ALEXKOR

INTEGRATED REPORT
MARCH 2022

TABLE OF CONTENTS

1. FORWARD BY THE ACCOUNTING AUTHORITY

The Shareholder of Alexkor SOC Limited (Herein referred to as “Alexkor SOC” or “Alexkor”) appointed a new Accounting Authority in the last quarter of the reporting period and an introductory meeting was held with the Shareholder on 8 February 2022.

Prior to the appointment of the new accounting authority the former CEO served, in terms of Section 49(2)(b) of the Public Finance Management Act, as both CEO and Accounting Authority. He also served as the CEO and Chairperson of the Board of the Pooling and Sharing Joint Venture (PSJV) in which Alexkor has a 51% interest. Notwithstanding his seniority and his fiduciary responsibilities, the former CEO did not finalize the 2020/21 External Audit and Integrated Report prior to his resignation with effect from 14 January 2022. He also failed to initiate the 2021/22 external audit and did not prepare a draft 2022/23 Corporate Plan and Shareholder Compact for approval of the Shareholder.

This resulted in the new Accounting Authority, in the interests of progress, approving the 2020/21 Audited Financial Statement on 6 May 2022. At the 2020/21 AGM, which took place on 27 May 2022, the Accounting Authority undertook to address the concerns that had arisen during its short tenure in the course of the 2021/22 external audit.

The first major concern was that it was evident that in the 2020/21 financial year, and historically, the attribution of income and expenditure to Alexkor, the Richtersveld Mining Company and the PSJV was not in compliance with the Deed of Settlement (“DOS”) and Unanimous Resolution (“UR”) which established the PSJV in 2007. This continued in the 2021/22 financial year and the Annual Financial Statements were prepared for external audit in the knowledge that material changes would be likely due to scrutiny of what had transpired in the reporting period and in prior years.

Secondly, it was apparent that a false picture was created of the consolidated financial position of Alexkor for the year ending 31 March 2021. A dividend of R 1 million was declared, and a loan in the amount of R 90 360 899 was reinstated, being the balance of the loan due to Alexkor from the Alexkor RMC PSJV arising from the initial cash contribution of Alexkor when the PSJV was established. At the 2020/21 AGM the Accounting Authority undertook to review these amounts and reverse them if necessary.

Thirdly, it was discovered that in the course of the current reporting period non-essential expenditure was incurred despite the precarious financial position of Alexkor and without following proper procurement procedures. This included the establishment of a facility for the marketing and sale of diamonds in Kimberley without consent of the Shareholder.

The precarious financial position was exacerbated by the volume of overdue payments for the year ending 31 March 2022 in excess of R 120 million, of which R 67 million was made up of current liabilities including for rates, electricity and legal fees.

A fourth area of concern is that the DOS and UR set out terms for mining activity by contractors with which there has not been compliance, which, ultimately, is to the detriment of the Richtersveld Community and lastly, the core regulatory requirements, including Occupational Health and Safety requirements was not met.

These concerns were immediately apparent, and the new Accounting Authority's first order of business was to recruit an interim CEO to regularise governance arrangements, establish the extent of the mineral resource and the prospects of financially viable mining operations going forward as well as make proposals on a new business model.

The Accounting Authority approved the submission of the draft 2022 Integrated Report and Annual Financial Statements for external audit with a commitment to correcting any maladministration uncovered in the course of the external audit.

The Accounting Authority extends its appreciations to the interim CEO, Mr. Trevor Fowler, the executive management and staff of Alexkor and the PSJV for their dedication and hard work under extremely difficult circumstances.

Appreciation is also extended to the Shareholder representatives, Minister Gordhan, Deputy Minister Masualle and the leadership of the Department of Public Enterprises for their guidance and support.

Dr Patricia Hanekom – Chairperson of the Alexkor Board

2. REPORT OF THE CEO

2.1 Reporting Philosophy and Approach

Our adherence to Integrated Reporting standards provides a forward-looking, strategic and accessible report, reflecting the economic, social and environmental sustainability aspects, as well as governance performance of Alexkor Richtersveld Mining Corporation (RMC) Pooling and Sharing Joint Venture (PSJV) for the year ended 31 March 2022.

This report is intended to afford PSJV's stakeholders an understanding and appreciationof the company's strategic mandate, and how it has gone about implementing it, against:

- The economic, regulatory and political contexts,
- Trade-offs between competing objectives,
- The governance structures supporting our strategic objectives and operational performance,
- The risks and challenges conditioning our decisions and performance, and
- Our long-term ability to create and sustain shared value for all stakeholders.

This report has been written primarily for the PSJV's key stakeholders, being the South African Government (interest - 51% through Alexkor SOC), the Richtersveld Community (interest – 49% through The Richtersveld Mining Company), investors, contractors and the Richtersveld Municipality. The report may also interest any other stakeholder that wishes to make an informed assessment of the PSJV's ability to create sustainable value over the short, medium and long term.

2.2 Reporting Boundary and Scope

This report contains information relating to Alexkor RMC JV's strategy and business model, its operating context, material risks and opportunities, governance and operational performance for the reporting period of 01 April 2021 to 31 March 2022. The report covers activities and initiatives of the Pooling and Sharing Joint Venture (PSJV); its sea and land-based mining operations, and non-mining activities in Alexander Bay. We also consider the risks, opportunities and outcomes of our business activities on the various stakeholders who are affected by what we do or, potentially, those that are affected through our operations. Our reporting process has been primarily guided by the principles and requirements contained in the International Financial Reporting Standards (IFRS), the Report on Corporate Governance for South Africa 2016 (King IV), the South African Companies Act, No. 71 of 2008, as amended("the Act"), and the Public Finance Management Act (PFMA), as applicable.

2.3 Assessing Value Creation

We follow a holistic and integrated thinking approach in our reporting, in order to ensure that our decision-making fully integrates the interdependencies and trade-offs of the six capitals:

Financial Capital	Invest in the operations (acquire machines, boats etc.)
Manufactured Capital	Effective and sustainable use of existing infrastructure (Buildings)
Intellectual Capital	Looking at how the intangible assets (Human, information marketing and instructional capital) of the company contributes to the bottom-line.
Human Capital	Key performance indicators and performance assessments to evaluate the economic value, experience and skills of all workers.
Social & Relational Capital	Better personal relationships such as trust, obligations and respect.
Natural Capital	Explore the natural resources to determine the company's natural capital

3. ABOUT ALEXKOR AND THE PSJV

3.1 Who We Are

Alexkor SOC Ltd. (51%):

In 1925 diamonds were discovered by Jack Carstens near Port Nolloth. In 1926 the first diamond was found near the Buffels River mouth. In 1928 diamonds were discovered north of the Orange River and the State Alluvial Diggings (SAD) was established at Alexander Bay at the Orange River Mouth. State Alluvial Diggings became Alexkor (SOC) and the town of Alexander Bay was established as a Private Town. Alexkor remains responsible for the services including the maintenance of the 499 houses in Alexander Bay.

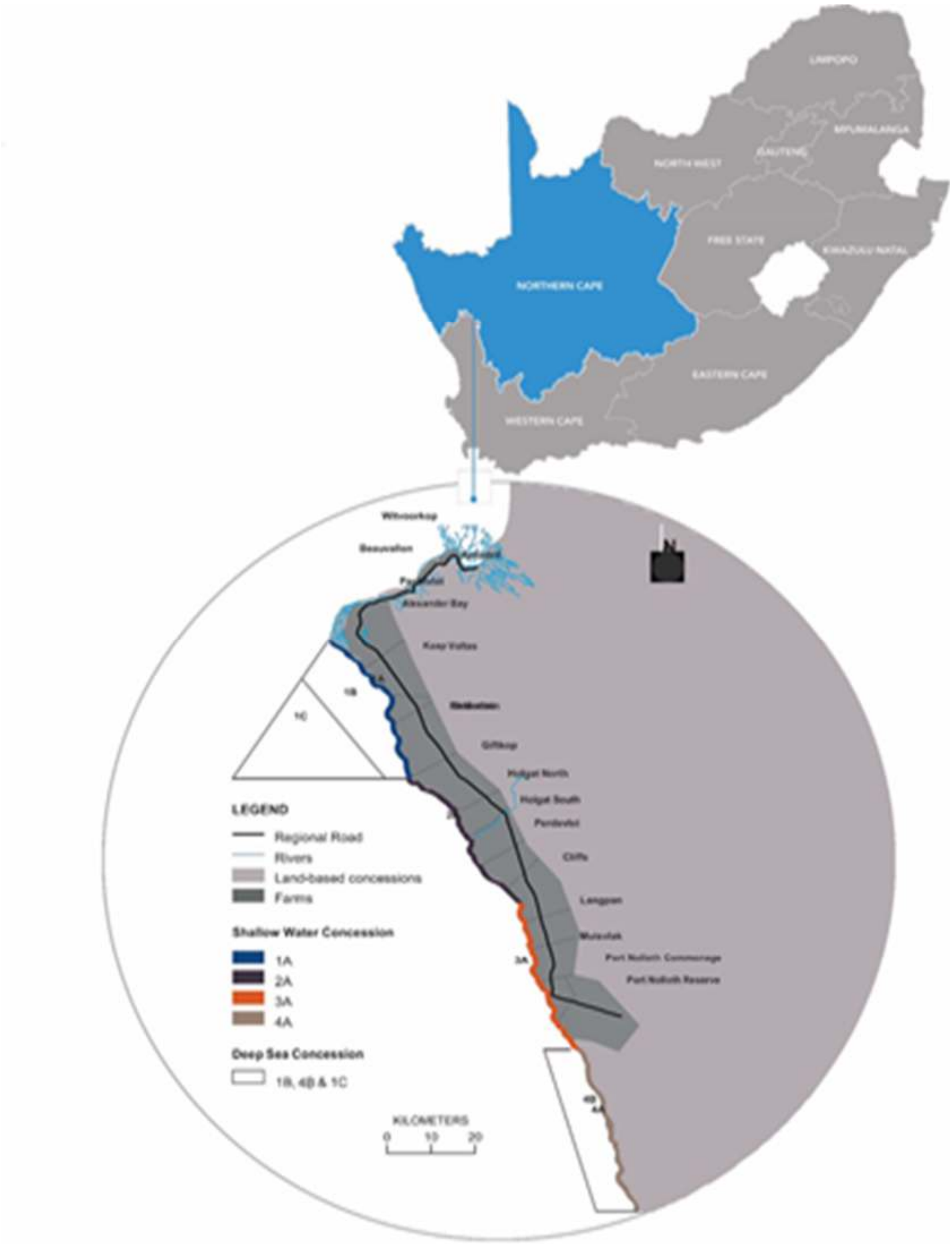
Richtersveld Mining Company (PTY) Ltd. (49%):

Established in 2006 through the award of a land claim (2004) to the Richtersveld community. A Deed of Settlement (DOS), made an order of court in 2007, allocated the land mining rights to the RMC, which was ceded on 6th April 2011, and the marine rights to Alexkor.

RMC Pooling and Sharing Joint Venture (PSJV):

Established 2012 to manage the assets of both interest holders, Alexkor and RMC as well as mine the diamonds in both the land and marine concessions in Alexander Bay. The assets are owned by both the aforementioned companies in proportion to their interest holding.

3.2 Where We Operate



Alexkor Head Office is situated in Alexander Bay (Administrative Office) with mine operations in Alexander Bay, Richtersveld, Namaqualand, Northern Cape which is along the West Coast of South Africa. The area of operations stretches, along the coast, from south of Port Nolloth to the mouth of the Orange River and along the southern banks of the Orange River to Arriesdrift Northeast of Alexander Bay Town. All mining rights are mined through the Pooling and Sharing Joint Venture, of which the Richtersveld Community owns the land rights, represented by 49% interest in the PSJV and Alexkor SOC owns marine rights, represented by 51% interest in the PSJV. Outside the unincorporated joint venture, Alexkor SOC also operates non-core assets (airport, local town, fuel station, and guesthouses). The town and some services are in process of being transferred to the local municipality (Richtersveld Municipality).

OUR VALUES

OUR PURPOSE

is to support the South African Government's national developmental agenda by optimizing the exploitation of our natural resources for economic development.

OUR VISION

is to be a competitive, progressive, and forward-looking organization with a conscience.

OUR MISSION

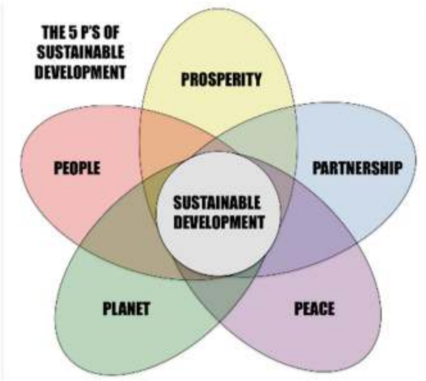
is to operate a growing, profitable and sustainable mining organization that contributes to the developmental needs of the communities.

- **Integrity** – we deliver on our purpose
- **Professionalism** – we strive for the highest standards possible
- **Accountability** – we take full responsibility for the outcomes of our behaviors
- **Dedication** – we are focused and goal-orientated
- **Dynamic** – we will be highly energetic, creative and innovative

3.3 Our Business Model

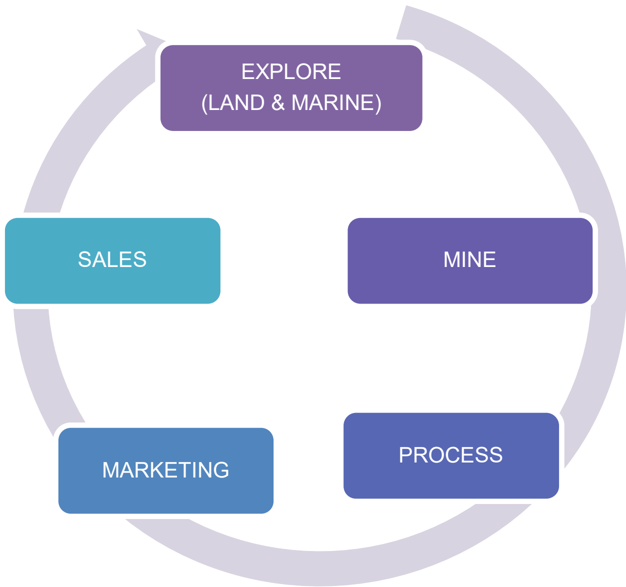
Our core business is the mining of diamonds on land, along rivers, on beaches and in the sea along the north-west coast of South Africa. The operations apply extensive mining expertise and innovation to maximize value creation at our existing mining operations and explore new mining opportunities. The main focus is to unlock shareholder value, while delivering sustainable growth for all stakeholders involved. When we refer to sustainable growth we take three factors into account:

- Social/ Cultural Development,
- Economic growth, and the
- Environment / Nature.



Central to our company's value creation story is the integrated and inter-dependent capital inputs, which we transform into outputs and outcomes through our business model and business activities as per the six capitals in our value creation approach.

VALUE CREATION PROCESS FLOW



OUTCOMES

DIAMOND MINING	EXPLORATION OF NEW OPPORTUNITIES	OUTPUT	PRODUCTION 2021 - 2022
• Exploration • Mining (land and Marine) • Concurrent Rehabilitation • Closure	• Diamond Beneficiation (International) • Public Private Partnerships • Boegoebaai Port Development (intergovernmental) • Opportunities with STD and the Diamond Regulator • Improved Relationship with Geoscience		• Carats produced 20 343 for the year 2021/22 • Revenue was R 227 901 643 for diamond sales • Profit was R 25 759 635

3.4 Our Strategy

- Diamond mining remains our priority
    - The main priority / strategy is to initiate an exploration programme that will in future increase diamond mining.
    - Diamond mining is the core focus of Alexkor and the mining rights, beneficiation license and the license to sell diamonds remain the key assets to execute the business.
    - Production through attracting larger mining contractors for both land and marine mining activities.
    - Partnering with current marine contractors and other private investors.
- Diversification of Our Business Model
    - Explore the possibility of mining other commodities within the existing concession areas.
    - A due diligence and business case study must be initiated during the coming financial year 2022 / 2023.
- Sales and Marketing
    - Diversifying the market through attracting not only local but a broader range of international buyers of our product. This department needs a more experienced skills set to achieve the above diversity.

3.5 Measuring Our Performance

STRATEGIC PILLAR	WEIGHTING	KPA	KPI	UNIT OF MEASURE	Target 2021/22	Actual 2021/22
Financial Sustainability	30	Revenue Generation/ Enhancement	Rental Income Collected	% rent collected over the reporting period	52%	52%
			EBITDA Margin (PSJV)	% EBITDA maintained over the reporting period	10	10%
Operational Excellence	20	Productivity and Efficiency	Land and Marine Production	Carats produced over the reporting period	60,160	20 344
		Safety, Regulation, Compliance	Fatalities recorded	Number of fatalities recorded over the reporting period	Zero (0)	0
			Lost Time Injury Frequency Rate (LTIFR)	Rate maintained at or below target over the reporting period	<0.6	0
Capital Project/ Strategic Initiatives	10	Operational Sustainability, Strategy and Plan	Production ramp up strategy report – 100 000 carats by FY2024.	Report completed	One (1) completed report by 30 December 2021	MV 5 contracted to ramp-up production
Sustainable Development/ Socio Economic and Environmental impact	10	Corporate Social Investment	Community based project established (Agriculture, and Tourism)	No of community projects commissioned by PSJV	Three **(3)** projects commissioned by 31 March 2022	• Assisted Farm through getting funding from NCEDA (Department of Economic Development) - (completed) • **Bursary for one Agricultural Student from the Richtersveld - Donchesca Cloete.** • **First Quarter** • **R900 for registration fee.** • **R6500 for accommodation** • **R5000 travelling** **R4500 subjects**
		Industrialization and Localization	Spent on local procurement (Richtersveld area)	% of R amounts spent on procurement of goods and services	20%	• **Appointed Richtersveld Secure (Security Company) R2.1 mil per year.** • **Donations to local schools in the amount of R17 500 per month (R210 000 per year)** • **U –Vent (locally based in Springbok) installed 50 water meters (R200 000)** • **Catering (Food & Services) (R100 000 per)**
		Environmental management and Sustainability annual compliance reporting in terms of section 24P-R respectively of NEMA	Compliance to Rehabilitation Plan	Area (ha) rehabilitated as per the approved plan.	50 ha.	50 ha completed in Arriesdrift and Witvoorkop.
			Study on impact of coffer dams on environment and remedial action	Completed ecological impact report	Completed report by 30 December 2021	Completed
		Climate Change/ Energy Efficiency Initiatives	Installation of energy efficient bulbs	Area of mining operation installed with energy saving bulbs	All mining operations buildings installed with energy efficient bulbs by 31 March 2022. • Sourcing quotations to be completed 31 March 2022).	Not started as at 31 March 2022
			Commission greenhouse gardening projects at local schools	No of projects commissioned by 30 December 2021	1x primary school project 1x high school project	Contributed R5000.00 to the High School.
Governance Excellence	30	Audit Outcome	Audit Outcome	% of the recommendations implemented	80% implemented by 31 March 2022	40%
		Anti-Corruption	Implementation of Forensic Report Recommendations	% of the implementation of Forensic Report Recommendations	80% implemented by 30 December 2021	Investigations still ongoing

3.6 Material Issues & Risks

Material matters are those issues that can impact the operations' ability to achieve its strategic objective. To determine these issues, the PSJV considers its strategy, operating context and key risks that the organisation face.

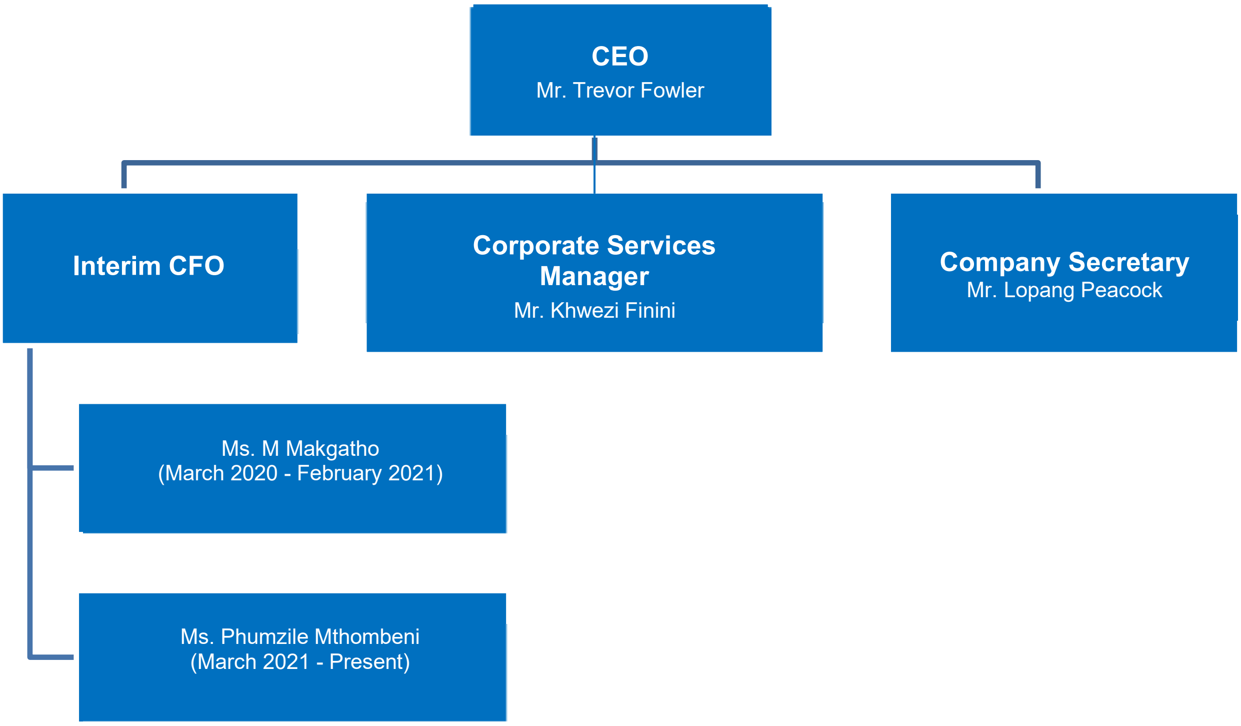
Key risks for management is embedded in a strategic process through the execution of significant transactions as well as the mining operations. The organisation should gather and analyse global and local trends in order to participate, respond, and align emerging risks and opportunities to inform strategic and operational decisions. The executive management should update the risk register, and the necessary mitigation factors, through a risk assessment process.

The Alexkor Board is ultimately responsible for risk governance and should put in place an effective system of internal control to detect and prevent losses. A delegation of authority was put in place during the last quarter of the financial year 2021/22 to ensure effective decision–making and transparency within the organisation.

Material Issues and Risks

Risk	Risk Category	Risk Mitigations	Action Plan
1. Insufficient Operational Cash	Board	• Cash Flow strategies (short, medium- and long-term). • Strict monitoring and control of all expenditure.	• Approval of Cash Flow strategies. • Board and Management strategic sessions to identify alternative options (funding and business ventures). • Quarterly reporting on the progress. • Improved (Stronger) Stakeholder Management
2. Low level of confidence due to non-upgrading of the resources to required level of confidence (Indicated). Inability to convert the exploration report of diamond resources from Inferred ***to Indicated level of confidence.***	Operational	• Based on the Z-Star report, the long- and short-term mining plan will be formulated to focus on economically mineable grade. • Extensive drilling programme should be implemented	• Management appointed an independent exploration team. • Quarterly reporting on the progress and continuously monitoring progress.
3. Strongly differing views in the community negatively affecting the functioning of the RMC and CPA.	Strategic	• Continuous engagement with the community. • Community Forums to engage with the interest holders .	• Continuous engagement with the community. • Community Forums to engage with the interest holders
4. Inconsistent deep-sea mining by contractors.	Operational	• Review agreement in terms of clauses applicable for non-performance. • Develop a Contractor Management System (CMS). • Stronger enforcement of the contract in place.	• Regular engagements with IMDSA to monitor status and progress. • Put IMDSA on terms in accordance with their contract. • Implement CMS.
5. Failure to fully recover property rental revenue (Management of the properties is done by the Alexander Bay Operations).	Operational	• Collaboration between Alexkor and the PSJV in the implementation process. • Ongoing monitoring and reporting of the eviction policy implementation.	• Ongoing monitoring and reporting of the implementation of eviction policy. • Collaboration between Alexkor and the PSJV in the implementation process.
6. Non-compliance with Mine Health and Safety Act	Operational	• Regular internal audits • Medically approved fitness and exit reports submitted and reviewed on a monthly and quarterly basis	• Respond to findings from audits conducted.
7. Irregular and Fruitless and Wasteful Expenditure (Noncompliance with PFMA / Treasury regulations)	Financial	• Providing ongoing awareness & training including on-the-job training • Consequence management	• Effective controls monitoring • Providing ongoing awareness & training including on-the-job training
8. Irregular and Fruitless and Wasteful expenditure (Exceeding contract value) (Unsatisfactory goods or services)	Procurement	• Develop a Contractor Management System (CMS). • Continuous contract monitoring • Ensuring signed Contracts are in place	• Implement CMS. • Continuous contract monitoring and enforcement • Ensuring signed Contracts are in place
9. Irregular and Fruitless and Wasteful expenditure (Possible duplicate payments made to suppliers)	Financial	• Validation of invoices prior to payment	• Validation of invoices prior to payment

3.7 Alexkor SOC's Leadership Team



Mr. Trevor Fowler was appointed as the Interim Chief Executive Officer on 8th March 2022, replacing Mr. Lemogang Pitsoe, who completed his term of contract in January 2022.

Ms. Mathane Makgatho was appointed as the Interim Chief Financial Officer in March 2020, replacing Ms. Adila Chowan, who completed her term of contract in February 2020.

Ms. Phumzile Mthombeni was appointed as GM: Finance in March 2021,following the resignation of Ms. Mathane Makgatho.

Our Board

The Alexkor Board consists of six non-executive directors. The Chairperson of the Alexkor Board is Dr. Trish Hanekom. The chairperson of the Audit and Risk Committee is Ms. Dineo Peta, the chairperson of the Social, Ethics and Human Resource Committee is Ms. Karabo Mbele and the Chairperson of the Environmental, Rehabilitation and Operations Committee is Prof. May Hermanus. The Members of the Alexkor Board also include Mr. Alan Roberts and Ms. Hilary Swartbooi.

The mining operations of Alexkor are carried out by the Alexkor Richtersveld Mining Company (RMC) Pooling and Sharing Joint Venture (PSJV). The Alexkor RMC PSJV Board consists of six non-executive directors of which three represent Alexkor, namely Dr. Trish Hanekom as the Chairperson of the Joint Board (Alexkor RMC PSJV), Alan Roberts and Ms. Dineo Peta. There are also three court appointed non-executive directors, namely Ms. Adelaide Ranape, Mr. Brian Grobblar and Mr. Raymond Maboe.

The former CEO, up until his resignation in January 2022 served as CEO and Accounting Authority of Alexkor and CEO and Chairperson of the Alexkor RMC PSJV.

The Minister of Department of Public Enterprises appointed a new Board for Alexkor SOC in February 2022 as well as a new interim CEO. The 49% court appointed board members remain part of the fully constituted PSJV board to steer the operations. The newly appointed interim CEO (Alexkor) was also appointed by the Joint Board to serve as interim CEO of the PSJV. The Board appointed three committees at its first meeting, the audit and risk committee; the social, ethics and human resources committee; and the environmental and rehabilitation and operations committee.

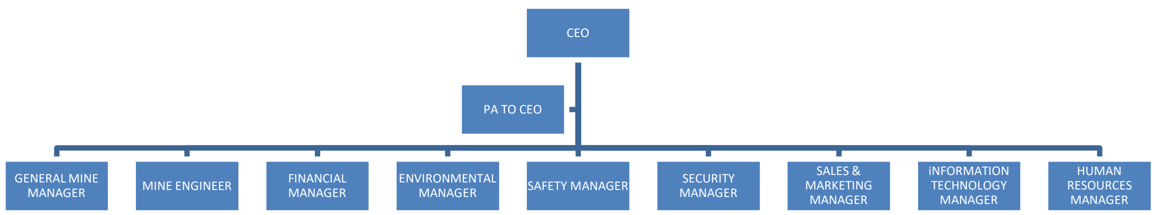
This was done in order to restore acceptable levels of corporate governance, ensure financial stability in the long term and strengthen Alexkor and the PSJV's contribution towards the social and economic development of the region.

P. Hanekom

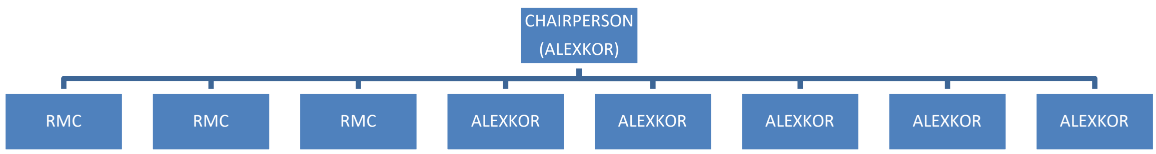
ACCOUNTING AUTHORITY

Appointed February 2022

PSJV'S Leadership Team



3.8 The PSJV Board



All RMC Directors were appointed during 2018 and the appointment has been extended for the past three (3) years.
The newly appointed Alexkor Directors were appointed in February 2022 after the resignation of the one Alexkor Director / CEO / Chairperson of the Board, Mr. Lemogang Pitsoe.

Together the Directors from the RMC and Alexkor make up the Joint Board of the PSJV with Dr Hanekom as the newly appointed Chairperson (Alexkor appointed Director). The Joint Board elected and appointed Mr. Fowler, the interim CEO of Alexkor, as the interim CEO for the PSJV as well. The election and appointment was unanimous.

4. THE YEAR IN REVIEW - 2022

4.1 Performance Highlights for 2021 – 2022

4.1.1 Executive Summary

Carat production decreased compared to the previous financial year and the approved budget was not met. 32 569 gemstone quality diamonds were recovered. The annual revenue is R227 901 641 was achieved from the sale of diamonds.

During the 2021 – 2022 financial year more land and mid-water contractors were appointed to increase land and marine mining production. A large-scale exploration and mining tender was awarded to a company (Ayana) to start during the first quarter of the financial year; however, after the rewarding of the tender, they realized that they lack the capacity to explore, mine and manage the Muisvlak exploration plant and activities.

Systems were implemented to ensure marine and land mining contractors are s managed, this has already yielded a change in operations. As part of the PSJV's mineral diversification strategy, research into all the commodities within the mining area has been initiated. The Sales and Marketing department has been established and are in the process of doing research and exploring more avenues to reach more local, national and international markets.

The PSJV provided employment to approximately 809 people directly and indirectly through our operations in Alexander Bay and Johannesburg Office. An investment of R343 049 was spend on CSI projects aimed at improving education and social development. More than R1 941 340 was invested in skills development including bursaries and training initiative. The operations are still committed to maintaining the township for a time following the handover over to the Richtersveld Municipality and Community.

4.1.2 Revenue

Revenue increased by 44% from R158.1 million in 2021 to R227.9 million in 2022. This revenue represents the 51% interest of the diamond sales of the PSJV.

4.1.3 Cost of Sales

The cost of sales increased by 51.5% from R100m to R151.6m. The cost of sales is made up of contractors' fees and the cost relating to the sale of diamonds, specifically to the contractually agreed payment to the sales consultant.

4.1.4 Operations Expenses

The improvement in operational cost efficiency is evidenced by a marginal decrease in operational costs, decreasing from R71.6m in 2021 to R71.5m in 2022. Excluding the effect of the restatement of the loan in the 2021FY, the entity would have reported an increase in profit before tax of 18% for the 2022 FY compared to 2021FY.

4.1.5 Other Operating Income

Other operating income of R20.9m is made up of rental income of R14.1.m and R6.8m of commission received from diamond sales. The commission received is a new source of income for Alexkor SOC received from the proceeds of the beneficiation licenses which came into effect in the last quarter of 2021. This commission has subsequently been discontinued since it is not in line with the DOS and UR.

4.1.6 Cash Generation and Liquidity

The cash equivalent of Alexkor SOC remains high, at R364m, from R305.4m in the prior year,with no borrowings. The current ratio for the company is a positive 3,71 including restricted cash, however excluding restricted cash it is positive 0.88 which is below best practice of 2.00.

4.1.7 Financial Risk Management

Alexkor is exposed to credit, liquidity, commodity and market risks (due to currency, interest rate and commodity price risk exposures) from the use of financial instruments. These risks are monitored continuously by management as part of the oversight and risk management framework, while the Accounting Authority oversees the process on behalf of the Board. To mitigate credit risk, the credit ratings of all counterparties are continuously monitored, and exposure is diversified among the high-quality financial institutions with acceptable dailysettlement limits.

4.1.8 Conclusion

Alexkor SOC's profitability has improved significantly due to improvement in the cost efficiency achieved by the PSJV and a record sale in the latter part of the 2022FY. A profit of R44m before tax was achieved.

Alexkor SOC has achieved an EBITDA of 10%, which exceeds the 5% targeted by the interest holders. The gross profit is at 33%, slightly lower than the prior year figure of 37%. The net profit margin is at 19% compared to 81% for the previous year. Alexkor has a high cash position of R364m, and no borrowings. Improvement in the Net Asset Value of R271m from a prior year of R233m is evidence of the recovery of the company.

4.2 Interim Chief Executive Officer's Overview

During the 2021 – 2022 financial year the company faced significant upheaval, the most significant being the resignation of the former CEO, Mr. Lemogang Pitsoe who was both the Accounting Authority and the Chief Executive Officer of Alexkor and who also represented the majority of the votes in the Joint Board. This resulted in an apparent deficit of information in the Joint Board which was corrected with the appointment of the new board representatives from Alexkor. The period post the former CEO's resignation was marked by uncertainty which is being addressed through the consistent oversight by the board, the appointment of the Interim Chief Executive Officer and renewed efforts by the staff to meet the new boards expectations. The first efforts by the CEO and the Board was to determine and address the areas of non-compliance, in particular compliance with the Deed of Settlement and Unanimous Resolution, and ensure that the company is put on a sustainable path.

The production of carats has been decreasing over the past three years and, in particular, the production in 2022 was significantly lower than in 2019. Thirty-two thousand, five hundred and sixty-nine (32 569) gem stones were produced. One of the sales attracted a record price of R159 443 671.80 million excluding VAT. The marine effort has consistently produced larger and good quality stones. The reduction in costs over the past few years has yielded positive results in that the profitability of the company has increased relative to prior year if you discount the impact of ICC Loan restatement, the net asset value is also higher at R271 million and the cash position is R364 million.

There are several key issues to be addressed to improve the efficiencies within operations however the availability of cash is a major constraint, as the bulk of the funds are restricted funds. It is important also to note that while the business declares profit this does not necessarily mean the cash position is improved as accounting profit includes non-cash inflows (e.g. fair value adjustments, financial instruments and reversal of provisions).

The Alexkor and the PSJV employ more than 800 people and efforts are being made to restore good relations with the Unions after a period of downsizing of staff numbers. The Alexkor and the PSJV continues to provide the basic services to the town of Alexander Bay as well as good quality water to the town of Port Nolloth. The infrastructure, such as electricity and water meters are being installed, to facilitate the handover of the town to the Richtersveld Municipality.

The company continues to contribute, through CSI projects, bursaries and training initiatives to the development of the community. I would like to thank the staff of Alexkor and the PSJV who continued to support the company through a difficult period. I would also like to thank the management of Alexkor, staff of the PSJV and the contractors for their support in bringing the company to sustainability. Finally, I would like to thank the Chair and the members of the Alexkor and RMC boards for their support.

4.3 Finance Overview

Despite operating in an environment characterized by limited financial human resources, we entered this past financial year with great sense of optimism. We traded well during FY 2022 with better sea days relative to the FY2021.

This year-end process has been particularly demanding for several reasons including thin staff compliment within finance, the departure of the GM: Finance, CEO, Financial Manager and the Supply Chain Officer. We consolidated the financial teams from both SOC and PSJV with an intricate set of circumstances to navigate, but we are comfortable that the results presented accurately reflect the performance of the Alexkor Group over the year under review.

It is important also to note that while the business declares profit this does not necessarily mean the cash position has improved as accounting profit includes non-cash inflows (e.g. fair value adjustments, financial instruments and reversal of provisions).

Key Financial Indicators:

Alexkor Group achieved the following results for the quarter ended 31st of March 2022:

- Revenue achieved during the financial year under review is R227 901 641 (2021: R158 126 353), with a single record sale occasion of R159 million being realised during the last quarter of the financial year.
- Cost of Sales of R151 598 429 (2021: R100 059 566) was incurred, which mainly consist of direct costs to contractors.
- Investment income for the year R21 127 674 (2021: R23 658 103) which is 11% less than the previous year, this due to the investment income which was incorrectly recorded in the prior period.
- Operational expenses amounted to R71 524 287 for the year (2021: R71 637 820).
- Personnel expenses for the year amounted to R30 424 365 (2021: R37 868 639).
- Profitability:
    - Gross Profit of R76 303 212 (2021: R58 066 787) was realized in the current period under review.
    - Group’s Net Profit for the period of R43 685 013 (2021: R127 538 693) was achieved.
    - EBIDTA is 10% for the period under review (2021: 71%)
- Capital expenditure incurred during the year amounts to R283 488 to improve operational efficiencies.

- Solvency Test: Group is solvent as its Asset exceed Liabilities by R270 911 248 which represent a positive Net Asset Value.
- Liquidity Test which is the ability by the business to cover the current obligation from current assets.
    - Current Ratio is 3.71 (Group has R3.71 in current assets to cover R1 of current obligations), which is above the industry norm, however it includes restricted cash. Excluding restricted cash, an adjusted current ratio is 0.88
- Return on Investment (ROI) of 7% (2021: 25%)

4.4 General Information

Country of Incorporation and Domicile:	South Africa
Registered Office:	1 Orange Road Alexander Bay 8000
External Auditors:	Auditor-General South Africa 4 Daventry Street Lynwood Bridge Office Park Lynwood Manor 0001
Corporate Secretary:	Messina Incorporated
Internal Auditors:	No internal auditors were appointed.

5. ALEXKOR COMMITMENTS

5.1 Stakeholder Engagement

Our stakeholders are defined as any individual or group that has a material interest in the business of the Alexkor and the PSJV, or is affected by the way in which the PSJV conducts its business.

Regular and effective engagement and communication with all our stakeholders is a strategic priority, which is carefully planned and guided in implementation by a clear scope and intended outcomes.

Our stakeholder engagement plan is manifold, and includes one-on-one meetings, Board and Sub-committee meetings with different stakeholders, Parliamentary Portfolio Committees and Select Committees at NCOP level, Alexkor's Annual General Meeting with the Shareholder, industry associations and various task teams, site visits and public hearings, community and various other forums. Our engagement style is underpinned by the following canonical principles of communication: -

- Share meaningful information in a format and language that is easily understandable and digestible,
- Provide information in advance of consultative activities,
- Respect local traditions, cultures and decision-making processes,
- Ensure effective dialogue happens,
- Embrace diversity and inclusiveness in the representation of multiplicity of views, including those of women, disabled, youth and/or other minority groups,
- Ensure engagement processes are free of intimation or coercion,
- Establish clear mechanism for responding to people's issues, proposals and grievances.

PSJV stakeholder engagement and management framework and plan express these principles, as depicted.

No.	Stakeholder	Reason for Engagement	How we engage	Engagement Outcomes
1.	RSA Government, through Department of Public Enterprises(DPE).	Achievement of short- and long-term business objectives.	General engagements and quarterly meetings with DPE.	Approval of business strategy andinitiatives.
2.	Portfolio Committee on Public Enterprises.	Support and addresses business challenges.	Board engagements with the Shareholder.	Transparency and accountability to SouthAfrica on Alexkor's business dealings.
3.	Department of National Treasury(NT)	Guidance on finance related matter,including PFMA compliance	Submission of: • corporate plans, • budgets, • financial statements, and • integrated reporting	Ensuring overall sound financial accountability and governance
4.	South African Diamond & Precious Metals Regulator (SADPMR) State Diamond Trader (SDT)	• Licensing of selling and buying of diamonds • Beneficiation of diamonds • By law 10% of production is sold to the SDT	Tender through Diamond Export and Exchange Centre • Negotiate the selection of the 10% of production.	Selling of diamonds in open tender ensuring best prices (market values). • Agreement and sale of 10% of diamond production
5.	Department of Minerals Resources and Energy (DMRE)	• Licence to operate • Transformation and advances in Employment Equity • Compliance with Mining Charter • B-BBEE and Enterprise Development	• Various engagements • Annual statutory reports to DMRE • Regular meetings and site visitswith senior DMRE officials	• Ongoing compliance • Ensuring implementation of Social andLabour Plan (SLP) commitments • Compliance with all health and safetymatters • Environmental Compliance
6.	Department of Agriculture, LandReform and Rural Development(DALRRD)	Implementation of the Deed of Settlement(DoS)	Obtaining assistance from DALRRD with regards to effective implementationof DoS	Effective implementation of DoS
7.	Department of Forestry and Fisheries and EnvironmentalAffairs	Implementation of Environmentallegislation	• Annual statutory reports to DFFEA • Regular meetings and site visitswith senior DFFEA officials	Implementation of NEMA
8.	Richtersveld Municipality	• Township Handover • Community projects	• Providing guidance on prioritycommunity projects • Monthly handover meetings	Ensure a successful township handover asper DoS
9.	Richtersveld Mining Company	Regularising the community governancestructure	• Regular meetings and engagements with CPArepresentatives • Regular Board meetings	Resolution of all community issues and strengthened relations between Alexkor andJV partner
10.	Organized Labour	Maintaining good relations between organised labour union, employees and management	Regular meetings to discuss all relevantissues, e.g. salary increase negotiations	Ability to avoid protests that could affectproduction and overall sustainability of Alexkor
11.	Contractors, Suppliers and otherService Providers	Ensuring collaboration in maximising production and developing employees	Service-level agreements between major contractors and Alexkor	Sustainability of production and upholdingof health and safety standards

5.2 Human Resources

Alexkor and the PSJV has gone through retrenchments during the financial 2020/21. Although this cost containment measure was difficult for the affected people and their families, there was a positive impact on the sustainability of the organisation. This cost measure has indirectly had a major impact on the day-to-day operations as the PSJV has been understaffed for most of the financial 2021/22.

The following critical positions were filled:

- Mine Engineer
- HR Manager, and
- Company Secretary (Messina Inc.)

These appointments however did not fill the gap in the overall operations. Recruiting and retention of critical staff members is a major obstacle to the continued efficiency of operations due to the remoteness of the area, non-market related salaries and uncertainty of the company as a going concern.

Going forward the PSJV will focus on re-aligning the strategic goals of the organisation and ensuring that employees are positioned to implement all strategic deliverables.

Staff Compliment as at 31 March 2022

	MAR '21	MAR '22
ALEXKOR RMC JV		
Permanent Employees	76	78
Temporary & Casual Employees	51	68
TOTAL	**127**	**146**
ALEXKOR SOC		
Permanent Employees	1	5
Temporary & Casual Employees	5	1
TOTAL	**6**	**6**
CONTRACTORS		
Marine Contractors – Shallow Water	344	303
Beach & Land Mining	122	362
Bedrock Mining	142	67
Other	**63**	77
TOTAL	671	**809**

The PSJV 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 R31 278 235. Directors' salaries for the period amounted to R 680 400. 6 disciplinary matters were brought forward during the reporting period.

It is through investing in skills development that our organization is able to remain competitive, progressive and forward-looking. To this end an amount of R**1 906 231** was invested in various training initiatives including in-house training and R 37 150 was allocated for bursaries.

Updated HR Development Initiatives:

NAME OF BENEFICIARY	RACE	GENDER	LEVEL OF EMPLOYMENT	TYPE OF PROGRAMME	ACTUAL EXPENDITURE (R)
Rounelda Cloete	C	F	Geologist	GSSA Workshop	4 388,00
Kabelo Mongalo	B	F	Geologist	GSSA Workshop	4 388,00
Teswill Matthys	C	M	Medical Surveillance Technician	Audiometry/Spirometry / Vision screening face to face course	18 526,50
Jacques Farmer	C	M	Junior Engineer	Exam fees (Mechano Technics N6)	1 100,00
German Joseph	C	M	Mechanic Assistant	Code 14 license	5 813,00
Lionel Links	C	M	Marine Safety Officer	Chamber Operator/Skipper & VHS Radio course	48 966,00
Karl Adams	C	M	Emergency Care Technician	ECT CPG Refresher course/DMT Refresher Course/"D" Intermediate course	11 800,00
Wayne Losper	C	M	Environmenta l Officer	"D" Intermediate course/accommodatio n & meals	29 020,00
Nicholl Strauss	C	M	Safety Officer	BA: Disaster & Safety Management programme	16 658,00
Peter Frielingsdorf	W	M	Harbour Master	Skipper & VHS Radio course	20 226,00
TOTAL (R)					**160 885, 50**

Employment equity remains a fundamental strategic business imperative for the PSJV. 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. The PSJV is committed to enable an environment for sustainable transformation.

EE Table:

		MALE				FEMALE				
OCCUPATIONAL LEVEL	**NUMBER OF INCUMBENTS**	**AM**	**IM**	**CM**	**WM**	**AF**	**IF**	**CF**	**WF**	**% OF DESIGNATED GROUP**
Senior Management	8	0	0	5	1	1	0	1	0	88%
Professionally Qualified	7	0	0	4	0	1	0	2	0	100%
Skilled	35	0	0	22	2	0	0	8	3	94%
Semi-Skilled	25	1	0	18	1	0	0	5	0	96%
Unskilled	3	0	0	1	0	0	0	2	0	100%
TOTAL	**78**	**1**	**0**	**50**	**4**	**2**	**0**	**18**	**3**	**95%**
Temp Employees	64	1	0	32	4	0	0	27	0	94%
TOTAL	**142**	**2**	**0**	**82**	**8**	**2**	**0**	**45**	**3**	**94%**

5.3 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 Alexander Bay, Port Nolloth, Lekkersing, Kuboes, Esteenfontein and Sandrift.

CSI initiatives contribute to the social upliftment and development of local communities in and around the Richtersveld. The company remains committed to supporting local entrepreneurs by offering training and mining contracts.

The SLP of the operations have not been approved by the DMRE and stakeholder engagement will continue into the new financial year (2022/23). Though not approved the PSJV will continue with various social responsibilities as needed.

For the year under review, a total amount of R 343 349.46 was spent on CSI programmes in the region, aimed at improving education.

Other services provided to the Alexander Bay town and surroundings includes:

- Water and Sanitation services, and
- Municipal services (electricity, waste collection, etc.),

The CSI initiatives spent for the year is R257 722

5.4 Health and Safety

Safety management is an integral part of the Alexkor and the PSJV'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.

Safety Statistics (2021/22) Note: LTI = DI + RI

	LAND	MARINE	PROG. LAND	PROG. MARINE	PROG. 2021/2022	2020/2021
Minor Inj.	2	1	3	2	5	3
Disabling Inj.	0	0	0	0	0	1
Reportable Inj.	0	1	0	1	1	0
Fatalities	0	0	0	0	0	0
Lost Time Inj.	0	1	0	1	1	1

Note: Lost time Injury rate = Disabling Injury rate plus (+) Reportable Injuries **(LTI = DI + RI)**

Injury Descriptions (2021/22)

In 2021/22 financial year we recorded a total of six (6) injuries of which one (1) was a lost time injury. The lost time injuries, which include disabling and reportable injuries, remains controlled.
We are pleased to inform that there were NIL (0) fatalities for the 2021/22 financial year. The PSJV achieved a Lost-Time Injury Frequency Rate (LTIFR) of 0,21 against a target of 0,21.

Occupational health and safety of our employees remains a non-negotiable principle on the PSJV's mining operations are based.

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

5.5 ENVIRONMENTAL

The PSJV recognizes the importance of environmental protection and is committed to operating its business responsibly in compliance with all legal requirement relating to the diamond mining industry. The PSJV itself above all others in the building lasting relationships and consistently exceeding the expectations of guests, employees and relevant stakeholders.
The PSJV performs an ongoing rehabilitation programme (concurrent rehabilitation). The PSJV and contracting companies operating within the mine are responsible for the rehabilitation of disturbances stemming from their mining / prospecting activities. To reduce the overall rehabilitation liability of the PSJV for the RMC and Alexkor for the purpose of mine closure concurrent rehabilitation is implemented. Rehabilitation legal requirement as per the Department of Mineral Resources and Energy (DMRE).

5.5.1. Environmental Compliance – Coffer Dam Mining Activities:

The Department of Forestry, Environment and Fisheries (DEFF) has issued the operations with a compliance notice on 21 July 202, regarding coffer dam mining. The PSJV objected to the compliance notice on 04 August 2021. All relevant information was submitted to the Department therefore the objection was launched in that the PSJV was of the view that the Department thoroughly scrutinized and considered all material. It should be noted that the PSJV has done all its mining operations under the regulatory authority of the DMRE and the same Department approved the coffer dam mining operations in 2017. The PSJV is committed to comply with all relevant legislation, as the reports of the various governmental investigative bodies over the past year bear out, we view all allegations in a serious light.

Coffer dam mining was halted in the fourth quarter of the financial year 2021/22. The PSJV has started a dumping permit application through the Department Environment, Fisheries and Forestry (DEFF) and has consulted an external consultant (Piet Gresse Consulting Geologist) to do a chemical analysis of the material used to construct the coffer dams. The expert advice showed that the material used is not toxic.

5.5.2 Overall Preliminary Rehabilitation Annual Update

The internal Rehabilitation calculation will be submitted by end of October 2023 and an external consultant will verify the information which will be submitted to DMRE by 15 November 2023.

6. ANNUAL FINANCIAL STATEMENTS

General Information

Country of incorporation and domicile	South Africa
Company registration number	1992/006368/30
Nature of business and principal activities	Alexkor was established in terms of the Alexkor Limited Act, No. 116 of 1992, and amended by the Alexkor Amendment Act, No. 29 of 2001. Alexkor is a listed schedule 2 public entity wholly owned by the government through the Minister of Public Enterprises being the shareholder representative. The company has two divisions or business units, which are the Alexander Bay Mining (Alexkor RMCJV) and the Alexkor corporate unit. The mining division is the core business of the company, exploiting a large land-based diamond resource and extensive diamondiferous marine deposits. The core business of Alexkor is the mining of diamonds on land, along rivers, on beaches and in the sea along the north-west coast of South Africa. These activities are complemented by geology, exploration, ore reserve planning, rehabilitation and environmental management.
Registered office	1 Alexander Road Alexander Bay 8190
Secretary	Messina Inc.
Auditors	Auditor General South Africa
Preparer	The audited annual financial statements were internally compiled by: Zolile Ngququ

Report of the CEO

1. Board of Directors

The Non-Executive directors of Alexkor SOC Limited during the year were as follows:

Name	Appointed
P Hanekom (Chairperson)	25 January 2022
M Hermanus	8 February 2022
A Roberts	8 February 2022
D Peta	8 February 2022
K Mbele	8 February 2022
H Swaartbooi	8 February 2022

2. Overview of financial performance

Performance for the year	2022	2021	% Change
Revenue	227,901,641	158,126,353	44 %
Profit/(Loss) for the year (in Rands)	43,685,013	127,538,694	65 %
Carats produced (in units)	20 344	28 242	- 29%

3. Significant events after the reporting period

A dividend of R1m was declared on the 25 November 2021 relating to the 2021 financial year (2020: R0). No dividends were declared for the 2022 financial year.

4. Borrowings

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

5. Litigation Statement

The list below is the pending cases against Alexkor SOC.

*Probable - for cases where the status is probable we have made a provision in the Financial statements
**Possible - for cases where the status is possible, we have disclosed a contingent liability
***Remote - for cases where the status is remote, we are uncertain of the outcome and have not disclosed the effect on the Financials

MATTER	COURT	BRIEF SUMMARY	AMOUNT CURRENTLY OWED TO MESSINA INC	Status as requested by auditor
1. PL Marine (Pty) Ltd / PSJV (Pooling & Sharing Joint Venture) / Alexkor SOC Ltd/ Richtersveld Mining Company (Pty) Ltd / Alexander Bay Diamond Company (Pty) Ltd	In The High Court of South Africa, (Northern Cape Division, Kimberley) – Case No. 2080/2020	PL Marine (Pty) Ltdhas instituted action against Alexkor andPSJV for an amount of R10 960 740,49 in respect of contractual; alternatively, delictual damages as a result of them losing out on the tender and the alleged loss of income as a result of diamondsales. The matter is at the stage where PL Marine's attorneyshave amended their Particulars of Claim twice. We have filed Notices of Exception and Notices of Objection. We havealso prepared the Plea in the matter setting out Alexkor's defense. The defense iscomprised of three Special Pleas on the technical defects of the Summons, together with a defense on the merit. We do not anticipate that the matter will be heardthis year.	R232 889,78	**Possible

Report of the CEO

2. Alexander Bay Diamond Company (Pty) Ltd (previously known as Scarlet Sky Investments 60 (Pty) Ltd /The Pooling & Sharing Joint Venture, A Joint Venture Established Between Richtersveld Mining Company (Pty) Ltd /Alexkor Limited	In The High Court of South Africa, (Northern Cape Division, Kimberley) – Case No. 2129/2020	Scarlet Sky Investments instituted action against Alexkor and PSJV for R9 397 839,25 for contractual damages (unpaid commission), together with a further R238 696,00 for loss of equipment. The matter has been defended and we have a filed a Plea and we are currently consulting with counsel regarding the discovery documents which need to be filed. We similarly do not anticipate that this matter will be heard this year.	R91 264,00	**Possible

Report of the CEO

3. Alexkor SOC Ltd / Richtersveld Mining Company & 13 Others	In The High Court of South Africa, (Northern Cape Division, Kimberley) – Case No. 946/2016	This matter deals with the Court appointed directors of the PSJV. Their term was due to end in December 2020 and thereafter postponed to January 2022. The term of office of the Court appointed directors of the PSJV was extended. The matter in essence deals with the appointment of the community representatives to the board of the Richtersveld Mining Company and Richtersveld Development Company. The Richtersveld Sida Hub Communal Property Association (CPA) is currentlyunder administration and must hold its annual general meeting and elect representatives to the board o the above mentioned entities. The date of appointment of the directors was extended to January 2022, and a final order must be sought to be granted. The CPA must hold its Annual General Meeting and elect members who will serve on the board of Richtersveld Mining Company. We recommend that the Alexkor board drive this process and engage with the CPA accordingly. The matter is currently being handled by Webber Wentzel Attorneys and not Messina Inc.		***Remote

Report of the CEO

4. The Pooling And Sharing Joint Venture / Richtersveld Mining Company (Pty) Ltd / Alexkor SOC Limited / Malakaza Diamonds (Pty) Ltd	In The Arbitration Held Before the Arbitrator Ms. ZandilePepu	This matter involves an arbitration claim by Malakaza Diamonds claiming outstanding documents and eventually an undisclosed amount. They insist that they are owed monies as a result of underpayment from sale of diamonds. An arbitrator has been appointed. We have raisedvarious technical points to the claim, namely being that the proper dispute resolution process was not followed. The arbitrator has requested various Heads of Argument and procedural stepsand we are now awaiting a decision tobe made on the technical points, and we will advise once adate is obtained.	R279 019,00	***Remote
5. Alexkor RMC Joint Venture/ Canvas Intelligence (Pty) Ltd	In The High Court of South Africa, (Northern Cape Division, Kimberley) – Case No. 2281/2020	Canvas Intelligence is claiming an amount of R934 281,37. We have consulted and requested further documentation relating to the claim and we will need to file our Plea in due course.	R45 336,12	**Possible
6. National Union of Mineworkers / Alexkor SOC Ltd / Richtersveld Mining Company (Pty) Ltd / The Minister of Public Enterprises – Urgent High Court Application	In the Labour Court of South Africa, held at Johannesburg–Case No. J100/2021	National Union of Mineworkers brought an urgent application to set aside the retrenchments which were effected in December 2020. The application was struck from the urgent roll. The National Union of Mineworkers is now proceeding with the matter in the ordinary roll and we have briefed counsel to oppose the matter and argue it in due course.	R38 792,95	**Possible

Report of the CEO

7. Alexkor Limited /Richtersveld Municipality / The Mayor - Arthur Jansen	In The High Court of South Africa, (Northern Cape Division, Kimberley) – Case No. 319/2021	An urgent High Court application was brought by the Richtersveld Municipality and Arthur Jansen, as a result of electricity being disconnected by Alexkor. Before the matter was heard, the electricity was restored. We have tentatively settled the matter on the basis that it was to proceed to arbitration, but subsequently, through various meetings held between the Board and the Municipality, the matter has been settled.	R67 708,65	***Remote
8. Mervyn Carstens / Alexkor RMC JV / Chitane Soza / CCMA – Suspension Award	In the Labour Court of South Africa, held at Johannesburg – Case No. J2136/2020	Mervyn Carstens obtained a suspension award at the CCMA for an amount of R3 200 000. The award has been taken on reviewin the Labour Court and all the affidavits have been exchanged and the matter is nowat a stage where Heads of Argument are being exchanged and the matter will thereafter be set down for hearing.	R423 262,97 inclusive of the Mervyn Carstens Urgent Application item 9 below	**Possible
9. Mervyn Carstens / Alexkor RMC JV / Chitane Soza / CCMA – Urgent Application	In the Labour Court of South Africa, held at Johannesburg – Case No. J270/2021	An urgent application was required to be launched by Alexkor and the PSJV, since Mervyn Carstens acted on the suspension award referred to above and sought to attach assets. The urgent application was granted to suspend the attachment of assets pending the review application.		**Possible

Report of the CEO

10. Mervyn Carstens / Alexkor RMC JV – Dismissal Application	In the Labour Court of South Africa, held at Johannesburg – Case No. NC2039-20	Mervyn Carstens is claiming the amount of R3 200 000 in respect of an unfair dismissal. The matter is proceeding to arbitration in the CCMA after two postponements and is to be heard on 26 and 27 July 2021.	R523 279,67	**Possible
11. IMDSA Contract and Mining Contract		The most recent drafts of the Mining Agreement has been forwarded to Alexkor for on forwarding and discussion with IMDSA. IMDSA is still, in the background, threatening arbitration and/or urgent application action in the event of this not being resolved.	R83 592,56	***Remote
12. Battery Guy (Pty) Ltd / Alexkor RMC JV / Alexkor SOC Ltd / Richtersveld Mining Company (Pty) Ltd / WJ Business Partners (Pty) Ltd	In The High Court of South Africa, (Northern Cape Division, Kimberley) – Case No. 288/2021	Battery Guy has issued Summons for an order directing Alexkor and the PSJV to deliver proper accounts and debate the accounts and effect payment of any amounts due in terms of those accounts. The matter has been defended but no further steps have been taken by the Battery Guy.	R1 164,96	**Possible

A contingent liability of R12 136 611 (51% of R23 797 276) has been disclosed in the Financials

Report of the CEO

6. Going Concern

The annual financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Group will realise its assets and discharge its liabilities in the normal course of business.

In May 2020, the South African Diamond and Precious Metals Regulator issued Alexkor with two licences valid for a period of 5 years: Diamond beneficiation licence and Diamond dealer's license. These licences will allow the company to carry on business as a buyer, seller, importer, and exporter of unpolished and polished diamonds and will play an important role in the future of Alexkor as a diamond trading company. Alexkor started benefitting from the commission fee in the last quarter of 2021. The value of the sales price improved by an average of 44% in the current period.

The various opportunities and restructuring of the business will augment the business success. The business is on its way to recovery, operational efficiency, and business excellence with its change of business and operational strategies. The organisation is looking into a 5-year strategic growth implementation where it will enter into business partnership with other large mining organisations, and building internal mining capability, technology enhancement and capital equipment improvement. The technology will address the issue of weather conditions for marine mining which tends to have good quality diamonds and also increase the carats production enormously. The rough diamond sales are high which is favourable to Alexkor. The licences which Alexkor currently has broaden the company's ability to expand beyond mining and sales in that, Alexkor can sell diamonds as well as enter the cutting and polishing industry. The focus on marine diamonds and improving from manual diamond mining to a sophisticated technologically based system which will advance the company into a profitable, sustainable business.

Alexkor has enhanced the internal controls which benefitted the company and addressed the qualification on the audit opinion year. The improvement of the internal controls includes the segregation of duties, two (2) valid signatures, fixed asset verification, a supply chain management review and the enhancement of the standard operations procedure (SOP) manual to address compliance with the Public Finance Management Act (PFMA). The changes have also resulted in timeous payment to the South African Revenue Service (SARS) of taxes.

However, there are material uncertainties which cast doubt upon the Company's ability to continue as a going concern. The Group has a history of losses with periods of an operating revenue drawn from only interest and rental income. The Group is assessing a more sustainable approach which will yield other sources of financing. The annual financial statements reflect the normal course of business and do not give effect to any material adjustments to realise its assets and discharge its liabilities in the event that the Group is unable to continue as a going concern.

The Company's assets fairly valued exceeds liabilities fairly valued at 31 March 2022 by R281,801,696.

Report of the CEO

7. Share capital

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

8. Performance objectives related to Alexkor

As part of the Shareholders agreement with the Honourable Minister, Alexkor agreed on the following Key Performance Areas:

Key Performance Area	Key Performance Indicator	Unit of Measure	2021/22 Targets	2021/22 Actual	Notes
Liquidity	Cash buffer	Rand	>0	R364million	Achieved, more than target.
Operational Efficiency	Rental income collected	%	80%	52%	All efforts are made to recover rental due. The organisations and government officials who are reluctant to pay rentals are being followed up. Included in the debtors balance is the rental charged to the Pooling and Sharing Joint Venture (PSJV) for houses given to its employees. Rental recovery has also slowed due to contractors not generating enough revenue.
Operational Efficiency	EBITDA margin	%	10.5%	10%	Highly achieved
Operational Efficiency	Determination of optimal warehousing structure of marine assets	Report	Completed report on the corporatisation of the PSJV by 31 December 2019	N/A	Structural integrity of the marine structure budgeted for 2021/2022 as well as fixing the Alexkor rescue boat. The project delayed due to cash constraint.
Environmental impact - conclude historical environmental rehabilitation	Execution of rehabilitation plan	Report	100% of mining trenches at Arris/ Witvoorkop rehabilitated by 31 March 2020	N/A	The scope for Phase 2, which included mostly earthworks and profiling of the areas, was not done as the tender and deviation were not approved. This work will be undertaken in the coming financial year.
Procurement	Black Owned	%	75%	59%	Not Achieved due to cancellation of contracts and contracts which came to an end during the financial year
	Black Woman Owned	%	3%	24%	Achieved due to awarding of insurance tender to a company with black women ownership.

Report of the CEO

	Black Youth Owned	%	1%	0%	Not achieved. More effort will be made to procure from black-youth-owned businesses. However, new procurement is likely to be minimal due to cash flow constraints.
	People with disabilities	%	0,50%	0%	Not achieved. More effort will be made to procure from businesses owned by people with disabilities. However, new procurement is likely to be minimal due to cash flow constraints.

Report of the CEO

9. Performance objectives related to the PSJV

As part of the Shareholders agreement with the Honourable Minister, the PSJV agreed on the following Key Performance Areas:

Key Performance Area	**Key Performance Indicator**	**Unit of Measure**	**2021/22 Targets**	**2021/22 Actual**	**Notes**
Financial performance	Earnings before interest, taxes, depreciation and amortisation (EBITDA) Margin	%	10,50%	14,9%	Achieved
Diamond production	Land and mine production	Carats produced	24 911	20 344	Not Achieved, due to Covid 19 restrictions and the unfavorable sea conditions due to floods from the Orange river.
	Deep-sea production	Carats produced	15 000	Nil	Not Achieved, IMDH production was depleted before target figure.
	Mid-waters production	Carats produced	9 688	8415	Not Achieved, due to Covid 19 restrictions and the unfavorable sea conditions and poor visibility when workable sea days become available.
Safety	Fatalities	Number	0	0	Achieved
Skills Development	Artisan trainees	Number	2	0	Not achieved due to financial constraints and Covid 19 restrictions.
	Technical trainees (diamond beneficiation)	Number	3	0	Not achieved due to financial constraints and Covid 19 restrictions.
	Engineering Trainees	Number	3	0	Not achieved due to financial constraints and Covid 19 restrictions.
	Training spend (including 1% leviable amount)	Number	5%	0,08%	Not achieved due to Covid restrictions
	Corporate Social Investments (CSI) interventions as agreed in the CSI forum	Amount of 1% of net profit after tax	1%	0,25%	Not achieved due to Covid restrictions.

Report of the CEO

	CSI Spend	Rand	R6,5 million	R0 million	Not achieved due to financial constraints and Covid restrictions.
	Spend on black economic empowerment compliant companies	%	70%	86%	Achieved
Socio-economic Impact 30%	Total black-owned as a % of local spend	%	70%	74%	Achieved
	Total black women owned as a % of local spend	%	7%	23%	Achieved
	Total black youth owned as a % of local spend	%	2%	0%	Not achieved due to financial constraints
	People with disabilities as a % of local spend	%	1%	0%	Not achieved due to financial constraints
	Quantifying small enterprise exempted micro enterprise	% per designated group	30%	86%	Achieved, more than targeted

10. Auditors

The Auditor General will be asked to opt-in for the 2022 / 2023 external audit and the 2020 / 2021 AGM approved the deferment of the appointment of an external auditor for 2021 / 2022 to 25 June 2022 in light of the fact that the former CEO did not procure a new external auditor timeously.

11. Secretary

The group secretary is Messina INC, represented by Mr. Lopang Peacock.

12. Irregular, Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure was incurred in the current year. This amount relates to interest charged by one of the suppliers, Eskom on invoices that exceeded payment terms

Summary of Irregular, fruitless and wasteful expenditure:

Fruitless and wasteful expenditure	**2022**	**2021**
Opening balance	1,501,899	1,444,129
Fruitless and wasteful expenditure – current year	285,738	57,770
Closing balance	1,787,63	1,501,899

Irregular expenditure		
Opening balance	579,934	23,227,847
Prince Mbetse Diamonds (Pty) Ltd	751,263-	-
KEAMI Investments (Pty) Ltd	105,480-	-
KIDJA Project	1,847,858-	-
Less: irregular expenditure condoned	-	(22,647,913)
Closing balance	**3,284,535**	**579,934**

Report of the Audit and Risk

Mandate and terms of reference

The audit and risk committee (the committee) was appointed on 11 March 2022. During the reporting period the former CEO served as the Accounting Authority and there was no committee in place. The interim board and its committees assumed their fiduciary responsibilities upon appointment in February 2022 and accordingly presents its report in terms of the requirements of the PFMA, the Companies Act (section 94(7)(f)) and in accordance with the King Code of Governance Principles for South Africa for the financial year ended 31 March 2022.

The role of the committee is defined in its mandate. It covers amongst others, its statutory duties and the assistance to the board with the oversight of financial and non-financial reporting and disclosure, internal control system, risk management, internal and external audit functions and combined assurance, including information technology governance. Information on the membership and the composition of the committee is set out in the Audit Committee Charter.

The committee is required to fulfil all its statutory duties as required by section 94(7)(f) of the Companies Act. Going forwards, the committee will review the formal terms of reference and audit and risk committee charter, and will regulate its affairs in compliance with this charter and all of its responsibilities contained therein.

Alexkor will apply a combined assurance model to ensure coordinated assurance activities. The Accounting Authority will oversee the assurance activities and the establishment of effective systems of internal control to provide reasonable assurance that Alexkor's financial and non-financial objectives are achieved and that the preparation of financial statements for external purposes is in accordance with IFRS.

Ms. D Peta
Chairperson
Audit and Risk Committee

Tuesday, 31 May 2022

Accounting Authority's Approval of Financial Statements

During the reporting period the former CEO served as the Accounting Authority and there was no committees in place. The current Accounting Authority and its committees assumed their fiduciary responsibilities upon appointment in February 2022. The Accounting Authority is responsible for the maintenance of adequate accounting records and appropriate systems of internal control as well as the preparation, integrity and fair presentation of the annual financial statements which includes financial results, performance against predetermined objectives and the financial position at the end of the year of Alexkor SOC Limited Consolidated (Alexkor) and the joint venture.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the Public Finance Management Act (PFMA), and the South African Companies Act (Companies Act). In preparing the annual financial statements, the Accounting Authority is required to consistently apply appropriate accounting policies, make reasonable and prudent judgements and estimates, state whether applicable accounting standards have been followed and whether the annual financial statements for Alexkor will continue to be prepared on the going-concern basis in the foreseeable future.

To enable the Accounting Authority to meet the above-mentioned responsibilities, the Accounting Authority sets standards and management implements systems of internal control. The controls are designed to provide assurance that assets are safeguarded, and that liabilities and working capital are efficiently managed. Policies, procedures, structures and approval frameworks provide direction, accountability and division of responsibilities, and contain self-monitoring mechanisms. The controls throughout Alexkor focus on those critical risk areas identified by operational management and confirmed by executive management. Going forwards the Accounting Authority and management will review and closely monitor the controls, and take action to correct deficiencies as they are identified.

Alexkor’s Accounting Authority has reviewed the going-concern basis and the effectiveness of Alexkor’s internal controls. The Accounting Authority has evaluated Alexkor’s annual financial statements and has recommended approval. The Accounting Authority will review the internal accounting controls of Alexkor to ensure that the financial records may be relied upon for preparing the annual financial statements, and that accountability for assets and liabilities is maintained. The Accounting Authority will assess the ability of Alexkor to continue as a going concern in the foreseeable future.

The Accounting Authority reviewed Alexkor’s performance for the year ended 31 March 2022 and the cash flow forecast for the 5 years ending 31 March 2026. The Company is pursuing funding options to implement the Company’s investment strategy and is currently evaluating various opportunities and reviewing its business and operational strategies. Alexkor has access to adequate resources and facilities to be able to continue its operations for the foreseeable future. Accordingly the board continued to adopt the going-concern basis in preparing the financial statements. These annual financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgements and estimates and are prepared on the going-concern basis. In the opinion of the directors, based on the information available to date, the annual financial statements fairly present the financial position of Alexkor at 31 March 2022 and the results of its operations and cash flow information for the year then ended. Capital funding will augment business sustainability and growth.

The independent external auditors are responsible for independently auditing the financial statements in accordance with International Standards of Auditing (ISA) and the Public Audit Act (PAA).

Alexkor's audited annual financial statements for the year ended 31 March 2022 have been approved by the newly appointed Accounting Authority:

Dr Patricia Hanekom
Chairperson of the Board

Statement by the Company Secretary

I, the undersigned, in my capacity as Group Secretary do hereby confirm that for the financial year ended 31 March 2022, 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.

Messina Inc.
Mr. Lopang Peacock
Company Secretary
Tuesday, 31 May 2022

Report of the auditor-general to Parliament on Alexkor SOC Limited

Report on the audit of the consolidated and separate financial statements

Disclaimer of opinion

1. I was engaged to the consolidated and separate financial statements of the Alexkor SOC Limited and its subsidiaries (the group) set out on pages 32 to 97, which comprise the consolidated and separate statement of financial position as at 31 March 2022, the consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, as well as notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. I do not express an opinion on the financial statements of the public entity. Because of the significance of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated and separate financial statements.

Basis for disclaimer of opinion

Property, plant and equipment

3. The entity did not recognise property, plant and equipment in accordance with International Accounting Standard 16, *Property, plant and equipment* (IAS 16) because some assets could not be physically located and the useful life of asset were not assessed. I was unable to determine the full extent of the misstatement that occurred during the financial year, as it was impracticable to do so. In addition, I was unable to obtain sufficient appropriate audit evidence over property, plant and equipment due to a lack of proper record keeping. I was unable to confirm the assets by alternative means Consequently, I was unable to determine whether any adjustments were necessary to property, plant and equipment stated at R41 570 688 in note 4 of the consolidated and separate financial statements. As a result, there was an impact on the surplus for the period and on the accumulated loss.

Investment property

4. The public entity did not recognise all property held to earn rental or for capital appreciation as investment property in accordance with IAS 40, *Investment property* due to a lack of adequate records. I was unable to determine the full extent of the misstatement that occurred during the financial year as it was impracticable to do. Consequently, I was unable to determine whether any further adjustments were necessary to investment property stated at R5 584 997 in note 6 of the consolidated and separate financial statements. There was an impact on the surplus for the period and on the accumulated loss.

ICC loan to PSJV

5. The group did not assess at the end of the financial year whether the ICC loan was fairly valued in accordance with IFRS 9, *Financial instruments*. Furthermore, the group did not split the disclosure to current and non-current portion, in accordance with IAS 1, Presentation of Financial Statements. ICC loan to pooling and sharing joint venue (PSJV) was overstated. I was unable to determine the value of the misstatement on ICC loan stated at R84 802 621 (2021: R90 360 899) in note 8 of the consolidated and separate financial statements, as it was impracticable to do so.

Trade and other receivables

6. I was unable to obtain sufficient appropriate audit evidence that trade and other receivables for the current year had been properly accounted for, due to the status of accounting records. I was unable to confirm trade and other receivables by alternative means. Furthermore, the group did not properly calculate the expected credit losses on the trade and other receivables in accordance with IFRS 9, *Financial Instruments*. I was unable to determine the full extent of misstatement as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments were necessary to trade and other receivables stated at R77 304 941 (2021: R30 156 925) in note of to the consolidated and separate financial statements.

Investment in Trust

7. The company did not recognise the investment in trust in accordance with IFRS 9, *Financial instruments*. The reconciliation for the investment in trust was not prepared; as a result, the investment was overstated by R8 594 437. Furthermore, the amount utilised for rehabilitation recorded in investment in trust could not be supported. I was unable to confirm this amount by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the investment in trust stated at R215 781 540 in note 7 of the consolidated and separate financial statements. There was an impact on the investment income and expenditure as well as cash and cash equivalents for the group.

Cash and cash equivalents

8. I was unable to obtain sufficient appropriate audit evidence over cash and cash equivalents due to lack of reconciliation and poor status of accounting records. I was unable to confirm cash and cash equivalents by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to cash and cash equivalents stated at R363 675 193 and R158 718 101 respectively in note 12 of the consolidated and separate financial statements.

Environmental rehabilitation liability

9. I was unable to obtain to obtain sufficient appropriate audit evidence for the environmental rehabilitation liability due to the liability not being comprehensively assessed by the external expert in the prior year, and the liability disclosed in the financial statements has not been present valued and therefore does not consider the time value of money. I was unable to confirm the environmental rehabilitation liability by alternative means. Consequently, I could not determine the adjustment necessary to the environmental rehabilitation liability stated at R203 846 413 (2021: R203 846 413) in note 15 of the consolidated and separate financial statements.

Trade and other payables

10. I was unable to obtain sufficient appropriate audit evidence for trade payables included in payables from exchange transactions due to a lack of proper record keeping and reconciliation of control accounts by the public entity. I was unable to confirm these trade payables by alternative means. Consequently, I was unable to determine whether any further adjustments to trade payables stated at R120 183 192 in note 16 of the consolidated and separate financial statements were necessary.

Other operating income

11. I was unable to obtain sufficient appropriate audit evidence for other income due to the status of the accounting records. The public entity did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. Furthermore, the group did not eliminate their share of interest on the commission received from the RMC PSJV. I could not confirm other operating income by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to other operating income stated at R20 952 267 in note 20 to the consolidated and separate financial statements.

Cost of sales

12. I was unable to obtain sufficient appropriate evidence for cost of sales due to the status of accounting records. I was unable to confirm cost of sales by alternative means. Consequently, I was unable to determine whether any adjustment relating to the cost of sales stated at R151 598 429 in note 19 of the consolidated and separate financial statements was necessary.

Other operating expenses

13. I was unable to obtain sufficient appropriate audit evidence for other operating expenses, as supporting evidence was not provided for certain expenses. I was unable to confirm the other operating expenses by alternative means. Consequently, I was unable to determine whether any adjustments relating to other operating expenses stated at R71 524 287 in note 21 and related payables in note 16 of the consolidated and separate financial statements were necessary.

Taxation and deferred taxation

14. I was unable to obtain sufficient appropriate audit evidence for the taxation and deferred taxation as disclosed on the statement of profit and loss and other comprehensive income in the consolidated and separate financial statements respectively. Contrary to the requirements of IAS 12, *Income tax*, management has not prepared the income taxation expense reconciliation. I was unable to confirm the taxes by alternative means.

Net cash flows from operating activities

15. The group did not correctly prepare and disclose the net cash flows from operating activities as required by IAS 7, *Statement of cash flows.* This was due to multiple errors in determining cash flows from operating activities. I was not able to determine the full extent of the errors in the net cash flows from operating activities as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to cash flows from operating activities as stated at R56 214 927 (2021: (R760 242)) and R19 102 418 (2021: (R20 196 784)) in the consolidated and separate financial statements, respectively, were necessary.

Cash flows from investing activities

16. The group did not correctly prepare and disclose the net cash flows from investing activities as required Standards of IAS 7, *Cash flow statements*. This was due to multiple errors in determining cash flows from investing activities. I was not able to determine the full extent of the errors in the net cash flows from investing activities, as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to cash flows from investing activities as stated at (R13 172 185) and R1 766 in the consolidated and separate financial statements, respectively, were necessary.

Net cash flows from financing activities

17. The group did not correctly prepare and disclose the net cash flows from financing activities as required by IAS 7, *Statement of cash flows*. This was due to multiple errors in determining cash flows from financing activities. I was not able to determine the full extent of the errors in the net cash flows from investing activities, as it was impracticable to do so. Consequently, we were unable to determine whether any adjustments to cash flows from financing activities as stated at Rnil (2021: Rnil) in the consolidated and separate financial statements were necessary.

Related parties

18. The group did not disclose transactions and balances with other government entities related to related party transactions in the accompanying consolidated and separate financial statements. This is contrary to the requirements of IAS 24, *Related party disclosures*. I have not included the omitted information in this auditor’s report, as it was impracticable to do so.

Contingent liabilities

19. The public entity did not disclose all contingencies as required by IAS 37 *Provisions, contingent liabilities and contingent assets*. Guarantees and contingent liabilities identified during the audit and those recorded in the prior were not fully disclosed. I was unable to determine the full extent of contingent liabilities as disclosed in note 31 of the consolidated and separate financial statements, as it was impracticable to do so.

Irregular expenditure

20. The irregular expenditure incurred during the current financial year and related information on irregular expenditure was not included in the note 28 of the consolidated and separate financial statements, as required by section 55(2)(b)(i) of the PFMA. Irregular expenditure was identified in the current year, this expenditure was not recorded in the related note and a register of irregular expenditure was not maintained. I was unable to determine the full extent of the irregular expenditure that occurred during the financial year as it was impracticable to do so.

Other matter

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

Previous period audited by a predecessor auditor

22. The financial statements of the group for the year ended 31 March 2021 were audited by another auditor in terms of section 4(3) of the Public Audit Act, Act 25 of 2004 (PAA). A qualified opinion on those statements was issued on 6 May 2022 as the group did not completely and adequately account for various accounting issues in accordance with the reporting framework.

Responsibilities of the accounting authority for the financial statements

23. The accounting authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the International Financial Reporting Standard and the requirements of the Public Finance Management Act 1 of 1999 and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

24. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

25. My responsibility is to conduct an audit of the consolidated and separate financial statements in accordance with the International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

26. I am independent of the group in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code), as well as the other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical Report on the audit of the annual performance report

Introduction and scope

27. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

28. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

29. I 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 public entity's annual performance report for the year ended 31 March 2022:

Objectives	Pages in the annual performance report
Objective 2 – operational efficiency – Alexkor SOC Limited	x – x
Objective 2 – operational excellence – Alexkor RMC Joint Venture	x – x

30. The material findings on the usefulness and reliability of the performance information of the selected objectives are as follows:

EBITDA margin

31. I was unable to obtain sufficient appropriate audit evidence for the achievement of 10% EBITDA margin reported against the target of 10,5% in the performance objective related to the Alexkor SOC section of the directors report due to a numerous of misstatements noted in the financial statements, as the calculation of the EBITDA is based on the financial performance. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments was required to the reported achievement.

Rental income collected

32. I was unable to obtain sufficient appropriate audit evidence for the achievement of 52% rental income collected reported against the target of 80% in the performance objective related to the Alexkor SOC section of the directors report due lack of accurate and complete records. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement.

Land and marine production

33. I was unable to obtain sufficient appropriate audit evidence for the achievement of 28 759 carats reported against the target of 60 000 carats in the performance objective related to the PSJV section of the directors report due to a lack of accurate and complete records. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement.

Other matter

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

Achievement of planned targets

35. Refer to the performance objectives related to Alexkor and the performance objective related to the PSJV sections of the directors' report on pages 11 to 14 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information related to the Alexkor SOC and PSJV in paragraph 33 to 35 of this report.

Report on the audit of compliance with legislation

Introduction and scope

36. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

37. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements

38. 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) of the PFMA.

    Material misstatements on non-current assets, liabilities, expenditure and disclosure items were identified by the auditors in the submitted consolidated and separate financial statements.

39. The financial statements were not submitted for auditing within two months after the end of the financial year as required by section 55(1)(c)(i) of the PFMA.

Strategic planning

40. Some quarterly reports were not prepared and not submitted to the executive authority as required by treasury regulation 29.3.1.

41. A corporate plan was not submitted to the minister of Public Enterprises, as designated by the executive authority, as required by section 52(b) of the PFMA.

42. Procedures for the facilitation of effective performance monitoring, evaluation and corrective action through quarterly reports were not established, as required by treasury regulation 29.3.1.

Procurement and contract management

43. The group did not comply with the requirements of paragraphs 8.1 to 8.5 of treasury instruction note 3 of 2016/17, which requires a deviation to be approved by the National Treasury unless if it is an emergency or sole supplier.

44. I was unable to obtain sufficient appropriate audit evidence that all contracts and/or quotations were awarded in accordance with the legislative requirements because of limitation.

45. I was unable to obtain sufficient appropriate audit evidence that 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.

Oversight and governance

46. The group did not establish a social and ethics committee as required by section 72(4)(a) of the Companies Act 71 of 2008, this was due to the absence of a properly constituted board, as only the CEO was a member.

47. The audit committee was not fully functional as required by section 51(1)(a)(ii) of the PFMA Act. The audit committee was appointed only in March 2022.

48. Approved audited financial statements were not filed with the annual return, as required by section 33(1)(a) of the Companies Act and 30(2) of the Companies Regulation.

49. The group did not submit an income tax return for assessment, within twelve months after the end of its financial year as contemplated in section 66 of the Income Tax Act of South Africa, read together with section 25 of the Tax Administration Act 28 of 2011, of the Income Tax Act of South Africa.

Revenue management

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

Consequence management

51. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure and irregular expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into expenditure were not performed.

Internal control deficiencies

52. I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the disclaimer of opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

53. Management did not exercise oversight responsibility over the preparation of the annual financial statements, performance reporting, compliance with laws and regulations and internal control.

54. Management did not 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.

55. Management did not implement controls over daily and monthly processing and reconciling of transactions. Management did also not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

56. The board, and its committees were also not fully operational during the year, instead these functions were being managed by CEO. This is not a recommended practice.

57. The accounting authority did not adequately review and monitor controls over compliance with laws and regulations, resulting in non-compliance with various laws and regulations.

58. Management did not design and implement formal controls to address the systems of collecting, verifying and storing the information as well as to plan, manage and report on the financial information of the controlled entities. This is evidenced by the lack of the records at Alexkor RMC Joint Venture, which is an unincorporated entity.

59. The internal audit was not effective and efficient, and this is evidenced by the numerous material misstatements in the consolidated and separate financial statements.

60. I note that the group was the subject of investigation by the Zondo Commission. I found that the internal capacity of the group was decimated and requiring urgent intervention to provide temporary capacity for remedial measures necessary from this opinion and permanent capacity to commensurate with mandate of the group.

Other reports

61. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the type of auditee's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

62. The special investigation unit is currently investigating irregularities that took place in the previous years in line with the Zondo Commission's recommendation. At the time of this report, the investigation was still ongoing.

Auditor-General

Pretoria
04 August 2023

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Statement of Financial Position as at 31 March 2022

		Group		Company	
Figures in Rand	Note(s)	2022	2021	2022	2021
Assets					
Non-Current Assets					
Property, plant and equipment and Right-of-use assets	4	41,570,688	38,178,474	41,570,688	38,178,474
Intangible assets	5	989,843	1,481,570	989,843	1,481,570
Investment property	6	5,584,997	5,584,997	5,584,997	5,584,997
Investments in Trust	8	-	-	215,781,540	204,886,880
ICC loan to PSJV	9	84,802,621	90,360,899	84,802,621	90,360,899
		132,948,149	**135,605,940**	**348,729,689**	**340,492,820**
Current Assets					
Inventories	10	27,087,012	32,099,435	27,087,012	32,099,435
Trade and other receivables	11	77,304,941	30,156,925	77,304,941	30,156,925
Cash and cash equivalents	12	363,675,193	305,484,916	158,738,101	100,598,036
		468,067,146	**367,741,276**	**263,130,054**	**162,854,396**
Total Assets		**601,015,295**	**503,347,216**	**611,859,743**	**503,347,216**
Equity and Liabilities					
Equity					
Share capital	13	400,000,000	400,000,000	400,000,000	400,000,000
Accumulated loss		(129,088,752)	(166,883,090)	(118,198,304)	(166,883,090)
		270,911,248	**233,116,910**	**281,801,696**	**233,116,910**
Liabilities					
Non-Current Liabilities					
Environmental rehabilitation liability	16	203,846,413	203,846,413	203,846,413	203,846,413
Current Liabilities					
Trade and other payables	17	120,183,912	59,586,401	120,137,912	59,586,401
Lease liabilities	14	83,601	747,455	83,601	747,455
Government funded obligations	18	5,990,121	6,050,037	5,990,121	6,050,037
		126,257,634	**66,383,893**	**126,211,634**	**66,383,893**
Total Liabilities		**330,104,047**	**270,230,306**	**330,058,047**	**270,230,306**
Total Equity and Liabilities		**601,015,295**	**503,347,216**	**611,859,743**	**503,347,216**

Statement of Profit or Loss and Other Comprehensive Income

		Group		Company	
Figures in Rand	Note(s)	2022	2021	2022	2021
Revenue	19	227,901,641	158,126,353	227,901,641	158,126,353
Cost of sales	20	(151,598,429)	(100,059,565)	(151,598,429)	(100,059,565)
Gross profit		**76,303,212**	**58,066,788**	**76,303,212**	**58,066,788**
Other operating income	21	20,952,267	8,933,216	20,952,267	8,933,216
Fair value adjustment		-	1,325,000	10,954,660	21,041,542
Reversal of impairment of ICC Loan		-	90,360,899	-	90,360,899
Movement in credit loss allowances		(2,843,772)	17,193,538	(2,843,772)	17,193,538
Other operating expenses	22	(71,524,287)	(71,637,820)	(71,478,287)	(71,357,820)
Operating profit		**22,887,420**	**104,241,621**	**33,888,080**	**124,238,163**
Investment income	23	21,127,674	23,658,103	4,006,475	3,941,561
Finance costs	24	(330,081)	(1,219,703)	(330,081)	(1,219,703)
Profit on sale of a disposal assets		-	858,673	-	858,673
Profit before taxation		**43,685,013**	**127,538,694**	**37,564,474**	**127,818,694**
Taxation	25	-	-	-	-
Profit for the year		**43,685,013**	**127,538,694**	**37,564,474**	**127,818,694**
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		**43,685,013**	**127,538,694**	**37,564,474**	**127,818,694**

Statement of Changes in Equity

Figures in Rand	Share capital	Accumulated loss	Total equity
Group			
Balance at 01 April 2020	**400,000,000**	**(294,421,784)**	**105,578,216**
Profit for the year	-	127,538,694	127,538,694
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**127,538,694**	**127,538,694**
Balance at 01 April 2021	**400,000,000**	**(172,773,765)**	**227,226,235**
Profit for the year	-	43,685,013	43,685,013
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**43,685,013**	**43,685,013**
Balance at 31 March 2022	**400,000,000**	**(129,088,752)**	**270,911,248**
Note(s)	13		
Company			
Balance at 01 April 2020	**400,000,000**	**(294,701,784)**	**105,298,216**
Profit for the year	-	127,818,694	127,818,694
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**127,818,694**	**127,818,694**
Balance at 01 April 2021	**400,000,000**	**(155,762,778)**	**244,237,222**
Profit for the year	-	37,564,474	37,564,474
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**37,564,474**	**37,564,474**
Balance at 31 March 2022	**400,000,000**	**(118,198,304)**	**281,801,696**
Note(s)	13		

Statement of Cash Flows

		Group		Company	
Figures in Rand	Note(s)	2022	2021	2022	2021
Cash flows from operating activities					
Cash (used in)/generated from operations	26	35,417,334	(24,034,555)	15,426,024	(23,754,555)
Finance income		21,127,674	23,658,103	4,006,475	3,941,561
Finance costs		(330,081)	(383,790)	(330,081)	(383,790)
Net cash from operating activities		**56,214,927**	**(760,242)**	**19,102,418**	**(20,196,784)**
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(13,172,185)	(101,495)	-	(101,495)
Sale of property, plant and equipment	4	-	1,168,811	-	1,168,811
Sale of other intangible assets	5	-	-	1,766	-
Net cash from investing activities		**(13,172,185)**	**1,067,316**	**1,766**	**1,067,316**
Cash flows from financing activities					
Total cash movement for the year		**43,042,742**	**307,074**	**19,104,184**	**(19,129,468)**
Cash at the beginning of the year		305,484,916	305,177,842	100,598,036	119,727,504
Total cash at end of the year	12	**348,527,658**	**305,484,916**	**119,702,220**	**100,598,036**

Accounting Policies

1. Principal accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate audited annual financial statements are set out below are consistent with those of the previous financial year.

1.1 Statement of compliance

The financial statements for the year ended 31 March 2022 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.

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 GRAP (SA GAAP). The Group 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.

These accounting policies are consistent with the previous period.

The consolidated and separate audited annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these audited annual financial statements, Companies' Act of South Africa of South Africa as amended and the Public Finance Management Act No.1 of 1999 .

1.3 Consolidation

Basis of consolidation

The consolidated audited annual financial statements incorporate the audited annual financial statements of the company and all subsidiaries. Subsidiaries are entities (including structured entities) which are controlled by the group.

The group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use its power over the entity.

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

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

All inter-company transactions, balances, and unrealised gains on transactions between group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting Policies

1.4 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.

Management made significant judgements in forecasting the financial turnaround of the entity in their 5-year Cashflow strategy which included the following significant estimates and assumptions:

- the dollar to rand exchange rate is at an average of 12.96 over a period of 5 years. Reference was made to the longforecast.com website, which had the forecasted exchange rate for the 5-year period at lowest 12.59 and highest at 15.63.
- the carats production is forecasted at 40 000 carats in the year 2022 increasing to 64 000 carats in year 2026.
- The dollar pricing for the carat is projected at 1000 USD dollar for land carats, at 1 200 USD dollar for beach carats and 1 250 USD dollar for marine carats.

The ICC loan restated in the books of Alexkor is an interest free loan between Alexkor and the PSJV. It is repaid on the 5% diamond sales. The above estimates and assumptions on the future cash flow will be applicable to the loan. Management also made significant judgement based on inputs of the fair value of the property. The square meter rate per size of the property was used to determine the market value which is influenced by the area where the property is based, the market conditions at the time of evaluation, the size, the age, the quality, the specific characteristics of the property as well as the latest selling price index (the willing buyer and willing seller) on the demand and supply market of the latest sales. The property valuer liaises with the Deeds Office to determine the recent sales and transfer prices. The investment properties Alexkor hold are based in Bitterfontein and Port Nolloth. The properties in those areas do not frequently sell; the latest sale for all the properties was between February 2020 to October 2020. The valuer took the inflation into account to bring the valuation of properties into the recent pricing model in 2021. Significant judgement on investment properties that entity had to rely on are inflation, the selling price index of the properties.

Impairment of non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Impairment of financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Accounting Policies

1.4 Critical accounting estimates and assumptions (continued)

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.

Provisions and contingent liabilities

The Group 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.

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 Group considers the remaining life of the assets, their projected disposal value and future market conditions.

1.5 Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. When a Group entity undertakes its activities under joint operations, the Group as a joint operator recognises inrelation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation
- Its expenses, including its share of any expenses incurred jointly

The Group accounts for the assets, liabilities, revenue and expenses relating to its interest in a joint operation in accordance with the IFRS Standards applicable to the particular assets, liabilities, revenue and expenses. When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation. When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

In terms of IFRS 11, the PSJV is a Joint Operation and is an unincorporated entity. The PSJV is accounted for in accordance with paragraph 26 of IFRS 11.

Accounting Policies

1.6 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 Group 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.

Items of property, plant and equipment are not recognised when they are disposed or when they are not likely to yield future economic benefits from its use. Any profit or loss is recognized upon the disposal or retirement of an item of property, plant and equipment and is calculated as the difference between proceeds (if any) and the carrying amount.

Depreciation on right of use of buildings is calculated over the lease term which is 5 years.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over the estimated useful lives. This represents a change in depreciation method from the reducing balance method previously applied, refer to note for change in accounting estimate. Depreciation on primary production machines is calculated based on machine hours, consistent with the prior years. Depreciation rates are as follow:

Item	Depreciation method	Average useful life
Plant and machinery	Straight line	9 - 34 years
Furniture and fixtures	Straight line	3 - 34 years
Motor vehicles	Straight line	4 - 28 years
Furniture & fittings	Straight line	3 - 34 years
IT equipment	Straight line	3 - 26 years
Leasehold improvements	Straight line	50 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.

1.7 Investment property

Investment properties as properties held to earn rentals and/or for capital appreciation or both. Alexkor's investment properties are held to earn rentals and for capital appreciation.

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.

Accounting Policies

1.7 Investment property (continued)

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

1.8 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 reducing-balance 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 the 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 are incurred.

When a project is deemed to no longer have commercially viable prospect to the Group, 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 Group 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.

1.9 Impairment of non-financial assets

At each reporting date, the Group 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). Therecoverable 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. Impairment (if any) is recognised as an expense in profit or loss in the period that it is incurred.

Where impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, 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.

1.10 Financial instruments

Financial instruments held by the Company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the Company, as applicable, are as follows:

Financial assets and financial liabilities are recognized when the limited partnership becomes a party to the contractual provisions of the instrument.

Accounting Policies

1.10 Financial instruments (continued)

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through the Income Statement, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the Balance Sheet when, and only when, there exists a legally enforceable right to set off the recognised amounts and the limited partnership intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortized cost using the effective interest method:

The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs

(a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through the Profit and Loss Account.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Accounting Policies

1.10 Financial instruments (continued)

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

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 11).

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

Recognition and measurement

Trade and other receivables are recognised when the Company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Application of the effective interest method

For receivables which contain a significant financing component, interest income is calculated using the effective interest method, and is included in profit or loss in investment income (note 23).

The application of the effective interest method to calculate interest income on trade receivables is dependent on the credit risk of the receivable as follows:

- The effective interest rate is applied to the gross carrying amount of the receivable, provided the receivable is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a receivable is a purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the receivable, even if it is no longer credit impaired.
- If a receivable was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the receivable in the determination of interest. If, in subsequent periods, the receivable is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Impairment

The Company recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The Company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected creditlosses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

The Company makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

Accounting Policies

1.10 Financial instruments (continued)

Trade and other payables

Classification

Trade and other payables (note 17), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the Company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 24).

Trade and other payables expose the Company to liquidity risk and possibly to interest rate risk. Refer to note 3 for details of risk exposure and management thereof.

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 fair value.

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.

Loans to joint venture

These include loans to and from joint operations and are recognised initially at fair value plus direct transaction costs. Loans to related parties are classified as loans and receivables.

1.11 Inventories

IAS 2 excludes minerals and mineral product to be measured at cost, if they are measured at net realisable value in accordance to industry practice. If the inventories are measured at net realizable value, changes are recognised in profit or loss.

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.

1.11 Inventories (continued)

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.

1.12 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.

1.13 Leases

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

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

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

Company as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Company is a lessee.

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

Details of leasing arrangements where the Company is a lessee are presented in note 14 Leases (Company as lessee).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

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

- fixed lease payments, including in-substance fixed payments, less any lease incentives;

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 24).

Right-of-use assets

Right-of-use assets are presented as a separate line item on the Statement of Financial Position.

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

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

Accounting Policies

1.13 Leases (continued)

Company as lessor

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

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Company applies the exemption described previously, then it classifies the sub-lease as an operating lease.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated by applying IFRS 15.

Finance leases

Amounts due from lessees are recognised from commencement date at an amount equal to the Company net investment in the lease. They are presented as lease receivables in the statement of financial position.

The interest rate implicit in the lease is used to measure the net investment in the lease. If the interest rate implicit in a sublease cannot be readily determined for a sublease, then the discount rate used for the head lease (adjusted for any initial direct costs associated with the sublease) is used to measure the net investment in the sublease.

The interest rate implicit in the lease is defined in a manner which causes the initial direct costs to be included in the initial measurement of the net investment in the lease.

Lease payments included in the measurement of the net investment in the lease comprise the following:
- fixed lease payments, including in-substance fixed payments, less any lease incentives payable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be receivable by the Company from the lessee, a party related to the lessee or a third party unrelated to the Company under residual value guarantees (to the extent of third parties, this amount is only included if the party is financially capable of discharging the obligations under the guarantee);
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

The Company recognises finance income over the lease term, based on a pattern that reflects a constant periodic rate of return on the net investment in the lease. Finance income recognised on finance leases is included in investment income in profit or loss (note 23).

The Company applies the impairment provisions of IFRS 9 to lease receivables. Refer to the accounting policy for trade and other receivables as lease receivables are impaired on a consistent basis with that accounting policy.

1.14 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 30 and 31).

Accounting Policies

1.15 Employee benefits

Short-term employee benefits

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The accruals have been calculated at undiscounted amounts based on current wage and salary rates.

Defined contribution plan

The Group only had a defined contribution plan during the year. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity. The Group 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 Group operates one pension fund for its employees. The scheme is generally funded through payment to Pension Fund Trust Administrators.

Termination benefits

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

The Group recognises termination benefits at the earlier of the following dates (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group 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 accrualis made for the estimated liability for annual leave as a result of services rendered by employees up to reporting date.

1.16 Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

A provision is recognised for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Accounting Policies

1.16 Taxation (continued)

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if:

a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

1.17 Provisions and contingencies

Provision for environmental restoration, restructuring cost, legal claims are recognised when the group 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.

1.18 Revenue recognition

The revenue recognition is recognised when goods are transferred to the customer as per the IFRS 15. The sale of diamonds is done through a tender/ diamond auction. The goods are transferred to customers once money has cleared in our bank account. Revenue is measured at the fair value of the diamonds.

Revenue for the entity is from sale of diamond. It is recognised at “point in time” when the company satisfies its performance obligation under a contract with the customer, by transferring such metals to the customer control. Revenue is accounted for using IFRS 15 is recognised when control of the Diamond is transferred to the customer, the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the entity.

Revenue is measured based on consideration and terms specified with the customer and is driven by the quoted price from the tender or diamond auction. The transaction price of the Diamond in the ordinary course of business, excluding Value Added Tax, and after eliminating sales within the Group.

Diamonds are paid for prior to the transfer to the customer. Transfer of control takes place once the customer has the ability to direct the use of the diamond and the physically possession of the asset has been transferred by the company.

Accounting Policies

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 Group 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 Group will comply with the conditions attached to them. Distinction is made between the following types of Government grants:

a) 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;
b) Government grants received/receivable for the purpose of giving immediate financial support to the Group with no related future costs are recognised as income in the period it becomes receivable; and
c) 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.

1.22 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party.

All transactions with Related Parties shall be carried out at arm's length.

Notes to the Audited Annual Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 4	01 January 2021	The impact of the amendments is not material.
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 7	01 January 2021	The impact of the amendments is not material.
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9	01 January 2021	The impact of the amendments is not material.
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 16	01 January 2021	The impact of the amendments is not material.
• Interest Rate Benchmark Reform - Phase 2: Amendments to IAS 39	01 January 2021	The impact of the amendments is not material.
• COVID-19 - Related Rent Concessions - Amendment to IFRS 16	01 June 2020	The impact of the amendment is not material.

Notes to the Audited Annual Financial Statements

2.2 Standards and interpretations not yet effective

The Company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Company's accounting periods beginning on or after 01 April 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	01 January 2099	Unlikely there will be a material impact
• Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12	01 January 2023	Unlikely there will be a material impact
• Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.	01 January 2023	Unlikely there will be a material impact
• Definition of accounting estimates: Amendments to IAS 8	01 January 2023	Unlikely there will be a material impact
• Classification of Liabilities as Current or Non-Current - Amendment to IAS 1	01 January 2023	Unlikely there will be a material impact
• IFRS 17 Insurance Contracts	01 January 2023	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1	01 January 2022	Unlikely there will be a material impact
• Reference to the Conceptual Framework: Amendments to IFRS 3	01 January 2022	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9	01 January 2022	Unlikely there will be a material impact
• Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	01 January 2022	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IAS 41	01 January 2022	Unlikely there will be a material impact

Notes to the Audited Annual Financial Statements

3. Risk management

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 group's short-, medium- and long-term funding and liquidity management requirements. The Group 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.

Group - 2022

	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Non-current liabilities					
Environmental rehabilitation liability	12,740,401	25,480,802	25,408,802	140,216,408	203,846,413
Current liabilities					
Trade and other payables	117,556,901	-	-	-	117,556,901
Government funded obligations	5,990,129	-	-	-	5,990,129
Lease liabilities	83,601	-	-	-	83,601
	(136,371,032)	**(25,480,802)**	**(25,408,802)**	**(140,216,408)**	**(327,477,044)**

Group - 2021

	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Non-current liabilities					
Environmental rehabilitation liability	12,740,401	25,480,802	25,408,802	140,216,408	203,846,413
Current liabilities					
Trade and other payables	58,609,445	-	-	-	58,609,445
Government funded obligations	6,050,037	-	-	-	6,050,037
Lease liabilities	747,455	-	-	-	747,455
	(78,147,338)	**(25,480,802)**	**(25,408,802)**	**(140,216,408)**	**(269,253,350)**

Market Risk

The diamond market is predominantly priced in United States Dollars (USD) which exposes the group 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 group'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 Group 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 2022, albeit that the reasonable possible foreign exchange rate varianceswere different, as indicated below.

Notes to the Audited Annual Financial Statements

3. Risk management (continued)

As at 31 March 2022 a strengthening of the USD against all other currencies of 12% would have, on average, increased the net profit before tax with R million (2021: R15.3 million loss). An equal change in the opposite direction would have caused an equal decrease on the net profit before tax.

As at 31 March 2022 a strengthening of the USD against all other currencies of 9% would have, on average, increased the net profit before tax with R million (2021: R11.5 million loss). 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 2022 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 R million (2021: R10.2 million). An equal change in the opposite direction would have caused an equal decrease on the net profit before tax.

As at 31 March 2022 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 R million (2021: R12.8 million). An equal change in the opposite direction would have caused an equal decrease on the net profit before tax.

Cash flow and fair value interest rate risk

The Group 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 2022, 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 R million higher (2021: R0.0893 million). An equal change in the opposite direction would have caused an equal decrease on the net profit before tax.

As at 31 March 2022, 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 R million higher (2021: R0.0638 million). An equal change in the opposite direction would have caused an equal decrease on the net profit before tax.

Notes to the Audited Annual Financial Statements

3. Risk management (continued)

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.

* ICC Loan to PSJV

The company took the view that the impairment should be reversed. As 51% of the PSJV numbers are included in the company numbers, the net reversal amounts to R90.4m (49% of R184.4m). The debt will be recovered on the 5% of the diamond sale (which is a management fee Alexkor charges to the PSJV).

* Trade and other receivables

The Group trades only with recognised, creditworthy third parties. It is the group'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.

The Trade and other receivables is mainly made up of the PSJV debtor and other debtors (which result from rental income and other rental revenue stream. R17.2m that was impaired in the prior years was reversed in the current year. The average % collection over 2 years is 55%, management took a view of making a provision of the 45% of the other debtors, which resulted in a reversal of the R17.2m.

* Cash and cash equivalents

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

Financial assets exposed to credit risk at year end were as follows:

Cash held at financial institutions
Momentum
Investec Bank Limited
Rand Merchant Bank Limited
First National Bank Limited

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

Credit ratings
AA+
Baa3
Bbb

The above ratings were based on Standard and Poor's long term and short-term national scale rating of the banks used by the banks used by the Company:

- First Rand Bank Ltd (bbb)

- Investec Bank Ltd (AA+)

Moody's allocated Baa3 rating for Momentum Metropolitan Group Limited.

The ratings above were based on a stable outlook.

Notes to the Audited Annual Financial Statements

3. Risk management (continued)

Capital risk management

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

The Group is in the process of 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 Group is not able to finalise a strategy in managing capital and determining an optimal capital structure. The Group is in the process of determining its capital requirements to fund its continued operations along with new mining ventures.

The Group 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 Group currently does not have any borrowings.

Notes to the Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2022	2021	2022	2021

4. Property, plant and equipment and Right-of-use assets

Company & Group	2022			2021		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Buildings - Right-of-use assets	5,971,488	(5,887,886)	83,602	5,299,828	(4,858,176)	441,652
Plant and machinery	82,956,550	(47,756,853)	35,199,697	82,640,054	(50,064,071)	32,575,983
Furniture and fixtures	2,388,838	(1,409,294)	979,544	2,385,868	(1,138,240)	1,247,628
Motor vehicles	12,983,515	(12,282,195)	701,320	14,759,895	(12,504,703)	2,255,192
IT equipment	3,083,040	(2,369,798)	713,242	2,736,359	(1,886,510)	849,849
Leasehold improvements	2,362,800	(435,026)	1,927,774	1,125,492	(317,322)	808,170
Capital - Work in progress	1,965,509	-	1,965,509	-	-	-
Total	**111,711,740**	**(70,141,052)**	**41,570,688**	**108,947,496**	**(70,769,022)**	**38,178,474**

Notes to the Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2022	2021	2022	2021

4. Property, plant and equipment and Right-of-use assets (continued)

Reconciliation of property, plant and equipment – Company & Group 2022

	Carrying value at beginning of the year	Additions	Depreciation	Impairment loss	Carrying value at end of the year
Buildings - Right-of-use assets	441,652	671,659	(1,029,709)	-	83,602
Plant and machinery	32,575,983	8,983,807	(6,304,966)	(55,127)	35,199,697
Furniture and fixtures	1,247,628	2,970	(267,298)	(3,756)	979,544
Motor vehicles	2,255,192	-	(1,534,678)	(19,194)	701,320
IT equipment	849,849	310,932	(447,539)	-	713,242
Leasehold improvements	808,170	1,237,308	(117,704)	-	1,927,774
Capital - Work in progress	-	1,965,509	-	-	1,965,509
	38,178,474	**13,172,185**	**(9,701,894)**	**(78,077)**	**41,570,688**

Reconciliation of property, plant and equipment – Company & Group 2021

	Carrying value at beginning of the year	Additions	Disposals	Depreciation	Carrying value at end of the year
Buildings - Right-of-use assets	1,501,618	-	-	(1,059,966)	441,652
Plant and machinery	37,952,707	96,759	(26,119)	(5,447,364)	32,575,983
Furniture and fixtures	1,457,947	-	(30,878)	(179,441)	1,247,628
Motor vehicles	3,844,276	-	(248,509)	(1,340,575)	2,255,192
IT equipment	1,179,206	-	(2,866)	(326,491)	849,849
Leasehold improvements	864,444	-	-	(56,274)	808,170
	46,800,198	**96,759**	**(308,372)**	**(8,410,111)**	**38,178,474**

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 Group. No property, plant and equipment have been pledged as security.

Notes to the Audited Annual Financial Statements

4. Property, plant and equipment and Right-of-use assets (continued)

The net book value of property, plant and equipment, stated at historical cost, included fully depreciated assets with a gross carrying value of R1,3 million.

5. Intangible assets

Company & Group	2022			2021		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	3,122,319	(2,132,476)	989,843	3,122,319	(1,640,749)	1,481,570
Capitalised exploration and evaluation expenditure	94,698,036	(94,698,036)	-	94,698,036	(94,698,036)	-
Total	**97,820,355**	**(96,830,512)**	**989,843**	**97,820,355**	**(96,338,785)**	**1,481,570**

Reconciliation of intangible assets - Group & Company 2022

	Opening balance	Amortisation	Total
Computer software	1,481,570	(491,727)	989,843

Reconciliation of intangible assets - Group & Company 2021

	Opening balance	Additions	Disposals	Amortisation	Impairment loss	Total
Computer software	1,647,970	4,736	(1,766)	(169,341)	(29)	1,481,570

6. Investment property

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation technique and inputs used to develop the fair value measurement is as per fair value hierarchy.

IFRS 13 establishes a fair value hierarchy that categories in inputs to valuation techniques into three levels as follows:

- Level 1 - Unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 - Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability: and
- Level 3 - Unobservable inputs for the asset or liability, which include management's own assumption about the assumptions market participants would use in pricing the asset or liability, including assumptions about risk.

Level 2 was used to determine the fair value of the investment properties. The following input were used in the financial mode of determining the square meter per size of the properties (the recent selling price index, which is the market value of the price according to the demand and supply in the Bitterfontein and Port Nolloth where the properties are situated, the inflation rate to bring the price from the latest sales price in 2020 to 2021 pricing.

Group	2022			2021		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	5,584,997	-	5,584,997	5,584,997	-	5,584,997

Notes to the Audited Annual Financial Statements

6. Investment property (continued)

Company	2022			2021		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	5,584,997	-	5,584,997	5,584,997	-	5,584,997

Reconciliation of investment property - Group - 2022

	Opening balance	Total
Investment property	5,584,997	5,584,997

Reconciliation of investment property - Group - 2021

	Opening balance	Fair value adjustments	Total
Investment property	4,259,997	1,325,000	5,584,997

Reconciliation of investment property - Company - 2022

	Opening balance	Total
Investment property	5,584,997	5,584,997

Reconciliation of investment property - Company - 2021

	Opening balance	Fair value adjustments	Total
Investment property	4,259,997	1,325,000	5,584,997

There were no Investment property additions of disposal for the period 01 April 2021 to 31 March 2022. The valuation was externally performed by Pendo Property Valuers as at 31 March 2021. The properties are measured at fair value method. Gains or losses arising from changes in the fair value is recognised in profit and loss.

Notes to the Audited Annual Financial Statements

6. Investment property (continued)

Details of property

1. ERF 32 3de & 4de Bosstraat situated at Port Nolloth, Richtersveld Municipality, Namaqualand Road, Northern Cape forResidential usage was acquired on 01-04-2006.
2. ERF 66 Soutpansweg situated at Port Nolloth, Richtersveld Municipality, Namaqualand Road, Northern Cape for Residential usage was acquired on 01-04-2006.
3. ERF 578 H/V Diamant/Jakaranda situated at Port Nolloth, Richtersveld Municipality, Namaqualand Road, Northern Cape for Residential usage was acquired on 01-04-2006.
4. ERF 611 Industriele Gebied situated at Port Nolloth, Richtersveld Municipality, Namaqualand Road, Northern Cape for Industrial usage was acquired on 01-04-2006.
5. ERF 704 Markstraat situated at Port Nolloth, Richtersveld Municipality, Namaqualand Road, Northern Cape for Residentialusage was acquired on 01-04-2006.
6. ERF 713 Markstraat situated at Port Nolloth, Richtersveld Municipality, Namaqualand Road, Northern Cape for Residentialusage was acquired on 01-04-2006.
7. ERF 49 Bitterfontein situated at Bitterfontein, Bitterfontein Municipality, Vanrhynsdorp Road for Residential usage was acquired on 31-03-2015.
8. ERF 50 Bitterfontein situated at Bitterfontein, Bitterfontein Municipality, Vanrhynsdorp Road for Residential usage was acquired on 31-03-2015.
9. ERF 179 Bitterfontein situated at Bitterfontein, Bitterfontein Municipality, Vanrhynsdorp Road for Residential usage was acquired on 31-03-2015.

7. Investment in Trust

Company

Cash held in Rehabilitation Trust	215,781,540	204,886,880

Reconciliation of cash held in Rehabilitation Trust		
Opening balance	204,886,880	185,450,338
Utilised for rehabilitation	(6,226,539)	(280,000)
Interest received	17,121,199	19,716,542
	215,781,540	**204,886,880**

Notes to the Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2022	2021	2022	2021

8. ICC Loan to PSJV

Joint ventures

ICC loan to PSJV	84,802,621	90,360,899	84,802,621	90,360,899
Reconciliation of ICC loan to PSJV				
Opening balance	90,360,899	-	90,360,899	-
Reinstatement of loan	-	90,360,899	-	90,360,899
Repayments	(5,558,278)	-	(5,558,278)	-
	84,802,621	**90,360,899**	**84,802,621**	**90,360,899**

The ICC Loan which is as a result of reversal of the impairment, has no fixed term repayment terms as it is recovered through the sale of diamonds, it is an interest free loan to Alexkor RMC JV.

9. Inventories

Diamonds - Contractors	24,799,113	29,549,249	24,799,113	29,549,249
Parts and consumables stores	2,287,899	2,550,186	2,287,899	2,550,186
	27,087,012	**32,099,435**	**27,087,012**	**32,099,435**

Diamond inventory from Muisvlak and the contractors are carried at net realisable value. No inventories have been pledged as security. IAS 2 excludes minerals and mineral product to be measured at cost, if they are measured at net realisable value in accordance to industry practice. If the inventories are measured at net realizable value, changes are recognised in profit or loss.

10. Trade and other receivables

Financial instruments:				
Trade receivables	70,619,690	24,584,670	70,619,690	24,584,670
Loss allowance	(8,349,178)	(5,505,405)	(8,349,178)	(5,505,405)
Trade receivables at amortised cost	62,270,512	19,079,265	62,270,512	19,079,265
Other receivables	13,630,207	9,592,086	13,630,207	9,592,086
Non-financial instruments:				
VAT	892,980	1,141,761	892,980	1,141,761
Prepayments (if immaterial)	511,242	343,813	511,242	343,813
Total trade and other receivables	**77,304,941**	**30,156,925**	**77,304,941**	**30,156,925**

Notes to the Audited Annual Financial Statements

11. Trade and other receivables (continued)

Figures in Rand	Group 2022	Group 2021	Company 2022	Company 2021
Opening balance	**(5,505,405)**	**(22,698,943)**	**(5,505,405)**	**(22,698,943)**
Impairment reversed	-	17,193,538	-	17,193,538
Closing balance	**(5,505,405)**	**(5,505,405)**	**(5,505,405)**	**(5,505,405)**

The group recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The group measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

The group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at thereporting date, including the time value of money, where appropriate.

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. In period 2021 due to the financial recovery in the PSJV and the positive outlook in the diamond industry and business turnaround in the PSJV, an impairment was reversed both in the PSJV and the Alexkor.

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

12. Cash and cash equivalents

Figures in Rand	Group 2022	Group 2021	Company 2022	Company 2021
Restricted cash and cash equivalents				
Cash held in call accounts**	69,240,737	13,010,395	69,240,737	13,010,395
Recapitalisation funds (MTEF)***	83,009,105	81,537,840	83,009,105	81,537,840
Short term investment****	204,937,092	204,886,880	-	-
Unrestricted cash and cash equivalents				
Cash held in call accounts	6,488,258	6,049,801	6,488,258	6,049,801
	363,675,192	**305,484,916**	**158,738,100**	**100,598,036**

**The Government funds received is ring-fenced to be utilised in Township Establishment and implementation of the Deed of Settlement.

***Cash received for MTEF allocation will be utilised as approved by the Board in conjunction with the shareholder.

Notes to the Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2022	2021	2022	2021

12. Cash and cash equivalents (continued)

****Cash held in Rehabilitation Trust*

The R45 million allocated to the community on transfer of the properties in terms of the Deed of Settlement towards a 10-year lease is ring-fenced in a Trust by the Company's lawyers and are under the control of the Company's lawyers. Alexkor's liability per the Deed of Settlement is limited to R45 million.

Cash held in Rehabilitation Trust				
Opening balance	204,886,880	185,450,338	-	-
Utilised for rehabilitation	-	(280,000)	-	-
Interest received	17,121,199	19,716,542	-	-
	222,008,079	**204,886,880**	**-**	**-**

13. Share capital

Authorised				
400 000 000 ordinary shares	400,000,000	400,000,000	40,000,000	400,000,000
Issued				
400 000 000 ordinary shares	400,000,000	400,000,000	400,000,000	400,000,000

Alexkor received R350 million through its Medium-Term Expenditure Framework (MTEF) allocation on 31 December 2012. This was a recapitalisation from the Shareholder and the 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.

The R350 million provided by National Treasury was to be utilised in compliance with the Deed of Settlement as follows:

a) R200 million to attend to the Rehabilitation Liability

b) R50 million to settle the Post- Retirement Medical Aid Liability

c) R55 million to settle all the statutory Tax obligations that arose from the stipulations in the Deed of Settlement

(a) R45 million to transfer to the CPA (Property Holding Company) to comply with the Deed of Settlement with regards to the 10-year lease.

14. Leases (Company as lessee)

The Company has the option to purchase the plant at a nominal amount on completion of the lease term.

Details pertaining to leasing arrangements, where the Company is lessee are presented below:

Notes to the Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2022	2021	2022	2021

14. Leases (Company as lessee) (continued)

Lease liabilities

Opening balance	747,455	2,138,268	747,455	2,138,268
Additions	671,659	-	671,659	-
Payments	(1,373,012)	(1,583,257)	(1,373,012)	(1,583,257)
Interest expense	37,499	192,444	37,499	192,444
	83,601	**747,455**	**83,601**	**747,455**

The maturity analysis of lease liabilities is as follows:

Within one year	83,601	747,455	83,601	747,455
Current liabilities	83,601	747,455	83,601	747,455

Notes to the Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2022	2021	2022	2021

	Group		Company	
Figures in Rand	2022	2021	2022	2021

15. Environmental rehabilitation liability

Reconciliation of environmental rehabilitation liability - Group & Company 2022

	Opening balance	Total
Environmental rehabilitation	203,846,413	203,846,413

Reconciliation of environmental rehabilitation liability - Group & Company 2021

	Opening balance	Reassessment of liability	Total
Environmental rehabilitation	204,890,428	(1,044,015)	203,846,413

The Group has an obligation to undertake restoration, rehabilitation, and environmental work when environmental disturbance is caused by the development or ongoing production of diamonds inventory. A provision is recognised for the present value of such costs, based on management's best estimate of the legal and constructive obligations incurred. Changes in legislation could result in changes in provisions recognised.

A study was conducted by an independent environmental management consultant company, SRK consulting during the 2020 financial year which estimated Alexkor's legacy rehabilitation liability to R201 million as at 31 March 2020. The company confirmed that no additional liabilities were created during the current reporting period for Alexkor.

All new environmental disturbances resulting in 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 R million (2021: R6.5 million). Alexkor included its 51% share at R million (2021: R3.3 million).

The company's total rehabilitation liability amounts to R204 million as at 31 March 2021 (2021: R204 million).

Aerial photography was carried out previously 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 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 has reduced the decline of sand slopes.

16. Trade and other payables

Financial instruments:				
Trade payables	116,474,757	51,706,441	116,474,757	51,706,441
Trade payables - related parties	2,750,056	2,750,056	2,750,056	2,750,056
Accrued leave pay	1,790,542	2,406,066	1,790,542	2,406,066
Accrued bonus	361,518	318,172	361,518	318,172
Other payables	(3,819,972)	1,432,696	(3,865,972)	1,432,696
Non-financial instruments:				
Amounts received in advance	7,579	7,579	7,579	7,579
VAT payable	2,619,432	965,391	2,619,432	965,391
	120,183,912	**59,586,401**	**120,137,912**	**59,586,401**

16. Government funded obligations

The Group 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:

2022	Opening balance	Utilised in the period	Interest on investment of funds	Closing balance
Township establishment	70,388	-	-	70,388
Cost related to Deed of Settlement	5,979,649	-	-	5,979,649
Total	**6,050,037**	**-**	**-**	**6,050,037**

2021	Opening balance	Utilised in the period	Interest on investment of funds	Closing balance
Township establishment	4,478,460	(4,500,000)	91,928	70,388
Cost related to Deed of Settlement	7,924,595	(2,111,797)	166,851	5,979,649
Total	**12,403,055**	**(6,611,797)**	**258,779**	**6,050,037**

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 (DoS). 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 Wastewater Treatment Works was completed in March 2013.

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.

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 ring-fenced and are 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 administers 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.

Notes to the Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2022	2021	2022	2021

17. Government funded obligations (continued)

The handover of the township to the Richtersveld municipality will be done in a phased approach during the 2020 financial year.

The Government funds utilised in the current financial year amounts to R 7 176 797 mainly for the payment of the recurring debt of electricity supply with Eskom and repairs and maintenance, replacement of steel water pumps.

18. Revenue

Diamond sales	227,901,641	158,126,353	227,901,641	158,126,353

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

19. Cost of sales

Sale of goods	150,050,928	109,249,913	150,050,928	109,249,913
Diamond Inventory	1,547,501	(9,190,348)	1,547,501	(9,190,348)
	151,598,429	**100,059,565**	**151,598,429**	**100,059,565**

20. Other operating income

Commissions received	6,823,046	2,834,235	6,823,046	2,834,235
Other income	14,129,221	6,098,981	14,129,221	6,098,981
	20,952,267	**8,933,216**	**20,952,267**	**8,933,216**

The Company's other income comprises of commission earned for the year 2021 of R2.8m and R6m from the rental income and other rental revenue streams (water and electricity).

21. Other operating expenses

Depreciation	7,850,670	7,351,121	7,850,670	7,351,121
Depreciation - Right-of-use assets	1,029,710	1,059,966	1,029,710	1,059,966
Amortisation	268,255	169,341	268,255	169,341
Employee costs	30,424,365	37,868,639	30,424,365	37,868,639
Audit Fees	674,579	931,933	628,579	931,933
Bank charges	331,774	326,467	331,774	326,467
Consulting and professional fees	4,701,316	2,679,447	4,701,316	2,679,447
Consumables	5,098,527	2,694,257	5,098,527	2,694,257
Telecommunications	771,761	946,278	771,761	946,278
Repairs and maintenance	164,340	404,528	164,340	124,528
Security services	8,499,440	6,873,504	8,499,440	6,873,504
Electricity	7,618,359	7,977,565	7,618,359	7,977,565
Assessment rates & municipal charges	90,943	1,264,342	90,943	1,264,342
Other expenses	4,000,248	1,090,432	4,000,248	1,090,432
	71,524,287	**71,637,820**	**71,478,287**	**71,357,820**

22. Investment income

Interest received from cash in bank	4,006,475	3,941,561	4,006,475	3,941,561
Interest received from cash held in Rehabilitation Trust	17,121,199	19,716,542	-	-
Total	**21,127,674**	**23,658,103**	**4,006,475**	**3,941,561**

Notes to the Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2022	2021	2022	2021

23. Finance costs

Interest - Leases Liability	37,499	192,444	37,499	192,444
Unwinding of discount on provisions and other liabilities	-	835,913	-	835,913
Other interest paid	292,582	191,346	292,582	191,346
Total	**330,081**	**1,219,703**	**330,081**	**1,219,703**

The interest received on Government funds is 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.

24. Cash (used in)/generated from operations

Profit before taxation	43,685,013	127,538,694	37,564,474	127,818,694
Adjustments for:				
Depreciation and amortisation	9,148,635	8,578,702	9,148,635	8,578,702
Losses on disposals of assets	-	(858,673)	-	(858,673)
Investment income	(21,127,674)	(23,658,103)	(4,006,475)	(3,941,561)
Finance costs	330,081	1,219,703	330,081	1,219,703
Fair value adjustments	-	(1,325,000)	(10,954,660)	(21,041,542)
Movement in credit loss allowances	2,843,772	(17,193,538)	(16,224,192)	(16,224,192)
Provision for leave	-	(2,406,065)	-	(2,406,065)
Provision for leave accrual	-	(335,172)	-	(335,172)
Reversal of ICC loan	-	(90,360,899)	-	(90,360,899)
Lease payment	-	1,390,813	-	1,390,813
Rehabilitation liability provision	-	392,685	-	392,685
Changes in working capital:				
Inventories	3,464,922	(24,090,287)	3,464,922	(24,090,287)
Trade and other receivables	(18,538,438)	(18,538,438)	(11,142,262)	(11,142,262)
Trade and other payables	15,611,023	15,611,023	7,245,501	7,245,501
	35,417,334	**(24,034,555)**	**15,426,024**	**(23,754,555)**

25. Guarantees

The Group has the following guarantees with the First Rand Group for the following:

Eskom	-	18,900	-	18,900
Department of Mineral Resources (Rehabilitation)	-	13,913,934	-	13,913,934
	-	**13,932,834**	**-**	**13,932,834**

The guarantees issued by the bank for Eskom, relates to the electricity supplied to the town and is issued as security for default.

The guarantees issued by First Rand Bank, relate to rehabilitation of land associated with the various mining rights held by the Group.

Notes to the Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2022	2021	2022	2021

26. Related parties

Related Party Relationships

The Group is a State-Owned Entity and transactions with the following state entities occurred during the financial year:

- State Diamond Trader
- South African Airways
- Eskom
- Telkom SOC Limited
- Sentech
- Alexkor RMC JV

The SOC has a joint relationship with Alexkor RMC JV. The Group has a 51% interest in the Alexkor RMC JV (PSJV), the assets and liabilities of which is consolidated at Group level. Refer to note 17 for the balance and transactions that are included in the Company and Group.

- Alexkor Rehabilitation Trust is a subsidiary of Alexkor, it is 100% controlled by Alexkor

Related party transactions

Eskom	-	16,728,474	-	16,728,474
State Diamond Trader	-	18,654,824	-	18,654,824
Telkom SOC Limited	-	1,218,216	-	1,218,216
	-	**36,601,514**	**-**	**36,601,514**

Balances included in Trade and other payables				
Alexkor RMC JV – ICC Loan	-	90,360,899	-	90,360,899

Transactions with the Trust

The R25 million was a contribution in the Financials.
The distribution of R25 million was made by the Trust to Alexkor.

The key management of Alexkor is the CEO and the Interim CFO during the financial period 2022 which form part of the related parties. Refer to note 29 for the transactions during the period.

Notes to the Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2022	2021	2022	2021

27. Directors' emoluments and executive management remuneration

FY 2022	Capacity	Basic Salary	Other Benefits/Allowances	Total
Executive Director				
*L Pitsoe	CEO/ED	2 501 097	320 000	2 821 097
**T Fowler	CEO/ED	9 925	-	9924,88
Key Management Personnel				
P Mthombeni	CFO/GM Finance	1 690 460	24 000	1 714 460
Non-Executive Directors				
***P Hannekom	NED	77 316,67	-	77 316,67
***D Peta	NED	57 446,67	-	57 446,67
***K Mbhele	NED	57 446,67	-	57 446,67
***M Hermanus	NED	48 906,67	-	48 906,67
***A Roberts	NED	49 976,67	-	49 976,67
***H Swaartbooi	NED	55 326,67	-	55 326,67
		4 547 901,90	**344 000,00**	**4 891 901,90**
FY 2021				
Executive Director				
Mr. L Pitsoe	CEO/ED	2 270 434	598 395	2 868 829
Key Management Personnel				
****ME Makgatho	CFO/GM Finance	1 776 000	384 000	2 160 000
*****P Mthombeni	CFO/GM Finance	108 000	2 000	110 000
		4 154 434	**984 395**	**5 138 829**
*Resigned 31st of January 2022				
**Appointed 8th of March 2022				
***Appointed 31st of January 2022				
****Resigned end of February 2021				
*****Appointed 1st of March 2021				

28. Irregular Expenditure

Irregular expenditure is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

a) Public Finance Management Act, No.1 of 1999 (PFMA); or

b) the State Tender Board Act, 1968 or any regulations made in terms of that Act; or

c) any provincial legislation providing for procurement procedures in that provincial government

There was no irregular expenditure incurred in the current financial year. Irregular expenditure incurred in 2018 financial year, does not relate to fraud and did not result in fruitless and wasteful expenditure. Currently Alexkor has a very thin structure to the Accounting Authority approves and condones the deviations. National Treasury Interpretation note 3 only allows deviations in instances of sole source and emergencies to be approved by the executive authority.

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 in the period 2017/2018. No losses have been incurred as a result of the irregular expenditure identified:

	Group 2022	Group 2021	Company 2022	Company 2021
Opening balance	579,934	23,227,847	579,934	23,227,847
Irregular expenditure identified in the current year	-	-	-	-
Add: Irregular expenditure- current year spend	-	-	-	-
Add: Irregular expenditure - prior year spend	-	-	-	-
Less: amounts condoned	-	(22,647,913)	-	(22,647,913)
Irregular expenditure awaiting condonation	**579,934**	**579,934**	**579,934**	**579,934**

Notes to the Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2022	2021	2022	2021

29. Irregular Expenditure (continued)

The Shareholder's representative has determined the materiality limit for reporting in terms of section 55(2)(b)(i), (ii), and (iii) of the PFMA at R10 million per transaction. Refer to the Report of the Directors for reporting in terms of the materiality framework.

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 for both Company:

Opening balance	1,501,899	1,444,129	1,501,899	1,444,129
Fruitless and wasteful expenditure- current year	285,738	57,770	285,738	57,770
	1,787,637	**1,501,899**	**1,787,637**	**1,501,899**

Details of fruitless and wasteful expenditure				
Incident				
Interest paid on late supplier payment	285,738	57,770	285,738	57,770

The Shareholder's representative has determined the materiality limit for reporting in terms of section 55(2)(b)(i), (ii), and (iii) of the PFMA at R10 million per transaction. Refer to the Report of the Directors for reporting in terms of the materiality framework.

There were no losses incurred through criminal conduct.

31. Contingent Liabilities

A contingent liability of R12 136 611 (51% of R23 797 276) is disclosed in the Financials for the period 2021 as per the litigation matters in proceedings.

Case	**Status**	**Amount**
PL Marine	Possible	10,960,740
Scarlet Sky Investments	Possible	9,397,839
Scarlet Sky Investments	Possible	238,696
Mervyn Carsterns	Possible	3,200,000
		23,797,275

32. Going concern

The annual financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Group will realise its assets and discharge its liabilities in the normal course of business.

In May 2020, the South African Diamond and Precious Metals Regulator issued Alexkor with two licences valid for a period of 5 years: Diamond beneficiation licence and Diamond dealer's license. These licences will allow the company to carry on business as a buyer, seller, importer, and exporter of unpolished and polished diamonds and will play an important role in the future of Alexkor as a diamond trading company. Alexkor started benefitting from the commission fee in the last quarter of 2021. The change of the marketing and sale of diamonds in-house had a great benefit to Alexkor with the improvement in the value of the sales price improving by an average of 45% in the current period.

The various opportunities and restructuring of the business will augment the business success. The business is on its way to recovery, operational efficiency, and business excellence with its change of business and operational strategies. The organization is looking into a 5-year strategic growth implementation where it will enter into business partnership with other big mining organization, go back into insourcing mining rather than outsourcing, technology enhancement and capital equipment improvement. The technology will address the issue of weather conditions for marine mining which tends to have good quality diamonds and also increase the carats production enormously. The rough diamond mining is currently on the upside which is favorable to Alexkor. The licences Alexkor currently acquired also gives Alexkor a wider scope of market-share into the diamond industry as Alexkor can now sell diamonds, enter into the cutting and polishing industry. The focus of concentrating into the marine diamonds and improving from a manual diamond mining into a more sophisticated technological system where mining can be every day will turn - around the company into a profitable, sustainable business.

Alexkor went into a drive of enhancing their internal control system, which benefitted the company into solving the qualification on the prior year's audit opinion. Improvement of the internal control system include segregation of duties, 2 valid signatories, fixed asset verification, supply chain management review which addressed the PFMA compliance, timeous payment to SARS (South African Revenue Service) for taxes and enhancement of standard procedure manual.

These annual financial statements do not give effect to any adjustments, which could be material, and which would be necessary should the company be unable to continue as a going concern and, therefore, be required to realise its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the financial statements..