BRIKOR LIMITED

("Brikor") or ("the Company") or ("the Group")
(Incorporated in the Republic of South Africa)
Registration number: 1998/013247/06
JSE code: BIK
ISIN: ZAE000101945

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

for the six months ended 31 August 2020

THE SPIRIT OF BRICKMAKING

PREPARED BY:

The unaudited condensed consolidated interim financial results ("interim financial results" or "results") for the six-month period ended 31 August 2020 were prepared by Joaret Botha CA (SA), Financial Director.

FINANCIAL INDICATORS

REVENUE *
DECREASED BY
23,1%
to R127,8 million

EARNINGS PER SHARE *
DECREASED BY
116,7%
to 0,3 cents loss per share

HEADLINE EARNINGS PER SHARE *
DECREASED BY
113,3%
to 0,2 cents loss per share

TOTAL EQUITY #
DECREASED BY
2,4%
to R66,9 million

CASH AND CASH EQUIVALENTS #
INCREASED BY
361,9%
to R18,3 million

NET ASSET VALUE PER SHARE #
DECREASED BY
2,8%
to 10,6 cents per share

TANGIBLE NET ASSET VALUE #
DECREASED BY
6,8%
to 5,5 cents per share

CURRENT ASSET RATIO #
DECREASED BY
7,1%
to 1,3:1

ACID TEST RATIO #
INCREASED BY
33,3%
to 0,8:1

* *Increase and/or decrease in financial indicators in comparison to the six-month period ended 31 August 2019.*

\# *Increase and/or decrease in financial indicators in comparison to the balances as at 29 February 2020.*

COMMENTARY

OVERVIEW

Brikor is a diverse manufacturer and supplier of building and construction materials used across a broad spectrum of application from low-cost housing to residential, commercial, industrial, civil engineering and infrastructure projects. The Group operates through two segments, namely Bricks and Coal (the latter being through its wholly-owned subsidiary, Ilangabi Investments 12 (Pty) Ltd).

The directors of Brikor are pleased to present the unaudited condensed consolidated interim financial results for the period ended 31 August 2020, which reflect positive operating profits before interest and taxation and cash generated from operations despite the impact of the COVID-19 pandemic and a distressed economic trading environment. The Brikor Group continued to focus on its commitment to reduce risk and support sustainability for its stakeholders.

DIRECTORS' RESPONSIBILITY

The directors take full responsibility for the preparation of the unaudited condensed consolidated interim financial results and confirm that the financial information has been correctly extracted from the underlying financial statements.

FINANCIAL RESULTS

Impact of the COVID-19 pandemic

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak to be a pandemic. The South African economy was affected by the news of the first confirmed cases of the virus in the country early in March 2020 and this led to the President of the Republic of South Africa declaring a national disaster on 15 March 2020. The President made a further announcement on 23 March 2020 that the country will effectively be placed in a lockdown from midnight on 26 March 2020 until 16 April 2020, with only essential services permitted to operate during this time. On 9 April 2020, the President announced the extension of the lockdown period for an additional 14 days and a risk-adjusted strategy was announced with various different risk alert levels (alert levels 5 to 1), which the country would follow in the gradual relaxation of lockdown restrictions and return of economic activity.

The initial lockdown period required that the Company be closed until the end of April 2020, whilst the Group's coal mining operation, Ilangabi Investments 12 (Pty) Ltd, was allowed to continue to operate at 50% capacity during the initial lockdown period, as the supply of coal was considered an essential service to the electricity supply-chain.

As from 1 May 2020, the country moved into alert level 4 and the Company was able to operate at 50% of production capacity. Management took the decision to follow a phased-in approach with regards to the start-up of production. No production occurred for May 2020 and a phased-in approach commenced during June 2020 returning to full production towards the third week in July 2020. This was also in line with the country moving to alert level 3 from 1 June 2020, which allowed the Company to operate at 100% production. The Group's Coal segment was permitted to operate at 100% capacity from 1 May 2020 with limited impact on sales and production as from May 2020.

Overall financial performance

Revenue decreased to R127,8 million (August 2019: R166,1 million) with the gross profit percentage decreasing to 20,4% (August 2019: 26,6% and February 2020: 21,4%).

Administrative, distribution and other expenses decreased to R27,2 million (August 2019: R28,8 million) mainly attributable to less spend on labour, consulting fees and audit fees amounting to R1,2 million. Training cost also decreased by R0,9 million as a result of the lockdown period and related restrictions.

The Group realised an operating profit before interest and taxation of R1,4 million (August 2019: R19,1 million) for the six months ended 31 August 2020. The decrease was directly as a result of the impact of the COVID-19 pandemic, which resulted in no sales in the Bricks segment during April 2020 and limited sales during May 2020.

Cash and cash equivalents (net of bank overdraft), however, increased to R18,3 million (February 2020: R4,0 million). The increase was mainly attributable to the Group having sufficient stock available at the time when the Group was able to return to operations on 1 May 2020. The decision to phase in production also resulted in savings on variable costs, specifically during levels 5 and 4 of the lockdown period.

Segment performance

Bricks segment

Revenue derived from the Bricks segment decreased by 34,2% to R58,7 million (August 2019: R89,1 million) whilst the gross profit percentage decreased to 14,8% (August 2020: 18,3% and February 2020: 16,2%).

The Bricks segment generated no sales during April 2020 and was able to generate limited sales in May 2020 from customers in essential services in the construction sector. Sales returned to pre-lockdown levels during July and August 2020. The decrease in gross profit percentages was mainly due to lower average selling prices during May and June 2020.

Coal segment

Revenue derived from the Coal segment decreased by only 10,2% to R69,1 million (August 2019: R76,9 million) mainly due to the Coal segment being allowed to operate at 50% capacity during the initial lockdown period and at 100% as from 1 May 2020. The gross profit percentage decreased to 25,2% (August 2019: 36,2% and February 2020: 27,7%) due to the Coal segment only being allowed to sell unwashed product during the initial lockdown period. This resulted in lower average selling prices compared to the previous reporting periods and contributed to the decrease in the gross profit percentage.

CORPORATE GOVERNANCE

The directors endorse and accept full responsibility for the application of the principles necessary to ensure that effective corporate governance is practiced consistently throughout the Group. Brikor is committed to the principles of openness, integrity and accountability to all stakeholders and the Board of Directors accepts its duty to ensure that the principles and practices (as applicable to Brikor), set out in the King Report of Corporate Governance for South Africa – 2016 (King IV™), are implemented on an apply and explain basis.

CHANGES TO THE BOARD OF DIRECTORS

As announced on SENS on 20 July 2020, Mr AP van der Merwe has informed the Brikor Board that he is retiring as non-executive director and will not offer himself for re-election at the Annual General Meeting to be held on 6 November 2020. The Board thanks AP for his valuable contribution over the years.

Ms Mamsy Mokate, an independent non-executive director of Brikor, has been appointed as Lead Independent Director with effect from 17 July 2020.

EVENTS AFTER THE REPORTING DATE

The directors are not aware of any material events which occurred subsequent to the period ended 31 August 2020 and which need adjustment or disclosure in these interim financial results.

PROSPECTS

The Board of Directors remains positive about the potential which can be unlocked from the Group, given the consistent improvement of the statement of financial position, with the last major debts outstanding being those amounts owing to related parties.

A priority during the year ahead will be to continue strengthening Brikor's broad-based black economic empowerment status as well as exploring opportunities to expand production capacity and the sustainability of the Group's mineable reserves.

With a lower risk profile, the Group is well positioned to unlock more opportunities in the mining and construction sectors and broaden its local footprint in the market.

The Board, however, remains mindful of uncertainties in the economic environment caused mainly by the COVID-19 pandemic.

Any forward-looking statements have neither been reviewed nor reported on by the Group's auditors, Nexia SAB&T.

DIVIDEND

No dividend has been declared for the six months ended 31 August 2020.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 August 2020

	Notes	**Unaudited 6 months ended 31 August 2020 R'000**	Unaudited 6 months ended 31 August 2019 R'000	Audited year ended 29 February 2020 R'000
ASSETS				
Non-current assets		**114 678**	118 077	117 750
Property, plant and equipment		**62 203**	67 491	65 260
Intangible assets		**3 362**	3 904	3 633
Restricted financial assets		**20 337**	20 963	21 166
Deferred tax asset	2	**28 776**	25 719	27 691
Current assets		**89 547**	95 801	84 536
Inventories		**34 357**	47 819	44 920
Trade and other receivables		**34 388**	35 530	31 112
Cash and cash equivalents		**18 332**	10 968	4 804
Taxation		**2 470**	1 484	3 700
Assets held-for-sale		**4 473**	4 302	4 377
Total assets		**208 698**	218 180	206 663
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Company		**66 872**	78 432	68 536
Stated capital		**228 242**	228 242	228 242
Accumulated loss		**(161 370)**	(149 810)	(159 706)
Total liabilities		**141 826**	139 748	138 127
Non-current liabilities		**76 101**	79 077	76 499
Shareholders' loans		**8 498**	16 078	10 657
Provisions for environmental restoration	3	**65 781**	58 738	62 380
Deferred tax liability	2	**1 822**	4 261	3 462
Current liabilities		**63 452**	58 569	59 451
Shareholders' loans		**5 164**	2 738	5 421
Trade and other payables		**52 328**	46 399	47 235
Taxation		**5 960**	5 806	5 960
Bank overdraft		**–**	3 626	835
Liabilities directly associated with assets held-for-sale		**2 273**	2 102	2 177
Total equity and liabilities		**208 698**	218 180	206 663

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 31 August 2020

	Notes	**Unaudited 6 months ended 31 August 2020 R'000**	Unaudited 6 months ended 31 August 2019 R'000	Audited year ended 29 February 2020 R'000
Revenue		**127 762**	166 051	292 682
Cost of sales		**(101 656)**	(121 853)	(230 151)
Gross profit		**26 106**	44 198	62 531
Other income		**2 498**	3 709	6 624
Administrative expenses		**(18 571)**	(20 919)	(40 203)
Distribution expenses		**(3 388)**	(3 525)	(7 033)
Other expenses		**(5 236)**	(4 373)	(13 456)
Operating profit before interest and taxation		**1 409**	19 090	8 463
Finance income		**335**	306	860
Finance costs		**(3 295)**	(2 840)	(5 549)
(Loss)/profit before taxation		**(1 551)**	16 556	3 774
Taxation		**(113)**	(5 122)	(2 236)
(Loss)/profit for the period		**(1 664)**	11 434	1 538
Other comprehensive income net of taxation		**–**	–	–
Total comprehensive income for the period attributable to owners of the Company		**(1 664)**	11 434	1 538

	Notes	**Cents**	Cents	Cents
EARNINGS PER SHARE	4			
Basic and diluted earnings per share		**(0,3)**	1,8	0,2
Total		**(0,3)**	1,8	0,2
Headline and diluted headline earnings per share		**(0,2)**	1,5	0,1
Total		**(0,2)**	1,5	0,1

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 August 2020

	Unaudited 6 months ended 31 August 2020 R'000	Unaudited 6 months ended 31 August 2019 R'000	Audited year ended 29 February 2020 R'000
Stated capital	**244 142**	244 142	244 142
Treasury shares	**(15 900)**	(15 900)	(15 900)
Accumulated loss at the beginning of the period	**(159 706)**	(161 244)	(161 244)
Total comprehensive income for the period	**(1 664)**	11 434	1 538
Total	**66 872**	78 432	68 536

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 August 2020

	Unaudited 6 months ended 31 August 2020 R'000	Unaudited 6 months ended 31 August 2019 R'000	Audited year ended 29 February 2020 R'000
Cash flows from operating activities	**17 937**	4 570	5 703
Cash generated from operations	**20 513**	8 469	12 150
Finance income	**330**	301	461
Finance costs	**(1 298)**	(762)	(1 422)
Tax paid	**(1 608)**	(3 438)	(5 486)
Cash flows to investing activities	**(1 157)**	(881)	(2 650)
Additions to property, plant and equipment	**(1 200)**	(1 048)	(3 183)
Proceeds on disposal of property, plant and equipment	**43**	137	503
Proceeds on disposal of assets held-for-sale	**–**	30	30
Cash flows to financing activities	**(2 417)**	(3 653)	(6 390)
Shareholders' loans and borrowings repaid	**(2 417)**	(3 653)	(6 390)
Net increase/(decrease) in cash and cash equivalents	**14 363**	36	(3 337)
Cash and equivalents at beginning of period	**3 969**	7 306	7 306
Cash and cash equivalents at end of period (net of bank overdraft)	**18 332**	7 342	3 969

SEGMENT REVENUE AND RESULTS

The following is an analysis of the Group's revenue and results from operations by reportable segments.

Segment profit reconciliation

	Bricks R'000	Coal R'000	Other * R'000	Total R'000
SIX MONTHS ENDED 31 AUGUST 2020 – UNAUDITED				
Total revenue	**58 652**	**74 300**	**–**	**132 952**
Intersegment revenue	**–**	**(5 190)**	**–**	**(5 190)**
Reportable segment revenue	**58 652**	**69 110**	**–**	**127 762**
– Clay products	**50 697**	**1 233**	**–**	**51 930**
– Coal	**–**	**67 877**	**–**	**67 877**
– Transportation services and ancillary products	**7 955**	**–**	**–**	**7 955**
Gross profit	**8 657**	**17 449**	**–**	**26 106**
Other income	**1 163**	**1 335**	**–**	**2 498**
Operating (loss)/profit before interest and taxation	**(2 331)**	**3 740**	**–**	**1 409**
Segment assets and liabilities				
Segment assets	**80 577**	**72 070**	**56 051**	**208 698**
Segment liabilities	**(62 110)**	**(55 298)**	**(24 418)**	**(141 826)**
Other segment information				
Depreciation and amortisation included in cost of sales and operating expenditure	**(377)**	**(3 733)**	**–**	**(4 110)**
Additions to non-current assets	**742**	**458**	**–**	**1 200**
SIX MONTHS ENDED 31 AUGUST 2019 – UNAUDITED				
Total revenue	89 103	91 151	–	180 254
Intersegment revenue	–	(14 203)	–	(14 203)
Reportable segment revenue	89 103	76 948	–	166 051
– Clay products	77 302	1 978	–	79 280
– Coal	–	72 376	–	72 376
– Transportation services and ancillary products	11 801	2 594	–	14 395
Gross profit	16 348	27 850	–	44 198
Other income	2 114	1 595	–	3 709
Operating profit before interest and taxation	5 510	13 580	–	19 090
Segment assets and liabilities				
Segment assets	92 187	81 996	43 997	218 180
Segment liabilities	(54 052)	(50 826)	(34 870)	(139 748)
Other segment information				
Depreciation and amortisation included in cost of sales and operating expenditure	(1 454)	(2 630)	–	(4 084)
Additions to non-current assets	475	573	–	1 048

* *Other segment relates to non-segment-specific assets and liabilities which include the assets and liabilities classified as held-for-sale.*

SEGMENT REVENUE AND RESULTS

(continued)

	Bricks R'000	Coal R'000	Other * R'000	Total R'000
YEAR ENDED 29 FEBRUARY 2020 – AUDITED				
Total revenue	161 214	152 612	–	313 826
Intersegment revenue	–	(21 144)	–	(21 144)
Reportable segment revenue	161 214	131 468	–	292 682
– Clay products	141 299	3 306	–	144 605
– Coal	–	124 215	–	124 215
– Transportation services and ancillary products	19 915	3 947	–	23 862
Gross profit	26 102	36 429	–	62 531
Other income	3 256	3 368	–	6 624
Operating profit/(loss) before interest and taxation	(2 194)	10 657	–	8 463
Segment assets and liabilities				
Segment assets	89 408	74 683	42 572	206 663
Segment liabilities	(58 294)	(50 607)	(29 226)	(138 127)
Other segment information				
Depreciation and amortisation included in cost of sales and operating expenditure	(3 173)	(5 268)	–	(8 441)
Additions to non-current assets	1 411	1 772	–	3 183

* *Other segment relates to non-segment-specific assets and liabilities which include the assets and liabilities classified as held-for-sale.*

Factors used to identify segments are based on product line and divisional structuring, this is also how the Group reports financial results to the chief operating decision-maker on a monthly basis.

The reportable segments are:

- Coal, which includes mining and sale of coal; and
- Bricks, which includes manufacturing and sale of bricks.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segment results include revenue and expenses directly related to an operating segment but exclude net finance charges and taxation which cannot be allocated to any specific segment. Segment trading profit is defined as operating profit, excluding items of a capital nature, and is the basis on which management assesses performance.

Reportable segment revenue relates to external customers only. Revenue is derived solely from South African customers.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than assets held-for-sale, tax assets, deferred tax assets and cash and cash equivalents.
- all liabilities are allocated to reportable segments other than general borrowings, shareholders' loans, deferred taxation, taxation, bank overdraft and liabilities held-for-sale.

NOTES TO THE
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2020

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 31 August 2020 are prepared in accordance with the requirements of the JSE Listings Requirements for interim reports and the requirements of the Companies Act of South Africa. The Listings Requirements require interim reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of *International Financial Reporting Standards (IFRS)* and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by *IAS 34 Financial Reporting*.

The accounting policies applied in the preparation of the unaudited condensed consolidated interim financial statements are in terms of IFRS and are consistent with those applied for the previous consolidated annual financial statements.

The results are presented in Rand rounded to the nearest thousand (R'000), unless otherwise indicated.

2. DEFERRED TAX ASSET/(LIABILITY)

	Unaudited 6 months ended 31 August 2020 R'000	Unaudited 6 months ended 31 August 2019 R'000	Audited year ended 29 February 2020 R'000
Reconciliation of deferred tax asset			
At the beginning of the period	**27 691**	26 837	26 837
Originating and reversing temporary differences	**2 028**	901	333
Calculated tax losses (utilised)/created	**(943)**	(2 019)	521
	28 776	25 719	27 691
Deferred tax asset			
Comprising:			
Property, plant and equipment	**(161)**	(9)	(83)
Provisions	**7 698**	7 080	6 455
Payments received in advance	**1 356**	362	493
Contributions to rehabilitation trust funds	**(1 335)**	(1 335)	(1 335)
Calculated tax losses	**21 218**	19 621	22 161
	28 776	25 719	27 691

2. DEFERRED TAX ASSET/(LIABILITY) (continued)

Deferred tax asset recoverability analysis

The following table is the analysis of the movement of the deferred tax asset over the past four and a half years:

	Unaudited 6 months ended 31 August 2020 R'000	Audited year ended 29 February 2020 R'000	Audited year ended 28 February 2019 R'000	Audited year ended 28 February 2018 R'000	Audited year ended 28 February 2017 R'000
Calculated losses					
Opening balance	**22 161**	21 640	28 662	26 579	28 768
(Utilised)/created	**(943)**	521	(7 022)	2 083	(2 189)
Closing balance calculated losses	**21 218**	22 161	21 640	28 662	26 579
Temporary differences					
Opening balance	**5 530**	5 197	1 257	1 503	(7 170)
(Utilised)/created	**2 028**	333	3 940	(246)	8 673
Closing balance temporary differences	**7 558**	5 530	5 197	1 257	1 503
Total deferred tax asset	**28 776**	27 691	26 837	29 919	28 082

Current period taxable profits yielded a decrease in the deferred tax asset of R0,9 million whereas current temporary differences yielded an increase in the deferred tax asset of R2 million.

Management's current forward-looking budgets and forecast have determined that the deferred tax asset's recoverability remained probable and it is expected to be recovered in approximately 7 to 8 years.

Assumptions used in the budget are as follows:

- Inflationary adjustments were allowed for growth in revenue and cost as from the 2022 financial year.
- Sales mix to commensurate expected market demand.
- Eskom power supply will remain stable.

The timing of recovery is mostly sensitive to the following:

- Should the actual growth percentage decrease by 1% the recoverability of the deferred tax asset will increase slightly to 7,8 years;
- Should the sales mix decrease with 5%, the deferred tax asset recoverability will extend to 9 years; and
- Should the sales mix increase with 5%, the deferred tax asset recoverability will decrease to 6 and a half years.

2. DEFERRED TAX ASSET/(LIABILITY) (continued)

	Unaudited 6 months ended 31 August 2020 R'000	Unaudited 6 months ended 31 August 2019 R'000	Audited year ended 29 February 2020 R'000
Reconciliation of deferred tax liability			
At the beginning of the period	**(3 462)**	(6 033)	(6 033)
Originating and reversing temporary differences	**1 640**	1 772	2 571
	(1 822)	(4 261)	(3 462)
Deferred tax asset			
Comprising:			
Property, plant and equipment	**(5 922)**	(6 800)	(6 587)
Provisions	**8 735**	7 174	7 760
Contributions to rehabilitation trust funds	**(4 635)**	(4 635)	(4 635)
	(1 822)	(4 261)	(3 462)

The deferred tax liability is attributable to the Company's subsidiary, Ilangabi Investments 12 (Pty) Ltd.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(continued)

for the six months ended 31 August 2020

3. PROVISIONS FOR ENVIRONMENTAL REHABILITATION

	Unaudited 6 months ended 31 August 2020 R'000	Unaudited 6 months ended 31 August 2019 R'000	Audited year ended 29 February 2020 R'000
Environmental rehabilitation provision	**65 781**	58 738	62 380
Total	**65 781**	58 783	62 380
Provision: Environmental rehabilitation			
Opening balance	**62 380**	55 382	55 382
Unwinding of interest	**1 901**	1 856	3 640
Change in estimate	**1 500**	1 500	5 518
– Recognised in profit or loss	**1 500**	1 500	4 554
– Recognised in property, plant and equipment	**–**	–	964
Disposed	**–**	–	(2 160)
Closing balance	**65 781**	58 738	62 380

The rehabilitation provision relates to the estimated costs of correcting any disturbance relating to mining and other activities and those incidental thereto. The level of provision is commensurate with work completed to date. The current gross closure cost of rehabilitation was estimated at R74,8 million as at 31 August 2020. The future cost of the provision was calculated by escalating estimated costs at a risk adjusted CPI of 6% per annum over the life of the operations ranging between 7 to 13 years. This future cost is discounted at South African Government Bond Rate ranging between 7,86% and 9,20% to arrive at a carrying value of R65,8 million.

The Group has invested funds into various environmental trusts to be utilised by the Group as and when rehabilitation activities are incurred. The total amount held in these trusts amounted to R20,3 million at the reporting date.

The Department of Minerals and Energy hold guarantees in their favour for the mining rehabilitation cost to the amount of R28,1 million at the reporting date. Furthermore, the Group holds decommissioning assets to the value of R16,8 million as part of property, plant and equipment, which will be utilised in extinguishing the rehabilitation liability.

4. EARNINGS PER SHARE

The calculations for earnings per share attributable to the ordinary equity holders are based on the following:

Reconciliation between basic earnings and headline earnings as well as diluted earnings

	Unaudited 6 months ended 31 August 2020 R'000	Unaudited 6 months ended 31 August 2019 R'000	Audited year ended 29 February 2020 R'000
Basic and diluted profit	**(1 664)**	11 434	1 538
Profit on disposal of property, plant and equipment	**(26)**	(189)	(204)
Profit on disposal of assets held-for-sale	**–**	(1 474)	(1 474)
Impairment reversal of assets	**189**	(93)	(168)
Loss on scrapping of property, plant and equipment	**400**	–	893
	(1 101)	9 678	585

Number of shares

	Unaudited 6 months ended 31 August 2020 '000	Unaudited 6 months ended 31 August 2019 '000	Audited year ended 29 February 2020 '000
Weighted average number of shares	**629 342**	629 342	629 342
Diluted weighted average number of shares	**629 342**	629 342	629 342

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(continued)

for the six months ended 31 August 2020

5. RELATED PARTIES

Identification of material related parties

Shareholders of Brikor Limited (Company) holding 5% or more of issued share capital:

E Meiring	20,00%
G Parkin	16,66%
E Parkin	16,62%
The Daniel Parkin Testamentary Trust	16,60% *
Elgar Share Trust	8,17% *
The Milan Rautenbach Testamentary Trust	5,53% *

* *E Parkin is a trustee of these trusts*

Relationships	**Related director/shareholder**
Entities controlled by directors / significantly influenced	
Scarlett Sun 33 (Pty) Ltd	E Parkin
Galiya (Pty) Ltd	E Parkin
Nigel Brick and Clay (Pty) Ltd	E Parkin
Elgar Share Trust	E Parkin and G Parkin

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(continued)

for the six months ended 31 August 2020

5. RELATED PARTIES (continued)

	Description of activities	**Unaudited 6 months ended 31 August 2020 R'000**	Unaudited 6 months ended 31 August 2019 R'000	Audited year ended 29 February 2020 R'000
RELATED PARTY BALANCES				
Loan accounts – owing (to)/by related parties				
Estate late: GvN Parkin				
Shareholder loan 1		**(12 722)**	(16 620)	(14 704)
Unsecured, interest 7,59% p.a, monthly repayments of R0,4 million				
Shareholder loan 2		**–**	(822)	–
Unsecured, interest free, monthly repayments of R0,2 million				
G Parkin				
Shareholder loan		**(940)**	(1 374)	(1 374)
Unsecured, interest 7,59% from 1 March 2020, monthly repayments of R0,1 million				
Amounts included in trade and other receivables/(trade and other payables)				
Scarlett Sun 33 (Pty) Ltd	Machinery parts and consumables	**34**	–	34
Scarlett Sun 33 (Pty) Ltd	Surface rights	**–**	(421)	(328)
Nigel Brick and Clay (Pty) Ltd	Coal and clay	**(58)**	2 359	846
Nigel Brick and Clay (Pty) Ltd	Bricks	**–**	(24)	–
Nigel Brick and Clay (Pty) Ltd	Bricks	**–**	7	–
Galiya (Pty) Ltd	Transport	**–**	(2)	–
AP van der Merwe	Consultancy fees	**(14)**	(59)	(49)
Related party transactions				
Interest paid				
Shareholder loan 1		**(531)**	(677)	(1 273)
Shareholder loan – G Parkin		**(42)**	–	–
Consultancy fees				
AP van der Merwe		**(99)**	(298)	(569)
Purchases from related parties				
Scarlett Sun 33 (Pty) Ltd	Surface rights	**(1 872)**	(2 227)	(3 751)
Galiya (Pty) Ltd	Transport	**–**	(13)	(19)
Nigel Brick and Clay (Pty) Ltd	Bricks	**–**	(10)	(1)
Sales to related parties				
Nigel Brick and Clay (Pty) Ltd	Coal and clay	**1 153**	5 362	8 041
Scarlett Sun 33 (Pty) Ltd	Diesel and maintenance	**–**	3	3
Galiya (Pty) Ltd	Transport	**–**	3	–

6. CONTINGENCIES

Environmental rehabilitation

The Group's operations are located in Nigel and are in close proximity to the Blesbokspruit watercourse (the Blesbokspruit watercourse is classified as a RAMSAR site in terms of the RAMSAR convention on Wetlands of International importance). The precise particulars of the operation's proximity to the watercourse still needs to be formally delineated by a wetland specialist.

However, considering the current location of the Group's operations and the potential movement of groundwater and drainage towards the Blesbokspruit watercourse, and allowing for the current rehabilitation approach that was consistently applied for Vlakfontein, Plant 1 and 3 as well as Portion 27, further analysis and monitoring would be required in assessing the potential future impact on water quality that might occur, after the closure.

The proximity assessment and results from the water monitoring are required to assess and confirm a justifiable approach (as required by the National Water Act) that does not pose a long-term water quality-related risk at eventual quarry closure. In addition, the nature and extent for the direction of surface run-off still need to be fully understood. The cost determination of water quality-related effects and water use requirements (in terms of the National Water Act) remain uncertain at this stage and are not currently reasonably quantifiable.

Additional information that is obtained from further studies and monitoring could result in future obligation that would require the Group to recognise additional cost provisions for environmental rehabilitation.

Pending court cases

Court case 1:

Ilangabi Investments 12 (Pty) Ltd is currently a party to a litigation process instituted against the company as a result of events dating back to 2015. The case has been ongoing for the past five years and management is of the opinion that it is not likely that the case would result in a material outflow of economic benefits. The case has been submitted to the High Court and the outcome as well as potential financial impact cannot be measured reliably at the date of these interim financial results.

Court case 2:

As announced on SENS on 27 February 2020, the request to call a shareholders meeting has for various reasons not been approved by the Independent Board of Brikor and, accordingly, the directors will in accordance with the provisions of section 61(5) of the Companies Act, apply to court for an order to set aside the request for a shareholders meeting on the grounds that the request is frivolous and/or otherwise vexations.

Trade and other payables include a provision of R3,8 million in respect of legal and advisory fees relating to the matter noted above. The case could, however, result in additional future obligations that would require the Group to raise additional cost in respect of legal and advisory fees. As a result of uncertainty relating to the timing and amount of potential additional legal and advisory fees that would need to be incurred as well as the resultant outcome of the court case, the exact amount cannot be measured reliably at the date of these condensed consolidated financial results.

At the time of publication of this report the litigation is ongoing.

7. SUBSEQUENT EVENTS

Management is not aware of any material events which occurred subsequent to 31 August 2020 and which need adjustment or disclosure.

8. GOING CONCERN

The Group incurred a loss for the six months ended 31 August 2020 of R1,7 million (six months ended 31 August 2019: profit of R11,4 million) and as of that date the Group is solvent as total assets exceeded total liabilities by R66,9 million. Furthermore, the Group is liquid as current assets exceeded current liabilities by R26,1 million.

Revenue decreased to R127,8 million (August 2019: R166,1 million) with the gross profit percentage decreasing to 20,4% (August 2019: 26,6% and February 2020: 21,4%). The Group realised an operating profit before interest and taxation of R1,4 million (August 2019: R19,1 million) for the six months ended 31 August 2020. The decrease in operating profit before interest and taxation was directly as a result of the impact of the COVID-19 pandemic, which resulted in no sales in the Bricks segment during April 2020 and limited sales during May 2020.

The directors considered the financial performance of the Group to the date of this report and have also prepared and interrogated adjusted budgets and cash flow forecasts for the twelve months subsequent to the reporting date. While the COVID-19 pandemic resulted in an initial reduction in operating profits, the impact thereof is not expected to have a prolonged impact on the Group's financial performance. The directors thus believe that the Group is in a sound financial position and that it will continue to operate as a going concern for the foreseeable future.

9. SALIENT FEATURES

	Unaudited 6 months ended 31 August 2020 R'000	Unaudited 6 months ended 31 August 2019 R'000	Audited year ended 29 February 2020 R'000
Number of shares in issue (excluding treasury shares) ('000)	**629 342**	629 342	629 342
Net asset value per share (cents)	**10,6**	12,5	10,9
Tangible net asset value per share (cents)	**5,5**	7,8	5,9
Impairment reversals/(impairments) (R'000)	**(189)**	93	168
Employee cost (R'000)	**(30 235)**	(49 914)	(94 695)

Net asset value per share is determined by dividing the total equity by the actual number of shares in issue at reporting date.

Tangible net asset value per share is determined by dividing the total equity less intangible and deferred tax assets by the actual number of shares in issue at reporting date.

Reconciliation of EBITDA – continuing operations

	Unaudited 6 months ended 31 August 2020 R'000	Unaudited 6 months ended 31 August 2019 R'000	Audited year ended 29 February 2020 R'000
Operating profit before interest and taxation	**1 409**	19 090	8 463
Depreciation – cost of sales	**3 453**	3 381	7 026
Depreciation – other expenses	**386**	432	872
Amortisation – cost of sales	**271**	271	543
(Impairment reversals)/impairments	**189**	(93)	(168)
	5 708	23 081	16 736

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(continued)

for the six months ended 31 August 2020

9. SALIENT FEATURES (continued)

Solvency and liquidity

	Unaudited 6 months ended 31 August 2020 R'000	Unaudited 6 months ended 31 August 2019 R'000	Audited year ended 29 February 2020 R'000
STATEMENT OF FINANCIAL POSITION EXTRACTS			
Current assets			
– Inventory	**34 357**	47 819	44 920
– Trade and other receivables	**34 388**	35 530	31 112
– Cash and cash equivalents	**11 913**	835	(529)
Cash and cash equivalents	**18 332**	10 968	4 804
Less: Restricted cash	**(6 419)**	(6 507)	(4 498)
Overdraft	**–**	(3 626)	(835)
Taxation	**2 470**	1 484	3 700
Total current assets	**83 128**	85 668	79 203
Total current assets less inventory	**48 771**	37 849	34 283
Current liabilities			
– Shareholders' loans	**5 164**	2 738	5 421
– Trade and other payables	**52 328**	46 399	47 235
– Taxation	**5 960**	5 806	5 960
Total current liabilities	**63 452**	54 943	58 616
Current assets ratio	**1,3**	1,6	1,4
Acid test ratio	**0,8**	0,7	0,6

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(continued)

for the six months ended 31 August 2020

10. DIRECTORS' EMOLUMENTS

	Unaudited 6 months ended 31 August 2020 R'000	Unaudited 6 months ended 31 August 2019 R'000	Audited year ended 29 February 2020 R'000
Executive directors			
Short-term employee benefits	**2 178**	2 706	5 036
Post-employment benefits	**73**	134	242
Prescribed officers			
Short-term employee benefits	**1 796**	–	821
Post-employment benefits	**14**	–	34
	4 061	2 840	6 133
Non-executive directors			
Short-term benefits	**799**	840	2 306

By order of the Board

Allan Pellow
Chairperson of the board

Garnett Parkin
Chief Executive Officer

21 October 2020

CORPORATE INFORMATION

DIRECTORS:

A Pellow (Chairman)^; G Parkin (CEO); AP van der Merwe*; M Mokate^; J Botha (Financial Director); D Ferreira^; N Hornby*; T Hendry*; S Naude^

** Non-executive* *^ Independent non-executive*

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Facsimile: (011) 739 9021

COMPANY SECRETARY:

Fusion Corporate Secretarial Services (Pty) Ltd

TRANSFER SECRETARIES:

Computershare Investor Services (Pty) Ltd

AUDITORS:

Nexia SAB&T

DESIGNATED ADVISER:

Exchange Sponsors (2008) (Pty) Ltd

These results and an overview of Brikor are available at <u>www.brikor.co.za</u>

GRAPHICULTURE