

The background of the cover is a dark, textured surface resembling coal or rock. A large, colorful, low-poly geometric shape, resembling a stylized bird or a star, is positioned in the center. Several hexagonal inset images are arranged around the central shape. A bright orange and yellow light streak, resembling a comet or a laser beam, enters from the top right and curves downwards. A blue light streak enters from the bottom right and curves upwards. A large, dark, irregularly shaped rock is in the bottom left corner, surrounded by a white glow.

ANNUAL REPORT 2022/2023



AFRICAN EXPLORATION
MINING AND FINANCE
CORPORATION SOC LTD

Contents

General Information	2
List of Abbreviations/Acronyms	2
Foreword by the Chairperson	4
Chief Executive Officer's Overview	6
Statement of Responsibility and Confirmation of Accuracy for the Annual Report	8
Company Secretary's Statement of Verification	9
PART A: THE HEARTBEAT OF AEMFC	10
Vision	11
Mission	11
Purpose	11
Values	11
Legislative and other Mandates	12
Organisational Structure	12
PART B: HEALTH AND SAFETY	14
Our Approach to HSE	15
PART C: Our Performance	26
Performance Highlights	27
Performance Overview	28
Performance Summary	31
Auditor's Report: Pre-determined Objectives	33
PART D: Our Operations	34
Corporate Services	35
Risk Management	42
Internal Control Unit	44
Internal Audit and Audit Committees	44



PART E: Governance **46**

Introduction	47
Board Members	49
AEMFC Executive Team Structure	53
Company/Board Secretary	54
Audit Committee Report	56
Fraud and Corruption	57

PART F: Financial Information **58**

Contents	59
Report of the Auditor-General South Africa to Parliament on African Exploration Mining and Finance Corporation SOC Limited for the year ended 31 March 2023	60
Annexure to the Auditor's Report	67
Compliance with legislation – selected legislative requirements	68
Directors' Responsibilities and Approval	69
Certificate by Company Secretary	70
Statement on Corporate Governance	71
Performance against Objectives	77
Report of the Board Audit and Risk Committee	84
Statement of Financial Position as at 31 March 2023	86
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2023	87
Statement of Changes in Equity for the year ended 31 March 2023	88
Statement of Cash Flows for the year ended 31 March 2023	89
Accounting Policies	90
Notes to the Financial Statements	104
Notes	132



General Information

General Information for African Exploration Mining and Finance Corporation (AEMFC)

Registered Name:	African Exploration Mining and Finance Corporation SOC Limited
Registration Number:	1944/018018/30
Physical Address:	Waterfall Corporate Campus 74 Waterfall Drive Waterfall City Midrand 2090
Postal Address:	PO Box 78969 Sandton 2146
Telephone Number/s:	+27 10 010 6100
Email Address:	info@aemfc.co.za
Website Address:	www.aemfc.co.za
Auditor:	Auditor-General of South Africa (AGSA)
Bankers:	ABSA Bank Ltd.
Company/Board Secretary:	Mr T Piyose

List of Abbreviations/Acronyms

AEMFC	African Exploration Mining and Finance Corporation
AFS	Annual Financial Statements
AGSA	Auditor-General of South Africa
AMCU	Association of Mineworkers and Construction Union
BARC	Board Audit and Risk Committee
B-BBEE	Broad-Based Black Economic Empowerment
CCMA	Commission for Conciliation, Mediation, and Arbitration
CDM	Chronic Disease Monitoring
CEF	Central Energy Fund
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COP	Code of Practices
CSA	Coal Supply Agreement
CSI	Corporate Social Investment
DFFE	Department of Forestry, Fisheries, and the Environment
DMRE	Department of Mineral Resources and Energy
DWS	Department of Water and Sanitation
EAP	Environmental Assessment Practitioner
EE	Employment Equity Act
EMPPA	Environmental Management Programme Performance Assessment
ERM	Enterprise Risk Management
ESG	Environment, Social, and Governance
EXCO	Executive Committee
FSB	Financial Service Board

GHG	Greenhouse Gas
GIT	Graduates-In-Training
HDSA	Historically Disadvantaged South Africans
HR	Human Resources
HSEC	Health, Safety, Environment, and Community
IESBA	International Ethics Standards Board for Accountants
IFRS	International Financial Reporting Standards
IT	Information Technology
IWUL	Integrated Water Use Licence
IWWMP	Integrated Water and Waste Management Plan
LED	Local Economic Development
LTI	Lost Time Injury
LTIFR	LTI Frequency Rate
MEC	Member of Executive Council
MHSC	Mine Health and Safety Council
MOI	Memorandum of Incorporation
MRPDA	Mineral Resources and Petroleum Development Act
NUM	National Union of Mineworkers
OEL	Occupational Exposure Limits
PAA	Public Audit Act No. 25 of 2004
PAIA	Public Access to Information Act
PFMA	Public Finance Management Act, Act 1 of 1999
POPIA	Protection of Personal Information Act
PPPFA	Preferential Procurement Policy Framework Act
PTO	Planned Task Observations
REE	Rare Earth Elements
RFQ	Request for Quotation
ROA	Return on Asset
ROE	Return on Equity
ROM	Run of Mine
SA	South Africa
SCM	Supply Chain Management
SHE	Safety, Health, and Environment
SLP	Social and Labour Plan
SOC	State-Owned Company
SOE	State-Owned Entity
TR	Treasury Regulations
VFL	Visible Felt Leadership



Foreword by the Chairperson

The African Exploration Mining and Finance Corporation SOC Limited (AEMFC) is dedicated to ensuring that South Africa's pivotal energy and mineral resources are harnessed, delivering both economic and societal advantages for the country and its residents. This commitment steers the transformation of our national mining landscape, taking cues from the EE, B-BBEE, and Preferential Procurement Policy Framework Act (PPPFA) Acts, alongside the Mining Charter.

Our core responsibility is safeguarding South Africa's energy reservoir, predominantly through coal mining for electricity production, while also ensuring a future supply of other vital resources, especially key minerals pivotal for the energy and steel sectors. Regrettably, the past financial year was overshadowed by the COVID-19 pandemic, despite a proactive government vaccination initiative. This period saw the mining industry grappling with challenges, with many operations halting or running on limited capacity.

It is heartening to note that our company concluded the second year of its four-year Coal Supply Agreement with Eskom Holding SOC Ltd. Thanks to our team's relentless efforts, there's been a notable uptick in production at Vlakfontein, translating to record profits this financial year. Together with our Board, we have implemented an effective recovery strategy, ensuring sound financial health and ample reserves for growth-focused initiatives. Our persistent dedication is reflective in our endeavours to solidify energy supply for the nation and champion the mineral beneficiation strategy.

On the horizon are exciting ventures by the Department of Mineral Resources and Energy, as we eye mineral concessions in other parts of Africa.

Shareholder Alignment

Our vision is congruent with the nation's National Development Plan 2030, an ambitious blueprint aiming to diminish poverty, inequality, and unemployment by 2030. We have established a Shareholder Compact with the Central Energy Fund (CEF) SOC, consistently generating value, with all profits channelled towards growth initiatives. This year witnessed the Board being fortified with the induction of seasoned directors, enriching our Board's expertise. While our Board presently boasts 30% female representation, we are keen on enhancing this statistic. I firmly believe that these rejuvenations promise a more vibrant Board, poised to guide AEMFC's strategic trajectory and growth.

Safety

Our safety record is commendable, with no fatalities since our inception in 2011 and the last Lost Time Injury (LTI) being in July 2015. We are currently performing excellently with an LTI Frequency Rate (LTIFR) of 0,00, surpassing our target. Continuously, we urge our workforce to get vaccinated against COVID-19 and strictly adhere to safety protocols to preclude any mishaps.

Our People

Our company's ethos is deeply rooted in enhancing the well-being of all our employees, an ambition underpinned by our consistent operational excellence. A heartfelt appreciation is extended to every AEMFC team member for their unwavering dedication.

Local Communities

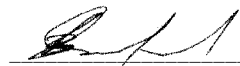
In tandem with the Mineral and Petroleum Resources Development Act, AEMFC honours its Social and Labour Plan commitments. We have been instrumental in community enrichment through various avenues, ranging from youth and women employment, infrastructure development, educational support, to backing local farming communities.

Outlook

For the upcoming financial year, our spotlight remains on Vlaktefontein Mine. We are eager to obtain the requisite clearances to extend Vlaktefontein, refine our coal quality, and augment our coal reserves for the Eskom Coal Supply Agreement (CSA). We are also strategising to diversify our offerings and customer spectrum, reducing over-reliance on Eskom. Our future blueprints encompass expanding our mining assets through organic growth and prudent acquisitions.

AEMFC's allegiance to its State-Owned Mining Company mandate remains unwavering, and we are resolute in delivering unparalleled value to our shareholders.

In conclusion, my deepest gratitude is extended to the Honourable Minister of Minerals Resources and Energy, and the dedicated directors. Their astute guidance and zealous commitment have been invaluable.



Mr Zacharias Bernadus Swanepoel

Independent Non-Executive Chairman

African Exploration Mining and Finance Corporation SOC Ltd

02 November 2023





Chief Executive Officer's Overview

I am honoured to present the AEMFC Annual Report for the financial year 2022/2023. This report emphasises our performance against the set strategic objectives. Our financial performance exceeded the budget, driven by sustained operational improvements at Vlakfontein Mine. This year, African Royalty Minerals declared dividends for AEMFC's 40% stake. Additionally, we have decided to sell our 26% share in Mzimkhulu Mining, the proceeds from which are earmarked for future capital expenditure.

Health and Safety

Our safety record at the Mine remains commendable. Since its inception, there have been no fatal accidents. The last LTI was in July 2015. Despite many years with an LTIFR of 0,00, it currently stands at 0,61 against a year's target of 0.9, following an isolated incident in March 2023. This prompted us to launch the safety review programme, ensuring the utmost safety of all workers. Health, Safety, Environment, and Community (HSEC) challenges are continuously addressed by our dedicated HSEC Team. Our key areas of focus this year centre on systematic improvement and compliance. As for COVID-19, we have remained vigilant and encouraged staff, especially at the head office, to return and support the organisational turnaround.

Operational Performance

The government's decision to lift stringent lockdown measures and reopen the economy boosted electricity demand. As a result, the last quarter of the year saw a surge in production and sales. We achieved four consecutive quarters of surpassing our minimum energy contractual targets. Yet, our annual sales were hampered by capacity constraints at Kusile Power Station. We had foreseen the construction of a coal washing plant at Vlakfontein, but COVID-19 and other constraints have now made us consider a partnership approach for this initiative.

Financial Performance

This year, we achieved revenue of R1.427 billion, up by 106% from the previous year. This surge was mainly due to an enhanced performance against the Eskom CSA. Nevertheless, the associated cost of goods sold escalated to R1.190 billion, significantly affecting the Gross Profit margin. Future endeavours will aim to enhance our export coal capabilities, targeting mines like Klippoortjie.

Additionally, our strategic risk register has been updated, prioritising comprehensive compliance assessments. This is in line with our bid to continue to improve the controls and accountability environment within the organisation.

Human Resources

Our dedicated team is central to our growth. Following a restructuring last year, we now employ 226 individuals. Most of them hail from the labour-supplying communities, notably the Ogies region. We take pride in the diversity of our workforce, particularly the inclusion of women and the youth, but we are also working to achieve more acceptable levels of gender parity. We maintain healthy working relationships with our employees, focusing on growth, training, and fair employment practices. We are also building an internship programme to help graduates become work-ready, and thus enhance the pool of qualified industry professionals.

Community Development

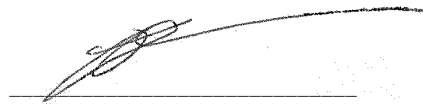
We maintain a strong relationship with the communities where we operate, particularly through enterprise development and our Social and Labour Plan (SLP). Our commitment lies in enhancing the living standards of these communities.

Outlook

Our focus for the upcoming year is to sustain our positive trajectory. We aim to improve our performance through diversification of our minerals portfolio, and the leveraging of the strength of our strategic partnerships. Exploration activities have already started in some provinces particularly North West and Northern Cape. A culture of excellence will be fostered, backed by upholding our organisational values and principles.

Conclusion

I wish to express my deep appreciation to our diligent employees, the Department of Mineral Resources and Energy, the Board of Directors, and CEF SOC Ltd. Thank you for your unwavering support and guidance. Also, our gratitude extends to all our business partners and suppliers, whose continuous support is invaluable.



Mr Lemogang A Pitsoe

Chief Executive Officer

African Exploration Mining and Finance Corporation SOC Ltd

02 November 2023



Statement of Responsibility and Confirmation of Accuracy for the Annual Report

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in this Annual Report is consistent with the Annual Financial Statements audited by the Auditor-General of South Africa (AGSA). Please refer to pages 60 to 66 for further details.

This Annual Report is complete, accurate, and free from any omissions.

This Annual Report has been prepared in accordance with the guidelines for annual reports as issued by National Treasury.

The Annual Financial Statements, included with this report, have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable to a public entity.

The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information, and the Annual Financial Statements.

The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information, and the financial affairs of the public entity for the financial year ended 31 March 2023.

Yours faithfully



Mr Lemogang Pitsoe
Chief Executive Officer

02 November 2023



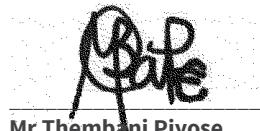
Mr Zacharias Bernadus Swanepoel
Chairperson of the Board

02 November 2023

Company Secretary's Statement of Verification

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I hereby certify that the group has lodged with the Commissioner all such returns as are required of a public company in terms of the Act and I hereby certify that all such returns are true, correct, and up to date.

As Company Secretary, I hereby confirm, in accordance with the companies Act No.71 of 2008, that for the year ending March 31 2023, the company has submitted to the Commissioner Of Companies all such returns as required by a public company in terms of the Act, and that all such returns are accurate and authentic. I declare that, to the best of my knowledge, that all such returns are true, correct and up to date.



Mr Thembani Piyose
Company Secretary

02 November 2023





PART A

*The heartbeat
of AEMFC*



Vision

Our vision serves as the framework that guides every facet of our business by articulating what we need to accomplish in order to continue achieving sustainable business growth and meaningful societal impact.

To be one of the leading self-sustaining suppliers of current and future energy and other strategic minerals resources in South Africa and the rest of Africa for the security of strategic minerals supply for the country's benefit and future development.



Mission

Our mission boldly declares our purpose as a company. It serves as a measure by which we weigh the achievement and impact of our actions and decisions.

To secure the achievement of our vision through the optimal exploration, acquisition, and mining of strategic resources for the sustainability of the company without compromising quality, and safety while preserving the environment and enhancing the satisfaction of all our key stakeholders.



Purpose

AEMFC's purpose is: To ensure that South Africa's energy-producing and beneficial mineral resources (e.g., Coal, Rare Earth's Elements, PGMs, Battery Minerals, Ferrous and non-Ferrous metals, etc.) are developed in order to unlock economic and social benefits for the Republic and the attainment of associated developmental objectives in the rest of the African Continent and the world.



Values

Our company values describe how we aspire to behave while interacting with our clients and other stakeholders as we execute our corporate strategy. We strive to act with Integrity, Care, Accountability, and Excellence (iCARE) in our delivery of value to all our stakeholders.



Legislative and other Mandates

African Exploration Mining and Finance Corporation SOC Limited (AEMFC) is a State-Owned Mining Company established to secure South Africa's energy supply, primarily through the mining and supply of coal for the generation of electricity, as well as securing other resources that will provide energy for the future. This includes minerals for beneficiation in the energy and steel value chains. The core business of AEMFC is the mining of strategic assets, such as coal for government. AEMFC is governed by the Public Finance Management Act (PFMA), and is a public entity listed in Schedule 2 of the PFMA.

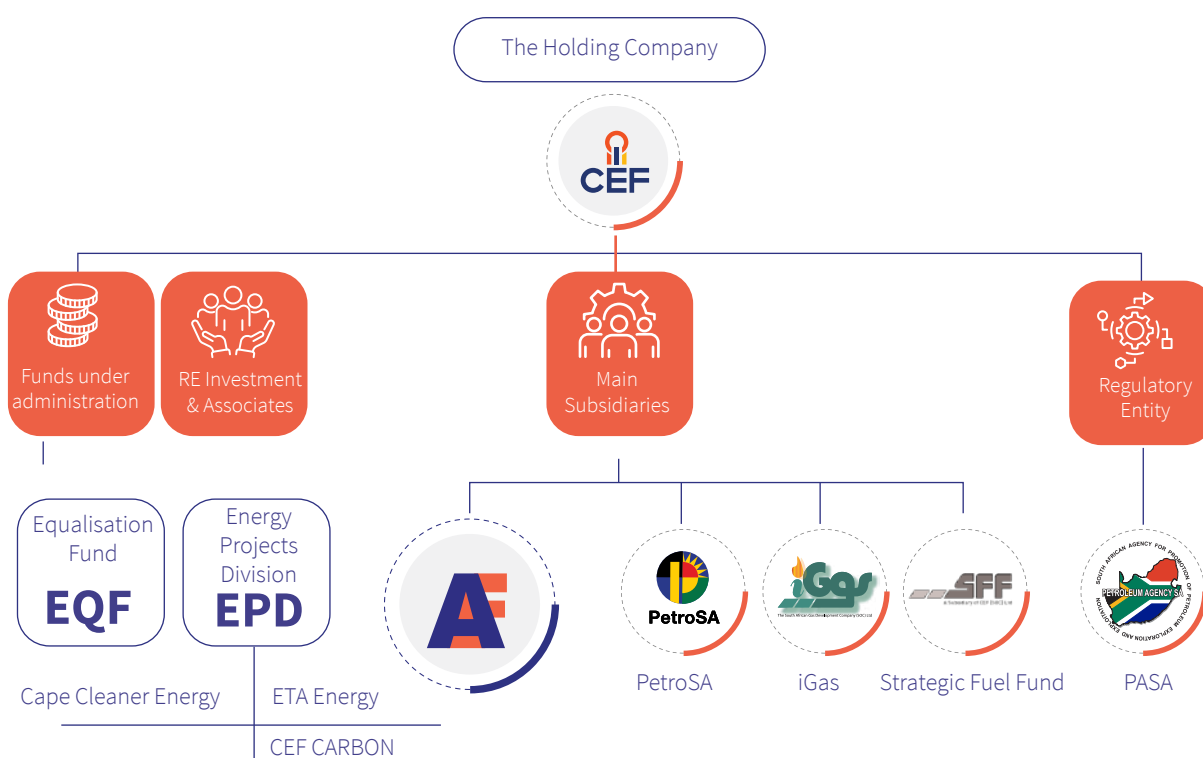
AEMFC was incorporated on 26 October 1944 as a private limited liability company in terms of the Companies Act 26 of 1926.

The AEMFC mandate derives from the Ministerial Directive issued by the Minister of Minerals and Energy on 03 April 2007. In alignment with its Memorandum of Incorporation (MOI), the Ministerial Directive, and its main objective of safeguarding security of energy supply, AEMFC is mandated to acquire and hold exploration and mineral rights in respect of all energy related and other minerals on behalf of the State, and to engage in the mining thereof. As a SOE, AEMFC is also mandated to support Eskom SOC Limited (Eskom) and Petroleum Oil and Gas Corporation of South Africa (SOC) Limited (PetroSA) by ensuring that there is secure supply of feedstock for sustainable power generation and development of indigenous fuels, like coal-to-liquids technology. In the execution of its business mandate, AEMFC is expected to – whenever deemed expedient and as far as practicable – collaborate with B-BBEE companies and other SOEs, and in doing so, be subject to objective compliance with all legislation and regulatory requirements, including the Mineral and Petroleum Resources Development Act 28 of 2002 (MPRDA).

In keeping with the provisions of the Public Finance Management Act No. 1 of 1999 (PFMA), AEMFC annually concludes a Shareholder's Compact with the sole shareholder, CEF. The Shareholder's Compact sets out the broad governance principles and parameters for regulating the relationship with CEF as the holding company. It also gives effect to approved performance targets for AEMFC.

The underpinning principles of the Shareholder's Compact affords the AEMFC Board and Executive Management team sufficient freedom to manage its business affairs in a vigorous and enterprising manner, within an agreed mandate and framework of effective accountability.

Organisational Structure







PART B

Health and Safety

Transcending regulation to
embrace excellence.

Our Approach to HSE

At AEMFC, our commitment to health and safety goes beyond mere regulatory compliance; it is at the core of our operations. Recognising the inherent challenges of the mining sector, we prioritise the wellbeing of every individual, ensuring that safety is an intrinsic part of our culture. Through rigorous training and proactive protocols, AEMFC strives to practice responsible and ethical mining, where productivity harmonises seamlessly with safety and health.

 Safety	 Health	 Environment	 Community
- The LTIFR target for the year was set at 0.9; however, it was not achieved, coming in at 0.25 due to an isolated LTI during the last month of the fiscal year. - A total of 33 health and safety incidents were reported over the year, with 4 in March, including the LTI.	- A total of 395 medical surveillances were conducted over the year, with the majority being periodic (173), followed by exits (146). - On average, 36 chronic monitoring procedures are carried out as part of the mine's wellness programmes.	- Over the year, 19 environmental incidents were reported. - The target for rehabilitation backfilling/levelling wasn't met this year. Approximately 23 hectares are now ready for final rehabilitation/seeding. - Annual GHG emissions from the operation are notably under 20 tonnes (CO₂ equivalent). - Two authorisations are still pending from both DWS and DMRE, namely IWUL and EMPR for the West Block and Bunker application.	Engagement with Chief Mahlangu regarding the Two-line community issues continued under a cordial atmosphere.

During the 2022/23 financial year, there were 33 health and safety incidents, with 13 of these occurring during the last quarter for the period. Most of these incidents involved Trackless Mobile Machines and resulted in property damage.

Health and Safety Incidents

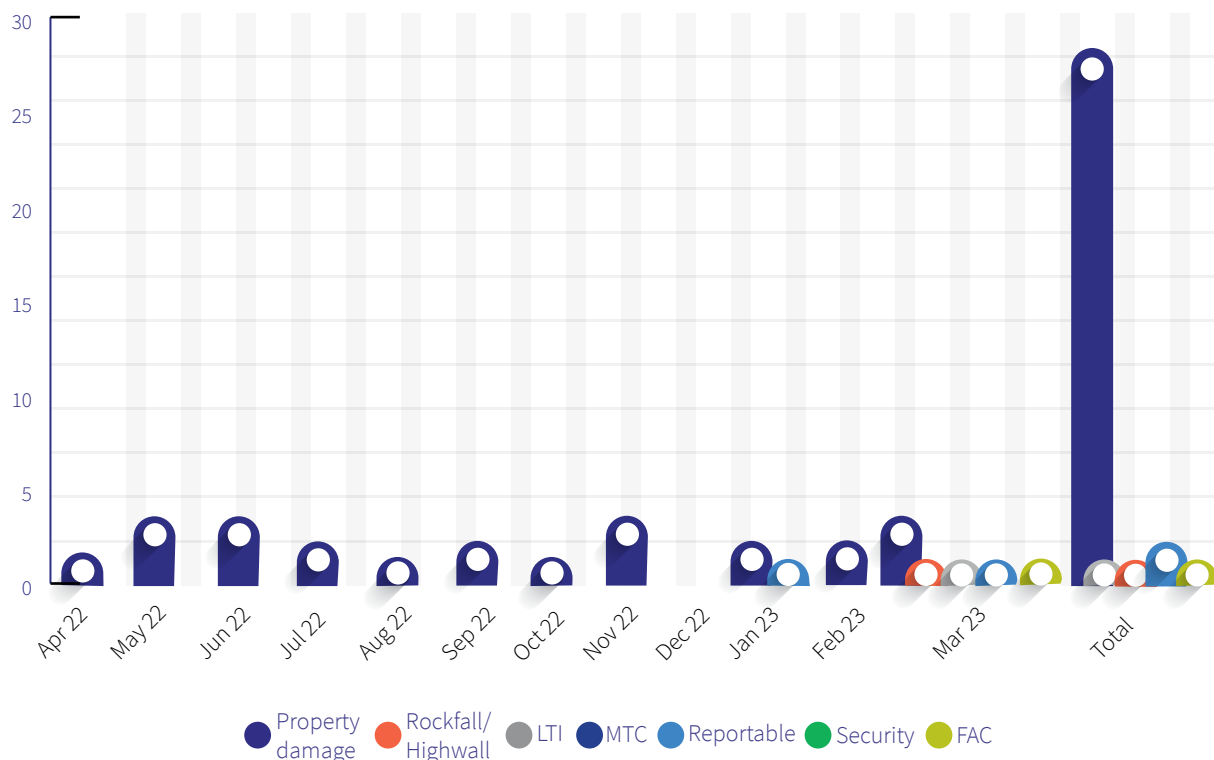


Figure 1: Health and Safety Incidents

Occupational Health

The Mine regularly conducts Occupational Health Monitoring, ensuring compliance with the Occupational Exposure Limits and the targets set by the Mine Health and Safety Council for 2024. These milestones are:

- 95% of exposure measurements should be below the threshold for respirable crystalline silica, set at $0,05 \text{ mg/m}^3$.
- 95% of exposure measurements should fall below the milestone for coal dust respirable particulate, which is $1,5 \text{ mg/m}^3$
- Equipment noise should not exceed a milestone sound pressure level of 107 decibels.

The sampling strategy we employ stems from a comprehensive occupational risk assessment for the Mine. Three incidents of overexposure were recorded during the 2022/23 financial year. The Mine is investigating these instances, and detailed findings will be presented to the Board early in the new financial year. The organisation's performance on key occupational monitoring is illustrated in the corresponding figures, shown hereafter, as indicated. Monitoring for quartz/crystalline is especially crucial for the drilling team, given its potential occupational hazards. Despite an overexposure incident, recorded in July 2022, the Mine's performance in the drilling domain has otherwise been commendable.



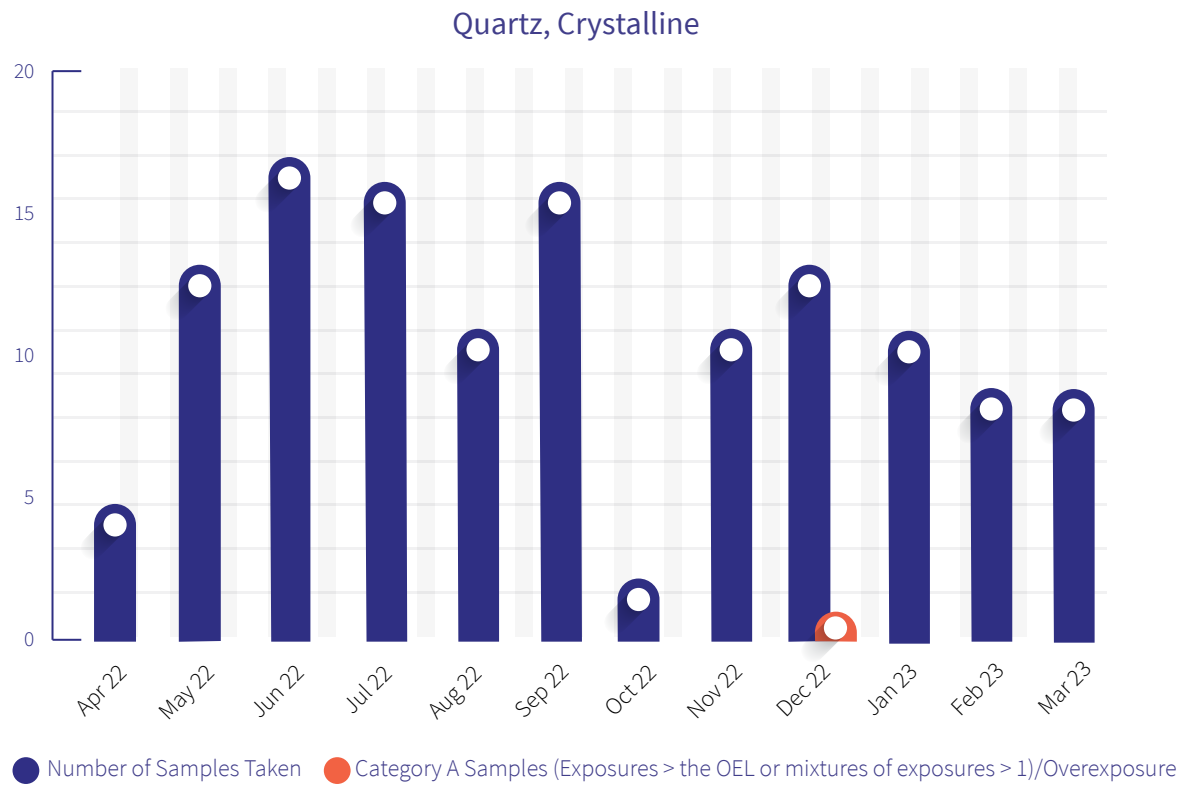


Figure 2: Quartz/Crystalline Monitoring

Samples taken regularly to measure exposure to respirable coal dust. A marked improvement is noted toward the latter part of the 2022/23 financial year.

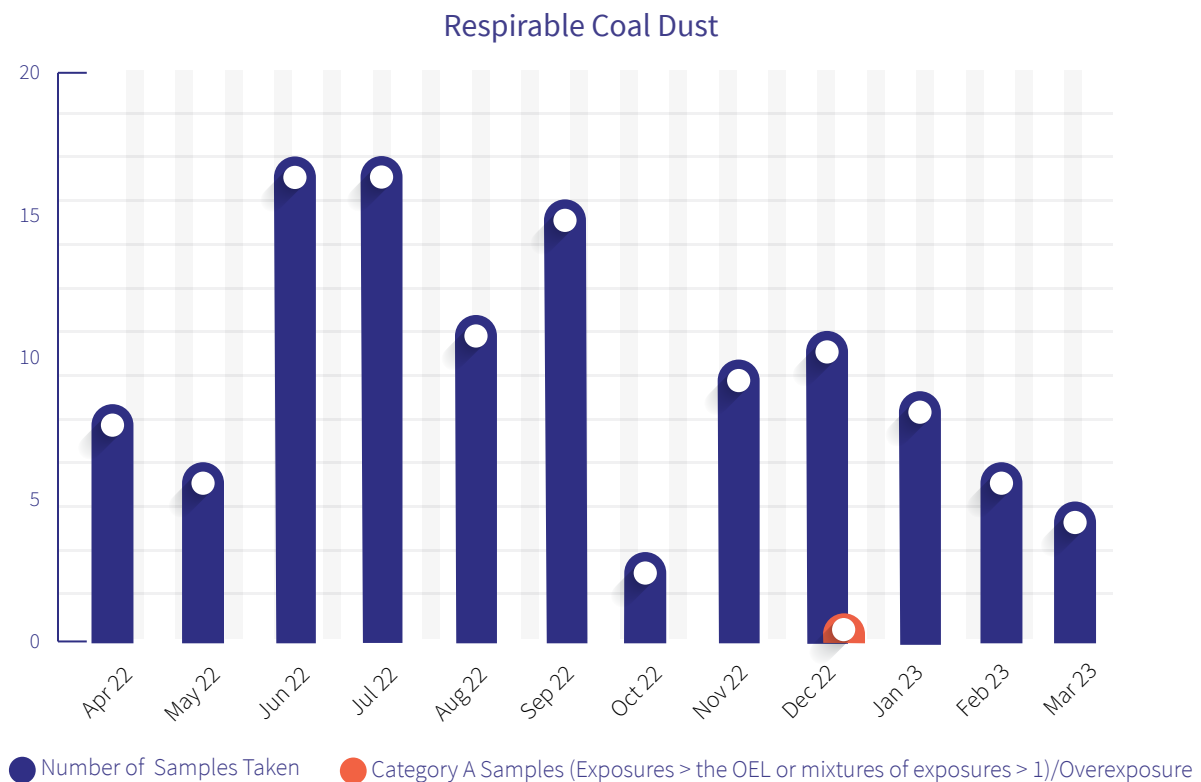


Figure 3: Respirable Coal Dust Monitoring

The organisation undertakes approximately six samples per month, on personal noise exposure.

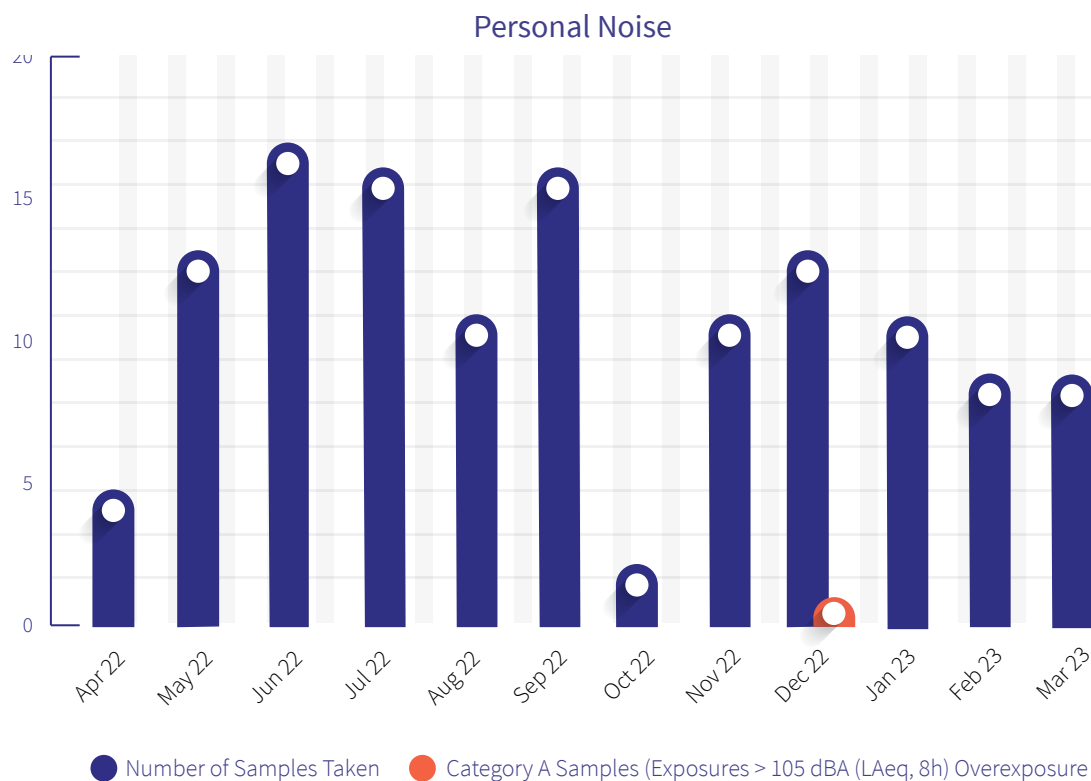


Figure 4: Personal Noise Monitoring

HSEC – Vlakfontein

Despite a LTI experienced in March 2023, Mine safety statistics remain commendable. Aiming for an LTIFR below one, aligns with both industry standards and best practices. While challenges exist in the incident reporting for the HSEC division, the newly acquired reporting system will be implemented for improved reporting accuracy.

There were three occupational health overexposure incidents over the year. The Mine is addressing these incidents with ongoing investigations and the rollout of preventative measures. Chronic Disease Monitoring (CDM) is vital to ensure workforce fitness. Current CDM compliance is below 100%, prompting the Mine to increase awareness and potentially restrict access to non-compliant employees.

A new Integrated Water Use Licence from the Department of Water and Sanitation (DWS) has been received, replacing the three previous licences that had a 78% compliance rate. Authorisations for the West Block and Bunker application from the DWS and DMRE are pending.

Community engagement saw a strike from the two-line community over municipal electricity disconnections.

An updated SLP was submitted in September 2022, and the Mine continues to foster community support, notably in education.

Our safety record remains commendable and intact. Since inception of mining in 2011, there have been no fatal accidents. The last LTI was in July 2015. However, despite many years with an LTIFR of 0,00, it currently stands at 0,61 against a year's target of 0.9, following an isolated incident in March 2023. This prompted us to launch the safety review programme, ensuring the utmost safety of all workers. Health, Safety, Environment, and Community (HSEC) challenges are continuously addressed by our dedicated HSEC Team. Our key areas of focus this year centre on systematic improvement and compliance. As for COVID-19, we have remained vigilant and encouraged staff, especially at the head office, to return and support the organisational turnaround.

LTIFR YTD

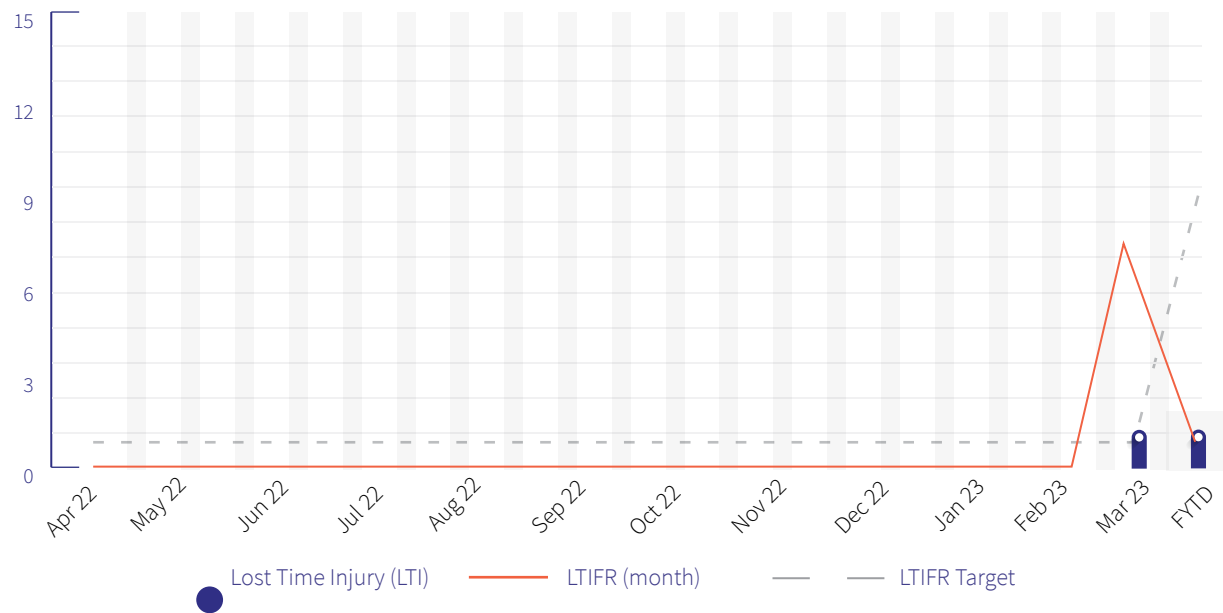


Figure 5: LTIFR Performance

Health Monitoring

All employees undergo annual medical surveillance and are further assessed upon leaving the Company to ensure they meet fitness-for-work standards. As shown in Figure 6, 1,395 medical assessments were conducted over the year. Of these, the majority (12%) were routine checks, while 11% were exit evaluations.

Medical Surveillance

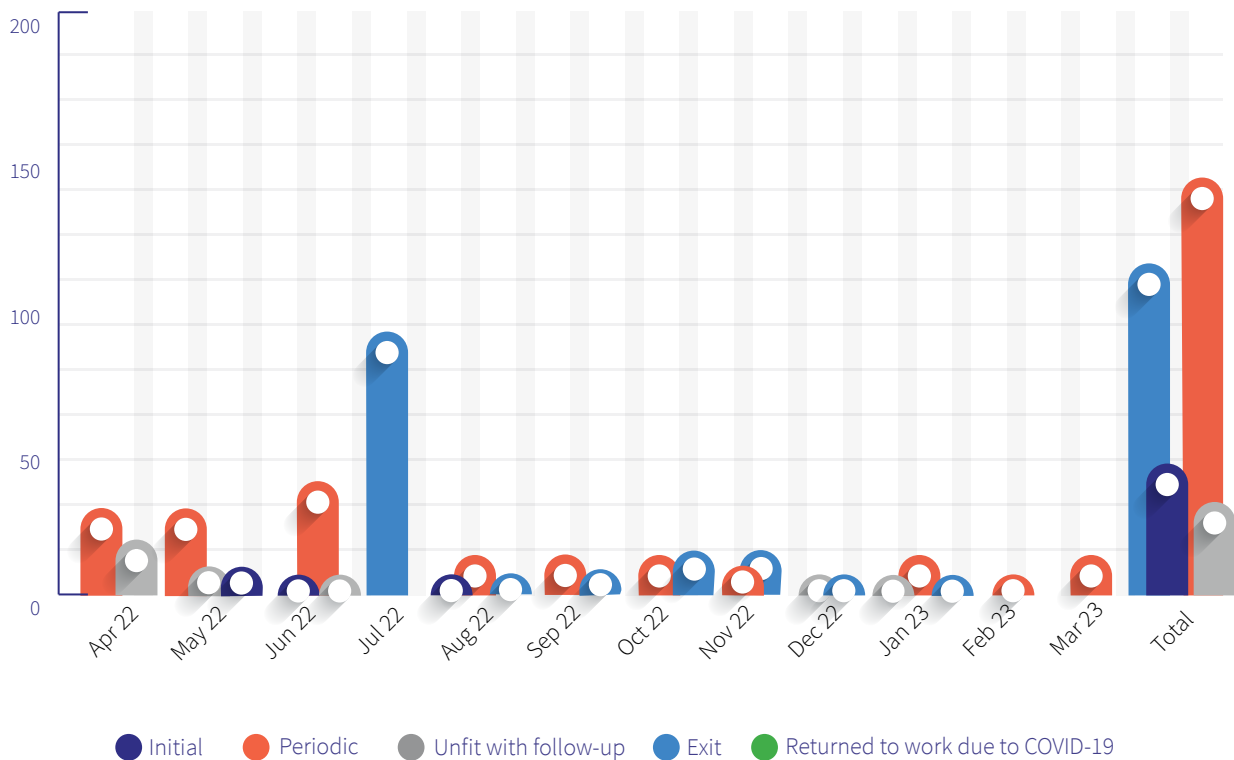


Figure 6: Medical Surveillance Statistics

On average, 36 chronic health assessments are conducted annually as an integral component of the Mine's wellness initiatives. The Mine's compliance status has, however, been inconsistent, falling short of the DMRE's mandate for 100% compliance. Measures are currently being put in place to achieve full compliance with the CDM standards.

Chronic Monitoring FY 22/23

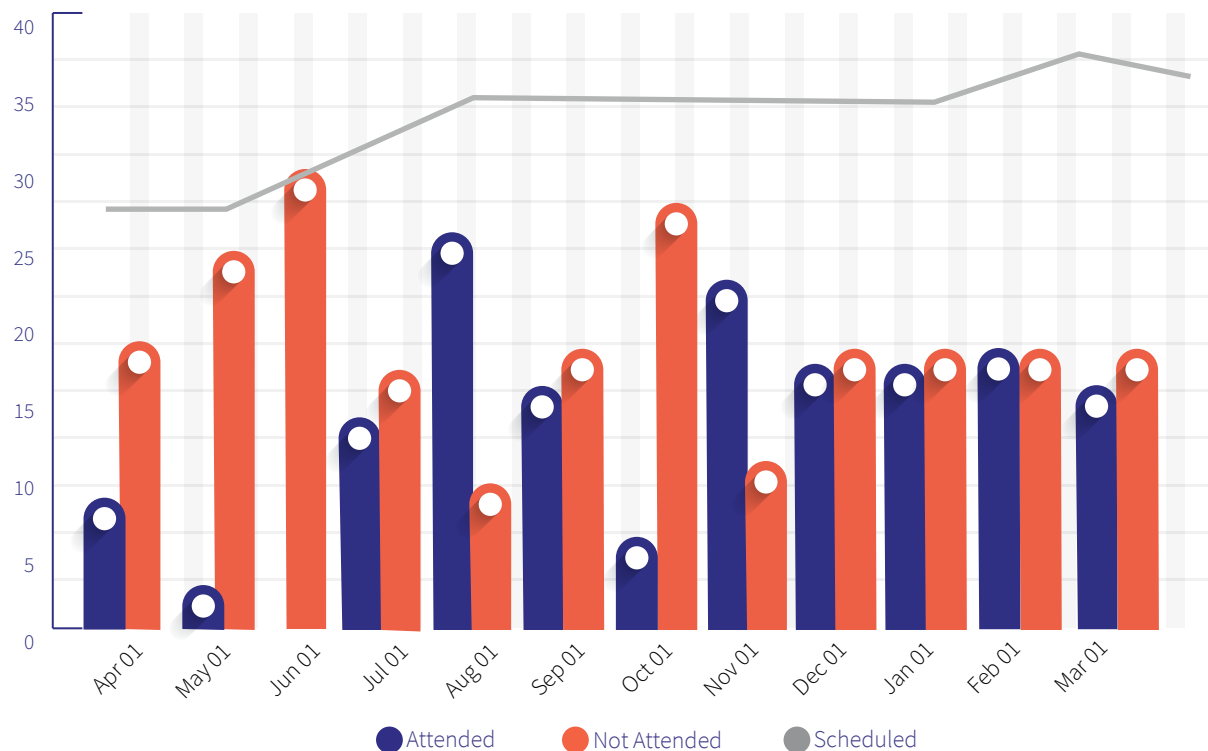


Figure 7: Chronic Disease Monitoring

Environmental Management

Legal compliance is a cornerstone of our environmental management system. In 2022, the Vlakfontein Mine sought an amendment to the existing Integrated Water Use Licence (IWUL), which had a 78% compliance rate, to align more closely with authorisation requirements and to address certain unattainable conditions. DWS responded by granting the Mine a consolidated IWUL. The Mine will conduct both internal and external audits, within a year from the licence issuance date, to determine the new compliance status.

Throughout the year, we are proud to report that no environmental incidents that warranted official reporting were observed. No environmental notifications or directives were handed down by relevant authorities. In March 2023, an inspection by the DMRE took place, with the inspection notice being shared in April 2023. While a detailed status report concerning the DMRE inspection is scheduled for release in the upcoming financial year, we are pleased to highlight that 90% of the recommended actions have already been implemented.

A crucial facet of our environmental management approach is consistent monitoring. The Mine diligently tracks various environmental indicators, including potential air and water contaminants. Notably, no significant issues were reported near sensitive receptors in relation to dust. As for Greenhouse Gas emissions, the figures remained low throughout the year. We are currently assessing the need for an atmospheric pollution prevention plan in collaboration with the Department of Forestry, Fisheries and Environment (DFFE).

Environmental Authorisation Status

Various environmental applications were submitted for the mine, and further detail is captured in Table 1, below.

Table 1: Environmental Applications

Current Applications	Status	Expected Completion
Bunker and West Block - IWUL	IWUL is being considered by DWS. A site visit was undertaken by DWS in April, currently preparing a follow-up meeting with all the relevant information required.	To be confirmed after meeting with DWS in Q1 of the FY2023/24.
Current Applications	Status	Expected Completion
Bunker and West Block - EMPR	The environmental impact report has been submitted to DMR.	Submitted in November 2022 and DMRE has exceeded their stipulated timeframe for decision-making.
IWUL Consolidation	The consolidated IWUL was received in April 2023. Currently reviewing the conditions.	Completed.

The key performance requirement per authorisation and the status update is provided in the table below. In summary, several activities that were planned to be undertaken to comply with the IWUL were not achieved. The Mine has already put up a plan to address the shortcomings experienced in the 2022/23 financial year.

Table 2: Legal Key Performance Updates

Authorisation	Performance in 2022/23	Performance update
IWUL	1. Update the water balance.	The water balance was not updated in 2022/23, however, the process to initiate the update will be concluded during the early part of FY2023/24. The key aspect of this requirement is the functioning of the flow metres, which have been consistently poor. The Mine is in the process to finalise the sourcing of a service provider to maintain and calibrate flow metres.
	2. Conduct Biomonitoring – quarterly.	No biomonitoring was undertaken during the year. The Mine is currently developing a water monitoring scope of work and will start the tender process early in FY2023/24.
	3. Conduct both internal and external audits.	Internal and external audits were undertaken for the 2022/23 financial year.
	4. Update the Integrated water and waste management plan (IWWMP).	The IWWMP was not updated in 2022/23, however, the process to initiate the update will take place early in FY2023/24.
	5. Water demand and conservation strategy (WD/CS).	The WD/CS was not updated in 2022/23, however, the process to initiate the update will be done early in FY2023/24.
	6. Installation of flow meters and their calibration.	Flow meters are installed; however, challenges were experienced with maintenance and calibration. The Mine is sourcing a service provider to maintain and calibrate flow meters.
EMPR	Conduct EMP performance assessment.	The Environmental Management Programme Performance Assessment (EMPPA) is required by law to be undertaken at least every two years. The EMPPA was not undertaken for 2022/23. The Mine has embarked on developing the scope of work and tender process to conduct the EMPPA.

Key Environmental Monitoring

The electricity, ROM, and diesel consumption are monitored and tracked as part of the ongoing Greenhouse Gas (GHG) inventory required in terms of the Greenhouse Gas Regulations. All the mines were previously required to submit their GHG emission and develop atmospheric pollution prevention plans. This was, however, not previously undertaken and the operation will verify this with DFFE and report feedback and actions taken against the input. The GHG emissions for the Vlakfontein Mine were low throughout the year.



Figure 8: Total GHG Emissions

There is no significant pollution on the downstream water monitoring point. A review process is underway (at the time of reporting), aligned with the newly-issued IWUL, and findings will be reported in the upcoming reporting cycle.

Environmental Incidents, Notices and Directives

The following are key to note in terms of the environmental incidents, notices, and directives for the quarter:

- The Department of Minerals and Energy conducted an environmental inspection in March 2023. The Mine immediately began addressing the actions noted following the report.
- Nineteen environmental incidents were reported for the financial year; however, these were non-reportable to authorities.

The number of incidents are relatively low, but the Mine is implementing Isometrix to assist the team to capture incidents in the system and facilitate reporting. Most of these incidents are related to hydrocarbon spillages, and water spillages.

Environmental Incidents

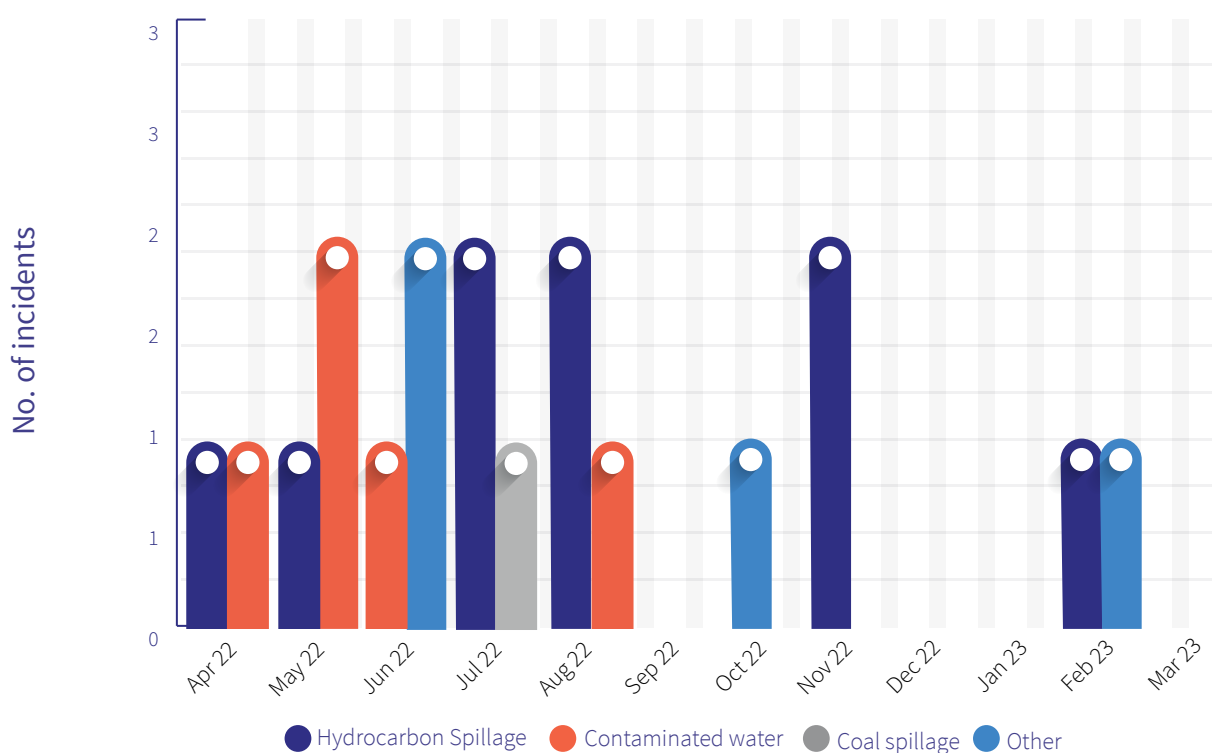


Figure 9: Environmental Incidents



Rehabilitation Performance

The Mine has in its EMPR committed to implementing a concurrent rehabilitation strategy and tracking the rehabilitation performance with the aim of achieving a no net-loss of pre-mining land capability at closure. The Mine had developed the rehabilitation targets for the 2022/23 financial year.

It is noteworthy that the rehabilitation backfilling/levelling targets for the 2022/23 financial year were not achieved for the Mine. The figure below shows the actual levelling against the targets for the month. The Mine has however embarked on developing the rehabilitation strategy for the 2023/24 financial year for implementation.

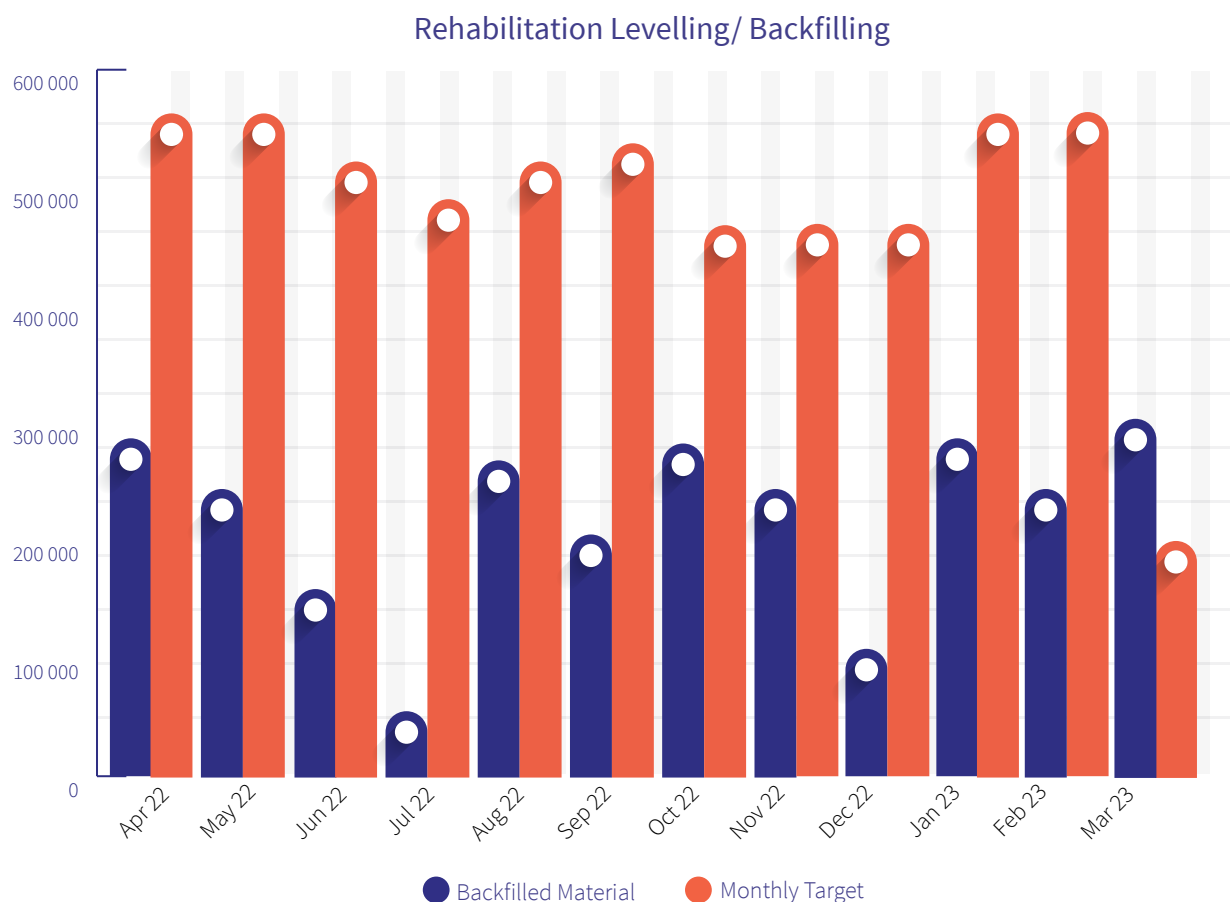


Figure 10: Rehabilitation Performance

Health and Safety Internal Audits

The Mine has, in March, embarked on the internal health and safety audit to assist in continuous compliance with both legal and other best practice requirements. An action plan has been developed and is currently being executed. The following table contains a summary of findings and the action feedback:

Table 3: Safety Evaluations Status

Action	Action Status
Review the current induction (generic and on the job) and technical training process and requirements to ensure alignment with operational risk profiles for employees and contractors.	Induction is currently being reviewed - AEMFC started with defining the process and now reviewing the content including working on upgrading the induction centre.
Define all risk management requirements and revise the procedure. Ensure that risk tolerance levels are defined in terms of Residual Risk Rating.	A workstream to define the risk management process has been established.
Develop and implement a standard for managing risks with fatality potential. Clearly define controls and a multi-tiered verification approach. Where not in place, develop work procedures for all high-risk activities and implement verification process to ensure compliance with controls. Revise and enforce the VFL process.	A workstream to define the risk management process has been established. The following slide indicates the process.
Review the current emergency preparedness and response process and implement a robust process to regularly test the effectiveness thereof.	The emergency management process is currently being reviewed. The Vlakfontein Mine has already engaged with the ambulance service provider on improving the response time, and the possibility of having an onsite ambulance (awaiting quotation) has been already discussed with neighbouring Mines to see if we can have a collective response.
Review contractor management procedure and define process for classification and management of contractors based on risk.	The review process is in progress- started with the SOP review and AEMFC has reviewed the short terms onboarding process.
Ensure that formal documented maintenance strategies are in place for all major equipment (including TMM) and structures and that these are aligned with OEM and legal requirements.	Key maintenance strategies are being developed and will be scheduled on SAP.
Review incident management processes and procedures. Ensure incidents are correctly classified and investigators are trained to ensure improved quality investigations. Consider implementation of leadership review of high potential incidents. Run a campaign to create awareness on the importance of pro-active hazard reporting and set targets for departments and include in KPI's as leading indicators.	The incident reporting SOP is being reviewed with additional. Isometrix implementation to assist incident reporting is in progress.
Define all Management of Change requirements and revise the procedure. Clearly define the different types of change and ensure all relevant employees are trained on the procedure and application of the process.	A MOC form has been revised and is in the process of being finalised.
Review the current security management processes to ensure safety principles are integrated into security and focus on people protection followed by asset protection. This should include safety of security personnel.	A workstream working on the security management process has been established and will provide feedback in the next meeting.





PART C *Our Performance*

Safely Striving for
Operational Success

Performance Highlights

Operating Profit FY23		R62.5m (up 82% from FY22)
Eskom Deliveries		2.3mt (target 2.5mt)
Cash Balance		R434.9m (24% above target).
Positive Returns		RoA and RoE ratios increased.
Net Profit		R42.5m (target R47.2m).



Performance Overview

The AEMFC closely monitors its performance through pre-determined targets as set forth in the approved Annual Performance Plan. AEMFC's performance report is rendered in the table below.

Table 4: Performance Against Pre-Determined Objectives

Key Performance Areas	Weight	2022/23 FY Target	Actual Performance against 2022/23 Target	Achievement/Non-Achievement	Rating
Strategic Objective 1	39%	2,5 Mtpa of coal sold to Eskom on CSA (45 927 074 GJ)	2,312 Mt coal sold to Eskom (48 004 352 GJ)	Target missed by 200K tonnes (93% Achievement), due to: • Stoppage of Yellow Metal suppliers • Ex-pit low quality coal • Transport and Logistics challenges • Labour disruptions at Eskom • Loadshedding disruptions • However, the energy content target, which Eskom tackles, was exceeded.	4
		Report back to Board on the negotiated Go-Forward plan with regards to associate.	Go-Forward case for African Rainbow Minerals (ARM) presented to Board.	• Go-Forward Case on exit from ARM approved by Board. • Offer Letter accepted by AEMFC. • ARM and AEMFC busy with Sale Agreement negotiations.	4
		>2% Net Profit Margin	3% Net Profit Margin.	• Target Exceeded	5
		Eliminate 60% of surplus equipment	Consideration is before the Treasury committee for its review and finalisation.	• Offers received on some of the identified assets. • Treasury Committee to be re-constituted to allow for final disposal of identified surplus assets.	3
Strategic Objective 2	15%	DMRE Quattro Scheme Allocation export coal tonnages of 396 667 tpa	305 243 tpa delivered through Quattro Scheme Allocation	• 77% achievement against target. • Delayed commencement of contract with Transnet (June 2022) led to the shortfall	3
		Strategic Partnerships with key stakeholders to enhance projects opportunities and projects implementation	CSIR, CGS and Wits University Partnerships established.	Achieved. Activate PAMDC and ORGEM.	4
		Determine the value of the project and present a viable solution to the Board with a feasible funding structure	Proposed Funding Model is incorporated in the Corporate Plan.	The funding model will be tested in the coming year (FY2023/24)	3
		Project Plan implemented	Project Plan partially implemented.	Revised Project Plan to align with updated project.	2

Performance Overview (continued)

The AEMFC closely monitors its performance through pre-determined targets as set forth in the approved Annual Performance Plan. AEMFC's performance report is rendered in the table below.

Table 4: Performance Against Pre-Determined Objectives (continued)

Key Performance Areas	Weight	2022/23 FY Target	Actual Performance against 2022/23 Target	Achievement/Non-Achievement	Rating
Strategic Objective 3 Operational excellence as a differentiator and strategy enabler	12%		- Achieved - LTIFR at 0,00 for Q1, Q2 and Q3 of FY 2022/23 - LTIFR at 0,25 for Q4 of FY 2022/23 - Targets for IWUL, EA & EMPR not included because compliance regarding operations were not contracted.	- Continuous improvement safety initiatives will be carried to maintain a clean record. - Audits were conducted on the following licences: - IWUL = 78% compliance - EA = 100% compliance - EMPR = 87% compliance (North & East block). - IWUL threshold and limit are based on the centre block and the criteria are different, however an application revision was made in October 2022 and is awaiting a response. There were difficulties with water ingress since there was more water than was anticipated and as a result did not meet the PCDs pumped water threshold. An amendment request was made. - Rehabilitation was started later than expected, although this is expected to get better now that activities have been started.	5
		Implement Project Assessment Tool	Phase 1 of implementation has started.	Continue with the current plan	2
		Implement an operating model and fit-for-purpose structures	Proposed structures to be presented to Board Committee and operating model in progress.	Business Operating Model will be developed in FY2023/24	1
		Ensure adherence to governance/Board Charter	Partial adherence – submissions not per the stipulated timelines	Adherence to Annual Corporate Calendar	2

The following provides an aerial view of the AEMFC's performance against financial performance areas.

Table 5: Performance against Financial Performance Areas

KPA	Target	Results
 Profitability: Current Business	Sales Revenue: Budgeted: R 1 003 million Actual: R 1 427 million Gross Profit: Budgeted: R 380.9 million Actual: R 237.4 million Net Profit Margin: Budgeted: 5% Actual: 3% Return on Assets: Budgeted: 3.7% Actual: 3.3% Return on Equity: Budgeted: 7.46% Actual: 7.43%	    
 Liquidity	Current Ratio: {Current Assets: Current Liabilities} Budgeted: 2.3 : 1 Actual: 2.7: 1	
 Solvency	General Solvency Check: Total Assets: Total Liabilities Budgeted: 1.9: 1 Actual: 1.8: 1 Gearing Ratio: Long Term Debt: Equity Ratio Budgeted: 1.9: 1 Actual: 1.8: 1	 

Performance Summary

AEMFC's performance has been robust across several key indicators. The Vlakfontein Mine achieved 104% of its delivered annual energy target in line with the CSA, despite operational challenges such as load shedding and transport logistics delays. Innovative strategies, such as coal blending, have helped maintain quality standards. The Company has also improved waste management and tackled machine breakdowns, even in difficult weather conditions. In terms of growth, AEMFC is diversifying its mineral exploration efforts and establishing strategic partnerships, aiming to remain competitive in both traditional and emerging sectors. The organisation holds a balanced portfolio of projects and rights across various minerals, and is making strategic exits and collaborations to optimise its operations. A forward-thinking approach that targets both established and burgeoning sectors defines AEMFC's leadership in the evolving mining landscape, with future plans including the expansion of prospecting rights, environmental assessments, and exploration programmes for Rare Earth Elements and Manganese.

Table 6: Performance against CSA

Coal Source	Coal Tonnes
Vlakfontein Ex-pit Production	1027 845.72
Buy-In (Blending)	242 718.58
Rectification	1 047 434.46
Total Sales	2 317 998.76
Contractual Volume (CSA tonnes)	2 500 000.00
Contractual vs Delivered Tonnes (per annum)	182 001.24 shortfall

The following figures illustrate the monthly production performance against the contracted volumes, based on tonnages and energy in gigajoules.

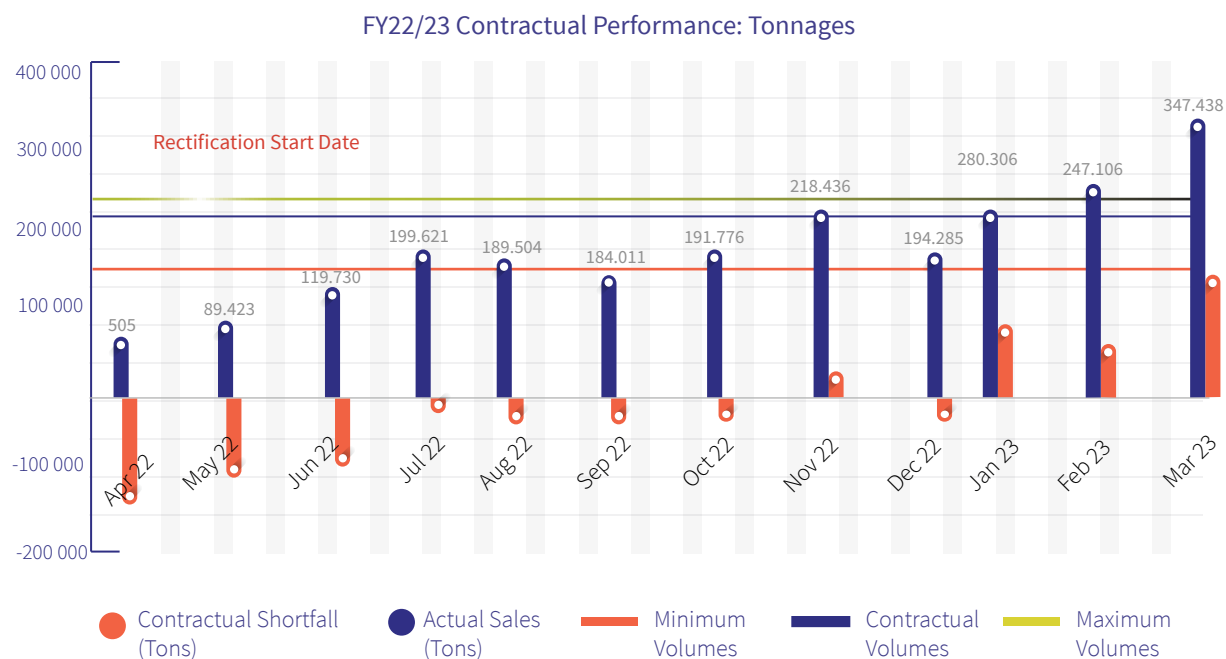


Figure 11: Vlakfontein production performance – tonnes

FY22/23 Contractual Performance: Energy

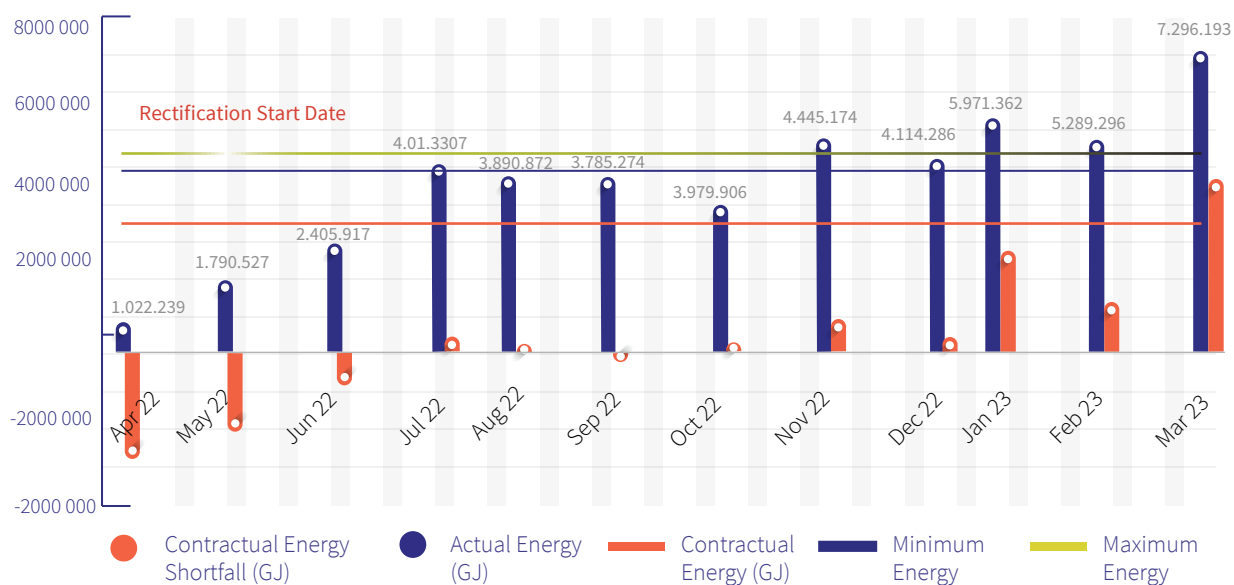
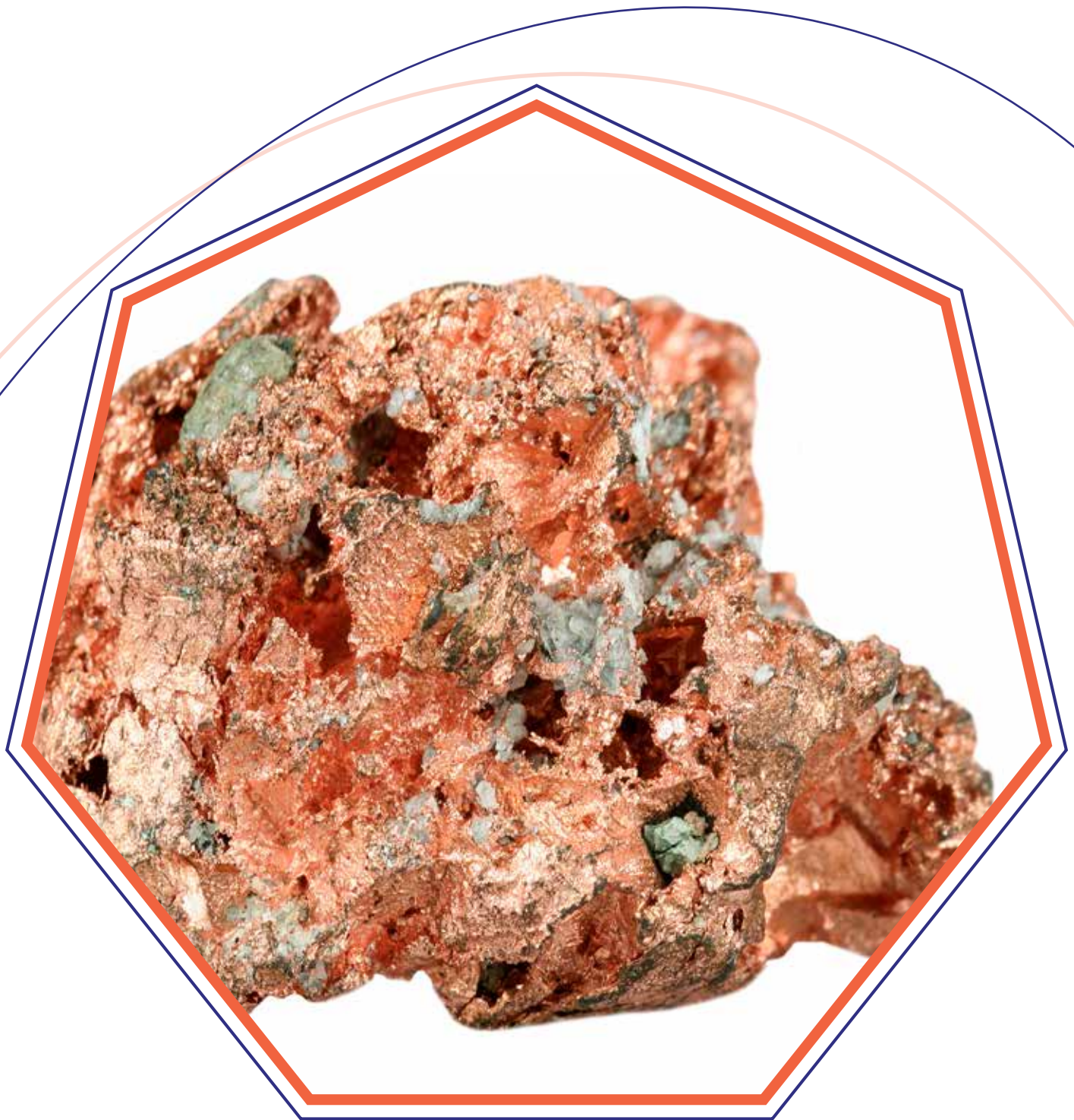


Figure 12: Vlakfontein production performance - Energy (MJ/kg)

Auditor's Report: Pre-determined Objectives

The Auditor-General of South Africa currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against pre-determined objectives is included in the report to management, with material findings being reported under the pre-determined objectives heading in the report on other legal and regulatory requirements section of the auditor's report.

Refer to pages 60 to 66 of the Report of the Auditor-General.





PART D *Our Operations*

Responsible Mining,
Effective Delivery

Corporate Services

Social and Labour Plan (SLP)

The SLP for the 2019/2023 financial year was submitted to the DMRE on 10 October 2022. The DMRE and AEMFC are engaging to clarify the feedback following the review of the submission. The focus has now shifted to the SLP targets for the 2014/2018 financial year, as we await clarification on the recent submission. This ambiguity puts AEMFC at a disadvantage, as management cannot proceed with the Local Economic Development (LED) project designed to fulfil previous SLP commitments. Due to the DMRE's delays in approval, these projects may also be carried over for the next five years.

During an inspection by the DMRE on the SLP implementation for the 2014/2018 financial year, a Section 93 order under the Mineral Resources and Petroleum Development Act (MRPDA) was retained. A catch-up plan for the SLP, in line with current community-supported projects, has been submitted to lift the Section 93 order and enable the implementation of the LED projects. Further delays in SLP approval will affect compliance with the Mining Charter and hinder management's efforts to address issues that could lift the Section 93 MRPDA order.

B-BBEE Status

AEMFC's B-BBEE status remains at Level 7. Management has devised a plan to lift the B-BBEE status to a Level 6, as a start. Preparations for the verification process have commenced.

Employment Equity

Consultations with Organised Labour to finalise the Employment Equity Plan and the annual report were successful. AEMFC received timely feedback on the report, but missed the statutory deadline for plan submission. Management is committed to implementing the plan to meet the set targets. As of the end of the third quarter, AEMFC is partially compliant; the Employment Equity report was submitted to the Department of Labour on 13 December 2022 and received positive feedback.

Human Resource Overview

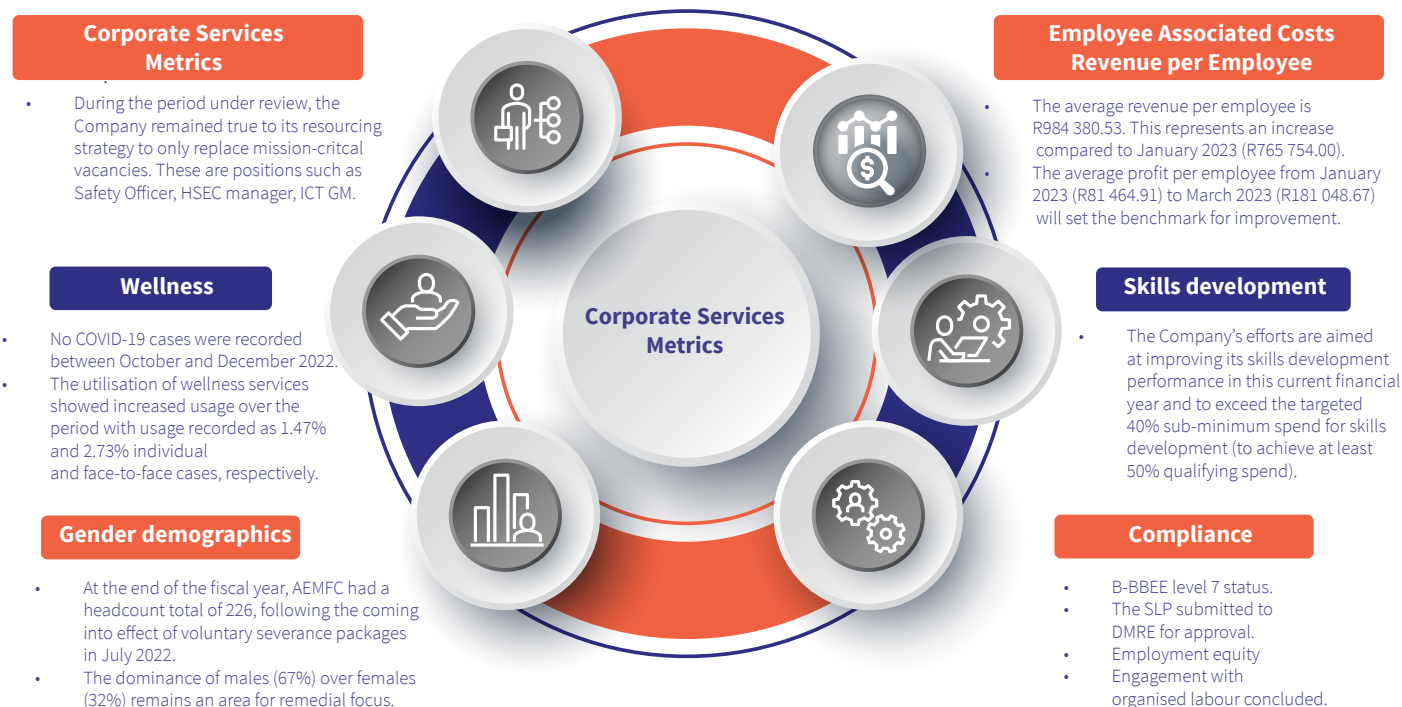


Figure 14: Corporate Services Metrics

Employee Wellness

The utilisation of wellness services showed an increase toward the latter part of the period. The table below shows the actual number of employees reached through the wellness programme during the review period as well as the utilisation per service.

Table 7: Employee Wellness Programme Utilisation

Description	Headcount Average 250	% Utilisation
Individual Cases (EWP)	7	1.47%
Face to Face Onsite	0	0.00%
Face to Face Sessions	13	2.73%
Email Contacts	0	0.00%
Telephonic Contacts	6	1.26%
Group Trauma Debriefing	0	0.00%

Wellness Initiatives

During the reporting period, there were a total of four (4) Managerial Referral sessions. Breaking it down, two were formal referrals, while there were no informal or emergency referrals. In November 2022, a mere 1% of the referrals pertained to stress-related matters, and an additional referral took place in January 2023.

The Wellness Day event at the Vlakfontein Mine was a notable success, drawing in 290 participants, including employees and contractors, who were eager to gauge their health status. For the administrative nerve centre, a Wellness Day is in the pipeline and is slated for March 2023.

Headcount

As at the end of March 2023, AEMFC recorded a substantial team strength of 226 members. Diving deeper into the composition, 189 of these team members hold permanent positions within the organisation, while nine are on fixed-term contracts. In addition to these numbers, AEMFC is proud to be nurturing the future, with 28 learners distributed across different departments. Notably, out of these learners, four are individuals with disabilities, emphasising AEMFC's commitment to inclusivity and diversity.

Table 8: Race Profile by Occupational Level

AEMFC occupational level March 2023		Males				
Performance Ranges	Occupation level	African	Coloured	Indian	White	Total
1 to 3	Top management	3				3
4 to 6	Senior management	4			1	5
7 to 9	Middle management	21				21
10 to 12	Skilled technical					0
13 to 15	Semi skilled	97				97
16 to 17	Unskilled	7				7
	Total permanent	132	0	0	1	133
	Contractor	6				6
	Learners	14				14
	People with disabilities	1				1
	Totals	152	0	0	2	153

Table 8: Race Profile by Occupational Level (continued)

AEMFC occupational level March 2023		Females					Occupational Total
Performance Ranges	Occupation level	African	Coloured	Indian	White	Total	
1 to 3	Top management	2				2	5
4 to 6	Senior management	5				6	11
7 to 9	Middle management	8				9	30
10 to 12	Skilled technical	5				5	5
13 to 15	Semi skilled	28				28	125
16 to 17	Unskilled	6				6	13
	Total permanent	54	0	0	2	56	189
	Contractor	2	1			3	9
	Learners	11	2	1		14	28
	People with disabilities	3				3	4
	Totals	67	3	1	2	73	226



The gender profile of AEMFC's workforce is illustrated hereafter. The dominance of males in the workforce remains an area for remedial focus.

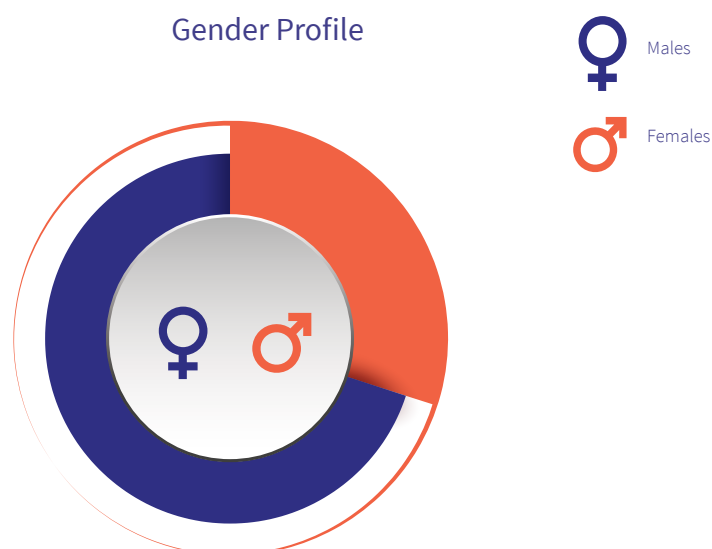


Figure 15: Gender Profile of AEMFC Workforce

The demographic distribution, with particular regard to race and gender, within AEMFC's staffing requires contextual consideration, especially against the backdrop of the Economically Active Population of Mpumalanga, where the majority of our workforce operates. When we compare our statistics with the regional benchmarks, we notice that AEMFC's female employee representation, currently recorded at 32%, falls below the provincial EAP average of 44% for female employees. This highlights a specific area of focus for us. There's a clear call to action to enhance the representation of females across the board, considering the prevalent male dominance in our workforce.

Workforce Movement

There has been little movement noted during the period, largely attributable to the general labour market movement within the Gauteng and Mpumalanga provinces slowing down. Many employers will seek to engage new recruits at the start of the new financial year. The table below shows the status of workforce movements.

Table 9: Staff Movement

Classification: (Junior: A – C5 Level, Middle Management: D1 – D5 Level; Senior Management: E-Level and above) *Note: HDSA (historical disadvantaged South Africans) = Males: Black/ Coloured/Indian and All females Non-HDSA = white males	Quarter 4			Total
	Jan-23	Feb-23	Mar-23	
Intakes				
Permanent	0	0	0	1,50
Fixed-Term	0	0	0	0,90
Interns/Learners	7	8	1	2,78
Total Intakes	7	8	1	4,08
Exits				
Permanent	2	3	1	12,90
Fixed-Term	0	2	1	1,40
Interns/Learners	0	0	1	2,00
Total Exits	2	5	3	13,25

During the period under review, AEMFC appointed twelve (12) Learners, on a twelve (12) month fixed term contract and the training was provided externally through an service provider. The Learnership was based on the business administration certificate accredited on NQF Level 3 and certificates were issued to all 12 Learners through the service provider.

Furthermore, a Graduate Internship programme was implemented and seven (7) Interns were appointed on eighteen (18) months fixed term contracts.

Below is the table detailing how the internship is structured:

Table 10: Internship

Department	Number of Interns	Date of Appointment
Human Resources	2	01 October 2022
Engineering	1	01 October 2022
Business Improvement	3	01 October 2022
Health and Safety	1	01 October 2022
Environmental	1	01 October 2022

Training

The training cost of R2 064 856.96 is reflecting the training undertaken by AEMFC employees including Interns appointed under this period. A total amount of R1 489 955.14 was paid on a monthly basis as a stipend to all Interns and Learners appointed under the 2022/2023 financial year period.

Two Interns were absorbed to permanent positions, upon completion of their learnership.

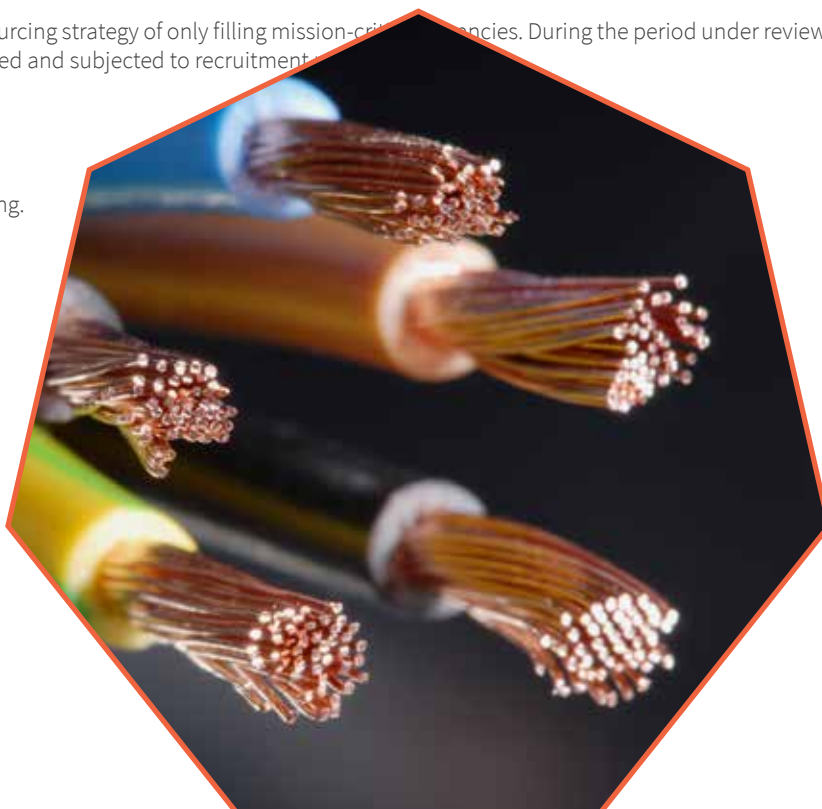
Employee Study Assistance

A total amount of R1 028 203.70 was paid to 18 employees as part of Study Assistance.

Talent Sourcing

The Company has remained true to its resourcing strategy of only filling mission-critical vacancies. During the period under review, the following key critical vacancies were filled and subjected to recruitment:

- Chief Financial Officer;
- General Manager: Operations;
- General Manager: Projects; and
- General Manager: Strategy and Planning.



Employment Relations

The overall atmosphere in labour relations remains steady, with a particularly stable environment at our mining operations. Wage negotiations between management and organised labour were amicably resolved, culminating in an agreement signed on 08 December 2022.

Below is a table showing trade union membership for the 2022/23 financial year. NUM remained majority, as a result, both unions actively participated in the recent wage negotiation process.

Table 11: Labour Union Membership

Quarter 1						
	Apr-22		May-22		Jun-22	
Union	Number	% of bargain- ing unit	Number	% of bargain- ing unit	Number	% of bargain- ing unit
NUM	171	53%	171	53%	169	52%
AMCU	135	42%	134	42%	134	41%
Total	306	95%	305	95%	297	93%

Quarter 2						
	Jul-22		Aug-22		Sep-22	
Union	Number	% of bargain- ing unit	Number	% of bargain- ing unit	Number	% of bargain- ing unit
NUM	163	50%	109	52%	102	47%
AMCU	134	41%	85	40%	78	36%
Total	297	91%	194	92%	180	83%

Quarter 3						
	Oct-22		Nov-22		Dec-22	
Union	Number	% of bargain- ing unit	Number	% of bargain- ing unit	Number	% of bargain- ing unit
NUM	87	39%	87	49%	85	48%
AMCU	54	24%	54	30%	54	30%
Total	141	63%	141	79%	139	78%



Risk Management

The AEMFC Board has approved a Risk Management Framework and Policy, which guides the management of risk. Oversight responsibilities for risk management have been delegated by the Board to the Audit and Risk Committee. AEMFC views risk management as a tool to create sustainable value for stakeholders in a responsible manner. Detailed risk assessments and management plans have been implemented to promote sustainable business operations.

AEMFC approaches risk holistically, and the following pages provide a view of the top ten organisational risks, priority human resource risks, and the risk improvement plan. The mitigative measures, and progress against these, are also included as applicable. The organisational risks are ranked based on the residual risk exposure to AEMFC in accordance with the risk management framework.

Table 12: Top Ten Organisational Risks

Risk name	Inherent risk (IR)	Existing controls
Single Customer and Single Product Dependency	• Extreme	1. Project Pipeline with Coal projects and alternative minerals. 2. Collaborative Efforts with Third Parties (including inter-departmental and inter-governmental initiatives). 3. Register of regulatory permits for mining. 4. Regulatory Permit Register adopted as a standing agenda on the Governance, Risk, and Compliance. 5. Developed a dashboard to monitor the execution of projects. 6. Monthly EXCO report on projects. 7. Project Plan. 8. AEMFC has secured a vendor number with Sasol Mining SCM.
Insufficient Cashflow	• High	1. Budgeting process is done. 2. Monitoring expenses and reporting is done monthly. 3. Investment Committee was established to assist with oversight. 4. Project function was established to explore and implement other mining operations. 5. Various cost containment measures are being rolled out. 6. Key risk register presented at monthly EXCO. 7. Key risk register tabled at the quarterly Board Audit and Risk Committee (BARC) meeting.
Poor Business Culture	• High	1. Performance Management Policy and procedure. 2. Report on business quarterly performance assessment outcomes (compliance rate) to the EXCO. 3. Disciplinary Policy and Procedure. 4. Ad-hoc Investigations by Auditors (internal and external).
Non-compliance To Laws And Legislation	• High	1. Socio-Economic Development Policy and Plan. 2. Assessment of B-BBEE credentials from all suppliers. 3. Key compliance register is in place. 4. Functional compliance implemented by all GMs
Loss Of Critical Skills And Expertise	• High	1. Union Consultations have been initiated. 2. Circulars and communication pertaining to the restructuring intentions and the process have been shared. 3. Initial meetings with employees have been conducted.
IT System	• High	1. Various IT Systems have been procured. 2. SLAs are signed with all IT Service providers.
Community-Related Issues	• Extreme	1. Social Labour Plan in place. 2. Corporate Social Investment (CSI) Initiatives are implemented quarterly. 3. Incident management team. 4. Security Company (Special Task Force) to deal with emergencies and incidents. 5. Monthly reporting on security risk management to GRC and Mine MANCO.

Risk name	Inherent risk (IR)	Existing controls
Safety, Health, and Environment (SHE) Concerns	• Extreme	1. Rehabilitation of old pits has been initiated and progress reporting to EXCO is done through the HSEC report. 2. Various Mandatory Training sessions on health and safety are conducted. 3. Competent Supervisors have been legally appointed and Various Risk Assessments are conducted, i.e., Baseline, Issue-Based, and Continuous risk assessments. 4. Mandatory Code of Practices and Health and Safety Policy and Procedures in place. 5. Inspections, Audits, VFLs, and Planned Task Observations and Inspections are conducted on an ongoing basis. 6. Regular health and safety awareness and trainings are conducted. 7. Isometrix GRC System in place. 8. Appointed a service provider for ISO14001 consolidation and implementation. 9. Consequence Management was implemented for non-compliance through the Health and Safety Committee.
Fraud and Corruption	• High	1. Fraud Prevention Policy and Plan. 2. Code of Conduct. 3. Disciplinary Policy. 4. Bi-Annual organisation wide training and awareness on fraud. 5. Posters and placards have been posted on all AEMFC premises 6. Fraud Hotline Facility 7. Annual Declarations by Board members, Executives, and Senior Management 8. Internal Audits conducted on fraud
Business Continuity Risk	• High	1. Business Continuity Policy and Plan. 2. Business Continuity Steering Committee. 3. Incident Management Policy. 4. COVID-19 response plan per function. 5. Disaster Recovery Plan. 6. Insurance Policies. 7. ICT Security Policies and Procedures. 8. Antivirus and Patch management procedure. 9. ICT Disaster Recovery Plan. 10. Regular Backups. 11. Regular user-awareness and user trainings on Cyber Risk. 12. Ongoing Quarterly Fraud and Ethics awareness efforts by management. 13. Security service provider is appointed. 14. Mine Security Manager and Security Personnel. 15. SLAs signed with all service providers



Internal Control Unit

AEMFC's Internal Audit function acts as an independent evaluation mechanism, assisting AEMFC in accomplishing its objectives using a methodical and disciplined strategy to review and augment the efficiency of risk management, control, and governance processes. The Internal Audit Function has consistently upheld its impartiality and independence by abstaining from direct operational control or influence over the audited activities. As a result, it has not established internal controls, devised procedures, set up systems, maintained records or participated in any other actions that might potentially compromise the internal auditor's judgement, impartiality, or independence.

The role of the Internal Audit function is to review and ensure that our internal controls are robust and effective in key areas of AEMFC's operations. At present, we handle this through a combination of our in-house team and some external partners.

Internal Audit and Audit Committees

The Internal Audit plan for the 2022/23 financial year was approved by the BARC. The plan aimed to aid management in achieving its strategic goals by offering assurance on controls essential for realising the defined objectives.

As of 31 March 2023, out of the 15 planned projects, 14 have been completed (accounting for 93% of the planned projects) with three currently underway. The delay in completing these projects stems from the DMRE's consolidation of the Water Use licence.

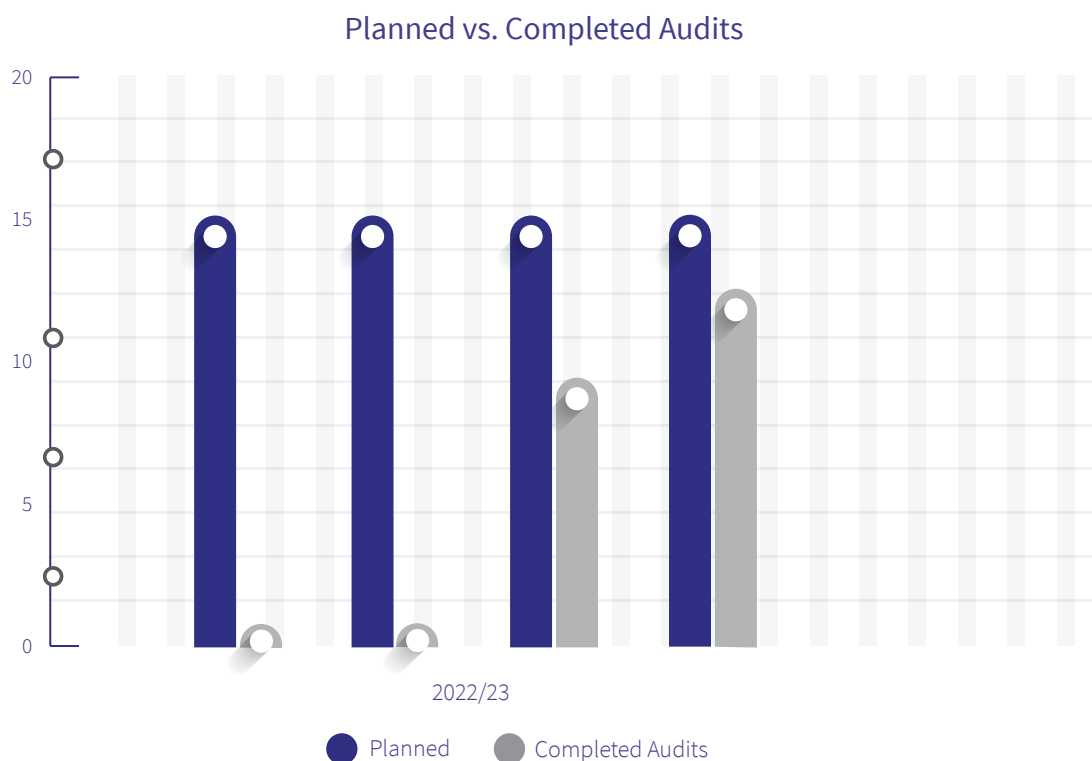


Figure 16: Internal Audit Plan Progress

Following the approval of the Annual Internal Audit Operation Plan, implementation began in the second half of the reporting period. The subsequent audits have been successfully completed and were reported as at 31 March 2023.

Table 13: Progress against Internal Audit Plan

No.	Name of Audit	Audit Status
1.	Budget Management Process Review	Completed
2.	Investment Management Review	Completed
3.	Cost Containment	Completed
4.	Socio-Economic Development Policy Review	Completed
5.	CSI	Completed
6.	CSI Review	Completed
7.	Consequence Management Review	Completed
8.	Risk Management Review	Completed
9.	Disaster Recovery Plan	Completed
10.	IT System	Completed
11.	GCR (General Control Review)	Completed
12.	Performance Information	Completed
13.	Section 189	Reporting
14.	Statement of Assets Review	Completed
15.	Mine Projects Management Review	Completed
16.	Environmental Compliance (IWUL)	Rolled-Over



PART E *Governance*

Responsible and
Ethical Oversight

Introduction

Corporate governance encapsulates the processes and systems through which public entities are directed, controlled, and held accountable. Beyond legislative requirements based on a public entity's enabling legislation and the Companies Act, corporate governance for public entities is applied through the principles of the PFMA; these principles run concurrently with those contained in the King IV Report on Corporate Governance. The Board of the AEMFC is ultimately responsible for ensuring compliance with corporate governance standards. The AEMFC maintains an unwavering commitment to business integrity, fairness, transparency, and accountability in its activities.

The AEMFC Board

AEMFC has a unitary Board structure made up of executive and non-executive directors, appointed by the shareholder. The Board of Directors meets at least once every quarter and charges the Executive Management with the day to day running of the business. The Board itself is responsible for the key issues that are to ensure that there is effective and sound strategic direction of AEMFC and proper control of the entity. The non-executive directors are appointed on a three-year cycle. The positions of the Chairperson of the Board and the Chief Executive Officer are separate.

In accordance with the Public Finance and Management Act (1999 as amended) the Board is the Accounting Authority of AEMFC and, in keeping with the recommendations of the King Report on governance, the Board has adopted a Board Charter which sets out the role of the Board.

The Board Structure

The structure and constitution of the AEMFC Board complies with the King IV Codes on Corporate Governance (2016), the PFMA and the Company's Act, 71 of 2008. The organogram below depicts the Board structure, its sub-committees, and its relationship with CEF Group, as the sole shareholder, and ultimately, DMRE.

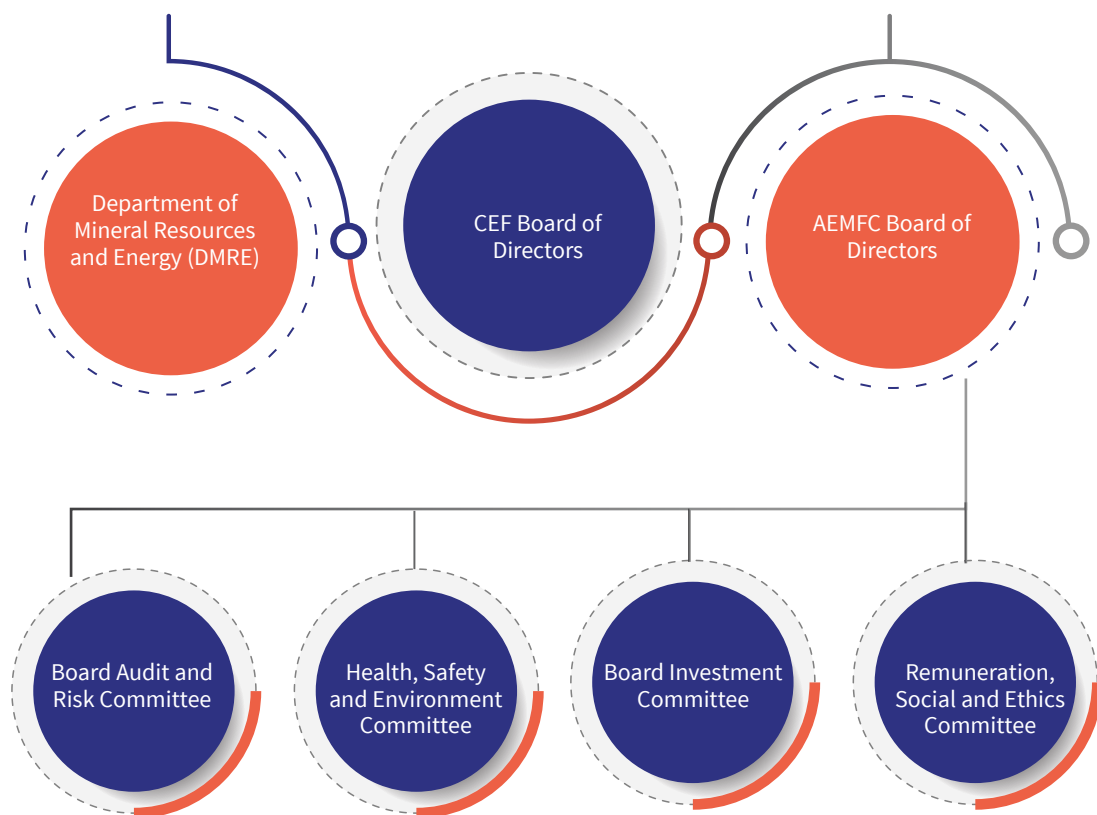


Figure 17: AEMFC Board Structure

The Board Charter

The Board Charter sets out the roles, duties, and responsibilities of the Board in addition to salient corporate governance principles. The Board and Committee charters are revised annually to ensure their effectiveness and relevance. In line with the charter, the Board met a minimum of four times during this financial year to discharge its duties as set out in the PFMA and the King IV Report on Corporate Governance. The proceedings at meetings are directed by a formal agenda. The proposed agenda is circulated prior to the meeting to allow Board members sufficient opportunity to request additional agenda items.

Functions of the Board

The AEMFC Board acts as the focal point for, and custodian of, corporate governance within the organisation. The Board of Directors comprises two executive directors and eight independent non-executive directors. The majority split of the Board complies with the King IV Report on Governance Principles. The AEMFC Board has delegated the responsibility for carrying out certain functions to well-structured, fully functional, and effective sub-committees, being the Board Audit and Risk Committee, the Remuneration, Social and Ethics, and Nomination Committee, the Board Investment Committee, and the Health, Safety, and Environmental Committee.

All the Board Sub-committees are chaired by independent non-executive directors and operate within Board-approved terms of reference. Meetings are held quarterly.

The Board Audit and Risk Committee

The BARC has an independent role, with accountability to both the Board and shareholder. The role of the Committee is to provide independent assurance and assistance to the Board on control, governance, and risk management. The Committee holds a broad mandate which includes being responsible for the finance activity, risk management and combined assurance, pre-determined performance information, internal and external audits, compliance, and Information and Communication Technology governance, among others.

The Remuneration, Social and Ethics, and Nomination Committee

The Remuneration, Social and Ethics, and Nomination Committee reviews and recommends annual staff remuneration, terms and conditions of employment, the payment of incentives and bonuses, general fringe benefits, remuneration policies, and the appointment of senior staff. The Committee also fulfils the role of a Social and Ethics Committee as defined in the Companies Act, 71 of 2008.

The Board Investment Committee

The Board Investment Committee assists the Board in managing its current portfolio of investments and advises the Board on investment opportunities. It counsels the Board on opportunities to increase and optimise AEMFC's return on investments on its current operational assets.

The Health, Safety, and Environmental Committee

The Health, Safety, and Environmental Committee assists the Board in reviewing health, safety, and environmental policies and standards applied at AEMFC.

Board Members



Mr Bernardus Swanepoel

BSc Mining Engineering
B.Com(Hons) Fin Management
Mine Manager Certificate of
Competency

Appointed: 31 August 2022

Mr Swanepoel has over 40 years of experience in the South African mining industry of which over 25 years has been in senior/executive management roles. He was the Chief Executive Officer of Harmony for 12 years, before he co-founded To The Point Growth Specialists (TTP) in 2008.

Bernard served for 11 years on the board of Sanlam and for 15 years on the board of African Rainbow Minerals. He is chairman of Manganese Metal Company and past President of the AHI (and its inaugural chairman of the board when it became the SBI – Small Business Institute, a business chamber organisation). Through To The Point Growth Specialists he co-owns Resources for Africa Investment Conferences which holds industry conferences like the SA Coal day, PGM's day, Hydrogen Day, Junior Mining Indaba and the Joburg Indaba. He chairs all of these conferences.

Bernard brings invaluable experience to the board on governance, analytical analysis, sensitivities to emerging world trends in the mining sector and an understanding of social and environmental matters for state owned entities.



Ms Dudu Hlatshwayo

Independent Non-Executive Director
BA(Hons) Social Science
MBA Advanced Corporate Finance

Appointed: 22 June 2021

Dudu has a solid business management and finance background that spans over 30 years. She was a Partner at Ernst & Young, a Director in the Corporate Finance Division of Andisa Capital (subsidiary of Standard Bank) and has vast experience in state owned entities including Transnet as a Group Executive and Telkom as a Product Manager.

Dudu has been credited with integrity, self-belief, fairness and profound belief in people. She has served on various boards of public and private companies which include Public Investment Corporation, Pareto, Erin Energy Plc, Land and Agricultural Bank of South Africa and Airports Company South Africa among others. Besides her role as a board member of various boards, she is the Chief Executive Officer of a company that she founded in 2006, Change EQ, an advisory firm that provides strategic advice to corporate organizations in South Africa.

As an all-rounder, Dudu brings invaluable skills to the AEMFC board which include Corporate Finance, Business Process Re-engineering, Organizational Design, Corporate Strategy Development and Business Planning, Change Management and Stakeholder Management, Marketing and Strategic Communications.



Mr Mzwandile Masondo

Independent Non-Executive Director
MSC Mining Engineering
Management Development
Programme: Stellenbosch University
Executive Development Programme:
GIBBS

Appointed: 31 August 2022

Mzwandile is a versatile mining engineer, who does not abide by the status quo of the profession and is always ready to take every challenge head on. He has extensive experience in coal mining where he served as the Chief Operations Officer at Seriti Coal and in hard rock mining from the early stages of his career.

Mzwandile has led the development and establishment of one of the most profitable underground coal mines and has over his career managed various joint ventures, highlighting his business acumen and impressive stakeholder management experience.

He served on various boards of companies and committees which include being president of the South African Colliery Managers Association, MHSC and Collieries Committee among others. Mzwandile also enjoys mentoring upcoming talent, to grow the talent pool in South Africa.

As a go-getter, Mzwandile brings his invaluable experience as an engineer in the South African coal industry to the AEMFC board.

Board Members (continued)



Ms Phuthanang Motsielwa CA(SA), RA

Independent Non-Executive Director
Bachelor of Accountancy
Chartered Accountant (South Africa)
Registered Auditor (South Africa)

Appointed: 22 June 2021

Ms Motsielwa is a Chartered Accountant (SA) and a Registered Auditor (RA) with extensive experience in advisory services and limited assurance. She has experience in various industries including mining, manufacturing, oil and gas sectors among others from her earlier career days at PWC where she completed her articles and Sasol where she also gained corporate finance experience.

Phuthanang is the Co-Founder and Director of PSTM, a Black-Women owned Assurance, Tax and Advisory company where she is responsible for the limited assurance and reviews portfolios. She also serves on several boards including Exxaro Matla Setshabeng NPC and has a keen interest in the empowerment of women in business.

Phuthanang heads the AEMFC Board Audit and Risk Committee, where she imparts her skills as a Chartered Accountant and Registered Auditor in public practice to better govern AEMFC.



Ms Janey Snyman PIA (SA)

Independent Non-Executive Director
BCom Accounting
Professional Internal Auditor
(South Africa)
Certified Quality Assurance Reviewer

Appointed: 22 June 2021

Ms Snyman is an accomplished Governance Executive, with 23 years' multinational experience in Internal Audit, SOX Compliance, Risk, Compliance, Control Advisory and Assurance. She presents a substantial career path of driving risk awareness and integrated improvement solutions that assist organisations in reaching their full potential. As a trusted governance partner, Janey dedicated 13 years to the international supply chain services and solutions giant, UTI Worldwide Inc. now known as DSV, assuming the role of Director of Global Internal Audit for Africa and EMENA regions, where she spearheaded internal financial control methodology and testing.

Janey returned to the consulting arena and thrived while providing internal audit strategic sourcing and control optimisation services. Her passion to provide solution driven services to her clients by growing and developing approaches to optimize client delivery resulted in her award in 2017 as Adept Brand Ambassador, within her first year of tenure. She accepted the role as Associate Director, from where she was responsible for client growth under the Top 5 (five). Her clients included SABMiller now known as AB InBev and Mutual & Federal (Old Mutual).

Janey's vision is to enhance her commitment to governance by becoming a Chartered Director which will provide her with the platform to positively influence the effective and ethical leadership within a company to safeguard relationships between the board, management and other stakeholders, skills she imparts on the AEMFC board as a member.



Ms Ditsietsi Morabe

Independent Non-Executive Director
Bcom Economics & Business
Economics
Mcom Economics – Public Finance
Certificates in Management and
Executive Development Program

Appointed: 25 March 2022

Ms. Morabe has over 27 years experience in policy analysis, budget analysis, public financial management and supply chain management within the Minerals sector. She managed construction, maintenance and property budgets, among others and was Acting CFO at The Department of Mineral Resources, where under her leadership the Department achieved a clean audit in the 2018/19 financial year. She has board experience as a member of Finance Committees; Risk and Audit Committees; and Director in Boards of different entities. She also served as the moderator for the Financial Management Key Performance Area in the National and Provincial Government Management Performance Assessment Project led by DPME.

Ditsietsi currently serves as the Interim Group Chief Financial Officer at AEMFC's parent company CEF SOC Ltd. Her responsibilities include overseeing the Corporate Finance, Supply Chain Management and Treasury functions of the CEF Group as well as providing strategic support to the Group CEO and the CEF Group on corporate financial matters.

Ditsietsi serves the AEMFC board with great insight on the minerals industry including public finance management which she is expertly knowledgeable on.

Board Members (continued)



Mr Kevin Hodges

Independent Non-Executive Director
B.Sc. Hons Geology
Dip. Datametrics

Appointed: 22 June 2021

Mr Hodges has over 35 years experience in the mining industry. The last 20 years working at the IDC involved in the financing and development of mining ventures. He specializes and focuses on IDC project development and equity transactions in the junior mining sector. He leads teams that invest in the early stages of project development, developing and adding value to the project from implementation to exit.

Kevin is involved in many aspects of mining finance from vanilla debt, project debt finance and quasi equity instruments. His experience includes managing exploration programs in the mining, oil and gas sectors and has conducted over 100 due diligences on investment opportunities of Mining and Metals projects across different countries and regions of Africa. He previously served as a board member of the Geosciences Council of South Africa.

At AEMFC he is the director and chairman of the Board Investment Committee where he contributes to the growth of the company and imparts his expertise which include the ability to assess the potential of a mineral resource and evaluate the structure and application of funds required to execute a new mining project or expansion of existing operations.



Mr Lemogang Pitsoe

Chief Executive Officer
Executive Director
BSc Mining Engineering
Diploma Investment Management
Masters Business Leadership (MBL)

Appointed: 1 February 2022

Mr Pitsoe is a professional engineer registered with ECSA, that is a well-known miner of note with vast experience as a consulting and mining engineer. He has exceptional stakeholder skills where he provided strategic direction spanning over several years working in both the Private and Public sectors.

In the course of his career, he has served in various Senior Management and Executive roles within the mining industry at prominent companies including De Beers Diamond Mining Company, AECI Mining, The JV between Anglo Platinum and Royal Bafokeng Resources Holdings (RBR) a Platinum Mining Company (RB Plats), Herculite Ferrochrome a Chrome Mining Company (Dikwena Chrome) and Alexkor SOC Ltd amongst others. His passion for mining led him to plough back as an External Examiner at the faculty of Mining Engineering at Wits University and also served for several years as a committee member at Association of Mine Managers South Africa (AMMSA). Outside of mining Lemogang is an avid cyclist and a running enthusiast.

Lemogang is the Chief Executive Officer and Executive member of the board, where he has been entrusted with the strategic role of turning the company around to become an efficient, competitive and profitable State-Owned Mining Company in Africa.

Mr Persely Madokwe

Independent Non-Executive Director
Bcom Law
LLB
Certificate in Safety, Health and Environmental Procedures & Policies

Appointed: 19 October 2022

Mr Madokwe is a well-rounded candidate attorney with extensive experience in preparation of pleadings, formal documents and researching various aspects of law. He also consults with clients and counsel on an ongoing basis. He has experience in various industries including public sector, broadcasting, financial services sectors among others from his earlier career days at the Department of Education where he started his career and FNB where he obtained extensive experience as a financial advisor.

Persely has over the years implemented operation plans to enhance the achievement of strategic goals at the various companies he worked in and provided oversight over recruitment processes.

He is part of the Health, Safety and Environmental sub-committee where he imparts his invaluable knowledge from SHEQ industry experience and is also part of the Remuneration, Social and Ethics and Nomination committee of AEMFC.

Composition of Board for the Financial Year under Review

Table 14: Composition of Board

Name	Title	Date Appointed	Active/Resigned
Mr ZB Swanepoel	Non-Executive Chairperson (Independent)	31 August 2022	Active
Ms DR Hlatshwayo	Non-Executive (Independent)	22 June 2021	Active
Ms P Mthombeni	Executive Director	7 September 2022	Active
Mr LA Pitsoe	Executive Director	1 February 2022	Active
Mr MT Masondo	Non-Executive (Independent)	31 August 2022	Active
Ms PC Motsielwa	Non-Executive (Independent)	22 June 2021	Active
Ms J Snyman	Non-Executive (Independent)	22 June 2021	Active
Ms D Morabe	Non-Executive (Independent)	25 March 2022	Active
Mr KJ Hodges	Non-Executive (Independent)	22 June 2021	(Re-Appointment)
Mr PM Madokwe	Non-Executive (Independent)	19 October 2022	(Re-Appointment)

Composition of Board Investment Committee (BIC)

Table 15: Composition of Board Investment Committee (BIC)

Name	Title	Date Appointed/Resigned
Mr KV Hodges	Chairperson	22 June 2022, Re-Appointed
Mr MT Masondo	Member	30 November 2022, Appointed
Mr PM Madokwe	Member	30 November 2022, Re-Appointed
Ms J Snyman	Member	5 August 2021, Appointed

Composition of Health, Safety and Environmental Sub-Committee (HSEC)

Table 16: Composition of Health, Safety and Environmental Sub-Committee (HSEC)

Name	Title	Date Appointed/Resigned
Mr MT Masondo	Chairperson	30 November 2022, Appointed
Mr ZB Swanepoel	Member	30 November 2022, Appointed
Mr PM Madokwe	Member	30 November 2022, Appointed
Ms D Morabe	Member	30 November 2022, Appointed

Composition of Remuneration, Social and Ethics, and Nomination Committee

Table 17: Composition of Remuneration, Social and Ethics, and Nomination Committee

Name	Title	Date Appointed/Resigned
Ms DR Hlatshwayo	Chairperson	5 August 2021, Appointed
Mr ZB Swanepoel	Member	30 November 2022, Appointed
Mr PM Madokwe	Member	19 October 2022, Appointed
Mr PC Motsielwa	Member	5 August 2021, Appointed

AEMFC Executive Team Structure

The Executive team structure at AEMFC is as illustrated below.

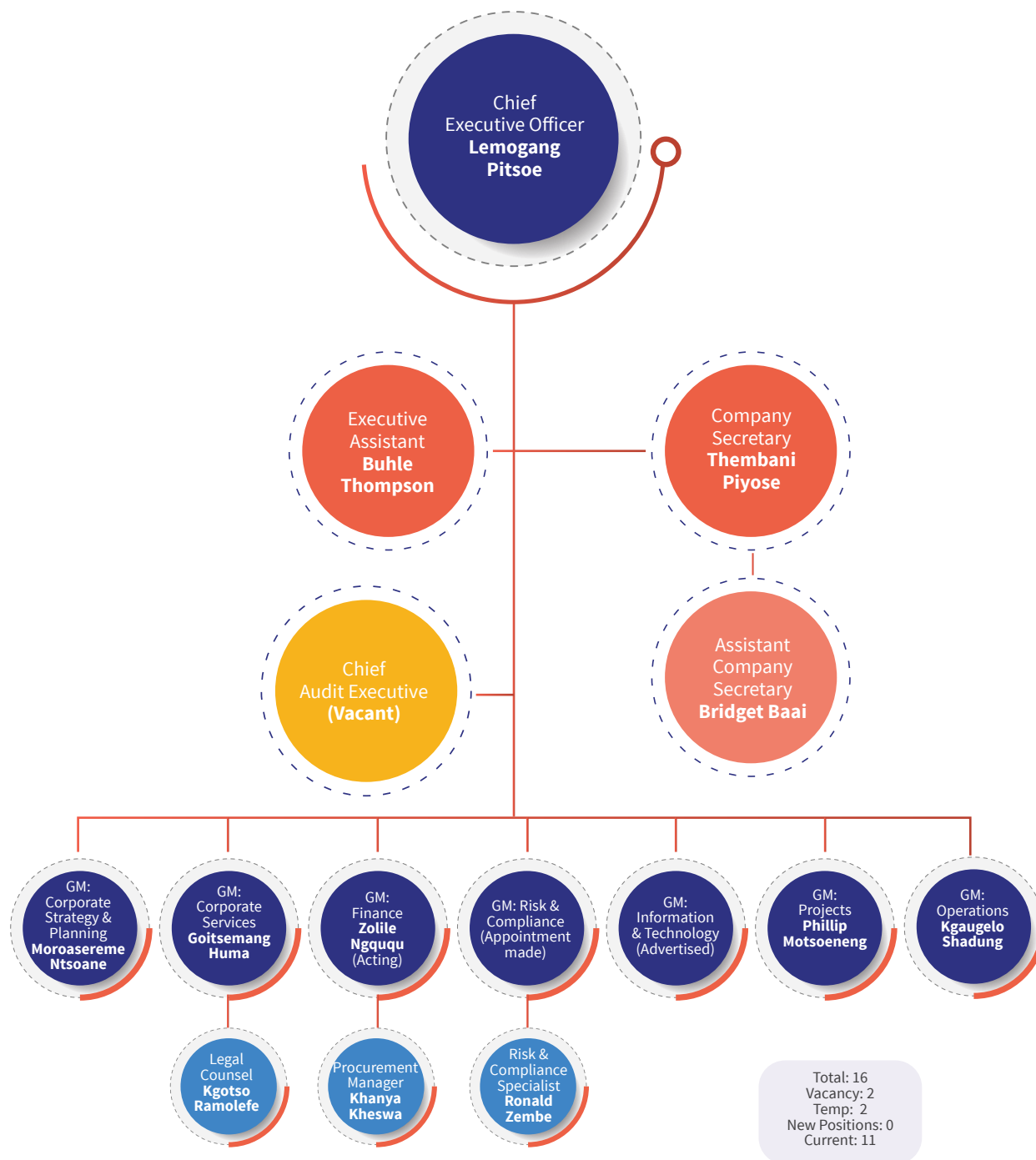


Figure 18: AEMFC Executive Team Structure

Minimising Conflict of Interest

Below is an outline of the measures AEMFC has put in place to mitigate conflicts of interest within supply chain management:

- Supply chain management utilises a Declaration of Interest form for every procurement activity;
- Individuals involved in the procurement procedure are mandated to sign and declare any potential interests; and
- All such declarations are subject to an audit review.

Should a conflict be identified, an evaluation is undertaken to gauge if the declared interest might compromise AEMFC's interests. If the individual holds significant influence or decision-making power that could sway the organisation's choices, they will be asked to step aside from the process.

Company/Board Secretary

The Company Secretary is appointed by, and is accountable to, the Board. This person is the corporate governance knowledge manager and information officer of African Exploration Mining and Finance Corporation (AEMFC), and is responsible for the execution of all statutory requirements applicable to the Mine. In relation to their fiduciary duties and the ways in which to discharge such duties, the directors have unrestricted access to the advice and guidance of the Company Secretary. The directors are entitled to obtain independent professional advice at the Mine's expense, should they deem this necessary. In addition to the performance of other assurance functions, the Company Secretary monitors the Mine's compliance with the requirements of good corporate governance, adherence to the PFMA, the Companies Act, and other relevant legislation.

In terms of Section 88(2)l of the Companies Act, as amended, the Company has lodged with the Companies and Intellectual Property Commissioner all such returns as are required of a public company in terms of the Companies Act and all such returns are true, correct, and up to date.



Audit Committee Report

We are pleased to present our report for the financial year ended 31 March 2023.

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section B of the Public Finance Management Act and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

The Effectiveness of Internal Control

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the public entity revealed certain weaknesses, which were then raised with the Mine.

The following Internal Audit work was completed during the year under review:

- Single Customer and Single Product Dependency
- Insufficient Cashflow
- Poor Business Culture
- Non-compliance to Laws And Legislation
- Loss of Critical Skills and Expertise
- IT System
- Community-Related Issues
- Safety, Health, and Environment (SHE) Concerns
- Fraud and Corruption
- Business Continuity Risk

The following were areas of concern:

- Single Customer and Single Product Dependency
- Community-Related Issues
- Safety, Health, and Environment (SHE) Concerns
- Fraud and Corruption
- Business Continuity Risk

Reporting

The public entity has submitted monthly and quarterly reports to the Executive Authority.

Evaluation of Financial Statements

We have reviewed the Annual Financial Statements prepared by the public entity.

Auditor's Report

We have reviewed the public entity's implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately resolved except for the following:

- Environmental Compliance (IWUL), which has been rolled over to the next fiscal.
- Section 189, which relates to reporting.

The Audit Committee concurs and accepts the conclusions of the external auditor on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the auditor.



Ms P Motsielwa
Board Audit & Risk Committee Chairperson

03 November 2023

Fraud and Corruption

Table 18: Annual Fraud Prevention Plan

Planned key activity	Detailed actions – fraud prevention
Review the Fraud Prevention Policy and Plan.	- EXCO to ensure reviews and make recommendations to BARC for approval. - BARC reviews the policy and plan and recommends to the Board for noting. - Board notes the approved fraud prevention policy and plan.
Publication and Workshopping of Fraud Prevention Policy.	- Publicise the policy on the intranet. Possible work shopping of the policy. - Communication of the policy to all employees by email.
Fraud Prevention Awareness and Training.	- Develop a consolidated induction pack for risk management. - Conduct at least one fraud awareness session with Executive Management. - Conduct at least one fraud awareness session with Mine Management. - Conduct at least one fraud awareness session with Finance and Procurement function.
Investigations.	Report all reported matters
Facilitate/Conduct Enterprise-wide Risk Assessments	- Facilitate strategic risk identification and assessment sessions. Develop risk assessment reports and risk profile of the Company. - Obtain EXCO Approval. - Obtain BARC Approval. - Obtain Board Approval of the Strategic risk register. - Reporting the strategic risk management implementation (risk mitigation plan).
	- Facilitate/Conduct an ethics risk assessment. - Table fraud and ethics risk register at EXCO. - Monthly reports on fraud risk implementation plan
Renew Hotline Services.	Renew fraud hotline services
Fraud Risk Management Reporting	- Table the Fraud implementation plan to GRC. - Table the Fraud implementation plan to EXCO. - Table the Fraud implementation plan to BARC.
Conduct Independent Review of Fraud Prevention Processes.	- Audit the effectiveness of risk management processes and systems. - Table the risk management audit review report at EXCO. - Table the risk management audit review report at BARC.
Risk Maturity Assessment.	- Conduct an annual risk maturity assessment internally. - Conduct an externally conducted risk maturity assessment



PART F *Financial Information*

Contents

Report of the Auditor-General South Africa to Parliament on African Exploration Mining and Finance Corporation SOC Limited for the year ended 31 March 2023	60
Annexure to the Auditor's Report	67
Compliance with legislation – selected legislative requirements	68
Directors' Responsibilities and Approval	69
Certificate by Company Secretary	70
Statement on Corporate Governance	71
Performance against Objectives	77
Report of the Board Audit and Risk Committee	84
Statement of Financial Position as at 31 March 2023	86
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2023	87
Statement of Changes in Equity for the year ended 31 March 2023	88
Statement of Cash Flows for the year ended 31 March 2023	89
Accounting Policies	90
Notes to the Financial Statements	104
Notes	132

Report of the Auditor-General South Africa to Parliament on African Exploration Mining and Finance Corporation SOC Limited for the year ended 31 March 2023

Report on the audit of the financial statements

Disclaimer of opinion

1. I was engaged to audit the financial statements of the African Exploration Mining and Finance Corporation SOC Limited (AEMFC) set out on page 69 to 131, which comprise the statement of financial position as at 31 March 2023, statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. I do not express an opinion on the financial statements of the public entity. Because of the significance of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

Preparation of financial statements

3. I was unable to obtain sufficient appropriate audit evidence that the accounting authority have fulfilled its responsibility for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards (IFRS), as written representations in this respect were not provided. I was also unable to obtain written representations from the accounting authority that I had been provided with all relevant information and access as agreed in terms of the audit engagement, and that all transactions had been recorded and were reflected in the financial statements. I could not determine the effect of the lack of such representations on the financial position of the entity at 31 March 2023 or the financial performance and cash flows for the year then ended.

Irregular expenditure

4. I was unable to obtain sufficient appropriate audit evidence to confirm the irregular expenditure included in note 41 to the financial statements as sufficient appropriate audit evidence was not provided. I was unable to confirm this by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the irregular expenditure stated at R1 317 867 000 in the financial statements. In addition, not all irregular expenditure was included in note 41 to the financial statements, as required by section 55(2)(b)(i) of the Public Finance Management Act (PFMA). Expenditure incurred in contravention of supply chain management requirements, which resulted in irregular expenditure of R770 767 764 were not included in the note.

Trade and other payables

5. I was unable to obtain sufficient appropriate audit evidence for trade and other payables due to status of the accounting records and reconciliation of control accounts. I was unable to confirm these trade and other payables by alternative means. Consequently, I was unable to determine whether any adjustments to trade and payables stated at R269 432 000 in note 19 to the financial statements were necessary.

Investment in associates

6. The public entity did not disclose the description, facts and circumstance surrounding the disposal of the investment in associates in accordance with International Financial Reporting Standards (IFRS) 5, non-current assets held for sale and discontinued operations. I have not included the omitted information in this auditor's report as it was impracticable to do so.

Net cash flows from operating activities

7. The public entity did not correctly prepare and disclose net cash flows from operating activities as required by IAS 7, Cash flow statements. This was due to multiple errors in determining cash flows from operating activities. I was not able to determine the full extent of the errors in the net cash flows from operating activities, as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to cash flows from operating activities as stated at R143 552 000 in the financial statements were necessary.

Report of the Auditor-General South Africa (continued)

Taxation

8. I was unable to obtain sufficient appropriate audit evidence for taxation due to the status of the accounting records. I was unable to confirm taxation by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to taxation stated at R30 363 000 in the financial statements.

Provision

9. The public entity did not value the environmental rehabilitation provision in note 17 to the annual financial statements in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, as the present value of the obligation for rehabilitation was not determined. Consequently, provision and property, plant and equipment were understated by R60 801 501. Additionally, there was also an impact on the finance cost, profit for the period and retained income.
10. The entity has further not adequately prepared and presented the environmental provision as required by IAS 37, Provisions, Contingent Liabilities and Contingent Assets. Note 17 to the financial statements does not adequately disclose required information in relation to the nature of the obligation, an indication of the uncertainties about the amount or timing those outflows and major assumptions made concerning future events.
11. The public entity did not recognise provision in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets as bonus provision was recognised without the criteria being met. Consequently provision and employee cost were overstated by R24 807 000. Additionally, there was also an impact on the profit for the period and retained income.

Deferred tax

12. I was unable to obtain sufficient appropriate audit evidence for deferred tax due to a lack of proper record keeping and reconciliation of control accounts. I was unable to confirm these deferred tax by alternative means. Consequently, I was unable to determine whether any adjustments to deferred tax stated at R43 444 000 in the financial statements were necessary.

Current tax payable

13. I was unable to obtain sufficient appropriate audit evidence for current tax payable due to a lack of proper record keeping and reconciliation of control accounts. I was unable to confirm these current tax payable by alternative means. Consequently, I was unable to determine whether any adjustments to current tax payable stated at R16 994 000 in the financial statements were necessary.

Contingencies

14. I was unable to obtain sufficient appropriate audit evidence for the amounts disclosed as contingencies. I could not confirm contingencies by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to contingent liabilities stated at R35 296 000 in note 42 to the financial statements.

Trade and other receivables

15. I was unable to obtain sufficient appropriate audit evidence that trade and other receivables for the current year had been properly accounted for, due to the status of accounting records. I was unable to confirm trade and other receivables by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to trade and other receivables stated at R290 639 000 in the financial statements.
16. The public entity did not adequately disclose the credit risk exposure arising from trade and other receivables in note 13 to the financial statements, in accordance with IFRS 7, Financial instruments disclosure. Consequently, I was unable to determine whether any adjustments were necessary to note 13 of the financial statements.

Property, plant and equipment

17. I was unable to obtain sufficient appropriate audit evidence for property, plant and equipment, as the public entity did not have adequate systems of internal control in place and did not keep proper records to account for depreciation. I was unable to confirm the property, plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to depreciation stated at R51 026 000 in note 21 and R12 436 000 in note 24 to the financial statements.

Report of the Auditor-General South Africa (continued)

Property, plant and equipment (continued)

18. The public entity did not include all the qualitative and quantitative disclosures in accordance with IAS 16, Property, plant and equipment as they did not disclose environmental mine rehabilitation category of property, plant and equipment and asset write-off for right of use machinery was incorrectly disclosed as a write-off instead of depreciation in note 4 to the financial statements. I was unable to determine the full extent of the omitted disclosure as it was impracticable to do so.

Risk management

19. The public entity did not make all the qualitative and quantitative disclosures required by IFRS 7, Financial Instruments as disclosed in note 37. Risk management amounts were incorrectly recorded and not in accordance to the reporting requirements. I was unable to determine the full extent of the adequacy of disclosure as it was impractical to do so.

Commitments

20. The public entity did not adequately disclose change in accounting policy for commitments required by IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors as disclosed in note 34. Change in accounting policy for commitments relating to the prior year were incorrectly recorded in the current year and not in accordance to the reporting requirements. I was unable to determine the full extent of the adequacy of disclosure as it was impractical to do so.

Other matters

21. I draw attention to the matter below. My opinion is not modified in respect of this matter.

National Treasury Instruction note 4 of 2022/2023: PFMA Compliance and Reporting Framework.

22. On 23 December 2022 National Treasury issued Instruction Note 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA, which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in note 41 to the financial statements of the public entity. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of AEMFC. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now required to be included as part of other information in the annual report of the auditees. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

Responsibilities of the accounting authority for the financial statements

23. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the PFMA; and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
24. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the Auditor-General for the audit of the financial statements

25. My responsibility is to conduct an audit of the financial statements in accordance with the International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.
26. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code), as well as the other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

Report of the Auditor-General South Africa (continued)

Report on the audit of the Annual Performance Report

27. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected objectives presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.
28. I selected the objectives presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected objectives that measures the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Objective	Page numbers	Purpose
An efficient, reliable and financially sustainable business	77	Improving existing business to drive efficient cost structures and service delivery: driving financial sustainability - including measurement of lagging and leading indicators (where applicable): Tracking asset utilization, cost optimization, coal supply agreement (CSA) fulfilment, balance sheet management (working capital and/ or debt equity ratio) and supply chain management (profit margin)
Strategic growth through partnership	78-79	Collaborating to expand AEMFC's current markets and diversifying across the markets of the future.
Operational excellence as a differentiator & strategy enabler	80	Creating a culture of excellence through an agile, fit for purpose operating model, adoption of technology, relevant accreditation and robust performance management

29. I evaluated the reported performance information for the selected objectives against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.
30. I performed procedures to test whether:
- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
 - the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements
 - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
 - the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
 - the reported performance information is presented in the annual performance report in the prescribed manner
 - there are adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.
31. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.

Report of the Auditor-General South Africa (continued)

32. The material findings on the performance information of the selected objectives are as follows:

An Efficient, Reliable and Financially Sustainable Business

Saleable volumes

33. I could not determine if the predetermined nature and required level of performance to be used when measuring the achievement of the target of run of mine (ROM) produced was correct, as there were no processes to consistently measure and report on achievements against planned indicators. Adequate supporting evidence was not provided for auditing. Consequently, the information might be less useful for measuring performance.

Strategic Growth through Partnership

Various indicators

34. The targets for the indicators listed below were not specific in clearly identifying the nature and required level of performance. Consequently, the information might be less useful for measuring performance.

Indicator	Target	Reported achievement
Expand into the coal export market	DMRE Quattro allocation revenue	305,243 tonnes exported
Increase coal supply into Eskom.	Additional volume to Eskom	Not measured
Present an optimum T-project solution for approval by board	Determine the value of the project and present a viable solution to the board with a feasible funding structure	Not measured

Operational Excellence as a Differentiator and Strategy Enabler

Various indicators

35. The targets for the indicators listed below were not specific in clearly identifying the nature and required level of performance. Consequently, the information might be less useful for measuring performance.

Indicator	Target	Reported achievement
Finalise project development framework for future projects	Develop project development framework for acquisition of new mineral rights.	Not achieved
Review policies and procedures to support an effective operating model	Benchmark and review HR and related policies for consultation and alignment with group practices.	Not achieved

Other Matters

36. I draw attention to the matters below.

Achievement of planned targets

37. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and under achievements. This information should be considered in the context of the material findings on the reported performance information.

Material misstatements

38. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of an efficient, reliable and financially sustainable business and strategic growth through partnership. Management did not correct all of the misstatements and I reported material findings in this regard.

Report of the Auditor-General South Africa (continued)

Report on compliance with legislation

39. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.
40. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
41. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
42. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements

43. Financial statements were not submitted for auditing within the prescribed period after the end of financial year, as required by section 55(1)(c)(i) of the PFMA.
44. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1)(a) and (b) of the PFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving disclaimer of opinion.

Procurement and contract management

45. Some of the goods, works or services were not procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA. Similar non-compliance was also reported in the prior year.
46. Procurement by other means was not provided in the SCM policy of the institution or did not cover at least the minimum requirements as required by PFMA Instruction Note 3 of 2021/22 par. 4.3 and 4.4.
47. I was unable to obtain sufficient appropriate audit evidence that the deviation process followed in respect of identifying prospective suppliers are in line with the process prescribed in the institution's the SCM policy as required PFMA instruction note no.3 of 2021/22 par. 4.4.(d).
48. I was unable to obtain sufficient appropriate audit evidence that contracts and quotations were awarded to bidders based on points given for criteria that were stipulated in the original invitation for bidding and quotations, as required by the 2017 Preferential Procurement Regulation 5(1) and (3). Similar limitation was also reported in the prior year.
49. Some of the commodities designated for local content and production, were procured from suppliers who did not submit a declaration on local production and content in accordance with paragraph 3.4 of National Treasury Instruction Note 4 of 2015/2016. Similar non-compliance was also reported in the prior year.
50. I was unable to obtain sufficient appropriate audit evidence that commodities designated for local content and production, were procured from suppliers who met the prescribed minimum threshold for local production and content, as required by the 2017 Preferential Procurement Regulation 8(5). Similar limitation was also reported in the prior year.

Expenditure management

51. Effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. As reported in the basis for the disclaimer of opinion the value disclosed in note 41 of the financial statements does not reflect the full extent of the irregular expenditure incurred. The majority of the irregular expenditure was as a result of the contravention of company policy and procurement regulations which resulted in non-compliance with applicable laws and regulations in the appointment of suppliers.
52. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R4 952 000, as disclosed in note 40 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by a non-recoverable prepayment.

Report of the Auditor-General South Africa (continued)

Consequence management

53. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into irregular expenditure were not performed.
54. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into fruitless and wasteful expenditure were not performed.
55. I was unable to obtain sufficient appropriate audit evidence that investigations were conducted into all allegations of financial misconduct committed by officials, as required by treasury regulation 33.1.1.

Other information in the annual report

56. The accounting authority is responsible for the other information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act 71 of 2008. The other information referred to does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported on in this auditor's report.
57. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation, do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
58. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
59. As a result of the disclaimer of opinion expressed on the financial statements, I do not conclude on material misstatements of the other information relating to the financial statements. If, based on the work I have performed relating to the audit of performance information and compliance with legislation, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

60. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
61. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the disclaimer of opinion and, the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
62. Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information by not ensuring that the indicators are well defined and measurable.
63. Leadership and management of the public entity did not exercise adequate oversight over financial and performance reporting and compliance with legislation. The leadership did not take effective steps to ensure that there were consequences for transgressions of laws and regulations, as limited steps were taken to prevent irregular and fruitless expenditure during the current and prior period.
64. Senior management did not implement adequate processes to ensure regular updating of schedules, adequate reviews are in place and monitoring of action plans.

Auditor-General

Pretoria

03 November 2023



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence



Annexure to the Auditor's Report

1. The annexure includes the following:
 - The auditor-general's responsibility for the audit; and
 - The selected legislative requirements for compliance testing.

Auditor-General's responsibility for the audit

Professional judgement and professional scepticism

2. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected objectives and on the public entity's compliance with selected requirements in key legislation.

Financial statements

3. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
 - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
 - Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control; Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made;
 - Conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern;
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999	Sections 50(3); 50(3)(a); 50(3)(b); Section 51(1)(a)(ii); 51(1)(a)(iii); Sections 51(1)(a)(iv); 51(1)(b); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii); Sections 52(b); 53(4); 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); 55(1)(c)(i); Sections 56; 57(b); 57(d); 66(3)(a)
Treasury Regulations	Regulations 29.1.1; 29.1.1(a); 29.1.1(c); 29.2.1; 29.2.2; 29.3.1; 31.2.5; Regulations 31.2.7(a); 33.1.1; 33.1.3
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)
Companies Act 71 of 2008	Sections 30(3)(b)(i); 33(1)(a); 45(2); 45(3)(a)(ii); 45(3)(b)(i); 45(3)(b)(ii); Sections 45(4); 46(1)(a); 46(1)(b); 46(1)(c); 72(4)(a); 75(6); 86(1); 86(4); Sections 88(2)(d); 112(2)(a); 129(7)
Companies Act Regulations	Regulations 30(2); 43(2)(a)
Construction Industry Development Board Act 38 of 2000	Sections 18(1); 22(3)
Construction Industry Development Board Regulations	Regulations 17; 18(1A)1; 25(7A)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2.1(a); 2.1(b); 2.1(f)
Preferential Procurement Regulations of 2017	Regulations 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; 6.3; 6.5; 6.6; 7.1; 7.2; 7.3; Regulations 7.5; 7.6; 8.2; 8.5; 9.1; 9.2; 11.2; 12.1; 12.2
Preferential Procurement Regulations of 2022	Regulations 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
National Treasury Instruction Note 4 of 2015-16	Paragraph 3.4
National Treasury Instruction Note 5 of 2020-21	Paragraphs 5.1; 5.3
Erratum to National Treasury Instruction Note 5 of 2020-21	Paragraphs 1; 2
Second amendment to National Treasury Instruction Note 5 of 2020-21	Paragraphs 4.8; 4.9 ; 5.1 ; 5.3
National Treasury SCM Instruction Note 11 of 2020-21	Paragraphs 3.1; 3.4(b); 3.9
National Treasury SCM Instruction Note 3 of 2021-22	Paragraphs 4.3; 4.4; 4.4 (c); 4.4(d)

Directors' Responsibilities and Approval

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

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

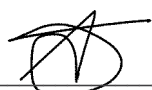
The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 31 March 2024 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on pages 69 - 131, which have been prepared on the going concern basis, were approved by the board of directors on 02 November 2023 and were signed on their behalf by:



Mr Zacharias Bernadus Swanepoel
Independent Non -Executive Chairperson

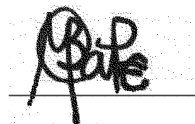


Ms PC Motsielwa
Independent Non-Executive Director

02 November 2023

Certificate by Company Secretary

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that the Company has lodged with the Commissioner all such returns as are required of a public company in terms of the Act and that all such returns are true, correct and up to date.



Mr Thembani Piyose
Company Secretary

02 November 2023

Statement on Corporate Governance

1. Introduction

The AEMFC ensures that its processes and practices are reviewed on an ongoing basis in order to ensure adherence to good corporate governance practices.

2. Compliance

The Board of Directors (the Board) believe that the company has substantially applied and complied with the principles incorporated in the Code of Corporate Practices and Conduct as set out in the King Report on Corporate Governance for South Africa 2016. The entity strives towards the spirit of the King IV Report on Corporate Governance for South Africa and has endeavoured to comply with the principles incorporated in the Code of Corporate Practices and Conduct and the Public Finance Management Act.

The entity has a formalised system of corporate governance as set out below.

3. Governing Bodies

Board of Directors

AEMFC has a unitary board structure made up of executive and non-executive directors, appointed by the shareholder. The Board meets at least once every quarter. The Board charges executive management with the day to day running of business, with the Board addressing a range of key issues to ensure that it retains the strategic direction of, and proper control over the entity. The non-executive directors are appointed on a three year cycle and re-appointment is not automatic. The offices of the Board Chairperson and Chief Executive Officer, respectively, are separated.

In accordance with the Public Finance Management Act (Act No 1 of 1999), as amended, the Board is the accounting authority of the entity. In keeping with the recommendations of the King Report, the Board adopted a Board Charter which sets out the role of the Board as set out in the paragraph below.

The Board's primary responsibilities include the appointment of the Chief Executive Officer, determining the entity's objectives and values and giving strategic direction to the entity, taking effective and appropriate steps to ensure that key risk areas and key performance indicators of the entity's business are identified, monitoring the performance of the entity against agreed objectives, advising on significant financial matters and reviewing the performance of executive management against defined objectives and applicable industry standards, as well as:

- Approving key policies, investments, risk management and relevant transactions that exceed managements' levels of authority;
- Reviewing and approving the entity's strategy, objectives, and plans;
- Considering and approving annual financial statements and submissions to the shareholder;
- Ensuring adherence to good corporate governance and ethics;
- Reviewing effectiveness of controls, and
- Approval of the appointment of the sub-committees of the board.

Composition of Board for the financial year under review

Name	Title	Date Appointed/Resigned	Appointed/Resigned
Mr ZB Swanepoel	Non-executive Chairperson (Independent)	31 August 2022	Active
Ms DR Hlatshwayo	Non-executive (Independent)	22 June 2021	Active
Ms P Mthombeni	Executive (Non-Independent)	7 September 2022	Active
Mr LA Pitsoe	Executive (Non-Independent)	1 February 2022	Active
Ms PC Motsielwa	Non-executive (Independent)	31 August 2022	Active
Ms J Snyman	Non-executive (Independent)	22 June 2021	Active
Ms D Morabe	Non-executive (Independent)	22 June 2021	Active
Mr MT Masondo	Non-executive (Independent)	25 March 2022	Active
Mr KJ Hodges	Non-executive (Independent)	22 June 2021	(Re-Appointment)
Mr PM Madokwe	Non-executive (Independent)	19 October 2022	(Re-Appointment)

Statement on Corporate Governance (continued)

Company Secretary

The Company Secretary provides the Board with guidance and advice on matters of business ethics and good governance, as well as on the nature and extent of their duties and responsibilities and how such duties and responsibilities should be properly discharged.

Each of the Directors have unrestricted access to the advice and services of the Company Secretary, entity information, and is entitled to seek independent professional advice, at the entity's expense in pursuance of their duties as Directors.

Board Audit and Risk Committee

The company has a combined Board Audit and Risk Committee which fulfils the role of the statutory audit committee and risk management activities.

In terms of the Public Finance Management Act (Act No.1 of 1999 as amended S77(a) & (b)), at least four meetings a year should be held and the Board Audit and Risk Committee should consist of at least three members.

The Board Audit and Risk Committee held 6 meetings during the year. Board Audit and Risk Committee consists of three independent non-executive members. The committee has agreed Terms of Reference as approved by the Board. The report of the Board Audit and Risk Committee for the financial year under review is included in these annual financial statements. The report sets out the responsibilities of the committee.

Composition of Board Audit and Risk Committee (BARC) for the financial year under review

Name	Title	Date Appointed/Resigned	Appointed/Resigned
Ms J Snyman	Member		
Ms PC Motsielwa	Chairperson		Appointed
Ms D Morabe	Member	30 November 2022	
Mr PM Madokwe	Member	16 October 2022	Term Expired
Ms D Hlatshwayo	Member		

Composition of Board Investment Committee (BIC) for the financial year under review

The Board Investment Committee assist the Board in managing its current portfolio of investments and advise the Board on investment opportunities. It will also advise the Board on opportunities to increase and optimize its return on investments of its current operational assets.

Name	Title	Date Appointed/Resigned	Appointed/Resigned
Mr KV Hodges	Chairperson	22 June 2022	Re-Appointed
Mr MT Masondo	Member	30 November 2022	Appointed
Mr PM Madokwe	Member	30 November 2022	Re-Appointed
Ms J Snyman	Member	5 August 2021	Appointed

Composition of Health, Safety and Environmental Sub Committee (HSEC) for the financial year under review

The Board established a new Sub Committee, the Health, Safety and Environmental Committee to assist the Board in reviewing health, safety and environmental policies and standards applied at AEMFC.

Name	Title	Date Appointed/Resigned	Appointed/Resigned
Mr MT Masondo	Chairperson	30 November 2022	Appointed
Ms D Morabe	Member	30 November 2022	Appointed
Mr PM Madokwe	Member	30 November 2022	Appointed
Mr ZB Swanepoel	Member	30 November 2022	Appointed

Statement on Corporate Governance (continued)

Remuneration, Social & Ethics and Nomination Committee (RemSEC)

This committee is chaired by an independent non-executive member and comprises of non-executive members appointed by the Board. The CEO, GM: Finance and GM: Corporate Services attend the committee meetings by invitation.

Statement on Corporate Governance

The committee reviews and recommends annual staff remuneration, terms and conditions of employment, the payment of incentives and bonuses, general fringe benefits, remuneration policies and the appointment of senior staff.

Social and Ethics focus areas

This committee is appointed in fulfilment of the provisions of the Companies Act. The core responsibility of this committee is to monitor the activities of the company in so far as it relates to the following:

Labour and employment

Social and economic development good corporate citizenship and consumer relations, public relations and the environment, health, and public safety, including the impact of the Companies activities.

These matters are currently held by Health, Safety and Environmental Sub Committee.

The HSE subcommittee had just been established and met for the first time in October 2021 was the formative year for the Committee and due to the attrition of non-executive directors on the Board, the Committee could not sit in Q4. However, those matters that are under its jurisdiction will be dealt with by the Board and the HSE Committee will be resuscitated when the Board has been recapacitated with new additions.

Human Capital Focus Areas

Housing and living conditions

The Mining Charter requires mining companies to implement measures to improve the standard of housing and living conditions for mineworkers. Our target is to facilitate home ownership options for all mine employees, in a sustainable settlement near the respective operation, in consultation with organized labour. A housing subsidy is currently paid to all unionised mine employees pending the housing development plan which will include a comprehensive property acquisition.

One of the challenges we face is ensuring that there are enough houses around our remote operation, to house the skilled people we are working to attract and keep. This also affects our ability to attract and retain staff as many of them prefer to work closer to larger cities.

Developing talent

The underlying aim of our Human Capital Strategy is to establish the Company as an employer of choice. This approach facilitates individual growth as well as attraction and retention of talent.

Our current and future operations will require a wide range of skills including engineers, financial specialists, managers, artisans, skilled operators etc. Retaining these skills, developing them internally and adding to them through new recruits is an essential part of our growth path. This presents a particular challenge when developing new mines where we prefer to develop the skills we require in the employees we source from local communities.

Skills development initiatives within the company include learnerships, internal and external bursaries and study assistance.

Labour relations

AEMFC's approach to Human Capital is led by our values, rather than driven by compliance. The Labour Relations Act regulates our approach to Human Capital and the Employment Equity Act guides how we manage diversity in the workplace. We follow a legal framework process that promotes compliance while harmonizing workplace practices through sound employee relations.

Maintaining positive labour relations is an important part of our business, including being a partner and employer of choice.

Statement on Corporate Governance (continued)

We recognise the current financial pressure on all levels of society, and we benchmark our salaries to ensure that our remuneration rates are competitive.

AEMFC respects our employees' right to collective bargaining.

Composition of Remuneration, Social & Ethics and Nomination Committee for the financial year under review

Name	Title	Date Appointed/Resigned	Appointed/Resigned
Ms DR Hlatshwayo	Chairperson	5 August 2021	Appointed
Mr ZB Swanepoel	Member	30 November 2022	Appointed
Mr PM Madokwe	Member	19 November 2022	Appointed
Mr PC Motsielwa	Member	5 August 2021	Appointed

4. Materiality and significance framework

A materiality and significance framework is in place. Its purpose is to regulate disclosure of material facts to the Minister of Minerals Resources and Energy, disclosure in the entity's annual financial statements and approval from the Minister of Minerals Resources and Energy for participation in certain transactions.

5. Directors' responsibility for the annual financial statements

The Directors of the entity are responsible for the entity's annual financial statements. The Auditor-General of South Africa is responsible for performing an independent audit of the annual financial statements.

The annual financial statements and notes thereto are prepared in accordance with International Financial Reporting Standards (IFRS). Accounting policies are consistently applied except where otherwise stated, in which case full disclosure of changes is made.

The Directors believe that the entity will continue as a going concern in the year ahead.

6. Internal audit

The company has an inhouse Internal Audit function which reports functionally to the Chairperson of the Board Audit and Risk Committee (BARC) and administratively to the Chief Executive Officer (CEO). The internal audit function has written Terms of Reference, approved by the Board annually. The internal audit function is under the control and direction of the Board. The internal audit function carries out its work in terms of an approved internal audit work plan based on the risk framework of the company. The annual work plan is approved by the Board Audit and Risk Committee. Internal audit has full access to the Chairpersons of the Board Audit and Risk Committee and the Board.

The key responsibilities of internal audit are to the Board and the Board Audit and Risk Committee in discharging its responsibilities by:

- Evaluating the company's governance processes including ethics;
- Performing an objective assessment of the effectiveness of the risk management and internal control framework;
- Systematically analysing and evaluating business processes and associated controls.
- Providing a source of information, as appropriate, regarding instances of fraud, corruption, unethical behaviour, and irregularities.

The internal audit function adheres to the International Standards for Professional Practice of Internal Auditing and Code of Ethics. Internal audit developed and maintained a quality assurance and improvement program. The internal audit function is subjected to an external quality review at least every five years.

Statement on Corporate Governance (continued)

7. Risk management

The company has an integrated risk management function that assists in identifying, evaluating, and managing the significant strategic and operational risks faced by the business. Significant progress has been made in addressing and managing these significant risks. The Board Audit and Risk Committee reviews the risk management process and the effectiveness of the system of internal controls by considering the regular reports from management on key risks, mitigating actions and assertions. The Board Audit and Risk Committee also reviews the internal auditors reports on a quarterly basis to measure the effectiveness of internal controls, also considering combined assurance. The Committee oversaw the cooperation between internal audit and external auditors, and the committee is satisfied that the company has optimised the assurance coverage obtained from management, internal and external assurance providers in accordance with an appropriate combined assurance model.

8. Technology and information governance

The Information and Communications Technology (ICT) Governance structures and processes are in place to manage the strategic and operational initiatives of AEMFC (SOC) Ltd. ICT Governance, Change Management, Incident Management and Problem Management guideline principles and processes are in place and by design reported to the ICT Steering Committee (a subcommittee of the Board Audit and Risk Committee - BARC) quarterly. The ICT Steering Committee was partially inactive as it did not quorate during FY2022/23 due to the moratorium placed on the recruitment and replacement of staff who were core members of the committee. The EXCO took over the key governance roles of the ICT Steering Committee in the interim with weekly HODs meetings and monthly EXCO reports which are further summarised for BARC on a quarterly basis. This ensured that the ICT function remained agile in aligning and responding to key business needs.

The ICT function successfully rolled out a number of critical solutions to the business during the year and worked to optimise systems already in place. A new SAP Service Provider was appointed after a long procurement process and joined our environment in November 2021 and has been involved in a significant number of projects to support our users. This will ensure that support for our end users on our core-system improves significantly. The focus in Q1 and Q2 FY2022/23 was to improve and optimise user adoption and system utilisation on Isometrix, our Risk and SHERQ Management System (SHERQms) with notable improvements. The project to upgrade the Vlakfontein Mine Weighbridge System (Tontrac) from manual to a fully automated solution was also completed during the year and expected to be fully activated in Q1 2022/23. The full automation of the weighbridge also addressed the issue of load security with uniquely bar-coded seals which was a critical business requirement.

AEMFC also finalised the installation of a fuel management system at Vlakfontein mine in Q2 2022/23 to improve the management and accounting for our fuel stock through continuously measuring and reporting on fuel levels, fuel dispensed, fuel added, fuel stolen alerts and consumption both on fixed and mobile fuel tanks both on fixed and mobile fuel tanks. We also worked to improve accountability and security by successfully installing a time and attendance system to enable employees at the mine to clock in/out and record their daily shift attendance in Q2 2022/23. Further, the ICT function rolled out a printer rental model at Vlakfontein mine and Head Office to resolve challenges and excessive costs that come with the full printer ownership model. Incremental improvements will be made to the security and accounting of the printer solution to monitor usage and increase governance around wastage.

Finally, we also successfully procured and implemented a Board pack management system to assist our Company Secretariat with the packaging and distribution of meeting packs, coordinating, scheduling, governing and securing Executive and Board meetings.

The short-to-medium term focus for management will be to enhance our cyber security protocols to improve the resilience and security of our network infrastructure in the event of malicious attacks, data breaches and other security incidents. This has become top-priority as we continue to improve the execution of our "Work-from-Anywhere" strategy to fully enable a remote working model for corporate and administrative staff that is secure and sustains our data protection objectives. We will further undertake and exercise to review our ICT Governance Framework and ICT Strategy, particularly with the changes in our corporate strategic focus and structure anticipated between Q1 and Q2 2022/23 to ensure continued alignment with the needs of the business.

9. Stakeholder relationships

The company has a number of stakeholders whose management and engagement the AEMFC Board regards as critical towards its success. The AEMFC Board has delegated the responsibility of this engagement to the AEMFC CEO in line with the Communication and Stakeholder Management Policy of the company approved by the AEMFC Board. In addition, and in accordance with Principle 16 of the King IV Codes on Corporate Governance, the identified stakeholders and the engagement thereof is reported on a quarterly basis to the shareholder as part of the monitoring process.

Statement on Corporate Governance (continued)

Further, Executive Committee meetings held monthly address various stakeholder related matters including challenges and how these can be addressed. The year under review has concentrated mainly on the following:

- The securing of additional supply volumes to Eskom SOC Ltd, being the main customer,
- Engagement of labour unions as the company moved to owner mining from the contract model,
- Presentations to the Department of Mineral Resources and Energy on company progress financially and key projects including short, medium- and long-term objectives,
- Reporting to the Parliamentary Portfolio Committee on Energy on AEMFC Strategy and key performance areas.

For the financial year 2023/24, the operational performance of the Vlakfontein Mine will continue to be an area of focus as the company continues to seek all necessary approvals to further implement the Vlakfontein extension, improve coal qualities and build on coal reserves for the Eskom CSA extension.

The company aims to diversify both its product offering and customer base in order to mitigate both product and customer concentration risk which prevails currently due to heavy reliance on Eskom as a sole customer. Further initiatives will also include the increasing of the mining assets through own mineral rights development, acquisitions of operating assets as they become available and explore opportunities for collaboration with other B-BBEE compliant companies in the mining space. The commodity diversification strategy continues to be an area of focus, thus constant engagements with the DMRE continue, a collaborative relationship with the Council for Geosciences is underway and engagements with project promoters for mineral diversification continues to be explored.

Performance against Objectives

2022-23 Corporate Score Card						
Strategic Objective 1: An efficient, reliable and financially sustainable business						
Improving existing business to drive efficient cost structures and service delivery: driving financial sustainability – including measurement of lagging and leading indicators (where applicable): Tracking Asset utilization, Cost optimisation, CSA fulfilment, Balance sheet management (working capital and/or debt:equity ratio) and Supply chain management (profit margin)						
34%						
Key Performance Area (KPA)	KPI	Target (FY22/23)	Weight	Actual Performance	Rating	Remedial Measures
Improve contractual performance on Kusile CSA1 – Vlakfontein mine	Eskom Sales	2.5 Mt sold (45 927 074 Gigajoules)	5%	2.312 Mt coal sold to Eskom (48,004,352 Gigajoules)	2	93% of the target achieved. Eskom currently assessing additional rectification sources
Improve workforce efficiency by process mapping and debottlenecking the Vlakfontein operations	Saleable Volume	Run of Mine (ROM) Produced	5%	2.312 Mt coal sold to Eskom (48,004,352 Gigajoules)	2	Expansion development of Vlakfontein as well as operationalisation of Klippoortjie scheduled for FY2023/24
Finalize valuation and Go-Forward decision of Associate Investments	Realise a fair negotiated market value for the shares held in the associates, as per the recommendation of the Transactional Advisors	Present to board the negotiated Go-Forward plan with regards to associates	4%	Board submission of ARM Valuation and Go-Forward Case made in March 2023	2	Negotiation of transaction implementation mechanisms and the Sale and Purchase of Shares Agreement between ARM and AEMFC currently underway
Strengthen the company financial position, profitability and liquidity	Return on Assets	1%	5%	RoA = 4%	4	
	Current Ratio	1.7	5%	Current Ratio = 1.82	3	
	Debt Equity Ratio	1.8	5%	D/E = -0.18	1	Our gearing ratio has improved significantly, however the target is erroneously rewarding deterioration of our gearing ratio
	Net Profit Margin	1.1%	5%	Net Profit Margin = 4%	4	

Performance against objectives (continued)

Strategic Objective 2: Strategic growth through partnership						
Collaborating to expand AEMFC's current markets and diversifying across the markets of the future.						
15%						
Key Performance Area (KPA)	KPI	Target (FY22/23)	Weight	Actual Performance	Rating	Remedial Measures
Diversify customer mix using Quattro allocation	Expand into the Coal Export Market	DMRE Quattro Allocation revenue	5%	305,243 tonnes of coal exported through Quattro Scheme	2	305,243 tonnes exported against a target of 400,000 tonnes per annum. The 23% shortfall in tonnages is due to delayed commencement of contract with Transnet (June 2022). A recuperation and extension application has been sent to DMRE
Identify operational JV partners and acquisition targets for supply into Eskom. Participate in future Eskom RFQ preferably with BBBEE JV partners	Increase coal supply into Eskom	Additional volume to Eskom	2%	Not achieved	1	AEMFC and Eskom in discussions to supply additional volumes. Eskom is currently assessing additional rectification sources
Identify acquisition targets for Eskom linked coal ops to grow Eskom book	Acquisitions	Coal Asset Acquisition for Eskom	2%	Not achieved	1	Project Identification and Development Framework, Policies and Procedures being reviewed to facilitate acquisitions of high potential and market-ready projects to operationalise and supply Eskom

Performance against objectives (continued)

Strategic Objective 2: Strategic growth through partnership						
Collaborating to expand AEMFC's current markets and diversifying across the markets of the future.						
15%						
Key Performance Area (KPA)	KPI	Target (FY22/23)	Weight	Actual Performance	Rating	Remedial Measures
Develop AEMFC projects for Eskom Growth.	Present an Optimum T-Project Solution for approval by Board	Determine the value of the project and present a viable solution to the board with a feasible funding structure	2%	Not achieved	1	T-Project was put on hold during the financial year, in favour of the high potential Klippoortjie Mine Project, which is scheduled to come on stream in FY2023/24.
	Klippoortjie	Water Balance study (100%)	1%	Water Balance Report Accepted	2	The Water Balance Study is part of the application for the IWULA, that has been lodged with Water Affairs
		Complete drilling for DTF combustion sample and submit sample to Eskom (100%)	1%	Service Provider to drill Eskom Test Samples was appointed	2	Test samples are ready and awaiting Eskom to undertake testing thereof
		Review the feasibility study that was conducted in 2015 and set scope for Go Forward Case	1%	Not achieved	1	A strategic partnership approach is being pursued for this project. Therefore, the feasibility study review and the development of the mining method will be done in collaboration with the Strategic Partner, whose appointment will be effected in FY2023/24
		Review the mining method for the Klippoortjie	1%	Not achieved		

Performance against objectives (continued)

Strategic Objective 3: Operational excellence as a differentiator & strategy enabler.						
Creating a culture of excellence through an agile, fit for purpose operating model, adoption of technology, relevant accreditation and robust performance management:						
15%						
Key Performance Area (KPA)	KPI	Target (FY22/23)	Weight	Actual Performance	Rating	Remedial Measures
Safe Operations	LTIFR	< 0.91 Less than the latest published Provincial	4%	LTIFR = 0.31	5	
Develop a Project Quality Assurance Framework (which covers triple constraints – time, quality and cost)	Develop a Project Quality Assurance Framework (which covers triple constraints – time, quality and cost)	Pilot new Project Management Model (select a Project and apply the new Project Management model principles)	5%	Not achieved	1	Project QA Framework to be finalised in FY2023/24
Review and implement a profitable new operating model and processes		Review and implement a profitable new operating model	2%	Not achieved	1	Operating Model to be finalised in FY2023/24
Finalize project development framework for future projects		Develop project development framework for acquisition of new mineral rights	2%	Not achieved	1	Project Development Framework to be finalised in FY2023/24
Review policies and procedures to support an effective operating model		Benchmark and review HR and related policies for consultation and alignment with group practices	2%	54% of HR Policies and Procedures reviewed and approved	5	15 of 28 HR policies reviewed and approved. Review process is ongoing and will be concluded in FY2023/24

Performance against objectives (continued)

Strategic Objective 4: A responsible corporate citizen contributing to socioeconomic development

Strategic Objective 4: A responsible corporate citizen contributing to socioeconomic development						
Broadening the scope of governance and highlight community interests: Audit performance, Enterprise risk and legal management, Compliance to mining charter, Diversity and transformation, Corporate citizenship, Decarbonisation						
21%						
Key Performance Area (KPA)	KPI	Target (FY22/23)	Weight	Actual Performance	Rating	Remedial Measures
Clean Audit	Eliminate/address significant audit findings	Reduce Irregular Expenditure from previous audit to <0.3% of Revenue	3%	to be assessed on conclusion of external audit.		
		Reduction of Audit findings from previous audit	2%	to be assessed on conclusion of external audit.		
		Continuous review of competence and further training on compliance	1%	SLP Submitted to DMRE on 10 October 2022	3	AEMFC will engage DMRE to get the SLP approved in FY2023/24.
Implementation of SLP1 projects	SLP performance plans and execution	Implementation of SLP projects	2%	Not achieved	1	SLP implementation hampered by its non approval
Improve and or retain a level 4 B-BBEE score	Attain and maintain a minimum B-BBEE score level of 4	Improve Enterprise and Supplier Development pillar of B-BBEE score	1%	Not achieved	1	BBBEE Scorecard assessment and improvement of the contributing elements will be done in FY2023/24
		Improve SLP implementation and reporting	2%	Not achieved	1	SLP approval with DMRE and reporting of related performance will be enhanced in FY2023/24
		Improve Training and Development pillar of B-BBEE score.	1%	Not achieved	1	BBBEE Scorecard assessment and improvement of the contributing elements will be done in FY2023/24
		Women in Leadership (Women in Mining Strategy)	1%	Not achieved	1	BBBEE Scorecard assessment and improvement of the contributing elements will be done in FY2023/24
		Maintain B-BBEE scoring at a minimum level 4	2%	Not achieved	1	BBBEE Scorecard assessment and improvement of the contributing elements will be done in FY2023/24

Performance against objectives (continued)

Strategic Objective 4: A responsible corporate citizen contributing to socioeconomic development (continued)

Key Performance Area (KPA)	KPI	Target (FY22/23)	Weight	Actual Performance	Rating	Remedial Measures
Develop a stakeholder road map and strategy for engagement		Develop a stakeholder road map and strategy for engagement as support both internally and externally	2%	Not achieved	1	Stakeholder Management Plan will be finalised in FY2023/24
Develop strategic and operational risk register, for critical controls monitoring		Develop a risk register and interventions	2%	Risk Registers were developed. Strategic Risk Register was approved by Board quarterly. Strategic Risk interventions were assessed and reported on at Exco, Board and BARC	5	
		Continuous review of strategic and operational risks	2%	Not achieved	1	Operational Risk Register was developed, but the Control interventions are yet to be assessed. The GRC committee will be reconvened in FY2023/24

Performance against objectives (continued)

Strategic Objective 5: Human capital development and retention						
Developing and retaining relevant capabilities to enable our strategic ambitions: Human capital development (time spent on training and upskilling, internal promotions vs. external hires) Retention (employee satisfaction, retention rate)						
15%						
Key Performance Area (KPA)	KPI	Target (FY22/23)	Weight	Actual Performance	Rating	Remedial Measures
Develop a capabilities (competencies) framework and personnel development strategy	Improved functionality of HR	Develop a capabilities (competencies) framework and personnel development strategy	3%	Not achieved	1	Capabilities (Competencies) Framework & Personnel Development Strategy to be developed and concluded in FY2023/24.
Fill in all critical roles at Exco as per approved corporate structure for the execution of the corporate plan	Improved functionality of HR	Benchmark and review HR and related policies for consultation and alignment with group practices.	3%	54% of HR Policies and Procedures reviewed and approved	5	15 of 28 HR policies reviewed and approved. Review process is ongoing and will be concluded in FY2023/24
Develop a fit for purpose technical team for project development	Improved functionality of HR	A formal review of the corporate services systems and processes (Policies and procedures)	3%	54% of HR Policies and Procedures reviewed and approved	5	15 of 28 HR policies reviewed and approved. Review process is ongoing and will be concluded in FY2023/24
Finalize the skills audit, mining competencies requirements and benchmarking exercise	Improved functionality of HR	Finalize the skills audit, mining competencies requirements and benchmarking exercise.	3%	Not achieved	1	Skills Audit, Mining Competencies Requirements and Benchmarking exercise to be finalised in FY2023/24
Finalize the remuneration and incentives scheme framework, linked to performance management policies and procedures	Improved functionality of HR	Finalize the remuneration and incentives scheme framework, linked to performance management policies and procedures	3%	Not achieved	1	Remuneration and Incentives Scheme Framework to be finalised in FY2023/24
85%						

Report of the Board Audit and Risk Committee

Mandate

The Board Audit and Risk Committee is pleased to present the report in terms of the requirements of the Public Finance Management Act (PFMA), the Companies Act (section 94(7)(f)) and in accordance with the King Code of Governance Principles for South Africa for the financial year ended 31 March 2023.

The role of the Committee is defined in the Board Audit and Risk Committee's detailed charter, which is approved by the Board of Directors (Board). It covers, amongst others, its statutory duties and assistance to the Board with the oversight of financial and non-financial reporting and disclosure, the internal control system, risk management, internal and external audit functions and combined assurance, including information technology governance.

The Committee reports that it has regulated its affairs in compliance with its mandate, and has discharged all of its responsibilities contained therein.

Board Audit and Risk Committee Members, meeting attendance and assessment

The Board Audit and Risk Committee comprises of three independent non-executive directors who are duly elected by the Minister of Minerals and Energy through its parent company CEF (Central Energy Fund) in line with legislative requirements. The Committee held at least seven (7) meetings during the year under review as per charter and all quorum requirements were accordingly met. The Chief Executive Officer, Chief Financial Officer, Chief Audit Executive, GM-ICT, GM-Corporate Strategy & Planning, GM-Technical Services and GM-Corporate Services, and other key executive management are required to attend all meetings of the Board Audit and Risk Committee. In addition, the representatives from the Office of the Auditor-General of South Africa have a standing invitation to attend all committee meetings.

The effectiveness of the Committee and its individual members are assessed on an annual basis.

Roles and responsibilities

In the conduct of its duties the committee has, inter alia, reviewed the following functions:

Finance activity and financial statements

The Board Audit and Risk Committee has reviewed the expertise, competence and experience of the Finance function.

The Board Audit and Risk Committee have reviewed the accounting policies and the financial statements of the company and are satisfied that they are appropriate and comply with International Financial and Reporting Standards (IFRS). The review included the following:

Review and discussing the annual financial statements to be included in the annual report with the Auditor General of South Africa and the Chief Executive Officer's reports:

- Review of the entity's compliance with legal and regulatory provisions;
- Review of the Auditor General of South Africa's management report and management's response thereto; Review of the changes in accounting policies and practices;
- Review of the significant adjustments resulting from the audit.

3.2. Internal financial controls

The Board Audit and Risk Committee has overseen a process by which internal audit performed a review of the effectiveness of the company's system of internal control and risk management, including internal financial controls.

The review by internal audit formed the basis for the Board Audit and Risk Committee's recommendation in this regard to the Board, in order for the Board to report thereon.

3.3. Whistle Blowing

The Committee reviews reports submitted relating to the Whistle blowing hotline toll free number, all matters that were identified in the year under review and are currently under investigation.

Report of the Board Audit and Risk Committee (continued)

3.4. Internal audit

The committee considered the Internal Audit Charter, Annual Audit Plan, alignment of the audit plan with company risks, the independence and the effectiveness of the function, internal audit reports, management action plans and the coordination with external auditors, and serves as the link between the Board and these functions.

The in-house internal audit function is responsible for reviewing and providing assurance on the adequacy of the internal control environment across operations. Internal audit is responsible for reporting the internal audit work against the agreed internal audit plan to the committee on a quarterly basis.

Internal audit has direct access to the Board Audit and Risk Committee, primarily through its Chairperson. The Committee is also responsible for the assessment of the performance of the internal audit function. The internal audit is independent and is currently staffed by the Chief Audit Executive (CAE) and two Internal Auditors. In order to supplement its resources, a co-source arrangement has been entered into with various service providers.

The committee is partially satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the company in its audits.

3.5. Internal control effectiveness

The Board Audit and Risk Committee has noted that the system of internal controls that is in place need to be reviewed on an on-going basis and improved to ensure the system of internal controls is appropriate in all material respect to:

- ✓ Meeting the strategic objectives of the entity;
- ✓ Evaluating and mitigating the key risks facing AEMFC;
- ✓ Ensuring compliance with applicable laws and regulations;
- ✓ Ensuring that AEMFC's assets are safeguarded; and
- ✓ Ensuring that transactions undertaken are correctly recorded in AEMFC's accounting records.

Internal and external audit provides the Board Audit and Risk Committee with reasonable assurance that the internal controls are appropriate and effective. No findings have come to the attention of the committee to indicate that any material breakdown in internal controls has occurred during the financial year under review. From the various reports of the internal and external auditors, we noted that matters which indicated any deficiencies in the system of internal control have been brought under management's attention and corrective measures are being implemented.

3.6. Risk management

The Board Audit and Risk Committee monitored the significant risks faced by the company through reviewing risk reporting and participation in the risk assessment workshop. A formal risk assessment was undertaken for the year ended 31 March 2022 with quarterly reviews, updates and reports.

We are satisfied that significant risks are being managed to an acceptable level.

The Committee members express their sincere appreciation to the Board, Chief Executive Officer, Management, Internal Audit and the Auditor General of South Africa (AGSA).



Ms P Motsielwa

Board Audit & Risk Committee Chairperson

02 November 2023

Statement of Financial Position as at 31 March 2023

	Note(s)	2023 '000	2022 '000
Assets			
Non- Current Assets			
Property, plant and equipment	4	417 819	486 409
Intangible assets	5	938	1 519
Investments in associates	7	140 000	140 000
Trade and other receivables	13	3 081	2 814
Payments made in advance	9	11 933	11 883
Payments made in advance	11	207	311
		573 978	642 936
Current Assets			
Inventories	12	45 613	62 421
Trade and other receivables	13	287 558	58 580
Current tax receivable	18	-	16 615
Payments made in advance	11	104	104
Cash and cash equivalents	14	437 352	331 519
		770 627	469 239
Total Assets		1 344 605	1 112 175
Equity Liabilities			
Equity			
Share Capital	15	4	4
Retained income		582 343	529 749
		582 347	529 753
Liabilities			
Non-Current Liabilities			
Loans from group companies	8	208 899	306 053
Lease liabilities	16	24 547	28 066
Deferred tax	10	43 444	61 689
Provisions	17	60 802	55 498
		337 692	451 306
Current Liabilities			
Trade and other payables	19	269 432	88 451
Loans from group companies	8	109 813	21 882
Lease liabilities	16	3 520	3 520
Current tax payable	18	16 994	-
Provisions	17	24 807	-
		424 566	131 116
Total Liabilities		762 258	582 422
Total Equity and Liabilities		1 344 605	1 112 175

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2023

	Note(s)	2023 '000	2022 '000
Revenue	20	1 426 738	696 240
Cost of sales	21	(1 175 883)	(509 634)
Gross profit		250 855	186 606
Other operating income	22	29 258	11 364
Gains on IFRS 16 adjustment	23	-	16 919
General expenses	24	(91 956)	(99 374)
Employee Costs	25	(104 602)	(64 319)
Operating profit (loss)	24	83 555	51 196
Investment income	26	16 249	8 719
Finance costs	29	(18 007)	(22 043)
Dividends income	27	-	20 000
Profit on sale of equity investments	28	-	107 100
Profit on sale of assets		1 160	-
Profit (loss) before taxation		82 957	164 972
Taxation	30	(30 363)	(37 840)
Profit (loss) for the year		52 594	127 132
Other comprehensive income		-	-
Total comprehensive income (loss) for the year		52 594	127 132

Statement of Changes in Equity for the year ended 31 March 2023

Balance at 01 April 2021

Profit for the year

Other comprehensive income

Total comprehensive income for the year

Balance at 01 April 2022

Profit for the year

Other comprehensive income

Total comprehensive income for the year

Balance at 31 March 2023

Note(s)

Share capital R '000	Retained income R'000	Total equity R '000
4	402 617	402 621
-	127 132	127 132
-	-	-
-	127 132	127 132
4	529 749	529 753
-	52 594	52 594
-	-	-
-	52 594	52 594
4	582 343	582 347

15

Statement of Cash Flows for the year ended 31 March 2023

	Note(s)	2023 '000	2022 '000
Cash flows from operating activities			
Cash receipts from customers		1 229 751	708 687
Cash paid to suppliers and employees		(1 045 679)	(561 394)
Cash generated from operations		184 072	147 293
Interest income	26	14 501	5 265
Dividends received	26	-	20 000
Finance costs	29	(9 654)	(10 816)
Tax paid	33	(45 367)	(29 309)
Net cash from operating activities		143 552	132 433
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(9 539)	(11 642)
Proceeds from sale of shares	4	-	111 000
Purchases of intangible assets	5	-	(406)
Net cash from investing activities		(9 539)	98 952
Cash flows from financing activities			
Repayments of loans from group companies	8	(10 000)	279
Cash repayments on lease liabilities		(18 181)	(25 461)
Net cash from financing activities		(28 181)	(25 182)
Total cash movement for the year		105 832	206 203
Cash and cash equivalents at the beginning of the year		331 519	125 316
Cash and cash equivalents at the end of the year	14	437 351	331 519

Accounting Policies

Corporate information

African Exploration Mining and Finance Corporation SOC Limited is a public company incorporated and domiciled in South Africa. The annual financial statements for the year ended 31 March 2023 were authorised for issue in accordance with a resolution of the directors on 31 May 2023.

1. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

1.1. Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements and the Companies Act 71 of 2008 of South Africa, as amended.

These financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the company's functional currency. Rounding is to the nearest Rand in thousands.

These accounting policies are consistent with the previous period.

1.2. Comparative figures

Comparatives figures are restated in the event of a change in accounting policy or material prior period error.

1.3. Consolidation of annual financial statements

The Company does not present consolidated financial statements because it does not have any subsidiaries. It is a wholly owned subsidiary of CEF SOC Ltd. As the ultimate holding company, CEF SOC Ltd produces consolidated financial statements, including equity accounted associates of AEMFC. The registered address of CEF SOC Ltd is Block C, Upper Grayston Office Park, 152 Ann Crescent, Strathavon, Sandton in the Republic of South Africa.

1.4. Investments in joint ventures

Investments in joint ventures are in separate financial statements.

In the company's separate financial statements, investments in joint ventures are carried at cost less any accumulated impairment losses.

1.5. Investments in associates

Investments in associates are in separate financial statements in the company's separate financial statements, investments in associates are carried at cost less any accumulated impairment losses.

1.6. Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Accounting Policies (continued)

1.6. Significant judgements and sources of estimation uncertainty (continued)

Critical judgements in applying accounting policies

The critical judgements, estimates and assumptions made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Classification of joint arrangements

Judgement is required to determine when the company has joint control, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The company has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement.

Judgement is also required to classify a joint arrangement as either a joint operation or joint venture. Classifying the arrangement requires the company to assess their rights and obligations arising from the arrangement.

Specifically, the company considers:

- The structure of the joint arrangement – whether it is structured through a separate vehicle;
- The rights and obligations arising ;
- The legal form of the separate vehicle; and
- The terms of the contractual arrangement .

The company has joint control over Pan African Mineral and Development Company (Pty) Ltd (PAMDC) because the contractual arrangements set out that decisions relating to relevant activities can only be taken by unanimous consent of all parties to the arrangement. PAMDC (Pty) Ltd is an arrangement structured through a separate vehicle and the parties to the contractual arrangement have rights to the net assets of the arrangement. PAMDC (Pty) Ltd is assessed as a joint venture.

Allowance for slow moving, damaged and obsolete stock

Net realisable value tests are performed at each reporting date and an allowance to write stock down to the lower of cost or net realisable value is made. Management have made estimates of the selling price and the estimate of production costs and cost to sell on certain inventory items.

Evaluation of the useful life of assets

Estimated economically recoverable reserves are used in determining the depreciation and/or amortisation of mine specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life-of-mine production. The life of each asset, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located.

Inventory

Coal stocks are measured using survey methods. At reporting date an independent surveyor is employed to perform the stock measurement concurrently with the company and the results are compared for reasonableness.

Environmental rehabilitation provision

Rehabilitation provisions are assessed annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation. The factors affecting the ultimate liability payable include the extent and cost of rehabilitation activities, technology changes, regulatory changes, cost increases and changes in inflation and discount rates. Changes in estimated future costs are recognised in the statement of financial position by adjusting the rehabilitation provision and the asset.

Accounting Policies (continued)

1.6. Significant judgements and sources of estimation uncertainty (continued)

Impairments and impairment reversals

Impairment tests are performed when there is an indication of impairment of assets or a reversal of previous impairments of assets. Management therefore has implemented certain impairment indicators, and these include movements in exchange rates, commodity prices and the economic environment its businesses operate in. Estimates are made in determining the recoverable amount of assets which include the estimation of cash flows and discount rates used. In estimating the cash flows, management base cash flow projections on reasonable and supportable assumptions that represent managements' best estimate of the range of economic conditions that will exist over the remaining useful life of the assets, based on publicly available information. The discount rates used are pretax rates that reflect the current market assessment of the time value of money and the risks specific to the assets for which the future cash flow estimates have not been adjusted.

Incremental borrowing rate

In determining the present value of future lease payments for purposes of applying IFRS16 (refer to note 1.12 for more details) the company uses the incremental borrowing rate. In determining the incremental borrowing rate, management considers the term of the lease, the nature of the asset being leased, and the funding strategy and principles applied by the company.

Capitalised stripping costs

Waste removal costs incurred in the production phase are incurred for production of inventory as well as the creation of future benefits by improving access to the coal to be mined and the latter being referred to as a "stripping activity asset". Judgement is required to distinguish between these two activities. The coal bodies need to be identified in their identifiable components. An identifiable component is a specific volume of the coal body that is made more accessible by the stripping activity. Judgement is required to identify and define these components, and to determine the expected volumes (tons) of waste to be stripped and coal to be mined in each of these components. These assessments are based on a combination of information available in the mine plans, specific characteristics of the coal body and the milestones relating to major capital investment decisions.

Judgement is required to identify a suitable production measure that can be applied in the calculation and allocation of production stripping costs between inventory and the stripping activity asset. The ratio of expected volume (tons) of waste to be stripped for an expected volume (tons) of coal to be mined for a specific component of the coal body, compared to the current period ratio of actual volume (tons) of waste to the volume (tons) of coal is considered to determine the most suitable production measure. These judgements and estimates are used to calculate and allocate the production stripping costs to inventory and/or the stripping activity asset(s). Furthermore, judgements and estimates are also used to apply the depreciation method in determining the depreciable lives of the stripping activity asset.

Management considers key financial metrics in its approved medium-term budgets, together with its existing term facilities, to conclude that the going concern assumption used in compiling the annual financial statements is relevant.

Exploration and evaluation expenditure

The company's accounting policy for exploration and evaluation expenditure results in certain items of expenditure being capitalised for an area of interest where it is considered likely to be recoverable by future exploration or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgment is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the statement of profit or loss.

Development expenditure

Development activities commence after project sanctioning by the appropriate level of management. Judgment is applied by management in determining when a project is economically viable. In exercising this judgement, management is required to make certain estimates and assumptions similar to those described above for capitalised exploration and evaluation expenditure. Any such estimates and assumptions may change as new information becomes available. If, after having commenced the development activity, a judgement is made that a development asset is impaired, the appropriate amount will be written off to the statement of profit or loss.

1.7. Exploration and evaluation expenditure

Pre-license costs relate to costs incurred before the company has obtained legal rights to explore in a specific area. Such costs may include the acquisition of exploration data and the associated costs of analysing that data. These costs are expensed in the period in which they are incurred. Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Accounting Policies (continued)

1.7. Exploration and evaluation expenditure (continued)

Exploration and evaluation activity includes:

- Researching and analysing historical exploration data;
- Gathering exploration data through topographical, geochemical and geophysical studies; exploratory drilling, trenching and sampling;
- Determining and examining the volume and grade of the resource; surveying transportation and infrastructure requirements;
- Conducting market and finance studies.

Expenditure incurred in relation to desktop and concept studies are charged to the statement of profit or loss. The desktop and concept studies are high level studies to estimate tonnages available and potential mine size.

Upon the approval of the concept study competent persons report, (at which point the company considers it probable that economic benefits will be realised), the company capitalises any further expenditure incurred for the particular license as exploration and evaluation assets. Such expenditure consists of an accumulation of direct exploration and evaluation costs incurred, together with an appropriate portion of overhead expenditure. Administration costs that are not directly attributable to a specific exploration area are charged to the statement of profit or loss. Expenditure incurred after technical feasibility and commercial viability of extracting the mineral resource have been demonstrated are not capitalised to exploration and evaluation assets.

Capitalised exploration and evaluation expenditure is recognised as an intangible asset and is carried at cost less impairment charges. In determining whether the cost of the exploration and evaluation assets is intangible or property, plant and equipment, consideration is given to the substance and not legal form.

All capitalized exploration and evaluation expenditure is monitored for indications of impairment. When a potential impairment is indicated, assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash generating unit) to which the exploration is attributed. Exploration areas in which reserves have been discovered but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is under way or planned. To the extent that capitalised expenditure is no longer expected to be recovered, it is charged to the statement of profit or loss.

1.8. Property, plant and equipment

Property, plant and equipment represent tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one period.

Operating assets are all the assets that are directly used in the extraction and processing of coal.

Property, plant and equipment are initially recognised at cost. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and, for qualifying assets, borrowing costs.

All property, plant and equipment are subsequently stated at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated.

Cost includes all costs directly attributable to bringing the assets to the working condition for their intended use. Improvements are capitalised. Maintenance, repairs and renewals which neither materially add to the value of assets nor appreciably prolong their useful lives are charged against income. The cost of self-constructed assets includes expenditure on material, direct labour and an allocated proportion of project overheads. Costs capitalised for work in progress in respect of activities to develop, expand or enhance items of property, plant and equipment are classified as part of assets under construction.

Cost also includes the estimated costs of dismantling and removing the asset and environmental rehabilitation costs to the extent that they relate to the construction of the asset. Capitalisation of costs ceases when the item of property, plant and equipment is ready for use. Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised. Finance costs directly associated with the construction or acquisition of major assets are capitalised at interest rates relating to loans specifically raised for that purpose, or at the average borrowing rate where the general pool of borrowings is utilised.

Accounting Policies (continued)

1.8. Property, plant and equipment (continued)

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in statement of profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Depreciation is charged so as to write off the depreciable amount of the assets, other than land, over their estimated useful lives to estimated residual values, using the straight line method to write off the cost of each asset that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity. Depreciation commences once the item of property, plant and equipment is available for intended use.

When plant and equipment comprises major components with different useful lives, these components are accounted for as separate items. Assets held under finance leases are depreciated over their expected useful lives or the term of the relevant lease, where shorter. The right of use asset is depreciated on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right of use asset or end of the lease term.

The following methods and rates are used during the year to depreciate property, plant and equipment to estimated residual values:

Item	Depreciation method	Average useful life
Buildings	Straight line	5-40 years
Operating assets	Straight line	3-20 years
Furniture and fixtures	Straight line	2-20 years
Motor vehicles	Straight line	4-15 years
Mine Infrastructure	Straight line	5-30 years (limited to life of mine)
IT equipment	Straight line	3-16 years
Right of use assets - Machinery	Straight line	5 years
Right of use assets - Buildings	Straight line	10 years
Land	Straight line	Not depreciated

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset. The methods of depreciation, useful lives and residual values are reviewed annually.

Compensation from third parties

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up shall be included in profit or loss when the compensation becomes receivable.

Assets written off

Assets written off are those that are damaged or not in good working condition and they are written off in the statement of profit or loss and other comprehensive income and assessment is done annually.

Development expenditure

When proved reserves are determined and development is sanctioned, capitalised exploration and evaluation expenditure is reclassified as assets under construction, and is disclosed as a component of property, plant and equipment. All subsequent development expenditure is capitalised and classified as assets under construction, provided commercial viability conditions continue to be satisfied. Development expenditure is net of proceeds from the sale of minerals extracted during the development phase. On completion of development, all assets included in assets under construction are reclassified as mine infrastructure assets.

The cost capitalised includes finance costs incurred until the production facility is completed and ready for the start of the production phase.

Accounting Policies (continued)

1.8. Property, plant and equipment (continued)

Expenditure on producing mines is capitalised when excavation or drilling is incurred to extend reserves or further delineate existing proved and probable mineral reserves. All development expenditure incurred after the commencement of production is capitalised to the extent that it gives rise to probable future economic benefits.

1.9. Intangible assets

An intangible asset is an identifiable non monetary asset without physical substance. An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

Research expenditure relating to gaining new technical knowledge and understanding is recognised in profit or loss when incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- It is technically feasible to complete the asset so that it will be available for use or sale;
- There is an intention to complete and use or sell it;
- There is an ability to use or sell it;
- It will generate probable future economic benefits;
- There are available technical, financial and other resources to complete the development and to use or sell the asset; and
- The expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation shall begin when the asset is available for use, that is when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation shall cease at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

The amortisation period and the amortisation method for in tangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset maybe impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life. Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Useful life
Computers and software	Straight line	2- 15 years
Exploration and evaluation assets	Straight line	Not depreciated-asset not available for use

The residual value of an intangible asset with a finite useful life is assumed to be zero unless:

- There is a commitment by a third party to purchase the asset at the end of its useful life; or
- There is an active market for the asset;
- Residual value can be determined by reference to that market; and
- It is probable that such a market will exist at the end of the asset's useful life.

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. If the expected useful life of the asset is different from previous estimates, the amortisation period is changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits embodied in the asset, the amortisation method is changed to reflect the changed pattern. Such changes are accounted for as changes in accounting estimates.

Accounting Policies (continued)

1.9. Intangible assets (continued)

An intangible asset is derecognised:

- a. On disposal; or
- b. When no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It is recognised in profit or loss when the asset is derecognised.

1.10. Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when the company becomes party to the contractual provisions of the instrument.

At initial recognition, the company measures a financial asset or a financial liability at its fair value plus or minus, in the case financial asset or a financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or the financial liability. Transaction costs of financial assets or financial liabilities carried at fair value through profit or loss are expensed in profit or loss (FVTPL).

Financial assets

Classification and measurement

The Company applies IFRS9 and classifies its financial assets in the following measurement categories: FVTPL.

- FVOCI
- Amortised cost

The classification requirements of investments in debt and equity instruments are described below:

Debt instruments

The classification of investments in debt instruments depends on:

The business model within which the financial assets are held and managed; and the contractual cash flow characteristic of the financial assets, i.e. whether the cash flows represents solely the payments of principal and interest.

Financial assets are measured at amortised cost if they are held within a business model of which the objective is to hold those assets for the purpose of collecting contractual cash flows and those cash flows comprise solely payments of principal and interest (i.e. “hold to collect” business model).

Financial assets are measured at FVOCI if they are held within a business model of which the objective is achieved by both collecting contractual cash flows and selling financial assets and those contractual cash flows comprise solely payments of principal and interest and sell business model (i.e. “hold to collect and sell” business model).

Movements in the carrying amount of these financial assets are taken through Other Comprehensive Income (OCI), except for impairment gains or losses, interest revenue and foreign exchange gains or losses, which are recognised in profit or loss. Where the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. All other financial assets are measured at FVTPL.

The company reclassifies debt investments when, and only when, its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Investments in equity instruments

For equity investments that are held neither for trading nor for contingent consideration the company may irrevocably elect to present subsequent changes in the fair value of these equity investments in OCI. Where the equity investment is derecognised, the cumulative gain or loss previously recognised in OCI is not reclassified from equity to profit or loss. However, it may be reclassified in equity.

Accounting Policies (continued)

1.10. Financial instruments (continued)

Alternatively, where the company does not make the above mentioned election, fair-value changes are recognised in profit or loss. This election is made on an investment-by-investment basis. On initial recognition the company may irrevocably designate a financial asset otherwise meeting the requirements for measurement at amortised cost or FVOCI, or as FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Cash and other assets

Cash and other assets represent cash on hand and demand deposits and cash equivalents that are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Impairments

Impairments in terms of IFRS9 are determined based on an ECL model. The ECL model applies to financial assets measured at amortised cost and debt instruments at FVOCI, lease receivables and certain loan commitments, as well as financial guarantee contracts.

Twelve-month ECLs: These are ECLs that result from possible default events within the 12 months after the reporting date. Life time ECLs: These are ECLs that result from all possible default events over the expected life of a financial instrument.

The company is required to recognise an allowance for either 12-months or lifetime ECLs, depending on whether there has been a Significant Increase in Credit Risk (SICR) since initial recognition. Indicators of an SICR may include any of the following:

- Extension to the terms granted.
- Arrears within the past months (accounts that are 90 days in arrears will be considered as significant increase). Restructuring.

Measurement of ECLs

The company uses the simplified approach basis for the measurement of ECL. A lifetime ECL is used for measuring the ECL for such trade receivables and contract assets as they do not contain a significant financing component. The entity applies the expected credit losses to trade and other receivables using a provision matrix.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets, and the amortised cost is presented on the face of the statement of financial position. For debt securities at FVOCI the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.

Derecognition other than a modification

The company derecognises a financial asset (or group of financial assets) or a part of a financial asset (or part of a company of financial assets) when, and only when:

- The contractual rights to the cashflows arising from the financial asset have expired; or
- The company transfers the financial asset, including substantially all the risks and rewards of ownership of the asset; or
- The company transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of ownership of the asset, but no longer retaining control of the asset.

The difference between the carrying amount of a financial asset or financial liability (or part thereof) that is derecognised and the consideration paid or received, including any non-cash assets transferred or liabilities assumed, is recognised in non-interest revenue for the period.

Accounting Policies (continued)

1.10. Financial instruments (continued)

Financial liabilities

Classification and measurement

Financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at FVTPL: Gains or losses on financial liabilities designated as FVTPL are presented partially in OCI (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, are presented partially in OCI (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially in profit or loss (the remaining amount of change in the fair value of the liability).
- Financial liabilities arising from the transfer of financial assets that did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the company recognises any expenses incurred on the financial liability. Financial guarantee contracts and loan commitments.

Derecognition

A financial liability (or part of a financial liability) is derecognised when, and only when, the liability is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or has expired.

Measurement regular way purchases and sales

Regular way purchases and sales of financial assets are accounted for at trade date.

1.11. Tax

Current tax assets and liabilities:

- Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.
- Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- The initial recognition of good will; or
- The initial recognition of an asset or liability in a transaction which:
 - Is not a business combination; and
 - At the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- The parent, investor or venture is able to control the timing of the reversal of the temporary difference
- It is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- Is not a business combination; and
- At the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Accounting Policies (continued)

1.11 Tax (continued)

A deferred tax asset is recognised for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that it is probable that:

- The temporary difference will reverse in the foreseeable future; and
- Taxable profit will be available against which the temporary difference can be utilised.

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

The company shall offset current tax assets and current tax liabilities if, and only if, the company:

- Has a legally enforceable right to set off the recognised amounts; and
- Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.12. Leases

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

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

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

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

This policy is applied to all contracts entered in to or changed on or after 1 January 2019.

The company continues with the IAS 17 accounting treatment for existing finance leases entered into before 01 January 2019 as permitted by IFRS 16.

Measurement

At lease commencement date the lease liability is measured at the present value of the total remaining lease payments using the interest rate implicit in the lease, where this rate is not readily determined, AEMFC's incremental borrowing rate is used. The lease liability is subsequently measured increasing the carrying amount to reflect interest on the liability and reducing the carrying amount to reflect the lease payments made. The lease liability carrying amount is remeasured to reflect any reassessments or lease modifications per paragraph 39 to 46 of IFRS 16.

On inception of lease, the related right of use asset is equal to the lease liability. The subsequent measurement of the right of use asset is at cost less accumulated depreciation and any accumulated impairment where the depreciation is in terms of IAS 16 refer to note 1.8.

Short term leases and lease of low value assets

The company has elected not to recognise the right of use assets and liabilities for all short term leases that have a lease term of 12 months or less and leases of low value assets. The company has determined that the low value threshold is any asset with cost of less than R100 000. The company recognises the lease payments associated with these leases as expenses on a straight line over the lease term.

Accounting Policies (continued)

1.13. Inventories

Inventories are measured at the lower of cost or net realisable value. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of a provision for obsolescence.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Consumable stock

These inventories are measured at the lower of cost on a weighted average cost basis or net realisable value. Inventories are classified as current when it is reasonable to expect them to be sold within their normal cycle which could be the next financial year. If not, they are classified as non-current.

Coal inventory

Inventory is measured at the lower of cost or net realisable value according to the weighted average method. Cost includes expenditure incurred in extracting and crushing the inventory. The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Conversion costs include an allocated portion of mining and production overheads and depreciation which are directly attributable to the cost of producing such inventory.

The costs attributable to any inefficiency in production are charged to the income statement as incurred.

The cost of inventories is assigned using the weighted average cost formula.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised

1.14. Impairment of assets

The company assesses, at each reporting date, whether there is an indication that an asset (other than inventory and deferred tax asset) may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating units (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or company's of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses are recognised in the statement of profit or loss.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

An impairment loss is recognised for the amount by which the exploration assets' carrying amount exceeds their recoverable amount. For the purpose of assessing impairment, the relevant exploration assets are grouped into cash generating units at the level in which management manages operations.

Accounting Policies (continued)

1.15. Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1.16. Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

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

1.17. Provisions

Provisions are recognised when:

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Where the effect of discounting is material, provisions are measured at their present value using a pretax discount rate that reflects the current market assessment of the time value of money and the risks for which future cash flow estimates have not been adjusted.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

A provision shall be used only for expenditures for which the provision was originally recognised.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed. Provisions are not recognised for future operating losses. If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Restoration, rehabilitation and decommissioning provision estimated long term restoration, environmental rehabilitation, and decommissioning provisions are based on the company's environmental policy taking into account current technological, environmental and regulatory requirements. The provision is recognised as and when the liability arises and they are capitalized as part of the cost of the assets. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

Accounting Policies (continued)

1.17. Provisions (continued)

The amount recognised is the estimated cost of rehabilitation or restoration, discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of rehabilitation cost and changes to the future cost estimates are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to mine infrastructure asset, provided the reduction in the provision is not greater than the net carrying amount of the related asset, in which case the asset is reduced to nil and the remaining adjustment is recognised in the statement of profit or loss.

The unwinding of the discount on the provision is included in profit or loss as a finance cost. In the case of closed sites, changes in estimated costs are recognised in the statement of profit or loss. Routine operating expenditure that may impact the closure and rehabilitation activities conducted as an integral part of the production process are not included in the provision.

1.18. Revenue from contracts with customers

IFRS 15 requires the company to recognise revenue to depict the transfer of promised goods or services, and to do so in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The standard incorporates a five-step analysis to determine the amount and timing of revenue recognition:

Identify the contract:

- Identify the performance obligation; determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognise the revenue as and when the performance obligation is satisfied.

The company identifies the contract when both the client and the company have accepted the terms of the agreement. The contract will also identify all the services (performance obligations) the company will render to the client. Based on this, the transaction price is allocated to each identified performance obligation. The company recognises the revenue once the performance obligation is satisfied, which may occur over time or at a point in time.

The company derives revenue from contracts with customers for the supply of goods and rendering of services. Revenue is measured based on the consideration specified in a contract with a customer. The company recognises revenue when it transfers control of the goods or services to a customer.

The company has applied the practical expedient in IFRS 15.63 (which states that an entity is not required to reflect the time value of money in its estimate of the transaction price if it expects at contract inception that the period between customer payment and the transfer of goods or services will not exceed 12 months). Generally, the period between delivery of goods or services and receipt of payment ranges between two weeks to 30 days which is less than 12 months. Accordingly, the company does not adjust the promised amount of consideration for the effects of a significant financing component.

The total consideration in the service contracts will be allocated to all services per the contract based on their stand alone selling prices. The stand alone selling prices will be determined based on the price agreed in writing with the customer. The price for goods is agreed with customer based on confirmed energy derived from coal supplied to customer.

Below is a summary of the different types of revenue derived by the group depicting the standard terms and performance obligations for each type:

Revenue type	Performance obligation	Timing of when performance obligation is satisfied	Payment terms	Obligations for returns, refunds and other similar obligations	Types of warranties and related obligations
Coal (Domestic supply)	Delivery of coal that meets the contracted gigajoules and calorific value at a contractually agreed upon delivery point	On delivery (point in time)	Range: 15 to 30 days	None	None
Transportation of coal to pre-determined power station	Supply of transport services for delivery of coal at a contractually agreed upon delivery point	On delivery (point in time)	Range: 15 to 30 days	None	None

Accounting Policies (continued)

1.18. Revenue from contracts with customers (continued)

The company receives payment from its customers based on billing schedule as established in the contracts. Contract assets relates to the company's conditional right to consideration for completed performance under the contract.

1.19. Cost of sales

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

The related cost of providing services recognised as revenue in the current period is included in cost of sales. Cost of Sales is recognised as a separate line item in the statement of profit or loss.

1.20. Subsequent events

Adjusting events after the reporting date are events that provide evidence of conditions that existed at the reporting date. The company adjusts the amounts recognised in its annual financial statements to reflect adjusting events after the reporting date. Events after the reporting date that are indicative of conditions that arose after the reporting are dealt with by way of a note and are non-adjusting events after reporting date.

1.21. Irregular and fruitless and wasteful expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with a requirement of any applicable legislation, including: PFMA, or Legislation providing for procurement procedures.

When determining whether expenditure shall be classified as fruitless and wasteful or irregular the following will be considered:

- Could reasonable steps have been taken to avoid the expenditure?
- Were there policies and/or procedures governing the incurred expenditure?
- Is it material? (for disclosure purposes)

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. All irregular and fruitless and wasteful expenditure is charged against profit or loss in the period in which it is incurred and disclosed as a note to the annual financial statements of the company.

When an accounting authority determines the appropriateness of disciplinary steps against an official, the accounting authority must take into account:

- The circumstances of the transgression;
- The extent of the expenditure involved.
- The nature and seriousness of the transgression.

All irregular or fruitless and wasteful expenditure is disclosed as a note to the annual financial statements of the company.

1.22. Payments made in advance

Expenses paid in advance prior to delivery occurring or the service being rendered is stated on the statement of financial position as an asset and is recognised in the statement of profit or loss on a straight line basis over the lower of the life of mine or economic life of the asset.

Accounting Policies (continued)

1.23. Stripping costs

The process of removing overburden and other mine waste materials to access mineral deposits is referred to as stripping. In open pit mining, stripping costs are accounted for separately for each component of a coal body. A component is a specific section within a coal body that is made more accessible by the stripping activity. The identification of components is dependent on the mine plan.

There are two types of stripping activity:

- Development stripping is the initial over burden removal during the development phase to obtain access to a mineral deposit that will be commercially produced.
- Production stripping commences after the first saleable minerals have been extracted from the component.

Development stripping costs are capitalised as a development stripping asset when:

- It is probable that future economic benefits associated with the asset will flow to the entity.
- The costs can be measured reliably.

Production stripping can give rise to two benefits being either the production of inventory in the current period or improved access to the coal to be mined in future periods.

Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing the inventory. Where production stripping costs are incurred and where the benefit is the creation of access to coal to be mined in the future, the costs are recognised as a non-current asset, referred to as 'production stripping asset', if the following criteria are met:

- It is probable that the future economic benefit (improved access to coal) will flow to the entity;
- The component of the coal body for which access has been improved can be identified;
- and The costs relating to the stripping activity can be measured reliably.

If all the criteria are not met, the production stripping costs are charged to the statement of profit or loss. Production stripping asset is accounted for as an addition or enhancement to the mine infrastructure.

The asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component, plus an allocation of attributable overheads. If the production stripping asset and the inventory produced are not separately identified, a production measure is used to allocate the production stripping costs between the inventory produced and the production stripping asset.

Production stripping assets are carried at cost less depreciation and impairment loss.

Adjusting events after the reporting date are events that provide evidence of conditions that existed at the reporting date. The company adjusts the amounts recognised in its annual financial statements to reflect adjusting events after the reporting date. Events after the reporting date that are indicative of conditions that arose after the reporting are dealt with by way of a note and are non-adjusting events after reporting date.

1.24. Directors emoluments

- Non-executive directors are remunerated strictly for meeting attendance in the execution of their duties for AEMFC.
- Executive directors are remunerated as per their signed employment contracts with AEMFC.

1.25. Related parties

A party is considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, or if the related party entity and another entity are subject to common control.

AEMFC is classified as schedule 2 public entities in terms of the PFMA. This means the entity enjoys more autonomy than other public entities and operates in a competitive market place and is run in accordance with general business principles. Only entities that are under the control or significant influence of the Department of Mineral Resources and Energy are considered related parties. This in line with the holding company's classification of the related parties.

Related parties include holding company, fellow subsidiaries, associates and joint ventures of the company. It also includes key management personnel of AEMFC and close family members of these related parties. Key management personnel for AEMFC include company's board of directors and its EXCO. Disclosure of related-party transactions with key management personnel is included in note 35.

Accounting Policies (continued)

The services received or rendered from or to related parties arise mainly from service transactions, including management fees for services performed on behalf of the company. The receivables from related parties arise mainly from services transactions and are due one month after the date of the services. The receivables are unsecured in nature and bear no interest.

The payables to related parties arise mainly from service transactions, including management fees and are due one month after the date of purchase. The payables bear no interest. The loans to or from related parties arise from loan agreements entered in to with group companies.

2. Changes in accounting policy

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for change in the disclosure of commitments on note 34. The company has changed its policy for commitments disclosure to only disclose capital commitments in line with the Ultimate Holding Company policy.

The aggregate effect of the changes in accounting policy on the financial statements for the year ended 31 March 2022 is a reduction of commitments relating to operating activities by R342.7 million.

3. New Standards and Interpretations

3.1. Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/Interpretation:	Effective date:	Expected impact:
	Years beginning on or after	
Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS1	01 January 2022	The impact of the amendments is not material.
Reference to the Conceptual Framework: Amendments to IFRS 3	01 January 2022	The impact of the amendments is not material.

3.2. Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 April 2023 or later periods:

Standard/Interpretation:	Effective date:	Expected impact:
	Years beginning on or after	
Lease liability a sale and lease back	01 January 2024	Unlikely there will be a material impact
Initial application of IFRS17 and IFRS9- Comparative information	01 January 2023	Unlikely there will be a material impact
Deferred tax related to assets and liabilities arising from a single transaction -Amendments to IAS 12	01 January 2023	Unlikely there will be a material impact
Disclosure of accounting policies: Amendments to IAS1 and IFRS Practice Statement 2.	01 January 2023	Unlikely there will be a material impact
Definition of accounting estimates: Amendments to IAS8	01 January 2023	Unlikely there will be a material impact
Classification of Liabilities as Current or Non-Current-Amendment to IAS1	01 January 2023	Unlikely there will be a material impact

Notes to the Financial Statements

4. Property, plant and equipment

	2023			2022		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	32 866	-	32 866	32 866	-	32 866
Buildings	11 617	(7361)	4 256	11 422	(6440)	4982
Operating assets	69 861	(50828)	19 033	74 821	(51170)	23 651
Furniture and fixtures	8 117	(5716)	2 401	8 113	(5130)	2 983
Motor vehicles	13 439	(6523)	6 916	12 746	(5797)	6 949
IT equipment	12 545	(8617)	3 928	11 472	(7565)	3 907
Assets under development	138 355	-	138 355	137 183	-	137 183
Property, plant and equipment 2	123	-	123	127 844	(113745)	14 099
Mine Infrastructure	339 740	(147665)	192 075	334 831	(96481)	238 350
Right of Use-Buildings	36 030	(18164)	17 866	36 030	(14591)	21 439
Total	662 693	(244 874)	417 819	787 328	(300 919)	486 409

Reconciliation of property, plant and equipment - 2023

	Carrying amount at beginning of the year	Additions	Depreciation	Asset write off/ Disposals	Carrying amount at end of the year
Land	32 866	-	-	-	32 866
Buildings	4 982	493	(921)	(298)	4 256
Operating assets	23 651	796	(4 838)	(576)	19 033
Furniture and fixtures	2 983	234	(586)	(230)	2 401
Motor vehicles	6 949	693	(726)	-	6 916
IT equipment	3 907	1 073	(1 052)	-	3 928
Assets under development	137183	1 172	-	-	138 355
Right of Use- Machinery	14 099	-	-	(13 976)	123
Mine infrastructure	238 350	5 077	(51 184)	(168)	192 075
Right of Use- Buildings	21 439	-	(3 573)	-	17 866
Total	486 409	9 538	(62 880)	(15 248)	417 819

A regulatory assessment of the Financial Mine Closure Quantum as contemplated in terms of the Mineral and Petroleum Resources Development Act (Act 28 of 2002) conducted during the current year realised a financial provision of R60 million (2022: R55 million).

Notes to the Financial Statements (continued)

4. Property, plant and equipment (continued)

Changes in estimates

The company re-assesses the useful lives and residual values of items of property, plant and equipment at the end of each reporting period, in line with the accounting policy and IAS16 Property, Plant and Equipment. These assessments are based on historic analysis, benchmarking, and the latest available and reliable information. Profit/losses on property, plant and old equipments is included in operating profit. Compensation received from insurer for damaged assets and assets stolen are included in other operating income and amounts to R204 758 (2022: R726 857).

Material projects included in assets under development.

Included in assets under development is T Project, Vlakfontein Extension West Block and Klippoortjie Mine Development which are in the development phase and are standing at a cumulative cost of R112,0 million (2022: R112,0 million), R4 million (2022: R- million) and R21,9 million (2022: R21,9 million) respectively.

Once the construction of Assets under development is completed, these assets are transferred to the relevant asset categories and put into use.

Pledged as security

None of the company's tangible assets are pledged as security.

Reconciliation of property, plant and equipment - 2022

	Carrying amount at beginning of the year	Additions	Environmental rehabilitation write-up	Transfers Out	Transfers In	IFRS 16 adjustment	Depreciation	Asset write-off/ disposals	Carrying amount at end of the year
Land	32 866	-	-	-	-	-	-	-	32 866
Buildings	6 469	-	-	-	-	-	(1 487)	-	4 982
Plant and machinery	29 619	1 531	-	-	-	-	(7 499)	-	23651
Furniture and fixtures	3 805	61	-	-	-	-	(883)	-	2 983
Motor vehicles	8 610	-	-	-	-	-	(1 350)	(311)	6 949
IT equipment	4 230	762	-	-	-	-	(1 085)	-	3 907
Assets under development	357 602	5 758	-	(226 177)	-	-	-	-	137 183
Right of use assets-machinery	67 964	2 379	-	-	-	(30 759)	(25 485)	-	14 099
Mine infrastructure	60 726	1 150	7 149	-	226 177	-	(56 852)	-	238350
Right of Use - Buildings	25 013	-	-	-	-	-	(3 574)	-	21 439
Total	596 904	11 641	7 149	(226 177)	226 177	(30 759)	(98 215)	(311)	486 409

Notes to the Financial Statements (continued)

5. Intangible assets

	2023 R'000			2022 R '000		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	7 680	(6 742)	938	7 680	(6 161)	1 519

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software	1 519	(581)	938

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software	1 453	406	(340)	1 519

Changes in estimates

The company reassesses the useful lives and residual values of items of intangible assets at the end of each reporting period, in line with the accounting policy and IAS 38 Intangible Assets. These assessments are based on historic analysis, benchmarking, and the latest available and reliable information.

Pledged as security.

None of the company's intangible assets are pledged as security.

6. Joint arrangements

Joint venture

The following table lists all of the joint ventures in the company: AEMFC does not prepare consolidated financial statements, the proportionate share of the joint ventures have been consolidated in the results of the ultimate holding company, CEF SOC Ltd. The principal place of business for the joint ventures below is in the Republic of South Africa.

Name of company	% Ownership interest	% Ownership interest	Carrying amount	Carrying amount
	2023	2022	2023	2022
PAMDC (Pty) Ltd	33,00 %	33,00 %	15 710	15 710
			15 710	15 710
Impairment of joint arrangements	33,00 %	33,00 %	(15 710)	(15 710)

Notes to the Financial Statements (continued)

6. Joint Arrangements (continued)

Investment in Pan African Mineral Development Company (Pty) Ltd

The governments of South Africa, Zimbabwe and Zambia created a structured entity, PAMDC (Pty) Ltd, to collaborate and develop mineral resources in the region as enshrined in the Southern African Development Community Mining Protocol, the Plan of Action for the Global Mining Initiative of the New Partnership for the Africa's Development and African Mining Partnership. PAMDC (Pty) Ltd is co-owned by the parties in equal proportions. South African government through AEMFC is a co share owner in PAMDC (Pty) Ltd. The memorandum of agreement states that decisions on the relevant activities require the unanimous consent of all the parties.

PAMDC (Pty) Ltd is a joint venture since the partners have rights to the net assets of PAMDC (Pty) Ltd and the memorandum give the parties the rights to a share of the net outcome generated by the economic activity.

As part of the annual impairment assessment, the carrying amount of the investment in PAMDC (Pty) Ltd of R15.7 million was impaired in FY2017 because the commercial viability of the company has decreased. No impairment charged in profit loss this year (2022 R0.00 million).

Reporting period

The end of the reporting period of Pan African Mineral Development Company (Pty) Ltd is Friday, 31 March 2023.

7. Investments in associates

The following table lists all of the associates in the company:

Name of company	% Ownership interest 2023	% Ownership interest 2022	Carrying amount 2023	Carrying amount 2022
African Royalty Minerals (Pty) Ltd	40%	40%	140 000	140 000

Investment in African Royalty Minerals (Pty) Ltd

African Royalty Minerals (Pty) Ltd operates Chilwavirusiku Colliery, a coal mine operating in Mpumalanga. The associate principal business is conducted in the Republic of South Africa. AEMFC SOC Ltd holds voting rights equal to the percentage ownership interest. The financial year end for the entity is February 2023.

The investments are held at costs and equity accounted for at holding company group level. The investments were assessed for impairment and there were no indications of impairment noted.

Operating lease assets is in respect of power infrastructure constructed for the mine and held as an operating lease. The cost of the infrastructure is charged to the statement of profit or loss over the lower of life of the mine or economic life of the underlying asset. There are no future lease payments towards the right to use the asset.

8. Loans from group companies

Loans from holding company

	2023 R'000	2022 R'000
CEF SOC Ltd	318 712	327 935

The shareholders loan of R209 million is unsecured, interest free and has no fixed repayment terms. The loan is subordinated to all the creditors of the company. AEMFC is currently renegotiating the new options with the holding company about the way forward of this loan.

The shareholder advanced to AEMFC an unsecured loan facility of R118,4 million on 27 December 2017. The interest rate on the loan is the monthly JIBAR (Johannesburg Interbank Average Rate) plus a margin of 2.55%. The interest is payable quarterly over three years. The amount due on the facility is R109,0 million at 31 March 2023 (R119,0 million at 31 March 2022). AEMFC is currently renegotiating the new repayment terms with the holding company. The carrying amount approximates the fair value of the loan.

Notes to the Financial Statements (continued)

8. Loans from group companies (continued)

Split between interest free and interest-bearing loan

Interest free loan
Interest bearing loans

2023 R'000	2022 R'000
208 899	208 899
109 813	119 036
318 712	327 935

Split between non-current and current portion

Non-current assets
Current assets

208 899	306 053
109 813	21 882
318 712	327 935

9. Deposits

Deposits include security deposits held by suppliers and upfront payments to Eskom SOC Ltd for the construction of power infrastructure at future mining sites. These deposits are not realisable within twelve months after year end.

Deposits

11 933	11 883
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10. Deferred tax

Deferred tax Liability

Property plant and equipment
Right of use liability
Finance lease liability
Tax rate changes
Prepayments

(60 121)	(76 745)
7 578	8 319
-	4 871
-	1 866
(189)	-
(52 732)	(61 689)

Total deferred tax liability

Deferred tax asset

Provisions
Lease smoothing
Income received in advance

3 164	4 147
199	-
53	-
3 416	4 147
3 416	4 147

Deferred tax balance from temporary differences other than unused tax losses

Total deferred tax asset

Notes to the Financial Statements (continued)

10. Deferred tax (continued)

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

	2023 R'000	2022 R '000
Deferred tax liability	(46 860)	(65 836)
Deferred tax asset	3 416	4 147
Total net deferred tax liability	(43 444)	(61 689)

Reconciliation of deferred tax asset / (liability)

At beginning of year	(61 689)	(51 522)
Reduction due to rate change	-	1 866
Charge for the current year	18 245	-
Reversal of temporary timing differences	-	(11 296)
Prior year under/over provision	-	(737)
	(43 444)	(61 689)

11. Payments made in advance

Reconciliation of opening and closing balance 2023

	Opening balance	Charged to statement of profit or loss	Closing balance
Operating lease assets	415	(104)	311

Reconciliation of opening and closing balance 2022

	Opening balance	Charged to statement of profit or loss	Closing balance
	518	(104)	414
Non-Current Assets		207	311
Current Assets		104	104
		311	415

Operating lease assets

Operating lease assets is in respect of power infrastructure constructed for the mine and held as an operating lease. The cost of the infrastructure is charged to the statement of profit or loss over the lower of life of the mine or economic life of the underlying asset. There are no future lease payments towards the right to use the asset.

Notes to the Financial Statements (continued)

12. Inventories

	2023 R'000	2022 R'000
Run of mine (ROM)	32 791	52 620
Crushed coal	11 870	9 834
Consumables stocks	5 477	4 492
	50 138	66 946
	(4 525)	(4 525)
Provision for coal write off	45 613	62 421

The ROM stock is coal directly extracted from the pit. This is crushed according to the customer specification and processed to crushed coal. There was no inventory written down during the year. Inventory to the value of R348 397 was recognised as an expense during the period. Inventory pledged as security: None of the company's inventory balances were pledged as security.

13. Trade and other receivables

Trade receivables	269 878	46 547
Sundry receivables	14 915	267
Trade receivables at amortised cost	284 793	46 814
Interest receivable	1 748	3 454
Mining royalty payments	(2 494)	3 344
Employee loans	1 112	1 010
Prepayments	5 480	6 772
Total trade and other receivables	290 639	61 394
Non-Current Assets	3 081	2 814
Current Assets	287 558	58 580
	290 639	61 394

Trade and other receivables pledged as security

No trade and other receivables have been pledged as security.

Credit quality of trade receivables

The maximum exposure to credit risk at reporting date is the carrying amount of trade receivables, sundry receivables, employee loans and interest receivable.

Trade receivables are non-interest bearing. Debtors payment terms are thirty (30) days after invoice date unless otherwise agreed to with the seller and subject to the seller's determination regarding the customers qualification for credit. The company's main customer is Eskom SOC Limited. Eskom SOC Limited has no history of default and the Standard and Poor's(S&P)'s credit rating is CCC+ at 31 March 2023 and Moody's credit rating is at B3 at 31 March 2022.

Notes to the Financial Statements (continued)

13. Contract assets (continued)

2023	2022
R'000	R'000

At the reporting date, the maximum exposure to credit risk for receivables by customer type was:

Counter parties with external credit rating (Moody's)(2022)/ (Standard & Poor's (S&P)'s)(2023)

CCC - Local public companies (2023) / B - Local public companies (2022)	266 797	43 733
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Counter parties without external credit rating

Local private companies	-	3 081
Employees	-	326
	-	3 407

The company does not hold collateral as security for receivables.

Credit risk exposure

Trade receivables inherently expose the company to credit risk, being the risk that the company will incur financial loss if customers fail to make payments as they fall due.

The credit exposure in respect of trade and sundry receivables is as follows:

	2023		2022	
	Gross carrying amount	Loss allowance (Lifetime expected credit loss)	Gross allowance amount	Loss carrying (Lifetime expected credit loss)
Not past due	410 304	-	43 733	-
Past 31-90 days	(136 717)	-	140	-
More than 90 days	6 794	-	3 267	-
	280 381	-	47 140	-

14. Cash and cash equivalents

Cash and other assets consist of:

	2023	2022
	R'000	R'000
Cash on hand	2	2
Bank balances	201 357	42 459
Short-term deposits	52 477	185 066
Restricted cash*	183 516	103 992
	437 352	331 519

An insurance rehabilitation guarantee is in place whereby the insurer guarantees to pay Department of Mineral Resources R61,5 million, R42,9 million and R16,5 million for the environmental rehabilitation of Vlakfontein Mine, T Project and Klippoortjie Mine respectively. A portion of the premium is invested and earns interest to meet environmental obligations at the end of life of each mine. The cash is restricted for use.

The company has entered into bank guarantees related to its future performance which are in the normal course of business which amount to R4,225 million at 31 March 2023 (R1,917 million at 31 March 2022). The carrying amount of cash and cash equivalents approximates the fair value.

Notes to the Financial Statements (continued)

14. Cash and cash equivalents (continued)

Credit quality of cash at bank and short term deposits(excluding cash on hand).

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings or historical information about counter party default rates:

Credit rating

AA (GC Ratings: all banks) 2023 / Ba2 (Moody's ratings: all banks) 2022

Ba2 (Moody's ratings: Guard risk) 2022

2023 R '000	2022 R '000
341 123	227 525
-	102 075
341 123	329 600

15. Share capital

Authorised

2000 Ordinary shares of R2 each

4	4
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Issued

Ordinary shares

4	4
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16. Leases

2023 Minimum lease payments due

	Within one year	in second to fifth year inclusive	later than five Years	less: future finance charges	Total
Buildings	6 241	30 193	-	(8 368)	28 066
Machinery	-	-	-	-	-
	6 241	30 193	-	(8 368)	28 066

Present value of minimum lease payments due

	Within one year	in second to fifth year inclusive	later than five years	Total
Buildings	3 520	24 546	-	28 066
Machinery	-	-	-	-
	3 520	24 546	-	28 066

	Buildings	Machinery	Total
Current	3 520	-	3 520
Non-Current	24 546	-	24 546
	28 066	-	28 066

Notes to the Financial Statements (continued)

16. Leases (continued)

Minimum lease payments due

	Within one year	in second to fifth year inclusive	later than five Years	less: future finance charges	Total
Buildings	5 792	28 021	8 413	(11 416)	30 810
Machinery	18 181	-	-	(142)	18 039
	23 973	28 021	8 413	(11 558)	48 849

Present value of minimum lease payments due

	Within one year	in second to fifth year inclusive	later than five years	Total
Buildings	2 743	20 045	8 022	30 810
Machinery	18 039	-	-	18 039
	20 782	20 045	8 022	48 849

	Buildings	Machinery	Total
Current	2 743	18 039	20 782
Non -current	28 067	-	28 067
	30 810	18 039	48 849

Analysis of movement in lease liabilities

	2023 R'000	2022 R'000
Balance at the beginning	48 849	121 988
Lease payments	(2 743)	(35 678)
Interest charges	3 049	10 218
Adjustment	(21 089)	(47 679)
	28 066	48 849

Amount recognised in profit or loss

Interest on lease liabilities	3 049	10 218
-------------------------------	-------	--------

Building lease

The lease liability relates to the right of use asset disclosed in note 4. Interest is based on incremental borrowing rate of 10.75% per annum. The right of use assets is in respect of a lease of office premises for a non cancel-able lease period of 10 year and one month that commenced on 01 March 2018. The lease agreement makes a provision for an option for renewal of 5 years which the company does not expect to exercise due to current cost of leasing the building being too high. There are no restrictions on covenants imposed by leases. The lease agreement does not constitute a sale and leaseback transaction.

Notes to the Financial Statements (continued)

17. Provisions

Reconciliation of provisions - 2023

	Opening balance	Additions	Change in discount factor	Total
Environmental rehabilitation	55 498	-	5 304	60 802
Bonus provision	-	24 807	-	24 807
	55 498	24 807	5 304	85 609

Reconciliation of provisions - 2022

	Opening balance	Additions	Change in discount factor	Total
Environmental rehabilitation	44 382	7 149	3 967	55 498

	2023 R '000	2022 R '000
Non-current liabilities	60 802	55 498
Current liabilities	24 807	-
	85 609	55 498

18. Current tax (payable)/receivable

Income tax	(16 994)	16 615
------------	----------	--------

19. Trade and other payables

Trade payables	77 675	9 822
Sundry payables	8 332	11 334
Accrued leave pay	5 840	8 349
Accrued expenses	150 380	45 257
Deposits received	80	80
Payroll related payables	3 338	3 184
Non-financial instruments:		
VAT payable	23 787	10 425
	269 432	88 451

All amounts are short-term. The carrying values of trade and other payables are considered to be a reasonable approximation of fair value.

Notes to the Financial Statements (continued)

20. Revenue

Sale of coal
Rendering of services

2023 R '000	2022 R '000
1 132 695	656 109
294 043	40 131
1 426 738	696 240

Disaggregation of revenue from contracts with customers

Revenue is derived from contracts with customers.

Sale of goods

1 132 695	656 109

Rendering of services

Fees earned

294 043	40 131
1 426 738	696 240

Total revenue from contracts with customers

Timing of revenue recognition

At a point in time

Sale of goods
Rendering of services

1 132 695	656 109
294 043	40 131
1 426 738	696 240

21. Cost of sales

Rendering of services

Manufactured goods:

Employee costs
Depreciation and impairment
Manufacturing expenses

109 508	68 896
85 479	116 362
51 026	82 817
929 870	241 559
1 066 375	440 738
1 175 883	509 634

22. Other operating income

Other recoveries
Other Income

(12)	389
29 270	10 975
29 258	11 364

Notes to the Financial Statements (continued)

23. Gains on IFRS16 adjustment

Fair value gains/(losses)

Adjustment to lease liability

Adjustment to ROU asset

Gains on IFRS16 adjustment

	2023 R '000	2022 R '000
	-	47 679
6	-	(30 760)
	-	16 919

24. Operating profit/(loss)

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

Auditors Remuneration - External Audit Fees

Remuneration, other than to employees

Consulting and professional services

	1 606	3 408
	9 474	11 048

Employee costs

As at 31 March 2023 the company had 189 permanent employees (2022 : 349).

Salaries, wages and other benefits

Subsistence allowances

Staff relocation

Retirement benefit plans: defined contribution expense

Long term incentive scheme

Total employee costs

Less: Employee costs included in cost of sales, direct social spending and assets

Total employee costs expensed

Depreciation and amortisation

Depreciation of property, plant and equipment

Amortisation of intangible assets

Total depreciation and amortisation

Less: Depreciation included in cost of merchandise sold and inventories

Total depreciation and amortisation expensed.

	156 759	176 700
	696	2 701
	95	-
	7 723	8 869
	24 807	-
	190 080	188 270
	(85 479)	(123 951)
	104 601	64 319
	62 881	98 215
	581	340
	63 462	98 555
	(51 026)	(82 817)
	12 436	15 738

Notes to the Financial Statements (continued)

24. Operating profit/(loss) (continued)

Expenses by nature

The total cost of sales, selling and distribution expenses, marketing expenses, general and administrative expenses, research and development expenses, maintenance expenses and other operating expenses are analysed by nature as follows:

	2023 R '000	2022 R '000
Employee costs	190 080	188 271
Operating lease charges	555	1 734
Depreciation, amortisation and write-offs	78 710	98 866
Mining and crushing costs	920 870	232 112
Staff transport	3 139	3 147
Data & networks	3 047	3 067
Consulting and legal costs	9 474	11 048
Security	12 054	9 060
Repairs, maintenance and running costs	6 586	9 673
Insurance	3 582	3 654
Staff welfare	1 579	616
Direct social spending	8 923	7 974
Travel and accommodation	1 773	462
Environmental monitoring, health and safety	5 203	6 580
Royalty tax	5 838	7 244
Audit	1 606	3 408
Training and development	2 065	2 975
Recruitment	256	83
Other expenses	7 593	7 874
Coal washing	-	2 060
Provision for coal stock write off	-	4 525
	1 372 441	673 329

Notes to the Financial Statements (continued)

25. Employee costs

2023	2022
R '000	R '000

31 March 2023 the company had 227 permanent employees (2022: 349). Employee benefits expense is made up of the following for all employees, including executive directors:

Direct employee costs

Employee costs allocated to cost of sales, direct social spending and assets

Indirect employee costs

Basic

Bonus

Medical aid, UIF, WCA, SDL contributions

Leave pay provision charge

Subsistence and travel allowances

Retirement benefit plans

Long-term benefits-incentive scheme

Total employee costs

Direct employee costs

Indirect employee costs

85 479	123 951
68 508	54 265
619	686
3 518	2 936
3 166	2 387
299	677
3 685	3 369
24 807	-
104 602	64 320
85 479	123 951
104 602	64 320
190 081	188 271
16 249	8 719
-	20 000

26. Finance income

Interest income

Investments in financial assets:

Bank and other cash deposits, interest on loans and other

27. Dividend income

Associates– Local

28. Profit/(loss) on disposal of shares

AEMFC disposed of its shares in Mzimkhulu Mining (Pty) Ltd the company during the 2021/22 financial year at the proceeds of R111 million.

Proceeds

Cost

-	111 000
-	(3 900)

Notes to the Financial Statements (continued)

29. Finance costs

	2023 R '000	2022 R '000
Borrowings	9 645	7 260
Trade and other payables	9	597
Finance leases	-	6917
Unwinding of discount on provisions	5 304	3 967
Right of Use Liability	3 049	3 302
Total finance costs	18 007	22 043
	-	107 100

30. Taxation

Major components of the tax (income/expense

Current

Current tax	48 608	27 673
-------------	--------	--------

Deferred

Originating and reversing temporary differences	(18 245)	(7 199)
Changes in tax rates	-	(1 866)
Utilisation of recognised tax loss	-	18 495
Arising from prior period adjustments	-	737
	(18 245)	10 167
	30 363	37 840

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting profit	82 957	164 972
Tax at the applicable tax rate of 27% (2022: 28%)	27 125	46 192

Tax effect of adjustments on taxable income

Non-deductible expenses	3 237	4 214
Under / (Over) provision in prior years	-	737
Non taxable income	-	(5 600)
Tax rate change	-	(1 600)
	-	(6 103)
	30 362	37 840

Capital gains tax

The effective income tax rate for the year is of 30% (2022: 22%).

Notes to the Financial Statements (continued)

31. Cash receipts from customers

	2023 R '000	2022 R '000
Sales	1 426 738	696 240
Other income	30 418	11 364
Movement in trade and other debtors	(227 355)	1 161
Movement in deposits	(50)	(78)
	1 229 751	708 687

32. Cash paid to suppliers and employees

Depreciation, amortisation & loss on write off of assets	(63 462)	(98 866)
Cost of sales	1 175 882	509 634
Operating and administration expenses	196 558	163 685
Movement in trade and other payables	(219 242)	(13 010)
Provisions	(20 552)	(3 967)
Movement in inventory	(16 807)	4 011
Non cash item - Power supply commissioned	(103)	(103)
	1 052 274	561 394

33. Tax paid

Balance at beginning of the year	(16 615)	14 979
Current tax recognised in profit or loss	(30 363)	(37 840)
Movement in deferred tax	18 605	10 167
Balance at end of the year	(16 994)	(16 615)
	(45 367)	(29 309)

34. Commitments

Authorised capital expenditure

Already contracted for but not provided for

Property, plant and equipment

Not contracted for

Not yet contracted for and authorized by directors

9 273	21 878
151 717	147 345

Notes to the Financial Statements (continued)

35. Related parties

Relationships	
Ultimate holding company	Department of Mineral Resources and Energy
Holding company	CEF SOC Limited
Operating fellow subsidiaries	Petroleum Agency SA (PASA) PetroSA SOC Limited SOC Ltd or SOC Limited SANERI ETA
Joint ventures	Pan African Mineral Development Company (Pty) Ltd (33.3%)
Associates	African Royalty Minerals (Pty) Ltd (40%)
Members of key management	Lemogang Pitsoe (Chief Executive Officer) Mrs Phumzile Mthombeni (Chief Financial Officer) Mr Phillip Motsoeneng (GM Projects) Mr Kgaugelo Shadung (GM Mining Operations) Mr Moroasereme Ntsoane (Acting GM Strategy and Planning) Mr Zolile Ngququ (Acting Chief Financial Officer) Ms Goitsewang Huma (GM Corporate Services)

Related party balances

Loan accounts - Owing (to) by related parties CEF SOC Ltd

Amounts included in Trade Receivables /

Trade Payables regarding related parties CEF SOC Ltd

African Royalty Minerals (Pty) Ltd

PetroSA SOC Limited

Related party transactions

Interest paid to / (received from) related parties

CEF SOC Ltd

Mzimkhulu Mining (Pty) Ltd

Expenses to / (Income from) related parties

African Royalty Minerals (Pty) Ltd

CEF SOC Ltd

Department of Mineral Resources and Energy - Polokwane

Department of Mineral Resources and Energy - North West

PetroSA SOC Limited

	2023 R '000	2022 R '000
Loan accounts - Owing (to) by related parties CEF SOC Ltd	(318 712)	(327 935)
Trade Payables regarding related parties CEF SOC Ltd	(99)	(103)
African Royalty Minerals (Pty) Ltd	11 634	-
PetroSA SOC Limited	(2 568)	-
Interest paid to / (received from) related parties		
CEF SOC Ltd	9 645	7 260
Mzimkhulu Mining (Pty) Ltd	-	(158)
Expenses to / (Income from) related parties		
African Royalty Minerals (Pty) Ltd	(20 481)	-
CEF SOC Ltd	253	50
Department of Mineral Resources and Energy - Polokwane	-	21
Department of Mineral Resources and Energy - North West	-	21
PetroSA SOC Limited	17 734	-

Notes to the Financial Statements (continued)

36. Directors' and prescribed officer's emoluments

Executive management

2023

	Emoluments	Other benefits*	Pension paid or receivable	Total
Mr L Pitsoe (Chief Executive Officer) (Apr 2022 - Mar 2023)	3 495	36	478	4 009
Ms P Mthombeni (Chief Financial Officer) (Apr 2022 - Mar 2023)	1 392	18	103	1 513
Mr Z Ngququ (Acting Chief Financial Officer) (Feb 2023 - Mar 2023)*	21	-	-	21
Ms N Duna (Acting Chief Financial Officer) (Apr 2022)*	14	-	-	14
Dr A Poto (Acting GM Corporate Services) (Apr 2022 - May 2022)*	282	-	-	282
Ms Goitseman Huma (GM Corporate Services) (Jun 2022-Mar 2023)	1 891	7	259	2 157
Mr P Motsoeneng (GM Projects) (May 2022 - Mar 2023)	1 736	4	135	1 875
Mr B Khumalo (GM Strategy and Planning) (Apr 2022 -Aug 2022)	786	16	79	881
Mr K Shadung (GM Mining Operations)	2 067	1	166	2 234
Mr M Ntsoane (Acting GM Strategy and Planning) (Nov 2022- Mar 2023)*	702	-	-	702
	12 386	82	1 220	13 688

2022

Mr L Pitsoe (Chief Executive Officer) (Feb 2022 - Mar 2022)	572	-	78	650
Ms V Masisi (Chief Financial Officer)	1 392	18	103	1 513
Ms Z Sibisi (Chief Operating Officer/ Acting Chief Executive Officer)	1 412	12	97	1 521
Ms V Masisi (Acting Chief Executive Officer) (Sep 2022)*	24	-	-	24
Mr B M Khumalo (Acting Chief Executive Officer) (Oct 2021-Jan 2022)*	80	-	-	80
Ms N Duna (Acting Chief Financial Officer) (Jul 2021 - Nov 2021) (Jan 2022 - Mar 2022) Ms W Kruger (GM Projects)	108	-	-	108
Mr B Hlophe (GM Corporate Services)	964	-	-	964
Mr L Chuene (GM Mining)	1 664	-	126	1 790
Mr J Mamabolo (Acting GM Projects) (Oct 2021 - Jan 2022) *	907	12	69	988
Mr W Makopo (Acting GM Mining) (Nov 2021 - Mar 2022) *	68	-	-	68
Mr B Ndlela (Acting GM ICT) (Apr 2021 - Mar 2022) *	80	-	-	80
Mr V Mbatha (Acting GM Projects) (Feb 2022 - Jan 2022) *	187	-	-	187
Mr B Khumalo (GM Strategy and Planning)	30	-	-	30
	1 711	24	68	1 803
	9 199	66	541	9 806

* These are payments for acting allowances

Notes to the Financial Statements (continued)

36. Directors' and prescribed officer's emoluments (continued)

Non-executive

2023

Mr ZB Swanepoel
Ms JJ Snyman
Ms PC Motsielwa
Mr D Hlatshwayo
Mr PM Madokwe
Mr MT Masondo
Mr KJ Hodges

Directors' fees	Total
311	311
416	416
580	580
558	558
599	599
204	204
82	82
2 750	2 750

2022

Mr MJ Besnaar
Ms JJ Snyman
Mr ME Ndlala
Ms PC Motsielwa
Mr D Hlatshwayo
Ms IA Phoshoko
Mr PM Madokwe
Mr KJ Hodges

148	148
186	186
317	317
186	186
186	186
169	169
306	306
120	120
1 618	1 618

* Director is not remunerated for his/her role as a board member

Board Audit Committee and Board Risk Committee

2023

Mr PM Madokwe
Ms JJ Snyman
Ms PC Motsielwa
Mr MT Masondo
Ms DR Hlatshwayo

Emoluments	Total
12	12
132	132
191	191
12	12
138	138
485	485

2022

Mr MJ Besnaar
Mr ME Ndlala
Ms J Snyman
Mr PM Madokwe
Ms IA Phoshoko
Ms PC Motsielwa

128	128
7	7
60	60
24	24
60	60
68	68
347	347

Notes to the Financial Statements (continued)

36. Directors' and prescribed officer's emoluments (continued)

Remuneration, Social & Ethics and Nomination Committee

2023

Mr ZB Swanepoel
Mr PM Madokwe
Ms PC Motsielwa
Ms DR Hlatshwayo

Emoluments	Total
38	38
48	48
84	84
132	132
302	302

2022

Mr ME Ndlala
Mr PM Madokwe
Ms PC Motsielwa
Ms DR Hlatshwayo

24	24
60	60
72	72
96	96
252	252

Board Investment Committee

2023

Ms JJ Snyman
Mr PM Madokwe
Mr MT Masondo
Mr KJ Hodges

36	36
60	60
24	24
32	32
152	152

2022

Ms J Snyman
Mr ME Ndlala
Ms DR Hlatshwayo
Mr KJ Hodges

24	24
19	19
24	24
32	32
99	99

Health, Safety and Environmental Sub Committee

2023

Mr PM Madokwe
Mr KJ Hodges
Mr MT Masondo
Mr ZB Swanepoel

12	12
12	12
16	16
12	12
52	52

2022

Mr MJ Besnaar
Mr PM Madokwe
Ms IA Phoshoko

12	12
31	31
16	16
59	59

Notes to the Financial Statements (continued)

36. Directors' and prescribed officer's emoluments (continued)

Ad Hoc (Special Task) Committee

2023

Mr PM Madokwe

Emoluments	Total
21	21

Workshops attendance

There was not Ad Hoc (Special Task) committee in the 2022 financial year. It was dissolved.

2023

Mr PM Madokwe

Mr MT Masondo

Ms PC Motsielwa

14	14
14	14
14	14
42	42

2022

Mr ME Ndlala

Mr SC Ngidi

Ms PJ Mnisi

Mr PM Madokwe

Mr JM Lekgetha

Ms IA Phoshoko

-	-
-	-
60	60
-	-
85	85
12	12
157	157

There was no workshop attendance during the 2022 financial year.

37. Financial instruments and risk management

Capital risk management

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

The capital structure of the company consists of debt, which includes mainly the borrowings.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratio for the year is (18.4%) (2022: 7.9%).

Financial risk management

Overview

The company's activities expose it to a variety of financial risks being liquidity risk, interest rate risk and credit risk.

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. Risk management is carried out by the Treasury Committee which forms part of Exco.

Notes to the Financial Statements (continued)

37. Financial instruments and risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, marketable securities and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The company's liquidity risk is a result of the funds unavailable to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and effectively managing the working capital, capital expenditures and cashflows. Cash flow forecasts are prepared and are monitored to ensure cash is available when obligations become due.

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Maturity profile of financial liabilities

At 31 March 2023

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Contractual cashflows
Loans from group company	101 060	-	-	101 060
Trade and other payables*	262 203	-	-	262 203
Lease liabilities	6 241	30 193	-	36 434
	369 504	30 193	-	399 697

At 31 March 2022

Loans from group company	21 882	97 155	208 899	327 936
Trade and other payables*	66 483	-	-	66 483
Lease liabilities	18 039	-	-	18 039
	106 404	97 155	208 899	412 458

*Trade & other payables exclude employee related payables (accrued leave pay and payroll related payables) and VAT payables.

The maturity profile of contractual cashflows of derivative financial liabilities are as follows: Interest rate risk.

Interest rate risk

The risk that adverse movements in market interest rates will result in a reduction in the future net interest income from short term deposits and/ or economic value of the shareholders equity. The company is exposed to interest rate risk due to volatility in the South African interest rates. The balance in interest earning deposits accounts is R135 million(2022 : R185 million). The average yield on deposits at year end is 7.02% (2022 : 4.34%). The short term deposits are held with different financial institutions to mitigate the concentration risk. As the mitigation strategy, the company is considering selling the business interest in African Royalty Minerals (Pty) Ltd to get back to our cash reserves.

At reporting date, the interest rate profile of the interest bearing financial instruments was:

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, other financial assets, and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Trade and other receivables

Some concentrations of credit risk with respect to trade receivables exist due to the small number of customers. Trade receivables are shown net of any provision made for impairment of the receivables. Due to this factor, management believes that no additional credit risk, beyond amounts provided for collection losses is inherent in the trade receivables. The company's exposure to credit risk is mainly with state owned entities. At the reporting date, the maximum exposure to credit risk for trade receivables by type of customer is disclosed on note 11.

Notes to the Financial Statements (continued)

37. Financial instruments and risk management (continued)

Financial guarantee

The funds are invested on the company's behalf by the insurance company. The insurance guarantee contract is held with a reputable insurance firm and management believes the funds are invested prudently.

Cash and other assets

Cash and other assets balances in the current account are maintained with one financial institution, ABSA Bank Ltd. The bank possess a good reputation and good standing in the market. Excess cash is invested in short term deposits to maximise returns. Funds held are diversified in reputable financial institutions to minimise losses due to counterparty non-performance.

The funds are held with the following institutions:

	2023 R '000	2022 R '000
ABSA Bank Ltd	338 877	158 377
Nedbank Ltd	-	71 000
Guard Risk Insurance Company Ltd	96 584	102 075
Standard Bank of South Africa Ltd	68	24 000
	435 529	355 452

38. Financial instruments

Financial instruments by category

The table summarises the company's classification of financial instruments.

2023

	Amortised cost
Trade and other receivables	290 639
Cash and other assets	437 352
Loans from group companies	(318 712)
Trade and other payables	269 432
	678 711

2022

Trade and other receivables	54 622
Cash and other assets	331 519
Loans from group companies	(327 656)
Trade and other payables	(66 483)
	(7 998)

Notes to the Financial Statements (continued)

39. Going concern

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

The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations of the company and that the subordination agreement referred to in note 8 of these financial statements will remain in force for so long as it takes to restore the solvency of the company. The current ratio and net profit after tax are sitting at to 2.1 and by 3.5% respectively.

The AEMFC Board confirms that it has assessed the key sustainability risks and there is no reason to believe that the business will not be a going concern in the year ahead.

40. Fruitless and wasteful expenses

	2023 R '000	2022 R '000
Opening balance	3 451	2936
Identified during the year	4 952	921
Condoned and written off	-	(392)
Fully recovered	-	(6)
Partially recovered	-	(8)
	8 403	3 451
Details of fruitless and wasteful expenditure identified during the year		
Penalty on late submission for VAT return and payment	-	291
Penalty on late payment of suppliers	-	4
Penalty on late payment of VAT	-	607
Penalties on renewal of vehicle licenses	1	9
Excess payments due to negligence	-	10
Excess expenditure not allowed	12	-
Interest on late payment of credit cards	2	-
Prepayment not recoverable	4 937	-
	4 952	921

41. Irregular expenditure

Opening balance	546 551	118 876
Prior period error	-	246 648
As restated	546 551	365 524
Add: Irregular expenditure-relating to current year	771 316	170 200
Add: Irregular expenditure - relating to prior year	546 551	10 827
Closing balance	1 317 867	181 027
Analysis of expenditure awaiting condonation per age classification		
Current year	771 316	376 351
Prior years	546 551	170 200
	1 317 867	546 551

Notes to the Financial Statements (continued)

41. Irregular expenditure (continued)

	2023 R '000	2022 R '000
Details of irregular expenditure not condoned as at 31 March 2023	Action taken	Not condoned during year
Contravention of company policy and procurement regulations	Awaiting condonation	802 077

The contravention is a result of non-compliance with applicable laws and regulations in the appointment of suppliers.

42. Contingencies

Employees

Legal actions were initiated by four former employees for alleged breach of employment contract. Two of these cases are at initial stages, one case is with CCMA and the fourth is with the labour court. Potential financial implications have been estimated to be R3 875.

Suppliers

Legal action has been initiated by one the AEMFC's supplier. The matter relates to claims made for rental of mining equipment in which the company renting the equipment to AEMFC had charged rental regardless of use or duration of use of the equipment. The current claim is for R31 421.

43. Materiality and significance framework

For purposes of materiality (as per PFMA sections 50(1) and 55(2)) and significant (as per PFMA section 54(2)) the following framework of acceptable levels were agreed with the Executive Authority in consultation with the Auditor-General:

Section 50(1) – Material facts to be disclosed to the Department of Mineral Resources and Energy are considered to be facts that may influence the decisions or actions of the Stakeholders of the Public Entity or the Group of companies.

Section 55(2) – Disclosure of material losses in the Annual Financial Statements will be for all losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the year.

Section 54(2) – The criteria to determine the level of significance was based upon the guiding principles as set out in the "Practice Note on applications under Section 54 of the PFMA no 1 of 1999 (as amended) by Public Entities" as published by National Treasury during 2006.

The significant Rand level was determined as being 2% of Total Assets:

APPROVAL LEVELS IN TERMS OF SECTION 54

Public Entity's board approval levels	<R26.4 million	
Approval level of the CEF Board in terms of subsidiary companies	>R26.4 million and	<R1427 million
Obtain DMRE approval and inform National Treasury	>R1 427 million	>R1 427 million

Notes



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