BUFFALO COAL CORP.

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

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by management)

For the three months ended March 31, 2020 and March 31, 2019

(Presented in South African Rands)

Notice of non-review

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), the Company hereby informs its readers that the Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2020 have not been reviewed by its auditor in accordance with the standards established by the Chartered Professional Accountants of Canada.

Management's responsibility for Interim Financial Reporting

These Interim Financial Statements of The Company have been prepared by and are the responsibility of management on behalf of the Board of Directors.

In the opinion of management, the Interim Financial Statements have been prepared within acceptable limits of materiality and are compliant with *IAS34 – Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB").

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, applicable laws and regulations and for maintaining proper standards of conduct for its activities.

BUFFALO COAL CORP.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

(Presented in South African Rands)

	Notes	March 31, 2020 R	December 31, 2019 R	March 31, 2020 (Note 1) C$
Assets				
Non-current assets				
Property, plant and equipment	3	**39 155 577**	41 419 841	3 101 255
Right of use assets	4	**1 355 379**	1 669 955	107 351
Investment in financial assets	5	**232 505**	198 744	18 415
Other receivables - restricted	5	**56 002 730**	57 150 772	4 435 607
Other receivables – deposits and prepayments		**6 615 939**	6 772 703	524 005
Long-term restricted cash		**3 200 000**	3 200 000	253 451
Total non-current assets		**106 562 130**	110 412 015	8 440 084
Current assets				
Trade and other receivables		**36 159 603**	37 533 214	2 863 965
Inventories		**27 827 420**	51 280 103	2 204 026
Cash and cash equivalents		**9 930 323**	3 518 388	786 515
Total current assets		**73 917 346**	92 331 705	5 854 506
Total assets		**180 479 476**	202 743 720	14 294 590
Equity/(deficiency) and liabilities				
Capital and reserves				
Share capital		**1 089 305 350**	1 089 305 350	86 276 692
Currency translation reserve		**(219 945 085)**	(219 945 085)	(17 420 399)
Reserves		**9 596 924**	9 596 924	760 109
Accumulated retained loss		**(1 354 902 325)**	(1 248 932 442)	(107 312 876)
(Deficiency) attributable to owners of the Company		**(475 945 136)**	(369 975 253)	(37 696 474)
Non-controlling interest		**4 339 142**	4 339 142	343 675
Total (deficiency)		**(471 605 994)**	(365 636 111)	(37 352 799)
Non-current liabilities				
Asset retirement obligation	8	**46 041 981**	45 337 773	3 646 682
Lease liabilities	4	**358 864**	422 670	28 423
Total non-current liabilities		**46 400 845**	45 760 443	3 675 105
Current liabilities				
Trade and other payables		**74 225 939**	95 045 135	5 878 946
Current portion of lease liabilities	4	**364 942**	535 551	28 905
Current tax liabilities		**298 218**	254 915	23 620
Borrowings	7	**64 634 039**	64 114 971	5 119 236
RCF loan facilities	6	**460 521 125**	355 904 610	36 474 841
Conversion option liability	5	**363 722**	1 487 566	28 808
Current portion of asset retirement obligation	8	**5 276 640**	5 276 640	417 928
Total current liabilities		**605 684 625**	522 619 388	47 972 284
Total liabilities		**652 085 470**	568 379 831	51 647 389
Total equity (deficiency) and liabilities		**180 479 476**	202 743 720	14 294 590

Commitments and contingencies **1, 13**

Subsequent events **14**

Approved on behalf of the Board:

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

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

BUFFALO COAL CORP.

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

(Presented in South African Rands)

	Notes	3 months ended March 31, 2020 R	December 31, 2019 R	March 31, 2020 (Note 1) C$
Revenue		**127 185 092**	96 187 952	10 073 492
Cost of sales	**3**	**(109 920 908)**	(70 924 084)	(8 706 110)
Gross profit		**17 264 184**	25 263 868	1 367 382
Other income/(expenses) - net	**9**	**(99 308 574)**	2 423 173	(7 865 577)
General and administration expenses	**10**	**(15 322 535)**	(17 218 298)	(1 213 597)
(Loss)/profit before the undernoted		**(97 366 925)**	10 468 743	(7 711 792)
Finance income	**11**	**136 530**	309 985	10 814
Finance expense	**11**	**(8 739 488)**	(9 946 815)	(692 197)
(Loss)/profit before income tax		**(105 969 883)**	831 913	(8 393 175)
Income tax expense		**-**	-	-
(Loss)/profit and total comprehensive (loss)/profit For the period		**(105 969 883)**	831 913	(8 393 175)
(Loss)/profit and comprehensive (loss)/profit attributable to:				
- Owners of the parent		**(105 969 883)**	831 913	(8 393 175)
- Non-controlling interest		**-**	-	-
		(105 969 883)	831 913	(8 393 175)
(Loss)/profit per share – basic and diluted	**2.2**	**(0.25)**	0.00	(0.02)
Headline (loss)/earnings per share – basic and diluted	**2.2**	**(0.25)**	0.00	(0.02)
Normalized headline (loss)/earnings per share – basic and diluted	**2.2**	**(0.25)**	0.00	(0.02)
Weighted average number of common shares outstanding				
- Basic		**421 352 596**	421 352 596	421 352 596
- Diluted		**421 352 596**	421 352 596	421 352 596

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

BUFFALO COAL CORP.

Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)

(Presented in South African Rands)

	Attributable to owners of the Group								
			Reserves						
	No. of shares issued	Share capital	Option reserve	BEE option reserve	Accumulated retained loss	Currency translation reserve	Total	Non-controlling interest	Total equity
		R	R	R	R	R	R	R	R
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)
Net profit for the period	-	-	-	-	831 913	-	831 913	-	831 913
Balance at March 31, 2019	421 352 596	1 089 305 350	624 124	9 073 711	(1 285 040 248)	(219 945 085)	(405 982 148)	4 339 142	(401 643 006)
Stock options expired/cancelled	-	-	(100 911)	-	100 911	-	-	-	-
Net profit for the period	-	-	-	-	36 006 895	-	36 006 895	-	36 006 895
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)**
Net loss for the period	**-**	**-**	**-**	**-**	**(105 969 883)**	**-**	**(105 969 883)**	**-**	**(105 969 883)**
Balance at March 31, 2020	**421 352 596**	**1 089 305 350**	**523 213**	**9 073 711**	**(1 354 902 325)**	**(219 945 085)**	**(475 945 136)**	**4 339 142**	**(471 605 994)**

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

BUFFALO COAL CORP.

Condensed Interim Consolidated Statements of Cash Flow (Unaudited)

(Presented in South African Rands)

	3 months ended		
	March 31, 2020 **R**	**December 31, 2019** **R**	**March 31, 2020 (Note 1)** **C$**
Cash flows from operating activities			
Cash generated from operations	**9 052 805**	5 671 445	717 013
Interest received	**136 530**	309 985	10 814
Interest paid	**(2 078 438)**	(3 336 871)	(164 619)
Net cash generated from operating activities	**7 110 897**	2 644 559	563 208
Cash flows from investing activities			
Purchase of property, plant and equipment	**(698 962)**	(1 689 811)	(55 360)
Net cash (utilized in) investing activities	**(698 962)**	(1 689 811)	(55 360)
Cash flows from financing activities			
Repayment of borrowings	**-**	-	-
Net cash (utilized in) financing activities	**-**	-	-
Net (decrease)/increase in cash and cash equivalents	**6 411 935**	954 748	507 848
Cash and cash equivalents at the beginning of the year	**3 518 388**	5 231 958	278 667
Cash and cash equivalents at the end of the period	**9 930 323**	6 186 706	786 515

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

1 BASIS OF PREPARATION

The unaudited condensed interim consolidated financial statements (the "Interim Results") of Buffalo Coal Corp. ("BC Corp" or the "Company") and its subsidiaries (the "Group") for the three months ended March 31, 2020 and March 31, 2019 have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and have been prepared in accordance with accounting policies based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations and are in compliance with IAS 34, *Interim Financial Reporting.* These Interim Results were approved and authorized for issue by the Board of Directors on May 27, 2020.

The Interim Results have not been reviewed or audited by the Group's external auditors. The Interim Results do not include all the information and disclosures required in the consolidated annual financial statements and should be read in conjunction with the Group's consolidated annual financial statements for the year ended December 31, 2019, which have been prepared in accordance with IFRS. The Group has adopted the required new or revised accounting standards in the current period, as further set out in Note 2 below.

The preparation of the Interim Results requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. In preparing these Interim Results, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those applied to the consolidated annual financial statements for the year ended December 31, 2019, except for those disclosed in Note 2.

References to "R", "Rands" mean South African Rands, "C$" mean Canadian Dollars and to "US$" mean United States Dollars. References to Q1 2020 mean the three months ended March 31, 2020.

Going Concern

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

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

The Group's business continues to be significantly adversely affected by the effects of the widespread global outbreak of the respiratory illness caused by a novel coronavirus ("COVID-19"). In response to COVID-19, the South African Government has implemented a National Lockdown. On March 26, 2020 the Group was forced to suspend mining operations. In line with subsequent regulatory approvals received, the Group commenced with limited mining activities restricted to 30% of its workforce as of April 14, 2020, with a subsequent increase in its workforce in line with regulatory approvals to 50% as of May 5, 2020. (Refer to Note 30 – Readiness and response to COVID-19).

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, the Group cannot at this point in time quantify uncertainties or accurately predict the impact COVID-19 may have on its ability to operate and/or on the ability of third parties to meet their obligations with the Group.

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 too could impact on the forecast profitability and cash flows of the Group.

The Group continues to be in breach of certain covenants and agreed repayment terms with respect to its borrowings from Investec Bank Limited ("Investec") at March 31, 2020 (Refer Note 7, Investec borrowings). As at March 31, 2020, the Investec loan balance amounted to R64.6 million (December 31, 2019: R64.1 million).

On May 13, 2020 the Group received formal notification from Investec advising that the Group was in default of its payment obligations.

The amount payable to STA of R15.8 million is overdue as at March 31, 2020 (December 31, 2019: R17.6 million). The Group is in the process of concluding an arrangement in writing with STA, and has paid monthly instalments of R1 million to STA for the months of October 2019 to February 2020 and continues to pay interest on the outstanding balance.

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 has approached both Investec and STA, requesting postponement of further payments until more information is available of the impact of COVID-19 on the Group's operations (Refer to Note 14 – Subsequent events – Readiness and response to COVID-19).

The Resource Capital Fund Convertible Loan ("RCF loan") of US$27 million (approximately R483.1 million) became due and payable on June 30, 2019 (Refer to Note 6, 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 the opportunity to obtain financing to settle this amount. Currently the Company does not have the means to repay the Convertible Loan at maturity.

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.

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 March 31, 2020, the Group had a shareholders' deficiency of R471.6 million (December 31, 2019: R365.6 million), and a working capital deficiency of R531.8 million (December 31, 2019: R430.3 million). The Group recorded a net loss of R106.0 million for the three months ended March 31, 2020 (March 31, 2019: net profit of R0.8 million).

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

Convenience rate translation

The Company's functional and presentation currency is Rands. The Canadian Dollar amounts provided in the Interim Results represent supplementary information solely for the convenience of the reader. The financial position as of March 31, 2020 and the financial results for the three months ended March 31, 2020 were translated into Canadian Dollars using a convenience translation at the rate of C$1:R12.62572, which is the exchange rate published on Oanda.com as of March 31, 2020. 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 ACCOUNTING POLICIES

2.1 New standards, amendments and interpretations

The interim financial statements have been prepared using the same accounting policies and methods as were used for the Company's consolidated financial statements and the notes thereto for the years ended December 31, 2019 and December 31, 2018 (the "2019 Annual Financial Statements"), except for the following new accounting pronouncements which were adopted on January 1, 2020. The interim financial statements should be read in conjunction with the 2019 Annual Financial Statements.

The following standards, amendments and interpretations are issued and effective for the first time for the three months ended March 31, 2020:

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 Group and have been excluded.

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 has concluded that there is no significant impact resulting from the application of these amendments, interpretations and improvements on the standards above to have a material impact on the interim financial statements.

(Presented in South African Rands)

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

		3 months ended		
	Notes	**March 31, 2020**	**March 31, 2019 (restated)**	**March 31, 2020 (Note 1)**
		R	**R**	**C$**
(Loss)/profit attributable to equity holders of the Company		**(105 969 883)**	831 913	(8 393 175)
Adjustments:				
Net profit on disposal of property, plant and equipment	**9**	**-**	(182 298)	-
Taxation thereon		**-**	51 043	-
Headline (loss)/earnings for the period		**(105 969 883)**	700 658	(8 393 175)
Headline (loss)/earnings per share – basic and diluted		**(0.25)**	0.00	(0.02)
Normalized headline (loss)/earnings for the period		**(105 969 883)**	700 658	(8 393 175)
Normalized headline (loss)/earnings per share – basic and diluted		**(0.25)**	0.00	(0.02)
Weighted average number of common shares outstanding:				
- Basic		**421 352 596**	421 352 596	421 352 596
- Diluted		**421 352 596**	421 352 596	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").

There were no adjustments to the Company's headline earnings/loss per share for the three months ended March 31, 2020 (March 31, 2019: profit on sale of property, plant and equipment of R0.2 million). There were no further adjustments to the Company's normalized headline earnings/loss per share for the three months ended March 31, 2020 and March 31, 2019.

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

(Presented in South African Rands)

3 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings R	Mining assets R	Office equipment, fixtures and fittings R	Development costs capitalized R	Mineral rights R	Total R
Year to date March 31, 2020						
Opening net book value	**1 258 660**	**34 661 731**	**776 213**	**4 723 237**	**-**	**41 419 841**
Additions	**-**	**698 963**	**-**	**-**	**-**	**698 963**
Depreciation	**(65 661)**	**(2 425 631)**	**(86 455)**	**(385 480)**	**-**	**(2 963 227)**
Net book value at the end of March 2020	**1 192 999**	**32 935 063**	**689 758**	**4 337 757**	**-**	**39 155 577**
Year to date March 31, 2020						
Cost	**7 757 895**	**393 577 571**	**8 870 987**	**49 457 496**	**14 009 756**	**473 673 705**
Accumulated depreciation and impairment	**(6 564 896)**	**(360 642 508)**	**(8 181 229)**	**(45 119 739)**	**(14 009 756)**	**(434 518 128)**
Net book value at the end of March 2020	**1 192 999**	**32 935 063**	**689 758**	**4 337 757**	**-**	**39 155 577**

	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, 2020						
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 the end of the year	1 258 660	34 661 731	776 213	4 723 237	-	41 419 841
Year ended December 31, 2020						
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)
Accumulated impairment loss	-	(518 262)	-	(7 523 974)	-	(8 042 236)
Net book value at the end of the year	1 258 660	34 661 731	776 213	4 723 237	-	41 419 841

Office equipment includes items to the value of R0.1 million (December 31, 2019: 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 R3.0 million for the three months ended March 31, 2020 and R3.6 million for the three months ended March 31, 2019, respectively, was recognized in 'Cost of Sales'.

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.

(Presented in South African Rands)

4 LEASES

Lease liabilities

The Company recognized liabilities in relation to leases under the principles of IAS 17 Leases. These liabilities are 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%, the date at which IFRS16 was adopted

	Land R	Buildings R	Total R
Opening balance as at January 1, 2020	660 910	297 311	**958 221**
Reassessment of lease liability	-	2 684	**2 684**
Finance charges	17 896	4 699	**22 595**
Payments made	(75 000)	(184 694)	**(259 694)**
Closing balance as at March 31, 2020	603 806	120 000	**723 806**
Current lease liabilities	244 942	120 000	**364 942**
Non-current lease liabilities	358 864	-	**358 864**

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:

	Land R	Buildings R	Total R
Opening balance as at January 1, 2020	1 372 645	297 310	**1 669 955**
Depreciation	(137 266)	(179 994)	**(317 260)**
Reassessment of lease liability	-	2 684	**2 684**
Closing balance as at March 31, 2020	1 235 379	120 000	**1 355 379**

Included in the lease of land is a servitude agreement between Zinoju Coal and Aviemore 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.

5 FINANCIAL INSTRUMENTS AT FAIR VALUE

The following table presents the Group's financial assets and liabilities measured at fair value at March 31, 2020 and December 31, 2019:

	Level 1 R	Level 2 R	Level 3 R
March 31, 2020			
Investment in financial assets	**232 505**	**-**	**-**
Other receivables - restricted	**-**	**56 002 730**	**-**
Conversion option liability	**-**	**363 722**	**-**
December 31, 2019			
Investment in financial assets	198 744	-	-
Other receivables - restricted	-	57 150 772	-
Conversion option liability	-	1 487 566	-

Investment in financial assets

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.

Other receivables – restricted

Guarantees provided to the DMRE relating to the asset retirement obligations as per the National Environmental Management Act ("NEMA") is held in an insurance investment fund with Centriq Insurance Company Limited ("Centriq"). It is contemplated that any future shortfalls between the DMRE required guarantee amount of R67.3 million (VAT inclusive) and the value of the investment would 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.

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.

The liability component will continue to accrete to its face value of US$27.0 million (approximately R483.1 million at March 31, 2020) (December 31, 2019: US$27.0 million (approximately R379.3 million)), using a revised effective interest rate of 6.37%.

(Presented in South African Rands)

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

	March 31, 2020	December 31, 2019	Initial assumptions
Volatility (based on historical share price)	**107.0%**	118.0%	51.0%- 107.0%
Life (in years) to maturity date	**0.8**	1.0	3.9-5.0
Risk-free interest rate	**0.66%**	1.69%	0.5%-1.5%
Share price (C$)	**0.01**	0.01	0.035-0.095
Potential shares	**815 828 891**	749 372 623	720 351 931
Value of convertible feature (C$)	**28 808**	137 835	18 191 938
Value of convertible feature (R)	**363 722**	1 487 566	182 348 706

Movement in the conversion option liability was as follows during the three months ended March 31, 2020 and year ended December 31, 2019:

	March 31, 2020 R	December 31, 2019 R
Opening balance	**1 487 566**	3 132 577
Loss on extension of loan maturity date	**-**	36 126 492
Fair value adjustment	**(1 246 787)**	(38 435 834)
Foreign currency translation adjustment	**122 943**	664 331
Closing balance	**363 722**	1 487 566

6 RCF LOAN FACILITIES

The movement in the RCF Convertible Loan was as follows:

	March 31, 2020 R	December 31, 2019 R
Opening balance	**355 904 610**	381 087 383
Gain on extension of loan maturity date	**-**	(34 654 984)
Accretion expense	**6 207 266**	18 558 139
Effect of foreign currency exchange difference	**98 409 249**	(9 085 928)
Closing balance	**460 521 125**	355 904 610

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 March 31, 2020 and December 31, 2019, BC Corp was fully drawn on the US$27.0 million (March 31, 2020: R483.1 million; December 31, 2019: R379.3 million) RCF Convertible Loan, after the RCF First Tranche Conversion.

(Presented in South African Rands)

7 INVESTEC BORROWINGS

The movement in the Investec borrowings is as follows:

	March 31, 2020 R	December 31, 2019 R
Opening balance	**64 114 971**	100 982 963
Accretion of warrant asset	-	4 344 520
Effect of foreign currency exchange difference	-	263
Interest accrued	**1 625 831**	11 470 150
Interest paid	**(1 106 763)**	(12 174 598)
Repayments	-	(40 508 327)
Current portion	**64 634 039**	64 114 971

On December 17, 2019, the Company 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 the Company, in addition to the R5 million settled at the end of December 31, 2019, continue to make further monthly instalments of R5 million on January 31, 2020 and February 29, 2020, with the understanding that any part of the instalments not paid at each of the respective month-end dates would roll-over and be required to be settled on March 31, 2020.

Lower sales volumes and lower margins during the first two months of calendar 2020 resulted in a slower realization of cash from inventories and consequently less cashflow generated from operations in Q1 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). Management approached Investec in March 2020 with the request for deferral of a portion of the March 2020 loan instalment to April 2020 and May 2020.

As a result of the National Lockdown and the uncertainty of the outcome thereof on the Company's operations and cash flows, management approached Investec, requesting postponement of further payments until more information is available of the impact of COVID-19 on the Group's operations. On March 27, the Company was forced to suspend all mining operations in compliance with COVID-19 National Disaster Regulations (Refer Note 14 – Subsequent events – Readiness and response to COVID-19). Limited mining activities commenced on April 14, 2020 after the Company was granted approval to utilise 30% of its workforce. On May 4, 2020 the Company increased its workforce in line with regulatory approvals to 50%. As a result of the negative impact of COVID-19 on the Company's operations to date and taking into account potential future disruptions to the Company's operations and coal markets because of COVID-19, the Company has not been able to honour the payment commitments agreed to with Investec. On May 13, 2020 the Group received formal notification from Investec advising that the Group continued in default of its principle payment obligations. The Company continues to pay interest on the outstanding debt and to engage with Investec to negotiate amended repayment terms.

The Group continues to be in breach of certain covenants and agreed repayment terms with respect to its borrowings from Investec Bank Limited ("Investec") at March 31, 2020. 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.

(Presented in South African Rands)

The current portion as at March 31, 2020 and December 31, 2019 comprised of the following:

	March 31, 2020 R	December 31, 2019 R
Investec Loan Facilities outstanding		
Working Capital Facility	**64 634 039**	64 114 971

8 ASSET RETIREMENT OBLIGATION

	March 31, 2020 R	December 31, 2019 R
Opening balance	**50 614 413**	49 891 221
Change in estimate	**704 208**	723 192
- Allocation/(reversal) of provision	**227 829**	(1 020 591)
- Unwinding of discount	**476 379**	1 743 783
Closing balance	**51 318 621**	50 614 413
Current portion	**(5 276 640)**	(5 276 640)
Non-current portion	**46 041 981**	45 337 773

The change in estimate during the three months ended March 31, 2020 relates to changes in the inflation rates used and a three-month reduction in the amortization period.

The allocation of the provision recognized during March 31, 2020 of R0.2 million (year ended December 31, 2019: reversal of R1.0 million) is expensed in "General and administration expenses" (Refer to Note 10).

The unwinding of the discount recognized during the three months ended March 31, 2020 of R0.5 million (year ended December 31, 2019: R1.7 million), is expensed in "finance cost" (Refer to Note 11).

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

	March 31, 2020	December 31, 2019
Discount rate (%) - Magdalena	**8.25**	8.25
Discount rate (%) – Aviemore – MR174	**6.90**	6.90
Discount rate (%) – Aviemore – MR301	**8.25**	8.25
Inflation rate (%) – Magdalena & Aviemore	**4.10**	4.00

The change in inflation rates used is linked to the changes in South African Consumers Price Index ("CPI") obtained as at March 31, 2020. 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). As the yields on the South African Government bonds increased significantly between December 31, 2019 and March 31, 2020, management decided to reduce the risk-free rate used so that the discount rates would be similar to those used on December 31, 2019.

(Presented in South African Rands)

The Group's undiscounted rehabilitation liability, if immediate closure was required, is estimated to amount to R62 720 619 on March 31, 2020 and December 31, 2019.

9 OTHER INCOME/(EXPENSE) – NET

	3 months ended	
	March 31, 2020 **R**	**December 31, 2019** **R**
Unrealized foreign exchange gain/(loss) - net	**(109 460 402)**	(2 783 872)
Realized foreign exchange gain/(loss) - net	**9 627 241**	1 009 454
Net profit on disposal of property, plant and equipment	**-**	182 298
Scrap sales	**44 422**	63 546
Fair value adjustment on other receivables - restricted	**(1 148 042)**	835 760
Fair value adjustment on conversion option and warrant liability	**1 246 787**	2 990 205
Other income	**381 420**	125 782
Total	**(99 308 574)**	2 423 173

10 GENERAL AND ADMINISTRATION EXPENSES

	3 months ended	
	March 31, 2020 **R**	**December 31, 2019** **R**
Audit and tax related fees	**537 887**	964 660
Bad debts	**(777)**	5 346 707
Consulting fees	**1 086 145**	1 056 075
Directors fees	**777 583**	685 239
Insurance	**2 702 765**	2 198 180
Legal fees	**1 426 760**	294 331
Penalty (recovery)	**-**	(1 075 000)
Rehabilitation adjustment (income)/expense	**227 829**	(2 193 190)
Salaries and wages	**7 464 047**	7 838 591
Shareholder communication and listing fees	**188 550**	231 922
Travel and accommodation	**37 827**	372 616
Telephone, internet and computer expenses	**316 212**	453 889
Other	**557 707**	1 044 276
Total	**15 322 535**	17 218 298

During the three months ended March 31, 2019, two debtors went into business rescue. The outcome of the business rescue processes was not known at the time and the entire R5.3 million outstanding related to these debtors was provided for as bad debt. The Company subsequently received R0.6 million as compensation from one of these debtors and no consideration was received from the second debtor.

Higher insurance premiums from the renewal of the Company's insurance policies has been incurred since the policies were renewed in July 2019, due to increased risk in the mining sector and the introduction of the carbon tax bill which came into effect during June 2019.

Legal fees for Q1 2020 include advice on corporate activities, legal contributions to Aviemore's feasibility study and the drafting of numerous correspondence to the Group's funders. The provision for penalties payable in connection with the

(Presented in South African Rands)

Calcine plant provided for during the year ended December 31, 2018, 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 in Q1 2019.

11 FINANCE INCOME AND EXPENSE

	3 months ended	
	March 31, 2020 R	**December 31, 2019 R**
Finance income		
Interest on cash and restricted cash	**136 530**	309 985
Total	**136 530**	309 985
Finance expense		
Interest on borrowings	**(1 625 831)**	(2 865 187)
Interest on RCF loan facilities	**-**	(243 079)
Interest on STA accounts payable	**(400 886)**	(504 942)
Interest on South African Revenue Services ("SARS")	**-**	(30 756)
Unwinding discount on asset retirement obligation	**(476 379)**	(432 654)
RCF Loan accretion expense	**(6 207 266)**	(3 656 929)
Investec accretion of warrant asset	**-**	(2 077 966)
Finance charges on lease liabilities	**(22 595)**	(113 562)
Other	**(6 531)**	(21 740)
Total	**(8 739 488)**	(9 946 815)

Interest on borrowings included royalties payable to Investec of R0.1 million for the three months ended March 31, 2019 (March 31, 2020: RNil) pursuant to the terms of the 6th 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 March 31, 2020, R5.9 million in royalties payable to Investec was included in Trade and other payables (December 31, 2019: R5.9 million).

12 RELATED PARTIES

During the three months ended March 31, 2020 and March 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 as at March 31, 2020 and December 31, 2019:

	March 31, 2020 R	**December 31, 2019 R**
Related party payables		
RCF [1]	**6 751 165**	5 616 669
Total	**6 751 165**	5 616 669

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

(Presented in South African Rands)

[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 R4.5 million (December 31, 2019: R3.8 million) on the RCF Convertible loan as well as costs invoiced by RCF to the Company in previous years that have not been settled.

Compensation of key management personnel

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

The remuneration of directors and other key members of management personnel (officers) during the three months ended March 31, 2020 and March 31, 2019 were as follows:

	3 months ended	
	March 31, 2020 **R**	**March 31, 2019** **R**
Short-term benefits	**2 395 811**	2 409 741
Share-based payments	**-**	-
Total	**2 395 811**	2 409 741

Amounts owing to directors and other members of key management personnel were R0.6 million as of March 31, 2020 (December 31, 2019: R0.5 million). These amounts are to be settled in the normal course of business.

13 COMMITMENTS AND CONTINGENCIES

Management Agreements

Certain management contracts require that payments of approximately R4.5 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 March 31, 2020.

Capital Commitments

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

	March 31, 2020 **R**	**March 31, 2019** **R**
Property, plant and equipment	**3 307 960**	3 778 606

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 devices were implemented prior to the December 31, 2019 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

Included in trade and other payables on March 31, 2020 (March 31, 2019: RNil) is a provision of R4.8 million relating 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.

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.

Although the estimated rehabilitation and closure liability is fully provided for, no additional provision has been made in the financial statements for the potential risk associated with ground water contamination. The mining industry is coming under increased pressure to make additional provision for water purification after closure and therefore more emphasis is currently being placed on the monitoring of groundwater pre-mining, potential contamination during mining as well as groundwater monitoring post mining. Mining companies may, as a result of these studies, have to make additional provision for water treatment after mine closure, particularly if the post mining water release quality requirements are legislated to be more onerous than the current situation.

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 R11.8 million as at March 31, 2020.

14 SUBSEQUENT EVENTS

Readiness and response to COVID-19

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 government actions to contain the spread of 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 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.

Limited mining activities were allowed to commence on April 14, 2020 after the Company was granted approval to utilise 30% of its workforce. The National Lockdown was further extended with 14 days to April 30, 2020 where after the South African Government downgraded the entire country to level 4 in terms of National Disaster Regulations. On May 4, 2020 the Company increased its workforce in line with regulatory approvals to 50%.

On March 24, 2020 the President of South Africa, Cyril Ramaphosa, announced that South Africa would be downgraded to National Lockdown to level 3 on June 1, 2020 in terms of National Disaster Regulations. Mining activities would be allowed to increase to 100% of operational capacity under level 3 regulations.

The National Lockdown and implementation of National Disaster Regulations have 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 together with any possible future extensions thereof.

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, the Group cannot at this point in time quantify the uncertainties or accurately predict the impact COVID-19 may have on its ability to operate and/or on the ability of third parties to meet their obligations with the Group.

The Company and its operations will continue to manage and respond to COVID-19 within the framework of the Company's implemented protocols/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.

Appointment of Chief Executive Officer ("CEO")

On April 6, 2020, the board of directors of the Company appointed Emma Oosthuizen, who was the interim CEO at the time, as the CEO.

Other Matters

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

May 29, 2020

Designated Advisor: Questco Corporate Advisory Proprietary Limited