BUFFALO COAL CORP.

REGISTRATION NUMBER: 001891261
EXTERNAL COMPANY REGISTRATION NUMBER: 2011/011661/10
SHARE CODE ON THE TSX VENTURE EXCHANGE: BUF
SHARE CODE ON THE JSE LIMITED: BUC
ISIN: CA1194421014

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the three and nine months ended September 30, 2019 and September 30, 2018

(Presented in South African Rands)

BUFFALO COAL CORP.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

(Presented in South African Rands)

	Notes	September 30, 2019 R	December 31, 2018 R	September, 2019 (Note 1) C$
Assets				
Non-current assets				
Property, plant and equipment	**3**	**53 656 560**	58 483 832	4 685 796
Right of use assets	**4**	**3 485 512**	-	304 388
Investment in financial assets	**5**	**210 870**	194 484	18 415
Other receivables - restricted	**5**	**56 412 158**	54 901 857	4 926 440
Other receivables		**7 708 288**	7 823 306	673 160
Long-term restricted cash		**3 200 000**	11 200 000	279 454
Total non-current assets		**124 673 388**	132 603 479	10 887 653
Current assets				
Trade and other receivables	**4**	**35 278 339**	48 284 245	3 080 838
Inventories		**49 453 293**	41 823 681	4 318 727
Current tax assets		**-**	864 711	-
Cash and cash equivalents		**15 989 888**	5 231 958	1 396 388
Total current assets		**100 721 520**	96 204 595	8 795 953
Total assets		**225 394 908**	228 808 074	19 683 606
Equity (deficiency) and liabilities				
Capital and reserves				
Share capital		**1 089 305 350**	1 089 305 350	95 128 394
Currency translation reserve		**(219 945 085)**	(219 945 085)	(19 207 675)
Reserves		**9 596 924**	9 697 835	838 094
Accumulated retained loss		**(1 282 148 310)**	(1 285 872 161)	(111 969 256)
(Deficiency) attributable to owners of the company		**(403 191 121)**	(406 814 061)	(35 210 443)
Non-controlling interest		**4 339 142**	4 339 142	378 935
Total (deficiency)		**(398 851 979)**	(402 474 919)	(34 831 508)
Non-current liabilities				
Asset retirement obligation	**8**	**43 937 885**	44 605 975	3 837 070
Lease liabilities	**4**	**2 066 856**	-	180 497
Total non-current liabilities		**46 004 741**	44 605 975	4 017 567
Current liabilities				
Trade and other payables		**87 500 511**	95 352 468	7 641 369
Current portion of lease liabilities	**4**	**1 418 656**	-	123 891
Current tax liabilities		**270 469**	828 558	23 620
Current portion of borrowings	**7**	**79 774 985**	100 982 963	6 966 702
RCF loan facilities	**6**	**404 065 530**	381 087 383	35 286 805
Conversion option liability	**5**	**151 382**	3 132 577	13 220
Warrant liability	**5**	**-**	7 825	-
Current portion of asset retirement obligation	**8**	**5 060 613**	5 285 246	441 940
Current liabilities		**578 242 146**	586 677 020	50 497 547
Total liabilities		**624 246 887**	631 282 995	54 515 114
Total equity (deficiency) and liabilities		**225 394 908**	228 808 074	19 683 606

Commitments and contingencies **1, 13**

Subsequent events **14**

Approved on behalf of the Board:

Signed, "Craig Wiggill", director *Signed, "Robert Francis", director*

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

BUFFALO COAL CORP.

Condensed Interim Consolidated Statements of Profit or Loss and Other Comprehensive Profit or Loss (Unaudited)

(Presented in South African Rands)

	Notes	9 months ended September 30, 2019 R	9 months ended September 30, 2018 R	3 months ended September 30, 2019 R	3 months ended September 30, 2018 R	9 months ended September 30, 2019 (Note 1) C$
Revenue		**298 490 523**	601 150 187	**99 711 070**	206 404 312	26 067 001
Cost of sales	**3**	**(211 361 507)**	(452 856 185)	**(74 958 511)**	(156 676 062)	(18 458 076)
Gross profit		**87 129 016**	148 294 002	**24 752 559**	49 728 250	7 608 925
Impairment (loss) on property, plant and equipment		**-**	(66 290 726)	**-**	(66 290 726)	-
Other income/(expenses) - net	**9**	**(2 381 917)**	(56 335 444)	**(23 606 472)**	(3 080 759)	(208 011)
General and administration expenses	**10**	**(52 170 271)**	(77 848 731)	**(13 795 925)**	(37 176 289)	(4 555 999)
Profit/(loss) before the undernoted		**32 576 828**	(52 180 900)	**(12 649 838)**	(56 819 525)	2 844 915
Finance income	**11**	**1 025 724**	1 980 534	**408 277**	452 482	89 576
Finance expense	**11**	**(29 979 612)**	(44 666 803)	**(9 412 040)**	(15 073 870)	(2 618 102)
Profit/(loss) before income tax		**3 622 940**	(94 867 169)	**(21 653 601)**	(71 440 913)	316 389
Income tax (recovery)		**-**	(49 217)	**-**	966 856	-
Total comprehensive profit/(loss) for the period		**3 622 940**	(94 916 386)	**(21 653 601)**	(70 474 057)	316 389
Profit/(loss) attributable to:						
- Owners of the parent		**3 622 940**	(94 916 386)	**(21 653 601)**	(70 474 057)	316 389
- Non-controlling interest		**-**	-	**-**	-	-
		3 622 940	(94 916 386)	**(21 653 601)**	(70 474 057)	316 389
Net profit/(loss) per share - basic and diluted		**0.01**	(0.23)	**(0.05)**	(0.18)	0.00
Headline profit/(loss) per share - basic and diluted		**0.01**	(0.23)	**(0.05)**	(0.18)	0.00
Weighted average number of common shares outstanding:						
- Basic		**421 352 596**	417 360 155	**421 352 596**	416 582 594	421 352 596
- Diluted		**421 352 596**	417 360 155	**421 352 596**	416 582 594	421 352 596

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

BUFFALO COAL CORP.

Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)

(Presented in South African Rands)

	Attributable to owners of the Group									
			Reserves							
	No. of shares issued	Share capital	Option reserve	Equity-settled non-employee benefits	BEE option reserve	Accumulated retained loss	Currency translation reserve	Total	Non-controlling interest	Total equity
		R	R	R	R	R	R	R	R	R
Balance at December 31, 2017	407 808 281	1 082 396 917	1 807 055	3 244 650	9 073 711	(1 218 681 917)	(219 945 085)	(342 104 669)	4 339 142	(337 765 527)
Shares issued to STA	8 774 313	4 460 460	-	-	-	-	-	4 460 460	-	4 460 460
Stock-based compensation	-	-	2 147	(796 677)	-	-	-	(794 530)	-	(794 530)
Net (loss) for the period	-	-	-	-	-	(94 916 386)	-	(94 916 386)	-	(94 916 386)
Balance at September 30, 2018	416 582 594	1 086 857 377	1 809 202	2 447 973	9 073 711	(1 313 598 303)	(219 945 085)	(433 355 125)	4 339 142	(429 015 983)
Shares issued to STA	4 770 002	2 447 973	-	-	-	-	-	2 447 973	-	2 447 973
Stock-based compensation	-	-	-	(2 447 973)	-	-	-	(2 447 973)	-	(2 447 973)
Stock options expired/cancelled	-	-	(1 185 078)	-	-	1 185 078	-	-	-	-
Net profit for the period	-	-	-	-	-	26 541 064	-	26 541 064	-	26 541 064
Balance at December 31, 2018	421 352 596	1 089 305 350	624 124	-	9 073 711	(1 285 872 161)	(219 945 085)	(406 814 061)	4 339 142	(402 474 919)
Stock options expired/cancelled	**-**	**-**	**(100 911)**	**-**	**-**	**100 911**	**-**	**-**	**-**	**-**
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**3 622 940**	**-**	**3 622 940**	**-**	**3 622 940**
Balance at September 30, 2019	**421 352 596**	**1 089 305 350**	**523 213**	**-**	**9 073 711**	**(1 282 148 310)**	**(219 945 085)**	**(403 191 121)**	**4 339 142**	**(398 851 979)**

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

BUFFALO COAL CORP.

Condensed Interim Consolidated Statements of Cash Flow (Unaudited)

(Presented in South African Rands)

	9 months ended		3 months ended		9 months ended
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018	September 30, 2019 (Note 1)
	R	R	R	R	C$
Cash flows from operating activities					
Cash generated from operations	**41 510 034**	99 179 121	**31 925 198**	32 227 056	3 625 047
Interest received	**1 025 725**	1 980 534	**408 278**	452 482	89 576
Interest paid	**(8 778 524)**	(20 142 024)	**(3 825 718)**	(6 454 149)	(766 623)
Taxation paid	**-**	(98 664)	**-**	(4 297 495)	-
Net cash generated from operating activities	**33 757 235**	80 918 967	**28 507 758**	21 927 894	2 948 000
Cash flows from investing activities					
Purchase of property, plant and equipment	**(7 947 569)**	(24 904 170)	**(3 536 902)**	(6 763 792)	(694 057)
Proceeds from the disposal of property, plant and equipment	**2 456 591**	-	**2 456 591**	-	214 533
Movement in restricted cash	**8 000 000**	-	**8 000 000**	-	698 634
Net cash (utilized in) investing activities	**2 509 022**	(24 904 170)	**6 919 689**	(6 763 792)	219 110
Cash flows from financing activities					
Repayment of borrowings	**(25 508 327)**	(70 000 000)	**(25 508 327)**	(25 000 000)	(2 227 627)
Net cash (utilized in) financing activities	**(25 508 327)**	(70 000 000)	**(25 508 327)**	(25 000 000)	(2 227 627)
Net increase/(decrease) in cash and cash equivalents	**10 757 930**	(13 985 203)	**9 919 120**	(9 835 898)	939 485
Cash and cash equivalents at the beginning of the period	**5 231 958**	21 428 994	**6 070 768**	17 279 689	456 903
Cash and cash equivalents at the end of the period	**15 989 888**	7 443 791	**15 989 888**	7 443 791	1 396 388

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

1 BASIS OF PREPARATION

The unaudited condensed interim consolidated financial statements (the “Interim Results”) of Buffalo Coal Corp. (“BC Corp” or the “Company”) and its subsidiaries (the “Group”) for the three and nine months ended September 30, 2019 and September 30, 2018 have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and have been prepared in accordance with accounting policies based on the IFRS standards and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations and are in compliance with IAS 34, *Interim Financial Reporting.* These Interim Results were approved and authorized for issue by the Board of Directors on November 14, 2019.

The Interim Results have not been audited by the Group’s external auditors. The Interim Results do not include all the information and disclosures required in the consolidated annual financial statements and should be read in conjunction with the Group’s consolidated annual financial statements for the year ended December 31, 2018, which have been prepared in accordance with IFRS. The Group has adopted the required new or revised accounting standards in the current period, as further set out in Note 2 below.

The preparation of the Interim Results requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. In preparing these Interim Results, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation and uncertainty were the same as those applied to the consolidated annual financial statements for the year ended December 31, 2018, except for those disclosed in Note 2.

References to “R”, “Rands” mean South African Rands, “C$” mean Canadian Dollars and to “US$” mean United States Dollars. References to Q3 2019 mean the three months ended September 30, 2019.

Going Concern

The Interim Results have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Group will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Group’s ability to continue as a going concern and ultimately continue operations into the future, is dependent on its ability to realize on short-term opportunities and to secure the funding required for medium to longer term projects.

In October 2018, a Special Committee of the Board was formed to monitor developments of the Company. The Special Committee has undertaken a strategic review of the Company and its capital structure and is in the process of reviewing other strategic alternatives that may be in the interests of Buffalo Coal and its stakeholders.

The Group continues to be in breach of certain covenants with respect to its borrowings from Investec Bank Limited (“Investec”) at September 30, 2019. As at September 30, 2019, the Investec loan balance amounted to R79.8 million (December 31, 2018: R101.0 million). Due to sales volumes that were lower than anticipated for the quarter and year to date, the Company negotiated further amendments to the repayment terms of the outstanding revolving credit agreement (R79.8 million) with Investec.

Pursuant to the amendments to the Investec term loan and revolving credit facility agreement dated March 5, 2019, July 1, 2019 and October 24, 2019, Investec agreed to revised repayment terms (Refer to Note 7, Investec borrowings).

The Resource Capital Fund Convertible Loan ("RCF loan") of US$27 million was due and payable on June 30, 2019 (Refer to Note 6, RCF loan facilities). As at April 15, 2019, RCF agreed to extend the maturity date to December 31, 2019 to allow the Company to obtain financing in order to settle this amount as it currently does not have the means to repay this amount in full. The Company is currently in discussions with RCF to further extend the maturity date of the RCF loan.

It is uncertain what the outcome of the above-mentioned strategic review process will be and if the Company will be able to obtain financing to settle its debt obligations.

Although the Group has, over time, implemented various restructuring initiatives, the Group continues to experience operational challenges. The Group remains dependent upon sustaining profitable levels of operation, as well as the continued support of Investec, RCF and other stakeholders and believes that subject to its ability to meet current production and sales forecasts, it should be able to generate positive cash flows in the foreseeable future.

There is no assurance that the Company will be able to meet its covenants in the future, or that Investec will provide future waivers or that RCF will provide further extensions, if required. These matters constitute material uncertainties which cast significant doubt as to whether the Group can continue as a going concern.

As at September 30, 2019, the Company had a shareholders' deficiency of R398.9 million (December 31, 2018: R402.5 million), and a working capital deficiency of R478.0 million (December 31, 2018: R490.5 million). The Company recorded a net profit of R3.6 million for the nine months ended September 30, 2019 (September 30, 2018: net loss of R94.9 million).

Should the going concern assumption not be appropriate for the preparation of these Interim Results, adjustments would be necessary to the carrying values of assets and liabilities, the reported revenues and expenses and the statement of financial position classifications. Such adjustments could be material.

Convenience rate translation

The Company's functional and presentation currency is Rands. The Canadian Dollar amounts provided in the Interim Results represent supplementary information solely for the convenience of the reader. The financial position as of September 30, 2019 and the financial results for the nine months ended September 30, 2019 were translated into Canadian Dollars using a convenience translation at the rate of C$1:R11.45090, which is the exchange rate published on Oanda.com as of September 30, 2019. Such presentation is not in accordance with IFRS and should not be construed as a representation that the Rand amounts shown could be readily converted, realized or settled in Canadian Dollars at this or at any other rate.

2 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

The interim financial statements have been prepared using the same accounting policies and methods as were used for the Company's consolidated financial statements and the notes thereto for the years ended December 31, 2018 and December 31, 2017 (the "2018 Annual Financial Statements"), except for the following new accounting pronouncements which were adopted on January 1, 2019. The Financial Statements should be read in conjunction with the 2018 Annual Financial Statements.

The following standards, amendments and interpretations are issued and effective for the first time for the nine months ended September 30, 2019:

IFRS 16 - '*Leases'*

The Company adopted IFRS 16 effective January 1, 2019, and the standard was applied using the modified retrospective method.

The modified retrospective method does not require restatement of prior period financial information as it recognizes the cumulative effect, if any, as an adjustment to opening retained earnings and applies the standard prospectively. Accordingly, comparative information in the Company's consolidated financial statements are not restated and continues to be reported under IAS 17.

On adoption of IFRS 16, the Company has recognized right of use ("ROU") assets and a corresponding lease liability in relation to all lease arrangements, excluding commitments in relation to arrangements not containing leases (service agreements), measured at the present value of the remaining lease payments as at December 31, 2018. ROU assets and a lease liability were recorded as of January 1, 2019, with no impact on the Company's deficit.

When measuring the lease liability, the Company discounts lease payments using the interest rate implicit in the lease, or the Company's incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined.

The Company assesses new contracts at inception to determine whether it contains a lease. This assessment involves the exercise of judgement about whether the asset is specified for the Company, whether the Company obtains substantially all the economic benefits from use of that asset, and whether the Company has the right to direct the use of the asset.

Leases are recognized as a ROU asset with a corresponding liability at the date of which the leased asset is available for use by the Company. Each lease payment is allocated between the lease liability and finance expense. The finance expense is charged to the statement of profit or loss over the lease term to produce a constant periodic rate of interest on the remaining balance of the liability for each reporting period. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments, less any lease incentives receivable, variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Company will exercise a purchase, extension or termination option that is within the control of the Company. ROU assets are measured at cost comprising of the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date, any initial direct costs and restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the statement of profit or loss. Short-term leases are leases with a lease term of 12 months or less.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

(Presented in South African Rands)

IFRIC 23 – *"Uncertainty over Income Tax Treatments"*

On January 1, 2019, the Company also adopted the new accounting standard IFRIC 23. The interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Company has concluded that there is no significant impact resulting from the application of this new standard on its consolidated financial statements.

3 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings R	Mining assets R	Office equipment, fixtures and fittings R	Development costs capitalized R	Mineral rights R	Total R
Year to date September 30, 2019						
Opening net book value	**1 523 187**	**40 957 393**	**1 137 030**	**14 866 222**	**-**	**58 483 832**
Additions	**-**	**7 336 946**	**20 923**	**589 700**	**-**	**7 947 569**
Disposals	**-**	**(1 941 840)**	**-**	**-**	**-**	**(1 941 840)**
Depreciation	**(123 716)**	**(8 460 347)**	**(284 629)**	**(1 964 309)**	**-**	**(10 833 001)**
Net book value at end of September 2019	**1 399 471**	**37 892 152**	**873 324**	**13 491 613**	**-**	**53 656 560**
Year to date September 30, 2019						
Cost	**7 757 896**	**392 444 259**	**8 870 986**	**50 057 701**	**14 009 756**	**473 140 598**
Accumulated depreciation	**(6 358 425)**	**(354 552 107)**	**(7 997 662)**	**(36 566 088)**	**(14 009 756)**	**(419 484 038)**
Net book value at end of September 2019	**1 399 471**	**37 892 152**	**873 324**	**13 491 613**	**-**	**53 656 560**

	Land and buildings R	Mining assets R	Office equipment, fixtures and fittings R	Development costs capitalized R	Mineral rights R	Total R
Year ended December 31, 2018						
Opening net book value	2 177 512	69 850 758	447 452	26 766 779	7 643 415	106 885 916
Additions	93 756	19 596 213	945 318	9 045 462	-	29 680 749
Change in estimates of asset retirement obligation	-	11 957 124	-	-	-	11 957 124
Disposals	-	(252 865)	-	-	-	(252 865)
Impairment loss	(548 298)	(49 139 353)	(12 864)	(17 789 887)	-	(67 490 402)
Reclasification of impairment recorded at year-end	12 932	6 413 590	130 376	1 086 517	(7 643 415)	-
Depreciation	(212 715)	(17 468 074)	(373 252)	(4 242 649)	-	(22 296 690)
Net book value at end of year	1 523 187	40 957 393	1 137 030	14 866 222	-	58 483 832
Year ended December 31, 2018						
Cost	7 757 896	406 070 234	8 850 063	49 468 000	14 009 756	486 155 949
Accumulated depreciation	(5 686 411)	(315 973 488)	(7 700 169)	(16 811 891)	(14 009 756)	(360 181 715)
Impairment loss	(548 298)	(49 139 353)	(12 864)	(17 789 887)	-	(67 490 402)
Net book value at end of year	1 523 187	40 957 393	1 137 030	14 866 222	-	58 483 832

As at September 30, 2019, equipment included items to the value of R0.1 million (December 31, 2018: R0.1 million) that were not directly used in production and operations and relate to property, plant and equipment in the Company's corporate office in South Africa. All property, plant and equipment are located in South Africa.

(Presented in South African Rands)

Depreciation expense of R10.8 million for the nine months ended September 30, 2019 and R18.0 million for the nine months ended September 30, 2018, respectively, was recognized in cost of sales.

4 LEASES

Lease liabilities

On adoption of IFRS 16, the Company recognized liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at January 1, 2019 of 11.15%.

			September 30, 2019
	Land R	**Buildings R**	**Total R**
Lease liabilities recognized at January 1, 2019	3 703 026	989 250	**4 692 276**
Reassessment of lease liability	-	15 252	**15 252**
Finance charges	264 125	25 998	**290 123**
Payments made	(957 336)	(554 803)	**(1 512 139)**
Closing balance	**3 009 815**	**475 697**	**3 485 512**
Current lease liabilities	942 959	475 697	1 418 656
Non-current lease liabilities	2 066 856	-	2 066 856

Right of use assets

The associated right of use assets was measured at the amount equal to the lease liability and they relate to the following types of assets:

			September 30, 2019
	Land R	**Buildings R**	**Total R**
Right of use assets recognized at January 1, 2019	3 703 026	989 250	**4 692 276**
Depreciation	(693 211)	(528 805)	**(1 222 016)**
Reassessment of lease liability	-	15 252	**15 252**
Closing balance	3 009 815	475 697	**3 485 512**

Included in the lease of land is a servitude agreement between Zinoju Coal and Avemore Trust whereby a servitude is granted over a portion of land, used for operations. The servitude is calculated at a fixed rate per ROM tonnes produced, escalated each year at a percentage equal to the CPI of the previous year. The expiry date is the date on which operations ceases.

Also included in the lease of land is an agreement with the Magdalena landowners relating to the lease of the Magdalena farm. The total lease amount of R1.8 million was paid for in advance during December 2010. The balance included in trade and receivables as prepaid expenses was R1.0 million as at September 30, 2019 (December 31, 2018: R1.1 million).

Buildings being leased relate to the Company's corporate office in Centurion, South Africa, which had been extended for a further period to June 30, 2020.

5 FINANCIAL INSTRUMENTS AT FAIR VALUE

The following table presents the Group's financial assets and liabilities measured at fair value at September 30, 2019 and December 31, 2018:

	Level 1 R	Level 2 R	Level 3 R
September 30, 2019			
Investment in financial assets	**210 870**	**-**	**-**
Other receivable - restricted	**-**	**56 412 158**	**-**
Conversion option liability	**-**	**151 382**	**-**
Warrant liability	**-**	**-**	**-**
December 31, 2018			
Investment in financial assets	194 484	-	-
Other receivable - restricted	-	54 901 857	-
Conversion option liability	-	3 132 577	-
Warrant liability	-	7 825	-

Investment in financial assets

The investment in financial assets consists of security investments held by the Group.

Other receivables – restricted

Guarantees provided to the DMR relating to the asset retirement obligations as per the National Environmental Management Act ("NEMA") is held in an insurance investment fund with Centriq Insurance Company Limited ("Centriq"). Any future shortfalls between the DMR required guarantee amount of R63.0 million and the value of the investment will be funded over the Life of Mine through the growth in the investment. Management believes that no further cash contributions will be required in connection with the R63.0 million financial guarantees issued to the DMR, provided there are no changes to the closure cost liability.

Warrant liability

In connection with the First Amended Investec Agreement, Investec subscribed for 34 817 237 warrants in the Company with a strike price of C$0.1446, the proceeds of which, if exercised, would have been applied against settlement of the Bullet Facility. Pursuant to the First Amended Investec Agreement, these warrants expired on July 3, 2019, and hence the related liability was extinguished. RCF, which had the right to acquire the warrants from Investec pursuant to the First Amended Investec Agreement at agreed pricing until July 3, 2019, did not exercise its right.

Until June 30, 2019, the Bullet Facility and the warrants had been treated as a compound financial instrument, as the Bullet Facility could have effectively been settled through the issuance of Common Shares. Furthermore, an embedded derivative existed due to the warrants being denominated in Canadian Dollars and the functional currency of the Company being Rands. The Bullet Facility had been recognized in two parts, a liability component (included in borrowings) and a warrant liability.

The fair value of the warrant liability was RNil as at June 30, 2019 as the liability component had been fully accreted to its face value of R40.5 million using the effective interest rate method at approximately 35.5%.

Conversion option liability

The RCF Convertible Loan has been recognized in two parts, a liability component and a Conversion Option Liability. An embedded derivative exists due to the convertible loan facility being denominated in US Dollars, the conversion feature being exercisable in Canadian Dollars and the functional currency being Rands.

On April 15, 2019, BC Corp and RCF agreed to extend the final maturity date of the RCF Convertible Loan to December 31, 2019, which also had the effect of extending the conversion option liability component to the revised maturity date (Refer to Note 6). This resulted in an R11.1 million loss on extension of the conversion option calculated on the amendment date, April 15, 2019, which has been included in other income/(expenses) in these Interim Results (Refer to Note 9).

The fair value of the Conversion Option Liability was re-measured using the Black-Scholes option pricing model:

	September 30, 2019	**June 30, 2019**	**March 31, 2019**	**December 31, 2018**	**Initial assumptions**
Volatility (based on historical share price)	**169.8%**	**128.4%**	117.9%	131.5%	51.0%-107.0%
Life (in years) to maturity date	**0.3**	**0.5**	0.3	0.5	3.9-5.0
Risk-free interest rate	**1.59%**	**1.51%**	1.47%	1.90%	0.5%-1.5%
Share price (C$)	**0.01**	**0.01**	0.01	0.01	0.035-0.095
Potential shares	**762 262 964**	**753 634 478**	768 566 226	784 738 593	720 351 931
Value of convertible feature (C$)	**13 220**	**261 937**	13 694	296 616	18 191 938
Value of convertible feature (R)	**151 382**	**2 818 077**	148 514	3 132 577	182 348 706

Movement in the conversion option liability was as follows during the nine months ended September 30, 2019 and year ended December 31, 2018:

	September 30, 2019 R	**December 31, 2018 R**
Opening balance	**3 132 577**	28 289
Loss on extension of loan maturity date	**11 121 309**	-
Fair value adjustment	**(14 482 675)**	(831 739)
Foreign currency translation adjustment	**380 171**	3 936 027
Current portion	**151 382**	3 132 577
Long-term portion	**-**	-

(Presented in South African Rands)

6 RCF LOAN FACILITIES

Movement in the RCF Convertible Loan was as follows:

	September 30, 2019 R	December 31, 2018 R
Opening balance	**381 087 383**	314 762 527
Gain on extension of loan maturity date	**(10 507 576)**	-
Accretion expense	**13 372 816**	13 585 885
Effect of foreign currency exchange difference	**20 112 907**	52 738 971
Current portion	**404 065 530**	381 087 383
Long-term portion	**-**	-

The RCF loan, according to the original loan terms, became due and payable as at June 30, 2019 and the liability component would have accreted to its face value of US$27.0 million on June 30, 2019. Consequently, the entire liability had been presented as current as at December 31, 2018 and September 30, 2019.

As previously noted, on April 15, 2019, RCF agreed to extend the maturity date until December 31, 2019 to allow the Company to obtain other financing in order to settle this amount as the Company currently does not have the means to repay this amount in full (Refer to Note 1, Basis of Preparation - Going Concern). This maturity date extension does not affect the classification of the loan as current.

The discounted present value of the cash flows under the revised terms using the revised effective interest rate of 6.49% (March 30, 2019, December 31, 2018: 5.3%) was not substantially different from the discounted present value of the remaining cash flows of the original liability, on the modified date. The difference between the old and the new discounted present values of the loan on the modification date amounted to a R10.5 million gain. According to IFRS 9, such non-substantial modifications (less than 10% difference) are to be immediately recognized in profit or loss and has been reflected as such in these Interim Results (Refer to Note 9).

The liability component will continue to accrete to its face value of US$27.0 million (approximately R409.4 million) (December 31, 2018: US$27.0 million (approximately R388.7 million)), using a revised effective interest rate of 6.49% (March 30, 2019, December 31, 2018: 5.3%).

(Presented in South African Rands)

7 INVESTEC BORROWINGS

Borrowings consisted of the Investec loan facilities as detailed below:

	September 30, 2019 R	December 31, 2018 R
Opening balance	**100 982 963**	187 955 977
Accretion of warrant asset	**4 344 520**	6 816 773
Effect of foreign currency exchange difference	**263**	98 381
Amortisation of deferred cost	**-**	1 129 715
Interest accrued	**9 511 518**	16 649 213
Interest paid	**(9 555 952)**	(16 667 096)
Repayments	**(25 508 327)**	(95 000 000)
Current portion	**79 774 985**	100 982 963

On March 5, 2019, the Company accepted and agreed to Investec's amendment to the Term Loan and Revolving Credit Facility Agreement. Pursuant to the amended agreement, the final maturity date has been extended from December 31, 2019 to September 30, 2020. Quarterly repayment instalments were set at R25.5 million due on June 30, 2019, R20 million on September 30, 2019 and December 31, 2019, R10 million on March 31, 2020, and R15 million on June 30, 2020 and September 30, 2020. The Corporation is obliged to pay any accrued royalties payable to Investec at the end of September 2020 (R5.8 million as at June 30, 2019, December 31, 2018: R5.6 million). In addition, Investec agreed not to exercise its acceleration rights with respect to any existing events of default under the Investec Facility until June 30, 2019.

Due to the Company's continued cashflow constraints during the first half of calendar 2019, the Company was not able to settle the R25.5 million instalment due on June 30, 2019 and, through discussions with Investec, renegotiated the terms of repayment thereof. On July 1, 2019, the Company accepted and agreed to Investec's amendment to the Term Loan and Revolving Credit Facility Agreement pursuant to which the R25.5 million instalment was settled in three monthly instalments, being R7 million paid on July 31, 2019, R7 million paid on August 31, 2019 and R11.5 million paid on September 30, 2019.

During Q3 2019, the Company, through discussions with Investec, renegotiated the terms of repayment of the R20 million instalment due on September 30, 2019. On October 24, 2019, the Company accepted and agreed to Investec's amendment to the Term Loan and Revolving Credit Facility Agreement pursuant to which the R20 million instalment has to be settled in three monthly instalments, being R5 million payable on October 31, 2019, R5 million payable on November 30, 2019 and R10 million payable on December 31, 2019. The December 31, 2019 instalments due (R30 million in total) will be subject to a review in December by Investec of the Company's cash flow forecast for the following year. On October 31, 2019, the first instalment of R5 million was paid to Investec.

(Presented in South African Rands)

The current portion at September 30, 2019 and December 31, 2018 comprised of the following:

	September 30, 2019 R	December 31, 2018 R
Investec Loan Facilities Outstanding	**79 774 985**	**105 327 746**
Bullet Facility	-	25 508 327
Working Capital Facility	79 774 985	79 819 419
Less: Warrant asset	**-**	**(4 344 783)**
Current portion	**79 774 985**	**100 982 963**

8 ASSET RETIREMENT OBLIGATION

	September 30, 2019 R	December 31, 2018 R
Opening balance	**49 891 221**	35 898 183
Change in estimate	**(892 723)**	13 993 038
- Included in property, plant and equipment	**-**	11 957 124
- Reversal of provision	**(2 178 541)**	-
- Allocation to current provisions	**40 940**	552 642
- Unwinding of discount	**1 244 878**	1 483 272
Closing balance	**48 998 498**	49 891 221
Current portion	**(5 060 613)**	(5 285 246)
Non-current portion	**43 937 885**	44 605 975

The change in estimate during the year ended December 31, 2018 included R12.0 million that resulted from the reduction in the rehabilitation period associated with the rehabilitation obligation of the Magdalena Mine from 15 years to 7 years, based on the decision to close the mine. The reversal of provision during the nine months ended September 30, 2019 relates to changes in the discount and inflation rates used.

The provision is calculated using the following rates:

	September 30, 2019	December 31, 2018
Discount rate (%) - Magdalena	**8.32**	9.03
Discount rate (%) - Aviemore - MR174	**6.90**	6.97
Discount rate (%) - Aviemore - MR301	**10.85**	9.62
Inflation rate (%) - Magdalena & Aviemore	**4.30**	5.30

The change in inflation rates used is linked to the changes in South African Consumers Price Index ("CPI") obtained as at September 30, 2019. The inflation rates used in the calculation is the same for all the rehabilitation guarantees as noted in the table above.

The discount rates used in the calculation of the estimated net present value of the rehabilitation liability is dependent on the life-of-mine and were based on recent yields determined on South African Government bonds. Government bonds expiring in 1 to 7 years were used for Magdalena (R2026), expiring within 12 months for Aviemore MR174 (R2020) and bonds expiring in more than 10 years were used for Aviemore MR301 (R2033).

(Presented in South African Rands)

9 OTHER INCOME/(EXPENSE) – NET

	9 months ended		3 months ended	
	September 30, 2019 R	September 30, 2018 R	September 30, 2019 R	September 30, 2018 R
Unrealized foreign exchange gain/(loss) - net	**(24 708 853)**	(50 851 961)	**(32 148 669)**	(11 980 324)
Realized foreign exchange gain/(loss) - net	**3 112 059**	37 380	**3 042 724**	(27 355)
Net profit/(loss) on disposal of property, plant and equipment	**514 751**	-	**466 751**	-
Scrap sales	**168 964**	-	**108 229**	-
Dividends received	**311 826**	-	**311 826**	-
Fair value adjustment on financial assets	**2 770 316**	2 300 024	**794 046**	768 884
Fair value adjustment on conversion option and warrant liability	**14 490 486**	(8 694 054)	**2 767 718**	8 692 951
Gain on extension of RCF Convertible loan maturity date	**10 507 576**	-	**-**	-
Loss on extension of RCF Convertible loan - conversion option	**(11 121 309)**	-	**-**	-
Other income/(expenses)	**1 572 267**	873 167	**1 050 903**	(534 915)
Total	**(2 381 917)**	(56 335 444)	**(23 606 472)**	(3 080 759)

10 GENERAL AND ADMINISTRATION EXPENSES

	9 months ended		3 months ended	
	September 30, 2019 R	September 30, 2018 R	September 30, 2019 R	September 30, 2018 R
Audit and tax related fees	**3 587 551**	3 811 800	**1 234 889**	2 442 569
Bad debts	**5 091 652**	1 668 350	**(575 535)**	-
Consulting fees	**6 535 384**	7 397 579	**2 657 600**	2 072 062
Directors fees	**2 112 049**	2 141 968	**705 499**	670 764
Fund administration fees	**1 260 015**	1 260 015	**1 260 015**	1 260 015
Insurance	**6 706 649**	5 436 678	**2 502 038**	2 747 842
Legal fees	**790 848**	2 108 757	**(104 775)**	827 520
Penalty (recovery)	**(1 062 228)**	2 000 000	**12 772**	-
Retrenchment costs	**-**	13 520 735	**-**	13 520 735
Rehabilitation adjustment (income)/expenses	**(1 912 968)**	1 217 696	**(3 196 446)**	1 217 696
Salaries and wages	**22 918 034**	28 833 928	**7 424 876**	9 731 154
Shareholder communication and listing fees	**560 154**	511 444	**89 282**	124 229
Travel and accommodation	**764 784**	2 078 001	**215 218**	788 773
Telephone, internet and computer expenses	**1 458 212**	1 492 316	**325 151**	369 934
Other	**3 360 135**	4 369 464	**1 245 341**	1 402 996
Total	**52 170 271**	77 848 731	**13 795 925**	37 176 289

During the nine months ended September 30, 2019, two debtors went into business rescue. During Q3 2019, the Company received R0.6 million as compensation from one of these debtors, the balance has been written off as bad debt. The Company is awaiting the final outcome of the business rescue processes.

The provision for penalties payable in connection with the Calcine plant (Refer to Note 13 - Commitments and contingencies) provided for during the year ended December 31, 2018, was reduced from R2.0 million to R0.9 million, during the nine months ended September 30, 2019, following the outcome of the 24G assessment and the related penalty issued by the Economic Development, Tourism and Environmental Affairs.

Included in consulting fees for the three and nine months ended September 30, 2019 is an amount of R1.3 million and R3.8 million, respectively, relating to the Balgray feasibility study costs.

11 FINANCE INCOME AND EXPENSE

	9 months ended		3 months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	R	R	R	R
Finance income				
Interest on cash and restricted cash	**1 025 724**	1 980 534	**408 277**	452 482
Total	**1 025 724**	1 980 534	**408 277**	452 482
Finance expense				
Interest on borrowings	**(8 501 827)**	(24 512 302)	**(3 020 259)**	(8 104 753)
Interest on the RCF loan facilities	**(621 618)**	(885 487)	**(170 780)**	(243 209)
Interest on STA accounts payable	**(1 546 742)**	(3 617 154)	**(522 498)**	(920 876)
Interest to South African Revenue Service ("SARS")	**(30 756)**	-	**-**	-
Unwinding discount on asset retirement obligation	**(1 244 878)**	(945 108)	**(518 925)**	(356 602)
RCF Loan accretion expense	**(13 372 816)**	(9 820 060)	**(5 057 826)**	(3 656 238)
Investec accretion of warrant asset	**(4 344 520)**	(4 868 611)	**-**	(1 785 979)
Finance charges on lease liabilities	**(290 124)**	-	**(120 633)**	-
Other	**(26 331)**	(18 082)	**(1 119)**	(6 214)
Total	**(29 979 612)**	(44 666 803)	**(9 412 040)**	(15 073 870)

Interest on borrowings included royalties payable to Investec of R0.1 million for the nine months ended September 30, 2019 (September 30, 2018: R9.4 million) pursuant to the 6th Amendment Agreement, with effect from July 1, 2017, the terms of which provide for a Life of Mine Royalty ("LOMR") payable to Investec on all bituminous coal mined and sold from the Magdalena reserve, calculated at a rate of 3.54% of revenue. As at September 30, 2019, R5.9 million in royalties payable to Investec was included in Trade and other payables (December 31, 2018: R5.7 million).

12 RELATED PARTIES

During the nine months ended September 30, 2019 and September 30, 2018, the Company did not enter into any transactions with related parties in the ordinary course of business.

The following balances were outstanding as at September 30, 2019 and December 31, 2018:

R'000	September 30, 2019	December 31, 2018
Related party payables		
RCF [1]	**5 748**	4 846

These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

[1] RCF is a related party to the Company as a result of owning a controlling investment in the Company. As set out in the third amended and restated convertible loan agreement with RCF, RCF has invoiced the Company for costs incurred relating to the loan facilities, which are disclosed above. In addition to these costs, included in payables are accrued interest payable to RCF of R3.9 million (December 31, 2018: R3.1 million) on the RCF Convertible loan as well as costs invoiced by RCF to the Company in previous years that have not been settled.

Compensation of key management personnel

In accordance with IAS 24 - *Related-Party Disclosures*, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and other key members of management personnel (officers) during the nine and three months ended September 30, 2019 and September 30, 2018 were as follows:

	9 months ended		3 months ended	
R'000	**September 30, 2019**	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
Short-term benefits	**6 401**	7 706	**2 238**	2 374
Share-based payments	**-**	2	**-**	1
Total	**6 401**	7 708	**2 238**	2 375

Amounts owing to directors and other members of key management personnel were R0.7 million as of September 30, 2019 (December 31, 2018: R0.4 million). These amounts are to be settled in the normal course of business. (Refer also to Note 13).

13 COMMITMENTS AND CONTINGENCIES

Management Agreements

Certain management contracts require that payments of approximately R4.3 million be made upon the occurrence of a change of control, other than a change of control attributable to RCF and/or Investec. As no triggering event has taken place, no provision has been recognised as of September 30, 2019.

Capital Commitments

Capital expenditures contracted for at the statement of financial position date but not recognized in the Interim Results are as follows:

	September 30, 2019 **R**	**December 31, 2018** **R**
Property, plant and equipment	5 402 906	5 219 959

In terms of Regulation 8.10 of the Mine Health and Safety Act, 29 of 1996 Regulations, the Company is required to take reasonably practicable measures to ensure that pedestrians are prevented from being injured as a result of collisions between trackless mobile machines and pedestrians, by way of the installation of proximity devices on specified machines. The Company is on track to have all of the required devices implemented before the end of calendar 2019.

Environmental and Regulatory Contingency

The Company's mining and exploration activities are subject to various laws and regulations governing the environment and mine operations. These laws and regulations are continually changing and generally becoming more restrictive.

The previously operational adit at Magdalena does not have an amended Environmental Management Program ("EMP") or an amended Integrated Water Use License Application ("IWULA"). As a result, the mine had to apply for a Section 24G retrospective Environmental Impact Analysis ("EIA"). On July 24, 2019, the DMR did a site inspection at Magdalena. DMR must provide a report on their visit to the penalty committee by the end of August 2019 following which a final decision will be made on any penalty to be issued. The Company is awaiting the final outcome from the DMR. R2.45 million had been provided for during December 2017 to settle potential penalties for the non-compliance. To date, no penalties have been issued in this regard. Accordingly, the full amount has been included in Provisions (Trade and other payables) as at September 30, 2019.

The Company's Calcine plant has been operating without an Air Emissions License ("AEL"), and this has necessitated that a Section 24G application be submitted to the Economic Development, Tourism and Environmental Affairs ("EDTEA"). The Section 24G application relates to certain listed activities which were commenced at the Calcine plant at Coalfields, prior to obtaining Environmental Authorization ("EA"). An additional R2.0 million had been provided for in early 2018 to settle estimated fines for non-compliance. On April 24, 2019, the Company received a fine letter from the EDTEA which imposed a fine of R925,000 for non-compliance. Accordingly, the provision included in Trade and other payables (R2 million) was reduced to R925,000 in June 2019 and paid on October 4, 2019. The Company is now awaiting the issue of the EA. Once the EA is secured, the Company will submit an application in terms of S22A of the National Environmental Management Air Quality Act ("NEMAQA") for a postponement license related to the Air Quality Act. Should the application for postponement be successful, the Company will be required to comply with the Air Quality Act by 2025.

The Company has made, and expects to make in the future, expenditures to comply with environmental laws and regulations.

Social and Labour plan

As part of BC Corp's approved Social and Labour plan, the Company has committed to finance certain agreed to Local Enterprise Development Projects (LED Projects). The outstanding value of these commitments was R8.6 million as at September 30, 2019.

14 SUBSEQUENT EVENTS

Other Matters

Except for the matters discussed above and specifically under Note 1, Basis of preparation - Going Concern, no other matters which management believes are material to the financial affairs of the Company have occurred between the statement of financial position date and the date of approval of these Interim Results.

November 15, 2019

Designated Adviser: Questco Corporate Advisory Proprietary Limited