



ALEXKOR

Integrated Annual Report
for the year ended 31 March 2017



SHARING IN PROSPERITY

OUR APPROACH TO REPORTING

REPORTING PHILOSOPHY AND APPROACH

Alexkor SOC Limited ("Alexkor") published its first Integrated Report for the year ended 31 March 2016. The Company acknowledges that Integrated Reporting is a journey and is committed to making incremental improvements on a year-on-year basis.

Our adherence to integrated reporting standards provides a transparent, comprehensive report reflecting the financial, operating, social and sustainability performance of Alexkor for the year ended 31 March 2017. This enables stakeholders to understand and appreciate Alexkor's dual mandate of commercial and social objectives and how it has implemented its strategy to fulfil this mandate considering:

- The economic, regulatory and political contexts
- Some of the trade-offs between competing objectives
- How our governance structures support our strategic objectives and govern our operational performance
- The risks and challenges affecting our decisions and performance
- Our long-term ability to create and sustain value

REPORTING BOUNDARY

This report covers the activities and initiatives of Alexkor and the Pooling and Sharing Joint Venture ("PSJV") where the operations of Alexkor are situated. There have not been any significant changes in scope or reporting boundaries during the reporting period, other than a more rigorous approach to risk management and good corporate governance.

Our reporting process has been primarily guided by the principles and requirements contained in the International Financial Reporting Standards ("IFRS"), the King Code on Corporate Governance 2009 ("King III"), the South African Companies Act of 2008, as amended ("the Act"), the International Integrated Reporting Framework and the Public Finance Management Act, as applicable.

ASSESSING VALUE CREATION

This report has been written primarily for the shareholder (the South African Government), potential investors, National Treasury, major contractors, diamond marketers and the Richtersveld Municipality and community. The report will be of interest to any stakeholders that wish to make an informed assessment of Alexkor's ability to create value over time. The report has focused on material matters and is the result of following an integrated thinking approach to ensuring that decisions consider the outcomes on the six capitals. The six capitals are:

- **Financial Capital:** available funds for the production of goods or the provision of services
- **Manufactured Capital:** manufactured physical objects that are available for use in the production of goods or the provision of services
- **Intellectual Capital:** knowledge-based intangibles
- **Human Capital:** people's competencies, capabilities and experience and their motivations to innovate
- **Social and Relationship Capital:** the institutions and the relationships within and between communities, groups of stakeholders and other networks and the ability to share information to enhance individual and collective well-being
- **Natural Capital:** renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of the Company

COMBINED ASSURANCE

We have followed a combined assurance model. Assurance has been obtained through a combination of internal and external sources, being management, the Audit and Risk Committee, the internal auditors and external auditors.

BOARD APPROVAL

The Board is responsible for ensuring the integrity of the Integrated Report. The Board believes that this report addresses all material issues and presents a balanced and fair account of Alexkor's performance. The Board is working towards the Integrated Report being in accordance with the International Integrated Reporting Framework. On the recommendation of the Audit and Risk Committee, the Board approved Alexkor's annual financial statements and Integrated Report on Thursday, 31 August 2017.



Ms Hantsi Matseke
Chairperson





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King III compliance register available on the website only

The background image shows a rugged, rocky coastline. In the foreground, a worker wearing a blue cap, a patterned sweater, and blue trousers is wading through shallow water, holding a long pole. To the left, another worker in a blue jacket is partially visible. A large, thick, reddish-brown pipe runs along the rocky shore. The sky is overcast and grey.

01

ABOUT ALEXKOR



WHO WE ARE

Alexkor is a state-owned company; its core business is the mining of land and alluvial diamonds. Its mining efforts focus predominantly on the Richtersveld area on the north-west coast of South Africa. Over 10 million carats of gemstone-quality diamonds have been recovered during the course of its operations. Through utilising its mining expertise Alexkor is exploring other mining-related opportunities in order to become a sustainable, dynamic and profitable mining company. Alexkor's Head Office is situated in Woodmead, Johannesburg.

OUR PURPOSE

is to support the South African Government's national developmental agenda by optimising our natural resources for economic development

OUR VISION

is to be a competitive, progressive, forward-looking organisation with a conscience

OUR MISSION

is to operate a growing, profitable and sustainable mining organisation that contributes to the development needs of the communities

OUR VALUES

Integrity - we will always deliver on our promise

Professionalism - we will always strive for the highest standards possible

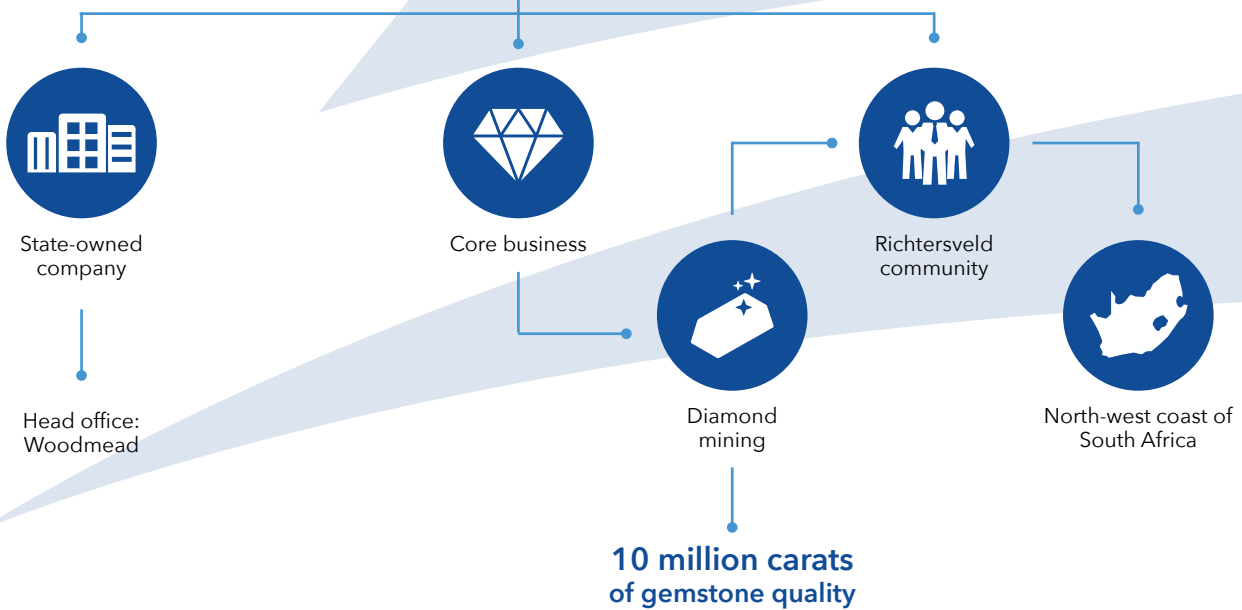
Accountability - we will always take full responsibility for the outcomes of our behaviours

Dedication - we will be focused, goal-orientated and not side-tracked

Dynamic - we will be highly energetic, creative and innovative

WE DELIVER ON OUR VISION AND MISSION BY:

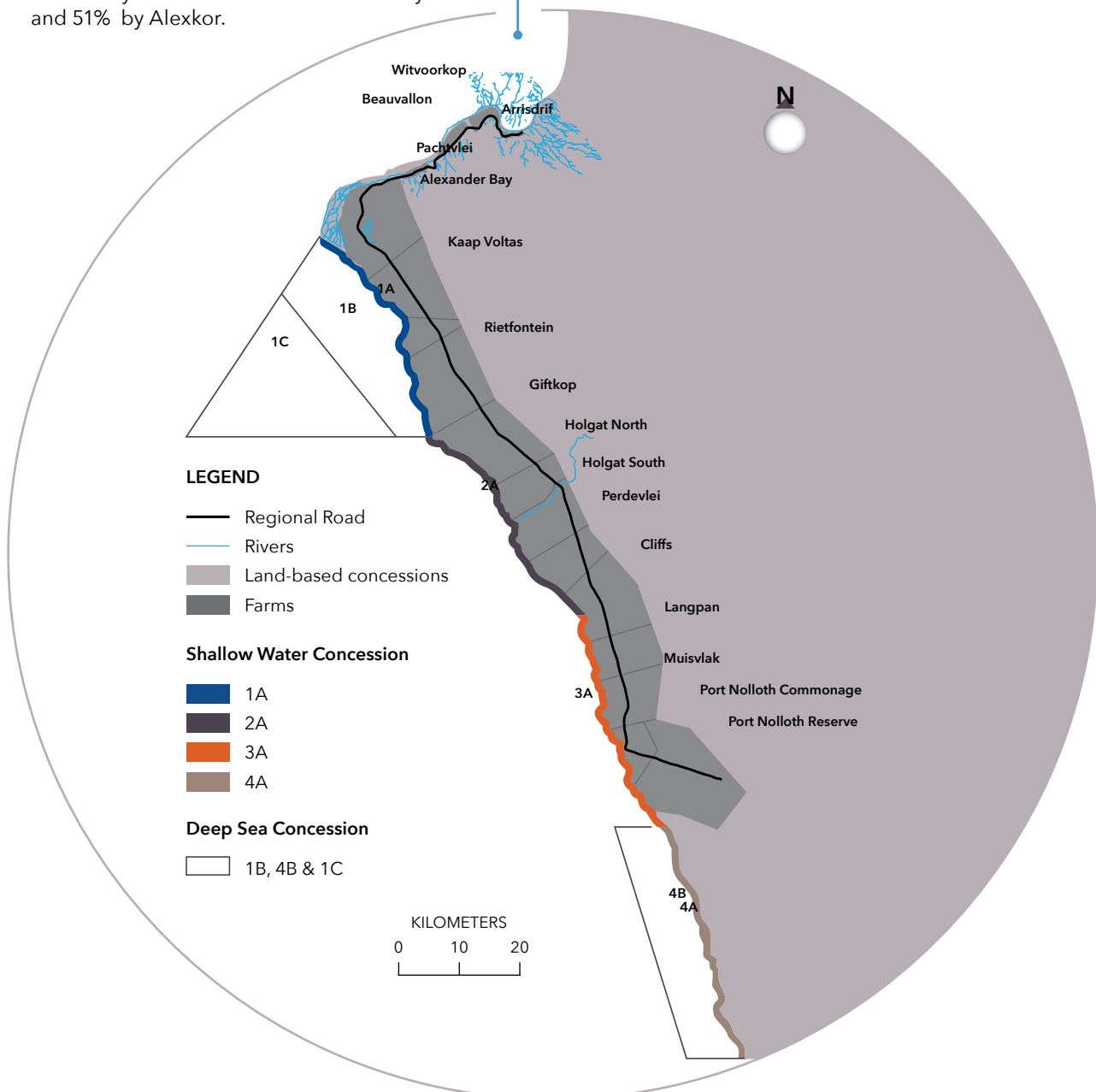
- **Enhancing our mining operations through innovation and technology** to enable organic growth at Alexander Bay
- **Utilising procurement spend to stimulate local economies** and benefit the community
- **Providing training** to develop our workforce
- **Ensuring good governance and credible processes**, thereby enabling sound leadership
- **Working towards a leaner and more efficient business** to maximise the utilisation of our resources
- **Using our mining expertise to explore other mining-related opportunities** in order to turn Alexkor into a viable, dynamic mining company
- **Leveraging cooperation between state-owned companies** to create shared value



WHERE WE OPERATE

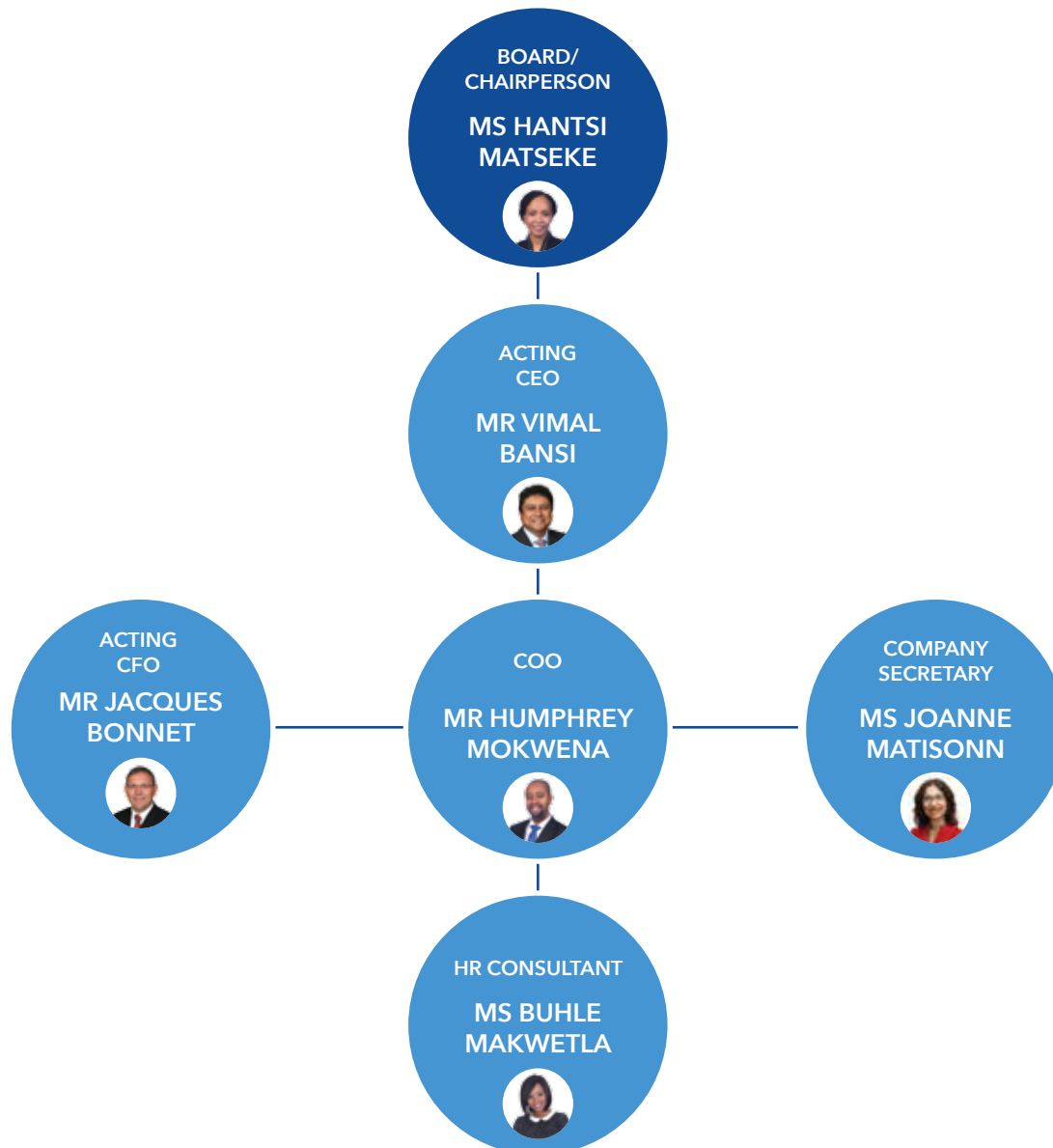
Alexkor's mining efforts focus predominantly on the Richtersveld area on the north-west coast of South Africa.

Our marine-based concessions span from north of Alexander Bay to south of Port Nolloth. To date we have mined in the shallow and deep waters, but are looking to extend our operations to the mid-waters. Our land-based concessions span an area of land equivalent to 865km², which we mine through the Pooling and Sharing Joint Venture (PSJV) which is 49% owned by the Richtersveld community and 51% by Alexkor.



ALEXKOR'S CORPORATE STRUCTURE

as at 1 May 2017



OUR BUSINESS MODEL

We apply extensive mining expertise and innovation to maximise value creation at our existing mining operations and to explore new mining opportunities. Our focus is on unlocking shareholder value, while delivering sustainable socio-economic upliftment for the Richtersveld community.

INPUTS

SOURCES OF CAPITAL

The resources used by our operations to create value are:



INTELLECTUAL CAPITAL

Mining expertise and experience

- Innovation (geological modelling, new mining technologies, exploration programmes)
- Safety controls
- Training
- Environmental management plan



SOCIAL AND RELATIONSHIP CAPITAL

Stakeholder relationships

- Government (licenses and networking opportunities)
- Community (consent)



MANUFACTURED CAPITAL

Mining assets

- Mining equipment
- Ancillary support services (residential services, community services, outside engineering services, external transport services, airport, fuel station and guest houses)



HUMAN CAPITAL

Our workforce

- Good governance through an experienced executive team and Board
- Our team
- Our suppliers



NATURAL CAPITAL

Water, energy, land to enable mining operations

- PSJV and land diamond reserves
- Marine diamond reserves



FINANCIAL CAPITAL

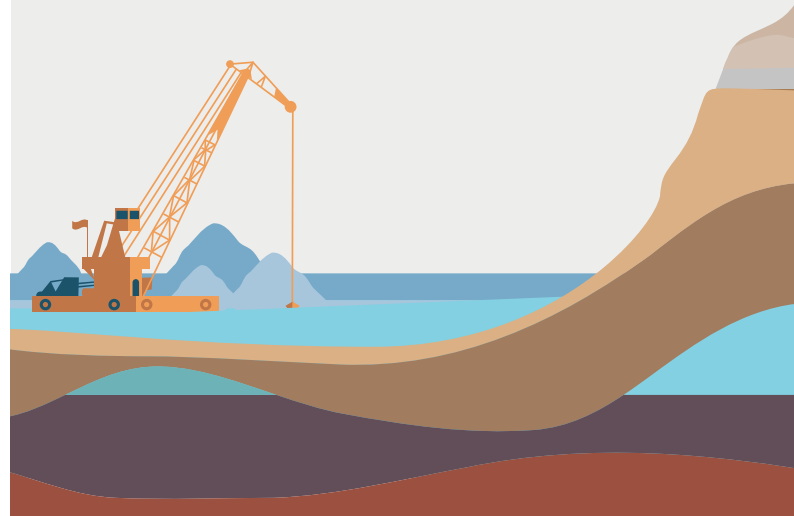
Our financial model

- Government investment
- PSJV

BUSINESS ACTIVITIES

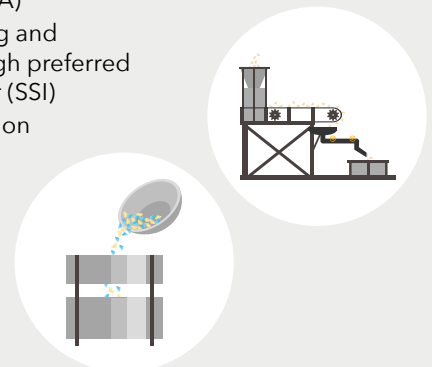
WHAT WE DO

Our day-to-day activities are focused on:



DIAMOND MINING

- Exploration
- Mining
 - Land (PSJV)
 - Marine (IMDSA)
- Diamond cutting and polishing through preferred service provider (SSI)
- Land rehabilitation



EXPLORING NEW OPPORTUNITIES

- Coal beneficiation
- Diamond beneficiation



OUTPUT

WHAT WE PRODUCE

The products and services we deliver to our stakeholders are:



162 172 carats

produced FY 2016/2017
generating R758 million
in revenue



MINING WASTE

- To be rehabilitated through our environmental management programmes including disposing of asbestos buildings

OUTCOMES

WHAT WE CREATE

As a result of our operations we create:



EMPLOYMENT OPPORTUNITIES

- Total workforce, direct and indirect in excess of 2,500 (94% of jobs allocated to individuals in the Richtersveld area)



SOCIO-ECONOMIC DEVELOPMENT*

- R4.3 million spent on social investment interventions
 - R3.3 million invested in our education transformation programmes
 - R519 870 spent on bursary programme for disadvantaged students
 - R1.9 million invested in community upliftment through the SLP plan
 - R341 million paid to local businesses and suppliers
- (*as at 31 March 2017)



BETTER TRAINED AND TRANSFORMED WORKFORCE

- R1.3 million spent on training in 2017
- Employment equity programme delivering transformation objectives



SHARED CAPITAL

- PSJV (49% RMC, 51% Alekkor)

STAKEHOLDER ENGAGEMENT

The main stakeholder interactions during the year under review were:

Stakeholder groups	Issues	How	Outcomes and achievements
Alexkor's strategic direction RSA Government represented by DPE	Achievement of set KPIs Achievement of short- and long-term business objectives	Shareholder's Compact engagements and quarterly meetings with DPE	Approval of Alexkor's business strategy and initiatives
Portfolio Committee	Support for Alexkor's challenges	Board engagements with the shareholder	Transparency and accountability to South Africa on Alexkor's business dealings
National Treasury	Guidance on finance-related matters	Submission of corporate plans, budgets, financial statements and integrated reporting	Ensuring overall sound financial accountability and governance
Joint Venture Partner Mining CPA/RMC	Regularising the community governance structure	Regular meetings and engagements with CPA representatives Regular Board meetings	Resolution of all community issues and strengthened relations between Alexkor and JP partner mining CPA. Refer to strategic objectives and risk icon or comment
DMR	Transformation and advances in EE B-BBEE and Enterprise Development	Annual statutory reports to DMR Regular meetings and site visits with senior DMR official	Ensuring implementation of Social and Labour Plan (SLP) commitments
Organised labour (unions)	Maintaining good relations between union and employees	Regular meeting to discuss all relevant issues, e.g.: salary increase negotiations	Ability to avoid protest that could affect production and overall sustainability of Alexkor
Major contractors	Ensuring collaboration in maximising production and developing employees	Service-level agreements between major contractors and Alexkor	Sustainability of production

Stakeholder groups	Issues	How	Outcomes and achievements
Department of Rural Development	Implementation of the Deed of Settlement (DoS)	Obtaining assistance from Department of Rural Development with regards to effectively implementing DoS	Effective implementation of DoS
Richtersveld Municipality	Township handover Community projects	Providing guidance on priority community projects	Successful township handover as per DoS
Diamond marketers	Marketing and selling Alekkor diamonds	Obtaining maximum value on the market for Alekkor diamonds	Maximising profit on behalf of Alekkor
Rehabilitation Trust	Management of rehabilitation funds	Prudent investments and regular monitoring	Asset liability matching

OUR STRATEGY

In November 2016 the Alexkor Board prioritised the following strategic objectives:

DIAMOND MINING REMAINS OUR PRIORITY



To increase carat production our strategic focus is on:



INCREASING LAND CARAT PRODUCTION BY SWEATING CURRENT ASSETS

- Maximise and expand the exploration programme
- Complete an airborne geophysical survey



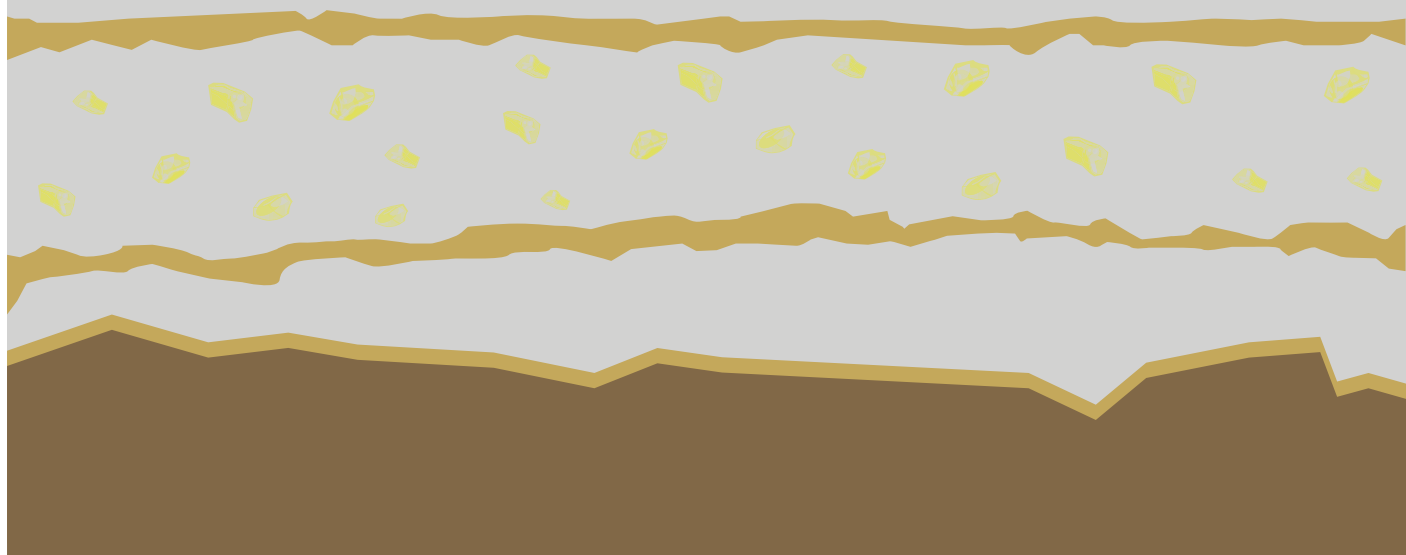
PROGRESSING AND FINALISING THE MID-WATERS MINING PROJECT

- Four companies identified to mine the mid-waters
- Mining expected to commence in the coming year



MONITORING AND CO-MANAGING THE DEEP-WATER MINING

- Better management oversight of marine contractors



DIVERSIFYING OUR BUSINESS MODEL

We recognise that diamonds are a finite resource and therefore we are focusing our efforts on diversifying our business model to ensure our long-term sustainability. To achieve this we are exploring:



A MINERAL DIVERSIFICATION STRATEGY

- Coal beneficiation strategy case received ministerial approval
- Due diligence and business case study completed in February 2017 with encouraging results



DIAMOND BENEFICIATION

- Visited India to gain insight into diamond beneficiation so that we can bring these skills to South Africa

THIS FOUNDATION PROVIDES AN INTEGRATED AND HOLISTIC APPROACH TO ACHIEVING ALEKKOR'S MANDATE.

OUR PRE-DETERMINED OBJECTIVES

These are Alexkor's pre-determined objectives, as set out by the shareholder, the South African Government, for the 2016/2017 financial year. The table below details how these objectives relate to key performance indicators and highlights whether or not these objectives have been achieved.

PERFORMANCE OBJECTIVES RELATING TO ALE XKOR

Section	Weight	Key Performance Area	Key Performance Indicator	Unit of Measure
FINANCIAL SUSTAINABILITY	50%	Financial position	Current ratio	Ratio
			Operational cash buffer	Rand
		Rental income	Rental income collected	%
SOCIO-ECONOMIC INDICATORS	50%	Skills development job creation	Training spend	% of personnel costs* Exclude directors
			Engineering trainees	Number of new enrolments
			Sector-specific trainees (including graduate training programmes)	Number of new enrolments
		Procurement	B-BBEE score	Level
			Local content	%
			Spend on BEE compliant companies	%
			Black-owned	%
			Black women-owned	%
			Black youth-owned	%
			People with disabilities	%
		Environmental sustainability - rehabilitation	Compliance with agreed rehabilitation plan	80% milestones achieved

2016/17 Target	Actual	Notes
2:1	3.59:1	Achieved
R30 mil	R32 mil	Achieved Includes amounts to be drawn down from MTEF of R24 million
80%	87%	Achieved
3.5%	0.6%	Not achieved
2	0	Not achieved Engineering trainees expected to be enrolled in the 2017/18 year
2	0	Not achieved Sector-specific trainees expected to be enrolled in the 2017/18 year
4	Renewal in process	In progress Prior to renewal, B-BBEE level was five
80%	100%	Achieved
80%	15%	Not achieved Alexkor will endeavour to procure from the BEE companies in the coming financial year through the use of a procurement plan and sourcing suppliers from the CSD
60%	15%	Not achieved Alexkor will endeavour to procure from black-owned companies in the coming financial year
15%	0%	Not achieved Alexkor will endeavour to procure from black-owned companies in the coming financial year
5%	0%	Not achieved Alexkor will endeavour to procure from black-owned companies in the current financial year
2%	0%	Not achieved Alexkor will endeavour to procure from companies owned by people with disabilities
80%	Achieved 60% of milestones	Contractor to do legacy rehabilitation work has been approved.

OUR PRE-DETERMINED OBJECTIVES CONTINUED

PERFORMANCE OBJECTIVES RELATING TO THE PSJV

Section	Weight	Key Performance Area	Key Performance Indicator	Unit of Measure
FINANCIAL SUSTAINABILITY	30%	Financial Performance (PSJV)	EBITDA margin	%
			Revenue growth (PSJV)	%
			Rental income collected	%
OPERATIONAL SUPPORT	40%	Diamond production	Land, beach and shallow waters mining production	Carats produced
			Deep water production	Carats produced
			Mid-waters mining bankable feasibility study	Date of completion
			Deep waters mining commencement	Date of vessel in water
			Improve boat days by 10% from previous FY	Number of boat days
		Safety	Loss Time Injury Frequency Rate (LTIFR)	Rate
			Fatalities	Number
SOCIO-ECONOMIC INDICATORS	30%	Skills development job creation	Training spend	% of personnel costs
			Technician trainees	Number of new enrollments
			Artisan trainees	Number of new enrollments

2016/17 Target	Actual	Notes
10%	8%	Not achieved
15%	96%	Achieved
80%	87%	Achieved
68 000	50 258	Not achieved This was due to the underperformance of Muisvlak
120 000	112 047	Not achieved due to slow ramp-up earlier in financial year and technical problems
31 March 2017		In progress The study has begun and is expected to be completed by the deadline
1 April 2016		Not achieved Deep water vessel started on 18 April 2016
260	531	Achieved
0.40	0.14	Achieved
Zero	Zero	Achieved
3.5%	5%	Achieved Training spend R3.2 million
2	0	Not achieved Technician trainees expected to be enrolled in 2017/18 year
5	0	Not achieved Artisan trainees expected to be enrolled in 2017/18 year

OUR PRE-DETERMINED OBJECTIVES CONTINUED

Section	Weight	Key Performance Area	Key Performance Indicator	Unit of Measure
SOCIO ECONOMIC INDICATORS	30%	Procurement	Local content	%
			Spend on BEE compliant companies	%
			Black-owned	%
			Black women-owned	%
			Black youth-owned	%
			People with disabilities	%
			QSE/EME (Qualifying Small Enterprises and Exempted Medium Enterprises)	%
		CSI	CSI Spend	Rand
			Job creation (indirect)	Number of people

2016/17 Target	Actual	Notes
80%	100%	Achieved
80%	45%	Not achieved Alexkor will endeavour to procure from BEE compliant companies in the next financial year
60%	45%	Not achieved Alexkor will endeavour to procure from BEE compliant companies in the next financial year
15%	8%	Not achieved Alexkor will endeavour to procure from black women-owned companies in the next financial year
5%	0%	Not achieved Alexkor will endeavour to procure from black youth-owned companies in the next financial year
2%	0%	Not achieved Alexkor will endeavour to procure from companies owned by people with disabilities in the next financial year
15%	23%	Achieved
R4.6 mil	R7.5 mil	Achieved CSI Education SLP R4.3 million R1.3 million R1.9 million
10	64	Achieved

MATERIAL ISSUES AND RISKS

Material matters are those issues that can impact Alexkor's ability to achieve its strategic objectives. To determine these issues, Alexkor considers its strategy, operating context and key risks facing the organisation. Key to identifying these material issues is the risk management process.

The risk management process is embedded in Alexkor's strategy process, the execution of significant transactions, as well as the mining operations. It includes the gathering and analysis of global and local trends in order to anticipate, respond to, and align emerging risks and opportunities to inform strategic and operational decisions. The executive management develops the risk register, and the necessary mitigating factors, through a risk assessment process.

The Board is ultimately responsible for risk governance and has put in place an effective system of internal control to detect and prevent losses. The delegation of authority is in place to ensure effective decision-making and transparency within the organisation. Please see page 74 (Managing Risk in an Integrated Way) for more information.

Risk	Risk category	Risk mitigation measures	Action plan
1 Insufficient operational cash which could impact on Alexkor's ability to fulfil its short- and long-term obligations, e.g. operations, Deed of Settlement ("DoS") and strategies	Board	<ul style="list-style-type: none"> Cash flow strategies to address both the short, medium- and long-term requirements Strict monitoring and control of all expenditure Making financial provision for the mid-waters strategy 	<ul style="list-style-type: none"> Approval of cash flow strategies (Dividends and cash sweep, including strategy to release rehab funds under the MTEF) Strategic sessions with the Board to identify alternative funding options Raise between R50 million to R100 million to fund the strategy Report on a quarterly basis on the progress Strategic sessions with the Board to identify alternative business ventures

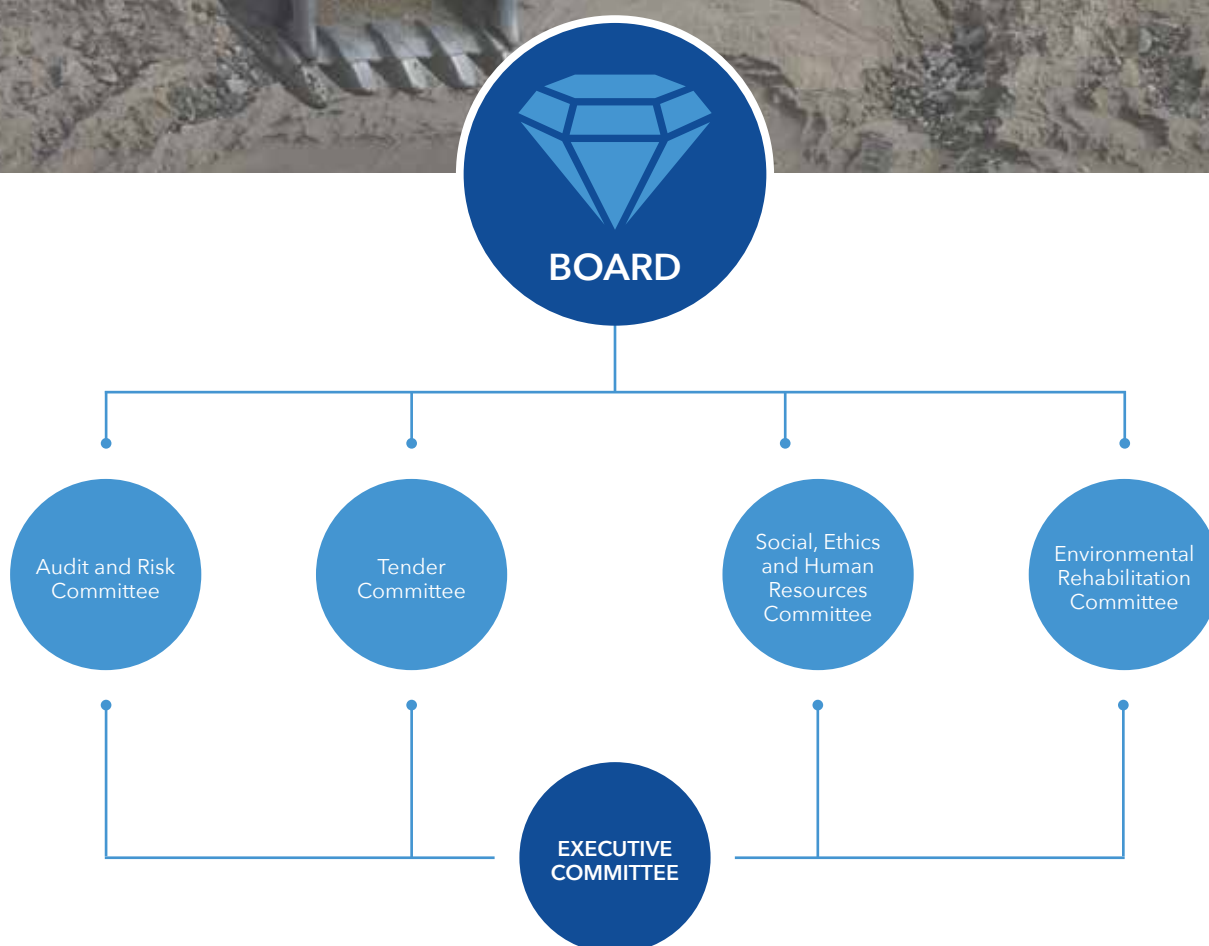
Risk	Risk category	Risk mitigation measures	Action plan
2 Failure to acquire new business ventures and funding thereof, e.g. coal and diamond opportunities, thereby not becoming sustainable	Board	<ul style="list-style-type: none"> Acquire equity stake in coal beneficiation plant Collaborate with emerging miners to supply coal to the beneficiation plant Build relationship with state-owned companies like Eskom, Transnet and mining companies Interrogate due diligence and viability of investment opportunity 	<ul style="list-style-type: none"> Strategic sessions with the Board to identify alternative business ventures Report on a quarterly basis on the progress
3 Compliance with the Deed of Settlement is a risk because the settlement is outside the control of Alekor and lies with third parties, and failure to work together may have repercussions	Legal	<ul style="list-style-type: none"> Engagement with various third party elements to ensure compliance with the Deed of Settlement Effective involvement of the CPA to normalise their structures and in particular the Property Holding Company Capacity building and continued support to the CPA Liaise with DRDLR and DPE to advance compliance 	<ul style="list-style-type: none"> Engagement with various third parties to ensure compliance with the Deed of Settlement Effective involvement of the CPA to normalise their structures and in particular the Property Holding Company Capacity building and continued support to the CPA
4 Misalignment between Alekor SOC and PSJV operations and the effect on operations that could possibly cause inefficiencies	Corporate governance	<ul style="list-style-type: none"> Collaboration strategy on reporting Monthly reports Strong communication between the Board and management and monitor the relationships 	<ul style="list-style-type: none"> PSJV Board to ensure the effective alignment Report monthly and quarterly on the turnaround strategy

MATERIAL ISSUES AND RISKS CONTINUED

	Risk	Risk category	Risk mitigation measures	Action plan
5	Inadequate funding for new business ventures	Financial	<ul style="list-style-type: none"> • Strong relationships with the Executive Authority (the shareholder) to ensure alignment • Strong relationship with the Board • Develop a strong business case and ensure buy-in from the Executive Authority • Approach DPE and NT for reclassification of Alexkor from a PFMA perspective, permitting borrowing 	<ul style="list-style-type: none"> • Implement a cost-saving strategy • Strategic sessions with the Board to identify alternative funding options
6	Performance management lack of incentives linked performance, which could ultimately lead to high staff turnover and inappropriate strategies to attract, retain, reward and motivate personnel	Human Resources	<ul style="list-style-type: none"> • Performance management system • Six-monthly performance appraisals • Performance incentives linked with performance appraisals • Improved work ethics • Determine and include performance matrix and peer organisations for comparative purposes to motivate comprehensive and competitive remuneration structure 	<ul style="list-style-type: none"> • Incentive policy to be approved by the Board • Finalise incentive linked performance contracts

Risk	Risk category	Risk mitigation measures	Action plan
7 Inability to convert diamond reserves from inferred to indicated level of confidence	Technical	<ul style="list-style-type: none"> Based on the Z-Star results, the long- and short-term mining plan will be formulated to focus on economical mineable grade Z-Star formally appointed to upgrade the resource from inferred to indicated level Intensive exploration programme to test and confirm reserves 	<ul style="list-style-type: none"> PSJV management appointed an independent exploration team Utilise Muisvlak plant for both exploration and production
8 Management of marine and land contractors the risk is that this lies with the PSJV management	Legal and Compliance	<ul style="list-style-type: none"> Weekly review of production Monthly review of production Spend and debtor management Regular interaction with contractors Contractor assistance 	<ul style="list-style-type: none"> Regular interaction with contractors Assistance to contractors Close review of production
9 Absence of technical and operational information (e.g. geological model information, life of mine information) and the limitations which this causes in terms of informed decision-making	Technical	<ul style="list-style-type: none"> Appointed a GIS consultant to report monthly (JV) Reporting system on a daily, weekly, monthly and quarterly basis 	<ul style="list-style-type: none"> Work that Z-Star is being engaged for will result in the operation information becoming available
10 Ongoing litigation around the NABERA matter	Legal and compliance	<ul style="list-style-type: none"> The Government has a greater financial risk in the action and refuses to proceed with an application for dismissal, as a result the matter remains dormant (potential exposure is R5 million) 	<ul style="list-style-type: none"> The matter remains dormant

OUR BOARD



**MS H B MATSEKE (47)****INDEPENDENT NON-EXECUTIVE
DIRECTOR AND CHAIRPERSON***Appointed August 2015***New Managers Programme,
University of the Witwatersrand****Expertise: Banking property
development, building and civil
construction**

Ms Hantsi Matseke is the Chief Executive Officer of the Maono Construction and Property Development firm. She has over eight years experience in the industry, including managing multi-million Rand projects. Matseke started her career in the Health Workers Congress before moving to Total S.A., where she worked in the distribution department. Following this she held various positions at Absa and African Bank. Matseke is passionate about business development and facilitation and brings financial, business administration and stakeholder relations experience to the company. Matseke is also an independent non-executive Chairperson at the Free State Development Corporation.

**MR V K BANSI (53)****ACTING CHIEF EXECUTIVE
OFFICER***Appointed March 2016***BSc, PrSciNat, MSAIMM****Expertise: Strategic leadership,
executive management oversight,
extensive technical knowledge on
mining projects**

Mr Vimal Bansi is a multi-commodity resource geologist with over 25 years in the exploration and mining industries, complemented with significant and extensive Pan-African experience. He was originally appointed as an independent non-executive director on the Board of Alekkor in August 2015. Due to restructuring, he accepted the challenge of Acting Chief Executive Officer in March 2016.

**MR J S DANANA (59)****INDEPENDENT NON-EXECUTIVE
DIRECTOR***Appointed August 2015***Bachelor of Journalism, BA. Hons,
MBA****Expertise: Strategy developer and
implementer**

Mr John Sembie Danana has extensive experience in the construction industry. During his career he has worked for Harmony Gold Mining Company and was the co-founder of First Uranium Corporation. He is currently involved in property development. His previous roles include Chairman of the Pretoria Technikon, a SABC board member, a director of Ubunye Cement Distribution and Mbambushe Investment Enterprises Proprietary Limited.

OUR BOARD CONTINUED



MR T M HAASBROEK (53)
**INDEPENDENT NON-EXECUTIVE
DIRECTOR**

Appointed August 2015

Electronic Engineer Diploma

Expertise: Turnaround specialist

Mr Trevern Haasbroek is a turnaround specialist with exceptional management skills. He serves on the Board of SWT Holdings Proprietary Limited.



MS M LEHOBYE (43)
**INDEPENDENT NON-EXECUTIVE
DIRECTOR**

Appointed August 2015

**BCom, Higher Diploma in
accounting, CA (SA)**

**Expertise: Financial management
and internal audit**

Ms Mamoroke Lehobye is a founder and executive Chairperson of MyCFO, a financial management compliance and governance solution for SMEs. Prior to founding MyCFO in 2012, Lehobye was an internal audit director of Sekela Consulting. Following completion of her articles, she spent five years in a financial management role at SCMB and Stanbic Africa. Lehobye is an independent non-executive director and Audit Committee Chairperson of Gauteng Enterprise Propeller and Gauteng Partnership Fund and Rail 2 Rail (Pty) Limited.



MR T J MATONA (55)
**INDEPENDENT NON-EXECUTIVE
DIRECTOR**

Appointed August 2015

**BSc Hons; M.A Development
Economics (University of East
Anglia, United Kingdom)**

**Expertise: Public policy, strategy
management and leadership and
corporate governance**

Mr Tshediso Matona is currently the head of the National Planning Commission Secretariat and Acting Director-General of the Department of Planning, Monitoring and Evaluation.

He was the Chief Executive of Eskom. Previously he was the Director-General of the Department of Public Enterprises. An economist by training and an experienced public administrator, Matona has held several senior positions in Government, and from 1996 to 1998 he served as a trade diplomat at the South African Embassy to the United Nations and World Trade Organisation in Geneva, Switzerland. Matona has served on the boards of a number of public policy bodies. He has been a member of the Chartered Secretaries South Africa (CSSA) since 2011. He has 21 years of senior management experience and skills in the fields of international trade and diplomacy, export promotion, investment promotion, industrial development, enterprise development, economic regulation and corporate governance.



MS Z NTLANGULA (44)
**INDEPENDENT NON-EXECUTIVE
DIRECTOR**

Appointed September 2012

**B. Juris; LLB, Master's Diploma
in Human Resources; Diploma in
Project Management**

**Expertise: Legal and property
development**

Ms Zukiswa Ntlangula is an attorney and conveyancer at Ntlangula Inc., a property and corporate commercial law firm, which she established in 2006. During her career she held various strategic positions at Ntsebeza Inc. Attorneys and Bowman Gilfillan Inc. Attorneys. She worked for Deloitte Consulting South Africa as a change management specialist and was previously the Group Company Secretary at Thebe Investment Corporation. Ntlangula serves in various leadership roles for a number of organisations; namely Black Business Council (Vice President - Professionals), the Social Housing Regulatory Authority (independent non-executive director - Audit Committee and Investment Committee Member), National Empowerment Fund (independent non-executive trustee - Audit Committee and Investment Committee member), Glencore South Africa (independent non-executive director - Social and Ethics Committee), Department of Home Affairs (independent non-executive director - Audit Committee member), Black Conveyancers Association (Stalwart).

CHANGES DURING THE YEAR

MR R PAUL (67)

**INDEPENDENT NON-EXECUTIVE
DIRECTOR**

*Appointed June 2007 and retired
30 September 2016*

BSc (Hons), MSc, PhD, MBA

MS N P MBELE (46)

**CHIEF FINANCIAL OFFICER
AND EXECUTIVE DIRECTOR**

*Appointed 1 April 2016 and resigned
6 October 2016*

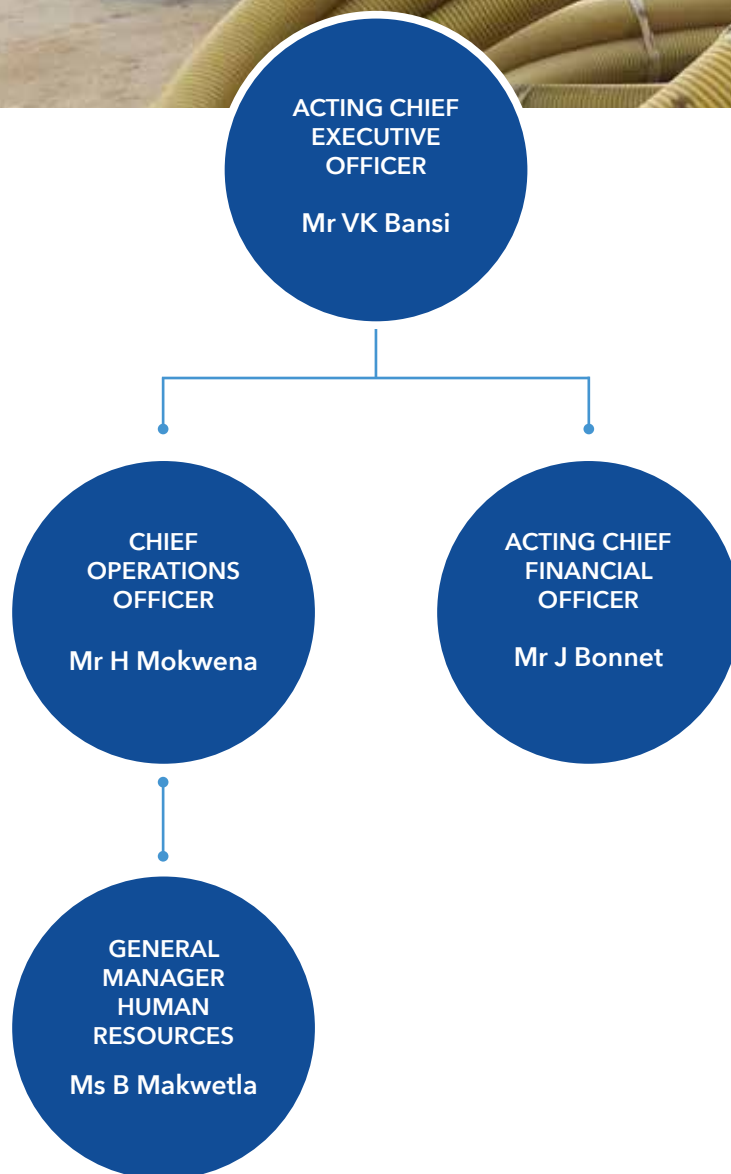
**CA (SA), Executive Development
Programme (University of
Stellenbosch Business School),
Management Advanced Programme
(Wits Business School)**

CHANGES SUBSEQUENT TO YEAR-END

Ms Tsundzukani Mhlanga resigned as Acting Chief Financial Officer and Mr Jacques Bonnet was appointed in her place on 1 May 2017

OUR EXECUTIVE COMMITTEE

as at 1 May 2017



**MR VIMAL BANSI (53)****ACTING CHIEF EXECUTIVE
OFFICER***Appointed March 2016***Bsc, PrSciNat, MSAIMM****Expertise: Geology and mining
specialist**

Vimal's career spans more than 28 years, having started his mining career with JCI Ltd as an underground section geologist. He then moved into the consulting arena where he was exposed to exceptional African exploration and mining projects with a diverse commodity portfolio involving underground, open pit, open cast and stripping operations. In the process, he has been signatory to various conceptual, pre-feasibility and bank-approved feasibility studies and due diligences. Vimal is registered as a practising professional with SACNASP and regarded as a Qualified Person (QP), Expert and Competent Person (CP) under the statutes of the institution. He is also a member of the SAIMM and fully conversant with the requirements of the JORC, SAMREC and NI 43-101 resource reporting protocols and has done so for over 24 years.

MR H MOKWENA (40)**CHIEF OPERATIONS OFFICER***Appointed October 2013***MBA, B.Tech Mining Engineering****Expertise: Mining specialist**

Mr Humphrey Mokwena is a mining engineer who gained significant experience in the mining industry over the past twenty years. Mokwena started his career as an under-ground miner and became the general manager of a mine. During the course of his career he has spent the majority of his time at the senior managerial level, gaining strategic business experience in the process. Mokwena has managed mining operations with exceptional safety records, and believes that a safe operation will be a productive operation. Mokwena then joined Eskom's Primary Energy division as a senior manager of Coal Supply where he managed coal supply contracts. He subsequently joined Alekkor as the Chief Operations Officer.



02

**2017 THE YEAR
IN REVIEW**



HIGHLIGHTS FOR THE YEAR IN REVIEW

OUR PERFORMANCE HIGHLIGHTS

- Carat production at Alexander Bay increased significantly – 162 000 gemstone quality diamonds recovered (compared to 45 492 carats produced in the previous year)
- Annual turnover rose to an excess of R758 million (compared to R387 million in the previous year)
- Revenue increased from R197.1 million in 2016 to R386.3 million in 2017
- A comprehensive profit of R6 million was achieved, a significant improvement to the R35.5 million loss in 2016

DELIVERING ON OUR STRATEGY

- Mid-waters tender evaluation and adjudication was completed, four companies have been identified to mine the mid-waters
- Systems implemented to ensure marine and land contractors are better managed, this has already yielded increases in carat production
- As part of Alexkor's mineral diversification strategy, the coal business case received approval in May 2016 and the business case was completed in February 2017 with encouraging results
- A delegation visited India to learn more about diamond beneficiation, we are now exploring opportunities to bring these skills home

SHARING IN PROSPERITY

- Provided employment to approximately 2 000 people directly and indirectly through our operations in Alexander Bay
- Invested almost R4.9 million in CSI projects aimed at improving education and artisan development
- A total of R1.9 million was spent on various Social and Labour Plan ("SLP") projects including the upgrade of the sewerage pipeline and maths and science interventions
- More than R3 million invested in skills development including bursaries and training initiatives
- Committed to maintaining the township for 10 years following the handover over to the Richtersveld community



ABOUT ALEKOR

2017 THE YEAR IN REVIEW

ALEKOR'S COMMITMENTS

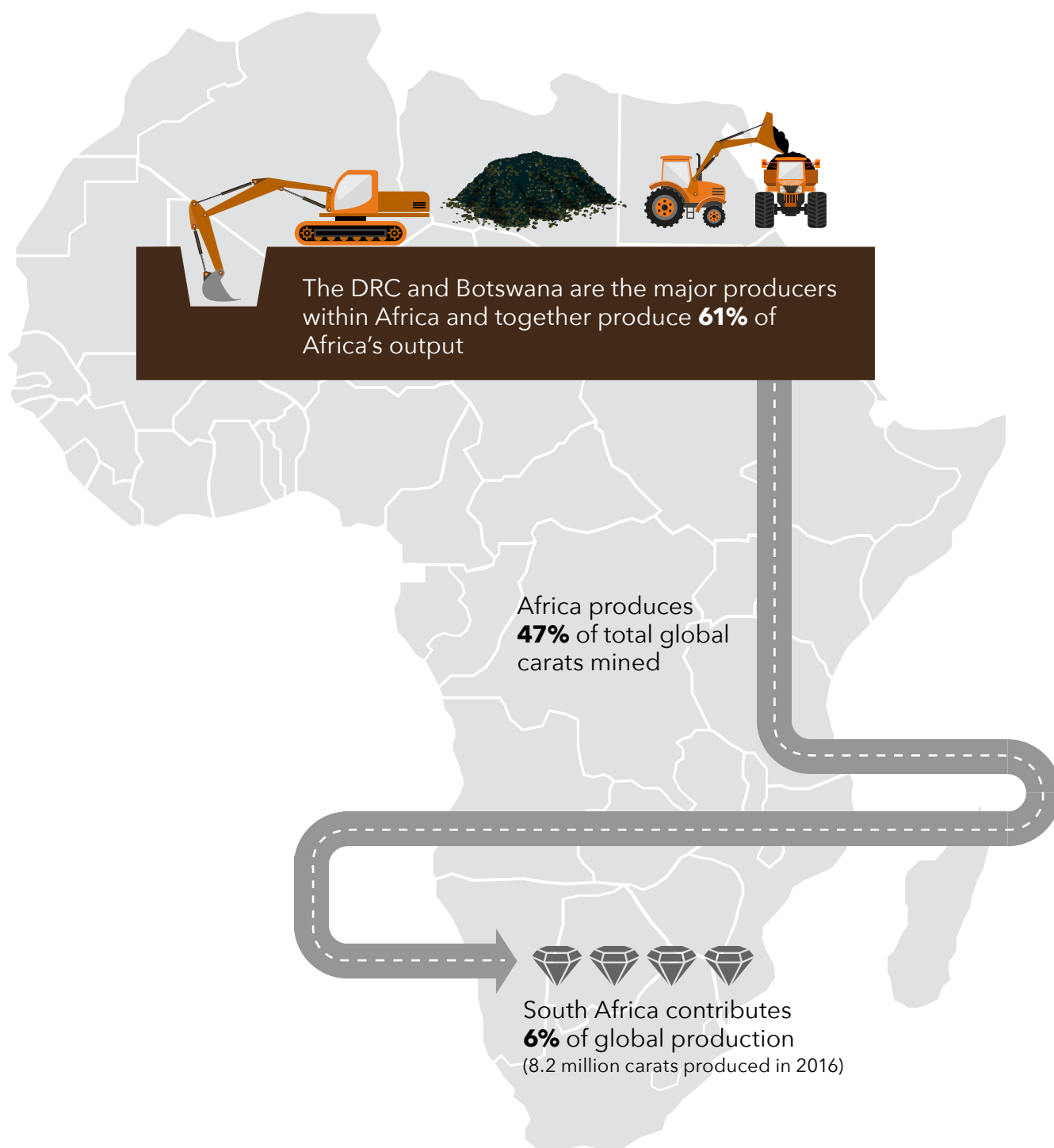
GOVERNANCE AND COMPLIANCE
REPORTS

ANNUAL FINANCIAL STATEMENTS

OUR OPERATING ENVIRONMENT

Alexkor's primary business activity is the mining of diamonds in the Richtersveld, located in South Africa's Northern Cape province. In FY 2016/2017, Alexkor's total diamond production amounted to 162 172 carats (2015/2016: 45 492)

Global diamond production is dominated by Africa



In 2016...

THE GLOBAL DEMAND FOR DIAMONDS BEGAN TO REBOUND

Following a period of growth from 2012 to 2014, diamond jewellery consumption has entered a moderation phase, however, the industry is expected to rebound in 2016. Restocking by midstream players, following their inventory sell-off in late 2015, produced growth of around 20% in rough-diamond sales during the first half of 2016.

However, strong rough-diamond sales in 2016 may again lead to swollen midstream inventories if retail demand does not strengthen proportionately.

Declining sales at major jewellery retailers in the first half of 2016 indicate a possible demand slowdown in the US and China. The final growth trajectory for 2016 and the strength of midstream and rough-diamond sales in the beginning of 2017 will be determined by the performance of the diamond jewellery retail segment during the year-end holiday season.

THE JEWELLERY MARKET SHOWED POSITIVE SIGNS

The global diamond jewellery market is worth US\$85 billion.

The main markets for diamond jewellery are the US, China, India, Japan and Europe. The US is by far the largest market, with market share growing from 42% to 45% on the back of the US economic recovery.

Retail sales of diamond jewellery grew 3% in 2015 at constant exchange rates, but declined about 2% in US Dollar terms.

OUTLOOK

THE LONG-TERM OUTLOOK FOR THE DIAMOND MARKET REMAINS POSITIVE

- For the next three years, the supply of rough diamonds is expected to maintain a tight balance with demand
- Demand for rough diamonds is expected to recover from the recent downturn and return to a long-term growth trajectory of about 2% to 5% per year on average, relying on strong fundamentals in the US and the continued growth of the middle class in China and India
- Millennials, born from 1980 to 2000, are set to become the most important cohort for diamond jewellery purchases in the future across all major markets
- New trends to use diamonds across a wide range of luxury goods, from watches and accessories to pens and digital devices will further drive growth
- The supply of rough diamonds is expected to decline annually by 1% to 2% in value terms through to 2030

Source

Bain & Co: *The Global Diamond Industry 2016: Allure of Timeless Gems*

De Beers: *The Diamond Insight Report 2016*

Chamber of Mines: *Mine SA 2016 Facts and Figures*

CHAIRPERSON'S OVERVIEW



"Alexkor continues to ensure that the PSJV is operated within a sound governance framework and on commercial terms, through both oversight by management of its activities and Alexkor Board representation on its Board."

MS HANTSI MATSEKE

In the past year Alexkor, together with the rest of the diamond mining industry, continued to face unremitting headwinds that have impacted and eroded margins.

However, the Company is committed to taking the necessary action to create a sustainable, competitive and profitable business for all its stakeholders.

We, the Board (see page 22 to 25), undertook a comprehensive review of the business, which indicated that the Company's operational and financial performance needs to be placed on a firmer footing than it currently is. This review was conducted across the entire value chain of the business, to address structural challenges that have impacted performance over time. Building on the varied and effective steps taken to contain operational costs in recent years, the objective of the proposed action was to create a safe, sustainable, competitive and profitable business for the long-term benefit of all our stakeholders.

In order to achieve the above, it was necessary to align baseline production with long-term demand expectations and focus on a high-quality portfolio of assets, to produce diamonds on an economically sustainable basis, both on land and marine operations. Contracts were awarded to four

successful bidders for the mid-water concessions, which will boost diamond production in ensuing years. Overheads have been reviewed and reduced while a new organisational design is in the process of being developed to ensure that the operations are appropriately supported.

PSJV

Alexkor continues to ensure that the PSJV is operated within a sound governance framework and on commercial terms, through both oversight by management of its activities and Alexkor Board representation on its Board. Alexkor has fulfilled most of the Deed of Settlement conditions, the remaining conditions are at the final stages of implementation.

We are delighted to report that the revenue generated by the PSJV has increased to R758 million compared to R387 million the previous year. Operating profit increased from 2.5 million in 2016 to 29.6 million in 2017, whilst carat production was 162 172 compared to 45 493 carats (112 047 carats are from our deep sea operations, whereas 50 125 carats was produced from the other concession areas). Net profit for the financial year was R34 million compared to R5.3 million previously.



EXTERNAL ENVIRONMENT

The external environment in which the Company operates, not only impacts the way the Company relates to external stakeholders, but it also changes the focus of the work of the Company. At the global level, economic recession and the slow-down in growth have led to reduced demand for industrial commodities, including precious gemstones such as diamonds. However, the weak exchange rate compensated for reduced demand.

Domestically the South African economy experiences high levels of poverty and unemployment. These realities drive policy requirements, and have placed job creation and economic growth as the highest priorities for all public sector organisations.

SOCIO-ECONOMIC DEVELOPMENT

Alexkor's CSI initiatives are focussed on the social upliftment and development of local communities in the Richtersveld. Our Company invested a significant amount on various community corporate social investment initiatives, which included partnerships with schools and community organisations.

We are proud to announce that one of our flagship youth enterprise initiatives, aimed at developing commercial diving skills locally was successfully completed. This resulted in our four sponsored candidates completing their Class III diving course at a reputable diving school in Saldanha Bay. These individuals now have the opportunity to gain expert diver and business skills, in an on-site workplace exposure programme under the supervision of experienced marine contractors. We are in the process of training another ten individuals, interviews have already been completed with the shortlisted candidates and as soon as the logistics are finalised, the successful candidates will be trained.

As a further initiative to enhance the education transformation process in the Richtersveld area, the mine partnered with local schools by sponsoring salaries of teachers with an emphasis on improving the teaching of mathematics and science.

CHAIRPERSON'S OVERVIEW CONTINUED

At the PSJV, a further R5.6 million was spent on various social responsibility initiatives such as transportation, donations to charities and partnership with schools and other local community organisations. A total of R1.92 million was spent on Social Labour Plans (SLP) projects.

Our six bursary students from the various provinces are progressing well with their studies, with one student having successfully completed her studies, graduating in April 2016 with a Mechanical Engineering Degree from the Vaal Technical College. She commenced service in the PSJV during September 2016. During the year under review, an amount of R3.19 million was invested by the PSJV on training and skills development initiatives in line with our skills development plans.

COMMERCIAL STRATEGY

Our commercial strategy has been revised to guarantee value and stability of the supply of diamonds to our customers. Mining of our deep-water 1C concession commenced in April 2016, with International Mining and Dredging South Africa (IMDSA) positioning their ship, the Ya Toivo, off the coastline. Production of diamonds from the deep water amounted to 112 047 carats.

Our participation in other mineral exploration and supply, including thermal coal, was closely examined in order to develop a diversified portfolio. A due diligence study on an existing coal wash plant situated in the Witbank-Middelburg coal mining hub has been completed, and Alexkor await response and approval from the shareholders. Coal beneficiation has long been an opportunity for Alexkor in order to leverage SOC to SOC relationships, in this case, between Alexkor and Eskom.

Another beneficiation strategy that lends credibility to the future sustainability of Alexkor is diamond beneficiation. As a primary producer of gem quality diamonds, Alexkor is in a very favourable position to enter and become a serious player in this space. Scarlet Sky Investments, Alexkor's diamond marketers, has recently commissioned a mini-factory where 5% of Alexkor's rough stone production are cut and polished for local and offshore markets. As production expands, it is Alexkor's intention to employ members of the Richtersveld community and Northern Cape artisans in our factories.

LOOKING AT THE YEAR AHEAD

Alexkor will continue to optimise its current assets and ensure expenditure is managed prudently as we embark on the execution of the new strategy.

APPRECIATION

On behalf of the Board, I take this opportunity to extend my gratitude to all parties who have worked closely with Alexkor and assisted us in our quest to fulfil our mandate. Our success as an organisation would not have been possible had it not been for the constant engagement, feedback and support of all our stakeholders.

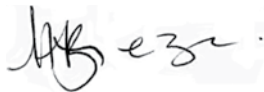
I am particularly indebted to our shareholder representative, the Minister of Public Enterprises, the Honourable Ms Lynne Brown (MP), for her unconditional support and wise counsel at all times to myself, the Board and the management of Alexkor.

I am especially grateful to my fellow members of the Board for the dedication they have displayed in guiding Alexkor on the right path. Their collective support and wisdom have contributed greatly in steering this ship on the right direction.

Our Chief Financial Officer, Ms Ntombizodwa Mbele, resigned effective 30 September 2016. The Board thanks her for her contribution to the Company. A contract for the position of Acting CFO has been awarded to Ms Tsundzukani Mhlanga during the recruitment process for a permanent position.

We are also hugely grateful to Mr. Mervyn Carstens, his management team, and every employee at the PSJV in Alexander Bay for their excellent support and contribution. The community of Richtersveld also deserves our gratitude and appreciation for embracing and working side by side with us in ensuring that we create a sustainable future for all.

Last but not least, I wish to thank Alexkor's executive management team and all our committed members of staff for their hard work and dedication during the review period. I look forward to a fulfilling 2017/18 financial year as we strive towards contributing to the sustainable and economic development of all our stakeholders.



Ms H B Matseke
Chairperson
31 August 2017

MESSAGE FROM THE ACTING CHIEF EXECUTIVE OFFICER



"Alexkor's core purpose is to support the South African Government's national developmental agenda by optimising our natural resources for economic development."

MR VIMAL BANSHI

A year on since my appointment as Acting CEO of Alexkor, I am pleased to report that Alexkor is now on the path to financial recovery and future sustainability. This has been a transformative year, where improvements, albeit small, have taken hold and I believe that this bodes well for the overall good of the Company and the communities we serve.

A significant increase in carat production at Alexander Bay has been the driving force behind this recovery. Furthermore, the cost saving measures introduced in the last financial year have enabled us to realise a better sense of fiscal responsibility and maturity at Head Office. The office restructuring, office relocation and other austerity measures have enabled the requisite discipline when it comes to Company spend.

Alexkor's core purpose is to support the South African Government's national developmental agenda by optimising our natural resources for economic development. While we are pleased with increased carat production we recognise that no matter what we are able to achieve at Alexander Bay, we always need to be cognisant of the fact that what we have is a finite resource and, as such, all our decisions need to be driven around creating a lasting legacy for the people of this oft forgotten corner of South Africa.

We were honoured this year to welcome to the mine the Select Committee from the National Council on Provinces where it was our privilege to show them first hand the work being undertaken to enable sustainable employment and the efforts to improve the lives of the Richtersveld community. Overall the delegation expressed their positive views and commended Alexkor on the positive impact the Company was making on the community in which we operate. Going forward I would like to now entrench the "golden thread" in our common missive, **Sharing in Prosperity**.

SAFETY IS OUR FIRST PRIORITY

Creating an enabling and safe working environment for all our employees remains Alexkor's highest priority. At the mine safety systems and standards are constantly monitored, tested and upgraded to ensure that the mine is fully compliant with the Department of Mineral Resource's (DMR) Safety Policy. While we are thankful that there zero fatalities this year, we were disappointed by the two disabling incidents that occurred. Over the past few years we have taken many steps to build a safer business and we will maintain our relentless focus on ensuring a safe workplace for all.



OUR OPERATING ENVIRONMENT

In 2016 the diamond industry experienced a rebound following a mild decline in consumer demand the previous year. Globally there was a 20% growth in rough diamond sales in the first half of 2016 as a result of re-stocking by mid-stream players following their inventory sell-off in late 2016. However, strong rough-diamond sales in 2016 may again lead to swollen midstream inventories if retail demand does not strengthen proportionately. Declining sales at major jewellery retailers in the first half of 2016 indicated a possible demand slowdown in the U.S. and China. The final growth trajectory for 2016 and the strength of midstream and rough-diamond sales in the beginning of 2017 will be determined by the performance of the diamond jewellery retail segment during the year-end holiday season.

Saying this, our industry is changing and the emergence of a new generation of consumers "the millennials" represents a compelling opportunity for the diamond industry. In 2015 there were approximately 900 million millennials in China, India and the U.S. with a combined gross income of approximately \$8 trillion. These consumers have different shopping behaviours to previous generations; industry players will therefore need to refocus their marketing efforts to capture and sustain their demand over the longer term.

A PLEASING OPERATIONAL AND FINANCIAL PERFORMANCE

Carat production at Alexander Bay increased significantly this year. Over 160 000 gemstone quality diamonds were recovered compared to 45 492 carats produced the previous year. Of these, the PSJV recovered 50 258 carats and the International Mining and Dredging South Africa (IMDSA) mined 112 047 carats. As a result, annual turnover rose to in excess of R758 million PSJV turnover compared to R387 million in the previous year.

DELIVERING ON OUR STRATEGY

Ensuring the sustainability of Alexkor and the PSJV is of utmost importance to all our stakeholders. In November 2016, we refined and prioritised our strategic objectives to focus on the following priorities; increasing land carat production by sweating current assets; progressed and finalised the mid-waters mining project; monitored and co-managed the deep-water mining; finalised the coal beneficiation study and explored the diamond beneficiation opportunity. This corporate - operations strategy has been fully embraced by the business and is already showing positive results.

MESSAGE FROM THE ACTING CEO CONTINUED

In order to increase land carat production, we embarked on an exploration programme to improve the level of resource confidence from an inferred to an indicated/measured category. For the next financial year, we have budgeted to complete an airborne geophysical survey which will complement and guide the land-based exploration initiatives. Further, we remain focused on the optimisation of our mining processes and have systems in place to ensure that our marine contractors are better managed and these efforts have already yielded a significant increase in carat production.

The mid-water concessions have the potential to be lucrative targets based on current shallow-water mining results where stones of exceptional quality and value continue to be mined. The mid-water tender evaluation and adjudication was completed and four companies were identified as having the technical and financial capacity to mine the mid-waters. Mining is expected to commence in the coming year.

Our deep-sea production efforts, undertaken by our strategic partner, the IMDSA, utilising the Ya Toivo mining vessel, produced a mix of results this year. Carat production was comprised by technical problems and difficult seafloor conditions. Further, smaller than planned stone sizes were recovered which negatively impacted revenue. The situation was further exasperated by a fire on the Ya Toivo in April 2017. However, we are confident that the backlog in production can be made up as other marine operators are contracted to fill the gap left by Ya Toivo.

As part of our mineral diversification strategy, pursuit of the coal business case received approval from the Minister in May 2016. Our intention is to invest in an existing coal washing plant situated in the Witbank – Middelburg coal-mining hub. Coal beneficiation has long been an opportunity for Alexkor where it is envisaged to leverage a State-Owned Company relationship, in this case Alexkor – Eskom, to enter into a coal supply agreement. The due diligence and follow up business case was duly completed in February 2017 and the results are encouraging and robust.

Diamond beneficiation is another key strategy that we believe lends credibility to the future sustainability of Alexkor. As a primary producer of gem quality diamonds, Alexkor is in a favourable position to enter and become a serious player in this space. This year we were part of a delegation that visited India to learn more about diamond beneficiation (India is responsible for beneficiating 95% of global diamond production). We are now exploring opportunities to bring these skills home.

During the year we continued with our efforts to improve business efficiencies and ensure good governance. To achieve this we further developed our risk register, updated current policies and took part in training sessions. Our efforts to ensure

good corporate governance are detailed within our corporate governance report on page 70.

DEVELOPING POSITIVE STAKEHOLDER RELATIONSHIPS

Fostering sound and positive engagement with all our stakeholders is important to Alexkor. We are proud to provide employment to approximately 2 500 people directly and indirectly in the region. Through our Corporate Social Investment (CSI) initiatives we play a vital role in the wellbeing of the people of the various communities in which we operate, and focus our efforts on the social upliftment and development of these communities. In 2017, Alexkor and the PSJV invested almost R4.3 million (2016: R3.8 million) in various CSI projects. Please refer to corporate social responsibility section on page 65 for more information.

THE YEAR AHEAD

Looking to the immediate future, I have confidence that our mid-waters mining presents a significant opportunity for Alexkor and we look forward to commencing during Q2/Q3 of 2018. We will also continue to sweat our terrestrial diamond assets and conclude the implementation of the coal beneficiation strategy. We also look forward to welcoming a delegation of diamond beneficiators from India as we continue to explore this exciting opportunity. The finalisation of the key elements of the DoS, such as the township handover and payout of the R45 million to the community beneficiaries remains of utmost importance.

APPRECIATION

In closing, I wish to extend my thanks to the Minister of Public Enterprises, the Honourable Ms Lynne Brown (MP) for her support and guidance. I also wish to thank the Alexkor Board who have supported my task as Acting Chief Executive to put Alexkor on the path of profitability.

Alexkor's continued success is a direct result of a strong operational team and our positive reciprocal relationship with them. To this end, I extend my profound thanks to Mervyn Carstens, Chief Executive Officer of the PSJV and his dedicated team. Lastly, and certainly not least, I extend my thanks to my hard-working team at the corporate office for their dedication and service; their unwavering support helps us to continue our mission to build a robust, profitable and sustainable business.



Vimal Bansi
Acting Chief Executive Officer
31 August 2017

MESSAGE FROM THE PSJV CHIEF EXECUTIVE OFFICER



"I am glad to report that all our committed Social and Labour Plan projects for the financial year have been implemented in conjunction with the Richtersveld Municipality. Our CSI spend for the year exceeded R5 million."

MR MERVYN CARSTENS

The year in review was a milestone year for the PSJV. Production exceeded 160 175 carats and we achieved a record revenue of over R700 million. Our marine concessions remain the biggest contribution to carats and revenue. An extensive exploration programme is currently being rolled out on the land concessions.

We are continuously striving to improve the socio-economic conditions of the Richtersveld community. Our direct employment number has increased from 106 in 2014 to over 400 this year with more than 80% of these employees coming from the Richtersveld community. Salaries paid to employees from the area are currently standing at R76 million per annum.

I am glad to report that all our committed Social and Labour Plan projects for the financial year have been implemented in conjunction with the Richtersveld Municipality. Our CSI spend for the year exceeded R5 million.

Our relationship with the Richtersveld community remains cordial. Conflict and divisions within the community is of great concern. Efforts to address this by Department of Public Enterprises and the Department of Rural Development and Land Reform are ongoing.

I would like to express my gratitude to:

- The Board of both PSJV and Alekkor, under the leadership of Ms Hantsi Matseke for their continued support and strategic guidance;
- Alekkor management under the leadership of Mr Vimal Bansi for the excellent collaboration and assistance provided; and
- The management, employees and contractors of the PSJV for their excellent efforts in contributing to the success of the PSJV.

A stylized signature of Mervyn Carstens in blue ink.

Mervyn Carstens
PSJV Chief Executive Officer
31 August 2017

ACTING CHIEF FINANCIAL OFFICER'S REPORT

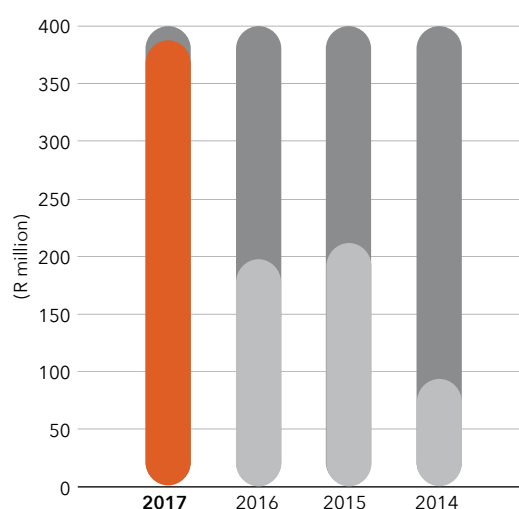


"During the year under review, Alexkor fulfilled its development mandate of creating and distributing value to various stakeholders."

MR JACQUES BONNET FINANCIAL PERFORMANCE

REVENUE

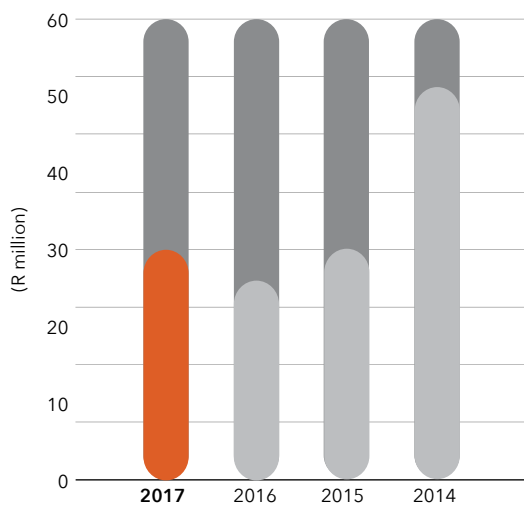
Revenue for the period under review increased from R197.1 million in 2016 to R386.3 million in 2017. Carats' sales increased from 45.950 carats to 151.812 carats in 2017, including 106,361 carats produced by IMDSA, which was not operating in the prior year. While beach and land diamonds achieved an average of USD\$548.27 (2016: USD \$602.02) per carat, IMDSA diamonds only achieved an average price of USD\$248.03. The lower selling prices achieved were due to the smaller stone sizes of diamonds produced by IMDSA. The average ZAR/USD exchange rate achieved for the year was R13.86 (R13.06: 2016)





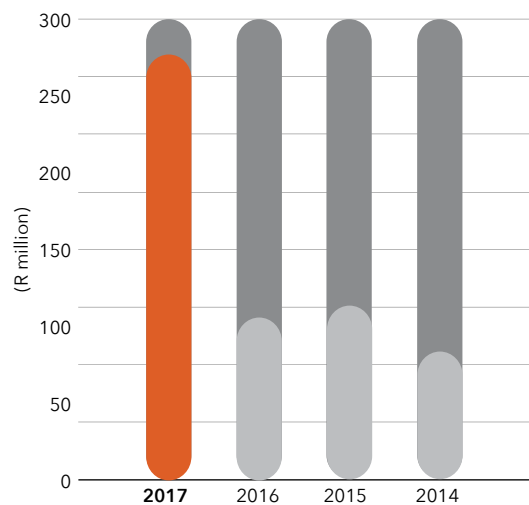
INTEREST INCOME

Interest income increased by 8.5% from R32.4 million (2016) to R35 million in 2017. Investment yields achieved in 2017 contributed favourably compared to yields achieved in 2016.



COST OF SALES

The cost of sales significantly increased in 2017, as a result of favourable production levels of 162 172 carats compared to 45 492 carats in 2016. The cost of sales per carat similarly reduced as throughput increased.

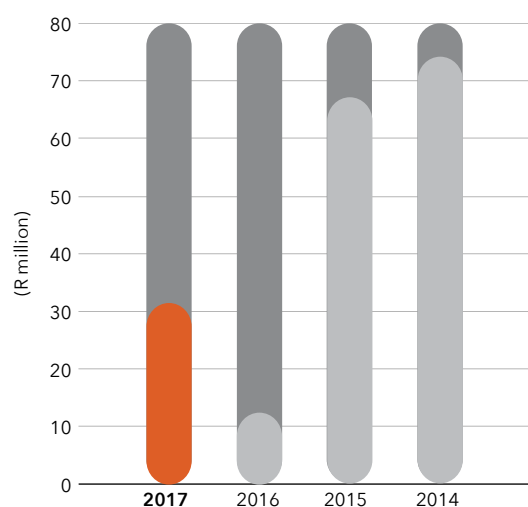


ACTING CHIEF FINANCIAL OFFICER'S REPORT

CONTINUED

OTHER INCOME AND EXPENDITURE

Government grants received are accounted for in profit and loss as it is utilised for its intended purpose. In 2016 an amount of R11.1 million was recorded as income, which increased to R25.1 million in 2017.



COMPREHENSIVE PROFIT/(LOSS)

In 2017, a comprehensive profit of R6 million was achieved, a significant improvement to the R35.5 million comprehensive loss in 2016. The increase in the volume of carats sold, together with the R24.4 million grants utilised recorded in income contributed to the positive result.



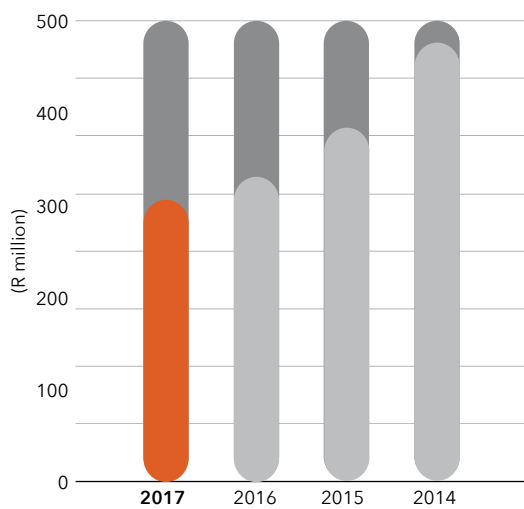
FINANCIAL POSITION

INTANGIBLE ASSETS

Exploration costs incurred during the year under review of R26.1 million (2016: R17.5 million), were capitalised as intangible assets.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents decreased by 8% from R331.7 million in 2016 to R305.4 million in 2017. Grants received utilised and cash utilised for operational purposes.



VALUE ADDED STATEMENT

WEALTH DISTRIBUTED TO VARIOUS STAKEHOLDERS

During the year under review, Alexkor fulfilled its development mandate of creating and distributing value to various stakeholders as listed below.



CONCLUSION

In addressing the challenges, the Board has approved a number of financial strategies aimed at the short- to medium-term operational cash requirements. These financial strategies underpin the going concern of the Company. As for a long-term strategy, it is largely driven by a two-pronged strategy of diversification and expansion of diamond operations.

Jacques Bonnet
Acting Chief Financial Officer
31 August 2017

The background image shows the deck of a ship. Two workers in blue uniforms are visible. A red lifebuoy with the text 'SEA HERITAGE' and 'BT 2008' is hanging on the railing. The ship's hull is white with a dark stripe. The number '60' is visible on the hull. The ship is docked at a concrete pier with a rope and a metal bollard in the foreground.

03

ALEKKOR'S COMMITMENTS



OUR COMMITMENT TO OUR PEOPLE

HUMAN RESOURCES REPORT

The 2016/17 financial year was the first year in which we experienced the positive effects of the cost cutting and cost containment measures implemented across the organisation, which concluded during the 2015/16 financial year. The aim of the cost cutting and cost containment measures was to reduce the top-heavy structure of the Company at Head Office, without compromising the operational capability of Alexkor. Following this an analysis of the critical workforce requirements of the Head Office was conducted, highlighting the following key vacancies:

- Chief Executive Officer
- Chief Financial Officer
- Corporate Services Manager
- Supply Chain Management Officer

The recruitment process for the above-mentioned positions commenced in the third and fourth quarter of the 2016/17 financial year. The Supply Chain Management Officer position was appointed in the last quarter, the appointed person will commence his position on 1 April 2017.

Going forward Alexkor's focus will be on re-aligning the strategic goals of the organisation and ensuring that employees are positioned to implement Alexkor's strategic deliverables.

STAFF COMPLEMENT

As of 31 March 2017 the staff complement was:

	March 2016	March 2017
Alexkor SOC permanent employees – Head Office	8	5
Alexkor SOC temporary and casual employees – Head Office	1	3
Sub-total – Alexkor SOC Head Office Employees	9	8
Alexkor SOC permanent employees Alexander Bay (Alexkor)	38	36
Alexkor SOC temporary and casual employees – Alexander Bay (Alexkor)	24	1
Subtotal – Alexkor SOC Mine Employees	62	37
Total	71	45

Over the period of 2016/17, the following positions were filled:

PERMANENT POSITIONS

Two cleaning staff permanent positions were made in December 2016.

TEMPORARY APPOINTMENTS

In November 2016, Ms Tsu Mhlana was appointed as the Acting CFO after the resignation of the former CFO, Ms Zodwa Mbele in October 2016.

REMUNERATION

At Alexkor salaries are paid based on the total package concept in line with the remuneration policy developed by the Company. During the period under review salaries paid to employees amounted to R21 762 889. Directors' salaries for the period amounted to R3 656 564.

INDUSTRIAL RELATIONS

There were no disciplinary matters in the period under review.

SKILLS DEVELOPMENT

It is through investing in skills development that our organisation is able to remain competitive, progressive and forward-looking. To this end an amount of R110 759.69 was invested in various training initiatives including in-house training and R519 870.50 was allocated to our bursary programmes.

BURSARIES

During the financial year 2016/17, we invested R519 870 in our bursary programme. Two of our bursary programme students completed their studies at the end of 2016 and will graduate in April 2017.

Kgomotso Mashala completed her Bsc Mining Engineering degree, she has been offered a junior geologist position at the mine in Alexander Bay, and will join the Company before the end of May 2017. Baratong Mothobi graduated with a Diploma in Environmental Management, she is continuing with her B Tech in Environmental Management studies and is expected to complete her studies at the end of 2017.

We have a further five students in our bursary programme. Thandazile Kubheka is studying mining engineering and is currently in her third year. Ndivhuwo Tshilande is a mining engineering student in her fourth year. Our third mining engineering student is Ayavuya Maqotha. His fourth year studies are currently on hold. We have Zandre Allison who is in his second year of studies in environmental management. Baratang Mothobi is also studying environmental management and is in her third year of studies.

EMPLOYMENT EQUITY

Employment equity (EE) remains a fundamental strategic business imperative for Alexkor. We believe that for our organisation to be truly competitive we must continue to strive to create an environment that enables the development of all our employees, especially previously disadvantaged individuals. We apply this philosophy in all our recruitment and selection processes and decisions, we have programmes in place to develop and train our staff including talented and qualified black females who will form part of our succession plan for the organisation.

We have employee equity structures in place to ensure this programme is successful such as our EE policy, helping us to ensure that Alexkor creates an enabling environment for sustainable transformation. Our SE&HR Committee assists in creating a workplace that is free from any form of discrimination, and ensures that our organisation upholds the principles stipulated in our EE policy and other HR policies such as our recruitment and selection policies.

The table below depicts the employment equity status for Alexkor Head Office as 31 March 2017:

Occupational Level	Number of Incumbents	MALE					FEMALE			% of designated group
		AM	IM	CM	WM	AF	IF	CF	WF	
Top management	1	1	-	-	-	-	-	-	-	100
Senior management	-	-	-	-	-	-	-	-	-	-
Professionally qualified	1	-	-	-	1	-	-	-	-	-
Skilled	-	-	-	-	-	-	-	-	-	100
Semi-skilled	1	-	-	-	-	1	-	-	-	100
Unskilled	-	-	-	-	-	-	-	-	-	100
Total	3	1	-	-	1	1	-	-	-	83

OUR COMMITMENT TO OUR PEOPLE CONTINUED

PSJV HUMAN RESOURCES REPORT

At the PSJV the Human Resources department focused on various interventions to ensure alignment to the overall objectives of the Company. These included the following measures:

- Attraction and retention of competent and skilled staff
- People development and training, including training and compliance to statutory requirements
- Employment equity
- Industrial relations
- Corporate social investments including Social and Labour Plan (SLP) project implementation

SKILLS DEVELOPMENT OBJECTIVES

The main objectives of our skills development initiatives are to create a competent and capable workforce, one that contributes to the sustainability of Alexkor. We endeavour to achieve this through enhancing employees' existing skills, and through providing a solid skills development framework aligned to both the DMR and standard mining requirements. Through this we aim to:

- Ensure the sustainable development of our workforce
- Enable the efficient assessment of talent, in order to provide future mobility opportunities; and create a high performance culture, through the application of the accepted performance management system and effective leaders

Further, our skills development initiatives are also aimed at developing and mobilising existing skills in support of our operational requirements.

PSJV STAFF COMPLEMENT

As at 31 March, a total of 64 new employees were engaged for the period. At Alexkor RMC JV the number of employees increased by a total of 29 new employees. Our contractors increased from 685 to 826. The decrease in staff at Alexkor was due to the Head Office restructuring programme.

ANNUAL STAFF COMPLEMENT ENDING 31 MARCH 2017

	March 2016	March 2017
ALEXKOR RMC JV		
Permanent employees	290	312
Temporary and casual employees	44	51
Total	334	363
ALEXKOR SOC		
Permanent employees	38	36
Temporary employees	24	1
Total	62	37
CONTRACTORS		
Marine contractors – shallow water	431	499
Beach and land mining	155	218
Other	99	109
Total	685	826

REMUNERATION

Salaries are benchmarked against industry and market trends and are paid based on the total package concept. Our remuneration policy is based on a remuneration philosophy that offers equal rates of pay for male and female employees of equal qualifications and experience. The salary or wage bill for the period under review amounted to R63 802 128.

During the period under review, personnel expenses amounted to R63 802 128. Payments to the marine, land based and other contractors for the review period amounted to R158 299 317.

INDUSTRIAL RELATIONS

We are pleased to report that we continue to have a harmonious relationship with our union – the National Union of Mineworkers (NUM) – with whom we engaged on a regular basis in an endeavour to maintain a sound working relationship between all parties. During the 2016/17 period wage negotiations were successfully concluded. Employee relations remain stable and engaging, with active union membership representation as follows: NUM 72%, UASA 3% and non-affiliates 25%.

EMPLOYMENT EQUITY

At the PSJV employment equity is a fundamental strategic business imperative, and is also used to create an environment that enables the development of all our employees, especially previously disadvantaged individuals. The table below depicts the employment equity status for Alekxkor RMC JV as 31 March 2017.

Further, we have structures in place to support EE in the workplace; our EE policy helps us ensure that Alekxkor creates an enabling environment for sustainable transformation, and our SE&HR Committee assists in creating a workplace that is free from any form of discrimination, and ensures that our organisation upholds the principles stipulated on our EE policy and other HR policies such as recruitment and selection policies.

Occupational Level	Number of Incumbents	MALE				FEMALE				% of designated group
		AM	IM	CM	WM	AF	IF	CF	WF	
Senior management	8	2	-	3	1	-	-	2	-	88
Professionally qualified	20	-	-	9	-	1	-	10	-	100
Skilled	67	1	-	46	5	-	-	12	3	93
Semi-skilled	160	4	-	110	3	1	-	42	-	98
Unskilled	57	4	-	18	-	1	-	34	-	100
Total	312	11	-	186	9	3	-	100	3	97

HUMAN RESOURCES DEVELOPMENT AND TALENT MANAGEMENT

For the year under review R3 191 360 was spent on various training and development initiatives. The required Statutory Reports have been submitted in line with work skills and Training Reports requirements. In this period we continued to use our policies and procedures to ensure that we are able to achieve significant improvements in our ability to train and develop employees.

OUR COMMITMENT TO OUR PEOPLE CONTINUED

The Human Resource Development initiatives from 1 April 2016 to 31 March 2017 are detailed in the table below:

HUMAN RESOURCE DEVELOPMENT: 1 APRIL 2016 TO 31 MARCH 2017

	African	Coloured	Indian	White
Diving first aid and emergency response	-	3 (males)	-	1 (male)
Skipper courses	-	-	-	1 (male)
Learnership	1 (male)	7 (males)	-	-
Apprentices programme (Experiential Learning)	-	10 (males)	-	-
AET learning	-	8 (males) 20 (females)	-	-
Bursaries	5 (females) 1 (male)	1 (male)	-	-
Commercial diver training	-	4 (males)	-	-
Total of the above	7	53	-	2

HUMAN RESOURCE DEVELOPMENT

HDSA

Type of apprenticeship programme/ listed trade	A			C		I		W		Total HDSA (A)	Comment
	YTD	M	F	M	F	M	F	M	F		
Diving first aid and emergency response	R18 648			3				1		4	Done
Skipper courses	R12 216							1		1	Done
Learnerships	R191 619	1		7						8	In progress
Experiential learning	R260 000			10						10	MQA students
AET training	R129 040			8	20					28	Level 4 + Level 5
Bursaries	R519 870	1	5	1						7	Alexkor SOC bursary students
Commercial diver programme	R47 500			4						4	Stipends
Maths and science programme	R66 888			9	19			2		30	After school programme at high school
	R1 245 781	2	5	42	39	-	-	4	-	92	



OUR COMMITMENT TO OUR PEOPLE CONTINUED

Our health and safety statement

Safety management is an integral part of Alexkor's responsibility. Safety management includes occupational health, training and competence, emergency preparedness, contractor controls, incident investigation, operational controls and procedures and safety risk management. Constant enhancement of safety standards and compliance measures are key in preventing injuries to our employees and contractors.

HEALTH AND SAFETY

An awareness of promoting and enhancing a safe working culture is an on-going focus within the Company, as Alexkor believes that a safe working environment results in a healthy and productive work force. This has been evident through the safety results achieved over the years.

Alexkor strives at all times to manage both its strategic and operational risks. In order to achieve this, the Company continuously identifies risks and puts frameworks, policies and processes in place to mitigate and manage the various risks.

The PSJV health and safety programme continuously strives to improve occupational health and safety awareness. It achieves this by implementing and maintaining an effective health and safety management system; through enhancing legal compliance, by minimising or

eliminating risk to employees, through preventing injuries to employees and damage to property, by encouraging safe behaviours; through its mandatory Code of Practices compliance and improving the well-being of all employees.

Regular inspections are performed to assess safety behaviours at the mine and to test the effective implementation of safety controls. A comprehensive medical surveillance programme is in place as per the revised Mandatory Code of Practice for Minimum Standards of Fitness to Perform Work at a Mine, in terms of the Mine Health and Safety Act, No. 29 of 1996 ("MHSA"). Regular inspections, follow-ups and observations are used to assess safety behaviours. Key elements such as risk assessments, planned inspections, task observations and communications form part of day-to-day safety management. A union-appointed Chairperson (health and safety) is in place, while workplace health and safety representatives takes place, mainly due to changes in the workforce of the contractors.



SAFETY STATISTICS OF THE FINANCIAL YEAR UNDER REVIEW (COMPARED TO THE PREVIOUS FINANCIAL YEAR):

Injury/Occupational Illness	Actual Apr 2016/Mar 2017	Actual Apr 2015/Mar 2016	Variance	% Variance
Minor Injury	3	5	(2)	(40)
Disabling Injury	2	1	1	100
Reportable Injury	-	1	(1)	(100)
Fatalities	-	1	(1)	(100)
Lost Time Injury	2	2	-	-
Lung disease (PTB)	4	2	2	100
Noise induced hearing loss (NIHL)	1	3	(2)	(67)

The occupational health and safety of our employees remains a non-negotiable principle on which Alexkor's mining operations are based.

In 2016/17 financial year we achieved a 40% decrease in minor injuries. The lost time injuries, which include disabling and reportable injuries, remains controlled. This is also based on the year-on-year comparison figures. We noted an increase in lung diseases (PTB) in the period with socio-economic lifestyle factors identified as the root cause.

We are pleased to report that there were no reportable injuries and fatalities for the 2016/17 financial year, further noise-induced hearing loss injuries decreased by 67%. Alexkor achieved a Lost-Time Injury Frequency Rate (LTIFR) of 0.14 against a target of 0.60.

We will continue to actively promote a culture of health and safety at our mine in line with our unwavering commitment to the safety of our people.

OUR COMMITMENT TO THE ENVIRONMENT

Our environmental policy statement

Alexkor's mining operations are situated on the north-west coast of South Africa in Namaqualand. Alexkor recognises the importance of environmental protection and is committed to operating its business responsibly in compliance with all legal requirements relating to the diamond mining industry. Alexkor sets itself above all others in building lasting relationships and consistently exceeding the expectations of guests, employees and relevant stakeholders.

Alexkor takes responsibility for environmental issues ensuring that they are documented, implemented, maintained and communicated. Alexkor subscribes to policies that are consistent with the relevant legislation, regulations and other applicable requirements.

In seeking to address the environmental balance in present and future operations, Alexkor is committed to:

- Establishing an environmental engagement system and conducting regular environmental audits with the objective of striving for continual improvement and prevention of pollution
- Recording our environmental risks on a regular basis, and reviewing our performance with our policies, objectives and targets
- Ensuring an awareness of environmental issues amongst employees, customers, contractors, suppliers and other stakeholders
- Respecting fundamental human rights for a safe and healthy environment in which to work and live, and the right to self-esteem, personal growth and respect
- Being involved with sustainable community projects that contribute to social upliftment

REHABILITATION UPDATE

LEGACY REHABILITATION PROGRAMME

Legacy rehabilitation is the responsibility of Alexkor as per the Deed of Settlement ("DoS"). The programme includes the removal of asbestos-contaminated material from Alexander Bay, and the transportation thereof to the hazardous site in Vissershok, near Cape Town. It also includes the demolition of old dilapidated buildings and proper storage of the resultant waste, and the landscaping and re-vegetation of the land.

The cost of undertaking this programme was evaluated and calculated to be R259 million as at 31 March 2017.

In 2016/17 our investment in legacy rehabilitation amounted to R116 667. This year we focused our efforts on appointing a new specialised contractor for the removal of asbestos-contaminated material and demolition of old and dilapidated buildings through an open tender process. While we sought to appoint a new contractor this resulted in limited legacy rehabilitation work being undertaken, however we are pleased to report that this important work will commence in the 2017/18 financial year when our Phase 1 programme starts. This will focus our efforts on rehabilitating old structures

and buildings, including the removal of asbestos contaminated material, and the demolition of old dilapidated buildings and storage thereof in a safe manner.

The method of rehabilitation used in the mine blocks is prescribed in the 2008-revised Environmental Management Plan (EMP), and managed by the environmental department of the mine. The associated costing formula related to this method of rehabilitation has been applied to determine the rehabilitation quantum of the open mine areas. The rehabilitated areas will be stabilised using double rows of staggered netting. This is done to prevent soil/sand being entrained and removed from the site by the wind.

ONGOING PSJV REHABILITATION

The PSJV performs an ongoing rehabilitation programme to reduce the amount of liability

for purposes of mine closure. This is also a legal requirement and officials from the Department of Mineral Resources (DMR) undertake regular inspections on the mine to ensure that this is complied with.

The PSJV and contracting companies operating within the mine are responsible for the rehabilitation of disturbances stemming from their mining/prospecting activities. Before a contractor moves to a new block they must have rehabilitated the mined-out block or made provisions for the block to be rehabilitated whilst preparing the new block to be mined/prospected.

Prior to registering a new block the PSJV and contractors must acquire an Environmental Code of Practice from the Environmental Department which will identify historical areas in close proximity of the proposed new mine block to be backfilled and shaped to the surrounding of the existing land.

EXAMPLE OF ENVIRONMENTAL CODE OF PRACTICE (ECOP) DRAFTED BY THE ENVIRONMENTAL DEPARTMENT



OUR COMMITMENT TO THE ENVIRONMENT

CONTINUED

BACKFILLING OF HISTORICALLY MINED OUT BLOCKS/EXCAVATIONS



The stripped overburden from current mined blocks is backfilled in a mined out portion of a historically mined block, this is then re-contoured to the surrounding areas landform.



Overburden and waste from a screening plant is backfilled in historically mined out blocks in close proximity.

The PSJV and contractors continuously undertake rehabilitation efforts; the excavated overburden is either backfilled in current mined areas or placed in historically mined blocks or trenches. This is also done to avoid double handling of material to reduce costs. After backfilling and shaping of historically mined-out areas, the day-works team covers the areas with netting to stabilise the ground to allow for the growth of vegetation.



IMAGES DEPICT A BACKFILLED MINED BLOCK AND TRENCH



Tailings from the processing plant at Muisvlak are dumped and spread in nearby historically mined out areas in a process referred to as backfilling.

Contractors undertake concurrent rehabilitation methods.



NETTING SYSTEM

Historic mining activities have resulted in large and widely scattered overburden dumps. These mining voids include bedrock, pebble dumps, prospecting trenches and haul roads. In addition to the physical destruction of the habitat, the soil profiles were mixed during the excavation and sub-soils were exposed on the dump surfaces in many places. Certain of these sub-soils are hostile to plant growth and under natural conditions can remain toxic even after many years before the toxicity can be leached out of the topsoil. Meanwhile the growing conditions remain hostile. The importance of windbreaks in the re-vegetation of mining areas to be rehabilitated cannot be over emphasised; to ensure successful rehabilitation it is imperative that wind speed be reduced. Further shade netting improves the success rate of seeding and topsoil placement alongside planting suitable mature plants as it provides a more successful environment for plant growth.

A netting system was installed at both entrances of the historic Noordsif slimes dam and Merensky plant to minimise the dust plumes into the Alexander Bay residential area. This netting is maintained to reduce dust control emanating from Noordsif slimes dam.

The images below show the benefit of the netting system, the impact on flora if not maintained.



OUR COMMITMENT TO THE ENVIRONMENT

CONTINUED

DUST PLUME MAINTENANCE FROM SLIMES DAMS



Once decommissioned, the dam is closely monitored for moisture content of the slimes. The dried slimes are then covered with pebbles or tailings, i.e. coarse material from the processing plant to avoid the generation of sediment plumes. While this may take years it poses a safety risk if the slimes are not properly dried.



OUR COMMITMENT TO OUR COMMUNITIES

Corporate social responsibility

The closest communities to our operations are situated in Alexander Bay and all our corporate social responsibility initiatives are positioned to benefit the communities in the Alexander Bay and surrounding towns such as Port Nolloth, Lekkersing, Kuboes, Eksteenfontein and Sandrift.

CSI initiatives contribute to the social upliftment and development of local communities in the Richtersveld. The Company remains committed to supporting local entrepreneurs by offering business contracts in diamond extraction on both land and marine operations.

For the year under review, a total amount of R5 599 577.21 was spent at the PSJV on CSI and programmes in the area aimed at improving education against a budget of R4.6 million (CSI and SLP combined) as indicated in the table below:

	Q1	Q2	Q3	Q4	YTD
CSI	R703 519	R913 661	R1 343 514	R1 274 994	R4 235 688
Education	R314 888	R326 688	R356 688	R347 623	R1 345 887
Total	R1 018 407	R1 258 349	R1 700 202	R1 622 617	R5 581 575

The abovementioned amounts were spent on the following corporate social responsibility initiatives:

- Mathematics and science school interventions (high school and primary school)
- Academic recognition and reward programmes
- Donations and grants to religious, cultural and educational community projects
- Financial assistance to tertiary students
- Bursary opportunities
- Experiential learning programmes
- Bereavement/funeral support
- Employee assistance programmes
- Artisan development
- Transport support to employees

SOCIAL AND LABOUR PLAN

A social and labour forum was established and the implementation of projects under the social and labour plan is ongoing. The progress on the project is reported on a monthly basis.

SPEND FOR PROJECTS

	Q1	Q2	Q3	Q4	YTD
SLP	R98 351	R622 750	R1 038 595	R160 743	R1 920 439

OUR COMMITMENT TO OUR COMMUNITIES

CONTINUED

For the year under review (April 2016 – March 2017) an amount of R1.92 million was spent on various SLP projects. These include:

Project name	Description	YTD spend	Beneficiaries	Number of jobs created
Upgrade of sewage pipeline	Completed in November 2016	R1 515 321	Port Nolloth	Outsourced to Ribicon Consulting
Building of ablution facilities/upgrading of ablutions for disabled	Second phase commenced in March 2017	R73 085	Sanddrift	10
AET + maths and science	Ongoing	R325 927	Richtersveld	15
Diving program	Stipend paid until September 2016	R47 500	Richtersveld	4
Other	Material for projects in different towns	R179 096	Richtersveld	
Total spend		R2 140 929		



Upgrade of sewage pipeline



AET Level 4 and 5 learners



Learners receiving maths and science support



Members of the Lekkersing community members receiving Spar Vouchers from the Northern Cape Premier, sponsored by PSJV

STAKEHOLDER ENGAGEMENT

Stakeholders are defined as any individual or group that has a material interest in or is in some way affected by the business of Alexkor.

Our main stakeholder interactions are with: Government, through our shareholder which is the Department of Public Enterprises (DPE); the Richtersveld Mining Community (RMC), our partner in the PSJV; Parliament, national and provincial departments and municipalities; communities, and investors; suppliers and contractors; management, employees and organised labour; business groups, civil society and Non-Governmental Organisations (NGOs), as well as industry experts and the media.

Regular engagement and effective management of communications with all our stakeholders

continues to be a strategic priority for the Company. Our stakeholder engagements are carefully planned with a clear scope of engagement, intended outcomes and the engagement approach.

Stakeholder engagement interactions occur in the form of one-on-one meetings, Board and committee meetings with the RMC, presentations to parliamentary Portfolio Committees; the AGM; industry associations and task teams; site visits and public hearings; community and executive forums; teleconferences; contracts and service agreements.

STAKEHOLDER COMMUNICATION PRINCIPLES

Alexkor ensures effective stakeholder engagement, and the Company's external communications are guided by the following principles:



- Give meaningful information in a format and language that is easily understandable and tailored to the needs of the target stakeholder group/s



- Allow for inclusiveness in the representation of views, including women, youth, vulnerable and or minority groups



- Provide information in advance of consultation activities



- Ensure engagement processes are free of intimidation or coercion



- Ensure information is accessible to all stakeholders



- Establish clear mechanisms for responding to people's concerns, suggestions and grievances



- Respect local traditions, languages, timeframes and decision-making processes



- Incorporating feedback into project or programme design, and reporting back to stakeholders



- Ensure two-way dialogue gives both sides the opportunity to exchange views and information, to listen, and to have their issues heard and addressed

04

GOVERNANCE AND COMPLIANCE REPORT





HOW WE ARE GOVERNED

ALEXKOR'S COMMITMENT TO CORPORATE GOVERNANCE

The Board is committed to the principles of fairness, accountability, responsibility and transparency as encapsulated in the King III Report on Governance for South Africa 2009 (King III). This commitment to integrity and good governance is formalised in the Board charter, the terms of reference of the various committees, and in the financial and sustainability policies and processes, all of which have been approved by the Board and are reviewed annually.

The Board is comfortable that it has adhered to the guidance in King III to the extent that it is applicable to a state-owned company. In addition, the Board has undertaken a gap analysis between King III and King IV. Plans and processes have been initiated to develop the required documentation and disciplines to comply with King IV, to the extent to which it is applicable to Alexkor, for the 2018 financial year-end.

The Board acknowledges its responsibility for the integrity of the Integrated Report and is of the view that the 2017 Integrated Report provides a balanced view of the Company's integrated performance and addresses all key material matters.

OUR BOARD

BOARD COMPOSITION

As a state-owned entity, it is the prerogative of the shareholder, represented by the Minister of the Department of Public Enterprises ("DPE"), to appoint the members of the Board.

The composition of the independent non-executive directors has been substantially stable during the year under review. In terms of the Memorandum of Incorporation (MOI), Dr R Paul was obliged to retire at the 2016 annual general meeting held on 30 September 2016 as it was his third year of his third term as a Board member. Following Dr R Paul's retirement, technical skills and institutional memory were identified as gaps in the Board skills. Accordingly, a recruitment process was undertaken by the Board, assisted by the Social, Ethics and Human Resources Committee ("SE&HR"), to retain the services of a consultant. Dr R Paul was the successful candidate for this position.

There is a clear separation between the roles of the independent non-executive Chairperson, and the Acting CEO. This level of independence contributes to dynamic Board interaction and an independent state of mind of all directors.

Mr V Bansi, the Acting Chief Executive Officer (Acting CEO), appointed on 1 March 2016, continued in this role throughout the financial year. Ms Z Mbele, the Chief Financial Officer resigned on 6 October 2016 and Ms T Mhlanga was appointed as the Acting Chief Financial Officer (Acting CFO) on 7 November 2016.

The Board debated the optimal leadership structure for sustainability, considering the size of the Company and current and future projects and initiatives, and has embarked on a restructuring process which will be implemented in the new financial year.

BOARD DIVERSITY

The Board currently has two vacancies for independent non-executive directors. The Board, assisted by the SE&HR, reviewed various diversity elements, being race, education, ethnicity, gender, skills, experience, age and diversity of views. Following the completion of this exercise, the names and CVs of several potential candidates were forwarded to the Minister of DPE to consider in her process for nominating and appointing new independent non-executive directors to the Board. The outcome of this process is awaited.

REGULATORY ENVIRONMENT

The Board performs the roles and functions of an accounting authority as prescribed by its MOI, the PFMA, National Treasury regulations and guidelines, the Companies Act 2008, industry regulations and other applicable legislation, regulations and guidelines.



HOW WE ARE GOVERNED CONTINUED

BOARD STRUCTURE

■ COMMITTEES ■ BOARD OF DIRECTORS ■ EXECUTIVE ■ PSJV BOARD

Independent non-executive Chairperson
Five independent non-executive directors
Two executive directors, *ex officio*

AUDIT AND RISK COMMITTEE

TENDER COMMITTEE

BOARD OF DIRECTORS

THREE INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms M Lehobye (Chairperson)
Mr T Haasbroek
Mr T Matona

BY INVITATION:

Acting CEO: *Mr V Bansi*
Acting CFO: *Mr J Bonnet*
COO: *Mr H Mokwena*
Company Secretary: *Ms J Matisonn*
Internal auditors
External auditors
Representatives from the AGSA

MANDATE:

- Financial management and other reporting practices
- Financial policies
- Risk management
- Internal controls
- Compliance with laws, regulations and ethics
- Internal audit oversight
- External audit oversight
- Financial and performance reporting
- ICT governance

THREE INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr T Haasbroek (Chairperson)
Mr S Danana
Ms Z Ntlangula

BY INVITATION:

Acting CEO: *Mr V Bansi*
Acting CFO: *Mr J Bonnet*
COO: *Mr H Mokwena*
Company Secretary: *Ms J Matisonn*

MANDATE:

- Reviews scope of work
- Monitors SCM
- Compliance with ethical standards
- Recommend tenders above threshold to the Board

EXECUTIVE COMMITTEE

MEMBERS:

Acting CEO: *Mr V Bansi (Chairperson)*
Acting CFO: *Mr J Bonnet*
COO: *Mr H Mokwena*
Company Secretary (*ex officio*): *Ms J Matisonn*
HR Consultant (*ex officio*): *Ms B Makwetla*

BY INVITATION:

Financial Manager

MANDATE:

Implements strategies and policies
Prioritises allocation of capex, human capital and technical resources
Establishes best management practices and functional standards
Appoints senior and middle management and performance monitoring

ENVIRONMENTAL
REHABILITATION
COMMITTEETHREE INDEPENDENT NON-EXECUTIVE
DIRECTORS

Mr T Haasbroek (*Chairperson*)
Mr T Matona
Ms H Matseke

BY INVITATION:

Acting CEO: *Mr V Bansi*
Acting CFO: *Mr J Bonnet*
COO: *Mr H Mokwena*
Company Secretary: *Ms J Matisonn*

MANDATE:

- Monitors the ongoing historic rehabilitation of the mined areas at Alexander Bay
- Review and approve rehabilitation activities
- Monitor rehabilitation costs and liability
- Review management accounting and control over the Environmental Rehabilitation Trust Fund
- Monitors applicable legislation

SOCIAL,
ETHICS AND
TRANSFORMATION
COMMITTEEFOUR INDEPENDENT NON-EXECUTIVE
DIRECTORS

Mr T Matona (*Chairperson*)
Mr S Danana
Ms H Matseke
Ms Z Ntlangula

EX OFFICIO MEMBERS

COMPANY SECRETARY: *Ms J Matisonn*
HR CONSULTANT: *Ms B Makwetla*

BY INVITATION:

Acting CEO: *Mr V Bansi*
Acting CFO: *Mr J Bonnet*
COO: *Mr H Mokwena*

MANDATE:

- Monitors social and ethical statutory obligations
- Human resources philosophy, strategy and policies
- Remuneration philosophy, strategy and policies

PSJV BOARD

Three independent non-executive directors from the Alexkor Board:

Ms H Matseke (*Chairperson*)
Mr T Haasbroek
Mr S Danana

Three representatives from the Richtersveld Community Mining Company (Pty) Ltd

MANDATE:

Monitors the implementation of the Deed of Settlement
Approves Quarterly Reports

HOW WE ARE GOVERNED CONTINUED

DECISION-MAKING PROCESSES OF THE BOARD

BOARD CHARTER

The Board is responsible for managing the Company and ensuring its long-term economic, social and environmental sustainability. The Board delegates responsibility to the committees detailed above whose members are specialists in their respective fields. This enables the committees to meet their objectives as defined in their terms of reference. The Board ensures that it meets its compliance obligations in relation to policy and regulation to support government's commitment to economic transformation, beneficiation, job creation and B-BBEE criteria. The Board oversees the implementation of global best practices regarding safety, skills development and procurement to support the growth of the economy and empower local communities.

The Board ensures the implementation of its statutory, commercial and social objectives by approving and regularly monitoring its strategic and operational objectives and assessing the Company's performance against its pre-determined objectives annually agreed to with the shareholder.

MANAGING RISK IN AN INTEGRATED WAY

The risk management philosophy is encapsulated in a risk management policy which is aligned to the principles of good corporate governance as supported by the PFMA.

Alexkor implements and maintains effective, efficient and transparent systems of risk management and internal control. Risk management processes are embedded into Alexkor's systems and processes, ensuring that responses to risks remain current and dynamic. All risk management efforts are focused on supporting the Company's objectives. They ensure compliance with relevant legislation and fulfil the expectations of employees, local communities and other stakeholders in terms of good corporate governance. The risk management framework allows Alexkor to anticipate and respond to changes in its service delivery environment as well as make informed decisions under conditions of uncertainty that contributes to the fulfilment of the Company's strategic plan.

Alexkor has an information and communication technology change management policy which establishes high level objectives for change management and control. The implementation contributes to risk mitigation.

Further details appear in the Integrated Risk Management Report on page 22.

Item identified	Agreed action plan	Timeline
The Board should enhance the governance of its information technology in a manner that supports the Company's strategic objectives.	<ul style="list-style-type: none"> - Approve policies that give effect to agreed information and technology management. - Delegate to management the implementation of effective information and technology management. - Exercise oversight of the implementation of effective information and technology management. 	March 2018
Appoint permanent CEO and CFO.	Recommendations have been made to the shareholder for consideration.	September 2017
Strengthen the relationship with the shareholder.	Clearer and more frequent communication with the shareholder.	October 2017
Strengthen the relationship between the Board and management.	Develop more structured interactions between the Board and management.	Ongoing
Enhance the enterprise-wide risk management	Review of policies	Ongoing
Evaluate role and mandate of Board committees	Reviewed annually	September 2017
Development of corporate governance frameworks	All policies are reviewed on a rotational basis.	Ongoing
Professional development	Integrated reporting workshop planned.	August 2017
	Refresher of PFMA	November 2017

PERFORMANCE EVALUATION

The Board outsources an independent Board evaluation annually which evaluate the: Chairperson, the board of directors collectively and individually, the Board Committees and their chairpersons and the Company Secretary. This process took place during April–July 2017 for the year under review. The overall evaluation was that the majority of the Board was comfortable that the Board and its committees are well governed, and that they are directing the company and its affairs in a manner that is expected by the shareholder. The Board also concluded that it was satisfactorily fulfilling its fiduciary duties and the mandates to which it had been assigned.

The outcomes of the Board evaluation process that require attention, as discussed at the July 2017 meeting, were the following:

As part of the Board's commitment to ensuring a highly effective Board, a full day's training programme was held for both the Board and senior management which focused on directors' and officers' duties and the transition to King IV. In addition, the Executive Committee held a half-day workshop on risk management, which covered the principles of risk management as well as reviewing and updating the Company's risk register, which is now aligned to the Company's current strategic objectives. The Company Secretary provides the Board with a quarterly Company Secretary Report which includes updates on best practice in corporate governance, highlights internal governance matters that require attention and relevant legislation and industry information.

KEY STRATEGIC FOCUS AREAS

The Board and its committees collectively take responsibility for its strategic focus areas. Timelines have been agreed to and the status of each key strategic focus area is detailed in the Acting CEO's report on pages 42 to 44.

COMPANY SECRETARY

The Board fully empowers the Company Secretary to perform this function. Amongst other duties, the Company Secretary ensures that the Company adheres to all legislative, regulatory and shareholder requirements by advising the Board on key legislation and governance issues affecting the Company.

In addition, the Company Secretary ensures that the content of the Board and committee agendas are relevant to the decision making of the Board. The Company Secretary ensures that Board meeting proceedings and resolutions are properly recorded, communicated to the relevant stakeholders and implemented. The Company Secretary also provides new directors with an induction and access to

specific training programmes to assist the directors to execute their duties with due care, skill and diligence.

The Board is satisfied that the Company Secretary, Ms Joanne Matisonn, FCIS; H.Dip.Co.Law (Wits); MA in applied ethics for professionals (Wits), is suitably qualified to perform her duties in accordance with the applicable legislation and is considered by the Board to be a fit and proper person for the position. She does not fulfill an executive management function and is not a director. The Company Secretary reports directly to the Chairperson of the Board. Accordingly, the Board is satisfied that she maintains an arm's-length relationship with the executive team, the Board and the individual directors.

The Board members have unrestricted access to the advice and guidance of the Company Secretary.

THE PSJV

The Board also fulfills an oversight role in relation to the PSJV Board, which operates as a division of Alexkor for reporting purposes. In terms of the Deed of Settlement ("DoS") concluded with the community of Richtersveld, the Alexkor Board is required to have three Board members serve on the PSJV Board. Governance processes have been implemented to enable regular reporting and sharing of information between the Board of Alexkor and the PSJV Board. As both the Chairperson of the Board and the Acting CEO serve on the PSJV Board, the Board is comfortable that it provides sufficient oversight and performance monitoring of the PSJV. The governance framework of Alexkor has been implemented at the PSJV Board to the extent that it is applicable.

As the implementation of the DoS moves to a conclusion, Alexkor will retain diamond mining as its core business but has also embarked on new initiatives to provide for its ongoing sustainability and ensure that it remains relevant and supports the State's development objectives. Further details of the future strategy of the Company appear in the Acting CEO's Report on pages 42 to 44.

OUR GOVERNANCE FRAMEWORK

Alexkor's governance framework is underpinned by ensuring that the Board and management understand the roles of the Board, the shareholder and management. These roles and responsibilities are encapsulated in the MOI, the Board charter, the committees' terms of reference, an annual Board work plan and the corporate plan.

The Board has endorsed various good governance codes, such as King III and the Protocol on

HOW WE ARE GOVERNED CONTINUED

Corporate Governance in the Public Sector and ensures that it adheres to relevant legislation such as the Companies Act, the PFMA and the Alexkor Limited Act.

Detailed implementation of our governance framework is governed by compliance with the significance and materiality framework, which sets out matters requiring approval in terms of the PFMA, the delegation of authority framework, which delegates power and authority from the Board to appointed committees and executive management, various governance policies and plans and standard operating procedures. The committees formally report on their activities to the Board meeting following a committee meeting. The Executive Committee ensures that resolutions, policies and plans, as approved by the Board, are implemented.

Alexkor has adopted a zero-tolerance policy of ethical breaches and is committed to ensuring that consequential management is implemented for all ethical breaches and legal transgressions.

A whistleblowers' hotline is in place at all operations and staff are encouraged to report ethical breaches. Regular staff awareness campaigns are conducted to ensure that integrity is embedded into the culture of the Company. No material unethical or incidences of fraud were reported in the year under review.

As a state-owned company, Alexkor believes that its approach to risk management should be conservative. The Company is in the process of documenting a risk appetite/risk tolerance statement for adoption by the Board. The risk management plan and risk management policy were reviewed by the Audit and Risk Committee and approved by the Board which guides a prudent, effective approach to risk management.

The Board holds an annual strategic session to assess achievement of its strategic objectives for the year under review and to set the short-, medium- and long-term objectives for the future. An external facilitator, executive management and other key role players tasked with implementing Alexkor's strategic objectives also attend this strategic session to provide input and buy-in. The resolutions taken at the strategic session form the foundation for the corporate plan which is approved by the shareholder.

The Board has both a commercial and a social mandate and is extensively involved, primarily through the PSJV, in meeting the needs of the Richtersveld community as well as other social objectives as detailed on pages 65 to 66. As a good corporate citizen, Alexkor ensures that it protects the environment (see pages 60 to 64) and responds to the legitimate interests, needs and expectations of other key stakeholders, balancing short- and long-term strategic objectives (see page 14).

KEY MATTERS DISCUSSED/APPROVED BY THE BOARD

APRIL
2016

- Approved the Quarterly Report

MAY
2016

- Approved 2016 annual financial statements
- Approved initiating feasibility study for coal strategy
- Reviewed operational cash flow strategy

JULY
2016

- Approved Integrated Report
- Approved Quarterly report
- Approved shareholder's compact and SMF
- Approved appointment of external auditors and fees for 2017 year-end for recommendation to shareholder
- Reviewed Board evaluation results
- Approved Board consultant's contract

OCTOBER
2016

- Approved Quarterly Report

NOVEMBER
2016

- Approved strategy

JANUARY
2017

- Approved Quarterly Report

FEBRUARY
2017

- Approved corporate plan

The Board restructured its Head Office to be optimally placed to fulfil its longer-term strategic objectives. It has also implemented investment proposals to optimise cash management and to ensure the best returns on funds that have a longer-term horizon such as the legacy rehabilitation and new initiatives which will ensure the sustainability of the Company.

The Board considers and evaluates technological developments to promote efficiencies and support new strategic initiatives.

KEY GOVERNANCE OBJECTIVES

Governance objective	Status
Ensure that the Board and its committees understand their roles and responsibilities	The Board charter and terms of reference of the various committees have been reviewed and aligned to the size and business of the Company
Ensure that the delegation of authority meets the needs of the Company	The delegation of authority has been updated and a matrix reflecting the levels of authority included. The standard operating procedures have been separated out
Improve and streamline the supply chain management process and procedures	The SCM policy has been simplified but still complies with the PFMA has been made more user friendly and aligned to the SCM practices and processes in the Company. A SCM Officer has been appointed with effect from the new financial year
Annual review of the risk management plan	No changes required
Annual review of the risk management policy	No changes required
Formalise fixed assets policy	Policy and practice formalised
Formalise petty cash policy	Policy and practice formalised
Annual review of the business continuity policy	Updated and aligned to the size and processes within the Company
Annual review of the ICT change management policy	Updated and aligned to the size and processes within the Company
Gap analysis between King III and King IV	<p>The following matters were identified for consideration:</p> <ul style="list-style-type: none"> • A risk appetite and risk tolerance policy • Tax policy • Information and technology governance framework <p>These matters are being addressed under the auspices of the Executive Committee and Audit and Risk Committee</p>

COMPLIANCE WITH KING III

The Company complies with the principles of King III, as detailed in the King III register, which is available on the Company's website. The following exceptions are noted:

- The Board does not elect the Chairperson. This is the prerogative of the shareholder.
- The Board does not appoint the CEO. The Board makes a recommendation to the shareholder who makes the appointment.
- The Audit and Risk Committee does not evaluate the expertise of the CFO and the finance function. The Acting CFO is evaluated as part of the outsourced board evaluation process and the individual members of the finance team are evaluated through annual performance appraisals.
- A formal IT governance framework is being developed.

HOW WE ARE GOVERNED CONTINUED

ENSURING A COMMON UNDERSTANDING ON MEETING ALEXKOR'S OBJECTIVES

The Company holds regular meetings with representatives of the DPE to ensure that Alexkor and its shareholder have a common understanding on how Alexkor will achieve its objectives which are aligned with government's broader agenda of economic transformation, beneficiation, industrialisation, job creation and the development of a supplier base that meets Broad-Based Black Economic Empowerment (B-BBEE) criteria.

All material and potential conflicts of interests between a director and the Company are declared and recorded at every Board and committee meeting. Where a material or potential conflict arises, the matter is addressed according to the provisions of the Companies Act and the Code of business conduct and conflict of interest policy. These matters are also reported to the shareholder at the annual general meeting. For the period under review, directors declared that they had no interests regarding any of the agenda items at either Board or committee meetings.

The Board is committed to improving the lives of the Richtersveld community. The Company has regular interaction with the Richtersveld community in an endeavour to resolve legacy issues and create a more positive relationship going forward.

DIRECTORS' REMUNERATION

The SE&HR reviewed the executive and non-executive remuneration based on industry and market-related benchmarks and made proposals to the shareholder. Considering cost containment principles, the shareholder approved increases based strictly on its guidelines for state-owned entities at the 2016 annual general meeting.

The Chairperson of the Board and the Chairperson of the SE&HR evaluates the performance of the CEO on a quarterly basis and provides feedback to the Board.

Details of the remuneration structure of the independent non-executive directors and of the executive directors appear on in the notes of the annual financial statements (note 28).

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

Name	Board	Audit and Risk Committee	SE&HR	Environmental Rehabilitation Committee	Tender Committee
Ms H B Matseke	6/8		4/6	1/1	
Mr S J Danana	7/8		6/6		2/3
Mr T Haasbroeke	8/8	6/6		1/1	3/3
Ms M Lehobye ⁵	8/8	6/6			0/2
Mr T J Matona ⁵	7/8	4/6	5/6	0/3	
Ms Z Ntlangula	8/8		4/6	2/2	1/1
Dr R Paul ²	4/4	3/3		2/2	
By invitation					
Mr V Bansi	7/8	6/6	5/6	3/3	3/3
Ms Z Mbele ⁴	4/4	3/3	2/2		
Ms T Mhlanga ³	3/3	2/2			
Ms J Matisonn	8/8	6/6		3/3	3/3
Ms B Makwetla ¹			6/6		
Mr H Mokwena	6/8	4/6	3/6	3/3	3/3
Mr J Bonnet		5/5	1/1		
Dr R Paul ³	3/3				

Notes:

1. Ms B Makwetla attends meetings for items within her responsibilities.
2. Dr Paul rotated out of the Board on 30 September 2016.
3. Ms T Mhlanga was appointed Acting CFO from 7 November 2016 to 30 April 2017.
4. Ms Z Mbele resigned as CFO on 6 October 2016.
5. Ms M Lehobye resigned from the Tender Committee on 30 September 2016 and Mr T Matona was appointed in her place.

ATTENDANCE AT PSJV BOARD AND COMMITTEE MEETINGS

Name	Board	Audit and Risk Committee	Technical Committee	Remuneration Committee	Tender Committee
Ms H B Matseke	4/6				
Mr S J Danana	6/6	4/4	3/4		4/4
Mr T Haasbroek	3/6	2/4	2/4		1/4
Ms P Mokhali ¹	5/6	1/4	1/4	1/2	
Mr G Oliphant ¹	4/6			1/2	2/4
Mr A Maarman ¹	4/6		3/4		2/4
Dr R Paul	3/6	2/4	2/4	2/2	1/4
By invitation					
Mr V Bansi	3/6		1/4		1/4
PSJV Executive Committee					
Mr M Carstens	6/6	4/4	4/4	2/2	4/4
Ms R Phillips	6/6	4/4	4/4	2/2	4/4
Mr F Strauss	6/6	4/4	1/4		1/4
Mr G Cloete			4/4		1/4
Mr M Zibani			2/4		
Ms N Zwane			1/4		
Ms L Swartbooi			2/4		
Mr D Bowers			1/4		
Mr J van Dyk			1/4		
Dr R Paul	2/6				

¹ RMC representatives



05

ANNUAL FINANCIAL STATEMENTS





ABOUT ALEKKOR

2016 THE YEAR IN REVIEW

ALEKKOR'S COMMITMENTS

GOVERNANCE AND COMPLIANCE
REPORTS

ANNUAL FINANCIAL STATEMENTS

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2017

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DIRECTORS' APPROVAL OF FINANCIAL STATEMENTS

for the year ended 31 March 2017

The board of directors is required, by the Companies Act, No. 71 of 2008, and the Public Finance Management Act, No. 1 of 1999 (PFMA), to prepare annual financial statements comprising of the statement of financial position as at 31 March 2017, the statements of comprehensive income, changes in equity and cash flow for the year then ended, and notes to the financial statements which include as summary of the significant accounting policies, and other explanatory notes in accordance with International Financial Reporting Standards (IFRS).

In the preparation of the financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state if the applicable accounting standards have been followed; and
- prepare the annual financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business for the foreseeable future.

The board of directors of the Company is responsible for the maintenance of adequate accounting records, maintenance of appropriate systems of internal control, as well as the preparation and integrity of the annual financial statements.

The Audit and Risk Committee has evaluated the annual financial statements and has recommended their approval to the board of directors. In preparing the annual financial statements, the Company has complied with IFRS and the Companies Act, in addition, the Company has complied with the reporting requirements of the PFMA.

The Company has used the appropriate accounting policies supported by reasonable and prudent estimates. Judgements and estimates made in the application of IFRS, that have a significant impact on the annual financial statements, are disclosed in the notes to the annual financial statements.

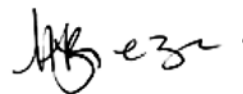
The external auditor, SizweNtsalubaGobodo, is responsible for independently auditing and reporting on the annual financial statements in conformity with International Standards on Auditing (ISA). Their unmodified Report on the annual financial statements, prepared in terms of the Public Audit Act of South Africa Act, No. 25 of 2004 (PAA), appears on pages 5 to 8.

The internal audit function is outsourced to a service provider. The internal audit activities are in accordance with the pre-approved internal audit plan. The internal audit plan is reviewed and approved. The internal audit plan is reviewed and approved by the Audit and Risk Committee annually. The service provider, Outsourced Risk and Compliance Assessment (ORCA), has executed the internal audit plan during the year and has provided reasonable assurance to the board of directors as to the state of the internal controls of the Company. The Audit and Risk Committee has reviewed the effectiveness of the Company's internal controls and considers the system appropriate for the effective operation of the Company.

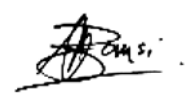
The board of directors is of the opinion that these annual financial statements fairly present the financial position, and the results of their operation and cash flow information for the reporting period.

The annual financial statements have been prepared under the supervision of the Acting Chief Financial Officer Jacques Bonnet.

The annual financial statements of Alexkor SOC Limited as identified in the first paragraph were approved by the Accounting Authority on 31 August 2017 and are signed on its behalf by:



Ms H Matseke
Chairperson



Mr V Bansi
Acting CEO

STATEMENT BY THE COMPANY SECRETARY

for the year ended 31 March 2017

I, the undersigned, in my capacity as Company Secretary do hereby confirm that for the financial year ended 31 March 2017, Alexkor SOC Limited has lodged with the Companies and Intellectual Property Commission all such returns as are required in terms of the Companies Act, No. 71 of 2008, as amended, and that to the best of my knowledge such returns are true, correct and up to date.



Ms J Matisson
Company Secretary

AUDIT AND RISK COMMITTEE REPORT

for the year ended 31 March 2017

Report of the Audit and Risk Committee in terms of Section 94(7) of the Companies Act No. 71 of 2008

During the year under review, the Audit and Risk Committee (ARC) performed its functions in accordance with section 94(7) of the Companies Act, No. 71 of 2008, as amended, and the provisions of the Public Finance Management Act, No. 1 of 1999, as amended (PFMA). The ARC has adopted appropriate formal terms of reference and has regulated its affairs in compliance with those terms of reference. These terms of reference were also reviewed during the course of the financial year under review to ensure alignment with the provisions of the Companies Act. The ARC has discharged all its responsibilities therein.

The ARC comprises three independent non-executive directors. The ARC held eight scheduled meetings during the year ended 31 March 2017. Attendance is reflected on page 79 of this Integrated Report.

In the conduct of its duties, the ARC has performed the following activities:

- Agreed in consultation with the shareholder, to proceed to appoint Sizwe Ntsaluba Gobodo as the registered external auditors of the Company, who in the opinion of ARC, is independent of the Company.
- Determined the fees to be paid to the external auditors as well as their terms of engagement.
- Ensured that the appointment of the external auditors complied with the applicable legislation;
- Determined the nature and extent of any non-audit services which the external auditors could provide the Company.
- Considered the independence and objectivity of the external auditors and ensured that the scope of its additional services provided to the Company, were not as such that they could be seen to have impaired their independence.
- Received and dealt appropriately with any complaints (internal or external) relating either to the accounting practices and internal audit, or to the content of auditing of its financial statements, or to any related matter.
- Received and reviewed reports from both internal and external auditors concerning the effectiveness of the Company's internal control environment, systems and processes.
- Liaised with external auditors.
- Reviewed the report of both internal and external auditors detailing their concerns arising to their audits and requested appropriate responses

from management which resulted in their concerns being addressed.

- Considered the effectiveness of the internal audit, approved the one-year operational internal audit plan and mentioned the adherence of the internal audit to its annual programme.
- Reviewed and recommended for adoption by the Company's Board, such financial information that is publicly disclosed, which for the year includes the annual financial statements for the year ended 31 March 2017.
- Reviewed significant accounting practices, judgements and estimates adopted by the Company in the application of the International Financial Reporting Standards and found those to be appropriate.
- Concurred that the adoption of the going concern premise in preparation of the financial statements was appropriate.
- Made appropriate recommendations to the Company's Board regarding the corrective actions to be taken as a consequence of audit findings.
- Reviewed the Company's compliance with legal and regulatory provisions. Refer to note 10 of the Directors' Report for detail of Reportable Irregularities.
- Reviewed the adequacy, reliability and accuracy of the financial information provided to management and other users of such information.
- Reviewed the effectiveness of the procurement policies and procedures of the Company.
- Received regular reports from management regarding the performance of the Company, the tracking and monitoring of key performance indicators, details of budgets, forecast reliability of management information used during the financial reporting process.
- Approved the 2017/2018 internal audit plan and rolling three-year plan.
- Monitored and provided oversight responsibility for management of risks within the Company.
- Recommend the risk management reporting framework, risk management plans and reviewed risk management policy.
- Satisfied itself that the fraud and IT risks related to financial reporting had been appropriately addressed.

In the opinion of the ARC, the internal controls of the Company are considered reasonable to:

- meet the business objectives of the Company;
- ensure the Company's assets are safeguarded; and
- ensure that transactions undertaken are recorded in the Company's accounting records.

Where weakness in specific controls have been identified, management has undertaken to implement the appropriate corrective action to mitigate the identified weaknesses.

Internal audit has given reasonable assurance of the effectiveness of the internal control environment.

The ARC had identified constraints within the finance function of Alexkor as one of the areas of focus. We have appointed additional resources to assist in mitigating compliance with the PFMA in relation to procurement of goods and services as well as other laws and regulations applicable to the Company.

Furthermore, the appointment of the permanent Chief Executive Officer and Chief Financial Officer is imminent and will bring some stability to the function.

ARC has further evaluated the Integrated Report for the year ended 31 March 2017 and considered that it complies, in all material respects, with the requirements of the PFMA, as amended, the Companies Act and International Financial Reporting Standards.

The ARC recommended the adoption of the annual statements by the board of directors on 31 August 2017 during its special ARC meeting.



Ms M Lehobye

Chairperson of the Audit and Risk Committee

INDEPENDENT AUDITORS' REPORT

Independent Auditor's Report to the Parliament on Alexkor SOC Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Alexkor SOC Limited as set out on pages 96 to 137, which comprise the statement of financial position as at 31 March 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Alexkor SOC Limited as at 31 March 2017, and financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) of South Africa and the Companies Act South Africa, 2008 (Act No. 71 of 2008) (Companies Act).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our Report.

We are independent of Alexkor SOC Limited in accordance with the Independent Regulatory Board for Auditors' Code of professional conduct for registered auditors (IRBA code) and other independence requirements applicable to performing audits of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA code is consistent with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (parts A and B).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 33 in the financial statements, which indicates that the company's financial sustainability is dependent on certain factors that are closely managed by the Board.

These events or conditions, along with other matters as set forth in note 33, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. My opinion is not modified in respect of this matter.

Emphasis of matters

We draw attention to the matter below. Our opinion is not modified in respect of this matter.

Restatement of corresponding figures

As disclosed in note 34 to the financial statements, the corresponding figures for 31 March 2015 and 2016 have been restated as a result of an error in the financial statements of the Company at, and for the year ended, 31 March 2017.

Responsibilities of the board of directors for the financial statements

The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act and 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.

In preparing the financial statements, the accounting authority is responsible for assessing Alexkor SOC Limited'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 there is an intention either to liquidate the public entity or to cease operations, or there is no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the public entity's compliance with respect to the selected subject matters.

We 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 our 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 by the accounting authority.
- conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Alexkor SOC Limited's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements.
- Our conclusions are based on the information available to me at the date of the Auditor's Report. However, future events or conditions may cause a public entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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 we identify during our audit.

Report on other and regulatory requirements

In accordance with our responsibilities in terms of section 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified reportable irregularities in terms of the Auditing Profession Act. We have reported the matters to the Independent Regulatory Board for Auditors. The matter pertaining to the reportable irregularity has been described further in note 35 to the financial statements.

Report on the audit of the Annual Performance report

Introduction and scope

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof we have a responsibility to report material findings on the reported performance information against -determined objectives for selected objectives presented in the Annual Performance Report. We performed procedures to identify findings but not to gather evidence to express assurance.

Our procedures address the reported performance information which must be based on the approved performance planning documents of the public entity. We have not evaluated the completeness and appropriateness of the performance indicator established and included in the planning documents. Our procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information relating to future periods that may be included as part of the reported performance information. Accordingly our findings do not extend to these matters.

We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the Performance management and reporting framework, as defined in the general notice, for the following selected

objectives presented in the Annual Performance Report of Alexkor SOC Limited set out on pages 16 to 21 of this Annual Report for the year ended 31 March 2017:

Key Performance Area (Alexkor SOC Limited)

Objective 1 – Financial Sustainability

Objective 2 – Socio-Economic Indicators

Key Performance Area (Alexkor/RMC Joint Venture (PSJV))

Objective 1 – Financial Sustainability

Objective 2 – Operational Support

Objective 3 – Socio-Economic Indicators

We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

The material findings in respect of the usefulness and reliability of the selected key performance areas are as follows:

Performance indicators are not well defined and targets are not specific and measurable

The source information, evidence and method of calculation for the achievement of the following planned indicator was not clearly defined, as required by the Framework for Managing Programme Performance Information (FMPPI). These indicators are:

Key Performance Objective – Operational Support

- *Improve the number of boat days by 10% from the previous financial year (PSJV)*

Key Performance Objective – Socio-Economic Indicators

- *Indicator – Local Content (Alexkor and PSJV)*
- *Indicator – Spend on BEE Compliant Companies (Alexkor and PSJV)*
- *Indicator – Black Youth-Owned and People with Disabilities (Alexkor and PSJV)*
- *Compliance with agreed Rehabilitation Plan (Alexkor)*
- *CSI Spend (PSJV)*

Other matters

We draw attention to the matters below:

Achievement of planned targets

Refer to the Annual Performance Report on page(s) 16 to 21 for information on the achievement of planned targets for the year and explanations provided for the under achievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph(s) of this Report.

Report on audit of compliance with legislation

Introduction and scope

In accordance with the PAA and the general notice issued in terms thereof we have a responsibility to report material findings on the compliance of Alexkor SOC Limited with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.

The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Procurement processes – Quotations and competitive bids

We were unable to obtain sufficient appropriate audit evidence that some goods, works and services were procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA.

Goods, works or service 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.

Contracts were awarded to bidders based on preferential points that were not allocated and calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and its regulations.

Consequence management

The accounting authority did not investigate irregular and fruitless and wasteful expenditure that was identified in the prior year, the irregular expenditure was condoned without following the proper due process.

Revenue management

Effective and appropriate steps were not taken to collect all money due, as required by section 51(1)(b)(i) of the PFMA.

Expenditure management

Effective steps were not taken to prevent irregular expenditure amounting to R14.4 million (2016: R6.9 million) as disclosed in note 29 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA.

Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R3.5 million (2016: R0.2 million), as disclosed in note 30 to the annual financial statements, in contravention of section 51(1)(b)(ii) of the PFMA.

Annual financial statements

Financial statements were not submitted for auditing within two months after the end of financial year, as required by section 55(1)(c)(i) of the PFMA, the annual financial statements were submitted late for audit.

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 and section 29(1)(a) of the Companies Act. Material misstatements of non-current assets, current assets, current liabilities, and revenue and disclosure items identified by the auditors in the submitted financial statements were corrected and supporting evidence provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Other information

Alexkor SOC Limited accounting authority is responsible for the other information. The other information comprises the information included in the Annual Report which includes the Director's Report, the Audit Committee's report and the Company Secretary's certificate as required by the Companies Act.

The other information does not include the financial statements, the Auditor's Report thereon and those selected objectives presented in the Annual Performance Report that have been specifically reported on in the Auditor's Report.

Our opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the Annual Performance Report, or our knowledge obtained

in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this Auditor's Report, we conclude that there is a material misstatement of this other information, we are required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

We considered internal control relevant to our audit of the financial statements, reported performance information and compliance with applicable legislation; however, our objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in, the findings on the Annual Performance Report and the findings on compliance with legislation included in this Report.

Leadership

The accounting authority did not exercise effective oversight responsibility over certain policies and procedures relating to supply chain management, performance management, revenue, compliance and related internal controls.

Financial and Performance Reporting

Management did not adequately implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting. In this regard the accounting authority and management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Management did not implement controls over daily and monthly processing and reconciling of transactions on Financial and Performance Reports.

Governance

The Audit and Board Committee did not exercise adequate oversight responsibility to ensure compliance with laws and regulations that govern the public entity.



Fana Mkwanazi CA (SA)

Director

SizweNtsalubaGobodo

Registered Auditor

Date: 31 August 2017
20 Morris Street East, Woodmead
Johannesburg

DIRECTOR'S REPORT

for the year ended 31 March 2017

1. BOARD OF DIRECTORS

For the year under review, a full complement of Alexkor's board of directors discharged its duties. The composition of the Board, with respect to the independent non-executive directors, comprised seven members during the financial year, with six members at year-end.

The independent non-executive directors of the Company during the year were as follows:

Name	Appointed	Resigned/ Term expired
Dr. R Paul	June 2007	September 2016
Ms. Z Ntlangula	September 2012	-
Ms. HB Matseke	August 2015	-
Mr. JS Danana	August 2015	-
Mr. T Haasbroek	August 2015	-
Mr. T Matona	August 2015	-
Ms. M Lehobye	August 2015	-

2. OVERVIEW OF FINANCIAL PERFORMANCE

Performance for the year	March 2017	March 2016	% change
Revenue (R million)	386	197	96
Profit/(Loss) for the year (R million)	6	(35)	117
Carats produced	162 172	45 492	256
Capital expenditure (R million)	38	28	36

3. DIVIDENDS

No dividends have been paid, proposed or declared during the year under review (2016: R nil).

4. BORROWINGS

In terms of the Company's MOI, the Company's borrowing powers are determined by the Board from time-to-time. The Company currently does not have any borrowings.

5. SHAREHOLDER'S COMPACT

A shareholders' compact was signed between the Board and the executive authority for the period under review. Performance objectives are captured within the compact and are reported against the outcomes on a quarterly basis.

The shareholders' compact key performance indicators (KPI's), which are revised annually by agreement between the board of directors and the shareholder representative, serve as the performance monitoring framework for the Company. Performance against the shareholders' compact 2017 financial year targets are outlined in section 3 of the Integrated Report. This performance information has been subject to an audit review and the Company's auditors have reported no adverse finding on the performance against pre-determined objectives.

6. LITIGATION STATEMENT

There are no current outstanding legal matters for the year under review, except for the matter disclosed under contingent liabilities note 32.

7. GOING CONCERN

The Board took cognisance of the losses suffered during the past number of financial years and also the reduced carat production due to the International Mining and Dredging South Africa (Pty) Limited (IMDSA) vessel that caught fire in April 2017 and cash flow operational shortage. The Board has taken a decision to monitor these developments in order to mitigate threats to the operations of the company, namely:

- There is an operational cash flow shortage of R9.5 million to fund operations for 2017/2018, Alexkor is in discussion with the PSJV to obtain further loan repayments that will ensure cover of the shortfall of R9.5 million in funding the operational budget.
- The Board through the PSJV has entered into discussions that are at an advanced stage between Alma Marine (Pty) Ltd (South Africa), IMDSA and PSJV to secure additional mining contracts as part of replacement of the lost production from IMDSA due to the vessel that caught fire. Once the agreement is finalised, further production is expected that will boost revenue projection and cashflow in the latter part of the financial year or in 2018/2019 financial year. The actual production from the new service provider has not yet been confirmed as the negotiations are not yet final.

8. SHARE CAPITAL

The directors do not have the authority to issue shares in the Company. The directors confirm that there was no change in the share capital of the Company for the financial year under review.

9. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 17 April 2017 notice was received from IMDSA that the process plant on the Ya Toivo was damaged by fire. The actual extent of the damage has not been finalised. The vessel is currently under repairs.

10. REPORTABLE IRREGULARITIES

10.1 CANCELLATION OF A LEASE CONTRACT IN CONTRAVENTION OF THE PUBLIC FINANCE MANAGEMENT ACT (PFMA)

In implementing a cost-containment plan during 2016/2017 the Board inadvertently failed to request the Minister to formally condone the forfeiture of the deposit and penalties relating to early termination of the lease at 8A Jellicoe Avenue, Rosebank, 2196, amounting to R2 943 181.

On 3 July 2017, a reportable irregularity was reported to The Independent Regulatory Board for Auditors (IRBA), in terms of section 45 the Auditing Profession Act, No. 26 of 2005. It was reported that the Board did not take effective and appropriate steps to prevent fruitless and wasteful expenditure when they approved the cancellation of a lease contract with the service provider resulting in the forfeiture of the deposit and penalties being incurred, which is in contravention of section 51(1)(b)(ii) of the Public Finance Management Act (PFMA). No value accrued to the Company as a result of the R2 943 181 amount actually incurred and paid.

Condonation of the cancellation of the lease agreement was sought from The Department of Public Enterprises on 27 July 2017. The condonation was granted on 1 August 2017 by the Honourable Minister, Ms Lynne Brown, MP. On 2 August 2017, IRBA was notified that the reportable irregularity has now been resolved.

The condonation by the Minister, ensured that the reportable irregularity was withdrawn.

10.2 COMPLIANCE WITH FINANCIAL PROVISION RELATING TO ENVIRONMENTAL PROVISION AS REQUIRED BY SECTION 53 OF THE MINERALS AND PETROLEUM RESOURCES DEVELOPMENT ACT 2002 (MPRDA) REGULATIONS

On 31 July 2017, a reportable irregularity was reported to The Independent Regulatory Board for Auditors (IRBA), in terms of section 45 the Auditing Profession Act, No. 26 of 2005. It was reported that the Board did not comply with section 53 of the MPRDA.

Section 53 of the MPRDA regulations states that a financial provision must be made using one or more of the following methods:

- An approved contribution to a trust fund as required in terms of section 10(1)(cH) of the Income Tax Act, 1962 (Act 58 of 1962) and must be in the format as approved by the Director-General from time to time.
- A financial guarantee from a South African registered bank or any other financial institution approved by the Director-General guaranteeing the financial provision relating to the environmental management programme or plan in the format as approved by the Director-General from time to time.
- A deposit into the account specified by Director-General in the format as approved by the Director-General from time to time.
- Any other method as Director-General may determine.

The Board did not ensure that the financial provision was available against the current environmental provision liability which complies with provisions of the MPRDA.

In terms of the regulation there is currently a shortfall in the financial provision of R129.2 million as at 31 March 2017 that has not been secured as per paragraph 1 above, to ensure compliance with the law.

The Board has instead, invested the funds in short-term investments that are not prescribed by the regulations of MPRDA.

The Board is in the process of procuring a guarantee to finance the shortfall. A letter has been drafted to the Director-General to apply for a State Guarantee, Rand Merchant Bank has also been engaged. The Board is awaiting the approval of these applications.

11. RESTATEMENT OF PRIOR-YEAR BALANCES

During the year under review the following balances previously disclosed were corrected and restated:

11.1 ACTUARIAL REVALUATION RESERVE

An actuarial gain was created with the transfer of employees from the Alexkor defined benefit plan to a defined contribution plan. The employer surplus account resulted in a contribution holiday and ended on 31 March 2016. The actuarial gain was not released to the statement of comprehensive income during the 2016 financial year, therefore a correction has been made (see detail note 34).

11.2 RECLASSIFICATION OF PROPERTY, PLANT AND EQUIPMENT TO INVESTMENT PROPERTY

Properties held by the Company in Port Nolloth, Bitterfontein and Springbok was reclassified as investment properties as at 31 March 2015. The fair value of the properties was estimated to have devalued. The value of the properties were revalued to their municipal value (see detail note 34).

12. IRREGULAR EXPENDITURE

Irregular expenditure was incurred during the current and previous financial years and related to internal controls on supply chain management. Management has appointed a supply chain management officer to address the shortcoming. Secondly Alexkor is in the process of appointing a permanent CEO and CFO.

STATEMENT OF FINANCIAL POSITION

as at 31 March 2017

	Notes	2017 R	2016 Restated R	2015 Restated R
ASSETS				
Non-current assets		256 584 267	230 201 247	210 680 593
Property, plant and equipment	5	57 315 817	59 928 948	63 244 481*
Intangible assets	6	55 469 978	28 419 824	15 341 213
Investment properties	7	14 582 810	14 582 810	13 542 310*
Cash held in Rehabilitation Trust	9	129 215 662	127 269 665	118 552 589
Current assets		424 457 252	433 187 315	477 235 979
Loan to joint operation	10	84 803 949	73 346 612	68 446 612
Inventories	11	27 796 005	16 029 019	14 044 172
Trade and other receivables	12	6 370 101	12 097 651	10 770 866
Cash and cash equivalents	25.2	305 487 197	331 714 033	383 974 329
Total assets		681 041 519	663 388 562	687 916 572
EQUITY AND LIABILITIES				
Capital and reserves		321 323 299	315 273 885	355 925 941
Share capital	13	400 000 000	400 000 000	400 000 000
Accumulated loss		(78 676 701)	(84 726 115)	(56 284 059)*
Actuarial reserve		-	-	12 210 000
Non-current liabilities		260 538 632	244 441 114	233 092 736
Environmental rehabilitation liability	14	260 538 632	244 441 114	233 092 736
Current liabilities		99 179 587	103 673 563	98 897 895
Trade and other payables	15	99 179 587	103 673 563	98 897 895
Total equity and liabilities		681 041 519	663 388 562	687 916 572

*Restatement of investment properties (See note 34.2).

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2017

	Notes	2017 R	2016 Restated R
Revenue	17	386 330 227	197 139 088
Cost of sales	18	(277 394 470)	(106 115 916)
Gross profit/(loss)		108 935 757	91 023 172
Operating expenses	19	(146 297 814)	(143 504 986)
Other income	20	31 530 066	12 529 339
Operating loss		(5 831 991)	(39 952 475)
Net finance income		11 881 405	26 488 097
Finance income	22	35 180 010	32 409 951
Finance expense	23	(23 298 605)	(5 921 854)
Profit/(Loss) before income tax		6 049 414	(13 464 378)
Taxation	24	-	-
Profit/(Loss) for the year from continuing operations		6 049 414	(13 464 378)
Loss for the year from discontinued operations		-	(10 687 300)
Profit/(Loss) for the year		6 049 414	(35 500 056)
Other comprehensive (loss)/income for the year, net of tax*		-	-
Total comprehensive (loss)/income for the year		6 049 414	(35 500 056)

*Other comprehensive income was restated (see note 34.1)

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2017

	Share capital R	Accumulated loss R	Actuarial reserve R	Total R
Balance as 1 April 2015	400 000 000	(46 945 987)	12 210 000	365 264 013
Fair value adjustment of investment properties*	-	(9 338 072)	-	(9 338 072)
Restated balance as at 1 April 2015	400 000 000	(56 284 059)	12 210 000	355 925 941
Total comprehensive income for the year	-	(35 500 056)	-	(35 500 056)
Reclassification of actuarial gains**	-	(5 152 000)	-	(5 152 000)
Transfer from other reserves	-	12 210 000	(12 210 000)	-
Restated balance as at 31 March 2016	400 000 000	(84 726 115)	-	315 273 885
Total comprehensive income for the year	-	6 049 414	-	6 049 414
Balance as at 31 March 2017	400 000 000	(78 676 701)	-	321 323 299

*Restatement of investment properties (see note 34.2).

**Correction actuarial gains (see note 34.1).

STATEMENT OF CASH FLOWS

for the year ended 31 March 2017

	Notes	2017 R	2016 Restated R
Net cash (outflow)/inflow from operating activities	25.1	44 792 639	(10 180 615)
Cash flows (to)/from operating activities		16 916 143	(25 378 754)
Cash flows from discontinued operations		-	(10 687 300)
Interest received		27 890 002	25 897 601
Interest paid		(13 506)	(12 162)
Net cash outflow from investing activities		(37 825 393)	(23 275 627)
<i>Expenditure to maintain operating capacity</i>			
Purchase of property, plant and equipment		(10 604 947)	(10 069 725)
Proceeds from the disposal of property, plant and equipment		120 000	48 916
Disposal of intangible assets		-	4 749 433
Purchase of intangible assets		(27 340 446)	(18 004 251)
Net cash flow from financing activities		(33 194 082)	(18 804 054)
Loan granted to joint operation		(11 947 337)	(4 900 000)
Contributions towards Rehabilitation Trust investment		-	(9 000 000)
Rehabilitation Trust Funds received		6 900 000	7 000 000
Interest invested in Rehabilitation Trust		(8 845 997)	(6 717 076)
Government funded obligations utilised		(25 058 523)	(11 096 670)
Interest received on Government funded obligations		5 757 775	5 909 692
Net increase/(decrease) in cash and cash equivalents		(26 226 836)	(52 260 296)
Opening cash and cash equivalents		331 714 033	383 974 329
Closing cash and cash equivalents	25.2	305 487 197	331 714 033
The cash and cash equivalents balance is reconciled as follows:			
Operational cash		48 909 056	44 554 329
Recapitalisation funds (MTEF)		198 731 201	206 298 995
Cash in legal trust		6 360 893	11 606 147
Cash held for Government funded operations		51 486 047	69 254 561
Total cash and cash equivalents		305 487 197	331 714 033

ACCOUNTING POLICIES

for the year ended 31 March 2017

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below and are consistent with those of the previous financial year.

1.1 STATEMENT OF COMPLIANCE

The financial statements for the year ended 31 March 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), interpretations of those standards issued by the International Financial Reporting Interpretations Committee (IFRIC), the Companies Act No. 71 of 2008 and the Public Finance Management Act No. 1 of 1999.

1.2 BASIS OF PREPARATION

The financial statements are prepared in South African Rands and all amounts have been rounded to the nearest rand. The financial statements are prepared on the historical cost basis, except for investment properties which is measured at fair value.

The financial statements are prepared on the going concern basis. The accounting policies are consistent with those applied in the previous years and are consistently applied throughout the Company.

Treasury regulation 28.1.6 requires that in terms of section 55(1)(b) of the PFMA, public entities shall prepare financial statements in accordance with generally accepted accounting practice, i.e. Statements of GAAP (SA GAAP). The Company applied for and received approval from the Office of the Accountant General to depart from the requirements of the PFMA and prepare the financial statements in accordance with IFRS.

The preparation of the financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of equity, assets and liabilities, revenue and expenses.

The estimates and underlying assumptions are based on historical experience, independent experts' inputs, and various other factors that are considered 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 estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

1.3 JOINT OPERATIONS

A joint operation is a type of joint arrangement in which the Company holds a long-term interest and shares joint control over the strategic, financial and operating decisions with one or more other parties under contractual agreement and has rights to the assets, and obligations for the liabilities, of the arrangement.

Under this method, the Company includes its share of the joint operation's individual income and expenses, assets and liabilities in the relevant components of its financial statements on a line-by-line basis.

Where the Company transacts with the joint operation, any profits or losses arising on the transactions with the joint operation are recognised in the Company's financial statements only the extent of the interest in the joint operation that are not related to the Company.

1.4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are initially measured at cost. The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Property, plant and equipment are subsequently stated at historical cost less accumulated depreciation and any impairment losses. Historical cost included expenditure that is directly attributable to the acquisition of the items. Depreciation commences when the assets are available for their intended use.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over the estimated useful lives and are consistent with prior years, as follows:

Plant and equipment	9 - 34 years
Motor vehicles	4 - 28 years
Furniture, fittings and equipment	3 - 34 years
Leasehold improvements	5 years
Computer equipment	3 - 26 years

The assets' residual values and useful lives are reviewed at each statement of financial position date and, if appropriate, adjusted. 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 date is derecognised.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other (expenses)/income" in profit or loss.

1.5 INVESTMENT PROPERTY

Investment property is defined as property held to earn rentals or for capital appreciation or both.

Investment property exclude:

- property used in the production of income; or
- used in the ordinary course of business.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing cost.

After initial recognition, investment property is carried at fair value. Investment properties are measured using the fair value model, where the fair value is assessed at regular intervals.

Gains or losses arising from changes in the fair value is recognised in profit and loss.

1.6 INTANGIBLE ASSETS

Computer software

Intangible assets are initially recognised at cost. An intangible asset is recognised when it is probable that future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the intangible assets. The estimated useful lives of the intangible assets for computer software is 2 - 20 years. The amortisation period and the amortisation method for intangible assets are reviewed at each statement of financial position date.

Capitalised exploration and evaluation expenditure

Cost directly related to exploration and evaluation expenses are recognised and capitalised once the legal right to explore a property has been acquired, in addition to acquisition cost. These direct expenditures include such costs as materials used, surveying cost, drilling cost, payments made to contractors and depreciation on plant and equipment during the exploration and evaluation phase. Cost not directly attributable to the exploration and evaluation activities, including general administrative costs, are expensed in the year in which they occur.

When a project is deemed to no longer have commercially viable prospect to the Company, exploration and evaluation expenditures in respect of those projects are deemed to be impaired. As a result, those exploration and evaluation costs, in excess of estimated recoveries, are written off to profit and loss.

The Company assesses exploration and evaluation assets for impairment when the facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value-in-use.

Once the technical feasibility and commercial viability of extracting the material resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction". Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

1.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the Company reviews the carrying amount of its property, plant, equipment and intangible assets to determine whether there are any events or changes in circumstances indicating that those assets are impaired. If any indication exists, the recoverable amount is estimated in order to determine the extent of the impairment (if any). The recoverable amount is the higher of fair value less the cost to sell and value-in-use.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the specific risks to the asset of which the estimate of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. Any impairment is first recognised against any existing revaluation reserves; whereafter the balance of the impairment (if any) is recognised immediately as an expense.

ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 March 2017

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.7 IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)

Where impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset in prior years. A reversal of impairment is recognised in the profit and loss immediately.

1.8 FINANCIAL INSTRUMENTS

The Company classifies its financial statements in the following categories:

- Loans and receivables
- Financial liabilities

The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. When a financial liability is not recognised as fair value through profit and loss it is recognised as "other financial liabilities" and measured at amortised cost.

Initial recognition and measurement

Financial instruments are recognised initially when the Company becomes a party to the contractual provisions of the instruments. The Company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments measured initially at fair value.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Loans and receivables which are not at fair value through profit and loss, are subsequently measured at amortised cost using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or has expired.

A gain/loss on derecognition is recognised in profit or loss.

1.8.1 Trade and other payables

Trade payables are obligations to pay for goods and services that have been acquired during the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are classified as other financial liabilities measured at amortised cost and initially measured at fair value.

1.8.2 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-financial assets.

Impairment of trade and other receivables is established when there is objective evidence as a result of a loss event that the Company will not be able to collect all amounts due according to the original terms of the receivables.

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The impairment is recognised in the profit and loss within "other expenses". When a receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries are credited against "other income" in profit and loss.

Trade and other receivables are classified as loans and receivables.

1.8.3 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. These are initially and subsequently recorded at amortised cost.

Cash that is earmarked for specific purposes (restricted cash balances) is included in cash and cash equivalents, but disclosed separately in the notes to the annual financial statements.

Cash and cash equivalents are classified as loans and receivables.

1.8.4 Loans to/(from) related parties

These include loans to and from joint operation and are recognised initially at fair value plus direct transaction costs.

Loans to related parties are classified as loans and other receivables.

1.8.5 Cash held in rehabilitation trust

The Company has an obligation to rehabilitate the environment as result of environmental disturbances caused by its previous mining activities.

The cash in the Rehabilitation Trust is a long-term investment. The financial asset is classified as loans and receivables.

1.9 IMPAIRMENT OF FINANCIAL ASSETS

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets are impaired. A financial asset or group of financial assets are impaired and the impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and if that event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably measured.

Impairments are recognised in profit/loss

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligator;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease may not yet be identified with the individual financial assets of the Company.

The Company first assesses whether objective evidence of impairment exists. The amount of the loss is measured as the difference between the carrying amount of the assets and the estimated future cash

flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the profit and loss.

Impairment losses on equity instruments that were recognised in profit and loss are not reversed in profit and loss in the subsequent period.

1.10 INVENTORIES

Diamonds are valued at the lower of weighted average cost or net realisable value except for those from the optical sorter which are measured at cost; and parts and consumable items are valued at the lower of cost, weighted average cost and net realisable value.

In all cases, obsolete, redundant and slow moving stocks are identified and written down to net realisable value. The amount of any write down 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 or write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The cost of inventories is determined principally on the average cost basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The cost of production comprises the direct cost of production which includes mining and production overheads, depreciation and amortisation, but excludes transport costs.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised.

1.11 SHARE CAPITAL

Ordinary shares are classified as share capital. Incremental cost directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 March 2017

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.12 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Judgements in applying accounting policies and key sources of estimation uncertainty

Many of the amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the financial statements. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of non-financial assets

The recoverable amount of each asset or cash-generating unit is determined as the higher of the assets' fair value less costs to sell and its value-in-use in accordance with the accounting policy. When such events or changes in circumstances impact on a particular asset or cash-generating unit, its carrying value is assessed by reference to its recoverable amount being the higher of fair value less costs to sell and value-in-use (being the net present value for expected future cash flows of the relevant cash-generating unit). The best evidence of an asset's fair value is the value obtained from an active market or binding sale agreement. Where neither exists, fair value less costs to sell is based on the best information available to reflect the amount the Company could receive for the asset or cash-generating unit in an arm's-length transaction.

Impairment of financial assets

At each reporting date the Company assesses all financial assets, other than those at fair value through profit and loss, to determine whether there is objective evidence that a financial asset or group of financial assets have been impaired.

For amounts due to the Company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment. Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment loss was recognised, subject to the

restriction that carrying amount of the financial asset at the date of that impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised. Reversals of impairment losses are recognised in profit or loss

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at the end of the reporting period. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

Environmental rehabilitation liability

Provision is made for the anticipated costs of future restoration and rehabilitation of mining areas from which natural resources have been extracted. Provision is made for the anticipated costs of future restoration and rehabilitation of the mining site to the extent that a legal or constructive obligation exists. These provisions include future cost estimates associated with reclamation, plant closures, waste site closures, monitoring, demolition, decontamination, water purification and permanent storage of historical residues. The future costs estimates are discounted to their present value.

Calculation of these provision estimates require assumptions such as applicable environmental legislation, plant closure dates, available technologies and engineering cost estimates. A change in any of the assumptions used may have a material impact on the carrying value of rehabilitation provisions.

Trade receivables and loans receivables

The company assesses its trade receivables and loans receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit and loss, the Company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment provision is estimated with reference to known doubtful accounts as well as experience regarding the recoverability of the accounts and the

level of ageing. Factors considered by management when considering the level of impairment provisions are:

- any prior knowledge of the potential insolvency or other credit risk; and
- credit checks and assessment by attorneys as to the recoverability of disputed receivables.

Provisions and contingent liabilities

The Company exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or Government regulation as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the original estimated provision.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to expectations of future taxable income.

Estimates of the future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax asset recorded at the end of the period could be impacted.

Allowance for slow moving, damaged and obsolete stock

The allowance for slow moving, damaged and obsolete stock allows management to write stock down to the lower of cost and net realisable value. Management have made estimates of the selling price and the direct cost to sell on certain inventory items. The write-down is included in the operational profit note.

Residual values and useful lives of items of property, plant and equipment

Property, plant and equipment are depreciated over its useful life taking into account residual values where appropriate. Assessments of useful lives and residual values are performed annually after considering factors such as relevant market information, the condition of the asset and management's consideration. In assessing the residual values, the Company considers the remaining life of the assets, their projected disposal value and future market conditions.

1.13 IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

Irregular expenditure is defined as expenditure, incurred in contravention of the requirement of any applicable legislation.

Fruitless and wasteful expenditure is defined as expenditure which was made in vain and would have been avoided had reasonable care been exercised.

In terms of section 55(2)(b)(i) of the Public Finance Management Act, 1999, the financial statements must include particulars of any irregular, fruitless and wasteful expenditure.

All irregular, fruitless and wasteful expenditure is accounted for in profit or loss in the period in which they are identified (see notes 29 and 30).

1.14 EMPLOYEE BENEFITS

Pension fund

The Company only had a defined contribution plan during the year. A defined contribution plan is a pension plan under which the Company pays fixed contributions to a separate entity. The Company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefit relating to the employee service in the current and prior periods.

The Company operates one pension fund for its employees. The scheme is generally funded through payment to Pension Fund Trust Administrators.

ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 March 2017

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.14 EMPLOYEE BENEFITS (CONTINUED)

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Company recognises termination benefits at the earlier of the following dates (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the Company recognises cost for a restructuring that is within the scope of accounting standards and involves the payment of termination benefits. In case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due within 12 months after the statement of financial position date are discounted to the present value.

Leave accrual

Employee entitlements to annual leave are recognised as short-term employee benefits when they are to be settled wholly within 12 months after the end of the annual reporting period in which the employees rendered the related services. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to reporting date.

1.15 TAXATION

The income tax expense represents the sum of the current tax charge and the movement in deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. Tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and items that are not taxable or deductible.

Current income tax

Current income tax assets and liabilities for the current periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to tax authorities.

It establishes provisions where appropriate, on the basis of amounts expected to be paid to tax authorities.

Current income tax relating to items recognised directly to equity is recognised in equity and not in the statement of comprehensive income.

Deferred income tax

Deferred taxation is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination, which at the time of the transaction neither affects accounting nor taxable profit or loss. Deferred taxation is calculated using taxation rates that have been enacted or subsequently enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The effect on deferred taxation of any changes in taxation rates is recognised in the statement of comprehensive income in the year in which the change occurs, except to the extent that it relates to terms previously charged or credited directly to equity.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.16 PROVISIONS AND CONTINGENCIES

Provision for environmental restoration, restructuring cost, legal claims are recognised when the company has a constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Contingent assets and contingent liabilities are not recognised, but are disclosed.

1.17 LEASES

Leases in which significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss on a straight-line basis over the period of the lease.

Assets held under operating leases are not recognised in the statement of financial position.

1.18 REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts. The Company recognises revenue when the amount can be reliably measured, it is probable that future economic benefits will flow to the Company and specific criteria have been met for each of the Company's activities as described below.

Sale of diamonds

Revenue from diamond production is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer and the Company retains neither continued management involvement to the degree usually associated with ownership nor effective control over the goods sold.

1.19 INTEREST INCOME

Interest income is recognised on a time-proportion basis using the effective interest method. When a loan and receivable are impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

1.20 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 write-down of inventories arising from the increase in net realisable value, is recognised as a reduction in the amount of inventories recognised in the period in which the reversal occurs.

1.21 GOVERNMENT GRANTS

Government grants are accounted for at the earliest of the date when the funds are transferred or when there is reasonable assurance that the grant will be received and the Company will comply with the conditions attached to them. Distinction is made between the following types of Government grants;

- Government grants received/receivable as compensation for expenses already incurred are accounted for as a credit in profit and loss or disclosed as other income;
- Government grants received/receivable for the purpose of giving immediate financial support to the Company with no related future costs are recognised as income in the period it becomes receivable; and
- Government grants received/receivable for specific purposes are expensed in reporting periods in which the related expenditure is incurred.

Unutilised Government grants received for specific purposes are recognised as other liabilities at the end of each financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2017

2. NEW STANDARDS AND INTERPRETATIONS

The accounting policies adopted are consistent with those of the previous financial period except that the Company has not adopted the following new and amended IFRS and IFRIC interpretations as at 31 March 2017.

	Effective date
- IAS 7, Amendments to statement of cash flows	1 January 2017
- IFRS 9, Financial instruments	1 January 2018
- IFRS 15, Revenue from contracts with customers	1 January 2018
- IFRS 16, Leases	1 January 2019

These amendments do not have any impact on the current period but are likely to affect future periods.

The Company has chosen not to early adopt any of the updated standards.

Management is in the process of assessing the impact.

IFRS 9 - Financial instruments

The standard requires financial assets to be measured either at amortised cost or fair value depending on the business model under which they are held and the cash flow characteristics of the instrument.

The standard contains new hedge accounting requirements aimed at better aligning the accounting treatment with risk management strategy. In addition, the standard replaces the incurred loss impairment model in IAS 39 with an expected loss model. It will no longer be necessary for a credit event to have occurred before credit losses are recognised.

The standard will be applied retrospectively and could have a material impact on the annual financial statements.

IFRS 15 - Revenue from contracts with customers

The IFRS replaces IAS 18: *Revenue* and provides a single, principal based five-step model to be applied to all contracts with customers. The steps involve identifying the contract, identifying the performance obligation under the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract, and recognising revenue when the entity satisfies a performance obligation.

The amendment does not change the underlying principles of IFRS 15 but it provides clarity as to how to apply those principles.

The amendments clarify how to identify a performance obligation in a contract, determine whether a company is a principal, or an agent; and determine whether the revenue from granting a licence should be recognised at a point in time or over time. The amendments also provide relief to reduce cost and complexity for a company when it first applies the new standard.

The new standard could have a material impact on the annual financial statements and may be applied with full retrospective effect or under a modified retrospective approach with an adjustment made to the opening balance of retained income.

Management is in the process of assessing the impact.

IFRS 16 - Leases

The new standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

The new standard could have a material impact on the annual financial statements and may be applied with full retrospective effect or under a modified retrospective approach with an adjustment made to the opening balance of retained income.

3. FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

The principal financial risks arising from the Company's activities in the diamond mining are those related to commodity price risk, interest rate risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects in the Company's financial performance. The Company has various financial instruments such as trade receivables, trade payables and cash, which arise directly from its operations.

It is the Company's policy not to trade in financial instruments.

	Carrying values		Fair values	
	2017 R	2016 R	2017 R	2016 R
Financial assets				
Trade and other receivables	5 282 410	11 101 509	5 282 410	11 101 509
Cash and cash equivalents	305 487 197	331 714 033	305 487 197	331 714 033
Cash held in Rehabilitation Trust Fund	129 215 662	127 269 665	129 215 662	127 269 665
Loan to joint operation	84 803 949	73 346 612	84 803 949	73 346 612
Financial liabilities				
Trade and other payables	84 613 330	94 905 967	84 613 330	94 905 967

Market risk

The diamond market is predominantly priced in United States Dollars (USD) which exposes the Company to the risk that fluctuations in the ZAR/USD exchange rates may also have an impact on the current and future earnings. The sales price in Rand (ZAR) is determined on the date of sale, which limits the Company's exposure to foreign currency risk subsequent to the sale of its diamond inventory.

The analysis of the Company's sensitivity to the exchange rate is based on an average foreign currency exchange rate for the year seeing as the sales price in Rand (ZAR) is determined on the date of the sale and the currency fluctuates throughout the year. The average foreign currency for the year used in the analysis is that which the Company considered reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular the interest rate, remain constant. The analysis is performed on the same basis for 2017, albeit that the reasonable possible foreign exchange rate variances were different, as indicated below.

As at 31 March 2017 a strengthening of the USD against all other currencies of 12% would have, on average, increased the net profit before tax with R46.4 million (2016: R23.7 million). An equal change in the opposite direction would have caused an equal decrease on the net profit before tax.

As at 31 March 2017 a strengthening of the USD against all other currencies of 9% would have, on average, increased the net profit before tax with R35.2 million (2016: R17.7 million). An equal change in the opposite direction would have caused an equal decrease on the net profit before tax.

Commodity risk

The Company's exposure to commodity risk is limited to the future transactions of diamond sales. Diamond price risk arises from the adverse effect on the current and future earnings resulting from fluctuations in the price of diamonds as determined by the open market trading in diamonds.

As at 31 March 2017 a strengthening of the USD price per carat of 8%, with all other variables remaining constant, would have, on average, increased the net profit before tax with R30.8 million (2016: R15.7 million). An equal change in the opposite direction would have caused an equal decrease on the net profit before tax.

As at 31 March 2017 a strengthening of the carat price of 10%, with all other variables remaining constant would have, on average, increased the net profit before tax with R38.5 million (2016: R19.7 million). An equal change in the opposite direction would have caused an equal decrease on the net profit before tax.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2017

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

Cash flow and fair value interest rate risk

The Company is exposed to interest rate risk on deposits held at financial institutions. These deposits are held in current and other short-term accounts on which interest is earned at variable interest rates.

As at 31 March 2017, if interest rates on deposits had been 70 basis points higher with all other variables remaining constant, the pre-tax profit of the year would have been R2.1 million higher (2016: R3.2 million). An equal change in the opposite direction would have caused an equal decrease on the net profit before tax.

As at 31 March 2017, if interest rates on deposits had been 50 basis points higher with all other variables remaining constant, the pre-tax profit of the year would have been R1.5 million higher (2016: R2.2 million). An equal change in the opposite direction would have caused an equal decrease on the net profit before tax.

OTHER FINANCIAL RISKS

Credit risk

The Company's credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions and trade and other receivables.

* Trade and other receivables

The Company trades only with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to internal credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debt is not significant. The Company's maximum exposure is equal to the carrying amount of the trade and other receivables.

An amount of R3.3 million (2016: R2.3 million) was determined to be impaired. The Company considered these receivables to be irrecoverable as the defaulting debtors have not reacted to follow-up payment requests and were handed over to the Company's lawyers.

* Cash and cash equivalents

The Company's cash and cash equivalents are maintained at only four financial institutions, which exposes the Company to minimal credit risk as a result of credit concentration. The Company limits risk by dealing with, and maintaining its cash and cash equivalents, at well established financial institutions of high quality and credit standing.

	Cash balances	
Cash held at financial institutions	2017	2016
Momentum	100 413 880	120 381 039
Investec Bank Limited	149 367 609	160 521 785
Rand Merchant Bank Limited	167 123 867	161 266 929
First National Bank Limited	17 797 504	14 753 619
Nedbank Limited	-	660
Total	434 702 859	456 924 032

Credit risk

The credit ratings of these institutions can be summarised as follows:

	2017	2016
A+	-	120 391 039
AA	-	176 021 208
AA+	100 413 880	-
A-	-	160 521 785
BB+	184 921 371	-
B	149 367 608	-
Total	434 702 859	456 924 032

Liquidity risk

The ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate cash reserves, and by continually monitoring forecasted and actual cash flows and matching maturity profiles of financial assets and liabilities.

The following table sets out the cash flows of the Company's liabilities that will be settled into relevant maturity groupings on the remaining period at the statement of financial position date to maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows:

	Contractual value	Less than 3 months	More than 3 months
As at 31 March 2016			
Trade and other payables	94 905 967	21 797 300	73 108 667
As at 31 March 2017			
Trade and other payables	84 613 330	29 550 396	55 062 934

3.2 CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for the shareholder and benefits for the other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is in the process for restructuring its operations as a result of the settlement of the land claim by the Richtersveld Community and its mandate to pursue other mining opportunities. As a result, the Company is not able to finalise a strategy in managing capital and determining a optimal capital structure. The Company is in the process of determining its capital requirements to fund its continued operations along with new mining ventures.

The Company will, consistent with others in the industry, monitor capital on the basis of the gearing ratio, when the restructuring is completed. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents.

Total capital is calculated as "equity" as shown in the statement of financial position plus net debt. The Company currently does not have any borrowings.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2017

4. DETERMINATION OF FAIR VALUES

The table below analyses recurring assets and liabilities carried at fair value, by valuation method. The different levels have been defined as follows.

- Level 1: Quoted prices in active markets for identical assets and liabilities.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either or indirectly.
- Level 3: Inputs for the assets or liabilities that are not based on observable market data.

Financial assets and liabilities that are measured at 31 March 2017:

Assets	Level 1	Level 2	Level 3	Total
Amortised cost				
- Cash held in the Rehabilitation Trust Fund	-	-	129 215 662	129 215 662
Loans and receivables				
- Loan to joint operations	-	-	84 803 949	84 803 949
- Trade and other receivables	-	-	5 282 410	5 282 410
- Cash and cash equivalents	-	-	305 487 197	305 487 197
Total assets	-	-	524 789 218	524 789 218
Liabilities	Level 1	Level 2	Level 3	Total
Other financial liabilities				
- Trade and other payables	-	-	84 613 330	84 613 330
Total liabilities	-	-	84 613 330	84 613 330

Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market on transactions at an arm's-length basis.

Financial instruments in Level 2

The fair value of financial instruments are not traded in a active market is determined by using valuation techniques.

These valuation techniques maximise the use of observable data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Financial instruments in Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Specific valuation techniques used to value financial instruments include:

- Market approach - uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities.
- Cash approach - reflects the amount that would be required currently to replace the service capacity of an asset (current replacement cost).
- Income approach - converts future cash flows, income or expenditures to a single discounted amount, reflecting current market expectation about those future amounts.

The Company's policy is to recognise transfers into and out of fair value hierarchy levels as at the date of the event or change in circumstances that caused their transfer.

5. PROPERTY, PLANT AND EQUIPMENT

	Cost R	Accumulated depreciation R	Carrying value R
2017			
Owned assets			
Leasehold improvements	998 906	140 559	858 347
Plant and equipment	106 299 246	62 093 903	44 205 343
Motor vehicles	20 713 844	17 192 321	3 521 523
Furniture and fittings	2 712 339	1 317 466	1 394 873
Computer equipment	4 613 214	3 527 121	1 086 093
Capital work in progress	6 249 636	-	6 249 636
Total	141 587 186	84 271 369	57 315 817
	Cost R	Accumulated depreciation R	Carrying value R
2016			
Owned assets			
Leasehold improvements	998 906	92 920	905 986
Plant and equipment	104 337 777	52 769 807	51 567 970
Motor vehicles	19 038 587	14 417 463	4 621 124
Furniture and fittings	3 011 161	1 147 177	1 863 984
Computer equipment	4 140 653	3 170 770	969 884
Capital work in progress	-	-	-
Total	131 527 084	71 598 137	59 928 948
	Cost R	Accumulated depreciation R	Carrying value R
2015			
Owned assets			
Leasehold improvements	967 429	46 135	921 294
Plant and equipment	96 867 466	43 100 415	53 767 051
Motor vehicles	17 782 784	12 445 203	5 337 581
Furniture and fittings	2 854 802	849 379	2 005 424
Computer equipment	3 994 560	2 781 428	1 213 132
Capital work in progress	-	-	-
Total	122 467 041	59 222 560	63 244 481

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2017

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

RECONCILIATION OF THE CARRYING VALUES OF PROPERTY, PLANT AND EQUIPMENT

	Carrying value at beginning of the year	Additions	Impairment	Disposals	Depreciation	Carrying value at end of the year
2017						
Owned assets						
Leasehold improvements	905 986	-	-	-	(47 639)	858 347
Plant and equipment	51 567 970	1 746 653	(65 404)	(1 031 070)	(8 012 806)	44 205 343
Motor vehicles	4 621 124	1 889 157	(94 061)	(98 109)	(2 796 587)	3 521 523
Furniture and fittings	1 863 984	111 926	(5 772)	(224 157)	(351 108)	1 394 873
Computer equipment	969 884	607 575	(4 860)	(56 974)	(429 531)	1 086 092
Capital work in progress		6 249 636	-	-		6 249 636
Total	59 928 948	10 604 947	(170 098)	(1 410 311)	(11 637 671)	57 315 817
	Carrying value at beginning of the year	Additions	Impairment	Disposals	Depreciation	Carrying value at end of the year
2016						
Owned assets						
Leasehold improvements	921 294	31 477	-	-	(46 785)	905 986
Plant and equipment	53 767 051	7 470 311	-	-	(9 669 392)	51 567 970
Motor vehicles	5 337 581	1 150 912	-	-	(1 867 369)	4 621 124
Furniture and fittings	2 005 424	166 402	-	(8 496)	(299 346)	1 863 984
Computer equipment	1 213 132	210 123	-	(40 420)	(412 950)	969 884
Total	63 244 482	9 029 225	-	(48 916)	(12 295 842)	59 928 948

	Carrying value at beginning of the year	Additions	Impairment	Disposals	Depreciation	Carrying value at end of the year
2015						
Owned assets						
Leasehold improvements	-	967 429	-	-	(46 135)	921 294
Plant and equipment	38 538 385	25 528 133	-	-	(10 299 466)	53 767 052
Motor vehicles	7 319 802	574 394	(107 360)	-	(2 449 255)	5 337 581
Furniture and fittings	2 082 985	233 033	(35 411)	-	(275 184)	2 005 424
Computer equipment	1 247 067	393 320	(17 544)	-	(409 711)	1 213 132
Total	49 188 238	27 696 309	(160 314)	-	(13 479 751)	63 244 482

A register containing the information required by regulation 25(3) of the Companies Regulations, 2011, is available for inspection at the registered office of the Company. No property, plant and equipment have been pledged as security.

6. INTANGIBLE ASSETS

	Cost R	Accumulated amortisation R	Carrying value R
2017			
Owned assets			
Capitalised exploration and evaluation expenditure	54 134 990	-	54 134 990
Computer software	3 520 532	2 185 544	1 334 988
Total	57 655 522	2 185 544	55 469 978

	Cost R	Accumulated amortisation R	Carrying value R
2016			
Owned assets			
Capitalised exploration and evaluation expenditure	28 004 965	-	28 004 965
Computer software	2 310 111	1 895 252	414 859
Total	30 315 076	1 895 252	28 419 824

	Cost R	Accumulated amortisation R	Carrying value R
2015			
Owned assets			
Capitalised exploration and evaluation expenditure	15 155 936	-	15 155 936
Computer software	1 904 322	1 719 046	185 276
Total	17 060 258	1 719 046	15 341 212

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2017

6. INTANGIBLE ASSETS (CONTINUED)

RECONCILIATION OF THE CARRYING VALUES OF INTANGIBLE ASSETS

	Carrying value at beginning of the year	Additions	Impairment	Disposals	Depreciation	Carrying value at end of the year
2017						
Owned assets						
Capitalised exploration and evaluation expenditure	28 004 965	26 130 024	-	-	-	54 134 990
Computer software	414 859	1 210 421	(85)	-	(290 207)	1 334 988
Total	28 419 824	27 340 446	(85)	-	(290 207)	55 469 978

	Carrying value at beginning of the year	Additions	Impairment	Disposals	Depreciation	Carrying value at end of the year
2016						
Owned assets						
Capitalised exploration and evaluation expenditure	15 155 936	17 598 463	-	(4 749 433)	-	28 004 966
Computer software	185 276	405 788	-	-	(176 206)	414 859
Total	15 341 213	18 004 251	-	(4 749 433)	(176 206)	28 419 825

	Carrying value at beginning of the year	Additions	Impairment	Disposals	Depreciation	Carrying value at end of the year
2015						
Owned assets						
Capitalised exploration and evaluation expenditure	2 430 009	12 725 927	-	-	-	15 155 936
Computer software	413 451	17 614	-	-	(245 788)	185 276
Total	2 843 460	12 743 541	-	-	(245 788)	15 341 213

A register containing the information required by regulation 25(3) of the Companies Regulations, 2011, is available for inspection at the registered office of the Company. No property, plant and equipment have been pledged as security.

7. INVESTMENT PROPERTIES

	Valuation R	Carrying value R
2017		
Owned assets		
Investment properties	14 582 810	14 582 810
Total	14 582 810	14 582 810
	Valuation R	Carrying value R
2016		
Owned assets		
Investment properties	14 582 810	14 582 810
Total	14 582 810	14 582 810
	Valuation R	Carrying value R
2015		
Owned assets		
Investment properties	13 542 310	13 542 310
Total	13 542 310	13 542 310

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2017

7. INVESTMENT PROPERTIES (CONTINUED)

RECONCILIATION OF THE CARRYING VALUES OF INVESTMENT PROPERTIES

	Carrying value at beginning of the year	Additions	Fair value adjustment	Carrying value at end of the year
2017				
Owned assets				
Investment properties	14 582 810	-	-	14 582 810
Total	14 582 810	-	-	14 582 810

	Carrying value at beginning of the year	Additions	Fair value adjustment	Carrying value at end of the year
2016				
Owned assets				
Investment properties	13 542 310*	1 040 500	-	14 582 810
Total	13 542 310	1 040 500	-	14 582 810

	Carrying value at beginning of the year	Additions	Fair value adjustment	Carrying value at end of the year
2015				
Owned assets				
Investment properties	22 880 382	-	(9 338 072)	13 542 310
Total	22 880 382	-	(9 338 072)	13 542 310

A register containing the information required by regulation 25(3) of the Companies Regulations, 2011, is available for inspection at the registered office of the Company. No property, plant and equipment have been pledged as security.

* Restated (see note 34.2). Investment property has been valued at municipal values. There has been no change in the municipal property values from 2016 to 2017.

8. JOINT OPERATION

The Pooling and Sharing Joint Venture (PSJV) named the Alexkor RMC JV was established on 7 April 2011. All mining operations previously performed by Alexkor are now performed by the joint operation. The PSJV's mining operations are in Alexander Bay, Northern Cape, South Africa.

8.1 SUMMARY

The following amounts represent the assets, liabilities, income and expenses of the joint operations. The Company has included 51% interest in its financial statements:

	2017 R	2016 R
Assets		
Non-current assets	212 792 665	149 468 565
Current assets	141 146 082	107 495 915
	353 938 747	256 964 479
Liabilities		
Non-current liabilities	173 069 284	151 622 486
Current liabilities	89 121 531	49 424 766
	262 190 815	201 047 252
Net assets	91 747 932	55 917 227
Revenue	757 510 249	386 547 231
Cost of sales	(543 910 725)	(208 070 424)
Gross profit	213 599 524	178 476 808
Operating cost	(189 998 009)	(178 506 015)
Other income	5 962 770	2 554 578
Operation profit/(loss)	29 564 285	2 525 371
Net finance income	4 523 775	2 750 974
Profit/(Loss) before income tax	34 088 060	5 276 345
Cash flow from operating activities	55 813 182	27 503 382
Cash flow from investing activities	(70 478 091)	(25 832 864)
Cash flow from financing activities	25 530 623	10 000 000
Net cash flow	10 865 714	11 670 518

The amounts stated above reflect 100% of the PSJV adjusted for differences in accounting policies and intercompany transactions. The PSJV generated an operating profit of R29.6 million (2016: R2.5 million).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2017

8.2 DETAILED ANALYSIS OF THE JOINT VENTURE IN THE STATEMENT OF COMPREHENSIVE INCOME

	Alexkor excluding PSJV R	51% share PSJV R	Alexkor including PSJV R
Revenue	-	386 330 227	386 330 227
Cost of sales	-	(277 394 470)	(277 394 470)
Gross profit/(loss)	-	108 935 757	108 935 757
Operating cost	(49 398 830)	(96 898 984)	(146 297 814)
Other income	28 489 053	3 041 013	31 530 066
Operating profit/(loss)	(20 909 777)	15 077 786	(5 831 991)
Net finance income	9 574 280	2 307 125	11 881 405
Profit/(Loss) for the year	(11 335 497)	17 384 911	6 049 414
Total comprehensive loss for the year	(11 335 497)	17 384 911	6 049 414

The amounts stated above reflect Alexkor's 51% share in the PSJV adjusted for differences in accounting policies and intercompany transactions.

9. CASH HELD IN REHABILITATION TRUST

	2017 R	2016 R
Opening balance	127 269 665	118 552 589
Contributions	-	9 000 000
Transferred	(6 900 000)	(7 000 000)
Interest received	8 845 997	6 717 076
Total	129 215 662	127 269 665

10. LOAN TO JOINT OPERATION

	2017 R	2016 R
Opening balance	73 346 612	68 446 612
Advances	11 947 337	4 900 000
Repayments	(490 000)	-
Total	84 803 949	73 346 612

This loan is neither past due nor impaired and originated from the 49% of the loan to PSJV which is not controlled by Alexkor SOC Limited. The loan is unsecured and bears no interest. R10 million of the loan is repayable within the next 12 months as agreed upon by the PSJV.

The maximum risk exposure to credit risk at the reporting date is the fair value of the loan.

11. INVENTORIES

The amounts attributable to the different categories of inventories are as follows:

	2017 R	2016 R
Diamonds - IMDSA	8 852 140	-
Diamonds - Optical Sorter	13 087 104	9 826 824
Diamonds - Muisvlak	298 485	2 541 866
Parts and consumable stores	5 558 276	3 660 329
Total	27 796 005	16 026 019

Diamond inventory from the optical sorter is carried at cost whilst those from Muisvlak and the contractors are carried at net realisable value. No inventories have been pledged as security.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2017

12. TRADE AND OTHER RECEIVABLES

	2017 R	2016 R
Trade receivables*	7 992 142	1 139 140
Total other receivables*	565 916	12 225 540
Less: Provision for impairment of receivables	(3 275 648)	(2 263 171)
Total prepayments**	1 087 691	996 142
Total	6 370 101	12 097 651

*Financial assets.

**Non-financial assets.

MOVEMENT IN THE PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES

	2017 R	2016 R
Balance at the beginning of the year	2 263 171	1 766 091
Impairment losses recognised/(reversed)	1 012 477	497 081
Amounts written off as unrecoverable	-	-
Balance at the end of the year	3 275 648	2 263 171

Provision for the impairment of trade and other receivables is based on management's assessment of the recoverability of specific receivables, taking into account the history of default on payments and other available information.

	Gross amount	Impairment	Net carrying amount
2017			
Current/fully performing	2 917 020	-	2 917 020
30 - 60 days	1 695 738	-	1 695 738
60+ days	3 945 299	(3 275 648)	669 651
Total	8 558 058	(3 275 648)	5 282 410
	Gross amount	Impairment	Net carrying amount
2016			
Current/fully performing	2 496 509	-	2 496 509
30 - 60 days	484 810	-	484 810
60+ days	10 701 658	(2 263 171)	8 438 487
Total	13 182 680	(2 263 171)	10 919 509

The creation and release of the provision for impaired receivables have been included in operating expenses in the statement of comprehensive income. Where there is no expectation of recovering additional cash, amounts charged to the allowance accounts will be written off.

The maximum exposure to credit risk at reporting date is the carrying amount of each class of trade and other receivables, mentioned above. The Company does not hold any collateral as security. No trade and other receivables have been pledged as security.

13. SHARE CAPITAL

	2017 R	2016 R
Authorised		
400 000 000 ordinary shares	400 000 000	400 000 000
Issued		
400 000 000 ordinary shares	400 000 000	400 000 000

Alexkor received R350 million via its Medium Term Expenditure Framework (MTEF) allocation on 31 December 2012. This was a recapitalisation from the shareholder and shares were issued in this regard. Par value shares were converted to no par value shares to be aligned with Alexkor's amended Memorandum of Incorporation.

14. ENVIRONMENTAL REHABILITATION LIABILITY

The Company has an obligation to rehabilitate the environment as a result of environmental disturbances caused by its mining activities. A provision is recognised for the estimated costs to rehabilitate the existing environmental disturbances as at year-end. The adjustment is the current year's provision was as a result of a reassessment of the liability. The extent of sand plume increases during the year as result of past disturbances and inevitable need to escalate control over these will result in the rehabilitation cost to escalate in future years to come. The required rehabilitation includes pebble stabilisation of sources, netting and possible reed grass revegetation.

The following table provides a reconciliation of the carrying value of the rehabilitation liability:

	2017 R	2016 R
Opening balance	244 441 114	233 092 736
Unwinding of the discount/finance cost	15 995 091	11 348 378
Total	260 436 205	244 441 114

A study was conducted by an independent environmental management consultant during April 2015 which estimated the liability to amount to R232.7 million as at 31 March 2015. Subsequently the liability has been adjusted with CPLx and amounted to R260.4 million as at 31 March 2017 (2016: R244.4 million) resulting in a currently unfunded rehabilitation liability of R129.6 million (2016: R115.7 million). The unfunded portion is covered by cash managed by the Company. The cash managed by management is not currently being placed on restricted cash as required by MPRDA regulation 53, hence a reportable irregularity has been raised per note 35(b). The Board has embarked on a process to engage the Department of Mineral Resources to resolve the full compliance as prescribed by MPRDA regulations. Meanwhile the Board continues to exercise due care that the funds are not overdrawn to create exposure on the unfunded portion of R129.6 million.

All new environmental disturbances resulting from the Alexander Bay region after the implementation of the PSJV is the responsibility of the PSJV. The PSJV environmental liability as at year-end amounted to R3.5 million. (2016: R1.94 million). Alexkor included its 51% share for R1.76 million (2016: R989 400)

Aerial photography was carried out during the previous year which provided the ground-truthed total recalculation of the rehabilitation liability, taking full cognisance of sand plume increases and sand plume control by netting over the past four years.

The impact of the current mining activities on the environment are minimised with the concurrent backfilling of excavations where possible, minimising of access to roads and erecting nets in order to curb the movement of sand at the base and toe of the sand plumes. Alexkor will continue to address the high risk areas around Boegoeberg. Netting installed in the Boegoeberg area has reduced the decline of sand slopes.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2017

15. TRADE AND OTHER PAYABLES

	Notes	2017 R	2016 R
Trade and other payables*		32 298 960	24 855 214
Other payables*		2 379 842	796 192
VAT payable**		3 255 508	2 249 702
Income received in advance**		67 458	51 830
Government funded obligations*	15	51 486 047	69 254 561
Accruals*		9 691 772	6 466 064
Accrued leave**		3 576 888	3 854 106
Other accruals**		6 114 884	2 611 958
Total		99 179 587	103 673 563

*Financial liability

**Non-financial liability

16. GOVERNMENT FUNDED OBLIGATIONS

The Company received funding from Government for a number of specific projects and assistance in relation to the execution of the land claim settlement agreement, as well as assistance for other community projects.

The Government funds received and utilised for specific projects are reconciled as follows:

	Opening balance	Utilised in the period	Interest on investment of funds	Closing balance
Township establishment	5 825 275	(676 202)	363 463	5 512 536
Cost related to Deed of Settlement	5 906 600	-	403 933	6 310 533
PSJV Recapitalisation	57 522 687	(24 382 321)	6 522 612	39 662 978
Total Government-funded obligations	69 254 562	(25 058 523)	7 290 008	51 486 047

Township establishment

Funding was granted for the establishment of a township for the Alexander Bay town as part of the implementation of the Deed of Settlement. Significant capital is required to upgrade the services in the town, which include water and electricity supply to existing houses and other establishments, upgrade of road infrastructure and other related activities.

The project consisted of four phases as discussed below.

- Phase 1: The project included the upgrade of the water network, sewer network, storm water control network, solid waste disposal and roadworks were completed in December 2011.
- Phase 2: The project included the Electrical Reticulation Upgrade Project and the contractors established the site in March 2011. The project was completed in June 2012 after all outstanding prepaid metres were installed.
- Phase 3: The tender for Mechanical and Electrical Pumping, was awarded in February 2011. This phase was completed in February 2012.
- Phase 4: The Waste Water Treatment Works was completed in March 2013, which was also the only outstanding phase from the township upgrade projects.

16. GOVERNMENT FUNDED OBLIGATIONS (CONTINUED)

The township upgrade has been completed with the acceptance of the final completion certificate for Phase 4 in March 2013. Therefore, Alexander Bay complies with the minimum standards of a municipal town in the Republic of South Africa.

Alexkor spent R129 million on the project to date. The quality of the upgrade has been monitored over the retention period of the phases and virtually all the infrastructure has been in operation for the last three years.

Cost related to Deed of Settlement – Funding was received from the Department of Public Enterprises to assist Alexkor and the Richtersveld Community with the cost to implement the Deed of Settlement. The funds received were allocated as follows:

- Transaction cost: R11 million was received to cover implementation cost incurred by Alexkor. Any excess funds are ringfenced, and only available for its intended purposes.
- Company establishment: R5 million was received on behalf of the Richtersveld Community to assist in the establishment of businesses in the area. Alexkor will administer the funds.
- Richtersveld Community legal costs: R5 million was received on behalf of the Richtersveld Community to be utilised for any legal expenses incurred with the implementation of the Deed of Settlement.

PSJV recapitalisation

Funding of R200 million was received in 2009 (R100 million) and 2010 (R100 million) which represents the Company's initial cost contribution for the recapitalisation of the PSJV (prospecting, exploration and mining operations). The PSJV commenced during April 2011. R20 million was transferred to the PSJV during 2012, to be utilised for start-up cost and working capital. Detailed plans are developed for exploration and mining activities in Alexander Bay.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2017

17. REVENUE

	2017 R	2016 R
Diamond sales	386 330 227	197 139 088

All revenue for continuing operations was generated through the sale of diamonds. Alexkor had no other income-generating operations apart from its 51% in the PSJV.

18. COST OF SALES

	2017 R	2016 R
Revenue split contractors cost	277 394 470	106 115 916
Total	277 394 470	106 115 916

19. OTHER EXPENSES

	2017 R	2016 R
Employee costs	66 508 971	59 697 846
Consumables and maintenance	17 444 421	8 812 292
General expenditure	27 425 265	25 184 782
Depreciation and amortisation	12 098 061	12 226 655
Security services	7 947 751	8 672 431
Legal costs	3 444 500	2 089 396
(Profit)/Loss on disposal of assets	1 290 311	-
Other specialised services	9 462 332	13 450 855
Transfer duty	-	6 300 000
Government transfers - specific expenditure incurred	676 202	1 096 670
Other expenditure	-	5 974 059
Total	146 297 814	143 504 986

The transfer duty of R6.3 million was paid in relation to the transfer of the 499 erven to the Richtersveld Property Holding Company as required by the Deed of Settlement.

20. OTHER INCOME

	2017 R	2016 R
Government transfers - specific expenditure incurred	25 058 523	11 096 670
Other income	6 471 543	1 432 669
Total	31 530 066	12 529 339

The other income recorded for the period comprised R3 430 531 rental income levied and R3 041 012 profit on the supply of consumables to contractors operating in Alexander Bay.

21. OPERATING PROFIT/(LOSS)

Operating profit/(loss) stated after:

	2017 R	2016 R
Auditors' remuneration	1 011 508	1 401 080
- External audit fees	1 011 508	1 296 998
- Fees for other services	-	104 081
Internal audit fees	1 039 226	759 906
Fuel and oil	1 171 639	1 205 353
Electricity and water	5 413 796	2 395 294
Directors' emoluments	7 260 742	3 427 579
Mining royalties	1 930 378	981 867
Insurance	981 743	1 786 792
Impairment losses recognised	170 183	497 081
Operating lease payments	2 547 359	3 901 249
Consultations	9 462 332	12 466 096
- Accounting services	1 720 842	1 251 976
- Occupational health services	349 317	6 194 698
- Geological services	1 235 729	1 677 013
- Environmental services	56 336	111 393
- Other consultations	6 100 107	3 231 017

22. FINANCE INCOME

	2017 R	2016 R
Interest received from cash held in the Rehabilitation Trust	8 845 997	6 894 651
Interest received on Government funds	7 290 008	5 909 692
Interest received from cash in the bank	19 044 005	19 605 608
Total	35 180 010	32 409 951

23. FINANCE EXPENSES

	2017 R	2016 R
Interest paid on Government funds	7 290 008	5 909 692
Sundry interest expense	13 506	12 162
Unwinding of discount - Rehabilitation liability	15 995 091	11 348 378
Total	23 298 605	17 270 232

The interest received on Government funds are shown as finance cost in this note as the interest received on those funds is allocated to specific Government funding obligations and increases the liability.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2017

24. TAXATION

	2017 R	2016 R
Major components of the tax expense:		
Estimated tax losses	201 826 375	201 808 525
Estimated unutilised capital allowances	105 486 343	67 540 951
Total	307 312 718	269 349 477

No deferred tax asset has been raised on the assessed loss and other deductibles timing differences as the Company has no reasonable expectation that the deductible tax differences will be utilised in the foreseeable future.

RECONCILIATION BETWEEN ACCOUNTING PROFIT/(LOSS) AND TAX EXPENSE

	2017 R	2016 R
Accounting profit/(loss)	6 049 414	(35 500 056)
Tax at the applicable rate of 28 %	1 693 837	(9 940 016)
Tax effects of adjustments on taxable income		
Income not subject to tax	(7 016 386)	(1 891 063)
Expenses not deductible for tax purposes	964 460	6 443 825
Deductible contribution to rehabilitation fund	-	(2 520 000)
Recoupment of assets sold	4 353 091	7 044
Tax losses carried forward	(56 506 387)	(48 606 178)
Capital expenditure carried forward	(18 911 466)	(16 014 603)
Capital expenditure for the year	(10 624 710)	(2 896 863)
Tax losses for which no deferred tax asset was recognised	56 511 385	56 506 387
Capital expenditure for which no deferred income tax asset was recognised	29 536 176	18 911 466
Total	-	-

25. NOTES TO THE STATEMENT OF CASH FLOWS

25.1. CASH GENERATED BY OPERATING ACTIVITIES

	2017 R	2016 R
Net profit/(loss) before taxation	6 049 414	(35 500 056)
Adjusted for :		
Depreciation	13 552 948	12 472 048
Impairment of assets	170 098	-
Loss on the disposal of assets	1 410 331	-
Movement in provision for doubtful debt	1 012 477	-
Finance income	(27 890 002)	(32 409 951)
Finance cost	13 506	5 921 854
Movement in environmental rehabilitation liability	16 097 518	11 348 378
Movement in pension fund surplus	-	(324 000)
Cash flow from discontinued operations	-	10 687 300
Movements in working capital		
(Increase)/Decrease in inventories	(11 766 986)	(1 984 847)
(Increase)/Decrease accounts receivable	4 715 084	(5 552 126)
Increase/(Decrease) accounts payable	13 551 756	9 962 646
Total	16 916 143	(25 378 754)

25.2. CASH AND CASH EQUIVALENTS

	2017 R	2016 R
<i>Restricted cash and cash equivalents</i>		
Cash held in call accounts - Government related funds	51 486 047	69 254 561
Cash held in legal trust - ongoing litigation	6 360 893	11 606 147
Recapitalisation funds (MTEF)	198 731 201	206 298 995
<i>Unrestricted cash and cash equivalents</i>		
Cash held in call accounts	48 909 056	44 554 329
Total	305 487 197	331 714 033

The Government funds received will be utilised for specific projects. The cash held in the Trust for ongoing litigation will be utilised for legal cost should the Company's defence be unsuccessful. Cash received for MTEF allocation will be utilised as approved by the Board in conjunction with the shareholders.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2017

26. GUARANTEES

The Company's banker has issued guarantees to the following:

	2017 R	2016 R
Eskom	18 900	18 900
Department of Mineral Resources	545 129	545 129
Total	564 029	564 029

27. RELATED PARTIES

27.1. RELATED PARTY RELATIONSHIPS

The Company is a state-owned entity and transactions with the following state entities occurred during the financial year:

- Eskom
- Transnet
- Department of Water Affairs
- Telkom SOC Limited
- Sentech

27.2. RELATED PARTY TRANSACTIONS

Transactions with related parties are conducted at an arm's-length basis similar to the transactions with third parties.

	2017 R	2016 R
- State diamond trader	30 657 467	19 713 909
- SAA	266 331	638 153
- Eskom	14 252 345	5 575 918
- Sentech	2 569	37 399
- Telkom SOC Limited	289 103	463 322
- Department of Transport	-	94 576
- Department of Water Affairs	558 746	226 314
- Transnet	18 103	-
Total	46 044 664	26 749 591

Balances included in trade and other payables

	2017 R	2016 R
- Eskom	305 255	865 137
- Sentech	2 569	3 553
- Telkom SOC Limited	1 698	56 665
- Department of Water Affairs	34 995	122 970
Total	344 517	1 048 325

28. DIRECTORS' EMOLUMENTS AND EXECUTIVE MANAGEMENT REMUNERATION

Name	Capacity	Service fees	Basic Salary	Other benefits/ allowances	Total 2016/2017
<i>Executive management</i>					
V Bansi	Acting CEO	-	1 750 000	24 000	1 774 000
H Mokwena	COO	-	2 063 492	24 000	2 087 492
Z Mbele*	CFO	-	801 920	12 640	814 560
TTAC Mhlanga**	Acting CFO	-	505 618	-	505 618
Total		-	5 121 030	60 640	5 181 670
<i>Non-executive</i>					
HB Matseke	Chairperson	1 350 309	-	-	1 350 309
RL Paul***	Member	303 895	-	-	303 895
ZZD Ntlangula	Member	269 496	-	-	269 496
M Lehobye	Member	306 954	-	-	306 954
T Matona	Member	347 252	-	-	347 252
JS Danana	Member	584 310	-	-	584 310
T Haasbroek	Member	494 349	-	-	494 349
Total		3 656 565	-	-	3 656 565

* Resigned 7 October 2016.

** Started November 2016.

*** Resigned 30 September 2016.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2017

28. DIRECTORS' EMOLUMENTS AND EXECUTIVE MANAGEMENT REMUNERATION (CONTINUED)

Name	Capacity	Service fees	Basic Salary	Other benefits/ allowances	Voluntary severance package	Total 2015/2016
<i>Executive management</i>						
P Khoza	CEO	-	2 357 556	622 389	958 230	3 938 175
V Bansi	Acting CEO	-	145 833	2 000	-	147 833
H Mokwena	COO	-	1 907 626	134 480	-	2 042 106
Z Kellerman	CLO	-	1 208 431	16 000	-	1 224 431
TTAC Mhlana	Acting CFO	-	894 648	347 790	-	1 242 438
Total		-	6 514 094	1 122 659	958 230	8 594 983
<i>Non - executive</i>						
R Bagus	Chairman	462 977	-	-	-	462 977
S Zilwa	Member	102 734	-	-	-	102 734
B Grobberlaar	Member	90 871	-	-	-	90 871
DB Mkhwanazi	Member	86 210	-	-	-	86 210
N Mathabathe	Member	90 871	-	-	-	90 871
HB Matseke	Chairperson	781 502	-	-	-	781 502
RL Paul	Member	571 718	-	-	-	571 718
V Bansi	Member	283 549	-	-	-	283 549
ZZD Ntlangula	Member	283 856	-	-	-	283 856
M Lehobye	Member	164 336	-	-	-	164 336
T Matona	Member	179 976	-	-	-	179 976
JS Danana	Member	168 957	-	-	-	168 957
T Haasbroek	Member	160 022	-	-	-	160 022
Total		3 427 579	-	-	-	3 427 579

29. IRREGULAR EXPENDITURE

The following amounts have been determined as being irregular expenditure, in terms of section 55(2)(b)(i) of the Public Finance Management Act, No.1 of 1999, as amended. No losses have been incurred as a result of the irregular expenditure identified:

	2017 R	2016 R
Opening balance	6 940 150	-
	7 495 914	6 940 150
Incurred in the current year	10 368 409	6 940 150
Condoned in current year	(2 872 495)	-
Amount not condoned	14 436 064	6 940 150

Expenditure incurred in the current year	Action taken	Expenditure identified	Amounts ratified/condoned	Remaining irregular current year
Contracts not renewed in terms of procurement processes and policies		2 029 299	(1 905 281)	124 018
Expenditure incurred not complying with procurement processes and policies		7 757 209	(887 195)	6 870 014
Tax clearance certificate and B-BBEE not obtained in terms of procurement processes and policies		581 901	(80 019)	501 882
Total		10 368 409	(2 872 495)	7 495 914

Identified in the prior year relating to the previous financial years	Action taken	Expenditure identified	Amounts ratified/condoned	Remaining irregular prior year
Expenditure incurred in the transgression of commercial processes, policies		6 940 150	-	6 940 150
Total		6 940 150	-	6 940 150

30. FRUITLESS AND WASTEFUL EXPENDITURE

The following material losses, through fruitless and wasteful expenditure, have been identified as being reportable in terms of section 55(2)(b)(i) of the Public Finance Management Act, No. 1 of 1999, as amended, for the year under review:

	2017 R	2016 R
Opening balance	199 937	1 481 640
Identified in the current year	3 265 784	199 937
Losses written off	-	(1 481 640)
Closing balance	3 465 721	199 937

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2017

30. FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)

Fruitless and wasteful expenditure	Action taken	Losses identified	Recovered/condoned	Current year
2017				
SARS Penalties & Interest (PAYE/SDL/UIF)	SARS approached to waive	946 322	(623 719)	322 603
Cancellation of lease agreement		2 943 181	-	2 943 181*
Total		3 889 503	(623 719)	3 265 784

* Condonation of the cancellation of the lease agreement was sought from The Department of Public Enterprises on 27 July 2017. The condonation was granted on 1 August 2017 by the Honourable Minister, Ms Lynne Brown, MP.

Fruitless and wasteful expenditure	Action taken	Losses identified	Recovered/condoned	Remaining irregular prior year
2016				
Supplier double payments		112 203	-	112 203
SARS Penalties & Interest (PAYE/SDL/UIF)		87 734	-	87 734
Total		199 937	-	199 937

31. OPERATING LEASE COMMITMENTS

Alexkor SOC Limited leases a building under an operating lease agreement.

	2017 R	2016 R
Within one year	1 263 392	2 327 603
Later than one year	3 790 176	2 169 334
Total	5 053 568	4 496 937

32. CONTINGENT LIABILITIES

Alexkor Rehabilitation Trust

During the financial year ending 28 February 2015, the Alexkor Rehabilitation Trust made a R10 million distribution to Alexkor SOC Limited in relation to valid environmental rehabilitation work performed, in accordance with the approved environmental plan. The distribution may have an Income Tax effect in the Trust at the prescribed tax rate.

Certainty around this matter will only be clear once SARS has issued the tax assessment for the year.

Nabera mining

Nabera instituted legal action against the Company and the Government for alleged amount in respect of a contract wherein Nabera managed the Company's mining assets and operations from 1999 to 2001. The two claims were for management fees alleged to be due in terms of the contract, for the sum of R6 million and a claim for alleged value added to the mining assets over the management period. Both the Company and the Government have opposed these claims. The matter has been dormant since 2005 and has prescribed. An application to dismiss the matter is being considered.

As the Company is dependent on Government to agree to an application for dismissal the matter will remain dormant. The State Attorney has refused to do so as Government's exposure outweighs Alexkor's exposure.

33. GOING CONCERN

The Board took cognisance of the losses suffered during the past number of financial years and also the reduced carat production due to the International Mining and Dredging South Africa (Pty) Limited (IMDSA) vessel that caught fire in April 2017 and cash flow operational shortage. The Board has taken a decision to monitor these developments in order to mitigate threats to the operations of the company, namely:

- There is an operational cash flow shortage of R9.5 million to fund operations for 2017/18, Alexkor is in discussion with the PSJV to obtain further loan repayments that will ensure cover of the shortfall of R9.5 million in funding the operational budget.
- The Board through the PSJV has entered into discussions that are at an advanced stage between Alma Marine (Pty) Ltd (South Africa), IMDSA and PSJV to secure additional mining contracts as part of replacement of the lost production from IMDSA due to the vessel that caught fire. Once the agreement is finalised, further production is expected that will boost revenue projection and cash-flow in the latter part of the financial year or in 2018/2019 financial year. The actual production from the new service provider has not yet been confirmed as the negotiations are not yet final.

34. RESTATEMENT OF PRIOR YEAR BALANCES

The restatement is the result of a prior year error in the accounting treatment of the Employee Benefits and Property, Plant and Equipment. The amounts previously reported were re-assessed and corrected for the error as follows:

34.1. ACTUARIAL REVALUATION RESERVE

On 1 September 2010 the last remaining defined benefit members were converted from the Alexkor Group Pension Fund – defined benefit section to the defined contribution section.

An amount of R16.6 million employer surplus account was recorded as an asset in the statement of financial position to be utilised as an employer contribution holiday ending on 31 March 2016.

The value of the asset disclosed as at 31 March 2015 amounted to R12.2 million. R5.2 million was recorded as a gain through other comprehensive income during the financial year ending 31 March 2016. The balance of R7 million was disclosed on the statement of financial position at 31 March 2016.

The following adjustment to the results of 31 March 2016 were made

- The R5.2 million gain reported in other comprehensive income was reversed and the movement recorded in the statement of changes in equity.
- The R7 million asset reported on the statement of financial position was recorded in the statement of changes in equity.

The effect on the 2016 financial statements were as follows:

	Previously Reported	Adjusted	Restated
Other comprehensive income	5 152 000	(5 152 000)	-
Equity - Actuarial reserve	(5 152 000)	5 152 000	-
Retained earnings	-	(12 210 000)	-
Equity - Actuarial reserve	-	12 210 000	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2017

34. RESTATEMENT OF PRIOR YEAR BALANCES (CONTINUED)

34.2. RECLASSIFICATION OF PROPERTY, PLANT AND EQUIPMENT TO INVESTMENT PROPERTY

At 31 March 2015 an amount of R22 880 382 Land and buildings were included in property, plant and equipment. The balance consisted of non-core properties and building improvements.

	Adjusted
The balance comprised:	
• Properties in Port Nolloth, Bitterfontein and Springbok	18 734 864
• Building improvements	4 145 518
Total	22 880 382

The properties were reclassified as investment property as rental income is generated from the rental to employees and third parties.

The investment property was recorded at the fair value on 1 April 2014. The fair value of the properties were estimated to be R13 542 310 being the municipal valuation at the date of revaluation. A fair value adjustment of R9 338 072 was recorded.

The fair value of investment properties on 31 March 2016 amounted R14 582 700. The fair value remained the same as at 31 March 2017.

The effect on the financial statements was as follows:

	Previously reported	Adjusted	Restated
Property, plant and equipment	22 880 382	(22 880 382)	-
Investment property	-	13 543 310	13 543 310
Fair value adjustment (profit and loss)	-	9 338 072	9 338 072

35. REPORTABLE IRREGULARITIES

35.1 CANCELLATION OF A LEASE CONTRACT IN CONTRAVENTION OF THE PUBLIC FINANCE MANAGEMENT ACT (PFMA)

In implementing a cost containment plan during 2016/2017 the Board inadvertently failed to request the Minister to formally condone the forfeiture of the deposit and penalties relating to early termination of the lease at 8A Jellicoe Avenue, Rosebank, 2196, amounting to R2 943 181.

On 3 July 2017, a reportable irregularity was reported to The Independent Regulatory Board for Auditors (IRBA), in terms of section 45 of the Auditing Profession Act, No. 26 of 2005. It was reported that the Board did not take effective and appropriate steps to prevent fruitless and wasteful expenditure when they approved the cancellation of a lease contract with the service provider resulting in the forfeiture of the deposit and penalties being incurred, which is in contravention of section 51(1)(b)(ii) of the Public Finance Management Act (PFMA). No value accrued to the Company as a result of the R2 943 181 amount actually incurred and paid.

Condonation of the cancellation of the lease agreement was sought from The Department of Public Enterprises on 27 July 2017. The condonation was granted on 1 August 2017 by the Honourable Minister, Ms Lynne Brown, MP. On 2 August 2017, IRBA was notified that the reportable irregularity is no longer taking place. The condonation by the Minister, ensured that the reportable irregularity was withdrawn.

35. REPORTABLE IRREGULARITIES (CONTINUED)

35.2 COMPLIANCE WITH FINANCIAL PROVISION RELATING TO ENVIRONMENTAL PROVISION AS REQUIRED BY SECTION 53 OF THE MINERALS AND PETROLEUM RESOURCES DEVELOPMENT ACT 2002 (MPRDA) REGULATIONS

On 31 July 2017, a reportable irregularity was reported to The Independent Regulatory Board for Auditors (IRBA), in terms of section 45 the Auditing Profession Act, No. 26 of 2005. It was reported that the Board did not comply with section 53 of the MPRDA.

Section 53 of the MPRDA regulations states that a financial provision must be made using one or more of the following methods:

- An approved contribution to a trust fund as required in terms of section 10(1)(cH) of the Income Tax Act, 1962 (Act 58 of 1962) and must be in the format as approved by the Director-General from time to time,
- A financial guarantee from a South African registered bank or any other financial institution approved by the Director-General guaranteeing the financial provision relating to the environmental management programme or plan in the format as approved by the Director-General from time to time; or
- A deposit into the account specified by Director-General in the format as approved by the Director-General from time to time; or
- Any other method as Director-General may determine.

The Board did not ensure that the financial provision was available against the current environmental provision liability which complies with provisions of the MPRDA.

In terms of the regulation there is currently a shortfall in the financial provision of R128 million as at 31 March 2017 financial year-end that has not been secured as per paragraph 1 above, to ensure compliance with the law.

The Board has instead, invested the funds in short-term investment that are not prescribed by the regulations of MPRDA.

The Board is in the process of procuring a guarantee to finance the shortfall.

GLOSSARY

A

AAR-P	Alexander Bay rehabilitation project
Acting CEO	Acting Chief Executive Officer
AET	Adult Education Training
AGM	Annual general meeting
Alexkor	Alexkor SOC Limited
ARC	Audit and Risk Committee

B

B-BBEE	Broad-Based Black Economic Empowerment
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C

CEO	Chief Executive Officer
CFO	Chief Financial Officer
Companies Act	Companies Act No. 71 of 2008
COO	Chief Operations Officer
CPA	Communal Property Association
CSI	Corporate social investment

D

DEA	Department of Environmental Affairs
DMR	Department of Mineral Resources
DoS	Deed of Settlement
DPE	Department of Public Enterprises
DRDLR	Department of Rural Development and Land Reform

E

EBITDA	Earnings before interest, tax, depreciation and amortisation
EE	Employment equity
EMP	Environmental Management Plan

F

FY	Financial year
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H

HR	Human Resources
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I

IDP	Integrated development plans
IFRS	International Financial Reporting Standards
IMDSA	International Mining and Dredging South Africa (Pty) Limited
IR	Industrial relations
IT	Information technology

J

JV	The pooling and sharing joint venture
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K

King III	King Report on Governance for South Africa 2009
King IV	Report on Corporate Governance for South Africa 2016
KPIs	Key performance Indicators

L	
LTIFR	Lost time injury frequency rate
M	
Minister	The Minister of Public Enterprises
MHSA	Mine Health and Safety Act
MOU	Memorandum of Understanding
MP	Member of Parliament
MPRDA	Mineral and Petroleum Resources Development Act
MTEF	Medium Term Expenditure Framework
N	
NDP	National Development Plan
NGOs	Non-Governmental Organisations
NGP	National Growth Path
NIHL	Noise induced hearing loss
NUM	National Union of Mineworkers
O	
ORCA	ORCA (Pty) Limited - Outsourced Risk and Compliance assessment
P	
PFMA	Public Finance Management Act 2012
PSJV	Pooling and Sharing Joint Venture
PTB	Lung disease (Tuberculosis)
Q	
Q3 2017	Quarter 3 of financial year 2017
R	
Regulations	Regulations for the Companies Act 71 of 2008
Rehab Committee	Environmental Rehabilitation Committee
RMC	Richtersveld Mining Company, an entity created by the DoS and part of the CPA
S	
SA	South Africa
SADC	Southern African Development Community
SDCT	South Dunes Coal Terminal
SE&HR	Social, Ethics and Human Resources Committee
SLP	Social Labour Plans
SOC	State-owned company
SOMCO	State-owned Mining Company
SSI	Scarlet Sky Investments (Pty) Limited
U	
UASA	UASA Trade Union
V	
VSP	Voluntary severance packages

CORPORATE CONTACT DETAILS AND KEY SERVICE PROVIDERS

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Ms Joanne Matisonn

FCIS; H.Dip.Co.Law (Wits); MA in applied ethics for professionals (Wits)

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Outsourced Risk and Compliance Assessment (Orca)

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