BUFFALO COAL CORP.

Incorporated in Canada and the Republic of South Africa
(Registration number: 2011/011661/10)
Share code TSX Venture Exchange: BUF
Share code JSE Limited: BUC
ISIN: CA1194421014

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2021 and 2020

(Presented in South African Rands)

McGovern Hurley

Audit. Tax. Advisory.

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, 2021 and 2020, and the consolidated statements of loss and other comprehensive loss, consolidated statements of changes in 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, 2021 and 2020 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 the Company incurred a net loss during the year ended December 31, 2021, and as of that date, the Company had a shareholders' deficiency and a working capital deficiency. 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.

251 Consumers Road, Suite 800
Toronto, Ontario
M2J 4R3
mcgovernhurley.com
t. 416-496-1234

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

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

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

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

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

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

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

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

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

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

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- 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
April 7, 2022

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

	Notes	December 31, 2021 R	December 31, 2020 R	December 31, 2021 (Note 2) C$
Assets				
Non-current assets				
Property, plant and equipment	10	**39 484 920**	38 582 602	3 147 464
Right of use assets	11	**653 360**	823 587	52 081
Investment in financial assets	12	**231 018**	211 881	18 415
Other receivables – restricted	14	**60 344 698**	58 505 686	4 810 261
Other receivables – deposits	15	**10 306 756**	6 615 939	821 583
Long-term restricted cash	16	**3 200 000**	3 200 000	255 082
Total non-current assets		**114 220 752**	107 939 695	9 104 886
Current assets				
Trade and other receivables	15	**28 206 062**	12 558 847	2 248 392
Inventories	17	**24 198 983**	63 295 636	1 928 975
Short-term restricted cash	16	**453 755**	52 480	36 170
Cash and cash equivalents	18	**7 295 996**	3 998 999	581 585
Total current assets		**60 154 796**	79 905 962	4 795 122
Total assets		**174 375 548**	187 845 657	13 900 008
Deficiency and liabilities				
Capital and reserves				
Share capital	19	**1 089 305 350**	1 089 305 350	86 831 875
Currency translation reserve		**(219 945 085)**	(219 945 085)	(17 532 498)
Reserves	20	**6 593 209**	9 098 987	525 565
Accumulated loss		**(1 281 268 261)**	(1 250 451 193)	(102 133 828)
Deficiency attributable to owners of the Company		**(405 314 787)**	(371 991 941)	(32 308 886)
Non-controlling interest		**(7 690 177)**	4 339 142	(613 008)
Total deficiency		**(413 004 964)**	(367 652 799)	(32 921 894)
Non-current liabilities				
RCF convertible loan facility	21	**-**	360 923 753	-
Asset retirement obligation	22	**50 362 312**	50 231 285	4 014 535
Lease liabilities	11	**183 909**	156 466	14 660
Total non-current liabilities		**50 546 221**	411 311 504	4 029 195
Current liabilities				
Trade and other payables	8,23,	**60 302 878**	67 680 295	4 806 924
Current portion of lease liabilities	11	**361 619**	266 204	28 826
Current tax liabilities	24	**296 312**	271 765	23 620
Borrowings	25	**46 114 971**	56 114 971	3 675 966
RCF convertible loan facility	21	**417 159 075**	-	33 253 031
RCF conversion option liability	21	**4 870 966**	14 387 028	388 280
Current portion of asset retirement obligation	22	**7 728 470**	5 466 689	616 060
Total current liabilities		**536 834 291**	144 186 952	42 792 707
Total liabilities		**587 380 512**	555 498 456	46 821 902
Total deficiency and liabilities		**174 375 548**	187 845 657	13 900 008

Basis of preparation and going concern 2.1
Commitments and contingencies 1, 2.1, 25, 29
Subsequent events 30

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 Statement of Loss and Other Comprehensive Loss

(Presented in South African Rands)

	Notes	Year ended December 31, 2021 R	Year ended December 31, 2020 R	Year ended December 31, 2021 (Note 2) C$
Revenue from contracts with customers	5	**373 959 970**	321 319 560	29 809 498
Cost of sale of goods	6	**(315 688 352)**	(244 258 555)	(25 164 488)
Gross profit		**58 271 618**	77 061 005	4 645 010
Other (expenses)/income - net	7	**(20 967 833)**	14 936 137	(1 671 410)
General and administration expenses	6	**(53 259 046)**	(58 129 638)	(4 245 442)
(Loss)/profit before the undernoted		**(15 955 261)**	33 867 504	(1 271 842)
Finance income	8	**295 670**	519 203	23 569
Finance expenses	8	**(30 991 011)**	(36 403 395)	(2 470 389)
Loss and total comprehensive loss for the year		**(46 650 602)**	(2 016 688)	(3 718 662)
Loss and total comprehensive loss attributable to:				
- Owners of the parent		**(45 685 968)**	(2 016 688)	(3 641 769)
- Non-controlling interest		**(964 634)**	-	(76 894)
		(46 650 602)	(2 016 688)	(3 718 663)
Loss per share – basic and diluted	2.21	**(0.11)**	(0.00)	(0.01)
Headline loss per share – basic and diluted	2.22	**(0.11)**	(0.00)	(0.01)
Normalized headline loss per share – basic and diluted	2.22	**(0.11)**	(0.00)	(0.01)
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 Statement 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, 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	20	-	-	(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)
Stock options expired	20	-	-	(25 276)	-	25 276	-	-	-	-
Stock options forfeited/cancelled	20	-	-	(1 012 768)	-	1 012 768	-	-	-	-
Stock-based compensation	6, 20	-	-	1 298 437	-	-	-	1 298 437	-	1 298 437
Waiver of BEE share purchase price	28, 20	-	-	-	(2 766 171)	13 830 856	-	11 064 685	(11 064 685)	-
Net loss for the year		-	-	-	-	(45 685 968)	-	(45 685 968)	(964 634)	(46 650 602)
Balance at December 31, 2021		**421 352 596**	**1 089 305 350**	**285 669**	**6 307 540**	**(1 281 268 261)**	**(219 945 085)**	**(405 314 787)**	**(7 690 177)**	**(413 004 964)**

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

BUFFALO COAL CORP.

Consolidated Statement of Cash Flows

(Presented in South African Rands)

	Notes	Year ended December 31, 2021 R	Year ended December 31, 2020 R	Year ended December 31, 2021 (Note 2) C$
Cash flows from operating activities				
Cash generated from operations	27	**33 297 125**	24 437 613	2 654 218
Interest received		**295 670**	519 203	23 569
Interest paid		**(6 493 434)**	(7 178 061)	(517 612)
Net cash generated from operating activities		**27 099 361**	17 778 755	2 160 175
Cash flows from investing activities				
Purchase of property, plant and equipment	10	**(13 802 364)**	(9 298 144)	(1 100 229)
Net cash utilized in investing activities		**(13 802 364)**	(9 298 144)	(1 100 229)
Cash flows from financing activities				
Repayment of borrowings	25	**(10 000 000)**	(8 000 000)	(797 131)
Net cash utilized in financing activities		**(10 000 000)**	(8 000 000)	(797 131)
Net increase in cash and cash equivalents		**3 296 997**	480 611	262 815
Cash and cash equivalents at the beginning of the year		**3 998 999**	3 518 388	318 770
Cash and cash equivalents at the end of the year	18	**7 295 996**	3 998 999	581 585

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, 2021, 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 April 7, 2022.

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 and two coal mining projects in South Africa. The two coal mines are 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 small-scale mining. The Company has two coal mining projects, the Balgray anthracite project ("Balgray") which is an extension of the Aviemore reserve and the Aviemore North Adit anthracite project ("North Adit"). 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.

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

Impact 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 National 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 immuno-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)

Impact 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 State of Disaster has been lifted as from April 5, 2022 with transitional measures that will remain in place.

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

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 during the year ended 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 the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and have been prepared in accordance with accounting policies based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. 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 on an accrual basis, except for cash flow information.

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

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

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 securing the funding required (internally or externally) for its medium to longer term projects.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation and going concern (continued)

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 various waves of COVID-19 infections, uncertainties relating to the geographical 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 those 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, a general reluctance of individuals to be vaccinated and mutations of the COVID-19 virus adds to this uncertainty.

Decreased global economic activity, mainly as a result of international government interventions to mitigate the impact of COVID-19, had a negative impact on the demand for coal and coal prices during 2020 and 2021 and continued market uncertainty may have an 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 outcome thereof on the Company's operations and cash flows, the Company approached both Investec and STA, requesting postponement of further loan payments until more clarity on the impact of COVID-19 on the Group's operations could be gained.

Following negotiations during the first quarter of 2021, the Group agreed to make instalment payments to Investec 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 Group made the June 2021 and September 2021 payments totalling R10 million. As at December 31, 2021, the Investec loan balance amounted to R46.1 million (December 31, 2020: R56.1 million).

In December 2021, Investec agreed to extend the final maturity date and date by when the restructuring of the outstanding balance of R46,114,971 should be renegotiated to January 31, 2022. On January 18, 2022 Investec agreed to defer that date to February 28, 2022. Investec and the Group further provided undertakings that they would negotiate, in good faith, on the restructuring of the outstanding capital amount on or before February 28, 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation and going concern (continued)

Negotiations regarding the restructuring of the Investec borrowings were concluded on March 30, 2022, and the following salient terms were agreed to:

- Monthly capital repayments of R250,000 for March 2022 to June 2022;
- Subject to the Group having secured R120 million in funding for the development of the Balgray project, an amount of R6.5 million to be repaid at the earliest of 30 June 2022 or the date on which the funding has been secured;
- Monthly capital repayments of R1,250,000 for July 2022 to August 2022;
- Monthly capital repayments of R2,500,000 for September 2022 to December 2022;
- The final maturity date and date by when the restructuring of the remaining capital balance owing should be agreed to be extended to December 31, 2022;
- The Group would be allowed to spend R6.5 million on the development of the Balgray project in the absence of any third-party funding until June 30, 2022; and
- The reserve bank account and cash sweeping mechanism will continue (Refer to Note 25, Borrowings).

The Group did not commit to any formal repayment terms with STA, a long outstanding creditor, and STA was advised that further capital repayments would only be made if the ratio of debt owing to Investec and STA was 80:20. During the year ended December 31, 2021, the Group made loan capital payments of R1.25 million (December 31, 2020: R5.0 million) to STA.

The amount payable to STA was R11.4 million on December 31, 2021 (December 31, 2020: R12.6 million). The Group has continued to make monthly interest payments in months where it was not able to make capital payments.

The Resource Capital Fund Convertible Loan ("RCF convertible loan facility") of US$27 million (approximately R430.1 million) was to become due and payable on December 31, 2020. (Refer to Note 21, RCF convertible loan facility). On November 24, 2020, BC Corp and Resource Capital Funds ("RCF") agreed to extend the final maturity date of the RCF convertible loan facility to June 30, 2022 to allow the Company the opportunity to obtain financing in order to obtain the means to repay this amount in full. On February 18, 2022, BC Corp and RCF agreed to further extend the final maturity date of the RCF Convertible Loan to June 30, 2023 (Refer to Note 30 – Subsequent events).

As at December 31, 2021, the Group had a shareholders' deficiency of R413.0 million (December 31, 2020: R367.7 million), and a working capital deficiency of R476.7 million (December 31, 2020: R64.3 million). The Group recorded a net loss of R46.7 million for the year ended December 31, 2021 (December 31, 2020: Net loss of R2.0 million).

The Group remains dependent upon the continued financial support of Investec, RCF, STA and other stakeholders, and achieving and sustaining profitable levels of operation. Subject to its ability to meet current production and sales forecasts, the Group should be able to generate positive operational cash flows in the foreseeable future. The Group's ability to ultimately continue operations over the medium to longer term is also dependent on obtaining the requisite funding (internally or externally) for its Balgray project.

Following increases in bituminous coal prices and a renewed interest in the Group's bituminous coal products, the Group is pursuing initiatives to gradually increase production at Magdalena between Q2 2022 and Q1 2023 to mitigate against the risks related to the Group's current reliance on revenue from its anthracite products.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation and going concern (continued)

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.

Should the going concern assumption not be appropriate for the preparation of 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 consolidated statement of financial position classifications. Such adjustments could be material.

Convenience rate translation

The Group's functional and presentation currency is Rands. The C$ amounts shown in the consolidated financial statements represent supplementary information provided solely for the convenience of the reader. The consolidated statement of financial position as of December 31, 2021 and the consolidated statement of loss and other comprehensive loss for the year ended December 31, 2021 were translated into C$ using a convenience translation at the rate of C$1: R12.54499, which is the exchange rate published on Oanda.com as of December 31, 2021. Such presentation is not in accordance with IFRS and should not be construed as a representation that the Rand amounts shown could be readily converted, realized or settled in C$ 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, 2021 financial year-end:

The Group has adopted the following standards, amendments and interpretations effective for reporting periods beginning on or after January 1, 2021. The adoption of these standards did not have a material impact on the Group's financial statements.

IFRS 9 Amendments – The IASB completed the phase 2 amendments that arose from the implementation of IBOR reforms. The amendments provide a practical expedient for modification of a financial contract as well as a series of exemptions from regular, strict rules around hedge accounting.

IFRS 16 Amendments – As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. The IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such changes in lease payments in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period in which the event or condition that triggers the reduced payment occurs.

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, 2021 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, 2022. 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 – 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 – 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 – 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 fulfil 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 – 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 – 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

IAS 8 – In February 2021, the IASB issued 'Definition of Accounting Estimates' to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for year ends beginning on or after January 1, 2023.

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, 2021 financial year-end: (continued)

IAS 12 – In May 2021, the IASB issued 'Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction' that clarifies how entities account for deferred tax on transactions such as leases and decommissioning obligations. The amendments are effective for year ends beginning on or after January 1, 2023.

IFRS 16 – The IASB has extended the rent concessions amendment issued May 2020 by one year. This amendment provides lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification. The practical expedient was originally available only for payments due on or before June 30, 2021, however, since the effects of COVID-19 are ongoing and significant, the IASB decided to extend the time period over which the practical expedient is available for use. The amendment is effective for year ends beginning on or after April 1, 2022.

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

2.3 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Consolidation (continued)

(a) Subsidiaries (continued)

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.

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 (expenses)/income – net".

2.6 Property, plant and equipment

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Property, plant and equipment (continued)

Mineral rights

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

Development costs

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

2.7 Leased assets

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

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

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

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Leased assets (continued)

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

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

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

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

Short-term leases and leases of low-value assets

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

2.8 Impairment of non-financial assets

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

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Impairment of non-financial assets (continued)

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

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

2.9 Non-current assets held for sale

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

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

2.10 Financial instruments

2.10.1 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit and loss (“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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

2.10.1 Financial assets (continued)

(b) Financial assets at amortized cost (continued)

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 (expenses)/income – net".

(d) Impairment

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

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

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

(e) Derecognition

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

2.10.2 Financial liabilities

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

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

2.10.3 Compound financial instruments

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

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 (expenses)/income – 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Current and deferred income tax (continued)

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.

2.13 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.16 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Provisions (continued)

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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Revenue recognition (continued)

(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.

(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.

(Presented in South African Rands)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2021 and December 31, 2020, outstanding options and warrants, as well as the potential shares issuable with regards to the RCF Convertible Loan (Refer to Note 21) were excluded from the diluted profit/(loss) per share calculation as they were anti-dilutive.

2.22 Headline loss per share and normalized headline loss per share

	Notes	Year ended December 31, 2021	Year ended December 31, 2020	Year ended December 31, 2021 (Note 2)
		R	R	C$
Loss and total comprehensive loss for the year		**(46 650 602)**	(2 016 688)	(3 718 663)
Headline loss for the year		**(46 650 602)**	(2 016 688)	(3 718 663)
Headline loss per share – basic and diluted		**(0.11)**	(0.00)	(0.01)
Adjustments:				
Voluntary severance packages (“VSPs”)		**372 604**	-	29 701
Forced early retirement packages (“FERPs”)		**945 426**	-	75 363
Taxation thereon		**(369 048)**	-	(29 418)
Normalized headline loss for the year		**(45 701 621)**	(2 016 688)	(3 643 017)
Normalized headline loss per share – basic and diluted		**(0.11)**	(0.00)	(0.01)
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 loss per share is a basis for measuring loss per share which accounts for the profits and losses from operational, trading, and interest activities that have been continued 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 loss per share is calculated using the weighted average number of ordinary shares in issue during the period and is based on losses 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”).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Headline loss per share and normalized headline loss per share (continued)

For the year ended December 31, 2021, the Company calculated a normalized headline loss per share by adjusting its headline loss per share further for both VSP and FERP payments due to the irregular occurrence of these payments in order to better present loss attributable to the ongoing activities of the Company. There were no adjustments for irregular payments to the Company's headline loss per share for the year ended December 31, 2020.

The denominators used in the calculations of weighted average number of common shares outstanding are the same for both basic and diluted headline loss per share. Although 9 250 000 stock options were granted to directors, officers, and key employees/consultants of the Company on May 25, 2021 (Refer to Note 20) representing contingently issuable shares that could potentially dilute any basic headline profit per share in the future, these stock options have been excluded from the calculation of diluted headline loss per share because they are anti-dilutive for the year ended December 31, 2021.

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$ and C$.

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

At December 31, 2021, 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 loss by approximately R1.1 million (year ended December 31, 2020: R0.9 million).

At December 31, 2021, 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 loss by approximately R43.0 million (year ended December 31, 2020: R39.6 million).

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Market risk (continued)

(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 loss of a 1% increase/decrease of interest rates on borrowings would be an increase/decrease in loss of R0.4 million (year ended December 31, 2020: R0.5 million).

3.3 Credit risk

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

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions (Refer to Notes 14, 15, 16 and 29, respectively). The Group has banking relationships, and places deposits, only with high quality financial institutions.

Risk control assesses the credit quality of customers, taking into account their financial position, past experience and other factors. The utilization of credit limits is regularly monitored. 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 16).

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.

(Presented in South African Rands)

3 FINANCIAL RISK MANAGEMENT (continued)

3.4 Liquidity risk (continued)

	Not later than 1 year R	Between 1 & 5 years R	Greater than 5 years R
At December 31, 2021			
Borrowings	**46 114 971**	**-**	**-**
RCF convertible loan facility ^	**430 124 958**	**-**	**-**
Lease liabilities #	**378 864**	**190 720**	**-**
Trade and other payables *	**45 755 963**	**-**	**-**
At December 31, 2020			
Borrowings	56 114 971	-	-
RCF convertible loan facility ^	-	395 836 686	-
Lease liabilities #	300 000	150 000	-
Trade and other payables *	47 230 327	-	-

^ RCF convertible loan facility included in the table above represents the undiscounted outstanding loan of US$27 million translated to Rands using the spot US$/R exchange rate as at December 31, 2021 (US$1: R15.930554) and December 31, 2020 (US$1:R14.660618).

Lease liabilities represents the undiscounted balance of the repayments remaining.

* Trade and other payables represent the undiscounted balance and excludes non-financial liabilities which the Company monitors as part of its management of liquidity risks, provision for leave pay, bonus accruals, deferred revenue and Value Added Tax is excluded from the trade and other payables balance.

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 represents the "total deficiency" as shown in the consolidated statement of financial position plus net debt.

(Presented in South African Rands)

3 FINANCIAL RISK MANAGEMENT (continued)

3.5 Capital risk management (continued)

The gearing ratios at December 31, 2021 and December 31, 2020 were as follows:

	December 31, 2021 R	December 31, 2020 R
Total borrowings and RCF liabilities	**468 145 012**	431 425 752
Less: Cash and cash equivalents	**(7 295 996)**	(3 998 999)
Net debt	**460 849 016**	427 426 753
Total deficiency	**(413 004 964)**	(367 652 799)
Total capital	**47 844 052**	59 773 954
Gearing ratio (net debt/total capital)	**963%**	715%

The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2021 except for the Investec loan (Refer to Note 25) and the RCF convertible loan facility (Refer to Notes 21 and 30). As detailed in Note 3.2 Market risk, the RCF loan facilities are sensitive to significant movements in the US$ and Rand and these movements 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 21 and 25, 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, 2021) 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, 2021, the Company may not be compliant with the policies of the TSXV. The impact of any violation is not known and is ultimately dependent on the discretion of the TSXV.

3.6 Fair value estimation

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

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

(Presented in South African Rands)

3 FINANCIAL RISK MANAGEMENT (continued)

3.6 Fair value estimation (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2021 and December 31, 2020:

	Level 1 R	Level 2 R	Level 3 R
December 31, 2021			
Investment in financial assets	**231 018**	**-**	**-**
Other receivables - restricted	**-**	**60 344 698**	**-**
RCF conversion option liability	**-**	**(4 870 966)**	**-**
December 31, 2020			
Investment in financial assets	211 881	-	-
Other receivables - restricted	-	58 505 686	-
RCF conversion option liability	-	(14 387 028)	-

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

4.1 Provisions

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

4.2 Property, plant and equipment, mineral rights and other intangible assets (continued)

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.

4.5 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) is 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 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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 29**.**

(Presented in South African Rands)

5 REVENUE FROM CONTRACTS WITH CUSTOMERS

	December 31, 2021 R	December 31, 2020 R
Coal sales - local	**195 714 549**	141 801 856
Coal sales - export	**178 026 491**	172 868 326
Toll washing arrangements	**218 930**	6 649 378
Revenue from contracts with customers	**373 959 970**	321 319 560

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

6 NATURE OF EXPENSES

	December 31, 2021 R	December 31, 2020 R
Cost of sale of goods:		
Employee costs	**123 887 584**	105 448 268
Mining and related costs	**95 837 961**	53 785 422
Repairs and maintenance	**35 433 652**	30 139 908
Transport and shipping	**12 125 820**	21 257 133
Raw materials	**22 611 961**	16 153 137
Depreciation	**13 399 516**	12 331 684
Social and Labour plan expense	**9 569 705**	7 841 324
Training	**425 854**	166 519
Carbon tax expense/(recovery)	**371 570**	(61 808)
DMRE mining royalty expense/(recovery)	**2 024 729**	(2 803 032)
Total cost of sale of goods	**315 688 352**	244 258 555
General and administration expenses:		
Audit and tax related fees	**2 869 839**	2 812 664
Bad debts provision/(reversal)	**346 976**	(641 534)
Consulting fees	**7 559 451**	7 039 410
Directors' fees	**2 975 126**	3 098 707
Project development	**-**	79 993
Fund commissions (Note 14)	**1 036 265**	1 004 074
Insurance	**6 039 981**	7 579 693
Legal fees	**1 429 492**	1 718 101
DMRE penalty reversed (Note 23)	**(1 458 175)**	-
Rehabilitation adjustment expense (Note 22)	**1 139 466**	3 289 121
Salaries and wages	**25 096 815**	26 407 348
Stock-based compensation expense (Note 20)	**1 298 437**	-
Shareholder communication and listing fees	**583 578**	603 438
Travel and accommodation	**41 948**	308 683
Telephone, internet and computer expenses	**1 632 645**	1 643 407
Other	**2 667 202**	3 186 533
Total general and administration expenses	**53 259 046**	58 129 638

6 NATURE OF EXPENSES (continued)

Cost of sales of goods:

The DMRE mining royalty expense for the year ended December 31, 2021 is R2.0 million. Included in the mining royalty recovery amount for the year ended 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 Company's subsidiaries. The Group reversed this 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.

General and administration expenses:

General and administrative 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.

During the year ended December 31, 2021, bad debts of R0.3 million were raised and during the year ended December 31, 2020, bad debts of R0.6 million were reversed.

Included in consulting fees for the year ended December 31, 2021, is an amount of R0.8 million relating to the group restructuring (December 31, 2020: RNil) (Refer to Note 29).

Lower insurance premiums were paid during the financial year ended December 31, 2021 and 2020 due to a lower level of insurance coverages being obtained for the Group's assets and directors and officer's liability. 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.

The previously operational adit at Magdalena does not have an amended Environmental Management Program ("EMP") or an amended Integrated Water Use License Application. As a result, the Company applied for a Section 24G retrospective Environmental Impact Analysis ("EIA"). During the financial year ended December 31, 2019, an assessment of penalties payable amounting to R1,550,000 in connection with the Water Use License was issued. On March 24, 2021, the Group received notice that the DMRE had reduced, on appeal, the previously imposed assessment from R1,550,000 to R100,000. The fine was settled in June 2021. The fine reduction amount of R1,450,000 is wholly suspended for a period of 5 years from March 24, 2021, on condition that the Group does not commit further transgressions and/or fails to comply with any specific Environmental Management Act during the period of suspension.

(Presented in South African Rands)

7 OTHER (EXPENSES)/INCOME – NET

	December 31, 2021 R	December 31, 2020 R
Unrealized foreign exchange loss - net	**(37 014 150)**	(14 974 493)
Realized foreign exchange (loss)/gain - net	**(577)**	14 079
Scrap sales proceeds	**229 760**	307 066
Dividends received	**434 115**	1 398 827
Fair value adjustment on other receivables – restricted (Note 14)	**1 975 277**	2 358 988
Fair value adjustment on conversion option (Note 21)	**12 851 012**	25 455 376
Gain on extension of RCF Convertible loan – maturity date	**-**	36 601 171
Loss on extension of RCF Convertible loan – conversion option	**-**	(38 070 513)
Other income	**556 730**	1 845 636
Total	**(20 967 833)**	14 936 137

8 FINANCE INCOME AND EXPENSES

	December 31, 2021 R	December 31, 2020 R
Finance income		
Interest on cash and restricted cash	**295 670**	519 203
Total	**295 670**	519 203
Finance expenses		
Interest on borrowings	**(5 473 066)**	(5 673 796)
Interest on STA accounts payable	**(863 548)**	(1 166 068)
Unwinding discount on asset retirement obligation (Note 22)	**(1 253 342)**	(1 794 440)
RCF convertible loan facility accretion expense (Note 21)	**(23 185 096)**	(27 551 351)
Finance charges on lease liabilities (Note 11)	**(73 230)**	(69 591)
Other	**(142 729)**	(148 149)
Total	**(30 991 011)**	(36 403 395)

Interest on borrowings includes royalties payable to Investec of R1.6 million for the year ended December 31, 2021 (December 31, 2020: R0.5 million) under which a Life of Mine Royalty ("LOMR") is payable to Investec on all bituminous coal sales with effect from July 1, 2017 and interest accrued and paid on the Investec borrowings of R3.9 million (December 31, 2020: R5.1 million) (Refer to Note 25).

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, 2021, R8.0 million in royalties payable to Investec is included in Trade and other payables (December 31, 2020: R6.4 million) (Refer to Note 23).

(Presented in South African Rands)

9 INCOME TAX

There was no income tax expense during the years ended December 31, 2021 and December 31, 2020.

The items causing the Company's income tax expense to differ from the South African statutory rate of 28% (year ended December 31, 2020: 28%) (Refer to Note 30 – Subsequent Events) are as follows:

	December 31, 2021 R	December 31, 2020 R
Loss before income taxes	**(46 650 602)**	(2 016 688)
Expected tax benefit at statutory tax rates	**13 062 169**	564 673
Adjustments resulting from:		
Benefits of tax losses not recognized	**(401 816 052)**	(2 296 624)
Permanent differences	**19 084 815**	2 220 250
Foreign tax rate differential	**372 783 783**	63 332
Other temporary differences	**(3 114 715)**	(551 631)
Income tax expense	**-**	-

(Presented in South African Rands)

10 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings R	Mining assets R	Office equipment, fixtures and fittings R	Development costs capitalized R	Mineral rights R	Total R
Year ended December 31, 2021						
Opening net book value	**997 418**	**33 814 701**	**463 816**	**3 306 667**	**-**	**38 582 602**
Additions	**-**	**11 185 968**	**621 368**	**1 995 028**	**-**	**13 802 364**
Depreciation	**(259 999)**	**(11 080 090)**	**(259 240)**	**(1 300 717)**	**-**	**(12 900 046)**
Net book value at end of year	**737 419**	**33 920 579**	**825 944**	**4 000 978**	**-**	**39 484 920**
Year ended December 31, 2021						
Cost	**7 757 895**	**411 547 574**	**8 903 320**	**39 623 025**	**14 009 756**	**481 841 570**
Accumulated depreciation and impairment	**(7 020 476)**	**(377 626 995)**	**(8 077 376)**	**(35 622 047)**	**(14 009 756)**	**(442 356 650)**
Net book value at end of year	**737 419**	**33 920 579**	**825 944**	**4 000 978**	**-**	**39 484 920**

	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 the end of the 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 the end of the year	997 418	33 814 701	463 816	3 306 667	-	38 582 602

All property, plant and equipment are located in South Africa. Depreciation expense of R12.7 million for the year ended December 31, 2021 (year ended December 31, 2020: R11.8 million) was recognized in “Cost of Sale of Goods” and depreciation expense of R1.3 million for the year ended December 31, 2021 (December 31, 2020: R4.5 million) has been capitalized to inventory.

(Presented in South African Rands)

11 RIGHT OF USE ASSETS AND LEASE LIABILITIES

Right of use assets

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

	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	Land R	Land R	Buildings & Equipment R	Buildings & Equipment R	Total R	Total R
Opening balance	**823 587**	1 372 645	**-**	297 310	**823 587**	1 669 955
Right of use assets recognized	**-**	-	**578 492**	-	**578 492**	-
Depreciation	**(549 057)**	(549 058)	**(199 662)**	(299 994)	**(748 719)**	(849 052)
Reassessment of lease liability	**-**	-	**-**	2 684	**-**	2 684
Closing balance	**274 530**	823 587	**378 830**	-	**653 360**	823 587

Lease liabilities

The Company recognizes liabilities in relation to leases which has met the definition of contracts that contained a lease. 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% and 8.0% as at January 1, 2021.

	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	Land R	Land R	Buildings & Equipment R	Buildings & Equipment R	Total R	Total R
Opening balance	**422 670**	660 910	**-**	297 311	**422 670**	958 221
Lease liabilities recognized	**-**	-	**578 492**	-	**578 492**	-
Reassessment of lease liability	**-**	-	**-**	2 684	**-**	2 684
Finance charges	**33 796**	61 760	**39 434**	7 831	**73 230**	69 591
Payments made	**(300 000)**	(300 000)	**(228 864)**	(307 826)	**(528 864)**	(607 826)
Closing balance	**156 466**	422 670	**389 062**	-	**545 528**	422 670
Current lease liabilities	**156 466**	266 204	**205 153**	-	**361 619**	266 204
Non-current lease liabilities	**-**	156 466	**183 909**	-	**183 909**	156 466

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 required a minimum monthly payment of R25 000 at inception which has since increased to R31 000 per month as it is subject to annual South African Consumers Price Index ("CPI") adjustments. The expiry date is the date on which operations cease.

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)

11 RIGHT OF USE ASSETS AND LEASE LIABILITIES (continued)

Lease liabilities (continued)

Included in the lease of equipment is a 36-month hire to purchase agreement recognized on January 1, 2021 between BC Dundee and a third party for gas detection safety equipment at a total monthly cost of R32 872, expiring in November 2023.

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.

12 INVESTMENT IN FINANCIAL ASSETS

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

	December 31, 2021 R	December 31, 2020 R
Opening balance	**211 881**	198 744
Effect of foreign currency exchange difference	**19 137**	13 137
Closing balance	**231 018**	211 881

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 (expenses)/income - net" within profit or loss.

13 DEFERRED TAX

There were no deferred taxes as at December 31, 2021 and December 31, 2020.

South-Africa	December 31, 2021 R	December 31, 2020 R
Provisions	**(7 478 853)**	(6 197 977)
Tax losses	**(183 466 569)**	(169 307 440)
Property, plant and other long-term assets	**4 787 673**	(1 005 992)
Other	**186 157 749**	176 511 409
At end of year	**-**	-

(Presented in South African Rands)

13 DEFERRED TAX (continued)

Canada	December 31, 2020 R	December 31, 2019 R
Deferred income tax liabilities:		
At beginning of year	**(2 719 658)**	(2 903 390)
Current year timing differences	**1 647 233**	183 732
At end of year	**(1 072 425)**	(2 719 658)
Deferred tax assets:		
At beginning of year	**2 719 658**	2 903 390
Current year timing differences	**(1 647 233)**	(183 732)
At end of year	**1 072 425**	2 719 658
Deferred tax assets/(liabilities) - net	**-**	-

The balance is comprised of the following:

Canada	December 31, 2021 R	December 31, 2020 R
Tax losses	**1 072 425**	2 719 658
Other	**(1 072 425)**	(2 719 658)
At end of year	**-**	-

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

Canada	December 31, 2021 R	December 31, 2020 R
Tax losses (expiring between 2027 and 2039)	**345 081 923**	305 787 833
Other	**45 255 320**	41 475 865
Total	**390 337 243**	347 263 698
Total C$	**31 114 953**	30 181 689

As at December 31, 2021, the Company had an unrecognized deferred tax asset of approximately R675.2 million (year ended December 31, 2020: R649.2 million) relating to investments in subsidiaries. The asset has not been recognized because the Company controls the timing of the reversal of the temporary differences, and it is probable that these differences will not reverse in the foreseeable future.

14 OTHER RECEIVABLES - RESTRICTED

Funded guarantees provided to the Department of Mineral Resources and Energy ("DMRE") relating to the asset retirement obligations (Note 22) as per the regulations of 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 R70.6 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. Changes in the fair value of the other receivable - restricted are recorded in "other (expenses)/income – net" within profit or loss (Note 7).

(Presented in South African Rands)

14 OTHER RECEIVABLES – RESTRICTED (continued)

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. On this basis, the receivable from Centriq is disclosed as a restricted asset.

The movement in the restricted asset is as follows:

	December 31, 2021 R	December 31, 2020 R
Opening balance	**58 505 686**	57 150 772
Premiums invested	**900 000**	-
Commission paid	**(1 036 265)**	(1 004 074)
Fair value adjustment	**1 975 277**	2 358 988
Closing balance	**60 344 698**	58 505 686

In terms of South African legislation, applicants for mining rights need to provide the DMRE with financial guarantees prior to the granting of environmental authorisations. During May 2021 the Company received formal notification from the DMRE requesting the Company to provide a financial guarantee of R3 211 439 for the Balgray project. The Company entered into an arrangement whereby Centriq provided the DMRE with the required financial guarantee. The Company will make 18 monthly payments of R150 000 to Centriq, from July 1, 2021 until such time that the initial outstanding required guarantee of R2.7 million is settled.

The monthly premiums are included in the insurance investment fund held with Centriq as per the table above (premiums invested for the year ended December 31, 2021: R900 000). The outstanding guarantee amount as at December 31, 2021 is R1.8 million.

It is contemplated that any shortfalls between the DMRE required guarantee amount of R3.2 million and the R2.7 million value which will be included in the investment, would be funded over the Life of Mine through the growth in the investment.

(Presented in South African Rands)

15 TRADE AND OTHER RECEIVABLES

	December 31, 2021 R	December 31, 2020 R
Non-current other receivables:		
- Deposits	**10 306 756**	6 615 939
Total non-current other receivables	**10 306 756**	6 615 939
Current trade and other receivables:		
- Trade receivables	**24 678 128**	8 648 939
Less: Provision for impairment of receivables	**(598 899)**	(251 922)
- Trade receivables – net	**24 079 229**	8 397 017
- VAT	**(120 995)**	43 471
- Prepayments	**3 404 055**	2 897 607
- Harmonized Sales Tax (Canada)	**122 072**	84 537
- Other receivables	**721 701**	1 136 215
Total current trade and other receivables	**28 206 062**	12 558 847

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, 2021, one customer represents 48% of trade receivables (December 31, 2020: 70%).

During the financial year ended December 31, 2021, the total increase in deposits was R3.7 million. Deposits for Eskom, South Africa's public electricity supplier ("Eskom") relating to Magdalena, Aviemore and Coalfields decreased by R0.3 million and Eskom deposits relating to Balgray of R4.0 million were paid.

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

	December 31, 2021 R	December 31, 2020 R
Canadian Dollars	**122 072**	84 537
Rands	**28 083 990**	12 474 310
Total	**28 206 062**	12 558 847

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

	December 31, 2021 R	December 31, 2020 R
Opening balance	**251 922**	308 341
Provision raised/(released) – net	**346 977**	(56 419)
Closing balance	**598 899**	251 922

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.

(Presented in South African Rands)

15 TRADE AND OTHER RECEIVABLES (continued)

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

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

2021	**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)	0.76%	164 550
	30 days		
	(ECL derived from historical data)	1.72%	33 029
	60 days		
	(ECL derived from historical data)	5.68%	713
	90 days		
	(ECL derived from historical data)	16.96%	2 142
	120 days		
	(90 days ECL% + 5% increase)	21.37%	951
	150 + days		
	(120 days ECL% + 10% increase)	31.35%	5 128
Specific exposure	Certain significant debtors with balances outstanding for more than 120 + days were separately assessed.	50% - 100%	392 386
	Total ECL		**598 899**

(Presented in South African Rands)

15 TRADE AND OTHER RECEIVABLES (continued)

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**

16 RESTRICTED CASH

	December 31, 2021 R	December 31, 2020 R
Short-term restricted cash – Investec	**453 755**	52 480
Long-term restricted cash – Guarantee to DMRE & Eskom	**3 200 000**	3 200 000

The R3.2 million call deposit with FNB has been ceded and pledged to the DMRE and Eskom in respect of guarantees provided.

17 INVENTORIES

	December 31, 2021 R	December 31, 2020 R
Consumables	**1 402 430**	1 891 362
Work in progress	**3 109 589**	8 396 817
Finished goods	**19 686 964**	53 007 457
Total	**24 198 983**	63 295 636

Depreciation of R1.3 million was included in inventory at December 31, 2021 (December 31, 2020: R4.5 million) (Note 10).

(Presented in South African Rands)

18 CASH AND CASH EQUIVALENTS

	December 31, 2021 R	December 31, 2020 R
Cash in bank	**7 295 996**	3 998 999
Cash is denominated in the following currencies:		
Canadian Dollars	**141 170**	32 215
United States Dollars	**7 660**	7 050
Rands	**7 147 166**	3 959 734
Total	**7 295 996**	3 998 999

19 SHARE CAPITAL

	Number of shares	Stated value R
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**
Shares issued	**-**	**-**
Balance at December 31, 2021	**421 352 596**	**1 089 305 350**

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

20 RESERVES

	Number of stock options	Weighted average exercise price C$	Value of stock options R	BEE option reserves R	Total R
Closing balance at December 31, 2019	**2 133 954**	**0.07**	**523 213**	**9 073 711**	**9 596 924**
Options expired	(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**
Options granted	9 250 000	0.02	1 298 437	-	1 298 437
Options expired	(450 000)	0.05	(25 276)	-	(25 276)
Options forfeited/cancelled	(5 500 000)	0.02	(1 012 768)	-	(1 012 768)
Waiver of BEE loan (Note 28)	-	-	-	(2 766 171)	(2 766 171)
Closing balance at December 31, 2021	**3 750 000**	**0.04**	**285 669**	**6 307 540**	**6 593 209**

20 RESERVES (continued)

Employee stock option plan

The Company's approved Amended and restated stock option plan ("the plan"), dated December 18, 2015 and administered by the Board of Directors of the Company was ratified by the shareholders at the annual general meeting of the Company on June 14, 2021.

The plan provides for the issuance of stock 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 stock 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 stock 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 do not carry rights to dividends or voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

All outstanding options shall be immediately exercisable in the event of a Change of Control as per the plan.

Stock option grants

On May 25, 2021, 9 250 000 stock options were granted to directors, officers, and key employees/consultants of the Company, which represents 2.20% of the Company's outstanding shares.

No stock options were granted during the year ended December 31, 2020.

Vesting conditions:

Performance based options

Of the 9 250 000 options granted, 8 350 000 options had vesting conditions linked to the achievement of pre-determined performance measures. These options will vest and will become exercisable based on the outcome of predetermined objectives set over the specified periods ranging between October 31, 2021 to January 1, 2023. Determination of the successful achievement of these pre-determined objectives are at the sole discretion of the Board.

General options

Of the 9 250 000 options granted, 900 000 options will vest and become exercisable in equal tranches of 1/3 on May 24, 2022, May 24, 2023 and May 24, 2024.

(Presented in South African Rands)

20 RESERVES (continued)

Stock option grants (continued)

Details of the calculation of stock options granted during the year ended December 31, 2021 are provided in the table below:

Valuation details	
Grant date	**May 25, 2021**
Option exercise price (C$)	**0.02**
Share price on grant date (C$)	**0.02**
Expiry date	**May 24, 2025**
Remaining contractual life (in years) as at December 31, 2021	**3.4**
Valuation assumptions as at May 25, 2021 (Black-Scholes option model):	
Expected volatility (based on historical share price)	**127.0%**
Expected life of grant (in years)	**4.0**
Annual risk-free interest rate	**0.87%**
Expected dividend yield	**0%**
Grant date fair value (C$)	**148 000**
Grant date fair value (R)	**1 703 292**

Stock options forfeited/cancelled

Performance based options

Of the 8 350 000 options granted on May 25, 2021, 5 500 000 options were forfeited and cancelled on December 31, 2021 due to the non-achievement of the pre-determined performance measures linked to the vesting conditions of these options.

Stock options outstanding as at December 31, 2021 and December 31, 2020 have the following exercise prices:

Grant date	Exercise price (C$)	December 31, 2021 Options outstanding	December 31, 2020 Options outstanding
August 26, 2016 [1]	0.05	**-**	450 000
May 25, 2021 – performance-based [2]	0.02	**2 850 000**	-
May 25, 2021 – general options	0.02	**900 000**	-
Total		**3 750 000**	450 000

[1] These 450 000 stock options expired on August 26, 2021.

[2] 8 350 000 stock options were issued on May 25, 2021, however, 5 500 000 of those stock options were forfeited on December 31, 2021.

The outstanding stock options as at December 31, 2021, represent 0.9% of the Company's outstanding shares.

During the year ended December 31, 2021, an amount of R1.3 million (year ended December 31, 2021: RNil) is recorded in "general and administration expenses" as a stock-based compensation expense related to the fair value of the options granted, calculated using the Black-Scholes option pricing model.

20 RESERVES (continued)

Stock options forfeited/cancelled (continued)

The weighted average remaining contractual life on stock options outstanding as at December 31, 2021 is 3.40 years (December 31, 2020: 0.65 years). As at December 31, 2021, no stock options are exercisable. As at December 31, 2020, all of the total stock options outstanding 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, 2021, and December 31, 2020, 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 in buying 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. (Refer to Note 28 – Related parties).

21 RCF CONVERTIBLE LOAN FACILITY

RCF Convertible Loan

On July 3, 2014, all of the funding facilities provided by RCF were rolled up into one facility, the RCF Convertible Loan amounting to US$25.0 million, which was convertible into equity 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).

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.

(Presented in South African Rands)

21 RCF CONVERTIBLE LOAN FACILITY (continued)

RCF Convertible Loan (continued)

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 RCF convertible loan as a non-current liability as at December 31, 2020. As at December 31, 2021, the RCF convertible loan is classified as a current liability.

The liability component will continue to be accreted to its face value of US$27.0 million (approximately R430.1 million at December 31, 2021) (December 31, 2020: US$27.0 million (approximately R395.8 million)), using a revised effective interest rate of 6.19%.

As at December 31, 2021 and December 31, 2020, BC Corp had fully drawn down on the US$27.0 million RCF convertible loan facility (December 31, 2021: approximately R430.1 million; December 31, 2020: approximately R395.8 million).

Interest accrued on the RCF convertible loan facility amounting to C$359 333 (R4.5m) has been included in Trade and other payables as at December 31, 2021 (December 31, 2020: C$359 333 (R4.1m)) (Refer to Notes 23 and 28).

On February 18, 2022, BC Corp and RCF agreed to further extend the final maturity date of the RCF Convertible Loan to June 30, 2023. (Refer to Note 30 – Subsequent events).

The movement in the RCF Convertible Loan was as follows:

	December 31, 2021 R	December 31, 2020 R
Opening balance	**360 923 753**	355 904 610
Gain on extension of loan maturity date	**-**	(36 601 171)
Accretion expense	**23 185 096**	27 551 351
Effect of foreign currency exchange difference	**33 050 226**	14 068 963
Closing balance	**417 159 075**	360 923 753
Current portion	**417 159 075**	-
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% 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.

21 RCF CONVERTIBLE LOAN FACILITY (continued)

RCF Convertible Loan (continued)

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 on the modification date.

RCF Conversion Option Liability

The RCF Convertible Loan has been recognized in two parts, a liability component and a conversion option liability component. An embedded derivative exists due to the convertible loan facility being denominated in US$, the conversion feature being exercisable in C$ and the Group's functional currency being Rands.

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 the recognition of a R38.1 million loss on extension of the conversion option calculated on the amendment date, November 24, 2020.

The fair value of the conversion option liability was re-measured using the following assumptions in the Black-Scholes option pricing model:

	December 31, 2021	December 31, 2020	Initial assumptions
Volatility (based on historical share price)	**106.0%**	113.0%	51.0%- 107.0%
Life (in years) to maturity date	**0.50**	1.5	3.9-5.0
Risk-free interest rate	**0.95%**	0.20%	0.5%-1.5%
Share price (C$)	**0.02**	0.01	0.035-0.095
Potential shares	**731 057 527**	733 545 672	720 351 931
Value of convertible feature (C$)	**388 280**	1 250 418	18 191 938
Value of convertible feature (R)	**4 870 966**	14 387 028	182 348 706

Movement in the conversion option liability was as follows during the year ended December 31, 2021 and year ended December 31, 2020:

	December 31, 2021 R	December 31, 2020 R
Opening balance	**14 387 028**	1 487 566
Loss on extension of loan maturity date	**-**	38 070 513
Fair value adjustment	**(12 851 012)**	(25 455 376)
Foreign currency translation adjustment	**3 334 950**	284 325
Closing balance	**4 870 966**	14 387 028

The RCF Conversion Option Liability, which has been bifurcated from the RCF Convertible Loan Facility, is classified as a current liability.

(Presented in South African Rands)

21 RCF CONVERTIBLE LOAN FACILITY (continued)

Security

RCF has released all security previously held in respect of the RCF Convertible Loan Facility.

22 ASSET RETIREMENT OBLIGATION

	December 31, 2021 R	December 31, 2020 R
Opening balance	**55 697 974**	50 614 413
Change in estimate	**2 392 808**	5 083 561
- Allocation of provision	**1 139 466**	3 289 121
- Unwinding of discount	**1 253 342**	1 794 440
Closing balance	**58 090 782**	55 697 974
Less: current portion	**(7 728 470)**	(5 466 689)
Non-current portion	**50 362 312**	50 231 285

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 14). A provision is recognized based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred at the statement of financial position date.

The changes in estimate during the year ended December 31, 2021 and the year ended December 31, 2020, relate to changes in the discount and inflation rates used and a twelve-month reduction in the amortization period, over those respective periods.

The allocation of the provision recognized during December 31, 2021 of R1.1 million (year ended December 31, 2020: allocation of R3.3 million) is expensed in “general and administration expenses” (Refer to Note 6).

The unwinding of the discount recognized during the year ended December 31, 2021 of R1.3 million (year ended December 31, 2020: R1.8 million), is expensed in “finance income and expenses” (Refer to Note 8).

The provision is calculated using the following rates:

	December 31, 2021	December 31, 2020
Discount rate (%) – Magdalena – ES26	**8.82**	7.68
Discount rate (%) – Aviemore – MR174	**5.10**	3.53
Discount rate (%) – Aviemore and Coalfields	**3.00**	8.25
Inflation rate (%) – Magdalena & Aviemore	**5.50**	4.00

(Presented in South African Rands)

22 ASSET RETIREMENT OBLIGATION (continued)

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 Consumer Price Index. The discount rates used in the calculation of the estimated net present value of the rehabilitation liability are dependent on the life-of-mine and mining right expiry dates (Magdalena – 4 years; Aviemore – 6 years) and were based on recent yields determined on South African Government bonds.

Government bonds expiring in approximately 4 years were used for Magdalena (ES26), expiring within 12 months for Aviemore MR174 (R2023) and bonds expiring between 6 and 10 years were used for Aviemore MR301 and Coalfields (R2033 & R210).

The Group's undiscounted rehabilitation liability, if immediate closure was required, amounts to R62 964 154 on December 31, 2021 (December 31, 2020: R64 979 000).

23 TRADE AND OTHER PAYABLES

	December 31, 2021 R	December 31, 2020 R
Trade payables	**11 634 358**	12 920 163
Trade payables – STA	**11 378 655**	12 628 655
Audit fees	**1 644 129**	1 640 000
Deferred revenue	**2 632 361**	11 460 141
Investec royalty (Note 8)	**7 975 179**	6 413 319
Sundry payables and accruals	**8 159 502**	7 232 635
Accrual Carbon Tax	**456 305**	711 147
Accrual DMRE fines (Note 6)	**-**	1 550 000
Accrual RCF interest (Note 29)	**4 507 835**	4 134 408
Receiver of Revenue – VAT	**1 465 924**	1 698 559
Accrual Leave pay/bonus	**10 448 630**	7 291 268
Total	**60 302 878**	67 680 295

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

Included in trade and other payables as at December 31, 2021 is R11.4 million (December 31, 2020: R12.6 million) owing to STA. Interest accrues monthly on the deferred amount at the South African prime rate.

Deferred revenue of R2.6 million (December 31, 2020: R11.5 million) relates to upfront payments made by customers for tonnes delivered after year-end.

The Investec royalty of R8.0 million (December 31, 2020: R6.4 million) is payable on the final maturity date of the Investec Loan Facility (Refer to Note 8 and 25).

(Presented in South African Rands)

23 TRADE AND OTHER PAYABLES (continued)

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

	December 31, 2021 R	December 31, 2020 R
Canadian Dollars	**1 013 329**	596 475
United States Dollars	**776 758**	1 081 353
Rands	**58 512 791**	66 002 467
Total	**60 302 878**	67 680 295

24 CURRENT TAX LIABILITIES

	December 31, 2021 R	December 31, 2020 R
Current tax liabilities:		
Withholding tax payable	**296 312**	271 765
Total	**296 312**	271 765

Withholding tax

Under the terms of the loans granted by RCF to the Company (Refer to Note 21), 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-resident 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, 2021 is an amount of C$23 620 (R296 312) (December 31, 2020: C$23 620 (R271 765)) for the estimated remaining interest payable related to the withholding tax (Refer to Note 29 – Commitments and Contingencies – RCF interest accrual).

(Presented in South African Rands)

25 BORROWINGS

Borrowings consist of the Investec loan facilities as below:

	December 31, 2021 R	December 31, 2020 R
Investec loan facilities	**46 114 971**	56 114 971

Amounts were initially borrowed from Investec during the year ended December 31, 2014. Those borrowings have been amended and restructured on various occasions since then.

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 would settle the outstanding balance of R64.1 million in 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.

On March 27, 2020 the Company was forced to suspend all mining operations in compliance with the National Lockdown (Refer Note 1 – Nature of operations – Impact 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 previously agreed 2020 payment commitments with Investec and the Company approached Investec requesting postponement of further payments until more information was available as to the impact of COVID-19 on the Group's operations. 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 that they continued 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 would be calculated at a competitive interest rate linked to the South African reserve bank prime interest rate (the "prime rate"). 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.

25 BORROWINGS (continued)

The parties further also 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 also agreed to negotiate in good faith on the restructuring of the remaining balance owing and payable to Investec by August 31, 2020.

The Company utilized R6 million of the funds in the reserve bank account for operational purposes 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 continued to review its ability to make ad-hoc payments and negotiate amended repayment terms until November 30, 2020. This date was subsequently extended to February 28, 2021.

Following negotiations during the first quarter of 2021, the Group agreed to make instalment payments to Investec 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 Group and Investec further agreed to negotiate, in good faith, on the restructuring of any outstanding balance as at December 31, 2021.

The Group made the June 2021 and September 2021 payments totalling R10 million. In December 2021, Investec agreed to extend the final maturity date and date by when the restructuring of the outstanding balance of R46,114,971 should be renegotiated to January 31, 2022. On January 18, 2022 Investec agreed to defer that date to February 28, 2022. Investec and the Group further provided undertakings that they would negotiate, in good faith, on the restructuring of the outstanding capital amount on or before February 28, 2022.

Negotiations regarding the restructuring of the Investec borrowings were concluded on March 30, 2022, and the following salient terms were agreed to:

- Monthly capital repayments of R250,000 for March 2022 to June 2022;
- Subject to the Group having secured R120 million in funding for the development of the Balgray project, an amount of R6.5 million to be repaid at the earliest of 30 June 2022 or the date on which the funding has been secured;
- Monthly capital repayments of R1,250,000 for July 2022 to August 2022;
- Monthly capital repayments of R2,500,000 for September 2022 to December 2022;
- The final maturity date and date by when the restructuring of the remaining capital balance owing should be agreed to be extended to December 31, 2022;
- The Group would be allowed to spend R6.5 million on the development of the Balgray project in the absence of any third-party funding until June 30, 2022; and
- The reserve bank account and cash sweeping mechanism will continue.

The amount owing to Investec at December 31, 2021 was R46.1 million (December 31, 2020: R56.1 million). The Company has continued to pay interest on the outstanding debt and will, if necessary, approach Investec to negotiate amended repayment terms. The loan bears interest at the South African prime rate plus 0.5% payable monthly.

(Presented in South African Rands)

25 BORROWINGS (continued)

The movements in the Investec borrowings are as follows:

	December 31, 2021 R	December 31, 2020 R
Opening balance	**56 114 971**	64 114 971
Interest accrued	**3 911 206**	5 119 994
Interest paid	**(3 911 206)**	(5 119 994)
Repayments	**(10 000 000)**	(8 000 000)
Current portion	**46 114 971**	56 114 971

The Group continued to be in breach of certain covenants and repayment terms with respect to its borrowings from Investec at December 31, 2021. 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.

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.

(Presented in South African Rands)

26 FINANCIAL INSTRUMENTS BY CATEGORY

The Group's financial assets and financial liabilities as at December 31, 2021 and December 31, 2020 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, 2021					
Trade and other receivables (excluding non-financial assets)	**24 079 229**	**-**	**-**	**-**	**24 079 229**
Investments in financial assets	**-**	**231 018**	**-**	**-**	**231 018**
Other receivables – restricted	**-**	**60 344 698**	**-**	**-**	**60 344 698**
Other receivables - deposits	**10 306 756**	**-**	**-**	**-**	**10 306 756**
Cash and cash equivalents	**7 295 996**	**-**	**-**	**-**	**7 295 996**
Long-term restricted cash	**3 200 000**	**-**	**-**	**-**	**3 200 000**
Short-term restricted cash	**453 755**	**-**	**-**	**-**	**453 755**
Investec borrowings	**-**	**-**	**-**	**(46 114 971)**	**(46 114 971)**
RCF convertible loan facility	**-**	**-**	**-**	**(417 159 075)**	**(417 159 075)**
RCF conversion option liability	**-**	**-**	**(4 870 966)**	**-**	**(4 870 966)**
Lease liability	**-**	**-**	**-**	**(545 528)**	**(545 528)**
Trade and other payables (excluding non-financial liabilities)	**-**	**-**	**-**	**(45 755 963)**	**(45 755 963)**

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 CASH GENERATED FROM OPERATIONS

	December 31, 2021 R	December 31, 2020 R
Loss before income tax	**(46 650 602)**	(2 016 688)
Adjusted for:		
Depreciation	**13 648 767**	12 984 433
Foreign exchange loss – net	**37 014 727**	14 960 414
Movement in provision for impairment of receivables	**346 977**	(641 534)
Gain on extension of RCF conversion loan	**-**	1 469 342
Fair value adjustment on other receivables – restricted	**(1 975 277)**	(2 358 989)
Movement in provisions	**3 782 051**	2 871 346
Stock-based compensation expense	**1 298 437**	-
Fair value adjustment on conversion option	**(12 851 012)**	(25 455 376)
Investment in financial assets commission deducted from funds	**1 036 265**	1 004 074
Finance income – cash	**(696 945)**	(571 683)
Finance cost – cash	**8 918 840**	7 178 062
Finance cost – non-cash	**24 497 580**	29 225 333
Net changes in working capital	**4 927 317**	(14 211 121)
Cash generated from operations	**33 297 125**	24 437 613

28 RELATED PARTIES

The Company's related parties include its controlling shareholders, subsidiaries, key management personnel and BEE partners. 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, 2021 and December 31, 2020, the Company did not enter into any other transactions with related parties (except for its subsidiaries) and the transactions listed below, in the ordinary course of business.

(Presented in South African Rands)

28 RELATED PARTIES (continued)

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

Related party payables	December 31, 2021 R	December 31, 2020 R
RCF		
Included in trade payables [1]		
Opening balance	**1 081 353**	1 738 606
Repayments	**(372 555)**	(801 850)
Effect of foreign currency exchange difference	**67 960**	144 597
Closing balance	**776 758**	1 081 353
Accrued interest [2]		
Opening balance	**4 134 408**	3 878 063
Interest accrued for the period	**-**	-
Effect of foreign currency exchange difference	**373 427**	256 345
Closing balance	**4 507 835**	4 134 408
Total closing balance	**5 284 593**	5 215 761

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

[1] RCF has previously 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, 2021 or the year ended December 31, 2020. During the year ended December 31, 2021, the Company paid US$25 000 (R372 555) (year ended December 31, 2020: US$50 000 (R801 850)) on the outstanding balance.

[2] Interest which accrued on the RCF convertible loan facility 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 Notes 21 and 30).

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.

28 RELATED PARTIES (continued)

Compensation of key management personnel (continued)

The remuneration of directors and other key members of management personnel (including officers) during the years ended December 31, 2021 and December 31, 2020 was as follows:

	December 31, 2021 R	December 31, 2020 R
Salaries	**7 717 909**	7 418 322
Directors' fees	**2 912 660**	3 066 407
Share-based payments	**1 001 979**	-
Total	**11 632 548**	10 484 729

Directors' fees and a portion of the salaries paid to management are denominated in C$ and translated to Rands 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 decrease 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 R0.3 million as of December 31, 2021 (December 31, 2020: R0.6 million). These amounts have been settled in the normal course of business.

During the year ended December 31, 2021, 6 850 000 of the stock options granted on May 25, 2021 (Refer to Note 20), were to directors and other key members of management personnel (including officers). The share-based payment included in the table above relates to the recognition of the fair value of these stock options.

On December 31, 2021, 4 150 000 of the 6 850 000 stock options granted to directors and other key members of management personnel (including officers) were forfeited and cancelled due to the non-achievement of the pre-determined performance measures linked to the vesting conditions attached to these options.

No stock options were granted to directors and other key members of management personnel (officers) during the year ended December 31, 2020.

Waiver in respect of share purchase price for BEE partner

During the year ended December 31, 2008, a written sale of shares agreement was concluded between BC Dundee and a BEE shareholder, in terms of which BC Dundee sold 132 ordinary shares in Zinoju constituting 12% of the issued share capital of the Company, to the BEE shareholder for a purchase price of R7.2 million.

As the BEE partner was not required to pay any consideration, the issue of the shares to the BEE shareholder was financed by means of a shareholder's loan to be paid from dividends declared by Zinoju otherwise payable to the BEE shareholder. 80% of the dividends paid to the BEE shareholder are required to be utilized to repay the note receivable. The remaining 20% of the dividend may be utilized for operational purposes. The loan is unsecured, bears no interest and has no fixed terms of repayment.

On July 2, 2021, BC Dundee waived the outstanding R4.5 million of the shareholder's loan and agreed to release the BEE shareholder fully and finally from any and all obligations to discharge this outstanding amount.

(Presented in South African Rands)

28 RELATED PARTIES (continued)

Waiver in respect of share purchase price for BEE partner (continued)

For accounting purposes, the 12% was treated as a grant of options and not as a share issue. As a result, the Group consolidated 100% of Zinoju, without presenting a non-controlling interest. As the R4.5 million shareholder's loan has been waived, the Group has allocated, as from July 2021, a 12% non-controlling interest for consolidation purposes.

Extension of call option agreement with BEE partner

During the year ended December 31, 2008, a written sale of shares agreement was concluded between BC Dundee and a BEE shareholder, in terms of which BC Dundee sold 198 ordinary shares in Zinoju constituting 18% of the issued share capital of the Company, to the BEE shareholder for a purchase price of R20 million.

BC Dundee has an option to reacquire the 18% interest in Zinoju from its BEE shareholder for a consideration of R20 million. This option had an original expiry date of June 30, 2021 however, this option was extended to December 31, 2021. On December 24, 2021, this option was further extended to April 30, 2022. (Refer to the "Group restructuring" section in Note 29).

29 COMMITMENTS AND CONTINGENCIES

Management Agreements – Change in Control Provision

Certain management contracts require that payments of approximately R5.3 million be made upon the occurrence of a change of control, other than a change of control attributable to RCF and/or Investec. As no triggering event has taken place, no provision has been recognised as of December 31, 2021.

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, 2021 R	December 31, 2020 R
Property, plant and equipment	**4 563 741**	2 519 387

29 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, 2021, following the required CPI adjustments, the royalty amount is R3.10 / tonne (December 31, 2020: R2.95 / tonne), equating to a minimum monthly amount of R31,000 (December 31, 2020: R29,500).
- 17,500 litres of water to be stored to allow the continued use of the borehole on the property.

The Group is in compliance with these terms (Refer to Note 11).

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 project is situated.

The details of the agreement are 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;
- 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.

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:

- 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.

29 COMMITMENTS AND CONTINGENCIES (continued)

Land purchase agreement (continued)

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.

An addendum was signed by the parties to extend the conditional date to September 30, 2022.

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

RCF interest accrual – withholding tax

A contingent withholding tax liability of C$10 780 (R135 235) was estimated at year end December 31, 2021, in relation to non-resident tax payable to the CRA on interest payable to RCF. Since RCF is a related party of the Group and is deemed to not be dealing at arm's length pursuant to paragraph 251 of the income tax act of Canada, non-resident tax would need to be deducted when any interest is settled.

The non-resident tax liability would be deducted from the outstanding C$359 333 (R4.5m) interest which has been accrued on the RCF convertible loan facility. (Refer to Notes 21 and 23). The withholding tax liability, calculated at 3% of the accrued interest, will become payable on settlement of the outstanding interest, the timing of which is uncertain as at December 31, 2021.

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. 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.

29 COMMITMENTS AND CONTINGENCIES (continued)

Environmental and Regulatory Contingency (continued)

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 during and after mine closure, particularly if the post mining water release quality requirements are legislated to be more onerous than the current situation. The estimated rehabilitation and closure liability is fully provided for in compliance with the current requirements of GNR 1147, which includes a provision for the potential liability associated with ground water contamination.

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. The closure groundwater liability assessment which was conducted by external consultants confirmed that the Group does not need to provide for any significant groundwater liabilities.

The Group's Calcine plant has been operating without an Air Emissions License, and this has necessitated that a Section 24G application be submitted to the department of 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 has submitted an application in terms of S22A of the National Environmental Management Air Quality Act 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. This application is awaiting review and approval.

The previously operational adit at Magdalena does not have an amended Environmental Management Program ("EMP") or an amended Integrated Water Use License Application. As a result, the Company applied for a Section 24G retrospective Environmental Impact Analysis ("EIA") (Refer to Note 6). During the financial year ended December 31, 2019, an assessment of penalties payable amounting to R1,550,000 in connection with the Water Use License was issued. On March 24, 2021, the Group received notice that the DMRE had reduced, on appeal, the previously imposed assessment from R1,550,000 to R100,000. The fine was settled in June 2021. The fine reduction amount of R1,450,000 is wholly suspended for a period of 5 years from March 24, 2021, on condition that the Group does not commit further transgressions and/or fails to comply with any specific Environmental Management Act during the period of suspension.

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. 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 R19.3 million as at December 31, 2021 (December 31, 2020: R12.8 million). No amounts were accrued during the year ended December 31, 2021 as these commitments are project specific and discussions with the DMRE are still ongoing.

29 COMMITMENTS AND CONTINGENCIES (continued)

Group restructuring

During the 1st quarter of 2022 the Group initiated a process to review the existing Company and shareholding structure and restructuring thereof. This restructuring was aimed at amending the Group structure to comply with Broad Based Black Economic Empowerment ("BBBEE") ownership objectives of the Broad-Based Socio-Economic Empowerment Charter for the Mining and Metals Industry published on September 27, 2018 ("the 2018 Mining Charter").

In terms of the 2018 Mining Charter, the guidelines for minimum BEE ownership requirements were as follows:

- 20% interest by a BEE entrepreneur, 5% of which must preferably be owned by women;
- 5% free carried interest to qualifying employees, and
- 5% free carried interest to host communities.

To facilitate the restructuring process and considering the various regulatory approvals required, BC Dundee and its BEE shareholder agreed to amend the exercise date of an option to reacquire an 18% interest in Zinoju from its BEE shareholder to December 31, 2021 and to allow for a set off of the R20 million call option purchase price against the remaining capital balance outstanding by the BEE shareholder on the exercise date.

On September 21, 2021 a unanimous, binding, judgment was handed down by the High Court of South Africa, ruling that certain sections of the 2018 Mining Charter were unconstitutional and should be set aside.

Notable sections determined to be unconstitutional include:

- Provisions which require any free carried interest requirements;
- Provisions related to the implementation of mandated structures, such as community, employee and BEE entrepreneur schemes; and
- Enforcement provisions which allow for suspension and cancellation of rights in the event of non-compliance with the 2018 Mining Charter.

In view of the above, the Group, with the support of its existing BEE shareholder, decided that equity made available to employees and host communities would no longer contain a free carried interest portion.

On December 24, 2021, BC Dundee and its BEE shareholder agreed to amend the exercise date of the call option agreement from December 31, 2021 to April 30, 2022.

30 SUBSEQUENT EVENTS

Water Use License granted

On February 13, 2022, the Department of Water and Sanitation ("DWS") granted an official Water Use Licence, valid for 15 years, to Zinoju for the Balgray project in terms of the National Water Act (No. 36 of 1998). In terms of the National Water Act, appeals may be lodged against the DWS's decision within 30 days from the date of notification of interested and affected parties. No appeals against the DWS's decision have been lodged.

Extension of maturity to the RCF Convertible Loan Facility

On February 18, 2022, BC Corp and RCF agreed to further extend the final maturity date of the RCF Convertible Loan to June 30, 2023. (Refer to Note 21). As this event occurred after the reporting date, this extension does not result in the reclassification of the loan as non-current as at December 31, 2021.

Investec amendments

On January 18, 2022, Investec agreed to defer the final maturity date of the outstanding capital amount of R46,114,971 on the Investec Loan to February 28, 2022. Investec and the Group further provided undertakings that they would negotiate, in good faith, to agree on the restructuring of the Investec borrowings on or before February 28, 2022. Negotiations regarding the restructuring of the Investec borrowings were concluded on March 30, 2022 and the final maturity date by when the restructuring of the remaining capital balance owing should be agreed was extended to December 31, 2022 (Refer to Note 25 regarding the negotiation details of the restructuring and further salient items agreed to). The first capital instalment of R250,000 was paid on March 31, 2022.

Corporate tax rate change

On 23 February 2022, the Minister of Finance announced a reduction in the Corporate Income Tax rate for South African companies from 28% to 27% for years of assessments commencing on or after 1 April 2022.

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.

8 April 2022

Designated Advisor: Questco Corporate Advisory Proprietary Limited