BUFFALO COAL CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited and prepared by management)

For the three and six months ended
June 30, 2022 and 2021
(Presented in South African Rands)

Notice of non-review

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), Buffalo Coal Corp. ("BC Corp" or the "Company") hereby informs its readers that the Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 2022 and 2021 have not been audited or reviewed by its auditor.

Management's responsibility for Interim Financial Reporting

These Condensed Interim Consolidated Financial Statements of The Company have been prepared by and are the responsibility of management on behalf of the board of directors (the "Board").

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

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

BUFFALO COAL CORP.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

(Presented in South African Rands)

	Notes	June 30, 2022 R	December 31, 2021 R	June 30, 2022 (Note 1) C$
Assets				
Non-current assets				
Property, plant and equipment	3	**52 258 198**	39 484 920	4 135 756
Right of use assets	4	**3 222 537**	653 360	255 034
Investment in financial assets	5	**232 689**	231 018	18 415
Other receivables – restricted	5	**62 392 304**	60 344 698	4 937 776
Other receivables – deposits	6	**7 165 893**	10 306 756	567 114
Long-term restricted cash		**3 200 000**	3 200 000	253 251
Total non-current assets		**128 471 621**	114 220 752	10 167 346
Current assets				
Trade and other receivables	6	**33 619 786**	28 206 062	2 660 696
Inventories	7	**38 127 270**	24 198 983	3 017 422
Short-term restricted cash		**1 654 590**	453 755	130 946
Cash and cash equivalents		**22 236 569**	7 295 996	1 759 819
Total current assets		**95 638 215**	60 154 796	7 568 883
Total assets		**224 109 836**	174 375 548	17 736 229
Deficiency and liabilities				
Capital and reserves				
Share capital		**1 089 305 350**	1 089 305 350	86 208 480
Currency translation reserve		**(219 945 085)**	(219 945 085)	(17 406 627)
Option reserves	8	**6 734 716**	6 593 209	532 991
RCF Interest reserve	9, 11	**4 507 835**	-	356 754
Accumulated loss		**(1 298 148 005)**	(1 281 268 261)	(102 736 451)
Deficiency attributable to owners of the Company		**(417 545 189)**	(405 314 787)	(33 044 853)
Non-controlling interest	16	**(8 389 567)**	(7 690 177)	(663 957)
Total deficiency		**(425 934 756)**	(413 004 964)	(33 708 810)
Non-current liabilities				
Asset retirement obligations	10	**50 887 827**	50 362 312	4 027 303
Lease liabilities	4	**75 033**	183 909	5 938
Total non-current liabilities		**50 962 860**	50 546 221	4 033 241
Current liabilities				
Trade and other payables	11	**91 887 192**	60 302 878	7 272 025
Current portion of lease liabilities	4	**500 891**	361 619	39 641
Current tax liabilities		**298 454**	296 312	23 620
Borrowings	12	**45 114 655**	46 114 971	3 570 409
RCF convertible loan facility	9	**414 205 630**	417 159 075	32 780 558
RCF conversion option liability	5	**39 235 381**	4 870 966	3 105 119
Current portion of asset retirement obligations	10	**7 839 529**	7 728 470	620 426
Total current liabilities		**599 081 732**	536 834 291	47 411 798
Total liabilities		**650 044 592**	587 380 512	51 445 039
Total deficiency and liabilities		**224 109 836**	174 375 548	17 736 229

Basis of preparation and going concern	1
Commitments and contingencies	1,12,17
Subsequent events	18

Approved on behalf of the Board:

Signed, "Craig Wiggill", director *Signed, "Rory Taylor", director*

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

BUFFALO COAL CORP.

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

(Presented in South African Rands)

	Notes	6 months ended		3 months ended		6 months ended
		June 30, 2022 R	June 30, 2021 R	June 30, 2022 R	June 30, 2021 R	June 30, 2022 (Note 1) C$
Revenue from contracts with customers		**187 340 920**	174 278 415	**96 334 180**	93 104 089	14 826 307
Cost of sales of goods		**(142 168 173)**	(156 132 879)	**(68 200 530)**	(70 811 457)	(11 251 301)
Gross profit		**45 172 747**	18 145 536	**28 133 650**	22 292 632	3 575 006
Other (expenses)/income - net	13	**(19 169 967)**	(37 361 194)	**9 079 965**	842 363	(1 517 126)
General and administration expenses	14	**(29 469 033)**	(22 556 763)	**(16 534 181)**	(12 240 066)	(2 332 202)
(Loss)/profit before the undernoted		**(3 466 253)**	(41 772 421)	**20 679 434**	10 894 929	(274 322)
Finance income	15	**315 119**	119 474	**224 028**	64 512	24 939
Finance expense	15	**(14 476 227)**	(14 899 067)	**(7 920 990)**	(7 425 117)	(1 145 660)
(Loss)/profit and total comprehensive (loss)/profit for the period		**(17 627 361)**	(56 552 014)	**12 982 472**	3 534 324	(1 395 043)
(Loss)/profit and total comprehensive (loss)/profit attributable to:						
- Owners of the parent		**(16 927 971)**	(56 552 014)	**13 473 976**	3 534 324	(1 339 693)
- Non-controlling interest	16	**(699 390)**	-	**(491 504)**	-	(55 350)
		(17 627 361)	(56 552 014)	**12 982 472**	3 534 324	(1 395 043)
(Loss)/profit per share – basic and diluted	2.2	**(0.04)**	(0.13)	**0.03**	0.01	(0.00)
Headline (loss)/profit per share – basic and diluted	2.2	**(0.04)**	(0.13)	**0.03**	0.01	(0.00)
Normalized headline (loss)/profit per share – basic and diluted	2.2	**(0.04)**	(0.13)	**0.03**	0.01	(0.00)
Weighted average number of common shares outstanding:						
– Basic		**421 352 596**	421 352 596	**421 352 596**	421 352 596	421 352 596
– Diluted		**421 352 596**	421 352 596	**421 352 596**	421 352 596	421 352 596

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

BUFFALO COAL CORP.

Condensed Interim Consolidated Statements of Changes in Deficiency (Unaudited)

(Presented in South African Rands)

	Attributable to owners of the Group									
			Option reserves							
	No. of shares issued	Share capital	Share option reserve (Note 8)	BEE option reserve (Note 8)	RCF interest reserve (Note 9)	Accumulated Retained loss	Currency translation reserve	Total	Non-controlling interest	Total equity
		R	R	R	R	R	R	R	R	R
Balance at December 31, 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-based compensation	-	-	213 627	-	-	-	-	213 627	-	213 627
Net loss for the period	-	-	-	-	-	(56 552 014)	-	(56 552 014)	-	(56 552 014)
Balance at June 30, 2021	421 352 596	1 089 305 350	238 903	9 073 711	-	(1 307 003 207)	(219 945 085)	(432 330 328)	4 339 142	(423 991 186)
Stock options expired	-	-	(25 276)	-	-	25 276	-	-	-	-
Stock options forfeited	-	-	(1 012 768)	-	-	1 012 768	-	-	-	-
Stock-based compensation	-	-	1 084 810	-	-	-	-	1 084 810	-	1 084 810
Waiver of BEE loan	-	-	-	(2 766 171)	-	13 830 856	-	11 064 685	(11 064 685)	-
Net profit/(loss) for the period	-	-	-	-	-	10 866 046	-	10 866 046	(964 634)	9 901 412
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)
Stock options forfeited	-	-	(48 227)	-	-	48 227	-	-	-	-
Stock-based compensation	-	-	189 734	-	-	-	-	189 734	-	189 734
RCF interest - equity settled	-	-	-	-	4 507 835	-	-	4 507 835	-	4 507 835
Net loss for the period	-	-	-	-	-	(16 927 971)	-	(16 927 971)	(699 390)	(17 627 361)
Balance at June 30, 2022	**421 352 596**	**1 089 305 350**	**427 175**	**6 307 540**	**4 507 835**	**(1 298 148 005)**	**(219 945 085)**	**(417 545 189)**	**(8 389 567)**	**(425 934 756)**

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

BUFFALO COAL CORP.

Condensed Interim Consolidated Statements of Cash Flow (Unaudited)

(Presented in South African Rands)

		6 months ended		3 months ended		6 months ended
	Notes	June 30, 2022 R	June 30, 2021 R	June 30, 2022 R	June 30, 2021 R	June 30, 2022 (Note 1) C$
Cash flows from operating activities						
Cash generated from operations		**38 925 933**	11 254 047	**31 107 760**	5 758 586	3 080 628
Interest received		**315 119**	119 473	**224 027**	64 511	24 939
Interest paid		**(3 317 136)**	(1 961 411)	**(1 768 019)**	(860 154)	(262 521)
Net cash generated from operating activities		**35 923 916**	9 412 109	**29 563 768**	4 962 943	2 843 046
Cash flows from investing activities						
Purchase of property, plant and equipment	3	**(19 983 027)**	(4 137 036)	**(15 850 368)**	(2 153 461)	(1 581 472)
Net cash utilized in investing activities		**(19 983 027)**	(4 137 036)	**(15 850 368)**	(2 153 461)	(1 581 472)
Cash flows from financing activities						
Repayment of borrowings	12	**(1 000 316)**	(5 000 000)	**(750 316)**	(5 000 000)	(79 166)
Net cash utilized in financing activities		**(1 000 316)**	(5 000 000)	**(750 316)**	(5 000 000)	(79 166)
Net increase in cash and cash equivalents		**14 940 573**	275 073	**12 963 084**	(2 190 518)	1 182 408
Cash and cash equivalents at the beginning of the period		**7 295 996**	3 998 999	**9 273 485**	6 464 590	577 411
Cash and cash equivalents at the end of the period		**22 236 569**	4 274 072	**22 236 569**	4 274 072	1 759 819

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

1 BASIS OF PREPARATION

The unaudited condensed interim consolidated financial statements (the "Interim Results") of Buffalo Coal Corp. and its subsidiaries (the "Company" or "Group") for the three and six months ended June 30, 2022 and 2021 have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and have been prepared in accordance with accounting policies based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations and are in compliance with IAS 34 - *Interim Financial Reporting.* These Interim Results were approved and authorized for issue by the Board on August 17, 2022. The Company is a publicly listed company on the TSX Venture Exchange ("TSXV") and trades under the symbol "BUF".

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 the KwaZulu-Natal province of South Africa. The two coal mines are the Aviemore East anthracite mine ("Aviemore East"), an underground mining operation, and the Magdalena bituminous mine ("Magdalena"), an underground mining operation. The Company has two future coal mining projects, the Balgray anthracite project ("Balgray") which is an extension of the Aviemore East 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.

The Interim Results have not been reviewed or audited by the Group's external auditors. The Interim Results do not include all the information and disclosures required in the Group's audited consolidated annual financial statements for the year ended December 31, 2021 (the "consolidated annual financial statements") and should be read in conjunction with the Group's consolidated annual financial statements, which have been prepared in accordance with IFRS. The Group has considered the required new or revised accounting standards, interpretations or amendments in the current period, as further set out in Note 2 below.

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

References to "R", "Rands" mean South African Rands, to "C$" mean Canadian Dollars and to "US$" mean United States Dollars. References to Q2 2022 mean the three months ended June 30, 2022, Q3 2022 mean the three months ended September 30, 2022, and Q1 2023 mean the three months ended March 31, 2023.

Impact and response to COVID-19

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.

Since June 1, 2020, mining activities have been allowed at 100% of operational capacity. The National State of Disaster has been lifted as from April 5, 2022 with certain transitional measures remaining in place. The various levels of National Lockdown, implementation of National Disaster Regulations and COVID-19 infections of employees negatively impacted both the Group's mining operations and the community within the region of our operations, with an accompanying large-

1 BASIS OF PREPARATION (CONTINUED)

scale loss of income and/or employment occurring across all industries.

Going Concern

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

The Group's ability to continue as a going concern and ultimately continue operations into the future, is dependent on its ability to realize on short-term opportunities, 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.

As many countries continue to experience various waves of COVID-19 infections 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, new variants of the COVID-19 virus and a general reluctance of individuals to be vaccinated and mutations of the COVID-19 virus add 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.

Following negotiations during the first quarter of 2021, the Group agreed to make instalment payments to Investec Bank Limited ("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.

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 would be agreed upon and following various further extensions granted, 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 Balgray, an amount of R6.5 million to be repaid at the earliest of June 30, 2022 or the date on which Balgray's required 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 upon to be extended to December 31, 2022;
- The Group would be allowed to spend R6.5 million on the development of Balgray 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 12, Borrowings).

Capital repayments of R1 000 000 were made in the six months ending June 30, 2022. As at the date of the Interim Results, the Company has not repaid the agreed-upon amount of R6.5 million.

1 BASIS OF PREPARATION (CONTINUED)

The amount payable to STA was R11.1 million on June 30, 2022 (December 31, 2021: R11.4 million). The Group has continued to make monthly interest payments in months where it did not make capital payments.
The Resource Capital Fund Convertible Loan ("RCF convertible loan facility") of US$27 million (approximately R439.8 million) was to become due and payable on December 31, 2020. 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 9, RCF convertible loan facility).

On June 14, 2022, Belvedere Resources DMCC ("Belvedere") issued an early warning report regarding the acquisition from RCF of 347,945,097 Common Shares (82.58%) of the Company together with the RCF convertible loan facility by means of a private agreement between the Parties. Administrative matters required to give effect to Belvedere's acquisition of a majority stake in the Company were completed on August 5, 2022 (See Note 18, Subsequent events). This event represents a Change of Control in the majority stake in the Company. In terms of a private agreement between Belvedere and RCF, Belvedere has also agreed to assume the RCF convertible loan facility, subject to a required consent being obtained prior to August 31, 2022, failing which, RCF would convert the RCF convertible loan facility at the conversion rate of C$0.0469 per share and convey the converted Company shares to Belvedere.

On July 4, 2022, Investec provided a formal notice to the Company advising that Investec would - based on the completion of all administrative matters surrounding the Change of Control – exercise its rights to demand full repayment of all outstanding amounts between the Company and Investec (Refer to Note 12, Borrowings), including the accrued Life of Mine Royalty ("LOMR") payable on sales generated by the Company's Magdalena bituminous mine (Refer to Note 15, Finance income and expense). As at the date of the Interim Results, the Company and Belvedere remain in discussion with Investec.

As at June 30, 2022, the Group had a shareholders' deficiency of R425.9 million (December 31, 2021: R413.0 million), and a working capital deficiency of R503.4 million (December 31, 2021: R476.7 million). The Group recorded a net loss of R17.6 million for the six months ended June 30, 2022 (June 30, 2021: Net loss of R56.6 million) and a net profit of R13.0 million for the three months ended June 30, 2022 (June 30, 2021: Net profit of R3.5 million).

The Aviemore East mine is approaching the end of its life and the total remaining mining life of mine ("LOM") proven reserves were estimated at 437,000 run-of-mine ("ROM") tonnes as at 1 January 2022. This indicates that Aviemore East's estimated LOM will end in Q1 2023.

To mitigate against the risks related to the Group's current reliance on revenue from its anthracite products and supported by increases in bituminous coal prices and a renewed interest in the Group's bituminous coal products, the Group is pursuing initiatives to increase production at Magdalena in a phased approach, whereby one full section will become operational during Q3 2022 and a second full section will be added by Q1 2024. On May 4, 2022, the Group entered into an offtake agreement with a customer whereby the Group secured funding, in the form of a prepayment of sales proceeds, totalling R17.0 million to fund the capital requirements for the first full section (Refer to Note 11, Trade and other payables).

The extension of mining operations into Balgray will allow the current anthracite production levels to continue to operate economically for a further 7 years from the 2023 year. The Group is actively pursuing various options to secure the balance required for the development of Balgray, the bulk of which is required to be made in the second half 2022 and Q1 2023.

1 BASIS OF PREPARATION (CONTINUED)

Subject to its ability to meet current production and sales forecasts, the Group should be able to generate positive operational cash flows in the short-term. However, the Group's ability to ultimately continue operations over the medium to longer term is highly dependent on restructuring its financial position and securing the requisite funding for Balgray and the second phase of Magdalena's expansion. The Group will remain dependent upon the continued financial support of Belvedere, Investec, STA and other stakeholders in order to achieve and sustain profitable levels of operation. Whilst Belvedere's support enables the preparation of the Interim Results of the Company on a Going Concern basis, negotiations are underway with Belvedere to structure this financial support to ensure that uninterrupted operations of the Company continue into the foreseeable future. Among other things, the financial support will primarily cater to the settlement of the Investec borrowings and the funding of the mining projects of the Company, to the extent that they are not supported by internal cash generation.

As at the date of the Interim Results, there is no assurance that the Group will be able to meet its covenants in the future, that Investec or STA will continue to provide financial support, that Belvedere will secure the third party consent regarding the RCF Convertible Loan or that the conversion of the RCF convertible loan will not occur and that the requisite funding will be obtained for Balgray or for the second Magdalena expansion. These matters constitute material uncertainties.

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

Convenience rate translation

The Company's functional and presentation currency is Rands. The C$ amounts shown in the Interim Results represent supplementary information provided solely for the convenience of the reader. The condensed consolidated statement of financial position as of June 30, 2022 and the condensed consolidated statement of loss and other comprehensive loss for the six months ended June 30, 2022 were translated into C$ using a convenience translation at the rate of C$1: R12.63571, which is the exchange rate published on Oanda.com as of June 30, 2022. Such presentation is not in accordance with IFRS and should not be construed as a representation that the Rand amounts shown could be readily converted, realized or settled in C$ at this or at any other rate.

2 ACCOUNTING POLICIES

2.1 New standards, amendments and interpretations

The Interim Results have been prepared using the same accounting policies and methods as were used for the consolidated annual financial statements. The Interim Results should be read in conjunction with the consolidated annual financial statements.

The Group has adopted the following standards, amendments and interpretations effective for reporting periods beginning on or after January 1, 2022. The adoption of these standards did not have a material impact on the Group's financial statements.

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

2 ACCOUNTING POLICIES (CONTINUED)

2.1 New standards, amendments and interpretations (Continued)

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 or after 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 or after January 1, 2022.

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

The following standards, amendments and interpretations are issued but not yet effective for the six months ended June 30, 2022:

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 on the Company and have been excluded. These standards will be adopted from their effective dates. Early adoption will not be applied. The revised standards are not expected to have a material impact on the Company or the Group.

IFRS 10 – 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 – 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 non-current 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 or after January 1, 2023.

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.

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.

(Presented in South African Rands)

2 ACCOUNTING POLICIES (CONTINUED)

2.1 New standards, amendments and interpretations (Continued)

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 Interim Results.

2.2 (Loss)/profit per share, headline (loss)/profit per share and normalized headline (loss)/profit per share

	Notes	6 months ended		3 months ended		6 months ended
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022 (Note 1)
		R	R	R	R	C$
(Loss)/profit attributable to equity holders of the Company		**(17 627 361)**	(56 552 014)	**12 982 472**	3 534 324	(1 395 043)
(Loss)/profit per share – basic and diluted		**(0.04)**	(0.13)	**0.03**	0.01	(0.00)
Headline (loss)/earnings for the period		**(17 627 361)**	(56 552 014)	**12 982 472**	3 534 324	(1 395 043)
Headline (loss)/earnings per share – basic and diluted		**(0.04)**	(0.13)	**0.03**	0.01	(0.00)
Adjustments:						
Voluntary severance packages ("VSP's")		**-**	372 604	**-**	-	-
Enforced early retirement payments		**-**	945 426	**-**	-	-
Taxation thereon		**-**	(369 048)	**-**	-	-
Normalized headline (loss)/profit for the period		**(17 627 361)**	(55 603 032)	**12 982 472**	3 534 324	(1 395 043)
Normalized headline (loss)/profit per share – basic and diluted		**(0.04)**	(0.13)	**0.03**	0.01	(0.00)
Weighted average number of common shares outstanding:						
- Basic		**421 352 596**	421 352 596	**421 352 596**	421 352 596	421 352 596
- Diluted		**421 352 596**	421 352 596	**421 352 596**	421 352 596	421 352 596

Headline (loss)/profit per share is a basis for measuring (loss)/profit 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)/profit 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").

(Presented in South African Rands)

2 ACCOUNTING POLICIES (CONTINUED)

2.2 (Loss)/profit per share, headline (loss)/profit per share and normalized headline (loss)/profit per share (Continued)

For the six and three months ended June 30, 2022 and 2021, there were no adjustments made to the Company's (loss)/profit loss per share to derive the headline "loss"/profit per share.

There were no further adjustments made to the Company's headline loss per share for the six and three months ended June 30, 2022 to derive the Company's normalized headline (loss)/profit per share. For the six months ended June 30, 2021, the Company's headline loss per share has been further adjusted for VSP's and enforced early retirement payments made, net of taxation thereon. Due to the irregular occurrence of these payments, the normalized headline loss per share measure for the six months ended June 30, 2021, has been calculated by using headline loss excluding these costs in order to better present loss attributable to the ongoing activities of the Company.

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 8) 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 six and three months ended June 30, 2022.

3 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings R	Mining assets R	Office equipment, fixtures and fittings R	Development costs capitalized R	Mineral rights R	Total R
Year to date June 30, 2022						
Opening net book value	**737 419**	**33 920 579**	**825 944**	**4 000 978**	**-**	**39 484 920**
Additions	**-**	**10 391 843**	**295 211**	**9 295 973**	**-**	**19 983 027**
Depreciation	**(127 896)**	**(6 295 083)**	**(136 413)**	**(650 357)**	**-**	**(7 209 749)**
Net book value at the end of June 30, 2022	**609 523**	**38 017 339**	**984 742**	**12 646 594**	**-**	**52 258 198**
Year to date June 30, 2022						
Cost	**7 757 895**	**421 939 417**	**9 198 531**	**48 918 998**	**14 009 756**	**501 824 597**
Accumulated depreciation and impairment	**(7 148 372)**	**(383 922 078)**	**(8 213 789)**	**(36 272 404)**	**(14 009 756)**	**(449 566 399)**
Net book value at the end of June 30, 2022	**609 523**	**38 017 339**	**984 742**	**12 646 594**	**-**	**52 258 198**

(Presented in South African Rands)

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings R	Mining assets R	Office equipment, fixtures and fittings R	Development costs capitalized R	Mineral rights R	Total R
Year ended December 31, 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

All items of property, plant and equipment are located in South Africa. Depreciation expense of R7.1 million for the six months ended June 30, 2022 and R3.7 million for the three months ended June 30, 2022 (six months ended June 30, 2021: R6.1 million; three months ended June 30, 2021: R3.1 million) was recognized in “Cost of Sales of Goods”.

4 RIGHT OF USE ASSETS AND LEASE LIABILITIES

Right of use assets

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

	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
	Land R	Land R	Buildings & Equipment R	Buildings & Equipment R	Total R	Total R
Opening balance	**274 530**	823 587	**378 830**	-	**653 360**	823 587
Right of use assets recognized	**-**	-	**2 661 722**	578 492	**2 661 722**	578 492
Depreciation	**(258 970)**	(549 057)	**(99 832)**	(199 662)	**(358 802)**	(748 719)
Reassessment of lease liability	**266 257**	-	**-**	-	**266 257**	-
Closing balance	**281 817**	274 530	**2 940 720**	378 830	**3 222 537**	653 360

Lease liabilities

The Company recognizes liabilities in relation to leases which have 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.

(Presented in South African Rands)

4 RIGHT OF USE ASSETS AND LEASE LIABILITIES (CONTINUED)

Lease liabilities (Continued)

The Company's incremental borrowing rates used were as follows:

	Incremental borrowing rate
January 1, 2019 – Land – Aviemore servitude – initial recognition	11.15%
January 1, 2021 – Equipment – 36-month hire-to-purchase – initial recognition	8.0%
January 1, 2022 – Land – Aviemore servitude – reassessment of lease liability	8.0%

	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
	Land R	Land R	Buildings & Equipment R	Buildings & Equipment R	Total R	Total R
Opening balance	**156 466**	422 670	**389 062**	-	**545 528**	422 670
Lease liabilities Recognized	**-**	-	**-**	578 492	**-**	578 492
Reassessment of lease liability	**266 257**	-	**-**	-	**266 257**	-
Finance charges	**14 671**	33 796	**13 900**	39 434	**28 571**	73 230
Payments made	**(150 000)**	(300 000)	**(114 432)**	(228 864)	**(264 432)**	(528 864)
Closing balance	**287 394**	156 466	**288 530**	389 062	**575 924**	545 528
Current lease liabilities	**287 394**	156 466	**213 497**	205 153	**500 891**	361 619
Non-current lease liabilities	**-**	-	**75 033**	183 909	**75 033**	183 909

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 fully written off.

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.

(Presented in South African Rands)

5 FINANCIAL INSTRUMENTS AT FAIR VALUE

The following table presents the Group's financial assets and liabilities measured at fair value at June 30, 2022 and December 31, 2021:

	Level 1 R	Level 2 R	Level 3 R
June 30, 2022			
Investment in financial assets	**232 689**	**-**	**-**
Other receivables - restricted	**-**	**62 392 304**	**-**
RCF conversion option liability	**-**	**(39 235 381)**	**-**
December 31, 2021			
Investment in financial assets	231 018	-	-
Other receivables - restricted	-	60 344 698	-
RCF conversion option liability	-	(4 870 966)	-

Investment in financial assets

The investment in financial assets consists of security investments held by the Group. Changes in the fair value of the investment are recorded in "other (expenses)/income – net" within profit or loss (Note 13).

Other receivables – restricted

Funded guarantees provided to the Department of Mineral Resources and Energy ("DMRE") relating to the asset retirement obligations (Note 10) 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 13).

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:

	June 30, 2022 R	December 31, 2021 R
Opening balance	**60 344 698**	58 505 686
Premiums invested	**900 000**	900 000
Commission paid/accrued	**(600 000)**	(1 036 265)
Commission payable (included in trade & other payables)	**600 000**	-
Fair value adjustment	**1 147 606**	1 975 277
Closing balance	**62 392 304**	60 344 698

5 FINANCIAL INSTRUMENTS AT FAIR VALUE (CONTINUED)

Other receivables – restricted (Continued)

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 Balgray. 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 six months ended June 30, 2022: R900 000; year ended December 31, 2021: R900 000). The amount remaining to be funded on the outstanding financial guarantee on Balgray as at June 30, 2022 is R900 000 (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.

RCF conversion option liability

The RCF Convertible Loan has been recognized in two parts, a liability component and a conversion option liability component (see Note 9). 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 February 18, 2022, BC Corp and RCF agreed to further extend the final maturity date of the RCF Convertible Loan to June 30, 2023, which also had the effect of extending the conversion option liability component to the revised maturity date. This resulted in the recognition of a R21.5 million loss on extension of the conversion option calculated on the amendment date, February 18, 2022.

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

	June 30, 2022	**December 31, 2021**	**Initial assumptions**
Volatility (based on historical share price)	**112.0%**	106.0%	51.0%- 107.0%
Life (in years) to maturity date	**1.00**	0.50	3.9-5.0
Risk-free interest rate	**3.12%**	0.95%	0.5%-1.5%
Share price (C$)	**0.02**	0.02	0.035-0.095
Potential shares	**742 197 186**	731 057 527	720 351 931
Value of convertible feature (C$)	**3 105 119**	388 280	18 191 938
Value of convertible feature (R)	**39 235 381**	4 870 966	182 348 706

(Presented in South African Rands)

5 FINANCIAL INSTRUMENTS AT FAIR VALUE (CONTINUED)

RCF conversion option liability (Continued)

Movement in the conversion option liability was as follows during the six months ended June 30, 2022 and year ended December 31, 2021:

	June 30, 2022 R	December 31, 2021 R
Opening balance	**4 870 966**	14 387 028
Loss on extension of loan maturity date	**21 548 130**	-
Fair value adjustment (Note 13)	**9 966 242**	(12 851 012)
Foreign currency translation adjustment	**2 850 043**	3 334 950
Closing balance	**39 235 381**	4 870 966

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

As described in Note 1, Basis of preparation, Belvedere agreed to assume the RCF convertible loan facility in terms of a private agreement between Belvedere and RCF, subject to Belvedere obtaining a required consent prior to August 31, 2022, failing which, RCF would convert the RCF convertible loan facility at the conversion rate of C$0.0469 per share and convey the converted Company shares to Belvedere.

6 TRADE AND OTHER RECEIVABLES

	June 30, 2022 R	December 31, 2021 R
Non-current other receivables:		
- Deposits	**7 165 893**	10 306 756
Total non-current other receivables	**7 165 893**	10 306 756
Current trade and other receivables:		
- Trade receivables	**30 282 931**	24 678 128
Less: Provision for impairment of receivables	**(598 899)**	(598 899)
- Trade receivables – net	**29 684 032**	24 079 229
- Prepayments	**963 240**	3 404 055
- Harmonized Sales Tax (Canada)	**122 167**	122 072
- Other receivables	**2 850 347**	842 696
Total current trade and other receivables	**33 619 786**	28 206 062

(Presented in South African Rands)

7 INVENTORIES

	June 30, 2022 R	December 31, 2021 R
Consumables	**2 979 922**	1 402 430
Work in progress	**3 232 960**	3 109 589
Finished goods	**31 914 388**	19 686 964
Total	**38 127 270**	24 198 983

8 OPTION 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, 2021	**3 750 000**	**0.04**	**285 669**	**6 307 540**	**6 593 209**
Expense – options granted	-	0.02	189 734	-	189 734
Options forfeited/cancelled	(300 000)	0.02	(48 227)	-	(48 227)
Closing balance at June 30, 2022	**3 450 000**	**0.02**	**427 176**	**6 307 540**	**6 734 716**

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 was ratified by the shareholders at the annual general meeting of the Company on June 13, 2022.

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, 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 of the Company as per the plan. The Group has deemed that a Change of Control happened on August 5, 2022, following completion of the administrative matters required to give effect to Belvedere's acquisition of a majority stake in the Company from RCF (see Note 1, Basis of preparation and Note 18, Subsequent events).

(Presented in South African Rands)

8 OPTION RESERVES (CONTINUED)

Stock option grants

No stock options were granted during the six months ended June 30, 2022.

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.

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 would vest and become exercisable based on the outcome of pre-determined 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 were due to vest and become exercisable in equal tranches of 1/3 each on May 24, 2022, May 24, 2023 and May 24, 2024. All of these options vested and became exercisable after June 30, 2022 due to a Change of Control having occurred on August 5, 2022.

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**
Remaining contractual life (in years) as at June 30, 2022	**2.9**
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**

(Presented in South African Rands)

8 OPTION RESERVES (CONTINUED)

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. A further 300 000 options were forfeited and cancelled on February 1, 2022. The remaining 2 550 000 performance-based options vested and became exercisable after June 30, 2022 due to a Change of Control having occurred on August 5, 2022.

Stock options outstanding as at June 30, 2022 and December 31, 2021 have the following exercise prices:

Grant date	Exercise price (C$)	June 30, 2022	December 31, 2021
		Options outstanding	
May 25, 2021 – performance-based [1]	0.02	**2 550 000**	2 850 000
May 25, 2021 – general options	0.02	**900 000**	900 000
Total		**3 450 000**	3 750 000

[1] 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 and a further 300 000 stock options were forfeited on February 1, 2022.

The outstanding stock options as at June 30, 2022, represent 0.8% of the Company's outstanding shares at June 30, 2022.

During the six months ended June 30, 2022, an amount of R0.2 million and during the three months ended June 30, 2022 an amount of R0.1 million (six months ended June 30, 2021: R0.2 million and three months ended June 30, 2021: R0.2 million) 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 (Refer Note 14).

9 RCF CONVERTIBLE LOAN FACILITY

The movement in the RCF Convertible Loan was as follows:

	June 30, 2022 R	December 31, 2021 R
Opening balance	**417 159 075**	360 923 753
Gain on extension of loan maturity date	**(21 722 270)**	-
Accretion expense (Note 15)	**10 539 320**	23 185 096
Effect of foreign currency exchange difference	**8 229 505**	33 050 226
Closing balance	**414 205 630**	417 159 075
Current portion	**414 205 630**	417 159 075
Non-current portion	**-**	-

As at June 30, 2022 and December 31, 2021, BC Corp had fully drawn down on the US$27.0 million RCF convertible loan facility (June 30, 2022: approximately R439.8 million; December 31, 2021: approximately R430.1 million).

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,

(Presented in South African Rands)

9 RCF CONVERTIBLE LOAN FACILITY (CONTINUED)

2020, BC Corp and RCF agreed to further extend the final maturity date of the RCF Convertible Loan to June 30, 2022. As at December 31, 2021, the RCF convertible loan was classified as a current liability.

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. This maturity date extension resulted in the classification of the RCF convertible loan as a current liability at June 30, 2022.

The discounted present value of the cash flows under the revised terms using the revised effective interest rate of 6.02% (November 24, 2020: 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 R21.7 million gain. According to IFRS 9, such non-substantial modifications (less than 10% difference in the discounted present value of the future cash flows discounted at the original effective interest rate) are to be immediately recognized in profit or loss and have therefore been included on “other (expenses)/income – net” (See Note 13).

As described in Note 1, Basis of preparation, Belvedere agreed to assume the RCF convertible loan facility in terms of a private agreement between Belvedere and RCF, subject to Belvedere obtaining a required consent prior to August 31, 2022, failing which, RCF would convert the RCF convertible loan facility at the conversion rate of C$0.0469 per share and convey the converted Company shares to Belvedere.

The liability component will continue to be accreted to its face value of US$27.0 million (approximately R439.8 million at June 30, 2022) (December 31, 2021: US$27.0 million (approximately R430.1 million)), using a revised effective interest rate of 6.02%.

Interest accrued on the RCF convertible loan facility amounting to C$359 333 (R4.5m) has been included in equity under the heading “RCF interest reserve” as at June 30, 2022 and included in Trade and other payables as at December 31, 2021 (December 31, 2021: C$359 333 (R4.5m)).

10 ASSET RETIREMENT OBLIGATIONS

	June 30, 2022 R	December 31, 2021 R
Opening balance	**58 090 782**	55 697 974
Change in estimate	**636 574**	2 392 808
- Allocation of provision	**45 374**	1 139 466
- Unwinding of discount	**591 200**	1 253 342
Closing balance	**58 727 356**	58 090 782
Less: current portion	**(7 839 529)**	(7 728 470)
Non-current portion	**50 887 827**	50 362 312

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.

(Presented in South African Rands)

10 ASSET RETIREMENT OBLIGATIONS (CONTINUED)

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 5). 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 six months ended June 30, 2022 and the year ended December 31, 2021, relate to changes in the discount and inflation rates used and a six and twelve-month reduction in the amortization period, over those respective periods.

The allocation of the provision during the six months ended June 30, 2022 of R0.05 million (year ended December 31, 2021: R1.1 million) is recognized in "general and administration expenses" (Refer to Note 14).

The unwinding of the discount during the six months ended June 30, 2022 of R0.6 million (year ended December 31, 2021: R1.3 million), is expensed in "finance income and expenses" (Refer to Note 15).

The provision is calculated using the following rates:

	June 30, 2022	**December 31, 2021**
Discount rate (%) – Magdalena – SZ25	**9.27**	8.82
Discount rate (%) – Aviemore – MR174	**4.00**	5.10
Discount rate (%) – Aviemore – MR301 and Coalfields – R186	**6.87**	3.00
Inflation rate (%) – Magdalena & Aviemore	**6.50**	5.50

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 – 3 years; Aviemore – 5 years) and based on recent yields determined on South African Government bonds.

Rates on government bonds expiring in 3 to 3.5 years were used for Magdalena (SZ25), expiring within 12 months for Aviemore MR174 (R2023) and rates on government bonds expiring between 4.73 and 5 years were used for Aviemore MR301 and Coalfields (R186).

The Group's undiscounted rehabilitation liability, if immediate closure was required, amounts to R62 964 154 on June 30, 2022 (December 31, 2021: R62 964 154). This liability is assessed on an annual basis.

(Presented in South African Rands)

11 TRADE AND OTHER PAYABLES

	June 30, 2022 R	December 31, 2021 R
Trade payables	**18 967 470**	11 634 358
Trade payables – STA	**11 128 655**	11 378 655
Audit fees	**1 879 879**	1 644 129
Deferred revenue	**21 429 514**	2 632 361
Investec royalty	**8 770 281**	7 975 179
Sundry payables and accruals	**11 688 563**	8 159 502
Accrual Carbon Tax	**745 599**	456 305
Accrual RCF interest (Note 9, 16)	**-**	4 507 835
Receiver of Revenue – VAT	**3 086 859**	1 465 924
Accrual Leave pay/bonus	**14 190 372**	10 448 630
Total	**91 887 192**	60 302 878

Included in trade and other payables as at June 30, 2022 is R11.1 million (December 31, 2021: R11.4 million) owing to STA. Interest accrues monthly on the outstanding amount at the South African prime rate.

The Investec LOMR of R8.8 million (December 31, 2021: R8.0 million) is payable on the final maturity date of the Investec Loan Facility (Refer to Note 12 and Note 15).

Included in the deferred revenue of R21.4 million is an amount of R17.0 million which relates to the prepayment of sales proceeds from an offtake agreement which the Group entered into with a customer on May 4, 2022 to fund the Group's capital infrastructure requirements to increase Magdalena's production in 2022 (Refer to Note 17, Commitments and Contingencies – Magdalena funding & Note 15, Finance Income and Expense). The remaining R4.4 million relates to upfront payments made by other customers for tonnes delivered after June 30, 2022. Deferred revenue of R2.6 million as at December 31, 2021 relates to upfront payments made by customers for tonnes delivered after year-end.

The R4.5 million accrual for RCF Interest as at December 31, 2021 was reclassified to equity under the heading "RCF interest reserve" due to the obligation from the Company to settle the outstanding amount in shares.

(Presented in South African Rands)

12 BORROWINGS

The movements in the Investec borrowings are as follows:

	June 30, 2022 R	December 31, 2021 R
Opening balance	**46 114 971**	56 114 971
Interest accrued	**1 864 919**	3 911 206
Interest paid	**(1 864 919)**	(3 911 206)
Repayments	**(1 000 316)**	(10 000 000)
Closing balance	**45 114 655**	46 114 971

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 on its Term loan until more information was available as to the impact of COVID-19 on the Group's operations.

On June 6, 2020 Investec agreed to a revolving credit facility arrangement (the "Facility Agreement") whereby the Company would open a reserve bank account 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. Both the Term loan and the Facility Agreement (collectively, the "Investec borrowings") were to be fully repaid upon a Change of Control of the Group.

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 by when the restructuring of the outstanding balance of R46,114,971 would be agreed upon and following various further extensions granted, 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 Balgray, an amount of R6.5 million to be repaid at the earliest of June 30, 2022 or the date on which Balgray's required 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 upon to be extended to December 31, 2022;

(Presented in South African Rands)

12 BORROWINGS (CONTINUED)

- The Group would be allowed to spend R6.5 million on the development of Balgray in the absence of any third-party funding until June 30, 2022; and
- The reserve bank account and cash sweeping mechanism will continue.

Capital repayments of R1,000,000 were made in the six months ending June 30, 2022. As at the date of the Interim Results, the Company has not repaid the agreed-upon June 2022 capital repayment of R250 000.

The amount owing to Investec at June 30, 2022 was R45.1 million (December 31, 2021: R46.1 million). The Company has continued to pay interest on the outstanding debt and will continue, if necessary, to approach Investec to negotiate amended repayment terms. The loan bears interest at the South African prime rate plus 0.5% payable monthly.

The Group continued to be in breach of certain covenants and repayment terms with respect the Investec borrowings at June 30, 2022.

See Note 18, Subsequent Events.

13 OTHER (EXPENSES)/INCOME – NET

	6 months ended		3 months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	R	R	R	R
Unrealized foreign exchange (loss)/gain - net	**(11 126 217)**	9 672 425	**(49 680 501)**	14 133 566
Realized foreign exchange (loss)/gain - net	**(934)**	2 535	**(1 865)**	1 436
Scrap sales proceeds	**349 529**	36 912	**157 315**	12 559
Fair value adjustment on other receivables - restricted (Note 5)	**1 147 606**	865 380	**660 537**	500 945
Fair value adjustment on conversion option (Note 5)	**(9 966 242)**	(48 143 901)	**57 841 345**	(13 895 391)
Gain on extension of RCF Convertible loan - maturity date	**21 722 270**	-	**-**	-
Loss on extension of RCF Convertible loan - conversion option (Note 5)	**(21 548 130)**	-	**-**	-
Other income	**252 151**	205 455	**103 134**	89 248
Total	**(19 169 967)**	(37 361 194)	**9 079 965**	842 363

(Presented in South African Rands)

14 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. The following table provides a summary of the expenses.

	6 months ended		3 months ended	
	June 30, 2022	**June 30, 2021**	**June 30, 2022**	**June 30, 2021**
	R	**R**	**R**	**R**
Audit and tax related fees	**1 519 100**	1 392 877	**1 060 643**	758 264
Bad debts provision/(reversal)	**623 801**	-	**-**	(232 058)
Consulting fees	**4 164 720**	2 860 936	**2 607 698**	1 352 085
Directors' fees	**1 574 944**	1 442 063	**803 414**	739 004
Exploration	**167 700**	148 990	**83 850**	148 990
Fund administration fees (Note 5)	**600 000**	600 000	**300 000**	300 000
Insurance	**3 158 842**	2 468 140	**1 570 215**	1 515 951
Legal fees	**478 059**	843 135	**347 912**	770 667
DMRE penalty reversed (Note 11)	**-**	(1 450 000)	**-**	-
Rehabilitation adjustment expense/(income) (Note 8)	**45 374**	(1 243 206)	**966 077**	-
Salaries and wages	**14 423 997**	12 804 331	**7 404 008**	5 207 597
Stock-based compensation expense (Note 13)	**189 734**	213 627	**92 599**	213 627
Shareholder communication and listing fees	**416 810**	381 932	**247 926**	278 784
Travel and accommodation	**145 083**	94	**119 089**	(4 147)
Telephone, internet and computer expenses	**636 550**	870 164	**276 913**	582 055
Other	**1 324 319**	1 223 680	**653 837**	609 247
Total	**29 469 033**	22 556 763	**16 534 181**	12 240 066

(Presented in South African Rands)

15 FINANCE INCOME AND EXPENSE

	6 months ended		3 months ended	
	June 30, 2022 R	June 30, 2021 R	June 30, 2022 R	June 30, 2021 R
Finance income				
Interest on cash and restricted cash	**315 119**	119 474	**224 027**	64 512
Total	**315 119**	119 474	**224 027**	64 512
Finance expense				
Interest on borrowings	**(2 660 021)**	(2 535 495)	**(1 336 203)**	(1 362 295)
Interest on STA accounts payable	**(432 849)**	(365 712)	**(223 903)**	(147 738)
Interest on deferred revenue	**(195 000)**	-	**(195 000)**	-
Unwinding of discount on asset retirement obligation (Note 8)	**(591 200)**	(839 156)	**(257 664)**	(419 578)
RCF convertible loan facility accretion expense (Note 6)	**(10 539 320)**	(11 126 707)	**(5 882 195)**	(5 479 121)
Finance charges on lease liabilities (Note 4)	**(28 571)**	(20 590)	**(13 110)**	(9 398)
Other	**(29 266)**	(11 407)	**(12 915)**	(6 987)
Total	**(14 476 227)**	(14 899 067)	**(7 920 990)**	(7 425 117)

Interest on borrowings included the LOMR payable to Investec of R0.8 million for the six months ended June 30, 2022 and R0.4 million for the three months ended June 30, 2022 (six months ended June 30, 2021: R0.5 million; three months ended June 30, 2021: R0.3 million) under which a 3.54% LOMR is payable on all bituminous coal sales with effect from July 1, 2017 and interest accrued on the Investec borrowings for the six months ended June 30, 2022 of R1.9 million and for the three months ended June 30, 2022 of R1.0 million (six months ended June 30, 2021: R2.1 million; three months ended June 30, 2021: R1.0 million) (Refer to Note 12).

Interest on deferred revenue relates to the prepayment of sales proceeds from an offtake agreement which the Group entered into with a customer on May 4, 2022 (Refer to Note 17, Commitments and Contingencies – Magdalena funding & Note 11, Trade and Other Payables).

16 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 six and three months ended June 30, 2022 and June 30, 2021, the Company did not enter into any other transactions with related parties (except for its subsidiaries) outside of the transactions listed below, in the ordinary course of business.

(Presented in South African Rands)

16 RELATED PARTIES (CONTINUED)

The following balances were outstanding at June 30, 2022 and December 31, 2021:

Related party payables	June 30, 2022 R	December 31, 2021 R
RCF		
Included in trade payables [1]		
Opening balance	**776 758**	1 081 353
Repayments	**-**	(372 555)
Effect of foreign currency exchange difference	**17 539**	67 960
Closing balance	**794 297**	776 758
Accrued interest [2]		
Opening balance	**4 507 835**	4 134 408
Effect of foreign currency exchange difference	**-**	373 427
Closing balance	**4 507 835**	4 507 835
Total closing balance	**5 302 132**	5 284 593

RCF is a related party to the Company as a result of owning a controlling interest in the Company (Refer to Note 1, Basis of preparation and Note 18, Subsequent events).

[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 six and three months ended June 30, 2022 or the year ended December 31, 2021. During the year ended December 31, 2021, the Company paid US$25 000 (R372 555) 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 Note 9). Interest accrued on the RCF convertible loan facility amounting to C$359 333 (R4.5m) has been included in equity under the heading “RCF interest reserve” as at June 30, 2022 and included in Trade and other payables as at December 31, 2021 (December 31, 2021: C$359 333 (R4.5m) (Refer to Note 11).

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.

16 RELATED PARTIES (CONTINUED)

The remuneration of directors and other key members of management personnel (including officers) during the six and three months ended June 30, 2022 and June 30, 2021 was as follows:

	6 months ended		3 months ended	
	June 30, 2022 R	June 30, 2021 R	June 30, 2022 R	June 30, 2021 R
Salaries	**4 169 337**	3 787 123	**2 210 166**	1 816 350
Directors' fees	**1 513 929**	1 421 874	**762 314**	809 657
Share-based payments	**125 419**	164 825	**61 742**	-
Total	**5 808 685**	5 373 822	**3 034 222**	2 626 007

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 R0.5 million as of June 30, 2022 (December 31, 2021: R0.3 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 8), were to directors and other key members of management personnel (including officers). The share-based payment expense included in the table above relates to the recognition of the fair value of these stock options.

On February 1, 2022, 300 000 (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. The remaining performance-based options vested and became exercisable after the reporting period due to a Change of Control having occurred on August 5, 2022.

No stock options were granted to directors and officers and other members of key management during the three and six months ended June 30, 2022.

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.

(Presented in South African Rands)

16 RELATED PARTIES (CONTINUED)

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.

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 extended to April 30, 2022. On April 27, 2022, this option was further extended to August 2, 2022. On July 28, 2022, this option was further extended to August 31, 2022 (Refer to Note 17 the "Group restructuring" section).

17 COMMITMENTS AND CONTINGENCIES

Management Agreements – Change of Control Provision

As detailed in Note 1, Basis of preparation, the administrative matters required to give effect to Belvedere's acquisition of a majority stake in the Company were only completed on August 5, 2022 (See Note 18, Subsequent events) and that is therefore deemed to be the date on which a Change of Control occurred.

Certain management contracts include Change of Control provisions that may, if elections are made, require payments of approximately R5.2 million to be made upon the occurrence of a Change of Control, other than a Change of Control attributable to RCF and/or Investec.

Capital Commitments

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

	June 30, 2022 R	December 31, 2021 R
Property, plant and equipment	**9 419 345**	4 563 741

17 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Surface access agreements

Aviemore East

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

- R2.50 / tonne servitude payment on Aviemore East production, subject to a minimum monthly amount of R25,000 per month and annual CPI adjustments. As at June 30, 2022, following the required CPI adjustments, the royalty amount is R3.10 / tonne (December 31, 2021: R3.10 / tonne), equating to a minimum monthly amount of R31,000 (December 31, 2021: R31,000); and
- 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 4).

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 Balgray 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 Balgray;
- Approval of Balgray 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 stipulated that the agreement would be 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.

17 COMMITMENTS AND CONTINGENCIES (CONTINUED)

If the above two conditions were not fulfilled by September 30, 2021, the conditional land purchase agreement would 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 9, 11 and 16). 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 both June 30, 2022 and as at the date of these Interim Results.

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.

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

17 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 Provisional Air Quality License ("PAEL") under the Air Quality Act. Should the PAEL application be successful, the Group will have four years (the license is valid for a period of two years and renewable once for the same duration) to comply with the Air Quality Act's Minimum Emissions Standards. This application is currently being reviewed for approval of a provisional license.

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.

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 deferred a portion 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 R17.7 million as at June 30, 2022 (December 31, 2021: R19.3 million). No amounts were accrued during the six months ended June 30, 2022 as these commitments are project specific and discussions with the DMRE are still ongoing.

17 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. The following three trusts are currently in the process of being registered:
- Siyazuza Buffalo Coal Community Trust representing the host communities in the Endumeni municipal district;
- Uzwano Trust representing host communities in the Danhauser municipal district; and
- Buffalo Coal Dundee Employee Empowerment Trust, representing historically disadvantaged employees and employees who qualify in terms of BEE legislation.

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. On April 27, 2022, this option was further extended to August 2, 2022. On July 27, 2022 this option was further extended to August 31, 2022

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 Balgray 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 as at the date of these Interim Results.

17 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Environmental Authorization granted

On July 22, 2021, the DMRE granted an official Environmental Authorization to Zinoju for Balgray. The Environmental Authorization has been granted in terms of the Environmental Impact Assessment ("EIA") Regulations (GNR 326), promulgated under the NEMA, 1998. In accordance with Regulation 4(2)(b) of the EIA's regulations, appeals had to be lodged against the DMRE's decision in terms of NEMA's National Appeal Regulations (GNR 993 of December 8, 2014, as amended) before August 24, 2021 by any interested or affected parties. No appeals against the DMRE's decision have been lodged at the date of these Interim Results.

Magdalena funding

On May 4, 2022, the Group entered into an offtake agreement with a customer whereby the Group secured funding, in the form of a prepayment of sales proceeds, totalling R17.0 million. This funding is being utilized to procure and install the capital infrastructure to increase Magdalena's production in FY 2022. To repay the amount advanced and finance cost, the Group is required to deliver a total of 64 000 tonnes of washed bituminous coal products over a period of eight months, commencing in June 2022 with a minimum monthly offtake of 8 000 tonnes per month. An amount of R290 per tonne will be set-off against all offtake tonnes delivered between June 2022 and January 2023. The set-off amount will increase to R300 per tonne on any tonnes delivered from February 2023. Any remaining tonnes not delivered by February 28, 2023 would need to be delivered or paid back in cash by March 5, 2023 (Refer to Note 11, Trade and Other Payables & Note 15, Finance Income and Expense).

18 SUBSEQUENT EVENTS

Completion of acquisition of majority stake

On August 5, 2022, all administrative matters concerning the transfer of the shares from RCF to Belvedere were completed and the Change of Control of the majority stake in the Company became effective. As at the date of the Interim Results, consent has not been provided to Belvedere pertaining to the transfer of the RCF convertible loan facility.

Investec Change of Control Notice

On July 4, 2022, the Group received notice from Investec that, on completion of the remaining administrative matters required to give effect to Belvedere's acquisition of a majority stake in the Company, that Investec would exercise its rights to demand full repayment of all outstanding amounts between the Group and Investec.

As at the date of the Interim Results, the Group and Belvedere remain in discussions with Investec. The Group will need to rely on funding provided by Belvedere to settle the due and payable amounts owing to Investec.

Appointment of new director

On August 4, 2022, the Group formally appointed Alok Joshi to the Board of Directors as a representative of Belvedere.

18 SUBSEQUENT EVENTS (CONTINUED)

Other matters

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