BUFFALO COAL CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and twelve months ended December 31, 2020

(Presented in South African Rands)

Contents

BASIS OF PREPARATION

This Management's Discussion and Analysis ("MD&A") of the consolidated financial position and results of operations reviews the activities, audited consolidated results of operations and financial position of Buffalo Coal Corp. and its subsidiaries ("we", "our", "us", "BC Corp", the "Company" or the "Group") for the three and twelve months ended December 31, 2020, together with certain trends and factors that are expected to have an impact in the future.

This MD&A is intended to supplement and complement the audited annual consolidated financial statements for the year ended December 31, 2020 and the notes thereto (collectively the "Financial Statements") which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Information in this MD&A is current as at March 25, 2021, unless otherwise indicated.

Certain non-IFRS measures are discussed in this MD&A and are clearly disclosed as such. Additional information and press releases have been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and are available online under the Buffalo Coal Corp. profile at www.sedar.com and on the Group's website at www.buffalocoal.co.za.

References to FY 2020 and FY 2019 mean the financial years ended December 31, 2020 and December 31, 2019, respectively. References to Q4 2020, Q3 2020, Q2 2020 and Q1 2020 mean the three months ended December 31, 2020, September 30, 2020, June 30, 2020 and March 31, 2020, respectively and references to Q4 2019, Q3 2019, Q2 2019 and Q1 2019 mean the three months ended December 31, 2019, September 30, 2019, June 30, 2019 and March 31, 2019, respectively. References to Q1 2021 and Q2 2021 mean the three months ended March 31, 2021 and June 30, 2021, respectively.

Unless otherwise noted, all amounts are recorded in South African Rands ("R" or "Rands" or "ZAR"). References to "C$" mean Canadian Dollars and to "US$" mean United States Dollars. Amounts stated in Canadian Dollars or US Dollars are translated at the date of transaction, unless otherwise stated.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking information under Canadian securities legislation. Forward-looking information includes, but is not limited to, information with respect to the Company's expected production from, and further potential of, the Company's properties; financial and operational planning and strategic goals; the Company's ability to obtain necessary environmental approvals for its Balgray project; capital requirements for the Balgray project along with the Company's ability to raise the requisite funding for the Balgray project; the timing and amount of advances under existing loan facilities; the future price of minerals, particularly coal and overall market conditions for resource issuers; the estimation of mineral reserves and mineral resources; conclusions of economic evaluations; the realization of mineral reserve estimates; the timing and amount of estimated future production; costs of production; capital expenditures; success of exploration activities; mining or processing issues; currency exchange rates; government regulation of mining operations; labour relations and future collective agreements; and environmental risks. In general, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is based on the opinions, estimates and assumptions of management as of the date such statements are made and the Company can give no assurance that such opinions, estimates and assumptions are correct.

Estimates regarding the anticipated timing, amount and cost of exploration, development and production activities are based on assumptions underlying mineral reserve and mineral resource estimates and the realization of such estimates. Capital and operating cost estimates are based on extensive research of the Company, purchase orders placed by the Company to date, recent mining costs and other factors.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include risks relating to: impact of Coronavirus disease 2019 ("COVID-19") on the operations; the requirement for additional capital; production estimates; the price of coal; labour and employment; cost estimates; mineral legislation; title to mineral holdings; power supply; the depletion of mineral reserves; litigation; operations in South Africa; local or international measures designed to contain the spread of disease; infrastructure; environmental and other hazards; dependence on key personnel; dependence on outside parties; exploration and development; foreign mining tax regimes; insurance and uninsured events; competition; the Company's securities may experience price volatility; owning foreign assets; currency fluctuation, as well as the risk that the Company's directors and officers may have conflicts of interests. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated by such information. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

GROUP OVERVIEW

BC Corp is a coal mining and supply company operating in South Africa. The Company is primarily listed on the TSX Venture Exchange ("TSXV") and has a secondary listing on the Alternative Exchange ("AltX") operated by the JSE. BC Corp trades under the symbol "BUF" on the TSXV and "BUC" on the AltX. As at March 25, 2021, BC Corp had 421,352,596 common shares outstanding, of which 347,945,097 common shares (82.6%) were held by Resource Capital Fund V LP. ("RCF") and 41,713,907 common shares (9.9%) were held by STA Coal Mining Company (Pty) Ltd ("STA").

The Company owns 100% of the shares in Buffalo Coal Dundee Proprietary Limited ("BC Dundee"), a South African company, with an interest in two coal mines in South Africa ("BC Dundee Properties"). BC Dundee indirectly holds a 70% interest in the BC Dundee Properties through its 70% interest in Zinoju Coal Proprietary Limited ("Zinoju"), which holds all the mineral rights with respect to the BC Dundee Properties. The remaining 30% interest in Zinoju is held by South African Black Economic Empowerment ("BEE") partners. (Refer to "Off-balance Sheet Arrangements" section of this MD&A).

BEE is a statutory initiative driven by the South African government, enacted to increase access by historically disadvantaged South Africans ("HDSA") to the South African economy by increasing HDSA ownership in South African enterprises. The Group is in the process of restructuring its BEE framework. The restructuring is aimed at expanding the structure to comply with Broad Based Black Economic Empowerment ("BBBEE") objectives and to ensure economic participation of all BBBEE shareholders.

The BC Dundee Properties comprise the Aviemore anthracite mine ("Aviemore"), the Magdalena bituminous mine ("Magdalena"), the Balgray anthracite project ("Balgray") and the Aviemore North Adit anthracite project ("North Adit"). In both the Balgray and North Adit projects, the Company will continue to mine the Aviemore resources, albeit from different access points.

The Group is currently primarily engaged in underground coal mining at Aviemore. Aviemore is located eight kilometers from the town of Dundee in KwaZulu-Natal and encompasses approximately 5,567 hectares. The Company disseminated a National Instrument 43-101 compliant report dated March 6, 2013 (the "NI 43-101 report") on SEDAR. Mr. CJ Muller (BSc. (Geol.), Bsc. Hons. (Geol.), a qualified person as defined in National Instrument 43-101, read and approved the scientific and technical information in the NI 43-101 report. As noted in the NI 43-101 report, Aviemore had a mineable measured and indicated coal resource of 35.35 million tonnes of *in situ* coal with an estimated volume of 23.57 million cubic meters as at October 1, 2012. From October 1, 2012 to December 31, 2020, 3.7 million tonnes of Run-of-mine (ROM) have been extracted from Aviemore at an average extraction rate of 58%.

The Company assesses the remaining life of the current Aviemore mining operation on a quarterly basis updating estimated remaining mining reserves available with actual tonnes mined to date, along with a review of the medium-term extension of the current Aviemore operation from Balgray and the longer-term extension from the North Adit.

The Aviemore underground mine has an estimated production capacity of 33,400 ROM tonnes of anthracite per month or 400,800 ROM tonnes per calendar year and at this rate it is estimated that as of January 1, 2021, the current Aviemore reserve has 780,841 ROM tonnes remaining, which equates to approximately 2 years of production ending in December 2022.

Magdalena is located twenty-two kilometers from the town of Dundee in KwaZulu-Natal, South Africa and encompasses approximately 1,844 hectares. As noted in the NI 43-101 report, Magdalena, which until March 2015 consisted of the Magdalena underground mine and the Magdalena opencast operation, had an estimated mineable coal resource, all in the measured resource category, of 50.29 million tonnes of *in situ* coal with an estimated volume of 33.52 million cubic meters as at October 1, 2012. From October 1, 2012 to October 31, 2018, 5.9 million ROM tonnes was extracted from Magdalena at an average extraction rate of 54%. From Q2 2020 to December 31, 2020, a further 31,548 ROM tonnes was extracted from Magdalena at an average extraction rate of 60%.

The Group suspended its mining operations at Magdalena in the last quarter of 2018. During Q4 2019, the care and maintenance team at Magdalena was tasked to conduct sweepings from previously mined areas underground at Magdalena and to process the sweepings product through the wash plant on an ad-hoc basis when enough tonnes had been collected. The cost involved with this process was limited primarily to variable costs associated with recovery and washing of the product. This process also involved time and related costs as the process utilized the basic resources in place at Magdalena consisting of a small team with limited equipment on hand. Unfortunately, the yields from the sweepings were low, and therefore a high volume of sweepings was required to fulfill an economic size of an order. To improve the volumes and yields, the current Magdalena team started to mine at Magdalena on a small scale in Q2 2020, using conventional drill and blast mining methods (different to the previously utilised continuous mining method). These mining activities were however suspended on September 30, 2020 due to a lack of a reliable and economical attractive market for the Group's bituminous coal at the time. Mining activities targeting monthly production of 8,000 tonnes a month resumed in February 2021 following renewed interest in the Group's bituminous coal.

The Company has two processing plants. One is located on the Magdalena property and was placed on care and maintenance following the cessation of mining of the Magdalena underground mine. The second processing plant is located in the town of Dundee and is known as the Coalfields site. The Company's rail siding and BC Dundee's head office are also located at the Coalfields site.

The Balgray project which is planned to be the medium-term extension of the Aviemore resource, has an estimated reserve of 2.6 million ROM tonnes, which will allow the current production level of the Aviemore mine to operate economically for a further 5 years from FY 2022.

The long-term anthracite production plan is the extraction of Aviemore resources from the North Adit, which is estimated at 10.6 million ROM tonnes, but requires a significant capital injection.

On September 22, 2020 Zinoju was granted a 30-year mining right by the Department of Mineral Resources and Energy ("DMRE"), covering an area of 1,728 hectares, to mine coal primarily from Aviemore resources and accessed through the North Adit. The Balgray project provides access to Aviemore resources through the Balgray adit and is partially situated on this Aviemore mining right area. The Group is in the process of securing the required environmental authorizations to allow for underground mining through the Balgray adit.

On February 28, 2020, the board of directors of the Company appointed Mr. Willie Bezuidenhout as Chief Financial Officer ("CFO"), with effect from March 9, 2020 following the resignation of the interim CFO, Mr. Graham Du Preez. On April 6, 2020, the board of directors of the Company appointed Ms. Emma Oosthuizen as the Chief Executive Officer ("CEO"). Ms. Oosthuizen filled the role as Interim CEO following the resignation of the previous CEO in February 2019.

On December 18, 2020, Mr. Robert Francis, Independent Non-Executive Director, and Audit Committee Chairman resigned from his position, with the effective date of December 31, 2020. On January 20, 2021, the Board of directors of the Corporation appointed Mr. Rory Taylor as Independent Non-Executive Director and Audit Committee Chairman, with effect from January 22, 2021.

READINESS AND RESPONSE TO COVID-19

South Africa reported its first positive case of COVID-19 on March 5, 2020. The Company has been impacted by the spread of the COVID-19 to South Africa.

On March 15, 2020, South Africa's President, declared a state of disaster and announced a wide range of Government interventions aimed at curbing the spread of the COVID-19 outbreak.

On March 26, 2020, the South African government imposed a national 21-day lockdown ("the National Lockdown") (Level 5).

All non-essential businesses had to close for the duration of the National Lockdown, which was a 5-tier system, Level 5 being imposed as the most severe lockdown measure. Under the Level 5 Tier the majority of mines were required to limit activities to care and maintenance activities designed to avoid damage to underground working areas and other infrastructure and facilities required for continuous operations.

In compliance with the directive issued, care and maintenance protocols were developed and implemented at the Group's operations in Dundee. Due to the high prevalence of immune-compromised workers in the South African mining industry, the Group proactively implemented multiple additional measures to reduce the potential spread of infection amongst its workforce and their families.

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

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

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

On July 11, 2020, the Group identified the first COVID-19 infection of one of its employees. As at the date of these results, the Group has recorded a total of 27 COVID-19 infections amongst its employees, of whom 1 employee passed away and 26 have recovered.

The Group has taken various measures to mitigate the impact of COVID-19 on its mining operations, including:

- Development and implementation of risk-based testing and screening procedures;
- Provision of personal protective equipment;
- Sanitizing of all production work areas and equipment after each shift;
- Changes in shift times so that morning and afternoon shifts do not overlap;
- Allowing employees to work remotely, where possible;
- Identification of alternate employees for all senior positions and legal appointments should employees fall ill or be required to self-isolate;
- Identification of potential critical skills shortages and recruitment of employees who have previously been retrenched on a standby basis;
- Various cost reduction measures, including a no-work-no-pay policy for the period April 17, 2020 to June 7, 2020, placing a freeze on salary increases which were due on March 1, 2020 and wage increases which were due on August 1, 2020, reducing production bonuses, limiting overtime and compensating overtime in-lieu of leave and deferral of capital expenditure; and
- Negotiating shorter or upfront payment terms from customers.

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

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

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

The Company and its operations will continue to manage and respond to COVID-19 within the framework of the Company's protocols/policies and local and national health authority requirements and recommendations. It will continue to monitor the potential impacts of COVID-19 and any additional government interventions on the Company's operations and all our stakeholders.

MARKET OVERVIEW

For FY 2020 the Company's focus remained primarily on anthracite coal produced from the Aviemore mine. Anthracite products are placed in both export and domestic markets. Small tonnages of bituminous product were also produced from Magdalena and were placed solely into the domestic market.

COVID-19 lockdowns implemented across the globe, starting in March 2020 in South Africa, had a devastating effect on the coal industry in general. Production capacity in exporting countries generally was impacted to a lesser degree than consuming industries worldwide, which quickly led to oversupply situations. This had a detrimental impact on coal prices.

Domestic markets in South Africa were affected in a similar manner. One anthracite producer suspended its operations completely and another was placed into business rescue. Pricing in the local bituminous market was disrupted by fierce competition as producers, who historically competed predominantly in export markets, sourced domestic offsets for their surplus stockpiles.

Overall sales volumes (high-ash excluded) for FY 2020 were 157,906 tonnes less than the budgeted plan for the year. This, combined with lower than anticipated sales prices, resulted in revenue being significantly lower than anticipated.

Both anthracite and bituminous coal markets have showed gradual signs of recovery in recent months.

Anthracite

Anthracite markets remain dominated by metallurgical processes as a source of carbon reductant. Domestically in South Africa, this means that smelting industries account for the main off-take, but these industries are also very sensitive to detailed product qualities, which limits the access of some of our products to specific sectors.

The Company's anthracite products are typically regarded as high in sulphur and relatively high in phosphorous which disqualifies our supply to chromium smelters, however other market options are available in the metallurgical sector which is where we typically target our sales.

On the back of an already variable and uncertain demand picture in 2019, the implementation of COVID-19 lockdowns in 2020 caused rapid and significant demand reductions both domestically and internationally. Due to their relatively small size compared to the bigger steam coal markets, the impact on domestic anthracite producers was more severe. This is evident from the fact that one major South African anthracite producer placed their mining operations on care and maintenance and another was placed into business rescue.

In the first half of 2020, market circumstances allowed for a brief competitive window for lower quality anthracitic material into Vietnam, and the company was able to participate to a degree. By the end of 2020 only very small volumes were moving out of South Africa into Vietnam.

Domestically, demand for washed anthracite products is gradually increasing as the economic activities continue to increase. Pricing has started to show signs of recovery in recent months and are currently nearing levels achieved in Q1 2020.

The Company's efforts to generate sales and more product were however significantly impacted by the availability of trains, particularly during Q4 2020 and during the first few months of FY 2021. This is a matter that continues to negatively impact South African coal exporters in particular, with knock-on effects on the domestic movement of coal as well.

Bituminous

Small amounts of bituminous product from Magdalena have been placed into the domestic market during 2020 and will continue to be placed during 2021. At the small and somewhat irregular production levels that Magdalena has been operating at, it has not yet been possible to place this product into any long-term arrangement, therefore sales have been ad-hoc, into a highly competitive and price depressed market.

The Company is actively pursuing longer term, regular offtake opportunities with customers in the domestic industrial market and will adapt its production strategy depending on the success of its efforts in this regard.

STRATEGIC REVIEW AND OUTLOOK

The Company's operations continued to be negatively impacted by the National Lockdown imposed by the South African government in March 2020 as well as the negative impact that COVID-19 has had on local and international coal markets. Even though the Company has been able to utilize its full workforce since June 1, 2020, productivity levels continue to be negatively impacted due to controls and mitigation procedures implemented to manage and contain risks related to COVID-19.

The Company continues to mine the current Aviemore reserves, by incorporating pillar extraction (L-ing). Aviemore produced 69,231 run of mine ("ROM") tonnes at an average of 23,077 ROM tonne per month for Q4 2020, a decrease of 32% compared to Q3 2020 and 36% lower than budget tonnes for Q4 2020. During Q4 2020 and the start of FY 2021, production was negatively impacted by belt and other infrastructure breakdowns. Various measures have been implemented to improve mine equipment availabilities and restore production levels.

The Company's production was also further hampered by rotational electricity load shedding implemented by Eskom. During 2020 Eskom implemented load shedding on 52 days (2019: 36 days) and shed more than 1,260,000 megawatt hours (2019: 494,759 megawatt hours).

As noted under the 'Group Overview' section of this MD&A, during Q4 2019 the care and maintenance team at Magdalena started to mine sweepings from previously mined areas underground at Magdalena and to process the sweepings through the wash plant on an ad-hoc basis when enough tonnes had been collected. The cost involved with this process was limited primarily to variable costs associated with recovery and washing of the product. This process also involved time and related costs as the process utilized the basic resources in place at Magdalena consisting of a small team with limited equipment on hand. As the yields from the sweepings have been low from Magdalena, the team re-commenced underground mining again at Magdalena on a small scale in Q2 2020, using conventional drill and blast mining methods (previously used continuous mining method).

The Company was able to produce 31,786 ROM tonnes from Magdalena during FY 2020. These mining activities were however temporarily suspended on September 30, 2020 due to the slowing of South African domestic bituminous coal demand at the time, as driven by the COVID-19 related impact on the domestic market. Mining activities targeting monthly production of 8,000 tonnes a month, resumed in February 2021 following renewed interest in the Group's bituminous coal.

The Company had sufficient inventory on hand and was able to continue delivering into export sales orders in place at the time when the National Lockdown was implemented. As a result of the limited production during April 2020 and May 2020, the Company's inventory levels were almost depleted by mid-May, and sales volumes for the balance of Q2 2020, particularly for the domestic market, were limited to stock availability. At the end of Q4 2020 overall saleable inventory levels (excluding high-ash) increased by 27% compared to the end of Q3 2020 and decreased 18% compared to the end of Q4 2019. Inventory levels continued to increase from the low levels at the end of Q2 2020 in Q3 2020 and Q4 2020, even though production decreased from Q3 2020 to Q4 2020, primarily

due to unavailability of trains required for the Company's export products, which limited stock movement during Q4 2020 and during the first few months of FY 2021.

Anthracite sales volumes (excluding high-ash) for Q4 2020 reflected a 24% reduction from Q3 2020.

There has been a decrease of 18% in domestic anthracite sales volumes and a 27% decrease in export anthracite sales volumes from Q3 2020 to Q4 2020. Export demand for anthracite product, which was already limited from the start of the 2020 financial year, has reduced even further following the worldwide impact of COVID-19. The Company's ability to generate anthracite sales was hampered by the availability of trains to transport the Company's products, particularly during Q4 2020. Domestic demand was also fairly limited in April but improved with the lifting of Lockdown levels during May 2020 and June 2020. Other than the normal annual cyclical reduction in domestic demand experienced in December, the stricter COVID-19 regulations imposed in December 2020 did not result in any visible reduction in domestic demand. Although domestic demand has not yet improved to pre-COVID-19 levels, domestic sales are showing signs of improvement.

Calcine sales volumes for Q4 2020 reflected a 36% reduction from Q3 2020 and an 16% reduction from Q4 2019. On September 25, 2020, a blockage in the calcine plant's chimney was detected and subsequent investigation revealed that the kiln had been damaged. After repairs, feeding of material through the calcine plant recommenced on November 16, 2020. Calcine sales volume for FY2020 was 18% lower than FY2019, mainly as a result of lower production due to the unavailability of the calcine plant caused by major repairs conducted during Q2 2020 and Q4 2020.

The Company recorded 7,288 tonnes of high-ash sales volumes during Q4 2020 (Q3 2020: no high-ash sales). In light of the current demand for thermal coal, the Company does not foresee any significant high-ash sales in the immediate future.

Following the suspension of the Magdalena underground mining activities in 2018 and the limited mining activities at Magdalena subsequently, the business case and future cash flows of the Group rely primarily on the production from the Aviemore anthracite mine and the timely execution of the Balgray project.

Short-term opportunities at Aviemore

Previously, the coal resources accessible from the current Aviemore operation were expected to be exhausted early in calendar 2022. As of Q4 2018, the mine implemented a partial pillar extraction (called L-ing) to ensure the maximum potential reserves are extracted at the Aviemore mine. This change in mining schedule requires minimal capital and does not result in material changes in working cost. Based on this methodology and lower production levels achieved, the Aviemore mine schedule was adjusted and as a result the current Aviemore life of mine was extended from February 2020 to December 2022.

Management monitors the remaining life of the current Aviemore East reserves on an ongoing basis and continues to explore ways to increase the current mining extraction rate at Aviemore and further methods to increase the remaining Aviemore reserves. In the absence of any prolonged shutdowns related to COVID-19 or any other matters, it is unlikely that this timeline may be extended.

Short-term opportunities related at Magdalena

Following the suspension of mining operations at the Magdalena underground mine, the wash plant along with the underground mine at Magdalena was placed on care and maintenance. The suspension of mining resulted in minimising the losses incurred by the Company, however, there are still certain fixed cost elements related to the care and maintenance of the mine that could not be reduced.

During Q4 2019, management revisited the Magdalena operations with the view of generating revenues from sweepings to cover a portion of the fixed costs at Magdalena to ultimately improve cash flows generated by the Company. As a start, the care and maintenance team at Magdalena was tasked with collecting sweepings from already mined areas underground at Magdalena and to process the sweepings product through the wash plant on an ad-hoc basis when enough tonnes had been collected.

The cost involved with this process was limited primarily to variable costs associated with recovery and washing of the product. This process also involved time and related costs as the process utilised the basic resources in place at Magdalena consisting of a small team with limited equipment on hand. Unfortunately, the yields from the sweepings were low, and therefore a higher volume of sweepings were required to fulfill an economic size of an order.

During Q1 2020 management reviewed the Magdalena mine plans with the view of re-commencing mining at Magdalena on a smaller scale than before, using conventional drill and blast mining methods (different to the previously implemented continuous mining method). The small-scale operation does not attract substantial additional operating and capital costs and based on the assumption of production being sold, would positively impact the financial results of the Company. These mining activities commenced in Q2 2020 and the Company was able to produce 31,786 ROM tonnes from Magdalena until the end of Q3 2020. The Company was able to successfully re-commence underground mining at Magdalena and also achieved safe conventional mining activities, however, due to the COVID-19 related impact that resulted in a decline in South African domestic bituminous coal demand, the coal produced at Magdalena became difficult to sell.

In the absence of any meaningful sales revenues, the additional costs incurred to generate production placed additional strain on the Company's operational cash flows. At the end of Q3 2020, a decision was taken to suspend the underground mining activities at Magdalena. Efforts focussed on selling the remaining Magdalena stockpiles over the remainder of FY 2020, in order to allow for the recovery of additional production costs incurred. During Q4 2020, the Company found a customer willing to buy the stock over the remainder of the year. Mining activities, targeting monthly production of 8,000 tonnes a month, resumed in February 2021 following renewed interest in the Group's bituminous coal. Although there has been a number of approaches in recent months, the Company does not want to commit to any long-term offtake arrangements as the current market prices are not comparable to the Company's view on long-term market prices.

At the start of FY 2020, the Company also considered mining at a larger scale and during Q1 2020 and Q2 2020 engaged with a third-party mining contractor to restart mining at the Magdalena mining operations on a 6-month trial period. Due to the uncertainties related to impact of COVID-19 it was decided not to pursue this option.

The Company continues to investigate options to increase Magdalena's production levels, however, any additional production levels will only be feasible if an offtake arrangement at favourable prices can be secured.

Medium-term opportunity (Balgray project)

In order to continue the Company's anthracite production capacity and delay the longer-term North Adit project, a decision was made to assess the viability of developing the Balgray project. The Balgray project is a decommissioned underground coal mine located immediately north of the town of Dundee in the KwaZulu-Natal Province. The Balgray project has been officially closed since 1967.

Zinoju holds three new order mining rights ("NOMR") over 5,567 hectares at Aviemore. These mining rights also cover the Balgray area. In order to continue mining these Aviemore resources, the Company will need to open up new access points to the Aviemore resources. The Balgray adit provides access to sufficient Aviemore resources to

support a mine life in excess of 6-7 years (based on two drill and blast underground sections, taken over from the current Aviemore operation).

A conceptual study for the Balgray project was completed during Q4 2018. Following the positive outcome of the study, the Company completed a pre-feasibility study in Q3 2019. During FY2020 significant progress was made with the environmental applications required to permit mining of the Balgray project. As the date of this MD&A the Company is awaiting decisions from the various regulating authorities on the amended Basic Assessment Report ("BAR"), amended Integrated Water Use License ("IWULA") application and amended Environmental Impact Assessment ("EIA") for Aviemore to include Balgray.

The Balgray project requires approximately R120 million in capital for the Balgray adit re-furbishment and putting in place the requisite mining infrastructure. It was initially anticipated that this project would be funded from cash flow generated by the current Aviemore operations, but due to the adverse negative impact that COVID-19 has had on the Company's operations and its cash flow, the Company would require external funding. It is anticipated that commissioning will take up to 12 months. The Balgray project holds significant potential as the capital to coal extraction ratio is much lower than the capital required for the North Adit project. Should the required capital funding be attained, it is projected that the Balgray project would extend the Aviemore life of mine by 6-7 years. This project will be key in the Company's strategy to obtain funding for the North Adit project and will also provide the Company with the time to construct the North Adit and related infrastructure.

In order to continue mining beyond 2022, management plans to commence with the construction and commissioning of the Balgray project in Q1 2022 with its mining operations anticipated to start in Q1 of 2023.

Long-term opportunities (North Adit project)

On September 22, 2020 Zinoju was granted a 30-year mining right by the DMRE. The North Adit provides access to sufficient resources to support a mine life in excess of 13 years. The current adit does not provide access to the Northern Aviemore resources from the eastern side of the mine and is expected to reach its limits at the end of FY 2022. The North Adit - which is closer to the centre of gravity of the resource - is required. A pre-feasibility study for the North Adit was successfully completed during 2017, with a bankable feasibility study completed in September 2018. External funding will be required to fund the North Adit expansion. The North Adit project requires approximately R335 million in capital and construction and commissioning will take up to 18 months. Should the required capital funding be attained it is projected that the North Adit project would extend the Aviemore life of mine by 13-15 years.

BEE restructuring

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

Cash flow and funding

In the absence of obtaining additional/outside funding, the Company remains dependent upon the continued financial support of Investec and other stakeholders and sustaining profitable levels of operation. The Company believes that, subject to its ability to meet planned production and sales forecasts (see "Readiness and response to COVID-19" section of this MD&A), it should be able to generate positive cash flows in the foreseeable future. The Company's ability to ultimately continue operations over the medium to longer term is also dependent on its ability to fund the Balgray project with a combination of free cash flows generated from operations and external debt.

Investec Loan

The Group continues to be in breach of certain covenants and agreed repayment terms with respect to its borrowings from Investec Bank Limited ("Investec") at December 31, 2020. (Refer to Note 26 of the Financial Statements). As at December 31, 2020, the Investec loan balance amounted to R56.1 million (December 31, 2019: R64.1 million).

Lower than planned sales volumes during the first two months of calendar 2020 resulted in a slower realization of cash from inventories and consequently less cashflow generated from operations during Q1 2020. As a result, by agreement with Investec, the January and February instalments of R5 million each were rolled over to be settled along with the R5 million instalment due to be settled on March 31, 2020 (R15 million in total). Due to logistical delays, a portion of the orders scheduled to be completed in March were carried over to April. Management approached Investec in March 2020 with the request for deferral of a portion of the March 2020 loan instalment (R6.7 million) to April 2020 and May 2020.

As a result of the National Lockdown and the uncertainty of the outcome thereof on the Company's operations and cash flows, the Company approached Investec, requesting postponement of further payments until more information was available of the impact of COVID-19 on the Group's operations. On March 27, 2020, the Company was forced to suspend all mining operations in compliance with COVID-19 National Disaster Regulations. As a result of the negative impact of COVID-19 on the Company's operations to date and taking into account potential future disruptions to the Company's operations and coal markets because of COVID-19, the Company was not able to honour any of its 2020 payment commitments previously agreed to with Investec. On May 13, 2020, the Group received formal notification from Investec advising that the Group continued to be in default of its principal payment obligations, and they continue to reserve their right to take action.

On June 6, 2020 Investec agreed to a revolving credit facility arrangement whereby the Company would make a payment of R5 million by no later than June 30, 2020, open a reserve bank account, transfer no less than R9 million upon opening thereof and, by not later than the 7th day of each calendar month, transfer all amounts in excess of R5 million in the Company's operational bank accounts to the reserve bank account. Interest generated on the funds held in the reserve account will be calculated at competitive interest rates linked to the prime interest rates. In terms of this arrangement the Company undertook not to effect any transfers or withdrawals from the reserve bank account for any purpose other than to fund operating costs in the event a shortfall occurred in the Company's cashflow resulting from operational reasons, including a temporary suspension of its operations due to COVID-19 infections. The parties further agreed that all amounts available in excess of R9 million in the reserve bank account would be applied as part settlement of the deferred payment on the last business day of each month. On June 30, 2020, the Company paid the R5 million required instalment and also transferred the R9 million into the restricted reserve bank account. The Company also provided an undertaking to make payments, as much as reasonably possible, by August 31, 2020. The parties agreed to negotiate in good faith on the restructuring of the remaining balance owing and payable to Investec by August 31, 2020.

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

Following further negotiations during Q1 2021, Investec agreed to instalment payments of R5 million in June 2021, R5 million in September 2021 and R10 million on December 15, 2021 with the remaining balance of R36.1 million to be paid on or before the final maturity date of December 31, 2021 (the "Final Maturity Date"). Pursuant to the terms of this agreement, the Company has undertaken to make payment of as much as is reasonably possible of

the outstanding balance to Investec on or before the Final Maturity Date. Prior to December 31, 2021, the Group and Investec shall negotiate in good faith to agree on the restructuring of the outstanding balance as at December 31, 2021. The reserve bank account and cash sweeping mechanism will continue to be in place.

Since inception of the Investec loan facilities to date, Investec has not exercised its acceleration rights with respect to any existing events of default under the Investec Facility. There is no assurance that Investec will not exercise its acceleration rights with respect to any existing events of default or that Investec will agree to further amendments to the repayment terms if the Company is unable to settle the instalments on due date set.

Management continues to review the impact of the National Lockdown on the Company's cash flows and, if necessary, approach Investec for further discussions on the instalment payments due.

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

RCF Convertible Loan

As of December 31, 2020, the Resource Capital Fund Convertible Loan ("RCF loan") remained at US$27 million (approximately R395.8 million). The increase in the ZAR value of the RCF loan balance to R360.9 million on December 31, 2020 (December 31, 2019: R355.9 million) was mainly driven by the depreciation of the ZAR against the US$ which resulted in a higher closing balance on conversion at the end of 2020. (Refer to Note 22 of the Financial Statements). Pursuant to the agreement, the RCF loan of US$27 million was to become due and payable on December 31, 2020, after negotiations to extend the maturity date during 2019. On November 24, 2020, BC Corp and RCF agreed to extend the final maturity date of the RCF loan to June 30, 2022 to allow the Company to obtain financing in order to settle this amount as it currently does not have the means to repay this amount in full.

The Board continues to review and consider further strategic alternatives and opportunities that are presented to the Company, however, at this point in time it is uncertain what the outcome of the strategic review process will be and if the Company will be able to obtain financing to settle its debt obligations.

LIQUIDITY AND CAPITAL RESOURCES

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

As discussed under "Readiness and response to COVID-19" section earlier in this MD&A, the Group's business continues to be significantly adversely affected by the effects of the widespread global outbreak of COVID-19.

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

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

The Group remains dependent upon the continued financial support of Investec, RCF and other stakeholders, sustaining profitable levels of operation and believes that, subject to its ability to meet current production and sales forecasts, it should be able to generate positive operational cash flows in the foreseeable future.

There is no assurance that the Group will be able to meet its covenants in the future, or that Investec will provide future waivers or that RCF will provide further extensions, if required. These matters constitute material uncertainties which cast significant doubt as to whether the Group can continue as a going concern.

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

Should the going concern assumption not be appropriate for the annual or interim financial statements of the Company, then adjustments would be necessary to the carrying values of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications. Such adjustments could be material.

The Company is not subject to any externally imposed capital requirements with the exceptions as discussed in Notes 22 and 26 of the Financial Statements, and the capital requirements of the TSXV which requires adequate working capital or financial resources of the greater of (i) C$100 000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of twelve months.

As at the reporting date, the Company may not be compliant with the policies of the TSXV. The impact of any violation is not known and is ultimately dependent on the discretion of the TSXV.

BUSINESS OVERVIEW

Summary of quarterly results

The table below sets out selected financial data for the periods indicated as derived from the Group's interim and annual consolidated financial statements which have been prepared in accordance with IFRS:

Fiscal quarters ended	Revenue R'000	Profit/ (loss) for the period R'000	Basic & diluted earnings/ (loss) per share R/Share	Adjusted EBITDA (*) R'000	Total Assets R'000	Total liabilities excl. (^) R'000	Asset retirement obligations R'000	Borrowings (Investec) R'000	RCF Loan facilities R'000
December 31, 2020	54 167	79 691	0.19	10 001	187 846	82 762	55 698	56 115	360 924
September 30, 2020	65 495	5 390	0.01	3 287	180 520	71 239	53 199	56 115	447 311
June 30, 2020	74 473	18 872	0.04	14 422	177 076	64 649	52 810	59 115	453 237
March 31, 2020	127 185	(105 970)	(0.25)	5 646	180 479	75 612	51 319	64 634	460 521
December 31, 2019	100 478	33 216	0.08	(639)	202 744	97 746	50 614	64 115	355 905
September 30, 2019	99 711	(21 654)	(0.05)	16 235	225 395	91 408	48 998	79 775	404 066
June 30, 2019	102 592	24 445	0.06	19 979	233 327	82 957	51 802	105 276	370 491
March 31, 2019	96 188	832	0.00	17 842	218 852	82 726	48 362	102 347	387 060

(*) See *Non-IFRS Performance Measures* section of this MD&A.
(^) Total liabilities excluding Asset retirement obligation, Investec borrowings and the RCF loan facilities.

Summary results for Q4 2020 and FY 2020

The implementation of the National Lockdown had a significant negative impact on the FY 2020 financial results, particularly during Q2 2020. Whilst production has improved since Q2 2020, the Company has not reached budgeted production levels yet. As a result of the limited demand over FY 2020, the Company found it increasingly difficult to secure sales at attractive sales prices. Sales were also further hampered by logistical issues due to the unavailability of trains, particularly towards the latter part of Q4 2020.

The Group recorded R54.2 million and R321.3 million in revenue for Q4 2020 and FY 2020, respectively (Q4 2019: R100.5 million; FY 2019: R399.0 million) and R65.5 million for Q3 2020. The 46% lower revenue of Q4 2020 compared to Q4 2019 was due to lower sales volumes (56%) partially offset by better sales prices achieved. The 19% lower revenue of FY 2020 compared to FY 2019 was mainly due to lower sales prices achieved and the impact of COVID-19. The 17% lower revenue of Q4 2020 compared to Q3 2020 was due to lower sales prices achieved.

The Group reported a consolidated profit of R79.7 million in Q4 2020 (Q4 2019: consolidated profit of R33.2 million) and a consolidated profit of R5.4 million in Q3 2020.

The Group reported a consolidated loss of R2.0 million in FY 2020 (FY 2019: consolidated profit of R36.8 million).The R46.5 million increase in profits in Q4 2020 compared to Q4 2019 was mainly as a result of a R9.9 million increase in gross profits, along with a R57.1 million net foreign exchange gain achieved in Q4 2020 (Q4 2019: net foreign exchange gain of R29.3 million), R24.0 million positive fair value adjustment on conversion option (Q4 2019: positive

fair value adjustment on conversion option of R24.0 million) and R1.4 million in dividends received during Q4 2020 (Q4 2019: RNil).

The loss of R2.0 million in FY 2020 compared to the profit of R36.8 million for FY 2019 was mainly the result of a R20.3 million reduction in gross profits, R15.0 million net foreign exchange loss recognized in FY 2020 (FY 2019: net foreign exchange gain of R7.7 million) partially offset by a decrease of R8.2 million in general and administrative expenditure and R1.9 million reduction in net finance charges. Net foreign exchange gains/losses were primarily driven by fluctuations in the ZAR relative to the US Dollar at the end of each of the respective reporting periods which were used to translate the RCF Convertible loan of US$27 million into ZAR.

The R74.3 million increase in profits in Q4 2020 compared to Q3 2020 was mainly as a result of a R5.8 million increase in gross profits along with R57.1 million net foreign exchange gains recognized in Q4 2020 (Q3 2020: net foreign exchange gain of R13.1 million).

Cash flows from operating activities: The Group utilized R0.5 million cash to maintain its operations in Q4 2020 (Q4 2019: generated R2.5 million) compared to R2.0 million cash utilized to maintain its operations in Q3 2020. FY 2020 cash generated from operations amounted to R17.8 million (FY 2019: generated R36.2 million).

Cash flows from investing activities: The Group spent R0.6 million on capital expenditures at its operations in Q4 2020 (Q4 2019: R0.04 million) compared to R7.4 million spent during Q3 2020. R9.3 million were spent in FY 2020 (FY 2019: R7.9 million). The group did not dispose of any assets during FY 2020 (FY 2019: R2.5 million was realized from the disposal of assets). There were no movement in restricted cash during FY 2020 (FY 2019: R8.0 million was received from restricted cash). The Group continues to limit capital expenditure to essential items in an attempt to mitigate the negative impacts of COVID-19. Certain critical plant and underground items were required to be purchased during Q3 2020 to ensure that the operations continue to operate efficiently and safely going forward.

Cash flows from financing activities: As no repayments were made on the Investec debt or RCF debt during Q4 2020 no cash was utilized in financing activities during the quarter. During Q4 2019 BC Dundee settled R15.0 million of the outstanding Investec debt. During FY 2020 BC Dundee settled R8.0 million of the outstanding Investec debt compared to R40.5 million in FY 2019 (Refer to Note 26 of the Financial Statements).

Total assets amounted to R187.8 million as at December 31, 2020 (December 31, 2019: R202.7 million) and mainly included property, plant and equipment of R38.6 million (December 31, 2019: R41.4 million), investment funds supporting the asset retirement obligations of R58.5 million (December 31, 2019: R57.2 million) and current assets of R79.9 million (December 31, 2019: R92.3 million). The decrease in total assets of R14.9 million was mainly attributable to a decrease in trade receivables of R25.0 million along with a decrease in property, plant and equipment of R2.8 million which was partly offset by an increase of R12.0 million in inventories.

As at December 31, 2020, the Group's current assets mainly comprised trade and other receivables of R12.6 million (December 31, 2019: R37.5 million), inventories of R63.3 million (December 31, 2019: R51.3 million) and cash and cash equivalents of R4.0 million (December 31, 2019: R3.5 million).

As at December 31, 2020, the Group's total liabilities (excluding the Asset retirement obligation, Investec borrowings and RCF Loan), amounted to R82.8 million (December 31, 2019: R97.7 million) and consisted primarily of R67.7 million in trade and other payables (December 31, 2019: R95.0 million) and R14.4 million relating to the RCF conversion option liability (December 31, 2019: R1.5 million). Trade and other payables as at December 31, 2020 included R11.5 million in deferred revenue which relates to upfront payments made by customers for tonnes delivered after the 2020 year-end (December 31, 2019: R12.2 million), R12.6 million owing to STA (December 31, 2019: R17.6 million), R6.4 million royalty payable to Investec (December 31, 2019: R5.9 million), R4.1 million interest accrued on the RCF loan (December 31, 2019: R3.9 million), R7.3 million accrual for leave pay (December 31, 2019: R10.0 million) and a provision for royalty taxes payable to the DMRE of RNil (December 31, 2019: R5.3 million). No DMRE mining royalties are included in trade payables as at December 31, 2020, a refund of R0.08 million is included in trade receivables which relates to historical royalties paid in excess. On March 24, 2021, an amount of R1.55 million included in trade payables in respect of an administrative fine imposed by the DMRE was reduced to R0.1 million on appeal.

The Group's discounted asset retirement obligation (current and long-term) amounted to R55.7 million as at December 31, 2020 (December 31, 2019: R50.6 million) (Refer to Note 23 of the Financial Statements).

The Group owed R56.1 million in borrowings to Investec on December 31, 2020 (December 31, 2019: R64.1 million) after the settlement of R8.0 million during FY 2020 (Refer to the Note 26 of the Financial Statements).

RCF's loan to the Group stood at US$27 million as at December 31, 2020 (December 31, 2019: US$27 million). The increase in the ZAR value of the RCF loan balance to R360.9 million on December 31, 2020 (December 31, 2019: R355.9 million) was driven by the depreciation of the ZAR against the US$ which resulted in a higher closing balance on conversion at the end of Q4 2020 (Refer to Note 22 of the Financial Statements).

HEALTH AND SAFETY REVIEW

The Company's operations maintain an integrated Health, Safety and Environment ("HSE") management system, established using the OHSAS18001 and ISO14001 frameworks as well as minimum standards, and fully supports the co-existence of occupational health, and the environment within which the Company operates, in order to ensure compliance and achieve zero harm. Operating safely and responsibly is an integral part of our business strategy. We strive to obtain an injury free workplace and to create a company culture that protects employees and visitors from harm. The Company undertakes training and development initiatives and related ventures on a regular basis in order to improve individual outlook on health, safety and the environment.

The Company employed 454 employees and engaged 113 contractors as at March 25, 2021.

Section 189 restructuring

The Group has been experiencing difficult operating conditions over the last year because of the world-wide impact of COVID-19. COVID-19's impact was not limited to our operating activities, but also reduced the demand for our coal products which resulted in decreased selling prices. In addition, failure to reach production targets in recent months has resulted in higher unit costs that is also having a negative impact on the Group's profitability.

Due to the Company's high external debt and to be able to remain competitive, it cannot continue to operate at such low margins and alternatives aimed at reducing the overall cost base of the company needed to be investigated and pursued, which included a review of the current organisational structure to identify potential reductions and/or restructuring of staff costs.

The BC Group embarked on a review of its operational requirements and current organisational structure in January 2021 and have identified potential savings, primarily in the service departments of the Company.

As part of avoidance measures to possible forced retrenchments, in February 2021, the Company:

- enforced the Retirement Policy on certain of its permanent employees over the retirement age of 65 years, reducing the workforce by 10 employees; and
- issued a formal offering of Voluntary Separation Packages ("VSP") to all its permanent employees under the retirement age of 65.

Although numerous VSP applications were received, most of the applications were submitted by employees in the mining and processing plant departments whose skills and expertise contribute directly to support production of the Company's products. As a result, only three VSP applications were accepted.

The above actions will not result in sufficient cost reductions and the Company had to propose a further restructuring, including dismissals in terms of Section 189 of the Labour Relations Act ("LRA"), to ensure the continuation of employment for a significant number of its staff whilst enabling the sustainability of the business in the long run. The Section 189 process commenced on March 5, 2021 and management are in consultation with the employees and unions on the proposed restructuring. At this point in time, it is anticipated that an estimated 25 positions may potentially be affected.

Occupational Health

The health and wellness of our employees plays a pivotal role in the Company's health and safety performance as well as productivity. The main aim is to ensure that the mining industry milestones for occupational health are achieved. The Company continues to strive towards improving the health of its employees as well as interested and affected parties.

The Company has established a medical surveillance link between exposure to occupational health hazards and medical surveillance systems. The medical surveillance is linked to the occupational health programs for noise, airborne pollutants and thermal stress, which are directly linked to minimum standards of fitness to work. Other occupational hygiene factors are duly considered.

The Company operates its own occupational health facilities, which are staffed with highly qualified and experienced professionals who render a high-level service to direct as well as indirect clients, whilst ensuring legal compliance as well as compliance with in-house standards. On average, compliance is above 80% on ventilation, occupational hygiene and occupational medicine systems.

Occupational Safety

As at December 31, 2020, the Company had achieved more than 8,051 fatality free production shifts at Coalfields (FY 2019: 7,697) and Aviemore had achieved 3,118 fatality free production shifts (FY 2019: 2,703) and Magdalena Colliery 733 fatality free production shifts (FY 2019: 714).

The Company completed FY 2020 with one lost time injury ("LTIs") at Coalfields and zero at Aviemore and Magdalena.

The company achieved a lost time injury free rate of 0.21 (per 200 000 hours) for FY 2020 against a target rate of 0.248 (FY 2019: The company achieved a lost time injury free rate of 0.31 (per 200 000 hours) against a target rate of 0.4).

OPERATIONAL REVIEW

Consolidated operational results for FY 2020, FY 2019, Q4 2020, Q4 2019 AND Q3 2020

Operational results	FY 2020	FY 2019	% Change	Q4 2020	Q4 2019	% Change	Q3 2020	% Change
ROM (t)	**421 663**	488 562	(14%)	**70 819**	129 141	(45%)	136 394	(48%)
- Aviemore (t)	**355 174**	451 054	(21%)	**69 231**	121 604	(43%)	101 482	(32%)
- Aviemore (t) (bought-in)	**19 738**	37 508	(47%)	**1 588**	7 537	(79%)	577	175%
- Magdalena (t)	**31 786**	-	100%	**-**	-	N/A	20 725	(100%)
- Bituminous (t) (bought-in)	**14 965**	-	100%	**-**	-	N/A	13 610	(100%)
Toll washing arrangements with third parties plant feed (t)	**38 262**	-	100%	**13 614**	-	100%	7 549	80%
Saleable production (t) (excluding calcine)	**273 398**	317 517	(14%)	**52 228**	81 206	(36%)	78 264	(33%)
- Anthracite (t)	**232 319**	292 007	(20%)	**39 037**	76 465	(49%)	71 209	(45%)
- Anthracite (t) (bought-in)	**14 286**	23 615	(40%)	**888**	4 181	(79%)	386	130%
- Bituminous (t)	**21 000**	1 895	1 008%	**8 249**	560	1 373%	5 687	45%
- Bituminous (t) (bought-in)	**5 793**	-	100%	**4 054**	-	100%	982	313%
Yield on plant feed (excluding calcine) (%)	**66.0%**	65.0%	1%	**72.0%**	63.9%	13%	65.3%	10%
- Anthracite (%)	**66.1%**	65.2%	1%	**60.8%**	64.9%	(6%)	68.4%	(11%)
- Anthracite (t) (bought-in)	**72.4%**	63.0%	15%	**60.3%**	55.5%	9%	66.9%	(10%)
- Bituminous (t)	**56.7%**	64.9%	(13%)	**78.1%**	31.5%	148%	42.0%	86%
- Bituminous (%) (bought-in)	**67.3%**	N/A	N/A	**67.3%**	N/A	N/A	40.6%	66%
Sales (t)	**385 831**	387 877	(1%)	**50 711**	121 690	(58%)	50 498	0%
- Anthracite (t)	**211 653**	242 663	(13%)	**26 930**	60 441	(55%)	35 594	(24%)
- Bituminous (t)	**18 143**	3 693	391%	**9 797**	50	19 494%	4 417	122%
- Calcine (t)	**32 854**	40 230	(18%)	**6 696**	7 926	(16%)	10 487	(36%)
- Anthracite high-ash sales (t)	**123 181**	101 291	22%	**7 288**	53 273	(86%)	-	100%
Sales (t) (excluding high-ash sales)	**262 650**	286 586	(8%)	**43 423**	68 417	(37%)	50 498	(14%)
Saleable inventory tonnes (t)	**53 889**	66 059	(18%)	**53 889**	66 059	(18%)	42 419	27%
- Anthracite (t)	**40 876**	60 332	(32%)	**40 876**	60 332	(32%)	33 814	21%
- Bituminous (t)	**9 482**	1 807	425%	**9 482**	1 807	425%	6 228	52%
- Calcine (t)	**3 531**	3 920	(10%)	**3 531**	3 920	(10%)	2 377	49%

An analysis of the operational results for Q4 2020 and FY 2020 compared to Q4 2019 and FY 2019, respectively, as well as Q4 2020 compared to Q3 2020 are discussed below:

ROM Production

As discussed under the 'Readiness and response to COVID-19' section of this MD&A, the Company's operations were negatively impacted by the National Lockdown imposed by the South African government at various levels during FY 2020, which mainly attributed to the lower FY 2020 production compared to FY 2019. During Q4 2020 and the start of FY 2021, production was also negatively impacted by belt and other infrastructure breakdowns. Various measures have been implemented to improve mine availability and restore production levels.

Total ROM production (including buy-in tonnes) for Q4 2020 and FY 2020 decreased by 45% and 14%, respectively, compared to Q4 2019 and FY 2019. The overall decreases over comparative periods were primarily due to the impact of the COVID-19 National Lockdown restrictions along with the procurement of fewer anthracite buy-in tonnes, slightly offset by bituminous buy-in tonnes which took place during FY 2020. Total ROM tonnes for Q4 2020 were 48% lower compared to Q3 2020 mainly due to load shedding implemented by Eskom and excessive conveyor belt breakdowns during the quarter, along with the planned extended Christmas break implemented at the operations from December 11, 2020 to January 10, 2021.

Aviemore's ROM production for Q4 2020 and FY 2020 decreased by 43% and 21%, respectively, compared to Q4 2019 and FY 2019. The Company continues to mine the current Aviemore reserves by incorporating pillar extraction (L-ing) together with conventional mining techniques. Aviemore produced 69,231 ROM tonnes at an average of 23,077 ROM tonne per month for Q4 2020, a decrease of 32% compared to Q3 2020.

As noted under the 'Strategic Review and Outlook' section of this MD&A, small-scale mining activities re-commenced at Magdalena mine during Q2 2020 using conventional drill and blast mining methods. The Company produced 31,786 ROM tonnes from Magdalena for FY 2020 (FY 2019: Nil) from sweepings and underground mining of which 20,725 ROM tonnes were produced during Q3 2020. The Company recovered 5,438 ROM tonnes from sweepings during Q1 2020. Due to the COVID-19 related impact that resulted in a decline in South African domestic bituminous coal demand, the bituminous coal produced at Magdalena became difficult to sell. Almost all of the saleable 6,669 tonnes of bituminous production from Magdalena during Q3 2020 remained unsold at September 30, 2020. At the end of Q3 2020, a decision was taken to suspend the underground mining activities at Magdalena. As a result, no ROM tonnes were produced during Q4 2020.

Anthracite bought-in tonnes for Q4 2020 and FY 2020 decreased by 79% and 47% compared to Q4 2019 and FY 2019, respectively. In July 2020, the Company exercised its right to cancel a coal purchase contract with a neighboring coal mine due to a prolonged failure to meet contractual agreed delivery obligations.

Bituminous buy-in tonnes for FY 2020 were 14,965 tonnes (FY 2019: Nil) of which 13,610 tonnes were bought during Q3 2020 (Q4 2020: Nil). In June 2020 an agreement was reached with another nearby coal operator to procure up to 3,000 tonnes of bituminous coal a month for a six-month period. Due to the limited demand for bituminous product in the current market, the Company stopped procuring bituminous coal at the end of August 2020. The Company had accumulated bought-in bituminous stockpiles of 6,540 ROM tonnes at the end of Q4 2020. All of these tonnes were subsequently washed and sold during Q1 2021.

Saleable Production and Yields achieved

The total overall saleable coal production for Q4 2020 and FY 2020 was 36% and 14% lower compared to Q4 2019 and FY 2019. The lower production for FY 2020 compared to FY 2019 due to the impact of COVID-19 was to some extent absorbed by the washing of the 60,332 anthracite (own production and bought-in) ROM tonnes that were on hand at the end December 31, 2019. Magdalena's mining, sweepings and bought-in tonnes also contributed 24,898 more in saleable bituminous tonnes during FY 2020 compared to FY 2019.

Total overall saleable coal production for Q4 2020 was 33% lower compared to Q3 2020 as a result of the Group's lower production levels achieved (48%) partially offset by improved yields (10%) over comparative periods.

Saleable anthracite tonnes produced by the mine for Q4 2020 and FY 2020 decreased by 49% and 20%, respectively and decreased with 45% compared to Q3 2020.

Overall yields achieved for Q4 2020 and FY 2020 were 13% and 1% higher compared to Q4 2019 and FY 2020. The overall yield for Q4 2020 increased with 10% compared to Q3 2020.

The Group entered into toll washing arrangements with third parties during FY 2020 and a total of 38,262 ROM tonnes were washed for FY 2020 (Q4 2020: 13,614 ROM tonnes; Q3 2020: 7,549 ROM tonnes).

Sales

Overall sales (excluding high-ash sales) for Q4 2020 and FY 2020 were 37% and 8% lower compared to Q4 2019 and FY 2019, respectively, and 14% lower compared to Q3 2020.

Anthracite sales tonnes (excluding high-ash) for Q4 2020 and FY 2020 were 55% and 13% lower compared to anthracite sales tonnes in Q4 2019 and FY 2019, respectively, and 24% lower compared to Q3 2020.

There was an overall drop of 24% in both domestic and export sales from Q3 2020 to Q4 2020. Export demand for anthracite product, which was already limited from the start of calendar 2020, reduced even further following the National Lockdown and the worldwide impact of the pandemic. In addition, the Group's efforts to generate sales were severely constrained, particularly during Q4 2020, by the unavailability of trains.

Bituminous sales of 9,797 tonnes for Q4 2020 improved from the mere 50 tonnes sold in Q4 2019. FY 2020 tonnes sold were 391% higher than FY 2019. The sales tonnes achieved in Q4 2020 were also 122% higher than Q3 2020. During Q4 2020, the Company found a customer willing to buy the stock that accumulated over Q3 2020. Most of the stockpiles were sold by year-end.

Calcine sales and anthracite high-ash sales (a by-product primarily delivered into the export market) fluctuate from quarter to quarter, based on demand in the market for these products.

Calcine sales for FY 2020 were 18% lower compared to FY 2019 and calcine sales for Q4 2020 were 16% and 36% lower compared to Q4 2019 and Q3 2020, respectively. This was mainly due to lower production as a result of the unavailability of the calcine plant caused by major repairs conducted during Q2 2020 and Q4 2020.

Anthracite high-ash sales for FY 2020 were 22% higher compared to FY 2019 and anthracite high-ash sales for Q4 2020 were 86% lower compared to Q4 2019. There were no anthracite high-ash sales during Q3 2020.

Logistics

Coal is normally transported by rail and truck to domestic customers, while export coal is transported to Richards Bay Coal Terminal ("RBCT") and the Navitrade Terminal by rail. The Company utilizes the RBCT and Navitrade Terminals through contracts structured with customers with export allocations at the terminals.

Environmental Management

The Company endeavors to conduct its business in a manner that demonstrates an understanding that the environment is borrowed from future generations and as such, must be conserved. Compliance with legal and other requirements, environmental management plans and requirements on water use licenses as well as managing all environmental aspects and impacts is one of the key principles of the Company. The Company has its own in-house

environmental management department focusing on the elements of ISO 14001, 9001 and ensuring continual improvement in compliance.

Minerals Royalty

All the Company's operations based in South Africa are subject to South African law, including the Mineral and Petroleum Resources Royalty Act, 28 of 2008 ("Royalty Act"). In terms of the Royalty Act, all companies extracting minerals in South Africa are required to pay royalties at a rate of between 0.5% and 7% based on gross sales, less allowable deductions, depending on the refined condition of the mineral resources.

Coal is classified as an unrefined mineral and the percentage royalty payable is therefore calculated according to the following formula:

% royalty payable = 0.5 + [Earnings before interest and tax/(Gross sales x 9)] x 100

The Company recorded a reversal of R2.8 million for mining royalties during FY 2020 and accrued for R6.2 million in FY 2019 of which R4.8 million related to a provision made by the Company for a potential royalty tax liability based on a review of intercompany related transactions between the Companies subsidiary companies. The Company reversed the royalty provision during FY 2020 after engaging with professional consultants to perform a detailed benchmarking exercise. The outcome of this exercise concluded that no additional royalties were due by the Company, and accordingly the provision raised in FY 2019 was reversed in FY 2020. As at December 31, 2020, a refund owing of R0.08 million was included in trade receivables which relates to historical royalties paid in excess.

Other Royalties

Other royalties include a Life of Mine Royalty ("LOMR") that became due and payable to Investec on all bituminous coal sales with effect from July 1, 2017, calculated at a rate of 3.54% on all bituminous coal sold which was mined from the Magdalena reserve. The LOMR accrued for amounted to R0.6 million in Q4 2020 (Q4 2019: R0.1 million) and R0.6 million in FY 2020 (FY 2019: R0.1 million). As at December 31, 2020, the LOMR due and payable to Investec was R6.4 million (December 31, 2019: R5.9 million).

The Company is also obliged to pay R2.50/tonne royalty on future production from Aviemore, subject to a minimum monthly amount of R25 000 per month and annual CPI adjustments, pursuant to a settlement arrangement with a neighbouring landowner (Refer Note 30 of the Financial Statements). As at December 31, 2020, following the required CPI adjustments, the royalty amount is R2.95 / tonne (December 31, 2019: R2.86 / tonne), equating to a minimum monthly amount of R29 500 (December 31, 2019: R27 500).

A Servitude payable to the neighbouring landowner amounted to R0.2 million in Q4 2020 (Q4 2019: R0.4 million) and R1.0 million in FY 2020 (FY 2019: R1.2 million).

Carbon Tax

Carbon tax came into effect in South Africa on June 1, 2019. Carbon tax is levied on the sum of greenhouse gas emissions from fuel combustion, industrial processes and fugitive sources determined using a reporting methodology approved by the Department of Environmental Affairs.

Social Development

A key component of the Company's strategy involves social development and the enrichment of the local community, which is carried out through the Company's social and labour plans.

The development of people, both employees and local community members, is a fundamental principle in the business strategy. The Company provides opportunities and resources for employees to be fully developed in job disciplines that form part of the occupational structures of the Company.Due to the impact of COVID-19 related restrictions imposed on companies during FY 2020, the Company could not advance local economic development projects during FY 2020 and its human resource development projects were also fairly limited.

The Company's human resource development projects that the Company focus on normally includes:

- Portable skills training for employees, retrenched employees and the community.
- An Adult Education and Training ("AET") project which aims to improve the literacy rate of employees and members of the community. AET learners are offered the opportunity to become functionally literate and numerate.
- The starting of Grade 13 classes in various fields.
- An internship program for unemployed graduates.
- Bursary programs in all fields. The bursars are given the opportunity to do vacation work (where applicable), to gain experience and do in-service training to meet graduation requirements.
- Engineering, processing and mining learnership programs.

During FY 2020, the Company spent R7.8 million (FY 2019: R14.4 million) on social labour development projects ("SLP") and human resource development.

As at December 31, 2020, the Company's outstanding SLP commitments amounted to R12.8 million.

FINANCIAL REVIEW

Consolidated financial results for FY 2020, FY 2019, Q4 2020, Q4 2019 AND Q3 2020 (in R' million unless otherwise stated)

Operational results	FY 2020	FY 2019	% Change	Q4 2020	Q4 2019	% Change	Q3 2020	% Change
Revenue	**321.3**	399.0	(19%)	**54.2**	100.5	(46%)	65.5	(17%)
Cost of sales	**(244.3)**	(301.6)	(19%)	**(34.0)**	(90.2)	(62%)	(51.1)	(34%)
Gross profit	**77.0**	97.4	(21%)	**20.2**	10.3	96%	14.4	40%
Impairment (loss) on property, plant and equipment	**-**	(8.0)	(100%)	**-**	(8.0)	(100%)	-	N/A
Other income/(expense) – net	**14.9**	51.0	(71%)	**82.5**	53.4	55%	14.6	465%
General & administration expenses	**(58.1)**	(66.3)	(12%)	**(13.7)**	(14.2)	(3%)	(14.7)	(6%)
Operating profit/(loss)	**33.8**	74.0	(54%)	**89.0**	41.5	115%	14.3	522%
Finance (costs)/income – net	**(35.9)**	(37.1)	(3%)	**(9.3)**	(8.2)	13%	(8.9)	4%
Income tax	**-**	-	N/A	**-**	-	N/A	-	N/A
(Loss)/profit for the period	**(2.1)**	(36.8)	(94%)	**79.7**	33.3	139%	5.4	1 378%
Adjusted EBITDA (*)	**33.4**	53.4	(38%)	**10.0**	(0.6)	1 663%	3.3	204%
Average selling price per ton sold (R) (excluding high-ash sales)	**1 110**	1 274	(13%)	**1 143**	1 226	(7%)	1 278	(11%)
Cash cost of sales per ton sold (R) (excluding high-ash export costs)	**847**	930	(9%)	**706**	1 119	(37%)	951	(26%)
CAD: ZAR (average)	**12.27**	10.89	13%	**11.98**	11.14	8%	12.69	(6%)
USD: ZAR (average)	**16.47**	14.45	14%	**15.62**	14.70	6%	16.91	(8%)

(*) See *Non-IFRS Performance Measures* section of this MD&A.

An analysis of the financial results for Q4 2020 and FY 2020 compared to Q4 2019 and FY 2019, respectively, as well as Q4 2020 compared to Q3 2020 are discussed below:

Revenue

R'000	FY 2020	FY 2019	% Change	Q4 2020	Q4 2019	% Change	Q3 2020	% Change
Anthracite	**213 985**	290 807	(26%)	**29 409**	70 100	(58%)	40 175	(27%)
- Domestic	**63 220**	120 288	(47%)	**11 880**	26 952	(56%)	14 389	(17%)
- Export	**150 765**	170 519	(12%)	**17 529**	43 148	(59%)	25 786	(32%)
Bituminous	**15 644**	3 367	365%	**7 422**	-	100%	4 293	73%
- Domestic	**15 644**	3 367	365%	**7 422**	-	100%	4 293	73%
Calcine	**61 786**	70 897	(13%)	**12 781**	13 761	(7%)	19 976	(36%)
Revenue (excluding high-ash sales)	**291 415**	365 071	(20%)	**49 612**	83 861	(41%)	64 444	(23%)
Export (high-ash)	**22 103**	32 335	(32%)	**437**	15 754	(97%)	-	100%
Toll washing arrangements	**6 649**	-	100%	**3 824**	-	100%	656	483%
Sundry sales (slurry/discard)	**1 153**	1 562	(26%)	**294**	862	(66%)	395	(26%)
Total revenue	**321 320**	398 968	(19%)	**54 167**	100 477	(46%)	65 495	(17%)

Revenue from coal products (excluding high-ash) for Q4 2020 and FY 2020 was 41% and 20% lower, respectively, compared to Q4 2019 and FY 2019, due to a 37% and 8% decrease in sales volumes along with a 7% and 13% decrease in average selling prices over comparative periods.

Revenue (excluding high-ash and sundry sales) for Q4 2020 was 23% lower compared to Q3 2020 as a result of a 14% decrease in sales volumes (excluding high-ash and sundry sales) along with a 10% decrease in average selling prices over the comparative period.

Anthracite revenue for FY 2020 was 26% lower compared to FY 2019, primarily as a result of a 48% decrease in domestic anthracite tonnes sold partially offset by an increase of 10% anthracite export tonnes sold but at 19% lower average export selling prices.

Anthracite revenue for Q4 2020 was 58% lower compared to Q4 2019, as a result of a decrease in both domestic (58%) and export (54%) demand combined with a 11% decrease in average export selling prices, partially offset by slightly higher domestic average selling prices (5%) over the comparative period. Anthracite revenue for Q4 2020 was 27% lower compared to Q3 2020, primarily as a result of a further decrease in both domestic (18%) and export demand (27%) along with lower average export selling prices (7%) quarter-over-quarter.

The lower anthracite revenue over the comparative periods were mainly due to lockdown restrictions and the ongoing impact of COVID-19 on the markets that has resulted in reduced demand for coal. The Group's ability to generate sales was also hampered by the unavailability of trains to rail the Group's products to ports for export, particularly towards the latter part of Q4.

Bituminous revenue for FY 2020 was from the sale of product produced by Magdalena along with sale of washed bought-in product. As previously discussed in *'Operational review – sales'* almost the entire saleable production from Magdalena during Q3 2020 remained unsold at September 30, 2020 and a decision was taken to temporarily

suspend further production. During Q4 2020, the Company found a customer willing to buy the stock that accumulated over Q3 2020. Most of the stockpiles were sold by year-end.

Bituminous revenue for FY 2019 related to sales made from remaining bituminous inventory following the suspension of underground mining activities at Magdalena in Q4 2018.

Calcine revenue for Q4 2020 and FY 2020 was 7% and 13% lower compared to Q4 2019 and FY 2019, mainly due to lower sales volumes achieved in Q4 2020 (16%) and FY 2020 (18%), partially offset by better average selling prices achieved, Q4 2020 (10%) and FY 2020 (7%). Calcine revenue for Q4 2020 was 36% lower compared to Q3 2020, directly attributable to a 36% decrease in sales volumes achieved during Q4 2020.

Cost of Sales

Cost of sales includes mining and processing costs, salaries and wages, depreciation and amortization, transportation, railage, royalties, carbon taxes, and social and labour plan expenses.

Cost of sales for Q4 2020 and FY 2020 was 62% and 19% lower compared to Q4 2019 and FY 2019, respectively, which is mainly as a result of the decrease in sales tonnes over the comparative periods. Cost of sales for Q4 2020 was 34% lower compared to Q3 2020.

Cash cost per sales tonne (excluding high-ash) for Q4 2020 and FY 2020 were 37% and 9% lower compared to Q4 2019 and FY 2019, respectively, and 26% lower in Q4 2020 compared to Q3 2020.

The Group continues to be cost conscious, limiting expenditures in order to mitigate the negative impact of COVID-19 and ensure the sustainability of the Group.

As noted earlier in this MD&A, for the Company to continue operating a sustainable business notwithstanding the lower market prices, it will need to reduce its operational cost base to remain profitable and competitive. As part of the process to reduce its operational cost base, the Group commenced a Section 189 process on March 5, 2021 with one of the main aims to reduce staff costs in the service and support departments.

Impairment loss on property, plant and equipment

There was no impairment loss recognized during FY 2020. The impairment loss of R8.0 million recognized during FY 2019 arose as a result of the write down of the North Adit development costs previously capitalized and certain mining assets impaired to its recoverable value.

Other (expenses)/income – net

Other income and expenses comprise profit on sale of assets, foreign exchange gains/losses and fair value adjustments on financial assets and conversion option liabilities and gains/losses on extension of the maturity date of the RCF Convertible Loan.

The R82.5 million other (expense)/income net for Q4 2020 (Q4 2019: net income of R53.4 million) was mainly attributable to net foreign exchange gains of R57.1 million (Q4 2019: net foreign exchange gains of R29.3 million), a positive fair value adjustment on the conversion option liability (RCF convertible loan) of R24.0 million (Q4 2019: R24.0 million), along with a gain on extension of the maturity date of the RCF Convertible loan of R36.6 million (Q4 2019: R24.1 million gain) offset by a corresponding loss on extension of the RCF conversion option liability of R38.1 million (Q4 2019: R25.0 million loss) and other income of R0.5 million (Q4 2019: R1.1 million).

The R14.9 million other (expense)/income - net for FY 2020 (FY 2019: net income of R51.0 million) was mainly attributable to net foreign exchange loss of R15.0 million (FY 2019: net foreign exchange gain of R7.7 million), a

positive fair value adjustment on the financial assets of R2.4 million (FY 2019: R3.6 million) and a positive fair value adjustment on the conversion option liability (RCF convertible loan) of R25.5 million (FY 2019: positive fair value adjustment of R38.4 million) along with a gain on extension of the maturity date of the RCF Convertible loan of R36.6 million (FY 2019: R34.7 million gain) offset by a corresponding loss on extension of the RCF conversion option liability of R38.1 million (FY 2019: R36.1 million loss) and other income of R1.8 million (FY 2019: R1.1 million).

The R14.6 million other (expense)/income - net for Q3 2020 was mainly attributable to a net foreign exchange gain of R13.1 million, fair value gain on the conversion option liability (RCF convertible loan) of R0.2 million along with a positive fair value adjustment on the restricted financial asset of R0.6 million and other income of R0.6 million.

General and administration expenses

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

General and administration expenses for Q4 2020 and FY 2020 were 3% and 12% lower compared to Q4 2019 and FY 2019. The reduction in FY 2020 compared to FY 2019 was mainly due to a provision for bad debts of R5.3 million provided for during FY 2019 compared to a recovery of bad debt of R0.6 million during FY 2020, reduction in consulting fees of R0.7 million, reduction in audit fees of R0.7 million, reduction in salaries and wages of R4.2 million and a reduction in insurance costs of R1.8 million, partially offset by a R1.1 million reversal of the section 24G penalty provision related to the calcine plant in Q1 2019. FY 2020 Rehabilitation adjustment expense recognized was R3.3 million compared to a FY 2019 rehabilitation adjustment income recognized of R1.0 million.

General and administration expenses for Q4 2020 was 6% lower compared to Q3 2020, mainly due to lower overall costs incurred, partially offset by a R1.9 million rehabilitation adjustment expense realized during Q4 2020 (Q3 2020: RNil).

The substantial decrease in insurance costs during FY 2020 (19%) compared to FY 2019 was driven by the inability to secure full cover for the Group's assets and the inability to secure directors and officer's liability insurance as a result of the global trend amongst insurers to exclude coal production activities from their underwriting guidelines together with the ongoing business risks relating to the COVID-19 pandemic.

Finance Costs/Income-net

Finance costs/Income-net for Q4 2020 was 13% higher compared to Q4 2019 mainly due to an R1.6 million increase in the RCF Loan accretion expense which is converted at increased exchange rates over the comparative periods.

Finance costs/Income-net for FY 2020 was 3% lower compared to FY 2019, primarily due to the overall lower outstanding Investec facilities and STA accounts payable balance over comparative periods, the waiving of the RCF Loan interest rate from 1.29% to 0% effective January 1, 2020 that resulted in lower interest charges together with no further accretion of the Investec warrant asset. These elements were partially offset by a R9.0 million higher accretion expense on the RCF Loan.

Finance costs for Q4 2020 was in line with Q3 2020.

The Group recorded a net accretion expense of R6.8 million for Q4 2020 (Q4 2019: R5.2 million; Q3 2020: R7.1 million) and R27.6 million for FY 2020 (FY 2019: R18.6 million) in relation to the RCF Loan.

The Group had no accretion expense in relation to the Investec warrant asset during FY 2020 as the warrant liability had been fully accreted to its face value as at June 30, 2019 (FY 2019: R4.3 million).

Income tax

The company recorded no income and other tax expenses for FY 2020 and FY 2019.

CONSOLIDATED FINANCIAL POSITION

Balance sheet review

Summary balance sheet information

R'000	December 31, 2020	December 31, 2019	ZAR change	% Change
Property, plant and equipment	**38 583**	41 420	(2 837)	(7%)
Right of use assets	**824**	1 670	(846)	(51%)
Investments & long-term receivables	**6 827**	6 972	(146)	(2%)
Trade & other receivables	**12 559**	37 533	(24 974)	(67%)
Inventories	**63 296**	51 280	12 016	23%
Cash and cash equivalents	**3 999**	3 518	481	14%
Long-term restricted cash	**3 200**	3 200	-	0%
Short-term restricted cash	**52**	-	52	100%
Other receivables - restricted	**58 506**	57 151	1 355	2%
Total assets	**187 846**	202 744	(14 898)	(7%)
RCF Loan facilities (loan and conversion option liability)	**375 311**	357 392	17 919	5%
Other borrowings	**56 115**	64 115	(8 000)	(12%)
Trade and other payables	**67 680**	95 045	(27 365)	(29%)
Asset retirement obligation	**55 698**	50 614	5 084	10%
Lease liabilities	**423**	959	(537)	(56%)
Current tax liabilities	**272**	255	17	7%
Total liabilities	**555 499**	568 380	(12 880)	(2%)
Total equity (deficiency)	**(367 653)**	(365 636)	(2 017)	1%

Assets

The 7% decrease in property, plant and equipment primarily comprised of depreciation of R12.1 million, partially offset by R9.3 million in capital additions for FY 2020.

The 67% decrease in Trade and other receivables compared to December 31, 2019 was mainly due to lower sales volumes along with improved settlement terms negotiated on sales resulting in a decrease of R16.0 million in Trade receivables, a decrease of R5.4 million in upfront payments made for coal bought-in and R1.8 million reduction in the unamortized portion of prepaid insurance premiums.

Inventories as at December 31, 2020 were 23% higher compared to December 31, 2019.

Stock is recognized at the lower of cost or net realizable value ("NRV"). Stock included in inventories at the end of each reporting period above have primarily been recognized at cost (which are currently lower than NRV). The unit costs of the various stock items fluctuate from period to period depending on the tonnes produced over each respective period which will increase (lower production) or decrease (higher production) unit costs and could result in a stock adjustment at the end of each reporting period.

The R3.2 million call deposit (Long-term restricted cash) has been ceded and pledged in respect of guarantees provided to the Department of Mineral Resources ("DMRE") and Eskom.

Liabilities

RCF loan facilities (loan and conversion option) increased by 5% compared to December 31, 2019 as a result of a R1.5 million net loss on extension of the loan maturity date to June 30, 2022, a R14.1 million foreign exchange loss on translation of the US$ denominated RCF loan liability on December 31, 2020, R27.6 million in accretion expenses for FY 2020, R25.5 million decrease in fair value adjustment of the conversion option liability as well as a R0.3 million foreign exchange loss on translation of the conversion option liability.

Other borrowings decreased by 12% as a result of BC Dundee settling R8.0 million of the outstanding Investec loan facility during FY 2020.

The 29% decrease in trade and other payables was mainly attributable to a R6.7 million decrease in trade creditors, a decrease of R5.0 million on the repayment of the STA account balance, a decrease of R5.0 million in relation to sundry payables and accruals, a decrease of R5.3 million in relation to the DMRE royalty provision of which R4.9 million was reversed during Q3 2020 following a third party legal review and benchmarking exercise conducted, a decrease of R2.5 million in VAT payable due to lower sales revenue and a decrease of R2.7 million in leave pay and bonus accruals.

The 10% increase in the asset retirement obligation mainly related to an increase of R5.1 million in the calculated rehabilitation obligation and reduced discounting period used to calculate the fair value of both the rehabilitation obligation at the end of each reporting period.

Working capital

The Group had a working capital deficit of R58.8 million as at December 31, 2020 compared to a working capital deficit of R424.0 million at December 31, 2019 (see "*Non-IFRS Performance Measures"* section of this MD&A), reflecting a 86% improvement. The decrease in working capital was due to the RCF Convertible Loan included in non-current liabilities following the extension of the loan maturity date, a decrease in trade and other receivables and cash and cash equivalents (refer to *Financial Review* above) offset by a decrease in borrowings and trade and other payables during the year.

OFF-BALANCE SHEET ARRANGEMENTS

The Group has an off-balance sheet shareholder's loan receivable from its BEE shareholder whereby the BEE shareholder acquired a 30% interest in Zinoju Coal (Refer to the "Group overview" section of this MD&A) to comply with South African mining companies' BBBEE ownership requirements. The Group's current BEE partner acquired a 12% interest in Zinoju Coal during calendar year 2008 for R7.2 million and a further 18% interest in Zinoju from the then exiting BEE shareholder during calendar year 2011 for R20.0 million.

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

For accounting purposes, this transaction has been treated as a grant of options and not as a share issue. As a result, the Group continues to consolidate 100% of Zinoju Coal, without presenting a non-controlling interest until such time as the option is exercised effectively repaying the shareholder's loan.

Buffalo Coal Dundee has an option to reacquire an 18% interest in Zinoju from its BEE shareholder for a consideration of R20 million. This option expires in June 30, 2021.

CASH FLOW REVIEW

The condensed consolidated statements of cash flows are summarized below:

R'000	FY 2020	FY 2019	% Change	Q4 2020	Q4 2019	% Change	Q3 2020	% Change
Net cash generated from/ (utilized in) operating activities	**17 779**	36 248	(51%)	**(474)**	2 491	(119%)	(2 092)	(77%)
Net cash (utilized in)/generated from investing activities	**(9 298)**	2 547	(465%)	**(592)**	37	(1 699%)	(7 385)	(92%)
Net cash (utilized in)/generated from Financing activities	**(8 000)**	(40 508)	(80%)	**-**	(15 000)	(100%)	6 000	(100%)
Change in cash and cash equivalents	**481**	(1 713)	(128%)	**(1 066)**	(12 472)	(91%)	(3 477)	(69%)

Operating activities

The cash generated from operating activities for FY 2020 and Q4 2020 were lower compared to FY 2019 and Q4 2019, mainly as a result of lower production and consequently lower revenues due to the impact of COVID-19. During Q4 2020 and Q3 2020 the Group utilized R0.4 million and R2.1 million to support operation activities mainly due to insufficient sales volumes. The Group negotiated an upfront payment of R11.5 million from one of its customers to cover the Group's short-term cash flow needs.

Investing activities

Cash on investing activities related to capital spent on property, plant and equipment. Due to the Company's cash flow constraints, cash on property, plant and equipment was minimised where possible. Although the Group continues to limit capital expenditure to essential items in an attempt to mitigate the negative impacts of COVID-19, certain critical plant and underground items were required to be purchased during FY 2020 to ensure that the operations continue to operate efficiently and safely going forward.

Financing activities

As discussed under the 'Strategic Review and Outlook' section of this MD&A, R8 million was paid to reduce the Investec debt. During Q3 2020 the Short-term restricted cash decreased by R9 million as R6 million of the funds in the restricted reserve bank account held at Investec were used to fund operational requirements and R3 million were used to settle a portion of the Investec debt.

FINANCIAL INSTRUMENTS

During FY 2020 and FY 2019, the Group relied primarily on cash generated from the sale of coal products produced at its mining operations and from buy-in tonnes. In the normal course of business, the Group is inherently exposed to currency and commodity price risk. The Corporation does not currently hedge its exposure to currency or commodity price risk. For a discussion of the methods used to value financial instruments refer to Note 3 of the Financial Statements.

COMMITMENTS AND CONTINGENCIES

Management Agreements - Change in Control Provision

Certain management contracts require that payments of approximately R5.2 million be made upon the occurrence of a change of control, other than a change of control attributable to RCF and/or Investec. As no triggering event has taken place, no provision has been recognized as of December 31, 2020.

Capital Commitments

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

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

Surface access agreements

Aviemore

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

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

The Group complies with these terms.

Balgray

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

The details of the agreement are comprised of the following:

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

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

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

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

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

Land purchase agreement

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

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

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

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

Environmental and Regulatory Contingency

The Group's mining and exploration activities are subject to various laws and regulations governing the environment and mine operations. These laws and regulations are continually changing and generally becoming more restrictive. The Group has made, and expects to make in the future, expenditures to continue to comply with such laws and regulations.

On November 20, 2015, Financial Provisioning Regulations (GNR 1147) were promulgated by the Minister of Environmental Affairs for South Africa as a replacement of financial provisioning and rehabilitation legislation contained in the Mineral and Petroleum Resources Development Act, 2002 ("MPRDA") and the National Environmental Management Act, 1998 ("NEMA"). After promulgation of the GNR 1147, the Department of Environmental Affairs ("DEA") met with various stakeholders who sought clarification on a number of issues. This resulted in amended regulations pertaining to the financial provisioning for prospecting, exploration, mining or production operations which were issued on November 10, 2017.

As part of the transitional arrangements mining companies have until June 20, 2021 to align their costings with the new regulations and can continue to submit their costings according to the previous MPRDA regulations, even though these have been repealed. However, any mining company that applied for a mining right after November 20, 2015 will have to calculate its liabilities compliant with GNR 1147 and additionally, any mining company that

undergoes unscheduled closure after November 20, 2017 will have to update its costs in compliance with GNR 1147.

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

Although the estimated rehabilitation and closure liability is fully provided for in compliance with GRN 1147, no additional provision has been made in the previous financial statements for the potential liability associated with ground water contamination. The mining industry is coming under increased pressure to make additional provision for water purification after closure and therefore more emphasis is currently being placed on the monitoring of groundwater pre-mining, potential contamination during mining, as well as groundwater monitoring post-mining. Mining companies may, as a result of these studies, have to make additional provision for ground water treatment after mine closure, particularly if the post mining water release quality requirements are legislated to be more onerous than the current situation.

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

The Group's Calcine plant has been operating without an Air Emissions License ("AEL"), and this has necessitated that a Section 24G application be submitted to the Economic Development, Tourism and Environmental Affairs ("EDTEA"). The Section 24G application relates to the commencement of certain listed activities which have commenced at the Calcine plant at Coalfields, prior to obtaining Environmental Authorization ("EA"). On October 4, 2019, the Group paid a fine of R925,000 for non-compliance. The EA has since been issued and the Group is in the process of submitting an application in terms of S22A of the National Environmental Management Air Quality Act ("NEMAQA") for a postponement license related to the Air Quality Act. Should the application for postponement be successful, the Group will be required to comply with the Air Quality Act by 2025.

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

Refer to the 'Other uncertainties and risks' section of this MD&A for non-compliance with laws and regulations identified.

Social and Labour plan

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

RELATED PARTY TRANSACTIONS

The Company's related parties include its subsidiaries and key management personnel. During the normal course of operations, the Company enters into transactions with its related parties for goods and services. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

During the year ended December 31, 2020 and December 31, 2019, the Company did not enter into any transactions with related parties (except for its subsidiaries) in the ordinary course of business.

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

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

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

[1] As set out in the third amended and restated convertible loan agreement with RCF, RCF has invoiced the Company for costs incurred relating to the loan facilities. There were no additional costs invoiced to the Company during the year ended December 31, 2020 or the year ended December 31, 2019. During the year ended December 31, 2020, the Company paid US$50,000 (R801,850) on the outstanding trade payables balance (December 31, 2019: Rnil).

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

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

Compensation of key management personnel

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

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

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

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

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

No share options were granted to employees during the years ended December 31, 2020 and December 31, 2019.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of these consolidated financial statements in accordance with IFRS requires management to make use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the period. Areas of judgement that have the most significant effect on the amounts recognized in the financial statements are assessment of the provision for rehabilitation obligations of the Group, estimation of asset lives, determination of ore reserve estimates, capitalization of exploration and evaluation costs.

Key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities are the estimation of close-down and restoration costs and the timing of expenditures, the review of asset carrying values and impairment charges and reversals, the estimation of environmental clean-up costs and the timing of expenditures and the recoverability of potential future income taxes. A number of the key estimates noted above are impacted by movements in the market prices for coal and the ZAR/$ exchange rate. Financial results as determined by actual events could differ from those estimated. Management estimates are also applied in arriving at the useful lives of items of property, plant and equipment and in determining the fair value of stock options, the conversion option liability and the warrant liability. Note 2 to the Financial Statements describes the BC Corp's significant accounting policies.

Provisions

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

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

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

Capitalization of exploration and evaluation costs

Should management determine that exploration and evaluation costs incurred have future economic benefits and are economically recoverable, in making this judgment, management will assess various sources of information including, but not limited to, the geological and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits.

Taxes and recoverability of potential deferred tax assets

The Group is subject to income, value added, withholding and other taxes in various jurisdictions. Significant judgment is required in determining the Group's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Group's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. The Group's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

In assessing the probability of realizing deferred tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in South Africa and Canada.

Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions could materially affect the fair value estimates.

Compound financial instruments

The Group has entered into agreements in the form of foreign-currency-denominated convertible loans and warrants which are accounted for as compound financial instruments. The fair value of the embedded derivative liabilities (conversion option liability and warrant liability) are determined at the date of the transaction and are fair valued at each reporting date through profit or loss using generally accepted valuation techniques. Assumptions are made and judgments are used in applying valuation techniques.

These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield and risk-free rate of return. Such judgments and assumptions are inherently uncertain. Changes in these assumptions could materially affect the fair value estimates.

Mineral reserve estimates

The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Group's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation.

Incorrect assumptions by management, including economic assumptions such as coal prices, foreign exchange rates and market conditions could have a material effect on the Group's reserves and resources, and as a result, could also have a material effect on the Group's financial position and results of operation.

Going concern assumption

The consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Group will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Should the going concern assumption not be appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications. Such adjustments could be material.

NEW ACCOUNTING POLICIES

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

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

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020 and must be applied prospectively.

IFRS 3 amendments – Definition of Business was issued in October 2018 by the IASB to improve the definition of a business. It is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments are as follows:

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

The following standards, amendments and interpretations are issued but not yet effective for the December 31, 2020 financial year-end:

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2021. Many are not applicable or do not have a significant impact to the Company and have been excluded. These standards will be adopted from the effective date. Early adoption will not be applied. The revised standards are not expected to have a material impact on the Company or Group.

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined; however early adoption is permitted.

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

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

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

IAS 16 – Property, Plant and Equipment ("IAS 16") was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended

use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on January 1, 2022.

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

OTHER UNCERTAINTIES AND RISKS

Investing in the Company involves risks that should be carefully considered. The business of BC Corp is speculative due to the high-risk nature of coal mining and exploration. Investors should be aware that there are various uncertainties and risks, including those discussed below, that could have a material adverse effect on, among other things, the operating results, earnings, properties, business and condition (financial or otherwise) of the Company.

Uncertainties

There are a number of uncertainties in the mining business of BC Corp, some of which are beyond the Group's control:

- the ability of the Corporation to continue as a going concern and ultimately continue operations in the future, is dependent on its ability to realize on short-term opportunities, renegotiate an extension to and ultimately settling its outstanding debt obligations and to secure the funding required for medium to longer term projects.
- To sustain profitable levels of operation, and positive cash flow as well as the continued support of Investec, RCF and other stakeholders and its ability to meet current production and sales forecasts.
- the ability of the Corporation to meet requirements of government legislation or the DMRE in order to maintain its mining rights.
- the ability to maintain or secure, as the case may be, sufficient BBBEE investment in the Corporation in order to maintain compliance with BEE requirements as required by the Mining Charter and applicable law.
- government legislation and implementation thereof regarding mining companies in South Africa, including without limitation, securing authorizations and permits required thereunder within the timeframes required to achieve BC Corp's plans and objectives;
- prices for the Corporation's production of coal;
- foreign exchange and interest rates;
- the supply and cost of re-agents and other substances used by the Corporation in the process to extract coal;
- the consistent and sufficient supply of economical electrical power;
- securities regulation regarding public listed companies in Canada and South Africa; and
- natural disasters, disease at pandemic scale, change in government, war or random occurrences or acts that could result in a material change to economic and market performance, business conditions or operations.

Business Risks

COVID-19

In addition to the immediate impact on the Group's operations, the COVID-19 pandemic has negatively impacted global financial markets and may continue to do so. As discussed earlier in this MD&A, the economic viability of the Group's business plan is impacted by its ability to generate cash from its operations in order to settle its outstanding debts and to generate cash for future projects.

As many countries have experienced a second wave of COVID-19 infections and with speculation regarding potential subsequent waves, uncertainties relating to the geological spread, the severity of the disease, the duration of the outbreak, and the length of current and future travel and quarantine restrictions imposed by

governments of affected countries, the Group cannot at this point in time quantify uncertainties or accurately predict the continued impact COVID-19 may have on its ability to operate and/or the ability of third parties to meet their obligations with the Group. The effectiveness of vaccines and completion of required vaccination programmes required on a global scale adds to this uncertainty.

Mineral Legislation

The business of mineral exploration, development, mining and processing is subject to various national and local laws and plans relating to permitting and maintenance of titles, environmental consents, employee relations, health and safety, royalties, land acquisitions and other matters. There is a risk that the necessary permits, consents, authorizations and agreements to implement planned exploration, development or mining may not be obtained under conditions or within the time frames that make such plans economic, that applicable laws, regulations or the governing authorities will change or that such changes will result in additional material expenditures or time delays.

On September 27, 2018, the South African Minister of Mineral Resources, Gwede Mantashe (the "Minister"), published the Broad-Based Socio-Economic Empowerment Charter for the South African Mining and Minerals Industry, 2018 (the "2018 Mining Charter").

Compliance with the 2018 Mining Charter may require significant capital outlay on behalf of the Company and may cause material changes or delays in the Company's intended activities. Management is currently assessing options to comply with the regulation. These regulations could have a material impact on the Company's operations.

Title to Mineral Holdings

BC Corp requires licenses and permits from various governmental authorities. BC Corp believes that it holds all necessary licenses and permits under applicable laws and regulations in respect of the BC Dundee Properties and that it is presently complying in all material respects with the terms of such licenses and permits. Such licenses and permits, however, are subject to change in various circumstances. There can be no guarantee that the Company will be able to obtain or maintain all necessary licenses and permits that may be required to explore and develop or mine its properties. The validity of ownership of property holdings can be uncertain and may be contested. Although BC Dundee has attempted to acquire satisfactory title to its properties, risk exists that some titles, particularly titles to undeveloped properties, may be defective.

Mining and Prospecting Rights

The Company's mining and exploration activities are subject to various laws and regulations governing the environment and mine operations. These laws and regulations are continually changing and generally becoming more restrictive.

Refer to the 'Commitments and Contingencies' section of this MD&A for detail with regards to Section 24G, notices issued by the DMRE on environmental issues identified at the Group's mining operations.

Exploration and Development

The exploration and development of coal deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of a mineable deposit may result in substantial rewards, few properties that are explored are ultimately developed into producing mines.

Major expenses may be required to establish additional reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration programs planned by the Group will result in profitable commercial mining operations, and significant capital investment is required to achieve commercial production from successful exploration efforts. There is no certainty

that exploration expenditures made by the Group will result in discoveries of commercial mineable quantities. Exploration for coal is highly speculative, involves substantial expenditures, and is frequently non-productive.

Foreign Currency Exchange Rates

Currency fluctuations may affect the Group's costs and margins. Adverse fluctuations in the South African Rand relative to the US Dollar and the Canadian Dollar and other currencies could materially and adversely affect the Company's profitability, results of operation and financial position. BC Corp also holds a RCF convertible loan that is US Dollar denominated, which will result in increased expenses and increased liabilities in the case of any further decreases in the value of the ZAR relative to the US Dollar as the Corporation's reporting currency is in South African Rand.

Insurance and Uninsured Risks

The Group's business is subject to a number of risks and hazards generally, including: adverse environmental conditions; industrial accidents; labour disputes; unusual or unexpected geological conditions; ground or slope failures; cave-ins; changes in the regulatory environment; and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Group's properties or the properties of others, delays in mining, monetary losses and possible legal liability. The businesses and properties of the Group are insured against loss or damage, subject to a number of limitations and qualifications. Such insurance will not cover all the potential risks associated with a mining company's operations.

The Group may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms.

The Group might also become subject to liability for pollution or other hazards that may not be insured against or that the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Group to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

The Group's existing insurance does not cover business interruption losses attributable to COVID-19.

Litigation

All industries, including the mining industry, are subject to legal claims, with and without merit. Legal proceedings may arise from time to time in the course of the Company's business. Such litigation may be brought against the Company or one or more of its subsidiaries in the future from time to time or the Company or one or more of its subsidiaries may be subject to another form of litigation. Defense and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. As of the date hereof, except as disclosed in the *Strategic review and outlook* section above, no other material claims have been brought against the Company, nor has the Company received an indication that any claims are forthcoming. Due to the inherent uncertainty of the litigation process, the process of defending such claims (or any other claims that may be brought against the Company) could take away from management time and effort and the resolution of any particular legal proceeding to which the Company or one or more of its subsidiaries may become subject could have a material effect on the Company's financial position and results of operations.

Tax and Foreign Mining Tax Regimes

The Group is subject to income, value added, withholding and other taxes in various jurisdictions. Significant judgment is required in determining the Group's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Group's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. The Group's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Mining tax regimes in foreign jurisdictions are subject to differing interpretations and are subject to constant change. The Group's interpretation of taxation law as applied to its transactions and activities may not coincide with that of the tax authorities. As a result, transactions may be challenged by tax authorities and the Group's operations may be assessed, which could result in significant additional taxes, penalties and interest. In addition, proposed changes to mining tax regimes in foreign jurisdictions could result in significant additional taxes payable by the Group, which would have a negative impact on the financial results of the Group.

Operational Risks

Depletion of Mineral Reserves and Resources

The Group must continually replace mining reserves and resources depleted by production to maintain production levels over the long-term. There is no assurance that the Group's exploration programs will result in any new commercial mining operations or yield new reserves and resources to replace or expand current reserves and resources.

Additional Capital

The continued sustainability of the BC Dundee Properties, including the expansion of mining operations and the continued sustainability of the Group, requires additional working capital and capital expenditures and therefore requires additional financing. Failure to obtain sufficient financing may result in a delay or indefinite postponement of development or production on the BC Dundee Properties. Additional financing may not be available when needed or if available, the terms of such financing might not be favorable and might involve substantial dilution to shareholders. Failure to raise capital when needed may have a material adverse effect on the Group's business, financial condition and results of operations.

Estimates

Capital and operating cost estimates made in respect of BC Corp's mines and development projects may not prove accurate. Capital and operating cost estimates are based on the interpretation of geological data, feasibility studies, anticipated climatic conditions, other factors and assumptions regarding foreign exchange currency rates and domestic inflation.

Any such events could affect the ultimate accuracy of such estimates; unanticipated changes in quality and tonnage of coal to be mined and processed; incorrect data on which engineering assumptions are made; delay in construction schedules, unanticipated transportation costs; the accuracy of major equipment and construction cost estimates; labour issues; changes in government regulation (including regulations regarding prices, cost of consumables and capital goods, royalties, duties, taxes, permitting, restrictions on production, restrictions on exportation or sales of minerals) and title claims.

Production Estimates

BC Corp has prepared estimates of future coal production for its existing mines. BC Corp cannot give any assurance that it will achieve its production estimates. The failure by BC Corp to achieve its production estimates could have a material adverse effect on any or all of its future cash flows, profitability, results of operations and financial condition. The realization of production estimates is dependent on, among other things, the accuracy of mineral reserve and resource estimates, the accuracy of assumptions regarding coal quality and recovery rates, ground conditions (including hydrology), geological conditions, the physical characteristics of the coal, the presence or absence of particular metallurgical characteristics, and the accuracy of the estimated rates and costs of mining and processing.

Actual production may vary from estimates for a variety of reasons, including the actual coal mined varying from estimates of quality or tonnage; dilution, metallurgical and other characteristics (whether based on representative samples of coal or not); short-term operating factors such as the need for sequential development of production panels and the processing of new or adjacent coal qualities from those planned; mine failures or section failures; industrial accidents; natural phenomena such as inclement weather conditions, floods, droughts, rock slides and earthquakes; encountering unusual or unexpected geological conditions; changes in power costs and potential power shortages; shortages of principal supplies needed for mining operations including explosives, fuels, chemical reagents, water, equipment parts, stonedust, magnetite and lubricants; plant and equipment failure; the inability

to process certain types of coals; labour shortages or strikes; and restrictions or regulations imposed by government agencies (such as the restrictions imposed in relation to COVID-19) or other changes in the regulatory environment.

Such occurrences could also result in damage to mineral properties or mines, interruptions in production, injury or death to persons, damage to property of BC Corp or others, monetary losses and legal liabilities in addition to adversely affecting coal production. These factors may cause a coal reserve that has been mined profitably in the past to become unprofitable, forcing BC Corp to cease production.

Any further prolonged shutdowns over and above the current National Lockdown in response to the COVID-19 pandemic could potentially force the BC Corp's operations in South Africa to initiate business rescue proceedings.

Labour and Employment Matters

While the Group believes that it has good relations with both its unionized and non-unionized employees, production at the Group's mining operations is dependent upon the efforts of the Group's employees and those of its contractors. Relations between the Group and its employees may be impacted by changes in the scheme of labour relations that may be introduced by the relevant governmental authorities in whose jurisdictions the Company carries on business.

During FY 2019, BC Corp completed wage negotiations with the unions for the forthcoming financial year. As a result of the negative impact of COVID-19 on the Group, no salaries or wage increases were implemented during FY 2020.

As mentioned earlier in this MD&A, the Group enforced its Retirement Policy on certain of its permanent employees over the retirement age of 65 years, reducing the workforce by 10 employees in February 2021. Three employees also accepted VSP's. The Group commenced with a Section 189 process on March 5, 2021.

The Group does not have adequate cash resources to honor any large-scale or permanent retrenchments of staff should this be required as a result of COVID-19 related circumstances or other unforeseen events.

Power Supply

The supply of electric power is not guaranteed in South Africa. Currently the public supply is sufficient to power all of the operations at the BC Dundee Properties; however South African power supply is limited, with limited reserve capacity. Over the last 2 years, the country had been plagued by a shortage of supply, which has led to sporadic "load-shedding" of power in certain areas of the country. During 2020 South Africa was impacted by load shedding on 52 days (2019: 36 days) and more than 1,260,000 megawatt hours (2019: 494,759 megawatt hours) were lost due to load-shedding.

This has and could continue to negatively affect the production at the mines in terms of lost production and increased costs. The Company has procured diesel power generators for backup power to the various sub-stations that have been installed on the surface and underground at the BC Dundee Properties. These generators are not sufficient to power up all production equipment, but rather the ventilation fans for employees safety whilst being underground during the load-shedding.

Additionally, any production expansion plan for the BC Dundee operations would be dependent on additional electrical supply, and the majority of new build projects in the country are behind schedule. While the Group has taken steps to meet the need for additional supply of electricity from the public utility (Eskom), there can be no assurance that the BC Dundee Properties will not be negatively affected by the power supply situation on either an operating or cost basis, or both.

Fuel

Rising costs of fuel impact the costs of running the plants and the transportation of labour and materials to the sites and eventually the costs of moving coal from the underground mine.

Environmental Risks and Other Hazards

All phases of the Company's operations are subject to environmental regulation in South Africa. Environmental legislation in many countries is evolving and the trend has been toward stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and increasing responsibility for companies and their officers, directors and employees.

Compliance with environmental laws and regulations may require significant capital outlays on behalf of the Company and may cause material changes or delays in the Company's intended activities. There can be no assurance that future changes in environmental regulations and the manner in which the regulatory authorities enforce these regulations will not adversely affect the Company's business, and it is possible that future changes in these laws or regulations could have a significant adverse impact on some portion of the Company's business, causing the Company to re-evaluate those activities at that time.

Mining involves various other types of risks and hazards, including industrial accidents, processing challenges, unusual or unexpected geological structures, structural cave-ins or slides, flooding, fires, and periodic interruptions due to inclement or hazardous weather conditions. These risks could result in damage to, or destruction of, mineral properties, production facilities or other properties, personal injury, delays in mining, increased production costs, monetary losses and possible legal liability.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants that affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

Dependence on Outside Parties

The Company has relied upon consultants, engineers, contractors and others and intends to rely on these parties for exploration, extraction, development, construction and operating expertise. Substantial expenditures are required to develop coal properties, to establish mineral reserves through drilling, to carry out environmental and social impact assessments, to develop processes to extract coal and, in the case of new properties, to develop the exploration and infrastructure at any particular site. If such parties' work is deficient or negligent or is not completed in a timely manner, it could have a material adverse effect on the Company.

A significant portion of the Company's products are delivered to locations determined by its customers via trains. The Company and its customers rely on the national rail freight carrier to make trains available according to the Company's customers delivery needs. The Company's ability to generate sales is dependent on the national rail freight carrier to make trains availability according to the Company's customers' delivery needs.

Dependence on Key Personnel

The Company is dependent on a relatively small number of key personnel. The Company currently does not have key person insurance on these individuals. Due to the Company's relatively small size, the loss of these persons or the Company's inability to attract and retain additional highly skilled employees required for the operation of the Company's activities may have a material adverse effect on the Company's business or future operations.

The Company's Directors and Officers may have Conflicts of Interests

Certain of the Company's directors and officers also serve as directors and/or officers of other companies involved in natural resource exploration, development and production and as directors. Consequently, there exists the possibility that such directors may be in a position of conflict in respect of proposed transactions or the operation of the Company.

The directors and officers of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interests that they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board of Directors of the Company, any director in a conflict will be required to disclose his or her interest and abstain from voting on such matter.

Market risks

Price of Coal

The Company's profits are directly related to the cost of production, volume and price of coal sold. Price volatility could have a significant impact on the future revenues and profitability of the Company.

Coal demand and price are determined by numerous factors that are beyond the control of the Company including the demand for electricity: the supply and demand for domestic and foreign coal; interruptions due to transportation delays; air emission standards for coal-fired power plants; regulatory, administrative and judicial decisions; the price and availability of alternative fuels, including the effects of technology developments; the effect of worldwide energy conservation efforts, future limitations on utilities' ability to use coal as an energy source due to the regulation and/or taxation of greenhouse gases; proximity to, capacity of, and cost of transportation facilities; and political and economic conditions and production costs in major coal producing regions.

The combined effects of any or all of these factors on coal price or volume are impossible for the Company to predict. If realized coal prices fall below the full cost of production and remain at such level for any sustained period, the Company will experience losses, which may be significant and as a result, the Company may decide to discontinue affected operations forcing it to incur closure or care and maintenance costs, as the case may be.

The COVID-19 pandemic is expected to lead to a significant reduction in economic growth world-wide and has resulted in reduced demand for coal and lead to lower coal prices.

South Africa Country Risks

The operations of the Company are subject to risks normally associated with the conduct of business in South Africa. Risks may include, among others highlighted herein, problems relating to labour disputes, delays or invalidation of governmental orders and permits, corruption and fraud, uncertain political and economic environments, civil disturbances and crime, arbitrary changes in laws or policies, foreign taxation and exchange controls, opposition to mining from environmental or other non-governmental organizations or changes in the political attitude towards mining, limitations on foreign ownership, limitations on repatriation of earnings, infrastructure limitations and increased financing costs.

There have been recent calls in South Africa for the nationalization and expropriation without compensation of domestic mining assets. Any such development would have a significant adverse effect on the Company.

The labour situation in South Africa has been unstable across the mining industry for a number of years. Large scale retrenchments are carried out on a regular basis by numerous companies across the industry, a situation that will most likely be exacerbated as a result of the COVID-19 pandemic.

HIV is prevalent in Southern Africa and tuberculosis is prevalent in the KwaZulu-Natal Province of South Africa, where the Group's operations are situated. Employees of the Company may have or could contract either of these potentially deadly illnesses. The prevalence of HIV and tuberculosis could cause substantial lost employee man-hours and may influence the Company's ability to source skilled labour. Available information suggests that elderly persons and persons with immune deficiencies or respiratory conditions are at higher risk when exposed to the Coronavirus to experience more severe symptoms. The above risks may limit or disrupt the Group's business activities.

The Company's mining operations must remain compliant with South African mining laws, including, *inter alia*, the MPRDA and the Mining Charter, the conditions imposed by the licenses held by the Company, and the BEE participation requirements. However, no assurance can be given that the Company will be able to meet the objectives of South African mining laws going forward, including the 26% HDSA ownership objective and compliance with the requirements of the Mining Charter. There is also no guarantee that the interests of the Company will be wholly aligned with the interests of its (direct or indirect) BEE shareholders.

None of the international credit ratings agencies currently has South Africa listed at investment grade or higher.

Competition

The mining industry is intensely competitive. Significant competition exists for the acquisition of properties producing or capable of producing coal. The Company may be at a competitive disadvantage in acquiring additional mining properties because it must compete with other individuals and companies, many of which have greater financial resources, operational experience and technical capabilities than the Company. The Company may also encounter increasing competition from other mining companies in its efforts to hire experienced mining professionals. Increased competition could adversely affect the Company's ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future.

The Company's Securities May Experience Price Volatility

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Factors unrelated to the financial performance or prospects of the Company include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries.

There can be no assurance that continued fluctuations in coal prices will not occur. As a result of any of these factors, the market price of the securities of the Company may not accurately reflect the longer-term value of the Company.

As of the date of this MD&A, RCF owned 347,945,097 Common Shares representing approximately 82.6% of the issued and outstanding Common Shares and STA owned 41,713,907 Common Shares representing approximately 9.9% of the issued and outstanding Common Shares. Assuming RCF converts the remaining US$27.0 million RCF Convertible Loan before December 31, 2021 and the RCF Convertible Loan is settled quarterly in Common Shares at an interest rate of 0% per annum for the full term, STA is estimated to hold 9.9% and RCF would hold 82.6% of the issued and outstanding Common Shares on December 31, 2020 on a fully diluted basis.

There is a risk that the Company's securities will not trade on the open market due to a majority holding by one entity.

Foreign Assets

All of the assets of the Company are located in jurisdictions outside of Canada. As a result, it may be difficult for shareholders resident in Canada or other jurisdictions to enforce judgments obtained against the Company in Canada.

NON-IFRS PERFORMANCE MEASURES

The Company has included in this document certain non-IFRS performance measures that are detailed below. These non-IFRS performance measures do not have any standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance. Accordingly, they are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The definition for these performance measures and reconciliation of the non-IFRS measures to reported IFRS measures are as follows:

Working Capital

Working capital includes current assets and current liabilities, excluding asset retirement obligations and non-financial instruments.

R'000	Notes	December 31, 2020	December 31, 2019	ZAR changes	% Change
Current assets					
Cash and cash equivalents		**3 999**	3 518	481	14%
Short-term restricted cash		**52**	-	52	100%
Trade & other receivables		**12 559**	37 533	(24 974)	(67%)
Inventories		**63 296**	51 280	12 016	23%
		79 906	92 331	(12 425)	(13%)
Current liabilities					
Trade and other payables		**67 680**	95 045	(27 365)	(29%)
Current lease liabilities		**266**	536	(270)	(50%)
Current portion of borrowings	1	**56 115**	64 115	(8 000)	(12%)
RCF Loan Facility (including the conversion option)	2	**14 387**	355 905	(355 905)	(96%)
Current tax liabilities		**272**	255	17	7%
		138 720	515 856	(377 136)	(73%)
Net working capital deficit		**(58 814)**	(423 525)	364 711	(86%)

The net change in working capital included in the cash flow statement identifies the changes in trade and other receivables, inventory and trade and other liabilities that occurred during the period. An increase in a liability (or a decrease in an asset) is a source of funds; while a decrease in a liability (or an increase in an asset) is a use of funds.

Notes:
1) Current portion of borrowings comprised of the outstanding loan balance payable to Investec at the end of the respective period (Refer to Note 26 of the Financial Statements).
2) RCF loan facility comprised R14.4 million relating to the conversion option and US$27 million relating to the RCF Convertible Loan outstanding and payable which is re-classified as a non-current liability as at December 31, 2020 due to the extension of the loan maturity date and converted to ZAR at the end of the respective periods (Refer to Note 22 of the Financial Statements).

EBITDA & ADJUSTED EBITDA

EBITDA is defined as earnings before interest, tax, depreciation and amortization. Adjusted EBITDA is further determined by adding back/deducting the following: Impairment or reversal of an impairment of an asset, fair value adjustments to financial instruments, stock-based compensation, foreign exchange gains and losses, and non-recurring transaction expenses or income.

The reconciliation of profit/(loss) for the period to EBITDA and EBITDA to adjusted EBITDA is as follows:

R'000	FY 2020	FY 2019	Q4 2020	Q4 2019	Q3 2020
(Loss)/profit for the period	**(2 017)**	36 839	**79 691**	33 216	5 390
Depreciation and amortization	**12 984**	16 246	**3 390**	4 193	3 187
Finance costs/(income) - net	**35 884**	37 131	**9 259**	8 177	8 918
EBITDA	**46 851**	90 216	**92 340**	45 586	17 495
(Recovery)/impairment of receivables	**(642)**	4 884	**(333)**	(208)	(263)
Impairment of property, plant and equipment	**-**	8 042	**-**	8 042	-
Fair value adjustments on financial assets and conversion option liability	**(27 814)**	(42 001)	**(24 926)**	(24 740)	(799)
Foreign exchange losses/(gains)	**14 960**	(7 723)	**(57 080)**	(29 319)	(13 146)
Adjusted EBITDA	**33 355**	53 418	**10 001**	(639)	3 287

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

Headline earnings/loss per share is a basis for measuring profit/loss per share which accounts for all the profits and losses from operational, trading, and interest activities that have been discontinued or acquired at any point during the year. Excluded from this figure are profits or losses associated with the sale or termination of discontinued operations, fixed assets or related businesses, or from any permanent devaluation or write-off of their values.

Headline earnings per share is calculated using the weighted average number of ordinary shares in issue during the year and is based on earnings attributable to ordinary shareholders, after excluding the items mentioned above and those items as required by Circular 1/2019 issued by the South African Institute of Chartered Accountants ("SAICA").

Reconciliation of profit/(loss) for the periods to headline earnings/(loss) and normalized headline earnings/(loss) is disclosed below:

R'000	FY 2020	FY 2019	Q4 2020	Q4 2019	Q3 2020
(Loss)/profit attributable to equity holders of the Company	**(2 017)**	36 839	**79 691**	33 216	5 390
Adjustments:					
Net profit on disposal of property, plant and equipment	-	(515)	-	(48)	-
Impairment loss on property, plant and equipment	-	8 042	-	8 042	-
Taxation thereon	-	(2 108)	-	(2 108)	-
Headline (loss)/earnings for the period	**(2 017)**	42 258	**79 691**	39 102	5 390
Headline (loss)/earnings per share – basic and diluted	**(0.00)**	0.10	**0.19**	0.09	0.01
Normalized headline (loss)/earnings for the period	**(2 017)**	42 258	**79 691**	39 102	5 390
Normalized headline (loss)/earnings per share – basic and diluted	**(0.00)**	0.10	**0.19**	0.09	0.01

SUMMARY OF SECURITIES AS AT MARCH 25, 2021

As at March 25, 2021 the following Common Shares, Common Share purchase options and share purchase warrants were issued and outstanding:

- 421 352 596 Common Shares;
- 450 000 Common Share purchase options with an exercise price of C$0.05 and a weighted average remaining contractual life of 0.40 years.

LIST OF DIRECTORS AND OFFICERS

Craig Wiggill	Director, Chairman of the Board of Directors
Rory Taylor	Director, Chairman of the Audit Committee
Edward Scholtz	Director, Chairman of the Health & Safety Committee and the Corporate Governance Committee
Emma Oosthuizen	Chief Executive Officer
Willie Bezuidenhout	Chief Financial Officer