	5.3	86,099	86,096
Other financial assets		109	110
Deferred tax assets	5.4	465	227
		122,657	**123,388**
Current assets			
Inventories		373	1,934
Trade and other receivables		1,903	3,205
Other current financial assets		2,963	2,785
Other assets		45	42
Cash and cash equivalents	5.5	1,300	1,598
		6,585	**9,564**
Total Assets		**129,241**	**132,952**
Equity and liabilities			
Equity			
Share capital	5.6	7,478	6,792
Share premium	5.6	90,081	87,562
Legal reserve participations		13,756	11,183
Share based payment reserves	5.6	1,374	855
Retained earnings	5.6	-86,764	-23,033
Other reserves	5.6	-19,429	-18,930
Result for the year	5.6	-9,506	-63,731
Equity attributable to owners of the parent		**-3,009**	**698**
Non-controlling interest	5.6	2,372	3,432
Total equity		**-637**	**4,130**
Non-current liabilities			
Provisions		3,936	17,003
Interest-bearing loans and borrowings	5.7	78,365	-
Other non-current financial liabilities	5.8	15,783	15,400
Deferred tax liabilities	5.4	3,069	3,156
		101,153	**35,559**
Current liabilities			
Current provisions		16,836	2,799
Interest-bearing loans and borrowings	5.7	-	78,195
Other current financial liabilities		458	60
Trade and other payables		10,778	11,541
Other liabilities		652	668
		28,726	**93,263**
Total liabilities		**129,879**	**128,822**
Total equity and liabilities		**129,241**	**132,952**

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017 (unaudited)

	Note	30 June 2017 € k	30 June 2016 € k
Revenue	6.1	9,138	18,856
Cost of sales	6.2	-7,561	-15,887
Gross profit		**1,576**	**2,969**
Other income		73	966
Depreciation, amortisation and impairments		-1,253	-6,938
Selling and distribution expenses		-92	-3
Other operating expenses	6.3	-4,816	-1,255
General and administrative expenses	6.4	-2,711	-1,364
Operating profit or loss		**-7,222**	**-5,625**
Share of profit from equity accounted investees		3,521	321
Finance income	6.5	3,108	676
Finance costs	6.5	-7,435	-7,007
Profit or loss before income taxes		**-8,028**	**-11,635**
Income tax expense		-	160
Profit or loss from continuing operations		**-8,028**	**-11,475**
Profit or loss for the year		**-8,028**	**-11,475**

The accompanying notes form part of these financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017 (unaudited)

		Equity attributable to owners of the parent								Non-controlling interest	
		Share Capital			Profit or loss for the period	FCTR					
		Ordinary shares	Share premium	Retained earnings	Continuing operations		Share Based Payment	Legal Reserve	Total	Continuing operations	Total equity
	Note	€ k	€ k	€ k	€ k	€ k	€ k		€ k	€ k	€ k
1 Jan 2017		**6,792**	**87,562**	**-23,033**	**-63,731**	**-18,930**	**855**	**11,183**	**698**	**3,432**	**4,130**
Appropriation of prior year results	6.11			-63,731	63,731	-			-	-	-
Share Capital increase	6.11	686	2,520	-	-	-	-	-	3,206	-	3,206
Transfer to legal reserve participations		-	-	-	-2,574	-	-	2,574	-	-	-
Result for the period	6.11	-	-	-	-6,933	-	-	-	-6,933	-1,095	-8,028
Other comprehensive income - Equity accounted investments		-	-	-	-	-129	-	-	-129	-	-129
Other comprehensive income - FCTR	6.11	-	-	-	-	-370	-	-	-370	36	-335
Total comprehensive income		-	-	-	**-9,506**	**-499**	-	**2,574**	**-7,432**	**-1,060**	**-8,491**
Share based Payment	6.11	-	-	-	-	-	518	-	518	-	518
		-	-	-	-	-	518	-	518	-	518
30 June 2017	6.11	**7,478**	**90,081**	**-86,764**	**-9,506**	**-19,429**	**1,374**	**13,756**	**-3,009**	**2,372**	**-637**

The accompanying notes form part of these financial statements.

ICHOR COAL N.V. GROUP 53748662

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017 (unaudited)

		Equity attributable to owners of the parent								Non-controlling interest	
		Share Capital			Profit or loss for the period	FCTR					
		Ordinary shares	Share premium	Retained earnings	Continuing operations		Share Based Payment	Legal Reserve	**Total**	Continuing operations	**Total equity**
	Note	€ k	€ k	€ k	€ k	€ k	€ k		€ k	€ k	€ k
01 January 2016 before restatement		**6,792**	**87,562**	**-29,136**	**-6,090**	**-18,648**	**618**	**-**	**41,098**	**6,447**	**47,545**
Impact of Restatement		-	-	216	11,977	-6,775	-	8,570	13,988	2,584	16,572
01 January 2016 restated		**6,792**	**87,562**	**-28,920**	**5,887**	**-25,423**	**618**	**8,570**	**55,086**	**9,031**	**64,117**
Appropriation of prior year results	6.11			5,887	-5,887	-	-	-	-	-	-
Transfer to legal reserve participation		-	-	-	-	-	-	-	-	-	-
Result for the period	6.11	-	-	-	-9,964	-	-	-	-9,964	-1,360	-11,475
Other comprehensive income - Equity accounted investments		-	-	6,090	-	-14,462	-	-	-8,372	347	-3,568
Other comprehensive income - FCTR	6.11	-	-	-	-	-	-	-	-	-	-
Total comprehensive income		-	-	6,090	- 9,964	- 14,462	-	-	- 18,336	- 1,013	- 15,043
Share based Payment	6.11	-	-	-	-	-	144	-	144	-	144
		-	-	-	-	-	144	-	144	-	144
30 June 2016	6.11	**6,792**	**87,562**	**-16,943**	**-9,964**	**-39,885**	**762**	**8,570**	**36,894**	**8,018**	**49,218**

The accompanying notes form part of these financial statements.

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ICHOR COAL N.V. GROUP 53748662

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2017 (unaudited)

	30 June 2017	30 June 2016
	€ k	€ k
Profit or loss for the period	**-8,028**	**-11,475**
Reconciliation of profit or loss to the cash flow from operating activities:		
Depreciation, amortization and impairments	1,195	-6,938
Profit or loss from investments in associates	-3,521	-321
Dividend income	947	-
Sharebased payment expense	518	245
Gain or loss on conversion component of Convertible Bonds	-3,060	661
Interest on Convertible and Corporate Bonds	6,632	-6,791
Interest paid	-3,137	-
Changes due to foreign currency changes	2,222	9,662
Other non-cash items	-184	-422
Changes in deferred taxes	-252	9,828
Changes in inventories	1,559	-1,160
Changes in trade and other receivables	1,250	-633
Changes in trade and other payables	-927	414
Changes in provisions	1,334	877
Changes due to changes in consolidated entities	0	-
Other interest on debts and borrowings	923	2,009
Interest income	-4	
Changes in other working capital items	-	-385
Cash flow from operating activities	**-2,529**	**-4,814**
Proceeds from disposals of intangible assets and property, plant and equipment	152	1,211
Purchases of intangible assets and property, plant and equipment	-1,391	-288
Purchases of shares in consolidated subsidiaries, less cash acquired	-	-
Purchases of investments in associates and other non-current financial assets	-336	-
Cash flow from investing activities	**-1,575**	**924**
Proceeds from interest-bearing loans and borrowings received	3,935	4,524
Repayments of interest-bearing loans and borrowings received	-	-
Cash inflow from interest-bearing loans and borrowings given	-	-
Cash flow from financing activities	**3,935**	**4,524**
Cash flow-related changes in cash and cash equivalents	**-169**	**633**
Changes in cash and cash equivalents due to exchange rates	-130	-
Cash and cash equivalents at beginning of period	1,598	1,327
Cash and cash equivalents at end of period	**1,300**	**1,960**

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial statements

1 General Information

Corporate information

Ichor Coal N.V. KVK53748662, is a public limited liability company incorporated in Amsterdam, the Netherlands. The shares of Ichor Coal N.V. are admitted for trading on the High Risk Market of the Hamburg Stock Exchange and the Entry Standard of the Frankfurt Stock Exchange (non-regulated markets). The head office is located at 2 Bruton Road, Bryanston, South Africa, 2191.

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

The interim financial statements are not subject to a mandatory audit review as per the Dutch Civil Code. These interim results have not been reviewed by external auditors.

2 Basis of preparation

The interim consolidated financial statements for the six months ended 30 June 2017 were prepared in accordance with IAS 34 Interim Financial Reporting, as issued by the IASB and as in effect and adopted by the European Union (EU). They do not include all of the information required for full annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2016 and 2017. The annual financial statements as at 31 December 2016 and 2017, is available upon request at the Group's office at 2 Bruton Road, Bryanston, 2191, South Africa and can also be downloaded at www.ichorcoal.com.

3 Accounting policies

The accounting policies applied by the Group in these interim consolidated financial statements are the same as those applied by the Group in its annual financial statements as at 31 December 2016 and 2017.

Standards and interpretations effective as of 1 January 2017 were applied accordingly and may represent a change to the standards and interpretations applied in the Group's annual financial statements as at 31 December 2016.

4 New and amended standards and interpretations

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

IFRS 9 Financial Instruments

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

(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.

(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.

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.

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.

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.

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.

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.

5 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

5.1 Intangible assets

The changes in intangible assets were as follows:

	Purchased rights	Exploration and Evaluation Asset	Mining right	Customer Relationship	Total
	€ k	€ k	€ k	€ k	€ k
Acquisition or production cost					
1 Jan 2017	491	-	23,638	3,416	27,545
Effect of translation to presentation currency	-13	-	-673	-99	-784
30 June 2017	**478**	**-**	**22,965**	**3,317**	**26,761**
Amortization and impairments					
1 Jan 2017	443	-	18,813	3,416	22,672
Additions	8	-	-	-	8
Effect of translation to presentation currency	-11	-	-540	-99	-650
30 June 2017	**440**	**-**	**18,273**	**3,317**	**22,030**
Carrying amounts					
30 June 2017	**38**	**-**	**4,693**	**-**	**4,731**
1 Jan 2017	48	-	4,825	-	4,873

5.2 Property, plant and equipment

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

	Mine Assets	Land and Buildings	Technical equipment and machinery	Other equipment, operational and office equipment	Total
	€ k	**€ k**	**€ k**	**€ k**	**€ k**
Acquisition or production cost					
1 Jan 2017	97,007	3,875	21,202	3,959	126,043
Additions	1,210	0	38	143	1,391
Disposals	-	- 152	-	0	-152
Effect of translation to presentation currency	-2,700	-101	-583	-113	-3,498
					-
30 June 2017	**95,515**	**3,622**	**20,659**	**3,988**	**123,784**
Depreciation and impairments					
1 Jan 2017	91,017	413	1,265	1,266	93,961
Additions - depreciation	56	100	806	211	1,172
Effect of translation to presentation currency	-2,486	-15	-61	-42	-2,604
30 June 2017	**88,586**	**498**	**2,011**	**1,435**	**92,531**
Carrying amounts					
30 June 2017	**6,930**	**3,124**	**18,647**	**2,553**	**31,254**
1 Jan 2017	5,990	3,462	19,937	2,693	32,082

5.3 Investments accounted for using the equity method

As at 30 June 2017, the carrying amount of the investment in associates amounted to € 86 099 000. The Group's share of the realized gains in Mbuyelo Coal (Pty) Ltd and Universal Coal Plc. for the period between 1 January 2017 to 30 June 2017 amounted to €3 521 000. Mbuyelo Coal (Pty) Ltd paid a dividend of € 947 000. No dividend was received from Universal Coal Plc in the first half year of 2017.

5.4 Deferred tax

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

	30 June 2017		31 Dec 2016	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	€ k	€ k	€ k	€ k
Property, plant and equipment	465	-	227	-
Non-current financial assets	-	-	-	-
Other asets	-	3,069	-	3,156
Other provisions	-	-	-	-
Other liabilities	-	-	-	-
Temporary differences	**465**	**3,069**	**227**	**3,156**
Tax loss carry-forwards	-	-	-	-
Total	**465**	**3,069**	**227**	**3,156**
Forex differences	-	-	-	-
Amounts as per balance sheet	**465**	**3,069**	**227**	**3,156**

5.5 Cash and cash equivalents

As at 30 June 2017 IchorCoal Group's unrestricted cash and cash equivalents were made up as follows:

	30 June 2017 € k	31 Dec 2016 € k
Cash at banks	1 300	1 598
Cash and cash equivalents	**1 300**	**1 598**

5.6 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 €7 478 107 (2016: €6 792 000) is divided into 74 781 070 (2016: 67 920 000) shares with a nominal value of €0.10 each. 6 861 111 shares were issued during the 2017 half year.

During the year the Company issued 6 861 111 shares with a nominal value of €0.10 each. The new share issue is composed as follows:

	Number of shares	**EUR per share**
Sapinda loan converted into equity (19 June 2017)	6 750 000	0.40
Conversion of convertible bonds (31 May 2017)	111 111	0.40
Total shares issued	6 861 111	

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

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

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

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

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

Share premium

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

Retained earnings

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

Other reserves

Other reserves reflect differences from the currency translation loss of €19 429 000 (2016: €18 930 000).

Legal reserve participations

The legal reserve for participating interests, which amounts to €13 756 000 (2016: €11 183 000), pertains to participating interests that are measured at net asset value. The reserves equal to the share in the results and direct changes in the equity (both calculated on the basis of the Company's accounting policies) of the participating interests since the first measurement at net asset value, less the distributions that the Company has been entitled to since the first measurement at net asset value, and less distributions that the Company may effect without restrictions. As to the latter share, this takes into account any profits that may not be distributable by participating interests that are Dutch limited companies based on the distribution tests to be performed by the management of those companies. The legal reserve is determined on an individual basis.

Share based payment reserve

Equity settled share options

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

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

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

Equity share based payments are measured at the fair value of the equity instrument at the date of the grant, which was €1 373 000 (2016 €855 000). Deferred share-based compensation is expensed over the vesting period, based on the Company's estimate of the shares that are expected to eventually vest.

Non-controlling interest

As at 30 June 2017 the following entities were consolidated in the Group's consolidated financial statements whereas non-controlling interest stakes were held by third parties:

	30 June 2017 € k	31 Dec 2016 € k
Vunene Mining (Pty) Ltd, South Africa	3 015	4 127
Indawo Estate (Pty) Ltd, South Africa	-28	-44
Foreign currency translation reserves	-616	-651
Non-controlling interest	**2 372**	**3 432**

5.7 Interest bearing loans and borrowings

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

As at 30 June 2017, interest bearing loans and borrowings were as follows:

	30 June 2017 € k	31 Dec 2016 € k
Ichor Coal N.V. convertible bonds	78 159	78 195
Into Africa Mining and Exploration (Pty) Ltd	206	-
Loans and borrowings	**78 365**	**78 195**

Convertible bonds

In 2012 the Company issued convertible bonds worth €80 000 000 at par, which – subject to early prepayment or conversion – mature in June 2017. The convertible bonds carried a fixed interest rate of 8% per annum to be paid quarterly in arrears. Under certain conditions, such as the issuance of new shares or payment of dividends in the form of ordinary shares, standard adjustment mechanisms would apply to the conversion share price or the Company would obtain the right to pay back all – but not part – of the outstanding notes including the accrued interest. There was a conversion of 19 bonds during 2014 and 5 in the current financial year.

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

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

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

As at 30 June 2017 no events occurred which triggered an adjustment to the conversion price or a clean-up option.

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

Based on IAS 39 accounting for the equity component (conversion option) 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.

At a meeting of IchorCoal bondholders on 20 June 2017, bondholders consented to an amendment of certain terms and conditions of the convertible bonds due in June 2017 resulting in the maturity of the bonds being extended by 2 years. Moreover, the fixed interest payable on the bonds was reduced from 8% per annum to 5% and the conversion price reduced from €4.50 to €0.70. Although the Company's share price decreased in the reporting period, the fair value of the conversion component as at 30 June 2017 has increased due to the reduced remaining time to expiry as well as higher volatility. The fair value of the conversion component was €10 933 000 (2016: €4 113 000).

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 30 June 2017, the total carrying value of the host component was €67 226 000 (2016: €74 082 000) including accrued interest.

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 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.

5.8 Other financial liabilities

	30 June 2017 € k	31 Dec 2016 € k
Access fees	-	633
Sapinda Invest S.a.r.l.	3 919	1 788
Sapinda Holding B.V.	11 291	12 979
Into Africa Mining and Exploration (Pty) Ltd	573	-
Non-current loans and borrowings	**15 783**	**15 400**

6 NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

6.1 Revenue

The following table provides information regarding the split of revenue:

	30 June 2017	30 June 2016
	€ k	€ k
Mining revenues	9 138	18 162
Care and maintenance services	-	515
Rental income	-	180
Revenue	**9 138**	**18 856**

Revenues from mining were generated from the Group's mining activities and the sale of the crushed coal to domestic customers and the export market. Care and maintenance services consist of costs recovered under the agreement to maintain the Vunene Mining underground mine infrastructure on behalf of a third party. This agreement was terminated in the last quarter of 2016. The revenues are all generated in South Africa.

6.2 Cost of sales

	30 June 2017	30 June 2016
	€ k	€ k
Equipment rental	1 032	7 990
Consumables	678	2 582
Labour	2 517	1 137
Outsourced mining services	652	4 246
Change in coal stock	1 498	-1 137
Other services	1 184	228
Care and maintenance services	-	841
Cost of sales	**7 561**	**15 887**

6.3 Other operating expenses

	30 June 2017	30 June 2016
	€ k	€ k
Consulting and legal expense	331	426
Audit and accounting expenses	333	91
Other professional services	-	98
Advertising	-	2
Insurance	90	118
Forex loss	2 261	-
Management fee	88	53
Other	1 713	467
Other operating expenses	**4 816**	**1 254**

6.4 General and administrative expenses

	30 June 2017	30 June 2016
	€ k	€ k
Salaries	1 793	1 023
Travel and entertainment	16	18
IT and communication	132	101
Head office expenses	770	222
General and administrative expenses	**2 711**	**1 364**

6.5 Finance income and costs

The financing revenue and cost are split as follows:

	30 June 2017	30 June 2016
	€ k	€ k
Interest income from bank accounts	48	27
Interest income	**48**	**232**
Fair value gain on conversion component of convertible bonds	3 060	649
Finance income	**3 108**	**676**

	30 June 2017 € k	30 June 2016 € k
Interest on convertible bonds	7 084	6 110
Interest on debts and borrowings	299	366
Interest on rehabilitation provision	52	408
Other	-	123
Finance costs	**7 435**	**7 007**

7. OTHER DISCLOSURES

7.1 Financial assets and liabilities

Presentation by categories

The balance sheet items as at 30 June 2017, comprising financial assets and liabilities can be attributed to the measurement categories according to IAS 39 as follows:

	30 June 2017			
	Carrying amount € k	Loans and receivables € k	Financial liabilities measured at amortised cost € k	Financial liabilities at fair value through profit or loss € k
Assets				
Trade and other receivables	531	531	-	-
Other current financial assets	808	808	-	-
Cash and cash equivalents	79	79	-	-
Other assets	45	45	-	-
Liabilities				
Interest-bearing loans and borrowings	78,365	-	74,030	4,335
Other non-current financial liabilities	15,783	-	15,783	-
Trade and other payables	1,940	-	1,940	-
Other liabilities	646	-	646	-

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

As at 30 June 2017, the financial assets and liabilities measured at fair value are categorised in the following classes:

Fair value hierarchy

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

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

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

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

As at 30 June 2017, the Group held the conversion component of the convertible bond at fair value through profit or loss in the statement of financial position. The conversion component has been valued using a binominal option pricing model, with share volatility, share price and time to maturity being significant input factors, and as such is classified as a Level 3. At inception the conversion option was valued at €25 100 000. 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 30 June 2017. The above fair value disclosure is based on that market value. However, it remains that for purposes of these financial statements, the carrying value of the host component represents the discounted nominal amount and the carrying value of the conversion component represents the fair value of the conversion option as at 30 June 2017.

	Carrying amount	Level 1	Level 2	Level 3
	€ k	€ k	€ k	€ k
Liabilities				
Interest-bearing loans and borrowings	78,365	-	-	78,158
Other financial liabilities	15,783	-	-	-
Trade and other payables	1,940	-	-	-
Other liabilities	646	-	-	-

7.2 Relationships with related parties

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

Transactions with subsidiaries and associates

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

Transaction with shareholders

The loans from Sapinda Invest S.a.r.l and Sapinda Holdings B.V amounted to €15 210 000 (2016: €14 767 000) including interest at the end of the reporting period.

Transactions with key management personnel

Key management personnel are also related parties and comprise the members of the Supervisory Board and the Management Board of Ichor Coal N.V and Vunene Mining (Pty) Ltd. No significant transactions with key management personnel occurred during the first six months ending 30 June 2017 beyond normal compensation.

7.5 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 June 2017.

Vunene

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

In 2012 an NGO laid criminal charges against Vunene Mining for mining within 500 meters of what is assumed to be a wetland. The Company complied with the majority of the conditions of the plea agreement by making the required payments. Appropriate rehabilitation of a portion of the wetland however is not finalised. The deadline for finalising this is December 2019. The Company consulted with a professional team supporting and advising on rehabilitation. It was agreed to approach the prosecutor and request his consent to support an application to extend and/or amend the deadline to December 2020. The Company believes the application for a postponement will be successful. Based on the assumption that a postponement/amendment will not need the assistance of an advocate and limited assistance by the wetland specialists, the legal and environmental practitioners' expenses are estimated at €33 785.

7.7 Events after the reporting date

Management accepted an offer to sell IchorCoal's entire 74% interest in Vunene Mining and Penumbra Coal Mining at a purchase consideration of €9.3m and €3.5m respectively. In the case of Vunene, all conditions precedent have been met and settlement effected in November 2018. Certain conditions precedent remain outstanding in the case of the disposal of Penumbra, principally securing financing for the transaction, which the buyer is in the final stages of finalising. Notably, the buyer has obtained in-principle approval for the financing and fulfilled most of the subject conditions with only a few remaining outstanding at this time. Consequently, there is still uncertainty with respect to the closing of this transaction; despite that management has a high degree of confidence that the transaction will close by the end of 2020.

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

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

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

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

There were no further subsequent events.

Johannesburg, 31 October 2019

Nonkululeko Nyembezi
Chief Executive Officer