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

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and December 31, 2018

(Presented in South African Rands)

Independent Auditor's Report

To the Shareholders of Buffalo Coal Corp.

Opinion

We have audited the consolidated financial statements of Buffalo Coal Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of profit(loss) and comprehensive profit(loss), consolidated statements of changes in equity (deficiency) and consolidated statements of cash flow for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2.1 in the consolidated financial statements, which indicates that as at December 31, 2019, the Company's current liabilities exceeded its current assets by ZAR 430,287,683 and the Company continues to be in breach of certain covenants with respect to its borrowings. As stated in Note 2.1, these events or conditions, along with other matters as set forth in Note 2.1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we

McGovern Hurley

are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner of the audit resulting in this independent auditor's report is Chris Milios.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 7, 2020

BUFFALO COAL CORP.
Consolidated Statements of Financial Position
(Presented in South African Rands)

	Notes	December 31, 2019 R	December 31, 2018 R	December 31, 2019 (Note 2) C$
Assets				
Non-current assets				
Property, plant and equipment	**10**	**41 419 841**	58 483 832	3 837 877
Right of use assets	**11**	**1 669 955**	-	154 735
Investment in financial assets	**12**	**198 744**	194 484	18 415
Other receivables - restricted	**14**	**57 150 772**	54 901 857	5 295 472
Other receivables - deposits and prepayments	**15**	**6 772 703**	7 823 306	627 545
Long-term restricted cash	**17**	**3 200 000**	11 200 000	296 505
Total non-current assets		**110 412 015**	132 603 479	10 230 549
Current assets				
Trade and other receivables	**15**	**37 533 214**	48 284 245	3 477 750
Inventories	**16**	**51 280 103**	41 823 681	4 751 508
Current tax assets	**25**	**-**	864 711	-
Cash and cash equivalents	**18**	**3 518 388**	5 231 958	326 007
Total current assets		**92 331 705**	96 204 595	8 555 265
Total assets		**202 743 720**	228 808 074	18 785 814
Equity (deficiency) and liabilities				
Capital and reserves				
Share capital	**19**	**1 089 305 350**	1 089 305 350	100 932 783
Currency translation reserve		**(219 945 085)**	(219 945 085)	(20 379 657)
Reserves	**20**	**9 596 924**	9 697 835	889 231
Accumulated retained loss		**(1 248 932 442)**	(1 285 872 161)	(115 723 499)
(Deficiency) attributable to owners of the company		**(369 975 253)**	(406 814 061)	(34 281 142)
Non-controlling interest		**4 339 142**	4 339 142	402 056
Total (deficiency)		**(365 636 111)**	(402 474 919)	(33 879 086)
Non-current liabilities				
Asset retirement obligation	**23**	**45 337 773**	44 605 975	4 200 904
Lease liabilities	**11**	**422 670**	-	39 164
Total non-current liabilities		**45 760 443**	44 605 975	4 240 068
Current liabilities				
Trade and other payables	**8, 24, 28, 29**	**95 045 135**	95 352 468	8 806 684
Current portion of lease liabilities	**11**	**535 551**	-	49 623
Current tax liabilities	**25**	**254 915**	828 558	23 620
Borrowings	**21**	**64 114 971**	100 982 963	5 940 761
RCF loan facilities	**22**	**355 904 610**	381 087 383	32 977 386
Conversion option liability	**22**	**1 487 566**	3 132 577	137 835
Warrant liability	**21**	**-**	7 825	-
Current portion of asset retirement obligation	**23**	**5 276 640**	5 285 246	488 923
Current liabilities		**522 619 388**	586 677 020	48 424 832
Total liabilities		**568 379 831**	631 282 995	52 664 900
Total equity (deficiency) and liabilities		**202 743 720**	228 808 074	18 785 814

Commitments and contingencies ***1, 2.1, 29, 21***
Subsequent events ***30***

Approved on behalf of the Board:

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

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

BUFFALO COAL CORP.

Consolidated Statements of Profit/(Loss) and Other Comprehensive Profit/(Loss)

(Presented in South African Rands)

	Notes	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2019 (Note 2)
		R	R	C$
Revenue		**398 968 089**	758 517 462	36 967 559
Cost of sales	5	**(301 610 820)**	(559 180 192)	(27 946 635)
Gross profit		**97 357 269**	199 337 270	9 020 924
Impairment (loss) on property, plant and equipment	7	**(8 042 236)**	(67 490 402)	(745 177)
Other income/(expenses) - net	6	**50 981 354**	(48 433 416)	4 723 827
General and administration expenses	5	**(66 325 911)**	(97 157 802)	(6 145 622)
Profit/(loss) before the undernoted		**73 970 476**	(13 744 350)	6 853 952
Finance income	8	**1 163 105**	2 434 622	107 771
Finance expense	8	**(38 294 773)**	(57 016 376)	(3 548 314)
Profit/(loss) before income tax		**36 838 808**	(68 326 104)	3 413 409
Income tax expense	9	**-**	(49 218)	-
Profit/(loss) and total comprehensive profit/(loss) for the year		**36 838 808**	(68 375 322)	3 413 409
Profit/(loss) and comprehensive profit/(loss) attributable to:				
- Owners of the parent		**36 838 808**	(68 375 322)	3 413 409
- Non-controlling interest		**-**	-	-
		36 838 808	(68 375 322)	3 413 409
Profit/(loss) per share - basic and diluted	2.21	**0.09**	(0.16)	0.01
Headline earnings/(loss) per share - basic and diluted	2.22	**0.10**	(0.05)	0.01
Normalized headline earnings/(loss) per share - basic and diluted	2.22	**0.10**	(0.03)	0.01
Weighted average number of common shares outstanding:				
- Basic		**421 352 596**	414 939 530	421 352 596
- Diluted		**421 352 596**	414 939 530	421 352 596

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

BUFFALO COAL CORP.
Consolidated Statements of Changes in Equity (Deficiency)
(Presented in South African Rands)

		Attributable to owners of the Group									
				Reserves							
	Notes	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	**19**	13 544 315	6 908 433	-	-	-	-	-	6 908 433	-	6 908 433
Stock-based compensation	**20**	-	-	2 147	(3 244 650)	-	-	-	(3 242 503)	-	(3 242 503)
Stock options expired/cancelled	**20**	-	-	(1 185 078)	-	-	1 185 078	-	-	-	-
Net (loss) for the year		-	-	-	-	-	(68 375 322)	-	(68 375 322)	-	(68 375 322)
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	**20**	**-**	**-**	**(100 911)**	**-**	**-**	**100 911**	**-**	**-**	**-**	**-**
Net profit for the year		**-**	**-**	**-**	**-**	**-**	**36 838 808**	**-**	**36 838 808**	**-**	**36 838 808**
Balance at December 31, 2019		**421 352 596**	**1 089 305 350**	**523 213**	**-**	**9 073 711**	**(1 248 932 442)**	**(219 945 085)**	**(369 975 253)**	**4 339 142**	**(365 636 111)**

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

BUFFALO COAL CORP.

Consolidated Statements of Cash Flow

(Presented in South African Rands)

	Notes	Year ended December 31, 2019 R	Year ended December 31, 2018 R	Year ended December 31, 2019 (Note 2) C$
Cash flows from operating activities				
Cash generated from operations	**27**	**43 629 900**	116 806 711	4 042 656
Interest received		**1 163 105**	2 434 622	107 771
Interest paid		**(9 409 462)**	(9 998 566)	(871 861)
Taxation received/(paid)		**864 711**	(3 366 798)	80 122
Net cash generated from operating activities		**36 248 254**	105 875 969	3 358 688
Cash flows from investing activities				
Purchase of property, plant and equipment		**(7 910 088)**	(29 680 749)	(732 931)
Proceeds from the disposal of property, plant and equipment		**2 456 591**	2 607 744	227 623
Movement in restricted cash		**8 000 000**	-	741 263
Net cash generated from/(utilized in) investing activities		**2 546 503**	(27 073 005)	235 955
Cash flows from financing activities				
Repayment of borrowings		**(40 508 327)**	(95 000 000)	(3 753 418)
Net cash (utilized in) financing activities		**(40 508 327)**	(95 000 000)	(3 753 418)
				-
Net (decrease) in cash and cash equivalents		**(1 713 570)**	(16 197 036)	(158 775)
Cash and cash equivalents at the beginning of the year		**5 231 958**	21 428 994	484 782
Cash and cash equivalents at the end of the year		**3 518 388**	5 231 958	326 007
Non-cash investing and financing transactions				
Common shares issued to STA	**19**	**-**	6 908 433	-
Total		**-**	6 908 433	-

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

1 NATURE OF OPERATIONS

Buffalo Coal Corp. (individually, or collectively with its subsidiaries, as applicable, the "Company", "BC Corp" or the "Group") is a coal mining company incorporated in Ontario, Canada. The Company is primarily listed on the TSX Venture Exchange ("TSXV") and has a secondary listing on the Alternative Exchange ("AltX") operated by the JSE Limited ("JSE"). As at financial year end December 31, 2019, Resource Capital Fund V L.P. ("RCF") owned 347 945 097 common shares of the Company ("Common Shares") representing approximately 82.6% of the then issued and outstanding Common Shares. The registered office of the Company is Brookfield Place, Bay/Wellington Tower, 181 Bay Street, Suite 2100, Toronto, Ontario M5J 2T3. The head office of the Company is located at Manhattan Office Park, Building 1, 1st Floor, 16 Pieter St, Centurion, South Africa, 0157. These consolidated financial statements were approved and authorized for issue by the Board of Directors on April 7, 2020.

The Company owns a 100% interest in Buffalo Coal Dundee Proprietary Limited ("BC Dundee"), a South African company with an interest in two coal mines in South Africa, namely the Aviemore anthracite mine ("Aviemore"), an underground mining operation, and the Magdalena bituminous mine ("Magdalena"), an underground mining operation that has ceased mining activities on October 31, 2018. BC Dundee holds a 70% interest in Zinoju Coal Proprietary Limited ("Zinoju") (collectively "BC Dundee Group") which holds all the mineral rights relating to the mining properties. The remaining 30% interest in Zinoju is held by South African Black Economic Empowerment ("BEE") partners. BEE is a statutory initiative on behalf of the South African government, enacted to increase access by historically disadvantaged South Africans ("HDSA") to the South African economy by increasing HDSA ownership in South African enterprises.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current operations will result in profitable mining operations. The recoverability of the carrying value of property, plant and equipment and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, ability to transport and sell its coal, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs to the carrying values. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

Although the Company has taken steps to verify title to the properties on which it is conducting its exploration, development and mining activities, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, land claims and non-compliance with regulatory and environmental requirements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation and going concern

These annual consolidated financial statements of the Group were prepared in accordance with 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. The policies set out below were consistently applied to all the years presented unless otherwise noted below.

The annual consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets at fair value through profit or loss ("FVPL") and compound financial instruments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation and going concern (continued)

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The consolidated financial statements 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.

Market conditions deteriorated significantly over the prior financial years and the Group implemented various restructurings including two retrenchment processes and the conclusion of agreements with STA Coal Mining Company Proprietary Limited (“STA”). The arrangements entered into with STA included the provision of contract mining services by STA at Magdalena (“STA Contract Mining Agreement”), the sale of certain underground mining equipment to STA and an equity settlement arrangement (“STA Equity Settlement Agreement”) in terms of which a portion of the contract mining fees were settled through the issuance of common shares (“Common shares”) of the Company, in order to alleviate cash flow pressures.

On August 31, 2018, the Group embarked on a Section 189 labour reduction process following STA’s notification of its intention not to renew their mining contract at the Magdalena mine at the end of October 2018. The Magdalena underground mining activities ceased at the end of October 2018. Following the cessation of the Magdalena underground mining activities, the business case and future cash flows of the Group rely primarily on the production from the Aviemore anthracite mine. The coal resources accessible from the current adit at Aviemore are expected to be exhausted in mid-2022.

In order to continue mining to 2022 and beyond, the Group’s management plans to commence with the construction and commissioning of the Balgray project in the second quarter of 2021 with its mining operations anticipated to start in the first quarter of 2022. The project is to be funded out of net free cash flows generated from the operations after the settlement of the outstanding Investec debt.

The Group continues to be in breach of certain covenants with respect to its borrowings from Investec Bank Limited (“Investec”) at December 31, 2019. As at December 31, 2019, the Investec loan balance amounted to R64.1 million (December 31, 2018: R101.0 million). Due to sales volumes that were lower than anticipated for the year end, the Group negotiated further amendments to the repayment terms of the outstanding revolving credit agreement with Investec. Pursuant to the amendments to the Investec term loan and revolving credit facility agreement dated March 5, 2019, July 11, 2019, October 24, 2019, and December 17, 2019, Investec agreed to revised repayment terms (Refer to Note 21, Investec borrowings).

The amount payable to STA of R17.6 million is overdue at year end December 31, 2019 (December 31, 2018: R22.1 million). The Group is in the process of concluding an arrangement in writing with STA and has paid monthly installments of R1 million to STA for the months of October 2019 to February 2020. Management has approached STA to request postponement of further payments until more information is available of the impact that COVIC-19 may have on the Group’s operations (refer to Note 30 – Subsequent events – Readiness and response to COVIC-19)

The Group remains dependent upon the continued financial support of Investec and other stakeholders, sustaining profitable levels of operation 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation and going concern (continued)

The Group's ability to ultimately continue operations over the medium to longer term is also dependent on its ability to fund the Balgray project with free cash flows generated from operations.

The Resource Capital Fund Convertible Loan ("RCF loan") of US$27 million (approximately R379.3 million) became due and payable on June 30, 2019 (Refer to Note 22, RCF loan facilities). On April 15, 2019, BC Corp and RCF agreed to extend the final maturity date of the RCF loan to December 31, 2019. On December 13, 2019, RCF agreed to further extend the final maturity date of the RCF loan to December 31, 2020, 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.

There is no assurance that the Group 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 December 31, 2019, the Group had a shareholders' deficiency of R365.6 million (December 31, 2018: R402.5 million), and a working capital deficiency of R430.3 million (December 31, 2018: R490.5 million). The Group recorded a net profit of R36.8 million for the year ended December 31, 2019 (R68.4 million net loss for the year ended December 31, 2018).

The Group's business could be significantly adversely affected by the effects of a widespread global outbreak of contagious disease, including the recent outbreak of respiratory illness caused by a novel coronavirus ("COVID-19"). On March 26, 2020 the Group was forced to suspend mining operations as a national 21-day lockdown ("the National Lockdown") was imposed in South Africa (Refer to Note 30 – Readiness and response to COVID-19). The Group cannot accurately predict the impact COVID-19 will have on third parties' ability to meet their obligations with the Group, including due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect demand for the Group's services and likely impact operating results.

The negative impact of the COVID-19 virus on the economies of the world's coal and anthracite importing countries remains unquantifiable.

The impact on the domestic anthracite business in South Africa is purely consequential, in that domestic metallurgical users will likely see their export markets eroded, and their need for reductants will reduce as a consequence. This could impact on the forecast profitability and cash flows of the Group.

Should the going concern assumption not be appropriate for these annual consolidated financial statements, then 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.

References to "R", "Rands" mean South African Rands, "C$" mean Canadian Dollars and "US$" mean United States Dollars.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation and going concern (continued)

Convenience rate translation

The Group's functional and presentation currency is Rands. The Canadian Dollar amounts provided in the financial statements represent supplementary information solely for the convenience of the reader. The financial position as of December 31, 2019 and the financial results for the year ended December 31, 2019 were translated into Canadian

Dollars using a convenience translation at the rate of C$1:R10.79238, which is the exchange rate published on Oanda.com as of December 31, 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.

2.2 New standards, amendments and interpretations

The following standards, amendments and interpretations are issued and effective for the first time for the December 31, 2019 financial year-end:

IFRS 16 - '*Leases' – effective January 1, 2019*

Overview of IFRS 16 Leases

The Group has adopted IFRS 16 *Leases* as of January 1, 2019 but has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard for the modified retrospective approach. The reclassifications and the adjustments arising from the new leasing standard are therefore reflected as of January 1, 2019. The Group concluded that there was no material impact on the opening deficit as at January 1, 2019.

IFRS 16 distinguishes leases and service contracts based on whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees except for short-term lessees and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the individual lease, if the rate could be readily determined, or the Company's incremental borrowing rates, if the rate could not be readily determined, as of January 1, 2019. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. (Refer Note 11 – Leases).

Until the end of 2018, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases were charged to the Consolidated Statements of Profit/(loss) and Comprehensive Profit/(loss) on a straight-line basis over the period of the lease.

The significant judgments, estimates, and assumptions made by Management in applying IFRS 16 *Leases*, primarily included evaluating the appropriate discount rate to use to discount the lease liability for each lease or groups of assets covered under leases, as well as determining the lease term, when the lease contained an extension option, and assessing if the Company was reasonably certain that it would exercise the extension option. Significant judgments, estimates, and assumptions over both of these factors would affect the present value of the lease liabilities upon adoption of the new accounting standard, as well as the associated value of the right-of-use assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New standards, amendments and interpretations (continued)

The following standards, amendments and interpretations are issued and effective for the first time for the December 31, 2019 financial year-end: (continued)

IFRIC 23 – *Uncertainty over Income Tax Treatments – effective January 1, 2019*

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.

The following standards, amendments and interpretations are issued but not yet effective for the December 31, 2019 financial year-end:

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2020. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined; however early adoption is permitted.

The Group does not anticipate the adoption of these amendments, interpretations, and improvements to have a material impact on the financial statements.

2.3 Consolidation

The annual consolidated financial statements comprise the financial statements of the Company and its subsidiaries, BC Dundee, Zinoju and Buffalo Coal Proprietary Limited ("BC").

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

They are deconsolidated from the date that control ceases. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Consolidation (continued)

(a) Subsidiaries (continued)

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group.

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date.

Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IFRS 9 either in profit or loss or as a change to OCI.

Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, in respect of the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits or losses resulting from inter-company transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Acquisition-related costs are expensed as incurred.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in OCI in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in OCI are reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Consolidation (continued)

(b) Transactions with non-controlling interests (continued)

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in OCI is reclassified to profit or loss where appropriate.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments. The chief operating decision-maker has been identified as the Board of Directors.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Rands, which is the Group's presentation currency and the Company's functional currency. The functional currency of the Company's subsidiaries, namely BC Dundee, Zinoju, and BC, is South African Rands.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Foreign exchange gains and losses are presented in profit or loss within "other income/(expense) – net".

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Land is not depreciated. Depreciation of mineral rights is calculated using the units-of-production ("UOP") method based on total run of mine tonnes of coal expected to be mined per the LOM plan. Depreciation on the remaining assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Property, plant and equipment (continued)

Buildings	10 to 20 years
Development costs	5 to 20 years
Mining assets	5 to 25 years
Mineral rights	10 years
Office equipment and fixtures and fittings	3 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in profit or loss.

Mineral rights

Mineral rights are recorded at cost. This includes costs incurred to explore, sample, drill and perform feasibility tests when incurred before the research proves the land to be technically feasible and commercially viable, at which point the costs are reclassified as mining assets within property, plant and equipment. Exploration and evaluation costs incurred before mineral rights are acquired are expensed in profit or loss. Depreciation of mineral rights is calculated using the UOP method.

Development costs

These costs are directly attributable to the construction of the mine and its associated infrastructure. Once the mine is commissioned, the costs are reclassified as development costs capitalized within property, plant and equipment.

2.7 Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset;
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or the site on which it is located, less any lease incentives received.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Leased assets (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense charged to profit or loss on a straight-line basis over the period of the lease.

2.8 Impairment of non-financial assets

At least annually, or when events and circumstances warrant a review, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. The carrying value of an asset is considered to be impaired when the recoverable amount of such an asset is less than it's carrying value. In this instance, a loss is recognized based on the amount by which the carrying value exceeds the recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets (including goodwill) are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Impairment of non-financial assets (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of time value of money and the risks specific to the asset.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable willing parties, less the costs of disposal.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognized immediately in profit or loss, unless it relates to goodwill, in which case it is not reversed.

2.9 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

2.10 Financial instruments

2.10.1 Financial assets

The Group classifies its financial assets in the following categories: at FVPL and as financial assets at amortized cost. The classification depends on the purpose for which the financial assets were acquired.

Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at FVPL

Financial assets at FVPL are classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as such unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within twelve months, otherwise they are classified as non-current.

The Group's financial assets at FVPL comprise of cash equivalents and other long-term investments which are included in 'investment in financial assets' in the statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

2.10.1 Financial assets (continued)

(b) Financial assets at amortized cost

Financial assets at amortized cost are non-derivative financial assets that are held in order to collect contractual cash flows. The contractual terms of financial assets at amortized cost, give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

They are included in current assets, except for those with maturities greater than twelve months after the statement of financial position date, which are classified as non-current assets. The Group's financial assets at amortized cost comprise of trade and other receivables, cash, long-term restricted cash and long-term receivables, and interest and non-interest-bearing receivables in the statement of financial position.

(c) Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date, being the date on which the Group commits to purchase or sell the asset. Financial assets carried at FVPL are initially recognized at fair value, and transaction costs are expensed in profit or loss. Financial assets at amortized cost are initially carried at fair value and subsequently at amortized cost using the effective interest rate method.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Gains or losses arising from changes in the fair value of the financial assets at FVPL are presented in profit or loss within 'other income/(expense) – net'.

(d) Impairment

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables (Refer to Note 2.12).

(e) Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

2.10.2 Financial liabilities

Financial liabilities are classified as financial liabilities at amortized cost and include borrowings, RCF loan facilities, loans payable and trade and other payables. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

The Group derecognizes financial liabilities when the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

2.10.3 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible loans that can be converted to share capital at the option of the holder. The instrument is classified separately as a financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to issued capital. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognized in equity will be transferred to retained earnings/loss.

No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

Foreign-currency-denominated convertible loans that will be settled by the Company delivering a variable number of its shares for a fixed amount of foreign currency will be classified as a financial liability.

The conversion option is an embedded derivative, which is separated as it is not closely related to the debt host. Changes in the fair value of the embedded derivative liability will be recorded in profit or loss.

Transaction costs that relate to the issue of the convertible loans are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transactions costs relating to the equity component are recognized directly in equity. Except for a derivative liability, transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the lives of the convertible loans using the effective interest rate method.

2.10.4 Derivative financial instruments

Derivatives are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at FVPL. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

2.10.4 Derivative financial instruments (continued)

The Group's derivative instruments are not designated as hedging instruments and do not qualify for hedge accounting. Accordingly, changes in the fair value of the derivative instruments are recognized immediately in profit or loss within 'other income/(expense) – net'.

The Group's derivative financial instruments comprise of the Investec warrant liability and the RCF conversion option liability which are included in "current liabilities" in the statement of financial position.

2.11 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity. In this case, the tax is recognized directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.12 Trade and other receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables and is recognized in profit or loss within 'operating expenses'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Trade and other receivables (continued)

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. When a trade receivable is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited against 'operating expenses' in profit or loss.

Trade receivables are impaired using the simplified approach permitted by IFRS 9, which requires lifetime expected credit losses (ECL) to be recognized from initial recognition of the receivables.

The ECL on trade receivables are estimated using a provision matrix by reference to debtors (listed companies) published credit ratings, historical credit losses and an analysis of the debtor's current known financial position. The Group adjusted historical loss rates for forward looking estimates if reasonable and supportable information was available without undue cost or effort. To measure the expected credit losses, trade receivables are grouped based on external credit ratings and days overdue.

Trade receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade receivables are presented as net impairment losses within 'general and administrative expenses'. Subsequent recoveries of amounts previously written off are credited against the same line item.

2.13 Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first in, first out ("FIFO") method. The cost of finished goods and work in progress comprises operating costs which are absorbed into stock on hand, based on the level of extraction during the period in which such stock was mined and the costs incurred during such period. Overheads are allocated on the same basis. Inventories exclude borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

2.15 Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees and consultants as consideration for equity instruments (options) of the Group.

The fair value of the employee and consulting services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted and is recognized within profit or loss. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision in the income statement, with a corresponding adjustment to equity.

For those options which vest immediately and are subsequently cancelled, the adjustments are made directly in equity between the reserves and retained loss.

The fair value of common shares issued as compensation is based on the quoted market price.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Share-based payments (continued)

The fair value of stock options and compensation warrants is determined using the Black-Scholes option-pricing model. The compensation expense is recognized over the vesting period. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the vesting conditions.

The Group recognizes the impact of the revision to original estimates in profit or loss, with a corresponding adjustment to equity.

When the options and warrants are exercised, the Company issues new shares. The proceeds received, net of any directly attributable transaction costs, together with any related amount in reserves, are credited to share capital.

2.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as financial liabilities at amortized cost if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

2.17 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

The Group’s provision for asset retirement obligations (“ARO”) is measured at the present value of the amount expected to be required to settle the obligation using a risk-free rate that reflects the rate of interest on monetary assets that are essentially free of default risk, adjusted for the effect of any entity’s credit standing. Future costs to retire an asset, including dismantling, remediation and ongoing treatment and monitoring of the site, are recognized and recorded as a provision for close down rehabilitation costs at fair value in the accounting period in which the legal obligation arising from the disturbance occurs. The liability is accreted over time through periodic charges to operations.

The fair value of the costs is capitalized as part of the assets’ carrying value and amortized over the assets’ estimated useful lives.

A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out a restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Revenue recognition

(a) Sale of coal

The Group extracts, washes and sells coal. Sales are recognized when the entity has delivered products to the customer as outlined in the sales contract, the customer has full discretion over the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have either been shipped (for certain foreign sales), or the date upon which the goods are dispatched to the customer, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Deferred compensation

The Group recognizes revenue when the performance obligation (identified at inception of a contract with a customer) is satisfied at a point in time.

The Group satisfies the performance obligation at a point in time when the customer obtains control of the product sold. Transfer of control takes place when the Group has a present right to payment for the goods sold, if the customer has legal title to the product sold and the Group has physically transferred the product.

Revenue is deferred, when payment has been received for product still to be delivered after, not at point of purchase. Deferred revenue is recognized as a liability and included in "Trade and Other Payables", until such time that the customer obtains control of the product, when the liability shall be cancelled, and revenue recognized when all other criteria of the five-step model has been satisfied.

The Group also adjusts the transaction price with the existence of a significant financing component when payment has been received for product which would only be delivered over a period which exceeds twelve months for the effects of time value of money.

(c) Interest income

Interest income is recognized on a time-proportion basis using the effective interest rate method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

(d) Other income

Other income is recognized on an accrual basis and comprises primarily foreign exchange gains and losses, profit on sale of assets and scrap sales.

2.19 Employee benefits

(a) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Employee benefits (continued)

(a) Defined contribution plans (continued)

The contributions are recognized as an employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(b) Short-term employee benefits

The cost of short-term employee benefits (those payable within twelve months after the service is rendered), such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical, are recognized in the period in which the service is rendered and are not discounted.

2.20 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest rate method, and any difference between proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

2.21 Profit/(loss) per share

Basic profit/(loss) per common share has been computed by dividing the profit/(loss) applicable to common shareholders by the weighted average number of common shares outstanding during the representative period. Diluted profit/(loss) per common share is determined under the assumption that deemed proceeds on the exercise of stock options and other dilutive instruments are considered to be used to reacquire common shares at the average price for the period with the incremental number of shares being included in the denominator of the diluted profit/(loss) per share calculation. The diluted profit/(loss) per share calculation excludes any potential conversion of options and warrants that would decrease profit/(loss) per share. During the years ended December 31, 2019 and December 31, 2018, outstanding options and warrants, as well as the potential shares issuable with regards to the RCF Convertible Loan (Refer to Note 22) were excluded from the diluted profit/(loss) per share calculation as they were anti-dilutive.

(Presented in South African Rands)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Headline earnings/loss per share and normalized headline earnings/loss per share

	Notes	Year ended December 31, 2019 R	Year ended December 31, 2018 (restated) R	Year ended December 31, 2019 (Note 2) C$
Profit/(loss) attributable to equity holders of the Company		**36 838 808**	(68 375 322)	3 413 408
Adjustments:				
Net profit on disposal of property, plant and equipment	**6**	**(514 751)**	(2 354 879)	(47 696)
Impairment loss on property, plant and equipment	**10**	**8 042 236**	67 490 402	745 177
Taxation theron		**(2 107 696)**	(18 237 947)	(195 295)
Headline earnings/(loss) for the period		**42 258 597**	(21 477 746)	3 915 594
Headline earnings/(loss) per share - basic and diluted		**0.10**	(0.05)	0.01
Adjustments:				
Retrenchment costs	**5**	**-**	12 381 650	-
Taxation theron		**-**	(3 466 862)	-
Normalized headline earnings/(loss) for the period		**42 258 597**	(12 562 958)	3 915 594
Normalized earnings/(loss) per share - basic and diluted		**0.10**	(0.03)	0.01
Weighted average number of common shares outstanding:				
- Basic		**421 352 596**	414 939 530	421 352 596
- Diluted		**421 352 596**	414 939 530	421 352 596

Headline earnings/loss per share is a basis for measuring profit/loss per share which accounts for all the profits and losses from operational, trading, and interest activities that have been discontinued or acquired at any point during the year. Excluded from this figure are profits or losses associated with the sale or termination of discontinued operations, fixed assets or related businesses, or from any permanent devaluation or write-off of their values.

Headline earnings per share is calculated using the weighted average number of ordinary shares in issue during the year and is based on earnings attributable to ordinary shareholders, after excluding the items mentioned above and those items as required by Circular 1/2019 issued by the South African Institute of Chartered Accountants ("SAICA").

For the current financial year, the Company's headline earnings/loss per share was adjusted for the profit on sale of property, plant and equipment of R0.5 million (year ended December 31, 2018: R2.4 million) and the impairment loss on property, plant and equipment of R8.0 million (year ended December 31, 2018: R67.5 million).

For the current financial year, the Company's normalized headline earnings/loss per share had no further adjustments (year ended December 31, 2018: R12.4 million retrenchment costs). Due to the irregular occurrence of retrenchment costs, the normalized headline earnings per share measure for the year ended December 31, 2018 has been calculated by using headline earnings excluding retrenchment costs in order to better present earnings attributable to the ongoing activities of the Company.

The headline earnings/(loss) for the year ended December 31, 2018 has been restated in these consolidated results for the year ended December 31, 2019.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks such as foreign exchange risk, price risk, cash flow interest rate risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by head office management under policies approved by the Board of Directors. The Group identifies, evaluates and manages financial risks in close co-operation with the Group's subsidiaries.

3.2 Market risk

(a) Foreign exchange risk

The Company's functional currency is the Rand. The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures with respect to the US Dollar and Canadian Dollar.

The Group's foreign exchange risk arises primarily from the sale of coal, based on the API 4 coal price index in US Dollars to foreign customers, external loans denominated in US Dollars and translation differences arising from the translation of share capital and other equity items.

At December 31, 2019, a 10% increase/(decrease) in the year average foreign exchange rate between the Canadian Dollar and the Rand would have increased/(decreased) the Group's profit or loss by approximately R0.6 million (year ended December 31, 2018: R2.3 million).

A 10% increase/(decrease) in the year end foreign exchange rate between the US Dollar and the Rand would have increased/(decreased) the Group's profit or loss by approximately R38.0 million (year ended December 31, 2018: R38.6 million).

(b) Price risk

The Group is exposed to commodity price risk, primarily due to fluctuations in the API 4 coal price index, by which foreign thermal coal sales are priced. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Group's control. The supply and demand for commodities, the level of interest rates, the rate of inflation, investment decisions by large holders of commodities including governmental reserves and stability of exchange rates can all cause significant fluctuations in commodity prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

At December 31, 2019, a 10% change in the API 4 coal price index would have resulted in a corresponding change in export coal revenue of approximately RNil (year ended December 31, 2018: R3.6 million).

(c) Cash flow interest rate risk

The Group's interest rate risk arises from deposits held with banks and interest-bearing liabilities. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. During the current and prior financial year, the Group's borrowings at variable rates were denominated in South African Rands.

(Presented in South African Rands)

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Market risk (continued)

(c) Cash flow interest rate risk (continued)

Based on the simulations performed, the impact on profit or loss of a 1% shift of interest rates on borrowings would be a maximum increase/(decrease) in profit or loss of R0.6 million (year ended December 31, 2018: R0.8 million).

3.3 Credit risk

Credit risk is managed at a Group level, except in respect of trade receivables which are managed at an operational level.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions (Refer to Notes 14, 15 and 29, respectively). The Group has banking relationships, and places deposits, only with high quality financial institutions.

Risk control assesses the credit quality of customers, taking into account their financial position, past experience and other factors. The utilization of credit limits is regularly monitored. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

Restricted cash totaling R3.2 million was on deposit with First National Bank ("FNB") to be released to the relevant counterparties if payments are not made to them (Refer to Note 17).

3.4 Liquidity risk

Cash flow forecasting is performed by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt/equity financing plans, covenant compliance and external legal requirements.

Below is an analysis of the Group's non-derivative financial liabilities disclosed in maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Not later than 1 year R	Between 1 and 5 years R	Greater than 5 years R
At December 31, 2019			
Borrowings	**64 114 971**	**-**	**-**
RCF loan facilities	**379 304 694**	**-**	**-**
Lease liabilities	**535 551**	**422 670**	**-**
Trade and other payables	**95 045 135**	**-**	**-**
At December 31, 2018			
Borrowings	105 327 746	-	-
RCF loan facilities	388 691 406	-	-
Trade and other payables	95 352 468	-	-

(Presented in South African Rands)

3 FINANCIAL RISK MANAGEMENT (continued)

3.5 Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statements of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statements of financial position plus net debt.

The gearing ratios at December 31, 2019 and December 31, 2018 were as follows:

	December 31, 2019 R	December 31, 2018 R
Total borrowings	**421 507 147**	485 210 748
Less: cash and cash equivalents	**(3 518 388)**	(5 231 958)
Net debt	**417 988 759**	479 978 790
Total deficiency	**(365 636 111)**	(402 474 919)
Total capital	**52 352 648**	77 503 871
Gearing ratio (net debt/total capital)	**798%**	619%

Included within total borrowings is a convertible loan of R356.0 million (December 31, 2018: R381.1 million).

The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2019 except for the Investec loan (Refer to Notes 21 and 30) and the RCF loan facilities (Refer to Note 22). As detailed in Note 3.2 Market risk, the RCF loan facilities are sensitive to significant movements in the US Dollar and Rand and can therefore also have an impact on the gearing ratio (Refer to Note 30).

The Company is not subject to any externally imposed capital requirements with the exceptions as discussed in Notes 21 and 22, and the capital requirements of the TSXV which requires adequate working capital or financial resources of the greater of (i) C$100 000 (R1.1 million as at December 31, 2019) and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of twelve months.

As of December 31, 2019, the Company may not be compliant with the policies of the TSXV. The impact of any violation is not known and is ultimately dependent on the discretion of the TSXV.

3.6 Fair value estimation

Financial instruments carried at fair value are assigned to different levels of the fair value hierarchy, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (level 3).

(Presented in South African Rands)

3 FINANCIAL RISK MANAGEMENT (continued)

3.6 Fair value estimation (continued)

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

	Level 1 R	Level 2 R	Level 3 R
December 31, 2019			
Investment in financial assets	**198 744**	**-**	**-**
Other receivable - restricted	**-**	**57 150 772**	**-**
Conversion option liability	**-**	**1 487 566**	**-**
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	-

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires the Group's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes thereto. Although these estimates are based on management's best knowledge of the amounts, events or actions, actual results may differ from those estimates and these differences could be material. The areas which require management to make significant judgments, estimates and assumptions in determining the carrying values and amounts include, but are not limited to:

4.1 Provisions

Significant judgment and use of assumptions are required in determining the Group's provisions. Management uses its best estimates based on current knowledge in determining the amount to be recognized as a provision. Key assumptions utilized in the determination of the rehabilitation provision, which is measured at fair value, include the estimated life of mine, estimates of reserves and discount rates. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of the liability that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

4.2 Property, plant and equipment, mineral rights and other intangible assets

The Group makes use of experience and assumptions in determining the useful lives and residual values of property, plant and equipment, mineral rights and other intangible assets (other than goodwill). Management reviews annually whether any indications of impairment exist. Information that the Group considers includes changes in the market, economic and legal environment in which the Group operates as well as internal sources of information. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in coal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, depreciation of the Rand relative to the US Dollar, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics could result in a write-down of the carrying amounts of the Group's assets. Should an impairment exist, it is recorded in 'other income/(expense) -net' within profit or loss.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

4.3 Taxes and recoverability of potential deferred tax assets

The Company is subject to income, value added, withholding and other taxes in various jurisdictions. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

In assessing the probability of realizing deferred tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in South Africa.

4.4 Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions could materially affect the fair value estimates.

4.5 Compound financial instruments

The Group has entered into agreements in the form of foreign-currency-denominated convertible loans and warrants which are accounted for as compound financial instruments. The fair value of the embedded derivative liabilities (conversion option liability and warrant liability) are determined at the date of the transaction and are fair valued at each reporting date through profit or loss using generally accepted valuation techniques.
Assumptions are made and judgments are used in applying valuation techniques.

These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield and risk-free rate of return. Such judgments and assumptions are inherently uncertain. Changes in these assumptions could materially affect the fair value estimates.

4.6 Mineral reserve estimates

The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Group's control.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

4.6 Mineral reserve estimates (continued)

Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as coal prices, foreign exchange rates and market conditions could have a material effect on the Group's reserves and resources, and as a result, could also have a material effect on the Group's financial position and results of operation.

4.7 Going concern assumption

The consolidated financial statements 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. Should the going concern assumption not be appropriate for these consolidated financial statements, then 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 (Refer to Note 2.1).

4.8 Contingencies

Refer to Note 29**.**

(Presented in South African Rands)

5 NATURE OF EXPENSES

	December 31, 2019 R	December 31, 2018 R
Cost of sales		
Employee costs	**116 429 504**	155 176 941
Mining and related costs	**59 858 187**	221 630 050
Repairs and maintenance	**38 845 361**	61 498 287
Transport and shipping	**33 658 631**	51 417 023
Raw materials	**14 706 163**	25 609 523
Depreciation	**15 122 826**	21 872 153
Exploration	**1 732 523**	-
SLP expense	**14 115 729**	15 012 585
Training	**204 845**	3 290 505
Carbon tax	**772 955**	-
Royalties DMR	**6 164 096**	3 673 125
Total cost of sales	**301 610 820**	559 180 192
General and administration expenses		
Audit and tax related fees	**3 548 225**	4 733 473
Bad debts	**5 306 105**	3 213 998
Consulting fees	**7 705 960**	9 815 666
Directors fees	**2 818 559**	2 941 830
Fund administration fees	**1 308 333**	1 260 014
Insurance	**9 408 226**	6 702 558
Legal fees	**1 138 216**	2 731 368
Penalty (recovery)	**(1 962 228)**	2 000 000
Retrenchment costs	**-**	12 381 650
Rent paid	**-**	1 265 679
Rehabilitation adjustment (income)/expenses	**(1 020 591)**	552 642
Salaries and wages	**30 610 349**	38 722 556
Shareholder communication and listing fees	**654 322**	614 604
Travel and accommodation	**507 704**	3 378 675
Telephone, internet and computer expenses	**1 623 072**	3 210 080
Other	**4 679 659**	3 633 009
Total general and administration expenses	**66 325 911**	97 157 802

Audit and tax related fees for the year ended December 31, 2019 included C$12 071 (approximately R0.1 million) for tax related services in Canada (December 31, 2018: C$72 610 (approximately R0.8 million)).

During the year ended December 31, 2019, two debtors went into business rescue, the Company received R0.6 million as compensation from one of these debtors and no consideration was received from the second debtor, the balance has been written off as bad debt.

Included in consulting fees for the year ended December 31, 2019 is an amount of R3.8 million relating to the Balgray feasibility study costs (December 31, 2018: RNil) and R1.6 million (December 31, 2018: R3.3 million) for the strategic review process and feasibility study costs related to the new adit at the Aviemore mine.

Higher insurance premiums from the renewal of the Company's insurance policies together with carbon tax costs has been incurred during the financial year ended December 31, 2019 due to increased risk in the mining sector and the introduction of the carbon tax bill which came into effect during June 2019.

(Presented in South African Rands)

5 NATURE OF EXPENSES (continued)

The provision for penalties payable in connection with the Calcine plant (Refer Note 29 – Commitments and contingencies) provided for during the year ended December 31, 2019, was reduced from R2.0 million to R0.9 million, following the outcome of the 24G assessment and the related penalty issued by the Economic Development, Tourism and Environmental Affairs. This penalty was paid on October 4, 2019.

Included in the mining royalties amount as at December 31, 2019, is a provision of R4.8 million made by the Company for a potential royalty tax liability that may arise based on a revision of intercompany related transactions between the Companies subsidiary companies (See note 29, Commitments and contingencies).

As at December 31, 2018 a provision of R12.4 million (December 31, 2019: RNIL) was recognized for retrenchment costs related to the Section 189 process referred to in Note 2.1, Basis of preparation and going concern.

6 OTHER INCOME/(EXPENSES) – NET

	December 31, 2019 R	December 31, 2018 R
Unrealized foreign exchange gain/(loss) - net	**7 413 060**	(50 851 961)
Realized foreign exchange (loss) - net	**309 482**	(6 551 577)
Net profit on disposal of property, plant and equipment	**514 751**	2 354 879
Scrap sales	**187 555**	1 140 199
Dividends received	**311 826**	973 606
Fair value adjustment on other receivables - restricted	**3 557 248**	2 949 884
Fair value adjustment on conversion option and warrant liability	**38 443 645**	934 649
Recovery/(penalty) provision on witholding tax	**604 153**	(857 002)
Gain on extension of RCF Convertible loan maturity date	**34 654 984**	-
Loss on extension of RCF Convertible loan - conversion option	**(36 126 492)**	-
Other income	**1 111 142**	1 473 907
Total	**50 981 354**	(48 433 416)

7 IMPAIRMENT LOSS

	December 31, 2019 R	December 31, 2018 R
Impairment (loss) on property, plant and equipment	**(8 042 236)**	(67 490 402)

The impairment loss of R8.0 million recognized for the year ended December 31, 2019 arose as a result of the Aviemore north adit development costs capitalised and certain mining assets which have been written down to their recoverable amounts (Refer to Note 10).

As noted in Note 2.1, Basis of preparation and going concern, the Company embarked on a Section 189 process on August 31, 2018 in order to close the Magdalena underground mining operations at the end of October 31, 2018.

The decision to close the mine obliged the Company to perform an impairment assessment of the net book values of Magdalena's assets during the financial year ended December 31, 2018. In assessing whether Magdalena's assets had been impaired, the net book value was compared with its recoverable amount. In order to determine the initial recoverable amount of Magdalena's assets, management reviewed Magdalena's asset register and identified assets that could be re-purposed elsewhere in the operation and/or disposed of.

(Presented in South African Rands)

7 IMPAIRMENT LOSS (continued)

The remaining assets were written down to zero. The net book value of assets to be removed from underground, were impaired by 50% to account for potential wear and tear that may occur during the extraction process.

This assessment resulted in an initial impairment determination of R66.3 million recognized on September 30, 2018. Following the recovery of assets from underground, a final impairment assessment was done, which resulted in an additional impairment loss of R1.2 million, recognized on December 31, 2018.

8 FINANCE INCOME AND EXPENSE

	December 31, 2019 R	December 31, 2018 R
Finance income		
Interest on cash and restricted cash	**1 163 105**	2 434 622
Total	**1 163 105**	2 434 622
Finance expense		
Interest on borrowings	**(10 676 486)**	(29 465 376)
Interest on the RCF loan facilities	**(749 173)**	(1 137 043)
Interest on STA accounts payable	**(2 041 492)**	(4 323 414)
Interest to South African Revenue Service ("SARS")	**(30 756)**	-
Unwinding discount on asset retirement obligation	**(1 743 783)**	(1 483 272)
RCF Loan accretion expense	**(18 558 139)**	(13 585 885)
Investec accretion of warrant asset	**(4 344 520)**	(6 816 773)
Finance charges on lease liabilities	**(123 587)**	-
Other	**(26 837)**	(204 613)
Total	**(38 294 773)**	(57 016 376)

Interest on borrowings included royalties payable to Investec of R0.1 million for the year ended December 31, 2019 (December 31, 2018: R10.5 million) pursuant to the terms of the 6^{th} Amendment Agreement under which a Life of Mine Royalty ("LOMR") is payable to Investec on all bituminous coal sales with effect from July 1, 2017.

The LOMR is calculated at a rate of 3.54% on the sales of all bituminous coal mined from the Magdalena reserve. As at December 31, 2019, R5.9 million in royalties payable to Investec was included in Trade and other payables (December 31, 2018: R5.7 million).

9 INCOME TAX

Income tax expense is comprised as follows:

	December 31, 2019 R	December 31, 2018 R
Current tax:		
Withholding tax - Canada	**-**	(49 218)
Income tax expense	**-**	(49 218)

(Presented in South African Rands)

9 INCOME TAX (continued)

The major items causing the Company's income tax expense to differ from the South African statutory rate of 28% (year ended December 31, 2018: 28%) are as follows:

	December 31, 2019 R	December 31, 2018 R
Profit/(loss) before income taxes	**36 838 808**	(68 326 104)
Expected tax (expense)/benefit at statutory tax rates	**(10 314 866)**	19 131 309
Adjustments resulting from:		
Benefits of tax losses not recognized	**(4 793 513)**	(619 762)
Utilization of deferred tax asset	**20 835 375**	-
Permanent differences	**(2 240 258)**	(14 994 908)
Foreign tax rate differential	**395 893**	55 745
Other temporary differences	**(3 882 631)**	(3 621 602)
Income tax expense	**-**	(49 218)

10 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 ended December 31, 2019						
Opening net book value	1 523 187	40 957 393	1 137 030	14 866 222	-	58 483 832
Additions	-	7 857 119	20 923	32 046	-	7 910 088
Disposals	-	(1 941 841)	-	-	-	(1 941 841)
Impairment loss	-	(518 262)	-	(7 523 974)	-	(8 042 236)
Depreciation	(264 527)	(11 692 678)	(381 740)	(2 651 057)	-	(14 990 002)
Net book value at end of year	1 258 660	34 661 731	776 213	4 723 237	-	41 419 841
Year ended December 31, 2019						
Cost	7 757 896	392 878 608	8 870 987	49 457 496	14 009 756	472 974 743
Accumulated depreciation	(6 499 236)	(357 698 615)	(8 094 774)	(37 210 285)	(14 009 756)	(423 512 666)
Impairment loss	-	(518 262)	-	(7 523 974)	-	(8 042 236)
Net book value at end of year	1 258 660	34 661 731	776 213	4 723 237	-	41 419 841

(Presented in South African Rands)

10 PROPERTY, PLANT AND EQUIPMENT (continued)

	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)
Reclassification 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

Office equipment includes items to the value of R0.1 million (December 31, 2018: R0.1 million) that are 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 is located in South Africa. Depreciation expense of R15.1 million (year ended December 31, 2018: R21.9 million) was recognized in 'Cost of Sales' and depreciation expense of R2.3 million (December 31, 2018: R2.2 million) is capitalized to inventory.

The impairment loss of R8.0 million recognized for the year ended December 31, 2019 relates to certain impaired mining assets and development costs which have been written down to their recoverable value. the impairment loss of R67.5 million recognized for the year ended December 31, 2018 related to the closure of the Magdalena underground operations and the resultant impairment of related property, plant and equipment written down to its recoverable value (Refer to Note 7).

11 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%.

(Presented in South African Rands)

11 LEASES (continued)

	December 31, 2019		
	Land **R**	**Buildings** **R**	**Total** **R**
Lease liabilities recognized at January 1, 2019	1 921 702	989 250	**2 910 952**
Reassessment of lease liability	(1 047 579)	15 251	**(1 032 328)**
Finance charges	86 787	36 801	**123 588**
Payments made	(300 000)	(743 991)	**(1 043 991)**
Closing balance	660 910	297 311	**958 221**
Current lease liabilities	238 240	297 311	**535 551**
Non-current lease liabilities	422 670	-	**422 670**

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:

	December 31, 2019		
	Land **R**	**Buildings** **R**	**Total** **R**
Right of use assets recognized at January 1, 2019	1 921 702	989 250	**2 910 952**
Depreciation	(549 057)	(707 191)	**(1 256 248)**
Reassessment of lease liability	-	15 251	**15 251**
Closing balance	1 372 645	297 310	**1 669 955**

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 minimum monthly payment of R25 000. The expiry date is the date on which operations cease, currently estimated to be June 2022.

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 of the prepayment was allocated to the right of use asset and the lease liability was subsequently written off to zero.

Buildings being leased relate to the Company's corporate office in Centurion, South Africa. This lease will expire on May 31, 2020.

12 INVESTMENT IN FINANCIAL ASSETS

	December 31, 2019 **R**	**December 31, 2018** **R**
Security investments	**198 744**	194 484
Total	**198 744**	194 484

The movement in the investment in financial assets is as follows:

	December 31, 2019 **R**	**December 31, 2018** **R**
Opening balance	**194 484**	181 465
Effect of foreign currency exchange difference	**4 260**	13 019
Closing balance	**198 744**	194 484

(Presented in South African Rands)

12 INVESTMENT IN FINANCIAL ASSETS (continued)

The investment in financial assets consists of security investments held by the Group. Changes in the fair value of the investment are recorded in 'other income/(expense) - net' within profit or loss.

13 DEFERRED TAX

There were no deferred taxes as at December 31, 2019 and December 31, 2018.

South Africa	December 31, 2019 R	December 31, 2018 R
Provisions	**(8 015 053)**	(7 770 533)
Tax losses	**(165 550 953)**	(173 655 731)
Property, plant and equipment and other long-term assets	**(2 067 210)**	(2 043 584)
Other	**175 633 216**	183 469 848
At end of year	**-**	-

Canada	December 31, 2019 R	December 31, 2018 R
Deferred income tax liabilities:		
At beginning of year	**(1 167 125)**	(4 014 183)
Current year timing differences	**(1 736 265)**	2 847 058
At end of year	**(2 903 390)**	(1 167 125)
Deferred tax asset:		
At beginning of year	**1 167 125**	4 014 183
Current year timing differences	**1 736 265**	(2 847 058)
At end of year	**2 903 390**	1 167 125
Deferred tax asset/(liability) - net	**-**	-

The balance is comprised of the following:

Canada	December 31, 2019 R	December 31, 2018 R
Tax losses	**2 903 390**	1 167 125
Other	**(2 903 390)**	(1 167 125)
At end of year	**-**	-

No tax benefit has been recognized for the following temporary differences:

Canada	December 31, 2019 R	December 31, 2018 R
Tax losses (expiring between 2027 and 2039)	**285 122 857**	289 919 995
Other	**16 960 415**	40 238 492
Total	**302 083 272**	330 158 487
Total C$	**27 990 412**	31 261 894

(Presented in South African Rands)

13 DEFERRED TAX (continued)

As at December 31, 2019, the Company had an unrecognized deferred tax asset of approximately R644.9 million (year ended December 31, 2018: R450.2 million) relating to investments in subsidiaries. The asset has not been recognized because the Company controls the timing of the reversal of the temporary differences and it is probable that these differences will not reverse in the foreseeable future.

14 OTHER RECEIVABLES - RESTRICTED

Guarantees provided to the DMRE relating to the asset retirement obligations as per the National Environmental Management Act ("NEMA") are held in an insurance investment fund with Centriq Insurance Company Limited ("Centriq"). Any future shortfalls between the DMRE required guarantee amount of R67.3 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 R67.3 million financial guarantees issued to the DMRE, provided there are no changes to the asset retirement liability.

Centriq has provided the DMRE with the required financial guarantees for the mining rehabilitation liability determined in terms of NEMA. The funds held by Centriq can only be used to assist Zinoju in complying with its obligations imposed in terms of NEMA and its regulations, which regulates mining operation. On this basis, the receivable from Centriq is disclosed as a restricted asset.

The movement in the investment is as follows:

	December 31, 2019 R	December 31, 2018 R
Opening balance	**54 901 857**	53 211 988
Commission paid	**(1 308 333)**	(1 260 014)
Fair value adjustment	**3 557 248**	2 949 883
Closing balance	**57 150 772**	54 901 857

15 TRADE AND OTHER RECEIVABLES

	December 31, 2019 R	December 31, 2018 R
Non-current other receivables:		
- Deposits	**6 772 703**	6 775 727
- Prepayments	**-**	1 047 579
Total non-current other receivables	**6 772 703**	7 823 306
Current trade and other receivables:		
- Trade receivables	**24 647 880**	42 303 248
Less: Provision for impairment of receivables	**(308 341)**	(197 133)
- Trade receivables - net	**24 339 539**	42 106 115
- Value added tax (VAT)	**775 327**	1 618 132
- Prepayments	**10 435 618**	3 498 295
- Harmonized Sales Tax (HST)	**99 419**	314 263
- Other receivables	**1 883 311**	747 440
Total current trade and other receivables	**37 533 214**	48 284 245

The current values of trade and other receivables approximate their carrying values. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security. As at December 31, 2019, a single customer represents 49% of total trade receivables (December 31, 2018: 22%).

(Presented in South African Rands)

15 TRADE AND OTHER RECEIVABLES (continued)

During the year ended December 31, 2019, two debtors went into business rescue, the Company received R0.6 million as compensation from one of these debtors and no consideration was received from the second debtor. Consequently, bad debt expense for the year ended December 31, 2019 amounted to R5.3 million (December 31, 2018: R3.2 million) and is included in "General and administration expenses" (Refer to Note 5).

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	December 31, 2019 R	December 31, 2018 R
Canadian Dollars	**472 958**	436 414
United States Dollars	**-**	2 529 047
Rands	**37 060 256**	45 318 784
Total	**37 533 214**	48 284 245

Movements on the Group's provision for impairment of receivables are as follows:

	December 31, 2019 R	December 31, 2018 R
Opening balance	**197 133**	40 000
Provision (released)/raised, net	**111 208**	157 133
Closing balance	**308 341**	197 133

The creation and release of the provision for impairment of trade receivables has been included in profit or loss. The other classes within trade and other receivables do not contain impaired assets.

Trade receivables disclosed above include amounts that are past due at the end of the reporting period for which the Group has not recognized an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

The Group provision for impairment was determined on the following basis:

2019	**Measurement approach**	**ECL % applied**
Specific exposure *	Expected credit loss derived from Moodys	4.03%
Specific exposure *	Expected credit loss derived from Moodys	0.18%
General exposure	Expected credit loss derived from historical data	3.35%

* Listed companies with significant balances are separately assessed.

16 INVENTORIES

	December 31, 2019 R	December 31, 2018 R
Consumables	**1 408 294**	1 435 698
Work in progress	**3 748 732**	1 768 031
Finished goods	**46 123 077**	38 619 952
Total	**51 280 103**	41 823 681

Depreciation of R2.3 million was included in inventory at December 31, 2019 (December 31, 2018: R2.2 million).

(Presented in South African Rands)

17 LONG-TERM RESTRICTED CASH

	December 31, 2019 R	December 31, 2018 R
Guarantee to Transnet Freight Rail ("TFR")	-	8 000 000
Guarantee to Department of Mineral Resources and Energy ("DMRE") & Eskom	**3 200 000**	3 200 000
Total	**3 200 000**	11 200 000

A call deposit of R8.0 million in respect of guarantees provided to Transnet Freight Rail ("TFR") has been released during the financial year ended December 31, 2019. The R3.2 million remaining call deposit, have been ceded and pledged to the bank in respect of guarantees provided to the Department of Mineral Resources and Energy ("DMRE") and Eskom.

18 CASH AND CASH EQUIVALENTS

	December 31, 2019 R	December 31, 2018 R
Cash in bank	**3 518 388**	5 231 958
Cash is denominated in the following currencies:		
Canadian Dollars	**154 621**	448 084
United States Dollars	**55 967**	37 695
Rands	**3 307 800**	4 746 180
Total	**3 518 388**	5 231 958

19 SHARE CAPITAL

	Number of shares	Stated value R
Balance at December 31, 2017	407 808 281	1 082 396 917
Shares issued to STA	13 544 315	6 908 433
Balance at December 31, 2018	**421 352 596**	**1 089 305 350**
Shares issued	-	-
Balance at December 31, 2019	**421 352 596**	**1 089 305 350**

The Company is authorized to issue an unlimited number of Common Shares at no par value.

As set out in further detail in Note 22, the Company has raised an aggregate US$29 million convertible loan from RCF, of which US$27 million is outstanding as at December 31, 2019, in respect of which interest is settled by the Company by way of the issuance of Common Shares to RCF at the 20-day volume weighted average price ("VWAP") as at the date the interest is due. The original convertible loan facility of US$6.0 million ("RCF Original Convertible Loan") and the bridge loan facility of US$4.0 million ("RCF Bridge Loan") were entered into in September 2013 and February 2014 respectively, and on July 3, 2014, BC Corp closed the final tranche of US$15.0 million resulting in an aggregate US$25.0 million convertible loan facility ("RCF US$25 million Loan") ("First Amended RCF Agreement").

On March 27, 2015, BC Corp entered into a second amended and restated convertible loan agreement with RCF ("Second Amended RCF Agreement") to secure an additional US$4.0 million loan facility (collectively with the RCF US$25 million Loan, the "RCF Convertible Loan").

(Presented in South African Rands)

19 SHARE CAPITAL (continued)

On December 2, 2015, BC Corp entered into a third amended and restated convertible loan agreement with RCF ("Third Amended RCF Agreement"). Effective September 30, 2016, the Company entered into an additional amendment to the convertible loan agreement with RCF (the "2016 Amendment"), in terms of which RCF agreed to an interest holiday beginning July 1, 2016, with a reduction in the interest rate to 1.29% during the interest holiday period. The interest holiday period ends the earliest of maturity, occurrence of an event of default or lender's delivery of an interest holiday period termination notice. Accrued interest will be payable on the maturity date in cash, or Common Shares.

During the financial years ended December 31, 2019 and December 31, 2018, no Common Shares were issued to settle interest on the RCF Convertible Loan.

As set out in Note 2.1, pursuant to the STA Equity Settlement Agreement ("ESA") dated October 28, 2015, STA agreed that Zinoju Coal may elect to make use of an equity mechanism for a portion of the services rendered by STA to Zinoju Coal.

The Common Shares were issued by Buffalo Coal Corp, and accordingly, Buffalo Coal Corp, agreed that the amounts owed by Zinoju to STA in respect of the equity portion have been assumed and settled by Buffalo Coal Corp, on behalf of Zinoju Coal. In terms of provision 6(i) of the ESA, the parties agreed that the percentage of shares held by STA shall never exceed 9.9% of the total Common Shares of Buffalo Coal Corp.

Following the Common Shares issued to STA during the financial year ended December 31, 2018, STA held 9.9% of the issued Common Shares of Buffalo Coal Corp as at December 31, 2018, and the STA "ESA" was fully and finally discharged.

During the financial year ended December 31, 2018, the Company issued 13 544 315 Common Shares to STA based on an agreed share price of C$0.05 to settle a portion of the contract mining fees. The shares issued were valued at the fair value of the services received.

20 RESERVES

	Number of options	Weighted average exercise price (C$)	Value of options R	BEE option reserves R	Total R
Closing balance at December 31, 2017	3 343 303	0.11	1 807 055	9 073 711	10 880 766
Granted and vested	-	-	2 147	-	2 147
Expired/cancelled	(1 084 349)	0.25	(1 185 078)	-	(1 185 078)
Closing balance at December 31, 2018	**2 258 954**	**0.07**	**624 124**	**9 073 711**	**9 697 835**
Granted and vested	**-**	**-**	**-**	**-**	**-**
Expired/cancelled	**(125 000)**	**0.11**	**(100 911)**	**-**	**(100 911)**
Closing balance at December 31, 2019	**2 133 954**	**0.07**	**523 213**	**9 073 711**	**9 596 924**

Employee share option plan

The Company has an ownership-based compensation scheme, administered by the Board of Directors of the Company, for directors, officers, employees and consultants. The existing plan was adopted by the Board of Directors on November 30, 2015, as required in terms of the move by the Company from the TSX to the TSXV on December 18, 2015. The plan was ratified by shareholders at the annual general meeting of the Company on June 28, 2016.

(Presented in South African Rands)

20 RESERVES (continued)

Employee share option plan (continued)

The plan provides for the issuance of share options to acquire up to 10% of the Company's issued and outstanding capital. The number of shares reserved for issuance pursuant to the grant of share options will increase as the Company's issued and outstanding share capital increases. In accordance with the terms of the plan, directors, officers, employees and consultants of the Company may be granted options to purchase Common Shares at an exercise price determined by the Board of Directors, but which shall not be lower than the discounted market price of the underlying Common Shares at the time of grant. Each share option converts into one Common Share of the Company on exercise.

No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

No share options were granted during the years ended December 31, 2019 and December 31, 2018.

Share options outstanding at the end of the financial year have the following exercise prices:

Grant date	Exercise price (C$)	December 31, 2019	December 31, 2018
August 12, 2014	0.11	-	125 000
April 20, 2015	0.07	**1 558 954**	1 558 954
November 10, 2015	0.04	**125 000**	125 000
August 26, 2016	0.05	**450 000**	450 000
Total		**2 133 954**	2 258 954

The weighted average remaining contractual life of share options outstanding at December 31, 2019 is 0.62 years (December 31, 2018: 1.57 years). All options outstanding at December 31, 2019 are exercisable. All of the 2 258 954 options outstanding at December 31, 2018 were exercisable.

Restricted Share Units

The Company has a RSU Incentive Plan in place in terms of which the Company is authorized to grant and issue RSUs to directors and officers of the Company. Each RSU shall entitle the director or officer to receive one Common Share upon completion of certain terms. The Common Shares will be repurchased from the open market and held in trust for subsequent issuance.

As of December 31, 2019 and December 31, 2018, no RSUs were granted or outstanding.

Black Economic Empowerment option

During the year ended February 29, 2012, BC Dundee assisted one of its BEE partners to buy out the interest in Zinoju held by its other BEE partner. This resulted in the issuance of a new call option to the continuing BEE partner which represented the issuance of an equity-settled share-based payment.

(Presented in South African Rands)

21 INVESTEC BORROWINGS

Borrowings consisted of the Investec loan facilities as detailed below:

	December 31, 2019 R	December 31, 2018 R
Investec loan facilities	**64 114 971**	100 982 963

On July 3, 2014, BC Dundee finalized a restructuring of the Investec loan facilities ("First Amended Investec Agreement") on the following terms:

- five-year senior secured amortizing term loan facility of R90.0 million (the "Term Loan Facility"). The Term Loan Facility accrued interest monthly at JIBAR plus 4%, with only interest having been payable on a quarterly basis up to December 2015. The first principal payment was due in December 2015 (refer below for the Third Amendment) and going forward, principal payments were due on a quarterly basis. The First Amended Investec Agreement required the Group to make payments if excess cash was available during the 18-month grace period up to December 2015 up to a maximum of R4.5 million on a quarterly basis. No such payments were made during 2015;
- five-year senior secured loan facility of R50.0 million (the "Bullet Facility"). The Bullet Facility was repayable by way of a bullet repayment at the end of the facility life. The Bullet Facility accrued interest monthly at JIBAR plus 4% with the first interest payment having been due in December 2015 and quarterly repayments of interest to be made going forward; and
- five-year senior secured revolving credit facility of R30.0 million (the "Working Capital Facility"). The Working Capital Facility was repayable on the final maturity date being July 3, 2019, and bears interest at prime plus 0.5%, payable monthly.

On December 2, 2015, BC Dundee closed a second amended and restated term loan and revolving credit facility with Investec ("Second Amended Investec Agreement"), whereby Investec agreed to extend BC Dundee's working capital facility from R30.0 million to R80.0 million, comprising two tranches of R25.0 million each. The conditions to the first and second tranche were fulfilled and drawn in December 2015 and March 2016 respectively. On December 18, 2015, BC Dundee entered into a third amendment to the Investec loan agreement ("Third Amendment"), in terms of which the repayment schedule for the term loan facility was replaced with a new schedule with principal repayments commencing on March 31, 2016.

Due to continued cash constraints, Investec was approached during the first quarter of 2016 for a deferral of the term loan facility repayment due on March 31, 2016. On March 31, 2016, BC Dundee entered into a fourth amendment to the Investec term loan and revolving credit agreement ("Fourth Amendment") in terms of which the repayment schedule for the term loan facility was replaced with a new schedule with principal repayments commencing on June 30, 2016.

In addition, surplus cash at each quarter-end in excess of R30.0 million had to be used to reduce the R80.0 million working capital facility back to R30.0 million.

Investec was again approached for a deferral of the term loan facility repayment due on June 30, 2016 following which BC Dundee entered into a fifth amendment to the term loan and revolving credit agreement ("Fifth Amendment") in terms of which the repayment schedule for the term loan facility was replaced with a new schedule with principal repayments commencing on September 30, 2016.

On each of September 30, 2016 and December 31, 2016 the Company made the term loan facility repayments of R7.5 million.

21 INVESTEC BORROWINGS (continued)

Early in calendar 2017, drilling results in Panel 417 of the Magdalena mine revealed a dyke of 22 meters thick, with a 13.5 meter down-throw. In terms of the life of mine planning for Magdalena, the mine had to develop through this dyke in order to access the LOM block towards South-West of the reserves, to establish additional pit-room. Funding was required for this development, and Investec was approached to make the undrawn R22.0 million working capital facility available for this purpose.

On April 13, 2017, BC Dundee entered into a sixth amendment to the term loan and revolving credit agreement ("Sixth Amendment") and the undrawn working capital facility balance was made available for drawdown. In terms of the Sixth Amendment, Investec released R22.0 million as working capital for the purpose of ensuring the Panel 417 project was completed timeously and a Life of Mine Royalty ("LOMR") became due and payable to Investec on all bituminous coal sales with effect from July 1, 2017, calculated at a rate of 3.54% on all bituminous coal sold which was mined from the Magdalena reserve. As of December 31, 2017, the Company had utilized R79.8 million of the working capital facility.

Due to continued cash constraints during calendar 2017, BC Dundee was not able to meet its quarterly repayment obligations to Investec and was also unable to meet other specified debt covenants that were required at the end of each quarter of 2017, which placed the Company in breach of certain of these covenants.

Such breach constitutes an event of default under the debt agreement whereby Investec is entitled to request early payment of the outstanding debt. As a result of the events of default, management classified the total Investec debt of R188.0 million at the end of December 31, 2017 as current borrowings.

On March 19, 2018, BC Dundee agreed to amendments to the term loan and revolving credit agreement (the "Amendment") that resulted in:

- BC Dundee immediately paying Investec the amount of R36.6 million due to Investec under the existing Investec Facility at the time, of which R30.0 million reduced the aggregate amount outstanding on the Investec Facility, with the remaining R6.6 million applied to the mine royalty payment (R6.1 million) and the balance (R0.5 million) applied to default interest, all of which were paid on March 19, 2018; and
- deferral of the R7.5 million instalment due on March 31, 2018 to June 29, 2018.

On June 25, 2018, BC Dundee settled the required principal payments of R7.5 million for each of the March and June 2018 quarters (R15 million in total). On September 25, 2018 BC Dundee settled R25 million principle payment and on October 3, 2018, a further R5 million was paid to Investec, thereby settling the Term Loan Facility in full and reducing the total outstanding loan owing to Investec to R125.3 million.

On November 7, 2018, the Company accepted and agreed to Investec's amendment to the Term Loan and Revolving Credit Facility Agreement, pursuant to which the final maturity date was extended from June 30, 2019 to December 31, 2019, with revised quarterly repayment instalments of R20 million at the end of December 2018 and R26 million at the end of each quarter of calendar 2019.

On December 31, 2018, a further principal payment of R20 million was paid to Investec, reducing the total outstanding loan to R101.0 million.

On March 5, 2019, the Company accepted and agreed to Investec's further amendment to the Term Loan and Revolving Credit Facility Agreement, pursuant to which the final maturity date was 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.

21 INVESTEC BORROWINGS (continued)

The Company is obliged to pay any accrued royalties payable to Investec at the end of September 2020.

Due to the Company's continued cashflow constraints during the first half of calendar 2019, the Company was unable 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 further amendment to the Term Loan and Revolving Credit Facility Agreement. Pursuant to the amended agreement, the R25.5 million 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.

In September 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 the amended agreement, the R20 million had to be settled in three monthly instalments, being R5 million paid on October 31, 2019, R5 million paid on November 30, 2019 and R10 million payable on December 31, 2019.

On December 17, 2019, BC Dundee provided Investec with its cash flow forecast for the next year (FY 2020). Upon review thereof and following further discussions with Investec in January 2020, Investec agreed that BC Dundee do further monthly instalments of R5 million at the end of December 31, 2019, January 31, 2020 and February 29, 2020, with the understanding that any part of instalments not paid at each of the respective month-end dates will roll-over and be required to be settled on March 31, 2020. BC Dundee settled R5 million on December 31, 2019.

Lower than planned sales volumes during the first two months of calendar 2020 resulted in a slower realization of cash from inventories and consequently less cashflow generated from operations over quarter 1 of 2020. As a result, by agreement with Investec, the January and February instalments of R5 million each were rolled over to be settled along with the R5 million instalment due to be settled on March 31, 2020 (R15 million in total). Due to logistical delays, a portion of the orders scheduled to be completed in March, was carried over to April. Management approached Investec in March 2020 with the request for deferral of a portion of the March 2020 loan instalment (R6.7 million) to April 2020 and May 2020. As a result of the National Lockdown imposed by the South African government on March 23, 2020, and the uncertainty of the outcome thereof on the Company's operations and cash flows, management made a further request for deferral of the R8.3 million proposed balance payable at the end of March 31, 2020. On March 31, 2020, Investec agreed to the deferral of the R15 million March instalment with the instalments due on April 30, 2020 and May 31, 2020 amended to R16.7 million and R8.3 million, respectively.

Management continues to review the impact of the National Lockdown on the Company's cash flows and, if necessary, approach Investec for further discussions on the instalment payments due (Refer to Note 30 – Subsequent events – Readiness and response to COVID-19).

Since inception of the Investec loan facilities to date, Investec has not exercised its acceleration rights with respect to any existing events of default under the Investec Facility. There is no assurance that Investec will not exercise its acceleration rights with respect to any existing events of default or that Investec will agree to further amendments to the repayment terms if the Company is unable to settle the instalments on due date set.

21 INVESTEC BORROWINGS (continued)

The movement in the Investec borrowings is as follows:

	December 31, 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	**11 470 150**	16 649 213
Interest paid	**(12 174 598)**	(16 667 096)
Repayments	**(40 508 327)**	(95 000 000)
Current portion	**64 114 971**	100 982 963

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

	December 31, 2019 R	December 31, 2018 R
Investec Loan Facilities Outstanding	**64 114 971**	**105 327 746**
Bullet Facility	-	25 508 327
Working Capital Facility	64 114 971	79 819 419
Less: Warrant asset	-	(4 344 783)
Current portion	**64 114 971**	**100 982 963**

Warrant asset

Included in the Investec borrowings was a warrant asset which has been fully accreted to zero on the maturity date of June 30, 2019 (December 31, 2018: R4.3 million). The accretion was due to the difference between the amortization of the effective interest rate and the actual interest rate on the liability component as described in the warrant liability section below.

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 liability component would have been accreted to its face value of R40.5 million using the effective interest rate method at approximately 35.5%.

The warrants expired unexercised on June 30, 2019 resulting in a fair value of RNil as at December 31, 2019 (December 31, 2018: R7 825).

(Presented in South African Rands)

21 INVESTEC BORROWINGS (continued)

Warrant liability (continued)

The movement in the warrant liability is as follows:

	December 31, 2019 R	December 31, 2018 R
Opening balance	**7 825**	29 507
Fair value adjustment	**(8 035)**	(102 910)
Foreign exchange differences	**210**	81 228
Closing balance	**-**	7 825

The carrying value of the liability as at December 31, 2018 was calculated using the Black-Scholes option pricing model:

	December 31, 2018	Initial assumptions
Volatility (based on historical share price)	131.5%	100.0%
Life (in years) to maturity date	0.5	5.0
Risk-free interest rate	1.90%	1.71%
Share price (C$)	0.01	0.10
Exercise price of call (C$)	0.14	0.14
Expected dividend yield	0%	0%
Warrant no of shares	34 817 237	34 817 237
Warrant valuation (C$)	741	2 284 865
Warrant valuation (R)	7 825	22 987 796

Security

The Investec facilities are secured as follows:

BC Corp entered into the following security agreements with Investec - a cession in security over its bank account held with Investec, a cession in security over its bank accounts held in Canada and a pledge and cession in securitatem debiti of all the shares, securities and other ownership interests of BC Corp in BC Dundee and BC and debt claims against BC Dundee, BC and Zinoju.

BC Dundee entered into the following security agreements with Investec - a cession in security granted by BC Dundee in respect of BC Dundee's rights, title, claims and interests in and to the relevant assets which include: all insurances and all the proceeds receivable under those insurances, trade receivables, claims of BC Dundee under the mining contract with Zinoju and all the bank accounts of BC Dundee and all rights to cash balances standing to the credit of those bank accounts. BC Dundee also entered into a pledge and cession in securitatem debiti of all BC Dundee's shares in and claims against Zinoju.

BC Dundee has passed a first-ranking covering mortgage bond over certain land and a first-ranking special notarial bond over specified movable property of BC Dundee and a first and second ranking general notarial bond over all of BC Dundee's movable assets.

22 RCF LOAN FACILITIES

RCF Original Convertible Loan

On September 4, 2013, BC Corp closed a secured US$6.0 million (approximately R61.0 million) RCF Original Convertible Loan. The RCF Original Convertible Loan had an original maturity date of June 30, 2016. The principal on the RCF Original Convertible Loan was convertible into Common Shares at a price of C$0.36 per share.

Prior to receipt of shareholder approval on September 11, 2013 of the Common Shares issuance to RCF upon conversion of the loan, the loan bore interest at a rate of 10% per annum, payable on each calendar quarter in cash or Common Shares at a price per share equal to the 20-day VWAP as at the date the payment was due. Upon receipt of shareholder approval, the interest rate decreased to 8% per annum.

The RCF Original Convertible Loan was secured by a cession of the shares of BC Dundee, a special notarial bond over the anthracite stockpile as at July 31, 2013 and a cession of a specified bank account into which all proceeds from the sale of such anthracite stockpile were transferred.

In addition, BC Dundee provided a guarantee to RCF guaranteeing the payment and performance of all liabilities and obligations of the Company to RCF under the RCF Original Convertible Loan. The guarantee was limited to restrictions imposed by the South African Reserve Bank, if any.

RCF Bridge Loan

On February 4, 2014, BC Corp entered into the First Amended RCF Agreement for the secured RCF US$25 million loan which comprised the RCF Bridge Loan, a convertible loan of up to US$15.0 million and a refinancing of the RCF Original Convertible Loan.

On February 5, 2014, the Company closed the secured US$4.0 million (approximately R42.9 million) RCF Bridge Loan, being the first tranche of the RCF US$25 million loan.

The RCF Bridge Loan bore interest at 15% per annum, payable in arrears at the end of each month, in cash or Common Shares at a price per share equal to the 20-day VWAP as at the date payment was due.

The RCF Bridge Loan was secured by the security provided by BC Corp for the RCF Original Convertible Loan (other than the special notarial bond over the anthracite stockpile which was released as set out below).

RCF Convertible Loan

On July 3, 2014, BC Corp closed the final tranche of the RCF US$25 million loan of US$15.0 million. Furthermore, the RCF Bridge Loan, the RCF Original Convertible Loan and the final tranche were rolled up into one facility, the RCF Convertible Loan, which was convertible at a price of C$0.1446 per Common Share with a maturity date of June 30, 2019. The RCF Convertible Loan bore interest at 12% per annum, payable in arrears at the end of each month, in cash or Common Shares at a price per share equal to the 20-day VWAP as at the date the payment was due.

The final tranche of US$15.0 million was drawn down over the period July 2014 and March 2015, in the form of advances of funds by RCF to BC Corp (US$4.8 million/R48.5 million) and new equipment advances (US$10.2 million/R103.0 million).

In terms of the First Amended RCF Agreement, RCF took a first ranking special notarial bond over the new equipment as specified in the First Amended RCF Agreement and acquired using the proceeds of the RCF Convertible Loan.

22 RCF LOAN FACILITIES (continued)

RCF Convertible Loan (continued)

In addition, RCF took second ranking security over BC Dundee's shares and all other moveable and immovable assets of the Company.

On March 27, 2015, BC Corp closed the Second Amended RCF Agreement and secured an additional US$4.0 million loan facility which was advanced as a bridge loan ("2015 Bridge Loan"). On June 19, 2015, upon the Company receiving shareholder approval at the annual and special meeting of shareholders, the 2015 Bridge Loan rolled over into the RCF Convertible Loan, under the same terms and conditions except for the amendments to the interest rate and conversion price on the full US$29.0 million facility as set out below.

The 2015 Bridge Loan bore interest at a rate of 15% per annum, payable on the maturity date. No establishment fees were incurred on the 2015 Bridge Loan. Upon receipt of the shareholder approval, interest became payable in Common Shares at a price per share equal to the 20-day VWAP as at the date the payment was due. In addition, the interest rate on the RCF Convertible Loan was increased to 15% per annum and the conversion price was decreased to C$0.0469, a 25% discount to the 5-day VWAP as at January 30, 2015.

On December 2, 2015, BC Corp entered into the Third Amended RCF Agreement, whereby RCF agreed to the RCF Conversion in terms of which it would convert an aggregate of US$20.0 million of the RCF Convertible Loan into Common Shares over a two-year period at the conversion price of C$0.0469 per Common Share. As a result of restrictions that prevented RCF from being able to exercise, this deadline was extended indefinitely. The RCF First Tranche Conversion of US$2.0 million was converted on December 3, 2015 on the closing of the transactions with RCF and Investec, resulting in 56 963 752 Common Shares being issued to RCF.

In terms of the Third Amended RCF Agreement, RCF has also released all security held in respect of the RCF Convertible Loan, including the guarantee from BC Dundee.

Effective September 30, 2016, the Company entered into the 2016 Amendment pursuant to which RCF agreed to an interest holiday beginning July 1, 2016, with a reduction in the interest rate to 1.29% during the interest holiday period. The interest holiday period ended on December 31, 2019.

Interest accrued on the RCF Convertible Loan amounting to C$359 333 (R3.8m) has been included in Trade and other payables as at December 31, 2019 (December 31, 2018: C$290 140 (R3.1m)).

The RCF Convertible Loan became due and payable on June 30, 2019. On April 15, 2019, BC Corp and RCF agreed to extend the final maturity date of the RCF Convertible Loan to December 31, 2019. On December 13, 2019, RCF agreed to further extend the final maturity date of the RCF Convertible Loan to December 31, 2020. In addition, RCF decreased the interest rate from 1.29% to 0% effective January 1, 2020. This maturity date extension does not affect the classification of the loan as current.

As at December 31, 2019 and December 31, 2018, BC Corp was fully drawn on the US$27.0 million (December 31, 2019: R379.3 million; December 31, 2018: R388.7 million) RCF Convertible Loan, after the RCF First Tranche Conversion.

22 RCF LOAN FACILITIES (continued)

RCF Convertible Loan (continued)

The movement in the RCF Convertible Loan was as follows:

	December 31, 2019 R	December 31, 2018 R
Opening balance	**381 087 383**	314 762 527
Gain on extension of loan maturity	**(34 654 984)**	-
Accretion expense	**18 558 139**	13 585 885
Effect of foreign currency exchange difference	**(9 085 928)**	52 738 971
Closing balance	**355 904 610**	381 087 383

The discounted present value of the cash flows under the revised terms using the revised effective interest rate of 6.37% (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 R34.7 million gain. According to IFRS 9, such non-substantial modifications (less than 10% difference in the discounted present value of the future cash flows discounted at the original effective interest rate) are to be immediately recognized in profit or loss and has been reflected as such in these results.

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 and December 13, 2019 BC Corp and RCF agreed to extend the final maturity date of the RCF Convertible Loan to December 31, 2020, which also had the effect of extending the conversion option liability component to the revised maturity date. This resulted in an R38.4 million loss on extension of the conversion option calculated on the amendment dates, April 15, 2019 and December 13, 2019, which has been included in other income/(expenses) in these results (Refer to Note 6).

The liability component will continue to accrete to its face value of US$27.0 million (approximately R379.3 million) (December 31, 2018: US$27.0 million (approximately R388.7 million)), using a revised effective interest rate of 6.37% (December 31, 2018: 5.3%).

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

	December 31, 2019	December 31, 2018	Initial assumptions
Volatility (based on historical share price)	**118.0%**	131.5%	51.0%-107.0%
Life (in years) to maturity date	**1.0**	0.5	3.9-5.0
Risk-free interest rate	**1.69%**	1.90%	0.5%-1.5%
Share price (C$)	**0.01**	0.01	0.035-0.095
Potential shares	**749 372 623**	784 738 593	720 351 931
Value of convertible feature (C$)	**137 835**	296 616	18 191 938
Value of convertible feature (R)	**1 487 566**	3 132 577	182 348 706

(Presented in South African Rands)

22 RCF LOAN FACILITIES (continued)

RCF Convertible Loan (continued)

Conversion option liability (continued)

Movement in the Conversion Option Liability was as follows:

	December 31, 2019 R	December 31, 2018 R
Opening balance	**3 132 577**	28 289
Loss on extension of loan maturity date	**36 126 492**	-
Fair value adjustment	**(38 435 834)**	(831 739)
Foreign currency translation adjustment	**664 331**	3 936 027
Closing balance	**1 487 566**	3 132 577

The Conversion Option Liability is linked to the RCF Loan facility which becomes due and payable as at December 31, 2020. Consequently, the entire liability has been classified as current as of December 31, 2019.

Security

In terms of the First Amended RCF Agreement, the Company was released from the security previously provided to RCF which included a special notarial bond over the anthracite stockpile at July 31, 2013, the cession of a specified bank account into which all the proceeds from the sale of such anthracite stockpile were transferred and security over BC Dundee's shares.

In terms of the Third Amended RCF Agreement, RCF has released all security held in respect of the RCF Convertible Loan, including the guarantee from BC Dundee.

23 ASSET RETIREMENT OBLIGATION

	December 31, 2019 R	December 31, 2018 R
Opening balance	**49 891 221**	35 898 183
Change in estimate	**723 192**	13 993 038
- Included in property, plant and equipment	**-**	11 957 124
- (Reversal)/allocation of provision	**(1 020 591)**	552 642
- Unwinding of discount	**1 743 783**	1 483 272
Closing balance	**50 614 413**	49 891 221
Current portion	**(5 276 640)**	(5 285 246)
Non-current portion	**45 337 773**	44 605 975

South African mining companies are required by law to undertake rehabilitation work as part of their ongoing operations. The Group has made, and expects to make in the future, expenditures to comply with such laws and regulations, but cannot predict the full amount of such future expenditures. Estimated future reclamation costs are based principally on legal and regulatory requirements.

In line with the requirements of the Department of Mineral Resources, certain assets are ring-fenced for mining rehabilitation purposes. These environmental rehabilitation costs are funded by contributions into long-term investments (Refer to Note 14). A provision is recognized based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred at the statement of financial position date.

(Presented in South African Rands)

23 ASSET RETIREMENT OBLIGATION (continued)

The change in estimate during the year ended December 31, 2019 relates to changes in the discount and inflation rates used. The change in estimates during the year ended December 31, 2018 included R12.0 million that resulted from a reduction in rehabilitation period of the rehabilitation obligation associated with Magdalena from 15 years to 7 years based on the decision to close the mining operations.

The reversal of the provision recognized during December 31, 2019 of R1.0 million (December 31, 2018: allocation of R0.6 million) is expensed in "General and administration expenses" (Refer to Note 5 – Nature of expenses).

The unwinding of the discount recognized during December 31, 2019 of R1.7 million (December 31, 2018: R1.5 million), is expensed in "finance cost" (Refer to Note 8 – Finance income and expense).

The provision is calculated using the following rates for the two mining sites:

	December 31, 2019	December 31, 2018
Discount rate (%) - Magdalena	**8.25**	9.03
Discount rate (%) - Aviemore - MR174	**6.90**	6.97
Discount rate (%) - Aviemore - MR301	**8.25**	9.62
Inflation rate (%) - Magdalena & Aviemore	**4.00**	5.30

The change in inflation rates used is linked to the changes in South African Consumers Price Index ("CPI") obtained as at December 31, 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 (Magdalena – 6 years Aviemore – 14 years) and were based on recent yields determined on South African Government bonds. Government bonds expiring in 1 to 6 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).

24 TRADE AND OTHER PAYABLES

	December 31, 2019 R	December 31, 2018 R
Trade payables	**19 645 695**	32 079 015
Trade payables - STA	**17 628 655**	22 105 199
Audit fees	**1 840 000**	1 542 259
Deferred revenue	**12 160 697**	-
Investec Royalty outstanding	**5 859 516**	5 741 317
Sundry payables and accruals	**12 238 866**	9 165 342
Provision Carbon Tax	**772 955**	-
Provision DMRE fines	**1 550 000**	4 450 000
Provision DMRE royalties	**5 262 907**	-
RCF Interest accrual	**3 878 063**	3 064 189
Retrenchment provision	**-**	2 353 748
Receiver of Revenue - VAT	**4 207 119**	3 773 508
Leave pay provision	**10 000 662**	11 077 891
Total	**95 045 135**	95 352 468

The fair value of trade and other payables approximates their carrying amount, as the impact of discounting is not considered significant.

(Presented in South African Rands)

24 TRADE AND OTHER PAYABLES (continued)

Included in trade payables as of December 31, 2019 is R17.6 million (December 31, 2018: R22.1 million) owing to STA. Interest is accruing monthly on the deferred amount at the prime bank overdraft rate in South Africa.

Deferred revenue of R12.2 million (December 31, 2018: RNil) relates to an upfront payment made by a customer for tonnes delivered after December 31, 2019.

The previous 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"). During the financial year ended December 31, 2019, provision for penalties payable in connection with the Water Use License has been issued, accordingly, the full amount of R1.55 million has been included in Trade and Other Payables.

Included in the mining royalties amount payable on December 31, 2019, is a provision of R4.8 million made by the Company for a potential royalty tax liability that may arise based on a revision of intercompany related transactions between the Companies subsidiary companies (Refer to Note 29, Commitments and contingencies).

The retrenchment provision as at December 31, 2018 related to the remaining 27 people to be retrenched from the Magdalena underground operation at the end of February 2019 as discussed in Note 2.1.

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	December 31, 2019 R	December 31, 2018 R
Canadian Dollars	**561 837**	4 243 928
United States Dollars	**1 738 605**	1 781 632
Rands	**92 744 693**	89 300 747
Great British Pound	**-**	26 161
Total	**95 045 135**	95 352 468

25 CURRENT TAX ASSETS AND LIABILITIES

	December 31, 2019 R	December 31, 2018 R
Current tax assets:		
Tax refund receivable	-	864 711
Total	-	864 711
Current tax liabilities:		
Witholding tax payable	**254 915**	828 558
Total	**254 915**	828 558

Withholding tax

Under the terms of the loans granted by RCF to the Company (Refer to Note 22), the Company was required to make all interest payments to RCF in full, without deduction for any applicable taxes. During September 2013 the Company and RCF become related parties and were deemed not to be dealing at arm's length pursuant to paragraph 251 of the income tax act of Canada. Consequently, RCF was required to pay non-resident tax on interest payments made to the Company on or after September 11, 2013.

(Presented in South African Rands)

25 CURRENT TAX ASSETS AND LIABILITIES (continued)

Withholding tax (continued)

The Company was not aware at the time that interest payments made on the loans on or after September 11, 2013 were subject to non-residents tax and failed to withhold and remit these amounts.

On July 31, 2018, the Company calculated the amount of withholding taxes payable to be C$312 066 (R3 448 922). A voluntary disclosure was filed with the Canada Revenue Agency ("CRA") and the corresponding amount paid on August 14, 2018. The CRA has since accepted the relief under the voluntary disclosure program and indicated that no penalties would be charged and gave the Company a partial relief of 50% of the interest.

Included in the current tax liability provision as at December 31, 2019 is an amount of C$23 628 (R254 915) for the estimated remaining interest payable related to the withholding tax.

26 FINANCIAL INSTRUMENTS BY CATEGORY

The Group's financial assets and financial liabilities as at December 31, 2019 and December 31, 2018 were as follows:

Financial instruments	Financial assets at amortized cost	Fair value through profit or loss	Liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
	R	R	R	R	R
December 31, 2019					
Trade and other receivables (excluding non-financial assets)	**24 339 539**	**-**	**-**	**-**	**24 339 539**
Investments in financial assets	**-**	**198 744**	**-**	**-**	**198 744**
Cash (excluding restricted cash)	**3 518 388**	**-**	**-**	**-**	**3 518 388**
Investec borrowings	**-**	**-**	**-**	**(64 114 971)**	**(64 114 971)**
RCF loan facilities	**-**	**-**	**(1 487 566)**	**(355 904 610)**	**(357 392 176)**
Trade and other payables (excluding non-financial liabilities)	**-**	**-**	**-**	**(90 838 015)**	**(90 838 015)**

(Presented in South African Rands)

26 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial instruments	Financial assets at amortized cost R	Fair value through profit or loss R	Liabilities at fair value through profit or loss R	Financial liabilities at amortized cost R	Total R
December 31, 2018					
Trade and other receivables					
(excluding non-financial assets)	**42 106 115**	**-**	**-**	**-**	**42 106 115**
Investments in financial assets	**-**	**194 484**	**-**	**-**	**194 484**
Cash (excluding restricted cash)	**5 231 958**	**-**	**-**	**-**	**5 231 958**
Investec borrowings	**-**	**-**	**-**	**(100 982 963)**	**(100 982 963)**
RCF loan facilities	**-**	**-**	**(3 132 577)**	**(381 087 383)**	**(384 219 961)**
Warrant liability	**-**	**-**	**(7 825)**	**-**	**(7 825)**
Trade and other payables					
(excluding non-financial liabilities)	**-**	**-**	**-**	**(91 578 960)**	**(91 578 960)**

27 CASH GENERATED FROM OPERATIONS

	December 31, 2019 R	December 31, 2018 R
Profit/(loss) before income tax	**36 838 808**	(68 375 322)
Adjusted for:		
Depreciation and amortization	**16 246 250**	22 296 690
Impairment of property, plant and equipment	**8 042 236**	67 490 402
Unrealized foreign exchange (gain)/loss-net	**(8 296 185)**	57 954 718
Movement in provision for impairment of receivables	**4 883 778**	3 683 928
Net (profit) on disposal of property, plant and equipment	**(514 751)**	(2 354 880)
Gain/(loss) on extension of RCF conversion loan	**1 471 509**	-
Fair value adjustment on other receivables - restricted	**(3 557 248)**	(2 949 883)
Movement in provsions	**(2 864 987)**	601 858
Stock-based compensation	**-**	(3 242 503)
Penalties - witholding tax	**-**	314 972
Fair value adjustment on conversion option and warrant liability	**(38 443 645)**	(934 649)
Investment in financial assets commission deducted from funds	**1 308 333**	1 260 014
Finance income - cash	**(1 163 105)**	(2 434 622)
Finance cost – cash	**8 705 014**	25 854 386
Finance cost – non-cash	**26 704 083**	31 161 989
Net changes in working capital	**(5 730 190)**	(13 520 387)
Cash generated from operations	**43 629 900**	116 806 711

(Presented in South African Rands)

28 RELATED PARTIES

The Company's related parties include its subsidiaries and key management personnel. During the normal course of operations, the Company enters into transactions with its related parties for goods and services. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

During the years ended December 31, 2019 and December 31, 2018, the Company did not enter into any transactions with related parties (except for its subsidiaries) in the ordinary course of business.

The following balances were outstanding at the end of the reporting period:

	December 31, 2019 R	December 31, 2018 R
Related party payables		
RCF [1]	**5 616 669**	4 845 820
Total	**5 616 669**	4 845 820

These amounts are unsecured and 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 R3.8 million (December 31, 2018: R3.1 million) on the RCF Convertible loan (Refer to Note 22) 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 members of key management personnel (officers) during the period was as follows:

	December 31, 2019 R	December 31, 2018 R
Short-term benefits	**8 914 516**	10 479 864
Share-based payments	**-**	1 335
Total	**8 914 516**	10 481 199

No share options were granted to employees during the years ended December 31, 2019 and December 31, 2018 (Refer Note 29).

Amounts owing to directors and other key management personnel were R0.5 million as of December 31, 2019 (December 31, 2018: R0.4 million). These amounts relate to director fees which are due and payable during January 2020.

(Presented in South African Rands)

29 COMMITMENTS AND CONTINGENCIES

Management Contracts

Certain management contracts require that payments of approximately R4.2 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 December 31, 2019.

Capital Commitments

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

	December 31, 2019 R	December 31, 2018 R
Property, plant and equipment	3 778 606	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. All of the required devices were implemented prior to year-end.

Avemore Trust

An agreement between the Group and the Avemore Trust comprises of the following:

- R2.50 /tonne royalty payment on future production, subject to a minimum monthly amount of R25 000 per month.
- 17.5k litres of water to be stored to allow the continued use of the borehole on the property.

The Group has complied and is complying with these terms.

Mining royalties

The Company accrued for mining royalties of R6.2 million during the year ended December 31, 2019 (December 31, 2018: R3.7 million) under terms of the Royalty Act of which R0.9 million were paid during the year ended December 31, 2019 (December 31, 2018: R3.7 million). The Company paid R0.5 million shortly after year-end. The remaining (unpaid) balance of R4.8 million relate to a provision made by the Company for a potential royalty tax liability that may arise based on a revision of intercompany related transactions between the Company's subsidiary companies that have been based on agreements which locked in certain pricing parameters that over time have become disconnected from the market prices. The Company has engaged with tax advisors to provide advice to the Company on how to proceed on this matter.

Environmental and Regulatory Contingency

The Group'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 Group has made, and expects to make in the future, expenditures to continue to comply with such laws and regulations.

29 COMMITMENTS AND CONTINGENCIES (continued)

Environmental and Regulatory Contingency (continued)

On November 20, 2015, the Financial Provisioning Regulations, 2015 (GNR 1147) were promulgated by the Minister of Environmental Affairs for South Africa as replacement of financial provisioning and rehabilitation legislation contained in the MPRDA and the National Environmental Management Act, 1998 (NEMA). After promulgation of the GNR 1147, the Department of Environmental Affairs (DEA) met with various stakeholders who sought clarification on a number of issues. This resulted in amended regulations pertaining to the financial provisioning for prospecting, exploration, mining or production operations which were issued on November 10, 2017.

The legislation has been promulgated and is in effect. As part of the transitional arrangements mining companies have until February 20, 2020 to align their costings with the new regulations and can continue to submit their costings according to the previous MPRDA regulations, even though these have been repealed. However, any mining company that applied for a mining right after November 20, 2015 will have to calculate their liabilities in terms of the new regulations (GNR 1147) and additionally, any mining company that undergoes unscheduled closure after November 20, 2017 will have to update their costs in terms of the new regulations (GNR 1147).

Additionally, new draft regulations (GNR 667) that seek to repeal and replace GNR1147 were put out for public comment on May 17, 2019. The public commenting period has ended, and industry is now waiting for the new regulations to be published in order to see what changes to GNR 1147 there will be.

No provision has been made in the financial statements for the risk associated with ground water pollution as a reliable estimate cannot be made based on current available information. The Group is studying potential exposure and remedies. In addition, detailed guidance to determine the financial provision in this area has not yet been provided in NEMA.

The liability estimation is highly dependent on changes in related environmental legislation, license conditions and new/improved technology. The liability estimation can also be influenced by the authority/discretion of the relevant Minister/s with authority over site closure, rehabilitation and remediation.

The Group'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 the commencement of certain listed activities which have commenced at the Calcine plant at Coalfields, prior to obtaining Environmental Authorization ("EA"). On April 24, 2019, the Group received a fine letter from the EDTEA which imposed a fine of R925,000 for non-compliance which was paid on October 4, 2019. The Group is now awaiting the issue of the EA. Once the EA is secured, the Group 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 Group will be required to comply with the Air Quality Act by 2025.

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 R11.9 million as at December 31, 2019.

30 SUBSEQUENT EVENTS

Other than matters disclosed elsewhere in these consolidated financial statements, the following material matters arose subsequent to the financial year-end:

Appointment of CFO

On February 28, 2020, the board of directors of the Company appointed Willie Bezuidenhout as Chief Financial Officer ("CFO"), with effect from March 9, 2020. Mr. Bezuidenhout took over from Graham Du Preez, who acted as the Company's Interim CFO from August 26, 2019 until the end of February 2020.

Appointment of CEO

On April 6, 2020, the board of directors of the Company appointed Emma Oosthuizen as the Chief Executive Officer ("CEO"). Emma had been serving the Company in her position as interim CEO since February 11, 2019 following the resignation of the previous CEO.

Readiness and response to COVID-19

Coronavirus disease 2019 ("COVID-19") is an infectious disease caused by severe acute respiratory syndrome. The disease, first identified in 2019, has spread globally resulting in an ongoing pandemic which is affecting nearly every country and territory around the world. South Africa reported its first positive case of COVID-19 on March 5, 2020. The Company has been impacted by the spread of the COVID-19 to South Africa.

On March 15, 2020, South Africa's President, declared a state of disaster and announced a wide range of Government interventions aimed at curbing the spread of the COVID-19 outbreak.

Due to the high prevalence of immune-compromised workers in the South African mining industry, to which the Group's operations in Dundee is no exception, the Group has been proactive and has implemented additional measures to reduce the potential spread of infection.

On March 26, 2020, the South African government imposed a national 21-day lockdown to contain the further spread of COVID-19 within South Africa.

All non-essential businesses have been ordered to close for the duration of the National Lockdown. Mines have been ordered to limit activities to care and maintenance procedures designed to avoid damage to underground working areas and other infrastructure and facilities required for continuous operations.

In compliance with the directive issued, care and maintenance protocols were developed and implemented at the Group's operations in Dundee.

In addition to the safeguarding and maintenance of the Group's critical infrastructure, these protocols are designed to ensure continued compliance with all relevant environmental, safety, health and other relevant legislative requirements.

The National Lockdown has created a significant negative impact on the Company's mining operations. The Company is engaging with its financiers, major suppliers and other stakeholders in this regard and will continue to proactively measure and manage any potential impacts of the National Lockdown, together with any possible future extensions thereof.

30 SUBSEQUENT EVENTS (continued)

Readiness and response to COVID-19 (continued)

The Company and its operations will continue to manage and respond to COVID-19 within the framework of the Company's policies and local and national health authority requirements and recommendations. It will continue to monitor the potential impacts of COVID-19 and any additional government interventions on the Company's operations and all our stakeholders.

Foreign exchange risk

As at April 7, 2020, there was an increase in the exchange rate between the Canadian Dollar and Rand compared to December 31, 2019 of C$1:R13.11 (December 31, 2019: R10.79), which would not have had a significant effect on the Group's profit/(loss) as at December 31, 2019.

As at April 7, 2020, there was a significant increase in the exchange rate between the United States Dollar and Rand compared to December 31, 2019 of US$1:R18.38 (December 31, 2019: R14.05), which would have decreased the Group's profit by approximately R117.1 million on translation of the RCF Loan to the Group's functional currency. As are result, the RCF loan increased to R496.4 million (December 31, 2019: R379.3 million).

As at December 31, 2019, the gearing ratio (Refer to Note 3.5 Capital risk management) would have been significantly affected by the increase in the exchange rate between the US Dollar and Rand as at April 7, 2020, and would have increased the ratio to approximately to 1 022% (December 31, 2019: 798%).

Other Matters

Except for the matters discussed above and specifically under Note 2.1, Basis of preparation and 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 the Annual Results.

9 April 2020

Designated Advisor:

Questco Corporate Advisory Proprietary Limited