



Salungano

GROUP



A PURPOSE-DRIVEN
APPROACH TO
SUSTAINABILITY



CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2023

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Consolidated and separate annual financial statements

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Level of assurance

These consolidated and separate financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa 71 of 2008 ("Companies Act").

Preparer

The consolidated and separate annual financial statements were compiled by HT Kganane CA(SA) and HTCO Financial Services Proprietary Limited under the supervision of the chief financial officer ("CFO"), KM Maroga CA(SA).

Published

21 May 2024

Contact

Any queries regarding the annual financial statements or its contents should be directed to:

KM Maroga, *Chief financial officer*

Email: kabela@salunganogroup.com

Tel: +27 (0)11 049 8611

Fax: +27 (0)11 570 5848

Head office: First Floor, Building 10

Woodmead Business Park, 142 Western Service Road

Woodmead, Sandton 2191, South Africa

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required in terms of the Companies Act of South Africa, 71 of 2008 ("Companies Act") to maintain adequate accounting records and are responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate annual financial statements fairly present the state of affairs of the group and company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with IFRS Accounting Standards. The external auditor is engaged to express an independent opinion on the consolidated and separate financial statements.

The consolidated and separate financial statements are prepared in accordance with IFRS Accounting Standards and are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment to enable the directors to meet these responsibilities. The board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring that the group's business is conducted in a manner that, in all reasonable circumstances, is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated annual financial statements. Any system of internal financial control, however, can provide only reasonable, and not absolute, assurance against material misstatement or loss. It is also the responsibility of the company to maintain controls over the maintenance and integrity of the company's website.

The directors have reviewed the group's cash flow forecast for the year to March 2026 and, in light of this review and the current financial position, they are satisfied that the group has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the consolidated and separate financial statements. The consolidated and separate financial statements have been examined by the group's external auditor and their report is presented on pages 14 to 15.

The consolidated and separate annual financial statements set out on pages 16 to 111, which have been prepared on the going concern basis, were approved by the board of directors on 16 May 2024 and were signed on their behalf by:

Robinson Ramaite
Chief executive officer
("CEO")

Kabela Maroga
Chief financial officer
("CFO")

We have removed all signatures from this document to protect the security and privacy of all our signatories.

CHIEF EXECUTIVE OFFICER'S AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY REPORT

Each of the directors, whose names are stated below, hereby confirm that:

- the annual financial statements, set out on pages 16 to 111, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS Accounting Standards;
- to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries has been provided to effectively prepare the financial statements of the issuer;
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for the implementation and execution of controls;
- where we are not satisfied, we have disclosed to the audit, risk and compliance committee and the auditor any deficiencies in design and operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies; and
- we are not aware of any fraud involving directors.

Robinson Ramaite
Chief executive officer

Kabela Maroga
Chief financial officer

20 May 2024

DECLARATION BY THE COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, I hereby certify that, to the best of my knowledge and belief, Salungano Group Limited ("Salungano") has lodged with the Companies and Intellectual Property Commission, for the financial year ended 31 March 2023, all such returns and notices as required in terms of the Companies Act, and that all such returns and notices are true, correct and up to date.

Yolande Lemmer

Company secretary

20 May 2024

DIRECTORS' REPORT

The directors herewith submit the consolidated and separate annual financial statements of Salungano for the year ended 31 March 2023 ("the FY23 statements").

Matters material to shareholders

As set out in more detail under "post financial year-end events" later in this report, shareholders are aware that trading in the company's shares has been suspended by the JSE on 21 August 2023, as the company did not publish its audited financial results for the year ended 31 March 2023 within the prescribed period stipulated in the JSE Listings Requirements. The publication of these statements will serve to support the upliftment of the suspension.

The directors have noted that the KPMG audit report contains a disclaimer of opinion, based on material uncertainties related to the company's going concern status as detailed in the Auditors report (pages 14). The directors evaluated the appropriateness of the going-concern assumptions used in the preparation of the consolidated annual financial statements (discussed in detail later in this report) and remain satisfied that the company can continue to operate as a going concern. The consolidated annual financial statements were therefore prepared on this basis.

The Board has noted the reportable irregularities referred to IRBA by KPMG (as set out in more detail in note 47 to the FY23 statements).

Main business and operations

The main business of the company is that of an investment and management company with operating subsidiaries engaged in the mining, processing and trading of coal. The group operates principally in South Africa. The operating results and state of affairs of the group and company are fully set out in the consolidated and separate annual financial statements.

Group results

For the year ended 31 March 2023, the group incurred a loss of R692 million (FY22: R37 million). The EBITDA for the year is R99 million (FY22: R646 million).

The main contributing factors to the poor performance were as follows:

- High cost of sales due to low production at the Vanggatfontein colliery ("VGF") and Khanyisa operations. VGF was placed under care and maintenance in February 2022 as the Eskom Coal Supply Agreement ("CSA") was not extended;
- The life of mine at Khanyisa has ended and the group is currently awaiting approval from Transnet Pipelines to mine within 50 meters of the pipeline;
- Lower sales volumes as a result of the Eskom CSA not being extended at VGF and Elandspruit;

- Transport challenges to the ports for export sales and related logistic constraints;
- Low production at Elandspruit due to ongoing issues with the mining contractor. The performance deteriorated significantly in the second half of FY23; and
- Inventory losses due to slow moving stock. An amount of R131 million was recognised as an expense in FY23 profit and loss and other comprehensive income, due to inventory losses.

The cash generated from operations of R260 million (FY22: R672 million) allowed the group to settle R246 million of the interest-bearing borrowings in the current year.

Going concern

As at 31 March 2023, the group had a net overdraft of R61 million (FY22: R172 million cash and cash equivalents) and the available facilities on the general banking facility amounted to R0 (FY22: R2 million).

Although the group did not meet its financial covenants for the last quarter of the financial year, the lenders continue to support the group's debt restructuring. At the anniversary of the facility agreement (28 June 2023) the group had not yet secured the refinancing or settled the outstanding debt due. Although this is considered a material uncertainty casting doubt on the group's ability to continue as a going concern, the group has been engaging financial institutions to refinance long-term funding of between R350 million and R450 million. Due to the quantum being significantly lower than the previous financing transaction and security held in a security special purpose vehicle, the refinancing should be a lot simpler to implement. The lenders have provided a draft term sheet to refinance the debt of R433 million subject to final credit approval. The execution has however, taken longer than anticipated due to uncertainties that arose from liquidation applications against Wescoal Mining Proprietary Limited ("Wescoal Mining") and Keaton Mining Proprietary Limited ("Keaton Mining") at the time of the refinancing negotiations. These have largely been mitigated by Wescoal Mining being placed under voluntary business rescue and Keaton Mining filing notices of intention to oppose the liquidation applications, as well as payment plans being agreed with creditors where applicable. The refinancing is now expected to be concluded by June 2024.

As at 31 March 2023, the assets exceeded the total liabilities of the group by R121 million (FY22: R812 million) which indicates that the group is still solvent. The business rescue of Wescoal Mining and downscaling of operations at VGF have reduced the group's liquidity constraints. Cash generation from Neosho Trading 86 Proprietary Limited (in respect of the Moabsvelden mine) continues in a positive trajectory as operations ramp up. These factors form the basis for the company's cash flows assumptions for the next 18 months. Further details on solvency and liquidity are set out in note 40 of the FY23 statements.

Based on the above, the consolidated and separate financial statements have been prepared on a going concern basis.

Post-financial year-end events

Lending arrangements

On 3 April 2023, the group received funding through a shareholder loan from RBFT Investments Proprietary Limited of R50 million. The loan agreement has been entered into on normal commercial terms and on an unsecured basis. The loan bears interest at prime plus 2% and is repayable no later than 12 months from effective date.

Resignation of Directors

The following Directors resigned post year-end, with effect from 30 June 2023:

- N Mnxasana (*Independent non-executive*);
- A Mabizela (*Independent non-executive*); and
- N Siyotula (*Lead independent non-executive*).

Following the abovementioned directors' resignations, the Board embarked on a process to find suitable replacements and appointed Mr Themba Tshikovhi, Ms Sinesipho Maninjwa and Mr Mzimkulu Malunga as independent non-executive directors with effect from 1 March 2024.

Resignation and appointment of sponsor

Nedbank Corporate and Investment Banking resigned as sponsors with effect from 31 July 2023, and Merchantec Capital was appointed as the new sponsor to the Company with effect from 1 August 2023.

Draft term sheet for R433 million issued by Lenders

As mentioned previously, on 28 July 2023 the lenders issued the group with a draft term-sheet for R433 million senior secured debt facilities and discussions regarding the re-financing are still on going.

Business rescue of a subsidiary

On 10 August 2023, a mining contractor of Wescoal Mining, IPP Mining and Materials Handling Proprietary Limited ("IPP") applied for the provisional winding-up of Wescoal Mining. Wescoal Mining filed a notice of opposition to the liquidation application.

On 24 August 2023, Wescoal Mining and IPP agreed to settle the matter and the terms of the settlement agreement were made an order of the court. The liquidation application was withdrawn and Wescoal Mining agreed to commence with a voluntary business rescue process based on a board resolution in terms of Section 129(1) of the Companies Act. The business rescue proceedings commenced on 25 August 2023.

Appointment of Chief Restructuring officer

On 11 August 2023, the Salungano Board appointed a Chief Restructuring Officer ("CRO"), Mr Stefan Smyth, Managing Director of Kroll South Africa Proprietary Limited, in a non-fiduciary capacity. Mr Smyth and his team of experienced restructuring experts are currently serving as lead Independent Financial Advisors to advise and guide the Board to successfully restructure and refinance the affairs of the Salungano Group as soon as possible. The CRO mandate was concluded with effect 29 March 2024.

Suspension of listing

As mentioned in the introductory paragraph ("Matters material to shareholders"), the JSE has suspended the listing of the Company's securities with effect from 21 August 2023, due to the Company's failure to comply with the JSE Listings Requirements by not publishing its audited annual financial results for the year ended 31 March 2023 within the prescribed period stipulated in the JSE Listings Requirements.

Liquidation applications of a subsidiary

In October 2023, a number of creditors submitted liquidation applications against Keaton Mining. These claims encompass services related to contractor mining operations, advance payments received for coal delivery, and maintenance and servicing of mining equipment. Keaton Mining has filed notices of opposition to the liquidation and has actively engaged all affected creditors with a view of settling all the matters.

The provisional regulation was heard on 26 February 2024 and the proceedings were suspended due to Keaton Energy Holdings Limited ("KEH") applying for business rescue. KEH Limited holds 100% shares in Keaton Mining. The business rescue application was heard on 28 March 2024 and judgment was delivered on 2 April 2024, in terms whereof the Business rescue application was dismissed. A notice of appeal has been lodged.

Directors' interests in contracts

During the year ended 31 March 2023, the CEO had the following indirect interests in contracts with the company:

- Loan agreements to the company and its subsidiaries;
- A sponsorship agreement with Venda Football Academy; and
- A lease agreement with the Simeka Investment Group.

The directors are not aware of any other material events arising since the end of the reporting period in the financial statements, which could significantly affect the financial position of the group at 31 March 2023 or the results of its operations or cash flows for the year then ended.

Directors' report continued

Compliance with financial reporting standards

The Salungano Group and company consolidated annual financial statements comply with IFRS Accounting Standards, the Companies Act and the JSE Listings Requirements.

Borrowing limitations

In terms of the Memorandum of Incorporation of the company, the directors may exercise all the powers of the company to borrow money as they consider appropriate.

Share capital

Authorised

The authorised share capital of the company has changed from 500 000 000 to 1 000 000 000 during the year, as approved by shareholders at the annual general meeting of the company held on 4 October 2022.

Issued

The movement of shares during the year was as follows (excluding treasury shares):

| | R'000 |
|------------------------------|--------------|
| Reported as at 1 April 2022 | 410 408 |
| Reported as at 31 March 2023 | 410 408 |

Major shareholders of the company

| Shareholder | 2023 | | 2022 | |
|--------------------------------------|--------------------|--------------|------------------|-------------|
| | Number of shares | % of shares | Number of shares | % of shares |
| Beneficial holder | | | | |
| K2016316243 (SA) Proprietary Limited | 213 628 122 | 50.87 | 213 628 122 | 50.87 |
| RBFT Investments Proprietary Limited | 86 626 187 | 20.63 | 64 879 829 | 15.45 |
| MR Ramaite | 23 193 301 | 5.52 | 23 193 301 | 5.52 |
| Wescoal Share Incentive Trust | 9 508 000 | 2.26 | 9 508 000 | 2.26 |
| Rutendo Holdings Proprietary Limited | 8 640 396 | 2.06 | 8 640 396 | 2.06 |
| M Marageni | 7 016 988 | 1.67 | | |

The percentage of share calculation based on the issued share capital of 419 916 854 shares includes treasury shares (FY22: 419 916 854). The increase in RBFT Investment Proprietary Limited's shareholding follows a minority buy-out offer, as well as the buying of shares in the open market.

Share buy-back

There were no shares repurchased during the financial year.

Corporate governance

The directors acknowledge the importance of sound corporate governance and the guidelines set out in King IV™ and recommended practices. The directors therefore embrace

King IV™ as far as it is appropriate, having regard for the size and nature of the various companies making up the group. The board will continue to take such measures as are practicable to comply with King IV™, including the appointment of the independent non-executive directors as mentioned earlier herein. The King IV™ application register is available on the company's website at www.salunganogroup.com

Listing

The abbreviated name under which the company is listed on the Main Board of the JSE has changed from "Wescoal" with the short code "WSL" to "Salungano" and the short code is "SLG".

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Directors

| Name | Designation | Changes | Nationality |
|---------------------|---|----------------------------|---------------|
| HLM Mathe | Chairman, independent non-executive* | Appointed 1 August 2013 | South African |
| MR Ramaite | Chief executive officer* | Appointed 20 November 2007 | South African |
| JM Speckman | Chief financial officer** | Appointed 1 February 2021 | South African |
| A Mabizela | Independent non-executive [#] | Appointed 5 December 2019 | South African |
| Mzimkulu Malunga | Independent non-executive | Appointed 1 March 2024 | South African |
| Sineshipho Maninjwa | Independent non-executive | Appointed 1 March 2024 | South African |
| KM Maroga | Non-executive*** | Appointed 1 July 2013 | South African |
| C Maswanganyi | Non-executive | Appointed 17 November 2017 | South African |
| N Mnxasana | Independent non-executive [#] | Appointed 5 December 2019 | South African |
| ET Mzimela | Non-executive | Appointed 17 November 2017 | South African |
| N Siyotula | Lead independent non-executive [#] | Appointed 14 February 2019 | South African |
| Themba Tshikovhi | Independent non-executive | Appointed 1 March 2024 | South African |
| T Tshithavhane | Executive | Appointed 4 April 2016 | South African |

* Appointed as CEO from 1 April 2022.

** Resigned on 14 April 2022, effective 30 September 2022.

*** Appointed as CFO with effect from 1 October 2022.

[#] Resigned on 30 June 2023.

Company secretary

Yolande Lemmer and Computershare Investor Services Proprietary Limited are the company secretary and transfer secretary, respectively.

Resolutions

The following resolutions were approved by shareholders at an annual general meeting of the company held 4 October 2022:

Ordinary resolutions

- Re-election of director: Andile Mabizela;
- Re-election of director: Nomavuso Patience Mnxasana;
- Re-election of director: Humphrey Mathe;
- Reappointment of the members of the audit, risk and compliance committee of the Company: Nonzukiso ("Zukie") Siyotula, Andile Mabizela, Nomavuso Patience Mnxasana;
- Reappointment of KPMG Inc ("KPMG") as the independent registered auditor of the company for the 2023 financial year, and the appointment of Ms Brenda Jajula as the designated auditor for the FY23 financial year;
- Advisory endorsement of the remuneration policy;
- Advisory endorsement of the remuneration implementation report;
- Directors' authority to control authorised but unissued ordinary share capital; and
- The authorisation for any director of the company to implement the resolutions taken at the annual general meeting.

Special resolutions

- Approval for the company to grant inter-group financial assistance in terms of sections 44 and 45 of the Companies Act;
- Approval of the remuneration of non-executive directors;
- Approval of the acquisition of the company's own shares; and
- Amendment to the company's MoI to increase the Company's authorised ordinary share capital.

Independent auditor

The company has reappointed KPMG as the external auditors for the 31 March 2023 financial year, with the designated audit partner being Ms Brenda Jajula.

Directors' interests in the issued share capital (number of shares)

| Director | 2023 | | 2022 | |
|----------------|--------------------------|----------------------------|--------------------------|----------------------------|
| | Direct shareholding '000 | Indirect shareholding '000 | Direct shareholding '000 | Indirect shareholding '000 |
| MR Ramaite | 23 193 | 194 990 | 23 193 | 209 637 |
| ET Mzimela | - | 33 112 | - | 33 110 |
| T Tshithavhane | 852 | - | 852 | - |
| KM Maroga | 2 451 | - | 2 215 | - |
| Total | 26 496 | 228 102 | 26 240 | 242 747 |

There have been no changes to the directors' shareholdings between Salungano's financial year-end (31 March 2023) and the date of approval of the annual financial statements. The increase in MR Ramaite's indirect shareholding is due to a minority buy-out offer (and shares bought in the open market by an associate). KM Maroga acquired additional shareholding in the current financial year.

Directors' remuneration

Executive

| | Re-muneration R'000 | Medical and provident fund contributions R'000 | Annual bonus R'000 | Fringe and other benefits R'000 | Cash total R'000 | IFRS 2 share option expense R'000 |
|----------------|---------------------|--|--------------------|---------------------------------|------------------|-----------------------------------|
| 2023 | | | | | | |
| MR Ramaite | 4 100 | - | - | - | 4 100 | - |
| JM Speckman* | 1 799 | 165 | - | - | 1 964 | - |
| T Tshithavhane | 3 578 | 567 | - | 49 | 4 194 | 5 |
| KM Maroga** | 1 414 | 216 | 1 500 | - | 3 130 | - |
| | 10 891 | 948 | 1 500 | 49 | 13 388 | 5 |
| 2022 | | | | | | |
| MR Ramaite | 2 809 | - | - | - | 2 809 | - |
| JM Speckman* | 2 775 | 225 | 250 | 4 | 3 254 | - |
| T Tshithavhane | 3 656 | 296 | 329 | 60 | 4 341 | 207 |
| | 9 240 | 521 | 579 | 64 | 10 404 | 207 |

* Resigned as CFO and executive director on 6 April 2022, effective 30 September 2022.

** Appointed as CFO with effect from 1 October 2022.

Non-executive

| | Group | |
|---------------|--------------|--------------|
| | 2023 R'000 | 2022 R'000 |
| HLM Mathe | 707 | 582 |
| KM Maroga* | 236 | 881 |
| C Maswanganyi | 405 | 358 |
| ET Mzimela | 431 | 400 |
| N Siyotula** | 942 | 931 |
| N Mnxasana** | 605 | 612 |
| A Mabizela** | 586 | 558 |
| | 3 912 | 4 322 |

* KM Maroga was appointed as CFO with effect from 1 October 2022.

** Resigned 30 June 2023.

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

The audit, risk and compliance committee is a statutory committee in terms of chapter 3 of the Companies Act and a sub-committee of the board. The committee functions within documented terms of reference and complies with relevant legislation, regulations and governance codes. This report of the audit, risk and compliance committee is presented to shareholders in compliance with the requirements of the Companies Act and the revised King IV™ report. The committee's terms of reference were approved by the board and are reviewed annually.

Role of the committee

- The committee has an independent role and it is accountable to both the board and to shareholders;
- The committee's responsibilities include the statutory duties prescribed by the Companies Act, activities recommended by King IV™ and additional responsibilities assigned by the board;
- The effectiveness of the committee has been assessed as part of an external board and committee evaluation process in FY22;
- Reports of the meetings of the committee, except those recording private meetings with the external and internal auditors, are circulated to all directors and supplemented by an update from the committee chairperson at each board meeting. Matters requiring action or improvement are identified and appropriate recommendations are made to the board; and
- The chairperson of the committee attends all statutory shareholder meetings to answer any questions and report on the committee's activities.

Composition of the committee

There were no changes to the composition of the committee during FY23. In this period, the Committee comprised three independent non-executive directors, namely Ms Zukie Siyotula (*Chairperson*), Ms Nomavuso Mnxasana and Mr Andile Mabizela. These directors were suitably skilled, with relevant financial experience. The committee is elected by shareholders at the annual general meeting. All three committee members had been re-elected at the annual general meeting of the company held on 4 October 2022.

The three independent non-executive directors comprising the Committee resigned post year-end, on 30 June 2023.

In the absence of a compliant Audit, Risk and Compliance Committee comprising only independent non-executive directors, the Board took over the functions of the committee until the committee was fully constituted with effect from 1 March 2024.

The new committee comprise Mr Tshikovhi (Chairperson), Ms Maninjwa and Mr Mzimkulu Malunga.

Meeting attendance

- Meeting attendance by committee members for FY23 is set out in the annual report;
- The group CEO and CFO, representatives of the external and internal auditors, the compliance and risk officer and, from time to time, other assurance and professional advisors, ordinarily attend committee meetings as invitees; and
- The committee periodically ordinarily meets separately with the external and internal auditors, without members of executive management being present.

Responsibilities

The responsibilities of the committee include:

- reviewing the group's financial statements and reporting of interim and final results;
- considering, for recommendation to the Board, the consolidated budget for the ensuing financial year;
- overseeing integrated reporting;
- overseeing the internal risk and compliance function;
- overseeing the group's internal auditor function and approving the appointment of the internal auditor;
- approving the annual internal audit plan;
- ensuring the effective implementation of risk, ethics and compliance management plans and overseeing adherence to these plans, encompassing the development and maintenance of comprehensive enterprise risk management as well as compliance management frameworks and policies;
- ensuring that risk disclosure remains comprehensive and relevant;
- ensuring the implementation of the combined assurance model in accordance with the regularly reviewed combined assurance plan;
- reviewing the expertise, resources and experience of the company's finance function;
- considering the expertise and experience of the CFO;
- reviewing and approving the appropriateness of accounting policies and the effectiveness of internal financial controls;
- considering the sustainability disclosure in the integrated annual report to ensure that it does not conflict with financial information;
- considering external assurance of material sustainability issues;
- monitoring of the relationship between external and internal assurance providers and the group;
- nominating the external auditor for appointment by the shareholders, and approving the terms of engagement and fees of the external auditor;

Audit, risk and compliance committee report continued

- monitoring and reporting on the independence of the external auditor;
- approving non-audit services in terms of a regularly reviewed non-audit services policy;
- reviewing the quality and effectiveness of the external audit process;
- monitoring of information technology governance and controls, supported by appropriate systems and policies; and
- ensuring the existence of adequate and updated mechanisms to safeguard the company's information.

Statutory and other duties discharged

In execution of its duties during the year under review, the Committee:

- nominated and recommended to shareholders the reappointment of KPMG as independent external auditor, with Brenda Jajula as designated audit partner, for FY23;
- approved the external audit fees and terms of engagement;
- maintained a non-audit services policy to determine the nature and extent of any non-audit services provided to the group by KPMG;
- submitted matters to the board concerning the company's accounting policies, financial controls, records and reporting, as appropriate;
- monitored compliance with accounting standards and legal requirements and ensured that all regulatory compliance matters had been considered in the preparation of the financial statements;
- reviewed the external auditor's report to the committee and management's responses thereto and made appropriate recommendations to the board in this regard;
- reviewed and commented on the annual financial statements, interim reports and announcements, and recommended these to the Board for approval;
- reviewed and recommended to the Board for adoption the consolidated budget for the ensuing financial year;
- considered the going concern status of the company and group on the basis of review of the annual financial statements and the information available to the committee and recommended such going concern status for adoption by the Board;
- satisfied itself as to the independence of the external auditor, and considered the information detailed in paragraph 3.84(g) of the JSE Listings Requirements provided by the audit firm and individual auditor in the assessment of the suitability of appointment of the auditor;
- satisfied itself that the internal auditor was independent and the internal audit function effective;
- reviewed the cooperation between the internal and external audit functions to ensure that duplication of work was minimised and concluded that the combined assurance arrangement was effective;

- examined and reviewed the progress made by the internal auditor against the approved internal audit plan;
- considered internal audit findings and corrective actions taken in response to such findings;
- concluded that the design and implementation of internal controls, including financial controls and risk management, were effective;
- determined the nature and extent of non-audit services provided by the external auditor and pre-approved all non-audit services in accordance with the non-audit services policy.

Key areas of focus during the reporting period

In addition to the execution of the aforesaid duties, the committee paid special attention to the following during FY23:

- review of the quarterly external audit submissions and key audit matters;
- review of key audit findings from the internal auditors;
- risk and compliance management;
- the company's going concern status, through diligent reviews of financial and operational performance;
- environmental rehabilitation provisions and progress against the implementation of a comprehensive mine rehabilitation plan;
- cash flow management and the oversight of compliance with bank covenants;
- interaction with the social and ethics committee to consider risks relating to health and safety performance at the mines, registers of fraud, theft and incidents of dishonesty, crime statistics and asset protection measures, as well as compliance and material litigation matters;
- close monitoring of key risks and mitigation measures;
- review of tax status updates;
- review of accounting matters for consideration;
- review of voluntary operational update announcements and trading statements;
- monitoring of information technology governance and controls; and
- review of external committee evaluation results, which results were positive.

Financial statements, accounting practices and going concern assessment

- In the absence of a compliant Committee (with reference to its composition since 1 July 2023) the Board has reviewed the consolidated annual financial statements of the group for the year ended 31 March 2023. The board is of the opinion that in all material respects, these comply with the relevant provisions of the Companies Act and IFRS Accounting Standards and fairly present the consolidated and separate financial position of the company at that date, and the results of its operations and cash flows for that year;
- The Board has also satisfied itself on the integrity of the remainder of this integrated annual report for the year ended 31 March 2023;
- The Board is satisfied with the fact that the consolidated annual financial statements were prepared on a going concern basis following the conclusion of an analysis of quantitative and qualitative measures to this effect; and
- The Board approved the consolidated annual financial statements on 16 May 2024.

Chief financial officer and finance function

The Board is satisfied that the expertise and experience of the CFO, Kabelá Maroga, is appropriate to meet the responsibilities required by the position. This is based on the qualifications, levels of experience and the board's assessment of the financial knowledge of the CFO. The committee is also satisfied as to the appropriateness, expertise and adequacy of resources of the finance function and the experience of senior members of management responsible for the finance function.

Focus areas for 2024

- Finalising the composition of the Committee to ensure its compliance with all regulatory and statutory requirements;
- Monitoring of risks and opportunities against the group's revised strategy; and
- Monitoring of the Company's financial performance.

On behalf of the committee

HLM Mathe

*Chairman of the Board
Post 30 June 2023*

20 May 2024

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Salungano Group Limited

Report on the audit of the consolidated and separate financial statements

Disclaimer of opinion

We were engaged to audit the consolidated and separate financial statements of Salungano Group Limited (the Group and Company) set out on pages 16 to 111, which comprise the statements of financial position as at 31 March 2023, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated and separate financial statements of Salungano Group Limited. Because of the significance of the matters described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated and separate financial statements.

Basis for disclaimer of opinion

As indicated in note 40 to the consolidated and separate financial statements, the Group incurred a net loss of R691.6 million and the Company incurred a net loss of R148.8 million for the year ended 31 March 2023 and, at that date, the Group's current liabilities exceeded its current assets by R765.7 million and the Company's current liabilities exceeded its current assets by R184.7 million

The note states that the Group and Company will continue in operational existence for the foreseeable future and thus the consolidated and separate financial statements were prepared using the going concern basis of accounting. The directors supported the going concern assessment based on re-financing of the current debt, and the cash flow forecasts for the 18 months from the date of issuing the financial statements, which are dependent on key assumptions as set out in note 40 to the consolidated and separate financial statements. The directors have not provided us with sufficient appropriate evidence to support the consolidated and separate financial statements being prepared using the going concern basis of accounting, particularly in respect of the following:

- The Group and Company have not secured the re-financing of the current outstanding debt, amounting to R481.5 million, which is currently in default as disclosed in note 20 to the consolidated and separate financial statements.
- The business rescue plan in respect of Wescoal Mining Proprietary Limited (Wescoal) has not been finalised and accordingly the realisation of the assets and the terms of settlement with the creditors are unknown at the date of issuing these consolidated financial statements. Included in

the separate financial statements is a loan receivable from Wescoal amounting to R173.2 million, as disclosed in note 11, where the recoverability may or may not be impacted by the business rescue process.

- A number of creditors of Keaton Mining Proprietary Limited (Keaton) have filed notice of application for Keaton to be liquidated and subsequently in response to this notice, Keaton has filed notices to oppose the liquidation application as disclosed in note 41.4.2 to the consolidated and separate financial statements. The realisation of the assets and the settlement of obligations to affected creditors is unknown at the date of issuing these consolidated financial statements. Included in the separate financial statements, as disclosed in note 8 to the separate financial statements, is an investment in Keaton Energy Holdings Limited (Keaton Energy), the holding company of Keaton, amounting to R523.6 million and a loan receivable from Keaton Energy, as disclosed in note 11 to the separate financial statements, amounting to R420.4 million. We were unable to obtain sufficient appropriate audit evidence to support the expected credit losses in respect of the loan receivable from Keaton to Keaton Energy and consequently the loan owed by Keaton Energy to the Company. Accordingly, the loans to group companies are overstated by R203.8 million and the movement in credit loss allowance is understated by R203.8 million. Consequently, the investment in Keaton Energy is also overstated by R203.8 million given its value was based on the net asset value of Keaton Energy.
- The cashflow forecasts provided to us by the directors include various assumptions which are uncertain and are not supportable based on production targets and sales volumes given the status of the current coal supply agreements.
- As indicated in note 24 to the consolidated financial statements, the environmental rehabilitation obligation of R2.9 billion (net of the rehabilitation investment) will be funded from operational cash flows generated by the Group's normal operations. Given the current financial performance of the Group it is uncertain how the Group will fund these rehabilitation liabilities.

Consequently, as a result of the multiple material uncertainties relating to the matters set out above, we were unable to confirm or dispel whether it is appropriate to prepare the consolidated and separate financial statements using the going concern basis of accounting.

In addition, sufficient appropriate evidence was not obtained in respect of following related to the consolidated financial statements:

- Included in trade payables as disclosed in note 25 to the consolidated financial statements are amounts owing in respect of Keaton, amounting to R371.0 million. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves that all known obligations were recorded in respect of Keaton.

- We were unable to obtain sufficient appropriate evidence to support various journal entries recorded in Keaton's general ledger given a break down in internal controls that could impact several financial statement captions.
- Included in the deferred tax asset recognised of R316.9 million, as disclosed in note 14, is a deferred tax asset relating to Keaton of R144.5 million and relating to Wescoal of R148.8 million. Given that Keaton is currently subject to a liquidation application and Wescoal is currently in business rescue uncertainty exists in respect of the recoverability of these deferred tax assets.

Furthermore, the loss before taxation in the consolidated financial statements is understated by the aggregate of audit misstatements amounting to R33.4 million which have not been corrected by management. Consequently, retained earnings is understated by R33.4 million, current assets overstated by R22.4 million, non-current assets understated by R2.7 million and current liabilities understated by R13.7 million.

Other matter – Reports required by the Companies Act

The consolidated and separate annual financial statements include the Directors' Report, the Audit, Risk and Compliance Committee Report and Declaration by The Company Secretary as required by the Companies Act of South Africa. The directors are responsible for this other information.

We have read the other information and, in doing so, considered whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. However, due to the disclaimer of opinion in terms of the International Standard on Auditing (ISA) 705 (Revised), Modifications to the Opinion in the Independent Auditor's Report, we are unable to report further on this other information.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or Company or to cease operations, or have no realistic alternative but to do so.

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

Our responsibility is to conduct an audit of the Group and Company's consolidated and separate financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matter described in the Basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated and separate financial statements.

We are independent of the Group and Company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Salungano Group Limited for two years.

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified reportable irregularities in terms of the Auditing Profession Act. We have reported such matters to the Independent Regulatory Board for Auditors. The matters pertaining to the reportable irregularities have been described in note 47 to the consolidated and separate financial statements.

KPMG Inc

KPMG Inc.
Registered Auditor

Per BPK Jajula
Chartered Accountant (SA)
Registered Auditor
Director
21 May 2024

KPMG Crescent
85 Empire Road
Parktown
2193

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2023

| | Notes | Group | | Company | | |
|--|-------|------------------|------------------|------------------|-----------------------------|-------------------------------------|
| | | 2023 R'000 | 2022 R'000 | 2023 R'000 | * Restated 2022 R'000 | * Restated 1 April 2021 R'000 |
| Asset | | | | | | |
| Non-current assets | | | | | | |
| Property, plant and equipment | 3 | 2 856 228 | 2 504 013 | 654 | 361 | 497 |
| Right-of-use assets | 4 | 7 803 | 4 291 | 5 101 | - | 106 |
| Investment property | 5 | 709 | 709 | - | - | - |
| Goodwill | 6 | 49 660 | 49 660 | - | - | - |
| Intangible assets | 7 | 11 101 | 13 248 | 1 627 | 1 942 | 2 727 |
| Investments in subsidiaries | 8 | - | - | 590 400 | 693 562 | 693 562 |
| Investment in joint venture | 9 | - | - | - | - | - |
| Loan to joint venture | 11 | - | 23 751 | - | - | - |
| Restricted investments | 10 | 148 335 | 115 983 | - | - | - |
| Other receivables | 12 | 71 323 | 63 105 | 71 323 | 63 105 | - |
| Lease receivables | 13 | - | 176 363 | - | - | - |
| Deferred tax asset | 14 | 316 941 | 86 241 | 2 570 | 3 214 | 2 726 |
| Prepaid royalty | 15 | 1 187 | 2 559 | - | - | - |
| Restricted cash | 18 | 8 979 | 8 315 | - | - | - |
| | | 3 472 265 | 3 048 238 | 671 674 | 762 184 | 699 618 |
| Current assets | | | | | | |
| Inventories | 16 | 426 420 | 421 380 | - | - | - |
| Loans to group companies* | 11 | - | - | 602 717 | 1 025 768 | 1 150 610 |
| Trade and other receivables | 17 | 639 445 | 679 803 | 43 623 | 29 834 | 24 581 |
| Lease receivables | 13 | - | 9 192 | - | - | - |
| Other receivables | | - | - | - | - | 55 906 |
| Prepaid royalty | 15 | 1 253 | 1 281 | - | - | - |
| Current tax receivable | | 6 321 | 267 | 3 618 | - | 269 |
| Cash and cash equivalents | 18 | 24 078 | 270 854 | 147 | 570 | 139 |
| | | 1 097 516 | 1 382 777 | 650 106 | 1 056 172 | 1 231 505 |
| Total assets | | 4 569 781 | 4 431 015 | 1 321 780 | 1 818 356 | 1 931 123 |
| Equity and liabilities | | | | | | |
| Equity attributable to equity holders of the parent | | | | | | |
| Share capital | 19 | 630 372 | 630 372 | 630 372 | 630 372 | 629 838 |
| Reserves | | (12 322) | (12 263) | 14 662 | 14 649 | 14 555 |
| Retained earnings* | | (497 472) | 194 163 | (216 336) | (67 526) | (67 585) |
| | | 120 579 | 812 272 | 428 699 | 577 495 | 576 808 |
| Liabilities | | | | | | |
| Non-current liabilities | | | | | | |
| Financial liabilities at amortised cost | 21 | 50 164 | - | - | - | - |
| Lease liabilities | 23 | 6 586 | 124 606 | 4 512 | - | - |
| Deferred tax liability | 14 | 138 364 | 205 377 | - | - | - |
| Environmental rehabilitation provision | 24 | 2 390 813 | 1 389 740 | - | - | - |
| | | 2 585 925 | 1 719 723 | 4 512 | - | - |
| Current liabilities | | | | | | |
| Trade and other payables | 25 | 1 151 179 | 1 033 652 | 28 976 | 19 807 | 21 013 |
| Interest-bearing borrowings | 20 | 481 547 | 678 873 | 481 547 | 678 873 | 931 381 |
| Financial liabilities at amortised cost | 21 | 73 888 | - | - | - | - |
| Loan from group companies | 26 | - | - | 284 438 | 443 114 | 328 732 |
| Lease liabilities | 23 | 3 138 | 75 454 | 1 028 | - | 125 |
| Current tax payable | | 51 021 | 12 623 | 121 | 676 | - |
| Loan from shareholder | 22 | 17 118 | - | 7 100 | - | - |
| Bank overdraft | 18 | 85 385 | 98 418 | 85 359 | 98 391 | 73 064 |
| | | 1 863 277 | 1 899 020 | 888 569 | 1 240 861 | 1 354 315 |
| Total liabilities | | 4 449 202 | 3 618 743 | 893 081 | 1 240 861 | 1 354 315 |
| Total equity and liabilities | | 4 569 781 | 4 431 015 | 1 321 780 | 1 818 356 | 1 931 123 |

* Refer to note 46 relating to the restatement of the loans to group companies and retained earnings.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2023

| | Notes | Group | | Company | |
|---|-------|------------------|---------------|------------------|---------------|
| | | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Revenue | 27 | 4 789 450 | 5 138 882 | 106 486 | 94 460 |
| Revenue – interest received | 27 | | | 67 937 | 75 280 |
| Cost of sales | 28 | (4 660 509) | (4 587 856) | - | - |
| Gross profit | | 128 941 | 551 026 | 174 423 | 169 740 |
| Operating income | 29 | 30 068 | 29 182 | 11 | 229 |
| Movement in credit loss allowances | 29 | (46 124) | (54 873) | (41 818) | (2 715) |
| Impairment of property, plant and equipment | 3 | (450 941) | - | - | - |
| Impairment of goodwill | 8 | - | (2 951) | - | - |
| Impairment in joint ventures | | - | (59 390) | - | - |
| Impairment of investment in subsidiaries | 9 | - | | (103 162) | - |
| Operating expenses | | (406 538) | (324 868) | (118 572) | (95 313) |
| Operating (loss)/profit | 29 | (744 594) | 138 126 | (89 117) | 71 941 |
| Interest income | 30 | 23 737 | 22 790 | - | - |
| Finance costs | 31 | (210 336) | (180 983) | (59 491) | (69 520) |
| Share of losses from equity-accountant investment | 9 | - | (17 458) | - | - |
| (Loss)/profit before taxation | | (931 193) | (37 525) | (148 609) | 2 421 |
| Taxation | 32 | 239 558 | 354 | (195) | (2 362) |
| (Loss)/profit for the year | | (691 635) | (37 171) | (148 804) | 59 |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive (loss)/income for the year | | (691 635) | (37 171) | (148 804) | 59 |
| Earnings per share | | | | | |
| Basic loss per share (cents) | | (168,52) | (9,06) | - | - |
| Diluted loss per share (cents) | | (168,52) | (9,06) | - | - |

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2023

Group

| | Share capital R'000 | Share-based payment reserve R'000 | Other non-distributable reserve R'000 | Total reserves R'000 | Retained earnings R'000 | Total equity R'000 |
|---|------------------------|--------------------------------------|--|-------------------------|----------------------------|-----------------------|
| Balance as at 1 April 2021 | 629 838 | 14 692 | (27 113) | (12 421) | 231 334 | 848 751 |
| Loss for the year | - | - | - | - | (37 171) | (37 171) |
| Shares exercised (employee share option scheme) | 534 | (534) | - | (534) | - | - |
| Employee's share option scheme | - | 692 | - | 692 | - | 692 |
| Balance as at 1 April 2022 | 630 372 | 14 850 | (27 113) | (12 263) | 194 163 | 812 272 |
| Loss for the year | - | - | - | - | (691 635) | (691 635) |
| Employee share option scheme | - | (59) | - | (59) | - | (59) |
| Balance as at 31 March 2023 | 630 372 | 14 791 | (27 113) | (12 322) | (497 472) | 120 578 |
| Note | 19 | 39 | | | | |

Company

| | Share capital R'000 | Share-based payment reserve R'000 | Other non-distributable reserve R'000 | Total reserves R'000 | Retained earnings R'000 | Total equity R'000 |
|--|------------------------|--------------------------------------|--|-------------------------|----------------------------|-----------------------|
| Opening balance as at 1 April 2021 | 629 838 | 14 555 | - | 14 555 | (114 988) | 529 405 |
| Prior period error (refer note 46) | - | - | - | - | 47 403 | 47 403 |
| Balance as at 1 April 2021 as restated | 629 838 | 14 555 | - | 14 555 | (67 585) | 576 808 |
| Profit for the year | - | - | - | - | 59 | 59 |
| Share exercised (employee share option scheme) | 534 | (534) | - | (534) | - | - |
| Employee's share option scheme | - | 628 | - | 628 | - | 628 |
| Balance as at 1 April 2022 as restated | 630 372 | 14 649 | - | 14 649 | (67 526) | 577 495 |
| Loss for the year | - | - | - | - | (148 804) | (69 592) |
| Employee share option scheme | - | 13 | - | 13 | - | 13 |
| Balance as at 31 March 2023 | 630 372 | 14 662 | - | 14 662 | (216 330) | 428 704 |
| Note | 19 | 39 | | | | |

STATEMENTS OF CASH FLOWS

for the year ended 31 March 2023

| | Notes | Group | | Company | |
|--|-------|------------------|------------------|------------------|------------------|
| | | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Cash flows from operating activities | | | | | |
| Cash generated from or (utilised by) operations | 33 | 260 200 | 671 655 | (15 055) | (7 221) |
| Interest income received | 30 | 13 265 | 14 575 | 59 388 | 67 066 |
| Finance costs paid | 31 | (53 675) | (96 633) | (48 976) | (79 536) |
| Tax paid | 34 | (25 752) | (73 368) | (3 724) | (1 903) |
| Net cash from operating activities | | 194 038 | 516 229 | (8 367) | (21 594) |
| Cash flows from investing activities | | | | | |
| Purchase of property, plant and equipment | 3 | (146 025) | (150 087) | (513) | (72) |
| Proceeds on sale of property, plant and equipment | 3 | - | 42 | 3 | - |
| Purchase of other intangible assets | 7 | (1 791) | (4 114) | (1 123) | (372) |
| Lease payments received | 13 | 12 824 | 60 960 | - | - |
| Purchase of investment in joint venture | | - | (49 300) | - | - |
| Loan advanced to joint venture | 11 | - | (32 012) | - | - |
| Purchase of rehabilitation investment | | (29 347) | (32 586) | - | - |
| Repayment of loans to group companies | 11 | - | - | 219 110 | 239 497 |
| Net cash from investing activities | | (164 339) | (207 097) | 217 478 | 239 053 |
| Cash flows from financing activities | | | | | |
| Proceeds on share options exercised | 19 | - | 534 | - | 534 |
| Proceeds/(repayments) of loans from group companies | 26 | - | - | 5 077 | (273) |
| Proceeds of loan from shareholder | 22 | 17 118 | - | 7 100 | - |
| Repayment of long-term borrowings | 20 | (207 842) | (242 491) | (207 842) | (242 491) |
| Repayment of financial liabilities | 23 | (68 993) | - | - | - |
| Repayment of lease liabilities | 23 | (3 726) | (60 240) | (837) | (125) |
| Net cash from financing activities | | (263 444) | (302 197) | (196 502) | (242 355) |
| Total cash and cash equivalents movement for the year | | (233 744) | 6 935 | 12 609 | (24 896) |
| Cash and cash equivalents at the beginning of the year* | | 172 436 | 165 501 | (97 821) | (72 925) |
| Total cash and cash equivalents at the end of the year* | 18 | (61 308) | 172 436 | (85 212) | (97 821) |

* Cash and cash equivalents includes bank overdrafts that are payable on demand and form an integral part of the Group and Company's cash management, refer to note 18.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 March 2023

1. Presentation of the consolidated and separate financial statements

The consolidated and separate financial statements have been prepared in accordance with IFRS Accounting Standards, the Companies Act and the JSE Listings Requirements.

The principal accounting policies adopted and the methods of computation used in the preparation of these consolidated and separate financial statements are set out below and are consistent in all material respects with those applied during the previous year, except for those changes which have occurred as a result of the adoption of new and amended IFRS Accounting Standards, interpretations and circulars as disclosed in note 2.

The consolidated and separate financial statements have been prepared on the historical cost basis and incorporate the principal accounting policies set out below. They are presented in South African rands and are prepared in accordance with the recognition and measurement criteria of IFRS Accounting Standards and its interpretations adopted by the International Accounting Standards Board in issue and effective for the entity as at 31 March 2023, and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

1.1 Consolidation

Basis of consolidation

The consolidated and separate financial statements incorporate the consolidated financial statements of the group and all entities, including structured entities, which are controlled by the group.

Control exists when the group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of subsidiaries are included in the consolidated and separate financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the consolidated and separate financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

2. New standards and interpretations

2.1 Standards issued but not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 1 April 2023 or later periods:

Disclosure of Accounting policies:

Amendments to IAS 1 and IFRS Practice Statement 2

The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.

The amendment is not expected to have a material impact.

Definition of Accounting Estimate:

Amendments to IAS 8

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The requirements for recognising the effect of change in accounting prospectively remain unchanged.

The amendment is not expected to have a material impact.

Deferred Tax Related to Asset and Liabilities Arising from a Single Transaction: Amendments to IAS 12: Income taxes

The amendment clarifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations, by clarifying when the exemption from recognising deferred tax would apply to the initial recognition of such items

The amendment is not expected to have a material impact.

Classification of liabilities as current or non-current: Amendments to IAS 1

Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current.

The amendment is not expected to have a material impact.

2. New standards and interpretations

continued

2.1 Standards issued but not yet effective

continued

Non-current Liabilities with Covenants: Amendments to IAS 1

The amendment clarifies that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current, with additional guidance to explain how an entity should disclose information in the notes to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

The amendment is not expected to have a material impact.

Lease Liability in a Sale and Leaseback: Amendments to IFRS16

The narrow scope amendment requires a seller-lessee in a sale and leaseback transaction to determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of a gain or loss relating to the right of use retained by the seller-lessee. The new requirement does not prevent the seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.

The amendment is not expected to have a material impact.

Sale or contributor of assets between an investor and its Associate or Joint Venture: Amendments to IFRS 10 and IAS 28

Narrow scope amendment address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The amendment is not expected to have a material impact.

2.2 Standards issued and effective in the current year

Reference to the Conceptual Framework: Amendment to IFRS 3

The amendment makes reference to the Conceptual Framework for Financial Reporting issued in 2018 rather than to the International Accounting Standards Committee Framework for the Preparation and Presentation of Financial Statements. The amendment specifically points to the treatment of liabilities and contingent liabilities acquired as part of a business combination, and which are in the scope of IAS 37: *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21: *Levies*. It clarifies that the requirements of IAS 37 or IFRIC 21 should be applied to provisions, contingent liabilities or levies to determine if a

present obligation exists at the acquisition date. The amendment further clarifies that contingent assets of acquirees should not be recognised as part of the business combination.

The amendment did not have a material impact on the group's consolidated and separate financial statements for the year ended 31 March 2023.

Property, Plant and Equipment: Proceeds before Intended Use: Amendment to IAS 16

The amendment relates to examples of items which are included in the cost of an item of property, plant and equipment. Prior to the amendment, the costs of testing whether the asset is functioning properly were included in the cost of the asset after deducting the net proceeds of selling any items which were produced during the test phase. The amendment now requires that any such proceeds and the cost of those items must be included in profit or loss in accordance with the related standards. Disclosure of such amounts is now specifically required.

The amendment did not have a material impact on the group's consolidated and separate financial statements for the year ended 31 March 2023.

Annual Improvement to IFRS Standards 2018 – 2020: Amendment to IFRS 1

A subsidiary that uses the cumulative translation differences exemption, may elect in its financial statements, to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary.

The amendment did not have a material impact on the group's consolidated and separate financial statements for the year ended 31 March 2023.

Onerous Contracts – Cost of Fulfilling a Contract: Amendment to IAS 37

The amendment defined the costs that are included in the cost of fulfilling a contract when determining the amount recognised as an onerous contract. It specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. These are both the incremental costs of fulfilling the contract as well as an allocation of other costs that relate directly to fulfilling contracts (for example, depreciation allocation).

The amendment did not have a material impact on the group's consolidated and separate financial statements for the year ended 31 March 2023.

Notes to the consolidated and separate financial statements continued

3. Property, plant and equipment

Accounting policies relating to property, plant and equipment

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the group, and the cost of the item can be measured reliably. Property, plant and equipment is initially measured at cost. Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently, which meet the recognition criteria, to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred. The initial

estimate of the costs of dismantling and removing an item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the group is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories. Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses. Land is not depreciated.

Property, plant and equipment are depreciated on the basis as disclosed below. Assets under construction include costs incurred with regard to mine development and are transferred to relevant asset classes when ready for their intended use. Mine development assets are initially measured at cost, and are subsequently assessed for impairment on an annual basis.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Depreciation method | Average useful life |
|--------------------------------------|---------------------|--------------------------------------|
| Buildings | Straight-line | 50 years |
| Furniture and fixtures | Straight-line | 3 years |
| Motor vehicles | Straight-line | 5 years |
| Office equipment | Straight-line | 3 years |
| IT equipment | Straight-line | 3 years |
| Mining property, plant and machinery | Units-of-production | Estimated run of mine ("ROM") tonnes |

Mining property, plant and machinery are depreciated on a unit-of-production basis, in proportion to the ROM tonnes of coal extracted in the year compared with total proven and probable reserves at the beginning of the year, once in the form intended for use by management. The residual value, useful life and depreciation method of each asset is reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. The depreciation charge for each year is recognised in profit or loss.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount. An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds and the carrying amount of the item, is included in profit or loss when the item is derecognised.

Deferred stripping

Stripping assets are depreciated over a fixed period of 12 months, being the average estimated time to mine through a production cut. The group identifies a production cut as a component, being the smallest measurable portion of the coal reserve within a pit, which the stripping activity provides direct access to and is usually identified through survey results. The depreciation period of 12 months is reviewed annually to ensure a relevant depreciation period is applied.

Depreciation of stripping assets will be accelerated where the strip ratio for the month is lower than the average life of mine strip ratio less 15%. The objective of accelerating depreciation is to ensure stripping costs are appropriately allocated to units of coal production and to prevent deferral of stripping costs beyond the period of subsequently realising the benefit of the deferred stripping cost.

3. Property, plant and equipment continued

Accounting policies relating to property, plant and equipment continued

Significant judgements and assumptions made by management in applying the related accounting policies

The determination of the useful economic life and residual values of property, plant and equipment is subject to management estimation. The company regularly reviews all of its depreciation rates and residual values to take account of any changes in circumstances, and any changes that could affect prospective depreciation charges and asset carrying values. The estimation of reserves impacts the depreciation of property, plant and equipment and the recoverable amount of property, plant and equipment. Furthermore, the valuation and timing of the rehabilitation expenditure is affected by the reserve estimates. Factors impacting the determination of proved and probable reserves are:

- the grade of mineral reserves may vary significantly from time to time (i.e. differences between actual grades mined and resource model grades);
- differences between actual commodity prices and commodity price assumptions;
- unforeseen operational issues at mine sites;
- changes in capital, operating, mining, processing and reclamation costs, discount rates and foreign exchange rates; and
- expectations regarding future profitability would impact the decision to continue mining and consequently the continued classification as proved and probable mineral reserves.

Impairment testing

The recoverable amounts of cash-generating units ("CGU") and individual assets have been determined based on the fair values less cost of disposal. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact the group's estimations and may then require a material adjustment to the carrying value of goodwill, right of use assets, investment property and tangible assets (refer to notes 3, 4, 5, 6 and 7).

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Management performed an assessment of whether or not there were any impairment indicators using the guidance in IAS 36: *Impairment of Assets* and notes the following impairment indicators:

- The group's net asset value exceeded the group's market capitalisation;
- Expiry of sales agreements with Eskom for two operations; and
- Poor financial performance at Vanggatfontein and Elandspruit.

Estimates are made in determining the recoverable amount of assets which includes the estimation of cash flows and discount rates used. In estimating cash flows, the group bases cash flow projections on reasonable and supportable assumptions that represent the group's best estimate of the range of economic conditions that will exist over the remaining useful life of the assets.

In estimating the recoverable amount, the group uses the discounted cash flow method. The discounted cash flows are estimated based on the following factors:

- Life of mine ("LOM") remaining reserves in the CGU;
- Estimated sales based on current contracts;
- Estimated costs based on current contracts;
- Capital expenditure expected to be incurred to sustain the CGU;
- Growth rate based on current economic factors.

The discount rates used are post-tax risk-adjusted weighted average cost of capital ("WACC").

There has been a decrease in sales volumes compared to the prior year due to production issues at Elandspruit and Vanggatfontein. The decrease in volumes was offset by the increase in selling price due to the export market. The production of Vanggatfontein was placed on care and maintenance in the last month of the prior financial year, but sales through rectification had continued from existing stockpiles. Production at the mine resumed in September 2022.

The increase in export sales prices and demand enabled the group to enter the export market in FY2023. Exports are from Vanggatfontein, Khanyisa and Elandspruit.

The group utilises its WACC rate in assessing the impairment models. In determining the WACC rate for discounting, management utilised the year-end rates (which were natively higher due to the current market conditions). The rate was then further risk-adjusted to compensate for the uncertainties in the market.

Notes to the consolidated and separate financial statements continued

3. Property, plant and equipment continued

Property, plant and equipment – composition and analysis

| | Group | | | | | |
|---|------------------|---|-----------------------------|------------------|---|-----------------------------|
| | 2023 | | | 2022 | | |
| | Cost R'000 | Accumulated depreciation and impairment R'000 | Carrying amount R'000 | Cost R'000 | Accumulated depreciation and impairment R'000 | Carrying amount R'000 |
| Land | 115 113 | – | 115 113 | 115 114 | – | 115 114 |
| Buildings | 8 124 | (5 207) | 2 917 | 8 124 | (5 053) | 3 071 |
| Furniture and fixtures | 4 249 | (3 491) | 758 | 4 196 | (3 356) | 840 |
| Motor vehicles | 27 298 | (23 292) | 4 006 | 24 691 | (21 614) | 3 077 |
| IT equipment | 15 280 | (14 222) | 1 058 | 14 551 | (13 993) | 558 |
| Mining property, plant and machinery | 4 926 699 | (2 196 360) | 2 730 339 | 3 971 931 | (1 592 782) | 2 379 149 |
| Assets under construction | 2 037 | – | 2 037 | 2 204 | – | 2 204 |
| | 5 098 800 | (2 242 572) | 2 856 228 | 4 140 811 | (1 636 798) | 2 504 013 |

| | Company | | | | | |
|------------------------|---------------|---|-----------------------------|---------------|---|-----------------------------|
| | 2023 | | | 2022 | | |
| | Cost R'000 | Accumulated depreciation and impairment R'000 | Carrying amount R'000 | Cost R'000 | Accumulated depreciation and impairment R'000 | Carrying amount R'000 |
| Furniture and fixtures | 1 283 | (1 119) | 165 | 1 283 | (1 076) | 207 |
| IT equipment | 1 325 | (835) | 490 | 939 | (785) | 154 |
| | 2 608 | (1 954) | 654 | 2 222 | (1 861) | 361 |

In the current year an adjustment of R1,715 million (2022: R1,588 million) was processed against the cost and accumulated depreciation of mining properties, plant and machinery to derecognise fully amortised deferred stripping assets.

3. Property, plant and equipment continued

Reconciliation of the carrying value of property, plant and equipment

| | Group | | | | | | |
|---|-----------------------------|---------------------------------|--------------------|---------------------|----------------------------|----------------------------|------------------|
| | Opening balance R'000 | Additions [#] R'000 | Disposals R'000 | Transfers* R'000 | Impair- ment** R'000 | Depre- ciation R'000 | Total R'000 |
| 2023 | | | | | | | |
| Land | 115 114 | - | - | - | - | - | 115 114 |
| Buildings | 3 071 | - | - | - | - | (154) | 2 917 |
| Furniture and fixtures | 840 | 54 | - | - | - | (137) | 757 |
| Motor vehicles | 3 077 | 2 607 | - | - | - | (1 679) | 4 006 |
| IT equipment | 558 | 977 | (18) | - | - | (459) | 1 058 |
| Mining property, plant and machinery | 2 379 149 | 1 161 615 | - | 167 | (450 941) | (359 650) | 2 730 339 |
| Assets under construction | 2 204 | - | - | (167) | - | - | 2 037 |
| | 2 504 013 | 1 165 253 | (18) | - | (450 941) | (362 079) | 2 856 228 |
| 2022 | | | | | | | |
| Land | 115 114 | - | - | - | - | - | 115 114 |
| Buildings | 3 337 | 133 | - | - | - | (399) | 3 071 |
| Furniture and fixtures | 539 | 427 | - | - | - | (126) | 840 |
| Motor vehicles | 2 825 | 1 634 | - | - | - | (1 382) | 3 077 |
| IT equipment* | 2 795 | 395 | - | (2 275) | - | (363) | 558 |
| Mining property, plant and machinery | 2 096 482 | 481 831 | - | 239 176 | - | (438 341) | 2 379 149 |
| Assets under construction | 228 846 | 12 534 | - | (239 176) | - | - | 2 204 |
| | 2 449 938 | 496 955 | - | (2 275) | - | (440 611) | 2 504 013 |

[#] Included in additions, are additions in relation to the rehabilitation assets of R860 million (2022: R345 million), refer to note 24. Included in additions is reclassified lease receivable to PPE amounting to R178 million. The mining machinery was recognised at fair value.

* Transfers relate to computer software held by the company and transferred to Computer software under Intangible assets (refer to note 7).

** The impairment recognised is in relation to the Vanggatfontein operations at Keaton Mining Proprietary Limited and Elandspruit operations at Wescoal Mining Proprietary Limited.

| | Company | | | | | | |
|------------------------|-----------------------------|--------------------|--------------------|--------------------|--------------------------|----------------------------|----------------|
| | Opening balance R'000 | Additions R'000 | Disposals R'000 | Transfers R'000 | Impair- ment R'000 | Depre- ciation R'000 | Total R'000 |
| 2023 | | | | | | | |
| Furniture and fixtures | 207 | - | - | - | - | (43) | 164 |
| IT equipment | 154 | 513 | (1) | - | - | (176) | 490 |
| | 361 | 513 | (1) | - | - | (219) | 654 |
| 2022 | | | | | | | |
| Furniture and fixtures | 248 | 8 | - | - | - | (49) | 207 |
| IT equipment | 249 | 64 | - | - | - | (159) | 154 |
| | 497 | 72 | - | - | - | (208) | 361 |

Notes to the consolidated and separate financial statements continued

3. Property, plant and equipment continued

Reconciliation of the carrying value of property, plant and equipment continued

Cash reconciliation of property, plant and equipment additions

| | Group | | | | | |
|--------------------------------------|-------------------------|-----------------------------|--------------------------|-------------------------|-----------------------------|--------------------------|
| | 2023 | | | 2022 | | |
| | Cash additions R'000 | Non-cash additions R'000 | Total additions R'000 | Cash additions R'000 | Non-cash additions R'000 | Total additions R'000 |
| Buildings | - | - | - | 133 | - | 133 |
| Furniture and fixtures | 51 | - | 51 | 427 | - | 427 |
| Motor vehicles | 2 607 | - | 2 607 | 1 634 | - | 1 634 |
| IT equipment | 979 | - | 979 | 395 | - | 395 |
| Mining property, plant and machinery | 142 388 | 1 019 229 | 1 161 616 | 134 964 | 346 867 | 481 831 |
| Assets under construction | - | - | - | 12 534 | - | 12 534 |
| | 146 024 | 1 019 229 | 1 165 253 | 150 087 | 346 867 | 496 954 |

| | Company | | | | | |
|------------------------|-------------------------|-----------------------------|--------------------------|-------------------------|-----------------------------|--------------------------|
| | 2023 | | | 2022 | | |
| | Cash additions R'000 | Non-cash additions R'000 | Total additions R'000 | Cash additions R'000 | Non-cash additions R'000 | Total additions R'000 |
| Furniture and fixtures | - | - | - | 8 | - | 8 |
| IT equipment | 513 | - | 513 | 64 | - | 64 |
| | 513 | - | 513 | 72 | - | 72 |

Property, plant and equipment encumbered as security

Under the refinanced debt package disclosed in long-term borrowings (note 20), the group has encumbered all of its property plant and equipment as noted above.

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011, is available for inspection at the registered office of the company.

Impairment and reversal of impairment

The group's mining operations have evolved significantly over the years, with significant amounts being capitalised to mining properties. Mining plans are continuously revised and updated in order to confirm that sufficient headroom exists. Management performs impairment assessments for all the operations within the group.

The impairment assessment model is based on a fair value less costs of disposal valuation which is based on the future estimated cash flows discounted to net present value at a real post-tax discount rate over the projected life of mine or expected project length.

The group assessed the impact of the Russia and Ukraine war, the energy crisis in South Africa and increasing prices and interest rates, and except for the Trading business, has found the impact to be minimal on the other operations. The reason for this being that the mining operations supply most of their coal to Eskom in terms of long-term supply contract mainly at Moabsvelden and is still pursuing contract for Vanggatfontein and Elandspruit. The Russia and Ukraine war afforded the group the opportunity to enter the export market and diversify their customer base from Eskom. Furthermore, the group has not identified any significant long-term downturn in sales volumes to other customers nor have they made any material concessions or payment arrangements with customers. The impairment recorded in the Trading business was the result of a lower growth rate being applied in the model, compared to prior years due to the longer-term bearish outlook for the coal sector as the world moves to renewable sources of energy.

3. Property, plant and equipment continued

Reconciliation of the carrying value of property, plant and equipment continued

Impairment inputs

The impairment model has been refined in line with IAS 36 of the accounting standards in determining the various inputs for the WACC calculation, which resulted in a more conservative WACC being used in the models, compared to an industry-aligned calculation. This also impacted the Trading impairment calculation significantly. Overall, the impairment tests were conducted more conservatively and were interrogated more stringently and rigorously by management in order to compensate for the uncertainty in the market and other Eskom contracts.

The impairment model has been evaluated per operation with a few of the key inputs remaining unchanged for the different operations.

General

- Post-tax discount rate: 15.7% (2022: 16.0%) (refer to note 20 for more details);
- Average inflation: 5.4% (2022: 4.47%) – all operations;
- Sales growth: Trading – 2.5%; and
- Mining operations – the annual revenues forecast is based on the available saleable product driven by the life of mine plan, with minimal stock holding.

Assumptions and inputs to the impairment test

| | Khanyisa | Elandspruit | Vanggatfontein | Moabsvelden |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|
| 2023 | | | | |
| LoM/project length | 1 year | 2 years | 6 years | 9 years |
| Capitalised cost | Rnil | R48 million | R403 million | R471 million |
| Nominal revenue growth assumptions | Index-driven | Index-driven | Index-driven | Index-driven |
| | 5.4% | 5.4% | 5.4% | 5.4% |
| Nominal discount rate applied | 15.7% | 15.7% | 15.7% | 15.7% |
| Production volumes (tonnes) | 680 000 | 6 387 887 | 16 552 006 | 23 190 427 |

Through the performance of the impairment testing, the group determined that the impairment test were more sensitive to changes in sales price than to changes in the discount rate. Key inputs are production output and costs, expected selling price, discount rate and life of mine.

| | Khanyisa | Elandspruit | Vanggatfontein | Moabsvelden |
|------------------------------------|---|--|--|---|
| 2022 | | | | |
| LoM/project length | 1 year | 3 years | 6 years | 9 years |
| Capitalised cost | Rnil | R48 million | R403 million | R471 million |
| Nominal revenue growth assumptions | Index-driven | Index-driven | Index-driven | Index-driven |
| | 4% | 4% | 4% | 4% |
| Nominal discount rate applied | 15.6% | 15.6% | 15.6% | 15.6% |
| Production volumes (tonnes) | 413 086 | 6 595 330 | 15 977 076 | 25 150 897 |
| Sensitivity | 25.5% increase in cost is unlikely to result in an impairment | 9% increase in cost is unlikely to result in an impairment | 3.8% increase in cost is unlikely to result in an impairment | 12.1% increase in cost is unlikely to result in an impairment |

Through the performance of the impairment testing, the group determined that the impairment tests were more sensitive to changes in cost of production than to changes in the discount rate. Key inputs are production output and costs, expected selling price, discount rate and life of mine.

Changes of 1% in the discount rate to each of the models had an immaterial impact on the recoverable amount of the assets.

From the impairment test process, the group identified that the Vanggatfontein CGU is close to break-even and therefore more sensitivity and estimation testing was required.

Notes to the consolidated and separate financial statements continued

3. Property, plant and equipment continued

Reconciliation of the carrying value of property, plant and equipment continued

| | Group | | | |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2023 | | 2022 | |
| | Increase by 1% | Decrease by 1% | Increase by 1% | Decrease by 1% |
| Sales sensitivity | | | | |
| Headroom/(impairment) (R'million) | - | - | 142 226 | 80 276 |
| Production sensitivity | | | | |
| Headroom/(impairment) (R'million) | - | - | 96 506 | 126 005 |
| Discount rate sensitivity | | | | |
| Headroom/(impairment) (R'million) | - | - | 87 981 | 135 606 |

VGF was impaired by R378 million in FY23, therefore no further sensitivity was performed.

Other information

The mining property addition included capitalised deferred stripping costs for Khanyisa, Elandspruit and Vanggatfontein Mines of R67.7 million (2022: R77.6 million) and the change in the rehabilitation estimate of R860 million (2022: R345 million).

The group has performed an impairment assessment on its outside LOM projects, Sterkfontein and Braakfontein. No impairment was recognised as the recoverable amount is more than the current carrying amounts of each project. The recoverable amounts and headroom were determined to be:

| | Recoverable amount 2023 R'000 | Recoverable amount 2022 R'000 |
|--------------|--|--|
| Sterkfontein | 200 046 | 200 046 |
| Braakfontein | 144 144 | 144 144 |

4. Right-of-use assets

Accounting policies relating to right-of-use assets

Right-of-use assets are presented as a separate line item on the statements of financial position. The group recognises a right-of-use asset and a lease liability at the lease commencement date.

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

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the shorter of the end of the lease term or the useful life. For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

4. Right-of-use assets continued

Right-of-use assets – composition and analysis

The group's cost of debt has been used as the incremental borrowing rate in calculating the right-of-use asset as well as the lease liabilities (refer to note 23).

The right-of-use assets were assessed for impairment as part of the CGUs noted under property, plant and equipment by including the cash flows associated with the right-of-use assets in the impairment assessment of these CGUs. The group determined that there were no material risks of impairment having taken the impact of the current economic events into account.

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are included in the following line items:

| | Group | | Company | |
|-----------|---------------|---------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Buildings | 7 803 | 4 291 | 5 101 | - |

Additions/disposals to right-of-use assets

| | Group | | Company | |
|-----------|---------------|---------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Buildings | 6 376 | - | 6 376 | - |

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 29).

| | Group | | Company | |
|-----------|---------------|---------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Buildings | (2 865) | (2 381) | (1 275) | (105) |

Reconciliation of right-of-use assets

| | Group | | Company | |
|------------------------------|---------------|---------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| At the beginning of the year | 4 291 | 6 672 | - | 105 |
| Additions | 6 376 | - | 6 376 | - |
| Depreciation | (2 865) | (2 381) | (1 275) | (105) |
| Closing balance | 7 803 | 4 291 | 5 101 | - |

5. Investment property

Accounting policies relating to investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains and losses from disposal of investment property is determined as the difference between net proceeds and the carrying amount of the asset and shall be recognised in profit or loss.

Investment property is carried at cost less depreciation less any accumulated impairment losses. Depreciation is provided to write down the cost, less estimated residual value by equal instalments over the useful life of the property, which is as follows:

| Item | Useful life |
|-----------------|-------------|
| Property – land | Indefinite |

Investment property – composition and analysis

| | Group | | | | | |
|---------------------|---------------|--------------------------------------|----------------------------|---------------|--------------------------------------|----------------------------|
| | 2023 | | | 2022 | | |
| | Cost R'000 | Accumulated depreciation R'000 | Carrying value R'000 | Cost R'000 | Accumulated depreciation R'000 | Carrying value R'000 |
| Investment property | 709 | - | 709 | 709 | - | 709 |

Reconciliation of investment property

| | Group | | | |
|---------------------|-----------------------------|----------------|-----------------------------|----------------|
| | 2023 | | 2022 | |
| | Opening balance R'000 | Total R'000 | Opening balance R'000 | Total R'000 |
| Investment property | 709 | 709 | 709 | 709 |

The amounts recognised in profit or loss in relation to the investment property is disclosed in note 45.

The fair value was assessed at Level 2 on the fair value hierarchy and was based on comparable transactions in the area (market approach). The fair value of the property was valued at R907 000 (2022: R907 000). The valuation technique used in determining the fair value is the market approach. This approach is based on the principle of comparability and substitution. The valuation was done by an independent valuer.

The investment property is held by the group's property investment company, Blanford 006 Proprietary Limited. The latest valuation performed has been deemed to be reflective of current market conditions and therefore has been assessed in February 2022.

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011, is available for inspection at the registered office of the company.

Investment property is encumbered as stated in note 3.

6. Goodwill

Accounting policies relating to goodwill

Goodwill arises on the acquisition of a business and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. Goodwill is tested for impairment annually or when an impairment indicator has been identified and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

Impairment

The group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the group also tests goodwill acquired in a business combination for impairment annually. The impairment indicator in the current year was the lower-than-planned sales volumes as a result of a loss of some customers.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the CGUs to which the asset belongs is determined.

The recoverable amount of an asset or a CGUs is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the CGUs.

An impairment loss is recognised for CGUs if the recoverable amount of the unit is less than the carrying amount of the units.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation, or amortisation other than goodwill, is recognised immediately in profit or loss. An impairment can only be reversed up to the maximum amount that would have been recognised if the original impairment had not occurred.

Goodwill – composition and analysis

| | Group | | | | | |
|----------|---------------|--|----------------------------|---------------|--|----------------------------|
| | 2023 | | | 2022 | | |
| | Cost R'000 | Accumulated impairment loss R'000 | Carrying value R'000 | Cost R'000 | Accumulated impairment loss R'000 | Carrying value R'000 |
| Goodwill | 73 637 | (23 977) | 49 660 | 73 637 | (23 977) | 49 660 |

Reconciliation of goodwill

| | Group | | | | | |
|----------|-----------------------------|-----------------------------|----------------|-----------------------------|-----------------------------|----------------|
| | 2023 | | | 2022 | | |
| | Opening balance R'000 | Impairment loss R'000 | Total R'000 | Opening balance R'000 | Impairment loss R'000 | Total R'000 |
| Goodwill | 49 660 | – | 49 660 | 52 611 | (2 951) | 49 660 |

Notes to the consolidated and separate financial statements continued

6. Goodwill continued

Impairment of goodwill and intangible assets

Goodwill is allocated to the group's Trading segment. The group's enlarged coal trading business operates as one fully integrated segment.

The group performed its annual impairment test of its goodwill as at 31 March 2023. The recoverable amount of the CGU to which the goodwill has been allocated to is R107.1 million (2022: R65.4 million) and no impairment loss was recognised for 2023 (2022: R3.0 million) on the Salungano Trading (previously Wescoal Trading) CGU.

The recoverable amount of the relevant cash-generating unit is determined using cash flow projections from financial budgets approved by the directors, covering a two-year period (2022: two-year period), and applying an expected inflation and growth rate thereafter. This recoverable amount was determined using the value in use. The pre-tax discount rate applied to cash flow projections is 17.86% (2022: 16.0%).

The group utilises its WACC rate in assessing the impairment models. In determining the WACC rate for discounting, management utilised the year-end rates.

The calculation of value in use is most sensitive to the following assumptions:

- Gross margin;
- Discount rates; and
- Growth rate used to extrapolate cash flows beyond the budget period.

Gross margins

Gross margins are from the financial budget approved by the board of directors during March 2023, which correlates with recent historical rates. Gross margins are expected to remain in a range of between 9% and 10% (2022: 9% and 10%).

Discount rates

Discount rates represent the current market assessment of the risks specific to the industry, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Trading segment. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data for comparable companies.

Growth rate estimates

Rates are based on management's estimates and expectations of future operations. Annual continued growth assumed at 2.5% each year (2022: 2.5%) was used for the next five years, with no growth thereafter.

A sensitivity analysis was performed by changing the above input assumptions as follows:

- Gross margin down by 1% results in an impairment of R10 million (2022: R34 million);
- Discount rates up by 1% result in an impairment of R2 million (2022: R8 million); and
- Growth rate down by 1% results in an impairment of R2 million (2022: R8 million).

Management used a 1% sensitivity as the model to assess the impairment indicated that the result was sensitive to small changes in these key inputs.

7. Intangible assets

Accounting policies relating to intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets (underground access rights and computer software) are carried at cost less any accumulated amortisation and any impairment losses. There are no intangible assets that have an indefinite useful life. The amortisation is provided on a straight-line basis over the useful life of the asset.

The amortisation period and the amortisation method for intangible assets are reviewed annually. Amortisation is provided to write down the intangible assets to their residual values as follows:

| Item | Amortisation method | Useful life |
|--------------------------|---------------------|--------------|
| Underground access right | Life of mine | Life of mine |
| Computer software | Straight-line | 3 – 5 years |

Intangible assets – composition and analysis

| | 2023 | | | 2022 | | |
|---------------------------|---------------|--------------------------------------|----------------------------|---------------|--------------------------------------|----------------------------|
| | Cost R'000 | Accumulated amortisation R'000 | Carrying value R'000 | Cost R'000 | Accumulated amortisation R'000 | Carrying value R'000 |
| Group | | | | | | |
| Underground access rights | 7 513 | (2 922) | 4 591 | 7 513 | (2 539) | 4 974 |
| Computer software | 26 068 | (19 558) | 6 510 | 24 277 | (16 003) | 8 274 |
| Total | 33 581 | (22 580) | 11 101 | 31 790 | (18 542) | 13 248 |
| Company | | | | | | |
| Computer software | 10 952 | (9 325) | 1 627 | 9 829 | (7 887) | 1 942 |

Reconciliation of the carrying value of intangible assets

| | Group | | | | |
|---------------------------|-----------------------------|--------------------|--------------------|-----------------------|----------------|
| | Opening balance R'000 | Additions R'000 | Transfers R'000 | Amortisation R'000 | Total R'000 |
| 2023 | | | | | |
| Underground access rights | 4 974 | - | - | (383) | 4 591 |
| Computer software | 8 274 | 1 792 | - | (3 555) | 6 510 |
| Total | 13 248 | 1 792 | - | (3 939) | 11 101 |
| 2022 | | | | | |
| Underground access rights | 5 337 | - | - | (363) | 4 974 |
| Computer software* | 4 114 | 4 114 | 2 275 | (2 229) | 8 274 |
| Total | 9 451 | 4 114 | 2 275 | (2 592) | 13 248 |

* Transfers relates to computer software held by the company and transferred from IT equipment under property, plant and equipment (refer to note 3).

Notes to the consolidated and separate financial statements continued

7. Intangible assets continued

Reconciliation of the carrying value of intangible assets continued

| | Company | | | | |
|-------------------|--------------------------|--------------------|--------------------|-----------------------|----------------|
| | Opening balance R'000 | Additions R'000 | Transfers R'000 | Amortisation R'000 | Total R'000 |
| 2023 | | | | | |
| Computer software | 1 942 | 1 123 | – | (1 438) | 1 627 |
| 2022 | | | | | |
| Computer software | 2 727 | 372 | – | (1 157) | 1 942 |

Underground access right

During the 2017 financial year, the group entered into an agreement with Nungu Trading 341 Proprietary Limited obtaining the use of their access point for underground mining and the stockpile area to access the underground section of the Elandspruit mine and dispose of the coal from the area. The group may use the stockpile yard for the temporary storage of coal mined, prior to it being transported to the processing plant.

The use of the access point and stockpile area is granted on a non-exclusive basis and will be used by both Nungu and the group for an estimated period of three years. The right of use has been recognised as an intangible asset.

8. Investments in subsidiaries

Accounting policies relating to investments in subsidiaries

In the group's separate financial statements, interests in subsidiaries are carried at cost less any accumulated impairment. The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of acquisition; plus
- any costs directly attributable to the purchase of the subsidiary.

8. Investments in subsidiaries continued

Investments in subsidiaries – composition and analysis

The following table lists the entities which are controlled directly by the company, and the carrying amounts of the investments in the company's separate financial statements. All subsidiaries of the group have a 31 March year-end.

| Name of company | Held by | Company | | | |
|---|---|-----------|-----------|-----------------|---------------|
| | | Holding | | Carrying amount | |
| | | 2023 % | 2022 % | 2023 R'000 | 2022 R'000 |
| Keaton Energy Holdings Limited | Salungano Group Limited (previously Wescoal Holdings) | 100 | 100 | 523 630 | 564 203 |
| Salungano Trading Proprietary Limited* | Salungano Group Limited | 100 | 100 | 66 770 | 66 770 |
| Wescoal Mining Proprietary Limited* | Salungano Group Limited | 100 | 100 | - | 62 589 |
| Salungano Resources Proprietary Limited | Salungano Group Limited | 100 | 100 | - | - |
| Salungano Power Proprietary Limited | Salungano Group Limited (100%) | 100 | 100 | - | - |
| Blanford 006 Proprietary Limited | Salungano Trading Proprietary Limited | 100 | 100 | - | - |
| Proudafrique Trading 147 Proprietary Limited | Wescoal Mining Proprietary Limited | 100 | 100 | - | - |
| Keaton Mining Proprietary Limited* | Keaton Energy Holdings Limited | 100 | 100 | - | - |
| Leeuw Braakfontein Colliery Proprietary Limited | Keaton Energy Holdings Limited | 100 | 100 | - | - |
| Labohlano Trading 46 Proprietary Limited | Keaton Energy Holdings Limited | 100 | 100 | - | - |
| Wescoal Share Incentive Trust | Salungano Group Limited | 100 | 100 | - | - |
| Neosho Trading 86 Proprietary Limited | Keaton Energy Holdings Limited | 100 | 100 | - | - |
| Salungano Agriculture Proprietary Limited | Salungano Group Limited | 100 | 100 | - | - |
| | | | | 590 400 | 693 562 |

* *Impairment*

The group assesses at the end of the reporting period whether there is any indication that the assets may be impaired. The group has impaired the investment in Wescoal Mining amounting to R62.5m and Keaton Energy Holdings amounting to R40.6m; and determined that the rest of the investments in the subsidiaries had been fairly valued for the financial year ended 31 March 2023, and as such no further impairment had been recognised for the current year.

Notes to the consolidated and separate financial statements continued

8. Investments in subsidiaries continued

Subsidiaries pledged as security

The company's shares in subsidiaries have been pledged to Nedbank CIB as security for loans granted.

Other information

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

The country of incorporation and place of business of the parent company and all subsidiaries is South Africa.

The proportion of ordinary shares held by the group equals that of the proportion of ordinary shares held by each individual parent company.

| Name of company | Nature of business | Segment 2023 | Segment 2022 |
|---|---|---------------------------|---------------------------|
| Salungano Group Limited | Investments in coal mining operations | Investment holding | Investment holding |
| Keaton Energy Holdings Limited | Investments in coal mining operations | Investment holding | Investment holding |
| Salungano Resources Proprietary Limited | Sourcing and processing of low-grade coal | Mining | Mining |
| Wescoal Mining Proprietary Limited | Mining, processing and selling of coal | Mining | Mining |
| Keaton Mining Proprietary Limited | Coal mining and exploration | Mining | Mining |
| Neosho Trading 86 Proprietary Limited | Mining, exploration of coal | Mining | Mining |
| Proudafrique Trading 147 Proprietary Limited | Investment in coal exploration activities | Property rental and other | Property rental and other |
| Salungano Power Proprietary Limited | Coal exploration | Property rental and other | Property rental and other |
| Blanford 006 Proprietary Limited | Property investment | Property rental and other | Property rental and other |
| Leeuw Braakfontein Colliery Proprietary Limited | Coal mining and exploration | Property rental and other | Property rental and other |
| Labohlano Trading 46 Proprietary Limited | Coal mining and exploration | Property rental and other | Property rental and other |
| Wescoal Share Incentive Trust | Share incentive trust | Property rental and other | Property rental and other |
| Salungano Trading Proprietary Limited | Buying, transport and selling of coal | Trading | Trading |
| Salungano Agriculture Proprietary Limited | Agriculture | Property rental and other | Property rental and other |

9. Investments in joint ventures

Accounting policies relating to joint ventures

Under IFRS 11: *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

The group's joint ventures are accounted for using the equity method after initially being recognised at cost in the consolidated balance sheet.

Equity-accounted method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Joint ventures – composition and analysis

| Name of company | Measurement method | Group | | | |
|----------------------------------|--------------------|--------------------|---------------|-----------------|---------------|
| | | Ownership interest | | Carrying amount | |
| | | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Arnot HoldCo Proprietary Limited | Equity method | 50 | 50 | - | 59 390 |
| Impairment of joint arrangements | | - | - | - | (59 390) |
| | | 50 | 50 | - | - |

Wescoal Mining Proprietary Limited had entered into an agreement with InvestCo Proprietary Limited to acquire from Exxaro Coal Mpumalanga Proprietary Limited, for no consideration and on a voetstoots basis, the business operated out of the Arnot coal mine in Mpumalanga in 2019.

The transaction is a broad-based empowerment transaction which will not only secure employment for previously retrenched employees but will also provide employees and affected communities around the Arnot Mine with equity participation as outlined in the Mining Charter III.

The Arnot group is currently 50% owned by Wescoal Mining Proprietary Limited and 50% owned by InvestCo Proprietary Limited. In terms of the shareholders' agreement and option agreement, Wescoal Mining has the right to acquire all the shares of Arnot HoldCo Proprietary Limited from InvestCo Proprietary Limited at fair value, effectively giving Wescoal control over the company. This option was, however, only available for a 12-month period which ended on 31 December 2022. The call option has been exercised, however there are challenges in executing due to ongoing disputes between the shareholders. Taking into account all facts and circumstances Wescoal Mining concluded that it does not control Arnot.

On 11 August 2022, Wescoal Mining launched an application for the business rescue of Arnot OpCo Proprietary Limited ("Arnot OpCo"). Arnot OpCo was placed under supervision and business rescue proceedings effective 10 October 2022 and Mr Phahlani Lincoln Mkhombo has been appointed as the Business Rescue Practitioner.

Notes to the consolidated and separate financial statements continued

9. Investments in joint ventures continued

Summarised financial information of material joint ventures

Summarised statement of profit or loss and other comprehensive income

During the reporting period, Arnot failed to reach steady state but continues supplying coal from the mining of two underground sections with challenging geological features. A business rescue plan was adopted on 28 July 2023 but subsequently challenged and the outcome is still pending.

The investment in Arnot OpCo was fully impaired in FY2022 due to uncertainties around funding of the operation.

Summarised financial information of material joint ventures

Summarised statement of profit or loss and other comprehensive income

| | Unaudited Arnot HoldCo Proprietary Limited | |
|---------------------------------|--|-----------------|
| | 2023 R'000 | 2022 R'000 |
| Revenue | 331 858 | 25 410 |
| Cost of sales | (349 164) | (23 046) |
| Operating income | 116 415 | 883 |
| Operating expenses | (295 949) | (26 261) |
| Interest income | 740 | 274 |
| Finance costs | (2 833) | - |
| Loss before tax | (198 985) | (22 740) |
| Tax expense | - | (3 608) |
| Total comprehensive loss | (198 985) | (26 348) |

9. **Investments in joint ventures** continued
Summarised financial information of material joint ventures continued
Summarised statement of financial position

| | Unaudited Arnot HoldCo Proprietary Limited | |
|--|---|-----------------------|
| | 2023 R'000 | 2022 R'000 |
| Assets | | |
| Non-current | | |
| Property, plant and equipment | 551 974 | 584 630 |
| Loans to companies | 5 139 | 4 773 |
| Reimbursive right | 1 047 294 | 1 047 294 |
| Other | 2 139 | 2 138 |
| Total non-current assets | 1 606 546 | 1 638 835 |
| Current | | |
| Cash and cash equivalents | 39 060 | 7 127 |
| Inventories | 5 082 | 8 927 |
| Trade and other receivables | 41 878 | 44 954 |
| Total current assets | 86 020 | 61 008 |
| Liabilities | | |
| Non-current | | |
| Non-current financial liabilities (excluding provisions) | 246 645 | 278 316 |
| Rehabilitation provision | 1 047 294 | 1 047 294 |
| Total non-current liabilities | 1 293 939 | 1 325 610 |
| Current | | |
| Other current liabilities | 469 784 | 251 222 |
| Loans from companies | 88 978 | 83 283 |
| Total current liabilities | 558 762 | 334 505 |
| Total net assets | (160 135) | 39 728 |
| Investment at the beginning of the year | - | 27 548 |
| Acquisitions | - | 49 300 |
| Transaction fees incurred | - | - |
| Share of losses | - | (17 458) |
| Impairment | - | (59 390) |
| Investment at the end of the year | - | - |

The net investment in a joint venture was fully impaired in FY2022 as there was objective evidence of impairment. The objective evidence that the net investment is impaired includes observable data that came to the attention of the entity about the following potential loss events:

- Significant financial difficulty of the joint venture;
- Difficulty in raising funding, that will allow the joint venture to ramp up production to full capacity; and
- Arnot has been ring-fenced from Salungano's lending facilities.

As a result of the potential impairment events, the group decided to fully impair their investment in the joint venture.

Notes to the consolidated and separate financial statements continued

9. Investments in joint ventures continued

Summarised financial information of material joint ventures continued

Arnot business rescue

Wescoal Mining is a creditor of Arnot OpCo and has launched the business rescue proceedings as an “affected person”, as contemplated in section 128(1)(a)(i) of the Companies Act 71 of 2008, as amended. On 10 October 2022 Arnot has been placed under supervision and business rescue proceedings in terms of section 131(4) of the Companies Act, 71 of 2008. Arnot OpCo has been in financial distress for a prolonged period, and the option of business rescue is considered the most appropriate under the circumstances, noting that Wescoal Mining is of the firm belief that a business rescue plan could facilitate a successful turnaround of the business. Arnot OpCo will continue to be accounted for as a joint venture as Salungano can jointly control the outcome of the business rescue plan. The investment in Arnot OpCo has been fully impaired in the annual financial statements for the year ended 31 March 2022 due to uncertainties pertaining funding of the operation.

10. Restricted investments

Accounting policies relating to investments in debt instruments at fair value through profit or loss

Classification

Certain investments in debt instruments are classified as mandatorily at fair value through profit or loss. These investments do not qualify for classification at amortised cost or at fair value through other comprehensive income because either the contractual terms of these instruments do not give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding, or the objectives of the group business model are met by selling the instruments rather than holding them to collect the contractual cash flows.

The group holds investments in a rehabilitation investment portfolio through a number of investment instruments which are mandatorily at fair value through profit or loss.

Recognition and measurement

Investments in debt instruments at fair value through profit or loss are recognised when the group becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition, and subsequently, at fair value. Transaction costs are recognised in profit or loss. Fair value gains or losses are included in other operating gains/(losses) (refer to note 29). Details of the valuation policies and processes are presented in note 37. Interest received on debt instruments at fair value through profit or loss is included in interest income (refer to note 30).

Investments in debt instruments at fair value through profit or loss – composition and analysis

The following investments are segregated assets held within the entity which holds the mining right and incurs the liability for rehabilitation. These investments are restricted in use for the rehabilitation expenses which have been provided for under the rehabilitation provision (refer to note 24).

Investments held by the group which are measured at fair value, excluding derivatives, are as follows:

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Debt investments at fair value through profit or loss | 148 335 | 115 983 | - | - |
| Mandatorily at fair value through profit or loss | | | | |
| Rehabilitation investment portfolio | 148 335 | 115 983 | - | - |
| | 148 335 | 115 983 | - | - |
| Split between non-current and current portions | | | | |
| Non-current assets | 148 335 | 115 983 | - | - |

10. Restricted investments continued

Investments in debt instruments at fair value through profit or loss – composition and analysis continued

| | Group | | | |
|-------------------------------------|--------------------------|---------------------------------|----------------------------|----------------|
| | Opening balance R'000 | Additional investments R'000 | Investment return R'000 | Total R'000 |
| 2023 | | | | |
| Rehabilitation investment portfolio | 115 983 | 28 682 | 3 670 | 148 335 |
| 2022 | | | | |
| Rehabilitation investment portfolio | 81 529 | 31 015 | 3 439 | 115 983 |

The unit trust investments are fair value through profit or loss financial assets and are recognised at fair value.

The investment portfolio is made up of the following investment instruments:

| | 2023 R'000 | Credit rating | 2022 R'000 | Credit rating |
|--------------------------------|---------------|------------------|---------------|------------------|
| Old Mutual Investment Services | 74 637 | BB | 60 925 | BB |
| Centriq Investments | 73 699 | AA | 55 058 | AA |
| | 148 335 | | 115 983 | |

Fair value information

Fair value is determined based on the published unit prices of the underlying unit trust and therefore falls within Level 2 of the IFRS fair value hierarchy.

Investments pledged as security

These investments are pledged as security for environmental rehabilitation guarantees issued on behalf of the group.

Risk exposure

The group's exposure to equity securities price risk arises from the underlying unit trust investments held by the group.

11. Loans to group companies

Accounting policies relating to loans to group companies

Classification

Loans to group companies are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

Loans to group companies are recognised when the group becomes a party to the contractual provisions of the loans. Loans to group companies are measured, at initial recognition, at fair value plus transaction costs. Loans to group companies and other receivables are subsequently measured at amortised cost.

Notes to the consolidated and separate financial statements continued

11. Loans to group companies continued

Credit risk

Details of credit risk related to loans to group companies are included in the specific notes and financial instruments and risk management (refer to note 37).

Loans to group companies – composition and analysis

| | Group | | Company | |
|---|---------------|---------------|---------------|------------------------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | ***Restated 2022 R'000 |
| Subsidiaries | | | | |
| Loans that are interest-free and have no fixed terms of repayment* | | | | |
| Blanford 006 Proprietary Limited | - | - | 2 958 | 4 443 |
| Wescoal Mining Proprietary Limited | - | - | 173 156 | - |
| Proudafrique Trading 147 Proprietary Limited*** | - | - | 4 | 4 |
| Neosho Trading 86 Proprietary Limited | - | - | 5 000 | - |
| Keaton Mining Proprietary Limited | - | - | 1 200 | - |
| Keaton Energy Holdings Limited | - | - | 420 399 | 10 671 |
| Loans that bear interest and have no fixed repayment terms | | | | |
| Salungano Trading Proprietary Limited | - | - | - | 53 350 |
| Wescoal Mining Proprietary Limited | - | - | - | 353 420 |
| Keaton Energy Holdings Limited | - | - | - | 603 880 |
| Loans that bear interest and have fixed repayment terms | | | | |
| Arnot OpCo Proprietary Limited** | - | 23 751 | - | - |
| | - | 23 751 | 602 717 | 1 025 768 |

* The directors consider that the short-term loans to group companies carrying values approximates their fair values due to loans being interest free and classified as current.

** The loan to joint venture bears interest at Salungano's lending rates from production date and is repayable in twelve equal instalments commencing twelve months after production commencement date.

*** Refer to note 46 relating to the restatement of the Loans to group companies and retained earnings.

Unless indicated separately, all inter-group loans are interest-free and have no fixed terms of repayment and therefore repayable on demand. During the 2020 financial year, the group refinanced its debt structure. These inter-group loans have been restructured to facilitate the interest repayments through which the subsidiary incurs interest to the extent that it utilises the facilities from Salungano. Due to the refinanced debt package, Salungano Group amended its loan agreements with its subsidiaries resulting in the interest charge from the debt package being on-charged to the subsidiaries which utilise the group's funding facilities. At the year ended 31 March 2023, the following entities utilised the group's funding facilities:

- Wescoal Mining Proprietary Limited;
- Salungano Trading Proprietary Limited;
- Keaton Energy Holdings Proprietary Limited;
- Neosho Trading 86 Proprietary Limited; and
- Keaton Mining Proprietary limited (through Keaton Energy Holdings Proprietary Limited).

The debt package facilities bear interest as follows: the term loan and revolving credit facility ("RCF") bears interest of between JIBAR+2.75% and JIBAR+3.50%, depending on contractual obligations and criteria. The GBF bears interest at the prime lending rate (refer to note 20 for more details regarding the long-term borrowings).

The inputs into the valuations are determined in accordance with estimated payment terms and market-related interest rates at the reporting date.

11. Loans to group companies continued

Classification

| | Group | | Company | |
|--|---------------|---------------|----------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Split between non-current and current portion | | | | |
| Non-current assets | - | 23 751 | - | - |
| Current assets | - | - | 602 717 | 978 365 |
| | - | 23 751 | 602 717 | 978 365 |

Loans to group companies pledged as security

Inter-company loans receivable have been pledged as security for financing provided by Nedbank ClB.

Loans to group companies – reconciliation

| | Group | | Company | |
|--|-----------------|---------------|------------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Loans advance to Joint venture | | | | |
| Arnot Opco Proprietary Limited | | | | |
| Opening balance | 23 751 | 13 638 | - | - |
| Loans advanced | - | 32 012 | - | - |
| Loans repayment | - | - | - | - |
| Interest accrued | 6 217 | - | - | - |
| Expected credit loss | (29 968) | (21 898) | - | - |
| Closing balance | - | 23 751 | - | - |
| Loans advanced to group companies | | | | |
| Opening balance | - | - | 978 365 | 1 103 207 |
| Loans advanced | - | - | 183 615 | 393 475 |
| Loans repayment | - | - | (402 725) | (518 317) |
| Transfer to loan from group companies | - | - | (163 752) | - |
| Other non-cash adjustments** | - | - | 47 402 | - |
| Interest accrued | - | - | - | - |
| Expected credit loss* | - | - | (40 187) | - |
| Closing balance | - | - | 602 717 | 978 365 |

* This is a non-cash movement..

** Refer to note 46 relating to the restatement of the Loans to group companies and retained earnings.

Loans to group companies – cash reconciliation

| | Group | | Company | |
|---|---------------|---------------|------------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Split between cash and non-cash movement | | | | |
| Non-cash movement | - | - | (156 537) | 114 655 |
| Cash movement | - | - | (219 110) | (239 497) |

Notes to the consolidated and separate financial statements continued

11. Loans to group companies continued

Exposure to credit risk

The risk that loans to subsidiaries will not perform as expected, which results in a loss to the company, can be defined as credit risk. Loans to subsidiaries are provided by the company as a general borrowing to fund ongoing operating activities. The maximum exposure to credit risk at the reporting date is the carrying amount of the loans to subsidiaries.

Credit rating framework

Management determines the credit rating grades of all loans at the end of the reporting period in order to determine the credit loss allowance. As external ratings are not available, these ratings are determined internally. As part of management's evaluation of a group company's ability to repay its debt, a variety of factors are considered. Profitability, debt-to-equity ratio, cash flow liquidity, solvency test and the ability to generate future cash flows are a few of the factors considered.

The table below sets out the internal credit rating framework which is applied by management for loans for which external ratings are not available. The abbreviation "ECL" is used to depict "expected credit losses."

| Internal credit grade | Description | Basis for recognising ECL |
|-----------------------|--|------------------------------------|
| Performing | Low risk of default and in sufficient highly liquid assets to repay loan on demand. | 12-month ECL |
| Doubtful | Either 30 days past due or in sufficient highly liquid assets to repay loan on demand, however, the carrying value of the assets is greater than the loan amount taking debt seniority into account. | Lifetime ECL (not credit impaired) |
| In default | Either 90 days past due or the carrying value of the assets is less than the loan amount, however, lifetime operational cash flow exceeds or has the potential to exceed the loan amount. These instruments have evidence that the instrument should be impaired. | Lifetime ECL (credit impaired) |
| Write off | There is evidence indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. These instruments are fully (or partially) derecognised to the extent that there is no longer a reasonable expectation of recovery. | Amount is written off |

11. Loans to group companies continued

Inter-company loans

The company applies a combined approach to determine the ECL for inter-company loans. ECL is calculated using historical data (12 months and 36 months, respectively) as well as forward-looking data. The calculation of the ECL is based on each individual company within the group's historical default rates observed over the expected life of the loans, adjusted for factors that are specific to the company, general economic conditions and an assessment of both the current and forecast direction of the market at the reporting date, including time value for money, where appropriate. This is done to allow for risk differentiation going forward and allows for risk management strategy being implemented.

Inter-company loans (company risk)

Management assess the liquidity and solvency of the borrowers before granting loans. IFRS 9 requires the company to measure the ECL at a probability-weighted amount that reflects the possibility that a credit loss occurs, and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is low. In assessing the ECL on related party receivable balances, the following was considered:

- Whether the borrower has sufficient available highly liquid current assets (which can be accessed immediately after taking into consideration any more senior external or internal loans which, would need to be repaid before) to repay the outstanding intercompany loan. If the loan was demanded at the reporting date; the probability of default would approximate 0%; and
- If it was determined that the borrower does not have sufficient highly liquid current assets to repay the loan if demanded at the reporting date, the company would allow these borrowers to continue trading or to sell assets over a period of time. A cash flow forecast was reviewed to give an indication of the expected trading cash flows and/or liquid assets expected to be generated during the recovery period.

The ECL was limited to the effect of discounting the amount due on the loan over the period until cash is realised and repaid to the company. IFRS 9 requires the discount rate to be the loan's effective interest rate. As these loans are expected to be recovered over the next 12 months, the effect of discounting over the recovery period had an immaterial effect.

As the full amount of the loans would be recovered based on the above, and the discounting had an immaterial impact, except for the loan to Proudafrique, there was no impairment loss to recognise.

Loans to subsidiaries

The ECL on the loan to joint venture was assessed on the basis that it is credit impaired given the funding challenges faced by Arnot OpCo to ramp-up production (refer to note 9). Moreover, the approved business rescue plan has encountered opposition and is currently under legal scrutiny, with the timing of the appeal outcome remaining uncertain.

The following table sets out the carrying amount, loss allowance and measurement basis of ECL for group loans receivable by credit rating grade:

| Loans to joint venture | Internal credit rating | Basis of loss allowance | Group | | |
|--------------------------------|------------------------|-----------------------------------|--------------------------------|-------------------------|-------------------------|
| | | | Gross carrying amount R'000 | Loss allowance R'000 | Amortised cost R'000 |
| 2023 | | | | | |
| Arnot OpCo Proprietary Limited | Doubtful | Lifetime ECL (credit impaired) | 23 751 | (23 751) | - |
| | | | 23 751 | (23 751) | - |
| 2022 | | | | | |
| Arnot OpCo Proprietary Limited | Doubtful | Lifetime ECL (credit impaired) | 45 649 | (21 898) | 23 751 |
| | | | 45 649 | (21 898) | 23 751 |

Notes to the consolidated and separate financial statements continued

11. Loans to group companies continued

Loans to subsidiaries continued

| Loans to subsidiaries | Internal credit rating | Basis of loss allowance | Company | | |
|---|------------------------|------------------------------------|--------------------------------|-------------------------|-------------------------|
| | | | Gross carrying amount R'000 | Loss allowance R'000 | Amortised cost R'000 |
| 2023 | | | | | |
| Salungano Trading Proprietary Limited | Performing | 12-month ECL | - | - | - |
| Blanford 006 Proprietary Limited | Non-performing | Lifetime ECL (not credit impaired) | 2 958 | - | 2 958 |
| Wescoal Mining Proprietary Limited | Performing | Lifetime ECL (not credit impaired) | 173 156 | - | 173 156 |
| Proudafrique Trading 147 Proprietary Limited | Write off | Amount is written off | 1 016 | (1 012) | 4 |
| Neosho Trading 86 Proprietary Limited | Performing | 12-month ECL | 5 000 | - | 5 000 |
| Keaton Mining Proprietary Limited | Performing | 12-month ECL | 1 200 | - | 1 200 |
| Keaton Energy Holdings Limited (non-interest-bearing) | Performing | 12-month ECL | 460 585 | (40 187) | 420 399 |
| Keaton Energy Holdings Limited (interest-bearing) | Performing | 12-month ECL | - | - | - |
| | | | 643 915 | (41 119) | 602 717 |
| 2022 | | | | | |
| Salungano Trading Proprietary Limited | Performing | 12-month ECL | 53 350 | - | 53 350 |
| Blanford 006 Proprietary Limited | Non-performing | Lifetime ECL (not credit impaired) | 4 443 | - | 4 443 |
| Wescoal Mining Proprietary Limited (non-interest-bearing) | Performing | Lifetime ECL (not credit impaired) | 306 017 | - | 306 017 |
| Proudafrique Trading 147 Proprietary Limited | Write off | Amount is written off | 1 016 | (1 012) | 4 |
| Keaton Energy Holdings Limited (non-interest-bearing) | Performing | 12-month ECL | 10 671 | - | 10 671 |
| Keaton Energy Holdings Limited (interest-bearing) | Performing | 12-month ECL | 603 880 | - | 603 880 |
| | | | 979 377 | (1 012) | 978 365 |

12. Other receivables

Accounting policies relating to other receivables

Classification

Other receivables are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

Other receivables are recognised when the group becomes a party to the contractual provisions of the loan. Other receivables are measured, at initial recognition, at fair value plus transaction costs. Loans to group companies and other receivables are subsequently measured at amortised cost.

Credit risk

Details of credit risk-related to other receivables are included in the specific notes and the financial instruments and risk management (refer to note 37).

Other receivables – composition and analysis

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Loans and receivables | | | | |
| Class B preference shares | 71 323 | 63 105 | 71 323 | 63 105 |
| Split between non-current and current portions | | | | |
| Non-current assets | 71 323 | 63 105 | 71 323 | 63 105 |
| Current assets | - | - | - | - |
| | 71 323 | 63 105 | 71 323 | 63 105 |
| Class B preference shares | 64 121 | 55 906 | 64 121 | 55 906 |
| Accumulated preference share dividend | 8 548 | 8 215 | 8 548 | 8 215 |
| Expected credit loss | (1 346) | (1 016) | (1 346) | (1 016) |
| | 71 323 | 63 105 | 71 323 | 63 105 |

Exposure to credit risk

Other receivables inherently exposes the group to credit risk, being the risk that the group will incur financial losses if counterparties fail to make payments as they fall due.

The ECL was determined by management. Based on the probability of default at 7.41% (2022: 7.15%) and the loss given default at 25% (2022: 24%), the company calculated an immaterial amount based on the full balance of the preference shares.

Notes to the consolidated and separate financial statements continued

12. Other receivables continued

Credit loss allowances

The following table sets out the carrying amount, loss allowance and measurement basis of ECL for other receivables by credit rating grade:

| | | | Group | | |
|---------------------------|-------------------------------|---------------------------------------|--|---------------------------------|---------------------------------|
| | Internal credit rating | Basis of loss allowance | Gross carrying amount R'000 | Loss allowance R'000 | Amortised cost R'000 |
| 2023 | | | | | |
| Class B preference shares | Doubtful | Lifetime ECL (not credit impaired) | 72 669 | (1 346) | 71 323 |
| | | | 72 669 | (1 346) | 71 323 |
| 2022 | | | | | |
| Class B preference shares | Doubtful | Lifetime ECL (not credit impaired) | 64 121 | (1 016) | 63 105 |
| | | | 64 121 | (1 016) | 63 105 |

| | | | Company | | |
|---------------------------|-------------------------------|---------------------------------------|--|---------------------------------|---------------------------------|
| | Internal credit rating | Basis of loss allowance | Gross carrying amount R'000 | Loss allowance R'000 | Amortised cost R'000 |
| 2023 | | | | | |
| Class B preference shares | Doubtful | Lifetime ECL (not credit impaired) | 72 669 | (1 346) | 71 323 |
| | | | 72 669 | (1 346) | 71 323 |
| 2022 | | | | | |
| Class B preference shares | Doubtful | Lifetime ECL (not credit impaired) | 64 121 | (1 016) | 63 105 |
| | | | 64 121 | (1 016) | 63 105 |

On 20 December 2016, the company provided funding to K2016316243 (South Africa) Proprietary Limited ("Broad Based Black Economic Empowerment") ("B-BBEE") ("Structured entity") by subscribing for class B cumulative redeemable preference shares in the B-BEE structured entity for an aggregate amount of R35.5 million.

A cumulative preferential cash dividend shall be payable in respect of each class B preference share and shall be deemed to accrue daily at the prime interest rate plus 1% and be compounded monthly. If the preference share dividends are not paid, they are capitalised to the preference share investment.

The scheduled redemption date for the class B preference shares is the fifth anniversary of the date on which the class B preference shares were issued to the company. The B-BBEE structured entity provided certain security in connection with the class B preference share subscription agreement to Salungano, which security will rank behind the Industrial Development Corporation's ("IDC") security.

At the end of November 2021, the B-BBEE Special purpose vehicle ("SPV") requested an extension of the preference share funding provided by Salungano which was due to be repaid in December 2021 as per the B cumulative redeemable preference share agreement.

The reason cited for the request was due to the previous poor financial performance of Salungano resulting in the company not being able to declare dividends for the B-BBEE SPV to service the funding in the manner anticipated when the funding was advanced.

12. Other receivables continued

Credit loss allowances continued

The extension request for this transaction is classified as financial assistance in terms of sections 44 and 45 of the Companies Act. The Salungano directors have approved the request through a resolution by the shareholders at the previous annual general meeting which authorises the company to provide financial assistance. The extension granted was for a period of three years and, for it to be fully executed, there is a requirement for the IDC to consider a similar approval and administrative matters to be concluded by the B-BBEE SPV which are still underway.

13. Lease receivables

Accounting policies relating to lease receivables

Group and company as lessor

Leases for which the group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease modification.

When the group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts.

The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the group applies the exemption described previously, then it classifies the sublease as an operating lease. The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated by applying IFRS 15. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

Lease receivables – composition and analysis

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Gross investment in the lease due | | | | |
| - within one year | - | 14 027 | - | - |
| - in second year | - | - | - | - |
| - in third year | - | - | - | - |
| - in fourth year | - | - | - | - |
| | - | 14 027 | - | - |
| <i>Less: Unearned finance income</i> | - | (1 932) | - | - |
| Present value of minimum lease payments receivable | - | 12 095 | - | - |
| <i>Less: Allowance for uncollectable minimum lease payments</i> | - | (2 903) | - | - |
| <i>Add: Fleet mining machinery</i> | - | 176 363 | - | - |
| | - | 185 555 | - | - |
| Present value of minimum lease payments due | | | | |
| - within one year | - | 12 095 | - | - |
| - in second year | - | - | - | - |
| | - | 12 095 | - | - |
| <i>Less: Allowance for uncollectable minimum lease payments</i> | - | (2 903) | - | - |
| <i>Add: Fleet mining machinery</i> | - | 176 363 | - | - |
| | - | 185 555 | - | - |
| Non-current assets | - | 176 363 | - | - |
| Current assets | - | 9 192 | - | - |
| | - | 185 555 | - | - |

Notes to the consolidated and separate financial statements continued

13. Lease receivables continued

Group and company as lessor

During the year ended March 2020, the group entered into an instalment sale agreement with its lenders namely, Nedbank and Standard Bank to acquire a fleet of mining machinery, through a back-to-back finance lease agreement with its mining contractor. The terms mirrored those of the instalment sale agreement which increased the lease liability by R297.4 million. The average lease term was five years and the effective lending rate on the lease for the current year was 6.5% (2022: 6.5%).

In February 2022, Keaton Mining gave the mining contractor (IPP) notice of termination of its mining contract due to Vanggatfontein being placed on temporary care and maintenance due to discussions with Eskom on the coal supply agreement renewal not materialising post expiry of the existing coal supply agreement. The effective date of cancellation of the mining contractor agreement and the back-to-back finance lease agreement, post the notice period, is May 2022. Salungano slowly returned to production at the mine in the first half of 2023 by utilising the previously leased equipment. The equipment was capitalised in the records of VGF. A hybrid model which entailed using own equipment and augmenting with other outsourced mining teams was implemented instead of appointing a mining contractor. A valuation of the equipment has been performed in prior year and the equipment is currently valued at R208 million.

Reconciliation of significant changes in net investment in leases

| | Group | | Company | |
|--|------------------|---------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Opening balance | 185 555 | 245 905 | - | - |
| Interest accrued | 1 924 | 13 824 | - | - |
| Movement in credit loss allowance | 2 903 | 611 | - | - |
| Lease payments received | (12 824) | (74 785) | - | - |
| Transfer to property, plant and equipment (note 3) | (177 557) | - | - | - |
| Closing balance | - | 185 555 | - | - |

After terminating the contract, the group reclassified mining machinery as PPE. The mining machinery was recognised at fair value when reclassified to PPE (refer to note 3).

Exposure to credit risk

The lessee inherently exposes the group to credit risk, being the risk that the group will incur financial loss if the lessee fails to make payments as they fall due.

In determining the amount of ECL, the group had taken into account any historical default experience, the financial positions of the counterparties as well as the future prospects of the industries in which the counterparties operated or were employed. This information had been obtained from the counterparties themselves, as well as from economic reports, financial analyst reports and various external sources of actual and forecast data and was applied to estimate a probability of default occurring as well as estimating the loss upon default.

13. Lease receivables continued

Credit loss allowances

The following table sets out the carrying amount, loss allowance and measurement basis of ECL for lease receivables by credit rating grade:

| | Internal credit rating | Basis of loss allowance | Group | | |
|-------------------------------|------------------------|-------------------------|-----------------------------|----------------------|----------------------|
| | | | Gross carrying amount R'000 | Loss allowance R'000 | Amortised cost R'000 |
| 2023 | | | | | |
| Mining fleet lease receivable | Performing | 12-month ECL | - | - | - |
| | | | - | - | - |
| 2022 | | | | | |
| Mining fleet lease receivable | Performing | 12-month ECL | 188 458 | (2 903) | 185 555 |
| | | | 188 458 | (2 903) | 185 555 |

14. Deferred tax

Accounting policies relating to deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which, at the time of the transaction, affects neither accounting profit nor taxable profit/(loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability, in a transaction at the time of the transaction, and affects neither accounting profit nor taxable profit/(loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities – composition and analysis

| | Group | | Company | |
|--|----------------|------------------|--------------|--------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Deferred tax asset/(liability) | | | | |
| Accelerated capital allowances for tax purposes | (610 568) | (479 256) | (1 319) | 53 |
| Rehabilitation provision | 634 920 | 364 631 | - | - |
| Tax losses available for set-off against future taxable income | 117 398 | 26 209 | (228) | - |
| Prepayments | (852) | (1 330) | (545) | (473) |
| Provision for expected credit loss | 19 505 | 10 475 | 468 | 411 |
| Income received in advance | 1 175 | 295 | - | - |
| Lease liability | 2 072 | 1 057 | 1 496 | - |
| Provisions | 17 034 | 9 667 | 2 698 | 3 223 |
| Right-of-use assets | (2 107) | (50 884) | - | - |
| Total deferred tax asset/(liability) | 178 577 | (119 136) | 2 570 | 3 214 |
| Deferred tax liability | (138 364) | (205 377) | - | - |
| Deferred tax asset | 316 941 | 86 241 | 2 570 | 3 214 |
| Total deferred tax asset/(liability) | 178 577 | (119 136) | 2 570 | 3 214 |

Notes to the consolidated and separate financial statements continued

14. Deferred tax continued

Reconciliation of deferred tax asset/(liability)

| | Group | | Company | |
|--|----------------|------------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| At the beginning of the year | (119 136) | (204 245) | 3 214 | 2 726 |
| Charge to statement of profit or loss and other comprehensive income | 297 713 | 80 694 | (644) | 606 |
| Decrease in tax rate change | - | 4 415 | - | (118) |
| Total deferred tax asset/(liability) | 178 577 | (119 136) | 2 570 | 3 214 |

The group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on approved business plans and budgets for the subsidiaries. The subsidiaries are expected to utilise the deferred tax assets from the year 2023 onwards based on the profitability estimates.

15. Prepaid royalty

Wescoal Mining prepaid R1.50 per tonne of the royalty that was due to Proudafrique before the 100% acquisition of Elandspruit in 2015. This prepayment amounted to R12.9 million and is amortised on a units-of-production method over the life of the Elandspruit Mine.

| | Group | | Company | |
|--------------------------------------|---------------|---------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Prepaid royalty – non-current assets | 1 187 | 2 559 | - | - |
| Prepaid royalty – current assets | 1 253 | 1 281 | - | - |
| | 2 440 | 3 840 | - | - |

Reconciliation of prepaid royalty

| | Group | | Company | |
|-----------------|---------------|---------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Opening balance | 3 840 | 4 824 | - | - |
| Amortisation | (1 400) | (984) | - | - |
| | 2 440 | 3 840 | - | - |

16. Inventories

Accounting policies relating to inventories

Inventories, which include coal ROM and product stockpiles and consumables, are measured at the lower of cost and net realisable value on the weighted average cost basis.

The cost of inventories is determined by reference to all costs of purchase, direct mining expenditure and an appropriate portion of overhead expenditure, including directly related depreciation, transport and other costs incurred in bringing the inventories to their present location and condition. Borrowing costs are not capitalised to inventory.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

A write-down to net realisable value is required when the carrying amount of inventories exceeds the net realisable value. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

No portion of inventory is non-current. ROM stockpiles are utilised by the processing plant in the ongoing production process. Inventory stockpiles consist of saleable coal processed by the washing or crushing and screening plant.

Inventories – composition and analysis

| | Group | | Company | |
|---------------------------|---------------|---------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Raw materials, components | 359 017 | 303 562 | - | - |
| Finished goods | 195 188 | 111 188 | - | - |
| Production supplies | 3 209 | 10 037 | - | - |
| | 557 414 | 424 787 | - | - |
| Inventories (write-downs) | - | (3 407) | - | - |
| Inventories (write-off) | (130 994) | - | - | - |
| | 426 420 | 421 380 | - | - |

In the current year, obsolete stock amounting to R131 million was written off due to spontaneous combustion.

17. Trade and other receivables

Accounting policies relating to trade and other receivables

Classification

Trade receivables, excluding, when applicable, value added tax and prepayments, are classified as financial assets subsequently measured at amortised cost.

Trade receivables have been classified in this manner because their contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to collect the contractual cash flows on trade receivables.

Recognition and measurement

Trade receivables are recognised when the group becomes a party to the contractual provisions of the receivables. Trade receivables are measured, at initial recognition, at fair value plus transaction costs.

Trade receivables are subsequently measured at amortised cost.

Notes to the consolidated and separate financial statements continued

17. Trade and other receivables continued

Impairment

The group recognises a loss allowance for ECL on trade receivables, excluding value added tax and prepayments. The amount of ECL is updated at each reporting date.

The group measures the loss allowance for trade receivables which do not contain a significant financing component at an amount equal to lifetime ECL. The loss allowance for all other trade receivables is measured at lifetime ECL when there has been a significant increase in credit risk since initial recognition. If the credit risk on these receivables has not increased significantly since initial recognition, then the loss allowance for those receivables is measured at 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a loan. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

Definition of default

For purposes of internal credit risk management, the group considers that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account).

Irrespective of the above analysis, the group considers that default has occurred when a receivable is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The group applies the simplified approach as a practical expedient to measure the loss allowance for trade receivables classified at amortised cost, using the lifetime expected loss provision. The ECL on these financial assets is estimated using a provision matrix by reference to past default experience adjusted for factors that are specific to the debtor and also adjusted as appropriate for current observable data and forward-looking information.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade receivables.

Trade and other receivables – composition and analysis

| | Group | | Company | |
|--|----------------|----------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Financial instruments | | | | |
| Trade receivables | 553 195 | 631 210 | 29 774 | 20 417 |
| Loss allowance | (63 194) | (25 387) | (285) | - |
| Trade receivables at amortised cost | 490 001 | 605 823 | 29 489 | 20 417 |
| Deposits | 6 390 | 6 495 | 62 | 62 |
| Other receivable | 9 817 | 2 419 | 10 619 | 6 482 |
| Other receivable | 9 817 | 4 118 | 10 619 | 8 181 |
| Loss allowance | - | (1 699) | - | (1 699) |
| Non-financial instruments | | | | |
| Value added tax | 126 078 | 58 125 | - | - |
| Prepayments | 7 158 | 6 941 | 3 453 | 2 873 |
| Total trade and other receivables | 639 445 | 679 803 | 43 623 | 29 834 |

17. Trade and other receivables continued

Financial instrument and non-financial instrument components of trade and other receivables

| | Group | | Company | |
|---------------------------|----------------|---------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| At amortised cost | 506 208 | 638 488 | 38 261 | 26 961 |
| Non-financial instruments | 133 237 | 65 066 | 3 453 | 2 873 |
| | 639 445 | 703 554 | 41 714 | 29 834 |

Trade and other receivables pledged as security

The full balance of trade receivables has been pledged to Nedbank under the refinanced borrowings agreement.

Exposure to credit risk

The risk that counterparties or customers will not perform as expected, which results in a loss to the group, can be defined as a credit risk.

Trade receivables are divided into two classes, being those relating to the group's mining activities conducted by Wescoal Mining and Keaton mining, Neosho trading and those relating to Salungano Trading's trading activities. Trade receivables for these classes are summarised in the table below (including inter-group receivables).

| | Mining 2023 R'000 | Trading 2023 R'000 | Mining 2022 R'000 | Trading 2022 R'000 |
|---------------------------------------|------------------------------------|--------------------------|-------------------------|--------------------------|
| | Wescoal Mining Proprietary Limited | 103 612 | - | 461 830 |
| Keaton Mining Proprietary Limited | 135 668 | - | 200 557 | - |
| Salungano Trading Proprietary Limited | - | 46 824 | - | 92 069 |
| Neosho Trading 86 Proprietary Limited | 405 088 | - | 411 343 | - |
| | 644 368 | 46 824 | 1 073 730 | 92 069 |

The group's sales to Eskom made up 62% (2022: 77%) of the Mining division's trade receivables balance at year-end. Eskom has a history of no defaults and a credit rating of B (2022: Caa1). The balance of the trade receivables (38%) represents sales to the private sector and export market. On the basis of historical data regarding the outstanding debtor's balance of more than 90 days, management has estimated an immaterial amount, which was evaluated as a loss given default rate of 100% and a probability of default of 7.41% (2022: 7.15%).

Trade receivables in Salungano Trading consist mainly of one large customer in the private sector combined with a number of customers from widespread and diverse industries. Customers include government institutions and private sector and mining entities with no history of default.

The group evaluates customers prior to the granting of credit. Each entity has a unique customer base that contributes to different levels of credit exposure. Entities manage credit exposure by applying prudent credit limits and constant evaluation of credit behaviour. If customers are independently rated, these ratings are used (see above). Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position and past experience. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. Compliance with credit limits is monitored monthly in conjunction with the analysis of the receivables' ageing report.

Notes to the consolidated and separate financial statements continued

17. Trade and other receivables continued

The group's variety of customers across all industries mitigates the exposure of concentration risk resulting from credit risk.

The maximum exposure to credit risk is the carrying value of financial assets. Based on the nature of the risk against the credit risk exposure, no additional collateral is generally taken against the credit risk exposures.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 March 2023.

| | Equivalent to external credit rating | PD % | Average LGD % | Gross carrying amount R'000 | Impairment loss allowance R'000 | Credit impaired |
|---------------|--------------------------------------|------|---------------|-----------------------------|---------------------------------|-----------------|
| Public sector | B | 12 | 29.00 | 360 665 | (433) | No |
| Corporate | AAA to CCC/C | 1.86 | 28.00 | 28 971 | (151) | No |
| SME corporate | AAA to CCC/C | 7.41 | 25.00 | 163 559 | (62 610) | Yes |
| | | | | 553 195 | (63 194) | |

Refer to note 37 for further information regarding credit risk factors.

18. Cash and cash equivalents

Accounting policies relating to cash and cash equivalents and bank overdrafts

Cash and cash equivalents are stated at the carrying amount which is deemed to be fair value.

Bank overdrafts are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents are defined as cash on hand, deposits held at call with banks and short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents exclude restricted cash.

Cash and cash equivalents and bank overdrafts – composition and analysis

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Cash and cash equivalents consist of: | | | | |
| Cash on hand | 81 | 8 | - | - |
| Bank balances | 23 997 | 270 846 | 147 | 570 |
| Bank overdraft | (85 385) | (98 418) | (85 359) | (98 391) |
| | (61 307) | 172 436 | (85 212) | (97 821) |
| Current assets | 24 078 | 270 854 | 147 | 570 |
| Current liabilities | (85 385) | (98 418) | (85 359) | (98 391) |
| | (61 307) | 172 436 | (85 212) | (97 821) |
| Restricted cash | | | | |
| Cash and cash equivalents held by the entity that are not available for use by the group | 8 979 | 8 315 | - | - |

Restricted cash relates to fully funded guarantees issued to the Department of Mineral Resources and Energy for rehabilitation. The average interest rate on bank balances approximates 0.1% (2022: 0.1%) per annum.

18. Cash and cash equivalents continued

Overdraft facilities

The average interest rate on bank overdrafts approximates 9.14% (2022: 9.14%) per annum and is mostly determined based on three-month JIBAR plus 375 basis points. The group deals with reputable banks in South Africa with a current national long-term rating of AA+ (2022: AA+).

| | Group | | Company | |
|--|---------------|---------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Total amount of approved overdraft facilities | 90 000 | 600 000 | 90 000 | 600 000 |
| The total amount of undrawn facilities available for future operating activities and commitments | 4 615 | 1 582 | 4 615 | 1 582 |

19. Share capital

Accounting policies relating to share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the group reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those instruments, is deducted from equity attributable to the group's equity holders until the shares are cancelled or reissued.

Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the group's equity holders.

Share capital and equity – composition and analysis

| | Group | | Company | |
|--|--------------|--------------|--------------|--------------|
| | 2023 '000 | 2022 '000 | 2023 '000 | 2022 '000 |
| Reconciliation of number of shares issued | | | | |
| Reported as at 1 April | 410 408 | 410 058 | 410 408 | 410 058 |
| Shares issued from the treasury shares held by the Share Trust for options exercised | - | 350 | - | 350 |
| | 410 408 | 410 408 | 410 408 | 410 408 |

Notes to the consolidated and separate financial statements continued

19. Share capital continued

Unissued ordinary shares

Altogether, 580 083 146 (2022: 80 083 146) unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

The Wescoal Share Incentive Trust is consolidated into the group and company. The shares held by the trust are treated as treasury shares in the group and company. The number of unissued trust shares as at 31 March 2023 is 9 508 000 (2022: 9 858 000).

Issued

| | Group | | Company | |
|----------|---------------|---------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Ordinary | 630 372 | 630 372 | 630 372 | 630 372 |

The directors were authorised to issue shares, allot and grant share options to a maximum of 29 004 157 (2022: 20 502 943) ordinary shares for cash. The directors did not issue any shares in FY2023.

20. Interest-bearing borrowings

Accounting policies relating to borrowings

Classification

Borrowings are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Borrowings are recognised when the group becomes a party to the contractual provisions of the loan. The borrowings are measured at initial recognition at fair value plus transaction costs if any. Borrowings are subsequently measured at amortised cost using the effective interest method.

Interest expense calculated on the effective interest method is included in profit or loss in finance costs paid (refer to note 31). Borrowings expose the group to liquidity risk and interest rate risk. Refer to note 37 for details of risk exposure and the management thereof.

Borrowings – composition and analysis

| | Group | | Company | |
|---|------------------|----------------|------------------|----------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Held at amortised cost | | | | |
| Secured | | | | |
| Refinanced term loan | 71 193 | 177 084 | 71 193 | 177 084 |
| Revolving credit facility | 410 479 | 500 003 | 410 479 | 500 003 |
| General banking facilities | - | - | - | - |
| Fair value of interest rate swap* | (125) | 1 786 | (125) | 1 786 |
| | 481 547 | 678 873 | 481 547 | 678 873 |
| Split between non-current and current portions | | | | |
| Current liabilities | 481 547 | 678 873 | 481 547 | 678 873 |
| Reconciliation of interest-bearing borrowings | | | | |
| At the beginning of the year | 678 873 | 926 606 | 678 873 | 931 381 |
| Cash advances received | - | - | - | - |
| Transaction cost incurred | - | - | - | - |
| Unwinding of transaction cost incurred | - | 2 122 | - | - |
| Finance costs | 50 701 | 60 398 | 50 701 | 60 398 |
| Payments | | | | |
| Capital | (207 842) | (242 491) | (207 842) | (245 144) |
| Interest | (38 339) | (60 398) | (38 339) | (60 398) |
| Interest rate swap repayments | (1 846) | (7 364) | (1 846) | (7 364) |
| | 481 547 | 678 873 | 481 547 | 678 873 |

* Interest rate swaps are at Level 1 fair value.

Refer to note 37 for the repayment profile of interest-bearing borrowings.

The group has used the refinanced debt packages to determine its WACC by combining the forward-looking JIBAR plus 3.5% at a gearing ratio of 50% with the cost of equity calculated using the risk-free rate adjusted for market-related risk premiums and specific asset-related and company-related risk premiums. The cost of debt included in WACC calculation is 9.89%.

Notes to the consolidated and separate financial statements continued

20. Interest-bearing borrowings continued

Refinanced – RCF term loan and GBF

During the financial year ended 31 March 2020, the group concluded the refinancing of its existing credit facilities through a consortium of South African commercial banks consisting of Nedbank (acting through its Corporate and Investment Banking Division) and Standard Bank (acting through its Corporate and Investment Banking Division). The new credit-approved comprehensive long-term refinance facilities are for a combined R1.1 billion with a provision that also allows the group access to an additional R500 million accordion facility subject to credit approval but within the legal agreements of the refinance facilities thus reducing significantly the lead time towards accessing this extra liquidity facility.

The financing facilities consist of a term loan of R500 million, a RCF of R500 million and a GBF of R100 million. The term loan and the RCF bear interest of between JIBAR plus 2.75% and JIBAR plus 3.50% depending on contractual obligations and criteria. The GBF bears interest at the prime lending rate. The term loan is for a duration of 48 months with the last instalment on 30 June 2023. Funding utilised from the term loan is repayable in equal quarterly payments with the first payment due on 30 June 2020. Interest is payable on a quarterly basis.

The RCF is for a duration of 48 months terminating on 21 June 2023. Interest is accrued on a monthly basis on funds utilised and payable on a quarterly basis. The facility agreement provides for restrictions on the group's dividend policy and provides for specific liquidity requirements.

The facilities are subject to the following dependent financial covenants:

- Net debt to EBITDA should be less than 2.5;
- Net debt to equity should be less than 1.5;
- Interest cover ratio should be greater than 3.5; and
- Debt service cover ratio should be greater than 1.3.

As at 31 March 2023, the group did not meet its financial covenants for the last quarter of the financial year as a result of the poor last quarter performance and the increased debt service obligation imposed by the Third amendment in terms of servicing the Revolving Credit Facilities. The lenders have not formally condoned the breach but sent draft term sheet on 28 July 2023 to refinance the debt of R433 million subject to final credit approval.

Exposure to interest rate risk

Interest rate swaps

Certain interest rate swaps have been entered into in order to mitigate against the effect of reducing interest rates on cash flow risk.

On 28 February 2020, Salungano entered into interest rate swap transactions with Nedbank and Standard Bank to fix interest rates for the full duration of the term loans at 6.4% (Nedbank) and 6.45% (Standard Bank) which was just below the ruling three-month JIBAR rate of 6.5% at the time of fixing. The purpose of the fixing of rates was to protect margins as most of Salungano's revenue streams are at fixed pricing. Subsequent to entering into the swap transaction, the Reserve Bank reduced its lending rate by 200 basis points to stimulate the economy. Salungano has reviewed options to revise the swap transactions but the reduced rate is limited to 10 basis points and results in new caps being introduced should the interest rates increase in future.

Formal hedge accounting is not applicable to the interest rate swap.

Interest rate sensitivity analysis

A sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Refer to financial risk management (note 37) for the interest rate sensitivity analysis prepared.

21. Financial liabilities at amortised cost

Accounting policies relating to financial liabilities at amortised cost

Classification

Financial liabilities are subsequently measured at amortised cost.

Recognition and measurement

Financial liabilities at amortised cost are recognised when the group becomes a party to contractual provisions and are measured, at initial recognition, at fair value plus transaction costs.

Financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest method.

If financial liabilities at amortised cost contain a significant financing component and the effective interest method results in the recognition of interest expense then it is included in profit or loss in finance costs paid (refer to note 31).

Financial liabilities at amortised cost expose the group to liquidity risk and possibly to interest rate risk. Refer to note 37 for details of risk exposure and the management thereof.

Financial liabilities at amortised cost – composition and analysis

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Amortised cost | | | | |
| Instalment sale agreement | 124 052 | - | - | - |
| | 124 052 | - | - | - |
| Split between non-current and current portions | | | | |
| Non-current liabilities | 50 164 | - | - | - |
| Current liabilities | 73 888 | - | - | - |
| | 124 052 | - | - | - |
| Instalment sale agreement | | | | |
| Minimum lease payments due | | | | |
| - within one year | 79 623 | | | |
| - in second to fifth year inclusive | 51 317 | | | |
| | 130 940 | - | - | - |
| Less: future finance charges | (6 888) | - | - | - |
| Present value of minimum lease payments | 124 052 | - | - | - |
| Present value of minimum lease payments due | | | | |
| - within one year | 73 888 | - | - | - |
| - in second to fifth year inclusive | 50 164 | - | - | - |
| | 124 052 | - | - | - |

During the year ended 31 March 2020, the group entered into an instalment sale agreement with its lenders namely, Nedbank and Standard Bank, to acquire a fleet of mining machinery, through a back-to-back finance lease agreement with its mining contractor. The terms mirrored those of the instalment sale agreement which increased the lease liability by R297.4 million at inception. The finance term is for 60 months with an effective borrowing rate of 9.5% (Nedbank) and 9% (Standard Bank). The interest rate at the contract date was the prime interest rate minus 0.5% and prime minus 1.0% for Standard Bank.

During the year ended 31 March 2023, the lease agreement of mining machinery to IPP was cancelled. The lease liability was transferred to the finance liabilities at amortised cost as the right of use was derecognised and the equipment was recognised under property, plant and equipment.

22. Loan from shareholder

Accounting policies relating to financial liabilities at amortised cost

Classification

The loan from shareholder is classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

The loan from shareholder is recognised when the group becomes a party to the contractual provisions of the loan. The borrowings are measured at initial recognition at fair value plus transaction costs if any. The loan from shareholder is subsequently measured at amortised cost using the effective interest method.

Interest expense calculated on the effective interest method is included in profit or loss in finance costs paid. Borrowings expose the group to liquidity risk and interest rate risk. Refer to note 37 for details of risk exposure and the management thereof.

Loan from shareholder – composition and analysis

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Held at amortised cost | | | | |
| Unsecured | | | | |
| RBFT Investments Proprietary Limited | 17 118 | - | 7 100 | - |
| | 17 118 | - | 7 100 | - |
| Split between non-current and current portions | | | | |
| Current liabilities | 17 118 | - | 7 100 | - |
| Reconciliation of interest-bearing borrowings | | | | |
| At the beginning of the year | - | - | - | - |
| Cash advances received | 17 118 | - | 7 100 | - |
| Closing balance | 17 118 | - | 7 100 | - |

During March 2023 the group received a loan from RBFT Investments Proprietary Limited. The loan bears interest at prime plus 2% and is repayable no later than 12 months from effective date.

23. Lease liabilities

Accounting policies relating to lease liabilities

Classification

The group assesses whether a contract is or contains a lease at the inception of the contract.

A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is or contains a lease, management determines whether the asset under consideration is "identified" which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified assets, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the group has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgements and sources of estimation uncertainty section of these accounting policies.

23. Lease liabilities continued

Group as lessee

A lease liability and corresponding right-of-use asset (note 4) are recognised at the lease commencement date for all lease agreements for which the group is a lessee except for short-term leases of 12 months or less or leases of low-value assets.

For these leases, the group recognises the lease payments as an operating expense (note 29) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Low-value assets are recognised as expenses directly in the statement of profit or loss during the period in which the cost is incurred. The group has deemed all leases with a total contract value of less than R1 million to be low-value leases.

The group has assessed these low-value leases individually as well as combined with other assets to determine if they fall within the practical expedient exclusion. Additionally, none of the low-value assets are inter-related or highly dependent on other assets.

The various lease and non-lease components of contracts containing leases are accounted for separately with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

However, as an exception to the preceding paragraph, the group has elected not to separate the non-lease components for leases of land and buildings.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease.

If this rate cannot be readily determined, the group uses its incremental borrowing rate.

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

- Fixed lease payments including in-substance fixed payments less any lease incentives;
- Variable lease payments that depend on an index or rate initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the group under residual value guarantees;
- The exercise price of purchase options if the group is reasonably certain to exercise the option;
- Lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option; and
- Penalties for early termination of a lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line item on the statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs paid (refer to note 31).

The group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the group will exercise a purchase termination or extension option in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate; and
- a lease contract has been modified and the lease modification is not accounted for as a separate lease in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate. When the lease liability is remeasured in this way a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The group did not need to use significant judgement in determining the lease liability inherent borrowing rate lease terms or whether or not extensions or terminations would be exercised.

Notes to the consolidated and separate financial statements continued

23. Lease liabilities continued

Lease liabilities – composition and analysis

| | Group | | Company | |
|--|---------------|---------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Minimum lease payments due | | | | |
| - within one year | 4 072 | 84 841 | 1 527 | - |
| - in second to fifth year inclusive | 7 374 | 134 120 | 5 251 | - |
| | 11 446 | 218 961 | 6 778 | - |
| <i>Less: Future finance charges</i> | 1 722 | (18 901) | (1 238) | - |
| Present value of minimum lease payments | 9 724 | 200 060 | 5 539 | - |
| Present value of minimum lease payments due | | | | |
| - within one year | 3 138 | 75 454 | 1 028 | - |
| - in second to fifth year inclusive | 6 586 | 124 606 | 4 512 | - |
| | 9 724 | 200 060 | 5 539 | - |
| Current liabilities | 3 138 | 75 454 | 1 028 | - |
| Non-current liabilities | 6 586 | 124 606 | 4 512 | - |
| | 9 724 | 200 060 | 5 539 | - |

A corresponding right-of-use asset has been recognised for leased buildings. Refer to notes 4 and 13 for more details.

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Reconciliation of lease liabilities | | | | |
| At the beginning of the year | 200 060 | 260 300 | - | 125 |
| Finance costs leases | 521 | 14 592 | - | - |
| Finance costs financial liabilities | 3 828 | - | - | - |
| Additional financial liabilities | 6 376 | - | 6 376 | - |
| Transfer to financial liabilities at amortised cost | (124 052) | - | - | - |
| Payments financial liabilities | (72 765) | (74 832) | (837) | (125) |
| Payments leases | (4 246) | - | - | - |
| | 9 724 | 200 060 | 5 539 | - |

During the year ended 31 March 2023, the lease agreement of mining machinery to IPP was cancelled. The lease liability was transferred to the finance liabilities at amortised cost when the right of use was derecognised. The equipment was recognised under property, plant and equipment.

24. Environmental rehabilitation provision

Accounting policies relating to environmental rehabilitation provision and general provisions

General provisions and contingencies

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Legal claims are only recognised as a provision when the counterparty has a reasonable chance of success as assessed by Salungano's external legal counsel during the current year. None of these claims have been recognised as a provision (refer to note 35 for details regarding contingent liabilities and assets).

Accrued expenses are recognised as part of the trade and other payables balances and are not recognised in terms of a provision.

The group does not recognise contingent assets and contingent liabilities.

Rehabilitation provision

Provisions for environmental restoration are recognised as the group has a present legal obligation as a result of past events (mining disturbances caused); it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated using third-party expert valuations.

Provisions are measured at the present value of the expected economic benefits to be required to settle the obligation using a risk free rate that reflects current market assessments of the time value of money.

The increase in the provision due to the passage of time is recognised as an interest expense. Changes in the provision due to changes in estimates are recognised against property, plant and equipment, which are measured at cost.

Changes in estimates include:

- a change in the estimated outflow of resources embodying economic benefits required to settle the obligation;
- a change in the current market-based discount rate, which includes changes in the time value of money and the risks specific to the liability; and
- an increase that reflects the change in life of mine.

Significant judgements and assumptions made by management in applying the related accounting policies

Mine rehabilitation provision

In applying IAS 37: *Provisions, Contingent Liabilities and Contingent Assets*, estimates of determining the present obligation of environmental and decommissioning provisions are required.

Environmental and decommissioning costs are provided for where either a legal or constructive obligation is recognised as a result of the group's coal mining operations.

Significant estimates and assumptions are made in determining the present obligation of environmental and decommissioning provisions, which include the actual estimate, the inflation rate, the discount rate used and the expected date of closure of mining activities. Estimates are based on costs that are annually determined by independent environmental specialists in accordance with environmental regulations, and adjusted as appropriate for new circumstances.

Numerous factors will affect the ultimate liability payable. These factors include estimates of the extent and cost of rehabilitation activities, technological changes and environmental legislation changes.

Unwinding of discount due to the passage of time is included as an element of finance costs in arriving at profit or loss for the year in terms of IAS 37: *Provisions, Contingent Liabilities and Contingent Assets*.

The present value of environmental disturbances created, as well as changes to estimates, are capitalised to property, plant and equipment against an increase in the rehabilitation provision. Change in estimates for operations in the development and production phase is capitalised and amortised over the life of mine on the units-of-production method. Rehabilitation costs incurred, that are included in the estimates, are charged to the provision.

The cost of ongoing current rehabilitation is charged against the provision as incurred.

Notes to the consolidated and separate financial statements continued

24. Environmental rehabilitation provision continued

Environmental rehabilitation provision and general provisions – composition and analysis

Reconciliation of environmental rehabilitation provision

| | Group | | | | |
|------------------------------|--------------------------|--------------------|--|--|----------------|
| | Opening balance R'000 | Additions R'000 | Rehabilitation work performed during the year R'000 | Time value of money and inflation component of rehabilitation R'000 | Total R'000 |
| 2023 | | | | | |
| Environmental rehabilitation | 1 389 740 | 860 243 | (5 314) | 146 145 | 2 390 813 |
| 2022 | | | | | |
| Environmental rehabilitation | 999 753 | 345 023 | (46 479) | 91 443 | 1 389 740 |

The group's mining and exploration activities are subject to extensive environmental laws and regulations. These laws and regulations are continually changing and are generally becoming more restrictive. 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. The previous table is a reconciliation of the total liability for environmental rehabilitation.

While the ultimate amount of rehabilitation costs to be incurred in the future is uncertain, the group has estimated that, based on current environmental and regulatory requirements, the present value of total estimated future rehabilitation cash flows is approximately R2 378 million (2022: R1 390 million).

The breakdown of the liability per site is as follows:

Breakdown of environmental rehabilitation provision

| | Group | |
|----------------|------------------|---------------|
| | 2023 R'000 | 2022 R'000 |
| Khanyisa | 138 380 | 112 505 |
| Elandspruit | 577 205 | 422 911 |
| Blesboklaagte | - | 1 093 |
| Vanggatfontein | 1 226 715 | 708 923 |
| Intibane | 17 960 | 17 245 |
| Moabsvelden | 430 552 | 127 063 |
| | 2 390 813 | 1 389 740 |

| | Group | |
|-------------------------|------------------|---------------|
| | 2023 R'000 | 2022 R'000 |
| Non-current liabilities | 2 390 813 | 1 389 740 |
| Current liabilities | - | - |
| | 2 390 813 | 1 389 740 |

24. Environmental rehabilitation provision continued

Environmental rehabilitation provision and general provisions – composition and analysis continued

Reconciliation of environmental rehabilitation provision continued

In determining the above provision, the current cost estimates as determined by environmental rehabilitation experts have been escalated to a future value at an inflation rate of 5.7% (2022: 4.27%) over a period of between nine and one years (2022: between ten and one years). The future value was then discounted at a rate of between 10.46% and 8.39% (2022: between 10.55% and 5.39%).

The group's net capitalisation of R860 million (2022: R345 million) relates to changes in estimates to mineral properties due to ongoing mining operations and primarily due to Elandspruit, Vanggatfontein and Moabsvelden which increased by R118 million, R436 million and R288 million, respectively (2022: R147 million, R178 million and R47 million).

The expected life of mine for each mine site as at 31 March is as follows:

| | Group | |
|----------------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 |
| Estimated LoM | | |
| Khanyisa | 1 | 1 |
| Elandspruit | 2 | 3 |
| Vanggatfontein | 7 | 7 |
| Moabsvelden | 9 | 10 |

Khanyisa has an expected life of mine of one year as there is an initiative of extending the life by mining closer to Transnet pipeline that runs across the mine and other neighbouring mines.

The group intends to finance the ultimate rehabilitation costs from the money invested in and ongoing contributions to environmental rehabilitation investments, as well as proceeds on the sale of assets at the time of mine closure. The group has guarantees in place relating to environmental liabilities.

| | Group | |
|--|------------------|---------------|
| | 2023 R'000 | 2022 R'000 |
| Net undiscounted obligation | | |
| Estimated rehabilitation cost (undiscounted) | 2 981 125 | 1 802 418 |
| Amounts invested in rehabilitation investment | (148 335) | (124 298) |
| Total net undiscounted obligation | 2 832 790 | 1 678 120 |
| Guarantees | | |
| Environmental rehabilitation guarantees issued to the Department of Mineral Resources and Energy | 498 316 | 498 316 |
| Environmental rehabilitation guarantees issued to other parties | 21 667 | 21 667 |
| | 519 983 | 519 983 |

These guarantees have been issued by third parties on behalf of the group and are secured by a cession of rehabilitation investments and cash and cash equivalents (refer to notes 10 and 18), together with other group sureties and indemnities.

The rehabilitation liability will be funded from operational cash flows generated by the group's normal operations.

25. Trade and other payables

Accounting policies relating to trade and other payables

Classification

Trade and other payables, excluding value added tax and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Trade and other payables are recognised when the group becomes a party to contractual provisions and are measured, at initial recognition, at fair value plus transaction costs.

Trade and other payables are subsequently measured at amortised cost using the effective interest method.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs paid (refer to note 31).

Trade and other payables expose the group to liquidity risk and possibly to interest rate risk. Refer to note 37 for details of risk exposure and the management thereof.

Financial instrument and non-financial instrument components of trade and other payables

| | Group | | Company | |
|----------------------------------|------------------|------------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Financial instruments | | | | |
| Trade payables | 1 070 689 | 971 971 | 11 379 | 2 924 |
| Accruals | 63 099 | 31 214 | 9 253 | 7 681 |
| Other payables | (15 854) | 743 | - | - |
| Non-financial instruments | | | | |
| Value added tax | 4 984 | 6 841 | 320 | 714 |
| Payroll accruals* | 28 260 | 22 883 | 8 024 | 8 488 |
| | 1 151 179 | 1 033 652 | 28 976 | 19 807 |

* The payroll accruals have been reclassified as a non-financial instrument in terms of IAS 19.

| | Group | | Company | |
|---------------------------|------------------|------------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| At amortised cost | 1 117 935 | 1 003 928 | 20 632 | 10 605 |
| Non-financial instruments | 33 244 | 29 724 | 8 344 | 9 202 |
| | 1 151 179 | 1 033 652 | 28 976 | 19 807 |

26. Loans from group companies

Accounting policies relating to loans from group companies

Classification

Loans from group companies are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Loans from group companies are recognised when the group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any. Loans from related parties are subsequently measured at amortised cost using the effective interest method.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs paid (refer to note 30). Loans from group companies expose the company to liquidity risk and interest rate risk. Refer to note 36 for details of risk exposure and the management thereof.

Loans from group companies – composition and analysis

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Subsidiaries | | | | |
| Salungano Trading Proprietary Limited | - | - | 283 288 | 331 562 |
| Salungano Resources Proprietary Limited | - | - | 548 | 548 |
| Salungano Power Proprietary Limited | - | - | 602 | 602 |
| Wescoal Mining Proprietary Limited | - | - | - | 110 402 |
| | - | - | 284 438 | 443 114 |
| Inter-company loans payable are subordinated in favour of borrowings raised (refer to note 20)* | | | | |
| Loans from Group companies reconciliation | | | | |
| Opening balance | - | - | 443 114 | 328 732 |
| Loans advanced | - | - | 23 842 | 114 382 |
| Loans repayment | - | - | (18 766) | - |
| Interest accrued | - | - | - | - |
| Transfer (to)/from loan to group companies | - | - | (163 752) | - |
| Closing balance | - | - | 284 438 | 443 114 |
| Split between non-current and current portions | | | | |
| Current liabilities | - | - | 284 438 | 443 114 |
| Split between cash and non-cash movement | | | | |
| Non-cash movement | - | - | (163 752) | 114 655 |
| Cash movement | - | - | 5 077 | (273) |

* The company has subordinated for the benefit of creditors both present and future, so much of its claim against the subsidiary as would enable the claims of such other creditors to be paid in full. The claims of such other creditors of subsidiary both present and future will rank preferentially to be subordinated claim of the company against the subsidiary.

Unless indicated separately, all loans from group companies have no fixed terms of repayment and therefore repayable on demand.

27. Revenue

Accounting policies relating to revenue

The following specific recognition criteria must be met before revenue is recognised:

Sale of coal – IFRS 15

Revenue is measured based on the consideration specified in a contract with a customer. The group recognises revenue when it transfers control over a good to a customer. Customers obtain control of coal supplied when the goods are delivered to and have been accepted at their premises. Payment is received within 30 days after delivery and therefore control has been transferred to the customer. No discounts are provided for coal sales.

Revenue is recognised when the goods are delivered and have been accepted by customers at their premises.

Rendering of services– IFRS 15

Revenue is measured based on the consideration specified in a contract with a customer. The group recognises revenue when a service is rendered to a customer. The group obtains the right to revenue as the service is rendered in the case of transportation of coal; this is when the delivery of coal arrives and is accepted at the customer's premises. Payment is received within 30 days after delivery and therefore control has been transferred to the customer. No discounts are provided for transportation services.

Revenue is recognised when the goods are delivered and have been accepted by customers at their premises.

Administration fees – IFRS 15

Revenue is measured based on the consideration specified in a contract with a customer. The group recognises revenue as the service is provided to the customer. Invoices for administrative services are issued on a monthly basis and are usually payable within 30 days.

These services are on-charged on a monthly basis based on actual time spent managing the operating subsidiaries and are recognised in the accounting period in which the services were rendered.

Interest received

Interest is recognised, in profit or loss, when the group's right to receive payment has been established. Interest received does not form part of revenue received from contracts with customers.

Interest received is recognised using the effective interest method.

Rental income

Rental income from investment property leased out is recognised on a straight-line basis over the term of the lease.

27. Revenue continued

Revenue – composition and analysis

| | Group | | Company | |
|--|------------------|---------------|----------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Revenue from contracts with customers | | | | |
| Sale of goods | 3 983 703 | 3 907 008 | - | - |
| Rendering of services | 805 747 | 1 231 874 | 106 486 | 94 460 |
| | 4 789 450 | 5 138 882 | 106 486 | 94 460 |
| Revenue other than from contracts with customers | | | | |
| Interest received | - | - | 67 937 | 75 280 |
| | 4 789 450 | 5 138 882 | 174 423 | 169 740 |
| Disaggregation of revenue from contracts with customers | | | | |
| The group disaggregates revenue from customers as follows: | | | | |
| Sale of goods | | | | |
| Local sales | 649 179 | 753 881 | - | - |
| Eskom sales | 2 045 318 | 3 000 144 | - | - |
| Export sales | 1 289 206 | 152 983 | - | - |
| | 3 983 703 | 3 907 008 | - | - |
| Rendering of services | | | | |
| Administration and management fees received (recognised over time) | - | - | 106 486 | 94 460 |
| Transport services (recognised on coal delivery) | 805 521 | 1 231 553 | - | - |
| Rental income (recognised over time) | 226 | 321 | - | - |
| | 805 747 | 1 231 874 | 106 486 | 94 460 |
| | 4 789 450 | 5 138 882 | 106 486 | 94 460 |
| Disaggregation of export revenue by geographic location | | | | |
| The group disaggregates export revenue as follows: | | | | |
| Export sales | | | | |
| China | 114 408 | - | - | - |
| India | 897 614 | 152 983 | - | - |
| Poland | 90 331 | - | - | - |
| United Kingdom | 186 853 | - | - | - |
| | 1 289 206 | 152 983 | - | - |

Notes to the consolidated and separate financial statements continued

28. Cost of sales

| | Group | | Company | |
|---------------------------------------|------------------|---------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Sale of goods | 4 293 818 | 4 146 875 | - | - |
| Depreciation | 366 691 | 440 981 | - | - |
| | 4 660 509 | 4 587 856 | - | - |
| Sale of goods | | | | |
| Direct purchases | 2 270 364 | 1 973 972 | - | - |
| Royalty expenses | 22 809 | 51 780 | - | - |
| Mining contractor cost | 1 368 127 | 1 687 773 | - | - |
| Consumables and maintenance cost | 91 834 | 10 176 | - | - |
| Staff cost | 48 049 | 22 560 | - | - |
| Fuel | 492 426 | 400 224 | - | - |
| Mining overhead and other cost | 207 | 390 | - | - |
| | 4 293 818 | 4 146 875 | - | - |
| Coal processing – depreciation | | | | |
| Property, plant and equipment | 365 005 | 438 705 | - | - |
| Right-of-use assets | 1 686 | 2 276 | - | - |
| | 366 691 | 440 981 | - | - |

29. Operating profit/(loss)

Operating profit/(loss) for the year is stated after charging (crediting) the following among others:

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Operating income | | | | |
| Gain/(loss) on disposal of assets | (2) | 42 | 3 | - |
| Fair value gain on financial assets | 4 635 | 7 136 | - | - |
| Other income | 6 885 | 2 745 | 8 | 229 |
| Management fee income from Arnot OpCo | 16 520 | 16 372 | - | - |
| By-product sales | 2 030 | 2 887 | - | - |
| | 30 068 | 29 182 | 11 | 229 |
| Auditor's remuneration | | | | |
| Audit fees – external | 6 684 | 5 565 | 6 684 | 5 565 |
| Auditor's remuneration – internal | 1 096 | 1 039 | 1 096 | 1 039 |
| Remuneration other than to employees | | | | |
| Consulting and professional services | 90 008 | 40 293 | 40 432 | 20 080 |

29. Operating profit/(loss) continued

Employee costs

Accounting policies relating to employee benefits

Short-term employee benefits

The cost of short-term employee benefits is recognised in the period in which the service is rendered and is not discounted. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or in the case of non-accumulating absences when the absence occurs. The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to industry-managed retirement benefit schemes are dealt with as defined contribution plans where the group's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Payroll provision

Movement in payroll provision relates to restructuring provisions raised. Restructuring provisions are charged as an expense when the group has committed to a plan of restructuring and are quantified as the expected cost of restructuring.

Employee costs – composition and analysis

As at 31 March 2023, the group had 148 permanent employees (2022: 190). The total cost of employment of all employees including executive directors was as follows:

| | Group | | Company | |
|--|----------------|----------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Salaries, wages, bonuses and other benefits | 103 869 | 102 219 | 33 808 | 33 468 |
| Retirement benefit plans: defined contribution expense | 7 534 | 6 401 | 2 324 | 1 724 |
| Payroll provision movement | 6 947 | - | 1 857 | - |
| Share-based compensation expense | 34 | 157 | 13 | 95 |
| Total employee costs | 118 384 | 108 777 | 38 002 | 35 287 |

Notes to the consolidated and separate financial statements continued

29. Operating profit/(loss) continued

Depreciation and amortisation

| | Group | | Company | |
|--|------------------|----------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Depreciation of property, plant and equipment | 366 919 | 440 611 | 138 | 208 |
| Depreciation of right-of-use assets | 2 866 | 2 381 | 1 318 | 105 |
| Amortisation of intangible assets | 3 940 | 2 592 | 1 438 | 1 157 |
| Total depreciation and amortisation | 373 725 | 445 584 | 2 894 | 1 470 |
| <i>Less: Depreciation included in cost of merchandise sold and inventories</i> | (366 691) | (440 981) | - | - |
| Total depreciation and amortisation expensed | 7 034 | 4 603 | 2 894 | 1 470 |
| Impairment losses | | | | |
| Goodwill | - | 2 951 | - | - |
| Investments in subsidiaries, joint arrangements and associates | - | 59 390 | 103 162 | - |
| | - | 62 341 | 103 162 | - |
| Movement in credit loss allowances | | | | |
| Trade and other receivables | (63 725) | 45 182 | 1 631 | 1 699 |
| Other receivables | 109 957 | 1 016 | 40 187 | 1016 |
| Lease receivables | (108) | (610) | - | - |
| Bad debts written off | - | 9 285 | - | - |
| | 46 124 | 54 873 | 41 818 | 2 715 |
| Other | | | | |
| Repairs and maintenance | 24 232 | 15 779 | - | - |
| Bank charges | 5 279 | - | 4 780 | - |
| Health and safety | 29 957 | - | - | - |
| Social Labour Plan | 17 202 | - | - | - |
| Office overheads and other costs | 35 650 | - | 1 949 | - |
| Insurance and guarantees | 24 935 | - | 13 152 | - |
| Profit on exchange differences | (1 732) | 1 631 | - | - |

30. Interest income

| | Group | | Company | |
|--|---------------|---------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Interest income | | | | |
| Investments in financial assets | | | | |
| Interest on bank deposits | 397 | 580 | 1 | - |
| Lease receivables | 1 924 | 13 824 | - | - |
| Other financial assets | 21 417 | 8 386 | 8 552 | 8 217 |
| Loans to group companies | | | | |
| Subsidiaries | - | - | 59 384 | 67 063 |
| | 23 737 | 22 790 | 67 937 | 75 280 |
| Disclosed as revenue | - | - | (67 937) | (75 280) |
| Total interest income | 23 737 | 22 790 | - | - |
| Cash flow reconciliation | | | | |
| Cash interest | | | | |
| Interest on bank deposits | 397 | 580 | 1 | - |
| Lease receivables | - | 13 824 | - | - |
| Other financial assets | 12 869 | 171 | 3 | 2 |
| Subsidiaries | - | - | 59 384 | 67 063 |
| | 13 265 | 14 575 | 59 388 | 67 065 |
| Non-cash interest | | | | |
| Lease receivables | 1 924 | | | |
| Other financial assets | 8 548 | 8 215 | 8 548 | 8 215 |
| | 10 472 | 8 215 | 8 548 | 8 215 |
| | 23 737 | 22 790 | 67 937 | 75 280 |

Salungano recovers the finance charges from refinanced borrowings to its subsidiaries based on the proportion of the amount borrowed by each subsidiary (refer to note 20).

31. Finance costs

Accounting policies relating to borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings; and
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

During the current year, the group did not capitalised any borrowing costs for the construction of Moabsvelden (2022: R1,8 million).

Borrowing costs – composition and analysis

| | Group | | Company | |
|---|----------------|----------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Interest-bearing borrowings | 50 701 | 60 398 | 50 701 | 60 398 |
| Capitalised borrowing costs | - | (1 851) | - | - |
| Lease liabilities | 521 | 14 592 | - | - |
| Financial liabilities at amortised cost | 3 828 | - | - | - |
| Bank overdraft | 8 137 | 5 311 | 8 137 | 6 217 |
| Unwinding of discount on provisions and other liabilities | 146 145 | 91 443 | - | - |
| Other interest paid | 1 004 | 11 090 | 653 | 2 905 |
| Total finance costs | 210 336 | 180 983 | 59 491 | 69 520 |

The borrowing costs were capitalised at an interest rate between JIBAR plus 2.75% and JIBAR plus 3.50% (refer to note 11).

31. Finance costs continued

Cash flow reconciliation

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Cash finance cost | | | | |
| Interest-bearing borrowings | 40 186 | 58 547 | 40 186 | 60 398 |
| Lease liabilities | 521 | 14 592 | - | - |
| Financial liabilities at amortised cost | 3 828 | - | - | - |
| Other interest paid | 1 004 | - | 653 | - |
| Bank overdraft | 8 137 | 5 311 | 8 137 | 6 217 |
| | 53 675 | 78 450 | 48 976 | 66 615 |
| Non-cash finance cost | | | | |
| Interest-bearing borrowings | 10 515 | - | 10 515 | - |
| Unwinding of discount on provisions and other liabilities | 146 145 | 91 443 | - | - |
| Other interest paid | - | 11 090 | - | 2 905 |
| | 156 661 | 102 533 | 10 515 | 2 905 |
| | 210 336 | 180 983 | 59 491 | 69 520 |

32. Taxation

| | Group | | Company | |
|--|---------------|---------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Major components of the tax expense (income) | | | | |
| Current | | | | |
| Local income tax – current period | 57 052 | 84 753 | 228 | 308 |
| Local income tax – recognised in current tax for prior periods | 1 044 | 2 | (676) | 2 541 |
| | 58 096 | 84 755 | 448 | 2 849 |
| Deferred | | | | |
| Originating and reversing temporary differences | (292 865) | (64 764) | - | (606) |
| Changes in tax rates | - | (4 415) | - | 119 |
| Arising from prior period adjustments | 4 789 | (15 930) | 643 | - |
| | (297 654) | (85 109) | 643 | (487) |
| | (239 558) | (354) | 195 | 2 362 |

Notes to the consolidated and separate financial statements continued

32. Taxation continued

| | Group | | Company | |
|---|------------------|---------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Reconciliation of the tax expense | | | | |
| Reconciliation between accounting profit and tax expense | | | | |
| Accounting (loss)/profit | (931 192) | (37 525) | (148 609) | 2421 |
| Tax at the applicable tax rate of 27% (2022: 28%) | 251 274 | (10 507) | 40 124 | 678 |
| Adjustments | | | | |
| Non-deductible expenses | | | | |
| Share-based payment expense | 6 | 18 | - | - |
| Expenses not deductible* | (23) | 301 | - | - |
| Legal, consulting and professional fees | 4 042 | 1 092 | 4 041 | 1 084 |
| Loss on disposal of assets | - | - | - | - |
| Apportionment | 226 | 62 | 226 | 62 |
| Donations | 53 | 54 | - | - |
| Apportionment correction – value added tax | - | 188 | - | 151 |
| Share of loss from equity accounted joint venture | - | 4 911 | - | - |
| Impairment of investment in joint venture | - | 17 646 | - | - |
| Interest expense | - | 1 | 27 854 | 1 |
| Impairment of goodwill | - | 826 | - | - |
| Penalties and interest | 295 | 829 | 13 | 22 |
| Bad debts written off | 7 337 | - | 10 940 | - |
| Amortisation of mineral right | 3 050 | 4 468 | - | - |
| Guarantee fees | 189 | 1 545 | - | - |
| Fair value on investment | (279) | 276 | - | - |
| Share based payment expense | 3 | - | 3 | - |
| Royalties amortisation | 378 | - | - | - |
| Preference dividends accrued | - | - | - | - |
| Transaction cost | - | 1 337 | - | - |
| Non-taxable income | | | | |
| Dividend received | - | - | - | - |
| Interest on preference shares | (2 308) | (2 300) | (2 308) | (2 300) |
| Interest received – finance lease liability | - | - | - | - |
| Fair value on investment | - | (824) | - | - |
| Gain on financial instrument – valuation | - | - | - | - |
| Other income | (1) | - | (1) | - |
| South African Revenue Services interest received | - | - | - | - |
| Deductible expenses not debited to Income statement | | | | |
| Expenses deductible and not debited to income statement | (505) | - | - | - |
| Other adjustments | | | | |
| Assessed loss previously not recognised as deferred tax asset | 2 692 | - | - | - |
| Other adjustments | (37) | (236) | 228 | 4 |
| Change in tax rate | - | (6 151) | - | 119 |
| Adjustment in respect of prior periods | (3 402) | (13 890) | (676) | 2541 |
| | (239 558) | (354) | 195 | 2 362 |

* Non-deductible expenses include penalties, leanership allowances and amortisation of prepayments.

Effective from 1 April 2022, the effective tax rate has changed from 28% to 27%. The deferred tax assets and liabilities have recognised at the new tax rate (refer to note 14).

33. Cash generated from operations

| | Group | | Company | |
|---|----------------|----------------|-----------------|----------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| (Loss)/profit before taxation | (931 194) | (37 525) | 148 609 | 2 421 |
| Adjusted for: | | | | |
| Depreciation on property, plant and equipment | 362 079 | 440 611 | 219 | 208 |
| Amortisation of intangible assets | 3 940 | 2 592 | 1 438 | 1 157 |
| Amortisation of right-of-use asset | 2 865 | 2 381 | 1 275 | 105 |
| Loss/gain on sale of assets | (2) | (42) | (3) | - |
| Impairment of property, plant and equipment | 450 941 | - | - | - |
| Impairment of investment in joint venture | - | 59 390 | - | - |
| Impairment of investment in subsidiary | - | - | 103 162 | - |
| Impairment of loan to joint venture | 23 751 | - | - | - |
| Loss from equity-accounted investments | - | 17 458 | - | - |
| Share-based payment expenses | (59) | 158 | 13 | 94 |
| Interest income | (23 737) | (22 790) | (67 937) | (75 280) |
| Finance costs | 210 336 | 180 983 | 59 491 | 69 520 |
| Fair value gains | (3 670) | (3 439) | - | - |
| Prepaid royalty | 1 400 | 984 | - | - |
| Rehabilitation cost incurred | (5 314) | (46 479) | - | - |
| Other non-cash items | 18 596 | (1 090) | - | - |
| Impairment of goodwill | - | 2 951 | - | - |
| Inventory write off | 130 994 | - | - | - |
| ECL on intercompany loans | - | - | 40 187 | - |
| Expected credit loss | (2 573) | 22 305 | 330 | 1 016 |
| Changes in working capital: | | | | |
| Inventories | (136 034) | (155 680) | - | - |
| Trade and other receivables | 40 358 | (144 996) | (13 789) | (5 253) |
| Trade and other payables | 117 527 | 343 770 | 9 169 | (1 209) |
| | 260 200 | 671 655 | (15 055) | (7 221) |

34. Tax paid

| | Group | | Company | |
|---|-----------------|-----------------|----------------|----------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Balance at the beginning of the year | (12 356) | (969) | (676) | 269 |
| Current tax for the year recognised in profit or loss | (58 096) | (84 755) | 448 | (2 849) |
| Balance at the end of the year | 44 700 | 12 356 | (3 496) | 676 |
| | (25 752) | (73 368) | (3 724) | (1 903) |

35. Contingent liabilities and assets

35.1 Dispute – Mining contractor (Stefanutti Stocks Mining Services Proprietary Limited)

During the year ended March 2021, the group received a statement of claim pertaining to losses incurred by Stefanutti Stocks Mining Services (“SSMS”) in terms of the contract mining agreement concluded on 30 November 2018 and terminated effective 31 July 2020. The group, disclaiming the liability, has submitted a comprehensive response rebutting a majority of the SSMS claims and lodged its own counterclaims which include the recoupment of historical mining costs incurred in terms of the contract mining agreement. On 10 March 2021, the parties agreed to the appointment of an arbitrator. In terms of the pre-arbitration meeting held on 27 August 2021 between the parties as well as the arbitrator, it was agreed that the matter would be set down for hearing for a period of 15 days commencing on 1 August to 19 August 2022 with clear timelines on when any further exchange of pleadings and notices would take place. However, at a meeting between the various legal representatives and the arbitrator on 14 July 2022, it was decided that for reasons culminating mainly from SSMS’ failure to timeously submit their discovery documents as well as expert witness statements, the pre-trial steps would not be finalised before 1 August 2022 so the matter would have to be postponed to 24 March 2023. At the end of March 2023, it seemed unlikely that there will be any settlement outcome, therefore no provision has been made in the consolidated financial statements. A settlement was reached post financial year-end (refer to note 41.3).

35.2 Tokata Resources Proprietary Limited

In the March 2020 integrated annual report, it was indicated that arbitration proceedings with Tokata Resources Proprietary Limited (“Tokata”) resulted in a settlement agreement in terms of which the coal supply was reinstated and the arbitration put on stay.

During the current reporting period, Tokata sought to cancel the settlement agreement entered into with Wescoal Mining Proprietary Limited in September 2019. This has resulted in Wescoal reinstating the arbitration proceedings which were put on stay per the settlement agreement. At the date of reporting, Wescoal had submitted its statement of claim in relation to the arbitration and Tokata has submitted their statement of defence and counterclaim against Wescoal Mining. This process is currently being undertaken by Wescoal Mining external counsel. The arbitration hearing was scheduled to take place between the 20th to 29th of April 2022. However, Tokata has been engaging in various continuous delay processes that culminated in the late withdrawal of their attorneys of record in the matter and their subsequent re-appointment which included an extremely late request to amend their statement of defence and counterclaim. Though a favourable ruling was granted to Wescoal Mining (as it related to wasted costs occasioned by the postponement), the arbitrator saw it fit to grant Tokata the requested pleading amendments, the effect of which was a postponement of the proceedings sine die. As a result, Wescoal Mining has not recorded a receivable for its claim nor a provision for the possible obligation. There has been no update for the current financial year.

35.3 Absa Property Development Proprietary Limited

On 3 July 2018, Absa Property Development Proprietary Limited (“Absa”) indicated that they were not satisfied with the rehabilitation to Portion 26 of the Farm Blesboklaagte 296JS Emalaheni Mpumalanga (the “property”) that Wescoal Mining Proprietary Limited leased from Absa. Wescoal Mining does not agree with the required rehabilitation and mitigation measures as set out by Absa. Although Wescoal Mining disclaims the liability, the claim by Absa against Wescoal Mining is for an amount of R27 million. Possible settlement outcomes from the discussions are not expected to have a material negative impact on the group and therefore no provision in relation to this matter has been made. There has been no update for the current financial year.

35.4 South African Revenue Service (“SARS”)

In July 2020, SARS initiated a diesel audit process on Keaton Mining Proprietary Limited (“Keaton”) for the period May 2018 to May 2020 with an extended scope from June 2020 to December 2020. The diesel audit was concluded in September 2021 and SARS disallowed the diesel refunds claimed for the entire period under audit based on the reasons mentioned in the letter of demand received from SARS dated 17 September 2021.

The letter of demand resulted in a tax liability of R87 million of which the capital amount is R77 million and the interest is R9 million. Keaton disputed the audit outcome based on factual reasons that SARS did not take into consideration in arriving at their conclusion. Keaton is of the view that SARS basis of seeking to claim diesel refunds previously paid to Keaton during the audit period is misdirected.

Keaton has performed an analysis of the merits of SARS’ claim and is of the view that such a claim will be limited to R13 million. SARS considered the Keaton Mining Proprietary Limited dispute filed and paid the diesel refunds to the amount of R33 million in December 2022. Keaton Mining Proprietary Limited is of the view that SARS has not considered all the facts when deciding to partly refund and applied for the Alternative Dispute Resolution (ADR SARS) on the basis that 70% of the remaining disallowed diesel refund of R44 million can still be refunded. SARS proposed the ADR meeting to take place in FY24.

36. Commitments

Authorised capital expenditure

| | Group | | Company | |
|--|---------------|---------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Authorised capital expenditure | | | | |
| Already contracted for but not provided for | 50 635 | 21 630 | - | - |
| Not yet contracted for and authorised by directors | 256 200 | 99 975 | - | - |

37. Financial instruments and risk management

Accounting policies relating to financial instruments and risk management

Financial instruments held by the group are classified in accordance with the provisions of IFRS 9: *Financial Instruments*. The classification possibilities, which are adopted by the group, as applicable, are as follows:

Financial assets which are debt instruments

- Designated at amortised cost is used only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows; or
- Mandatorily at fair value through profit or loss. The group automatically applies this classification to all debt instruments which do not qualify at amortised cost or at fair value through other comprehensive income.

Financial liabilities

- Amortised cost. The group uses this category when the business model and the contractual terms of the instrument give rise, on specified dates, to cash flow outflows that are solely payments of principal and interest on principal.

A specific accounting policy for the classification, recognition and measurement of each type of financial instrument held by the group has been presented with each of the relevant instruments under the note disclosure.

Financial instruments and risk management – composition and analysis

Categories of financial instruments

Categories of financial assets

| | Notes | Group | | | | Fair value [#] | | |
|-----------------------------|-------|---|----------------|---------------------|---------|-------------------------|---------|---------|
| | | Fair value through profit or loss – mandatory | Amortised cost | Non-IFRS 9 measured | Total | Level 1 | Level 2 | Level 3 |
| | | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| 2023 | | | | | | | | |
| Loan to joint venture | 11 | - | - | - | - | - | - | |
| Other receivables | 12 | - | 71 323 | - | 71 323 | - | 71 323 | |
| Investments at fair value | 10 | 148 335 | - | - | 148 335 | - | 148 335 | |
| Trade and other receivables | 17 | - | 506 208 | 133 237 | 639 445 | - | 639 445 | |
| Cash and cash equivalents | 18 | - | 24 078 | - | 24 078 | - | 24 078 | |
| Restricted cash | | - | 8 979 | - | 8 979 | - | 8 979 | |
| | | 148 335 | 610 589 | 133 237 | 892 160 | - | 892 160 | |

Notes to the consolidated and separate financial statements continued

37. Financial instruments and risk management continued

Financial instruments and risk management – composition and analysis continued

Categories of financial instruments continued

Categories of financial assets continued

| | | Group | | | | Fair value# | | |
|-----------------------------|-------|---|----------------------|---------------------------|-------------|-------------|-----------|---------|
| | Notes | Fair value through profit or loss – mandatory R'000 | Amortised cost R'000 | Non-IFRS 9 measured R'000 | Total R'000 | Level 1 | Level 2 | Level 3 |
| 2022 | | | | | | | | |
| Loan to joint venture | 11 | - | 23 751 | - | 23 751 | - | 23 751 | - |
| Other receivables | 12 | - | 63 105 | - | 63 105 | - | 63 105 | - |
| Investments at fair value | 10 | 115 983 | - | - | 115 983 | - | 115 983 | - |
| Finance lease receivables* | 13 | - | - | 185 555 | 185 555 | - | 185 556 | - |
| Trade and other receivables | 17 | - | 614 737 | 65 066 | 679 803 | - | 614 737 | - |
| Cash and cash equivalents | 18 | - | 270 854 | - | 270 854 | - | 270 854 | - |
| Restricted cash | | | 8 315 | - | 8 315 | - | 8 315 | - |
| | | 115 983 | 980 762 | 250 621 | 1 347 366 | - | 1 282 301 | - |

* Finance lease receivables have been classified as non-IFRS 9 measured.

| | | Company | | | | Fair value | | |
|-----------------------------|-------|----------------------|---------------------------|-------------|---------|------------|---------|--|
| | Notes | Amortised cost R'000 | Non-IFRS 9 measured R'000 | Total R'000 | Level 1 | Level 2 | Level 3 | |
| 2023 | | | | | | | | |
| Loans to group companies | 11 | 602 717 | - | 602 717 | - | 602 717 | - | |
| Other receivables | 12 | 71 323 | - | 71 323 | - | 71 323 | - | |
| Trade and other receivables | 17 | 40 170 | 3 453 | 43 623 | - | 43 623 | - | |
| Cash and cash equivalents | 18 | 147 | - | 147 | - | 147 | - | |
| | | 714 357 | 3 453 | 717 810 | - | 717 810 | - | |
| 2022 | | | | | | | | |
| Loans to group companies | 11 | 978 365 | - | 978 365 | - | 978 365 | - | |
| Other receivables | 12 | 63 105 | - | 63 105 | - | 63 105 | - | |
| Trade and other receivables | 17 | 26 961 | 2 873 | 29 834 | - | 26 961 | - | |
| Cash and cash equivalents | 18 | 570 | - | 570 | - | 570 | - | |
| | | 1 069 001 | 2 873 | 1 071 874 | - | 1 069 001 | - | |

37. Financial instruments and risk management continued

Financial instruments and risk management – composition and analysis continued

Categories of financial instruments continued

Categories of financial assets continued

| | Group | | | |
|--|--------------------------|---|---|-----------------|
| | 12-month ECL R'000 | Lifetime ECL – not credit- impaired R'000 | Lifetime ECL – credit- impaired R'000 | Total R'000 |
| Balance as at 1 April 2023 | 64 333 | 2 262 | - | 66 596 |
| Net remeasurement of loss allowance | - | - | - | - |
| Transfer to lifetime ECL – not credit-impaired | - | - | - | - |
| Transfer to lifetime ECL – credit-impaired | - | - | - | - |
| Financial assets repaid | (62 014) | (916) | - | (62 930) |
| New financial assets acquired | - | - | - | - |
| Balance as at 31 March 2023 | 2 320 | 1 346 | - | 3 666 |

Categories of financial liabilities

| | Notes | Group | | | Fair value [#] | | |
|---|-------|----------------------------|-------------------------------------|------------------|-------------------------|------------------|---------|
| | | Amortised cost R'000 | Non- IFRS 9 measured R'000 | Total R'000 | Level 1 | Level 2 | Level 3 |
| 2023 | | | | | | | |
| Trade and other payables | 25 | 1 117 935 | 33 244 | 1 151 179 | - | 1 151 179 | - |
| Interest-bearing borrowings* | 20 | 481 547 | - | 481 547 | - | 481 547 | - |
| Loan from shareholder | 22 | 17 118 | - | 17 118 | - | 17 118 | - |
| Financial liabilities at amortised cost | 21 | 1 24 052 | - | 1 24 052 | - | 1 24 052 | - |
| Lease obligations [^] | 23 | - | 9 723 | 9 723 | - | 9 723 | - |
| Bank overdraft | 18 | 85 385 | - | 85 385 | - | 85 385 | - |
| | | 1 826 037 | 42 967 | 1 869 004 | - | 1 869 004 | - |
| 2022 | | | | | | | |
| Trade and other payables | 25 | 1 003 928 | 29 724 | 1 033 652 | - | 1 033 652 | - |
| Interest-bearing borrowings | 20 | 678 873 | - | 678 873 | - | 678 873 | - |
| Lease obligations | 23 | - | 200 060 | 200 060 | - | 200 060 | - |
| Bank overdraft | 18 | 98 418 | - | 98 418 | - | 98 418 | - |
| | | 1 781 219 | 229 784 | 2 011 003 | - | 2 011 003 | - |

* Included in interest bearing borrowing is the interest swap measured at fair value through profit or loss. The valuation technique used in measuring the level 2 fair value is the discounted cash flows, the valuation model considers the present value of expected payment.

[^] Lease obligation has been classified as non-IFRS 9 measured.

[#] The carrying value of the financial assets and liabilities approximates the fair value unless stated otherwise.

Notes to the consolidated and separate financial statements continued

37. Financial instruments and risk management continued

Financial instruments and risk management – composition and analysis continued

Categories of financial instruments continued

Categories of financial liabilities continued

| | | Company | | | | | |
|--------------------------------|----|----------------------------|---|----------------|----------------------------------|----------------|---------|
| | | Amortised cost R'000 | Non- financial liabilities R'000 | Total R'000 | Fair value [#] R'000 | | |
| Notes | | | | | Level 1 | Level 2 | Level 3 |
| 2023 | | | | | | | |
| Trade and other payables | 25 | 20 632 | 8 344 | 28 976 | - | 28 976 | - |
| Loans from group companies | 26 | 284 438 | - | 284 438 | - | 284 438 | - |
| Interest-bearing borrowings* | 20 | 481 547 | - | 481 547 | - | 481 547 | - |
| Loan from shareholder | 22 | 7 100 | - | 7 100 | - | 7 100 | - |
| Lease obligations [^] | 23 | - | 5 539 | 5 539 | - | 5 539 | - |
| Bank overdraft | 18 | 85 359 | - | 85 359 | - | 85 359 | - |
| | | 879 102 | 13 883 | 892 959 | - | 892 959 | - |
| 2022 | | | | | | | |
| Trade and other payables | 25 | 10 605 | 9 202 | 19 807 | - | 19 807 | - |
| Loans from group companies | 26 | 443 114 | - | 443 114 | - | 443 114 | - |
| Interest-bearing borrowings | 20 | 678 873 | - | 678 873 | - | 678 873 | - |
| Bank overdraft | 18 | 98 391 | - | 98 391 | - | 98 391 | - |
| | | 1 230 983 | 9 202 | 1 240 185 | - | 1 240 185 | - |

* Included in interest bearing borrowing is the interest swap measured at fair value through profit or loss. The valuation technique used in measuring the level 2 fair value is the discounted cash flows, the valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate.

[^] Lease obligation has been classified as non-IFRS 9 measured.

[#] The carrying value of the financial assets and liabilities approximates the fair value unless stated otherwise.

Capital risk management

The group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for its shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The approach and capital policies remained consistent with the previous year. Optimising the capital structure remains a key priority, and the group may issue new shares, raise long-term debt or sell assets to optimise appropriate capital structure and return on equity.

The group monitors capital on the basis of the gearing ratio, calculated as net debt divided by total capital. Net debt is calculated as total interest-bearing borrowings (including "current and non-current borrowings" as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the statement of financial position plus net debt.

The group's long-term target gearing ratio is to remain below 50%. Debt covenants include measurement of net debt against EBITDA, debt service ratio, interest cover ratio and net-debt-to equity ratio. The facilities (refer to "liquidity risk") with Nedbank CIB and Standard Bank Limited represent a limited concentration risk. Concentration risk is managed by actively monitoring compliance with debt covenants.

37. Financial instruments and risk management continued

Capital risk management continued

Under the refinanced debt package, the following debt covenants are applicable (refer to note 20). The capital structure and gearing ratio at 2023 and 2022, respectively, were as follows:

| | Notes | Group | | Company | |
|---|-------|----------------|------------------|------------------|------------------|
| | | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Loans from group companies | 26 | – | – | 284 438 | 443 114 |
| Interest-bearing borrowings | 20 | 481 547 | 678 873 | 481 547 | 678 873 |
| Loan from shareholder | 22 | 17 118 | – | 7 100 | – |
| Financial liabilities at amortised cost | 21 | 124 052 | – | – | – |
| Lease liabilities | 23 | 9 724 | 200 060 | 5 539 | – |
| Bank overdraft | 18 | 85 385 | 98 418 | 85 359 | 98 391 |
| Total borrowings | | 717 826 | 977 351 | 863 984 | 1 220 378 |
| Cash and cash equivalents | 18 | (24 078) | (270 854) | (147) | (570) |
| Net borrowings | | 693 748 | 706 497 | 863 836 | 1 219 808 |
| Equity | | 120 578 | 812 212 | 428 699 | 530 094 |
| Total capital | | 814 326 | 1 518 709 | 1 292 535 | 1 749 902 |
| Gearing ratio (%) | | 85 | 47 | – | – |

Financial risk management

Overview

The group is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

Risk management is carried out by the head office function under policies approved by the board. The head office function identifies, evaluates and manages financial risks in close cooperation with the group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk and investment of excess liquidity. The group was exposed to limited foreign currency exchange risk as export sales are priced in South African rands.

Credit risk

Credit risk consists mainly of trade and other receivables, other receivables, lease receivables, cash and cash equivalents and loans to group companies. The group only deposits cash with major banks with high-quality credit standings and limits exposure to any one counterparty.

The group has assessed the concentration of credit risk. The following concentrations have been assessed: customer-specific, industry-specific and regions.

There is a significant concentration of credit risk on the following levels: Salungano is exposed to only a few individual customers, also exposed to a specific industry namely, coal mining and is further exposed to specific Mpumalanga regions. Trade receivables consist mainly of Eskom, Sasol Mining, government institutions and private sector and mining entities. Eskom and Sasol Mining have a history of no defaults and credit ratings of B and Ba2, respectively. Both Eskom's and Sasol's credit ratings did not decrease significantly during the year and, as a result, the group did not have a significant increase in credit risk during the year. The group only trades with recognised creditworthy third parties. It is the group's policy that all customers who wish to trade on credit terms be subject to credit verification procedures, which include an assessment of credit rating, short-term liquidity and financial position. Refer to notes 2 and 11 for further information.

Notes to the consolidated and separate financial statements continued

37. Financial instruments and risk management continued

Credit risk continued

The group strives to enter into sales contracts with customers which stipulate the required payment terms. It is expected of each customer that these payment terms are adhered to. Where trade receivables balances become past due, the normal recovery procedures are followed to recover the debt. Where applicable, new payment terms may be arranged to ensure that the debt is fully recovered.

The Salungano Group establishes an allowance for non-recoverability or impairment that represents its estimated credit loss allowance in respect of trade receivables, other receivables, cash and cash equivalents and loans and receivables. The main components of these allowances are a 12-month ECL component that results from possible default events within 12 months after the reporting date and a lifetime ECL component that results from all possible default events over the expected life of a financial instrument.

All the financial assets are assessed under the general approach to determine the expected credit loss. Under the general approach, management must determine whether the financial asset is in one of three stages in order to determine both the amount of ECL to recognise as well as how interest income should be recognised. Management has determined that due to the credit risk concentration, all trade receivables have been assessed under the lifetime ECL model.

Stage 1 is where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, management recognises a 12 month ECL and recognises interest income on a gross basis – this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.

Stage 2 is where credit risk has increased significantly since initial recognition. When a financial asset transfers to stage 2, management will recognise lifetime ECL but interest income will continue to be recognised on a gross basis.

Stage 3 is where the financial asset is credit impaired. This is effectively the point at which there has been an incurred loss event. For financial assets in stage 3, management continue to recognise lifetime ECL but they recognise interest income on a net basis. This means that interest income will be calculated based on the gross carrying amount of the financial asset less ECL.

| | Group | | | | | |
|------------------------------|----------------------------|------------------|------------------|------------------|--|------------------|
| | 12-month PD ranges % | Stage 1 R'000 | Stage 2 R'000 | Stage 3 R'000 | Purchased credit impaired R'000 | Total R'000 |
| 2023 | | | | | | |
| Loan to joint venture | 63 | – | 51 866 | – | – | 51 866 |
| Finance lease receivable | 7.41 | – | – | – | – | – |
| Other receivables | 7.41 | 72 669 | – | – | – | 72 669 |
| Trade receivables | 7.41 | 490 333 | 62 863 | – | – | 553 196 |
| Other trade receivables | 7.41 | 9 817 | – | – | – | 9 817 |
| Gross carrying amount | | 572 819 | 114 729 | – | – | 687 548 |
| Expected credit loss | | (3 666) | (111 394) | – | – | (115 060) |
| Net carrying amount | | 569 153 | 3 335 | – | – | 572 488 |
| 2022 | | | | | | |
| Loan to joint venture | 63 | – | 45 649 | – | – | 45 649 |
| Finance lease receivable | 7.15 | 185 555 | – | – | – | 185 555 |
| Other receivables | 7.15 | 63 105 | – | – | – | 63 105 |
| Trade receivables | 7.15 | 588 977 | 42 234 | – | – | 631 211 |
| Other trade receivables | 7.15 | 8 914 | – | – | – | 8 914 |
| Gross carrying amount | | 846 551 | 87 883 | – | – | 934 434 |
| Expected credit loss | | (6 751) | (42 161) | – | – | (48 912) |
| Net carrying amount | | 839 800 | 45 722 | – | – | 885 522 |

37. Financial instruments and risk management continued

Credit risk continued

| | Company | | | | | |
|------------------------------|----------------------------|------------------|------------------|------------------|--|------------------|
| | 12-month PD ranges % | Stage 1 R'000 | Stage 2 R'000 | Stage 3 R'000 | Purchased credit impaired R'000 | Total R'000 |
| 2023 | | | | | | |
| Loans to group companies | 7.41 | 642 904 | - | - | - | 642 904 |
| Other receivables | 7.41 | 72 669 | - | - | - | 72 669 |
| Trade receivables | 7.41 | 29 774 | - | - | - | 29 774 |
| Other trade receivables | 7.41 | 10 619 | - | - | - | 10 619 |
| Gross carrying amount | | 755 967 | - | - | - | 755 967 |
| Expected credit loss | | (1 631) | - | - | (40 187) | (41 818) |
| Net carrying amount | | 754 336 | - | - | (40 187) | 714 149 |
| 2022 | | | | | | |
| Loans to group companies | 7.15 | 978 361 | - | - | 1 016 | 979 377 |
| Other receivables | 7.15 | 64 121 | - | - | - | 64 121 |
| Trade receivables | 7.15 | 20 417 | - | - | - | 20 417 |
| Other trade receivables | 7.15 | 8 243 | - | - | - | 8 243 |
| Gross carrying amount | | 1 071 142 | - | - | 1 016 | 1 072 158 |
| Expected credit loss | | (2 715) | - | - | (1 012) | (3 727) |
| Net carrying amount | | 1 073 857 | - | - | 2 028 | 1 075 885 |

Trade receivables

The group measures ECL allowances on a grouped basis using the simplified approach for trade and other receivables. For cash equivalents, cash deposits, other receivables and loans and receivables, the group does not measure these instruments on a collective basis.

To measure the ECL, trade receivables have been grouped based on the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 March 2023 or 1 April 2023, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as inflation and interest rates which may affect the ability of the customer to settle the receivables.

Notes to the consolidated and separate financial statements continued

37. Financial instruments and risk management continued

Financial assets

All of the entity's financial liabilities at amortised cost and fair value through other comprehensive income are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months' expected losses. Management considers "low credit risk" for listed bonds to be an investment-grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk where they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Other financial assets at amortised cost

Other financial assets at amortised cost include loans to related parties and key management personnel, and other receivables.

The maximum exposure to credit risk is presented in the table below.

| | Notes | 2023 | | | 2022 | | |
|--|-------|--------------------------------|--------------------------------|-------------------------|--------------------------------|--------------------------------|-------------------------|
| | | Gross carrying amount R'000 | Credit loss allowance R'000 | Amortised cost R'000 | Gross carrying amount R'000 | Credit loss allowance R'000 | Amortised cost R'000 |
| Group | | | | | | | |
| Loan to joint venture | 11 | 51 866 | (51 866) | - | 45 649 | (21 898) | 23 751 |
| Other receivable | 12 | 72 669 | (1 346) | 71 323 | 64 121 | (1 016) | 63 105 |
| Investments at fair value through profit or loss | 10 | 148 335 | - | 148 335 | 115 983 | - | 115 983 |
| Lease receivables | 13 | - | - | - | 12 095 | (2 903) | 9 192 |
| Trade and other receivables | 17 | 639 445 | (63 194) | 576 251 | 641 823 | (27 086) | 614 737 |
| Cash and cash equivalents | 18 | 24 078 | - | 24 078 | 270 854 | - | 270 854 |
| | | 936 394 | (116 406) | 819 988 | 1 150 525 | (52 903) | 1 097 622 |
| Company | | | | | | | |
| Loans to group companies | 11 | 642 904 | (40 187) | 602 717 | 979 377 | (1 012) | 978 365 |
| Other receivable | 13 | 72 669 | (1 346) | 71 323 | 64 121 | (1 016) | 63 105 |
| Trade and other receivables | 17 | 40 170 | (285) | 39 885 | 26 961 | - | 26 961 |
| Cash and cash equivalents | 18 | 147 | - | 147 | 570 | - | 570 |
| | | 755 890 | 41 818 | 714 072 | 1 071 029 | (2 028) | 1 069 001 |

37. Financial instruments and risk management continued

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The following tables analyse the group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

| | | Group | | | | |
|---|----|---|---------------------------------------|--|------------------------|--------------------------------------|
| Notes | | Less than one year R'000 | One to two years R'000 | Two to five years R'000 | Total R'000 | Carrying amount R'000 |
| 2023 | | | | | | |
| Non-current liabilities | | | | | | |
| Lease liabilities | 23 | – | 7 374 | – | 7 374 | 6 586 |
| Financial liabilities at amortised cost | 21 | – | 50 164 | – | 50 164 | 50 164 |
| Current liabilities | | | | | | |
| Trade and other payables | 25 | 1 117 935 | – | – | 1 117 935 | 1 117 935 |
| Interest-bearing borrowings | 20 | 481 547 | – | – | 481 547 | 481 547 |
| Loan from shareholder | 22 | 17 118 | – | – | 17 118 | 17 118 |
| Financial liabilities at amortised cost | 21 | 73 888 | – | – | 73 888 | 73 888 |
| Lease liabilities | 23 | 4 072 | – | – | 4 072 | 3 138 |
| Bank overdraft | 18 | 85 385 | – | – | 85 385 | 85 385 |
| | | 1 779 945 | 57 538 | – | 1 837 483 | 1 835 761 |
| 2022 | | | | | | |
| Non-current liabilities | | | | | | |
| Lease liabilities | 23 | – | 134 120 | – | 134 120 | 124 606 |
| Current liabilities | | | | | | |
| Trade and other payables | 25 | 1 003 928 | – | – | 1 003 928 | 1 003 928 |
| Interest-bearing borrowings | 20 | 678 873 | – | – | 678 873 | 678 873 |
| Lease liabilities | 23 | 84 841 | – | – | 84 841 | 75 454 |
| Bank overdraft | 18 | 98 418 | – | – | 98 418 | 98 418 |
| | | 1 866 060 | 134 120 | – | 2 000 180 | 1 981 279 |

Notes to the consolidated and separate financial statements continued

37. Financial instruments and risk management continued

Liquidity risk continued

| | Notes | Company | | | | Carrying amount R'000 |
|--------------------------------|-------|--------------------------------|------------------------------|-------------------------------|----------------|--------------------------|
| | | Less than one year R'000 | One to two years R'000 | Two to five years R'000 | Total R'000 | |
| 2023 | | | | | | |
| Non-current liabilities | | | | | | |
| Lease liabilities | 23 | – | 6 376 | 5 251 | 11 627 | 4 512 |
| Current liabilities | | | | | | |
| Trade and other payables | 25 | 20 632 | – | – | 20 632 | 20 632 |
| Loans from group companies | 26 | 284 438 | – | – | 284 438 | 284 438 |
| Interest-bearing borrowings | 20 | 481 547 | – | – | 481 547 | 481 547 |
| Loan from shareholder | 22 | 7 100 | – | – | 7 100 | 7 100 |
| Lease liabilities | 23 | 1 527 | – | – | 1 527 | 1 028 |
| Bank overdraft | 18 | 85 359 | – | – | 85 359 | 85 359 |
| | | 880 603 | 6 376 | 5 251 | 892 230 | 884 616 |
| 2022 | | | | | | |
| Current liabilities | | | | | | |
| Trade and other payables | 25 | 10 605 | – | – | 10 605 | 10 605 |
| Loans from group companies | 26 | 443 114 | – | – | 443 114 | 443 114 |
| Interest-bearing borrowings | 20 | 678 873 | – | – | 678 873 | 678 873 |
| Bank overdraft | 18 | 98 391 | – | – | 98 391 | 98 391 |
| | | 1 230 983 | – | – | 1 230 983 | 1 230 983 |

The group manages liquidity risk through an ongoing review of credit facilities to ensure funds are available to cover future commitments.

With the Facility Agreement (regulates the Term loan and RCF) between Salungano Group and the lenders expiring in June 2023 discussions are well underway with the lenders to re-finance the RCF and the GBF to maintain adequate liquidity in the group.

Cash flow forecasts are aggregated by group treasury, monitoring rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the group's debt financing plans and covenant compliance requirements.

The liquidity position is addressed as follows:

- Through undrawn overdraft facilities (refer to note 18);
- Shareholders loans to cover any short-term cash flow shortfalls;
- Extending supplier payment terms and entering into payment plans with key suppliers; and
- Agreeing to early payment terms with key customers.

At year ended 31 March 2023 the group:

- did not meet the payment requirements of the Facility Agreement due to the late receipts from the key supplier. This was rectified shortly after year-end when the payment was received; and
- breached debt service covenants.

37. Financial instruments and risk management continued

Cash flow interest rate risk

As the group has no significant net interest-bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates except for the finance lease receivable on the mining fleet.

The group's and company's interest rate risk arises mainly from variable-rate instalment sale agreements and borrowings. These borrowings carry variable rates that are linked to the prime lending rate in South Africa. The group has entered into an interest rate swap over the borrowings (refer to note 20).

The company has no significant cash flow interest rate risk arising from its interest-bearing loans to and from group companies as these loans are interest-free. Instead, the company is exposed to fair value interest rate risk on its external borrowings. The company's income and operating cash flows are substantially independent of changes in market interest rates.

Fair value interest rate risk

The group has entered into interest rate swaps in order to mitigate against the effect of changes in interest rates.

| | 2023 | | 2022 | |
|--|-------------------|-------------------|-------------------|-------------------|
| | Increase R'000 | Decrease R'000 | Increase R'000 | Decrease R'000 |
| Group | | | | |
| Pay variable three-month JIBAR less 0.5%, receive fixed 9.83%. Five years payable quarterly | - | - | (1 749) | 1 749 |
| Company | | | | |
| Pay variable three-month JIBAR less 0.5%, receive fixed 9.83%. Five years payable quarterly | - | - | (1 749) | 1 749 |

A sensitivity analysis has shown that should the three-month JIBAR increase by 1%, the swap liability would decrease by Rnil (2022: R1.7 million).

Notes to the consolidated and separate financial statements continued

37. Financial instruments and risk management continued

Interest rate sensitivity analysis

A change of 100 basis points in the interest rate at the reporting date would have increased/(decreased) profit before tax by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as 2022.

| | 2023 | | 2022 | |
|--|-------------------|-------------------|-------------------|-------------------|
| | Increase R'000 | Decrease R'000 | Increase R'000 | Decrease R'000 |
| Group | | | | |
| Increase or decrease in rate | | | | |
| Impact on profit or loss and equity | | | | |
| Interest-bearing borrowings 1% (2022: 1%) | (4 815) | 4 815 | (11 788) | 11 788 |
| Company | | | | |
| Increase or decrease in rate | | | | |
| Impact on profit or loss and equity | | | | |
| Interest-bearing borrowings 1% (2022: 1%) | (4 815) | 4 815 | (11 814) | 11 814 |

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. The group's main IBOR exposure at 31 March 2023 was indexed to JIBAR. The South African Reserve Bank has indicated their intention to move away from JIBAR and to create an alternative reference rate for South Africa. This reform is at various stages globally, and a suitable alternate for South Africa is only expected to be announced in a few years' time. Accordingly, there is uncertainty surrounding the timing and manner in which the transition would occur and how this would affect various financial instruments held by the group.

Price risk

The group has no significant investments in equity instruments. The group is not exposed to commodity price risk.

38. Fair value information

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the group can access at measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

38. Fair value information continued

Levels of fair value measurements

Level 1

Recurring fair value measurement liabilities

| | Note | Group | | Company | |
|---|------|---------------|---------------|---------------|---------------|
| | | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Liabilities | | | | | |
| Financial liabilities at fair value through profit or loss | | | | | |
| Interest rate swap | 20 | (125) | 1 719 | - | - |
| | | (125) | 1 719 | - | - |

The interest-bearing borrowings contain a swap through which Salungano has swapped its variable commitment from three-month JIBAR less 0.5% to a fixed at 9.83%.

Level 2

Recurring fair value measurements

| | Note | Group | | Company | |
|--|------|---------------|---------------|---------------|---------------|
| | | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Assets | | | | | |
| Financial assets mandatorily at fair value through profit or loss | | | | | |
| Restricted investments in rehabilitation portfolio | 10 | 148 335 | 115 983 | - | - |
| | | 148 335 | 115 983 | - | - |

The restricted investment portfolio is managed primarily by Old Mutual and Centriq and is mainly invested in actively trading unit trust shares, equity and cash.

Level 2 fair values for debt instruments held in the environmental rehabilitation funds are based on quotes provided by the financial institutions at which the funds are invested at measurement date. These financial institutions invest in instruments which are listed.

Valuation processes applied by the group

The fair value computations of the investments are performed by the group's corporate finance department, reporting to the CFO, on an annual basis. The valuation reports are discussed with the chief operating decision maker and the audit, risk and compliance committee in accordance with the group's reporting governance.

39. Share-based payments

Accounting policies relating to share-based payments

The group operates an equity-settled, share-based compensation plan under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted.

At the end of each reporting period, the group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the statement of profit or loss and other comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the group issues new shares. The proceeds received, net of any directly attributable transaction costs, are credited to share capital.

The grant by the group of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

Share-based payments – composition and analysis

Movements in the number of share options outstanding and their related weighted average share price at the exercise date of options are as follows:

| | 2023 | | 2022 | |
|--|--------------|---------------------------------|--------|---------------------------------|
| | Number | Weighted exercise price (cents) | Number | Weighted exercise price (cents) |
| Share option group | | | | |
| Outstanding at the beginning of the year | 1 082 | 193 | 1 687 | 193 |
| Granted | 93 | 126 | - | - |
| Exercised | - | - | (350) | 111 |
| Expired | - | - | (255) | 173 |
| As at year-end | 1 175 | 126 | 1 082 | 193 |

40. Going concern

Current year profitability

For the year ended 31 March 2023, the group incurred a loss of R692 million (FY22: R37 million). The EBITDA for the year is R99 million (FY22: R646 million).

The main contributing factors to the poor performance were as follows:

- High cost of sales due to low production at the VGF and Khanyisa operations. VGF was placed under care and maintenance in February 2022 as the Eskom CSA was not extended;
- The life of mine at Khanyisa has ended and the group is currently awaiting approval from Transnet Pipelines to mine within 50 meters of the pipeline;
- Lower sales volumes as a result of the Eskom CSA not being extended at VGF;
- Transport challenges to the ports for export sales and related logistic constrains;
- Low production at Elandspruit due to ongoing issues with the mining contractor. The performance deteriorated significantly in the second half of FY23; and
- Inventory losses due to slow moving stock. An amount of R131 million was recognised as an expense in profit and loss, in FY23 due to inventory losses.

The cash generated from operations of R260 million (FY22: R672 million) allowed the group to settle R246 million of the interest-bearing borrowings in the current year.

The Company incurred a net loss of R148 million for the year 31 March 2023 (FY22: net profit R59 000). The current year's loss was mainly due to R103 million of impairment in subsidiary recognised in the statement of profit and loss and other comprehensive income .

Solvency

As at 31 March 2023, the assets exceeded the total liabilities of the group by R121 million (FY22: R812 million) which reflects that the group is still solvent. The solvency position was also affected by R475 million of impairment recognised in profit and loss and other comprehensive income in the reporting period (FY22: R62 million). The Company's total assets exceeded total liability by R578 million.

Liquidity at reporting date and post

As at 31 March 2023, the group had a net overdraft of R61 million (FY22: R 172 million cash and cash equivalents) and the available facilities on the general banking facility amount to R4,6 million (FY22: R1,6 million). The Company's current liabilities exceeded current assets by R185 million.

As disclosed in the Directors report, a R50 million loan was advanced to the company and its subsidiaries by a shareholder post the reporting date. The shareholder's loan, the business rescue of Wescoal Mining and the downscaling of operations at Vangaatfontein reduced the group's liquidity pressure post the reporting date. There is moratorium in respect of Wescoal mining creditors claim and Moabsvalden's cash generation will be sufficient to pay the remaining group's debts when they fall due. This is further detailed below.

Current performance and liquidity

Moabsvalden has generated adequate cash to fully settle all its overdue creditors and excess cash is being utilised to support the group's other liquidity requirements including payments to Lenders. Payment plans entered into have been adhered to and there have been no further liquidation threats faced by the group.

Notes to the consolidated and separate financial statements continued

40. Going concern continued

Liquidity at reporting date and post continued

Lending arrangements

The group met its four financial covenants for the first three quarters of FY23 but covenants were breached in the last quarter of the financial year due to deterioration of operational performance at Elandspruit. The group did however meet all its lenders repayment obligations for FY23. R246 million was paid to the lenders in the reporting period, from internally generated funds.

The group has been engaging financial institutions to secure Long-term funding of between R350 million and R450 million. It has always been the intent of the group to re-finance part of the RCF when the current lending arrangement expired. Due to the required quantum being lower than the previous financing transaction and security held in a security special purpose vehicle the re-financing should be a lot simpler to implement.

Whilst some delay with regards to conclusion of a Term Sheet has occurred, the Lenders remain supportive of the group's debt refinancing. A CRO was appointment to assist the Board in restructuring the debt.

Although there is material uncertainty on the refinancing of the debt, the lenders have sent a draft Term Sheet on 28 July 2023 to refinance R433 million subject to final credit approval.

Going concern assessment

In determining the appropriate basis of preparation of the FY23 Consolidated Financial Statements and the FY23 Separate Financial Statements of the company, the Board considered whether the group and the company can continue in operational existence for the foreseeable future.

In doing so the Board has prepared and assessed the group's and the company's cash flow forecasts prepared by management in order to substantiate the going concern assumption and has considered CSA, the Wescoal Mining Proprietary Limited ("Wescoal Mining") business rescue, production at the operations, cash flows for the next 18 months and lending arrangements.

Coal Supply Agreements (CSAs)

Moabsvelden CSA's

During the prior financial year, the Keaton Mining (Vanggatfontein) and Wescoal Mining contracts (Elandspruit) came to an end, however the group has been working on renewing the contracts for the two operations. The Neosho Trading Proprietary Limited (Moabsvelden) CSA with Eskom is the only remaining Eskom contract within the group excluding the Arnot CSA.

As Eskom has not extended or awarded any new CSA recently they are, however, allowing additional volumes to be supplied into the CSA via a rectification plan that provides for 500kt to be sold to Eskom. The major challenge in the past financial year was that the additional tonnages were sold via short-term rectification plans that did not allow for time taken to fully ramp up VGF.

With the 500kt rectification plan, any Moabsvelden's CSA shortfall will be fulfilled with buy-ins from external suppliers.

Based on the Eskom's offtake and utilisation of the Moabsvelden CSA for the additional tons from VGF, the group is relatively certain that Eskom will continue to take coal for at least the next 24 months.

Vanggatfontein CSA

The Vanggatfontein reserve has been committed to Eskom in terms of a 'first right of refusal' basis. Eskom has indicated that they will not utilise their first right of refusal. Except for VGF supplying as an external supplier, any other supply from VGF will need to be in terms of a new CSA being awarded. The group continues to engage Eskom on a new CSA for the Vanggatfontein operations.

Wescoal Mining CSA

Despite the expired Eskom CSA, Wescoal Mining (in Business Rescue) intends to recommence the supply of coal resources to Eskom via the Moabsvelden CSA in terms of the rectification plan and to meet the additional Kelvin contract demands.

40. **Going concern** continued **Coal Supply Agreements (CSAs)** continued

Other CSA

Salungano Trading services several key customers. The shortage in the local supply during the year provided an opportunity for the group to supply and build relationships within the local market through Salungano Trading as most companies were selling to the export market.

The group has solid customers base as well as and the Moabsvalden CSA to facilitate a return to profitability. The group's ability to return to profitability remains dependent on the ability to ramp up operations and produce the quantities required to meet demand.

Wescoal Mining business rescue

As of 25 August 2023, Wescoal Mining has been placed in voluntary business rescue pursuant to Chapter 6 of the Companies Act. Competent senior business rescue practitioners have been appointed to facilitate the business rescue process and it is foreseen that, following the publication of the business rescue plan, a satisfactory business turnaround could be achieved.

Should the group in due course consider the advancement of any funding to Wescoal Mining, it would be in the form of Post Commencement Financing ("PCF"), subject to stringent assessment, and provided that it would be in the best interests of the group.

The business rescue practitioners requested a postponement of the publication date of the proposed rescue plan. In terms of the provisions of section 150(5)(c) of the Companies Act, the request has been supported by the requisite majority of creditors. The publication date for the proposed business rescue plan will be 28 June 2024.

Cash flow forecast

The group's cash flow forecast for the next 18 months, supporting the going concern conclusion, includes the following assumptions:

- Re-financing of the current debt over a period of 3 years, which refinancing will be concluded by June 2024;
- A reduction in working capital requirements (accounts payable and inventory levels) over the next 24 months;
- Limited mining operations at VGF; and
- Extended Payment arrangements with applicable creditors and suppliers would have been concluded.

Cash flow models indicate adequate cash resources for the next 18 months to service the debt and fund working capital requirements. This is based on the assumptions mentioned above, as well as:

- Moabsvalden's ability to continue to meet its production targets and sales volumes; and
- The continued processing, blending and selling of current high levels of lower grade inventory.

Other potential cash-generating options to further improve the group's liquidity position include:

- Disposal of Keaton Mining equipment, financed under an asset-based finance agreement with the lenders;
- Proceeds from the disposal of the Leeuw Braakfontein Colliery;
- Potential partnerships to optimise production at Vanggatfontein.

The aforesaid potential cash-generation options have not been included in the cash flow forecast, as they are not entirely within the control of the group.

The Company's working capital will continue being funded through profits generated from services provided to group companies in terms of a management services arrangements.

The repayment of the interest bearing debt will be funded from cash generated from Moabsvalden operations.

Based on the above, the consolidated and separate financial statements have been prepared on a going concern basis. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

41. Post-financial year-end events

41.1 Lending arrangements

The group initiated discussions with lenders regarding the refinancing of a portion of its debt. However, as of the anniversary of the facility agreement on 28 June 2023, the group had not secured the refinancing or resolved the outstanding debt, resulting in a default situation. Shareholders were informed through a SENS issue on 28 July 2023, that the refinancing process had advanced significantly, with consensus on key commercial terms being reached and subject to the lenders' credit approval. Ongoing discussions persist with the aim of reaching an agreement on a term sheet to either refinance or settle the outstanding debt.

41.2 Funding from shareholder

The group received funding through a shareholder loan from RBFT Investments Proprietary Limited of R50 million on 3 April 2023. The loan bears interest at prime plus 2% and is repayable no later than 12 months from effective date.

41.3 Dispute Settlement – Mining contractor (Stefanutti Stocks Mining Services Proprietary Limited)

On 27 June 2023, the involved parties, Keaton and Stefanutti Stocks Mining Services Proprietary Limited, successfully reached a settlement. Pursuant to the terms outlined in the settlement agreement, Keaton has agreed to make a payment of R30 000 000. The settlement agreement has been formalised and endorsed as a court order.

41.4 Liquidation applications

41.4.1 Wescoal Mining Proprietary Limited (“Wescoal Mining”)

On 10 August 2023, IPP Mining and Materials Handling Proprietary Limited, a mining contractor of Wescoal Mining, initiated a provisional winding-up application against Wescoal Mining. Subsequently, Wescoal Mining contested the liquidation application. On 24 August 2023, a settlement was reached between Wescoal Mining and IPP, formalised through a court order reflecting the agreed-upon terms. Consequently, the liquidation application was withdrawn. In line with a board resolution pursuant to Section 129(1) of the Companies Act, Wescoal Mining opted to initiate a voluntary business rescue process, commencing on 25 August 2023.

Three senior business rescue practitioners were successfully appointed at the CIPC on 28 August 2023, and the initial creditors' meeting for Wescoal Mining (in business rescue) took place on 11 September 2023. As a result of the ongoing business rescue proceedings, a moratorium has been implemented concerning claims against Wescoal Mining. Notwithstanding these developments, the financial results of Wescoal Mining continue to be consolidated in the financial statements as a subsidiary.

The operations of Elandspruit and Khanyisa will be in a state of care and maintenance until an alternative course of action is determined by the Business Rescue Practitioners (BRPs).

41.4.2 Keaton Mining Proprietary Limited (“Keaton Mining”)

In October 2023, a number of creditors submitted a liquidation application against Keaton Mining. This claim encompasses services related to contractor mining operations, advance payments received for coal delivery, and maintenance and servicing of mining equipment. Keaton Mining has filed notices of opposition to the liquidation application and has actively engaged all affected creditors with a view of settling all the matters.

Keaton mining was placed under provisional liquidation of 27 February 2024, and Natasha Mary Darnell and Pollock Richard Keay have been appointed as joint provisional liquidators pending final liquidation and section 155 hearings on 3 July 2024.

41.5 Group restructuring – Section 189 implementation

41.5.1 In June 2023 a Section 189(3) notice in terms of the Labour Relations Act (LRA) was issued for Salungano Group and Wescoal Mining as part of the group restructuring plan. Following a process of consultation as prescribed in the Act, four employees in Salungano Group and 16 employees in Wescoal Mining were affected. The Group subsequently ran Voluntary Severance Package processes in December 2023 and February 2024 which resulted in eight employees in Salungano Group, four employees in Keaton Mining and 35 employees in Wescoal Mining taking the offer. Total costs incurred is R8.8 million.

42. Related parties

Relationships

| | |
|---------------------------------|--|
| Subsidiaries | Wescoal Mining Proprietary Limited Salungano Trading Proprietary Limited Salungano Resources Proprietary Limited Salungano Power Proprietary Limited Blanford 006 Proprietary Limited Proudafrique Trading 147 Proprietary Limited Keaton Energy Holdings Limited Keaton Mining Proprietary Limited Leeuw Braakfontein Colliery Proprietary Limited Labohlano Trading 46 Proprietary Limited Neosho Trading 86 Proprietary Limited Salungano Agriculture Proprietary Limited Refer to note 8 |
| Joint ventures | Arnot HoldCo Proprietary Limited Arnot OpCo Proprietary Limited (refer to note 9) |
| Shareholders | RBFT Investments Proprietary Limited |
| Group executive committee | Key management personnel who have the authority and responsibility for planning, directing and controlling activities of the company and subsidiaries |
| Employee share incentive scheme | Wescoal Share Incentive Trust |
| Members of key management | Refer to directors, remuneration (note 44) |

Notes to the consolidated and separate financial statements continued

42. Related parties continued

| | Group | | Company | |
|---|---------------|---------------|---------------|-------------------------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | As restated* 2022 R'000 |
| Related party balances | | | | |
| Loan accounts – owing (to)/by related parties | | | | |
| Salungano Trading Proprietary Limited | - | - | (283 288) | (278 212) |
| Wescoal Mining Proprietary Limited | - | - | 173 156 | 353 420 |
| Wescoal Mining Proprietary Limited* | - | - | - | (110 402) |
| Salungano Power Proprietary Limited | - | - | (602) | (602) |
| Blanford 006 Proprietary Limited | - | - | 2 958 | 4 443 |
| Neosho Trading 86 Proprietary Limited | - | - | 5 000 | - |
| Salungano Resources Proprietary Limited | - | - | (548) | (548) |
| Keaton Energy Holdings Limited | - | - | 460 586 | 614 551 |
| Keaton Mining Proprietary Limited | - | - | 1 200 | - |
| Proudafrique Trading 147 Proprietary Limited | - | - | 4 | 4 |
| Arnot OpCo Proprietary Limited | - | 23 751 | - | - |
| RBFT Investments Proprietary Limited | 17 118 | - | 7 100 | - |
| Refer to notes 11, 22 and 26 for terms and conditions. | | | | |
| Amounts included in trade receivable/(trade payable) regarding related parties | | | | |
| Blanford 006 Proprietary Limited | - | - | 590 | 774 |
| Keaton Energy Holdings Limited | - | - | 14 321 | 5 949 |
| Keaton Energy Holdings Limited | - | - | (668) | - |
| Keaton Mining Proprietary Limited | - | - | 2 037 | 2 168 |
| Neosho Trading 86 Proprietary Limited | - | - | 3 965 | 2 172 |
| Neosho Trading 86 Proprietary Limited | - | - | (52) | - |
| Wescoal Mining Proprietary Limited | - | - | 7 542 | 7 718 |
| Salungano Trading Proprietary Limited | - | - | 1 319 | 1 471 |
| Salungano Trading Proprietary Limited | - | - | (52) | (543) |
| Arnot OpCo Proprietary Limited | 22 137 | 22 137 | - | 164 |
| Arnot OpCo Proprietary Limited | - | - | - | - |
| Shares held by the Trust | | | | |
| Wescoal Share Trust (number of shares '000) | 9 508 | 9 508 | 9 508 | 9 508 |
| Related party transactions | | | | |
| Interest (received from)/paid to related parties | | | | |
| Wescoal Mining Proprietary Limited | - | - | (19 669) | (19 891) |
| Salungano Trading Proprietary Limited | - | - | (242) | (3 492) |
| Keaton Energy Holdings Limited | - | - | (39 252) | (39 759) |

* Refer to note 46 relating to the restatement of the Loans to group companies and retained earnings.

42. Related parties continued

| | Group | | Company | |
|--|---------------|---------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 | 2023 R'000 | 2022 R'000 |
| Administration fees paid to/(received from) related parties | | | | |
| Blanford 006 Proprietary Limited | - | - | 3 195 | 3 589 |
| Wescoal Mining Proprietary Limited | - | - | 55 373 | 48 741 |
| Salungano Trading Proprietary Limited | - | - | 9 584 | 8 501 |
| Salungano Trading Proprietary Limited | - | - | (2 785) | (2 643) |
| Keaton Energy Holdings Limited | - | - | (2 278) | - |
| Keaton Energy Holdings Limited | - | - | - | 3 035 |
| Keaton Mining Proprietary Limited | - | - | 19 168 | 16 814 |
| Neosho Trading 86 Proprietary Limited | - | - | 19 168 | 16 814 |
| Other related party expenses | | | | |
| Office rentals from Simeka | 1 915 | 1 366 | 1 915 | 1 366 |
| Transportation services from Gundo Logistics | 154 306 | 227 030 | - | - |
| Venda Football Club | 2 000 | - | 2 000 | - |
| Compensation to directors and other key management | | | | |
| Non-executive directors' fees | 3 912 | 4 322 | - | - |
| Remuneration | 12 965 | 12 434 | - | - |
| Retirement and medical contributions | 1 024 | 796 | - | - |
| Fringe benefits and bonus | 4 239 | 1 220 | - | - |

Notes to the consolidated and separate financial statements continued

43. Loss per share

Basic loss per share

The calculation of basic loss per share is based on net (loss)/profit for the year, attributable to owners of the company, divided by the weighted average number of ordinary shares in issue during the year.

| | Group | |
|---|-----------------|---------------|
| | 2023 R'000 | 2022 R'000 |
| Basic loss per share (cents) | | |
| Net loss attributable to owners of the company (rand) | (691 635) | (37 171) |
| Weighted average number of ordinary shares in issue | 410 408 | 410 058 |
| Basic loss per share (cents) | (168.52) | (9.06) |

Diluted loss per share

The calculation of diluted loss per share is based on net profit/(loss) for the year attributable to owners of the company. The weighted average number of shares in issue is adjusted to assume conversion of all potential dilutive shares as a result of share options granted under the share option schemes in issue. A calculation is performed to determine the number of shares that could have been acquired at fair value, determined as the average annual market share price of the company's shares, based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

| | Group | |
|---|-----------------|---------------|
| | 2023 R'000 | 2022 R'000 |
| Diluted loss per share (cents) | | |
| Weighted average number of ordinary shares in issue | 410 408 | 410 058 |
| Share options in terms of the Wescoal Share Incentive Trust | - | 1 |
| Weighted average number of shares for diluted earnings per share* | 410 408 | 410 059 |
| Diluted loss per share (cents) | (168.52) | (9.06) |

* As the group was in a loss-making position during the financial year and in 2022, the impact of share options would be anti-dilutive and is therefore not taken into account.

43. Loss per share continued

Headline loss and diluted headline loss per share

Headline earnings per share and diluted headline earnings per share are determined by dividing headline earnings and diluted headline earnings by the weighted average number of ordinary shares outstanding during a period.

Headline earnings and diluted headline earnings are determined by adjusting basic earnings and diluted earnings by excluding separately identifiable remeasurement items. Headline earnings and diluted headline earnings are presented after tax and non-controlling interest.

Headline loss and diluted headline loss are determined by adjusting basic loss and diluted loss by excluding separately identifiable remeasurement items in terms of the JSE headline earnings circular, HEPS Circular 1/2023.

The calculation of headline loss, net of taxation and non-controlling interest, per share is based on the basic loss per share calculation adjusted for the following items:

| | 2023 | | 2022 | |
|---|------------------|------------------|----------|------------|
| | Gross | Net of tax | Gross | Net of tax |
| Headline/diluted headline loss per share | | | | |
| Net profit for the year attributable to owners of the company | (931 193) | (691 635) | (37 525) | (37 171) |
| Profit on disposal of property, plant and equipment | (2) | (2) | (42) | (30) |
| Impairment of property, plant and equipment | 450 941 | 450 941 | - | - |
| Goodwill impairment | - | - | 2 951 | 2 951 |
| Impairment of investment in joint venture | - | - | 59 390 | 59 390 |
| Headline loss | (480 254) | (240 695) | 24 774 | 25 140 |
| Headline (loss)/earnings per share (cents) | - | (58.65) | - | 6.13 |
| Diluted headline (loss)/earnings per share (cents)* | - | (58.65) | - | 6.13 |

* As the group was in a loss-making position during the financial year and in 2022, the impact of share options would be anti-dilutive and is therefore not taken into account.

44. Directors' and prescribed officers' emoluments

Executives

Remuneration and benefits paid to current and past directors and prescribed officers for services to the company

| | Re-muneration R'000 | Medical and provident fund contributions R'000 | Annual bonus R'000 | Fringe and other benefits R'000 | Cash total R'000 | IFRS 2 share option expense R'000 |
|----------------|------------------------|---|-----------------------|------------------------------------|---------------------|--------------------------------------|
| 2023 | | | | | | |
| MR Ramaite | 4 100 | - | - | - | 4 100 | - |
| JM Speckman* | 1 799 | 165 | - | - | 1 964 | - |
| T Tshithavhane | 3 578 | 567 | - | 49 | 4 194 | 5 |
| KM Maroga** | 1 414 | 216 | 1 500 | - | 3 130 | - |
| | 10 892 | 948 | 1 500 | 49 | 13 389 | 5 |
| 2022 | | | | | | |
| MR Ramaite | 2 809 | - | - | - | 2 809 | - |
| JM Speckman* | 2 775 | 225 | 250 | 4 | 3 254 | - |
| T Tshithavhane | 3 656 | 296 | 329 | 60 | 4 341 | 207 |
| | 9 240 | 521 | 579 | 64 | 10 404 | 207 |

* JM Speckman resigned as group CFO and executive director effective 14 April 2022. She effectively left the company on 30 September 2022 after serving her six months from resignation.

** KM Maroga was appointed as group CFO effective from 1 October 2022.

Share options in the company held by directors

| | Financial year granted | Option grant (strike price) cents | Balance held as at 31 March 2023 '000 | Option grant (strike price) cents | Balance held as at 31 March 2022 '000 |
|----------------|------------------------|-----------------------------------|---------------------------------------|-----------------------------------|---------------------------------------|
| T Tshithavhane | 2014 | 212 | - | 212 | - |
| | 2016 | 111 | - | 111 | - |
| | 2018 | 213 | 205 | 213 | 205 |
| | December 2017 | - | - | 246 | 41 |

Non-executives

Non-executive remuneration for attending meetings.

| | Group | |
|---------------|---------------|---------------|
| | 2023 R'000 | 2022 R'000 |
| HLM Mathe | 707 | 582 |
| KM Maroga* | 236 | 881 |
| C Maswanganyi | 405 | 358 |
| ET Mzimela | 431 | 400 |
| Z Siyotula** | 942 | 931 |
| N Mnxasana** | 605 | 612 |
| A Mabizela** | 586 | 558 |
| | 3 912 | 4 322 |

* KM Maroga was appointed as group CFO effective from 1 October 2022, and her remuneration is disclosed as part of executive directors earnings.

** Resigned 30 June 2023.

44. Directors' and prescribed officers' emoluments continued

Prescribed officers

| | Re-muneration R'000 | Medical and provident fund contributions R'000 | Annual bonus R'000 | Fringe and other benefits R'000 | Cash total R'000 | IFRS 2 share option expense R'000 |
|----------------------|------------------------|---|-----------------------|------------------------------------|---------------------|--------------------------------------|
| 2023 | | | | | | |
| M Berry [#] | 573 | 76 | - | 4 190 | 4 839 | 5 |
| 2022 | | | | | | |
| M Berry | 3 194 | 275 | 289 | 288 | 4 046 | 207 |

[#] M Berry resigned as a prescribed officer in May 2022.

Share options in the company held by prescribed officer

| | Financial year granted | Option grant (strike price) cents | Balance held as at 31 March 2023 '000 | Option grant (strike price) cents | Balance held as at 31 March 2022 '000 |
|---------|------------------------|-----------------------------------|---------------------------------------|-----------------------------------|---------------------------------------|
| M Berry | 2017 | 241 | 850 | 241 | 850 |
| | 2018 | 213 | 205 | 213 | 205 |
| | December 2017 | 246 | 19 | 246 | 19 |

45. Segment report

Accounting policies relating to segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group executive committee that makes strategic decisions.

Segment reporting – composition and analysis

For management purposes, the group is organised into business units based on their products and activities and has four reportable operating segments:

- The Mining segment is involved in the exploration, beneficiation and mining of bituminous coal;
- The Trading segment buys and sells coal to inland customers;
- The property rental segment rents property to other segments within the group; and
- The investment holding segment is the holding company of the group and also acts as a central treasury function.

No operating segments have been aggregated to form the above reportable operating segments. The group executive committee is the group's chief decision-making body. Management has determined the operating segments based on the information received by the group executive committee. Annual segment performance is evaluated based on revenue and on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

All revenue is primarily generated from customers in Southern Africa and all operating assets are situated in South Africa. The Mining segment generates its revenue mainly from sales to parastatal and other institutions. The Trading segment generates its revenue from sales to a variety of customers that include the private sector, government institutions, mining entities and various small and medium enterprises.

45. Segment report continued

| | Mining R'000 | Trading R'000 | Property rental and other R'000 | Investment holding R'000 | Inter- segment eliminations R'000 | Consolidated R'000 |
|--|--------------------|------------------|--|--------------------------------|--|-----------------------|
| 31 March 2023 | | | | | | |
| Local | 15 034 | 634 165 | - | - | - | 649 197 |
| Eskom sales | 3 603 809 | 103 | - | - | (1 558 613) | 2 045 299 |
| Export sales | 1 289 206 | - | - | - | - | 1 289 206 |
| Rental income | - | - | 226 | - | - | 226 |
| Transport | 686 444 | 119 077 | - | - | - | 805 521 |
| External customers | 5 594 492 | 753 345 | 226 | - | (1 558 613) | 4 789 450 |
| Inter-segment | | | | | | - |
| Total revenue | 5 594 492 | 753 345 | 226 | - | (1 558 613) | 4 789 450 |
| Cost of sales | (5 588 655) | (704 646) | (12) | (24 463) | 1 657 267 | (4 660 509) |
| Gross profit/(loss) | 5 837 | 48 698 | 214 | (24 464) | 98 654 | 128 941 |
| Other income/(expenses) | 26 955 | 3 123 | - | (9) | - | 30 068 |
| Movement in credit loss allowances | - | - | - | - | - | - |
| Operating expenses | (415 106) | (76 835) | (3 358) | (755 520) | 798 159 | (452 660) |
| Operating profit/(loss) | (382 315) | (25 014) | (3 144) | (779 993) | 896 813 | (293 651) |
| Interest received | 15 032 | - | - | 175 134 | (167 815) | 22 352 |
| Interest paid | (277 124) | (901) | (0) | (98 743) | 167 815 | (210 336) |
| Impairment | (450 941) | | | | | (450 941) |
| Share of net loss of joint venture accounted for using the equity method | - | - | - | - | - | - |
| Profit/(loss) before income tax | (1 095 348) | (25 915) | (3 144) | (703 602) | 896 813 | (931 194) |
| Depreciation and amortisation | (366 934) | (4 076) | (12) | (3 054) | (18 559) | (368 883) |
| Gain/(loss) on sale of assets | - | 2 | - | - | - | 2 |
| Total assets | 3 727 129 | 196 872 | 46 376 | 1 615 466 | (1 016 110) | 4 569 783 |
| Total liabilities | (4 628 489) | (103 707) | (32 631) | (623 277) | 938 901 | (4 449 203) |
| EBITDA | (15 384) | (20 940) | (3 132) | (776 939) | 915 372 | 98 979 |

Notes to the consolidated and separate financial statements continued

45. Segment report continued

| | Mining R'000 | Trading R'000 | Property rental and other R'000 | Investment holding R'000 | Inter- segment eliminations R'000 | Consolidated R'000 |
|--|--------------------|------------------|--|--------------------------------|--|-----------------------|
| 31 March 2022 | | | | | | |
| Management fees | - | - | - | - | - | - |
| Local | 1 040 888 | 571 788 | - | - | - | 1 612 676 |
| Eskom sales | 1 880 090 | - | - | - | - | 1 880 090 |
| Export sales | 152 983 | - | - | - | - | 152 983 |
| Rental income | - | - | 321 | - | - | 321 |
| Transport | 1 372 163 | 120 649 | - | - | - | 1 492 812 |
| External customers | 4 446 124 | 692 437 | 321 | - | - | 5 138 882 |
| Inter-segment | 1 262 056 | 14 169 | 5 630 | 97 494 | (1 379 349) | - |
| Total revenue | 5 708 180 | 706 606 | 5 951 | 97 494 | (1 379 349) | 5 138 882 |
| Cost of sales | (5 189 367) | (649 145) | (12) | (438) | 1 251 106 | (4 587 856) |
| Gross profit/(loss) | 518 813 | 57 461 | 5 939 | 97 056 | (128 243) | 551 026 |
| Other income/(expenses) | 28 401 | 2 930 | 25 | 469 | (2 643) | 29 182 |
| Operating expenses | (385 684) | (55 882) | (4 150) | (101 209) | 104 843 | (442 082) |
| Operating profit/(loss) | 161 530 | 4 509 | 1 814 | (3 684) | (26 043) | 138 126 |
| Interest received | 14 476 | - | 1 | 38 216 | (29 903) | 22 790 |
| Interest paid | (222 512) | (3 182) | 84 | (109 298) | 153 925 | (180 983) |
| Share of net loss of joint venture accounted for using the equity method | (17 458) | - | - | - | - | (17 458) |
| Profit/(loss) before income tax | (63 964) | 1 327 | 1 899 | (74 766) | 97 979 | (37 525) |
| Depreciation and amortisation | (474 548) | (6 165) | (12) | (2 081) | (25 119) | (507 925) |
| Gain/(loss) on sale of assets | - | - | - | - | - | - |
| Total assets | 3 410 917 | 195 480 | 4 343 | 2 447 248 | (1 626 973) | 4 431 015 |
| Total liabilities | (3 681 838) | (92 996) | (31 493) | (804 043) | 991 627 | (3 618 743) |
| EBITDA | 636 078 | 10 674 | 1 826 | (1 603) | (924) | 646 051 |

46. Understated intercompany loan prior period error

During the current year ended 2023, an error and the restatement relating to the loan to group companies was noted and has been corrected in the separate financial statements.

The company identified that the intercompany loan between Salungano Group Limited and Wescoal Mining Proprietary Limited was incorrectly understated by R47 million as a result of journals incorrectly posted in retained earning in FY2019 and FY2020. The error arose while incorrect entries were processed in attempting to correct the Loan balance reflecting in the Trial Balance of Salungano Group, to align with the audited financial statements that were published in FY2019 and FY2020, This error resulted in Salungano Group reporting a different intercompany loan amount compared to Wescoal Mining.

Statement of financial position of Salungano Group Limited as at 31 March 2022

| | Note | Company | | |
|--|------|---|---------------------------|------------------------------|
| | | As previously reported 2022 R'000 | Adjusted 2022 R'000 | As restated 2022 R'000 |
| Statement of financial position | | | | |
| Loans to group companies | 11 | 978 365 | 47 403 | 1 025 768 |
| Equity and liabilities | | | | |
| Retained earnings | | (114 929) | (47 403) | (67 526) |

Statement of financial position of Salungano Group Limited as at 1 April 2021

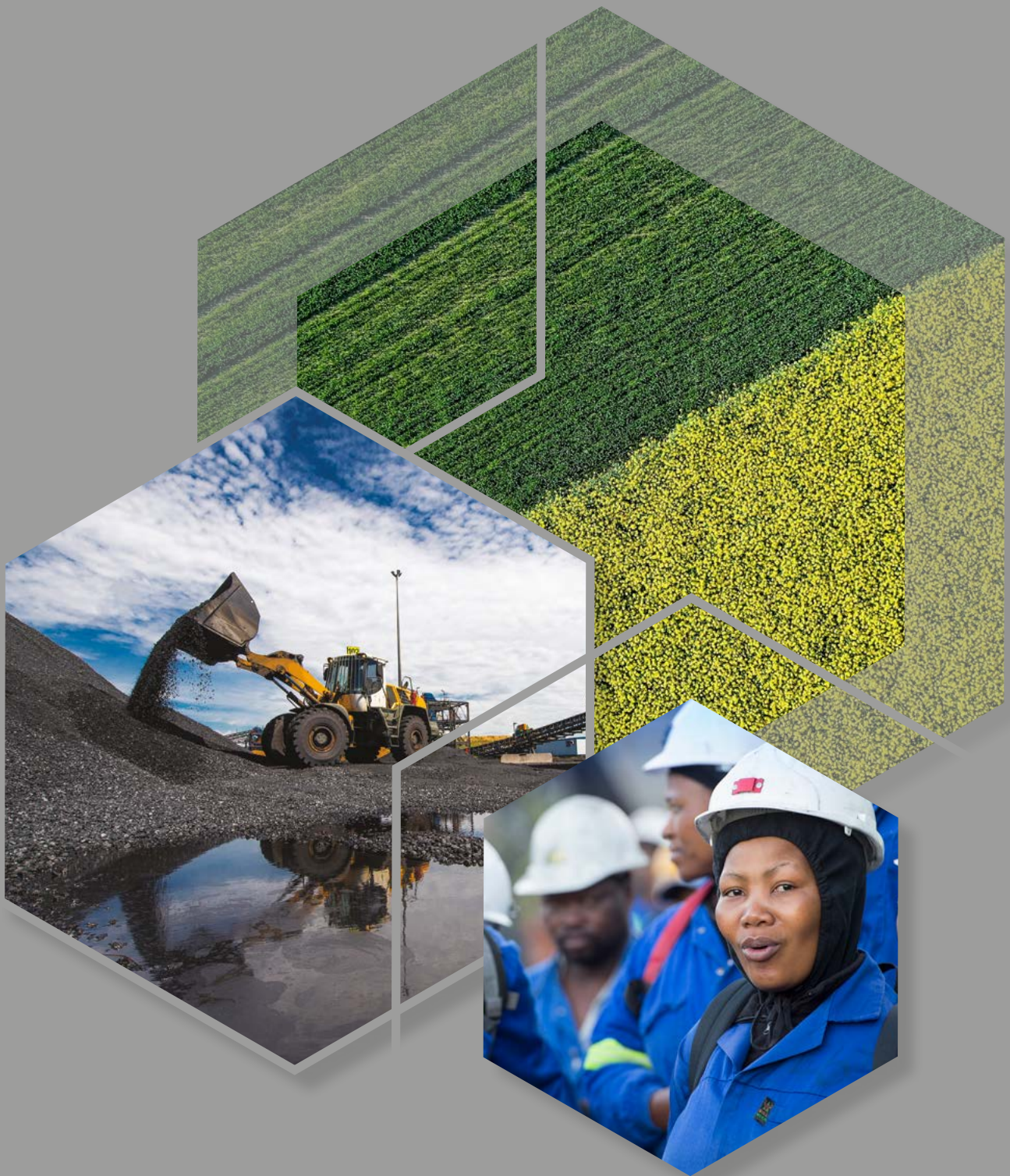
| | Note | Company | | |
|--|------|---|--------------------------------------|---|
| | | As previously reported 2021 R'000 | Adjusted 1 April 2021 R'000 | As restated 1 April 2021 R'000 |
| Statement of financial position | | | | |
| Loans to group companies | 11 | 1 103 207 | 47 403 | 1 150 610 |
| Equity and liabilities | | | | |
| Retained earnings | | (114 988) | (47 403) | (67 585) |

47. Reportable Irregularities

| ID | Irregularity | Detail Description | Action | Status |
|----|---|--|--|-------------|
| 1 | Late submission of annual result resulting in non-compliance with the Johannesburg Stock Exchange ("JSE") Listings Requirements and Companies Act of 2008. | Salungano did not issue a condensed/full set of the annual financial statements for the year ended 31 March 2023 by the stipulated deadline of 30 June 2023, leading to non-compliance with paragraph 2.15 of the JSE Listings Requirements. Furthermore, Salungano did not adhere to the provisions of section 30(1) of the Companies Act, failing to have the annual financial statements prepared within the required 4-month period, as specified by both the Companies Act and the JSE regulations. | The financial statements for the year ended March 2023 have been prepared and will be published in May 2024 | In progress |
| | Non-compliance with the National Environmental Management Act ("NEMA"), the Financial Provision Regulations published in terms of NEMA and the Mineral and Petroleum Resources Development Act ("MPRDA"). | Salungano fell short of the mandated cash and/or guarantees as stipulated by the NEMA, the Financial Provision Regulations outlined in accordance with NEMA, and the Mineral and MPRDA. These funds are essential for the rehabilitation of the land where the company conducts its coal mining operations. As part of its coal mining activities, Salungano is obligated to restore the areas affected by mining. Legislation further necessitates that the company maintain adequate cash and/or guarantees to fulfil the rehabilitation requirements for the mined areas. | Salungano has allocated a budget for savings dedicated to rehabilitation activities. Management is actively engaged in discussions with insurance providers to enhance the existing guarantees. Simultaneously, the management team is in the final stages of formalising the rehabilitation plan and initiating concurrent rehabilitation measures to mitigate and minimise the overall rehabilitation liability. | In progress |

47. Reportable Irregularities continued

| ID | Irregularity | Detail Description | Action | Status |
|----|---|--|--|--|
| 3 | Non-compliance with section 75 of the Companies Act | <p>Background During the fiscal year ending 31 March 2023, Salungano Group Limited and its subsidiaries secured a loan from RBFT Investments Proprietary Limited (“RBFT”). Notably, the group CEO of Salungano is the sole director of RBFT, establishing a related-party transaction as per section 75(1)(b) of the Companies Act, read in conjunction with Sections 1 and 2.</p> <p>Compliance with section 75 of the Companies Act Given the related-party nature of the loan, section 75 of the Companies Act mandates specific actions, requiring the disclosure of the related person’s interest, provision of material information, and abstention from participation in the decision-making process by the concerned director. The director must also exit the meeting after disclosure and refrain from executing any relevant documents on behalf of the company unless expressly directed by the board.</p> | <p>Subsequently, the borrowing approval process adhered to all regulatory requirements. The board, after considering additional information requested from the CEO (regarding compliance with JSE Listing Requirements and the agreement between RBFT Investments and Salungano as allowed for in the Section 75 of the Companies Act) and having acknowledged the CEO’s related party status and conflict of interest, passed a resolution accepting the borrowing.</p> <p>The CEO recused himself at the end of the deliberations and did not partake in the voting. The remaining board members voted unanimously in favour of the resolution.</p> <p>Salungano Group Limited and its subsidiaries adhered to the provisions of section 75 of the Companies Act in managing the related-party borrowing transaction during the financial year ending 31 March 2023.</p> <p>The board is now satisfied that the requirements of section 75 have been met. The CIPC has not pursued the matter further.</p> | In progress – being considered by CIPC |



SHAREHOLDER INFORMATION

ANALYSIS OF ORDINARY SHAREHOLDERS

as at 31 March 2023

| Shareholder spread | Number of shareholdings | % of total shareholdings | Number of shares | % of issued capital |
|---------------------|-------------------------|--------------------------|--------------------|---------------------|
| 1 - 1 000 | 5 224 | 74.19 | 754 820 | 0.18 |
| 1 001 - 10 000 | 1 250 | 17.75 | 4 803 348 | 1.14 |
| 10 001 - 100 000 | 497 | 7.06 | 14 496 622 | 3.45 |
| 100 001 - 1 000 000 | 52 | 0.74 | 15 122 632 | 3.60 |
| Over 1 000 000 | 18 | 0.26 | 384 739 432 | 91.62 |
| Total | 7 041 | 100.00 | 419 916 854 | 100.00 |

| Distribution of shareholders | Number of shareholdings | % of total shareholdings | Number of shares | % of issued capital |
|----------------------------------|-------------------------|--------------------------|--------------------|---------------------|
| Close corporations | 28 | 0.40 | 415 262 | 0.10 |
| Collective investment schemes | 1 | 0.01 | 3 000 | 0.00 |
| Control accounts | 1 | 0.01 | 9 | 0.00 |
| Custodians | 6 | 0.09 | 661 412 | 0.16 |
| Foundations and charitable funds | 3 | 0.04 | 68 750 | 0.02 |
| Investment partnerships | 10 | 0.14 | 201 366 | 0.05 |
| Managed funds | 2 | 0.03 | 124 100 | 0.03 |
| Private companies | 46 | 0.65 | 312 025 216 | 74.31 |
| Public companies | 3 | 0.04 | 17 730 | 0.00 |
| Retail shareholders | 6 844 | 97.20 | 76 062 123 | 18.11 |
| Scrip lending | 1 | 0.01 | 7 347 | 0.00 |
| Share schemes | 1 | 0.01 | 9 508 000 | 2.26 |
| Stockbrokers and nominees | 10 | 0.14 | 1 106 370 | 0.26 |
| Trusts | 81 | 1.15 | 19 716 135 | 4.70 |
| Unclaimed scrip | 4 | 0.06 | 34 | 0.00 |
| Total | 7 041 | 100.00 | 419 916 854 | 100.00 |

* Pursuant to the provisions of Section 56 of the Companies Act, 2008, disclosures from foreign nominee companies have been included in this analysis.

Analysis of ordinary shareholders continued

| Shareholder type | Number of shareholdings | % of total shareholdings | Number of shares | % of issued capital |
|---|-------------------------|--------------------------|--------------------|---------------------|
| Non-public shareholders | 8 | 0.11% | 337 252 125 | 80.31 |
| Directors and associates (direct holding) | 3 | 0.04% | 26 495 816 | 6.31 |
| Directors and associates (indirect holding) | 2 | 0.03% | 994 000 | 0.24 |
| Beneficial holders > 10 | | | | |
| K2016316243 (SA) Proprietary Limited (Empowerment SPV) [^] | 1 | 0.01% | 213 628 122 | 50.87 |
| RBFT Investments Proprietary Limited | 1 | 0.01% | 86 626 187 | 20.63 |
| Share schemes | 1 | 0.01% | 9 508 000 | 2.26 |
| Public shareholders | 7 033 | 99.89% | 82 664 729 | 19.69 |
| Total | 7 041 | 100.00% | 419 916 854 | 100.00 |

[^] Includes Indirect holding by directors (140 556 501 shares).

| Beneficial shareholders with a holding greater than 3% of the issued shares | Number of shares | % of issued capital |
|---|--------------------|---------------------|
| K2016316243 (SA) Proprietary Limited | 213 628 122 | 50.87 |
| RBFT Investments Proprietary Limited | 86 626 187 | 20.63 |
| MR Ramaite | 23 193 301 | 5.52 |
| Total | 323 447 610 | 77.03 |

| | |
|---------------------------------|--------------------|
| Total number of shareholdings | 7041 |
| Total number of shares in issue | 419 916 854 |

Share price performance

| | |
|---|--------------|
| Opening price 1 April 2022 | R1.26 |
| Closing price 31 March 2023 | R1.82 |
| Closing high for period | R1.97 |
| Closing low for period | R0.79 |
| Number of shares in issue | 419 916 854 |
| Volume traded during period | 39 931 801 |
| Ratio of volume traded to shares issued (%) | 9.51 |
| Rand value traded during the period | R51 350 302 |
| Price/earnings ratio as at 31 March 2023 | (3.68) |
| Earnings yield as at 31 March 2023 | (27.14) |
| Dividend yield as at 31 March 2023 | - |
| Market capitalisation at 31 March 2023 | R529 095 236 |

DEFINITIONS

| | |
|---------------|--|
| Absa | Absa Property Development Proprietary Limited |
| AD | Air dried |
| ADB/adb | Air dry/dried basis |
| AGM | Annual general meeting |
| AR | As received |
| ARD | Apparent relative density |
| Arnot | Arnot Mine |
| Arnot OpCo | Arnot OpCo Proprietary Limited |
| Ash | Ash content |
| Atlantis | Atlantis Coal Estate CC |
| B-BBEE | Broad-based black economic empowerment |
| BCEA | Basic Conditions of Employment Act |
| Bcm | Bank cubic metre |
| BCM | Business continuity management |
| Centriq | Centriq Insurance Innovation |
| CEO | Chief executive officer |
| CFO | Chief financial officer |
| CGU | Cash-generating unit |
| Chandler | Chandler Coal Proprietary Limited |
| COGTA | Cooperative Governance and Traditional Affairs |
| Companies Act | Companies Act of South Africa, 71 of 2008 |
| COVID-19 | An infectious disease caused by the SARS-CoV-2 virus |
| CP | Competent person |
| CPR | Competent person's report |
| CSA | Coal supply agreement |
| CSA | Credit support annex |
| CSI | Corporate social investment |
| CV | Calorific value |
| DAFV | Dry ash-free volatiles |
| DAFVOL | Dry ash-free volatiles |
| DMRE | Department of Mineral Resources and Energy |
| EAP | Environmental assessment practitioner |
| EBITDA | Earnings before interest, tax, depreciation and amortisation |
| ECL | Expected credit loss |
| Elandspruit | Elandspruit Colliery/Mine |
| EMP | Environmental management plan |
| EMPr | Environmental Management Programme Report |
| ERB | Eastern resource block |
| ERP | Enterprise resource planning |
| ESG | Economic social governance |
| Eskom | Eskom Holdings SOC Limited |
| Exco | Executive committee |
| Express | Express Technology CC |
| FC | Fixed carbon |
| FY | Financial year |
| FY20 | Year ended 31 March 2020 |
| FY21 | Year ended 31 March 2021 |
| FY22 | Year ended 31 March 2022 |

Definitions continued

| | |
|---------------------------|--|
| FY23 | Year ended 31 March 2023 |
| FY24 | Year ended 31 March 2024 |
| g/cm ³ | Grams per cubic centimetre |
| GBF | General banking facility |
| GHG | Greenhouse gas |
| GRI | Global Reporting Initiative |
| GSSA | Geological Society of South Africa |
| GTIS | Gross tonnes in situ |
| Ha | Hectare |
| HDSA | Historically disadvantaged South African |
| HEPS | Headline earnings per share |
| HSE | Health, safety and environment |
| IAS | International Accounting Standard |
| IDC | Industrial Development Corporation |
| IASB | International Accounting Standards Board |
| IFRIC | International Financial Reporting Interpretations Committee |
| IFRS Accounting Standards | IFRS [®] Accounting Standards as issued by the International Accounting Standards Board |
| <IR Framework> | International Integrated Reporting Framework of the IFRS Foundation |
| IRBA | Independent Regulatory Board for Auditors |
| IRBA Code | Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors |
| IM | Inherent moisture |
| Intibane | Intibane Colliery/Mine/Complex |
| ISAs | International Standards on Auditing |
| ISO | International Organisation for Standardisation |
| IT | Information technology |
| IWUL | Integrated water use licence |
| JIBAR | Johannesburg Interbank Agreed Rate |
| JSE | Johannesburg Stock Exchange Limited |
| Keaton | Keaton Mining Proprietary Limited |
| KEHL | Keaton Energy Holdings Limited |
| Khanyisa | Khanyisa Colliery/Mine/Complex |
| King IV [™] | King IV Report on Corporate Governance for South Africa, 2016 [™] |
| Km | Kilometre |
| KPA | Key performance area |
| KPI | Key performance indicator |
| KPMG | KPMG Inc. |
| Kt | Kilotonnes |
| kWh | Kilowatt hour |
| LBC | Leeuw Braakfontein Colliery |
| LED | Local economic development |
| LGD | Loss given default |
| LOM | Life of mine |
| LRA | Labour Relations Act |
| LTI | Long-term incentive programme/scheme |
| LTIFR | Lost time injury frequency rate |
| M | Metre |
| Miptec | Miptec Proprietary Limited |
| MJ/kg | Megajoules per kilogram |

| | |
|--------------------|---|
| Moabsvelden | Moabsvelden Mine/Colliery/Project |
| MPRDA | Mineral and Petroleum Resources Development Act, 28 of 2002 |
| MSA | MSA Group |
| Mt | Million tonnes |
| MTIS | Minable tonnes in situ |
| Mtpa | Million tonnes per annum |
| Nedbank | Nedbank Limited |
| NPAT | Net profit after tax |
| OECD | Organisation for Economic Cooperation and Development |
| PD | Probability of default |
| PwC | PricewaterhouseCoopers Inc. |
| RCF | Revolving credit facility |
| RD | Relative density |
| ROM | Run of mine |
| SAICA | South African Institute of Chartered Accountants |
| SAIMM | Southern African Institute for Mining and Metallurgy |
| Salungano | Salungano Group Limited |
| SAMREC Code | South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves |
| SANS | South African National Standard |
| SARS | South African Revenue Service |
| SDG | United Nations Sustainable Development Goal/s |
| SENS | Securities Exchange News Service, the regulatory information dissemination platform for the JSE |
| Sibonisiwe | Sibonisiwe Coal Laboratory Services |
| SLP | Social and labour plan |
| SOP | Standard operating procedure |
| SPV | Special purpose vehicle |
| SSMS | Stefanutti Stocks Mining Services |
| SteerCo | ESG steering committee |
| Standard Bank | Standard Bank of South Africa Limited |
| Sterkfontein | Sterkfontein Project |
| STI | Short-term incentive programme/scheme |
| T | tonnes |
| TCFD | Task Force on Climate-related Financial Disclosures |
| tCO ₂ e | Tonnes of carbon dioxide equivalent |
| The board | The board of directors of Salungano Holdings Limited |
| The group | Salungano Holdings Limited and its subsidiaries and associates |
| The previous year | The year ended 31 March 2022 |
| The year | The year ended 31 March 2023 |
| Tokata | Tokata Resources Proprietary Limited |
| Tph | Tonnes per hour |
| Tpm | Tonnes per month |
| TS | Total Sulphur |
| TTIS | Total tonnage in situ |
| Vanggatfontein/VGF | Vanggatfontein Colliery |
| VM | Volatile matter |
| WACC | Weighted average cost of capital |
| WRB | Western resource block |
| WUL | Water use licence |

GENERAL INFORMATION

Salungano Group Limited

Incorporated in the Republic of South Africa
(Registration number: 2005/006913/06)
Share code: SLG
ISIN: ZAE000069639
("Salungano" or "the company" or "the group")

Registered address

1st Floor, Building 10
142 Western Service Road
Woodmead 2191

Postal address

PO Box 1962, Edenvale 1610

Nature of business and principal activities

The mining, processing, sale and distribution of thermal coal

Directors

Dr HLM Mathe (*Chairman, independent non-executive*)
M Malunga (*Independent non-executive*)
SN Maninjwa (*Independent non-executive*)
TT Tshikovhi (*Independent non-executive*)
C Maswanganyi (*Non-executive*)
ET Mzimela (*Non-executive*)
MR Ramaite (*Chief executive officer*)
KM Maroga (*Chief financial officer*)
T Tshithavhane (*Executive*)

Company secretary

Yolande Lemmer
Telephone: +27 (0)11 049 8611
Facsimile: +27 (0)11 570 5848

Transfer secretaries

Computershare Investor Services
Proprietary Limited
Rosebank Towers, 15 Biermann Avenue
Rosebank 2196, South Africa
PO Box 61051, Marshalltown 2107, South Africa
Telephone: +27 (0)11 370 7802

Bankers

Nedbank and Standard Bank of South Africa

Sponsor

Merchant Capital
13th Floor, Illovo Point
68 Melville Road
Illovo, Sandton 2196
PO Box 41480. Craighall, 2024

Auditor

KPMG Inc.
Registered Auditor
KPMG Crescent, 85 Empire Road
Parktown 2193
Telephone: +27 (0)11 647 7111

Investor relations advisor

Singular Systems IR
25 Scott Street
Waverley 2090, South Africa
Telephone: +27 (0)10 003 0700
Email: IR@singular.co.za

Website: www.salunganogroup.com



www.salunganogroup.com