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, 2020 and 2019

(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, 2020 and 2019, and the consolidated statements of profit/(loss) and comprehensive profit/(loss), consolidated statements of changes in equity (deficiency) and consolidated statements of cash flows 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, 2020 and 2019 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 of December 31, 2020, the Company had a shareholders' deficiency, a working capital deficiency, and had incurred a net loss during the year ended December 31, 2020. 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

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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 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
March 25, 2021

BUFFALO COAL CORP.

Consolidated Statements of Financial Position

(Presented in South African Rands)

	Notes	December 31, 2020 R	December 31, 2019 R	December 31, 2020 (Note 2) C$
Assets				
Non-current assets				
Property, plant and equipment	11	**38 582 602**	41 419 841	3 353 325
Right of use assets	12	**823 587**	1 669 955	71 580
Investment in financial assets	13	**211 881**	198 744	18 415
Other receivables – restricted	15	**58 505 686**	57 150 772	5 084 898
Other receivables – deposits	16	**6 615 939**	6 772 703	575 010
Long-term restricted cash	17	**3 200 000**	3 200 000	278 121
Total non-current assets		**107 939 695**	110 412 015	9 381 349
Current assets				
Trade and other receivables	16	**12 558 847**	37 533 214	1 091 526
Inventories	18	**63 295 636**	51 280 103	5 501 206
Short-term restricted cash	17	**52 480**	-	4 561
Cash and cash equivalents	19	**3 998 999**	3 518 388	347 565
Total current assets		**79 905 962**	92 331 705	6 944 858
Total assets		**187 845 657**	202 743 720	16 326 207
Deficiency and liabilities				
Capital and reserves				
Share capital	20	**1 089 305 350**	1 089 305 350	94 674 669
Currency translation reserve		**(219 945 085)**	(219 945 085)	(19 116 062)
Reserves	21	**9 098 987**	9 596 924	790 819
Accumulated retained loss		**(1 250 451 193)**	(1 248 932 442)	(108 680 319)
Deficiency attributable to owners of the Company		**(371 991 941)**	(369 975 253)	(32 330 893)
Non-controlling interest		**4 339 142**	4 339 142	377 127
Total deficiency		**(367 652 799)**	(365 636 111)	(31 953 766)
Non-current liabilities				
RCF loan facilities	22	**360 923 753**	-	31 368 924
Asset retirement obligation	23	**50 231 285**	45 337 773	4 365 746
Lease liabilities	12	**156 466**	422 670	13 599
Total non-current liabilities		**411 311 504**	45 760 443	35 748 269
Current liabilities				
Trade and other payables	9,24,	**67 680 295**	95 045 135	5 882 289
Current portion of lease liabilities	12	**266 204**	535 551	23 137
Current tax liabilities	25	**271 765**	254 915	23 620
Borrowings	26	**56 114 971**	64 114 971	4 877 114
RCF loan facilities	22	**-**	355 904 610	-
RCF conversion option liability	22	**14 387 028**	1 487 566	1 250 418
Current portion of asset retirement obligation	23	**5 466 689**	5 276 640	475 126
Total current liabilities		**144 186 952**	522 619 388	12 531 704
Total liabilities		**555 498 456**	568 379 831	48 279 973
Total deficiency and liabilities		**187 845 657**	202 743 720	16 326 207

Basis of preparation and going concern 2.1
Commitments and contingencies 1, 2.1, 26, 30
Subsequent events 31

Approved on behalf of the Board:

Signed, "Craig Wiggill", director *Signed, "Rory Taylor", 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, 2020 R	Year ended December 31, 2019 R	Year ended December 31, 2020 (Note 2) C$
Revenue from contracts with customers	5	**321 319 560**	398 968 089	27 926 810
Cost of sales of goods	6	**(244 258 555)**	(301 610 820)	(21 229 215)
Gross profit		**77 061 005**	97 357 269	6 697 595
Impairment loss on property, plant and equipment	8,11	**-**	(8 042 236)	-
Other income/(expenses) - net	7	**14 936 137**	50 981 354	1 298 143
General and administration expenses	6	**(58 129 638)**	(66 325 911)	(5 052 214)
Profit before the undernoted		**33 867 504**	73 970 476	2 943 524
Finance income	9	**519 203**	1 163 105	45 125
Finance expense	9	**(36 403 395)**	(38 294 773)	(3 163 924)
(Loss)/profit and total comprehensive (loss)/profit for the year		**(2 016 688)**	36 838 808	(175 275)
(Loss)/profit and total comprehensive (loss)/profit attributable to:				
- Owners of the parent		**(2 016 688)**	36 838 808	(175 275)
- Non-controlling interest		**-**	-	-
		(2 016 688)	36 838 808	(175 275)
(Loss)/profit per share – basic and diluted	2.21	**(0.00)**	0.09	(0.00)
Headline (loss)/earnings per share – basic and diluted	2.22	**(0.00)**	0.10	(0.00)
Normalized headline (loss)/earnings per share – basic and diluted	2.22	**(0.00)**	0.10	(0.00)
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 consolidated financial statements.

BUFFALO COAL CORP.

Consolidated Statements of Changes in (Deficiency)

(Presented in South African Rands)

				Attributable to owners of the Group						
				Reserves						
	Notes	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)
Stock options expired/cancelled	21	-	-	(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)
Stock options expired/cancelled	21	-	-	(497 937)	-	497 937	-	-	-	-
Net loss for the year		-	-	-	-	(2 016 688)	-	(2 016 688)	-	(2 016 688)
Balance at December 31, 2020		**421 352 596**	**1 089 305 350**	**25 276**	**9 073 711**	**(1 250 451 193)**	**(219 945 085)**	**(371 991 941)**	**4 339 142**	**(367 652 799)**

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, 2020 R	Year ended December 31, 2019 R	Year ended December 31, 2020 (Note 2) C$
Cash flows from operating activities				
Cash generated from operations	28	**24 437 613**	43 629 900	2 123 943
Interest received		**519 203**	1 163 105	45 125
Interest paid		**(7 178 061)**	(9 409 462)	(623 866)
Taxation received		**-**	864 711	-
Net cash generated from operating activities		**17 778 755**	36 248 254	1 545 202
Cash flows from investing activities				
Purchase of property, plant and equipment	11	**(9 298 144)**	(7 910 088)	(808 128)
Proceeds from disposal of property, plant and equipment		**-**	2 456 591	-
Movement in restricted cash		**-**	8 000 000	-
Net cash (utilized in)/generated from investing activities		**(9 298 144)**	2 546 503	(808 128)
Cash flows from financing activities				
Repayment of borrowings	26	**(8 000 000)**	(40 508 327)	(695 304)
Net cash utilized in financing activities		**(8 000 000)**	(40 508 327)	(695 304)
Net increase/(decrease) in cash and cash equivalents		**480 611**	(1 713 570)	41 770
Cash and cash equivalents at the beginning of the year		**3 518 388**	5 231 958	305 795
Cash and cash equivalents at the end of the year	19	**3 998 999**	3 518 388	347 565

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", "Buffalo Coal", "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 December 31, 2020, 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, Canada. The head office of the Company is located at Greytown Road, Industrial area, Dundee, Kwazulu-Natal, 3000, South Africa. These consolidated financial statements were approved and authorized for issue by the Board of Directors on March 25, 2021.

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, currently on Care and Maintenance with occasional small-scale mining. 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.

Readiness and response to COVID-19

South Africa reported its first positive case of Coronavirus disease 2019 ("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.

On March 26, 2020, the South African government imposed a national 21-day lockdown ("the National Lockdown").

All non-essential businesses had to close for the duration of the National Lockdown, which was a 5-tier system, Level 5 being imposed as the most severe lockdown measure. Under the Level 5 Tier the majority of mines were required to limit activities to care and maintenance activities 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. Due to the high prevalence of immune-compromised workers in the South African mining industry, the Group proactively implemented multiple additional measures to reduce the potential spread of infection amongst its workforce and their families.

Limited mining activities were allowed to resume on April 14, 2020 after the Company was granted approval to utilize 30% of its workforce. The National Lockdown was further extended for 14 days to April 30, 2020, whereafter the South African Government downgraded the entire country to National Lockdown Level 4 in terms of South Africa's National Disaster Regulations.

1 NATURE OF OPERATIONS (continued)

Readiness and response to COVID-19 (continued)

On May 4, 2020, the Company increased the utilization of its workforce in line with regulatory approvals to 50% of operational capacity. On June 1, 2020 South Africa was further downgraded to National Lockdown Level 3 and mining activities were allowed to increase to 100% of operational capacity. On September 21, 2020, South Africa was placed on National Lockdown Level 1.

The National Lockdown, implementation of National Disaster Regulations and COVID-19 infections of employees have negatively impacted both the Group's mining operations as well as the community within the region of our operations, with a large-scale loss of income and/or employment occurring across all industries.

Due to the emergence of a second wave of COVID-19 infections in South Africa, more restrictive National Lockdown measures came into effect on December 28, 2020, and South Africa moved to National Lockdown Level 3 whereunder mining activities were still allowed at 100% operational capacity. On February 28, 2021, South Africa was downgraded to National Lockdown Level 1 due to a decrease in the daily number of COVID-19 infections and decrease in the number of active infections.

Whilst the wellbeing of Buffalo Coal's employees and their families remain the Group's biggest concern, management continues to closely monitor the negative effects of COVID-19 on its operations in a responsible manner and actively continues engagements with its employees, financiers, major suppliers and other stakeholders in this regard to proactively measure and manage any potential impacts.

Due to the National Lockdown, the Government introduced a Temporary Employee Relief Scheme ("TERS") for the benefit of any employees who were not able to work and earn a full salary during these restrictions. The Group, as employer, applied for the TERS benefits on behalf of those affected employees and, in accordance with the terms of TERS, received Unemployment Insurance Fund ("UIF") payments in the amount of R6.2 million as at December 31, 2020, which were paid out to its affected workforce. The Group will continue to engage with its employees and apply for and distribute any TERS benefits, where applicable and in line with the Government's extensions for the duration of the National Lockdown.

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation and going concern (continued)

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.

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, renegotiate an extension to and ultimately settling its outstanding debt obligations and secure the funding required for its medium to longer term projects.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that future operations will be profitable. 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 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.

As many countries have experienced a second wave of COVID-19 infections, and with speculation regarding potential third waves, uncertainties relating to the geological spread, the severity of the disease, the duration of the outbreak, and the length of current and future travel and quarantine restrictions imposed by governments of affected countries, the Group cannot at this point in time quantify uncertainties or accurately predict the continued impact COVID-19 may have on its ability to operate and/or the ability of third parties to meet their obligations with the Group. The effectiveness of vaccines and completion of required vaccination programmes required on a global scale adds to this uncertainty.

Decreased global economic activity, mainly as a result of international government's intervention to mitigate the impacts of COVID-19 has had a negative impact on the demand for coal and coal prices and will continue to impact on the forecast profitability and cash flows of the Group.

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, the Company approached both Investec Bank Limited ("Investec") and STA Coal Mining Company (Pty) Ltd ("STA") a long outstanding creditor, requesting postponement of further payments until more information was available of the impact of COVID-19 on the Group's operations. Subsequent to requesting a postponement of further payments, the Group did not commit to any formal repayment terms to either Investec or STA, but has since made capital payments of R8.0 million and R5.0 million to Investec and STA respectively when available cash and cash flow forecasts supported such payments during the year ended December 31, 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation and going concern (continued)

On May 13, 2020, the Group received formal notification from Investec advising that the Group was in default of its payment obligations. As part of the revolving credit facility arrangement agreement reached with Investec on June 6, 2020 the parties agreed to negotiate in good faith on the restructuring of the remaining balance owing and payable to Investec by August 31, 2020. Due to the continued negative impact of COVID-19 on demand for coal and coal prices the parties agreed to extend this date to November 30, 2020.

The Group continued to be in breach of certain covenants and agreed repayment terms with respect to its borrowings from Investec at December 31, 2020. As at December 31, 2020, the Investec loan balance amounted to R56.1 million (December 31, 2019: R64.1 million).

Following further negotiations during the first quarter of 2021, Investec agreed to make instalment payments of R5 million in June 2021, R5 million in September 2021 and R10 million on December 15, 2021 with the remaining balance of R36.1 million to be paid on or before the final maturity date of December 31, 2021 (the "Final Maturity Date"). Pursuant to the terms of this agreement, the Company has undertaken to make payment of as much as is reasonably possible of the outstanding balance to Investec on or before the Final Maturity Date. Prior to December 31, 2021, the Group and Investec shall negotiate in good faith to agree on the restructuring of the outstanding balance as at December 31, 2021. The reserve bank account and cash sweeping mechanism will continue to be in place. (Refer to Note 26, Investec borrowings).

The amount payable to STA was R12.6 million on December 31, 2020 (December 31, 2019: R17.6 million). The Group continued to make monthly interest payments in months where it was not able to make capital payments.

The Resource Capital Fund Convertible Loan ("RCF loan") of US$27 million (approximately R395.8 million) was to become due and payable on December 31, 2020, after negotiations to extend the maturity date during 2019. (Refer to Note 22, RCF loan facilities). On November 24, 2020, BC Corp and RCF agreed to extend the final maturity date of the RCF loan to June 30, 2022 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.

As at December 31, 2020, the Group had a shareholders' deficiency of R367.7 million (December 31, 2019: R365.6 million), and a working capital deficiency of R64.3 million (December 31, 2019: R430.3 million). The Group recorded a net loss of R2.0 million for the year ended December 31, 2020 (R36.8 million net profit for the year ended December 31, 2019).

The Group remains dependent upon the continued financial support of Investec, RCF 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 operational 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.

The Group's ability to ultimately continue operations over the medium to longer term is also dependent on its ability to obtain the requisite environmental approvals and secure funding for its Balgray project.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation and going concern (continued)

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.

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, 2020 and the financial results for the year ended December 31, 2020 were translated into Canadian Dollars using a convenience translation at the rate of C$1: R11.50577, which is the exchange rate published on Oanda.com as of December 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.

2.2 New standards, amendments and interpretations

The following standards, amendments and interpretations are issued and effective for the first time for the December 31, 2020 financial year-end:

The Group has adopted the following standards, amendments and interpretations effective for reporting periods beginning on or after January 1, 2020. The adoption of these standards did not have a material impact on the Group’s financial statements.

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 clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

IFRS 3 amendments – Definition of Business was issued in October 2018 by the IASB to improve the definition of a business. The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments are as follows:

- confirmed that a business must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrowed the definitions of a business and of outputs by focussing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and
- added an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New standards, amendments and interpretations (continued)

The following standards, amendments and interpretations are issued but not yet effective for the December 31, 2020 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, 2021. Many are not applicable or do not have a significant impact to the Company and have been excluded. These standards will be adopted from the effective date. Early adoption will not be applied. The revised standards are not expected to have a material impact on the Company or Group.

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.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets ("IAS 37") was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

IFRS 3 – Business Combinations ("IFRS 3") was amended. The amendments introduce new exceptions to the recognition and measurement principles in IFRS 3 to ensure that the update in references to the revised conceptual framework does not change which assets and liabilities qualify for recognition in a business combination. An acquirer should apply the definition of a liability in IAS 37 – rather than the definition in the Conceptual Framework – to determine whether a present obligation exists at the acquisition date as a result of past events. For a levy in the scope of IFRIC 21, the acquirer should apply the criteria in IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. In addition, the amendments clarify that the acquirer should not recognize a contingent asset at the acquisition date. The amendments are effective for annual periods beginning on January 1, 2022.

IAS 16 – Property, Plant and Equipment ("IAS 16"*)* was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on January 1, 2022.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 other comprehensive income ("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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Consolidation (continued)

(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.

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. The Group operates as one segment.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Life of Mine ("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:

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:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Leased assets (continued)

- 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Leased assets (continued)

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).

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, other receivables - restricted and other long-term investments which are included in "investment in financial assets" in the statement of financial position.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

2.10.1 Financial assets (continued)

(d) Impairment (continued)

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.

2.10.2 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

2.10.3 Compound financial instruments (continued)

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.

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 RCF conversion option liability which is 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Current and deferred income tax (continued)

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’.

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 adjusts historical loss rates for forward looking estimates if reasonable and supportable information is 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.18 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Revenue recognition (continued)

(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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Employee benefits (continued)

(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, 2020 and December 31, 2019, 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, 2020	Year ended December 31, 2019	Year ended December 31, 2020 (Note 2)
		R	R	C$
(Loss)/profit attributable to equity holders of the Company		**(2 016 688)**	36 838 808	(175 276)
Adjustments:				
Net profit on disposal of property, plant and equipment	7	**-**	(514 751)	-
Impairment loss on property, plant and equipment	8	**-**	8 042 236	-
Taxation thereon		**-**	(2 107 696)	-
Headline (loss)/earnings for the year		**(2 016 688)**	42 258 597	(175 276)
Headline (loss)/earnings per share – basic and diluted		**(0.00)**	0.10	(0.00)
Normalized headline (loss)/earnings for the year		**(2 016 688)**	42 258 597	(175 276)
Normalized headline (loss)/earnings per share – basic and diluted		**(0.00)**	0.10	(0.00)
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 year ended December 31, 2020 (year ended December 31, 2019: adjusted for profit on sale of property, plant and equipment of R0.5 million and impairment on property, plant and equipment of R8.0 million net of tax of R2.1 million).

For the current and previous financial year, the Company’s normalized headline earnings/(loss) per share had no further adjustments.

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, 2020, 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 R0.9 million (year ended December 31, 2019: R0.6 million).

At December 31, 2020, 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 R39.6 million (year ended December 31, 2019: R38.0 million).

(b) Price risk

The Group is exposed to commodity price risk. 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.

(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. 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 R0.5 million (year ended December 31, 2019: R0.6 million).

(Presented in South African Rands)

3 FINANCIAL RISK MANAGEMENT (continued)

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 15, 16, 17 and 30, 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. Some of the Group's customers are experiencing various degrees of financial hardship due to impacts of COVID-19 and the Group has responded by reducing payment terms or requiring advance payments on affected customers.

Long-term restricted cash totalling R3.2 million is 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 & 5 years R	Greater than 5 years R
At December 31, 2020			
Borrowings	**56 114 971**	**-**	**-**
RCF loan facilities ^	**-**	**395 836 686**	**-**
Lease liabilities	**266 204**	**156 466**	**-**
Trade and other payables *	**47 230 327**	**-**	**-**
At December 31, 2019			
Borrowings	64 114 971	-	-
RCF loan facilities ^	379 304 694	-	-
Lease liabilities	535 551	422 670	-
Trade and other payables *	68 676 657	-	-

^ RCF loan facilities included in the table above represents the undiscounted outstanding loan of US$27 million translated to Rands by using the spot US$/R exchange rate as at December 31, 2020 (US$1: R14.660618) and December 31, 2019 (US$1:R14.048322).

* Trade and other payables included in the table above excludes non-financial liabilities which the Company monitors as part of its management of liquidity risks.

(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 and RCF liabilities (including current and non-current portions 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, 2020 and December 31, 2019 were as follows:

	December 31, 2020 R	December 31, 2019 R
Total borrowings and RCF liabilities	**431 425 752**	421 507 147
Less: Cash and cash equivalents	**(3 998 999)**	(3 518 388)
Net debt	**427 426 753**	417 988 759
Total deficiency	**(367 652 799)**	(365 636 111)
Total capital	**59 773 954**	52 352 648
Gearing ratio (net debt/total capital)	**715%**	798%

The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2020 except for the Investec loan (Refer to Notes 26 and 31) 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.

The Company is not subject to any externally imposed capital requirements with the exceptions as discussed in Notes 22 and 26, and the capital requirements of the TSXV which requires adequate working capital or financial resources of the greater of (i) C$100 000 (R1.15 million as at December 31, 2020) 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, 2020, 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.

(Presented in South African Rands)

3 FINANCIAL RISK MANAGEMENT (continued)

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).

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

	Level 1 R	Level 2 R	Level 3 R
December 31, 2020			
Investment in financial assets	**211 881**	**-**	**-**
Other receivables - restricted	**-**	**58 505 686**	**-**
RCF conversion option liability	**-**	**(14 387 028)**	**-**
December 31, 2019			
Investment in financial assets	198 744	-	-
Other receivables - restricted	-	57 150 772	-
RCF conversion option liability	-	(1 487 566)	-

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 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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.

4.3 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 behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions could materially affect the fair value estimates.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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.

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 30**.**

(Presented in South African Rands)

5 REVENUE FROM CONTRACTS WITH CUSTOMERS

	December 31, 2020 R	December 31, 2019 R
Coal sales - local	**141 801 856**	196 482 045
Coal sales - export	**172 868 326**	202 486 044
Toll washing arrangements	**6 649 378**	-
Revenue from contracts with customers	**321 319 560**	398 968 089

Revenue from sale of coal is recognized at a point in time.

6 NATURE OF EXPENSES

	December 31, 2020 R	December 31, 2019 R
Cost of sales:		
Employee costs	**105 448 268**	116 429 504
Mining and related costs	**53 785 422**	59 858 187
Repairs and maintenance	**30 139 908**	38 845 361
Transport and shipping	**21 257 133**	33 658 631
Raw materials	**16 153 137**	14 706 163
Depreciation	**12 331 684**	15 122 826
Exploration	**-**	1 732 523
Social and Labour plan expense	**7 841 324**	14 115 729
Training	**166 519**	204 845
Carbon tax (recovery)/expense	**(61 808)**	772 955
Royalty (recovery)/expense DMRE	**(2 803 032)**	6 164 096
Total cost of sales	**244 258 555**	301 610 820
General and administration expenses:		
Audit and tax related fees	**2 812 664**	3 548 225
Bad debts (reversal)/provision	**(641 534)**	5 306 105
Consulting fees	**7 039 410**	7 705 960
Director's fees	**3 098 707**	2 818 559
Exploration	**79 993**	-
Fund administration fees	**1 004 074**	1 308 333
Insurance	**7 579 693**	9 408 226
Legal fees	**1 718 101**	1 138 216
Penalty recovered	**-**	(1 962 228)
Rehabilitation adjustment expense/(income)	**3 289 121**	(1 020 591)
Salaries and wages	**26 407 348**	30 610 349
Shareholder communication and listing fees	**603 438**	654 322
Travel and accommodation	**308 683**	507 704
Telephone, internet and computer expenses	**1 643 407**	1 623 072
Other	**3 186 533**	4 679 659
Total general and administration expenses	**58 129 638**	66 325 911

6 NATURE OF EXPENSES (continued)

General and Administration expenses include the general and administration expenses relating to BC Dundee's head office at Coalfields and the Company's corporate and listing related expenses. As part of the Company's ongoing efforts to curtail costs, the corporate office in Centurion was closed at the end of May 2020.

Audit and tax related services for the year ended December 31, 2020 were reduced to tax and year-end audit engagements, the Group did not undertake any quarterly review engagements with its auditors during 2020.

During the year ended December 31, 2020, bad debts of R0.6 million were reversed relating to debtors who were previously included in the provision for bad debt due to long-outstanding debtor days.

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, 2020 is an amount of R0.7 million relating to the Balgray mining right application and environmental study costs (December 31, 2019: R3.8 million) and RNil (December 31, 2019: R1.6 million) for the strategic review process and feasibility study costs related to the Aviemore North Adit anthracite project ("North Adit").

Lower insurance premiums were paid during the financial year ended December 31, 2020 due to the inability to secure full cover for the Group's assets and the inability to secure directors and officer's liability insurance for the Corporation. This was mainly as a result of the global trend amongst insurers to exclude coal production activities from their underwriting guidelines together with the ongoing business risks relating to the COVID-19 pandemic.

Included in the carbon tax recovery amount as at December 31, 2020, is a R0.5 million reversal of a provision raised as at December 31, 2019. The Company over-estimated the carbon tax expense provision for the year ended December 31, 2019 after the introduction of the carbon tax bill, which came into effect during June 2019.

Included in the mining royalty's recovery amount as at December 31, 2020, is a R4.8 million reversal of a provision raised as at December 31, 2019 for a potential royalty tax liability based on a revision of intercompany related transactions between the Companies subsidiary companies. The Group reversed the royalty provision after engaging with professional consultants to perform a detailed benchmarking exercise. The outcome of this exercise concluded that no such additional royalties were due by the Group, and accordingly the provision raised during 2019 was reversed in 2020. (Refer to Note 24).

(Presented in South African Rands)

7 OTHER INCOME/(EXPENSES) – NET

	December 31, 2020 R	December 31, 2019 R
Unrealized foreign exchange (loss)/gain - net	**(14 974 493)**	7 413 060
Realized foreign exchange gain - net	**14 079**	309 482
Net profit on disposal of property, plant and equipment	**-**	514 751
Scrap sales	**307 066**	187 555
Dividends received	**1 398 827**	311 826
Fair value adjustment on other receivables - restricted	**2 358 988**	3 557 248
Fair value adjustment on conversion option and warrant liability	**25 455 376**	38 443 645
Recovery provision on withholding tax	**-**	604 153
Gain on extension of RCF Convertible loan – maturity date	**36 601 171**	34 654 984
Loss on extension of RCF Convertible loan – conversion option	**(38 070 513)**	(36 126 492)
Other income	**1 845 636**	1 111 142
Total	**14 936 137**	50 981 354

8 IMPAIRMENT LOSS

	December 31, 2020 R	December 31, 2019 R
Impairment loss on property, plant and equipment	**-**	(8 042 236)

There was no impairment loss recognized during the year ended December 31, 2020.

The impairment loss of R8.0 million recognized for the year ended December 31, 2019 arose as a result of the write down of the North Adit development costs previously capitalized and certain mining assets impaired to their recoverable amounts (Refer to Note 11).

(Presented in South African Rands)

9 FINANCE INCOME AND EXPENSE

	December 31, 2020 R	December 31, 2019 R
Finance income		
Interest on cash and restricted cash	**519 203**	1 163 105
Total	**519 203**	1 163 105
Finance expense		
Interest on borrowings	**(5 673 796)**	(10 676 486)
Interest on RCF loan facilities	**-**	(749 173)
Interest on STA accounts payable	**(1 166 068)**	(2 041 492)
Interest on South African Revenue Services (“SARS”) payables	**-**	(30 756)
Unwinding discount on asset retirement obligation	**(1 794 440)**	(1 743 783)
RCF Loan accretion expense	**(27 551 351)**	(18 558 139)
Investec accretion of warrant asset	**-**	(4 344 520)
Finance charges on lease liabilities	**(69 591)**	(123 587)
Other	**(148 149)**	(26 837)
Total	**(36 403 395)**	(38 294 773)

Interest on borrowings included royalties payable to Investec of R0.5 million for the year ended December 31, 2020 (December 31, 2019: R0.1 million) 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 (Refer to Note 26).

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, 2020, R6.4 million in royalties payable to Investec is included in Trade and other payables (December 31, 2019: R5.9 million) (Refer to Note 24).

10 INCOME TAX

There was no income tax expense during the year ended December 31, 2020 and December 31, 2019.

The major items causing the Company's income tax expense to differ from the South African statutory rate of 28% (year ended December 31, 2019: 28%) are as follows:

	December 31, 2020 R	December 31, 2019 R
(Loss)/profit before income taxes	**(2 016 688)**	36 838 808
Expected tax benefit/(expense) at statutory tax rates	**564 673**	(10 314 866)
Adjustments resulting from:		
Benefits of tax losses not recognized	**(2 296 624)**	(4 793 513)
Utilization of deferred tax asset	**-**	20 835 375
Permanent differences	**2 220 250**	(2 240 258)
Foreign tax rate differential	**63 332**	395 893
Other temporary differences	**(551 631)**	(3 882 631)
Income tax expense	**-**	-

(Presented in South African Rands)

11 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, 2020						
Opening net book value	**1 258 660**	**34 661 731**	**776 213**	**4 723 237**	**-**	**41 419 841**
Additions	**-**	**9 275 144**	**23 000**	**-**	**-**	**9 298 144**
Depreciation	**(261 242)**	**(10 122 174)**	**(335 397)**	**(1 416 570)**	**-**	**(12 135 383)**
Net book value at end of year	**997 418**	**33 814 701**	**463 816**	**3 306 667**	**-**	**38 582 602**
Year ended December 31, 2020						
Cost	**7 757 895**	**400 361 605**	**8 281 952**	**37 627 997**	**14 009 756**	**468 039 205**
Accumulated depreciation and impairment	**(6 760 477)**	**(366 546 904)**	**(7 818 136)**	**(34 321 330)**	**(14 009 756)**	**(429 456 603)**
Net book value at end of year	**997 418**	**33 814 701**	**463 816**	**3 306 667**	**-**	**38 582 602**

	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 the end of the 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)
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

All property, plant and equipment is located in South Africa. Depreciation expense of R11.8 million (year ended December 31, 2019: R14.6 million) was recognized in "Cost of Sales" and depreciation expense of R4.5 million (December 31, 2019: R2.3 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. (Refer to Note 8).

(Presented in South African Rands)

12 RIGHT OF USE ASSETS AND LEASE LIABILITIES

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%.

	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	Land R	Land R	Buildings R	Buildings R	Total R	Total R
Opening balance	**660 910**	-	**297 311**	-	**958 221**	-
Lease liabilities recognized at January 1, 2019	**-**	874 123	**-**	989 250	**-**	1 863 373
Reassessment of lease liability	**-**	-	**2 684**	15 251	**2 684**	15 251
Finance charges	**61 760**	86 787	**7 831**	36 801	**69 591**	123 588
Payments made	**(300 000)**	(300 000)	**(307 826)**	(743 991)	**(607 826)**	(1 043 991)
Closing balance	**422 670**	660 910	**-**	297 311	**422 670**	958 221
Current lease liabilities	**266 204**	238 240	**-**	297 311	**266 204**	535 551
Non-current lease liabilities	**156 466**	422 670	**-**	-	**156 466**	422 670

Right of use assets

The associated right of use assets relate to land and buildings as follows:

	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	Land R	Land R	Buildings R	Buildings R	Total R	Total R
Opening balance	**1 372 645**	-	**297 310**	-	**1 669 955**	-
Right of use assets recognized at January 1, 2019	**-**	1 921 702	**-**	989 250	**-**	2 910 952
Depreciation	**(549 058)**	(549 057)	**(299 994)**	(707 191)	**(849 052)**	(1 256 248)
Reassessment of lease liability	**-**	-	**2 684**	15 251	**2 684**	15 251
Closing balance	**823 587**	1 372 645	**-**	297 310	**823 587**	1 669 955

Included in the lease of land is a servitude agreement between Zinoju and a neighbouring landowner whereby a servitude is granted over a portion of land used for Aviemore's operations. The servitude requires a minimum monthly payment of R25 000 at inception and has since increased to R29 500 per month (R27 500 as at December 31, 2019) as it is subject to annual South African Consumers Price Index ("CPI") adjustments. The expiry date is the date on which operations cease, currently estimated to be in June 2023.

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 on January 1, 2019 and the lease liability was subsequently written off to zero.

(Presented in South African Rands)

12 RIGHT OF USE ASSETS AND LEASE LIABILITIES (continued)

Right of use assets (continued)

Buildings which were leased related to the Company's corporate office in Centurion, South Africa. The Company did not renew the lease agreement when it expired on May 31, 2020.

13 INVESTMENT IN FINANCIAL ASSETS

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

	December 31, 2020 R	December 31, 2019 R
Opening balance	**198 744**	194 484
Effect of foreign currency exchange difference	**13 137**	4 260
Closing balance	**211 881**	198 744

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.

14 DEFERRED TAX

There were no deferred taxes as at December 31, 2020 and December 31, 2019.

South-Africa	December 31, 2020 R	December 31, 2019 R
Provisions	**(6 197 977)**	(8 015 053)
Tax losses	**(169 307 440)**	(165 550 953)
Property, plant and other long-term assets	**(1 005 992)**	(2 067 210)
Other	**176 511 409**	175 633 216
At end of year	**-**	-

Canada	December 31, 2020 R	December 31, 2019 R
Deferred income tax liabilities:		
At beginning of year	**(2 903 390)**	(1 167 125)
Current year timing differences	**183 732**	(1 736 265)
At end of year	**(2 719 658)**	(2 903 390)
Deferred tax assets:		
At beginning of year	**2 903 390**	1 167 125
Current year timing differences	**(183 732)**	1 736 265
At end of year	**2 719 658**	2 903 390
Deferred tax assets/(liabilities) - net	**-**	-

(Presented in South African Rands)

14 DEFERRED TAX (continued)

The balance is comprised of the following:

Canada	December 31, 2020 R	December 31, 2019 R
Tax losses	**2 719 658**	2 903 390
Other	**(2 719 658)**	(2 903 390)
At end of year	**-**	-

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

Canada	December 31, 2020 R	December 31, 2019 R
Tax losses (expiring between 2027 and 2039)	**305 787 833**	285 122 857
Other	**41 475 865**	16 960 415
Total	**347 263 698**	302 083 272
Total C$	**30 181 689**	27 990 412

As at December 31, 2020, the Company had an unrecognized deferred tax asset of approximately R649.2 million (year ended December 31, 2019: R644.9 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.

15 OTHER RECEIVABLES - RESTRICTED

Funded guarantees provided to the Department of Mineral Resources and Energy ("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"). It is contemplated that any future shortfalls between the DMRE required guarantee amount of R69.8 million (Value Added Tax ("VAT") inclusive) and the value of the investment would be funded over the Life of Mine through the growth in the investment. Management estimates that an additional R1.5 million cash contribution will be required in connection with the R69.8 million financial guarantees issued to the DMRE.

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 the Company in complying with its obligations imposed in terms of NEMA and its regulations, which regulates mining operations. On this basis, the receivable from Centriq is disclosed as a restricted asset.

The movement in the investment is as follows:

	December 31, 2020 R	December 31, 2019 R
Opening balance	**57 150 772**	54 901 857
Commission paid	**(1 004 074)**	(1 308 333)
Fair value adjustment	**2 358 988**	3 557 248
Closing balance	**58 505 686**	57 150 772

(Presented in South African Rands)

16 TRADE AND OTHER RECEIVABLES

	December 31, 2020 R	December 31, 2019 R
Non-current other receivables:		
- Deposits	**6 615 939**	6 772 703
Total non-current other receivables	**6 615 939**	6 772 703
Current trade and other receivables:		
- Trade receivables	**8 648 939**	24 647 880
Less: Provision for impairment of receivables	**(251 922)**	(308 341)
- Trade receivables – net	**8 397 017**	24 339 539
- VAT	**43 471**	775 327
- Prepayments	**2 897 607**	10 435 618
- Harmonized Sales Tax	**84 537**	99 419
- Other receivables	**1 136 215**	1 883 311
Total current trade and other receivables	**12 558 847**	37 533 214

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, 2020, a single customer represents 70% of total trade receivables (December 31, 2019: 49%).

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

	December 31, 2020 R	December 31, 2019 R
Canadian Dollars	**84 537**	472 958
Rands	**12 474 310**	37 060 256
Total	**12 558 847**	37 533 214

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

	December 31, 2020 R	December 31, 2019 R
Opening balance	**308 341**	197 133
Provision (released)/raised – net	**(56 419)**	111 208
Closing balance	**251 922**	308 341

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.

(Presented in South African Rands)

16 TRADE AND OTHER RECEIVABLES (continued)

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

2020	**Measurement approach**	**ECL % applied**	**Ageing total ECL (R)**
General exposure	ECL derived from historical data and judgmental assessments made by management		
	Current		
	(ECL derived from historical data + 10% increase)	0.76%	12 202
	30 days		
	(ECL derived from historical data + 10% increase)	1.72%	8 433
	60 days		
	(ECL derived from historical data + 10% increase)	5.68%	11 637
	90 days		
	(ECL derived from historical data + 10% increase)	16.96%	18 614
	120 days		
	(90 days ECL% + 20% increase)	20.35%	26 171
	150 + days		
	(120 days ECL% + 40% increase)	28.50%	7 211
Specific exposure	Certain significant debtors with balances outstanding for more than 120 + days were separately assessed.	50% - 100%	167 654
	Total ECL		**251 922**

2019	**Measurement approach**	**ECL % applied**	**Total ECL (R)**
Specific exposure *	ECL derived from Moody's ^	4.03%	292 556
Specific exposure *	ECL derived from Moody's ^	0.18%	5 768
General exposure	ECL derived from historical data	3.35%	10 017
	Total ECL		**308 341**

* Listed companies with significant balances are separately assessed.
^ Moody's Investors Service ("Moody's") is a bond credit rating Company.

17 RESTRICTED CASH

	December 31, 2020 R	**December 31, 2019 R**
Short-term restricted cash – Investec	**52 480**	-
Long-term restricted cash – Guarantee to DMRE & Eskom	**3 200 000**	3 200 000

The R3.2 million call deposit, has been ceded and pledged to the Company's banking institution in respect of guarantees provided to the DMRE and Eskom.

(Presented in South African Rands)

18 INVENTORIES

	December 31, 2020 R	December 31, 2019 R
Consumables	**1 891 362**	1 408 294
Work in progress	**8 396 817**	3 748 732
Finished goods	**53 007 457**	46 123 077
Total	**63 295 636**	51 280 103

Depreciation of R4.5 million was included in inventory at December 31, 2020 (December 31, 2019: R2.3 million).

19 CASH AND CASH EQUIVALENTS

	December 31, 2020 R	December 31, 2019 R
Cash in bank	**3 998 999**	3 518 388
Cash is denominated in the following currencies:		
Canadian Dollars	**32 215**	154 621
United States Dollars	**7 050**	55 967
Rands	**3 959 734**	3 307 800
Total	**3 998 999**	3 518 388

20 SHARE CAPITAL

	Number of shares	Stated value R
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**
Shares issued	**-**	**-**
Balance at December 31, 2020	**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, 2020.

During the financial years ended December 31, 2020 and December 31, 2019, no Common Shares were issued to settle interest on the RCF Convertible Loan.

(Presented in South African Rands)

21 RESERVES

	Number of options	Weighted average exercise price C$	Value of options R	BEE option reserves R	Total R
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**
Granted and vested	**-**	**-**	**-**	**-**	**-**
Expired/cancelled	**(1 683 954)**	**0.07**	**(497 937)**	**-**	**(497 937)**
Closing balance at December 31, 2020	**450 000**	**0.05**	**25 276**	**9 073 711**	**9 098 987**

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 "plan"). The 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 July 16, 2020.

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, 2020 and December 31, 2019.

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

Grant date	Exercise price (C$)	December 31, 2020	December 31, 2019
		Options outstanding	
April 20, 2015 (expired/cancelled during 2020)	0.07	**-**	1 558 954
November 10, 2015 (expired/cancelled during 2020)	0.04	**-**	125 000
August 26, 2016	0.05	**450 000**	450 000
Total		**450 000**	2 133 954

21 RESERVES (continued)

Employee share option plan (continued)

The weighted average remaining contractual life of share options outstanding at December 31, 2020 is 0.65 years (December 31, 2019: 0.62 years). All options outstanding at December 31, 2020 are exercisable. All of the 2 133 954 options outstanding at December 31, 2019 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, 2020, and December 31, 2019, 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.

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.

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.

22 RCF LOAN FACILITIES (continued)

RCF Bridge Loan (continued)

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 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.

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.

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.

The RCF Convertible Loan became due and payable on December 31, 2020, after negotiations to extend the maturity date during 2019. In addition, RCF decreased the interest rate from 1.29% to 0% effective January 1, 2020. On November 24, 2020, BC Corp and RCF agreed to further extend the final maturity date of the RCF Convertible Loan to June 30, 2022. This maturity date extension resulted in the classification of the loan as non-current as at December 31, 2020.

22 RCF LOAN FACILITIES (continued)

RCF Convertible Loan (continued)

Interest accrued on the RCF Convertible Loan amounting to C$359 333 (R4.1m) has been included in Trade and other payables as at December 31, 2020 (December 31, 2019: C$359 333 (R3.8m)) (Refer to Notes 24 and 29).

As at December 31, 2020 and December 31, 2019, BC Corp was fully drawn on the US$27.0 million (December 31, 2020: approximately R395.8 million; December 31, 2019: approximately R379.3 million) RCF Convertible Loan, after the RCF First Tranche Conversion.

The movement in the RCF Convertible Loan was as follows:

	December 31, 2020 R	December 31, 2019 R
Opening balance	**355 904 610**	381 087 383
Gain on extension of loan maturity date	**(36 601 171)**	(34 654 984)
Accretion expense	**27 551 351**	18 558 139
Effect of foreign currency exchange difference	**14 068 963**	(9 085 928)
Closing balance	**360 923 753**	355 904 610
Current portion	**-**	355 904 610
Non-current portion	**360 923 753**	-

The discounted present value of the cash flows under the revised terms using the revised effective interest rate of 6.19% (December 31, 2019: 6.37%) 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 R36.6 million gain (December 31, 2019: 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 have therefore 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. On November 24, 2020 BC Corp and RCF agreed to further extend the final maturity date of the RCF Convertible Loan to June 30, 2022, which also had the effect of extending the conversion option liability component to the revised maturity date. This resulted in an R38.1 million loss (December 31, 2019: R36.1 million loss) on extension of the conversion option calculated on the amendment dates, April 15, 2019, December 13, 2019 and November 24, 2020, which has been included in “other income/(expenses) - net” in these results (Refer to Note 7).

The liability component will continue to be accreted to its face value of US$27.0 million (approximately R395.8 million) (December 31, 2019: US$27.0 million (approximately R379.3 million)), using a revised effective interest rate of 6.19% (December 31, 2019: 6.37%).

(Presented in South African Rands)

22 RCF LOAN FACILITIES (continued)

Conversion option liability (continued)

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

	December 31, 2020	December 31, 2019	Initial assumptions
Volatility (based on historical share price)	**113.0%**	118.0%	51.0%- 107.0%
Life (in years) to maturity date	**1.5**	1.0	3.9-5.0
Risk-free interest rate	**0.20%**	1.69%	0.5%-1.5%
Share price (C$)	**0.01**	0.01	0.035-0.095
Potential shares	**733 545 672**	749 372 623	720 351 931
Value of convertible feature (C$)	**1 250 418**	137 835	18 191 938
Value of convertible feature (R)	**14 387 028**	1 487 566	182 348 706

Movement in the Conversion Option Liability was as follows:

	December 31, 2020 R	December 31, 2019 R
Opening balance	**1 487 566**	3 132 577
Loss on extension of loan maturity date	**38 070 513**	36 126 492
Fair value adjustment	**(25 455 376)**	(38 435 834)
Foreign currency translation adjustment	**284 325**	664 331
Closing balance	**14 387 028**	1 487 566

The Conversion Option Liability, which is separated from the RCF Loan facility, is classified as a current liability.

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.

(Presented in South African Rands)

23 ASSET RETIREMENT OBLIGATION

	December 31, 2020 R	December 31, 2019 R
Opening balance	**50 614 413**	49 891 221
Change in estimate	**5 083 561**	723 192
- Allocation/(reversal) of provision	**3 289 121**	(1 020 591)
- Unwinding of discount	**1 794 440**	1 743 783
Closing balance	**55 697 974**	50 614 413
Less: current portion	**(5 466 689)**	(5 276 640)
Non-current portion	**50 231 285**	45 337 773

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 DMRE, certain assets are ring-fenced for mining rehabilitation purposes. These environmental rehabilitation costs are funded by contributions into a long-term investment (Refer to Note 15). 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.

The changes in estimate during the year ended December 31, 2020 and December 31, 2019, relate to changes in the discount and inflation rates used and a twelve-month reduction in the amortization period.

The allocation of the provision recognized during December 31, 2020 of R3.3 million (year ended December 31, 2019: reversal of R1.0 million) is expensed in “general and administration expenses” (Refer to Note 6).

The unwinding of the discount recognized during the year ended December 31, 2020 of R1.8 million (year ended December 31, 2019: R1.7 million), is expensed in “finance expense” (Refer to Note 9).

The provision is calculated using the following rates:

	December 31, 2020	December 31, 2019
Discount rate (%) – Magdalena – ES26	**7.68**	8.25
Discount rate (%) – Aviemore – MR174	**3.53**	6.90
Discount rate (%) – Aviemore – MR301 and Coalfields	**8.25**	8.25
Inflation rate (%) – Magdalena & Aviemore	**4.00**	4.00

The inflation rates used in the calculation are the same for all the rehabilitation guarantees as noted in the table above and are linked to the South African Consumers Price Index. The discount rates used in the calculation of the estimated net present value of the rehabilitation liability is dependent on the life-of-mine and mining right expiry dates (Magdalena – 5 years; Aviemore – 7 years) and were based on recent yields determined on South African Government bonds. Government bonds expiring in 1 to 5.25 years were used for Magdalena (ES26), expiring within 12 months for Aviemore MR174 (R208) and bonds expiring between 7 and 10 years were used for Aviemore MR301 and Coalfields (R2033 & R210).

(Presented in South African Rands)

23 ASSET RETIREMENT OBLIGATION (continued)

As the yields on the South African Government bonds increased significantly between December 31, 2019 and December 31, 2020, management reduced the risk-free rate used so that the discount rates would not be lower than those used on December 31, 2019.

The Group's undiscounted rehabilitation liability, if immediate closure was required, amounts to R64 979 000 on December 31, 2020 (December 31, 2019: R62 721 000).

24 TRADE AND OTHER PAYABLES

	December 31, 2020 R	December 31, 2019 R
Trade payables	**12 920 163**	19 645 695
Trade payables – STA	**12 628 655**	17 628 655
Audit fees	**1 640 000**	1 840 000
Deferred revenue	**11 460 141**	12 160 697
Investec royalty	**6 413 319**	5 859 516
Sundry payables and accruals	**7 232 635**	12 238 866
Accrual Carbon Tax	**711 147**	772 955
Accrual DMRE fines (Refer to Note 31)	**1 550 000**	1 550 000
Accrual DMRE royalties	**-**	5 262 907
Accrual RCF interest	**4 134 408**	3 878 063
Receiver of Revenue – VAT	**1 698 559**	4 207 119
Accrual Leave pay/bonus	**7 291 268**	10 000 662
Total	**67 680 295**	95 045 135

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

Included in trade payables as of December 31, 2020 is R12.6 million (December 31, 2018: R17.6 million) owing to STA. Interest is accruing monthly on the deferred amount at the prime bank overdraft rate in South Africa.

Deferred revenue of R11.5 million (December 31, 2019: R12.2 million) relates to upfront payments made by customers for tonnes delivered after year-end.

The Investec royalty of R6.4 million (December 31, 2019: R5.9 million) is payable on the final maturity date of the Investec Loan Facility (Refer to Note 9 and 26).

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, an assessment of penalties payable in connection with the Water Use License was issued, accordingly, the full amount of R1.55 million has been included in Trade and Other Payables.

(Presented in South African Rands)

24 TRADE AND OTHER PAYABLES (continued)

No DMRE mining royalties are included in trade payables as at December 31, 2020, a refund of R0.08 million is included in trade receivables which relates to historical royalties paid in excess. Included in the DMRE 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 have arisen based on a revision of intercompany related transactions between the Companies subsidiary companies. This provision has been reversed during the year ended December 31, 2020 (Refer to Note 6).

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

	December 31, 2020 R	December 31, 2019 R
Canadian Dollars	**596 475**	561 837
United States Dollars	**1 081 353**	1 738 605
Rands	**66 002 467**	92 744 693
Total	**67 680 295**	95 045 135

25 CURRENT TAX LIABILITIES

	December 31, 2020 R	December 31, 2019 R
Current tax liabilities:		
Withholding tax payable	**271 765**	254 915
Total	**271 765**	254 915

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 by the Company on or after September 11, 2013.

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, 2020 is an amount of C$23 620 (R271 765) (December 31, 2019: C$23 620 (R254 915) for the estimated remaining interest payable related to the withholding tax.

(Presented in South African Rands)

26 INVESTEC BORROWINGS

Borrowings consisted of the Investec loan facilities as below:

	December 31, 2020 R	December 31, 2019 R
Investec loan facilities	**56 114 971**	64 114 971

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 the Johannesburg Interbank Average Rate ("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.

26 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 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.

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 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. The Company is obliged to pay any accrued royalties payable to Investec when the loan is settled.

26 INVESTEC BORROWINGS (continued)

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 during the first three months 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, were 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 and the uncertainty of the outcome thereof on the Company's operations and cash flows, the Company approached Investec requesting postponement of further payments until more information was available of the impact of COVID-19 on the Group's operations. On March 27, 2020 the Company was forced to suspend all mining operations in compliance with COVID-19 National Disaster Regulations (Refer Note 1 – Nature of operations – Readiness and response to COVID-19). 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 was not able to honour any of its 2020 payment commitments previously agreed to with Investec. On May 13, 2020, the Group received formal notification from Investec advising that the Group continued to be in default of its principal payment obligations, and they continue to reserve their right to take action.

On June 6, 2020 Investec agreed to a revolving credit facility arrangement whereby the Company would make a payment of R5 million by no later than June 30, 2020, open a reserve bank account, transfer no less than R9 million upon opening thereof and, by not later than the 7th day of each calendar month, transfer all amounts in excess of R5 million in the Company's operational bank accounts to the reserve bank account. Interest generated on the funds held in the reserve account will be calculated at competitive interest rates linked to the prime interest rates. In terms of this arrangement the Company undertook not to effect any transfers or withdrawals from the reserve bank account for any purpose other than to fund operating costs in the event a shortfall occurred in the Company's cashflow resulting from operational reasons, including a temporary suspension of its operations due to COVID-19 infections.

26 INVESTEC BORROWINGS (continued)

The parties further agreed that all amounts available in excess of R9 million in the reserve bank account would be applied as part settlement of the deferred payment on the last business day of each month. On June 30, 2020, the Company paid the R5 million required instalment and also transferred the R9 million into the restricted reserve bank account. The Company also provided an undertaking to make payments, as much as reasonably possible, by August 31, 2020. The parties agreed to negotiate in good faith on the restructuring of the remaining balance owing and payable to Investec by August 31, 2020.

The Company had to utilize R6 million of the funds in the reserve bank account for operational reasons and used the remaining R3 million to pay Investec in September 2020. The parties agreed to the continued use of the reserve bank account mechanism and, subject to the Company's cash position and cash forecasts, make a further payment of R6 million on October 30, 2020. The Company was not able to make this payment and will continue to review its ability to make ad-hoc payments and continue to negotiate amended repayment terms until November 30, 2020. This date was subsequently extended to February 28, 2021.

The Group continues to be in breach of certain covenants and repayment terms with respect to its borrowings from Investec at December 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.

The current portions as at December 31, 2020 and December 31, 2019 were R56.1 million and R64.1 million, respectively.

Following further negotiations during the first quarter of 2021, Investec agreed to instalment payments of R5 million in June 2021, R5 million in September 2021 and R10 million on December 15, 2021 with the remaining balance of R36.1 million to be paid on or before the final maturity date of December 31, 2021 (the "Final Maturity Date"). Pursuant to the terms of this agreement, the Company has undertaken to make payment of as much as is reasonably possible of the outstanding balance to Investec on or before the Final Maturity Date. Prior to December 31, 2021, the Group and Investec shall negotiate in good faith to agree on the restructuring of the outstanding balance as at December 31, 2021. The reserve bank account and cash sweeping mechanism will continue to be in place.

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.

The Company continues to pay interest on the outstanding debt and to engage with Investec to negotiate amended repayment terms. The loan bears interest at prime plus 0.5% payable monthly.

26 INVESTEC BORROWINGS (continued)

The movements in the Investec borrowings are as follows:

	December 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	**5 119 994**	11 470 150
Interest paid	**(5 119 994)**	(12 174 598)
Repayments	**(8 000 000)**	(40 508 327)
Current portion	**56 114 971**	64 114 971

Warrant asset

Included in the Investec borrowings was a warrant asset which was fully accreted to zero on the maturity date of June 30, 2019. 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.

The movement in the warrant liability is as follows:

	December 31, 2020 R	December 31, 2019 R
Opening balance	**-**	7 825
Fair value adjustment	**-**	(8 035)
Effect of foreign currency exchange difference	**-**	210
Closing balance	**-**	-

(Presented in South African Rands)

26 INVESTEC BORROWINGS (continued)

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.

27 FINANCIAL INSTRUMENTS BY CATEGORY

The Group's financial assets and financial liabilities as at December 31, 2020 and December 31, 2019 were as follows:

Financial instruments	Financial assets at amortized cost R	Financial assets at 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, 2020					
Trade and other receivables (excluding non-financial assets)	**8 397 017**	**-**	**-**	**-**	**8 397 017**
Investments in financial assets	**-**	**211 881**	**-**	**-**	**211 881**
Other receivables – restricted	**-**	**58 505 686**	**-**	**-**	**58 505 686**
Other receivables - deposits	**6 615 939**	**-**	**-**	**-**	**6 615 939**
Cash and cash equivalents	**3 998 999**	**-**	**-**	**-**	**3 998 999**
Long-term restricted cash	**3 200 000**	**-**	**-**	**-**	**3 200 000**
Short-term restricted cash	**52 480**	**-**	**-**	**-**	**52 480**
Investec borrowings	**-**	**-**	**-**	**(56 114 971)**	**(56 114 971)**
RCF loan facilities	**-**	**-**	**-**	**(360 923 753)**	**(360 923 753)**
RCF conversion option liability	**-**	**-**	**(14 387 028)**	**-**	**(14 387 028)**
Lease liability	**-**	**-**	**-**	**(422 670)**	**(422 670)**
Trade and other payables (excluding non-financial liabilities)	**-**	**-**	**-**	**(47 230 327)**	**(47 230 327)**

(Presented in South African Rands)

27 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial instruments	Financial assets at amortized cost R	Financial assets at 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, 2019					
Trade and other receivables (excluding non-financial assets)	24 339 539	-	-	-	24 339 539
Investments in financial assets	-	198 744	-	-	198 744
Other receivables – restricted	-	57 150 772	-	-	57 150 772
Other receivables - deposits	6 772 703	-	-	-	6 772 703
Cash and cash equivalents	3 518 388	-	-	-	3 518 388
Long-term restricted cash	3 200 000	-	-	-	3 200 000
Investec borrowings	-	-	-	(64 114 971)	(64 114 971)
RCF loan facilities	-	-	-	(355 904 610)	(355 904 610)
RCF conversion option liability	-	-	(1 487 566)	-	(1 487 566)
Lease liability	-	-	-	(958 221)	(958 221)
Trade and other payables (excluding non-financial liabilities)	-	-	-	(68 676 657)	(68 676 657)

28 CASH GENERATED FROM OPERATIONS

	December 31, 2020 R	December 31, 2019 R
(Loss)/profit before income tax	**(2 016 688)**	36 838 808
Adjusted for:		
Depreciation	**12 984 433**	16 246 250
Impairment loss on property, plant and equipment	**-**	8 042 236
Foreign exchange loss/(gain) – net	**14 960 414**	(8 296 185)
Movement in provision for impairment of receivables	**(641 534)**	4 883 778
Net profit on disposal of property, plant and equipment	**-**	(514 751)
Gain on extension of RCF conversion loan	**1 469 342**	1 471 509
Fair value adjustment on other receivables – restricted	**(2 358 989)**	(3 557 248)
Movement in provisions	**2 871 346**	(2 864 987)
Fair value adjustment on conversion option and warrant liability	**(25 455 376)**	(38 443 645)
Investment in financial assets commission deducted from funds	**1 004 074**	1 308 333
Finance income – cash	**(571 683)**	(1 163 105)
Finance cost – cash	**7 178 062**	8 705 014
Finance cost – non-cash	**29 225 333**	26 704 083
Net changes in working capital	**(14 211 121)**	(5 730 190)
Cash generated from operations	**24 437 613**	43 629 900

(Presented in South African Rands)

29 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, 2020 and December 31, 2019, 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:

Related party payables	December 31, 2020 R	December 31, 2019 R
RCF		
Included in trade payables [1]		
Opening balance	1 738 606	1 781 632
Repayments	(801 850)	-
Effect of foreign currency exchange difference	144 597	(43 026)
Closing balance	**1 081 353**	**1 738 606**
Accrued interest [2]		
Opening balance	3 878 063	3 064 189
Interest accrued for the period	-	748 369
Effect of foreign currency exchange difference	256 345	65 505
Closing balance	**4 134 408**	**3 878 063**
Total closing balance	**5 215 761**	**5 616 669**

RCF is a related party to the Company as a result of owning a controlling interest in the Company.

[1] 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. There were no additional costs invoiced to the Company during the year ended December 31, 2020 or the year ended December 31, 2019. During the year ended December 31, 2020, the Company paid US$50 000 (R801 850) on the outstanding trade payables balance (year ended December 31, 2019: RNil).

[2] Interest which accrued on the RCF Convertible Loan was calculated at a rate of 1.29% since inception and decreased to 0% effective January 1, 2020 as a result of the extension on the loan maturity date to June 30, 2022 (Refer to Note 22 – RCF Loan Facilities).

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

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.

29 RELATED PARTIES (continued)

Compensation of key management personnel (continued)

The remuneration of directors and other members of key management personnel (officers) during the years ended December 31, 2020 and December 31, 2019 was as follows:

	December 31, 2020 R	December 31, 2019 R
Salaries	**7 418 322**	6 192 527
Directors' fees	**3 066 407**	2 721 989
Total	**10 484 729**	**8 914 516**

Directors' fees and a portion of the salaries paid to management are denominated in C$ and translated to ZAR at the average exchange rate over the period for which the services were rendered. Directors' fees in C$ remained unchanged in relation to the comparative periods, the increase in directors' fees over the comparative periods is due to the fluctuation in exchange rates.

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

No share options were granted to employees during the years ended December 31, 2020 and December 31, 2019 (Refer to Note 21).

30 COMMITMENTS AND CONTINGENCIES

Management Agreements – Change in Control Provision

Certain management contracts require that payments of approximately R5.2 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, 2020.

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, 2020 R	December 31, 2019 R
Property, plant and equipment	**2 519 387**	3 778 606

30 COMMITMENTS AND CONTINGENCIES (continued)

Surface access agreements

Aviemore

An agreement between the Group and a neighbouring landowner is comprised of the following:

- R2.50 / tonne servitude payment on Aviemore production, subject to a minimum monthly amount of R25,000 per month and annual CPI adjustments. As at December 31, 2020, following the required CPI adjustments, the royalty amount is R2.95 /tonne (December 31, 2019: R2.86 /tonne), equating to a minimum monthly amount of R29,500 (December 31, 2019: R27,500).
- 17.5k liters of water to be stored to allow the continued use of the borehole on the property.

The Group complies with these terms (Refer to Note 12).

Balgray

A Memorandum of Understanding ("MOU") agreement was signed on November 12, 2020 between the Group and a neighbouring landowner for access to the property upon which the Balgray mine is situated.

The details of the agreement are comprised of the following:

- R3.00 / tonne servitude payment on Balgray run-of-mine production, subject to a minimum monthly amount of R30,000 per month and annual CPI adjustments for up to 9.5 years.

The commencement date of the agreement is the date on which all of the following suspensive conditions have been met:

- Securing finance to commence with the Balgray project;
- Approval of the Balgray project and financing secured by the Company's Board of directors;
- Securing all the required Regulatory Approvals; and
- The owner does not dispose the property before the commencement date.

In the event that the above suspensive conditions are not fulfilled by November 30, 2022, the MOU agreement shall become null and void, unless an extension is agreed to by the parties.

As these conditions have not been met as at the date of these financial statements, no amounts have been accrued in the financial statements.

Land purchase agreement

A conditional land purchase agreement was signed on October 15, 2019 between the Group and a neighbouring landowner to purchase land for a price of R14.9 million (excluding VAT) to secure the Group's access for the development of the North Adit project. An addendum to the agreement was signed on November 16, 2020 which stipulates that the agreement is conditional on the following being achieved on or before September 30, 2021:

30 COMMITMENTS AND CONTINGENCIES (continued)

Land purchase agreement (continued)

- Securing of finance from a recognized financial institution for the implementation of the North Adit project; and
- Approval of the North Adit project and financing secured by the Company's Board of directors.

If the above two conditions are not fulfilled by September 30, 2021, the conditional land purchase agreement shall become null and void, unless an extension is agreed to by the parties.

As these conditions have not been met as at the date of these financial statements, no amounts have been accrued in the financial statements.

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, Financial Provisioning Regulations ("GNR 1147") were promulgated by the Minister of Environmental Affairs for South Africa as a replacement of financial provisioning and rehabilitation legislation contained in the Mineral and Petroleum Resources Development Act, 2002 ("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.

As part of the transitional arrangements mining companies have until June 20, 2021 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 its liabilities compliant with GNR 1147 and additionally, any mining company that undergoes unscheduled closure after November 20, 2017 will have to update its costs in compliance with GNR 1147.

Additionally, new draft regulations (GNR 667) that seek to repeal and replace GNR 1147 were put out for public comment on May 17, 2019.

Although the estimated rehabilitation and closure liability is fully provided for in compliance with GRN 1147, no additional provision has been made in the previous financial statements for the potential liability 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 ground water treatment after mine closure, particularly if the post mining water release quality requirements are legislated to be more onerous than the current situation.

30 COMMITMENTS AND CONTINGENCIES (continued)

Environmental and Regulatory Contingency (continued)

The liability estimation is highly dependent on changes in related environmental legislation, license conditions and new/improved technology. Estimation of the liability can also be influenced by the authority/discretion of the relevant Minister/s with authority over site closure, rehabilitation and remediation. A closure groundwater liability assessment was conducted by external consultants and this assessment confirmed that the Group does not need to provide for any material groundwater liabilities.

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 October 4, 2019, the Group paid a fine of R925,000 for non-compliance. The EA has since been issued and the Group is in the process of submitting 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.

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

Social and Labour plan

As part of BC Corp's approved Social and Labour plan, the Company has committed to finance certain agreed to Local Enterprise Development Projects ("LED Projects"). The Company has deferred some of the planned expenditure for the 2020 financial year in response to the impact that COVID-19 has had on the Company's operations. The outstanding value of these commitments was R12.8 million as at December 31, 2020.

31 SUBSEQUENT EVENTS

BEE restructuring

The Group is in the process of restructuring its BEE framework. The restructuring is aimed at expanding the structure to comply with Broad Based Black Economic Empowerment ("BBBEE") objectives and to ensure full economic participation of all BBBEE shareholders. Although it is not the Company's objective at this time to achieve compliance to the proposed Mining Charter 3 ("Mining Charter"), the Group would partially comply with the Mining Charter, as the Group would have BBBEE partners holding 30% of BCD's shares.

DMRE administrative fine reduction

On March 24, 2021, the Group received notice that the DMRE had reduced – on appeal – the previously imposed administrative fine from R1,550,000 to R100,000. The R100,000 will be repaid in two equal instalments of R50,000 each on or before June 30, 2021 and on or before September 30, 2021, respectively.

31 SUBSEQUENT EVENTS (continued)

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.

26 March 2021

Designated Advisor: Questco Corporate Advisory Proprietary Limited