



Heaven-Sent Gold Group Company Limited

硅谷天堂黃金集團有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code : 1342

## GLOBAL OFFERING



Sole Sponsor



A CITIC Securities  
Company

Sole Global Coordinator



A CITIC Securities  
Company

Joint Bookrunners and Joint Lead Managers



A CITIC Securities  
Company



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## IMPORTANT

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**IMPORTANT:** If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



# Heaven-Sent Gold Group Company Limited

硅谷天堂黃金集團有限公司

(Incorporated in Hong Kong with limited liability)

### GLOBAL OFFERING

**Number of Offer Shares under the Global Offering :** 80,440,000 Shares (subject to the Over-allotment Option)  
**Number of Hong Kong Offer Shares :** 8,044,000 Shares (subject to adjustment)  
**Number of International Offer Shares :** 72,396,000 Shares (subject to adjustment and the Over-allotment Option)  
**Maximum Offer Price :** HK\$17.50 per Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund on final pricing)

**Stock code :** 1342

### *Sole Sponsor*



A CITIC Securities Company

### *Sole Global Coordinator*



A CITIC Securities Company

### *Joint Bookrunners and Joint Lead Managers*



A CITIC Securities Company



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Appendix VI — Documents Delivered to the Registrar of Companies and Available for Inspection," has been registered by the Registrar of Companies in Hong Kong as required by Section 38D of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, November 18, 2019 and, in any event, not later than Tuesday, November 19, 2019, or such other date as agreed between the parties to the Price Determination Agreement. The Offer Price will be no more than HK\$17.50 per Offer Share and is currently expected to be no less than HK\$13.10 per Offer Share unless otherwise announced. If, for any reason, the Offer Price is not agreed by Tuesday, November 19, 2019, or such other date as agreed between the parties to the Price Determination Agreement, between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors."

The Sole Global Coordinator may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range below as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.heavensentgold.com](http://www.heavensentgold.com) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Details of the arrangement will then be announced by us as soon as practicable. See "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. securities laws. The Offer Shares are being offered and sold outside the United States in reliance on Regulation S under the U.S. Securities Act and the applicable laws of each jurisdiction where those offers and sales occur.

November 8, 2019

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## EXPECTED TIMETABLE<sup>(1)</sup>

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*If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.heavensentgold.com](http://www.heavensentgold.com).*

Latest time for completing electronic applications under **HK eIPO White Form** service through one of the following ways<sup>(2)</sup>:  
(1) the IPO App or (2) the designated website [www.hkeipo.hk](http://www.hkeipo.hk) .....11:30 a.m. on Monday, November 18, 2019

Application lists open<sup>(3)</sup> .....11:45 a.m. on Monday, November 18, 2019

Latest time to lodge **WHITE** and **YELLOW** application forms .....12:00 noon on Monday, November 18, 2019

Latest time to give **electronic application instructions** to HKSCC<sup>(4)</sup> .....12:00 noon on Monday, November 18, 2019

Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfers or PPS payment transfer(s). ....12:00 noon on Monday, November 18, 2019

Application lists of the Hong Kong Public Offering close .....12:00 noon on Monday, November 18, 2019

Expected price determination date<sup>(5)</sup> .....Monday, November 18, 2019

(1) Announcement of:

- the Offer Price;
- the level of applications in Hong Kong Public Offering;
- an indication of the level of interest in the International Offering; and
- the basis of allocation of the Hong Kong Offer Shares,

to be published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.heavensentgold.com](http://www.heavensentgold.com) on or before<sup>(6)(10)</sup> .....Friday, November 22, 2019

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## EXPECTED TIMETABLE<sup>(1)</sup>

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(2) Announcement of results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers where appropriate) to be available through a variety of channels including the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk)<sup>(7)</sup> and our Company at [www.heavensentgold.com](http://www.heavensentgold.com)<sup>(8)</sup> (see "How to Apply for the Hong Kong Offer Shares — 11. Publication of Results")<sup>(10)</sup> . . . . . Friday, November 22, 2019

(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.heavensentgold.com](http://www.heavensentgold.com) from<sup>(10)</sup> . . . . . Friday, November 22, 2019

Results of allocations in the Hong Kong Public Offering will be available at the "Allotment Result" function in the IPO App or at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) or [www.hkeipo.hk/IPOResult](http://www.hkeipo.hk/IPOResult) with a "search by ID" function<sup>(10)</sup> . . Friday, November 22, 2019

Dispatch of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before<sup>(6)(10)</sup> . . . . . Friday, November 22, 2019

Dispatch of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful application to be posted on or before<sup>(9)(10)</sup> . . . . . Friday, November 22, 2019

Dealings in Shares on the Stock Exchange expected to commence at 9:00 a.m. on<sup>(10)</sup> . . . . . Monday, November 25, 2019



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## EXPECTED TIMETABLE<sup>(1)</sup>

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*The application for the Hong Kong Offer Shares will commence on Friday, November 8, 2019 through Monday, November 18, 2019. Such time period is longer than the normal market practice of four days. The application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicant(s) without interest on Friday, November 22, 2019. Investors should be aware that the dealings in Shares on the Stock Exchange are expected to commence on Monday, November 25, 2019.*

- (1) All times refer to Hong Kong local time, except as otherwise stated.
- (2) You will not be permitted to submit your application through the IPO App or the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the IPO App or the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning, an announcement of “extreme conditions” by the Government in accordance with the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Hong Kong Labour Department in June 2019 and/or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, November 18, 2019, the application lists will not open and close on that day. Please refer to section headed “How to Apply for the Hong Kong Offer Shares — 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists” in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for the Hong Kong Offer Shares — 6. Applying by Giving **Electronic Application Instructions** to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date is expected to be on or around Monday, November 18, 2019 and, in any event, no later than Tuesday, November 19, 2019, or such other date as agreed between the parties to the Price Determination Agreement. If, for any reason the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company by Tuesday, November 19, 2019, or such other date as agreed between the parties to the Price Determination Agreement, the Global Offering will not proceed and will lapse.
- (6) Share certificates are expected to be issued on Friday, November 22, 2019 but will only become valid provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms, which is scheduled to be at around 8:00 a.m. on Monday, November 25, 2019. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates and before they become valid do so entirely of their own risk.
- (7) The announcement will be available for viewing on the “Main Board-Allotment of Results” page on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company’s website at [www.heavensentgold.com](http://www.heavensentgold.com).
- (8) None of the websites or any of the information contained on the website forms part of this prospectus.
- (9) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of wholly or partially successful applications if the Offer Price is less than the price per Offer Share payable on application.
- (10) In case a typhoon warning signal no.8 or above, a black rainstorm warning signal and/or Extreme Conditions is/are in force in any days between Friday, November 8, 2019 to Monday, November 25, 2019, then the day of (i) announcement of results of allocations in the Hong Kong Public Offer; (ii) despatch of Share certificates and refund cheques/**HK eIPO White Form** e-Auto Refund payment instructions; and (iii) dealings in the Shares on the Stock Exchange will be postponed and an announcement will be made in such event.

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## **EXPECTED TIMETABLE<sup>(1)</sup>**

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The above expected timetable is a summary only. You should read carefully the sections headed “Underwriting”, “Structure of the Global Offering” and “How to Apply for the Hong Kong Offer Shares” for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the dispatch of refund cheques and Share certificates.

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### IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

*This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus and the Application Forms must not be relied on by you as having been authorized by us, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, agents or representatives of any of them or any other parties involved in the Global Offering. Information contained on our website at [www.heavensentgold.com](http://www.heavensentgold.com) does not form part of this prospectus.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this section are defined in the sections headed “Definitions” and “Glossary of Technical Terms” in this prospectus.*

### OVERVIEW

We are a growth and efficiency-driven South African gold mining company. We have successfully acquired assets in South Africa from major mining houses and their operational efficiency has been improving since the acquisitions. Our principal business is mining gold-containing ore and smelting it into doré bars, and our revenue is predominantly derived from the sale of gold. Our annual production volume of gold was 168,031 ounces in 2018, making us the fourth largest gold mining company in South Africa, according to Frost & Sullivan.

Our Company was incorporated in Hong Kong in March 2015 to venture into the gold mining industry in South Africa through the acquisition of VMR. VMR was incorporated in 1934, listed on the JSE in 1944, and owned various mining assets, such as the Tau Lekoa Mine and Nicolor Plant. The Company’s acquisition of 100% of the issued share capital of VMR was fully funded by the Controlling Shareholders using its internal cash reserves and was completed in June 2015 by way of a scheme of arrangement. Consequently, VMR became a subsidiary of the Company and was taken private and delisted from the JSE in June 2015. See “History and Corporate Structure — Our Corporate History and Development — Establishment and Development of VMR.”

Our portfolio of assets includes (i) two underground gold mining assets, namely the Tau Lekoa Group (including the operating Tau Lekoa Mine and two development projects, namely, the Weltevreden project and the Goedgenoeg project) and the Kopanang Mine, (ii) the Buffels surface material site and (iii) two processing plants, namely, West Gold Plant and Nicolor Plant. All of these assets are situated in close proximity to each other near the town of Orkney, which is approximately 200 km southwest of Johannesburg. The Tau Lekoa Group covers an area of approximately 6,863.6 ha and exploits the Ventersdorp Contact Reef. The operating Tau Lekoa Mine operates on various levels from 900 to 1,650 meters below surface, while the Weltevreden project is a shallow extension of the Tau Lekoa Mine and the Goedgenoeg project explores the deeper section of the Ventersdorp Contact Reef. The LoM plan for the Tau Lekoa Mine estimates an average production rate of 504,000 tons of ore and 65,800 ounces of gold per annum through 2023, based on the Proved and Probable Mineral Reserves as of June 30, 2019. The Kopanang Mine, which we acquired in February 2018, is a deep-level gold mine exploiting primarily the Vaal Reef and, to a less extent, the Crystalkop Reef. It covers an area



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## SUMMARY

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of approximately 3,954.8 ha and operates at depths of 1,222 to 2,024 meters below surface. The LoM plan for the Kopanang Mine estimates an average production rate of approximately 740,000 tons of ore and approximately 109,000 ounces of gold per annum through 2025, based on the Proved and Probable Mineral Reserves as of June 30, 2019. We expect that the LoM of our mines will extend as further Mineral Reserves are declared through on-reef development during the mining process. With further exploration, study and development, we can expect to achieve at least 20 years of production based on our Mineral Resources as of June 30, 2019, according to the CPR. See “Business — Our Assets — Features of South African Deep-Level Underground Gold Mine — Production Profile.”

We have abundant gold reserves. Both of our Tau Lekoa Group and Kopanang Mine are located within the western margin of the world renowned gold-bearing late Archean Witwatersrand sedimentary basin, which holds the world’s largest known gold reserves. As of June 30, 2019, our total proved and probable Mineral Reserves amounted to 1.43 million ounces, comprising 0.52 million ounces at 3.80 g/t from the Tau Lekoa Group, 0.76 million ounces at 4.93 g/t from the Kopanang Mine, and 0.14 million ounces at 0.52 g/t from the Buffels surface material site, according to the CPR. Our gold resource base is significantly larger than our gold reserves. As of June 30, 2019, our total Measured, Indicated and Inferred Mineral Resources amounted to 17.98 million ounces, mainly comprising 13.06 million ounces at 5.58 g/t from the Tau Lekoa Group, 4.78 million ounces at 12.38 g/t from the Kopanang Mine and 0.14 million ounces at 0.49 g/t from the Buffels surface material site, according to the CPR. In a South African deep underground mine, the Mineral Reserves being depleted during mining are usually replenished as new Mineral Reserves are reclassified from Mineral Resources. At the same time, the Inferred Mineral Resources are constantly being upgraded to Measured and Indicated Mineral Resources along with exploration, study and development. See “Business — Our Assets — Features of South African Deep-Level Underground Gold Mine.”

During the Track Record Period, we significantly increased our sales volume of gold through acquisition and improving production management. In 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, our sales volume of gold was 99,019 ounces, 100,165 ounces, 168,037 ounces, 69,080 ounces and 95,963 ounces, respectively, and our revenue from gold sales was US\$123.6 million, US\$125.8 million, US\$214.0 million, US\$91.9 million and US\$125.9 million, respectively. In 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, our total revenue was US\$133.1 million, US\$130.3 million, US\$220.1 million, US\$94.7 million and US\$131.4 million, respectively.

Our gross profit was US\$5.0 million in 2016, while our gross loss was US\$6.1 million and US\$44.6 million in 2017 and 2018, respectively. Our gross loss decreased by 60.5% from US\$25.9 million for the six months ended June 30, 2018 to US\$10.2 million in the same period in 2019.

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## SUMMARY

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Our net loss position was attributable to a number of factors, including production and sales volume, cost of sales, market gold price, ZAR to U.S. dollar exchange rate and inflation, among others. We acquired our mining assets in South Africa from major mining houses and have made significant efforts towards consolidating the management and operations of the mines and plants we acquired with our existing operations, improving operational efficiency and implementing stricter labor policies. We have stabilized and increased our production level and expect it to continue to increase, see “Financial Information-Description of Principal Income Statement Items — Gross Profit or Loss — Profitability Trends.” The underground seismic events at our mines negatively affected our gold production. As we open up more stoping panels in the Tau Lekoa Mine as part of our ongoing mine development, we expect that the adverse impact caused by unpredictable future seismic events will be mitigated. To improve our cost management efficiency, we have been implementing strict measures to control our cost of sales, including enhancing control over employees’ bonus, over-time costs and absence from work. We are also upgrading our enterprise resource planning, or ERP system and overhauling our payroll and human resource management system to improve our cost management efficiency. See “Financial Information — Description of Principal Income Statement Items — Cost of Sales — Management of Cost of Sales.” Based on the production profile of our mines, the predictable cost of sales and the trends of market gold prices and ZAR to U.S. dollar exchange rates, we may realize gross profit starting in 2019, while we expect to incur a net loss in 2019.

Based on our consolidated techno-economic model for the gold assets as set forth in Table ES4.16 of the CPR, we expect considerable increases in tonnage and grade of ore mined at both the Tau Lekoa Mine and the Kopanang Mine in 2020, while our operating costs are expected to increase at a slower pace. As such, we estimate that our operation efficiency and profitability will improve over time and we should be able to realize net profit in 2020 in light of the upward trend in the global gold price forecast, assuming there are no factors that could materially and negatively impact our estimations. See “Financial Information — Description of Principal Income Statement Items — Gross Profit or Loss — Profitability Trends.”

Our revenue is predominantly derived from the sales of gold and is therefore principally affected by gold price, foreign exchange rate and our sales volume. For the impact of the fluctuation in each of such metrics on our results of operations, see “Business — Sensitivity Analysis.”

## COMPETITIVE STRENGTHS

We believe that the following strengths have enabled us to compete effectively in the industry:

- abundant gold reserves and significant resource base with a well-understood ore body of high continuity and reasonable expectation of resource to reserve conversion;

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## SUMMARY

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- successful acquisitions of assets from major mining houses and improvement in operation of such assets in South Africa;
- well-established quality infrastructure to enable significant future growth;
- competitive operational efficiency in the South African gold mining industry with potential for further improvement; and
- highly experienced management team and seasoned work force.

### BUSINESS STRATEGIES

We strive to become a next generation South African mining company exploiting operational efficiencies, growth opportunities and innovation through further developing our existing assets and acquiring value-accretive assets in Africa. To that end, we intend to implement the following business strategies:

- extend mine life through organic growth and optimizing mine design;
- maintain our regional focus in South Africa and explore acquisition opportunities in other countries in Africa;
- further improve management and operational efficiency; and
- implement innovative technologies and methodologies on our mining operations.

### MINERAL RESOURCES AND MINERAL RESERVES

As advised by the Competent Person, the 2016 Edition of the SAMREC Code defines a Mineral Resource as a concentration or occurrence of solid material of economic interest in or on the earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. A Mineral Reserve is defined as the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at pre-feasibility or feasibility level, as appropriate, that include application of modifying factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. See "Summary of The SAMREC Code 2016 Edition."

## SUMMARY

The table below sets forth information about our combined SRK-Audited Consolidated Mineral Resource and Mineral Reserve Statement as of June 30, 2019. Mineral Resources are reported inclusive of Mineral Reserves.

Asset	Mineral Resources				Mineral Reserves <sup>3, 5</sup>			
	Category	Quantity	Au Grade	Contained	Category	Quantity	Au Grade	Contained
				Au				Au
		(Mt)	(g/t) <sup>1, 2</sup>	(Moz)		(Mt)	(g/t) <sup>4, 6</sup>	(Moz)
Kopanang	Measured	3.70	12.22	1.45	Proved	1.84	4.82	0.28
Combined Tau Lekoa Group	Measured	4.82	7.25	1.12	Proved	1.37	4.68	0.21
Buffels Surface Rock Dumps	Measured	–	–	–	Proved	–	–	–
<b>Consolidated</b>	<b>Measured</b>	<b>8.52</b>	<b>9.41</b>	<b>2.58</b>	<b>Proved</b>	<b>3.21</b>	<b>4.76</b>	<b>0.49</b>
Kopanang	Indicated	6.84	11.41	2.51	Probable	2.99	5.00	0.48
Combined Tau Lekoa Group	Indicated	12.46	4.54	1.82	Probable	2.94	3.39	0.31
Buffels Surface Rock Dumps	Indicated	9.16	0.49	0.14	Probable	8.45	0.52	0.14
<b>Consolidated</b>	<b>Indicated</b>	<b>28.46</b>	<b>4.88</b>	<b>4.47</b>	<b>Probable</b>	<b>14.38</b>	<b>2.04</b>	<b>0.94</b>
Kopanang	Measured & Indicated	10.53	11.70	3.96	Proved & Probable	4.82	4.93	0.76
Combined Tau Lekoa Group	Measured & Indicated	17.28	5.29	2.94	Proved & Probable	4.31	3.80	0.52
Buffels Surface Rock Dumps	Measured & Indicated	9.16	0.49	0.14	Proved & Probable	8.45	0.52	0.14
<b>Consolidated</b>	<b>Measured &amp; Indicated</b>	<b>36.97</b>	<b>5.93</b>	<b>7.04</b>	<b>Proved &amp; Probable</b>	<b>17.59</b>	<b>2.54</b>	<b>1.43</b>
Kopanang	Inferred	1.46	17.30	0.81				
Combined Tau Lekoa Group	Inferred	55.51	5.67	10.12				
Buffels Surface Rock Dumps	Inferred	–	–	–				
<b>Consolidated</b>	<b>Inferred</b>	<b>56.96</b>	<b>5.97</b>	<b>10.93</b>				
Kopanang	Measured, Indicated & Inferred	11.99	12.38	4.78				
Combined Tau Lekoa Group	Measured, Indicated & Inferred	72.78	5.58	13.06				
Buffels Surface Rock Dumps	Measured, Indicated & Inferred	9.16	0.49	0.14				
<b>Consolidated</b>	<b>Measured, Indicated &amp; Inferred</b>	<b>93.94</b>	<b>5.95</b>	<b>17.98</b>				

Notes:

- Kopanang Mineral Resources are reported above a gold cut-off grade of 500 cm.g/t, which was derived using a gold price of ZAR700,000/kg of gold, an operating cost of ZAR2,293.8/t milled and MCF of 68% for V Reef and 60% for C Reef and PRF of 95%.
- Weltevreden Mineral Resources are reported above a gold cut-off grade of 387 cm.g/t, which was derived using a gold price of ZAR700,000/kg of gold, an operating cost of ZAR1,052/t milled and MCF of 84% and PRF of 94%. The rest of the Tau Lekoa Group Mineral Resources are reported at a gold cut-off grade of 400 cm.g/t using the same gold price as Weltevreden and an operating cost of ZAR1,924/t milled, with MCF of 80% and PRF of 94%.
- Milling width is 161 cm for Kopanang.
- Cut-off for Tau Lekoa and Kopanang Mineral Reserves is 488 cm.g/t and 650 cm.g/t at a gold price of ZAR550,000/kg respectively.
- Tramming width is 177 cm and Milling width is 188 cm.

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## SUMMARY

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- 6 In-situ cut-off for Weltevreden Mineral Reserves is 429 cm.g/t at a gold price of ZAR550,000/kg, applied over a mine design and schedule for a seven-year LoM at 40 ktpm from steady state mining.
- 7 Production rate is 175 ktpm and feed grade of 0.52 g/t is based on a screening plant yield of 55% and screening plant waste grade of 0.04 g/t for Buffels Mineral Reserves.
- 8 No cut-off was applied to Buffels 10 Shaft Rock Dump as the entire dump is planned to be mined.
- 9 Average grade of Buffels 10 Shaft Rock Dump based on two and half years mine grade is determined from RoM grade.
- 10 All figures are rounded to reflect the relative accuracy of the estimate.

## MAJOR MINING RIGHTS, MINING PERMITS AND PROSPECTING RIGHTS

As of June 30, 2019, we held five mining rights and one prospecting right in South Africa, collectively covering a total area of 23,481.6 ha. Our mining rights and prospecting rights relate to our two underground gold mining assets, namely, the Tau Lekoa Group and the Kopanang Mine, and the Buffels surface material site. For more details, see “Business — Our Assets — Mining Rights, Mining Permits and Prospecting Rights.”

### TAU LEKOA GROUP

The Tau Lekoa Group includes the operating Tau Lekoa Mine and two development projects, namely, the Weltevreden project and the Goedgenoeg project. The Weltevreden project is a shallow extension of the Tau Lekoa Mine and the Goedgenoeg project explores the deeper section of the Ventersdorp Contact Reef. For details of the Mineral Resources and Mineral Reserves of the Tau Lekoa Group, see “Business — Our Assets — Descriptions of Our Assets — Tau Lekoa Group.”

In 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, the production volume of gold of the Tau Lekoa Mine was 71,017 ounces, 74,459 ounces, 69,236 ounces and 33,608 ounces and 34,718 ounces, respectively. According to the CPR, the LoM of the Tau Lekoa Mine (excluding mining of the shaft pillar) was approximately four and a half years as of June 30, 2019, based on an estimated average production rate of 504,000 tons of ore and 65,800 ounces of gold per annum through 2023. The LoM of the Tau Lekoa Mine is based on Proved and Probable Mineral Reserves derived from Measured and Indicated Mineral Resources only (excluding the Inferred Mineral Resources), and estimates the recovery of 8,930 kg of gold at an average plant feed grade of 4.28 g/t over the LoM.

We are preparing for the construction of the Weltevreden project, which is the up-dip extension of the Tau Lekoa Mine, and planning on the Goedgenoeg exploration project. We expect that the LoM of the Tau Lekoa Group will be extended along with the progress of these projects as a result of this well-understood ore body of high continuity. See “Business — Our Assets — Features of South African Deep-Level Underground Gold Mine.”



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## SUMMARY

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### KOPANANG MINE

The Kopanang Mine covers an area of approximately 3,954.8 ha and operates at depths of 1,222 to 2,024 meters below surface and is accessed by one of the largest diameter shafts in South Africa. For details of the Mineral Resources and Mineral Reserves of our Kopanang Mine, see “Business — Our Assets — Descriptions of Our Assets — Kopanang Mine.”

During the ten months from March to December in 2018 and the six months ended June 30, 2019, the production volume of gold of the Kopanang Mine was 59,425 ounces and 40,760 ounces. According to the CPR, the LoM of the Kopanang Mine was approximately six and a half years as of June 30, 2019, based on an estimated average production rate of approximately 740,000 tons of ore and approximately 109,000 ounces of gold per annum through 2025. The LoM of the Kopanang Mine is based on Proved and Probable Mineral Reserves derived from Measured and Indicated Mineral Resources only (excluding the Inferred Mineral Resources), which is in accordance with the requirements of Chapter 18 of the Listing Rules and the SAMREC Code, and is based on the recovery of 22,120 kg of gold at an average plant feed grade of 4.93 g/t over the LoM.

To extend the life of the Kopanang Mine, we have been conducting a few studies since September 2018 about the opening-up of the isolated block of grounds in previously developed but unmined areas. We also plan to conduct exploration drilling on the deeper high-grade areas below the current infrastructure close to the southern boundary of the mine, as well as the secondary C Reef, for potential Mineral Resources. We expect that the LoM of the Kopanang Mine will be extended along with the progress of the exploration drilling as a result of this well-understood ore body of high continuity. See “Business — Our Assets — Features of South African Deep-Level Underground Gold Mine.”

### THE BUFFELS SURFACE MATERIAL SITE

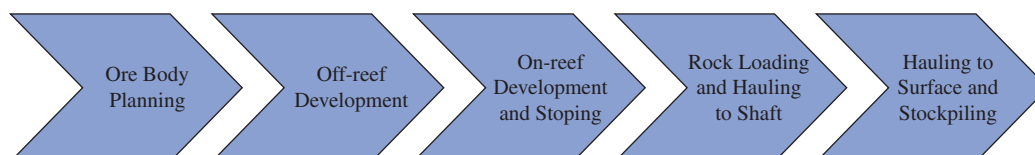
The Buffels surface material site is a remnant of the old Buffelsfontein gold mine that was closed in 2013. We are currently conducting rehabilitation activities at the old Buffelsfontein gold mine sites. This rehabilitation is expected to be completed by 2020. In addition, there is a remaining 9.16 million tons of shaft waste rock that is low-grade ore with an average grade of 0.49 g/t, according to the CPR. This waste rock is being processed through the nearby Nicolor Plant. For details of the Mineral Resources and Mineral Reserves of our Buffels surface material site, see “Business — Our Assets — Descriptions of Our Assets — The Buffels Surface Material Site.”

## SUMMARY

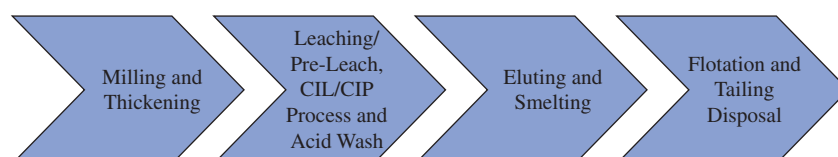
### OUR PRODUCTION PROCESS

#### Mining and Processing

The diagram below illustrates our mining process.



The diagram below illustrates our processing steps.



For details on each processing step, see “Business — Our Operations.”

#### Production Facilities

We have two processing plants, namely, West Gold Plant and Nicolor Plant (formerly South Plant). The following table sets forth the utilization rate and gold recovery rate of each of our production facilities for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
<b>West Gold Plant</b>					
Utilization rate . . . . .	79%	70%	62% <sup>(1)</sup>	68% <sup>(2)</sup>	72%
Gold recovery rate . . . . .	82%	67%	91% <sup>(1)</sup>	90% <sup>(2)</sup>	92%
<b>Nicolor Plant</b>					
Utilization rate . . . . .	86%	96%	98%	98%	95%
Gold recovery rate . . . . .	93%	91%	80%	81%	73%

*Notes:*

- (1) Only includes the utilization rate or gold recovery rate, as the case may be, for the ten months ended December 31, 2018, as West Gold Plant was not in operating status in January and February 2018.
- (2) Only includes the utilization rate or gold recovery rate, as the case may be, for the four months ended June 30, 2018, as West Gold Plant was not in operating status in January and February 2018.

See “Business — Our Operations — Production Facilities.”

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## SUMMARY

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### Transportation

Our transportation primarily consists of: (i) underground transportation of ores from different levels of the mine to a central underground location by our locos; (ii) vertical transportation of ores from the central underground location to the surface by shafts, (iii) surface transportation of ores from shafts to silos by conveyor belts, and (iv) ground transportation of ores from silos to West Gold Plant by trucks operated by a third party (in the case of the Tau Lekoa Mine) or trains operated by a third party (in the case of the Kopanang Mine).

We have been transporting sludge from West Gold Plant to Nicolor Plant for smelting as an interim measure since our acquisition of the Kopanang Operations on February 28, 2018. On February 8, 2019, while transporting gold sludge from West Gold Plant to Nicolor Plant, our trucks and the convoying vehicles from the private security company were attacked by unknown armed robbers and most of the gold sludge was lost. We estimate that the total weight of gold lost was 1,921.9 ounces and recorded a loss of US\$2.6 million in connection with this incident in the six months ended June 30, 2019. No one was seriously injured in the robbery. As advised by Werksmans, our marine transit policy covers us for 85% (after payment of the relevant deductible) of loss arising from armed robbery or theft of (among other things) gold and gold ore while in transit between our premises. Immediately after this incident, we amended our security protocols to use helicopters if the weather allowed, or armored vehicles in the case of inclement weather or other unforeseeable circumstances, to transport gold sludge from West Gold Plant to Nicolor Plant, until West Gold Plant's own smelting house commences operation, which is expected to be around December 2019.

In addition, in line with the industry practice in South Africa, we transport doré bars from Nicolor Plant to the gold refinery by helicopters. All of our doré bars are processed by Rand Refinery. Delivery of doré bars by us to Rand Refinery takes place generally twice per week. When West Gold Plant's own smelting house commences operation, we plan to transport doré bars directly from West Gold Plant to Rand Refinery by helicopters. Although doré bars can be delivered through various modes of ground transportation, we have determined that on balance, considering the current level of safety and security in South Africa, and the relatively inexpensive nature of helicopter delivery, that helicopter delivery of doré bars is our best option. The risk of loss and damage of doré bars during the helicopter transportation is insured against by a major insurance company in South Africa. There are alternative suppliers of helicopter delivery services on the South African market, which are able to provide such services at similar prices. We had not experienced any material shortage of transportation capacity during the Track Record Period and up to the Latest Practicable Date. See "Business — Our Operations — Transportation."

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## SUMMARY

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### **Suppliers and Third-Party Contractors**

We use various materials during our processing operations, primarily including cyanide, carbon, steel balls, lime and diesel. We source these materials from local suppliers in South Africa. The equipment and machinery we use are sourced from local and international manufacturers at market prices. In addition, our top suppliers include electricity suppliers. In line with industry practice, we outsource exploratory drilling, opening-up and equipping, rock engineering, surface transportation, security services and medical services to reputable and qualified third-party contractors. The rehabilitation at Buffels is also being done by a third-party contractor.

### **OUR SALES, CUSTOMERS AND HEDGING**

Gold is our major product for sale. Rand Refinery was our largest customer in 2016, 2017 and 2018. Our gold sales to Rand Refinery were US\$122.6 million, US\$123.0 million and US\$121.8 million in 2016, 2017 and 2018, respectively, representing 92.1%, 94.4% and 55.3% of our revenue in the same years. As we ceased to use Rand Refinery as our sales agent in September 2018 and started using TreasuryONE in September 2018 as our sales agent, which allowed us to identify the particular end customers of our gold, sales to Rand Refinery decreased to 55.3% of our total revenue in 2018 and further decreased to nil in the six months ended June 30, 2019. Gold sales through TreasuryONE can be made at any time during trading hours, giving us the flexibility to potentially outperform the afternoon closing dollar price fixed by the London Bullion Market Association due to the daily gold price volatility. Since July 10, 2018, we have also engaged in hedging activities to limit our exposure to the volatility in gold prices. See “Business — Sales, Customers and Hedging — Hedging.”

### **SUMMARY FINANCIAL INFORMATION**

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountants’ Report in Appendix I to this prospectus. The summary consolidated financial data set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements in this prospectus, including the related notes. Our consolidated financial information was prepared in accordance with IFRS.

## SUMMARY

### Selected Consolidated Statements of Profit or Loss

The following table sets forth a summary of our consolidated statements of profit or loss for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(Unaudited)									
	(US\$ in thousands, except percentages)									
REVENUE . . . . .	133,127	100.0%	130,316	100.0%	220,065	100.0%	94,726	100.0%	131,443	100.0%
Cost of sales . . . . .	(128,143)	(96.3)%	(136,446)	(104.7)%	(264,636)	(120.3)%	(120,609)	(127.3)%	(141,659)	(107.8)%
<b>Gross profit/(loss) . . . . .</b>	<b>4,984</b>	<b>3.7%</b>	<b>(6,130)</b>	<b>(4.7)%</b>	<b>(44,571)</b>	<b>(20.3)%</b>	<b>(25,883)</b>	<b>(27.3)%</b>	<b>(10,216)</b>	<b>(7.8)%</b>
Other income and gains . . . . .	1,652	1.2%	1,813	1.4%	48,996	22.3%	28,074	29.6%	1,533	1.2%
Administrative expenses . . . . .	(3,005)	(2.3)%	(4,255)	(3.3)%	(9,486)	(4.3)%	(3,298)	(3.5)%	(5,691)	(4.3)%
Finance costs . . . . .	(975)	(0.7)%	(1,005)	(0.8)%	(1,516)	(0.7)%	(663)	(0.7)%	(825)	(0.6)%
Share of losses of an associate . . . . .	(584)	(0.4)%	(653)	(0.5)%	(745)	(0.3)%	(383)	(0.4)%	(367)	(0.3)%
Reversal of/(impairment loss) on trade receivables and other receivables . . . . .	–	–	451	0.3%	(123)	(0.1)%	–	–	–	–
Other expenses . . . . .	–	–	–	–	–	–	–	–	(3,424)	(2.6)%
Impairment loss on loans to an associate . . . . .	(204)	(0.2)%	(166)	(0.1)%	(328)	(0.1)%	(144)	(0.2)%	(64)	(0.0)%
<b>PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATION . . . . .</b>	<b>1,868</b>	<b>1.4%</b>	<b>(9,945)</b>	<b>(7.6)%</b>	<b>(7,773)</b>	<b>(3.5)%</b>	<b>(2,297)</b>	<b>(2.4)%</b>	<b>(19,054)</b>	<b>(14.5)%</b>
Income tax credits/(expense) . . . . .	(113)	(0.1)%	(24)	(0.0)%	(2,290)	(1.0)%	808	0.9%	566	0.4%
<b>PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS . . . . .</b>	<b>1,755</b>	<b>1.3%</b>	<b>(9,969)</b>	<b>(7.6)%</b>	<b>(10,063)</b>	<b>(4.6)%</b>	<b>(1,489)</b>	<b>(1.6)%</b>	<b>(18,488)</b>	<b>(14.1)%</b>
Loss for the period from a discontinued operation . . . . .	(212)	0.2%	(488)	(0.4)%	(480)	0.2%	(287)	(0.3)%	–	–
<b>PROFIT/(LOSS) FOR THE PERIOD . . . . .</b>	<b>1,543</b>	<b>1.2%</b>	<b>(10,457)</b>	<b>(8.0)%</b>	<b>(10,543)</b>	<b>(4.8)%</b>	<b>(1,776)</b>	<b>(1.9)%</b>	<b>(18,488)</b>	<b>(14.1)%</b>
<b>Attributable to:</b>										
Owners of the parent . . . . .	1,589	1.2%	(10,351)	(7.9)%	(14,860)	(6.8)%	(1,713)	(1.8)%	(18,488)	(14.1)%
Non-controlling interests . . . . .	(46)	(0.0)%	(106)	(0.1)%	4,317	2.0%	(63)	(0.0)%	–	–
<b>PROFIT/(LOSS) FOR THE YEAR/PERIOD . . . . .</b>	<b>1,543</b>	<b>1.2%</b>	<b>(10,457)</b>	<b>(8.0)%</b>	<b>(10,543)</b>	<b>(4.8)%</b>	<b>(1,776)</b>	<b>(1.9)%</b>	<b>(18,488)</b>	<b>(14.1)%</b>

### Deteriorating Financial Performance During the Track Record Period

We turned from a profitable position in 2016 into loss-making in 2017 because our revenue decreased slightly mainly as a result of the decrease in our revenue from tolling services in 2017, despite a slight increase in our revenue from gold sales. On the cost side, although we slightly reduced our cost of sales denominated in ZAR in 2017, our cost of sales denominated in U.S. dollars increased in 2017 mainly as a result of appreciation of ZAR against U.S. dollar in the same year. For more details, see “Financial Information — Period to Period Comparison of Results of Operations — Year Ended December 31, 2017 Compared to Year Ended December 31, 2016.”



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## SUMMARY

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Our gross loss expanded from US\$6.1 million in 2017 to US\$44.6 million in 2018 mainly because (i) the cost of sales incurred by our Tau Lekoa operation increased at a faster pace than its revenue increase and (ii) we acquired the Kopanang Operations, which was also loss-making.

At the Tau Lekoa Mine, the cost of sales increased substantially in 2018 because (i) employee costs increased mainly as a result of salary increase and (ii) depreciation increased as we developed into virgin grounds and extended existing on-reef development. On the other hand, the gold sold attributable to the Tau Lekoa Mine decreased slightly in 2018 because (i) increased mine development activities impacted our mining activities and (ii) several relatively large seismic events occurred at the Tau Lekoa Mine in late 2018.

The acquired Kopanang Operations suffered loss in 2018 mainly because it did not reach its planned production level during the transition period following our acquisition in February 2018, while a large portion of its cost of sales were incurred regardless of its production volume in that period. In addition, West Gold Plant, which was acquired by us together with the Kopanang Mine in February 2018, also underperformed in 2018.

Despite the increased gross loss in 2018, we recorded a net loss of US\$10.5 million in 2017 and US\$10.5 million in 2018. It is primarily because we had other income and gains of US\$49.0 million in 2018 as a result of our acquisition of the Kopanang Operations and the disposal of our interest in Lesego. For more details, see “Financial Information — Period to Period Comparison of Results of Operations — Year Ended December 31, 2018 Compared to Year Ended December 31, 2017.”

Our gross loss narrowed in the six months ended June 30, 2019 mainly because our revenue from both the Kopanang Mine and non-Kopanang Mine increased at a faster pace than our cost of sales did. The increase in revenue from our gold sales was primarily due to our increased sales volume of gold in the first half of 2019 compared to the same period in 2018, partially offset by a decrease in our average selling price of the gold, which was in line with the decrease in the average gold price in the global market in the same period. Our cost of sales increased at a slower pace, primarily because a large portion of our cost of sales, such as employee costs, do not vary significantly with changes in production volume, and ZAR became weaker against U.S. dollar in the first half of 2019 compared to the same period in 2018.

Despite the decreased gross loss in the six months ended June 30, 2019, we recorded a net loss of US\$18.5 million in the six months ended June 30, 2019, compared to US\$1.8 million in the same period in 2018. It is primarily because of the gain on bargain purchase of US\$27.1 million from our acquisition of the Kopanang Operations which partially offset our gross loss in the first half of 2018. Excluding the impact of such gain on bargain purchase, our net loss would have decreased in the six months ended June 30, 2019 compared to the same period in 2018. For more details, see “Financial Information — Period to Period Comparison of Results of Operations — The Six Months Ended June 30, 2019 Compared to the Six Months Ended June 30, 2018.”

## SUMMARY

### Summary Financial Data from Consolidated Statements of Financial Position

The following table sets forth a summary of our consolidated statements of financial position as of the dates indicated.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	<i>(US\$ in thousands)</i>			
Total non-current assets . . . . .	83,204	97,443	92,851	101,047
Total current assets . . . . .	46,039	33,131	49,936	35,121
<b>Total assets . . . . .</b>	<b>129,243</b>	<b>130,574</b>	<b>142,787</b>	<b>136,168</b>
	<i>(US\$ in thousands)</i>			
	As of December 31,			As of June 30,
	2016	2017	2018	2019
Equity attributable to owners of the parent				
Share capital . . . . .	—*	92,349	121,299	121,299
Reserves/(deficits) . . . . .	85,491	(8,865)	(34,100)	(53,459)
Non-controlling interests . . . . .	6,266	6,882	—	—
<b>Total equity . . . . .</b>	<b>91,757</b>	<b>90,366</b>	<b>87,199</b>	<b>67,840</b>
Total non-current liabilities . . . . .	16,903	15,560	17,287	18,155
Total current liabilities . . . . .	20,583	24,648	38,301	50,173
<b>Total liabilities . . . . .</b>	<b>37,486</b>	<b>40,208</b>	<b>55,588</b>	<b>68,328</b>
<b>Total equity and liabilities . . . . .</b>	<b>129,243</b>	<b>130,574</b>	<b>142,787</b>	<b>136,168</b>
<b>Net current assets/(liabilities) . . . . .</b>	<b>25,456</b>	<b>8,483</b>	<b>11,635</b>	<b>(15,052)</b>

\* The amount is less than US\$1,000.

## SUMMARY

We recorded net current liabilities of US\$15.1 million as of June 30, 2019, which was primarily attributable to our trade and other payables of US\$25.3 million, employee related accruals of US\$18.0 million and derivative financial instruments of US\$3.2 million as of the same date, which was partially offset by trade receivables of US\$9.3 million, cash and cash equivalents of US\$8.5 million and inventories of US\$8.2 million as of the same date. Our gold production for the first half of 2019 was less than expected, which adversely affected our operating cash flow and led to the net current liability position. See “Financial Information – Period to Period Comparison of Results of Operations – The Six Months Ended June 30, 2019 Compared to the Six Months Ended June 30, 2018” and “Financial Information – Description of Principal Income Statement Items – Gross Profit or Loss” for further details of the events that had negatively impacted our production during this period and our dedicated efforts to address such negative impact.

Our reserves/(deficits) primarily comprise retained profits/(accumulated losses), exchange fluctuation reserve and certain other reserves. We recorded deficits of US\$8.9 million, US\$34.1 million and US\$53.5 million as of December 31, 2017 and 2018 and June 30, 2019, respectively, primarily attributable to our accumulated losses during the Track Record Period. As of June 30, 2019, our accumulated losses amounted to US\$47.4 million. For more details, see the Consolidated Statements of Changes in Equity set forth in the Accountants’ Report in Appendix I to this prospectus.

We recorded net assets, or total equity, of US\$91.8 million, US\$90.4 million, US\$87.2 million and US\$67.8 million as of December 31, 2016, 2017 and 2018, and June 30, 2019, respectively. The decline in our net assets, or total equity, was primarily attributable to our increased deficits during the Track Record Period, partially offset by an increase in our share capital.

### Summary Financial Data from Consolidated Statements of Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	<i>(US\$ in thousands)</i>				
	<i>(unaudited)</i>				
Operating cash flows before					
movement in working capital . . . .	7,444	(2,120)	(36,958)	(21,364)	(11,627)
Net cash generated from/(used in)					
operating activities . . . . .	7,165	(402)	(35,086)	(9,765)	(8,329)
Net cash (used in)/generated from					
investing activities . . . . .	(8,741)	(23,008)	21,168	(8,405)	(15,004)

## SUMMARY

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	<i>(US\$ in thousands)</i>			<i>(unaudited)</i>	
Net cash generated from/(used in)					
financing activities . . . . .	37,376	(45)	28,891	14,275	(39)
Net increase/(decrease) in cash and					
cash equivalents . . . . .	35,800	(23,455)	14,973	(3,895)	(23,372)
Cash and cash equivalents at					
beginning of year/period . . . . .	3,417	38,314	15,997	15,997	31,401
Effect of foreign exchange rate					
changes, net . . . . .	(903)	1,138	431	(2,944)	444
Cash and cash equivalents at end of					
year/period . . . . .	38,314	15,997	31,401	9,158	8,473

Our net cash used in operating activities in 2017 was US\$0.4 million, which was primarily attributable to cash generated from operations of US\$0.4 million, partially offset by tax paid of US\$0.2 million and cash flows utilized in discontinued operations of US\$0.7 million. Our net cash used in operating activities in 2018 was US\$35.1 million, which was primarily attributable to cash used in operations of US\$31.0 million, tax paid of US\$3.4 million and cash flows utilized in discontinued operations of US\$0.6 million. Our net cash used in operating activities in the six months ended June 30, 2019 was US\$8.3 million, which was primarily attributable to cash used in operations of US\$7.8 million. Our cash outflow from operating activities was mainly because of the net losses we incurred in our business operations during 2017, 2018 and the six months ended June 30, 2019. See “Financial Information – Period to Period Comparison of Results of Operations – The Six Months Ended June 30, 2019 Compared to the Six Months Ended June 30, 2018” and “Financial Information – Description of Principal Income Statement Items – Gross Profit or Loss” for further details of the events that had negatively impacted our production during this period and our dedicated efforts to address such negative impact. For detailed discussion on the reasons for the net operating cash outflow for the respective periods, see “Financial Information – Liquidity and Capital Resources – Cash Flows – Operating Activities.”

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## SUMMARY

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### MEASURES TO IMPROVE OUR LIQUIDITY

Taking into account the anticipated increase in production and the improved gold price environment (see “Financial Information – Description of Principal Income Statement Items – Profitability Trend”), we expect to generate more cash from operating activities towards the end of 2019 to meet our working capital needs, which will improve our cash flow situation and result in a reduction in our net current liabilities. We may also consider seeking additional financing when required. On August 7, 2019, we signed a loan term sheet with The Industrial Development Corporation of South Africa (“IDC”), which is a self-financing national development finance institution whose primary objectives are to contribute to the generation of balanced, sustainable economic growth in Africa. If we choose to enter into a loan agreement with IDC pursuant to the term sheet, IDC may provide credit facilities of up to a principal amount of ZAR200 million for us to draw down until December 30, 2022 specifically for the development of the Weltevreden project, subject to fulfillment of certain conditions precedent. The proceeds from the Global Offering will also help improve our liquidity position.

On the other hand, to improve our cost management efficiency, we have been implementing strict cost control measures. See “Financial Information – Description of Principal Income Statement Items – Cost of Sales – Management of Cost of Sales.” In addition, we will benefit from any depreciation of ZAR against U.S. dollar, which has a positive impact on our cost side since it is incurred in ZAR and denominated in U.S. dollar and thus to some extent helps to relieve our liquidity position.

### KEY OPERATING DATA

The following table sets forth certain key operating data for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
Gold sales volume (oz) . . . . .	99,019	100,165	168,037	69,080	95,963
Average selling price of gold (US\$/oz) <sup>(1)</sup> . . . . .	1,248.1	1,256.3	1,273.7	1,330.2	1,312.0
Revenue from gold sales (US\$ in thousands) . . . . .	123,583	125,835	214,028	91,891	125,904
Total revenue (US\$ in thousands) . . .	133,127	130,316	220,065	94,726	131,443

*Note:*

(1) Calculated as the revenue from gold sales divided by the sales volume in the relevant period.



## SUMMARY

### KEY FINANCIAL RATIOS

The table below sets forth certain of our key financial ratios as of and for the periods indicated.

	As of and for the year ended December 31,			As of and for the six months ended June 30,	
	2016	2017	2018	2018	2019
				<i>(Unaudited)</i>	
Return on equity <sup>(1)</sup>	1.7%	N/A	N/A	N/A	N/A
Return on assets <sup>(2)</sup>	1.2%	N/A	N/A	N/A	N/A
Current ratio <sup>(3)</sup>	223.7%	134.4%	130.4%	131.3%	70.0%
Quick ratio <sup>(4)</sup>	209.1%	117.2%	107.3%	108.2%	53.6%

*Notes:*

- (1) Calculated as profit for the period divided by the average of equity attributable to equity shareholders of the Company at the beginning of the period and at the end of the period, then multiplied by 100%.
- (2) Calculated as profit for the period divided by the average of total assets at the beginning of the period and at the end of the period, then multiplied by 100%.
- (3) Calculated as current assets at the end of the period divided by current liabilities at the end of the period, then multiplied by 100%.
- (4) Calculated as current assets less inventories at the end of the period divided by current liabilities at the end of the period, then multiplied by 100%.

For details of the reason of the changes in our current ratio and quick ratio, see “Financial Information – Key Financial Ratios.”

### AISC AND CASH OPERATING COSTS

Our consolidated AISC per ounce of gold produced, including tolling treatment services, was US\$1,379, US\$1,489, US\$1,664 and US\$1,546 in 2016, 2017 and 2018 and the six months ended June 30, 2019, respectively. Cash operating costs for our mines primarily consist of mining operation costs and processing costs. A majority of these costs relate to employee costs, stores, electricity and water and plant treatment costs. Our cash operating costs per ounce of gold produced from our own gold production was US\$1,284, US\$1,353, US\$1,603 and US\$1,382 in 2016, 2017 and 2018 and the six months ended June 30, 2019, respectively. See “Financial Information – AISC and Cash Operating Costs.”

## SUMMARY

### Cash Operating Costs

Cash operating costs for our mines primarily consist of mining operation costs and processing costs. A majority of these costs relate to employee costs, stores, electricity and water and plant treatment costs.

The table below sets forth a summary of historical and forecast of the cash operating costs per ounce of gold produced for our Tau Lekoa Mine and Kopanang Mine, respectively, for the years indicated. See “Financial Information — AISC and Cash Operating Costs — Cash Operating Costs.”

Tau Lekoa										
PARAMETER <sup>(1)</sup>	Units	2016A	2017A	2018A	H1-2019A	2019E	2020E	2021E	2022E	2023E
	US\$ in									
Employment Costs . . . . .	millions	53.4	63.6	69.4	33.6	59.7	50.8	43.3	40.4	24.9
	US\$ in									
Stores . . . . .	millions	13.7	15.8	16.2	7.7	14.5	13.6	12.1	10.0	7.7
	US\$ in									
Electricity & Water . . . . .	millions	7.8	9.3	10.0	5.0	10.0	9.6	9.3	8.9	7.1
	US\$ in									
Surface Transport . . . . .	millions	1.4	1.8	1.4	0.7	1.1	0.9	0.8	0.6	0.5
	US\$ in									
Plant/refining costs . . . . .	millions	6.4	8.1	11.7	5.3	9.7	7.5	6.6	5.0	3.9
	US\$ in									
AngloGold Royalty <sup>(2)</sup> . . . . .	millions	2.6	2.8	2.6	1.4	2.8	3.0	2.4	2.1	1.6
	US\$ in									
State Royalty . . . . .	millions	0.4	0.5	0.5	0.2	0.5	0.5	0.4	0.4	0.3
	US\$ in									
Other costs . . . . .	millions	9.4	8.6	7.1	5.2	8.2	4.9	4.1	1.7	1.7
Reversal – capital	US\$ in									
development/opening up . .	millions	(6.0)	(8.6)	(6.5)	(5.2)	(12.0)	(10.2)	(4.5)	(2.8)	(2.1)
	US\$ in									
<b>Cash Operating Costs . . . .</b>	<b>millions</b>	<b>89.2</b>	<b>101.9</b>	<b>112.4</b>	<b>53.8</b>	<b>94.6</b>	<b>80.7</b>	<b>74.5</b>	<b>66.2</b>	<b>45.4</b>
Gold produced <sup>(5)</sup> . . . . .	(koz)	71.0	74.5	69.3	34.7 <sup>(3)</sup>	74.5	82.9	65.8	57.9	40.7
Unit cash operating cost . . .	(US\$/oz)	1,256	1,369	1,623	1,549	1,269	972	1,133	1,143	1,115

## SUMMARY

Kopanang										
PARAMETER <sup>(1)</sup>	Units	2016A	2017A	2018A	H1-2019A	2019E	2020E	2021E	2022E	2023E
	US\$ in									
Employment Costs . . . . .	millions	54.4	65.2	67.7	34.4	68.6	68.4	62.2	61.2	61.1
	US\$ in									
Stores . . . . .	millions	10.2	12.1	18.5	7.1	16.7	18.5	17.4	17.7	17.1
	US\$ in									
Electricity & Water . . . . .	millions	11.3	13.5	15.4	6.9	14.2	14.0	14.0	14.0	13.9
	US\$ in									
Surface Transport . . . . .	millions	0.0	0.0	0.8	0.6	1.1	1.1	1.1	1.1	1.1
	US\$ in									
Plant treatment costs . . . . .	millions	7.5	9.2	7.3	4.0	11.5	9.1	9.0	8.7	8.5
	US\$ in									
AngloGold Royalty <sup>(2)</sup> . . . . .	millions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	US\$ in									
State Royalty . . . . .	millions	0.6	0.6	0.5	0.3	0.6	0.7	1.1	2.5	2.2
	US\$ in									
Other costs . . . . .	millions	44.3	50.3	8.1	5.4	11.6	12.3	11.8	11.3	11.3
Reversal – capital	US\$ in									
development . . . . .	millions	(11.2)	(11.4)	(6.5)	(5.5)	(9.7)	(8.4)	(4.4)	(5.8)	(8.5)
	US\$ in									
<b>Cash Operating Costs . . . .</b>	<b>millions</b>	<b>117.0</b>	<b>139.4</b>	<b>111.9</b>	<b>53.2</b>	<b>114.7</b>	<b>115.6</b>	<b>112.2</b>	<b>110.7</b>	<b>106.7</b>
Gold produced <sup>(5)</sup> . . . . .	(koz)	91.1	91.3	71.2	40.8 <sup>(4)</sup>	97.1	109.6	118.7	119.9	111.5
Unit cash operating cost . . .	(US\$/oz)	1,285	1,527	1,570	1,305	1,181	1,054	945	923	957

*Notes:*

- (1) The forecast cash operating costs per ounce of gold produced and all cost inputs are included in constant money terms. All costs from July 2019 to 2023 are converted at an exchange rate of ZAR14.0862:US\$1, the prevailing ZAR to U.S. dollar exchange rate as of June 30, 2019 (the effective date of the CPR). No contingency has been provided for in the cost estimation.
- (2) Represents our mineral royalty payable to AngloGold at a rate of 3% of the revenue of Tau Lekoa Pty pursuant to our acquisition agreement for the Tau Lekoa Mine.
- (3) This includes the 25.1 kg (808 oz) of gold robbed from the West Gold Plant in February 2019.
- (4) This includes the 34.6 kg (1,114 oz) of gold robbed from the West Gold Plant in February 2019.
- (5) The forecast of gold production volume comprises only the Proved and Probable Mineral reserves derived from the Measured and Indicated Resources as of June 30, 2019 in the CPR. It does not include the potential new reserves to be declared through the Company's continuous mine development efforts.

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## SUMMARY

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### INTRODUCTION OF BBBEE PARTNERS

BBBEE is a form of economic empowerment initiated by the South African government with the objective of increasing the participation of HDSAs in the economy and promoting black economic empowerment. In the mining industry, BBBEE is given effect to through the 2018 Mining Charter. During the Track Record Period, we entered into BBBEE transactions in respect of Kopanang Pty and VMR with various BBBEE partners in order to meet the South African Mining Charter requirements of at least 26% BBBEE ownership. While such transactions have been legally completed and settled, which led to a BBBEE shareholding of 26% in Kopanang Pty and VMR respectively, such interest held by the relevant BBBEE partners are accounted as in-substance options under IFRS 2 given that the BBBEE partners will only share in the upside, and not the downside until the date on which the financing provided by the Group to such BBBEE partners for the shares held by them in Kopanang Pty and VMR (the “**Subscription Financing**”) is fully repaid, which is also the exercise date of the deemed in-substance options for accounting purpose. As a result of the application of IFRS 2, a non-controlling interest in Kopanang Pty and VMR will only be recognized on the date when the Subscription Financing is fully repaid, and thus for accounting purpose, a dilution to the Group’s shareholding in Kopanang Pty and VMR will occur on such date. Due to nature of such options, we cannot accurately estimate the date on which it will be deemed exercised. However, based on the assumptions disclosed in note “31. Reserves – (a) Equity-settled share-based payment reserve” to the Accountants’ Report in Appendix I to this prospectus, the expected redemption date of such options in respect of VMR and Kopanang Pty is June 2046 and March 2048, respectively. It is noted that while a non-controlling interest held by the BBBEE partners in Kopanang Pty and VMR will be recognized on the date the Subscription Financing is fully repaid, the Company will continue to own a controlling interest in Kopanang Pty and VMR on such date, and thus Kopanang Pty and VMR will remain as consolidated subsidiaries of the Company.

### RECENT DEVELOPMENTS

Set forth below are certain material developments of our business and results of operations after June 30, 2019, which is the end of the Track Record Period, and up to the Latest Practicable Date:

- Based on our gold sales records, our aggregate sales volume in the third quarter of 2019 increased slightly by 0.5% to 56,004 ounces, compared with 55,737 ounces in the same period in 2018.
- The average gold price in the global market increased to US\$1,476.1 per ounce in the third quarter of 2019, respectively, from US\$1,306.5 per ounce in the first half of 2019.

We currently expect to incur a net loss in 2019. We anticipate that our 2019 production results will be negatively impacted by (i) underground seismic events at the Tau Lekoa Mine in the first quarter of 2019 and the expectation that similar events may occur during the rest

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## SUMMARY

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of the year; (ii) the practice adopted by the prior mine owner of the Kopanang Mine, AngloGold, of having no production planned before and after holidays and long weekends, which caused employees to take more time off during certain holidays than we deem appropriate during the first half of 2019; and (iii) the listing expenses we incurred and will incur in 2019 in connection with the Global Offering, of which US\$2.4 million was charged to our expenses for the six months ended June 30, 2019 and US\$3.0 million is expected to be charged to our income statement for the rest of 2019. We have implemented new time-off policies at the Kopanang Mine in order to improve our mining efficiency, and believe that these changes will gradually improve production results going forward, including during the second half of 2019.

### No Material Change

Our Directors confirm that up to the date of this prospectus, there has been no material adverse change in our financial or trading position since June 30, 2019 (being the date to which our Company's latest consolidated audited financial results were prepared), and there has been no events since June 30, 2019 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

### LISTING EXPENSES

The listing expenses in connection with the Global Offering consist primarily of underwriting commissions and professional fees. Based on the mid-point Offer Price of HK\$15.30 per share, the total estimated listing related expenses payable by us in relation to the Global Offering, including the underwriting commissions, is approximately US\$13.1 million. During the Track Record Period, we incurred listing expenses of approximately US\$5.6 million, of which US\$1.8 million and US\$2.4 million was charged to our expenses for the year ended December 31, 2018 and the six months ended June 30, 2019, respectively, and US\$1.4 million was capitalized and will be charged to our equity upon the Listing. We currently expect to incur further listing expenses (including the underwriting commissions) amounting to US\$7.4 million subsequent to the end of the Track Record Period, of which US\$3.0 million will be charged to our income statement and US\$4.4 million will be charged to our equity.

### GLOBAL OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and 80,440,000 New Shares are issued pursuant to the Global Offering; and (ii) 321,758,920 Shares are issued and outstanding following the completion of the Global Offering saved as disclosed in note (2) below.

	Based on an Offer Price of HK\$13.10	Based on an Offer Price of HK\$17.50
Market capitalization of our Shares <sup>(1)</sup> . . . . .	HK\$4,215 million	HK\$5,631 million
Unaudited pro forma adjusted consolidated net tangible assets per Share <sup>(2)</sup> . . . . .	HK\$4.72	HK\$5.79

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## SUMMARY

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*Notes:*

- (1) The calculation of market capitalization is based on the assumption that 321,758,920 Shares are expected to be in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised.
- (2) The unaudited pro forma adjusted consolidated net tangible assets per Share as of June 30, 2019 is calculated after making the adjustments referred to in Appendix II to this prospectus and on the basis that 321,758,920 Shares are expected to be in issue immediately upon completion of the Global Offering, assuming that the Global Offering has been completed on June 30, 2019 and that the Over-allotment Option is not exercised.

### **DIVIDEND POLICY**

We do not currently have a dividend policy and did not declare or pay any dividend out of our Group during the Track Record Period. Under the Companies Ordinance, we may only pay dividends out of the profits of the Company available for distribution and we may only pay dividends after recovery of accumulated losses. The Company may by ordinary resolution declare dividends but no dividend shall exceed the amount recommended by the Board. The declaration, payment and amount of any future dividends will depend on our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant. We currently plan to continue to focus on business growth and do not expect to declare any dividend in the near future. See “Financial Information – Dividend Policy.”

Our Board declares dividends by considering our results of operations, cash flows and financial conditions, operating and capital requirements and other relevant factors. The payment of any dividends will also depend on the availability of dividends, if any, received from the VMR Group, which is the immediate South African subsidiary of the Company and the holding vehicle of our South African operating subsidiaries. In addition to capital injection, the VMR Group also provides our South African operating subsidiaries with shareholder loans, which will be repaid to the VMR Group. The VMR Group’s ability to declare dividends is subject to compliance with the South African Companies Act and the MOI of such companies. In terms of section 46 of the South African Companies Act, a company must not make any proposed distribution (including dividends) unless (a) the distribution is (i) pursuant to an existing legal obligation of the company, or a court order, or (ii) the board of the company, by resolution, has authorized the distribution, (b) it reasonably appears that the company will satisfy the solvency and liquidity test immediately after completing the proposed distribution, and (c) the board of the company, by resolution, has acknowledged that it has applied the solvency and liquidity test, as set out in section 4 of the Companies Act, and reasonably concluded that the company will satisfy the solvency and liquidity test immediately after completing the proposed distribution. In applying the solvency and liquidity test to the VMR Group, only the loss accumulated on the VMR Group (excluding its subsidiaries) will be taken into account. Besides, as we expect our operations to generate positive cash flow in the future, it is expected that the operating subsidiaries would be able to repay the shareholder loans back to the VMR Group, which will also enable the VMR Group to pay dividend to the Company. Accordingly, since our Company derives all of its earnings and cash flows from dividends paid by the VMR Group, we will only be able to pay dividends to our shareholders subject to compliance with section 46 of the Companies Act and in accordance with the terms of the MOI of the relevant companies. See “Risk Factors — Risks Relating to the Global Offering — We cannot assure you that we will declare dividends in the future and any dividend payment may be subject to withholding tax.”

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## SUMMARY

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### SHAREHOLDER INFORMATION

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), the Controlling Shareholders will be entitled to exercise voting rights of approximately 75% of our share capital, respectively, and hence will continue to be our Controlling Shareholders. For details, see “Relationship with our Controlling Shareholders.”

### USE OF PROCEEDS

Assuming an Offer Price of HK\$15.30 per Share, being the mid-point of the Offer Price range stated in this prospectus, we estimate that we will receive net proceeds from the Global Offering of approximately HK\$1,128.7 million (US\$144.5 million) after deduction of underwriting fees and other estimated expenses in connection with the Global Offering. We intend to use the net proceeds from the Global Offering for the purposes and in the amounts set out below:

<u>Amount of the estimated net proceeds</u>	<u>Intended use of net proceeds</u>
<ul style="list-style-type: none"><li>approximately 40% of the net proceeds, which is approximately HK\$451.5 million (US\$57.8 million) . . . . .</li></ul>	development of new mining areas and operation of the Tau Lekoa Mine
<ul style="list-style-type: none"><li>approximately 30% of the net proceeds, which is approximately HK\$338.6 million (US\$43.4 million) . . . . .</li></ul>	development and operation of the Weltevreden project
<ul style="list-style-type: none"><li>approximately 20% of the net proceeds, which is approximately HK\$225.7 million (US\$28.9 million) . . . . .</li></ul>	development of new mining areas and operation of the Kopanang Mine
<ul style="list-style-type: none"><li>approximately 10% of the net proceeds, which is approximately HK\$112.9 million (US\$14.5 million) . . . . .</li></ul>	our working capital purpose

If the Over-allotment Option is exercised in full, we estimate that we will receive additional net proceeds from the sale of these additional Offer Shares of approximately HK\$180.0 million (US\$23.0 million), after deduction of the underwriting commissions and other estimated offering expenses payable by us and assuming the same initial public Offer Price as stated above.

In the event that we receive net proceeds from the Global Offering higher or lower than the estimated amount stated above, we will increase or decrease the intended use of net proceeds for the above purposes on a pro rata basis.

See “Future Plans and Use of Proceeds.”



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## SUMMARY

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### LOCAL LEGAL ENVIRONMENT AND REGULATIONS

All of our operations and the vast majority of our subsidiaries are located in South Africa and are thus subject to the laws and regulations of South Africa. According to Doing Business 2019 data published by the World Bank, South Africa ranked 82 out of 190 economies in terms of “ease of doing business,” which demonstrates South Africa’s relative reliable regulatory environment to the operation of a local firm.

South Africa has laws and regulations covering a range of areas such as mining, gold production, environmental protection, mine health and safety, black economic empowerment and labor protection, which may not be familiar to all investors and which you may wish to consider in your investment decision. See “Regulatory Overview.”

### RISK FACTORS

Our business and the Global Offering involve certain risks, some of which are set out in the section headed “Risk Factors.” You should read that section in its entirety carefully before you decide to invest in the Offer Shares. Some of the major risks we face include:

- changes in the market price for gold, which in the past have fluctuated widely, may affect the profitability of our operations and the cash flows generated by those operations;
- our operations are currently concentrated on two gold mines, and we are exposed to uncertainties in relation to these mines;
- our failure to achieve our production estimates could have a material adverse effect on our business, results of operations and financial position;
- failure of our plan to ramp up development projects may materially and adversely affect our business and future growth;
- our business, results of operation and financial position will be materially and adversely impacted by the strength of ZAR and inflation in South Africa;
- we recorded net current liabilities and net operating cash outflows during the Track Record Period, which might expose us to certain liquidity risks and could constrain our operational flexibility; and
- we incurred losses during the Track Record Period and cannot guarantee that we will realize a gross profit in 2019 or in the future.

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following words and expressions shall have the following meanings. Certain technical terms are explained in the section headed “Glossary of Technical Terms” in this prospectus.*

“Accountants’ Report”	the Accountants’ Report on the historical financial information of the Group attached as Appendix I to this prospectus
“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Agreement of Acting-in-concert”	the agreement of acting-in-concert entered into between Mr. Li and Mr. Wang on March 12, 2015 in relation to the exercise of their rights as shareholders of HSC
“AMCU”	the Association of Mineworkers and Construction Union
“ANC”	African National Congress, the governing South African political party
“AngloGold”	AngloGold Ashanti Limited, a global gold mining company headquartered in Johannesburg, South Africa and listed on the JSE, NYSE and ASX
“Application Form(s)”	<b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s) and <b>GREEN</b> Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
“AQA”	the National Environmental Management: Air Quality Act, No. 39 of 2004 (South Africa), as amended, supplemented or otherwise modified from time to time
“Articles of Association”	the articles of association of our Company conditionally adopted on October 31, 2019, a summary of which is included in Appendix IV to this prospectus, as amended from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Auramet”	Auramet International LLC, a global physical precious metals merchant, and an authorized gold dealer

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## DEFINITIONS

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“BBBEE”	Broad-based Black Economic Empowerment, a form of economic empowerment initiated by the South African government with the objective of increasing the participation of HDSAs in the economy and promoting black economic empowerment
“BCEA”	the Basic Conditions of Employment Act, No. 75 of 1997 (South Africa), as amended, supplemented or otherwise modified from time to time
“Board of Directors” or “Board”	the board of Directors
“Buffelsfontein” or “Buffels”	the Buffels surface material site owned by Buffelsfontein Pty or the surface materials from the site, as the case may be
“Buffelsfontein Pty”	Buffelsfontein Gold Mines Proprietary Limited (formerly known as Camelian Investments Proprietary Limited), a company incorporated in South Africa on September 20, 1995, which is a subsidiary of our Company
“business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation

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## DEFINITIONS

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“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operation and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CCMA”	the Commission for Conciliation, Mediation and Arbitration in South Africa, an independent, juristic body that helps to resolve disputes and offers advice and training on labor relations
“China” or “PRC”	the People’s Republic of China, except where the context requires otherwise and only for the purposes of this prospectus, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“COIDA”	the Compensation for Occupational Injuries and Diseases Act, No. 103 of 1993 (South Africa), as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, or “the Company”	Heaven-Sent Gold Group Company Limited (硅谷天堂黃金集團有限公司), a company incorporated with limited liability in Hong Kong as Heaven-Sent SA Sunshine Investment Company Limited (硅谷天堂南非陽光投資有限公司) on March 24, 2015 and renamed to its current name on February 1, 2019
“Competent Person”	SRK Consulting (South Africa) (Pty) Ltd.
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules

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## DEFINITIONS

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“Controlling Shareholders”	has the meaning ascribed thereto under the Listing Rules and unless the context otherwise requires, refers to Mr. Li, Mr. Wang, Shanshui Group, Beijing Wumu Sunshine Investment Consulting Co., Ltd. (北京五木陽光投資諮詢有限公司), HSC, Tibet Changji, Shanghai Lvhe, Shanghai Yunfeng, Sunshine BVI, Heaven-Sent Fu Kun, Heaven-Sent Capital (BVI) Company Limited, Heaven-Sent Capital (Cayman) Company Limited, Heaven-Sent Capital (HK) Company Limited, Heaven-Sent Spring Holding (Cayman) Company Limited, Heaven-Sent Capital ZDH Fund L.P., Sunshine HK and ZDH Husheng Fund L.P.
“CPR”	The Competent Person’s Report on the Mineral Assets of the Company, attached as Appendix III to this Prospectus
“Director(s)”	the director(s) of our Company
“DMRE”	Department of Mineral Resources and Energy of South Africa
“EIA”	Environmental Impact Assessment
“EMPr”	Environmental Management Program Report
“ENSafrica”	ENSafrica, our South African legal adviser in respect of the safety issues concerning our South African subsidiaries
“Eskom”	Eskom Holdings SOC Limited, the national electricity provider in South Africa
“ETFs”	exchange traded funds
“Frost & Sullivan”	Frost & Sullivan International Limited (弗若斯特沙利文國際有限公司)
“GAAP”	generally accepted accounting principles
“Global Offering”	the Hong Kong Public Offering and the International Offering
“GN”	Government Notice (South Africa)
“Gold Fields”	Gold Fields Limited, one of the world’s largest gold mining companies headquartered in Johannesburg, South Africa and listed on both the JSE and NYSE

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## DEFINITIONS

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“ <b>GREEN</b> Application Form(s)”	the application form(s) to be completed by the <b>HK eIPO White Form</b> Service Provider designated by our Company
“Group,” “our Group,” “the Group”, “we” or “us”	the Company and its subsidiaries from time to time
“Harmony Gold”	Harmony Gold Mining Company Limited, one of the world’s largest gold mining companies headquartered in Melrose Arch, South Africa and listed on both the JSE and NYSE
“Harmony Moab”	Harmony Moab Khotsong Operations Proprietary Limited, the supplier of our emergency power system
“HDSA”	historically disadvantaged South African
“Heaven-Sent Fu Kun”	Beijing Heaven-Sent Fu Kun Investment Management Co., Ltd. (北京硅谷天堂富琨投资管理有限公司), a company established in the PRC as a limited liability company on July 25, 2017, which is a wholly owned subsidiary of HSC
“HIV/AIDS”	Human immunodeficiency virus infection and acquired immune deficiency syndrome
“ <b>HK eIPO White Form</b> ”	the application for the Hong Kong Offer Shares to be issued in the applicant’s own name, submitted online through the IPO App or the designated website of the <b>HK eIPO White Form</b> Service Provider, <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“ <b>HK eIPO White Form</b> Service Provider”	the <b>HK eIPO White Form</b> Service Provider in the IPO App or designated by our Company as specified in the IPO App or on the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China

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## DEFINITIONS

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“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Offer Shares”	the 8,044,000 new Shares initially being offered for subscription in the Hong Kong Public Offering at the Offer Price (subject to adjustment and reallocation as described in the section headed “Structure of the Global Offering” in this prospectus)
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus a brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the Application Forms, as further described in the section headed “Structure of the Global Offering — The Hong Kong Public Offering” in this prospectus
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Underwriters”	CLSA Limited (中信里昂證券有限公司), CCB International Capital Limited (建銀國際金融有限公司) and Haitong International Securities Company Limited (海通國際證券有限公司)
“Hong Kong Underwriting Agreement”	the Hong Kong underwriting agreement, dated November 6, 2019, relating to the Hong Kong Public Offering consisting of 8,044,000 Shares (subject to adjustment) in the capital of our Company, entered into between our Company, HSC, Sunshine HK, ZDH Husheng Fund L.P., the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters, as further described in the section headed “Underwriting” in this prospectus
“HSC”	Heaven-Sent Capital Management Group Co., Ltd. (硅谷天堂資產管理集團股份有限公司), a company established in the PRC as a limited liability company on August 23, 2006, converted into a joint stock company with limited liability on November 19, 2010, and quoted on the NEEQ (stock code: 833044)
“IFRS”	the International Financial Reporting Standards, amendments and interpretation issued from time to time by the International Accounting Standards Board



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## DEFINITIONS

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“independent third party(ies)”	any entity or person who is not a connected person of our Company or an associate of any such person within the meanings ascribed thereto under the Listing Rules
“International Offer Shares”	the 72,396,000 Shares being initially offered for subscription at the Offer Price under the International Offering together, where relevant, with any additional Shares that may be issued pursuant to any exercise of the Over-allotment Option, subject to adjustment and reallocation as described in the section headed “Structure of the Global Offering” in this prospectus
“International Offering”	the conditional placing of the International Offer Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S or any other available exemption from the registration requirement under the U.S. Securities Act, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the underwriters of the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering and expected to be entered into by, among others, our Company, and the Sole Global Coordinator (for itself and on behalf of the International Underwriters) on or about November 18, 2019, as described in the section headed “Underwriting — Underwriting Arrangements And Expenses — International Offering” in this prospectus
“IPO App”	the mobile application for <b>HK eIPO White Form</b> service which can be downloaded by searching “IPO App” in App Store or Google Play or downloaded at <a href="http://www.hkeipo.hk/IPOApp">www.hkeipo.hk/IPOApp</a> or <a href="http://www.tricorglobal.com/IPOApp">www.tricorglobal.com/IPOApp</a>
“Jiaxing Kuncheng”	Jiaxing Heaven-Sent Kuncheng Investment Partnership (Limited Partnership) (嘉興硅谷天堂鯤誠投資合夥企業(有限合夥)), a limited partnership established in the PRC on October 25, 2014
“Joint Bookrunners”	CLSA Limited (中信里昂證券有限公司), CCB International Capital Limited (建銀國際金融有限公司) and Haitong International Securities Company Limited (海通國際證券有限公司)

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## DEFINITIONS

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“Joint Lead Managers”	CLSA Limited (中信里昂證券有限公司), CCB International Capital Limited (建銀國際金融有限公司) and Haitong International Securities Company Limited (海通國際證券有限公司)
“JSE”	the securities exchange operated by JSE Limited and licensed as an exchange under the South African Financial Markets Act 19 of 2012
“JSE Limited”	JSE Limited, incorporated and registered in South Africa with registration number 2005/022939/06 and its registered office address at One Exchange Square, 2 Gwen Lane, Sandown, 2196, South Africa
“Kopanang Mine”	underground gold mining assets owned by Kopanang Pty
“Kopanang Operations”	the assets that VMR acquired from AngloGold, including the Kopanang Mine, the West Gold Plant and related infrastructure, excluding the Kopanang gold plant and the Kopanang rock dump which were retained by AngloGold
“Kopanang Pty”	Kopanang Gold Mining Company Proprietary Limited (formerly known as K2017449111 (South Africa) Proprietary Limited), a company incorporated in South Africa on October 6, 2017, which is a subsidiary of our Company
“Labour Court”	the Labour Court of South Africa
“Latest Practicable Date”	October 30, 2019 being the latest practicable date for ascertaining certain information in this prospectus before its publication
“Lesego”	Lesego Platinum Mining Proprietary Limited (formerly known as Sugar Sweet Props 5 Proprietary Limited), a company incorporated in South Africa on February 24, 2005, which was a subsidiary of our Company and was disposed in December 2018
“Lesego HK”	Lesego Platinum (HK) Company Limited, a private company incorporated in Hong Kong on April 11, 2018, which is a subsidiary of HSC
“Listing”	the listing of the Shares on the Main Board

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## DEFINITIONS

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“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about November 25, 2019, on which the Shares are to be listed and on which dealings in the Shares are to be first permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“London Bullion Market Association”	a wholesale over-the-counter market for the trading of gold and silver. Its gold price auction, an internationally recognized gold pricing mechanism, takes place twice daily at 10:30 am and 3:00 pm with the price set in U.S. dollars per ounce
“LRA”	the Labor Relations Act, No. 66 of 1995 (South Africa), as amended, supplemented or otherwise modified from time to time
“MA Regulations”	the regulations published in terms of the now repealed Minerals Act, No. 50 of 1991 (South Africa), which remain in force and effect in terms of schedule 4 to the MHSA
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“MHSA”	the Mine Health and Safety Act, No. 29 of 1996 (South Africa), as amended, supplemented or otherwise modified from time to time
“MHSI”	the Mine Health and Safety Inspectorate
“MHS Regulations”	the Mine Health and Safety Regulations published in terms of the MHSA
“Maximum Offer Price”	HK\$17.50 (being the high end of the Offer Price range stated in this prospectus)
“MOFCOM”	the Ministry of Commerce of the PRC

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## DEFINITIONS

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“MOI”	a memorandum of incorporation required by the South African Companies Act
“MPRDA”	the Mineral and Petroleum Resources Development Act, No. 28 of 2002 (South Africa), as amended, supplemented or otherwise modified from time to time
“Mr. Li”	Mr. Guoxiang Li (李國祥), one of our Controlling Shareholders
“Mr. Wang”	Mr. Linjiang Wang (王林江), one of our Controlling Shareholders
“NDRC”	the National Development and Reform Commission of the PRC
“NEEQ”	the National Equities Exchange and Quotations (全國中小企業股份轉讓系統) of the PRC
“NEMA”	the National Environmental Management Act 107 of 1998, as amended, supplemented or otherwise modified from time to time
“NERSA”	the National Energy Regulator of South Africa, established in terms of the National Energy Regulator Act, No. 40 of 2004 (South Africa), as amended, supplemented or otherwise modified from time to time
“Nicolor”	Nicolor Proprietary Limited, a company incorporated in South Africa on July 26, 2012, which is a subsidiary of our Company
“NNR”	National Nuclear Regulator (South Africa)
“NNR Act”	National Nuclear Regulator Act, No. 47 of 1999 (South Africa), as amended, supplemented or otherwise modified from time to time
“Nomination Committee”	the nomination committee of the Board
“NUM”	National Union of Mine Workers
“NUMSA”	the National Union of Metalworkers of South Africa

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## DEFINITIONS

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“NWA”	the National Water Act, No. 36 of 1998 (South Africa), as amended, supplemented or otherwise modified from time to time
“ODMWA”	the Occupational Diseases in Mines and Works Act, No. 78 of 1973 (South Africa), as amended, supplemented or otherwise modified from time to time
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee), expressed in Hong Kong dollars, at which Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Offer Shares are to be offered pursuant to the International Offering, to be determined as described in the section headed “Structure of the Global Offering — Pricing” in this prospectus
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional Shares to be issued by our Company pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 12,066,000 additional new Shares (representing in aggregate 15% of the initial Offer Shares) to cover over-allocations in the International Offering, if any, details of which are described in the section headed “Structure of the Global Offering — Over-allotment Option” in this prospectus
“PACCA”	the Prevention and Combating of Corrupt Activities Act, No. 12 of 2004 (South Africa), as amended, supplemented or otherwise modified from time to time
“Pan African Resources”	Pan African Resources PLC, a gold mining company headquartered in Johannesburg, South Africa and listed on both the JSE and LSX

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## DEFINITIONS

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“Pre-IPO Investments”	the pre-IPO investments in our Company undertaken by the Pre-IPO Investors, details of which are set out in the section headed “History and Corporate Structure”
“Pre-IPO Investors”	ZDH Husheng Fund L.P. and Heaven-Sent Capital ZDH Fund L.P.
“Price Determination Agreement”	the agreement expected to be entered into between our Company and the Sole Global Coordinator, acting on behalf of the Underwriters, on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be November 18, 2019, on which the Offer Price is fixed for the purposes of the Global Offering, and in any event no later than November 19, 2019, or such other date as agreed between the parties to the Price Determination Agreement
“PRC Legal Adviser”	Commerce & Finance Law Offices, legal adviser to our Company as to the PRC laws in connection with the Global Offering
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“Rand Refinery”	Rand Refinery Proprietary Limited, established in 1920 in Germiston, South Africa, the largest integrated single-site precious metals refining and smelting complex in the world
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“Risk Management Committee”	the risk management committee of the Board
“RMB”	Renminbi, the lawful currency of the PRC
“RSA Constitution”	the Constitution of the Republic of South Africa, 1996
“SAFE”	the State Administration of Foreign Exchange

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## DEFINITIONS

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“SAMREC Code”	the 2016 Edition of “The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves”
“SARS”	the South African Revenue Service
“SDA”	the Skills Development Act, No. 97 of 1998 (South Africa), as amended, supplemented or otherwise modified from time to time
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Lvhe”	Shanghai Heaven-Sent Lvhe Investment Partnership (Limited Partnership) (上海硅谷天堂呂合投資合夥企業 (有限合夥)), a limited partnership established in the PRC on December 17, 2014
“Shanghai Yiyi”	Shanghai Yiyi Enterprise Management and Consulting Co., Ltd. (上海億意企業管理諮詢有限公司), a company established in PRC as a limited liability company on May 10, 2018
“Shanghai Yunfeng”	Shanghai Heaven-Sent Yunfeng Investment Partnership (Limited Partnership) (上海硅谷天堂耘豐投資合夥企業 (有限合夥)), a limited partnership established in the PRC on August 25, 2015
“Shanshui Group”	Shanshui Holdings Group Co., Ltd. (山水控股集團有限公司), a company established in PRC as a limited liability company on July 5, 2001
“Share(s)”	ordinary share(s) in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Subdivision”	the subdivision of the Company’s ordinary Shares from 8,043,964 Shares to 241,318,920 Shares by subdividing every existing Share into 30 Shares as approved by the Shareholders by way of a written resolution passed on March 12, 2019



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## DEFINITIONS

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“Sibanye”	Sibanye Gold Limited, one of the world’s largest gold mining companies headquartered in Johannesburg, South Africa and listed on both the JSE and NYSE
“Silicon Paradise”	Silicon Paradise Asset Management Group Co., Ltd. (天堂硅谷資產管理集團有限公司) (formerly known as Zhejiang Silicon Paradise Asset Management Group Co., Ltd. (浙江天堂硅谷資產管理集團有限公司)), a company established in PRC as a limited liability company on November 11, 2000, which is a subsidiary of HSC
“Simmers”	Simmer and Jack Mines Ltd., a South African mining company headquartered in Johannesburg, South Africa and listed on the JSE until 2013
“Simmer and Jack”	Simmer and Jack Investments Proprietary Limited, a company incorporated in South Africa on March 5, 1981, which is a subsidiary of our Company
“SLU”	The Solidarity Labor Union
“Sole Global Coordinator”	CLSA Limited (中信里昂證券有限公司)
“Sole Sponsor”	CLSA Capital Markets Limited (中信里昂證券資本市場有限公司)
“South Africa”	the Republic of South Africa
“South African Companies Act”	the Companies Act, No. 71 of 2008 (South Africa), as amended, supplemented or otherwise modified from time to time
“Stabilizing Manager”	CLSA Limited (中信里昂證券有限公司)
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between Sunshine HK and the Stabilizing Manager (or its agents) on or around the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules

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## DEFINITIONS

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“Sunshine BVI”	Heaven-Sent Sunshine (BVI) Investment Company Limited, an exempted company with limited liability incorporated in BVI on January 4, 2016
“Sunshine HK”	Heaven-Sent Sunshine Investment Company Limited (硅谷天堂陽光投資有限公司), a private company incorporated in Hong Kong on March 13, 2015
“Takeovers Code”	the Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Tau Lekoa Group”	underground gold mining assets, including the operating Tau Lekoa Mine and two development projects, namely the Weltevreden project and the Goedgenoeg project
“Tau Lekoa Mine”	underground gold mining assets owned by Tau Lekoa Pty
“Tau Lekoa Pty”	Tau Lekoa Gold Mining Company Proprietary Limited (formerly known as Shanike Investments No. 168 Proprietary Limited), a company incorporated in South Africa on November 17, 2011, which is a subsidiary of our Company
“Tibet Changji”	Tibet Shannan Heaven-Sent Changji Investment Management Co., Ltd. (西藏山南硅谷天堂昌吉投資管理有限公司), a company established in PRC as a limited liability company on August 28, 2014
“Tibet Kunyu”	Tibet Heaven-Sent Kunyu Investment Management Co., Ltd. (西藏硅谷天堂琨禦投資管理有限公司), a company indirectly wholly owned by HSC
“Track Record Period”	the three financial years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019
“TreasuryONE”	TreasuryONE Proprietary Limited, an authorized financial services provider in South Africa providing treasury services and exchange rate risk management services
“UASA”	The United Association of South Africa

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## DEFINITIONS

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“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. dollar(s)” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“VMR”	Village Main Reef Proprietary Limited (formerly known as Village Main Reef Gold Mining Company (1934) Limited), a company incorporated in South Africa on June 25, 1934, a subsidiary of the Company
“VMR 01”	Village Main Reef Gold Investments 01 Proprietary Limited (formerly known as Shanike Investments No. 169 Proprietary Limited), a company incorporated in South Africa on November 17, 2011, a subsidiary of the Company
“VMR 03”	Village Main Reef Gold Investments 03 Proprietary Limited (formerly known as Newshelf 1258 Proprietary Limited), a company incorporated in South Africa on May 9, 2011, a subsidiary of the Company
“VMR 04”	Village Main Reef Gold Investments 04 Proprietary Limited (formerly known as Newshelf 1214 Proprietary Limited), a company incorporated in South Africa on April 11, 2011, a subsidiary of the Company
“VMR Group”	Village Main Reef Group Proprietary Limited (formerly known as Aztodex Proprietary Limited), a company incorporated in South Africa on March 24, 2015, a wholly owned subsidiary of the Company
“Warranting Shareholders”	HSC, Sunshine HK and ZDH Husheng Fund L.P.

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## DEFINITIONS

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“Waste Act”	the National Environmental Management: Waste Act, No. 59 of 2008 (South Africa), as amended, supplemented or otherwise modified from time to time
“Werksmans”	Werksmans Attorneys, our South African legal adviser
“ <b>WHITE</b> Application Form(s)”	the form of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be issued in the applicants’ own name
“World Gold Council”	a market development organisation for the gold industry based in the United Kingdom. Its members include many leading gold mining companies in the world
“ <b>YELLOW</b> Application Form(s)”	the form of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be deposited directly into CCASS
“ZAR” or “Rand”	the South African Rand, the lawful currency of South Africa
“%”	percent

In this prospectus:

The English names of the PRC nationals, enterprises, entities, departments, facilities, certificates, regulations, titles and the like are translation and/or transliteration of their Chinese names and are included for identification purposes only. In the event of inconsistency between the Chinese names and their English translations and/or transliterations, the Chinese names shall prevail.

The terms “associate,” “connected person,” “connected transaction,” “controlling shareholder,” “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

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## GLOSSARY OF TECHNICAL TERMS

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*This glossary contains definitions of certain terms used in this prospectus in connection with our business. These terms and their definitions may not correspond to any industry standard definitions, and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as our Company.*

“AISC”	all-in sustaining costs, a metric which gold mining companies may use to report their costs. According to the Guidance Note on Non-GAAP Metrics – All-in Sustaining costs and All-in Costs published by World Gold Council, all-in sustaining costs is the sum of the on-site mining costs (on a sales basis), on-site general and administrative costs, royalties and production taxes, realized gains/losses on hedges due to operating costs, community costs related to current operations, permitting costs related to current operations, third party smelting, refining and transport costs, non-cash remuneration (site-based), stock-piles/product inventory write down, operational stripping costs, by-product credits, corporate general and administrative costs (including share-based remuneration), reclamation and remediation – accretion and amortization (operating sites), exploration and study costs (sustaining), capital exploration (sustaining), capitalized stripping and underground mine development (sustaining) and capital expenditure (sustaining)
“AMD”	Acid Mine Drainage
“Au”	the symbol for the chemical element of gold
“C Reef”	Crystalkop Reef
“CIL”	Carbon-in-Leach
“CIP”	Carbon-in-Pulp
“cm”	centimeters
“cm.g/t”	centimeter gram per ton, calculated gold accumulation, being the grade (in g/t) multiplied by the full channel width (in cm)

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## GLOSSARY OF TECHNICAL TERMS

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“concentrate”	a powdery or liquid product containing an upgraded mineral content resulting from initial processing of mined ore to remove some waste materials. A concentrate is an intermediary product, which would still be subject to further processing, such as smelting, to effect recovery of metal
“cut-off grade”	the grade threshold above which a block of ground is considered economic to mine
“deposit”	any sort of earth material that has accumulated through the action of wind, water, ice or other agents
“doré bar”	gold bar produced at the mine site (typically containing 80% gold) before sending to a refinery where the gold is refined to a higher purity (“four-nines” gold, or 99.99%)
“drilling”	a technique or process of making a circular hole in the ground with a drilling machine, which is typically used to obtain a cylindrical sample of ore and rock. Alternatively, blasthole drilling is where the drilling technique is used to create a hole to house an explosive charge in preparation for blasting a zone of rock
“exploration”	activity to search for and evaluate the location, volume and quality of a mineral deposit
“face advance”	the distance that the mining face in an underground mine moves after a blast or over a stated period
“g/t”	grams per metric ton – metal concentration
“gold bullion”	refined gold in the form of bars of “four-nines” (99.99%) purity
“gold recovery rate”	the percentage of gold produced compared to the amount of gold contained in the feed ore in the context of a processing plant, or the percentage of gold produced compared to the amount of gold contained in the feed concentrates in the context of a smelting plant

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## GLOSSARY OF TECHNICAL TERMS

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“grade”	the relative amount of valuable elements or minerals contained in a parcel of ore material. For gold, grade is commonly expressed in grams per ton terms (g/t Au)
“ha”	hectare
“Indicated Mineral Resource(s)”	that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of modifying factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation
“Inferred Mineral Resource(s)”	that part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. An Inferred Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to a Mineral Reserve. It is reasonably expected that a majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration
“kg”	kilogram(s), the base unit of mass in the international system of units
“km”	kilometer(s), a metric unit measure of distance
“koz”	thousand ounces, a unit of weight
“ktpm”	a thousand metric tons per month
“kWh”	kilowatt hours
“leach”	to dissolve minerals or metals out of ore into solution with chemicals
“LoM”	life of mine



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## GLOSSARY OF TECHNICAL TERMS

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“MCF”	mine call factor, the ratio, expressed as a percentage, of the total quantity of recovered and unrecovered mineral product after processing to the amount estimated in the ore based on sampling
“Measured Mineral Resource(s)”	that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of modifying factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource
“Mineral Reserve(s)” or “Reserve(s)”	the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at pre-feasibility or feasibility level, as appropriate, that include application of modifying factors. Such studies demonstrate that extraction could reasonably be justified at the time of reporting
“Mineral Resource(s)” or “Resources(s)”	a concentration or occurrence of solid material of economic interest in or on the Earth’s crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling
“Mineralization”	an area with discontinuous distribution belts of mineralization, including the occurrence of deposits, mine sites and alteration of waste rock, as exploration indicators and under control of same geology conditions. It is a key zone for estimation and further planning of exploration of minerals

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## GLOSSARY OF TECHNICAL TERMS

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“mother hole”	also referred to as the parent hole, the first hole drilled at a given location to assess a given objective in a formation or target. It is common with deep drill holes to drill a series of deflections from the mother hole to increase the amount of information gained in that area
“Moz”	million ounces
“Mt”	million metric tons
“MVA”	million volt-amperes, a metric unit measure of energy power
“ore”	mineral bearing rock which can be mined and treated profitably under current or immediately foreseeable economic conditions
“orebody”	natural mineral accumulations which can be extracted for use under existing economic conditions and using existing extraction techniques
“ounce(s)” or “oz”	a unit of weight for precious metals, and one troy ounce equals 31.1034768 grams
“PGM”	platinum-group metals, including ruthenium, rhodium, palladium, osmium, iridium and platinum
“pH”	a measure of the activity of solvated hydrogen ions
“PRF”	plant recovery factor, the ratio expressed as a percentage of the mass of the specific mineral product actually recovered from ore treated at the plant to its total specific mineral content before treatment
“Probable Mineral Reserve(s)”	the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the modifying factors applying to a Probable Mineral Reserve is lower than that applying to a Proved Mineral Reserve
“processing”	the process which in general refers to the extraction of usable portions of ores by using physical and chemical methods

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## GLOSSARY OF TECHNICAL TERMS

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“Proved Mineral Reserve(s)”	the economically mineable part of a Measured Mineral Resource. A Proved Mineral Reserve implies a high degree of confidence in the modifying factors
“refining”	the final stage of the metallurgical process of refining crude metal products to a pure or very pure end-product
“rehabilitation”	in the context of mining, the process of returning the land to another productive use or the restoration of land and environmental values to a mine site after the mining has been completed
“RoM”	run of mine
“smelting”	a pyrometallurgical process of separating metal by fusion from those impurities with which it is chemically combined or physically mixed
“tailings”	refuse or dross remaining after the mineral has been removed from the ore – metallurgical plant waste product
“ton”	metric ton, a metric unit of weight
“U”	the symbol for the chemical element of uranium
“underground mine”	openings in the earth accessed via shafts and adits below the land surface to extract minerals
“V Reef”	Vaal Reef
“VC Reef”	Ventersdorp Contact Reef
“vein”	sheet-like body of minerals formed by fracture filling or replacement of host rock

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## SUMMARY OF THE SAMREC CODE 2016 EDITION

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The 2016 Edition of “*The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (The SAMREC Code)*” as prepared by the South African Mineral Resource Committee Working Group under the auspices of the Southern African Institute for Mining and Metallurgy and the Geological Society of South Africa is an international reporting code and guideline that stipulates the minimum standards, recommendations and guidelines for the Public Reporting of Exploration Results, Mineral Resources, and Mineral Reserves. The first version of the SAMREC Code was issued in March 2000 and adopted by the JSE in their Listing Requirements later that same year. A second edition of the SAMREC Code was issued in 2007 with an amendment being issued in 2009. The 2016 edition supersedes the previous editions. The SAMREC Code also satisfies the reporting requirements of Chapter 18 – Mineral Companies of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong. The SAMREC Code has been used by the Competent Person for the Public Reporting of the Mineral Resources and Mineral Reserves of the Heaven Sent Gold Assets in this prospectus.

The SAMREC Code takes into account issues of a global nature while addressing certain circumstances unique to South Africa. The following principles are considered in the application of the SAMREC Code:

- **Materiality** – A public report contains all the relevant information that investors and their professional advisers would reasonably require, and expect to find, for the purpose of making a reasoned and balanced judgement regarding the exploration results, Mineral Resources and Mineral Reserves being reported;
- **Transparency** – The reader of a public report must be provided with sufficient information, the presentation of which is clear and unambiguous, to understand the report and not be misled; and
- **Competency** – A public report is based on work that is the responsibility of suitably qualified and experienced persons who are subject to an enforceable professional code of ethics.

The SAMREC Code defines a Mineral Resource as a concentration or occurrence of solid material of economic interest in or on the Earth’s crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling.

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## SUMMARY OF THE SAMREC CODE 2016 EDITION

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Any Mineralisation that does not have demonstrated reasonable prospects for eventual economic extraction may not be included in a Mineral Resource. The Competent Person discloses and discusses the parameters used to support the concept of ‘eventual’. Mineral Resources are subdivided, and are reported, in order of increasing confidence in respect of geoscientific evidence, into the following categories:

- **Inferred Mineral Resource** – that part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to a Mineral Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration;
- **Indicated Mineral Resource** – that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of modifying factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation; and
- **Measured Mineral Resource** – that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of modifying factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proved Mineral Reserve or to a Probable Mineral Reserve.

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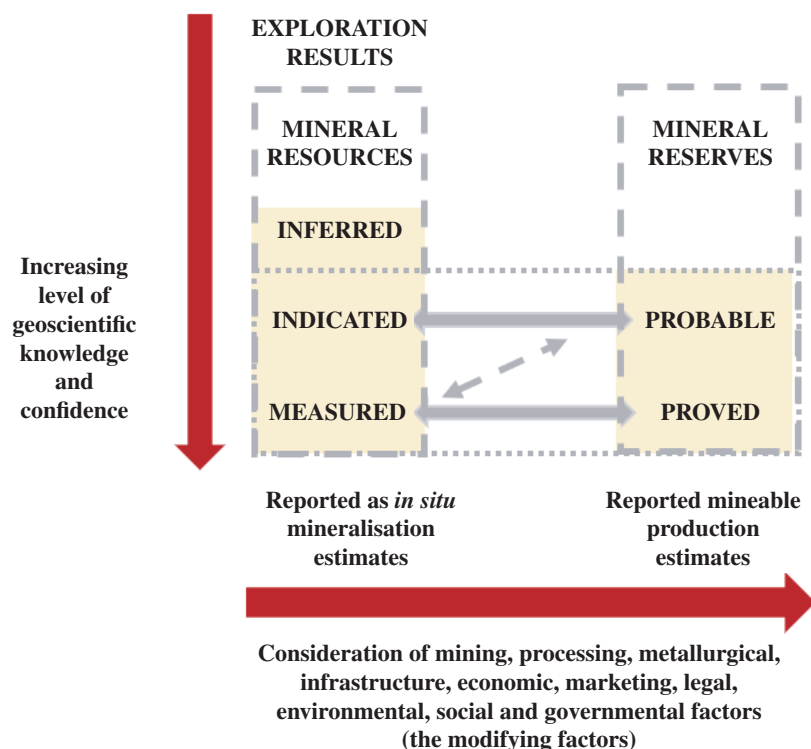
## SUMMARY OF THE SAMREC CODE 2016 EDITION

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The SAMREC Code defines a Mineral Reserve as the economically mineable part of a Measured Mineral Resource and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at pre-feasibility or feasibility level as appropriate that include application of modifying factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. Modifying factors are considerations used to convert Mineral Resources to Mineral Reserves. These include, but are not limited to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors. Mineral Reserves are subdivided into the following categories:

- **Probable Mineral Reserve** – the economically mineable part of an Indicated Mineral Resource, and in some circumstances, a Measured Mineral Resource. The confidence in the modifying factors applying to a Probable Mineral Reserve is lower than that applying to a Proved Mineral Reserve; and
- **Proved Mineral Reserve** – the economically mineable part of a Measured Mineral Resource. A Proved Mineral Reserve implies a high degree of confidence in the modifying factors.

The diagram below summarises the general relationships between exploration results, Mineral Resources and Mineral Reserves under the SAMREC Code.



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## **SUMMARY OF THE SAMREC CODE 2016 EDITION**

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Measured Mineral Resources may convert to either Proved Mineral Reserves or Probable Mineral Reserves. The broken arrow in the above diagram demonstrates this latter relationship, which results where there are uncertainties associated with the modifying factors that are taken into account in the conversion from Mineral Resources to Mineral Reserves. Although the trend of the broken arrow includes a vertical component, it does not, in this instance, imply a reduction in the level of geoscientific knowledge or confidence. In such a situation, these modifying factors are fully explained.

It is customary to state whether the Mineral Resources are reported inclusive or exclusive of the Mineral Reserves. The CPR in this prospectus reports all of the Mineral Reserves as part of, or included in, the Mineral Resources.

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## FORWARD-LOOKING STATEMENTS

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Certain statements in this prospectus are forward looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “will,” “expect,” “anticipate,” “estimate,” “believe,” “going forward,” “ought to,” “may,” “seek,” “should,” “intend,” “plan,” “projection,” “could,” “vision,” “goals,” “objective,” “target,” “schedules” and “outlook”) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including the risk factors detailed in this prospectus), uncertainties and other factors some of which are beyond our Company’s control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our business prospect;
- our future business development, financial condition and results of operations;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- our ability to identify and satisfy consumers’ demands and preferences;
- our ability to control or reduce costs;
- our ability to maintain good relationships with business partners;
- general economic, political and business conditions in the industries and markets in which we operate;
- relevant government policies and regulations relating to our industry, business and corporate structure;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial market and economic condition;
- our dividend policy;



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## FORWARD-LOOKING STATEMENTS

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- the amount and nature of, the potential for, further development of our businesses;
- capital market developments;
- change or volatility in interest ratios, foreign exchange ratios, equity prices, volume, operations, margins, risk management and overall market trends;
- the actions and developments of our competitors; and
- all other risks and uncertainties described in the section in this prospectus under the heading “Risk Factors.”

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Accordingly, you should not place undue reliance on any forward-looking information. Statements of or references to our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

All forward-looking statements in this prospectus are expressly qualified by reference to this cautionary statement.

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## RISK FACTORS

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*You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below and in “Appendix III — Competent Person’s Report” of this prospectus in respect of, inter alia, our business and industry, before making an investment in the Shares being offered in the Global Offering. You should pay particular attention to the fact that our principal business and operations are conducted in South Africa and are governed by a legal and regulatory environment which in certain aspects differs from that prevailing in other countries. Our business, financial position and results of operations could be materially and adversely affected by any of these risks. The trading price of the Shares being offered in the Global Offering may decline due to any of these risks, and you may lose all or part of your investment.*

We believe that an investment in our Shares involves certain risks, some of which are beyond our control. These risks can be broadly categorized into (i) risks relating to our business and industry; (ii) risks relating to doing business in South Africa; and (iii) risks relating to the Global Offering. Prospective investors in our Shares should consider carefully all the information set forth in this prospectus and, in particular, this section in connection with an investment in us.

### **RISKS RELATING TO OUR BUSINESS AND INDUSTRY**

#### **Our failure to achieve our production estimates could have a material adverse effect on our business, results of operations and financial position.**

The LoM plan for our Tau Lekoa Mine estimates an annual production rate of approximately 504,000 tons and an average of approximately 65,800 ounces of gold per annum through 2023, and the LoM plan for our Kopanang Mine estimates an annual production rate of approximately 740,000 tons and an average of approximately 109,000 ounces of gold per annum through 2025, based on Proved and Probable Mineral Reserves as of June 30, 2019, according to the CPR. Our production estimates are based on, among other things, Mineral Reserves estimates, physical characteristics of Mineral Reserves, ground conditions, gold recovery rate, mining schedule, utilization of production facilities, costs of production, conditions of the industry, political stability and the general economy, as well as our ability to mine safely, without incidents and in the absence of instructions that may be issued by inspectors from the DMRE halting some or all of our operations.

There are uncertainties in our ability to achieve our mining schedule. Since our Mineral Reserve estimates are based on a long-term gold price assumption of ZAR550,000 per kg (derived from US\$1,181 per ounce and ZAR14.50 per U.S. dollar), our operation and actual production may also be affected by significant fluctuation in gold prices. According to the CPR, in a hypothetical situation, assuming the current project design, the LoM schedule and all operational factors remain constant, if gold prices decrease by a considerable percentage, certain of our projected operations may be considered uneconomic.

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## RISK FACTORS

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Actual production may vary from estimates for a variety of reasons, including risks and hazards of the types discussed elsewhere in this prospectus, including but not limited to:

- actual gold ore mined varying from estimates in grade, tonnage, and metallurgical and other characteristics;
- encountering unusual or unexpected geological conditions;
- mining dilution;
- actual gold recovery rate in formal production lower than estimates during the testing;
- actual Mineral Resources or Mineral Reserves being lower than estimates;
- safety concerns and possible dangerous occurrences, accidents and/or health threatening occurrences;
- equipment failures;
- natural phenomena such as weather conditions, floods, rock slides and earthquakes;
- changes in the costs of utilities;
- decreases in gold prices which may cause Mineral Reserves that are currently economic to become uneconomic;
- labor unrest, strikes, labor turnover;
- socio-economic impacts;
- shortages of supplies needed for operation;
- orders, directives or compliance notices that may be issued by authorities following an environmental incident or non-compliance;
- the possible unwarranted or unreasonable use by inspectors from the DMRE of their right to halt some or all of our operations;
- delays or other challenges experienced in obtaining required approvals or amendments of approvals that are already in place; and
- restrictions imposed by government authorities.

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## RISK FACTORS

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**Changes in the market price for gold, which in the past have fluctuated widely, may affect the profitability of our operations and the cash flows generated by those operations.**

During the Track Record Period, substantially all of our revenue was derived from the sale of gold. Historically, the price of gold has exhibited significant volatility. See “Industry Overview — Global Gold Prices.” A sustained period of significant gold price volatility may adversely affect our ability to evaluate the feasibility of undertaking new capital projects or continuing existing operations or to make other long-term strategic decisions. The gold price has been affected by numerous factors beyond our control, including, among others:

- strength or weakness of the U.S. dollar (the currency in which gold prices generally are quoted) and of other currencies;
- demand for gold for industrial uses and use in jewelry;
- demand for gold from relatively new emerging markets, particularly Brazil, Russia, India and China, and the emerging middle class in these markets;
- actual, expected or rumored purchases and sales of gold bullion holdings by central banks or other large gold bullion holders or dealers;
- demand for ETFs which replicate the exact performance of gold;
- demand for gold for investment purposes;
- investor confidence in gold and the gold business;
- speculative trading activities in gold;
- the overall level of forward sales by gold producers;
- the overall level and cost of production of gold;
- international or regional political and economic events or trends;
- financial market expectations regarding the rate of inflation; and
- interest rates.

The variety of these factors makes it impossible for us to accurately predict changes to prevailing gold prices. If gold prices fall below the amount it costs us to produce gold and remain at such levels for any sustained period, we may experience losses and may be forced to curtail or suspend some or all of our projects or operations, or reduce operational capital expenditures or at all. In addition, we might not be able to recover any losses incurred during or after such periods.

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## RISK FACTORS

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In addition, the fluctuation in gold price is difficult to predict, given that the current demand for and supply of gold do not necessarily affect the price of gold in the same manner as current demand and supply affect the prices of other commodities. Central banks, financial institutions and individuals historically have held large amounts of gold as a store of value, and production in any given year historically has constituted a small portion of the total potential supply of gold. We cannot ensure that these inter-relationships will sufficiently reduce the risks associated with gold price fluctuations.

**Our business, results of operation and financial position will be materially and adversely impacted by the strength of ZAR and inflation in South Africa.**

Our revenue derived from sale of gold is denominated in U.S. dollar or in ZAR based on the prevailing gold spot price in U.S. dollar, and we receive the payment in ZAR based on exchange rates on different dates depending on whether we sell gold through Rand Refinery, TreasuryONE or Auramet. The functional currency of our entities in South Africa is ZAR. Our cost of sales, operating expenses and capital expenditures are all incurred in ZAR. However, our reporting currency is U.S. dollars and therefore our revenue, cost of sales and other accounting items are all translated into U.S. dollars on our consolidated financial statements. As a result, our results of operations and financial position presented in U.S. dollars are significantly affected by a combination of (i) the market price of gold in U.S. dollars and (ii) the exchange rate between ZAR and U.S. dollars. See “Financial Information — Key Factors Affecting Our Results of Operations — Gold Price and Foreign Exchange Rate.” We recorded a gain from exchange differences on translation of foreign operations under other comprehensive income in the amount of US\$5.6 million, US\$9.2 million and US\$1.6 million in 2016 and 2017 and the six months ended June 30, 2019, respectively, as a result of appreciation of ZAR against U.S. dollars. We recorded a loss from exchange differences on translation of foreign operations under other comprehensive loss in the amount of US\$15.8 million and US\$12.6 million in 2018 and the six months ended June 30, 2018 as a result of the general depreciating trend of ZAR against U.S. dollars. As a result, our financial results can be influenced significantly by the fluctuations in the exchange rate of ZAR against U.S. dollar.

Furthermore, the exchange rates we obtain when converting ZAR to U.S. dollar are set by foreign exchange markets, over which we have no control. In 2017, movements in the average U.S. dollar to ZAR exchange rate had a significant impact on our results of operations, as the ZAR strengthened by 9.5% against the U.S. dollar from an average of ZAR14.7 per U.S. dollar in 2016 to ZAR13.3 per U.S. dollar in 2017, according to Frost & Sullivan. The ZAR has continued to be relatively strong against the U.S. dollar with the exchange rate averaging ZAR13.2 per U.S. dollar in 2018, and depreciated slightly to an average of ZAR14.2 per U.S. dollar for the six months ended June 30, 2019 according to Frost & Sullivan.

Inflation in South Africa could also increase our production costs, including wages and power costs, which, assuming there are no other offsetting factors, could have a material adverse effect on our business, results of operations and financial position. The average annual or semi-annual inflation rate in South Africa, indicated by the average annual or semi-annual percentage change in the producer price index for mining, was 11.5%, 5.4%, 2.5%, 0.1% and 15.3% in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively.

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## RISK FACTORS

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**Due to the nature of mining and the type of the gold mines we operate, we face significant risks of delays or stoppages in production and may incur increased production costs arising from environmental, health and safety issues.**

The business of gold mining by its nature involves risks and hazards, including environmental hazards and industrial and mining accidents. In particular, hazards commonly associated with our mining operations include:

- surface and underground flooding;
- seismic events;
- exposure to health related hazards such as inhalable dust, silicosis and noise;
- surface or underground fires and explosions, including those caused by flammable gas or in connection with blasting;
- cave-ins, blockages, wall collapses or gravity induced falls of ground;
- discharges of gases and toxic substances;
- releases of radioactivity;
- electrocution;
- falling from height;
- accidents related to the presence of mobile machinery, including underground trains and shaft conveyances;
- accidents and conditions resulting from drilling, blasting and removing and processing material which would also include, but is not limited to, the inhalation of dust and noise induced hearing loss;
- human errors and conduct;
- environmental degradation, including ground and surface water pollution;
- environmental issues, including production disruption due to weather conditions; and
- other accidents or conditions resulting from mining activities, such as blasting and the transport, storage and handling of hazardous materials.

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## RISK FACTORS

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It must be noted that the likelihood of the aforesaid mining associated hazards occurring depends on, amongst others, the nature of the mining operations; the depth at which such mining operations takes place; the conduct of employees; the particular ground conditions encounter; etc. Notwithstanding the aforesaid, we endeavor to implement appropriate measures, as far as reasonably practicable, to address identified hazards and risks associated with our mining operations in order to eliminate, alternatively reduce the likelihood of the hazard occurring. The operating subsidiary, and at times together with the regulator (the MHSI), conducts frequent audits and inspections with a view to ensuring ongoing compliance with the MHSA and that employees are able to perform work in a safe and healthy environment. Where inspectors from the MHSI believe that further actions are required or a deviation has occurred an instruction in terms of sections 54 and 55 of the MHSA is issued. In instances where instructions in terms of section 54 of the MHSA, which halt operations are issued the operating subsidiary works to correct any such deviations and ensure continued operations as soon as reasonably possible.

The occurrence of any of these hazards or risks could result in injuries sustained by employee(s), a delay or halt in production, poor grade and lower tonnage mined, an increase in production costs, and the institution of legal proceedings, including criminal proceedings, which could have a material adverse effect on our business, retention of required permits and licenses, operating results and financial condition. For instance, our Tau Lekoa Mine experienced a series of unexpected seismic events in the fourth quarter of 2018 and the first quarter of 2019. These seismic events occurred at certain high-grade mining areas at the Tau Lekoa Mine and adversely affected our grade performance and tonnage mined, which caused negative impacts on our financial performance. See “Financial Information – Description of Principal Income Statement Items – Gross Profit or Loss.” Seismic events occur in an unpredictable manner during underground mining process. We cannot assure you our measures will be sufficient to mitigate damage when we incur unexpected seismic events in the future.

Our operations have experienced reportable accidents and, in some instances, fatalities historically. During the Track Record Period and up to the Latest Practicable Date, a total of eight accidents resulting in 11 fatalities had occurred at our underground mining operations and gold processing plants. See “Business — Mine Health and Safety.”

As advised by ENSafrica, a law firm with expertise in mine safety issues in South Africa, in the event that a fatal accident is attributable to the negligent conduct of any person (including the employer and/or managerial employees at these operations), such person may be charge with the common law crime of culpable homicide and/or a statutory offence in terms of section 86 of the MHSA. In addition, if the employer and/or managerial employees fails to comply with the provisions of the MHSA and the regulations binding in terms thereof, the employer and/or the managerial employees commit an offence. See “Regulatory Overview — Relevant South African Laws and Regulations — Laws and Regulations Relating to Mine Health and Safety.”

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## RISK FACTORS

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In addition, an employer may be subject to significant penalties and/or administrative fines for non-compliance with the provisions of the MHSA. Where a contravention of the MHSA has occurred, the DMRE may elect to impose an administrative fine of up to ZAR1.0 million per transgression. In addition, the National Prosecuting Authority may decide to prosecute the relevant operating subsidiary for alleged contraventions of the MHSA as a juristic entity and/or ultimately the responsible individuals, including the chief executive officer of the relevant operating subsidiary. Depending on the section of the MHSA that has been contravened, the court may, upon a successful prosecution, either impose a fine and/or imprisonment (in respect of natural persons). In addition, if the relevant operating subsidiary is found guilty of negligently causing serious injury or illness to any person (in terms of section 86 of the MHSA), the court may order that the mining right held by such operating subsidiary be withdrawn or suspended or that a fine of ZAR3.0 million be imposed. The court may also, over and above imposing a sentence in respect of the offence and making an order, order the person convicted to, amongst others, repair any damage that may have been caused to satisfaction of the Chief Inspector of Mines.

Though, according to ENSafrica, there have been very few instances of any persons being successfully prosecuted as a result of a fatal accident at a mine or non-compliance with the provisions of the MHSA, we cannot rule out the risk of such successful prosecution.

**Our operations are currently concentrated on two gold mines, and we are exposed to uncertainties in relation to these mines.**

During the Track Record Period, we had conducted substantially all of our continuing mining operations at the Tau Lekoa Mine and the Kopanang Mine (since it was acquired by us in February 2018). We have historically derived, and expect in the foreseeable future to continue to derive, substantially all of our revenue from sales of gold produced at these two mines. Both mines are located near the town of Orkney, which is approximately 200 km southwest of Johannesburg and within the western margin of the world renowned gold-bearing late Archean Witwatersrand sedimentary basin. The Witwatersrand gold deposits are of the “quartz pebble conglomerate Au-U type,” also referred to as “placer gold and uranium in ancient conglomerate” or “paleo-placer gold and uranium” deposits. In addition to gold and uranium, the reefs may also contain substantial amounts (generally 5 to 15%) of sulphide, mainly pyrite associated with pyrrhotite, chalcopyrite and arsenopyrite. Diamonds and monazite have been encountered in trace quantities. According to the CPR, the risks of a typical Witwatersrand gold mine include uncertainties in the scale and position of faults and dykes and unanticipated changes in grade. The CPR also identifies geotechnical risks (occurrence of rock bursts or rock falls), safety risks (seismic events and falls of ground) and social risks (potential for unrest and strike action by communities regarding job opportunities, recruitment and downscaling) relating to our operations. We cannot guarantee that our mitigation measures will be sufficient to prevent such risks from occurring in the future.



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## RISK FACTORS

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As our operations are currently concentrated on the two gold mines, any delay or difficulty in the operation of these gold mines, any problem that causes them to operate at less-than-optimal capacity, failure to obtain or renew government approvals, licenses or permits in time, or at all, could reduce, disrupt or halt our operations, which, in turn, could materially and adversely affect our business, results of operations and financial position.

**Failure of our plan to ramp up development projects may materially and adversely affect our business and future growth.**

According to the CPR, the LoM for the Tau Lekoa Mine is four and a half years and the LoM for the Kopanang Mine is six and a half years, based on Proved and Probable Mineral Reserves as of June 30, 2019. The LoM can be extended if additional Mineral Reserves are identified through upgrading Inferred Resources to at least an Indicated category via underground sampling and extension of underground infrastructure and development. As a result, we are highly dependent on the successful development and ramp-up of our pipeline projects, such as the Weltevreden project and Goedgenoeg project, which are subject to various risks and uncertainties.

In particular, exploration of Mineral Resources is speculative in nature and our exploration activities may not result in the discovery of mineable and economical resources. Furthermore, the future mining and development in the areas currently covered by prospecting rights is subject to governmental approval of our application to the mining rights in these areas. We cannot guarantee that our future plan to expand our Mineral Resources and Mineral Reserves will succeed. Such plans may be delayed or adversely affected by various factors, including failure to obtain relevant regulatory approvals, failure to secure sufficient financing to fund our expansion and production, the occurrence of geotechnical difficulties, the occurrence of hazards commonly associated with our mining operations, constraints on managerial, operational, technical and other resources and the incurrence of higher-than-expected stripping costs and dewatering costs.

Moreover, if a viable deposit is discovered, it could take several years and a large amount of capital expenditure from the initial phases of exploration until production commences, during which time the presumed market price of gold may change and the capital cost and economic feasibility of such deposit may change. Furthermore, there is no assurance that reported Mineral Resources could be converted into Mineral Reserves, and actual results upon production may differ from those anticipated at the time of discovery. Accordingly, there is no assurance that any future exploration activities or development projects will extend the life of our existing mining operations or result in any new economical mining operations. In the event that we fail to expand our Mineral Resources or Mineral Reserves, our future expansion plan is delayed or fails to deliver the expected economic benefits, our business and future growth may be materially and adversely affected. Our ramp-up plans require substantial capital investment, and if the costs of it exceed our estimates or we are unable to obtain adequate financing on acceptable terms, or at all, our business, results of operations and financial position may be materially and adversely affected.

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## RISK FACTORS

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Furthermore, new operations frequently experience unexpected problems during the initial development phase. Delays can often occur in the commencement of production. Estimates of production from mining or metallurgical facilities not yet in operation or in production are based on similar factors (including, in some instances, feasibility studies prepared by our personnel and/or outside consultants), but it is possible that actual facilities utilization, gold recovery rate, operating costs and economic returns will differ significantly from those currently estimated. We cannot assure you that we will achieve our production estimates. Our failure to achieve our production estimates could have a material and adverse effect on our business, results of operations and financial position.

**We recorded net current liabilities and net operating cash outflows during the Track Record Period, which might expose us to certain liquidity risks and could constrain our operational flexibility.**

We incurred net current liabilities of US\$15.1 million as of June 30, 2019. For details of the reasons for our net current liabilities, see “Financial Information – Liquidity and Capital Resources – Working Capital.” We had net operating cash outflows of US\$0.4 million, US\$35.1 million, US\$9.8 million and US\$8.3 million in 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively. For detailed discussion on the reasons for the net operating cash outflow for the respective periods, see “Financial Information – Liquidity and Capital Resources – Cash Flows – Operating Activities.”

We cannot assure you that we will not experience net current liabilities or net operating cash outflows in the future. Our future liquidity, ability to make necessary capital expenditures as well as the payment of trade and other payables, as and when they become due, will primarily depend on our ability to maintain adequate cash inflows from our operating activities and adequate external financing. Our ability to generate adequate cash inflows from operating activities may be affected by our future operating performance, prevailing market prices of gold, macro-economic and political conditions and other factors, many of which are beyond our control. In addition, we may not be able to obtain loans and borrowings or secure additional external financing on a timely basis or on acceptable terms, or at all. The occurrence of any of the foregoing may cause us to have insufficient cash inflow to fund our operating costs and constrain our operational flexibility and, in that event, our business, financial condition and results of operations could be adversely affected.

**We incurred losses during the Track Record Period and cannot guarantee that we will realize a gross profit in 2019 or in the future.**

We incurred gross loss of US\$6.1 million, US\$44.6 million, US\$25.9 million and US\$10.2 million in 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively, and our gross loss margin was (4.7)%, (20.3)%, (27.3)% and (7.8)% in the same periods. We incurred net loss from continuing operations of US\$10.0 million, US\$10.0 million and US\$18.5 million in 2017 and 2018 and the six months ended June 30, 2019, respectively. We turned from a profitable position in 2016 into loss-making in 2017 primarily because our revenue decreased slightly mainly as a result of decreasing tolling revenue in 2017. On the cost

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## RISK FACTORS

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side, although we slightly reduced our cost of sales denominated in ZAR in 2017, our cost of sales denominated in U.S. dollars increased by 6.5% due to the significant appreciation of ZAR against U.S. dollars in 2017. See “Financial Information — Period to Period Comparison of Results of Operations — Year Ended December 31, 2017 Compared to Year Ended December 31, 2016.” Our gross loss expanded from US\$6.1 million in 2017 to US\$44.6 million in 2018 mainly because our cost of sales increased at a faster pace than our revenue increase in the same year, which was primarily attributable to the low production during the transition period after our acquisition of Kopanang Operations in February 2018. See “Financial Information — Period to Period Comparison of Results of Operations — Year Ended December 31, 2018 Compared to Year Ended December 31, 2017.” We recorded deficits of US\$8.9 million, US\$34.1 million and US\$53.5 million as of December 31, 2017 and 2018 and June 30, 2019, respectively, primarily attributable to the losses accumulated by the Group during the Track Record Period. As of June 30, 2019, our accumulated losses amounted to US\$47.4 million.

In particular, our losses in 2018 had been partially offset by our gain on disposal of a subsidiary of US\$20.3 million in connection with the disposal of Lesego to HSC in December 2018 (see “Financial Information — Description of Principal Income Statement Items — Other Income and Gains — Gain on Disposal of a Subsidiary”) and the gain on a bargain purchase of US\$27.1 million in connection with the acquisition of the Kopanang Operations in February 2018 (see “Financial Information — Description of Principal Income Statement Items — Other Income and Gains — Gain on Bargain Purchase Price”). These gains are non-recurring in nature and we may not have similar gains in the future, which may materially and adversely affect our financial condition and results of operations.

Our profitability is affected by a number of factors, including production and sales volume, cost of sales, market gold price, ZAR to U.S. dollar exchange rate and inflation, among others, all of which are subject to uncertainties. Our sales volume depends on the actual production status and is subject to many risks. See “— Our failure to achieve our production estimates could have a material adverse effect on our business, results of operations and financial position.” Our cost of sales is likely to increase gradually over the next three year. Our employee costs, which accounted for around half of our cost sales, are likely to increase because the base salary of our non-managerial employees have a fixed annual increase until the expiration of the current wage agreement on June 30, 2021. Our utility costs will likely increase because Eskom has received approval from the NERSA to apply an increase of electricity tariff of 9.4% for the 2019-2020 financial year, an 8.1% increase for the 2020-2021 financial year and a 5.2% increase for the 2021-2022 financial year. In addition, the gold prices in the global market and ZAR to U.S. dollar exchange rates have historically fluctuated widely and are subject to a number of factors. As a result, we cannot guarantee that we will realize a gross profit in 2019 or in the future. Even though we may achieve gross profit, our profit margin could be thin. Our gross profit was US\$5.0 million in 2016 and our gross profit margin was only 3.7% in the same year. Even with both of our mines in full production, we cannot guarantee that we will achieve a similar or higher level of gross profit margin in the future.

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### **We may not be able to recover all or part of our deferred tax assets.**

We recognize deferred tax assets for deductible temporary differences which may include the carry-forward of unused tax credits and any unused tax losses. Our deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized subject to certain exceptions. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

We recorded deferred tax assets of nil as of December 31, 2016, 2017 and 2018. As of June 30, 2019, we had deferred tax assets of US\$1.9 million. If it is uncertain that we will be able to have sufficient taxable income in the future that will allow us to recover all or part of our deferred tax assets, in such case, our net income and results of operations may be materially adversely affected.

### **We engage in hedging activities for gold sales, which may eliminate potential gains and result in losses.**

On July 10, 2018, we entered into a master purchase contract (the “**Master Purchase Contract**”) with Auramet to limit our exposure to commodity risks caused by the volatility in gold prices. The Master Purchase Contract, based on the standardized master agreement drafted by International Swaps and Derivatives Association, allows us to purchase various directive instruments including, among others, over-the-counter commodity spots, forwards and swaps, commodity derivative options (zero cost collars), cross currency swaps, interest rate swaps, interest rate caps/floors and forward rate agreements. Pursuant to the Master Purchase Contract, we can sell a specific amount of gold to Auramet at the forward sale price, which is set with reference to the prevailing market price at the time we enter into the forward sale contract. The Company’s hedging policy aims to minimize the impact on the Group’s revenue from material gold price fluctuation. We would consider hedging when forward prices in the current market are higher than our anticipated unit cost of gold production, or when we anticipate gold prices to fall, so that the price locked in through selling our gold forward could protect our revenue during a downturn of the gold price, although the hedge price may occasionally be lower than the actual unit cost. See “Business — Sales, Customers and Hedging — Hedging.”

During the period from July 2018 to December 31, 2018, we forward sold 30,000 ounces of gold, accounting for 17.8% of our sales volume in the same period. We incurred a loss of US\$0.4 million in 2018 mainly because in aggregate the spot price of gold at the time of delivery was higher than the forward sale price. During the six months ended June 30, 2019, we entered into forward sale agreements for 99,000 ounces of gold with an average price of ZAR19,269 (US\$1,367.9) per ounce. Delivery of these forward sale agreements are scheduled

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throughout 2019 and 2020. We had delivered 29,750 ounces under these contracts, with 69,250 ounces outstanding as of June 30, 2019. We recorded a gain of US\$1.3 million on gold hedges for the six months ended June 30, 2019, primarily because the spot prices of gold at the time of delivery were in aggregate lower than the contract forward sale prices. We also entered into zero cost collars in January 2019 for hedging 5,400 ounces of gold in aggregate for the period from January to March 2019, with a floor of ZAR18,660.0 (US\$1,324.7) per ounce and a cap of ZAR18,975.0 (US\$1,347.1) per ounce. We had settled all the zero cost collars position in January 2019. The foregoing unit forward sales prices of gold are converted at the rate of ZAR14.0862:US\$1, the prevailing rate as of June 30, 2019 for illustrative purposes only. Depending on the gold price in the market, we may choose to conduct further forward sales to reduce our risk exposure to gold price fluctuation. If the market gold price continues to increase in 2019 and remain at a level higher than our forward sale prices, we will not benefit from such increases with respect to the gold that has been forward sold. In this scenario, we will record a loss on gold hedges on our income statement for such unrealized benefits, which could adversely affect our profitability.

**The production, processing and product delivery capabilities of our mining assets rely on their infrastructure being adequate and remaining available.**

The mining, drilling, processing, development and exploration activities of our mining assets depend on adequate infrastructure. Certain of these assets are located in areas that are sparsely populated and are difficult to access. Reliable roads, power sources, transport infrastructure and water supplies are essential for the conduct of these operations and the availability and cost of these utilities and infrastructure affect capital and operating costs and, therefore, our ability to maintain expected levels of production and results of operations. Unusual weather or other natural phenomena, sabotage or other interference in the maintenance or provision of such infrastructure could impact the development of a project, reduce production volumes, increase extraction or exploration costs or delay the transportation of raw materials to the mines and projects and commodities to end customers. Any such issues arising in respect of the infrastructure supporting or on our sites could have a material adverse effect on our business, results of operations, financial condition and prospects.

**Aging infrastructure and mechanical failure or breakdown may result in production delays, environmental pollution, increased costs and industrial incidents.**

Gold mining shafts and metallurgical plants like those operated by us are usually designed with a limited lifespan. Maintaining mining infrastructure requires skilled human resources, capital allocation, management and planned maintenance. Once a shaft or a metallurgical plant has reached the end of its intended lifespan, increased maintenance and care is required. Although we have a comprehensive maintenance plan in place, incidents resulting in production delays, increased costs or industrial incidents may occur. Such incidents may have a material adverse effect on our business, results of operations and financial position.

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**The accuracy of our Mineral Resources and Mineral Reserves estimates is based on a number of assumptions, and we may produce less gold than the current estimates.**

Our Mineral Resources and Mineral Reserves estimates are based on a number of assumptions made by the Competent Person in accordance with the SAMREC Code. For more details about the procedures and parameters used for the Mineral Resources and Mineral Reserves estimates, please see the CPR included as Appendix III to this prospectus. The accuracy of estimates depends on the quantity and quality of available data, the assumptions made and the judgments used in engineering and geological interpretation, which may prove to be unreliable. There is no assurance that the estimates will prove accurate or that our Mineral Resources and Mineral Reserves can be mined or processed profitably.

Our Mineral Reserves estimates contained in this prospectus represent the amount of gold that we believe can be economically mined and processed and are calculated based on a number of economic and technical assumptions. In the future, we may need to revise our Mineral Reserves if, for instance, our production costs increase or gold prices decrease and as a result the extraction of a portion (or all) of the Mineral Reserves may become uneconomical. For example, our current Mineral Reserves estimates are based on a long-term gold price assumption of ZAR550,000 per kg (derived from US\$1,181 per ounce and ZAR14.50 per U.S. dollar) over an estimated mine life of seven years. For more details on the impact of different gold prices and other assumptions on Mineral Reserves estimates, please see “Competent Person’s Report — 1 Introduction” included as Appendix III to this prospectus. In addition, compared to “measured” or “indicated” Mineral Resources category, “inferred” Mineral Resources have a greater amount of uncertainty as to their existence and as to whether they can be mined economically as such Mineral Resources are inferred from geological evidence and assumed but not verified. It cannot be assumed that all or part of the “inferred Resources” will ever be upgraded to a higher category.

The inclusion of Mineral Resources estimates should not be regarded as a representation that all these amounts can be economically mined or processed, and nothing contained in this prospectus (including without limitation, the estimates of LoM) should be interpreted as assurances of the economic viability of the mines that we hold mining rights or prospecting rights to or the profitability of our future operations. We expect that the LoM of our mines will extend as further Mineral Reserves are declared through on-reef development during the mining process, and may achieve at least 20 years of production based on our Mineral Resources as of June 30, 2019. See “Business — Our Assets — Features of South African Deep-Level Underground Gold Mine — Production Profile.” However, no assurance can be given that the anticipated quantities and grades will be achieved, that the indicated level of recovery will be realized or that gold Mineral Reserves, Mineral Resources and mineralized potential can be extracted or processed profitably. Actual Mineral Reserves, Mineral Resources or mineralized potential may not conform to geological, metallurgical or other expectations, and the volume and grade of ore or product recovered may be below the estimated levels. Lower market prices, increased production costs, reduced recovery rates and other factors may render our Mineral Reserves, Mineral Resources or mineralized potential uneconomical to exploit and may result in revision of its reserve estimates from time to time. Reserve data are



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not indicative of future results of operations. Our future success depends upon conducting successful exploration and development activities or acquiring properties containing economically recoverable reserves. If our actual gold Mineral Reserves and Mineral Resources are less than current estimates, or if we fail to develop our resource base through the realization of identified or new mineral potential, our business, results of operations and financial condition may be materially and adversely affected.

**Strategic investments, mergers and acquisitions may have a material and adverse effect on our business and operating results.**

Our future success depends partly on our ability to expand through strategic investments, mergers and acquisitions and joint ventures. We acquired the Tau Lekoa Mine in June 2015 and Kopanang Mine in February 2018. In the future, we may continue to expand by investing in or acquiring portfolios of mining assets that are complementary or beneficial to our business. Further investments or acquisitions to be made by us may be subject to certain approvals (for example, shareholder or antitrust approvals which may or may not be obtained or may be obtained subject to conditions, including the divestment of assets). Failure to successfully invest in or acquire a business could have a material adverse effect on our business, financial condition, results of operations and/or prospects.

Any strategic investments, mergers and acquisition and joint ventures may change the scale of our business and operations and may expose us to new geographic, geological, political, social, operating, financial, legal, regulatory and contractual risks. For example:

- an acquisition may divert management's attention from our day-to-day business;
- a material ore body may not meet expectations;
- additional environmental approvals may be required (or amendments to or the transfer of existing approvals) with prolonged application lead times;
- the acquired business may have undetected liabilities that may be significant including historical health, safety and environmental liabilities that require remediation;
- there may be a significant change in commodity prices after we have committed to complete a transaction and established a purchase price or share exchange ratio;
- we may have difficulty integrating and assimilating the operations and personnel of any acquired companies, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise, and maintaining uniform standards, policies and controls; and

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- to the extent we participate in the development of a project through a joint venture or any other multi-party commercial structure, there could be disagreements, legal or otherwise, or divergent interests or goals among the parties, which could jeopardize the success of the project.

There can be no assurance that any strategic investments, mergers and acquisition and joint ventures will achieve the synergies and results intended. In addition, strategic investments, mergers and acquisition and joint ventures could result in the use of substantial amounts of cash, potentially dilutive issuance of equity securities, incurrence of debt, incurrence of significant goodwill impairment charges, and amortization of expenses for other intangible assets, which may have a material and adverse effect on our business and operating results.

**Failure to obtain or maintain required government permits, licenses and approvals for our mining and exploration activities or renewals thereof, or failure to comply with the terms and conditions attached to such permits, licenses and approvals could materially and adversely affect our business, results of operations, financial position and growth prospects.**

Under the applicable South African laws and regulations, we are required to obtain certain permits, licenses and approvals for our portfolio assets and for our mining and exploration activities, including mining rights, mining permits, prospecting rights, environmental authorizations, water use license, atmospheric emission license and certificate of registration and to comply with their terms and conditions thereof. Moreover, we are required to comply with the terms and conditions attached to such permits, licenses and approvals including filing of certain reports and plans with the relevant authorities from time to time. These permits, licenses and approvals are issued by ministries and/or agencies of the South African government and are crucial to our business operations. Although we have obtained or are applying for all material permits, licenses and approvals necessary to conduct our business, there is no assurance that we will retain such permits, licenses and approvals or renew them in a timely manner or at all and that we will be able to comply with all the terms and conditions thereof in a timely manner or at all. For example, we might inadvertently delay the filing of certain reports or plans as required under the permits, licenses and approvals or the applicable laws and regulations. Any failure to obtain or retain or any delay in obtaining, retaining or renewing any required permits, licenses or approvals, or failure to comply with the terms and conditions attached to such permits, licenses and approvals in a timely manner and strictly in line with the applicable requirements, could negatively affect our operations, and subject us to a variety of administrative penalties or other government actions, any of which could have a material adverse effect on our business, results of operations, financial position, and growth prospects.



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**Our operations and profits have been and may be negatively affected by increased labor costs and new and existing labor laws.**

The South African gold mining industry is labor intensive and is characterized by a high proportion of fixed cost and fluctuating revenue. A large part of our operating costs do not vary significantly with production. In the event of decreases of gold production or gold price, our profitability and cash flow may be adversely affected. Employee costs are the largest component of our cost of sales. Our employee costs were US\$58.3 million, US\$70.1 million, US\$135.7 million, US\$64.5 million and US\$73.3 million in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively, accounting for 45.5%, 51.3%, 51.3%, 53.5% and 51.7% of our cost of sales in the same periods. According to Frost & Sullivan, labor costs in the gold mining industry of South Africa have increased significantly since 2013 and are expected to continue to increase. Any change to our wage agreement or other factors that could increase labor costs may have a material adverse effect on our result of operations and financial condition. Trade unions are active in South Africa in advocating for improved conditions of employment, labor regulatory change, political and social goals in the future by using their collective power and ability to withhold labor. Unions are involved in wage negotiations and collective bargaining, which causes us to face risks of strike action and rising labor costs.

Most of our employees are represented by labor unions and various collective labor agreements are in place across our operations. Our subsidiaries or our mining investments may not be able to satisfactorily renegotiate their collective labor agreements when they expire and may face tougher negotiations or higher wage demands than would be the case for non-unionized labor. Since the NUM was the majority labor union at both Tau Lekoa and Kopanang at the time when the 2018 – 2021 wage agreement was signed, this wage agreement was extended, in terms of the provisions of the relevant labor legislation, to all the employees represented by the minority unions and non-unionized employees. All employees are prevented from engaging in industrial action in support of increased wages for the period of the wage agreement. The NUM is a well-established union with a long history of tough, but reasonable, collective bargaining. The NUM is currently struggling with in-fighting among its leadership and consequently has lost membership to the AMCU. The AMCU is a relatively new labor union borne out of dissatisfaction of the NUM in 2001. The AMCU is characterized by prolonged and violent strike action in support of extraordinary wage increases. In the event that the AMCU gains majority representation of employees at Kopanang in the three years approaching the 2021 wage negotiations (and assuming that the NUM remains the majority labor union at Tau Lekoa), we will be required to negotiate a separate wage agreement with the AMCU for Kopanang employees. Simultaneous wage negotiations with the AMCU at Kopanang and with the NUM at Tau Lekoa will likely be challenging since the different labor unions have different interests. It is also important to note that if, in 2021, neither the NUM nor the AMCU have majority representation at Kopanang, this may result in deadlocked wage negotiations and possible industrial action.

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In the event that we experience strikes or work stoppages, these may disrupt our mining activity, and as a result have a material adverse effect on our business, production levels, production targets, results of operations, financial position, reputation and future prospects. In addition, lower levels of mining activity can have a longer term impact on our production levels and operating costs, particularly since mining conditions can deteriorate during extended periods without production and we will not be able to re-commence mining until health and safety conditions are considered appropriate to do so.

In addition, the MSHA specifically provides employees with powers to act in the interest of their own safety and the safety of their colleagues. This includes a right to leave a dangerous workplace whenever circumstances arise at that workplace which, with reasonable justification, appear to that employee to pose a serious danger to the health or safety of that employee or where the health and safety representative of that workplace directs an employee to leave that working place. In instances where this right is used by employees, this may lead to delays in the ordinary mining operations and planning, particularly where safety concerns may take time to be rectified. Also, allegations may be raised or initiated by any of the labor unions with respect to health and safety and other working conditions which, even if unsubstantiated, may result in reputational risks and potential regulatory risks arising from follow up audits or other actions by the relevant authorities.

Further, industrial action in other industries and other mining sectors in South Africa may also occur, including the transportation industry and the coal industry (which supplies the South African electricity utility). Such industrial action has the potential to impact our business by influencing our labor negotiations, curtailing the supply of necessary inputs or through a secondary sympathy strike. Increased costs related to labor actions in other industries or shortages of production inputs caused by such actions may have a material adverse effect on our production levels, business, results of operations and financial position.

We may also be affected by certain labor laws that impose obligations regarding workers' rights. For example, laws in South Africa impose monetary penalties for non-compliance with the administrative and the reporting requirements in respect of affirmative action policies. Existing labor laws and any new or amended labor laws may increase our labor costs and have a material adverse effect on our business, results of operation and financial position. Additionally, in recent years the introduction of new labor laws or amendments to the existing labor laws have imposed additional obligations on us or granted additional rights to workers, thereby increasing compliance and other costs.

**Our Controlling Shareholder has substantial influence over us and its interests may not be aligned with the interests of our other Shareholders.**

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), the Controlling Shareholders will be entitled to exercise voting rights of approximately 75% of our share capital and hence will continue to be our Controlling Shareholders. Our Controlling Shareholder will, through voting powers at the Shareholders' meetings and its delegates on the Board, have significant influence over our

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business and affairs, including decisions with respect to mergers or other business combinations, acquisition or disposition of assets, issuance of additional shares or other equity securities, timing and amount of dividend payments and our management. See “Relationship with Our Controlling Shareholders — Controlling Shareholders.”

Our Controlling Shareholder may cause us to undertake certain corporate transactions or not enter into certain corporate transactions, which may not be in the best interests of our other Shareholders. We cannot assure you that our Controlling Shareholder will vote on Shareholders’ resolutions in a way that will benefit all of our Shareholders.

**If we lose senior management or are unable to hire and retain sufficient technically skilled employees, our business may be materially adversely affected.**

Our ability to operate or expand effectively depends largely on the experience, skills and performance of our senior management team and technically skilled employees, particularly where minimum qualifications are, in some instances, stipulated by legislation. However, the mining industry in South Africa, including us, continues to experience a shortage of qualified senior management and technically skilled employees. We cannot be certain that the services of our senior management and a sufficient number of our technically skilled employees will continue to be available to us. Any senior management departures or unavailability (due to death, injury, illness or other reasons) or technically skilled worker shortages could adversely affect our operational efficiency and production levels.

We may be unable to hire or retain appropriate technically skilled employees or other management personnel, or may have to pay higher levels of remuneration than we currently intend in order to do so. If we are unable to hire and retain appropriate management and technically skilled personnel, or if there are not sufficient succession plans in place, this could have a material adverse effect on our business (including production levels), results of operations and financial position.

**We engage third-party contractors at certain of our operations, which may expose us to delays or suspensions in mining activities and increases in production costs.**

At certain of our operations, we engage third-party contractors to conduct exploratory drilling, rock engineering and supporting work such as transportation, security, medical services.

Under the MHSA, an employer (being the holder of the mining right) has several duties and obligations regarding the operations of its mine. In particular, an employer is obligated to ensure that the mine is properly designed, constructed, equipped, operated and maintained in order to provide conditions for the safe and healthy working environment and to ensure, as far as reasonably practicable, that employees are able to perform their work without endangering the health and safety of themselves or of any other person. These obligations apply to persons employed by the employer and also to any person who is working at a mine.

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For the purposes of the MHSA and the regulations binding thereunder, employees of third-party contractors fall within the definition of the word “*employee*”. Accordingly, employees of independent contractors are deemed to be the employees of the “*employer*” and we (as the employer) are responsible to provide and maintain a working environment which does not impose a risk to their health and safety, as far as reasonably practicable.

There is no prohibition, however, in the MHSA and the regulations binding thereunder, prohibiting the employer from delegating its duties and obligations in terms of the MHSA and the regulations binding thereunder to third-party contractors. Accordingly, certain duties and obligations of the employer have been delegated to our third-party contractors. Such delegation, however, does not absolve the employer from liability in terms of the MHSA and the regulations binding in terms thereof should a third-party contractor fail to comply with the duties and obligations delegated to it. These obligations are not limited by the engagement of third party contractors, for whose health and safety we remain statutorily responsible.

To discharge their duties and obligations in terms of the MHSA and the regulations thereunder, third party contractors may implement their own safety, health, environment and quality management system (the “**SHEQ System**”), alternatively to monitor and ensure adherence to the SHEQ System of the employer.

We rely on the health and safety management system in place to monitor compliance by third-party contractors with their duties and obligations pertaining to, amongst others, health and safety, as well as to ensure that such third-party contractors perform the work required of them on time, on budget and in accordance with our standards, procedures and design plans and specifications. We cannot exclude the possibility that a third-party contractor may fail to comply with the duties and obligation of the employer (to the extent that they may be required to do so) in terms of the MHSA and the regulation binding thereunder. In the event of such non-compliance by the third-party contractor, the MHSI may take enforcement action against the employer which may include a temporary stoppage at the mine as a result of an instruction being issued in terms of section 54 of the MHSA, the recommendation and possible eventual imposition of an administrative fine against the employer, the suspension or removal of certificates of competency held by supervisors and managers and/or the recommendation to the South Africa National Prosecuting Authority that the employer and/or responsible persons be criminally charged with non-compliance with a particular section of the MHSA. The receipt of any such enforcement measures results not only in a potential operational expense, but may also affect the reputation of the operations and delay the ordinary operations and processes.

In addition, if employees of the third-party contractors fail to comply with their health and safety duties and obligations and/or fail to perform the work that they are required to perform in accordance with our safety standards and procedures, such failure may also lead to enforcement action against the employer, an increased risk of accidents and loss of life, loss of production and an increase of operational and other related costs.

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Disputes with third-party contractors may also arise for various reasons, which could distract our management's attention and potentially lead to additional costs loss of production, and additional costs and liabilities, which could materially harm our business, financial position and results of operation.

There is also a risk that, in the event that an employee of a third-party contractor is injured or contracts an occupational disease whilst in the performance of his/her work at our operations, that employee, or his/her dependents, may seek to recover compensation and/or damages from us. In respect of the employees of third party contractors, we are not indemnified against claims arising from workplace injuries or the contracting of certain occupational diseases in terms of the provision of the COIDA, as we are in respect of our own, direct, employees in terms of section 35 of the COIDA. This is, however, subject to such employee or dependents successfully proving all the elements of a delictual claim in a civil court. It must be noted that an indemnification clause contained in the contractual agreement with the third-party contractors, may provide some recourse in the event that a civil claim for damages is instituted.

We cannot exclude the possibility that an accident, dangerous occurrence or health threatening occurrence may occur at our operations involving an employee of a third party contractor and that, depending on the facts in a particular case, we may be exposed to a risk of liability. The occurrence of an accident, dangerous occurrence or health threatening occurrence as well as the potential liability associated therewith, may have a material adverse effect on our business, financial position and results of operations, and could also affect our compliance with the MHSA.

**Actual and potential supply chain shortages and increases in the prices of raw material may have a material adverse effect on our operations and profits.**

Our results of operations are affected by the availability and pricing of raw materials, including explosives, sodium cyanide, activated carbon, liquid oxygen, steel balls, lime, diesel and timber. The price of raw material may be substantially affected by changes in global supply and demand of these raw materials, weather conditions, governmental controls and other factors. A sustained interruption in the supply of any of these raw materials would require us to find acceptable substitute suppliers and could require us to pay higher prices for such raw materials. Any significant increase in the prices of these raw materials will increase our operating costs and affect production levels.

**Power outages and usage constraints may force us to halt or curtail operations, or subject us to penalties.**

Our operations in South Africa are dependent on electricity supplied by Eskom, a government owned electricity utility. Electricity is used for most of our business and safety-critical operations, including cooling, hoisting and dewatering. Any power outage, disruption or shortage in power supply available to our operations could therefore have a material adverse impact on our production and employee safety. South Africa has suffered from

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power shortages since 2008. For example, power cuts were commonplace between 2014 and 2015 after two coal-burning major power stations broke down. More recently, Eskom was forced to cut power supply after a strike in June 2018, and began to implement load shedding to protect the national system from a total blackout. There have also been incidents of power cuts in certain places of South Africa in 2019. We cannot guarantee that our production will not be reduced as a result of the possible load shedding implemented by Eskom.

Pursuant to our electricity supply agreements with Eskom, if our consumption of electricity exceeds the notified maximum demand, which is currently 46.0 MVA in aggregate, we would be required to pay penalties. The penalties are calculated on the number of times the notified maximum demand is exceeded multiplied by the portion of the demand exceeding the notified maximum demand, multiplied by the sum of the distribution network access charge and the transmission network access charge and, if applicable, the low voltage subsidy charge for the megaflex tariff. In addition, Eskom has a right to terminate its electricity supply agreement with us by giving us a 12-month notice in writing. Any disruption or decrease in the electrical power supply available to our operations could have a material adverse effect on our business, operating results and financial position.

### **The continued increase in electricity tariff may adversely affect our results of operations.**

Electricity is used for a number of critical production functions, including the ventilation of our operation. Our mining operations depend upon electricity generated by Eskom, a public electricity utility that monopolizes the power supply in South Africa. According to Frost & Sullivan, the electricity price in South Africa increased by 56.0% from 55.7 c/kWh in 2013 to 86.9 c/kWh in 2018. In February 2013, the NERSA, granted Eskom a right to tariff increase of 8% per year for the period between April 1, 2013 and March 31, 2018, which was half of that sought by the utility in its application. This percentage was later adjusted upward to 12.7% for the period between 2015 and 2016, and to 9.4% for 2016 and 2017. In early 2016, the NERSA heard a second application from Eskom to increase tariffs and an increase of 9.4% was granted, effective April 1, 2016. A lower increase of 2.2% was approved in February 2017, effective April 1, 2017, but greater tariff increases are expected to be imposed in future years. In June 2017, Eskom announced to consumers that it was aiming for a 19.9% tariff increase for 2018 on the back of lower sales and higher costs. On December 18, 2017, after a series of public hearings into the request from Eskom, the NERSA rejected their application and granted them an increase of only 5.23% stating that Eskom needed to change its operating model and reduce costs for the benefit of the South African economy. Eskom has received approval from the NERSA to apply a 9.4% increase of electricity tariff for the 2019-2020 financial year, (which is in addition to 4.4% claw back granted to Eskom previously) an 8.1% increase for the 2020-2021 financial year and a 5.2% increase for the 2021-2022 financial year.



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There can be no assurance as to the existence or nature of any government intervention with respect to tariff increases in the future. Other difficulties at Eskom, relating to a large financial deficit, may result in additional tariff increases. Increases in electricity price may cause some of the areas at our operations to become uneconomical to mine. If the trend of electricity tariff hike continues, it could increase our costs and have a material adverse effect on our business, results of operation and financial position.

### **Our insurance coverage may be inadequate.**

We currently maintain insurance policies to protect against events which could have a material adverse effect on our cash flows and overall profitability, including property damage and business interruption, legal liabilities arising out of business operations, security of facilities and riot, strike and public disorder, etc. For more details, see “Business — Insurance”. These insurance policies are maintained in amounts that we believe to be reasonable depending upon the circumstances surrounding each identified risk. However, damage and third-party claims arising from catastrophic events may exceed the limit of liability covered under these insurance policies. Furthermore, our insurance does not cover all potential risks associated with our business and may exclude certain parts of our business. We consider that insurance for certain risks, such as loss of title to mineral property, political risks in certain jurisdictions, and/or environmental pollution or other hazards, is not generally available to mining companies on acceptable terms. On the other hand, we may elect not to insure certain risks due to the high premiums or for various other reasons, including an assessment that the risks are remote. For example, we do not currently have key man insurance. In addition, insurance may not continue to be available at economically acceptable premiums, as a result of events beyond our control or as a result of previous claims. Accordingly, events for which we are not insured or for which our insurance is inadequate may occur from time to time, which could adversely affect our financial condition.

Employee compensation for work related accidents and diseases is addressed by two parallel legislative systems. South Africa has two workplace injury and disease compensation systems, firstly the COIDA and then in some instances, the ODMWA will apply. We are registered and are in good standing with the Rand Mutual Assurance, a mutual association as contemplated in the COIDA. The ODMWA applies to certain mining operations in respect of specified occupational diseases. The ODMWA applies to our operations and as a result, employees who contract occupational diseases such as silicosis, pneumoconiosis and tuberculosis must seek compensation in terms of the ODMWA. Notably, the ODMWA does not contain the same indemnification provision that is extended to an employer in terms of the COIDA. As a result, if our employees contract the specified occupational diseases covered by the ODMWA, our potential liabilities may not be indemnifiable under the ODMWA.

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### **We may not fully protect our intellectual property rights.**

VMR enters into Services, Confidentiality and Restraint Agreements with its employees, in terms of which any creation, discovery or design of copyright, patents and designs by an employee requires an assignment to VMR to secure ownership. Any intellectual property which does not qualify as a design, patent or copyright falls outside of this requirement to assign. The current wording of this clause exposes VMR to litigation as an employee may argue that no written assignment of the intellectual property took place and that the employee therefore owns the design, patent or copyright.

The “VMR” logo and “VILLAGE MAIN REEF” trade mark applications (the “**VMR trade mark applications**”) may be objected to by the South African Registrar of Trade Marks (the “Registrar”) or opposed by third parties when advertised for opposition purposes, therefore there is a risk that the trade marks may not proceed to registration. The VMR trade mark applications may be objected to by the Registrar for a variety of reasons. In the event of an objection due to an identical or similar trade mark being on the register, it may be that a co-existence agreement can be entered into or a consent to the registration of the VMR trade mark applications can be obtained. In the event that the VMR trade mark applications are opposed by third parties, VMR Group will have to defend those opposition proceedings and if unsuccessful may have a costs order awarded against it and will also not be entitled to use or continue using the trade marks. In order to overcome an objection or opposition, VMR Group may be able to rely on its common law rights based on the goodwill and reputation it has developed in the trade marks. If the trade marks are already registered by a third party, trade mark infringement proceedings can be instituted against VMR Group. Until registered, the VMR Group will need to rely on its common law rights to protect these trade marks against infringement by third parties. Upon registration of the trade marks, VMR Group will have statutory protection for the trade marks.

### **Illegal mining, gold theft and robbery occurred on some of our properties. These activities are difficult to control, and can disrupt our business and expose us to liability.**

Illegal mining activities, theft and robbery of gold bearing materials are common in South Africa. Illegal mining is mining activity that is carried out without land rights, mining license, exploration or transportation permit, or any document that could legitimate the ongoing operations. It is generally associated with a number of negative impacts, including poor working practices, corruption, child labor and human trafficking. Activities of the illegal miners could cause pollution or other damage to our properties, including underground fires, or personal injury or death, for which we could potentially be held liable. Illegal miners are often assisted by a syndicate of employees of legal mining operations. Consequently, in the event that our employees are found assisting illegal miners we will be required to dismiss all implicated employees, this may result in labor unrest. Illegal mining activities could also result in depletion of mineral deposits, potentially making the future mining of such deposits uneconomic. The presence of illegal miners could lead to project delays and disputes regarding the development or operation of commercial gold deposits.



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Any theft or robbery of gold may reduce the amount of gold that we are able to recover from our operations. Rising gold prices may increase the likelihood of occurrences of such thefts or robbery. During the Track Record Period, we had encountered incidents of zamas carrying out illegal activities at the Buffelsfontein mine, including gold-panning, metal scavenging, incidents of theft, arson, shootings and even attempted murder. On February 8, 2019, while transporting gold sludge from West Gold Plant to Nicolor Plant, our trucks and the conveying vehicles from the private security company were attacked by unknown armed robbers and most of the gold sludge was lost. We estimate that the total weight of gold lost was 1,921.9 ounces and recorded a loss of US\$2.6 million in connection with this incident in the six months ended June 30, 2019. We cannot assure you that our enhanced security measures will effectively prevent such illegal activities, which may be committed by third parties or by employees or former employees, from happening in the future and that our insurance will be adequate to recover part or all of our loss. Illegal mining, gold theft and robbery could result in lost Mineral Reserves, mine stoppages, and have a material adverse effect on our business, results of operations and financial position.

**One of our subsidiaries is involved in a tax dispute with the SARS and failure to reach a settlement with the SARS may subject us to interest payments and penalties.**

Buffelsfontein Pty, one of our subsidiaries, is involved in a dispute with the SARS in respect of the imposition of understatement penalties for understatements contained in its 2011 and 2012 income tax returns. Buffelsfontein Pty met with the SARS on April 3, 2019 to discuss a settlement proposal for the understatement penalties and related interest. The SARS agreed to present the settlement proposal to the SARS Settlement Committee and supported the settlement amounts proposed and background information provided. Our final settlement proposal was submitted to the SARS on April 4, 2019. See “Business — Legal and Administrative Proceedings — SARS Tax Dispute.” If the SARS Settlement Committee does not accept the settlement proposal, the SARS may seek to make a counter proposal or to pursue the matter in the tax court. If this matter does reach the tax court and Buffelsfontein Pty is unsuccessful in its arguments before the court, it is likely (as advised by Werksmans) that the SARS will impose interest payments and penalties on Buffelsfontein Pty.

**Eviction of unauthorized residents of informal dwellings on our property may be subject to lengthy legal proceedings.**

There are several informal dwellings erected on the surface of one tract of our land, Portion 16 of the Farm Goedgenoeg 433, and occupied by local residents without our authorization. Owned by Tau Lekoa Pty, this property is subject to the title condition that its surface may only be used for agricultural purposes. We have not used, and do not plan to use in the foreseeable future, the surface of this tract of land for any purpose, as our mining operations are underground. However, if we wish to use the surface of this property for purposes other than agricultural purposes in the future, we will be required to apply for the removal of the title deed condition and in the event that the informal dwellings are still on the property, to apply for an eviction of any informal residents on the property. The eviction application may cause disputes with the unauthorized residents and subject us to lengthy legal proceedings, which may delay the process of our intended use of this land. The eviction may also be costly and expose our business to reputational risks.

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**We face certain risks and uncertainties beyond our control from manmade and natural disasters that may negatively impact our operations.**

Our business operations are subject to a number of operational risks and hazards in South Africa, some of which are beyond our control. These operational risks and hazards mainly include:

- major catastrophic events and natural disasters, including earthquakes, fires, floods, landslides and other hazardous weather conditions;
- geological or mining conditions such as instability of the slopes and subsidence of the working areas;
- disruptions or shortages of water, power or fuel supply;
- industrial or manmade accidents occurring in connection with our mining or ore processing operations; and
- critical equipment failures, malfunction and breakdowns of information management systems, or unexpected maintenance or technical problems.

Natural disasters, especially earthquakes, floods and landslides, may require us to evacuate personnel or curtail operations. Such risks and hazards may result in damage or loss to our mining and processing operations, and they may also require us, among other things, to evacuate personnel, delay or temporarily suspend our operations, and reduce our productivity. Periods of curtailed activity may increase the operating costs, which could materially and adversely affect our business, results of operations and financial position.

These events could result in disruption to our and our customers' or suppliers' businesses and seizure of, or damage to, any of their cargoes or assets. Such events could also cause the destruction of key equipment and infrastructure (including infrastructure located at or serving our mining activities). These events could also result in the partial or complete closure of particular ports or significant sea passages, potentially resulting in higher costs, congestion of ports or sea passages, vessel delays or cancellations on some trade routes. Any of these events could adversely impact our business and the results of our operations.

**We face intense competition from other mining companies.**

The mining industry in South Africa is competitive in all of its phases. We primarily compete with other gold mining companies for specialized equipment, components and supplies necessary for exploration and development, prospecting and mining rights and leases on exploration properties, as well as the acquisition of mining assets. Our competitors may have greater financial resources, operational experience and technical capabilities, and more

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established connections in certain geographical markets than us. Competition may increase our costs of acquiring suitable prospecting and mining rights, properties and assets, which could have a material adverse impact on our business, results of operations, financial position and growth prospects.

**Implementation of innovative technologies in mine development, production and exploration may result in increased costs and involve uncertainties.**

To maintain competitiveness in the long term, we embrace technology innovation to improve our production efficiency, mining and processing methods, and mine developments. We have formed a few strategic partnerships with engineering firms and institutions from South Africa, China and internationally, and are currently rolling out a few key projects utilizing innovative engineering solutions in mine development, production and exploration. See “Business — Technology, Research and Development.”

However, the exploration of innovative technologies may result in increased costs, which could affect our profitability. Implementation of innovative technologies also involves uncertainties relating to usability, efficiency and safety, especially if the technologies have only been trialled for a short period of time. We may not be able to successfully implement any of these technologies in time at reasonable cost, or at all. The innovative technologies, even if successfully adopted, may not bring us the increased efficiency as we expect.

**We rely on information technology and communications systems, the failure of which could significantly impact our operations and business.**

We rely on our information technology and communications systems to support our business operations, such as SAGE X3 for accounting, Deswick for Mineral Resource management, Microsoft for business applications, Alex Murray Metal Systems for engineering management, Palpay for payroll, Skycom for time and attendance. Our information technology and communications systems could be exposed to, among other things, damage or interruption from telecommunications failure, unauthorized entry, malicious computer code and other sorts of breach in cybersecurity, fire, natural disaster, power loss, industrial action and human error. While we have offsite backup systems in place, the occurrence of any of the above may also disrupt our information technology and communications systems and may lead to important data (including geophysical and geological data) being irretrievably lost or damaged. Such damage or interruption may adversely affect our business, results of operations and financial position.

**Our continued mining operation have a finite life and eventual closure of this operation will entail costs and risks regarding on-going monitoring, rehabilitation and compliance with environmental standards.**

Our existing mining operation has a finite life and will eventually close. According to the CPR, the estimated LoM of our two gold mines is approximately four and a half years in respect of the Tau Lekoa Mine and six and a half years in respect of Kopanang Mine,

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respectively, based on the Proved and Probable Mineral Reserves as of June 30, 2019. The key costs and risks for mine closures are (i) long-term management of permanent engineered structures; (ii) achievement of environmental remediation rehabilitation and closure standards (including the assessment, funding and implementation of post-closure polluted and extraneous water pumping treatment); (iii) orderly retrenchment of employees; and (iv) relinquishment of the site with associated permanent structures and community development infrastructure and programs to new owners. The successful completion of these tasks is dependent on our ability to successfully implement negotiated agreements with the relevant government authorities, communities and employees. The consequences of a difficult closure range from increased closure costs and handover delays to on-going environmental rehabilitation costs and damage to our reputation if a desired outcome cannot be achieved, all of which could materially and adversely affect our business and results of operations.

The MHSA requires the holder of a mining right to remain responsible for the mitigation of health and safety risks associated with an operation after an operation is no longer being worked, until a closure certificate is issued in terms of the MPRDA. During this period, the employer is required to take reasonable steps to continuously prevent injuries, ill-health, loss of life or damages of any kind from occurring at or because of the mine. This will have a cost implication and may result in long term potential liability for health and safety concerns.

In addition, the NEMA requires right holders to set aside a financial guarantee for environmental rehabilitation. Closure certificates can only be granted if the required documents, including a closure plan and the environmental risk report, are furnished and the environment has been satisfactorily rehabilitated. Under the NEMA, the liability of the mine continues post-closure indefinitely, notwithstanding the issuing of a closure certificate by the minister, especially where the treatment of water is incorporated.

### **Our reputation in the communities in which it operates could deteriorate.**

The continued success of our existing operations and its future projects are in part dependent upon broad support of and a healthy relationship with the respective local communities, in addition to conducting operations in a manner that is not detrimental to the environment. If it is perceived that we are not respecting or advancing the economic and social progress and safety of the communities in which we operate, our reputation and shareholder value could be damaged, which could have a negative impact on our “social license to operate”, our ability to secure new resources and its financial performance.

Some of our current and potential mining activities are located in or near communities that may regard such operations as having a detrimental effect on their safety or environmental, economic or social circumstances. It has become common in South Africa for communities surrounding mines to look to the mine to better standards of living in the area. It is not uncommon for such communities to engage in protest action which may affect access to the mine and production. The consequences of negative community reaction could therefore have a material adverse impact on the cost, profitability, ability to finance or even the viability of an operation. Such events could lead to disputes with national or local governments or with

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local communities or any other stakeholders and give rise to material reputational damage. If our operations are delayed or shut down as a result of political and community instability, its earnings may be constrained and the long-term value of its business could be adversely impacted. Even in cases where no action adverse to us is actually taken, the uncertainty associated with such political or community instability could negatively impact the perceived value of our assets and mining investments and, consequently, have a material adverse effect on our financial condition. The MPRDA stipulates that every mining right holder is required to prepare and implement a social and labor plan, the purpose of which is to promote employment, advance social and economic welfare, contribute to transforming the mining industry and ensure that mining companies contribute to the development of the areas where they operate. Failure to comply with the social and labor plan could adversely impact upon our social license to operate and may result in the suspension and/or cancellation of our mining rights.

**We may not be able to obtain financing on favorable terms, or at all, to fund our ongoing operations, existing and future capital expenditure requirements, acquisitions and investment plans and other funding requirements, and our ability to raise additional funds could be materially affected by the fluctuations in the capital market.**

To fund our ongoing operations, existing and future capital expenditure requirements, investment plans and other financing requirements, we need sufficient internal sources of liquidity or access to additional financing from external sources. During the Track Record Period, we had relied predominantly on equity financing to fund the development of our operations. Going forward, we may explore debt financing to fund our expansion plans. Our ability to obtain external financing in the future depends on a number of factors that are beyond our control, including market conditions, lenders' perception of our creditworthiness, the South African economy and regulations that affect the availability and cost of financing. Any disruptions, uncertainty or volatility in the capital and credit market resulting from any global financial crisis may also limit our ability to obtain financing to meet our funding requirements. In particular, it may be difficult for us to raise funding for certain of our projects which may require substantial capital expenditure. If adequate funding is not timeously available to us on commercially acceptable terms, or at all, it may materially and adversely affect our ability to fund our existing operations, to develop or expand our business.

### **RISKS RELATING TO DOING BUSINESS IN SOUTH AFRICA**

**Our mining rights in South Africa could be altered, suspended or cancelled for a variety of reasons, including uncertainties associated with national and local legislation.**

Our mining rights are governed by various national and local laws, policies and regulations of South Africa, and they could be suspended or cancelled should we breach our obligations in respect of these rights. There are significant uncertainties associated with the formulation and implementation of government policies and legislation. New legislation, in the

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form of the new mining charter gazetted by the South African Government on September 27, 2018 (the “**2018 Mining Charter**”) introduces new requirements for ownership and other obligations that existing and new holders of mining rights need to comply with.

The 2018 Mining Charter provides that any applicant for a new mining right requires a BBBEE shareholding of 30%, which must be held as 5% to qualifying employees, 5% to host communities and 20% to BBBEE entrepreneurs. In terms of the 2018 Mining Charter, the 5% interest which is attributable to employees and host communities must be a non-transferable carried interest, the cost of which shall be recouped by a right holder from the development of the asset. It is not clear what is meant by carried interest. There are a number of other uncertainties in respect of the interpretation of certain provisions of the 2018 Mining Charter.

Companies which, at the time of the gazetting of the 2018 Mining Charter, complied with the 26% BBBEE ownership requirement under the previous mining charter, will continue to receive recognition for such historical transaction and will not be required to comply with the 30% BBBEE shareholding requirement (and breakdown between qualifying employees, host communities and BBBEE entrepreneurs) stipulated in respect of new applications for mining rights, unless such shares are disposed of post September 27, 2018. This historical recognition does not extend to transfers of mining rights or renewals of existing mining rights. The 2018 Mining Charter also sets out requirements regarding procurement, supplier and enterprise development, the demographic composition of various levels of management, and other elements.

The 2018 Mining Charter came into effect on September 27, 2018. A notice published in the Government Gazette indicates that existing right holders (holders of right issued under the MPRDA on or before September 27, 2018) must implement the 2018 Mining Charter from March 31, 2019 and furnish the requisite compliance reports to the DMRE on or before March 31, 2020. It provides that the 2018 Mining Charter must be read together with the implementation guidelines which were gazetted on December 19, 2018. The implementation guides do not introduce substantive amendments to the 2018 Mining Charter, but merely stipulate the manner in which compliance is to be assessed in respect of each of the elements of the 2018 Mining Charter and provide compliance forms which must be completed by the holder of a right issued under the MPRDA. Under the 2018 Mining Charter, holders who have achieved and maintained a 26% BBBEE shareholding are deemed to be fully compliant with the BBBEE shareholding requirements under the 2018 Mining Charter, until the mining right is renewed or until the right is transferred. It is also apparent that a holder who did not achieve a minimum of 26% empowerment as of September 27, 2018 would be required to top up their shareholding to 26%. We are currently compliant with the 26% BBBEE ownership requirement of the 2018 Mining Charter. If we are found not in compliance with certain of the other requirements stipulated in the 2018 Mining Charter, our ability to conduct operations may be materially adversely impacted.

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**We are subject to the imposition of various costs, such as mining taxes and royalties, changes to which may have a material adverse effect on our operations and profits.**

In recent years, governments (local and national), communities, non-governmental organizations and trade unions in several jurisdictions, including South Africa, have sought and, in some cases, enforced greater costs on the mining industry, including the imposition of additional taxes and royalties. For the details of the taxes and royalties that we are subject to, see “Regulatory Overview — Relevant South African Laws and Regulations — Laws and Regulations on Taxation.”

In South Africa, the ANC has adopted two recommended approaches relating the mining industry. While the ANC has rejected the possibility of mine nationalization for the time being, the first approach contemplates, among other things, greater state intervention in the mining industry, including the revision of existing royalties, the imposition of new taxes and an increase in the South African government’s holdings in mining companies. The second approach contemplates the South African government taking a more active role in the mining sector, including through the introduction of a state mining company to be involved in new projects either through partnerships or individually. The policies adopted may impose additional restrictions, obligations, operational costs, taxes or royalty payments on gold mining companies, including us, any of which could have a material adverse effect on our business, operating results and financial position.

The Carbon Tax Act was promulgated on May 22, 2019 and came into effect on June 1, 2019. This will be an additional cost which will be required to be paid in respect of certain activities that generate greenhouse gas emissions exceeding the prescribed thresholds.

**Economic, political or social instability and security risks affecting South Africa may have a material adverse effect on our operations and profits.**

All of our production is in South Africa. As a result, changes or instability affecting the economic, political or social environment in South Africa could affect investment in us. The South African environment is subject to changes in a manner that may be materially adverse to us, including changes to government policies and regulations governing mining production, foreign investment, price controls, import and export control, tariffs, subsidies, income and other forms of taxation (including policies relating to the granting of advance rulings on taxation matters), nationalization or expropriation of property, repatriation of income, royalties, the environment and health and safety.

We transact business in a location where it is exposed to a greater than average risk of overt or effective expropriation or nationalization, including where the government has previously expropriated assets held within the jurisdiction of other companies or where members of government have publicly proposed that such action be taken.



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Our employees are highly unionized, and unions hence have a significant impact on the general labor relations environment. Trade unions are active in South Africa to advocate for improved conditions of employment, labor regulatory change, and political and social goals in the future by using their collective power and ability to withhold labor. Union involvement in wage negotiations and collective bargaining, therefore, increases the risk of strike action and rising labor costs. The broader labor relations climate also remains fragile in South Africa. Wage negotiations in other industries and other mining sectors may influence the stance unions take toward the industry in which we operate. Kopanang has a significant number of employees who are members of the AMCU, which is a militant union carrying a great risk of violent and protracted strike action.

In addition, the proliferation of social media and other internet technologies may contribute to negative publicity relating to any actual or perceived environmental, labor or other issues at our operations. These actions may delay or halt production, increase production costs, result in liability, lead to greater costs or may create negative publicity related to us. Furthermore, these actions, and especially those related to labor groups and work stoppages, can lead to a loss of investor confidence in the South African gold industry in general, which may restrict our access to international financing and could have a material adverse effect on our business, operating results and financial position.

In recent years, major rating agencies lowered the sovereign credit rating of South Africa. In November 2017, Standard & Poor's downgraded South Africa to sub-investment grade credit rating due to the weak pace of economic growth, particularly on a per capita basis, as well as the country's large fiscal debt burden and sizable contingent liabilities. Standard & Poor's announcement followed a similar announcement by Fitch, affirming South Africa's credit rating at BB+, one notch below investment grade. In March 2018, Moody's affirmed South Africa's sovereign credit rating at Baa3, the lowest rung of investment grade, and upgraded its outlook to stable from negative, signaling the improved investor confidence in the new administration under president Ramaphosa.

Downgrading, or the expected downgrading, of South Africa's sovereign credit rating to non-investment grade status by major credit rating agencies caused a loss of investor confidence and resulted in widening credit spreads, increased credit losses and tighter credit conditions, which could adversely affect the overall South African economy, as well as its gold mining industry. Our business, operating results and financial condition may be adversely affected, as it may be more difficult for us to secure external financing, and would lead to rising borrowing costs and more restrictive terms.

In addition, South Africa has continued to experience a difficult security environment, as a result of high levels of unemployment and poverty in the country. Significant security challenges remain in areas where we have operations, and we may experience instances of injury to security personnel, including members of our internal security and third-party security providers we engage, from time to time. Any such instances could disrupt our operations and adversely affect our reputation, results of operations and financial condition.



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There is also a skills deficiency across many sectors in South Africa, including the mining industry, and we face intense competition between mining companies. As a result, we may have difficulty attracting and retaining key human resources at all levels with the appropriate technical skills and operating and managerial experience necessary to operate and supervise our business. There has also been regional political and economic instability and civil unrest in certain of the countries surrounding South Africa. Any similar political or economic instability or other uncertainty in South Africa could have a negative impact on our business operations.

### **Our business and operations may be negatively affected by strikes.**

Section 64 of the LRA gives effect to the constitutionally protected right of employees to strike. A strike must have a clear demand, and the purpose of the strike must be in support of “a matter of mutual interest” between the parties which includes salaries or wages, hours of work, overtime, leave, sick leave, service benefits and related matters, and, the recognition of trade unions and organisational rights. Disputes of right, on the other hand, concern the infringement, application or interpretation of existing rights, embodied in a contract of employment, collective agreement or statute, and must be resolved either through arbitration at the CCMA or the Labour Court. Employees may not strike over disputes of right. Furthermore, employees may not strike over a matter which has been settled in terms of a collective agreement. Employees engaged in essential services or in maintenance services may not embark on strike action.

The LRA also set out procedures which employees must follow in order to embark on a strike. Employees cannot strike without following the prescribed procedures in the LRA. A strike which does not accord with these procedures is not protected by the provisions of the LRA. Unprotected strikers are liable to be dismissed, and may be held liable for damages claims, if applicable. Section 66 of the LRA permits employees to engage in a secondary strike (sympathy strike) in support of a strike by other employees against their employer. The employer may approach the Labour Court on an urgent basis to interdict an unprotected primary or secondary strike. Any employee who fails to comply with a court interdict will be in contempt of a court order and therefore liable to be arrested. Disciplinary action may also be taken against employees who participate in an unprotected strike.

Employers have recourse to lock out employees in order to compel compliance with employer demands, however, an employer which locks out its employees is not entitled to employ replacement labour during the course of the lock-out, unless the lock-out is in response to a strike.

Our employees might exercise their right to strike per the LRA, and in which case, it could have material adverse effect on our business and to our reputation, and the operation of our mines could be disrupted.

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**In light of the recent court ruling relating to class action lawsuits, we face the risks of being sued for the silicosis or tuberculosis that our employees may have contracted in any of the operations we own.**

As noted above, the ODMWA applies to our operations and as a result, employees who contract occupational diseases such as silicosis, pneumoconiosis and tuberculosis must seek compensation in terms of the ODMWA.

In 2012, legal proceedings were instituted for the certification of a consolidated class action against several gold mining companies on behalf of current and former employees and on behalf of dependents of former employers who had contracted silicosis or tuberculosis whilst working at one or more of the listed South African gold mines. The application for the certification of a consolidated class action seeks to allow current and former employees, alternatively dependents of former employees, the opportunity to claim damages from several gold mining companies.

In May 2016, the High Court of South Africa found sufficient common cause to certify the consolidated class action in respect of two classes, namely, silicosis and tuberculosis. The certification of the class means that the claimants were able to sue the mining companies as a class. The class members would, however, still have to prove their claims as required by the law.

The 32 listed South African gold mines are set out in the judgments. VMR was initially cited as a respondent in the proceedings, but the applicants withdrew the matter in its entirety against VMR on October 9, 2015 (shortly before the class certification application was due to be argued) because, by virtue of its history and operations, VMR was able to satisfy the applicants that it was a relative “late comer” and was therefore in a materially different situation to most, if not all, other certification respondents. The judgment issued in connection with the certification referred to the withdrawal of the entire application against VMR.

Various Respondents to the Class Action Certification Application filed an Application for Leave to Appeal the Class Action Certification Application judgement. Pleadings were exchanged by the parties and the matter was argued before a full bench in June 2016. An oral judgement was handed down in the Application for Leave to Appeal in June 2016, whereby Leave to Appeal to the Supreme Court of Appeal against the transmissibility of general damages was granted and the Leave to Appeal the Certification of the Class Action was denied.

Following the refusal to grant Leave to Appeal the Certification of the Class Action, various Respondents filed Petitions in the Supreme Court of Appeal in July 2016. The Supreme Court of Appeal subsequently granted Leave to Appeal the Certification of the Class Action. In January 2018, the Supreme Court of Appeal granted a postponement of the argument of Leave to Appeal in an attempt to further settlement discussions between the parties.

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In May 2018, several South African mining companies agreed to a class action settlement with the claimants. The Settlement Agreement is subject to court approval. Since VMR was not a party to the case (after abandonment of the claims against VMR) or the settlement, it is unaffected by the outcome of the settlement negotiations or the agreement signed in relation to the settlement.

A common law claim for damages brought independently by any employee who could prove that he had contracted silicosis or tuberculosis while fulfilling duties to VMR, or that the working conditions at VMR had exacerbated his illness, could, if successful, have a material adverse effect on the business and reputation of a mine. It could also have an adverse impact on the production results of a mine. Additional costs or damages may occur arising out of such claims, including legal costs which may be incurred in defending such claims, as well as the payment of increased levies and/or other contributions required by the applicable compensation funds.

**Our financial flexibility could be materially constrained by South African exchange control regulations.**

South Africa's Exchange Control Regulations restrict the export of capital from South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland, collectively, the Common Monetary Area. Transactions between South African residents (including companies) and non-residents of the Common Monetary Area are subject to exchange controls enforced by the South African Reserve Bank. As a result, our financial and strategic flexibility, particularly our ability to raise and deploy funds and conduct operations outside the Common Monetary Area, is restrained by these exchanges control activities.

**HIV/AIDS, tuberculosis and other diseases pose risks to us in terms of lost productivity and increased costs.**

The prevalence of HIV/AIDS in South Africa, tropical disease outbreaks such as malaria and other diseases pose significant risks to us in terms of reduced productivity and increased medical and other costs. Diseases associated with HIV/AIDS, such as tuberculosis, also remain one of the major health care challenges in South Africa. Such diseases impair the health of workers and negatively affect our operations and financial position as a result of workers' diminished focus or skill, absenteeism, treatment costs and allocated resources. Any current or future medical program may not be successful in preventing or reducing the infection rate amongst our employees or in affecting consequent illness or mortality rates. We may incur significant costs in addressing these issues in the future, which could also adversely impact the company's results of operations and financial condition.

**Our operations are subject to extensive environmental regulations.**

Our operations are subject to extensive environmental laws and regulations in South Africa, including, for example, those relating to waste treatment and disposal, emissions and water management. Further, we must comply with permits or standards governing, among other

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things, land rehabilitation, tailings and waste disposal areas, water use, air emissions, water discharges, naturally occurring radioactive material, transportation of ore or hazardous substances, power use and generation, use and storage of explosives, as well as housing and other facilities for workers including their mine health and safety. Environmental laws and regulations are continually changing and are generally becoming more stringent. Changes to our environmental compliance obligations or operating requirements could adversely affect our rate of production and revenue. Failure to obtain the required environmental approvals with regard to any of our operations, or to comply with the conditions thereof, variations in laws and regulations, assumptions made to estimate liabilities, standards or operating procedures, more stringent emission or pollution thresholds or controls, or the occurrence of unanticipated conditions, may require operations to be suspended or permanently closed, and could increase our expenses and provisions. These statutory contraventions may result in compliance and enforcement action being instituted against the Company by the relevant authorities, including commencement of criminal prosecution. These expenses and provisions could adversely affect our results of operations and financial condition.

For example, in South Africa, mining companies are required by law to close their operations at the end of the mine life and rehabilitate the impacted areas. Estimates of the total ultimate closure, reclamation and rehabilitation costs for gold mining operations are significant and based principally on life-of-mine profiles, changing inflation and discount rate assumptions, changing infrastructure and facilities design and current legal and regulatory requirements that may change materially. Increasingly, regulators are seeking security in the form of cash collateral or bank guarantees in respect of environmental obligations in South Africa. We are currently required to set aside financial provision for the rehabilitation for ten years post-closure. As of June 30, 2019, the latest revised estimate of our financial provision was US\$18.8 million.

For another instance, we have identified the potential for future mine shaft decant and groundwater contamination resulting from the mineralogy of the mine shafts, as a future pollution risk associated with underground mines in South Africa. Due to the interconnected nature of mining operations, a proposed solution to this risk needs to be a combined one supported by all the mines located in these gold fields. As a result, the MPRDA and the NEMA requires that the affected mining companies develop a Regional Mine Closure Strategy to be approved by the DMRE. In view of the limitation of current information for the accurate estimation of a liability, we are unable to make a reliable estimate for this obligation and the mitigation of this future risk. There is a possibility that the potential obligation for developing and complying with the Regional Mine Closure Strategy may become a material burden for us, which could materially and adversely affect our results of operations and financial condition. We may in the future incur more costs to comply with South African environmental requirements imposed under existing or new legislation, regulations or permit requirements, or to comply with changes in existing laws and regulations or the manner in which they are applied.

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The failure to comply with these laws and regulations may subject us to the imposition of significant fines, cessation of mining activities, criminal liability (including prosecution of our Directors, agent or employees in their personal capacities), and risks of litigation. In February 2017, VMR and two former directors, along with other parties, were charged for various contraventions of the NEMA and the MPRDA as read with the Criminal Procedure Act, No. 51 to 1997, relating to the alleged failure to comply with the duty of care in respect of, amongst others, the failure to clean up tailings spillages, failure to implement dust management measures and contraventions of the Environmental Management Programme (“EMP”) at the Blyvooruitzicht mine during the period from 2013 to 2017. The charges were withdrawn against all of the accused on October 4, 2017 in terms of Section 342A of the Criminal Procedure Act due to lack of sufficient evidence. On February 28, 2018, we submitted written representations stating why the prosecution against VMR should not be re-instated. As of the Latest Practicable Date, the National Prosecuting Authority had not yet made a determination on our written representations.

As advised by Werksmans, in the unlikely event that the National Prosecuting Authority decides to reinstate the matter and passes the judicial review by the High Court of South Africa, we may be held liable for contravention of environmental legislation, which may subject us to a penalty of up to ZAR10 million (approximately US\$730,000), the monetary value of advantage gained by such person as a consequence of the offence and the reasonable cost incurred by public prosecutor or organ of state in its investigation. These costs and liabilities could have a material adverse effect on our business, operating results and financial position.

### **Our operations are subject to extensive health and safety regulations.**

Our operations are subject to health and safety legislation which imposes duties and obligations on the employer to ensure, amongst others, a working environment which is healthy and safe, as far as is reasonably practicable. For details, see “Regulatory Overview — Relevant South African Laws and Regulations — Laws and Regulations relating to Mine Health and Safety.” The MHSI has been empowered to enforce the health and safety legislation and it plays an important role in the promotion of health and safety of mines. One enforcement mechanism which is at the disposal of the MHSI is the issuing of statutory instructions (for example, instructions issued in terms of section 54 or section 55 of the MHSA). A statutory notice in terms of section 54 of the MHSA may be issued, if an Inspector of Mines has reason to believe that any occurrence, practice or condition at a mine endangers the health and safety of any person at a mine. A statutory notice in terms of section 55 of the MHSA may be issued, if an Inspector of Mines has reason to believe that a provision of the MHSA has not been complied with. A notice in terms of section 54 of the MHSA may halt some or all mining operations undertaken at a mine or part thereof. If a mine receives notices in terms of section 54 of the MHSA regularly, the production stoppages and the additional costs incurred as a result thereof, will not only affect the production results of the mine but also the reputation and business of the mine. A notice issued in terms of section 54 or section 55 of the MHSA is not an uncommon occurrence in the South African mining industry. If a mine receives a notice in terms of section 54 of the MHSA which has been issued unlawfully, the mine may appeal the said notice to the Chief Inspector of Mines. It must be noted that the aforesaid appeal does not

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automatically suspend the operation of the notice issued in terms of section 54 of the MSHA. To suspend the operation of the notice in the above instance, a mine may lodge an urgent application to the Labour Court (being the court with jurisdiction) requesting the suspension of the operation of the notice issued in terms of section 54 of the MSHA pending the outcome of the appeal to the Chief Inspector of Mines. The aforesaid appeal process will not only be an operational expense but the mine may also incur additional costs in the form of legal fees as a result thereof. For details, see “Regulatory Overview — Relevant South African Laws and Regulations — Laws and Regulations relating to Mine Health and Safety.”

In terms of the health and safety legislation, an employer may be subject to significant penalties and/or administrative fines for non-compliance. Depending on the particular circumstances, litigation (criminal and/or civil) may be instituted against the employer in respect of an accident, dangerous occurrence or health threatening occurrence which has resulted in the death of an employee (or contractor employee).

Delictual claims may be brought against a company based on delict. In other words, a claim can be brought against the company, if the company, through its employees, has caused harm to a person through wrongful and blameworthy conduct and if such conduct was intentional or negligent. Conduct is regarded as being negligent if it does not comply with the standard of care to be taken by a reasonable person in the same situation and circumstances. For details, see “Regulatory Overview — Relevant South African Laws and Regulations — Laws and Regulations relating to Mine Health and Safety.”

In terms of the COIDA, an employer is, however, protected against claims by employees for injuries sustained or certain diseases that fall within the ambit of COIDA in the course and scope of their employment (see section 35(1) of COIDA). In the event of the death of an employee, the dependants of such person are in such circumstances prevented from recovering damages from the employer of the deceased. For purposes of section 35(1) of COIDA, certain managerial persons referred to in section 56(1)(b), (c), (d) and (e) of COIDA, are deemed to be included in the definition of an employer. The employee or the dependants of a deceased employee, however, may lodge a claim with the Compensation Commissioner in terms of COIDA for increased compensation if the occupational injury or disease was due to the negligence of the employer or other persons stipulated in section 56 of COIDA.

Any further changes to the health and safety laws which increase the burden of compliance on the employer and impose higher penalties for non-compliance may result in incurring further significant costs for us.

**Our operations in South Africa are subject to water use licenses, as well as atmospheric emission licenses, and risks associated with water shortage or other problems, which could impose significant costs and burdens.**

Under South African law, our operations are subject to water use licenses and regulations that govern our operations’ water usage. We are required to, among other things, achieve and maintain certain water quality limits regarding all water discharges and impacts. Any failure



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to do so may result in criminal and or enforcement action being taken by the authorities, which may involve the suspension or withdrawal of the relevant water use license under certain circumstances, which will disrupt our operations. We would also be at risk of prosecution and subject to severe claims and penalties. The water use licenses are subject to regular reviews, and there may be stricter conditions imposed upon a mine in the event of a change in environmental circumstances, which would make compliance with such licenses increasingly challenging.

South Africa is a water scarce country and experiences droughts periodically. Accordingly, it is likely that the mining industry will be faced with increasing competition for water uses both in respect of surface and underground water. This will also likely have cost implications from a tariff perspective, as water use charges are likely to increase. Water constraints may also lead to increased regulatory scrutiny against us with regards to sustainable use and water related discharges, and could have a material adverse effect on our business operations.

Our operations are also subject to atmospheric emission licenses and regulations which seek to control emissions, provide review periods, penalties for non-compliance and requirements for renewal of licenses. Our operations have obtained or are in the process of obtaining their own separate water use licenses and atmospheric emission licenses, thereby ensuring regularization of the operations in terms of the NWA and AQA. The operations are only permitted to carry out those water uses or air quality listed activities as provided for in the approved licenses or as approved in terms of the relevant statutes.

### **Our mineral rights are subject to legislation, which could impose significant costs and burdens.**

Holders of mineral or prospecting rights must comply with the provisions of the MPRDA and the terms and conditions on which the right was granted. For details, see “Regulatory Overview — Relevant South African Laws and Regulations — Major Laws and Regulations on Mining.” Holders of prospecting rights must conduct prospecting operations in accordance with the approved prospecting work program. Mining right holders must conduct mining operations in accordance with the approved mining work program. Mining right holders must implement an approved social and labor plan which is geared to socio-economic development of host mine communities, creating employment and increasing training of employees. Prospecting fees are payable in accordance with the MPRDA and royalties for the disposal of Mineral Resources is payable in terms of the Mineral and Petroleum Resources Royalty Act, 2008.

Once a right is granted in terms of the MPRDA, it can only be suspended or cancelled by the DMRE acting in accordance with section 47 of the MPRDA. In regard to operational non-compliance, the DMRE can direct the holder to take steps to remedy non-compliance or can suspend a mining right in terms of section 93 of the MPRDA. Should any authorized person find, inter alia, that there is contravention or suspected contravention of, or failure to comply with any provision of the MPRDA or any term or condition of any right, permit or permission

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or any other law granted or issued, such person may order the holder of the relevant right, permit or permission to, inter alia, take immediate rectifying steps, failing which, that person may order that the relevant operations be suspended or terminated. The Director General of the DMRE must confirm or set aside any order and must notify the relevant holder in writing within 60 days after the order has been set aside or confirmed, failing which such order shall lapse. The Minister of Mineral Resources and the DMRE can only act within the confines of the MPRDA and other applicable legislation and do not have broad unfettered discretion to cancel, suspend or terminate rights.

Holders of mining rights must also comply with the broad-based socio-economic empowerment charter for effecting entry of HDSAs into the mining industry. For details, please see “Regulatory Overview — Relevant South African Laws and Regulations — Mining Charter” and “Regulatory Overview — Relevant South African Laws and Regulations — Laws and Regulations relating to the BBBEE Act and the Codes.”

### **RISKS RELATING TO THE GLOBAL OFFERING**

**No public market shares currently exists for our Shares, and the liquidity and market price of our Shares may be volatile.**

No public market shares currently exists. The Offer Price for our Shares will be the result of negotiations between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us, and may differ from the market prices for our Shares after Listing. We have applied to the Stock Exchange for the Listing of, and permission to deal in, our Shares. However, there can be no assurance that the listing of our Shares on the Stock Exchange will result in the development of an active and liquid public trading market for our Shares. The market price, liquidity and trading volume of our Shares may be volatile. Factors that may affect the volume and price at which our Shares will be traded include, among other things, variations in our revenue, earnings, cash flows, announcements of new investments and changes in laws and regulations in South Africa. There can be no assurance that these developments will not occur in the future. In addition, it is possible that our Shares may be subject to changes in price not directly related to our performance.

**Future issuances or sales, or perceived possible issuances or sales, of substantial amounts of our Shares in the public market could materially and adversely affect the prevailing market price of the Shares and our ability to raise capital in the future.**

The market price of our Shares could decline as a result of future sales of substantial amounts of the Shares or other securities relating to the Shares in the public market, including sales by our substantial shareholders, or the issuance of new Shares by us, or the perception that such sales or issuances may occur. The Shares held by certain Shareholders are subject to certain lock-up periods after the date on which trading in our Shares commences on the Stock Exchange, the details of which are set out in the section headed “Underwriting” in this prospectus. There can be no assurance that, after such restrictions expire, our Shareholders will not dispose of any Shares. Future sales, or perceived possible sales, of substantial amounts of



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the Shares could also materially and adversely affect the market price of our Shares and our ability to raise capital in the future at a time and at a price favorable to us, and our Shareholders may experience dilution in their holdings upon issuance or sale of additional Shares or other securities in the future.

**The market price of our Shares when trading begins could be lower than the Offer Price.**

The initial price to the public of our Shares sold in the Global Offering is expected to be determined on Monday, November 18, 2019 and in any event, not later than Tuesday, November 19, 2019, or such other date as agreed between the parties to the Price Determination Agreement. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be the fifth Business Day after the pricing date. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

**Because the Offer Price is higher than our net tangible book value per Share, you will incur immediate dilution and you may experience further dilution if we issue additional Shares or equity-linked securities in the future.**

The Offer Price of the Shares is higher than the net tangible book value per share issued to existing holders of our Shares. Therefore, purchasers of the Shares in the Global Offering will experience an immediate dilution in pro forma net tangible book value while the existing holders of our Shares will receive an increase in net tangible book value per share of their Shares. In addition, if we issue additional Shares or equity-linked securities in the future, purchasers of our Shares may experience further dilution in the net tangible assets book value per Share the additional Shares are issued at a price lower than the net tangible assets book value per Share at the time of their issuance.

**We cannot assure you that we will declare dividends in the future and any dividend payment may be subject to withholding tax.**

As a holding company, our ability to declare future dividends will depend on the availability of dividends, if any, received from our South African subsidiaries. In terms of section 46 of the South African Companies Act, a company must not make any proposed distribution (including dividends) unless:

- (a) the distribution –
  - (i) is pursuant to an existing legal obligation of the company, or a court order; or
  - (ii) the board of the company, by resolution, has authorized the distribution;

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## RISK FACTORS

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- (b) it reasonably appears that the company will satisfy the solvency and liquidity test immediately after completing the proposed distribution; and
- (c) the board of the company, by resolution, has acknowledged that it has applied the solvency and liquidity test, as set out in section 4 of the South African Companies Act, and reasonably concluded that the company will satisfy the solvency and liquidity test immediately after completing the proposed distribution.

Accordingly, since our Company derives all of our earnings and cash flows from dividends paid to us by our South African operating subsidiaries in South Africa, we will only be able to pay dividends to our Shareholders subject to compliance with section 46 of the South African Companies Act and in accordance with the terms of the MOI of the relevant companies.

For more details of our dividend policy, see “Financial Information — Dividend Policy.” We cannot assure you that future dividends will be declared or paid. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors depending on, among other considerations, our operations, earnings, financial position, cash requirements and availability, our constitutional documents and applicable law.

The declaration of a dividend by a South African company to a non-resident company or person will be subject to dividends tax upon payment of the dividend, which is a withholding tax, at the rate of 20%. Dividends paid by VMR Group to the Company will be subject to the treaty relief in terms of the Double Tax Agreement (“DTA”) between South Africa and Hong Kong provided all the requirements are met. In terms of the said DTA, dividends declared will be subject to a reduced dividends tax rate of 5% in South Africa (on the basis that the Company holds at least 10% of the ordinary shares of VMR Group) or 10% in all other cases. VMR Group will be liable for the dividends tax on any in specie dividends distributed by it at the reduced rate of 5% or 10% if the Company complies with the requirements of the applicable South African tax legislation.

**There will be a gap of several days between pricing and trading of our Shares, and the price of our Shares when trading begins could be lower than the Offer Price.**

The initial price to the public of our Shares sold in the Global Offering is expected to be determined on the Price Determination Date. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be not more than five business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

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**Any potential sale of Shares by our Controlling Shareholders could have an adverse effect on our Share price.**

Future sales of a substantial number of our Shares by our existing Shareholders, or the possibility of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by our Controlling Shareholders are subject to lock-up beginning on the date on which trading in our Shares commences on the Stock Exchange. While we are not aware of any intentions of our Controlling Shareholders to dispose of significant amounts of their shares upon expiry of the relevant lock-up periods, we are not in a position to give any assurances that they will not dispose of any Shares that they may own. In the event that any of our Controlling Shareholders disposes of Shares upon expiry of the relevant lock-up periods, this would lead to an increase in the number of our Shares in public hands, and could negatively impact the market price of our Shares or lead to volatility in the market price or trading volume of our Shares, affecting the value of your investment.

**Forward-looking statements contained in this prospectus are subject to risks and uncertainties.**

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. When used in this prospectus, the words “anticipate,” “believe,” “could,” “expect,” “going forward,” “intend,” “may,” “ought to,” “plan,” “project,” “seek,” “should,” “will,” “would” and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on such forward-looking information.

**Certain facts and statistics contained in this prospectus have come from official government sources or other industry publications, the reliability of which cannot be assumed or assured, and statistics in the prospectus provided by Frost & Sullivan are subject to assumptions and methodologies set forth in the “Industry Overview” section of this prospectus.**

Certain facts and statistics in this prospectus related to South Africa, its economy and the industries in which we operate are derived directly or indirectly from official government sources, other industry publications and the Frost & Sullivan Report generally believed to be reliable. While we have taken reasonable care to reproduce such information, we cannot

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## RISK FACTORS

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guarantee the quality and reliability of such source material. These facts and statistics have not been independently verified by us, the Sole Sponsor, the Underwriters or any of our or their respective affiliates or advisers or any other parties involved in the Global Offering and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside South Africa and may not be complete or up-to-date. We have, however, exercised reasonable care in the reproduction and extraction of such facts, forecasts and statistics from the relevant official government publications and the Frost & Sullivan Report for the purpose of inclusion in this prospectus. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts and statistics in this prospectus may be inaccurate and the statistics may not be comparable to statistics produced for other economies. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on all such facts and statistics.

**You should only rely upon the information in this prospectus in making your investment decision, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering.**

There may be, subsequent to the date of this document but prior to the completion of the Global Offering, press and media coverage regarding us, our Controlling Shareholders and the Global Offering, which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this document only and should not rely on any other information.

You should rely solely upon the information contained in this document, the Global Offering and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the Global Offering, us or our controlling shareholders. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our Global Offering. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this document.

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## **WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES**

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In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

### **WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG**

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

We do not have sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules. The Group's business operations are principally located, managed and conducted in South Africa. The management and operation of the Company have mainly been under the supervision of the executive Director and senior management of the Group, who are principally responsible for the overall management, corporate strategy, planning, business development and control of the Group's businesses. The Company's executive Director and all members of senior management team reside in South Africa. The Company considers that the appointment of executive Director(s) who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, the Group and therefore would not be in the best interest of the Company and its Shareholder as a whole, and it would be more practicable for its executive Director and the senior management in South Africa to remain in close proximity to the Group's operation located in South Africa. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorized representatives, namely Mr. Sheng Zhang and Ms. Ying Zhao, to be the principal communication channel at all times between the Stock Exchange and the Company. Each of our authorized representatives will be readily contactable by the Stock Exchange and can meet with the Stock Exchange on reasonable notice. Both of our authorized representatives are authorized to communicate on our behalf with the Stock Exchange;
- (b) we have provided contact details of each of the authorized representatives to the Stock Exchange (including their respective mobile phone number, office phone number (as applicable), facsimile number (as applicable) and e-mail address). The authorized representatives have means for contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters;
- (c) we will ensure that all Directors who are not ordinarily resident in Hong Kong either possesses, or can apply for, valid travel documents for travelling to Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time when required;

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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- (d) we have retained the services of Anglo Chinese Corporate Finance, Limited (the “**Compliance Adviser**”), in accordance with Rule 3A.19 of the Listing Rules. The Compliance Adviser will serve as a channel of communication with the Stock Exchange in addition to the authorized representatives of our Company. The Compliance Adviser will provide our Company with professional advice on ongoing compliance with the Listing Rules;
- (e) meetings between the Stock Exchange and the Directors could be arranged through the authorized representatives or the Compliance Adviser, or directly with the Directors within a reasonable time frame. Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the authorized representatives and/or the Compliance Adviser in accordance with the Listing Rules; and
- (f) we have provided the Stock Exchange with the contact details of each of the Directors (including their respective mobile phone number, office phone number (as applicable), facsimile number (as applicable) and e-mail address).

### WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. Pursuant to Note (1) to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a Member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or
- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note (2) to Rule 3.28 of the Listing Rules, in assessing “relevant experience,” the Stock Exchange will consider the individual’s:

- (a) length of employment with the issuer and other issuers and the roles he or she played;
- (b) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

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## **WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES**

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We have appointed Ms. Ying Zhao and Ms. Pung Fei Chan as our joint company secretaries. They will jointly discharge the duties and responsibilities as our company secretaries. Ms. Pung Fei Chan has been an associate member of the Hong Kong Institute of Chartered Secretaries since December 2016 and an associate member of the Institute of Chartered Secretaries and Administrators in the United Kingdom since December 2016, and therefore meets the requirements under Note (1) to Rule 3.28 of the Listing Rules. Ms. Pung Fei Chan will work closely with, and provide assistance to, Ms. Ying Zhao in the discharge of her duties as a joint company secretary for an initial period of three years from the date of the Listing.

Although Ms. Ying Zhao does not possess the specified qualifications required by Rule 3.28 of the Listing Rules, our Company believes that considering Ms. Ying Zhao's past experience in our corporate management affairs, she is able to perform the duties as a company secretary of our Company. In addition, Ms. Ying Zhao has a thorough understanding of the operations of our internal business and administration. Therefore, we believe that the appointment of Ms. Ying Zhao as a joint company secretary is in our and our Shareholders' best interests and is beneficial to our corporate governance. Ms. Ying Zhao will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the initial three-year period from the Listing Date. The Company will further ensure that Ms. Ying Zhao has access to the relevant training and support that would enhance her understanding of the Listing Rules and the duties of a company secretary of an issuer listed on Stock Exchange. Both Ms. Ying Zhao and Ms. Pung Fei Chan will be advised by a Hong Kong legal adviser engaged by the Company as to Hong Kong laws and the Company's Compliance Adviser when required.

As Ms. Ying Zhao does not possess the specified qualification required by Rule 3.28 of the Listing Rules, and may not possess the relevant experience as required by the Stock Exchange, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules on the condition that we have appointed Ms. Pung Fei Chan, who meets the requirements under Rule 3.28 of the Listing Rules, as a joint company secretary to work closely with and to provide assistance to Ms. Ying Zhao in the discharge of her duties as a company secretary for an initial period of three years commencing from the Listing Date so as to enable Ms. Ying Zhao to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as a company secretary.

Upon expiry of the initial three-year period, the qualifications of Ms. Ying Zhao will be re-evaluated to determine whether the requirements as stipulated in Rule 3.28 of the Listing Rules can be satisfied and to decide whether further assistance by Ms. Pung Fei Chan to Ms. Ying Zhao would be necessary. Our Company would liaise with the Stock Exchange to demonstrate to their satisfaction that Ms. Ying Zhao, having the benefit of Ms. Pung Fei Chan's assistance for three years, would have acquired the relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver would not be necessary.

See "Directors and Senior Management" for further information regarding the qualifications of Ms. Ying Zhao and Ms. Pung Fei Chan.



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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

### **GLOBAL OFFERING**

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and any of the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Global Coordinator. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined between the Global Coordinator (on behalf of the Underwriters) and our Company on the Price Determination Date. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or about the Price Determination Date.

The Offer Price is expected to be fixed among the Sole Global Coordinator (on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, November 18, 2019 and, in any event, not later than Tuesday, November 19, 2019, or such other date as agreed between the parties to the Price



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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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Determination Agreement. If, for whatever reason, the Offer Price is not agreed between the Sole Global Coordinator and our Company on or before Tuesday, November 19, 2019, or such other date as agreed between the parties to the Price Determination Agreement, the Global Offering will not become unconditional and will lapse immediately.

See the section headed “Underwriting” for further information about the Underwriters and the underwriting arrangements.

### **PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES**

The application procedures for the Hong Kong Offer Shares are set forth in the section headed “How to Apply for the Hong Kong Offer Shares” and on the relevant Application Forms.

### **STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING**

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed “Structure of the Global Offering.”

### **SELLING RESTRICTIONS ON OFFERS AND SALE OF SHARES**

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers for the Offer Shares described in this prospectus and on the relevant Application Forms.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option).

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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Dealings in the Shares on the Stock Exchange are expected to commence on Monday, November 25, 2019. No part of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought. All the Offer Shares will be registered on the Hong Kong Share Registrar of our Company in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

### **OVER-ALLOTMENT OPTION AND STABILISATION**

Details of the arrangements relating to the Over-allotment Option and Stabilisation are set out in the section headed “Structure of the Global Offering.” Assuming that the Over-allotment Option is exercised in full, the Company may be required to issue and allot up to an aggregate of 92,506,000 Offer Shares.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

### **SHARE REGISTRAR AND STAMP DUTY**

Our register of members will be maintained in Hong Kong by our Hong Kong Share Registrar, Tricor Investor Services Limited.

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in the Shares registered in our Hong Kong register of members will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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### PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, holding and dealing in the Shares or exercising any rights attached to them. It is emphasised that none of us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our/their respective affiliates, directors, supervisors, employees, agents or advisers or any other party involved in the Global Offering accepts responsibility for any tax effects on or liabilities of holders of the Shares resulting from the subscription, purchase, holding or disposal of the Shares exercising any rights attached to them.

### EXCHANGE RATE CONVERSION

Solely for convenience purposes, this prospectus includes translations among certain amounts denominated in South African Rand (ZAR), Hong Kong dollars and U.S. dollars. No representation is made that the South African Rand amounts could actually be converted into another currency at the rates indicated, or at all. Unless otherwise indicated, (i) the translation between Renminbi and U.S. dollars was made at the rate of RMB6.87 to US\$1, being the noon buying rate as set forth in the H.10 statistical release of the United States Federal Reserve Board on June 28, 2019; (ii) the translations between U.S. dollars and Hong Kong dollars were made at the rate of HK\$7.81 to US\$1, being the noon buying rate as set forth in the H.10 statistical release of the United States Federal Reserve Board on June 28, 2019; (iii) the translations between U.S. dollars and South African Rand for our historical financial information were made at ZAR14.7, ZAR13.3 and ZAR13.2 per US\$1 in 2016, 2017, 2018 (the average yearly rate), respectively, for income statement and cash flow statement items, and at ZAR13.7, ZAR12.3 and ZAR14.4 per US\$1 as of December 31, 2016, 2017, 2018 (the closing rate as of the year end), respectively, for balance sheet items; (iv) the translations between U.S. dollars and South African Rand for our stub period financial information were made at the rate of ZAR12.3 and ZAR14.2 to US\$1 (the average daily rate in the six months ended June 30, 2018 and 2019) for income statement and cash flow statement items, and at ZAR14.1 to US\$1 (the closing rate as of June 28, 2019) for balance sheet items; and (v) the translations between U.S. dollars and South African Rand for our financial information after the Track Record Period were made at the rate of ZAR14.4 to US\$1 (the average daily rate in the nine months ended September 30, 2019) for income statement and cash flow statement items, and at ZAR15.2 to US\$1 (the closing rate as of September 30, 2019) for balance sheet items.

### TRANSLATION

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail unless otherwise stated. However, if there is any inconsistency between the names of any of the entities mentioned in this English prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

### ROUNDING

Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### DIRECTORS

Name	Address	Nationality
<i>Executive Director</i>		
Mr. Xia Dong (董夏)	Room 002 2 Old House Lane Melrose Arch Melrose North Johannesburg, 2196 South Africa	Chinese
<i>Non-Executive Directors</i>		
Mr. Sheng Zhang (張晟)	Room 814, Building 7 No. 1 Xitucheng Road Haidian District Beijing PRC	Chinese
Mr. Yue Bao (鮑鉞)	Room 2109, Building 6 Xinqidian Jiayuan No. 5 Changchunqiao Road Haidian District Beijing PRC	Chinese
Mr. Quanyou Zhang (張全有)	Room 2108, Building 3 Zhixueyuan No. 29 Xierqi West Road Haidian District Beijing PRC	Chinese

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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Name	Address	Nationality
<i>Independent non-executive Directors</i>		
Mr. Vincent Marshall Kwan Ho Lee (李君豪)	1/F 30 Kennedy Road Hong Kong	Chinese (Hong Kong)
Mr. Meifeng Cai (蔡美峰)	Room 113, Building 51 the University of Science and Technology Beijing No. 30 Xueyuan Road Haidian District Beijing PRC	Chinese
Mr. Jia He (何佳)	Room 1101, Jiaoshi Apartment 3 Southern University of Science and Technology of China No. 1088 Xueyuan Road Nanshan District Shenzhen Guangdong Province PRC	Chinese (Hong Kong)

Further information is disclosed in the section headed “Directors and Senior Management” in this prospectus.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### PARTIES INVOLVED IN THE GLOBAL OFFERING

#### Sole Sponsor

##### **CLSA Capital Markets Limited**

18/F, One Pacific Place  
88 Queensway  
Hong Kong

#### Sole Global Coordinator

##### **CLSA Limited**

18/F, One Pacific Place  
88 Queensway  
Hong Kong

#### Joint Bookrunners

##### **CLSA Limited**

18/F One Pacific Place  
88 Queensway  
Hong Kong

##### **CCB International Capital Limited**

12/F, CCB Tower  
3 Connaught Road Central  
Central, Hong Kong

##### **Haitong International Securities Company Limited**

22/F, Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong

#### Joint Lead Managers

##### **CLSA Limited**

18/F One Pacific Place  
88 Queensway  
Hong Kong

##### **CCB International Capital Limited**

12/F, CCB Tower  
3 Connaught Road Central  
Central, Hong Kong

##### **Haitong International Securities Company Limited**

22/F, Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### Legal Advisers to the Company

*As to Hong Kong law and United States law*

**Kirkland & Ellis**

26th Floor, Gloucester Tower

The Landmark

15 Queen's Road Central

Hong Kong

*As to South African law*

**Werksmans Attorneys**

The Central

96 Rivonia Road

Sandton

Johannesburg 2196

South Africa

**ENSafrica**

The MARC Tower 1

129 Rivonia Road

Sandton

Johannesburg 2196

South Africa

*As to PRC law*

**Commerce & Finance Law Offices**

6F, NCI Tower

A12 Jianguomenwai Avenue

Beijing 100022

PRC

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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**Legal Advisers to the Underwriters**

*As to Hong Kong law and United States law*

**Allen & Overy**

9th Floor

Three Exchange Square

Central

Hong Kong

*As to South African law*

**Webber Wentzel**

90 Rivonia Road

Sandton

Johannesburg 2196

South Africa

**Auditors and Reporting Accountants**

*Certified Public Accountants*

**Ernst & Young**

22/F, CITIC Tower

1 Tim Mei Avenue

Central

Hong Kong

**Industry Consultant**

**Frost & Sullivan International Limited**

1706, One Exchange Square

8 Connaught Place

Central, Hong Kong

**Competent Person**

**SRK Consulting (South Africa) (Pty) Ltd.**

SRK House

265 Oxford Road

Illovo

Johannesburg 2196

South Africa

**Receiving Bank**

**Bank of China (Hong Kong) Limited**

1 Garden Road

Hong Kong



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## CORPORATE INFORMATION

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<b>Registered Office and Principal Place of Business in Hong Kong</b>	Room 1901, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
<b>Head Office and Principal Place of Business in South Africa</b>	Office 302, Third Floor 30 Melrose Boulevard Melrose Arch Melrose North Johannesburg 2196 South Africa
<b>Company Website</b>	<u><a href="http://www.heavensentgold.com">www.heavensentgold.com</a></u> ( <i>the information contained on the website does not form part of this prospectus</i> )
<b>Joint Company Secretaries</b>	<p>Ms. Ying Zhao (趙瑩) Room 1901, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong</p> <p>Ms. Pung Fei Chan (陳芃霏) (ACIS; ACS) Room 1901, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong</p>
<b>Authorized Representatives</b>	<p>Mr. Sheng Zhang (張晟) Room 814, Building 7 No. 1 Xitucheng Road Haidian District Beijing PRC</p> <p>Ms. Ying Zhao (趙瑩) Room 1901, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong</p>

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## CORPORATE INFORMATION

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**Audit Committee**

Mr. Jia He (何佳) (*Chairman*)  
Mr. Quanyou Zhang (張全有)  
Mr. Vincent Marshall Kwan Ho Lee  
(李君豪)

**Remuneration Committee**

Mr. Vincent Marshall Kwan Ho Lee  
(李君豪) (*Chairman*)  
Mr. Xia Dong (董夏)  
Mr. Jia He (何佳)

**Nomination Committee**

Mr. Sheng Zhang (張晟) (*Chairman*)  
Mr. Vincent Marshall Kwan Ho Lee  
(李君豪)  
Mr. Meifeng Cai (蔡美峰)

**Risk Management Committee**

Mr. Yue Bao (鮑鉞) (*Chairman*)  
Mr. Vincent Marshall Kwan Ho Lee  
(李君豪)  
Mr. Meifeng Cai (蔡美峰)

**Hong Kong Share Registrar**

**Tricor Investor Services Limited**  
Level 54 Hopewell Centre  
183 Queen's Road East  
Hong Kong

**Compliance Adviser**

**Anglo Chinese Corporate Finance,  
Limited**  
40th Floor  
Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

**Principal Banker**

**Rand Merchant Bank,  
A Division of FirstRand Bank Limited**  
1 Merchant Place  
Cnr Fredman Drive & Rivonia Road  
Sandton  
Johannesburg, 2196  
South Africa

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## INDUSTRY OVERVIEW

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*The information presented in this section is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan which was commissioned by us, or the Frost & Sullivan Report, unless otherwise indicated. We believe that the sources of such information are appropriate sources for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. Our Directors confirm that, after taking reasonable care, there is no adverse change in the market information that would qualify, contradict or have a material impact on such information since the date of the Frost & Sullivan Report. The information has not been independently verified by our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering (except Frost & Sullivan) and no representation is given as to its accuracy. The information and statistics may not be consistent with other information and statistics compiled within or outside of China.*

### THE FROST & SULLIVAN REPORT

This “Industry Overview” section contains information extracted from a commissioned report, or the Frost & Sullivan Report, prepared by Frost & Sullivan for purposes of this prospectus. The contract sum to Frost & Sullivan is US\$132,000 for the preparation and use of the Frost & Sullivan Report, and we believe that such fees are consistent with the market rate.

### Research Methodologies

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has adopted the following methodologies: (i) primary research including interviewing industry insiders, competitors, downstream customers and recognized third-party industry associations, (ii) secondary research including reviewing corporate annual reports, databases of relevant official authorities, independent research reports and publications, as well as the exclusive database established by Frost & Sullivan over the past decades and (iii) projected data obtained from historical data analysis plotted against macroeconomic data as well as specific industry-related drivers.

### Forecasting Bases and Assumptions

Frost & Sullivan prepared the Frost & Sullivan Report on the following bases and assumptions: (i) global and South Africa’s economy is expected to maintain steady growth; (ii) global and South Africa’s geo-political and social-political environment is expected to remain stable; and (iii) macroeconomic and microeconomic trends specific to gold industry are expected to remain stable.

## INDUSTRY OVERVIEW

### About Frost & Sullivan

Frost & Sullivan is an independent global consulting firm founded in New York in 1961. It offers industry research, market strategies and growth consulting and corporate training services. Its industry coverage includes automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom, and financial services.

### GLOBAL GOLD INDUSTRY

#### Introduction

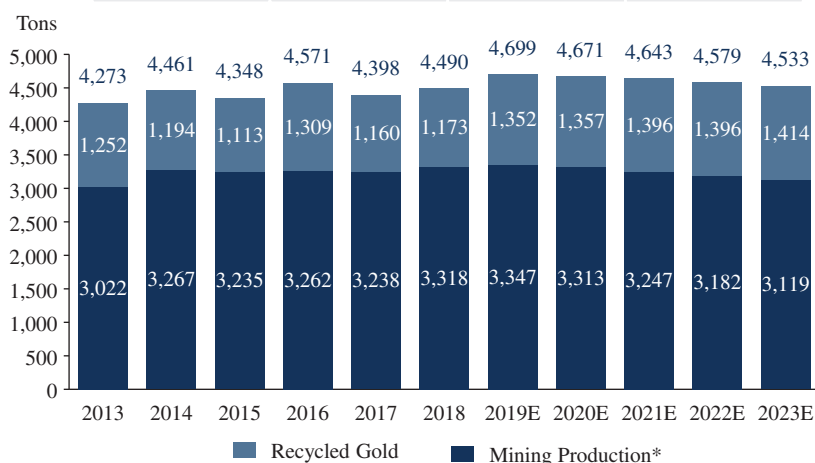
Gold is both a commodity and a monetary asset. As a commodity, gold is primarily used in the production of jewelry, coinage, electronics and other industrial and decorative application. While being a monetary asset, gold is primarily used for monetary exchange and investment purposes. Gold is often regarded as one of the world's oldest international currencies.

#### Gold Supply and Demand

##### Global Gold Supply

The table below shows global gold supply by volume for the years indicated:

	Recycled Gold	Mining Production	Total
<b>CAGR (13-18)</b>	-1.3%	1.9%	1.0%
<b>CAGR (18-23E)</b>	3.8%	-1.2%	0.2%



\* Includes net producer hedging

Source: World Gold Council, Frost & Sullivan

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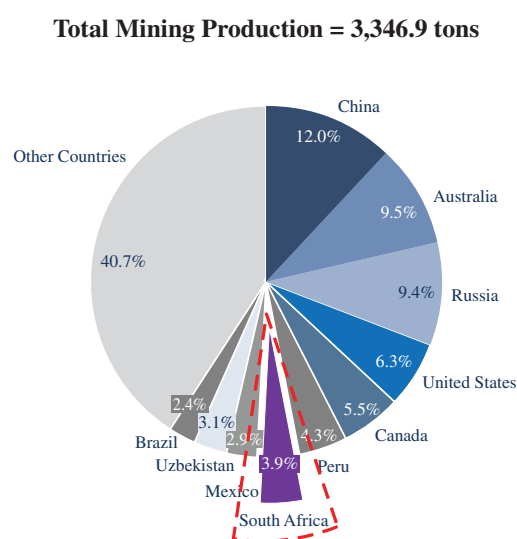
## INDUSTRY OVERVIEW

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Mining production and recycled gold were the two major resources of global gold supply. Over 70% of the gold supplied was from mining production since 2013 and the ratio has been stable in recent years.

The annual total supply of gold was relatively stable from 2013 to 2018. The total gold supply in 2018 increased by 2.1% from 2017, due to the increase in both mine production and recycled gold. The mine production is expected to be flat from 2018 to 2023. The supply of recycled gold is mainly affected by the gold price and may rise in 2019 due to the increase of gold price.

The table below shows global gold mining production by geographical location in 2018:



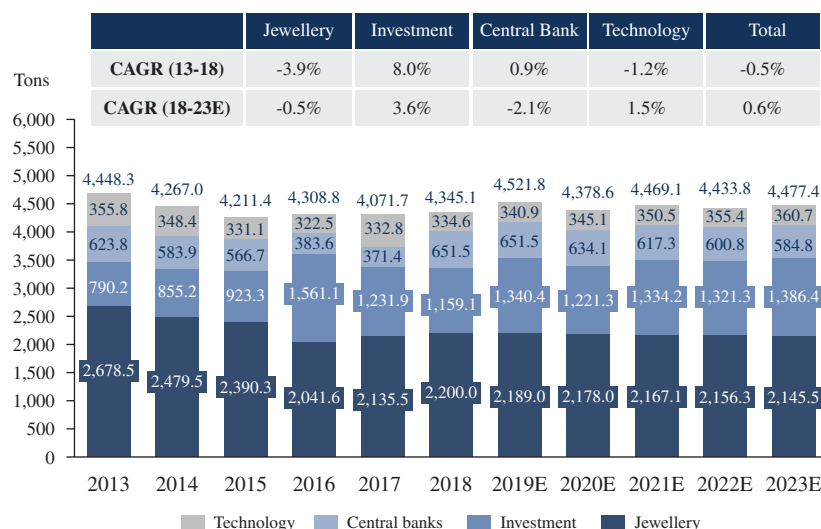
Source: U.S. Geographical Survey, Frost & Sullivan

China was the largest gold mining producers in 2018 and accounted for 12.0% of global gold mining supply, followed by Australia and Russia. Mining production of gold by South Africa was 132 tons in 2018 and accounted for 3.9% of global gold mining supply in 2018.

## INDUSTRY OVERVIEW

### Global Gold Demand

The table below shows global gold demand volume by end use for the years indicated:



Source: World Gold Council, Frost & Sullivan

Global gold demand can be divided into demand for gold jewelry, private and institutional investment, technology application and gold reserve management by central banks.

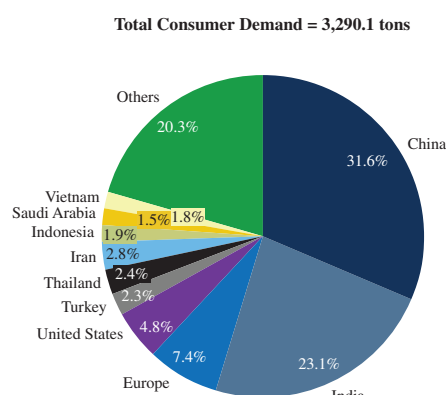
The gold demand for jewelry is expected to see a slight decrease in the next few years. The gold investment demand decreased in 2018, mainly suffering from the decreased demand for gold ETFs. The private and institutional investment for gold is expected to fluctuate in the next few years, affected by investors' sentiment over multiple factors, including potential U.S. interest rate hike, strong U.S. dollar and global political uncertainty. As more applications of gold in industry are developed, gold demand in technology is expected to grow moderately. The central bank demand from countries including Russia and China increased since the first half of 2018 in order to restore financial stability and is expected to remain a high level in 2019. Russia increased its official gold holdings by around 270 tons during 2018 and continued purchase of gold in January of 2019. China added over 30 tons to its official gold holdings from December 2018 to February of 2019.

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## INDUSTRY OVERVIEW

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The table below sets forth breakdown of global gold consumer demand by geographical location in 2018:

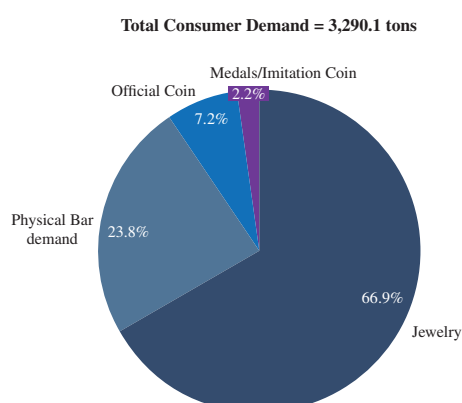


*Note:* the above breakdown shows global consumer demand which excludes the demand for ETFs, Technology and Central Banks from the global demand

*Source:* World Gold Council, Frost & Sullivan

In terms of geographical consumption of gold, China consumed the most gold in 2018, amounting to 1,040.4 tons for the purpose of jewelry crafting and bar and coins. India and Europe followed China and ranked second and third, with market share of 23.1% and 7.4%, respectively.

The table below sets forth breakdown of global gold consumer demand by product type in 2018:



*Source:* World Gold Council, Frost & Sullivan

Jewelry, along with bar and coins are the two major product types of gold, occupying around 75% of total gold demand. In 2018, total consumption of gold for abovementioned usages reached 3,290.1 tons, with jewelry usage taking the most percentage of 66.9%.

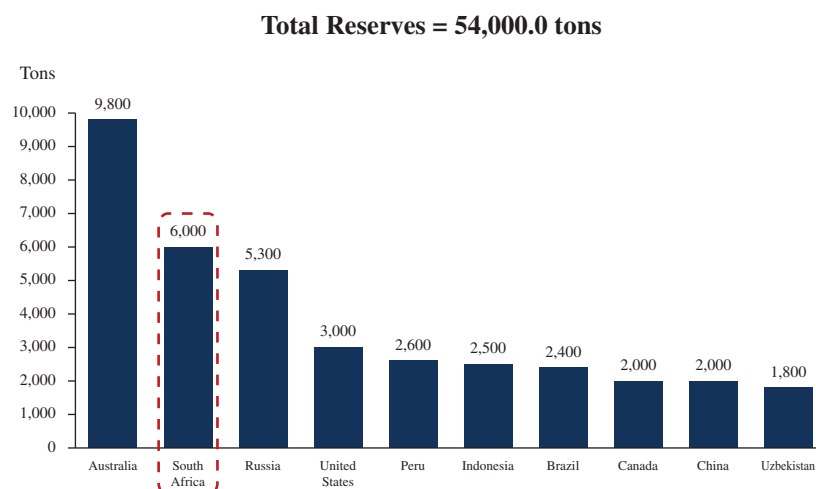
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## INDUSTRY OVERVIEW

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### Global Gold Reserves

The table below illustrates global gold reserve holdings by countries in 2018:



Source: U.S. Geographical Survey , Frost and Sullivan

By the end of 2018, around 54,000 tons of gold reserves were discovered all over the world. Australia is the country with largest reserve of gold in the world and is the second largest gold producer in 2018. South Africa, with gold reserve of 6,000 tons, accounts for 11.1% of gold reserves in the world and is the country with the second largest reserve of gold in 2018.

### SOUTH AFRICA'S GOLD INDUSTRY

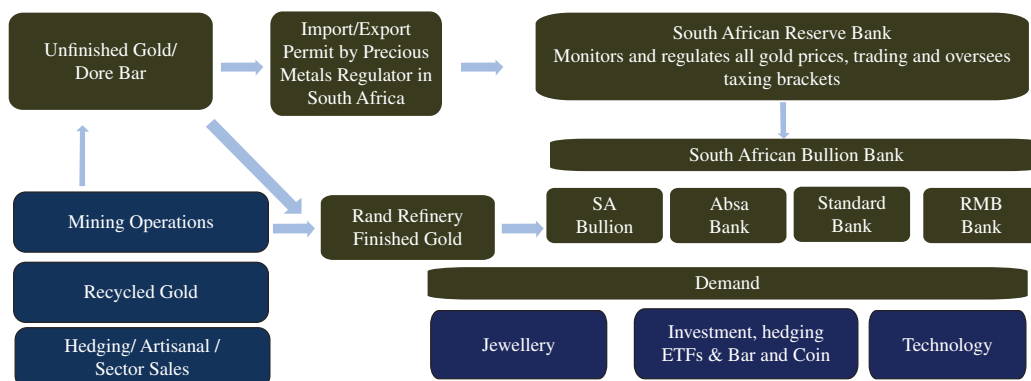
South African currency depreciated against US dollar from 2011 to 2016, but it appreciated by 9.4% and 0.5% in 2017 and 2018, respectively, and averaged ZAR 13.3 and 13.2 per US dollar in 2017 and 2018. ZAR may continue to depreciate in the coming years, as global investors generally believe economic expansion in the United States remain on track, while there is general pessimism about South Africa's economic prospects.



## INDUSTRY OVERVIEW

### South Africa's Value Chain of Gold Industry

The table below illustrates South Africa's value chain of gold industry:



Gold producers in South Africa generally do not sell finished products and rarely engage in marketing activities. Most of the gold mined needs to be refined by Rand Refinery before sale. Rand Refinery is the largest refinery in Africa and is registered under the London Bullion Market Association who sets the refining standards. Rand Refinery markets and sells the finished gold, and has custody of gold for South African bullion banks as well. When selling to South African bullion banks, Rand Refinery often serves as an agent for the gold mining companies.

It is a common practice for South Africa gold mining companies to use Rand Refinery as an agent to sell gold to end customers as Rand Refinery is a dominant gold refinery in South Africa and has well-established global sales network and distributors. In its capacity as agent, it could provide comprehensive services to its clients, including 24-hour turnaround of assaying, state-of-the-art vaulting and international logistics services. Major gold companies in South Africa like Harmony, Sibanye, AngloGold and Gold Fields all use Rand Refinery to refine market and sell their gold. In addition, Rand Refinery offers a range of physical investment products such as gold kilo bars, gold Krugerrands, and gold minted bars in various sizes and designs. Its customer includes bullion banks, jewelry manufacturers, distributors and retailers, mints, etc.

### Mine Grades

Gold mining in South Africa started over a century ago with the most high-grade gold deposits exploited first and subsequently depleted. Contemporary South African gold mining companies have to optimize their business operations for the remaining low-grade mines and the deep lying deposits, which is crucial in order to derive the optimal value for the gold produced under less favourable conditions.

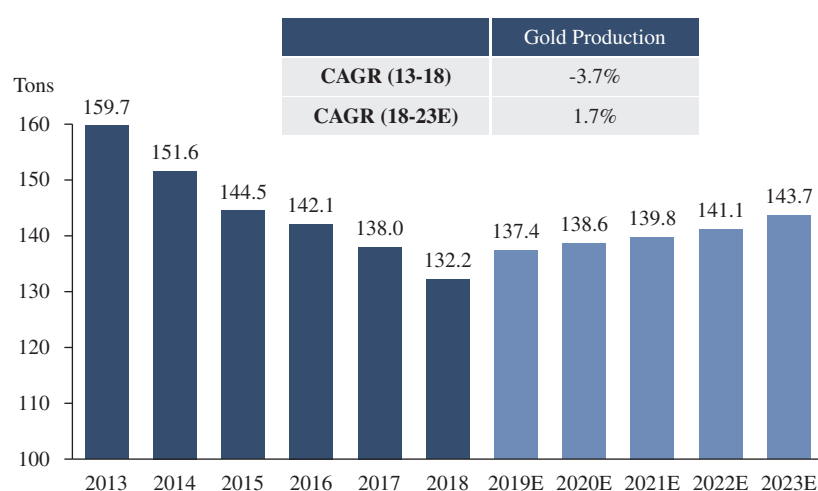
## INDUSTRY OVERVIEW

The average South African gold ore grade has declined significantly from approximately 12g/t in the 1970s to less than 3g/t currently. Such trend is in combination with increasing depth of mines and increasing production costs, which have posted challenges for gold mining companies in South Africa. Globally, the gold ore grades in major gold mining production countries also saw a constant declining trend over the same period. For example, the average gold ore grade of Australia has declined from over 3g/t in 1970s to less than 2g/t by now.

### South Africa's Gold Supply and Demand

#### Gold Supply in South Africa

The table below shows South Africa's fine gold production by volume for the years indicated:



Source: Company Report, Frost & Sullivan

Gold production in South Africa has demonstrated a steady decline trend for the past few years. The major market players are struggling with carrying out restructuring and consolidation of their South African gold operations. The decline of gold production level in 2018 is mainly due to the closure of several major gold mines, unexpected operational disruptions caused by labor strike, power outage and inclement weathers, which, in particular, severely affects the operation of Sibanye.

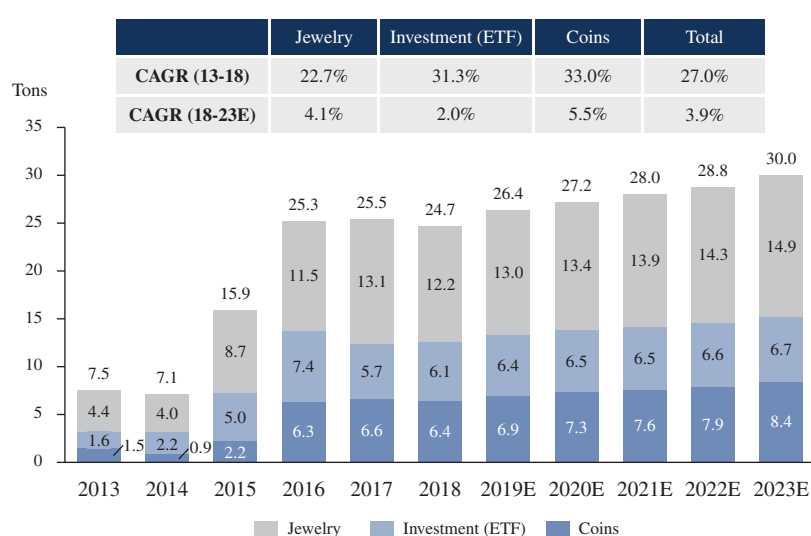
As for the midterm future till 2023, gold production in South Africa is anticipated to recover mildly, attributed to the increasing gold production from new gold projects, e.g. Elikhulu of Pan African resources, Far West Gold Recoveries Project of DRDGold Limited and South Deep exploration of Goldfields. Moreover, such increase is also in tandem with the expected recovery of gold price driven by increasing gold demand and weak performance of rand against U.S. dollar.

## INDUSTRY OVERVIEW

As an important mining method, deep underground mining is necessary when the overburden is so thick that open-pit mining cannot have access to the resources. It has some key characteristics, for example, the reserve/resource identification of deep underground mines needs to be conducted step by step. As the mining activities proceed, more resources will be converted to reserves and mine life will be extended. As the deep underground mining costs more than open-pit mining, it also needs to be considered that whether deep drilling would worth the cost. After a long history of gold mining activities, currently a majority of gold mines of South African gold producers are deep underground mines, generally between 1,500 to 3,000 meters in depth.

### *Gold Demand in South Africa*

The tables below show breakdown of gold demand in South Africa by end use:



Source: Frost & Sullivan

The majority percentage of gold produced in South Africa is exported beyond the national boundary to fulfil global demand. Currently, approximately 80% of South Africa sales of gold is to serve the global market.

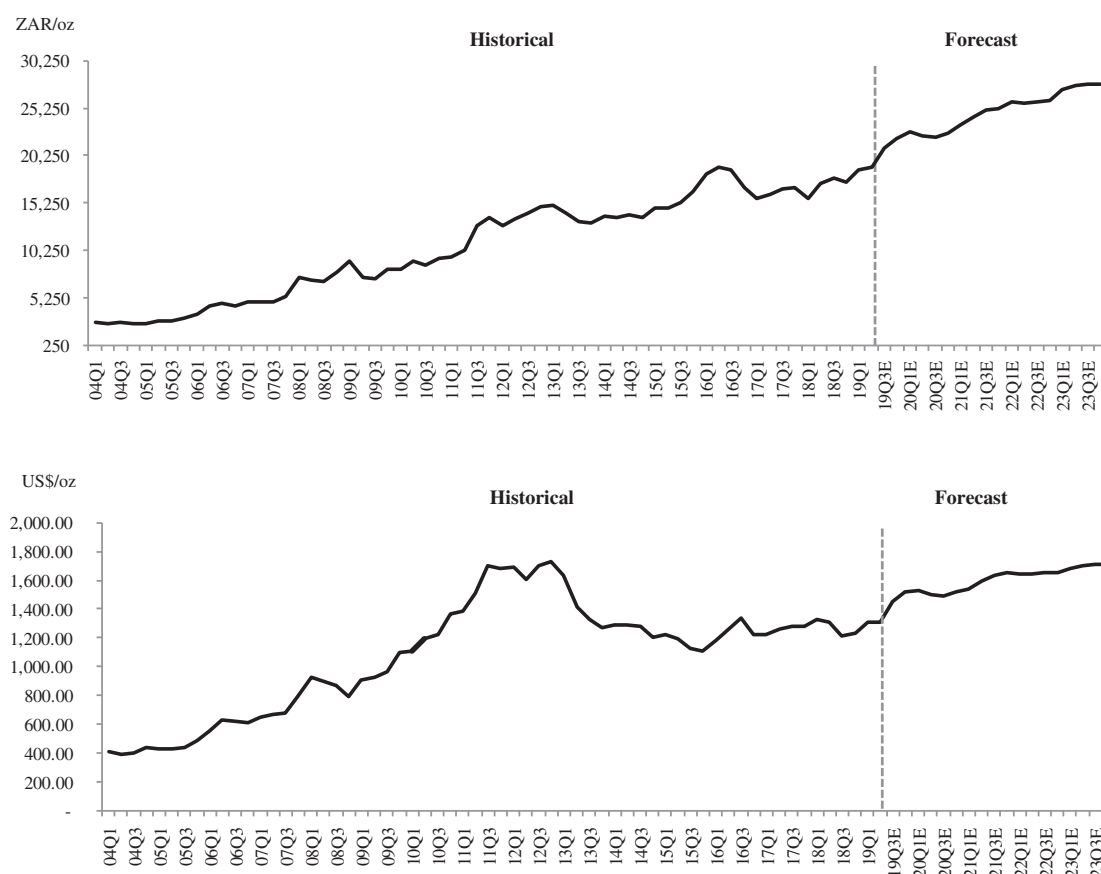
Domestic demand on gold is mainly for the purpose of jewelry processing, investment in gold ETFs, as well as gold coins and bars purchase. South Africa gold coins, also known as Krugerrand, is the world's most widely held and actively traded gold bullion coin.

Going forward, demand on gold in South Africa is projected to grow mildly as local citizens lean to hold gold (e.g., in form of Krugerrand) for value preservation against currency risk, inflation risk and potential general instabilities.

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### GLOBAL GOLD PRICES

The table below shows quarterly average global gold spot price denominated in ZAR and U.S. dollar, respectively, for the years indicated. The forecast of global gold price is based on analyses conducted by Frost & Sullivan and may not reflect the future trend of global gold price.



Source: Frost & Sullivan

As a gold price taker, South African gold mining industry in 2018 faced an improved gold price in ZAR compared with 2017. Going forward, due to rebounding gold price in U.S. dollar in 2019 and depreciation of ZAR against U.S. dollar, the gold price in ZAR is expect to recover which eases the pressure on business operation and improve the profit margin for South African domestic gold miners as their revenue is usually denominated in U.S. dollar while their costs are denominated in ZAR. Investment tends to flow into gold and gold by-products for value hedging due to the increasing concerns on geographical uncertainties, e.g. political and economic instabilities in Europe, higher financial market volatilities and increasing likelihood of global recession.

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## INDUSTRY OVERVIEW

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### HEDGING

Hedging, or forward sale of gold at set prices, is a means whereby gold producers and other suppliers can use to maintain the future profitability of their operations to certain extent by locking in prevailing prices. Hedging also tends to force down near-term prices for both hedgers and non-hedgers.

Gold hedging has been undertaken by various South African gold producers in the past. Some of the large South African gold producers that have employed hedging include Harmony, Gold Fields and Pan African Resources, etc. Such near-term hedging activities engaged by gold producers are expected to continue in the near future. Generally, gold producers in South Africa have been entering into hedging activities in view of the abovementioned.

### MARKET DRIVERS, RESTRAINTS AND ENTRY BARRIERS

#### Market Drivers

The factors that drive the global and South African gold market include the following:

- *Promotion of modernization to rejuvenate South Africa gold mining industry.* South Africa's gold mining industry has developed for more than 100 years adopting an almost-unchanged manual drill-and-blast approach, which results in soaring production cost and diminishing output level. The deterioration of profitability for South Africa gold producers can be only improved through applying the modernization and mechanization reform, as emphasized and promoted by the Mineral Council of South Africa. By replacing labor intensive works with machinery's business operation, South Africa gold mining industry will witness its rejuvenation in form of, for instance, gold productivity improvement, fatal accidents minimization and reduction of cost.
- *Geopolitical uncertainty to increase gold demand.* Higher financial market volatilities, increasing political and geographical instabilities in Europe and potential expansion of protectionist polities have been raising concerns on the global economy recession. Given people's risk aversion attitude when facing uncertainties and gold's nature of value preservation compared with paper currencies, demand of gold is expected to increase, thus further boost South Africa's gold industry development.
- *Higher gold price in ZAR to spur investment in South African gold industry.* Global robust demand on gold for the purpose of hedging uncertainty or consumption driven mainly by emerging markets fuels the future upward trend of gold price. Moreover, anticipated depreciation of ZAR to U.S. dollar will lead to a higher gold price in ZAR. Increase in gold price denominated in ZAR may attract various funds to flow into South African gold mining industry and spur the industrial development.

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## INDUSTRY OVERVIEW

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### Market Restraints

The factors that restrain the global gold market include: (i) squeezed profit margin due to high production costs, (ii) depletion of gold mining reserves and (iii) operation stoppage caused by increasing fatal accidents.

### Entry Barriers

Principal entry barriers to the gold mining industry include the following:

- *High capital cost.* High initial capital outlay even for small operations is required in the gold mining sector. Capital costs include exploration cost before the commencement of mining, and costs incurred for accessing the ore body, installing infrastructure, complying environmental requirements, applying licenses, sinking shafts and removing initial overburden. Capital costs form a significant entry barrier of the South African gold market.
- *Stringent regulatory requirement.* South African gold mining industry is governed by various policies and regulations, including the NEMA, the MPRDA and the Waste Act. Such legislation imposes various obligations on gold mining enterprises, such as annual rehabilitation plans, environmental risk assessment report and mining licenses. Such strict regulatory requirements create market entry barrier to new entrants to the South African gold mining industry.
- *High environmental rehabilitation costs.* South African gold mining companies are required to disclose and carry out progressive land rehabilitation exercise to ensure land recovery, which demands substantial amount of money to be reserved. Moreover, tremendous cost will incur in relation to cleaning up acid mine drainage, contamination on soil and even dealing with potential health issues of local communities, if rehabilitation and mitigation measurements are done inappropriately. As such, higher environmental treatment expenditures pose a concern for investors to enter the market.

## COMPETITION

### Overview

The top five gold producers in South Africa accounted for around 76% of the total gold mining production in that country in terms of gold production volume in 2018. Most of these top gold producers conduct international operations and projects in several continents including Australia, America, etc. Company A produced the largest amount of gold in South Africa in 2018, accounting for around 29.3% of the gold production in South Africa.

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The table below shows breakdown of key competitors' market share by gold production in 2018:

<b>Rank</b>	<b>Company Name</b>	<b>Production (ton)</b>	<b>Market Share</b>
1	Company A	38.8	29.3%
2	Company B	36.6	27.7%
3	Company C	15.1	11.4%
4	The Company	5.2	3.9%
5	Company D	4.9	3.7%
	<b>Others</b>	31.6	24.0%
	<b>Total</b>	132.2	100%

*Source: Frost & Sullivan*

The following is a brief description of the key market players in South Africa:

- *Company A.* Company A is a gold mining and exploration company with 68 years of history conducting mining activities in South Africa, one of the world's best-known gold mining regions, and in Papua New Guinea, one of the world's premier new gold-copper regions. Company A's business is to unlock and create value from the ore bodies it owns by safely, profitably and cost effectively extracting gold.
- *Company B.* Company B is an independent, global, precious metals mining company, produces a unique mix of metals that includes gold and PGMs. Domiciled in South Africa, Company B owns and operates a portfolio of high-quality operations and projects, which are located in two regions: the Southern Africa region and the United States. In South Africa, Company B mines, extracts and processes gold-bearing ore to produce beneficiated products.
- *Company C.* Company C is an international gold mining company with a globally diverse, high-quality portfolio of operations and projects, is headquartered in Johannesburg, South Africa. Their business activities span the full spectrum of the mining value chain, including mitigating their impact on the communities and environments in which they operate. Company C has operations in ten countries including long-life operating assets with differing orebody types, located in key gold-producing regions.

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## INDUSTRY OVERVIEW

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- *Company D.* Company D is a globally diversified gold producer with seven operating mines in Australia, Ghana, Peru and South Africa, and a total attributable annual gold-equivalent production of approximately 2.0 million ounces. Company D manages near-mine exploration and the process of closing their mines in a responsible manner, sells gold bullion to authorized bullion banks, keeps improving the cost and production profile of their portfolio and extracts gold-bearing ore.

### AISC and Operational Efficiency

#### AISC

Adopted by the World Gold Council in June 2013, AISC is a recognized method of evaluating gold producers' current and sustaining operational efficiency. AISC is the total sustaining costs for mining operations of a gold producer and usually denominated in US dollar per ounce of gold produced. The table below illustrates the calculation rule of AISC:

<u>Defined Cost (All related to current sustaining operations)</u>	<u>Symbol</u>
All Operating Costs (sustained costs) . . . . .	l
Corporate General & Administrative Costs . . . . .	m
Reclamation & Remediation Costs (accretion & amortization) . .	n
Exploration & Study Costs (sustained) . . . . .	o
Capital Exploration (sustained) . . . . .	p
Capitalised Stripping & Underground Mine Development (sustained) . . . . .	q
Capital Expenditure (sustained) . . . . .	r
All-in Sustaining Costs . . . . .	$s = l + m + n + o + p + q + r$

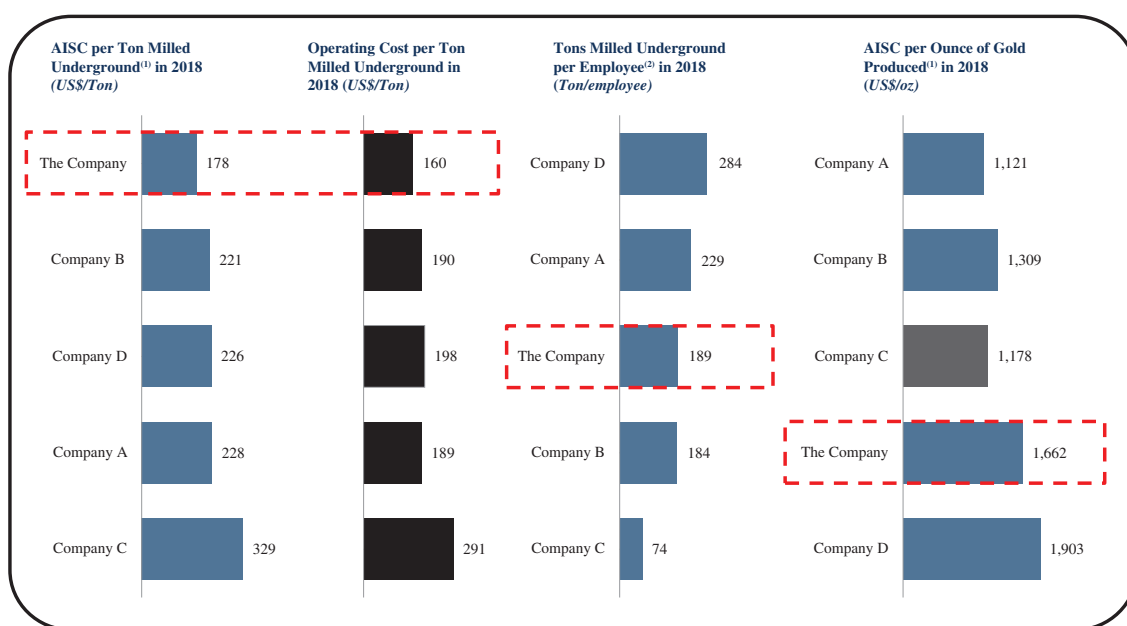
*Note:* The calculation excludes the costs associated with new operations and projects that will materially increase the overall production.



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### Operational Efficiency

The tables below show the comparison in AISC per ton milled underground, operating cost per ton milled underground, tons milled underground per employee and AISC per ounce of gold produced among top five South African gold producers in terms of production volume in 2018:



Source: Company Report, Frost & Sullivan

#### Notes:

- (1) AISC per ton milled underground refers to the accumulated all-in sustainable cost (AISC) in underground mines per tons of ore milled. Assuming the same level of grade of ore, lower AISC per ton milled underground will correspondingly lead to lower AISC per ounce of gold produced for underground mines. However, the difference in the grade of underground mines would lead to the discrepancy between AISC per ton milled underground and AISC per ounce of gold produced.
- (2) Tons milled underground per employee refers to the ratio of tons milled per year to the year-end total number of employees (including permanent employees and contractors) in underground mining operations.

In terms of the operating cost and AISC per ton milled underground during 2018, the Company maintained the lowest cost level among the major gold producers in South Africa. For the tons milled underground per employee, the Company ranked third in 2018, indicating a relatively high operation efficiency.

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### KEY COST COMPONENTS

The South African gold mining industry is labor intensive and is characterized by high operational costs and fluctuated revenues. Labor and power are the major cost elements of gold mining industry in South Africa.

#### Labor Costs

Labor costs represent one of the largest shares of total costs in South African gold mining industry.

Labor costs increase over years due to deteriorating working environment and risky job nature. Per capita wages per year increased from ZAR156.4 thousand in 2012 to ZAR262.2 thousand in 2018. In 2018, a slight decline in per capita wages was caused by jobs and wages cuts due to disruptive labor strike. As mining workers intend to seek for higher pay to compensate their risks at work, labor cost per capita is expected to increase in the future.

#### Utilities Costs

Electricity and water price in mining sector in South Africa has been rising steadily during 2012 to 2018. The average electricity prices in mining sector in South Africa increased from ZAR0.501/kWh in 2012 to ZAR0.869/kWh. The Producer Price Index (PPI), which measures changes in the prices of locally produced commodities, increased to 185.3 in 2018 compared with the basis of 100.0 in 2012 for water in South Africa. Eskom, the main electricity supplier in South Africa, has been increasing the electricity costs in the past years. The electricity price is expected to keep rising in the future, due to the steep increase in the demand for energy in South Africa as a result of steady economic growth, increasing focus on industrialization and electrification programs to take power into deep rural areas.

### LABOR UNIONS IN SOUTH AFRICA

Major labor unions in the gold mining industry in South Africa include:

- *AMCU*. AMCU has around 250,000 members from all sectors that it represents, namely, construction, mining, security, cleaners and logistics industry workers. It has approximately 27,155 members in the gold mining industry in South Africa.
- *NUM*. NUM has 39,814 members in the gold industry in South Africa.
- *NUMSA*. NUMSA is the biggest metal workers trade union in South Africa with more than 338,000 members. It has 886 members in the gold mining industry.
- *SLU*. SLU is one of the oldest independent trade unions in South Africa. It has approximately 2,036 members in the gold mining industry in South Africa.
- *UASA*. UASA has approximately 3,997 members in the gold mining industry.

As of August 2018, there were approximately 75,000 members registered as members of labor unions in the gold mining industry.

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### OVERVIEW OF SOUTH AFRICAN LEGAL ENVIRONMENT

According to Doing Business 2019 data published by the World Bank, South Africa ranked 82 out of 190 economies in terms of “ease of doing business,” which demonstrates South Africa’s relative reliable regulatory environment to the operation of a local firm. According to the same source, South Africa ranked 23 out of 190 in terms of “protecting minority investors.” All directors have a duty to disclose any personal financial interest in a transaction. Directors can be held personally liable for any loss, damages or costs sustained by the Company as a result of a breach of their fiduciary duties. South Africa also ranked 115 of 190 in terms of “enforcing contracts,” as resolving a commercial dispute in South Africa on average takes 600 days, according to the same source. In addition, according to the Doing Business 2019 data, the steps involved in enforcing a contract in the event of a dispute are (i) filing and service; (ii) trial and judgment; and (iii) enforcement of judgment, and the cost to enforce a contract is approximately 33.2% of the claim amount. We have not encountered any material difficulties in enforcing contracts in South Africa. South Africa has a rating of Baa3 from Moody’s, BB from Standard & Poor’s and BB+ from Fitch Ratings. The Moody’s and Standard & Poor’s ratings are non-investment grade or ‘junk’, while the Fitch rating is considered as investment grade.

### RELEVANT SOUTH AFRICAN LAWS AND REGULATIONS

#### Major Laws and Regulations on Mining

The MPRDA is the primary legislation used to regulate the mining industry since it came into effect on May 1, 2004. The DMRE is the national department tasked with implementing the MPRDA and regulating the mining industry.

Until April 30, 2004, the right to prospect for and to mine was primarily regulated by the Minerals Act, 1991 (the “**Minerals Act**”). The Minerals Act vested the right to mine a particular mineral in the holder of the minerals rights in respect of the relevant mineral in relation to the land in question.

The MPRDA extinguished private ownership of mineral rights and replaced it with a system of State grant of the right to prospect and mine. South Africa’s mineral (and petroleum) resources were placed under the State’s custodianship. A key element of the MPRDA is the change from a legal framework within which mineral rights formed an inherent element of immovable property, which encompassed the right to prospect and mine (subject to regulation by the State), to a system where the State acting through the Minister will grant the right to prospect and mine.

Owing to the change brought about by this new system, provision had to be made for a transition from the old regime, in which the role of the State was regulatory in nature and in which the right to prospect and mine vested in the holder of mineral rights, to the new current regime which provides for the State, acting through the Minister of Mineral Resources, to grant prospecting rights, mining permits and mining rights.

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Those holding mineral rights when the MPRDA came into effect, were afforded an opportunity in terms of the transitional arrangements contained in Schedule II to the MPRDA to apply to convert their old order right into prospecting or mining rights, thus protecting the security of tenure of those holding rights before the MPRDA came into effect. Upon conversion, or failure to convert within the specified time periods, the old order rights ceased to exist. Such cessation to exist also terminated any contractual provisions relating to the use of the surface of the land for prospecting and/or mining activities. Upon the old order right ceasing to exist and conversion into a prospecting right or mining right, the right to use the surface of land is primarily regulated by the MPRDA and, in practice, often regulated by agreements between the holder and the landowner.

Under the MPRDA, applicants can apply for prospecting rights for the prospecting of minerals and mining permits and mining rights for mining of minerals. Prospecting rights are granted for a period of up to five years with a right to renew the prospecting right once for a period up to three years. Mining permits are granted for a period not exceeding two years for an area less than five ha in extent. Mining permits may be renewed for 3 periods each not exceeding one year. Mining rights are granted for a period up to thirty years with a right to renew the mining right with no limit on the number of times it can be renewed, assuming that the holder can justify that it can continue mining operations.

Under the MPRDA, rights are granted to entities by the State on a “first come, first served” basis in terms of an application system. Applicants must meet certain requirements set out in the MPRDA, and on meeting such requirements, the Minister must grant the right. A failure to grant a right is an administrative action that is capable of internal appeal before the DMRE, the government body that implements the MPRDA and regulates the mining industry. After an internal appeal, a judicial review process is available to aggrieved applicants.

The MPRDA does provide that administrative processes must be conducted or administrative decisions must be taken within reasonable time and in accordance with the principles of lawfulness, reasonableness and procedural fairness and that these decisions must be given in writing and accompanied by written reasons.

Once rights are granted to applicants, the right must be executed in the form of a notarial deed and registered at the Mineral and Petroleum Titles Registration Office (the “**MPTRO**”) in order for the right to be a limited real right enforceable against the third parties.

Holders of rights in terms of the MPRDA must comply with the provisions of the MPRDA and the terms and conditions on which the right was granted as well as the provisions of the broad-based socio-economic empowerment charter for effecting entry of HDSAs into the mining industry.

Holders of mining rights must comply with the social and labour plan approved in conjunction with the grant and execution of the mining right. The social and labor plan relates to the obligations placed on the mining right holder to, amongst other things, train employees of the mine in accordance with prescribed training methodologies, achieve employment equity

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and human resource development in the mining company, improve housing and living conditions of employees and set up local economic development projects. A failure to implement the social and labor plan could attract the issuing of a directive or notice by the DMRE to rectify non-implementation of the social and labor plan. Failure to comply with the directive or notice could result in the imposition of fines and ultimately, in suspension or cancellation of the mining right.

Holders of mining rights must also comply with the mining work programme approved as part and parcel of the mining right upon execution thereof. The mining work programme relates to the obligations in relation to mining methods, expected production and other technical aspects of the mining operations. If the plan or expected production is changed dramatically over the life of the project then there is a provision to amend the mining work programme with the consent of the Minister in terms of Section 102 of the MPRDA.

### Mining Charter

Mining right holders were initially required to comply with the broad-based socio-economic empowerment charter (the “**Original Mining Charter**”) for effecting entry of HDSAs into the mining industry. Among other things, the Original Mining Charter required (i) each mining company to achieve a 15% HDSA ownership of mining assets within five years of the Mining Charter coming into effect and a 26% HDSA ownership of mining assets within 10 years of the Mining Charter coming into effect, (ii) the mining industry as a whole to agree to assist HDSA companies in securing finance to fund participation in an amount of R100 billion over the first five years and (iii) mining companies to spell out plans for achieving employment equity at management level with a view to achieving a baseline of 40% HDSA participation in management and 10% participation by women in the mining industry, in each case within five years.

Following a review, the DMRE released the Amended Mining Charter on September 13, 2010 (“**2010 Mining Charter**”). The requirement under the 2010 Mining Charter for mining entities to achieve a 26% HDSA ownership of mining assets by the year 2014 was retained. The 2010 Mining Charter included the requirements, *inter alia*, that mining companies: (a) facilitate local beneficiation of mineral commodities; (b) procure a minimum of 40% of capital goods, 70% of services and 50% of consumer goods from HDSA suppliers (i.e. suppliers in which a minimum of 25% + 1 vote of their share capital must be owned by HDSAs) by 2014 (exclusive of non-discretionary procurement expenditure); (c) ensure that multinational suppliers of capital goods contribute a minimum of 0.5% of their annual income generated from South African mining companies into a social development fund from 2010 towards the socio-economic development of South African communities; (d) achieve a minimum of 40% HDSA demographic representation by 2014 at executive management (board) level, senior management (executive committee) level, core and critical skills, middle management level and junior management level; (e) invest up to 5% of annual payroll in essential skills development activities; and (f) implement measures to improve the standards of housing and living conditions for mineworkers by converting or upgrading mineworkers’ hostels into family units, attaining an occupancy rate of one person per room and facilitating home ownership

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options for all mineworkers in consultation with organised labour, all of which must be achieved by 2014. In addition, mining companies were required to monitor and evaluate their compliance with the 2010 Mining Charter, and must submit annual compliance reports to the DMRE. The Scorecard for the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry attached to the 2010 Mining Charter, made provision for a phased-in approach for compliance with the above targets over the period ending in 2014. For measurement purposes, the Scorecard allocates various weightings to the different elements of the 2010 Mining Charter.

On 27 September 2018, a new Broad-Based Socio-Economic Empowerment Charter came into effect (“**2018 Mining Charter**”). The content of the 2018 Mining Charter is similar to the 2010 Mining Charter in terms of targets and requirements in relation to ownership, procurement and employment equity. Importantly, the 2018 Mining Charter has given recognition, although to a limited extent, to the concept of “once-empowered always-empowered” by providing that an existing mining right holder who has achieved a minimum of 26% BBBEE shareholding shall be recognised as compliant for the duration of the mining right. However, this does not apply to renewals and to transfers of such a right. For renewals and transfers, the new requirements for new mining rights have to be satisfied, namely that there must be a minimum of 30% BBBEE shareholding distributed as to a 5% non-transferrable carried interest to qualifying employees, a 5% to non-transferrable carried interest to host communities and a 20% effective ownership for a BBBEE entrepreneur.

Disposals of BBBEE shareholding after 27 September 2018 will be subject to certain restrictions set out in paragraph 2.1.6 of the 2018 Mining Charter in order for the mining right holder to maintain its empowerment credentials.

There are certain procurement targets set out in the 2018 Mining Charter such that in relation to mining goods a minimum of 70% of mining goods procurement spend (excluding non-discretionary spend) must be on South African manufactured goods, with a percentage allocation to 21% to be spent on South African manufactured goods produced by an HDSA, 5% on manufactured goods produced by women or youth owned and controlled companies and 44% to be spent on South African manufactured goods produced by a BBBEE compliant company. In relation to services, a minimum of 80% of the total spend on services must be sourced from a South African based company allocated to categories of persons. The procurement targets must be complied with progressively within 5 years. In relation to employment equity, a mining right holder must within 5 years also achieve the targets set out in the 2018 Mining Charter in relation to board composition, executive management, senior management, middle management, junior management and employees with disabilities. There are also obligations in relation to core and critical skills and career progression plans.

Furthermore, the 2018 Mining Charter deals with obligations in relation to mine community development, housing and living conditions and reporting by mining right holders.

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There is a scorecard for the Broad-Based Socio-Economic Empowerment Charter attached to the 2018 Mining Charter and for measurement purposes the scorecard allocates various weightings to the different elements of the 2018 Mining Charter.

Our South African gold mining group has implemented three transactions that meet the ownership requirements for existing mining rights in the 2018 Mining Charter.

At present, the shareholding of VMR is as follows:

- (a) 74% is held by VMR Group;
- (b) 26% is held by a special purpose vehicle established for the purpose of giving effect to the empowerment transaction (named Village Main Reef Empowerment Company (RF) (Pty) Ltd). On a look-through basis, each of the following shareholders has the following shareholding in VMR –
  - a. Landmark Resources (Pty) Ltd – 9.9%
  - b. Farlight (Pty) Ltd – 8.1%
  - c. an employee share ownership trust – 8%

At present, the shareholding of Kopanang is as follows:

- (a) 74% is held by VMR Group;
- (b) 26% is held by a special purpose vehicle established for the purpose of giving effect to the empowerment transaction (named K2018589229 (South Africa) Pty Ltd. On a look-through basis, each of the following shareholders has the following shareholding in Kopanang –
  - a. Landmark Resources (Pty) Ltd – 6%
  - b. Ronald Raisaka Masebelanga – 6%
  - c. James Anthony Nieuwenhuys – 6%
  - d. an employee share ownership trust – 8%



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As of the Latest Practicable Date, the BBEE transactions in respect of Nicolor have not been fully completed as certain conditions precedent to the respective transaction agreements have not been fulfilled. Upon completion of such transactions, Nicolor will be owned by VMR Processing Company (Pty) Ltd as to 100% of its issued shares, a special purpose vehicle used for purposed of giving effect to the empowerment transaction, which has the following shareholding structure:

- a. VMR Group – 70%
- b. Nicolor Empowerment Company (Pty) Ltd – 25%
- c. Anthony James Nieuwenhuys (on behalf of an employee share ownership trust) – 5%

VMR Group provided preference share funding to each of the SPVs enabling them to acquire the shares in VMR and Kopanang, respectively. The terms of this funding are common for transactions of this nature in South Africa.

### **Protection of Ownership of Mining Assets and Relevant Licences**

Werksmans has advised us as follows with regard to the protection of ownership of mining assets and relevant licences, and the enforceability of relevant mining legislation in respect thereto:

- While the MPRDA does not expressly provide for the protection of ownership of mining assets, section 25 of the South African Constitution protects the right to property, including mine assets. To this extent, section 25 provides that no one may be deprived of property except in terms of a law of general application, and no law may permit arbitrary deprivation of property. Property may, however, be expropriated only in terms of a law of general application for a public purpose or in the public interest; and subject to compensation. Therefore, although the South African government (including the Minister of Mineral Resources) is empowered to expropriate land and rights in land, provision is made for payment of compensation.
- Section 5 of the MPRDA states that a prospecting right or a mining right which has been registered at the MPTRD is considered to be a limited real right in respect of the mineral and land to which such right relates. The holder of a mining right has ownership of the mineral resources once the minerals have been severed from the land, which is enforceable against all third parties.
- Security and continuity of tenure are listed in section 2(g) as among the objects of the MPRDA. Continuity is preserved from prospecting to mining in that the holder of a prospecting right has the exclusive right to apply for and be granted a mining right. Continuity is further achieved during applications for renewals in that a prospecting right or mining right in respect of which an application for renewal has been lodged remains in force until the application has been granted or refused.



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Furthermore, security of tenure and continuity is assured by provisions in the MPRDA to the effect that an application for a right will not be accepted if another person holds a prospecting right, mining right, mining permit or retention permit for the same mineral and land in respect which such application is made.

- In regards to enforceability of relevant mining legislation in protecting ownership of mining assets and relevant licenses, the relevant provisions for the suspension or cancellation of rights, permits and permissions conform to international requirements in specifying the criteria for suspension and cancellation and in requiring notice and affording an opportunity to remedy. In this regard, and in the event of a non-compliance by the holder of a right, the DMRE will issue a compliance notice (or directive) in terms of section 93 of the MPRDA ordering a holder to take immediate rectifying steps or suspend or terminate mining operations. In the event that a holder continues with the non-compliant action the Minister may give written notice to the holder in terms of section 47 of the MPRDA indicating its intention to cancel or suspend the right and afford the holder a reasonable opportunity to show why the right, permit or permission should not be suspended or cancelled. Only once the minister has afforded a holder with the reasonable opportunity may a right be cancelled or suspended.

### **Requirements for Renewal of Prospecting Right**

In terms of Section 19(1)(a) of the MPRDA, the holder of a prospecting right has the sole right to apply for renewal of the prospecting right. The terms and conditions of the prospecting right in their notarially executed form provide for renewals applications to be lodged 60 business days prior to the expiry. We have been advised by Werksmans that this is contrary to the provisions of the MPRDA, which clearly state that a renewal application has to be lodged before expiry, so it could be done, for example, the day before expiry and it would still constitute a valid renewal. It has been held in case law that the conferral of a prospecting right is a statutory right and the statutory terms and conditions apply. Therefore, where the terms and conditions in the notarially executed prospecting right deviate from the provisions of the MPRDA, the provisions of the MPRDA shall apply. The requirements for renewal are set out in Section 18 of the MPRDA. The renewal application has to be lodged at the office of the relevant Regional Manager in the prescribed manner and together with the prescribed non-refundable application fee. The application must:

- state the reasons and period for which the renewal is requested;
- be accompanied by a detailed report reflecting the prospecting results during the initial prospecting right phase, the interpretation thereof and the prospecting expenditure incurred;
- be accompanied by a report reflecting the extent of compliance with the requirements of the approved environmental management plan, the rehabilitation to be completed and the estimated costs thereof;

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- include a detailed prospecting work programme for the renewal period; and
- be accompanied by a certificate issued by the Council for Geoscience that all prospecting information as prescribed has been submitted.

Importantly, provided the criteria set out in Section 18(1) and 18(2) referred to above have been fulfilled, the Minister of Mineral Resources must grant the renewal of the prospecting right. In other words, the Minister of Mineral Resources does not have any discretion once the applicant has complied with Section 18(1) and Section 18(2). However, Section 18(3) itself provides for further conditions for the renewal, namely:

- the prospecting right holder must have complied with the terms and conditions of the prospecting right and is not in contravention of any relevant provisions of the MPRDA;
- the holder of the prospecting right has complied with the prospecting work programme; and
- the holder of the prospecting right has complied with the requirements of the approved environmental management plan.

It must be noted that a prospecting right may be renewed only once for a period not exceeding three years. It must further be noted that if the Minister of Mineral Resources has not granted the renewal by the time the initial prospecting right period has elapsed, then the prospecting right continues to endure in terms of Section 18(5) of the MPRDA beyond the expiry of the initial period until such time as the Minister of Mineral Resources has taken a decision on the grant or refusal of the renewal. Upon the date that the Minister of Mineral Resources grants the renewal, that is the date that the further three-year period will start running.

### **Renewal of Mining Right**

The disclosure in the above in regard to the renewal of a prospecting right is similar in regard to the application for renewal of a mining right. The only differences from renewal of a prospecting right is that the applicant must provide a report reflecting the extent of the compliance with the requirements of the approved environmental management programme and include a detailed mining work programme for the renewal. In addition, the applicant in terms of Section 24(3) has to demonstrate that it as the holder of the mining right has complied with the requirements of the prescribed social and labour plan, which does not apply to prospecting right renewal.

The maximum period of a renewal of a mining right is 30 years, but it can be renewed for further periods (each of which may not exceed 30 years at a time).

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In terms of Section 25(1) of the MPRDA, the holder of a mining right has the exclusive right to apply for and be granted a renewal of the mining right in respect of the mineral and mining area in question.

### **Conversion of Prospecting Right into a Mining Right**

In terms of Section 19(1)(b) of the MPRDA, the holder of a prospecting right has the exclusive right to apply for and be granted a mining right in respect of the mineral and prospecting area in question. Therefore, up until the expiry of the prospecting right (including the rights conferred in terms of Section 18(5) and the renewal period), the holder has the exclusive right to apply for a mining right and no third party may lodge a valid application during such exclusivity period. Furthermore, once the holder of the prospecting right has lodged the mining right application, it is protected in terms of Section 9 of the MPRDA, which provides for a first-come first-served application procedure.

The holder of the prospecting right would still have to comply with all of the requirements for applications set out in Section 22 of the MPRDA and for the grant of a mining right set out in Section 23 of the MPRDA. Section 22 deals with the formalities for the lodgement of a valid application. However, Section 23 deals with the criteria for the grant of a mining right. Essentially the Minister of Mineral Resources must grant a mining right if:

- the mineral can be mined optimally in accordance with the mining work programme;
- the applicant has access to financial resources and has the technical ability to conduct the proposed mining operation optimally;
- the financing plan is compatible with the intended mining operation and duration thereof;
- the mining will not result in unacceptable pollution, ecological degradation or damage to the environment;
- the applicant has provided for the prescribed social and labour plan;
- the applicant has the ability to comply with the relevant provisions of the MHSA;
- the applicant is not in contravention of any provision of the MPRDA; and
- the grant of the right will further the objectives set out in Section 2(d) and (f) and in accordance with the charter contemplated in Section 100 of the MPRDA and the prescribed social and labour plan.

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### Laws and Regulations on Gold Production

The Precious Metals Act, 2005 (the “**Precious Metals Act**”) regulates the acquisition, possession, smelting, refining, beneficiation, use and disposal of precious metals. In terms of the Precious Metals Act, gold is considered unwrought if it is unrefined or has been refined to a purity of less than 99.9% and has not undergone any manufacturing process other than being refined or formed into a bar, an ingot, a button, plate, sponge, powder, granules (excluding granules made from precious metal that has been refined to or beyond 99.9% purity, and carat gold alloys) or solution. Refined precious metal is defined as precious metal that has been refined to or beyond 99.9% purity.

The Precious Metals Act defines “producers” as a holder of a mining right, mining permit or prospecting right for precious metals under the MPRDA. Those who are considered to be producers under the Precious Metals Act have the widest range of permitted uses and do not need refining and beneficiation licences in addition to the production licence.

Holders of beneficiation licences and jewellers’ permits are obliged to submit annual financial accounts prepared in accordance with Generally Accepted Accounting Practice (GAAP) to the Regulator, no later than 90 days after the end of each financial year.

### Laws and Regulations on Environmental Protection

The following is an overview of the South African environmental laws and regulations which are relevant to the Company and its operations in South Africa.

Five major pieces of legislation presently account for the majority of environmental management of mining operations in South Africa and are discussed in turn below. They are:

- NEMA;
- NWA;
- AQA;
- Waste Act; and
- NNR Act.

#### NEMA

NEMA is the overarching legislation giving effect to the environmental right protected in section 24 of the RSA Constitution, and which provides the underlying framework and principles underpinning the coordinated and integrated management of environmental activities. In terms of NEMA, an environmental authorisation is required in order to commence a listed activity. These activities are currently listed in GNR 983-985 of December 8, 2014

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(“**NEMA Listed Activities**”). The commencement of a NEMA Listed Activity without an environmental authorisation may be rectified via a section 24G application under NEMA for authorisation, however, such application will be subject to payment of an administrative penalty.

Depending on the anticipated severity of the impact of undertaking a NEMA Listed Activity, the application process will require either a basic assessment report (“**BAR**”) or a scoping and environmental impact assessment report (“**S&EIR**”) to be prepared as part of the application for an environmental authorisation. An activity requiring a mining right is considered to have a more severe environmental impact and requires an S&EIR prior to commencement. This listed activity was previously listed in the listing notices published prior to 2014, however it was never brought into effect. As a result there was legal debate about the applicability of NEMA Listed Activities to mining and related activities and whether activities which were incidental to mining triggered other related NEMA Listed Activities. Previously the approval of an Environmental Management Programme (“**EMP**”) served a relatively similar function under the MPRDA. Clarity has since been brought about by virtue of a number of amendments to NEMA and the MPRDA, as well as the NEMA Listed Activities and it is clear that as of December 8, 2014, an environmental authorisation is required for the commencement of any activity which requires a mining right or the commencement of any activity which requires a prospecting right. The issue of an environmental authorisation is a condition prior to the grant of a prospecting or mining right. The DMRE is the responsible authority for the issuing of an environmental authorisation, however the Department of Environmental Affairs remains the appeal authority in respect of any appeals to the issue of an environmental authorisation. Applicants are also required to follow stringent requirements in the public participation process to enable consultation with all interested and affected parties.

As part of its application for an environmental authorisations the applicant must demonstrate that it has complied with the prescribed financial provisioning requirements in terms of section 24P of NEMA. This means that the holder must set provisioning rehabilitation of the mining activities for concurrent rehabilitation, rehabilitation upon closure and the costs of managing latent and residual post closure impacts. Moreover every holder of a mining right must assess his or her environmental liability on an annual basis and must increase his or her financial provision to the satisfaction of the Minister for Mineral Resources. The holder must also submit an audit report to the Minister on the adequacy of the financial provision from an independent auditor. New regulations published in November 2015 now specify new procedures for how financial provision is to be made, audited and reviewed. Existing mines are also required to comply with the financial provision requirement, and are required to substantively review and align their financial provision in accordance with these regulations during the relevant transitional period, the long-stop date of which expires on February 19, 2020. These regulations have brought about a number of changes and clarifications to the previous legal regime, and they are likely to substantially increase the required quantum of financial provision set aside by existing operations as well as the financial vehicles historically used by mining companies to put up these provisions. This is due to the qualification that latent or residual environmental impacts which may become known in the future now include the pumping and treatment of polluted or extraneous water.

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Lastly, NEMA imposes a statutory obligation on every person who has caused or is likely to cause significant contamination to take reasonable measures in relation thereto. This duty applies retrospectively to contamination caused prior to 1998. A failure to comply with this duty as well as the requirement for an environmental authorisation can result in significant fines of up to ZAR10 million and/or 10 years imprisonment being imposed. Directives or compliance notices can also be issued under NEMA for the temporary or permanent shut down of facilities at a mining operation or the entire mining operation. Directors and certain employees can also be held criminally liable for environmental offences in their personal capacity under NEMA.

### **Waste management**

In relation to mining waste specifically, the Waste Act has recently been amended so as to apply to residue stockpiles and deposits and to prescribe certain management measures in respect thereof. A waste management license is also now required for the establishment or reclamation of a residue stockpile or residue deposit resulting from activities which require a prospecting right or mining permit. This requirement only applies to facilities established or reclaimed after July 24, 2015. It does not apply retrospectively to existing stockpiles and deposits as the relevant transitional provisions (albeit drafted ambiguously) appear to suggest that if they were authorised in an EMP in terms of the MPRDA prior to July 24, 2015, they will be considered lawful or authorised for the purposes of the Waste Act.

In addition to licensing, mines must also comply with the management measures prescribed for residue stockpiles and deposits in the Regulations for Residue Stockpiles and Residue Deposits from a Prospecting, Mining, Exploration or Production Operation in GNR 632 of July 24, 2015. These regulations do not retrospectively apply to existing stockpiles and deposits, as long as they are in an approved EMP. These regulations have notable cost implications for new residue stockpiles and deposits established after this date as they impose certain liner/barrier requirements for them.

As of May 2014, the Waste Act also regulates contaminated land, whether or not the contamination occurred before the commencement of the Act or at a different time from the actual activity that caused the contamination. Consequently historic, as well as present or future arising, contaminated land which is identified as an investigation area by the environmental authorities or which is notified as being contaminated by the land owner must be assessed and reported on. The direction of taking monitoring and management measures, or of undertaking site remediation, may follow depending on the level of risk associated with the contamination.

### **Water use and pollution**

South Africa's water resources are regulated by the NWA. The NWA has provisions governing the prevention and remediation of pollution, and provides for a liability regime similar to that of NEMA, as well as licensing requirements. Most mining operations require a water use license in order to conduct their operations, particularly for activities relating to

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water abstraction, storage, effluent discharge, diversions, and facilities which have the potential to pollute groundwater resources. Water use licenses are difficult to obtain and usually involve a lengthy and delayed application process. Mines are also required to comply with the regulations which were specifically published for the use of water for mining and related activities in GN 704 of June 4, 1999. These regulations provide for limitations on the location of mining infrastructure and requirements for separation of dirty and clean water systems and the design of certain water management infrastructure.

Section 19 of the NWA imposes a duty to prevent and remedy the effects of pollution on an owner of land, a person in control of land or a person who occupies or uses the land on which activities are undertaken which cause or may cause pollution of a water resource. Such persons must take all reasonable measures to prevent any such pollution from occurring, continuing or recurring. Failure to do so may warrant the issuing of a directive to take measures, and may result in substantial liabilities on conviction.

### **Air pollution**

The AQA, regulates air pollution in South Africa and requires that activities listed under the AQA, including certain mining related and processing activities, must be authorised by an atmospheric emission license. The AQA also imposes certain minimum emissions standards for these activities. Facilities established prior to 2010, were required to come into compliance with these emission standards by 2015, and must meet the more stringent standards applicable to new plants by 2020. Facilities established after 2010 required immediate compliance with the more stringent standards. Typically compliance with these standards requires existing facilities to upgrade their operations and abatement equipment in order to meet the thresholds, which may entail significant capital expenditure.

Local government is entrusted with the competence to manage air pollution, with municipalities being the licensing authority in issuing atmospheric emission licenses. In setting local standards and conditions to licenses, municipalities are permitted to set stricter standards and conditions than those set at the national and/or provincial level.

Dust Regulations under the AQA were also published under GN 827 of November 1, 2013. These regulations set a standard for the acceptable dustfall rate and empower the relevant air quality officer to take remedial measures and impose certain requirements upon emitters in the event that they exceed the relevant thresholds. Dust management is also regulated by the common law as well as NEMA, which effectively require reasonable measures to be taken in order to manage dust related impacts.

The measurement and monitoring of atmospheric emissions is regulated through various tools, such as the air dispersion modelling framework, the declaration of priority pollutants and pollutant areas, and the mandatory reporting of data and information from identified point, non-point and mobile sources of atmospheric emissions to the National Air Emission Inventory System.



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### Director Liability

In terms of Section 31A of NEMA offences listed under Section 49A of NEMA and the Specific Environmental Management Acts are considered as Schedule 1 offences under the Criminal Procedure Act 51 of 1997, that may result in the imposition of a fine or jail sentence on conviction for an offence. In terms of NEMA, directors may be held liable for environmental offences in the following manner –

- Section 33 of NEMA facilitates private prosecution by any person when the matter relates to the protection of the environment or a breach or threatened breach of any duty which breach is an offence under NEMA. Section 49A contains the list of offences which can be committed in terms of NEMA, which offences range from commencement of unauthorised activities, failure to comply with condition in a license to operate, unlawful or intentional acts which lead to significant pollution and failure to comply with compliance orders or directives;
- any person may utilise Section 33 to initiate the prosecution of an entity, its directors or employees in their personal capacity. The person initiating prosecution does not require the public prosecutor's permission and does not need to provide security for such action. The accused on conviction may be ordered to pay costs of the prosecution;
- Section 49B provides that persons convicted of offences in terms of Section 49A may be liable to a fine and/or imprisonment;
- corporate officer liability under NEMA may be established in four different ways, with directors and officers being at risk if they are found to be –
  - the principle of an offence (liability will arise as a result of them being in control of the activity);
  - an accomplice, if the director was party to the offence committed by the corporate or its employees;
  - a co-conspirator, if it is alleged that the director was party to a conspiracy to commit and offence; and
  - *prima facie* guilty and liable on conviction to a penalty specified in law, if it is proven that the corporate committed an offence as described in Schedule 3. The director will automatically be cited as a party to the proceedings, and the evidentiary burden is on the director to prove they took reasonable measures to prevent or mitigate the offence (Section 34(7) NEMA);



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- Schedule 3 contains a list of offences which can be committed in terms of NEMA or any of the environmental management Acts. There are approximately 80 different offences listed in this Schedule; and
- offences committed in relation to a failure of a duty of care: should a corporate entity receive a Section 28 directive ordering it to take reasonable measures to prevent pollution and/or to rectify or minimise the pollution and degradation and fail to take such measures, the authority may recover the cost of implementing the measures from any person who directly or indirectly contributed to the pollution or degradation or negligently failed to prevent the pollution. Directors may be cited as joint and severally liable for such claims in the event that they meet the requirements for associated liability (any person responsible for, or who directly or indirectly contributed to the pollution) with the amount being apportioned according to the degree to which each was responsible.

### **The National Nuclear Regulator**

The NNR Act requires that a nuclear authorisation be acquired from the National Nuclear Regulator for certain activities which involve radioactive materials. The authorisation issued can be in the form of either a nuclear installation licence, nuclear vessel licence, certificate or registration or certificate of exemption. In the case of mining, the duty to obtain a certificate or registration can be triggered when there are trace amounts of radioactive materials in mineral waste, particularly where the reef that is mined contains uranium. The certificate of registration would govern the handling, storage and disposal of these materials. Such certificates are typically uncontentious to obtain or amend.

### **Land zoning**

Where land that is the subject of a mining right under the MPRDA falls within a municipal area, the use of that land must comply with the scheme regulations of the municipality, which determine the use to which the land may be put in accordance with the applicable zoning requirements of the Municipality, as read with the Spatial Planning and Land Use Management Act 16 of 2013 (“**SPLUMA**”) which took effect from July 1, 2015. All mines are required to comply with the existing town planning schemes and need to apply to the local municipality in order to obtain the required rezoning.

### **National heritage resources**

Heritage resources, which include resources of archaeological, cultural or historical significance, are regulated by the National Heritage Resources Act, No. 25 of 1999 (the “**NHRA**”). This act requires heritage impacts to be considered prior to the development of a mine, and if protected resources are identified, approval from the South African Heritage Resources Agency or the provincial heritage agency is required. The NHRA also imposes requirements which apply to the relocation of graves, and the associated consultation and compensation requirements applicable to the descendants.

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### Laws and Regulation relating to Mine Health and Safety

Mine health and safety law in South Africa is regulated by both legislation and the common law. The common law plays an important role in that it encompasses principles relating to contractual, delictual and criminal liability.

The primary pieces of legislation governing health and safety at mines are the following:

- the MHSA;
- the MHS Regulations; and
- the MA Regulations.

One of the most important objectives of the MHSA is to protect the health and safety of all persons at mines and not merely the health and safety of employees. An employer is obliged, in terms of the MHSA and the regulations binding in terms thereof, to protect, as far as reasonably practicable, the health and safety of non-employees (such as visitors to a mine) and employees (which includes employees of independent contractors) performing work at a mine. The word “*employer*” in section 102 of the MHSA is defined as the owner of the mine. In turn, an “*owner*” of a mine is defined to include:

- the holder of the prospecting permit or mining authorisation issued under the MPRDA;
  - if a prospecting permit or mining authorisation does not exist, the person for whom the activities in connection with the winning of a mineral are undertaken, but excluding an independent contractor; or
  - the last person who worked the mine or that person’s successor in title.
- The aforesaid subsection was amended by section 30(f) of the Mine Health and Safety Amendment Act, No. 74 of 2008 by substituting the term “*Mineral and Petroleum Resources Development Act*” for the term “*Minerals Act*.” Under the new system, mining authorisations do not exist. However, taking into account section 12 of the Interpretation Act, No. 33 of 1957, the word “*authorisation*” must be substituted by the words “*mining right or mining permit*.” Accordingly, the holder of the “*mining right or mining permit*” is regarded as the employer for the purposes of the MHSA and the regulations binding thereunder. The employer therefore remains responsible to ensure that applicable provisions of the MHSA and the regulations binding in terms thereof are complied with to ensure the health and safety of persons at mines, as far as reasonably practicable and to prevent damage to property.

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In terms of the MHSA and the regulations binding thereunder, the following health and safety obligations are, amongst others, imposed on the employer:

- to ensure, as far as reasonably practicable, that the mine is designed, constructed and equipped to provide conditions for safe operation and healthy working environment (section 2 of the MHSA);
- the appointment of competent and experienced managerial and supervisory personnel (including sections 3 and 4 of the MHSA and Regulation 2 of the MA Regulations);
- to maintain a healthy and safe mine environment (section 5 of the MHSA);
- to ensure an adequate supply of health and safety equipment (section 6 of the MHSA);
- to staff the mine with due regard to health and safety (section 7 of the MHSA);
- to establish a health and safety policy (section 8 of the MHSA);
- to prepare and implement mandatory codes of practice (section 9(2) of the MHSA);
- to provide health and safety training (section 10 of the MHSA);
- to assess and respond to risk (section 11 of the MHSA);
- to conduct occupational hygiene measurements (section 12 of the MHSA);
- to establish a system of medical surveillance (section 13 of the MHSA);
- to keep a record of medical surveillance (section 15 of the MHSA). Records of entry and exit medical examinations of current and former employees are important, in this regard; and
- to compile and submit an annual medical report (section 16 of the MHSA).

The MHSI is responsible for the enforcement of the MHSA and the regulations binding in terms thereof and it also plays an important role in the promotion of health and safety at mines. The MHSI comprises of a Chief Inspector of Mines, Principal Inspectors of Mines for each region and various Inspectors of Mines for each region.

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Should employers or employees fail to comply with their obligations under the MHSA (which include the regulations binding thereunder), the MHSI may take a number of enforcement measures which include the following:

- the issuing of statutory instructions (for example notices in terms of section 54 or section 55 of the MHSA) if an Inspector of Mines has reason to believe that any occurrence, practice or condition at a mine endangers the health and safety of any person at a mine, alternatively if an Inspector of Mines has reason to believe that a provision of the MHSA has not been complied with. A notice in terms of section 54 of the MHSA may halt all mining operations undertaken at a mine or part thereof. If a mine receives notices in terms of section 54 of the MHSA regularly, the production stoppages and the additional costs incurred as a result thereof, will not only affect the production results of a mine but also the reputation and business of a mine. If, however, a notice in terms of section 54 of the MHSA has been issued unlawfully, the mine may appeal the said notice to the Chief Inspector of Mines. It must be noted that the aforesaid appeal does not suspend the operation of the notice issued in terms of section 54 of the MHSA. To suspend the operation of the notice in the above instance, a mine may lodge an urgent application to the Labour Court (being the court with jurisdiction) requesting the suspension of the operation of the notice issued in terms of section 54 of the MHSA pending the outcome of the appeal to the Chief Inspector of Mines;
- the Chief Inspector of Mines may suspend or cancel certificates of competency issued in terms of the MHSA if the holder of that certificate is guilty of gross negligence or misconduct or has not complied with the MHSA or the regulations binding thereunder;
- a Principal Inspector of Mines may recommend prosecution to the National Director of Public Prosecutions if satisfied that there is sufficient admissible evidence that an offence has been committed. Any person convicted of an offence in terms of the MHSA may be sentenced to a fine or imprisonment as may be prescribed; and
- a Principal Inspector of Mines may, after considering the recommendation of an Inspector of Mines and the written representations of the employer, impose an administrative fine for the failure to comply with, amongst others, the provisions of the MHSA and the regulations binding thereunder. In terms of Schedule 8 to the MHSA, the maximum administrative fine which may be imposed on an employer is one million ZAR per transgression. The MHSA does not make provision for any internal appeal against an administrative fine which has been issued unlawfully. However, if a mine receives an administrative fine which has been issued unlawfully, the mine may lodge an application in the Labour Court (being the court with jurisdiction) to review the decision of the Chief Inspector of Mines to impose an administrative fine.

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- In addition to the aforesaid and in terms of section 92 of the MHSA, an owner which has been convicted of an offence in terms of section 86 of the MHSA may be sentenced to “the withdrawal or suspension of the permit” (see section 92(6)(a) of the MHSA) or “a fine of three million rands or a period of imprisonment” not exceeding five years or to both such fine or imprisonment (see section 92(6)(b) of the MHSA). Over and above the aforesaid, investigation and/or inquiry proceedings in terms of the MHSA are instituted by the MHSI following the occurrence of any accident or incident at a mine, which results in the death of any person.

### **Investigation proceedings in terms of section 60 of the MHSA**

An investigation is presided over by an Inspector of Mines. The Chief Inspector of Mines may appoint persons to assist the presiding Inspector of Mines. The purpose of such an investigation is to determine the cause of the accident and to make recommendations on remedial steps to be taken by the employer. Witnesses who are questioned are entitled to refuse to answer incriminating questions. Upon the finalisation of the proceedings the presiding Inspector of Mines compiles a report in terms of section 64(1) of the MHSA.

An investigation may be converted into a formal accident inquiry (section 66(1) of the MHSA).

### **Formal accident inquiry proceedings in terms of section 65 of the MHSA**

An investigation is presided over by Inspector of Mines. The objectives of an inquiry are similar to those of an investigation. The MHSA accords a witness the right to refuse to answer self-incriminating questions. Upon the finalisation of the proceedings, the presiding Inspector of Mines compiles a report in terms of section 72(1)(b) of the MHSA. The aforesaid report may be submitted to the Director of Public Prosecutions in order to enable the latter to decide whether any person should be prosecuted concerning the accident or any other relevant matter.

### **Mine Health and Safety Council (“MHSC”)**

The MHSC comprises of representatives from the government, various mining companies and trade unions. The main purpose of the MHSC is to advise the Minister of Mineral Resources on health and safety legislation and research outcomes focused on improving and promoting health and safety in South African mines. The MHSC also promotes a culture of health and safety in the mining industry. In furtherance of such objectives, health and safety targets also known as milestones were agreed upon between the relevant stakeholders. The milestones aim at a reduction in workplace accidents and/or incidents, as well as reported cases of noise induced hearing loss and occupational lung disease (i.e. silicosis).

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### **Criminal liability**

A company, as a corporate body, can be held criminally liable in terms of the South African law. This potential liability is founded on the provisions of section 332(1) of the Criminal Procedure Act, No. 51 of 1977 (the “CPA”), in terms of which the acts and omissions of certain persons can, under certain circumstances, be imputed to a corporate body, and shall be deemed to have been performed (or in the case of an omission, not performed) by the corporate body itself. This potential liability applies to any offence, whether founded in a particular statute or in the common law.

In terms of the common law, there are a number of offences that may be applicable to health and safety. An offence that is particularly relevant is that of culpable homicide, especially in an instance where an employee has died as a result of a mine accident. Culpable homicide is the crime whereby a person negligently and unlawfully kills another person through something that they do, or that they fail to do, which they ought to have done. A corporate body may be found guilty of culpable homicide where an employee was negligent in causing the death of a person whilst furthering or endeavouring to further the interests of the company. However, a corporate body may not be held liable for the reckless conduct of an employee, in particular if that conduct was expressly or impliedly forbidden.

In addition to the common law, the MHSA creates a number of statutory offences. In terms of section 86 of the MHSA, any person who, by a negligent act or by a negligent omission, causes serious injury (which includes the death of a person) or serious illness to a person at a mine, commits an offence. In terms of section 91(1) of the MHSA, any person, including the employer, who contravenes, or fails to comply with any provision of the MHSA commits an offence and is liable for the payment of a fine or imprisonment. Over and above the aforesaid and in terms of section 91(1B) of the MHSA, an employer may be held liable for the payment of an administrative fine (not exceeding ZAR 1 million per transgression), if the employer contravenes or fails to comply with any provision of the MHSA.

### **Civil (delictual) liability**

Delictual claims may be brought against a company based on delict. In other words a claim can be brought against the company, if the company through its employees has caused harm to a person through wrongful and blameworthy conduct and if such conduct was intentional or negligent. Conduct is regarded as being negligent if it does not comply with the standard of care to be taken by a reasonable person in the same situation and circumstances. In this regard, statutory duties placed upon managerial persons and the company in terms of e.g. the MHSA, are relevant.

In terms of COIDA, an employer is, however, protected against claims by employees for injuries sustained in the course and scope of their employment (see section 35(1) of COIDA). In the event of the death of an employee, the dependents of such person are in such

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circumstances prevented from recovering damages from the employer of the deceased. For purposes of section 35(1) of COIDA, certain managerial persons referred to in section 56(1)(b), (c), (d) and (e) of COIDA, are deemed to be included in the definition of an employer. Those persons are:

- any employee charged by the employer with the management or control of the “*business or any branch or department*” thereof (e.g. a section manager or mine overseer);
- an employee who has the right to engage or discharge employees of the employer; and
- an employee appointed to be in general charge of machinery, or a person appointed to assist such engineer in terms of regulations which are binding under the MSHA.

Accordingly, no civil claim shall lie against the above persons and the employer. Similarly, the dependants of the deceased employee will not have a civil (delictual) claim against the company or those persons. The employee or the dependants of the deceased employee, however, may lodge a claim with the Compensation Commissioner in terms of COIDA for increased compensation if the occupational injury or disease was due to the negligence of the employer or other persons stipulated in section 56 of COIDA.

In circumstances where a mine employs third-party contractors and where an employee of the third-party contractor is injured or contracts an occupational disease, the third-party contractor would be the “*employer*” for purposes of COIDA and be afforded the indemnity of section 35 of COIDA. The mine and its managerial personnel, however, would not be protected by section 35 of COIDA and would be potentially exposed to a civil claim for damages by the contractor employee or by his/her the dependants. This is, however, subject to such dependants successfully proving all the elements for a delictual claim in a civil court.

### **Applicable compensation legislation**

South Africa has two statutory systems for the payment of compensation for work related deaths, injuries and diseases. The two statutory systems are COIDA and ODMWA.

### **Occupational Diseases**

#### ***ODMWA***

ODMWA applies to all “*controlled mines*” or “*controlled works*” or where “*risk work*” is performed at a mine or works. An indication as to whether a mine or works is governed by the provisions of ODMWA, is the certification of the mine or works by the commissioner and the payment of ODMWA levies. ODMWA provides for the payment of compensation for certain

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specified diseases contracted by employees (including contractor employees) at a controlled mines or works. Such occupational diseases include sclerosis and lung diseases such as pneumoconiosis, silicosis and tuberculosis.

It must be noted, however, that if an employee contracts an occupational disease which is not compensatable under ODMWA (i.e. manganism), such employee will have a claim under COIDA regardless of whether the mine or works is “*controlled*.”

In other words, if an employee contracts a compensatable disease (as defined) as a result of exposure to substances and conditions at a controlled mine or works or through the performance of risk work at any mine or works and such disease is recognised by ODMWA, the employee will have a claim under ODMWA. However, if an employee contracts an occupational disease as a result of exposure to substances and conditions at a controlled mines or works or through the performance of risk work at any mine or works and such disease is not a compensatable disease as defined by ODMWA, the employee will have a claim under COIDA.

ODMWA provides for the compensation payable to “*persons*” and therefore include employees of the mine or works, contractor employees, etc.

ODMWA does not provide a protection to an employer against liability for common law damages in respect of compensatable diseases (as defined). In other words, if an employee (including a contractor employee) contracts a compensatable disease, such employee will be entitled to compensation under ODMWA, and may also institute a common law claim for damages against the employer.

### COIDA

COIDA applies to occupational diseases which are not compensatable under ODMWA. Such occupational diseases include, amongst others, manganism and hearing loss.

Over and above the aforesaid, COIDA applies to all occupational diseases in respect of mines and works which are not controlled and where risk work is not undertaken by employees. Such occupational diseases include, amongst others, pneumoconiosis, silicosis and tuberculosis.

COIDA provides for the compensation of “*employees*” and their dependants in the case of death. The definition of an “*employee*” encapsulates a multi-faceted test referring to the presence of a right of supervision and control exercised by the employer over the employee and the obligation to remunerate.

Unlike ODMWA, COIDA provides protection to an employer against liability for common law damages in respect of occupational diseases and injuries regulated by COIDA. The aforesaid protection, however, is only extended to the employer as far as it concerns claims by “*employees*” and not contractor employees (see section 1 of COIDA). As a result thereof,



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a contractor employee who contracts a compensatable disease, such employee will be entitled to compensation under COIDA, and may also institute a common law claim for damages against the main employer (provided that he/she can prove, on a balance of probabilities, that he/she has been harmed as a result of the wrongful, negligent conduct of the employer).

A common law claim for damages, if successful, could have a material adverse effect on the business and reputation of a mine, as well as on the production results of a mine. Over and above the aforesaid, additional costs may occur arising out of such claims, including legal costs which may be incurred in defending such claims, as well as the payment of increased levies and/or other contributions required by the applicable compensation funds.

### **Medical surveillance**

In terms of section 13 of MHSA, the employer must establish and maintain a system of medical surveillance of employees exposed to health hazards if, after assessing the risks in terms of section 11(1) of the MHSA, it is necessary to do so or if required in terms of the regulations binding under the MHSA.

Medical surveillance must be conducted with respect to, amongst others, noise and silica dust. If an employee is exposed to high decibels without utilising any devices/protection, on a continuous basis, over a prolonged period of time, the said employee may experience noise-induced hearing loss. Similarly, if an employee is exposed to silica dust without utilising protection or controls, on a continuous basis, for a period longer than 10 years (depending on the concentration of the silica dust), the said employee may contract silicosis. The purpose of medical surveillance is to consider the health hazards to which employees are or may be exposed and determine appropriate measures to eliminate, control and minimise such health hazards.

In terms of the MHSA, medical surveillance must comprise of an initial medical examination and other medical examinations at appropriate intervals. The appropriate intervals must be determined by a risk assessment.

### **Occupational Hygiene**

In terms of section 12 of the MHSA, the level of exposure of employees to hazards at the mine, must be monitored and measured.

The purpose of occupational hygiene is to consider the hazards to which employees are or may be exposed and determine appropriate measures to eliminate, control and minimise such hazards. In terms of Regulation 9.2(1) of the MHS Regulations, the employer must ensure that the exposure of employees to health hazards are maintained below the occupational exposure limits as set out in schedule 22.9(a) and (b) of the MHS Regulations.

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### Occupational injuries

Regardless of whether or not a mine or works is controlled, work related injuries arising out of and in the course of an employee's employment, are governed by the provisions of COIDA. COIDA also applies to operations of an employer which are not classified as a "*mine*."

### Laws and Regulations on Taxation<sup>1</sup>

For the Shareholders:

- The following paragraphs set out a summary of the material South African tax implications of the purchase, ownership and disposition of ordinary shares of our South African subsidiary companies based on current South African law. Changes to the law may affect the implications discussed herein, possibly on a retrospective basis. The following paragraphs of the South African tax implications are therefore not comprehensive or determinative. Shareholders are advised to seek advice from appropriate professional advisers regarding their tax position and, in particular, to confirm how the general summary applies in their specific circumstances.
- This summary relays the position of shareholders who are the absolute beneficial owners of their shares and who hold their shares as an investment (i.e. on capital account). Certain other shareholders, such as dealers in securities, collective investment schemes and our employees of the Village Main Reef Group (or a connected company), may be taxed differently and are not considered in this summary.

### Income tax and capital gains tax

With regard to the disposal of ordinary shares of South African companies, non-resident shareholders are generally not subject to South African income tax or Capital Gains Tax ("CGT"). A non-resident will only be subject to CGT on capital gains arising from the disposal of ordinary shares in any Village Main Reef Group subsidiary, where  $\geq 80\%$  of the market value of the ordinary shares at the date of the disposal is attributable directly or indirectly to immovable property situated in South Africa (i.e. VMR Group is most likely a "South African property-rich company"), and provided that the non-resident, either alone or together with any connected person (as defined) in relation to such non-resident, holds at least 20% of the ordinary shares in the South African subsidiary. Therefore, where a non-resident holds an interest of at least 20% of the ordinary shares of a South African property-rich company, such non-resident may be liable for CGT upon the disposal of such ordinary shares, subject to treaty relief.

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<sup>1</sup> All rates of taxation quoted in this document are applicable for the year of assessment commencing on or after March 1, 2016.

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Only a portion of capital gains is taxable in South Africa. A foreign company will thus suffer an effective tax rate of 22.4% on capital gains (80% CGT inclusion rate x 28% South African corporate income tax rate).

Where a non-resident disposes of immovable property in South Africa or an interest in a South African property-rich company, the transaction may be subject to withholding tax (subject to certain exemptions). The purchaser will have a duty to withhold a portion of the purchase consideration, and must remit this to SARS (subject to certain exemptions). Amounts to be withheld amount to 7.5% of the purchase price where the seller is a natural person, 10% if the seller is a company and 15% if the seller is a trust. This amount will be allocated towards settling the CGT liability of the non-resident seller (i.e. as a prepayment), who will be obligated to register as a taxpayer with SARS for purposes of settling the CGT liability (and if the non-resident does not so register, that becomes the final tax liability). It is possible to seek a directive from SARS to reduce the rate of withholding tax in appropriate circumstances.

With regard to the disposal of ordinary shares by South African company shareholders, CGT will be payable at an effective rate of 22.4% on the amount of proceeds that exceed the base cost of the shares.

A non-resident shareholder may be subject to South African income tax to the extent that it derives South African-sourced income from trading in shares and such income is attributable to a permanent establishment of that non-resident in South Africa.

### **Dividends Tax**

The declaration of a dividend by a South African company to a non-resident company or person will be subject to dividends tax upon payment of the dividend, which is a withholding tax, at the rate of 20%. Dividends paid by VMR Group to the Company will be subject to the treaty relief in terms of the Double Tax Agreement (“DTA”) between South Africa and Hong Kong provided all the requirements are met. In terms of the said DTA, dividends declared will be subject to a reduced dividends tax rate of 5% in South Africa (on the basis that the Company holds at least 10% of the ordinary shares of VMR Group) or 10% in all other cases. VMR Group will be liable for the dividends tax on any in specie dividends distributed by it at the reduced rate of 5% or 10% if the Company complies with the requirements of the applicable South African tax legislation.

Dividends and in specie dividends declared and paid by South African resident companies to other South African resident companies will be exempt from Dividends Tax, provided all the administrative requirements are met.

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### Securities Transfer Tax

Securities Transfer Tax is levied on every transfer of a security (ordinary share or depositary) in a South African company. “Transfer” as a general rule includes any cancellation or redemption of a security, but does not include the issue of a security or any event that does not result in a change in beneficial ownership of a security. Securities Transfer Tax is levied at a rate of 0.25% on generally the higher of the consideration for which the security is purchased or the market value of the security. The Securities Transfer Tax is payable by the company that issued the security. The Securities Transfer Tax may be recovered from the person(s) to whom the securities were transferred. An issue of shares by a South African company will not attract Securities Transfer Tax.

### For South African companies of the Group:

The following paragraphs set out a summary of the material South African tax implications for our South African subsidiary companies based on current South African law. Changes to the law may affect the implications discussed herein, possibly on a retrospective basis. The following paragraphs of the South African tax implications are therefore not comprehensive or determinative.

### Taxation of profits and losses

In South Africa the taxable income of mining companies, on which Corporate Income Tax (“CIT”) is levied is determined slightly different from non-mining companies. A few significant provisions which affect the taxable income calculation of a gold mining company are noted below.

### Statutory Tax rate

Gold mining companies and non-gold mining companies are taxed at different rates. South African companies in the Group that are not carrying on direct gold mining operations are taxed at a statutory rate of 28%.

The non-mining income of gold mining companies is taxed at a rate of 28%. The “gold formula” used to determine the rate of tax applied to taxable mining income is as follows:

$$Y = 34 - \frac{170}{X}$$

Where ‘Y’ = the percentage rate of tax to be levied; and

‘X’ = the ratio expressed as a percentage, which taxable mining income (after the deduction of redeemable capital expenditure, but before the set-off of any assessed losses), bears to mining income.

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### Capital Allowances

Mining companies qualify for a 100% deduction from taxable mining income of allowable capital expenditure incurred. The allowance is however subject to a limitation on the balance of taxable mining income each year, therefore the allowance is not permitted to create an assessed loss. The balance of capital expenditure which is not deducted in a respective year is accumulated and carried forward for deduction in future periods of assessment.

Mines recognised as post-1973 or post-1990 gold mines are allowed an additional allowance of 10% or 12%, respectively, in certain circumstances.

The capital allowances described above are subject to two limitations – the “outer” and “inner” ring-fencing provisions. The outer ring-fencing provision ensures that such mining capital expenditure can only be claimed against “income derived from mining operations.” Therefore, mining companies must perform separate calculations for mining income and non-mining income.

The inner ring-fencing provision applies where a company operates two or more mines. In such an instance, the capital allowances per mine are limited to the mining income derived per that mine. Accordingly, a mining company must perform separate calculations for mining income and non-mining income in respect of separate mines.

### Rehabilitation obligation and expenditure

Companies engaged in mining operations are obliged to rehabilitate the area mined on eventual ceasing of mining operations and closure of the mine (refer to NEMA discussion above under ‘Laws and Regulations on Environmental Protection’ sub-heading). Ongoing rehabilitation costs are generally deductible for tax purposes. With regard to provisioning for future rehabilitation obligations, the South African tax law allows for an income tax deduction of amounts paid to permitted vehicles such as rehabilitation trusts that comply with tax legislation and the mining legislation. The regulations relating to the financial provision for rehabilitation upon closure were amended on November 20, 2015. These amendments have resulted in considerable changes to the manner in which mines calculate and estimate the financial provisions they must set aside by way of deposit or financial guarantee. These regulations require the mine to review and align the quantum within three months of the mine’s financial year end. For the relevant risk, see “Risk Factors — Risks Relating to Doing Business in South Africa — Our operations are subject to extensive environmental regulations” and “Risk Factors — Risks Relating to Doing Business in South Africa — Our operations are subject to extensive health and safety regulations.”

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### **Taxation of capital gains and losses**

Capital gains are subject to income tax and are included in taxable income at a proportion of 80% (with an effective tax rate of 22.4%) for companies and may be offset against revenue losses. Capital losses may be offset against current capital gains (subject to certain exclusions) but not revenue gains. Capital losses not utilised are accumulated and carried forward to be offset against future capital gains.

### **Indirect taxes**

Value Added Tax (“VAT”) is levied at a rate of either 15% (standard rate) or 0% (zero-rate) on taxable supplies. Taxable supplies which may be zero-rated (provided certain requirements are met) are specifically defined within South African tax law and include the export of goods. VAT vendors that make taxable supplies are allowed to claim the VAT paid on their costs and expenses (input tax) incurred in the course of making taxable supplies from the VAT levied on supplies to their customers (output tax), in determining their VAT liability. In addition, mining companies qualify for an additional refund on diesel costs incurred in mining operations.

### **Other tax considerations**

#### ***Transfer pricing and thin capitalisation***

Transfer pricing refers to the method used to set the price of goods and services exchanged for a consideration, between resident and non-resident connected persons. In South Africa, taxpayers are required to set these inter-company prices such that they are reflective of an arms-length transaction (i.e. a transaction) taking place between independent persons where each person aims to derive the utmost benefit from a pricing perspective). To the extent that the transaction between a resident and non-resident connected person does not occur on arm’s length terms, the party who derives a tax benefit is required to calculate its taxable income based on the arm’s length terms and conditions that should have applied to the transaction. Where the party who derived the tax benefit is a resident company, the difference between the taxpayer’s taxable income prior to and after taking into account the arm’s length terms is not only subject to CIT, but is also deemed to be a dividend in specie declared and paid by that resident to the non-resident counterparty of the transaction. This dividend in specie will be subject to Dividends Tax at a rate of 20% which cannot be reduced in terms of an applicable DTA, on the basis that it is excluded from the definition of a dividend.

The Organisation for Economic Co-Operation and Development (“OECD”) 2015 Reports on Base Erosion and Profit Shifting contained updated guidance and reporting standards on transfer pricing arrangements between multi-national entities. South Africa is not a member of the OECD (although it has observer status), but generally follows OECD recommendations. Accordingly, Regulations have been released by the SARS which incorporate the changes recently proposed by the OECD to the transfer pricing reporting standard (known as the “Country-by-Country Reporting Standard”) applied in South Africa.

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Thin capitalisation is essentially a sub-set of transfer pricing, which regulates the basis on which inter-company funding arrangements are permitted in South Africa, where a South African resident company is the borrower and a foreign, non-resident shareholder is the lender. SARS will disallow “excessive interest” or limit the deduction of total interest where the funding advanced is determined to result in a disproportionate degree of debt compared to equity. In addition, excessive interest will be deemed to be a dividend in specie and will be subject to Dividends Tax at 20%, which may not be reduced in terms of an applicable DTA.

### ***Interest Limitation Rule***

The South African tax law contains provisions which limit the deduction of interest incurred by a resident company in respect of loans from non-resident or non-taxable companies in terms of a formula determined with reference to the average repo rate which provides that the taxpayer may not deduct interest exceeding 60% (currently limited to 43%) of its so-called “adjusted taxable income” in any year of assessment plus any interest received. Any interest which is not deducted may be carried over and deducted in the following year of assessment. This interest limitation rule does not apply if the funding is provided by a non-controlling entity in relation to the debtor and the interest rate does not exceed the South African repo rate plus 100 basis points.

### **Taxation of mineral royalties – the Mineral Royalty Act**

Any person holding a prospecting right or mining right; retention permit; exploration right; mining permit or production permit; or a lease or sublease in respect of such a right; or any person who has recovered a mineral or petroleum resource in South Africa is subject to a levy in terms of the Mineral and Petroleum Resources Royalty Act No 28 of 2008 (the “**Mineral Royalty Act**”). The royalty in respect of refined minerals (which includes gold) is calculated by dividing earnings before interest and taxes (“**EBIT**”) by the product of 12.5 times gross revenue of refined mineral resources calculated as a percentage, plus an additional 0.5%. EBIT refers to taxable mining income (with certain exceptions, such as no deduction for interest payable and foreign exchange losses) before assessed losses, but after capital expenditure. A maximum royalty limit of 5% of revenue applies to refined minerals.

### **Laws and Regulations relating to the Exchange Control**

The existence of Exchange Control Regulations ensures that each time any of the foreign currency reserves are utilised, equivalent value in the form of goods and services, debt reduction or approved foreign assets, is received in South Africa. The main purpose of exchange control is to: (1) ensure the timeous repatriation into the South African banking system of certain foreign currency acquired by residents of South Africa, whether through transactions of a revenue or of a capital nature; and (2) prevent the loss of foreign currency resources through the transfer abroad of real or financial capital assets held in South Africa; by monitoring the movement of financial and real assets (money and goods) into and out of South Africa.

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Under the South African Exchange Control Regulations, the ordinary shares of a South African company are freely transferable outside of South Africa to persons who are not residents of South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland, known collectively as the “Common Monetary Area,” or the “CMA.” This is subject to the requirement that the share certificate should be endorsed as non-resident by an authorised dealer in South Africa, with each transfer to a non-resident.

There are no exchange control restrictions on the remittance abroad of dividends to non-resident shareholders by a South African company (provided the relevant share certificate is endorsed “non-resident”). There are however restrictions on foreign debt-funding receivable by South African exchange-control-resident<sup>2</sup> companies.

### **Laws and Regulations relating to Land and Immovable Property**

#### ***The Deeds Registries Act***

Ownership of land is generally transferred from a registered owner to the person who has acquired it in terms of the Deeds Registries Act 47 of 1937 (the “**DRA**”). The DRA regulates the process of land registration, transfer of immovable property and the registration of restrictive rights affecting immovable property, for example, personal or praedial servitudes, leases, mortgage bonds etc. Thus, ownership in immovable property is not transferred by the mere conclusion of an agreement of sale, the transfer of the immovable property must be registered in the applicable Deeds Office in order for ownership to pass. The document evidencing ownership in most instances is a deed of transfer.

Although ownership is the most comprehensive right one may have in an immovable property, such a right may be limited by:

- real or personal rights, for example, personal or praedial servitudes. Praedial servitudes are real rights which are registered over one piece of immovable property in favour of another immovable property. Personal servitudes are real rights registered in favour of a person over an immovable property;
- lease agreements – registered or unregistered;
- restrictive conditions, for example, conditions prohibiting transfer of certain types of immovable property or conditions relating to the use of or prohibiting the alienation of immovable property; and
- mortgage bonds hypothecating immovable property in favour of a Mortgagee (more commonly known as a bondholder).

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<sup>2</sup> Residency for South African tax purposes and residency for South African exchange control purposes may differ.



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It is important to peruse the endorsements and conditions reflected in the deed of transfer in order to ascertain whether there are any restrictive conditions applicable to the immovable property.

The Rural Development and Land Reform Department has announced the implementation of the Electronic Deeds Registration Bill which will result in decreased turnaround time for registration of immovable property. This announcement will result in new developments which will further diversify the land registration system in South Africa.

### *The Alienation of Land Act*

The Alienation of Land Act 68 of 1981 (the “**ALA**”) provides that all agreements of sale, exchange or donation in respect of immovable property must be contained in a written document, signed by all concerned parties. The only exception to this provision is when an immovable property is sold by public auction. Thus, it is essential that an agreement of sale, an agreement of exchange or an agreement of donation is in writing and signed by all parties, where it relates to immovable property.

The ALA also regulates sale of immovable property where the purchase price is paid in instalments (“**sale by instalments**”). In certain instances the National Credit Act 34 of 2005 may apply to such sale by instalments.

### *The Restitution of Land Rights Act*

The Restitution of Land Rights Act, 22 of 1994 (the “**RLRA**”) provides for the restitution of rights in land to persons or communities dispossessed of their land due to past racially discriminatory laws or practices.

The RLRA established a Commission on Restitution of Land Rights, now known as the Land Claims Commission, and a Land Claims Court. In terms thereof, persons are entitled to lodge a claim for restitution of land with the Land Claims Commission. The Land Claims Commission is then required to investigate the claim and if the claim has merit, to publish the claim in the Government Gazette. The State must settle the claim either by returning the land to the claimants or any equitable redress, which includes the awarding of state land or the payment of compensation to the claimants. Where restitution is in the form of returning the land to the claimants, fair value is required to be paid by the State. Having said that, however, although the existing expropriation laws do not allow for expropriation of land for restitution purposes, (since the Expropriation Act allows for expropriation for public purposes only) the Expropriation Bill, which has been published for public comment, allows for expropriation for public purposes but also if in the public interest. Under the Expropriation Bill, land restitution may therefore take the form of expropriation, in which case the bill allows for compensation based on just and equitable factors and not mere value. See expropriation below. Where matters cannot be resolved, the Land Claims Court may hear the matter and make rulings. Previously, the lodgement of land claims ended on 31 December 1998. Parliament then passed the restitution of Land Rights Amendment Act 2014 which extended the cut-off date for lodgement

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of claims to 31 December 2019. However, this Amendment Act was declared unconstitutional and invalid by the constitutional court. With regard to claims that were lodged after 1 July 2014, but before the order of invalidity was granted, the constitutional court further ordered that the commission may not process such claims unless all claims lodged up to 31 December 1998 had been finalised. As at today's date, the claims lodged up to 31 December 1998 have not yet been finalised and the current position is therefore that claims lodged after 1 July 2014 may not be processed by the land claims commissioner.

In order to ensure that there are no land claims in respect of immovable property, one must make enquiry with the Land Claims Commission as to whether any land claims have been submitted against the property concerned. It is advisable to get written confirmation from the Land Claims Commission that there are no land claims submitted and/or noted against the immovable property concerned – this process can however take a few months.

### ***The Subdivision of Agricultural Land Act***

The Subdivision of Agricultural Land Act 70 of 1970 was enacted in order to control the subdivision of agricultural land. It is important to note that the consent of the Minister of Agriculture must be obtained when dealing with portions of agricultural land. For example, should a person wish to enter into and register a long-term lease agreement in respect of a portion of immovable property, the consent of the Minister of Agriculture must be obtained prior to the conclusion of such long-term lease.

### ***The Expropriation Act 63 of 1975***

The Expropriation Act 63 of 1975 provides for Minister of the Public Works, subject to an obligation to pay compensation, to expropriate any property for public purposes or take the right to use temporarily any property for public purposes, for example road widening purposes or for municipal services. Expropriation is the act of taking possession of an item of property from its owner in exchange for compensation and irrespective of the wishes of the original owner. In terms of the Act, compensation for expropriation is based on the value of the property, however, in terms of the Expropriation Bill, compensation is based on just and equitable factors and a property may therefore be expropriated for nil compensation, where it is just and equitable to do so, having regard to all relevant circumstances, including but not limited to:

1. where the land is occupied or used by a labour tenant as defined in the Land Reform (Labour Tenants) Act, 3 of 1996;
2. where the land is held for purely speculative purposes;
3. where the land is owned by a state owned corporation or other state owned entity;
4. where the owner of the land has abandoned the land; and

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5. where the market value of the land is equivalent to, or less than, the present value of direct state investment or subsidy in the acquisition and beneficial capital improvement of the land.

The Bill was published for public comment and it is likely that the bill will be amended, following the comments.

### *Planning*

All land in South Africa falls under the purview of either a local authority or a district authority, by which planning controls are implemented. In the case of urban properties, planning control is extensive through planning ordinances, municipal by-laws and approved development frameworks of the municipalities indicating the extent to which land may be developed with support of the authorities.

Change of use of land requires planning approval, which is subject to public participation and may incur objections. Opposition to proposed changes is heard by tribunals established by the local authorities. In certain circumstances there may be appeals from those tribunals to an independent appeal body. Professional town planners practice in South Africa and are useful in assisting in proposed change of use applications.

### *Local government*

The Local Government: Municipal Property Rates Act No. 6 of 2004 regulates the power of a municipality to impose rates on property and makes provision for municipalities to implement a transparent and fair system of rating, exemptions, reductions and rebates through rating policies. The valuation methods of properties must be fair and equitable and permit objections and appeal processes to be implemented. Municipalities must adopt rates policies in terms of this act. In terms of a recent Court decision all mining land must be appropriately zoned and rates are payable on mining land.

### **Laws and Regulations relating to the BBBEE Act and the Codes**

Since the advent of democracy in South Africa in 1994, the South African economy has profoundly transformed. Consistent economic growth has been recorded. Furthermore, the Government of the Republic of South Africa (the “**RSA Government**”) has adopted and implemented macro-economic stabilisation mechanisms and policies, which it is believed has provided a platform for maintaining and advancing economic growth and development in South Africa.

Despite these successes, the RSA Government recognised that for so long as it continued to be characterised by gender and racial inequalities, South Africa would not be socially and politically stable. Thus, the RSA Government set about to adopt meaningful strategies and policies that would redress the legacies of Apartheid by including and enhancing the participation of HDSA’s in the South African economy. The Apartheid system was designed to restrict non-white South Africans from any meaningful participation in the South African

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economy and wealth was confined to a racial minority. The result was an economic structure, still very much in existence today, which excludes the vast majority of South Africans who are black people. One such strategy to address this legacy was BBEE. BBEE is a policy driven by the South African government through legislation and similar regulatory measures, which aims to (i) remedy historical racial imbalances in the South African economy and (ii) achieve economic transformation, by increasing the number of black people who participate in the mainstream South African economy. Section 9(2) of the “RSA Constitution” authorises the introduction of regulatory measures aimed at advancing categories of persons “disadvantaged by unfair discrimination” and thus provides a constitutional basis for BBEE. The underlying principle of BBEE is the use of the State’s regulatory and purchasing powers to increase participation by “black people” in the South African economy. This is done by giving recognition and preference to enterprises that contribute to BBEE.

The South African BBEE strategy, designed to promote meaningful participation in the South African economy by black people was introduced by the Broad-Based Black Economic Empowerment Act, 53 of 2003 (which came into effect on April 21, 2004) as amended by the Broad-Based Black Economic Empowerment Amendment Act, 46 of 2013 (which came into effect on October 24, 2014) (the “**BBEE Act**”). Section 9 of the BBEE Act allows for the development and issuing of Codes of Good Practice on BBEE (the “**Codes**”) and section 12 of the BBEE Act allows development of Sector Charters (i.e. these are documents which have been developed and agreed upon by major stakeholders in the industry and are published for information purposes only and used as a statement of intent by industry players). The Codes were first published in 2007, and were revised in 2013 (although the revisions only came into effect in 2015). The Codes sought to provide a standard framework, in the form of a “generic scorecard,” for the measurement of BBEE across all sectors and industries operating within the South African economy and sought to regularise such sectors and industries by providing a clear and comprehensive criteria for the measurement of BBEE. The Codes apply in the absence of sector specific codes which have been agreed to by interested and affected parties active within a specific sector. By way of background, various sectors within the South African economy may negotiate and agree on the Codes which would govern transformation in that specific sector. In addition, certain codes fall outside of the regulatory framework established by the BBEE Act and Codes promulgated by the Minister of Trade and Industry thereunder. One such sector is the mining industry, where the Mining Charter governs the implementation of BBEE, among other things, within the mining industry.

Organs of state and public entities must take into account and apply the Codes when:

- determining qualification criteria for the granting of licenses and concessions;
- developing and implementing a preferential procurement policy;
- determining qualification criteria for the sale of state-owned enterprises;
- developing criteria for entering into partnerships with the private sector; and
- determining criteria for the awarding of incentives, grants and investment schemes.

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It is a criminal offence to misrepresent, or to attempt to misrepresent the BBBEE recognition level of an entity (so-called “fronting”) and any natural person found guilty of such offence may be imprisoned for a period not exceeding 10 years and/or fined. If the person found guilty of such offence is not a natural person, it could be fined an amount not exceeding 10% of its annual turnover.

### **Laws and Regulations relating to Labour**

Key South African employment related legislation includes the Basic Conditions of Employment Act No. 75 of 1997 (“**BCEA**”), the Employment Equity Act No. 55 of 1998 (“**EEA**”), the Labour Relations Act 66 of 1995 (“**LRA**”), the National Minimum Wage Act 9 of 2018 (“**NMWA**”), the Skills Development Act No. 97 of 1998 (the “**SDA**”), the Skills Development Levies Act, No. 9 of 1999 (the “**SDLA**”), the South African Qualifications Authority Act, No. 58 of 1995 (the “**SAQAA**”), the Occupational Health and Safety Act, No. 85 of 1993 (the “**OHSA**”) and the MHSA. In addition to this legislation, there are a few other employment related statutes which we have not considered necessary to address in any detail here but which would apply in the context of employment law in South Africa and which have been assigned to the Minister of Labour to administer<sup>3</sup>.

### **Requirement to display key acts**

An employer is required to conspicuously display summaries of the following statutes in the workplace:

- the BCEA;
- the EEA;
- the SDA; and
- the MHSA.

These summaries are available in poster form at the relevant government department.

### **Basic Conditions of Employment Act**

The purpose of the BCEA is to establish and enforce basic or minimum conditions of employment for the protection of employees.

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<sup>3</sup> These include the following statutes: Unemployment Insurance Act, No. 63 of 2001, Unemployment Insurance Contributions Act No. 4 of 2002, COIDA. Promotion of Equality and Prevention of Unfair Discrimination on Act 4 of 2000.

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The BCEA applies to both the public and private sector and covers all employees except members of the National Defence Force, the National Intelligence Agency and the South African Secret Service. Unpaid volunteers working for organisations serving a charitable purpose are also excluded from the BCEA. In addition certain categories of employees are excluded from the protection of certain provisions of the BCEA. These exclusions are addressed below.

In addition to the exclusions referred to above, the terms and conditions of employment provided for in terms of the BCEA would not apply to employees to the extent that their terms and conditions of employment have been varied or altered by way of a collective agreement concluded in a Bargaining Council and only to the extent permitted by the BCEA. Accordingly, the minimum conditions of employment contained in a collective agreement would apply to those employees covered by that agreement rather than the provisions of the BCEA. Only those terms and conditions of employment provided for in the BCEA that have not been varied or altered by way of a collective agreement would continue to apply to the employees covered by that agreement. However, certain sections of the BCEA are only applicable to employees earning less than the determined threshold, which is currently R205,433.30 per annum (“**Threshold**”)<sup>4</sup>. The Minister of Labour may change the Threshold from time to time.

### Working hours and overtime

Section 9 of the BCEA provides, *inter alia*, that an employer may not require or permit an employee to work more than 45 hours in any week or nine hours in any day, if the employee works for five days or fewer in a week or eight hours in any day if the employee works for more than five days in a week.

Section 10 of the BCEA provides, *inter alia*, that an employer may not require or permit an employee to work overtime except in accordance with an agreement and then not more than ten hours overtime in a week. To this end, an employee must be compensated for such overtime.

Section 17 provides that work that is performed after 18h00 in the evening and before 06h00 the next day constitutes “night work”. By agreement, an employee may work such night work, if the employee is paid an allowance or receives a reduction in working hours and transport is available between the place of employment and the employee’s residence at the commencement and conclusion of work.

Section 18 of the BCEA provides, *inter alia*, that an employer may only require an employee to work on a Public Holiday by agreement and then the employee must be compensated as follows:

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<sup>4</sup> All employees earning in excess of the Threshold will be excluded from sections: 9, 10, 11, 12, 14, 15, 16, 17(2) and 18(3) of the BCEA.

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- double the wage the employee would ordinarily have received for work on that day; or
- if it is greater, the wage the employee would ordinarily have received for work on that day plus the amount earned by the employee for time worked on that day.

The working hours and overtime provisions as aforementioned, however, do not apply to employees earning above the BCEA threshold, senior managerial employees, employees engaged as sales staff who travel to the premises of customers and who regulate their own hours of work and employees who work less than twenty four hours a month for an employer.

### **Leave**

The BCEA regulates annual leave, sick leave, maternity leave and family responsibility leave. These provisions do not apply to employees who work less than twenty four hours per month or to leave granted in excess of the statutory minimums unless an agreement provides otherwise.

In addition, recent amendments to the BCEA have introduced parental and adoption leave, as well as leave for parents who commission a surrogate. These amendments have recently become effective.

### **Particulars of employment and remuneration**

An employer must supply an employee, when the employee commences employment, with the following particulars in writing: the full name and address of the employer; the name and occupation of the employee, or a brief description of the work for which the employee is employed; the place of work, and whether the employee is required or permitted to work at various places; the date on which the employment began; the employee's ordinary hours and days of work; the employee's wage or the rate and method of calculating wages; the rate of pay for overtime work; any other cash payments to which the employee is entitled; any payment in kind that the employee is entitled to and the value of the payment in kind; how frequently remuneration will be paid; any deductions to be made from the employee's remuneration; the leave to which the employee is entitled; the period of notice required to terminate employment, or if employment is for a specified period, the date when employment is to terminate; a description of any council or sectoral determination which covers the employer's business; any period of employment with a previous employer that counts towards the employee's period of employment; a list of any other documents that form part of the contract of employment, indicating a place that is reasonably accessible to the employee where a copy of each may be obtained.<sup>5</sup>

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<sup>5</sup> Section 29 of the BCEA.

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### Termination of employment

Under the BCEA, either party may terminate an employment contract of employment by giving the other party written notice of not less than:

- one week, where the employee has worked for the employer for six months or less;
- two weeks, where the employee has worked for the employer for more than six months but less than a year; and
- four weeks, where the employee has worked for the employer for more than a year.<sup>6</sup>

Notwithstanding the aforementioned, an employer cannot merely terminate an employee's employment by furnishing him or her with notice. To this end, the employer is required to adhere to the pre-dismissal requirements that are canvassed extensively below.

### Section 37 of the BCEA

These are the minimum notice periods set by statute. Contractual notice provisions may vary these notice periods. However, whatever notice period may be agreed must apply equally to both parties and employers cannot require employees to serve a greater notice period than that which they are required to give the employee. It is not unusual for senior employees to be required to serve a notice period longer than the statutory minimum.

### Minimum Wage Legislation

The NMWA came into effect on 1 January 2019. This Act aims to provide a national minimum wage. The national minimum wage is currently R20 for each ordinary hour worked, with the exception of farm workers who are entitled to R18 per hour and domestic workers who are entitled to R15 for each hour worked.

Employers may apply for limited time exemptions from the application of the NMWA, which would also allow for partial relief from the minimum wage requirements. Extensive financial motivations need to accompany any exemption application.

### Labour Relations Act

The LRA governs a plethora of issues ranging from the organisational rights of trade unions to the rules and procedures governing dismissals.

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<sup>6</sup> Section 37 of the BCEA.



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The LRA is applicable to every employer and employee in every undertaking, industry, trade or occupation in South Africa, including the State, with the only exclusions being members of the National Defence Force, National Intelligence Agency and South African Secret Service.

### **Dismissals generally**

The LRA codifies the laws, court decisions and principles in respect of dismissals, all of which are premised on the principle that an employee may only be fairly dismissed if there are fair and valid grounds for such dismissal (substantive fairness) and if such dismissal is effected in terms of a fair procedure (procedural fairness).

### **Unfair labour practice**

Section 186(2) of the LRA deals with unfair labour practices. An unfair labour practice has been defined as any unfair act or omission that arises between an employer and an employee involving:

- any unfair conduct by the employer relating to the promotion, demotion, probation (excluding disputes about dismissal for reasons relating to probation) or training of an employee or relating to the provision of a benefit to an employee;
- the unfair suspension of an employee; or
- any unfair disciplinary action which is short of dismissal; or
- if an employer refuses or fails to reinstate or reemploy a former employee in terms of any agreement; or
- if an employee discloses to the authorities any contravention of the Protected Disclosures Act 26 of 2000 (the “**PDA**”) then that employee may not be subject to any form of occupational detriment. To this end, occupational detriment includes the unfair suspension or demotion of an employee. If an employer subjects an employee to any form of occupational detriment (short of dismissal) as defined in the PDA then that conduct may amount to an unfair labour practice.

### **Retrenchments**

Sections 189 and 189A of the LRA govern dismissals based on the operational requirements of an employer, for example, dismissals due to the introduction of new technology, the restructuring of the enterprise, the financial management of the enterprise or similar needs of the employer.

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If an employer contemplates terminating one or more employees as a consequence of its operational requirements then the employer is obliged to consult with any person whom the employer is required to consult in terms of any collective agreement; if there is no collective agreement then with a workplace forum and any registered trade union whose members are likely to be affected by the proposed dismissals; if there is no workplace forum, then with the aforesaid registered trade union; if there is no such registered trade union, then with the affected employees or their nominated representative who is appointed for this purpose.

The employer and the consulting parties must during the aforesaid consultative process engage in a meaningful joint consensus seeking process in an attempt to reach consensus on, *inter alia*, appropriate measures to avoid the envisaged dismissals, to minimise the number of the envisaged dismissals, to change the timing of the envisaged dismissals; the proposed selection criteria that would be applied in dismissing the employees and severance pay to be provided to the affected employees.

In this regard, the employer is required to issue a written notice to the other consulting party or parties inviting them to consult with it and in so doing disclose in writing relevant information, including the reasons for the proposed dismissals, alternatives that the employer has considered prior to proposing the dismissals and any reasons for rejecting such alternatives, the number of employees likely to be affected and their job categories, the proposed method for selecting the affected employees, the proposed timing of the dismissals, the severance pay proposed by the employer, any assistance that the employer proposes to offer to the affected employees, the possibility of future re-employment of the affected employees, the number of employees employed by the employer and the number of employees that the employer has dismissed for reasons based on its operational requirements in the preceding 12 months.

If during the consultative process any representations are made by the consulting parties in writing, the employer is required to respond to those representations in writing. There are also provisions in section 16 of the LRA which allows the affected employee or representative trade union to request all relevant information.

In terms of section 189 of the LRA, if during the consultation process, the parties are unable to identify any reasonable alternatives to the employee's retrenchment, then the employee is entitled to severance pay equal to at least one week's remuneration for each completed year of continuous service with the employer in terms of section 41 of the BCEA. However, if the employee unreasonably refuses to accept the employer's offer of alternative employment with the employer or any other employer, such employee is not entitled to severance pay. In addition to severance pay, on date of termination of employment, the employee is entitled to his/her salary to date, any outstanding leave pay and payment in lieu of notice if he/she has not worked the period of notice. The employee may also be entitled to a benefit payment which is payable by the fund to the employee under the employer's pension/provident fund.

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If the employee contests the substantive and/or procedural fairness of his/her retrenchment, then he/she may refer a dispute to the CCMA or the relevant Bargaining Council. If the dispute remains unresolved after conciliation, then the employee may refer the matter to the CCMA, relevant Bargaining Council or Labour Court (in the case of a retrenchment affecting more than one employee) for adjudication. If the CCMA, Bargaining Council or Labour Court determines that the employee's retrenchment was unfair, then the Court may order the reinstatement of the employee or may award the employee compensation – in terms of section 193 and 194 of the LRA. If the dispute only concerns the employee's entitlement to severance pay, then after conciliation, the employee may refer such dispute to arbitration under the auspices of the CCMA or relevant Bargaining Council.

Section 189A deals with operational requirement dismissals where an employer employs more than 50 employees and the employer contemplates terminating a threshold number of those employees as a consequence of its operational requirements. To this end, if the employer, *inter alia*, contemplates retrenching 50 or more employees in an organisation that employs 500 employees or the numbers of employees the employer contemplates dismissing together with the number of employees actually retrenched during the previous 12 months exceeds the aforesaid number, the employer and the consulting parties are required to comply with the provisions of section 189A of the LRA.

As set out above, the employer is required to invite the consulting parties to consult on the proposed termination of the employee's employment and furnish them with the relevant information as aforementioned. The employer may however in its notice to the other consulting parties require that the CCMA appoint a facilitator to assist the parties during the consultative process. A majority trade union representing the majority of employees who would be affected by the contemplated retrenchments may also request facilitation of the process and notify the CCMA within 15 days of receipt of the aforesaid notice from the employer. The parties may also enter into an agreement to appoint a facilitator.

If a facilitator is appointed, the facilitation would be conducted in accordance with regulations made by the Minister of Labour. Once a facilitator has been appointed and 60 days has lapsed from the date on which the employer has provided the other consulting parties with a notice of its intention to terminate employees' employment for reasons relating to its operational requirements. Upon receipt of the notice to terminate the employees' employment, the trade union representing the employees may either give notice of its intention to strike in terms of the provisions of the LRA or refer a dispute concerning whether there is a fair reason for a dismissal to the Labour Court.

If a facilitator is not appointed, an employee affected by the contemplated retrenchments may not refer a dispute to the CCMA or relevant Bargaining Council (for conciliation), unless a period of 30 days has lapsed from the date on which the notice of the employer's intention to terminate employment has been given. After this 30 day period has lapsed, either party may refer a dispute to the CCMA or Bargaining Council for conciliation in terms of the LRA (strike or lock-out provisions). Once the said dispute has been conciliated upon or a 30 day period has lapsed from the date of referral, the employer may give notice to terminate the contracts of

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employment. Upon receipt of this notice to terminate the contracts of employment, the trade union representing the employees or the employees themselves may give notice of their intention to strike or refer a dispute concerning the substantive fairness of the dismissal to the Labour Court.

A notice of the commencement of the strike may be given by the employees to the employer if the employer dismisses or gives notice of dismissal before the expiry of the time periods specified above.

If the employees or their trade union have given notice of their intention to strike, they may not refer a dispute concerning the substantive fairness of a dismissal to the Labour Court and *vice versa*. In the event that the employees strike, the employer would be entitled to lock-out, in terms of the provisions of the LRA.

If an employer does not comply with a fair procedure during the consultative process, the other consulting party may approach the Labour Court by way of an application for an order compelling the employer to comply with a fair procedure, interdicting or restraining the employer from dismissing any employee prior to complying with a fair procedure or directing the employer to reinstate any employee until it has complied with a fair procedure or make an award of compensation. Such an application must be launched by the other consulting parties within 30 days after the employer has given notice to the consulting parties regarding its intention to terminate the employees' services or the date that the employees are dismissed.

### **Transfer of a business as a going concern**

Section 197 of the LRA provides that if a business or part thereof, trade, undertaking or service is transferred from one employer to another as a going concern then the new employer is automatically substituted in the place of the old employer in respect of all the contacts of employment of the employees in existence immediately before the date of the transfer.

All the rights and obligations between the old employer and each employee at the time of transfer continue in force as if they are rights and obligations between the new employer and each employee. Anything done prior to the transfer by or in relation to the old employer, including dismissal of an employee or commission of an unfair labour practice, is considered to have been done by the new employer.

The transfer also does not interrupt employees' continuity of employment (past service with the old employer is recognised).

The new employer would be deemed to have complied with the provisions of this section if it employs a transferred employee on terms and conditions that on the whole are not less favourable to the employee than those that applied to the employee at the old employer and prior to the transfer.

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Section 197A deals with the transfer of contracts of employment in circumstances of insolvency. In terms of this section, if a business is transferred as a result of insolvency of an old employer or if a scheme of arrangement has been entered into in order to avoid winding up of the old employer, the new employer is automatically substituted in the place of the old employer in respect of all contracts of employment that are in existence immediately before the old employer's provisional winding up or sequestration.

All the rights and obligations between the old employer and each employee at the time of the transfer remain rights and obligations between the old employer and each employee. Anything done before the transfer by the old employer in respect of each of its employees is considered to have been done by the old employer.

The transfer also does not interrupt employees' continuity of employment.

### **Temporary employment services: general**

A temporary employment service means any person or entity who, for reward, procures for or provides to a client other persons who:

- perform work for the client; and
- are remunerated by the temporary employment service.

For the purposes of the LRA, a person whose services have been procured for or provided to a client by a temporary employment service is the employee of that temporary employment service, and the temporary employment service is that person's employer.

The temporary employment service and the client are jointly and severally liable if the temporary employment service, in respect of any of its employees, contravenes:

- a collective agreement concluded in a bargaining council that regulates terms and conditions of employment;
- a binding arbitration award that regulates terms and conditions of employment;
- the BCEA; or
- a sectoral determination made in terms of the BCEA.

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If the client of a temporary employment service is jointly and severally liable in terms of section 198(4) of the LRA or is deemed to be the employer of an employee in terms of section 198A(3)(b) of the LRA:

- the employee may institute proceedings against either the temporary employment service or the client or both the temporary employment service and the client;
- a labour inspector acting in terms of the BCEA may secure and enforce compliance against the temporary employment service or the client as if it were the employer, or both; and
- any order or award made against a temporary employment service or client in terms of this subsection may be enforced against either.

### **Temporary employment services: employees earning below earnings threshold**

In this section, a temporary service means work for a client by an employee –

- for a period not exceeding three months;
- as a substitute for an employee of the client who is temporarily absent; or
- in a category of work and for any period of time which is determined to be a temporary service by a collective agreement concluded in a bargaining council, a sectoral determination or a notice published by the Minister.

This section does not apply to employees earning in excess of the BCEA Threshold.

A person performing a temporary service as set out in section 198(A) is an employee of the Temporary Employment Service.

A person who does not perform a temporary service as set out in section 198(A) is deemed to be the permanent employee of the client of the Temporary Employment Service. This means that a person provided by a Temporary Employment Service who earns below the threshold set in the BCEA, who has been providing services to a client of the Temporary Employment Service for more than three months, is deemed to be the permanent employee of the client of the Temporary Employment Service (“deeming provision”). Such a deemed employee must be treated on the whole no less favourably than the permanent employees of the client of the Temporary Employment Service, unless there exists a justifiable reason for the differential treatment.

The Constitutional Court has interpreted the deeming provision to mean that once a temporary service employee is *deemed* to be the employee of the client of the temporary service, such employee is the *sole employee of such client of the temporary employment service, for the purposes of the LRA*. This interpretation has given rise to a number of practical difficulties.

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The termination by the temporary employment services of an employee's service with a client, whether at the instance of the temporary employment service or the client, for the purpose of avoiding the operation of section 198(3)(b) or because the employee exercised a right in terms of the LRA, will constitute a dismissal and the employee may take recourse against the client or the temporary employment service in accordance with section 198(A) of the LRA.

### **Fixed term contracts**

Section 198B of the LRA defines a "fixed term contract" as a contract of employment that terminates on:

- the occurrence of a specified event;
- the completion of a specified task or project; or
- a fixed date, other than an employee's normal or agreed retirement age.

These provisions do not apply to:

- an employee who is earning in excess of the BCEA Threshold;
- a small employer, who employs less than ten employees, or a new business with less than 50 employees and which has been in business for less than two years, provided that the employer doesn't conduct more than one business or the business wasn't formed by the division or dissolution of an existing business; or
- employees who are employed in terms of a fixed term contract which is permitted by any statute, sectoral determination or collective agreement.

The circumstances under which an employer may employ an employee on a fixed-term contract or successive fixed-term contracts for longer than three months are exceptionally limited. These circumstances are: (i) the nature of the work for which the employee is employed is of a limited or definite duration; or (ii) the employer can demonstrate any other justifiable reason for fixing the term of the contract.

The employer must be able to justify its reason for employing an employee on a fixed term contract as opposed to a permanent contract of employment.

An offer to employ an employee on a fixed term contract or to renew or extend a fixed term contract, must: (i) be in writing; and (ii) state the reasons for the fixed term contract, renewal or extension thereof as contained above.

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In the event that of any proceedings instituted in terms of the fixed term agreement, the onus is on the employer to prove that there was a justifiable reason for fixing the term of the contract, and that the term was agreed.

An employee earning below the Threshold, who is employed in terms of a fixed term contract without a justifiable reason for the use of a fixed term contract, for longer than three months is deemed to be indefinitely employed and must not be treated less favourably than an employee employed on a permanent basis performing the same or similar work, unless there is a justifiable reason for different treatment. An employer must provide equal access to opportunities to apply for vacancies to both employees employed on a permanent bases and employees employed on a fixed term contract.

Where an employer employs an employee in terms of a fixed term contract to work exclusively on a specific project that has a limited or defined duration, for a period exceeding 24 months, must, subject to the terms of any applicable collective agreement, pay the employee on expiry of the contract one week's remuneration for each completed year of the contract calculated in accordance with section 35 of the BCEA. An employee is not entitled to such payment if, prior to the expiry of the fixed term contract, the employer offers the employee employment or procures employment for the employee with a different employer, which commences at the expiry of the contract and on the same or similar terms.

### **Resolution of disputes**

All labour disputes are first conciliated by the CCMA or relevant Bargaining Council in an attempt to settle the dispute.

Unresolved disputes are determined either by the relevant Bargaining Council, CCMA or the Labour Court depending on the nature of the dispute. Disputes regarding dismissals for incapacity, misconduct, unfair labour practices, constructive dismissal and single retrenchments are arbitrated by the relevant Bargaining Council or the CCMA.

Disputes concerning retrenchments (affecting more than one employee), discrimination and strikes are adjudicated by the Labour Court.

If the Labour Court (or an arbitrator appointed by the CCMA or relevant Bargaining Council) finds a dismissal to be substantively unfair, reinstatement may be ordered as the primary remedy under the LRA. The court or the arbitrator will determine the date from which reinstatement is to take effect, but such date may not be earlier than the date of the dismissal. Where reinstatement is awarded the arbitrator may also award backpay from the date of the award to the date of dismissal.

Instead of reinstatement, the court or the arbitrator may order the employer to re-employ the employee either in the work in which the employee was employed before the dismissal or in other reasonably suitable work. The court or arbitrator will determine the date for re-employment which may not be earlier than the date of dismissal.



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Compensation may, however, be ordered instead of re-instatement or re-employment where:

- the employee does not wish to be re-instated or re-employed;
- the circumstances surrounding the dismissal are such that continued employment would be intolerable;
- it is not reasonably practicable for the employer to re-instate or re-employ the employee; or
- the dismissal is unfair only because the employer did not follow a fair procedure.

In terms of section 194(1) of the LRA, where the dismissal is found to be unfair either because the employer did not prove that the reason for the dismissal was fair and valid or the employer did not follow a fair procedure, the amount of compensation awarded must be just and equitable in all circumstances, but may not exceed the equivalent of 12 months' remuneration calculated at the employee's rate of remuneration on the date of dismissal.

In terms of section 194(3) of the LRA, where an employee's dismissal is automatically unfair, the compensation awarded to such employee must be just and equitable, but not more than the equivalent of 24 months' remuneration calculated at the employee's rate of remuneration on the date of dismissal.

In section 194(4) of the LRA, the compensation awarded to an employee for an unfair labour practice must be just and equitable but not more than the equivalent of 12 months' remuneration.

### **Trade Unions**

All employees in South Africa, regardless of grade, are entitled to form, join and participate in trade unions. Depending on the level of representation of a union in the workplace (meaning how many members the union has at a workplace), it is entitled to certain organisational rights. If the union is "sufficiently" representative it is entitled to the following rights: access to the workplace (section 12 of the LRA), deduction of union levies from members' salaries (section 13 of the LRA) and time off for union representatives to perform functions (section 15 of the LRA). Unions with majority representation are entitled to the rights afforded in section 12, 13 and 15 of the LRA and have elected trade union representatives (section 14 of the LRA), paid time off for union representatives to perform functions (section 15 of the LRA) and disclosure by the employer of relevant information (section 16 of the LRA). The terms "sufficiently representative" and "majority representative" are not defined in the LRA. When determining the issue of sufficient representation, numerous factors are taken into account, for example, the nature of the workplace, the nature of the organisational right, the nature of the sector and the organisational history of the workplace. Majority representation is accepted to mean a simple majority.

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Irrespective of the thresholds that may be agreed in recognition agreements as set out above, the LRA makes provision for a process in terms whereof a minority union may refer a dispute to the CCMA should it allege it is sufficiently representative in the workplace and the employer denies this. The CCMA may then decide whether the union is sufficiently representative and consequently be granted the section 12, 13 and 15 rights.

Section 25 of the LRA makes provision for agency shop agreements. In terms of this section, a majority union and the employer may enter into an agreement in terms whereof employees who are not members of the union must pay union subscriptions. These employees are not required to become members of the union.

Section 26 of the LRA makes provision for closed shop agreements. In terms of this section, a majority union and the employer may enter into an agreement in terms whereof employees who are not members of the union must become members of the union. Certain safeguards are required before such an agreement will be valid, i.e. a ballot must be held amongst the employees who will be covered by the agreement and two thirds of the vote must be in favour of the agreement.

Unions must be registered as such with the Department of Labour. The above rights are only afforded to registered unions.

### Strikes

The LRA gives effect to the constitutionally protected right of employees to strike.

A strike must have a clear demand, and the purpose of the strike must be in support of “a matter of mutual interest” between the parties such as salaries or wages, hours of work, overtime, leave, sick leave, service benefits, and the recognition of trade unions and organisational rights. Disputes of right concern the infringement, application or interpretation of existing rights, embodied in a contract of employment, collective agreement or statute, and must be resolved either through arbitration at the CCMA or the Labour Court. Employees may not strike over disputes of right. Furthermore, employees may not strike over a matter which has been settled in terms of a collective agreement. Employees engaged in essential services or in maintenance services may not embark on strike action.

The LRA also sets out procedures which employees must follow in order to embark on a strike. Unprotected strikers are liable to be dismissed, and may be held liable for claims of damages, if applicable.

The LRA permits employees to engage in a secondary strike (sympathy strike) in support of a strike by other employees against their employer. Employees participating in a secondary strike must provide at least a seven days’ notice of the strike and the secondary strike must be reasonable in relation to the possible effect that it may have on the business of the primary employer.

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The employer may approach the Labour Court on an urgent basis to interdict an unprotected primary or secondary strike. Any employee who fails to comply with a court interdict will be in contempt of a court order and therefore liable to be arrested.

Disciplinary action may also be taken against employees who participate in an unprotected strike.

### **Employment Equity Act**

The principal objective of the EEA is to achieve equity in the workplace by promoting equal opportunity and fair treatment in employment through the elimination of unfair discrimination in all employment policies and practices, and implementing affirmative action measures to redress the disadvantages in employment experienced by people from designated groups, in order to ensure their equitable representation in all occupational categories and levels in the workforce. “Designated Groups” are defined as black people (which are defined to include African, Indian and Coloured people), women and people with disabilities. The Chinese Association of South Africa succeeded in a High Court motion against the Ministers of Labour, Trade and Industry, and Justice and Constitutional Development to have South Africa Chinese regarded as black persons for the purposes of employment equity. Chinese people of South African extraction, and who meet the citizenship requirement are therefore now to be profiled as coloured persons.

Further, the EEA requires:

- designated employers<sup>7</sup> to prepare (and implement) employment equity plans after conducting an analysis of the workforce profile, all employment policies and practices and the working environment to identify employment barriers which adversely affect people from the designated groups – all in consultation with employees, their duly appointed representatives;
- employment equity plans to provide specific affirmative action measures to ensure that suitably qualified people from the designated groups have equal employment opportunities and are equitably represented in all occupational categories and levels in the workforce;
- designated employers to take measures to progressively reduce disproportionate income differentials;

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<sup>7</sup> In terms of section 1 of the EEA “designated employer” means:

- “(a) an employer who employs 50 or more employees;
- (b) an employer who employs fewer than 50 employees, but has a total annual turnover that is equal to or above the applicable annual turnover of a small business in terms of Schedule 4 to the EEA.”

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- designated employers to report regularly to the Department of Labour on their progress in implementing their employment equity plans; and
- that suitably qualified people from the designated groups have equal employment opportunities and are equitably represented in all occupational categories and levels in the workforce.

Enforcement of employers' employment equity obligations fall within the powers of the Labour Inspectorate and the Director-General of the Department of Labour. Any employer who contracts with the State must comply with its employment equity obligations, failing which existing contracts may be cancelled and prospective tender, rejected.

Schedule 1 to the EEA sets out the maximum fines that may be imposed for the contravention of certain provisions of the EEA and they range between the greater of ZAR1.5 million or 2% of the employer's turnover and the greater of ZAR2.7 million or 10% of the employer's turnover.

### **Skills Development Legislation**

The South African national skills development strategy aims to link learning to the demands of the working environment, develop the skills and knowledge of existing workers, enable employers to become more productive and competitive, and provide opportunities to new entrants to the labour market to gain work experience in occupations for which there is a clear demand. The Chief-Directorate for Human Resource Development in the Department of Labour has described its vision of "an integrated skills development system, which promotes economic and employment growth and social development through a focus on education, training and employment services".

### **Skills Development Act**

The SDA creates the National Skills Authority (the "NSA") to advise the Minister of Labour on the implementation of the SDA. The NSA will advise the Minister of Labour on the allocation of funds from the National Skills Fund ("NSF"), to which SARS will forward 20% of the skills development levy.

The SDA establishes twenty five Sector Education and Training Authorities ("SETAs") to develop sector skills plans, establish and register learnerships, approve workplace skills plans and allocate grants to employers.

The SDA replaces the apprenticeship system with a learnership system. Learnerships will be made up of structured learning and practical work experience and must lead to a qualification registered on the National Qualifications Framework (the "NQF").

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### **Skills Development Levies Act**

The SDLA imposes a skills development levy on employers at a rate of 1% of remuneration costs from April 1, 2001. The SDLA requires each employer to indicate under which SETA it should be classified.

The SDLA appoints the SARS to collect the levy, but provides for the possibility that the levy be collected directly by a SETA under certain circumstances. The provisions of the Income Tax Act apply to levy collection. 20% of the levies collected are allocated to the NSF and 80% thereof are allocated to the SETAs.

Companies which educate and train according to a prescribed process will be able to recover a portion of their skills development levy in the form of grants. Those companies which appoint a skills development facilitator, develop and implement a workplace skills plan, and compile and submit an annual training report will be eligible to reclaim a percentage of their levies via grants.

There is a penalty of 10% on unpaid levies plus interest charges on late or unpaid levies at the rate prescribed by the Income Tax Act. In addition, non-compliance with the provisions of the SDLA can lead to a fine or jail sentence.

### **Retirement age and benefits**

In South Africa, there is no statutory retirement age and therefore employers and employees are entitled to determine the retirement age of employees which is either recorded in the contract of employment or in the Rules of the applicable Pension or Provident Fund.

To this end, the retirement age for mid to low level employees is usually 65 years of age and a lesser age for more senior employees.

The effect of a contractual retirement age is that upon reaching such age, the employee's contract of employment expires automatically and there is no requirement for either party to give notice.

Retirement benefits are usually provided by way of a Pension or Provident Fund. A Pension Fund in essence entitles an employee to annuity payments during the period of retirement, whilst a Provident Fund provides for the payment of a lump sum upon retirement.

Both the employer and employee usually contribute to either a Pension or Provident Fund and the contributions usually constitute a percentage of the remuneration paid to the employee.

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### **Social Security**

Social security in South Africa is provided by way of unemployment insurance governed by the Unemployment Insurance Fund (the “**Fund**”). The Fund pays unemployment benefits to certain employees as well as illness, maternity, adoption and dependent’s benefits.

To this end, an employer is initially obliged to register with the Fund. Thereafter both the employer and the employee must each contribute 1% of the remuneration paid or payable to that employee during any month to the Fund. In essence, the employer would deduct the employee’s contribution of 1% from his or her monthly remuneration and then pay over the total amount to the fund on a monthly basis.

### **Immigration Law**

The Immigration Act, 13 of 2002, as amended (the “**Immigration Act**”) prohibits South African employers and foreign nationals from being employed in South Africa without being in possession of a valid work permit.

### **Laws and Regulations relating to the Company**

#### ***The South African Companies Act***

The South African Companies Act was signed into law on April 8, 2009 and, after amendment in terms of the Companies Amendment Act 3 of 2011, became effective on May 1, 2011.

#### ***Fundamental Transactions***

Certain transaction are described as fundamental transactions in the South African Companies Act. There are three categories of fundamental transactions:–

- the disposal by a company of all or the greater part of its assets or undertaking. The greater part is understood to mean more than 50% of gross assets disregarding liabilities or more than 50% of the value of its entire undertaking, fairly valued;
- a merger or amalgamation, being a statutory transaction pursuant to which one company acquires the business (including its assets and liabilities, its contracts, litigation and employees) or businesses of another company/ies; and
- a scheme of arrangement between a company and its shareholders.

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## REGULATORY OVERVIEW

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These three categories of transactions are essentially subject to the same regulatory matrix which has the following four features:

- the meeting of shareholders at which a resolution is proposed to implement any one of the fundamental transactions must be convened by a notice containing prescribed information and generally accompanied by the report of an independent expert;
- the proposed transaction requires shareholder approval by means of a special resolution;
- there is the potential of court intervention. Thus, if the proposed resolution is opposed by more than 15% of the votes exercisable at the meeting, any dissenting shareholder may approach the High Court to set aside the resolution. The jurisdiction of the Court to do so is limited to manifest unfairness or procedural non-compliance. If the resolution is opposed by less than 15% of the votes, a dissenting shareholder needs the leave of the Court to apply to the Court to set aside the resolution; and
- any shareholder who votes against a fundamental transaction has a right to require of the company to buy out such shareholder's shares at fair value (a so-called appraisal right).

### ***Business Rescue***

The South African Companies Act has introduced into South African company law an entirely new mechanism which provides a structured regime for the rescuing of financially distressed companies, which is named business rescue.

Business rescue proceedings are proceedings to facilitate the rehabilitation of a company that is financially distressed by providing for:

- the temporary supervision of the company, and the management of its affairs, business and property by a business rescue practitioner;
- a temporary moratorium on the rights of claimants against the company or in respect of property in its possession; and
- the development and implementation, if approved, of a plan to rescue the company by restructuring its affairs, business, property, debt and other liabilities, and equity in a manner that maximises the likelihood of the company continuing in existence on a solvent basis, or results in a better return for the creditors of the company than would ordinarily result from the liquidation of the company.

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## REGULATORY OVERVIEW

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### *Constitutional Documents*

#### *Memorandum of Incorporation*

The South African Companies Act requires every company to have an MOI. The MOI, inter alia, sets out rights, duties and responsibilities of shareholders, directors and others within and in relation to a company. All provisions of a company's MOI must be consistent with the South African Companies Act, and are void to the extent that they contravene, or are inconsistent with, the South African Companies Act.

#### *Shareholders Agreements*

The South African Companies Act provides that shareholders of a company may enter into any agreement with one another concerning the company, but any such agreement must be consistent with the South African Companies Act and the company's MOI, and any provision of such an agreement that is inconsistent with the South African Companies Act or the company's MOI is void to the extent of the inconsistency.

#### *Company Rules*

The South African Companies Act provides that the board of the company may make, amend or repeal any necessary or incidental rules relating to the governance of the company in respect of matters that are not addressed in the South African Companies Act or the MOI, except to the extent that a company's MOI provides otherwise. All company rules must be consistent with the South African Companies Act and the company's MOI, and any such rule that is inconsistent with the South African Companies Act or the company's MOI is void to the extent of the inconsistency.

#### *Protecting Minority Investors*

Included in the list of purposes of the South African Companies Act are the promotion of the development of the South African economy by encouraging transparency and high standards of corporate governance, balancing the rights and obligations of shareholders and directors within companies and encouraging the efficient and responsible management of companies.

Section 161 of the South African Companies Act allows a holder of issued securities (including a minority shareholder) to apply to court for:

- an order determining any of his or her rights in terms of the South African Companies Act (declaratory order), the MOI of the Company, any rules of the company or any applicable debt instrument; or
- any appropriate order necessary to: protect any right described above; or rectify any harm done to him or her by the company or any of the company's directors.



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Section 163 of the South African Companies Act provides that a shareholder (including a minority shareholder) or a director of a company may apply to a court for relief if:

- any act or omission of the company, or a related person, has had a result that is oppressive or unfairly prejudicial to, or that unfairly disregards the interests of, the applicant;
- the business of the company, or a related person, is being or has been carried on or conducted in a manner that is oppressive or unfairly prejudicial to, or that unfairly disregards the interests of, the applicant; or
- the powers of a director or prescribed officer of the company, or a person related to the company, are being or have been exercised in a manner that is oppressive or unfairly prejudicial to, or that unfairly disregards the interests of, the applicant.

For a summary of the South African court procedure see “— Other Relevant South African Laws and Regulations.”

Sections 164 of the South African Companies Act allows a dissenting shareholder to elect to be bought out by the company, in which he holds shares, for the fair value of his shares, provided that they follow certain procedures set out in section 164. The dissenting shareholder will only be able to do so when the majority of the shareholders of the company pass a resolution to:

- amend the company’s MOI by altering the preferences, rights, limitations or other terms of any class of its shares in any manner materially adverse to the rights or interests of holders of that class of shares or;
- enter into a fundamental transaction contemplated in section 112, 113 or 114 (being to dispose of all or the greater part of the assets, proposal for amalgamation or merger or proposal for a scheme of arrangement),

provided that notice was given by the dissenting shareholder prior to the resolution being voted on, in accordance with the South African Companies Act.

A ‘derivative action’ is a statutory exception to the principle that, where a wrong is done to the company the proper plaintiff is the company itself. A ‘derivative action’ is brought by a person (including a shareholder) on behalf of a company in order to protect the legal interests of the company. The statutory ‘derivative action’ (section 165 of the South African Companies Act) is an important minority shareholder protection. It protects the minority shareholders from the effects of corporate personality and majority rule. It enables a minority shareholder who knows of a wrong that is done to the company and not remedied by the directors (often because they are the wrongdoers), to institute proceedings against the wrongdoer on behalf of the company.

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## REGULATORY OVERVIEW

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Moreover, the ‘derivative action’ is not limited to wrongs that are committed by the management or the controllers of the company – it even extends to wrongs that are committed by third parties or outsiders such that a shareholder can in certain circumstances bring a claim against a third party on behalf of the company where those in control refuse to do so.

### *Directors Duties*

The South African Companies Act provides that a director of a company must (a) not use the position of director, or any information obtained while acting in the capacity of a director to (i) gain an advantage for the director, or for another person other than the company or a wholly-owned subsidiary of the company or (ii) to knowingly cause harm to the company or a subsidiary of the company and (b) communicate to the board at the earliest practicable opportunity any information that comes to the director’s attention, unless the director (i) reasonably believes that the information is immaterial to the company or generally available to the public, or known to the other directors, or (ii) is bound not to disclose that information by a legal or ethical obligation of confidentiality. In addition, a director of a company, when acting in that capacity, must exercise the powers and perform the functions of director (a) in good faith and for a proper purpose, (b) in the best interests of the company and (c) with the degree of care, skill and diligence that may reasonably be expected of a person carrying out the same functions in relation to the company as those carried out by that director and having the general knowledge, skill and experience of that director.

In addition to the above, if a director of a company has a personal financial interest in respect of a matter to be considered at a meeting of the board, or knows that a related person has a personal financial interest in the matter, the director must, amongst other things, disclose the interest and its general nature before the matter is considered at the meeting, disclose to the meeting any material information relating to the matter, and, if present at the meeting, must leave the meeting immediately and must not take part in the consideration of the matter.

### *Directors Liability*

The South African Companies Act provides that a director of a company may be held liable (a) in accordance with the principles of the common law relating to breach of a fiduciary duty, for any loss, damages or costs sustained by the company as a consequence of any breach by the director of a duty described above, or (b) in accordance with the principles of the common law relating to delict for any loss, damages or costs sustained by the company as a consequence of any breach by the director of the duty of care, skill and diligence noted above or any provision of the company’s MOI.

Furthermore, a director of a company is liable for any loss, damages or costs sustained by the company as a direct or indirect consequence of the director having:

- acted in the name of the company, signed anything on behalf of the company, or purported to bind the company or authorise the taking of any action by or on behalf of the company, despite knowing that the director lacked the authority to do so;

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## REGULATORY OVERVIEW

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- acquiesced in the carrying on of the company's business despite knowing that it was being conducted recklessly, with gross negligence, with intent to defraud any person or for any fraudulent purpose;
- been a party to an act or omission by the company despite knowing that the act or omission was calculated to defraud a creditor, employee or shareholder of the company, or had another fraudulent purpose;
- signed, consented to, or authorised, the publication of (i) any financial statements that were false or misleading in a material respect or (ii) a prospectus, or a written statement that contained an untrue statement or a statement to the effect that a person had consented to be a director of the company, when no such consent had been given, despite knowing that the statement was false, misleading or untrue, as the case may be; or
- been present at a meeting, or participated in the making of a decision by way of round robin resolution, and failed to vote against, *inter alia*:
  - the issuing of any unauthorised shares, despite knowing that those shares had not been authorised in accordance with the South African Companies Act;
  - the issuing of any authorised securities, despite knowing that the issue of those securities was inconsistent with the South African Companies Act;
  - the granting of options to any person, despite knowing that any shares for which the options could be exercised or into which any securities could be converted, had not been authorised in terms of the South African Companies Act;
  - the provision of financial assistance to any person for the acquisition of securities of the company, despite knowing that the provision of financial assistance was inconsistent with the South African Companies Act or the company's MOI;
  - the provision of financial assistance to a director, despite knowing that the provision of financial assistance was inconsistent the South African Companies Act or the company's MOI;
  - a resolution approving a distribution, despite knowing that the distribution was contrary to the South African Companies Act;
  - the acquisition by the company of any of its shares, or the shares of its holding company, despite knowing that the acquisition was contrary to the South African Companies Act; or

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## REGULATORY OVERVIEW

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- an allotment by the company, despite knowing that the allotment was contrary to any provision of Chapter 4 of the South African Companies Act.
- In addition to the liability set out above, any person who would be so liable is jointly and severally liable with all other such persons:
  - to pay the costs of all parties in the court in a proceeding in terms of the above unless the proceedings are abandoned, or exculpate that person; and
  - to restore to the company any amount improperly paid by the company as a consequence of the impugned act, and not recoverable in terms of the South African Companies Act.

The South African Companies Act also provides that a shareholder of a company can apply to court for a director of that company to be declared a delinquent director. A director can be declared a delinquent director if, amongst other things, that director grossly abused his/her position, intentionally, or by gross negligence, inflicted harm upon the company or a subsidiary and/or acted in manner that amounts to gross negligence, wilful misconduct or breach of trust in relation to the performance of the director's functions and duties. An order declaring a director delinquent may include payment of compensation if the victim does not have other recourse. A delinquent director may not act as a director of any company.

### **Laws and Regulations relating to Bribery and Corruption**

South Africa is party to a number of international agreements and conventions aimed at combating corruption, and which place obligations on South Africa with regard to the combatting of corruption. These include the *Southern African Development Community Protocol Against Corruption*, adopted on August 14, 2001 in Malawi and the *United Nations Convention Against Corruption* adopted by the General Assembly of the United Nations on October 31, 2003.

In line with these obligations, South Africa has passed various pieces of anti-corruption legislation. The main anti-corruption law is the PACCA 12 of 2004. PACCA creates a general offence of corruption that is extremely broadly defined. It also criminalises certain specified corrupt activities.

PACCA applies to both the public and private sector.

PACCA sets out specific offences in respect of corrupt activities relating to specific persons. These include corrupt activities relating to public officers, foreign public officials, agents, members of legislative authorities, judicial officers and members of prosecuting authorities. Furthermore, PACCA sets out various offences in respect of corrupt activities relating to specific matters, including witnesses, contracts, tenders, auctions, sporting events and gambling or games of chance.

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## REGULATORY OVERVIEW

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There is also a miscellaneous category of offences which include acquisition of a private interest in a contract, and interfering with or obstructing the investigation of an offence.

It is important to note that PACCA has extra-territorial jurisdiction if certain requirements are met. Thus a South African citizen, or someone who ordinarily resides in South Africa, as well as companies incorporated or registered in South Africa, can be prosecuted in terms of PACCA, regardless of whether or not the offensive act constitutes an offence at the place of its commission.

As regards the paying of bribes to government officials, a person is guilty of the offence of corrupt activities in terms of PACCA if that person directly or indirectly gives or agrees to give a gratification to a public officer for purposes of influencing the public officer to do or refrain from doing anything in an unauthorised or improper manner.

Gratification is defined in PACCA as including the following: (i) money, whether in cash or otherwise; (ii) any donation, gift, loan, fee, reward, valuable security, property or interest in property of any description, whether movable or immovable, or any other similar advantage; (iii) the avoidance of a loss, liability, penalty, forfeiture, punishment or other disadvantage; (iv) any office, status, honour, employment, contract of employment or services, any agreement to give employment or render services in any capacity and residential or holiday accommodation; (v) any payment, release, discharge or liquidation of any loan, obligation or other liability, whether in whole or in part; (vi) any forbearance to demand any money or money's worth or valuable thing; (vii) any other service or favour or advantage of any description, including protection from any penalty or disability incurred or apprehended or from any action or proceedings of a disciplinary, civil or criminal nature, whether or not already instituted, and includes the exercise or the forbearance from the exercise of any right or any official power or duty; (viii) any right or privilege; (ix) any real or pretended aid, vote, consent, influence or abstention from voting; and (x) any valuable consideration or benefit of any kind, including any discount, commission, rebate, bonus, deduction or percentage.

### **Other Relevant South African Laws and Regulations**

The South African judicial system is impartial and unbiased, and the civil procedure laws are sophisticated and respected by all parties, but there may be delay in enforcing contracts due to administrative backlogs. In line with the international trends, it has become more difficult to enforce a contractual claim in recent years due to the increased cost of litigation, however, alternative dispute resolution mechanisms are regularly used in an effort to minimise costs and expedite hearings. As a result, there are no systematic impediments in respect of the South African civil legal system which would impact a litigant from successfully enforcing a contractual claim, assuming that he/she has the financial means to litigate.

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## REGULATORY OVERVIEW

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### RELEVANT PRC LAWS AND REGULATIONS

#### Laws and Regulations relating to Overseas Investment by PRC Enterprises

##### *Regulations of NDRC relating to Overseas Investment Project*

In accordance with the Administrative Measures for Overseas Investment of Enterprises (《企業境外投資管理辦法》) published by the NDRC on December 26, 2017 and effective on March 1, 2018, to make overseas investment, any enterprise located within the territory of PRC shall go through the procedures of approval or filing for the overseas investment project in advance, and the NDRC performs as the competent authority to the extent of duties stipulated by the State Council. Projects subject to approval of NDRC are sensitive projects carried out by investors either directly or indirectly through overseas enterprises under their control as follows: (i) projects in connection with sensitive countries and regions, namely, countries and regions that have not yet established diplomatic relations with China, countries and regions where there are wars or civil disorder, countries and regions in which investment made by enterprises shall be limited under international treaties and agreements concluded or entered into by China or any other sensitive countries and regions; (ii) projects in connection with sensitive industries, namely, (a) research, development, manufacturing and repair of weaponry, (b) exploitation and utilization of water resources across borders; (c) news media; and (d) industries for which overseas investment shall be restricted according to PRC laws, regulations, and relevant control policies. Projects subject to filing procedures are non-sensitive projects carried out directly by investors. The authority in charge of the filing shall be: (i) the NDRC, if the investor is an enterprise under the administration of the central government; (ii) the NDRC, if the investor is a local enterprise but the amount of investment made by the Chinese investor amounts to US\$300 million or above; (iii) the provincial counterpart at the place where the investor is registered, if the investor is a local enterprise and the amount of investment made by the Chinese investor is less than US\$300 million. Where a project that has been approved or filed for the record falls within any of the following circumstances, the investor shall file an application with the authority that originally issued the approval document or the filing notice for such project regarding certain changes in advance: (i) where the number of investors increases or decreases; (ii) where there is any major change to the investment destination; (iii) where there is any major change to the major content of the project or its scale; (iv) where the amount of investment made by Chinese investors varies by 20% or above of the amount previously approved or filed for the record, or by US\$100 million or above; or (v) other circumstances where there is a need to make significant adjustments to what is specified in the original approval document or in the filing notice. In addition, where an investor carries out a non-sensitive project, in which the amount of investment made by the Chinese investor amounts to US\$300 million or above, through the overseas enterprise under its control, the investor shall submit a report to inform the NDRC of relevant information before the implementation of the project.

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## REGULATORY OVERVIEW

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### *Regulations of MOFCOM relating to Overseas Investment*

The Measures on the Administration of Overseas Investment (《境外投資管理辦法》) was promulgated by the MOFCOM on September 6, 2014 and became effective on October 6, 2014, according to which any enterprise shall conduct the filing or approval procedure with the MOFCOM and its provincial counterpart based on different circumstances in advance of overseas investment. For any overseas investment involves sensitive countries, regions and industries, namely (i) countries that have not established diplomatic relations with China, countries under the United Nations' sanctions and other countries and regions separately announced by the MOFCOM when necessary, and (ii) industries involving products and technologies the export of which is restricted by China, or affecting the interests of a country/region or more, an approval of MOFCOM shall be obtained. The central government-owned enterprise shall apply to the MOFCOM for approval while the local enterprise shall apply to the MOFCOM through its provincial counterpart. For overseas investment under other circumstances, the filing procedure needs to be conducted. The central government-owned enterprise shall report to the MOFCOM for filing while the local enterprise shall report to the provincial counterpart. A Certificate of Enterprise Overseas Investment shall be granted after the approval has been obtained or the filing procedure has been conducted. If there is any change in the items specified in the original Certificate afterwards, the enterprises shall reapply with the original authorities for modification. In addition, the overseas reinvestment by the holding overseas enterprise of the local enterprise shall be reported to the competent commerce authority by the local enterprise after the overseas legal procedure is completed.

### *Regulations of SAFE relating to Overseas Direct Investment*

The Regulations on Foreign Exchange Administration of Overseas Direct Investment of Domestic Institutions (《境內機構境外直接投資外匯管理規定》) promulgated by the SAFE on July 13, 2009 and effective on August 1, 2009 stipulates foreign exchange registration and outward remittances of funds, outward remittances of preceding expenses for a proposed investment project or enterprise, inward remittances of funds and foreign exchange settlement under overseas direct investment. A domestic institution is required to register and file with the local foreign exchange administration for its overseas direct investments and for assets and relevant rights and interests generated from such investments. By obtaining the approval document and the foreign exchange registration certificate for overseas direct investment issued by the competent foreign exchange authorities, such domestic institutions can complete the procedures for outward remittances of overseas direct investment funds at the designated foreign exchange banks. Additionally, when the domestic institution retains the profits generated from their overseas direct investment outside the territory of PRC and foreign exchange revenue under the capital account generated from capital reduction, equity conversion, liquidation, and so forth of overseas enterprises for the purpose of establishing, acquiring, or participating in the equity of unregistered overseas enterprises, it shall complete the foreign exchange registration procedures for the said direct investment activities. In case of any basic information of the registered overseas enterprises changes, such as a modification of the corporate name, terms of operation, joint venture and cooperative partners, and manner of cooperation, or the occurrence of capital increase or reduction, equity transfer or swap,



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## REGULATORY OVERVIEW

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merger or split, the domestic institutions shall go through the modification procedures of foreign exchange registration for overseas direct investment in light of the said changes. In the case of the occurrence of significant matters in registered overseas enterprises which do not involve a change in capital, such as making long-term equity or debt investment, or providing external guarantees, the domestic institutions concerned shall complete the foreign exchange filing procedures for overseas direct investment for the said significant matters.

On February 13, 2015, the SAFE issued the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “**Notice**”) which took effect on June 1, 2015, under which the requirements for approval of foreign exchange registration under overseas direct investment and the filing of foreign exchange under overseas reinvestment were canceled. According to the Notice, the foreign exchange registration under overseas direct investment will be directly reviewed and handled by competent banks while the SAFE and its branches perform indirect supervision via banks. Furthermore, the annual inspection of the direct investment-related foreign exchange has been replaced by the stock equity registration, namely the related enterprises are only required to submit the data of stock equity in overseas direct investment as of the end of the previous year through the system of foreign exchange authorities on or before September 30 of each year.



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## HISTORY AND CORPORATE STRUCTURE

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### OVERVIEW

Our Company was incorporated in Hong Kong on March 24, 2015 to venture into the gold mining industry in South Africa through its acquisition of VMR.

Our Group is a growth focused gold mining company based in South Africa. VMR was incorporated in 1934 and later listed on the JSE in 1944. In 2011, VMR obtained ownership of Tau Lekoa Mine, Buffelsfontein mine and Nicolor Plant by merging with Simmers. In 2015, HSC acquired 100% of the issued share capital of VMR by way of a scheme of arrangement through VMR Group, an investment holding company wholly owned by our Company. Subsequent to the acquisition, VMR was taken private and delisted from the JSE. After the acquisition, several tranches of development capital have been provided to VMR. In 2018, our mining operations were further expanded by acquiring from AngloGold the Kopanang Operations. As a result of the acquisition, the Kopanang Mine became our Group's second operating South African gold mine.

See "Business — Our Operations" for details of our operations.

### KEY MILESTONES

The following table sets forth key milestones in our corporate and operating history.

Date	Event
<b>June 2011</b> . . . . .	VMR completed the merger with Simmers, resulting in its ownership of Tau Lekoa Mine and Buffelsfontein mine
<b>March 2015</b> . . . . .	Our Company was incorporated in Hong Kong
<b>June 2015</b> . . . . .	We acquired VMR by way of a scheme of arrangement, resulting in delisting of VMR from the JSE
<b>January 2016 – September 2016</b> . . . . .	Several tranches of development capital were provided by Controlling Shareholders after the June 2015 acquisition to improve the conditions of the mines for further development
<b>February 2018</b> . . . . .	We acquired the Kopanang Operations from AngloGold
<b>May 2018 – July 2018</b> . . . . .	Pre-IPO Investments by Heaven-Sent Capital ZDH Fund L.P. and ZDH Husheng Fund L.P. were completed
<b>December 2018</b> . . . . .	Pre-feasibility study of the Weltevreden project completed and ready for construction

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## HISTORY AND CORPORATE STRUCTURE

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### OUR CORPORATE HISTORY AND DEVELOPMENT

#### Establishment and Development of VMR

VMR was incorporated in June 1934 and listed on the JSE in 1944.

On February 4, 2015, HSC and VMR entered into an implementation agreement (the “**Implementation Agreement**”) to acquire the entire issued share capital of VMR (other than the 3,043,947 treasury shares) by way of a scheme of arrangement (the “**Scheme**”) proposed by the board of VMR pursuant to section 114 of the South African Companies Act, for a cash consideration of ZAR12.25 per share, representing 14.49% premium to VMR’s closing share price on the JSE on February 3, 2015 and a 45.68% premium to its 30-day volume weighted average price on the JSE on February 3, 2015, which was the last trading day prior to the signing date of the Implementation Agreement.

On March 24, 2015, our Company was established for the acquisition of VMR. The acquisition was fully funded by the Controlling Shareholders using its internal cash reserves. The Scheme was approved by the Competition Commission of South Africa on March 31, 2015 and by the then shareholders of VMR at a general meeting held on April 7, 2015. Pursuant to a letter from HSC to VMR Group dated May 11, 2015, VMR Group was nominated to exercise HSC’s rights and fulfill its obligations under the Scheme. As advised by Werksmans, the total consideration of approximately ZAR637.4 million was settled and the transaction was legally completed and settled in June 2015. As a result of the transaction, VMR became a subsidiary of the Company and ceased to be listed on the JSE since June 2, 2015.

The reasons for the delisting of VMR include, among others:

- *Opportunity for the then shareholders of VMR to realize their investments:* The then board of directors of VMR considered the offer price of ZAR12.25 to be a significant premium to its previous share prices, considering previous performance in the global and South African gold sector. The then board of directors believed that the acquisition was fully funded and offered VMR’s then shareholders an opportunity to realise the value of their shareholding in VMR.
- *Strong financial background of HSC:* HSC is a well-recognized comprehensive capital management group specializing in professional services and creating value via mergers and acquisitions. The then board of directors were of the view that HSC would provide strong financial support to VMR for its continuous development. In addition, the investment provided VMR with opportunities to access capital markets in Asia as a result of the prominence of HSC.

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## HISTORY AND CORPORATE STRUCTURE

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- *Consensus on development strategy of VMR:* HSC is committed to the spirit and intent of the MPRDA, and to sustain a culture of social investment in South Africa. The then board of directors of VMR supported HSC's strategy of developing an attractive business portfolio in South Africa and considered the acquisition of VMR an ideal investment in the South African market for HSC.
- *Realization of the underlying value:* despite the costs of the acquisition, we were of the view that the price of its shares had not been reflective of the perceived value of such securities due to low valuation and low trading liquidity of VMR's shares on JSE.

### Compliance Status on the JSE

Our Directors have confirmed that, to the best of their knowledge after making reasonable enquiries:

- (a) during the time it was listed on the JSE, VMR:
  - (i) was in compliance with all applicable South African securities law and regulations as well as the rules and regulations of the JSE in all material respects;
  - (ii) VMR was not subject to any material disciplinary action by regulators; and
- (b) there are no matters in relation to the JSE listing and the privatization of VMR that need to be brought to the attention of our Shareholders and our investors.

### Reasons for Listing on the Stock Exchange

After several years of development, our Directors and our Shareholders have decided to gain access to the capital markets in Asia. Our Directors consider the Stock Exchange an appropriate listing venue for our business and an opportunity to leverage the public equity market of Hong Kong to expand our business. When reaching the decision to list our mining business in Hong Kong, we took into account that:

- (i) our business has been significantly expanded since the privatization through further business development, in particular, the development of the Tau Lekoa Mine and the acquisition of the Kopanang Operations, supported by investments in our Company by HSC and the Pre-IPO Investments;
- (ii) as one of the world's leading financial centers, Hong Kong is a suitable platform to provide our South African assets with access to the Hong Kong and global capital markets. The Stock Exchange, as a leading player of the international financial market, serves as the ideal listing venue for us given its geographical proximity and business ties with Chinese investors and its strategic position as a bridge between

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## HISTORY AND CORPORATE STRUCTURE

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businesses operated across the world and the global capital markets. In addition, listing of our mining business on the Stock Exchange provides an unique investment opportunity for investors who may be interested to have exposure in the South African precious metal sector while relying on a strong shareholder background, such as HSC;

- (iii) the Shanghai and Shenzhen Stock Connect programme between mainland China and Hong Kong allows PRC investors, who are familiar with investment by Chinese companies in the mining industry of South Africa and have a deeper understanding of the great potential in such cooperation between Chinese and South African companies, to invest in us through such programme after the Listing; and
- (iv) the overall capital market conditions and investor sentiment have been significantly improved, leading to higher valuations for overseas mining companies invested in by Chinese companies. The Company believes that it is in the interests of all Shareholders to list the Shares on a well-recognized stock exchange which provides a platform for a fair valuation of the Company.

### ***Further Capital Injection into the Company***

To improve the conditions of the mines for further development, HSC, together with other limited partners, have provided several tranches of development capital to our Company through setting up Shanghai Yunfeng and Shanghai Lvhe from January 2016 to September 2016. Tibet Changji, which is wholly owned by HSC, is the general partner of Shanghai Yunfeng and Shanghai Lvhe respectively. In consideration of the total capital contribution of HK\$720.9 million, 7,209,144 Shares were issued and allotted to Sunshine HK, the immediate holding company of the investments made through Shanghai Yunfeng and Shanghai Lvhe.

### **Pre-IPO Investments**

Pursuant to a capital increase agreement dated May 20, 2018 entered into between Heaven-Sent Capital ZDH Fund L.P. and Sunshine HK and a capital increase agreement dated May 20, 2018 entered into between Sunshine HK and the Company, Heaven-Sent Capital ZDH Fund L.P. made a further capital injection of US\$14.3 million in our Company through Sunshine HK in 2018, which was fully funded by its limited partners. For details of the limited partners of Heaven-Sent Capital ZDH Fund L.P., see note (5) to the corporate and shareholding structure of the Group set out in the subsection headed “— Corporate Structure and Shareholders” in this section.

In May 2018, pursuant to a subscription agreement entered into among ZDH Husheng Fund L.P., Sunshine HK and the Company, ZDH Husheng Fund L.P. subscribed for 5.25% of the interest in the Company for US\$14.65 million, which was fully funded by Shanghai Yiyi, an independent third party to the Company that holds 100% of the interests of ZDH Husheng Fund L.P.

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## HISTORY AND CORPORATE STRUCTURE

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Upon completion of the above transactions, each of Sunshine HK and ZDH Husheng Fund L.P. holds 94.75% and 5.25% of our issued share capital, respectively. Upon Listing, the shareholding percentage of each of Sunshine HK and ZDH Husheng Fund L.P. in the Company will be 71.06% and 3.94%, respectively, assuming that the Over-allotment Option is not exercised.

The table below sets out the principal terms of the Pre-IPO Investments:

<b>Name of Investor</b>	<b>Heaven-Sent Capital ZDH Fund L.P.<sup>(1)</sup></b>	<b>ZDH Husheng Fund L.P.</b>
<b>Date of agreement . . . . .</b>	May 20, 2018	May 31, 2018
<b>Equity interests being subscribed . . . . .</b>	5.13% <sup>(1)</sup>	5.25%
<b>Total consideration . . . . .</b>	US\$14.3 million	US\$14.65 million
<b>Investment cost per share<sup>(2)</sup> . . . . .</b>	US\$34.68	US\$34.68
<b>Discount to the Offer Price<sup>(3)</sup> . . . . .</b>	41.0%	41.0%
<b>Closing date/payment date of the consideration . . . .</b>	May 24, 2018	July 12, 2018
<b>Basis of consideration . . . .</b>	The consideration was determined based on valuation of our Company at the time of the investments, being approximately US\$250 million, following arm's length negotiation.	
<b>Use of Proceeds from the Pre-IPO Investments . . . .</b>	The funds raised from the Pre-IPO Investments served as the general working capital of the Group and were utilized for the development and operation of business of our Group. As of the Latest Practicable Date, all the funds raised from the Pre-IPO Investments have been fully utilized.	
<b>Special Rights . . . . .</b>	The Pre-IPO Investors were not granted any special right.	

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## HISTORY AND CORPORATE STRUCTURE

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<u>Name of Investor</u>	<u>Heaven-Sent Capital ZDH Fund L.P.<sup>(1)</sup></u>	<u>ZDH Husheng Fund L.P.</u>
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<b>Lock-up</b> . . . . .	The Pre-IPO Investors are not subject to any contractual lock-up obligations pursuant to terms of the Pre-IPO Investments. However, as the Pre-IPO Investors are also Controlling Shareholders, they are subject to lock up obligations under Rule 10.08 of the Listing Rules.
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<b>Strategic benefits from the Pre-IPO Investments</b> . . .	We are of the view that our Company could benefit from the Pre-IPO Investors' investments in the Company and their investments demonstrated their confidence in our Group's operations and served as an endorsement of our Company's performance, strengths and prospects.
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*Notes:*

- (1) The investment was made by Heaven-Sent Capital ZDH Fund L.P. through Sunshine HK. Sunshine HK is therefore the beneficial owner of the relevant Pre-IPO Investment.
- (2) The investment cost per share was calculated based on dividing (a) total investment cost, by (b) the number of shares subscribed.
- (3) Assuming the Offer Price is HK\$15.30 per Share, being the mid-point of the indicative Offer Price range, and after the Share Subdivision.

### Public Float

Upon completion of the Global Offering, ZDH Husheng Fund L.P. and Heaven-Sent Capital ZDH Fund L.P. will continue to be our Controlling Shareholders and each of them will be considered a core connected person of our Company under the Listing Rules. Accordingly, the Shares held by ZDH Husheng Fund L.P. and Sunshine HK for the Pre-IPO Investments will not be considered as part of the public float.

### Information about the Pre-IPO Investors

#### *Heaven-Sent Capital ZDH Fund L.P.*

Heaven-Sent Capital ZDH Fund L.P. is an exempted limited partnership established in the Cayman Islands with the primary purpose of making investments or related activities. For the shareholding details of Heaven-Sent Capital ZDH Fund L.P., see note (5) to the corporate and shareholding structure of the Group set out in the subsection headed “— Corporate Structure and Shareholders” in this section.

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### ***ZDH Husheng Fund L.P.***

ZDH Husheng Fund L.P. is an exempted limited partnership established in the Cayman Islands with the primary purpose of making investments or related activities. For the shareholding details of ZDH Husheng Fund L.P., see note (6) to the corporate and shareholding structure of the Group set out in the subsection headed “— Corporate Structure and Shareholders” in this section.

### **Compliance with the Interim Guidance and Guidance Letters**

The Sole Sponsor has confirmed that the Pre-IPO Investments are in compliance with the Interim Guidance on Pre-IPO Investments (HKEX-GL29-12), the Guidance Letter on Pre-IPO Investments (HKEX-GL43-12) and the Guidance Letter on Pre-IPO Investments on Convertible Instruments (HKEX-GL44-12).

### **Acquisition of Kopanang Operations**

In 2017, AngloGold, a major gold mining company headquartered in Johannesburg, embarked on a bidding process as part of the restructuring of its South African mining operations, including the Kopanang Operations. To the best knowledge of our Directors, AngloGold and its close associates are independent third parties to the Company, the Controlling Shareholders and their close associates. In light of such opportunity, the Group as well as several other parties expressed interests in acquiring the Kopanang Operations.

The Company considered the purchase of the Kopanang Operations from AngloGold, thus its decision to participate in the bidding process, an appropriate opportunity for business expansion with the view that a bargained deal could be negotiated for due to the following reasons: (1) AngloGold was contemplating a closure of the Kopanang Operations in 2017 and initiated the bidding process to determine whether there existed an alternative to a closure, allowing the Kopanang Operations to continue and minimizing employment losses; (2) the entire asset of the Kopanang Operations had been recorded as impaired by AngloGold by the end of the 2017 financial year; and (3) time and deal certainty were of the essence for the transaction to ensure the survival of the Kopanang Operations and AngloGold wanted to minimize the disruption to the business, management, employees, customers and suppliers of the Kopanang Operations.

Given the aforesaid reasons, the Group took part in the bidding for the Kopanang Operations with a goal of putting together an offer package that would be more attractive to AngloGold than the packages put forward by the other bidders and would allow the Group to maximize its return on investment. The Group adopted a strategy of minimizing the cash consideration and offering other non-cash consideration that the Group considered to be valuable to AngloGold. Following such strategy, the Group offered a minimized cash

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## HISTORY AND CORPORATE STRUCTURE

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consideration for the acquisition of the Kopanang Operations, taking into account the fact that approximately ZAR100 million of restricted cash for environmental provisions and cash deposit for employee leave pay would be transferred to the Group after the acquisition of the Kopanang Operations.

In addition, the Group also offered to pay for the additional capital to be incurred by AngloGold during the period after the signing of the sales agreement and before operational takeover by the Group, which amounted to ZAR5.9 million being the actual amount of cash AngloGold spent on the Kopanang Operations.

Furthermore, to make the offer more appealing to AngloGold, the Group offered to transfer to AngloGold approximately 7 million tons of low-grade gold bearing rock dumps, which was of value to AngloGold for their surface operations as such rock dumps could be used to extend the feed materials into their close-by surface operations treatment plant. The offered rock dumps was of minimal value to the Group as they were not economical to be treated by the Group due to high costs of transporting the rock dumps from their location to the Group's own treatment plant.

To the best knowledge of the Directors, the Company was not the bidder with the highest offer price. The Company was selected to be the buyer of the Kopanang Operations by AngloGold after its evaluation of the proposals submitted by all potential buyers involved in the bidding process against their key considerations, including: (1) experience and capability of the buyer's management team; (2) the buyer's track record of mining similar assets; (3) demonstration of a viable business plan for sustainable operations at the Kopanang Operations; (4) the buyer's ability to retain a large part of the work force which would otherwise be retrenched; (5) access to capital for development of the assets; and (6) provision of gold bearing rock dumps which would extend AngloGold's surface operations.

In October 2017, Kopanang Pty was established for the acquisition of the Kopanang Operations and a sale agreement was entered into between AngloGold and us, pursuant to which we purchased from AngloGold the Kopanang Operations for a consideration of ZAR105.9 million in cash and the transfer of approximately 7 million tons of gold bearing rock dumps of minimal value from VMR to AngloGold.

Based on the confirmation from the Company that the cash consideration for the acquisition of the Kopanang Operations was settled using the cash reserves of VMR and no money was remitted from the PRC for this acquisition, our PRC Legal Adviser is of the view that this acquisition does not violate PRC laws and no approvals, permits or filings regarding foreign investment is required for this acquisition. As advised by Werksmans, our South African legal adviser, the acquisition was legally completed and settled in February 2018.

For details of the pre-acquisition financial information of Kopanang Operations, see "Appendix I — Accountants' Report — III. Supplementary Pre-Acquisition Financial Information of the Kopanang Mining Business."



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### Disposal of Lesego

Lesego became our 78.37% owned indirect subsidiary following our acquisition of VMR in 2015, and was primarily engaged in operations of platinum group metals (“**PGM**”) mine. At the time of the acquisition, the Company did not have a specific development plan for Lesego. As Lesego was a greenfield mine which was still at its early stage of mine prospecting, our Company believes that substantial costs for construction and development of the platinum mine of Lesego would be required to turn it into production. Given the aforesaid and to focus on our core business of gold mining, the Company decided to dispose of Lesego to HSC, which was interested in investing in the PGM sector in South Africa and was considered as an appropriate buyer of Lesego by the Company.

IDC, an independent third party wholly owned by the South African government, was then the other shareholder owning the rest of the 21.63% of the total issued share capital of Lesego. In order to ensure IDC’s clean exit before HSC acquired 100% control of Lesego and to avoid unnecessary negotiation uncertainties, HSC demanded the transaction to be implemented in two steps, namely (1) acquisition of the equity interests in Lesego held by IDC via the Group; and (2) acquisition of the entire equity interests in Lesego by HSC from the Group. In 2018, VMR 04 purchased all the ordinary shares held or beneficially owned by IDC in Lesego for ZAR148.7 million in cash negotiated based on an arm’s length basis (the “**IDC Transaction**”). The Group had considered several factors when engaging in arm’s length commercial negotiation and in determining the transaction value for the IDC Transaction, including the valuation of Lesego in IDC’s acquisition of equity interests in Lesego in 2010 (the “**2010 Transaction**”), a cash injection of approximately ZAR24 million in Lesego by its shareholders where ZAR6.7 million was contributed by IDC, and if the identified buyer of Lesego, namely HSC, accepts the same valuation for its acquisition of Lesego. Subsequent to the IDC Transaction, Lesego was disposed to an indirect subsidiary of HSC for a consideration of ZAR707.6 million (the “**Disposal**”). The consideration for the Disposal was determined based on the USD-denominated implied valuation of Lesego in the IDC Transaction. HSC considered Lesego’s implied valuation in the IDC Transaction reasonable and agreed to adopt the same valuation in the Disposal as (i) HSC was interested in investing in the PGM sector in South Africa and the contemplated disposal of Lesego provided it with a good opportunity for such investment given its familiarity with the target; and (ii) there was no substantial change in the operations of Lesego between the IDC Transaction and the Disposal. The disposal was legally settled and completed in December 2018. Upon completion of the disposal, our Company ceased to hold any interest in Lesego.

Notwithstanding that Lesego was still in the prospecting phase and had not engaged in any material business activities at the time of the disposal, a feasibility study and initial exploration had been conducted in the PGM mine of Lesego, which resulted in a declaration of resources. Before the disposal, an application for conversion of the prospecting right to a mining right was submitted by Lesego to DMRE and was approved. A mining right was granted to Lesego by DMRE on September 27, 2018 for a mining area of 6,158.8 ha with the expiration date of September 26, 2048. Lesego is a large scale early-stage project which will require significant capital expenditure for development. Because the Company’s capital expenditure

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plans focus on the development of its gold assets, the Company believes it was appropriate to dispose of Lesego rather than keeping it as a part of its asset portfolio. In addition, the disposal of Lesego will enable the Company to streamline its corporate structure and focus on the core business of gold mining. HSC was considered an appropriate buyer of Lesego given its familiarity with the target, its experience in investing in South Africa gained from its acquisition of VMR, as well as its capital strength to further develop the asset.

### **Introduction of Our BBBEE Partners**

BBBEE is a form of economic empowerment initiated by the South African government with the objective of increasing the participation of HDSAs in the economy and promoting black economic empowerment. In the mining industry, BBBEE is given effect to through the 2018 Mining Charter. See “Regulatory Overview — Relevant South African Laws and Regulations — Mining Charter”, and “Regulatory Overview — Relevant South African Laws and Regulations — Laws and Regulations relating to the BBBEE Act and the Codes” for details. The Group entered into a number of transactions with various BBBEE partners, pursuant to which our BBBEE partners acquired a certain percentage of the equity interest in our mining project companies.

The 2010 Mining Charter requires a mining company in South Africa to have at least 26% of its equity owned by HDSAs. To meet this BBBEE equity ownership requirement, we have consummated the following empowerment transactions. As advised by Werksmans, the Group is compliant with the applicable BBBEE equity ownership requirements of the 2018 Mining Charter as a result of such transactions.

As a result of the BBBEE transactions described below, the BBBEE partners are entitled to dividends and assets in proportionate to their respective shareholding in Kopanang Pty and VMR. However, the economic effect of the relevant arrangements is that a substantial portion of the benefits from Kopanang Pty and VMR would accrue to the Group not the BBBEE partners until the date on which the financing provided by the Group to such BBBEE partners for the shares held by them in Kopanang Pty and VMR is fully repaid.

The BBBEE partners entered into the BBBEE transactions to share the residual value of our mining operations of Kopanang Pty and/or VMR at essentially zero cost with no downside risk while sharing the potential upside of the future operations of Kopanang Pty and/or VMR. More specifically, the BBBEE partners would share the future profits generated from operations of Kopanang Pty and/or VMR after repayment of its preference share funding. On the other hand, the BBBEE partners may return its shares to Kopanang Pty and/or VMR as full settlement of their vendor-financed loan.

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### *Introduction of BBBEE Shareholder into Kopanang Pty*

For the purpose of introducing BBBEE shareholders into Kopanang Pty to comply with the BBBEE ownership requirements, the following steps were taken:

#### *Step 1: Declaration of VMR Group Dividend*

On December 20, 2018, Kopanang Pty declared a dividend in the amount of ZAR114,638,393 to VMR Group as its then sole shareholder. The dividend payable by Kopanang Pty to VMR Group was not paid in cash, but recorded as a loan owing to VMR Group (“**VMR Group Loan**”).

#### *Step 2: Kopanang SPV and Kopanang Pty Subscription Agreement*

K2018589229 (South Africa) Proprietary Limited (“**Kopanang SPV**”) and Kopanang Pty entered into a subscription agreement (the “**Step 2 Agreement**”) immediately following the implementation of step 1 on December 20, 2018, pursuant to which Kopanang SPV subscribed for, and Kopanang Pty allotted and issued to Kopanang SPV, 260 shares of Kopanang Pty in consideration of a subscription price of ZAR114,638,393, which was recorded as a loan owed by Kopanang SPV to Kopanang Pty (“**Kopanang SPV Loan**”). Immediately after the implementation of the Step 2 Agreement, Kopanang Pty was held by VMR Group and Kopanang SPV as to 74% and 26% of its total issued share capital, respectively.

#### *Step 3: Kopanang SPV and VMR Group Preference Share Subscription*

VMR Group and Kopanang SPV entered into a preference shares subscription agreement (the “**Step 3 Agreement**”) on December 20, 2018, pursuant to which VMR Group subscribed for, and Kopanang SPV allotted and issued to VMR Group, 114,638,393 cumulative redeemable preference shares of Kopanang SPV for an aggregate subscription price of ZAR114,638,393, which was settled by VMR Group through ceding all its rights in respect of the VMR Group Loan to Kopanang SPV. Kopanang Pty was therefore indebted to Kopanang SPV in the amount of ZAR114,638,393 in respect of the VMR Group Loan (“**SPV Loan**”).

A shareholders’ agreement in respect of Kopanang SPV dated December 20, 2018 was entered into between (i) a group of HDSA entities and individuals as shareholders of ordinary shares, namely Landmark Resources Proprietary Limited (“**Landmark Resources**”), Mr. Raisaka Ronald Masebe and Mr. Anthony James Nieuwenhuys, (ii) VMR Group as shareholder of preference shares, and (iii) Kopanang SPV, pursuant to which (i) Landmark Resources holds the ordinary shares of Kopanang SPV to be allotted to a trust to be created for the benefit of the employees of Kopanang (“**Kopanang ESOP**”) upon its establishment in trust for the benefit of the Kopanang ESOP, and (ii) upon the establishment of Kopanang ESOP, Kopanang SPV will be owned by (i) Landmark Resources, (ii) Kopanang ESOP, (iii) Mr. Raisaka Ronald Masebe and (iv) Mr. Anthony James Nieuwenhuys as to 23%, 31%, 23% and 23%, respectively. The ultimate beneficial owners of the shares of Landmark Resources are Mr. Lulamile Lincoln Xate’s family members, who hold the majority shares of Landmark Resources through Xate

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Family Trust. Each of Mr. Raisaka Ronald Masebe and Mr. Anthony James Nieuwenhuys is currently a director of Kopanang Pty. As of the Latest Practicable Date, the Kopanang ESOP has been established while the transfer of the ordinary shares of Kopanang SPV from Landmark Resources to Kopanang ESOP has not yet been completed.

As security for Kopanang SPV's obligations to VMR Group under Step 3 Agreement, a call option agreement dated December 20, 2018 was entered into between Kopanang SPV and VMR Group, in terms of which, among other things, Kopanang SPV granted VMR Group a call option to repurchase all and any shares held or beneficially owned by Kopanang SPV in Kopanang Pty. The exercise of the call option, in effect, will trigger an early and compulsory redemption of the preference shares. The amount owing by Kopanang SPV to VMR Group in respect of the redemption of the preference shares would be set off against the amount owing by VMR Group to Kopanang SPV in respect of the purchase of the Kopanang Pty shares pursuant to the exercise of the call option. This would result in a full discharge of the obligations owing by each of these parties to the other under these arrangements. The subscription for preference shares of Kopanang SPV by our Group is an integrated part of our BBBEE empowerment transaction which, on one hand, enables the abovementioned HDSA entities and individuals to finance their acquisitions of an equity interest in Kopanang Pty, and on the other hand, enables the Company to realize return as a holder of the preference shares of Kopanang SPV.

### *Step 4: Kopanang SPV Loan and SPV Loan Set-off*

After the implementation of steps 1, 2 and 3, the amount owed by Kopanang SPV to Kopanang Pty under the Kopanang SPV Loan was ZAR114,638,393, and the amount owed by Kopanang Pty to Kopanang SPV under the SPV Loan was ZAR114,638,393. Immediately following the implementation of steps 1 to 3, the amount owed by Kopanang SPV to Kopanang Pty in terms of the Kopanang SPV Loan was set off against the amount owed by Kopanang Pty to Kopanang SPV in terms of the SPV Loan. Pursuant to such set-off, the amounts owed in respect of both the Kopanang SPV Loan and the SPV Loan were discharged in full.

As advised by Werksmans, the transaction was legally completed and settled with effect from December 31, 2018.

In order to regulate the relationship between shareholders of Kopanang Pty, a shareholders' agreement was entered into between Kopanang SPV, VMR Group and Kopanang Pty on December 20, 2018, pursuant to which VMR Group was granted certain rights, including board and chairperson appointment rights, pre-emptive right and the right to restrict a disposal by Kopanang SPV of its interest in Kopanang Pty.

The Company considers the structure of the BBBEE preference share arrangements where the shares in the mining entities are held by the BBBEE partners through a special vehicle to be more commercially efficient than a structure where the shares are held directly in the name of the BBBEE partners with their subscription obligations financed by the Group and recorded as loans. The preference share structure would be more tax efficient than a simple subscription

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for ordinary shares by the BBBEE shareholders and their subscription obligations funded by a corresponding loan owing by the BBBEE shareholder to the relevant company because there would be annual tax leakage for the Group as the interest accrued on the vendor financed loan would be subject to income tax charged to the relevant company which advanced a loan to the BBBEE shareholder to finance their subscription for ordinary shares in the Group. The preference shares are generally considered to be equity in nature under the South African tax laws and any dividends paid on the preference shares by a South African tax resident company, such as the Kopanang SPV, to another South African tax resident company, such as the VMR Group, would in the ordinary course be exempted from income tax and dividends tax. Further, by housing the individual BBBEE partners in a special purpose vehicle, it is easier to increase the shareholding of or exit one or more of the BBBEE partners from the special purpose vehicle without disturbing the overall BBBEE rating of any of the empowered entities in the Group or causing the parties to renegotiate and/or re-sign new agreements at the company level.

### *Introduction of BBBEE Shareholder into VMR*

In order to fulfill the BBBEE equity ownership requirement, Landmark Resources was introduced as a BBBEE shareholder into VMR in 2016. Pursuant to the subscription and loan agreement entered into between Landmark Resources and VMR on July 29, 2016 (the “**Landmark Subscription Agreement**”), as amended by first addendum dated February 13, 2017 and a rectification agreement entered into by Landmark Resources, VMR and VMR Group dated May 8, 2017 (the “**Rectification Agreement**”), Landmark Resources subscribed for 26% of the issued ordinary shares of VMR for a consideration of approximately ZAR172 million. The consideration was determined based on arm’s length basis. The consideration payable by Landmark Resources to VMR remains outstanding and is accounted for as a loan owed by Landmark Resources to VMR (the “**Landmark Resources Loan**”). Interest accrued is payable by Landmark Resources in respect of the outstanding balance of the Landmark Resources Loan, calculated based on the prime rate quoted by The Standard Bank of South Africa Bank Limited. Landmark Resources is required to use the full amount of any distributions made by VMR to Landmark Resources and any proceeds upon a sale of the VMR shares to settle the outstanding Landmark Resources Loan.

After the implementation of Kopanang BBBEE empowerment transaction, the Company and the BBBEE shareholders decided to restructure the BBBEE shareholding structure in VMR as the Company considers the preference share structure adopted by Kopanang Pty to be more commercially efficient and believes that it is in line with the customary practice as an alternative to full payment of the subscription consideration by the BBBEE shareholders, which would also lead to a unified overall BBBEE shareholding structure within the Group.

### *Step 1: VMR SPV and VMR Group Preference Share Subscription*

VMR Group and Village Main Reef Empowerment Company Proprietary Limited (“**VMR SPV**”) entered into a preference shares subscription agreement on March 12, 2019, pursuant to which VMR Group subscribed for, and VMR SPV allotted and issued to VMR Group,

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228,364,324,260 cumulative redeemable preference shares of VMR SPV, in consideration of the cession and assignment from VMR Group to VMR SPV of a portion of a loan owed by VMR to VMR Group in the amount of ZAR228,364,324.26 (“**VMR SPV Loan**”).

As security for VMR SPV’s obligations to VMR Group under the preference shares subscription agreement, a call option agreement dated March 12, 2019 was entered into between VMR SPV and VMR Group, whereby, VMR SPV granted VMR Group a call option to repurchase all and any shares held or beneficially owned by VMR SPV in VMR. The exercise of the call option, in effect, will effect an early and compulsory redemption of the preference shares. The amount owing by VMR SPV to VMR Group in respect of the redemption of the preference shares would be set off against the amount owing by VMR Group to VMR SPV in respect of the purchase of the VMR shares pursuant to the exercise of the call option. This would result in a full discharge of the obligations owing by each of these parties to the other under these arrangements.

A shareholders’ agreement in respect of VMR SPV dated March 8, 2019 was entered into between (i) a group of HDSA entities and individuals as shareholders of ordinary shares, namely Landmark Resources and Farlight Proprietary Limited, (ii) VMR Group as shareholder of preference shares and (iii) VMR SPV, pursuant to which (i) Farlight Proprietary Limited holds the ordinary shares of VMR SPV to be allotted to a trust to be created for the benefit of the employees of VMR (“**VMR ESOP**”) upon its establishment in trust for the benefit of the VMR ESOP, and (ii) upon the establishment of VMR ESOP, VMR SPV will be owned by (i) Landmark Resources, (ii) VMR ESOP and (iii) Farlight Proprietary Limited as to 38.08%, 30.77% and 31.15%, respectively. The ultimate beneficial owners of the shares of Landmark Resources are Mr. Lulamile Lincoln Xate’s family members, who hold the majority shares of Landmark Resources through Xate Family Trust, and the ultimate beneficial owners of the shares of Farlight Proprietary Limited are 18 HDSA individuals who are not connected to the Company or its shareholders or to VMR or any of its shareholders. As of the Latest Practicable Date, the VMR ESOP is still in the process of establishment.

### *Step 2: Landmark Resources and VMR SPV Share Purchase Agreement*

VMR SPV, Landmark Resources and VMR entered into a share purchase agreement on March 12, 2019, pursuant to which Landmark Resources transferred to VMR SPV the 26% of the total issued ordinary shares of VMR held by Landmark Resources in consideration of the purchase price of ZAR26 and VMR SPV assuming Landmark Resources’ obligations to repay the Landmark Resources Loan. The Landmark Resources Loan will be repaid by VMR SPV by way of a set-off against the VMR SPV Loan.

### *Step 3: VMR SPV Loan and Landmark Resources Loan set-off*

After the implementation of steps 1 and 2, the amount owed by VMR to VMR SPV pursuant to VMR SPV Loan shall be ZAR228,364,324.26, and the amount owed by VMR SPV to VMR pursuant to the Landmark Resources Loan shall be ZAR228,364,324.26. Immediately following the implementation of steps 1 to 3, the amount owed by VMR SPV to VMR under



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the Landmark Resources Loan is set off against the amount owed by VMR to VMR SPV under the VMR SPV Loan. Pursuant to such set-off, the amounts owed in respect of both the Landmark Resources Loan and VMR SPV Loan shall be discharged in full.

In order to regulate the relationship between shareholders of VMR, a shareholders' agreement was entered into between VMR SPV, VMR Group and VMR on March 12, 2019, pursuant to which VMR Group was granted certain rights, including board and chairperson appointment rights, pre-emptive rights and the right to restrict a disposal by VMR SPV of its interest in VMR.

As advised by Werksmans, the transactions described herein have been legally completed and settled.

As part of the BBBEE empowerment transactions, VMR has entered into consulting services agreements with Landmark Resources and RR Masebelanga Legal and Management Consultants CC ("**RR**"), respectively. The consulting services agreement between VMR and Landmark Resources was entered into on July 28, 2016, as amended by first addendum dated March 12, 2019 (together, the "**Landmark Resources Consulting Services Agreement**"), whereby VMR shall pay to Landmark Resources a monthly consulting fee for providing services to assist with VMR's compliance with BBBEE requirements. The consultancy agreement between VMR and RR was entered into on May 24, 2018, as amended by first addendum dated February 28, 2019 (together, the "**RR Consultancy Agreement**"), pursuant to which RR is appointed to provide legal, regulatory and general advice to VMR. The transactions under the Landmark Resources Consulting Services Agreement and RR Consultancy Agreement constitute continuing connected transactions of the Group at the subsidiary level. For details, please see "Connected Transactions — Fully-Exempt Continuing Connected Transactions."

### *Introduction of BBBEE Shareholder into Nicolor*

In order to facilitate the application by Nicolor to the South African Diamond and Precious Metals Regulator for a refining licence pursuant to section 7(1)(a) of the PMA, the Company entered into the following BBBEE related transactions in respect of Nicolor which shall be regarded as one indivisible transaction.

### *Subscription for Preference Shares in Nicolor SPV by VMR Group*

VMR Group and Nicolor Empowerment Company Proprietary Limited ("**Nicolor SPV**") entered into a preference share subscription agreement on August 23, 2019, pursuant to which VMR Group agreed to subscribe for, and Nicolor SPV agreed to allot and issue to VMR Group, 75 million preference shares of Nicolor SPV for an aggregate amount of ZAR75 million, which shall be recorded as a loan owed by VMR Group to Nicolor SPV (the "**Nicolor SPV Preference Shares Loan**").

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As security for Nicolor SPV's obligations to VMR Group under the preference share subscription agreement, a call option agreement dated August 22, 2019 was entered into between Nicolor SPV and VMR Group, pursuant to which Nicolor SPV agreed to grant VMR Group a call option to require the sale by Nicolor SPV to VMR Group or its nominees of all and any shares of VMR Processing Company (Pty) Ltd ("**Plant SPV**") which are held by or on behalf of the Nicolor SPV. The exercise of the call option, in effect, will effect an early and compulsory redemption of the preference shares. Unless otherwise agreed in writing, the amount owed by Nicolor SPV to VMR Group in respect of the redemption of the preference shares would be set off against the amount owed by VMR Group to Nicolor SPV in respect of the purchase of Plant SPV shares pursuant to the exercise of the call option.

A subscription and shareholders agreement in respect of Nicolor SPV dated August 22, 2019 was entered into between (i) a group of HDSA entities and individuals as shareholders of ordinary shares, namely Landmark Resources and Mr. Anthony James Nieuwenhuys, (ii) VMR Group as shareholder of preference shares, and (iii) Nicolor SPV, pursuant to which (i) Mr. Anthony James Nieuwenhuys will hold the ordinary shares of Nicolor SPV to be allotted to a trust to be created for the benefit of the employees of Plant SPV and its subsidiaries ("**Nicolor ESOP**") upon its establishment in trust for the benefit of the Nicolor ESOP, and (ii) upon the establishment of Nicolor ESOP, Nicolor SPV will be owned by (a) Landmark Resources, (b) Nicolor ESOP and (c) Mr. Anthony James Nieuwenhuys as to 40%, 20% and 40% of its issued ordinary shares, respectively, and (d) VMR Group as to 100% of its issued preference shares. As of the Latest Practicable Date, the Nicolor ESOP is still in the process of establishment.

### *Subscription for Shares in Plant SPV by Nicolor SPV and VMR Group*

Plant SPV, VMR Group and Nicolor SPV entered into a subscription and loan agreement on August 23, 2019 (the "**Plant SPV Shares Subscription Agreement**"), pursuant to which (i) Nicolor SPV agreed to subscribe for 250 ordinary shares of Plant SPV for an aggregate amount of ZAR75 million, which shall be recorded as a loan owed by Nicolor SPV to Plant SPV (the "**Nicolor SPV Loan**"); and (ii) VMR Group agreed to subscribe for 500 ordinary shares of Plant SPV for an aggregate amount of ZAR210 million, which shall be recorded as a loan owed by VMR Group to Plant SPV (the "**VMRG Loan**").

A subscription and shareholders agreement in respect of Plant SPV dated August 22, 2019 was entered into between the VMR Group, Nicolor SPV, Mr. Anthony James Nieuwenhuys and Plant SPV, pursuant to which, (i) Mr. Anthony James Nieuwenhuys will hold the ordinary shares of Plant SPV to be allotted to the Nicolor ESOP upon its establishment in trust for the benefit of the Nicolor ESOP, (ii) immediately following the implementation of the Plant SPV Shares Subscription Agreement and upon the establishment of Nicolor ESOP, Plant SPV will be owned by (a) VMR Group, (b) Nicolor ESOP and (c) Nicolor SPV as to 70%, 5% and 25%, respectively, and (iii) VMR Group was granted certain rights, including board and chairperson appointment rights, pre-emptive rights and the right to restrict a disposal by Nicolor SPV of its interest in Plant SPV.



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## HISTORY AND CORPORATE STRUCTURE

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### *Sale and Transfer of Nicolor Shares from VMR03 to Plant SPV*

Plant SPV, VMR03, VMR and VMR Group entered into a share purchase agreement on August 23, 2019, pursuant to which VMR03 agreed to sell and transfer all issued shares of Nicolor to Plant SPV for an amount of ZAR300 million, which shall be recorded as a loan owed by Plant SPV to VMR03 (the “**Purchaser Loan Claim**”).

In anticipation of VMR03’s deregistration or liquidation, VMR03 agreed to assign and distribute the Purchaser Loan Claim to VMR as a distribution in species as contemplated under applicable South African laws. Immediately thereafter, VMR shall cede and assign the Purchaser Loan Claim to VMR Group, which shall (a) constitute the advancing of a loan from VMR to VMR Group; and (b) result in VMR Group having a claim against Plant SPV for ZAR300 million.

Subsequently, VMR Group shall cede and assign a portion of the Purchaser Loan Claim in an amount of ZAR75 million (the “**Transferred Loan Claim**”) to Nicolor SPV, and Nicolor SPV shall accept the Transferred Loan Claim in discharge of VMR Group’s obligation to pay the considerations for the preference share subscription in Nicolor SPV which was recorded as the Nicolor SPV Preference Shares Loan.

### *Nicolor SPV Loan and Transferred Loan Claim Set-off*

After the implementation of the above transactions, (i) the amount owing by Nicolor SPV to Plant SPV pursuant to the Nicolor SPV Loan shall be ZAR75 million; and (ii) the amount owing by Plant SPV to Nicolor SPV pursuant to the Transferred Loan Claim shall be ZAR75 million. Immediately following the implementation of the above transactions, the amount owing by Nicolor SPV to Plant SPV in terms of the Nicolor SPV Loan shall be set off against the amount owing by Plant SPV to Nicolor SPV in terms of the Transferred Loan Claim. Pursuant to such set-off, the amounts owed in respect of both the Nicolor SPV Loan and the Transferred Loan Claim shall be discharged in full.

### *VMRG Loan and Reduced Purchaser Loan Claim Set-off*

After the implementation of the above transactions, (i) the amount owing by VMR Group to Plant SPV pursuant to the VMRG Loan shall be ZAR210 million; and (ii) the amount owing by Plant SPV to VMR Group pursuant to the remainder of the Purchaser Loan Claim following its deduction as a result of the cession and assignment by VMR Group to Nicolor SPV of the Transferred Loan Claim (the “**Reduced Purchase Loan Claim**”) shall be ZAR225 million. Immediately following the implementation of the above transactions, the VMRG Loan shall be extinguished by way of a set-off against the face value of the amount owing by Plant SPV to VMR Group under the reduced Purchaser Loan Claim, on a Rand-for-Rand basis, pursuant to which (i) the Reduced Purchaser Loan Claim shall be reduced to an amount of ZAR15 million; and (ii) the VMRG Loan shall be discharged in full.

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## HISTORY AND CORPORATE STRUCTURE

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As of the Latest Practicable Date, the transactions described herein have not been fully completed as certain conditions precedent to the respective transaction agreements have not been fulfilled. The Company expects that the transactions will be completed and settled before the Listing Date.

As advised by Werksmans, no special rights were granted to the BBBEE shareholders of Kopanang Pty, VMR or Nicolor at the Company level.

### **BBBEE TRANSACTIONS FROM LEGAL PERSPECTIVE**

As described above, the BBBEE transactions in respect of Kopanang Pty and VMR have been legally completed and settled. As a result, from the legal perspective, each of Kopanang Pty and VMR is currently owned by the Company as to 74% and their respective BBBEE partners as to 26%.

As the BBBEE partners did not have enough funds to finance their acquisition of an equity interest in Kopanang Pty and VMR, the BBBEE partners were financed by the Group for their subscription of shares in Kopanang Pty and VMR. Pursuant to the relevant agreements entered into between the Group and the BBBEE partners, the BBBEE partners are required to settle such Subscription Financing by utilising 100% of the dividends paid to the BBBEE partners by Kopanang Pty and VMR and any proceeds from their sale of shares held in Kopanang Pty and VMR.

This agreement was agreed to by the BBBEE partners and remains in place until such time as the Subscription Financing is fully settled. All other shareholder rights remain in place and are unaffected.

### **BBBEE TRANSACTIONS FROM ACCOUNTING PERSPECTIVE**

As a result of the application of IFRS 2, while legally 26% of equity interest in Kopanang Pty and VMR are held by their BBBEE partners respectively, such interests have been accounted for as in-substance options, as the BBBEE partners will only share in the upside, and not the downside of such equity interests.

Based on the descriptions above, economically all benefits the BBBEE partners might obtain from Kopanang Pty and VMR would accrue to the Group as they are subject to repayment obligation in terms of which 100% of any dividends to be paid to them by Kopanang Pty and VMR and any proceeds from their future sale of shares held in Kopanang Pty and VMR are required to be used to repay the Subscription Financing. Since the completion of the BBBEE transactions in respect of Kopanang Pty and VMR and as of the Latest Practicable Date, no dividend has been paid to the relevant BBBEE partners by Kopanang Pty and VMR. Until such time that the Subscription Financing is fully repaid, there is no impact on the accounting for the Group. 100% of the dividends received by the BBBEE partners will be utilised in order to repay the Subscription Financing. The dividend income is effectively accounted for at a VMR Group level and eliminated on consolidation. Following the repayment

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## HISTORY AND CORPORATE STRUCTURE

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of the Subscription Financing, the dividend is accounted for as a dividend paid which would first reduce the equity-settled share-based payment reserve which is categorized in the Statement of Changes in Equity, and thereafter, it would be a normal dividend payable from retained earnings.

For accounting purpose, a non-controlling interest in Kopanang Pty and VMR will only be recognized on the date when the Subscription Financing is fully repaid, and thus such date is the exercise date of the deemed in-substance options. It is noted that while a non-controlling interest held by the BBBEE partners in Kopanang Pty and VMR will be recognized on the date the Subscription Financing is fully repaid, the Company will continue to own a controlling interest in Kopanang Pty and VMR on such date, and thus Kopanang Pty and VMR will remain as consolidated subsidiaries of the Company.

For the purpose of Accountants' Report, the Reporting Accountants are engaged to express an opinion on the Historical Financial Information of the Group in accordance with HKSIR 200 "Accountants' Report opinion on Historical Financial Information in Investment Circular" issued by the Hong Kong Institution of Certified Public Accountants and the Reporting Accountants have reported that the Historical Financial Information of the Group, for the purpose of the Accountants' Report, gives a true and fair view of the financial position of the Group and the Company as at December 31, 2016, 2017 and 2018 and six months ended June 30, 2019, and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information in Accountants' Report as set out in Appendix I in this prospectus.

As part of the audit of the Group's historical financial information, the Reporting Accountants have performed audit procedures in accordance with the International Standards on Auditing for the BBBEE arrangement. Further details of the opinion of the Reporting Accountants are set out on pages I-1 to I-3 of the Prospectus.

These BBBEE empowerment transactions will or intend to expand opportunities for HDSAs to benefit from the exploitation of the country's mineral resources, by promoting broad-based ownership, employment, and the advancement of social and economic welfare generally.

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## HISTORY AND CORPORATE STRUCTURE

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### OUR SUBSIDIARIES

The principal business activities, place of incorporation, date of establishment and date of commencement of business of the operating subsidiaries of our Group are shown below:

<b>No.</b>	<b>Name of subsidiaries</b>	<b>Place of Incorporation</b>	<b>Date of establishment and commencement of business</b>	<b>Principal activities</b>
1.	VMR Group	South Africa	March 24, 2015	Investment holding
2.	Kopanang Pty	South Africa	October 6, 2017	Operations of gold mine and gold plant
3.	Simmer and Jack	South Africa	March 5, 1981	Investment holding
4.	Buffelsfontein Pty	South Africa	September 20, 1995	Process and deal in minerals
5.	Nicolor	South Africa	July 26, 2012	Operations of gold plant
6.	VMR 01	South Africa	November 17, 2011	Investment holding
7.	Tau Lekoa Pty	South Africa	November 17, 2011	Operations of gold mine
8.	VMR	South Africa	June 25, 1934	Investment holding
9.	Village Main Reef Gold Mining Company Nature Conservation Trust	South Africa	January 19, 1993	Rehabilitation trust
10.	Buffelsfontein Rehabilitation Trust	South Africa	November 7, 2006	Rehabilitation trust
11.	Tau Lekoa Rehabilitation Trust	South Africa	July 10, 2012	Testamentary trust
12.	Temotuo Rehabilitation Company NPC	South Africa	November 14, 2000	Rehabilitation related activities
13.	Plant SPV	South Africa	June 28, 2019	Investment holding

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## HISTORY AND CORPORATE STRUCTURE

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As of the Latest Practicable Date, except for the subsidiaries set out above, VMR 03, a subsidiary of our Group, is anticipated to be deregistered or liquidated after completion of the sale and transfer of its shares in Nicolor to Plant SPV. Four dormant companies that are currently subsidiaries of our Group, namely VMR 04, Village Main Reef Gold Investments 05 Proprietary Limited, Village Main Reef Gold Investments 06 Proprietary Limited and VMR Shared Services Proprietary Limited, are in the process of deregistration. These dormant companies became part of our Group as a result of the acquisition of VMR in 2015 and currently do not carry out any business activities.

As advised by Werksmans, there are no special rights reserved to any of the shareholders in the subsidiaries of the Group under the respective shareholders' agreements or memoranda of incorporation.

### SHARE SUBDIVISION

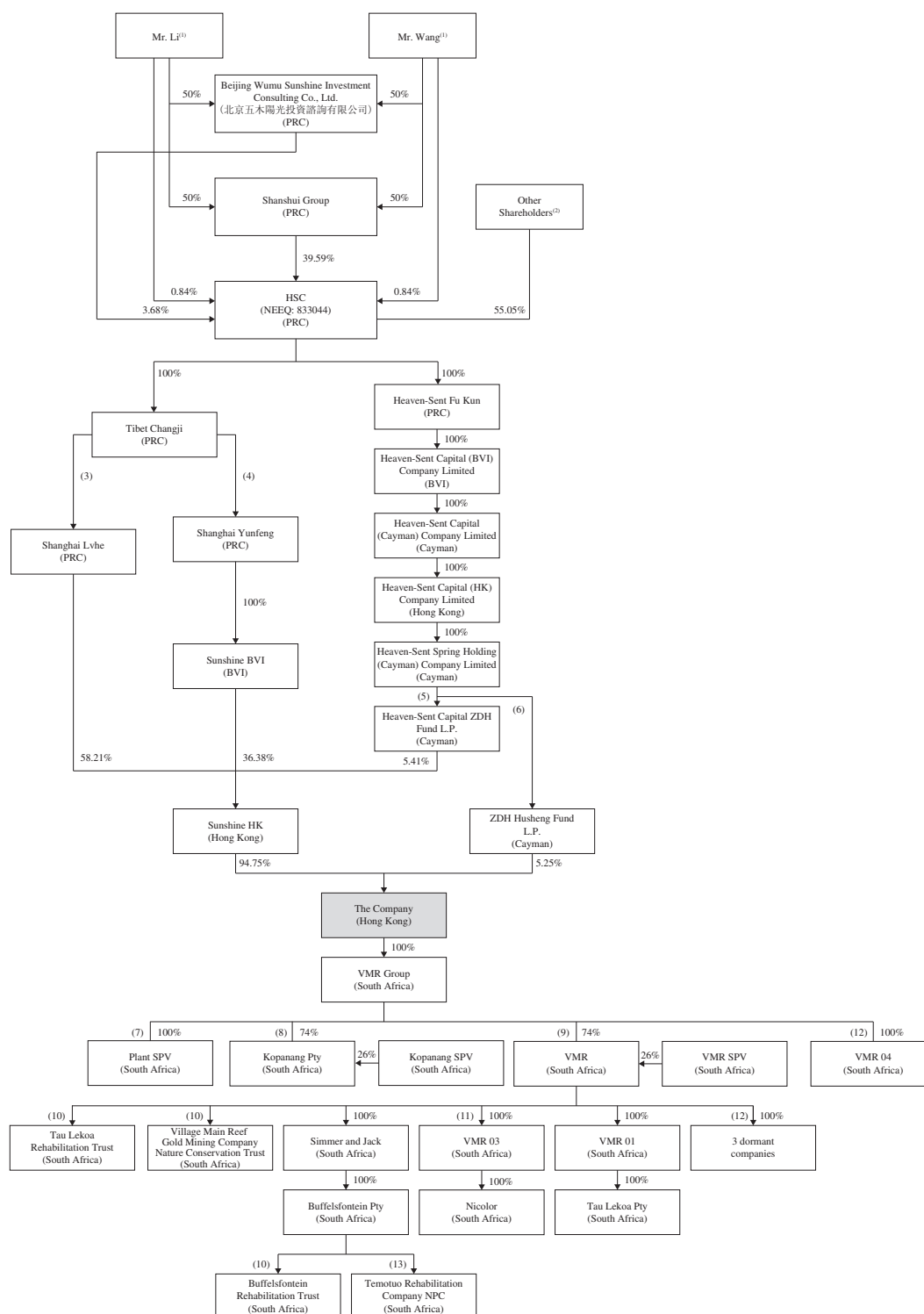
By a written resolution of our Shareholders dated March 12, 2019, the Share Subdivision was approved and each of the 8,043,964 Shares then in issue was subdivided into 30 Shares. Immediately following the Share Subdivision, the total number of issued Shares became 241,318,920 Shares.

# HISTORY AND CORPORATE STRUCTURE

## CORPORATE STRUCTURE AND SHAREHOLDERS

### Corporate and Shareholding Structure

The following chart sets out our simplified corporate structure as of the Latest Practicable Date:



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## HISTORY AND CORPORATE STRUCTURE

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*Notes:*

- (1) Pursuant to the Agreement of Acting-in-concert, Mr. Li and Mr. Wang have agreed to act in concert in all major decisions of HSC. For details, see “– HSC and Parties Acting in Concert” in this section.
- (2) As of October 31, 2019, there were 13 other public shareholders holding less than 5% but more than 1% in HSC.
- (3) The general partner of Shanghai Lvhe is Tibet Changji (a company wholly owned by HSC), which held 0.0025% interest in Shanghai Lvhe. The limited partner of Shanghai Lvhe is Jiaying Kuncheng, holding 99.9975% interest in Shanghai Lvhe. The general partner of Jiaying Kuncheng is also Tibet Changji, which held 0.25% interest in Jiaying Kuncheng. Therefore, the limited partner of Shanghai Lvhe, namely Jiaying Kuncheng, is an associate of Tibet Changji and thus not an independent third party. The limited partners of Jiaying Kuncheng are Tibet Kunyu, Shanshui Group, Shenzhen Jiayuan Zhonghe Venture Capital Enterprise (Limited Partnership) (深圳市嘉源中和創業投資企業(有限合夥)), Jiaying Xinkun Investment Partnership (Limited Partnership) (嘉興心坤投資合夥企業(有限合夥)), Xueqing Huang (黃雪青), Yongben Jiao (矯湧本), Jijun Gao (高繼軍) and Jianqiu Cui (崔劍秋), holding 74.75%, 7.65%, 7.50%, 2.50%, 2.50%, 1.25% and 1.10% interest in Jiaying Kuncheng, respectively. Currently the general partner, namely Tibet Changji, holds the power to make investment decisions in Shanghai Lvhe.
- (4) The general partner of Shanghai Yunfeng is Tibet Changji (a company wholly owned by HSC), which held 0.40% interest in Shanghai Yunfeng. The limited partner of Shanghai Yunfeng is Tianjin Yingze Enterprise Management and Consulting Co., Ltd. (天津盈澤企業管理諮詢有限責任公司), which is a subsidiary of HSC and is held by Tibet Kunyu and Tibet Changji as to 69.01% and 30.99%, respectively. Therefore, the limited partner of Shanghai Yunfeng, namely Tianjin Yingze Enterprise Management and Consulting Co., Ltd. (天津盈澤企業管理諮詢有限責任公司), is an associate of HSC and thus not an independent third party. Currently, the general partner, namely Tibet Changji, holds the power to make investment decisions in Shanghai Yunfeng.
- (5) The general partner of Heaven-Sent Capital ZDH Fund L.P. is Heaven-Sent Spring Holding (Cayman) Company Limited, a company indirectly wholly owned by HSC, which does not hold any interest in Heaven-Sent Capital ZDH Fund L.P. The limited partners of Heaven-Sent Capital ZDH Fund L.P. are Hangzhou Zhongbao Import and Export Co., Ltd. (杭州中包進出口有限公司), Chunguang Jin (金春光), Xueqing Tao (陶雪晴), Fullstar Industrial (Hong Kong) Co., Ltd., Xiyao Lu (盧希顏), Zhenhui Lin (林楨輝), Xiaoming Zhu (朱小明), Wenwei Zhou (周文偉), Xiao Yu (俞曉), Xiaoli He (何笑莉), Yu Zhang (張瑜), Tiegang Ma (馬鐵鋼), Tao Feng (馮韜), Minghua Wang (王明華), 668 Dunrobin Holdings Inc., Lin Liu (柳林), Jiaqi Lu (陸家琪), Fei Wang (王非), Leo & Cesar Limited, Yang Yang (楊楊), Runze Liu (劉潤澤), Wenyi Lu (陸文怡), IFX Co., Ltd. and Lijun Zhan (占麗君), holding 3.26%, 6.52%, 1.30%, 1.30%, 2.86%, 1.63%, 1.96%, 1.30%, 1.30%, 15.65%, 1.63%, 1.30%, 1.30%, 1.63%, 2.61%, 5.22%, 2.28%, 1.30%, 32.61%, 1.30%, 1.29%, 1.96%, 7.17% and 1.30% interest in Heaven-Sent Capital ZDH Fund L.P., respectively. Except for Lin Liu (柳林), who is the spouse of Mr. Wang, one of our Controlling Shareholders, all the other limited partners of Heaven-Sent Capital ZDH Fund L.P. are independent third parties.
- (6) The general partner of ZDH Husheng Fund L.P. is Heaven-Sent Spring Holding (Cayman) Company Limited, a company indirectly wholly owned by HSC, which does not hold any interest in ZDH Husheng Fund L.P. The limited partner of ZDH Husheng Fund L.P. is Husheng Investment (Cayman) Limited, holding 100% interest in ZDH Husheng Fund L.P. Husheng Investment (Cayman) Limited is a wholly owned subsidiary of Shanghai Yiyi, which is an independent third party.
- (7) As of the Latest Practicable Date, the BBBEE transactions in respect of Nicolor have not been fully completed as certain conditions precedent to the respective transaction agreements have not been fulfilled. Upon completion of such transactions, Plant SPV will be held by VMR Group, Nicolor SPV and Mr. Anthony James Nieuwenhuys (on behalf of Nicolor ESOP) as to 70%, 25% and 5%, respectively.
- (8) Kopanang Pty is held by VMR Group and Kopanang SPV as to 74% and 26%, respectively. Kopanang SPV is regarded as our connected person pursuant to Chapter 14A of the Listing Rules.
- (9) VMR is held by VMR Group and VMR SPV as to 74% and 26% of its shares, respectively. VMR SPV is regarded as our connected person pursuant to Chapter 14A of the Listing Rules.
- (10) The founder and beneficiary of each of Tau Lekoa Rehabilitation Trust and Village Main Reef Gold Mining Company Nature Conservation Trust is VMR, and that of Buffelsfontein Rehabilitation Trust is Buffelsfontein Pty.
- (11) VMR03 is anticipated to be deregistered or liquidated after completion of the sale and transfer of its shares in Nicolor to Plant SPV.
- (12) There are four dormant companies directly or indirectly wholly owned by our Group which will be deregistered, namely VMR 04, Village Main Reef Gold Investments 05 Proprietary Limited, Village Main Reef Gold Investments 06 Proprietary Limited and VMR Shared Services Proprietary Limited. These dormant companies became part of our Group as a result of the acquisition of VMR in 2015 and currently do not carry out any business activities. As of the Latest Practicable Date, the deregistration of such dormant companies had not been completed.
- (13) Temotuo Rehabilitation Company NPC is registered as a non profit company without members. However, it is deemed to be controlled by the Company as it is funded by VMR and the management and control of its business is vested in its directors, who are currently Mr. Xia Dong, Mr. Sheng Zhang and Mr. Quanyou Zhang.





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## HISTORY AND CORPORATE STRUCTURE

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*Notes:*

- (1) Pursuant to the Agreement of Acting-in-concert, Mr. Li and Mr. Wang have agreed to act in concert in all major decisions of HSC. For details, see “– HSC and Parties Acting in Concert” in this section.
- (2) As of October 31, 2019, there were 13 other public shareholders holding less than 5% but more than 1% in HSC.
- (3) The general partner of Shanghai Lvhe is Tibet Changji (a company wholly owned by HSC), which held 0.0025% interest in Shanghai Lvhe. The limited partner of Shanghai Lvhe is Jiaying Kuncheng, holding 99.9975% interest in Shanghai Lvhe. The general partner of Jiaying Kuncheng is also Tibet Changji, which held 0.25% interest in Jiaying Kuncheng. Therefore, the limited partner of Shanghai Lvhe, namely Jiaying Kuncheng, is an associate of Tibet Changji and thus not an independent third party. The limited partners of Jiaying Kuncheng are Tibet Kunyu, Shanshui Group, Shenzhen Jiayuan Zhonghe Venture Capital Enterprise (Limited Partnership) (深圳市嘉源中和創業投資企業(有限合夥)), Jiaying Xinkun Investment Partnership (Limited Partnership) (嘉興心坤投資合夥企業(有限合夥)), Xueqing Huang (黃雪青), Yongben Jiao (矯湧本), Jijun Gao (高繼軍) and Jianqiu Cui (崔劍秋), holding 74.75%, 7.65%, 7.50%, 2.50%, 2.50%, 1.25% and 1.10% interest in Jiaying Kuncheng, respectively. Currently the general partner, namely Tibet Changji, holds the power to make investment decisions in Shanghai Lvhe.
- (4) The general partner of Shanghai Yunfeng is Tibet Changji (a company wholly owned by HSC), which held 0.40% interest in Shanghai Yunfeng. The limited partner of Shanghai Yunfeng is Tianjin Yingze Enterprise Management and Consulting Co., Ltd. (天津盈澤企業管理諮詢有限責任公司), which is a subsidiary of HSC and is held by Tibet Kunyu and Tibet Changji as to 69.01% and 30.99%, respectively. Therefore, the limited partner of Shanghai Yunfeng, namely Tianjin Yingze Enterprise Management and Consulting Co., Ltd. (天津盈澤企業管理諮詢有限責任公司), is an associate of HSC and thus not an independent third party. Currently, the general partner, namely Tibet Changji, holds the power to make investment decisions in Shanghai Yunfeng.
- (5) The general partner of Heaven-Sent Capital ZDH Fund L.P. is Heaven-Sent Spring Holding (Cayman) Company Limited, a company indirectly wholly owned by HSC, which does not hold any interest in Heaven-Sent Capital ZDH Fund L.P. The limited partners of Heaven-Sent Capital ZDH Fund L.P. are Hangzhou Zhongbao Import and Export Co., Ltd. (杭州中包進出口有限公司), Chunguang Jin (金春光), Xueqing Tao (陶雪晴), Fullstar Industrial (Hong Kong) Co., Ltd., Xiyun Lu (盧希顏), Zhenhui Lin (林楨輝), Xiaoming Zhu (朱小明), Wenwei Zhou (周文偉), Xiao Yu (俞曉), Xiaoli He (何笑莉), Yu Zhang (張瑜), Tiegang Ma (馬鐵鋼), Tao Feng (馮韜), Minghua Wang (王明華), 668 Dunrobin Holdings Inc., Lin Liu (柳林), Jiaqi Lu (陸家琪), Fei Wang (王非), Leo & Cesar Limited, Yang Yang (楊楊), Runze Liu (劉潤澤), Wenyi Lu (陸文怡), IFX Co., Ltd. and Lijun Zhan (占麗君), holding 3.26%, 6.52%, 1.30%, 1.30%, 2.86%, 1.63%, 1.96%, 1.30%, 1.30%, 15.65%, 1.63%, 1.30%, 1.30%, 1.63%, 2.61%, 5.22%, 2.28%, 1.30%, 32.61%, 1.30%, 1.29%, 1.96%, 7.17% and 1.30% interest in Heaven-Sent Capital ZDH Fund L.P., respectively. Except for Lin Liu (柳林), who is the spouse of Mr. Wang, one of our Controlling Shareholders, all the other limited partners of Heaven-Sent Capital ZDH Fund L.P. are independent third parties.
- (6) The general partner of ZDH Husheng Fund L.P. is Heaven-Sent Spring Holding (Cayman) Company Limited, a company indirectly wholly owned by HSC, which does not hold any interest in ZDH Husheng Fund L.P. The limited partner of ZDH Husheng Fund L.P. is Husheng Investment (Cayman) Limited, holding 100% interest in ZDH Husheng Fund L.P. Husheng Investment (Cayman) Limited is a wholly owned subsidiary of Shanghai Yiyi, which is an independent third party.
- (7) As of the Latest Practicable Date, the BBBEE transactions in respect of Nicolor have not been fully completed as certain conditions precedent to the respective transaction agreements have not been fulfilled. Upon completion of such transactions, Plant SPV will be held by VMR Group, Nicolor SPV and Mr. Anthony James Nieuwenhuys (on behalf of Nicolor ESOP) as to 70%, 25% and 5%, respectively. Nicolor SPV shall be regarded as our connected person pursuant to Chapter 14A of the Listing Rules.
- (8) Kopanang Pty is held by VMR Group and Kopanang SPV as to 74% and 26%, respectively. Kopanang SPV is regarded as our connected person pursuant to Chapter 14A of the Listing Rules.
- (9) VMR is held by VMR Group and VMR SPV as to 74% and 26% of its shares, respectively. VMR SPV is regarded as our connected person pursuant to Chapter 14A of the Listing Rules.
- (10) The founder and beneficiary of each of Tau Lekoa Rehabilitation Trust and Village Main Reef Gold Mining Company Nature Conservation Trust is VMR, and that of Buffelsfontein Rehabilitation Trust is Buffelsfontein Pty.
- (11) VMR03 is anticipated to be deregistered or liquidated after completion of the sale and transfer of its shares in Nicolor to Plant SPV.
- (12) There are four dormant companies directly or indirectly wholly owned by our Group which will be deregistered, namely VMR 04, Village Main Reef Gold Investments 05 Proprietary Limited, Village Main Reef Gold Investments 06 Proprietary Limited and VMR Shared Services Proprietary Limited. As of the Latest Practicable Date, the deregistration of the four dormant companies have not been completed.
- (13) Temotuo Rehabilitation Company NPC is registered as a non profit company without members. However, it is deemed to be controlled by the Company as it is funded by VMR and the management and control of its business is vested in its directors, who are currently Mr. Xia Dong, Mr. Sheng Zhang and Mr. Quanyou Zhang.

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## HISTORY AND CORPORATE STRUCTURE

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### HSC AND PARTIES ACTING IN CONCERT

HSC is a PRC-incorporated company quoted on NEEQ (stock code: 833044). Founded in 2006, HSC has identified itself as a comprehensive capital management group specializing in professional services and creating value via mergers and acquisitions, with a registered share capital of RMB4.4 billion.

As of October 31, 2019, HSC was owned by Mr. Li and Mr. Wang as parties acting in concert as to 44.95% in aggregate, with 39.59% held through Shanshui Group, 3.68% held through Beijing Wumu Sunshine Investment Consulting Co., Ltd. (北京五木陽光投資諮詢有限公司), and a respective 0.84% held by each of them directly. Pursuant to the Agreement of Acting-in-concert, Mr. Li and Mr. Wang have been acting in concert in all major decisions of HSC based on sufficient communications to reach mutual agreement. As of October 31, 2019, Mr. Li and Mr. Wang were deemed as the de facto controllers (實際控制人) of HSC pursuant to the public filings made by HSC. As of October 31, 2019, each of the other shareholders' shareholding in HSC was less than 5%. For details of HSC's shareholding in listed companies, see "Relationship with Our Controlling Shareholders — Controlling Shareholders".

Mr. Li is currently the vice chairman of the board of directors of HSC and the chairman of the board of directors of Shanshui Group. Mr. Wang is currently a director of each of HSC and Shanshui Group.

### COMPLIANCE WITH PRC INVESTMENT REGULATIONS

Our PRC Legal Adviser has confirmed that the Controlling Shareholders whose foreign investment activities in respect of the Group are subject to PRC laws are Shanghai Lvhe, Shanghai Yunfeng, Shanghai Yiyi and Heaven-Sent Fu Kun and that all material approvals, permits and filings in relation to their foreign investment activities in respect of the Group were obtained and the procedures involved were carried out in accordance with PRC laws and regulations.

Our PRC Legal Adviser has also confirmed that no approval by the China Securities Regulatory Commission ("CSRC") or other government authorities is required for the Listing, including the approvals required under the Regulations for Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者並購境內企業的規定》).

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## BUSINESS

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### OVERVIEW

We are a growth and efficiency-driven South African gold mining company. We have successfully acquired assets in South Africa from major mining houses and their operational efficiency has been improving since the acquisitions. Our principal business is mining gold-containing ore and smelting it into doré bars, and our revenue is predominantly derived from the sale of gold. Our annual production volume of gold was 168,031 ounces in 2018, making us the fourth largest gold mining company in South Africa, according to Frost & Sullivan.

Our portfolio of assets includes (i) two underground gold mining assets, namely the Tau Lekoa Group (including the operating Tau Lekoa Mine and two development projects, namely the Weltevreden project and the Goedgenoeg project) and the Kopanang Mine, (ii) the Buffels surface material site and (iii) two processing plants, namely, West Gold Plant and Nicolor Plant. All of these assets are situated in close proximity to each other near the town of Orkney, which is approximately 200 km southwest of Johannesburg. The Tau Lekoa Group covers an area of approximately 6,863.6 ha and exploits the VC Reef. The operating Tau Lekoa Mine operates on various levels from 900 to 1,650 meters below surface, while the Weltevreden project is a shallow extension of the Tau Lekoa Mine and the Goedgenoeg project explores the deeper section of the VC Reef. The LoM plan for the Tau Lekoa Mine estimates an average production rate of 504,000 tons of ore and 65,800 ounces of gold per annum through 2023, based on the Proved and Probable Mineral Reserves as of June 30, 2019. The Kopanang Mine, which we acquired in February 2018, is a deep-level gold mine exploiting primarily the V Reef and, to a less extent, the C Reef. It covers an area of approximately 3,954.8 ha and operates at depths of 1,222 to 2,024 meters below surface. The LoM plan for the Kopanang Mine estimates an average production rate of approximately 740,000 tons of ore and approximately 109,000 ounces of gold per annum through 2025, based on the Proved and Probable Mineral Reserves as of June 30, 2019. We expect that the LoM of our mines will extend as further Mineral Reserves are declared through on-reef development during the mining process. With further exploration, study and development, we can expect to achieve at least 20 years of production based on our Mineral Resources as of June 30, 2019, according to the CPR. See “— Our Assets — Features of South Africa Deep-Level Underground Gold Mine — Production Profile.”

We have abundant gold reserves. Both our Tau Lekoa Group and Kopanang Mine are located within the western margin of the world renowned gold-bearing late Archean Witwatersrand sedimentary basin, which holds the world's largest known gold reserves. As of June 30, 2019, our total proved and probable Mineral Reserves amounted to 1.43 million ounces, comprising 0.52 million ounces at 3.80 g/t from the Tau Lekoa Group, 0.76 million ounces at 4.93 g/t from the Kopanang Mine, and 0.14 million ounces at 0.52 g/t from the Buffels surface material site, according to the CPR. Our gold resource base is significantly larger than our gold reserves. As of June 30, 2019, our total Measured, Indicated and Inferred Mineral Resources amounted to 17.98 million ounces, mainly comprising 13.06 million ounces at 5.58 g/t from the Tau Lekoa Group, 4.78 million ounces at 12.38 g/t from the Kopanang Mine and 0.14 million ounces at 0.49 g/t from the Buffels surface material site, according to

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## BUSINESS

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the CPR. In a South African deep underground mine, the Mineral Reserves being depleted during mining are usually replenished as new Mineral Reserves are reclassified from Mineral Resources. At the same time, the Inferred Mineral Resources are constantly being upgraded to Measured and Indicated Mineral Resources along with exploration, study and development. See “— Our Assets — Features of South African Deep-Level Underground Gold Mine.”

During the Track Record Period, we significantly increased our sales volume of gold through acquisition and improving production management. In 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, our sales volume of gold was 99,019 ounces, 100,165 ounces, 168,037 ounces, 69,080 ounces and 95,963 ounces, respectively, and our revenue from gold sales was US\$123.6 million, US\$125.8 million, US\$214.0 million, US\$91.9 million and US\$125.9 million, respectively. In 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, our total revenue was US\$133.1 million, US\$130.3 million, US\$220.1 million, US\$94.7 million and US\$131.4 million, respectively. Our gross profit was US\$5.0 million in 2016, while our gross loss was US\$6.1 million and US\$44.6 million in 2017 and 2018, respectively. Our gross loss decreased by 60.5% from US\$25.9 million for the six months ended June 30, 2018 to US\$10.2 million in the same period in 2019. Based on the production profile of our mines, the predictable cost of sales and the trends of market gold prices and ZAR to U.S. dollar exchange rates, we may realize gross profit starting in 2019. See “Financial Information — Description of Principal Income Statement Items — Gross Profit or Loss — Profitability Trends.”

### COMPETITIVE STRENGTHS

We believe that the following strengths have enabled us to compete effectively in the industry.

#### **Abundant gold reserves and significant resource base with a well-understood ore body of high continuity and reasonable expectation of resource to reserve conversion**

We have abundant gold reserves. Both our Tau Lekoa Group and Kopanang Mine are located within the western margin of the world renowned gold-bearing late Archean Witwatersrand sedimentary basin, which holds the world’s largest known gold reserves. See “— Our Assets — Stratigraphy.” As of June 30, 2019, our total proved and probable Mineral Reserves amounted to 1.43 million ounces, comprising 0.52 million ounces at 3.80 g/t from the Tau Lekoa Group, 0.76 million ounces at 4.93 g/t from the Kopanang Mine, and 0.14 million ounces at 0.52 g/t from the Buffels surface material site, according to the CPR. Our gold resource base is significantly larger than our gold reserves. As of June 30, 2019, our total Measured, Indicated and Inferred Mineral Resources amounted to 17.98 million ounces, mainly comprising 13.06 million ounces at 5.58 g/t from the Tau Lekoa Group, 4.78 million ounces at 12.38 g/t from the Kopanang Mine and 0.14 million ounces at 0.49 g/t from the Buffels surface material site, according to the CPR.

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Due to the geological continuity of the gold mineralization found in the Witwatersrand basin and the depth of these deposits below surface, as well as the high cost to drill from surface to upgrade a Mineral Resource to a Mineral Reserve, it is customary for operators of deep underground mines to conduct exploratory drilling gradually on a scattered basis according to their production plans. As mining progresses and on-reef development during mining is completed, the confidence in Mineral Resources can be increased to a sufficient level to support the conversion into Mineral Reserves. The Mineral Reserves being depleted during mining are usually replenished as new Mineral Reserves are reclassified from Mineral Resources. As a result, the Mineral Reserves and LoM of a South African deep underground mine generally increase as mining progresses. Both our Tau Lekoa Mine and Kopanang Mine are deep underground mines exploiting this well-understood ore body of high continuity. We expect that the LoM of our mines will extend as further Mineral Reserves are declared through on-reef development during the mining process. With further exploration, study and development, we can expect to achieve at least 20 years of production based on our Mineral Resources as of June 30, 2019, according to the CPR. See “— Our Assets — Features of South African Deep-Level Underground Gold Mine — Production Profile.”

### **Successful acquisitions of assets from major mining houses and improvement in operation of such assets in South Africa**

South Africa used to be the world’s largest gold producer and remains one of the most attractive places for gold mining investment globally. The declining profitability in South Africa’s gold mining industry in recent years, as well as its tightening regulatory environment, resulted in several large gold miners with high operating costs closing or disposing of certain of their operations in South Africa at discounted prices. Despite their attractive price tags, these operations usually have abundant gold reserves and resources, a well-established quality infrastructure and well-trained work force, which presented valuable acquisition opportunities for us. In addition, before acquiring our first South African mining asset in May 2015, the price of gold had been decreasing for a couple of years since 2013 and we believed that it would rebound soon. After considering various economic factors, we decided to engage in the South African gold mining business by acquiring assets from major mining houses. We evaluated potential acquisition targets by taking into account a variety of factors, including their available reserves and resources, location and status of mine development, experience of management and work force, potential for operational and financial improvement and the acquisition cost.

We have successfully acquired assets from major mining houses and their operational efficiency has been improving since the acquisitions. With its first gold pour in 1991, the Tau Lekoa Mine was operated by AngloGold, Simmers and VMR, until we acquired it in June 2015. After the acquisition, we made investments to cope with the technical and commercial challenges it was facing. We have been developing more face length in the mine, which may reduce its reliance on isolated block of grounds and enhance operational flexibility, as well as enable access to the north block and the high-grade areas below 1,650 meters.

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With its first gold pour in 1984, the Kopanang Mine was operated by AngloGold, until we acquired it in February 2018. See “History and Corporate Structure — Our Corporate History and Development — Acquisition of Kopanang Operations.” Since the acquisition, we have been optimizing the mining operations and increasing the efficiency of its crew. We took measures to increase the face advance at the Kopanang Mine from 5.74 meters in 2017 to 6.66 meters in 2018 and applied relatively new technologies such as hydro power drilling. We also streamlined our workforce by consolidating management resources in Kopanang and Tau Lekoa, flattening Kopanang’s mining team structure, reducing redundant mining positions and eliminating unnecessary agreements with third party contractors. In addition, we decided to treat reef materials from both Tau Lekoa Mine and Kopanang Mine at West Gold Plant, which is conveniently located between our two mines, in order to save in transportation costs. These measures successfully reduced Kopanang’s AISC per ton of ore milled from US\$250 in 2017 to US\$210 for the ten months ended December 31, 2018. Kopanang Mine’s AISC per ton of ore milled was US\$196 in the six months ended June 30, 2019. The LoM of the Kopanang Mine has also significantly improved under our management. Before our acquisition, the Kopanang Mine had a gold reserve of 320,000 ounces as of December 31, 2017, which translated to approximately three years LoM. As a result of the reduced cost structure and optimized mine planning under our management, Kopanang’s gold reserves were 764,000 ounces as of June 30, 2019, which translates to approximately six and a half years LoM, despite more than one year of continuous production. To further extend the life of the Kopanang Mine, we began conducting a few studies since September 2018. See “— Business Strategies — Extend mine life through organic growth and optimized mine design.”

### **Well-established quality infrastructure to enable significant future growth.**

Our portfolio of assets includes (i) two underground gold mining assets, namely the Tau Lekoa Group (including the operating Tau Lekoa Mine, the Weltevreden project and the Goedgenoeg project) and the Kopanang Mine, (ii) the Buffels surface material site and (iii) two processing plants, namely West Gold Plant and Nicolor Plant. Both mines have large-scale well-established underground developments, such as shaft sinking and horizontal level developments, and existing surface infrastructure, which reduce the need for heavy capital expenditures and significant lead time otherwise required for developing new mines. We believe that the well-established quality infrastructure of the operations will enable our significant future growth.

The Tau Lekoa Mine also has a well-developed underground infrastructure, which enables operation on various levels from 900 to 1,650 meters below surface. Its underground rail track used for transportation of ore totaled 152 kilometers, of which 6.5 kilometers were upgraded during the past two years. The Tau Lekoa Mine is accessible through a twin-shaft system, a men and material shaft and a ventilation shaft with a hoisting capacity of 250,000 tons per month. Adjacent to the Tau Lekoa Mine, there is a decline shaft that can access the Weltevreden project, a substantial deposit that is covered by our Tau Lekoa mining right. With the existing decline shaft and other infrastructure, we estimate that our capital expenditures for the Weltevreden project will only be a fraction of what would normally be required for a new gold



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project in South Africa. We also anticipate less than usual lead time for production at the Weltevreden project, and it will deliver ore bearing material within six months of mine development. See “— Our Assets — Descriptions of Our Assets — Tau Lekoa Group.”

The Kopanang Mine also has a well-established underground infrastructure, which enables operation at depths of 1,222 to 2,024 meters below surface. Its underground ore transportation system includes a rail track system and features a unique “Big Mamma” underground locomotive, which is designed to transport high volumes of broken ore to the shaft at the depth of 2,334 meters. The Kopanang Mine is accessible by a single shaft that is 10.6 meters in diameter, which is one of the largest in the South African gold mining industry. The shaft has a rock hoisting capacity of 260,000 tons per month and is divided into separate compartments for men and material and rock hoisting. See “— Our Assets — Descriptions of our Assets — Kopanang Mine.”

Our processing plants have sufficient capacity to support our planned production growth. West Gold Plant has two ball mills with a combined capacity of 160,000 tons per month, and Nicolor Plant has two semi-autogenous grinding mills with a combined mill capacity of 180,000 tons per month. See “— Our Operations — Production Facilities.”

### **Competitive operational efficiency in the South African gold mining industry with potential for further improvement**

The operational efficiency of both Tau Lekoa Mine and Kopanang Mine is competitive in the South African gold mining industry. The key indicators of operational efficiency of a gold mine include AISC per ton milled underground, operating cost per ton milled underground and tons milled underground per employee. AISC is a non-GAAP measure established by the World Gold Council to present the cost of gold mining in a consistent format. It generally consists of all operating costs, corporate general and administrative costs, reclamation and remediation costs, capital exploration, capitalized stripping and underground mine development and capital expenditures. AISC has been adopted by major mining companies and used by both investors and mining professionals. Operating cost is a component of AISC and generally consists of costs of labor, storage, consumables and utilities, among others, arising from mining and processing operations. Lower AISC per ton milled underground and operating cost per ton milled underground indicate effective cost-saving of gold mining companies. In 2018, our AISC per ton milled underground and operating cost per ton milled underground was US\$178 and US\$160, respectively, both of which were the lowest among the top five gold mining companies in South Africa in terms of production volume in 2018. Tons milled underground per employee is another metric to evaluate the efficiency of gold mining companies. Higher tons milled per employee indicates a more productive work force. In 2018, our tons milled per employee was 189 tons, which was the third highest among the top five gold mining companies in South Africa in 2018. See “Industry Overview — Competition — AISC and Operational Efficiency.”

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Our competitive operational efficiency is attributable to our optimized management and mining team structure, effective cost control measures and application of relatively new technologies such as hydro power drilling. Our operational efficiency has potential for further improvement and we are continuously exploring ways to achieve higher efficiency. See “— Business Strategies — Further improve management and operational efficiency.”

### **Highly experienced management team and seasoned work force**

We have a strong management team consisting of well educated global talents and highly experienced local leaders. Our management team is led by our Chief Executive Officer, Xia Dong, who has extensive experience in mining-related finance and investment management. Xia Dong oversees the overall development strategy of our Group and leads our localized management team. Our Chief Operating Officer, William Stanly Owen O’Brien, has over 30 years of experience in the gold mining industry in Africa. He also serves as the chief executive officer of VMR, our operating subsidiary in South Africa. Our Chief Financial Officer, Phillip Andrew Charles Spencer, who previously served as the chief financial officer of another South African gold mining company, has a successful track record in accounting and financial management of mining companies. He also serves as the financial director of VMR, our operating subsidiary in South Africa. Our vice president in business development, Lobbertus van der Bijl, has over 40 years of experience in senior managerial positions at gold mines in South Africa and Zimbabwe. Our senior management team in South Africa has an average of more than 20 years of experience in mining operational management.

Our mid-level management teams are also highly experienced in South Africa’s mining sector. In general they started their career conducting front-line drilling and blasting and worked their way up to managerial positions. We believe that their deep understanding of mining operations and solid technical skills gained through years of ground-level experience make them competent supervisors of our mining operations.

Our front-line underground work force at both Tau Lekoa and Kopanang are well trained. With years of working experience at the same mining operation, our seasoned work force has developed a deep understanding of the mines. Their familiarity with the work environment ensures smooth production. The stability of the work force provides a stable and positive atmosphere in our mines and creates a cooperative culture among our employees.



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### BUSINESS STRATEGIES

We strive to become a next generation South African mining company exploiting operational efficiencies, growth opportunities and innovation through further developing our existing assets and acquiring value-accretive assets in Africa. To that end, we intend to implement the following business strategies.

#### **Extend mine life through organic growth and optimizing mine design**

We strive to extend our mine life through organic growth and optimizing mine design. We are currently constructing the Weltevreden project, which is the up-dip extension of the Tau Lekoa Mine. The Weltevreden mine was started by Gencor in early 1990s, but was abandoned in 1992 due to economic reasons. Its resources are accessible by a shallow extension of the Tau Lekoa operations at about 300 meters below surface. In the first half of 2018, we conducted an infill drilling program from surface, during which a total of 18 mother holes were drilled, with deflections ranging from three to five per mother hole. This drilling program increased the Mineral Resource confidence level at Weltevreden and allowed us to declare Indicated Mineral Resources that were sufficient to support a pre-feasibility study and an approximate seven-year LoM plan. We plan to conduct additional drilling programs at the Weltevreden in the future, in order to further increase the Mineral Resource confidence level and to optimize the mine design. See “— Our Assets — Descriptions of Our Assets — Tau Lekoa Group — Weltevreden Project.”

We are also planning on the Goedgenoeg exploration project, which is also part of the Tau Lekoa Group. The Goedgenoeg project explores the deeper section of the same ore body as the Tau Lekoa Mine, which has a resource base of 4.42 million ounces with much higher-grade than the shallower section according to historical exploration results. We plan to conduct exploration activities and feasibility studies for the Goedgenoeg project around 2021. If the Goedgenoeg project commences production, we expect to be able to extend the LoM of the Tau Lekoa Group considerably. See “— Our Assets — Descriptions of Our Assets — Tau Lekoa Group — Goedgenoeg Project.” We expect that as these projects progress, we will at the same time extend the LoM of the Tau Lekoa Group.

We began conducting a few studies in September 2018 to further extend the life of Kopanang Mine. See “— Our Assets — Descriptions of Our Assets — Kopanang Mine.” We plan to conduct further studies on the unmined blocks of grounds in historical mining areas and on the unmined areas below current infrastructure, which has the potential to further increase both the production and LoM at Kopanang. Riding on our successful improvement in Kopanang’s operational efficiency and production volume after the acquisition in February 2018, we will continue optimizing its mining schedule with better grade control and planning to drive a further increase in LoM. With further adequate exploration, study and development, we can expect to achieve at least 20 years of production based on our Mineral Resources as of June 30, 2019, according to the CPR. See “— Our Assets — Features of South African Deep-Level Underground Gold Mine — Production Profile.”

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### **Maintain our regional focus in South Africa and explore acquisition opportunities in other countries in Africa**

We plan to pursue acquisition opportunities of gold mining assets in South Africa given we have successfully acquired and improved the performance of gold mines. The South African gold mining industry has been the world's largest for decades and is currently undergoing a significant transformation and re-consolidation. Some multi-national gold mining companies are adjusting their business strategies and disposing of their non-core assets in South Africa, which may provide us with unique acquisition opportunities with great value. In terms of selection of acquisition targets, we will only focus on assets or businesses that are value-accretive, which allow us to input value to the target assets or businesses. The ideal targets will be aligned with our overall business strategies, management's existing experience, available managerial capacity and track record of acquiring non-core assets from major mining houses.

While maintaining our operational base in South Africa, we may explore opportunities in other countries in Africa, especially in Southern Africa, such as Botswana, Zimbabwe, Namibia, and Zambia. This area is abundant in gold resources and has significant upside potential in exploration and mine development. These countries are adjacent to South Africa and as a result, our management capacity can be conveniently utilized in this region. We believe our success in South Africa is transferrable to these countries because they use English, have similar social structures and share important cultural aspects due to a common history.

### **Further improve management and operational efficiency**

We plan to continuously improve our management and operational efficiency by adopting better management systems and streamlining work and reporting procedures. For instance, we have introduced a new performance management system and plan to further enhance this system. We also plan to optimize our human resource management, which will control unnecessary bonus and overtime payments. These measures are expected to save employee costs without sacrificing mining quality and the safety of our employees.

We also plan to better manage our inventories, procurement and third-party contractors. For inventory management, we plan to implement additional physical security controls over stock to reduce the risk of theft. For procurement and third-party contractor management, we have restructured our procurement department and upgraded the stock management ERP system. We plan to strictly adhere to the revised procurement procedure, which is in line with the new delegation of authority framework, for future tendering of all material suppliers and third-party contractors. In addition, we also strive to strictly implement the procedures under our financial reporting system and treasury management system, which may further improve our efficiency and reduce our cost.

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Capital investment in mining infrastructure also facilitates management and operational efficiency. We plan to invest in sustained mine development and opening up of stoping face length to improve mining flexibility. We also plan to continue virgin ground development and push for early kick-in of virgin ground production, which will reduce our reliance on current scattered mining and stabilize our production volume and grade. In addition, as our mine development progresses and production volume increases, we expect our unit cost to further decrease due to economies of scale.

### **Implement innovative technologies and methodologies on our mining operations**

Technological innovation is essential for us to remain competitive over the long term. Our research and development activities are primarily focused on improving our production efficiency, mining and processing methods, and mine development. We have begun cooperating with BGRIMM Technology Group (北京礦冶科技集團有限公司), a leading research institute of mining technologies in China to research, develop and apply innovative mining technologies. To boost our technological competency, we are identifying other potential partners, including engineering firms and institutions from South Africa, China and internationally. See “— Technology, Research and Development.”

We strive to be an early mover in embracing new solutions and mining equipment. We have implemented hydro power drilling, which could improve drilling efficiency, in our Tau Lekoa Mine and plan on applying the same technology in our Kopanang Mine. We plan to roll out a key project utilizing horizontal tunnel drilling technologies, which is an innovative engineering solution in mine development, to significantly speed up our mine developments. We also plan to cooperate with a major mining technology company in South Africa to explore faster and less expensive shafts. To improve safety supervision and mine development efficiency, we are in discussion with potential partners to apply innovative solutions, such as the underground safety sensor system and the horizontal boring solutions, to our existing mining operations.

## **OUR ASSETS**

### **Overview**

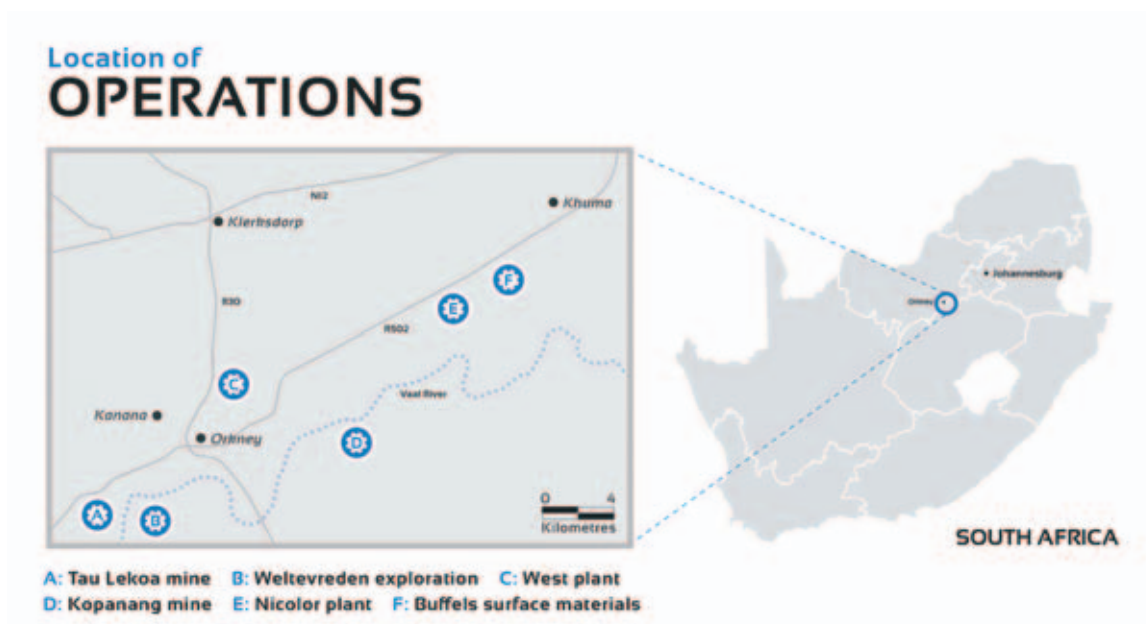
Our portfolio of assets includes (i) two underground gold mining assets, namely the Tau Lekoa Group (including the operating Tau Lekoa Mine and two development projects, namely the Weltevreden project, which is a shallow extension of the Tau Lekoa Mine, and the Goedgenoeg project, which explores the deeper section of the same ore body as the Tau Lekoa Mine), and the Kopanang Mine, (ii) the Buffels surface material site and (iii) two processing plants, namely West Gold Plant and Nicolor Plant. All of these assets are situated in close proximity to each other near the town of Orkney, which is approximately 200 km southwest of Johannesburg. During the Track Record Period, we conducted substantially all of our mining operations at our Tau Lekoa Mine and Kopanang Mine. Based on our production volume for the six months ended June 30, 2019, we expect to achieve an annual gold production capacity in excess of 200,000 ounces, if there is no unexpected material and adverse impact on our operations.

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The map below illustrates the location of our operations.



### Stratigraphy

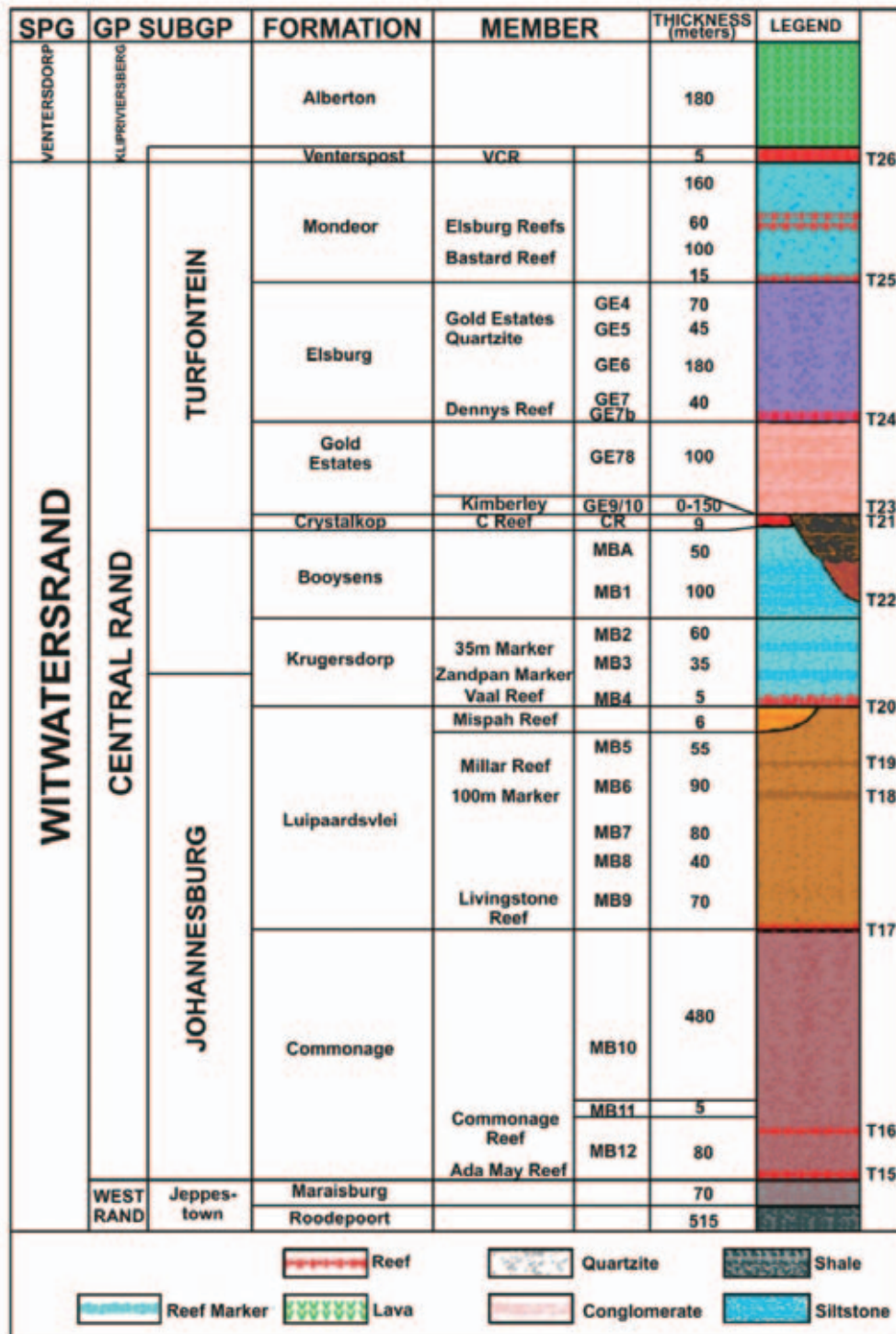
Both our Tau Lekoa Group and Kopanang Mine are located within the western margin of the world renowned gold-bearing late Archean Witwatersrand sedimentary basin. The Witwatersrand basin is an approximately-oval-shaped basin, with an east-west 350 km long axis through the Welkom area and Johannesburg and a short axis of approximately 200 km and an average thickness of 5-8 km, that holds the world's largest known gold reserves, according to Frost & Sullivan.

The Witwatersrand gold deposits are of the “quartz pebble conglomerate Au-U type,” also referred to as “placer gold and uranium in ancient conglomerate” or “paleo-placer gold and uranium” deposits. The mineralized horizons, or reefs, are essentially oligomictic to polymictic matrix to pebble-supported conglomerate in which vein quartz pebbles predominate. The matrix, which essentially is quartzite, accommodates the gold and uraninite largely as disseminated clastic particles. In addition to gold and uranium, the reefs may also contain substantial amounts (generally 5 to 15%) of sulphide, mainly pyrite associated with pyrrhotite, chalcopyrite and arsenopyrite. Diamonds and monazite have been encountered in trace quantities.

The conglomerate layers, which may contain laterally extensive quartzite middlings, exhibit remarkable lateral continuity and may display continuous strike lengths of hundreds of kilometers. However, the gold and uranium are not uniformly distributed within these reefs, and sedimentary facies with differing reef characteristics are present. Locally, varying mineral grades and reef thicknesses may reflect the channelized nature of the conglomerate. In the VR at least three distinct stacked quartzitic conglomerate units can be present.

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The diagram below illustrates the stratigraphy of the Witwatersrand basin:



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### Mineral Resources and Mineral Reserves

The table below sets forth information about our combined SRK-Audited Consolidated Mineral Resource and Mineral Reserve Statement as of June 30, 2019. Mineral Resources are reported inclusive of Mineral Reserves.

Asset	Mineral Resources				Mineral Reserves <sup>3, 5</sup>			
	Category	Quantity	Au Grade	Contained Au	Category	Quantity	Au Grade	Contained Au
		(Mt)	(g/t) <sup>1, 2</sup>	(Moz)		(Mt)	(g/t) <sup>4, 6</sup>	(Moz)
Kopanang	Measured	3.70	12.22	1.45	Proved	1.84	4.82	0.28
Combined Tau Lekoa Group	Measured	4.82	7.25	1.12	Proved	1.37	4.68	0.21
Buffels Surface Rock Dumps	Measured	–	–	–	Proved	–	–	–
<b>Consolidated</b>	<b>Measured</b>	<b>8.52</b>	<b>9.41</b>	<b>2.58</b>	<b>Proved</b>	<b>3.21</b>	<b>4.76</b>	<b>0.49</b>
Kopanang	Indicated	6.84	11.41	2.51	Probable	2.99	5.00	0.48
Combined Tau Lekoa Group	Indicated	12.46	4.54	1.82	Probable	2.94	3.39	0.31
Buffels Surface Rock Dumps	Indicated	9.16	0.49	0.14	Probable	8.45	0.52	0.14
<b>Consolidated</b>	<b>Indicated</b>	<b>28.46</b>	<b>4.88</b>	<b>4.47</b>	<b>Probable</b>	<b>14.38</b>	<b>2.04</b>	<b>0.94</b>
Kopanang	Measured & Indicated	10.53	11.70	3.96	Proved & Probable	4.82	4.93	0.76
Combined Tau Lekoa Group	Measured & Indicated	17.28	5.29	2.94	Proved & Probable	4.31	3.80	0.52
Buffels Surface Rock Dumps	Measured & Indicated	9.16	0.49	0.14	Proved & Probable	8.45	0.52	0.14
<b>Consolidated</b>	<b>Measured &amp; Indicated</b>	<b>36.97</b>	<b>5.93</b>	<b>7.04</b>	<b>Proved &amp; Probable</b>	<b>17.59</b>	<b>2.54</b>	<b>1.43</b>
Kopanang	Inferred	1.46	17.30	0.81				
Combined Tau Lekoa Group	Inferred	55.51	5.67	10.12				
Buffels Surface Rock Dumps	Inferred	–	–	–				
<b>Consolidated</b>	<b>Inferred</b>	<b>56.96</b>	<b>5.97</b>	<b>10.93</b>				
Kopanang	Measured, Indicated & Inferred	11.99	12.38	4.78				
Combined Tau Lekoa Group	Measured, Indicated & Inferred	72.78	5.58	13.06				
Buffels Surface Rock Dumps	Measured, Indicated & Inferred	9.16	0.49	0.14				
<b>Consolidated</b>	<b>Measured, Indicated &amp; Inferred</b>	<b>93.94</b>	<b>5.95</b>	<b>17.98</b>				

*Notes:*

- Kopanang Mineral Resources are reported above a gold cut-off grade of 500 cm.g/t, which was derived using a gold price of ZAR700,000/kg of gold, an operating cost of ZAR2,293.8/t milled and MCF of 68% for V Reef and 60% for C Reef and PRF of 95%.
- Weltevreden Mineral Resources are reported above a gold cut-off grade of 387 cm.g/t, which was derived using a gold price of ZAR700,000/kg of gold, an operating cost of ZAR1,052/t milled and MCF of 84% and PRF of 94%. The rest of the Tau Lekoa Group Mineral Resources are reported at a gold cut-off grade of 400 cm.g/t using the same gold price as Weltevreden and an operating cost of ZAR1,924/t milled, with MCF of 80% and PRF of 94%.
- Milling width is 161 cm for Kopanang.
- Cut-off for Tau Lekoa and Kopanang Mineral Reserves is 488 cm.g/t and 650 cm.g/t at a gold price of ZAR550,000/kg respectively.
- Tramming width is 177 cm and Milling width is 188 cm.
- In-situ cut-off for Weltevreden Mineral Reserves is 429 cm.g/t at a gold price of ZAR550,000/kg, applied over a mine design and schedule for a seven-year LoM at 40 ktpm from steady state mining.



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- 7 Production rate is 175 ktpm and feed grade of 0.52 g/t is based on a screening plant yield of 55% and screening plant waste grade of 0.04 g/t for Buffels Mineral Reserves.
- 8 No cut-off was applied to Buffels 10 Shaft Rock Dump as the entire dump is planned to be mined.
- 9 Average grade of Buffels 10 Shaft Rock Dump based on two and half years mine grade is determined from RoM grade.
- 10 All figures are rounded to reflect the relative accuracy of the estimate.

As confirmed by our Directors, no material adverse changes had occurred with respect to our Mineral Resources or Mineral Reserves of our mines and projects since June 30, 2019, the effective date of the CPR included in Appendix III to this prospectus, up to the Latest Practicable Date.

### **Features of South African Deep-Level Underground Gold Mine**

Our Mineral Reserves are significantly less than our Mineral Resources largely because of the geological and stratigraphic features of the Witwatersrand basin gold deposits. Due to the geological continuity of the gold mineralization found in the Witwatersrand basin and the depth of these deposits below surface, South African deep level gold mines are initially developed with a relatively low conversion ratio of Mineral Resource to Mineral Reserve, as compared to gold mines located elsewhere with different gold deposit types.

In open pit mines or shallow underground mines, exploratory drilling is conducted mostly within the orebody of shallow porphyry deposit and the surrounding alteration halo, which is only hundreds of meters in thickness. The cost of drilling is relatively inexpensive. It is usually possible to complete drilling on a narrow grid (around 100 meters) and classify all the explored orebody as Measured or Indicated Mineral Resources, thus converting them to Mineral Reserves.

However, exploratory drilling in deep underground mines has to be conducted through unmineralized waste material for more than 1,000 meters and up to 5,000 meters, until a reef is intersected. Thus, it is too costly to drill from surface to upgrade a Mineral Resource to a Mineral Reserve, even if there is evidence that a reef exists and is continuous. On the contrary, drilling in advance of mining from underground access drives involves significantly lower cost than drilling from surface. It allows intersection of the orebody on a relatively tight grid (100 meters) and classification of the orebody at a distance ahead of the mining faces as Measured or Indicated Mineral Resources, thus converting them to Mineral Reserves. Thus, operators of deep underground mines typically conduct exploratory drilling gradually on a scattered basis, often including the mining of remnants, according to their production plans. As mining progresses and on-reef development during mining is completed, the confidence in Mineral Resources can be increased to a sufficient level to support the conversion to Mineral Reserves. The Mineral Reserves being depleted during mining are usually replenished as new Mineral Reserves are reclassified from Mineral Resources. As a result, the Mineral Reserves and LoM of a South African deep-level underground mine generally increase as mining progresses. At the same time, the Inferred Mineral Resources are constantly being upgraded to Measured and

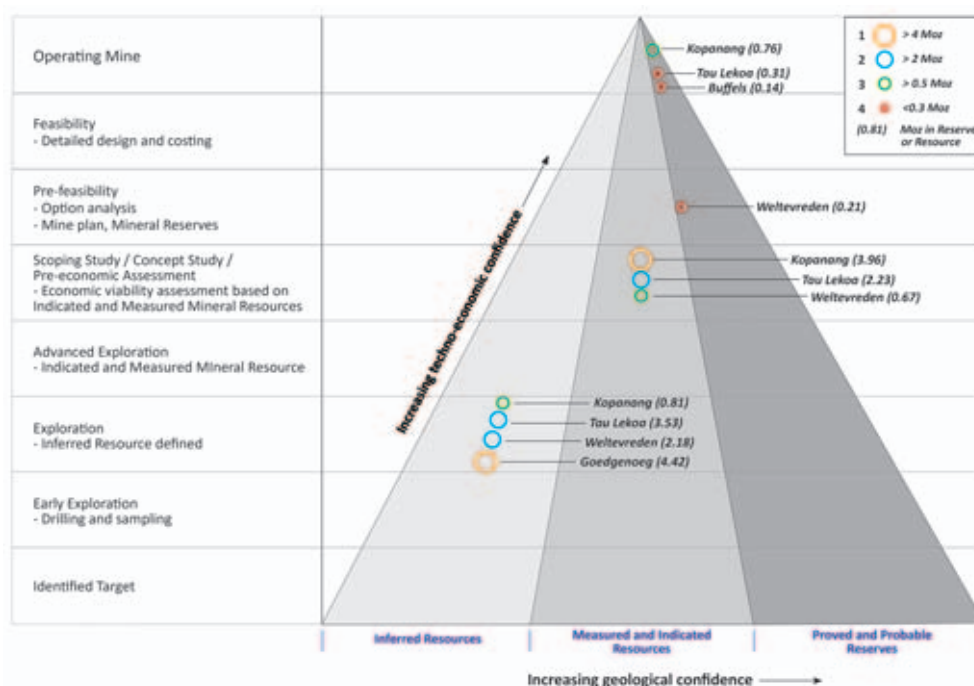
## BUSINESS

Indicated Mineral Resources along with exploration, study and development. Historical results in the South African gold mining industry suggest that it is probable that a majority of the Inferred Mineral Resources can be upgraded to Measured and Indicated Mineral Resources, according to the CPR.

### *Stage of Development*

Both of our Tau Lekoa Group and Kopanang Mine are deep underground mines exploiting this well-understood ore body of high continuity in the Witwatersrand basin. As the currently operating areas of our mines only cover a small portion of our Mineral Resources or Mineral Reserves, we expect that the LoM of our mines will extend as further Mineral Reserves are declared through on-reef development during the mining process.

The diagram below illustrates the stage of development of our operating mines and projects.



### *Production Profile*

Our Directors are of the view, and the Sole Sponsor and the Competent Person concur, that we can expect to achieve at least 20 years of production with further adequate exploration, study and development, based on our Mineral Resources as of June 30, 2019, according to the CPR. The Competent Person used the ratio of contained ounces in Mineral Reserves to contained ounces in Measured and Indicated Mineral Resources to convert contained ounces in Inferred Resources into “mineable” ounces. These mineable ounces were added to the reserve ounces to generate the projected LoM for the Kopanang Mine, the Tau Lekoa Mine and the Weltevreden Project, as the case may be. To project the potential “mineable” ounces of gold



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## BUSINESS

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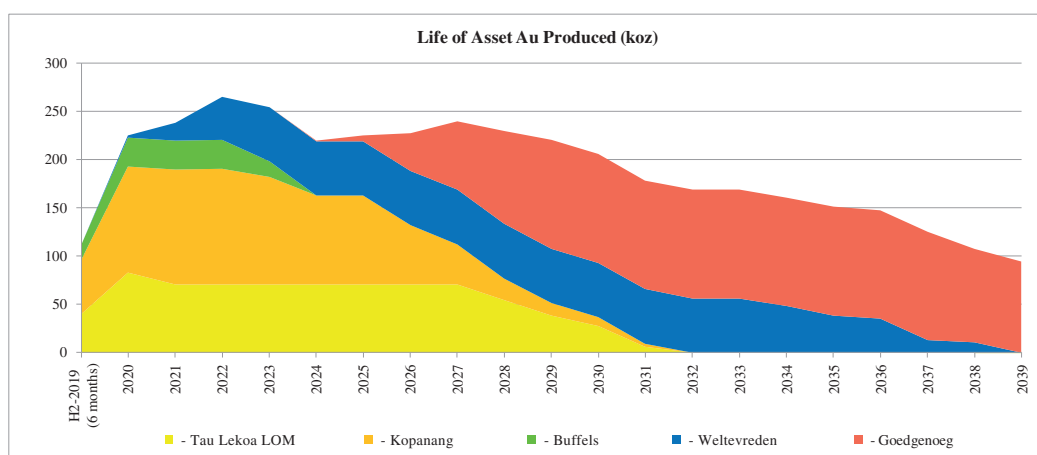
for the Goedgenoeg project, the Competent Person took 50% of its resource tonnage and factored its resource grade by the ratio of reserve grade to resource grade of the Tau Lekoa Mine to estimate its projected LoM “mineable” ounces. The Weltevreden Project and the Goedgenoeg Project were scheduled at a combined 1.5Mtpa post 2026 (approx. 180koz recovered) to maintain an even plant feed into the West Gold Plant.

Thus, with reference to the Mineral Resources and Mineral Reserves statements as of June 30, 2019:

- The Kopanang Mine: 4.78Moz total resource became 0.91Moz LoM (0.76Moz in reserve);
- The Tau Lekoa Mine: 5.76Moz total resource became 0.82Moz LoM (0.31Moz in reserve);
- The Weltevreden Projects: 2.85Moz total resource became 0.88Moz LoM (0.21Moz in reserve);
- The Goedgenoeg Project: 4.46Moz total resource became 1.50Moz LoM (no reserves declared).

The Competent Person believes that this is an acceptable process to present our potential gold LoM production. The Sole Sponsor has generally similar understanding with the Competent Person.

The diagram below illustrates the production profile of our operating mines and projects.



## BUSINESS

### Mining Rights, Mining Permits and Prospecting Rights

Under the MPRDA, the governing law relating to prospecting and mining in South Africa, the principal rights that can be issued are mining rights and prospecting rights. A mining right means the right to mine granted in terms of either section 23 of the MPRDA and/or converted in terms of Item 7 of Schedule II to the MPRDA. The holder of a mining right has certain obligations to mine actively and continuously in accordance with an approved mining work program. Furthermore, a mining right holder has to comply with a social and labor plan which is approved prior to granting of the mining right and has various obligations under the 2018 Mining Charter in regard to historically disadvantaged South Africans.

A prospecting right is a prospecting right granted in terms of section 17 of the MPRDA and/or converted in terms of Item 6 of Schedule II to the MPRDA. Prospecting is defined as intentionally searching for any mineral by means of any method which disturbs the surface or substance of the earth, including any portion of the earth that is under the sea or other water, or in or on any residue stockpile or residue deposit, in order to establish the existence of any mineral and to determine the extent and economic value thereof.

Mining rights are granted for a period of up to 30 years with the right to renew the mining right for periods of up to 30 years with no limit on the number of times it can be renewed, assuming that the holder is able to justify that it can continue mining operations. Prospecting rights are granted for a period of up to five years with the right to renew the prospecting right for one period of up to three years. The holder of a prospecting right has the exclusive entitlement whilst holding the prospecting right to apply for a mining right in respect of the mineral and area to which the prospecting right relates. See “Regulatory Overview — Relevant South African Laws and Regulations — Major Laws and Regulations on Mining.”

As of June 30, 2019, we held five mining rights and one prospecting right in South Africa, collectively covering a total area of 23,481.6 ha.

The table below sets forth the details of our assets on which we held mining rights and prospecting rights as of June 30, 2019.

Operation	Type of Right	Awarded to	Commodity	Date of		Expiry Date	Mineral Right Reference
				Area	First Grant		
				(ha)			
Kopanang (North West Province)	Converted Old Order Mining Right	Kopanang Pty	Precious metals	3,668.3	February 18, 2013	February 17, 2043	NW30/5/1/1/2/14MR Viljoenskroon magisterial district, North West Province
Kopanang (Free State Province)	New Order Mining Right	Kopanang Pty	Au, U, Ag, Pt, Ir, and other PGMs	286.5	September 12, 2007	September 11, 2022 <sup>(1)</sup>	NW30/5/1/2/2/04MR Viljoenskroon magisterial district, Free State Province

## BUSINESS

Operation	Type of Right	Awarded to	Commodity	Area (ha)	Date of First Grant	Expiry Date	Mineral Right Reference
Tau Lekoa (Tau Lekoa and Weltevreden)	Converted Old Order Mining Right	Tau Lekoa Pty	Au, U, Ag, Pt, Ir, and other PGMs	4,234.5	September 12, 2007	September 11, 2037	NW30/5/1/2/2/17MR Klerksdorp & Viljoenskroon magisterial district, North West Province
Tau Lekoa (Jonkerskraal)	Converted Old Order Mining Right	Tau Lekoa Pty	Au and U	1,488.1	March 01, 2006	March 08, 2036	FS30/5/1/2/3/03MR Bothaville Administrative District, Free State Province
Tau Lekoa (Goedgenoeg)	Prospecting Right	Tau Lekoa Pty	Au	1,141.0	May 19, 2017	May 18, 2021 <sup>(2)</sup>	NW30/5/1/1/2/11862PR Klerksdorp Magisterial District, North West Province
Buffels	Converted Old Order Mining Right	Buffelsfontein Pty	Au	12,663.2	April 24, 2013	April 23, 2043	NW30/5/1/2/2/323MR Klerksdorp Magisterial District, North West Province

*Notes:*

- (1) We plan to renew this mining right upon its expiration and satisfy the relevant BBBEE shareholding requirement for renewing the mining right.
- (2) We plan to apply for a conversion of this prospecting right into a mining right before its expiration.

Each of Kopanang Pty and Tau Lekoa Pty has two mining rights for historical reasons. Kopanang Pty and Tau Lekoa Pty operated under old order mining rights under the South African Minerals Act 50 of 1991, which were governed by separate mining licences issued under Section 9 of the South African Minerals Act 50 of 1991. When the MPRDA came into effect in May 2004, these rights were classified as old order mining rights entitling AngloGold at the time to convert them into new order mining rights in terms of Item 7 of Schedule II to the MPRDA. As it was not necessary and there was no compelling reason to apply for consolidation of the mining rights in terms of Section 102 of the MPRDA, we applied for conversions for each of the old order mining rights on a separate basis.

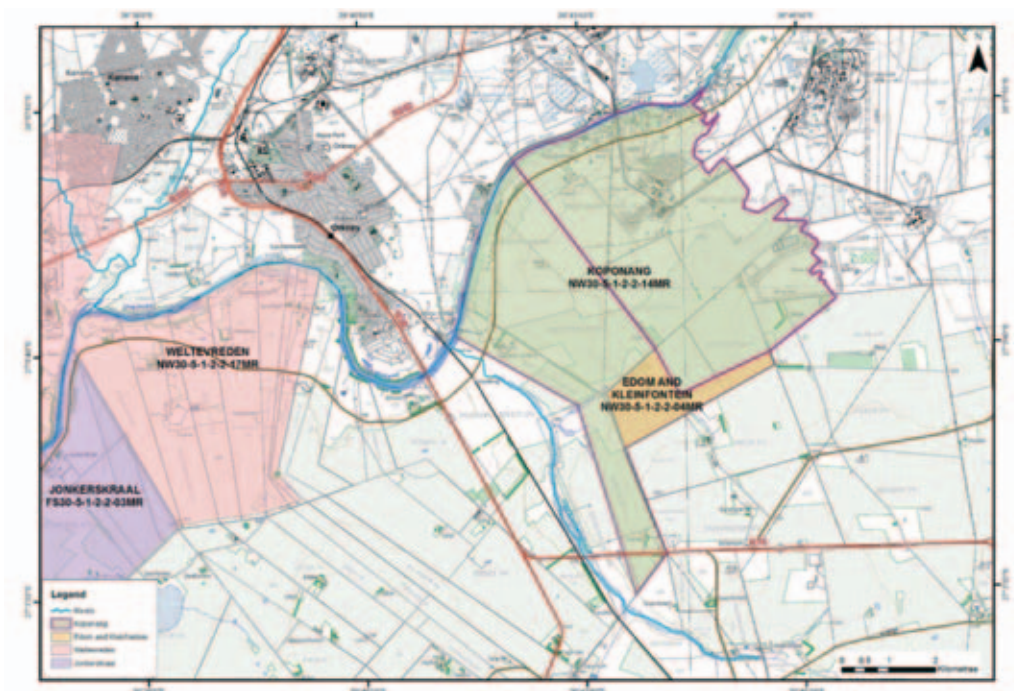
We currently do not plan to mine or extract any types of precious metal other than gold, although we have the rights to mine additional types of precious metal.

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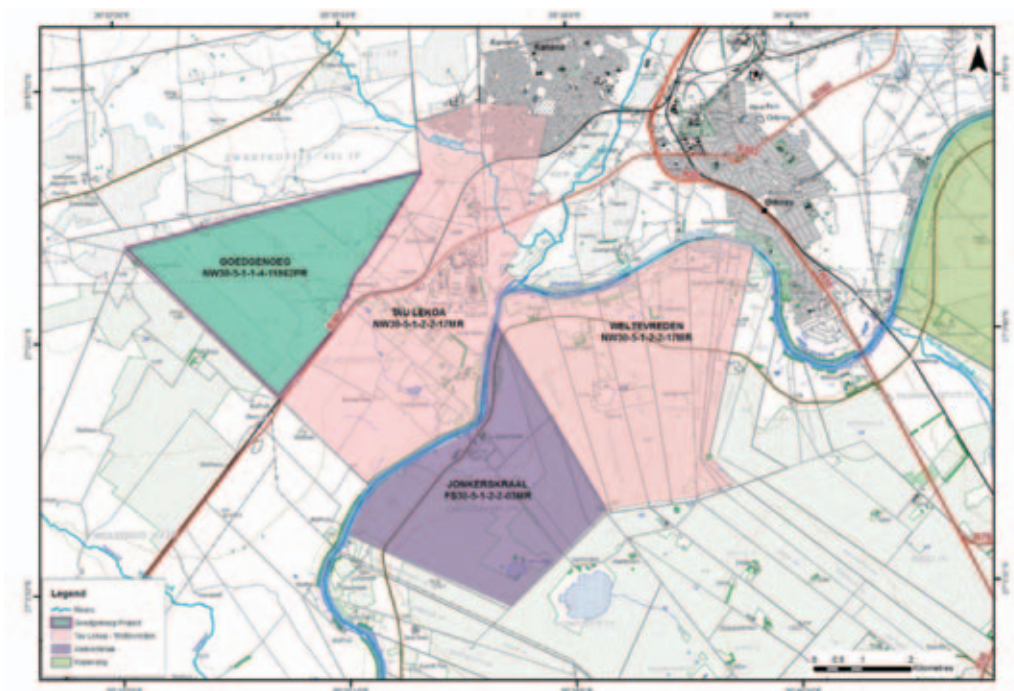
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The map below illustrates the boundaries of Kopanang mining rights.



The map below illustrates the boundaries of the mining rights of the Tau Lekoa Group, which comprises Tau Lekoa and Jonkerskraal (together Tau Lekoa Mine), Weltevreden project and Goedgenoeg project.



## BUSINESS

### Descriptions of Our Assets

#### *Tau Lekoa Group*

The Tau Lekoa Group includes the operating Tau Lekoa Mine and two development projects, namely, the Weltevreden project and the Goedgenoeg project. It is located 200 km from Johannesburg and 8 km west of the town of Orkney and covers an area of approximately 6,863.5 ha. The operating Tau Lekoa Mine is a deep-level gold mine exploiting the VC Reef. It operates on various levels from 900 to 1,650 meters below surface and is accessed through a twin-shaft system. The Weltevreden project is a shallow extension of the Tau Lekoa Mine and the Goedgenoeg project explores the deeper section of the VC Reef.

The picture below illustrates the surface facilities of the Tau Lekoa Mine.



The table below sets forth information about the Mineral Resources and Mineral Reserves of the Tau Lekoa Group as of June 30, 2019.

Asset	Reef Name	Mineral Resources				Mineral Reserves <sup>2, 3, 4</sup>			
		Category	Quantity	Au	Contained	Category	Quantity	Au	Contained
				Grade	Au			Grade	Au
				(Mt)	(g/t) <sup>1</sup>			(Moz)	(Mt)
Tau Lekoa mine	VCR	Measured	4.72	7.28	1.10	Proved	1.35	4.68	0.20
		Indicated	6.98	5.00	1.12	Probable	0.89	3.67	0.10
		Subtotal	11.70	5.92	2.23	Total (Proved & Probable)	2.24	4.28	0.31
		(Measured & Indicated)							
		Inferred	18.77	5.84	3.53				
Weltevreden	VCR	Measured	0.10	5.79	0.02	Proved	0.02	4.77	0.003
		Indicated	5.27	3.86	0.65	Probable	2.05	3.27	0.21
		Subtotal	5.37	3.90	0.67	Total (Proved & Probable)	2.07	3.28	0.21
		(Measured & Indicated)							
		Inferred	26.32	2.57	2.18				



## BUSINESS

Asset	Reef Name	Mineral Resources				Mineral Reserves <sup>2, 3, 4</sup>			
		Category	Quantity	Au		Category	Quantity	Au	
				Grade	Contained Au			Grade	Contained Au
			(Mt)	(g/t) <sup>1</sup>	(Moz)		(Mt)	(g/t) <sup>1</sup>	(Moz)
Goedgenoeg	VCR	Measured	–	–	–	Proved	–	–	–
		Indicated	0.21	6.05	0.04	Probable	–	–	–
		<b>Subtotal</b>	<b>0.21</b>	<b>6.05</b>	<b>0.04</b>	<b>Total (Proved</b>	<b>–</b>	<b>–</b>	<b>–</b>
		<b>(Measured &amp; Indicated)</b>				<b>&amp; Probable)</b>			
		Inferred	10.42	13.19	4.42				
<b>Combined Tau</b>	VCR	Total Measured	4.82	7.25	1.12	Total Proved	1.37	4.68	0.21
<b>Lekoa Group</b>		Total Indicated	12.46	4.54	1.82	Total Probable	2.94	3.39	0.31
<b>Total</b>		<b>Total</b>	<b>17.28</b>	<b>5.29</b>	<b>2.94</b>	<b>Total (Proved</b>	<b>4.31</b>	<b>3.80</b>	<b>0.52</b>
		<b>(Measured &amp; Indicated)</b>				<b>&amp; Probable)</b>			
		Total Inferred	55.51	5.67	10.12				
		<b>Total</b>	<b>72.78</b>	<b>5.58</b>	<b>13.06</b>				
		<b>(Measured, Indicated &amp; Inferred)</b>							

*Notes:*

- 1 Weltevreden Mineral Resources are reported above a gold cut-off grade of 387 cm.g/t, which was derived using a gold price of ZAR700,000/kg of gold, an operating cost of ZAR1,052/t milled and MCF for Tau Lekoa and Jonkerskraal of 84% and PRF of 94%. The rest of the Tau Lekoa Group Mineral Resources are reported at a gold cut-off grade of 400 cm.g/t using the same gold price as Weltevreden and an operation cost of ZAR1,924/t milled, with 80% MCF and 94% PRF.
- 2 Tau Lekoa Mineral Reserves exclude the Shaft Pillar. Stopping width is 140 cm, milling width is 161 cm.
- 3 Cut-off for Tau Lekoa Mineral Reserves is 488 cm.g/t at a gold price of ZAR550,000/kg.
- 4 Trammings width is 177 cm and Milling width is 188 cm.
- 5 *In-situ* cut-off for Weltevreden Mineral Reserves is 429 cm.g/t at a gold price of ZAR 550,000/kg, applied over a mine design and schedule for a seven-year LoM at 40 ktpm from steady state mining.
- 6 All figures are rounded to reflect the relative accuracy of the estimate.

With its first gold pour in 1991, the Tau Lekoa Mine was operated by AngloGold, Simmers and VMR until it was acquired by Heaven-Sent in June 2015. After the acquisition, we made investment to cope with the technical and commercial challenges it was facing. We have been developing more face length in the mine, which may reduce its reliance on isolated block of grounds and enhance operational flexibility, as well as enable access to the north block and the high-grade areas below 1,650 meters.

In 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, the production volume of gold of the Tau Lekoa Mine was 71,017 ounces, 74,459 ounces, 69,236 ounces, 33,608 ounces and 34,718 ounces, respectively.

## BUSINESS

The table below sets forth the volume of ore mined, ore processed and gold produced of the Tau Lekoa Mine for the periods indicated.

Tau Lekoa Mine	For the years ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
Ore mined (thousand tons)	657	764	762	368	388
Ore processed (thousand tons)	647	764	795 <sup>(1)</sup>	389 <sup>(1)</sup>	379
Gold produced (ounces)	71,017	74,459	69,236	33,608	34,718

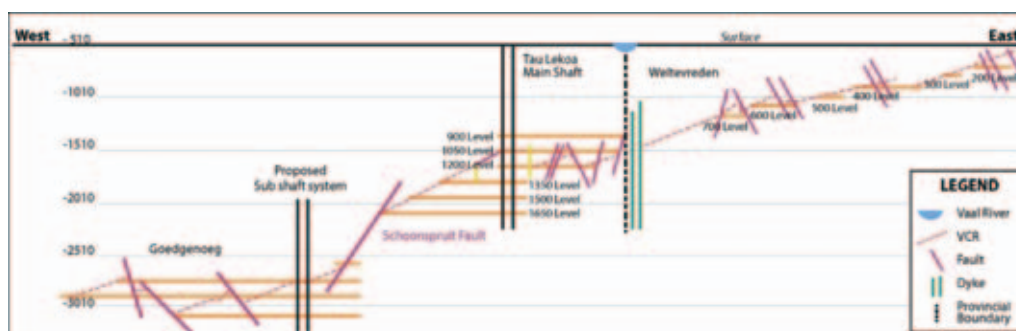
*Note:*

- (1) The amount in excess of the ore mined relates to the material from a low-grade stockpile used to supplement the plant feed.

According to the CPR, the LoM of the Tau Lekoa (excluding mining of the shaft pillar) was approximately four and a half years as of June 30, 2019, based on an estimated average production rate of 504,000 tons of ore and 65,800 ounces of gold per annum through 2023. The LoM of the Tau Lekoa Mine is based on Proved and Probable Mineral Reserves derived from Measured and Indicated Mineral Resources only (excluding the Inferred Mineral Resources), and estimates the recovery of 8,930 kg of gold at an average plant feed grade of 4.34 g/t over the LoM.

We are preparing for the construction of the Weltevreden project, which is the up-dip extension of the Tau Lekoa Mine, and planning on the Goedgenoeg exploration project. We expect that the LoM of the Tau Lekoa Group will be extended along with the progress of these projects as a result of this well-understood ore body of high continuity. See “— Our Assets — Features of South African Deep-Level Underground Gold Mine.”

The figure below sets forth the layouts of the Weltevreden project and the Goedgenoeg project.



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## BUSINESS

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### *Weltevreden Project*

The Weltevreden project was started by Gencor in early 1990s, but was abandoned in 1992 for economic reasons. Its resources are accessible by a shallow extension of the Tau Lekoa operations at about 300 meters below surface.

During the 2009 exploration campaign, a total of 46 mother holes (with deflections ranging from three to five per mother hole) were drilled and together with historical drill holes, were used to compile independent mineral resource estimates. In the first half of 2018, an infill drilling program from surface was conducted, during which a total of 18 mother holes were drilled, with an average deflection of three per mother hole. This drilling program increased the Mineral Resource confidence level at Weltevreden and allowed us to declare Indicated Mineral Resources that were sufficient to support a pre-feasibility study and an approximate seven-year LoM plan. We plan to conduct additional drilling programs at the Weltevreden in the future, in order to further increase the Mineral Resource confidence level and to optimize the mine design.

As of June 30, 2019, we had already incurred capitalized capital expenditures of US\$1.3 million in connection with the Weltevreden project. We estimate that we will incur capital expenditures of US\$40.3 million from 2019 to 2025 and sustaining capital expenditures of US\$35.4 million over the LoM in connection with this project. We plan to fund these expenditures through cash generated from our continuing operations and net proceeds from the Global Offering. We may also consider debt financing from commercial banks and other channels, depending on the development progress and our capital needs. We expect the Weltevreden project to begin producing gold by the end of 2019, followed by a three-year ramp-up period to reach steady-state production. We estimate that the potential average gold production capacity of the Weltevreden mine will be 31,000 ounces per annum, peaking at 56,200 ounces per annum in 2023, and its LoM will be up to seven years, based on Proved and Probable Mineral Reserves derived from Measured and Indicated Mineral Resources as of June 30, 2019.

### *Goedgenoeg Project*

The Goedgenoeg project explores the deeper section of the same ore body as the Tau Lekoa Mine, which has a resource base of 4.42 million ounces with much higher-grade than the shallower section according to historical exploration results. We plan to conduct additional exploration activities and feasibility studies for the Goedgenoeg project around 2021. If the Goedgenoeg project commences production, the LoM of the Tau Lekoa Group is expected to be extended considerably.



## BUSINESS

### *Kopanang Mine*

The Kopanang Mine, located approximately 170 km southwest of Johannesburg and 10 km southeast of the town of Orkney, is a deep-level gold mine exploiting primarily the V Reef and, to a less extent, the C Reef. It covers an area of approximately 3,954.8 ha and operates at depths of 1,222 to 2,024 meters below surface and is accessed by one of the largest diameter shafts in South Africa.

The picture below illustrates the surface facilities of the Kopanang Mine.



The table below sets forth information about the Mineral Resources and Mineral Reserves of our Kopanang Mine as of June 30, 2019.

Reef Name	Mineral Resources				Mineral Reserves <sup>2, 3, 4</sup>			
	Category	Quantity	Au	Contained	Category	Quantity	Au	Contained
			Grade	Au			Grade	Au
		(Mt)	(g/t) <sup>1</sup>	(Moz)		(Mt)	(g/t) <sup>1</sup>	(Moz)
Vaal Reef	Measured	3.67	12.20	1.44	Proved	1.84	4.82	0.28
	Indicated	6.38	11.16	2.29	Probable	2.65	4.97	0.42
	Subtotal	10.05	11.54	3.73	Subtotal	4.49	4.90	0.71
	(Measured & Indicated)				(Proved & Probable)			
	Inferred	1.26	17.17	0.69				
C Reef	Measured	0.03	15.01	0.01	Proved	–	–	–
	Indicated	0.46	14.90	0.22	Probable	0.34	5.24	0.06
	Subtotal	0.49	14.91	0.23	Subtotal	0.34	5.24	0.06
	(Measured & Indicated)				(Proved & Probable)			
	Inferred	0.20	18.11	0.12				

## BUSINESS

Reef Name	Mineral Resources				Mineral Reserves <sup>2, 3, 4</sup>			
	Category	Quantity	Au Contained		Category	Quantity	Au Contained	
			Grade	Au			Grade	Au
		(Mt)	(g/t) <sup>1</sup>	(Moz)		(Mt)	(g/t) <sup>1</sup>	(Moz)
Total	Total Measured	3.70	12.22	1.45	Total Proved	1.84	4.82	0.28
	Total Indicated	6.84	11.41	2.51	Total Probable	2.99	5.00	0.48
	<b>Total</b>	<b>10.53</b>	<b>11.70</b>	<b>3.96</b>	<b>Total</b>	<b>4.82</b>	<b>4.93</b>	<b>0.76</b>
	(Measured & Indicated)				(Proved & Probable)			
	Total Inferred	1.46	17.30	0.81				
	<b>Total</b>	<b>11.99</b>	<b>12.38</b>	<b>4.78</b>				
	(Measured, Indicated & Inferred)							

*Notes:*

- 1 Mineral Resources are reported above a gold cut-off grade of 500 cm.g/t, which was derived using a gold price of ZAR700,000/kg of gold, an operating cost of ZAR2,293.80/t milled and MCF – Vaal Reef of 68% and C Reef of 60% and PRF of 95%.
- 2 Milling width is 161 cm.
- 3 Stoping width is 122 cm.
- 4 Cut-off for Mineral Reserves is 650 cm.g/t at a gold price of ZAR550,000/kg.
- 5 All figures are rounded to reflect the relative accuracy of the estimate.

With its first gold pour in 1984, the Kopanang Mine was operated by AngloGold, until we acquired it in February 2018. See “History and Corporate Structure — Our Corporate History and Development — Acquisition of Kopanang Operations.” We recorded a one-off gain on the bargain purchase price of US\$27.1 million for the acquisition of the Kopanang Operations in the six months ended June 30, 2018, which represents the difference between the fair value of the Kopanang Operations as of February 28, 2018 and the consideration we agreed to pay for acquiring the Kopanang Operations under the acquisition contract. See “Financial Information – Period to Period Comparison of Results of Operations – The Six Months Ended June 30, 2019 Compared to the Six Months Ended June 30, 2018 – Other Income and Gains.” After the acquisition, we took measures to stabilize the production at the Kopanang Mine. We have also been optimizing the mining operations and increasing its crew efficiencies. We took measures to increase the face advance at the Kopanang Mine from 5.7 meter in 2017 to 6.7 meter in 2018. We also streamlined our workforce by flattening the management structure, reducing redundant mining positions and eliminating certain unnecessary agreements with third party contractors.

During the ten months from March to December in 2018 and the six months ended June 30, 2019, the production volume of gold of the Kopanang Mine was 59,425 ounces and 40,760 ounces, respectively.

## BUSINESS

The table below sets forth the volume of ore mined, ore processed and gold produced at the Kopanang Mine for the periods indicated.

Kopanang Mine	For the years ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
Ore mined (thousand tons)	556	610	537	171	305
Ore processed (thousand tons)	557 <sup>(1)</sup>	608	528	181 <sup>(1)</sup>	297
Gold produced (ounces)	91,083	91,340	71,246	21,126	40,760

*Note:*

- (1) The amount in excess of the ore mined relates to the material from a low-grade stockpile used to supplement the plant feed.

According to the CPR, the LoM of the Kopanang Mine was approximately six and a half years as of June 30, 2019, based on an estimated average production rate of approximately 740,000 tons of ore and approximately 109,000 ounces of gold per annum through 2025. The LoM of the Kopanang Mine is based on Proved and Probable Mineral Reserves derived from Measured and Indicated Mineral Resources only (excluding the Inferred Mineral Resources), which is in accordance with the requirements of Chapter 18 of the Listing Rules and the SAMREC Code, and is based on the recovery of 22,120 kg of gold at an average plant feed grade of 4.93 g/t over the LoM.

To extend the life of the Kopanang Mine, we have conducted studies since September 2018 about the opening-up of the isolated block of grounds in previously developed but unmined areas. We also plan to conduct exploration drilling on the deeper high-grade areas below the current infrastructure close to the southern boundary of the mine, as well as the secondary C Reef, for potential Mineral Resources. We expect that the LoM of the Kopanang Mine will be extended along with the progress of the exploration drilling as a result of this well-understood ore body of high continuity. See “— Our Assets — Features of South African Deep-Level Underground Gold Mine.”

### ***The Buffels Surface Material Site***

The Buffels surface material site is a remnant of the old Buffelsfontein gold mine that was closed in 2013. We are currently conducting rehabilitation activities at the old Buffelsfontein gold mine sites. This rehabilitation is expected to be completed by 2020. In addition, there is a remaining 9.16 million tons of shaft waste rock that is low-grade ore with an average grade of 0.49 g/t, according to the CPR. This waste rock is being processed through the nearby Nicolor Plant. The mineral reserves of the Buffels surface material site are slightly lower than its mineral resources due to part of the material being screened prior to feed into the plant. According to the CPR, we have planned five years of LoM to treat the Buffels surface materials by Nicolor Plant, at a rate of 175 ktpm for the first four years.

## BUSINESS

The table below sets forth information about the Mineral Resources and Mineral Reserves of our Buffels surface material site as of June 30, 2019.

Reef Name	Category	Mineral Resources			Category	Mineral Reserves		
		Quantity	Au	Contained		Quantity	Au	Contained
			Grade	Au			Grade	Au
		(Mt)	(g/t) <sup>1</sup>	(Moz)		(Mt)	(g/t) <sup>2</sup>	(Moz)
Low-grade stockpiles	Measured	–	–	–	Proved	–	–	–
	Indicated	9.16	0.49	0.14	Probable	8.45	0.52	0.14
	<b>Total</b>	<b>9.16</b>	<b>0.49</b>	<b>0.14</b>	<b>Total (Proved &amp; Probable)</b>	<b>8.45</b>	<b>0.52</b>	<b>0.14</b>
	(Measured & Indicated)							
	Inferred	–	–	–				
	<b>Total</b>	<b>9.16</b>	<b>0.49</b>	<b>0.14</b>				
	(Measured, Indicated & Inferred)							

Notes:

- 1 Average grade based on two and a half years mine grade is determined from RoM grade.
- 2 Production rate is 175 ktpm and feed grade of 0.49 g/t is based on a screening plant yield of 55% and screening plant waste grade of 0.044 g/t.
- 3 No cut-off was applied as the entire dump is planned to be mined.
- 4 All figures are rounded to reflect the relative accuracy of the estimate.

Unlike the Tau Lekoa Group and the Kopanang Mine, the Mineral Reserves of the Buffels surface material site are slightly lower than its Mineral Resources because part of the materials are screened prior to fed into the plant.

The table below sets forth the volume of ore mined, ore processed and gold produced at the Buffels surface material site for the periods indicated.

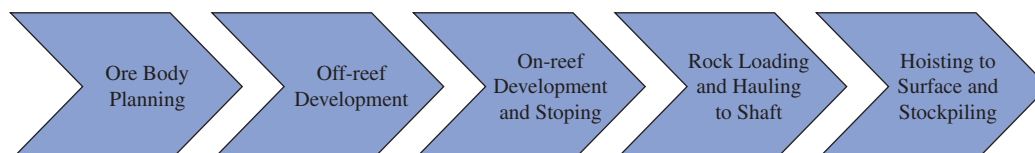
Buffels surface material site		For the years ended December 31,			For the six months ended June 30,	
		2016	2017	2018	2018	2019
Ore mined	(thousand tons)	680	1,004	1,067	471	681
Ore processed	(thousand tons)	680	1,004	1,067	471	681
Gold produced	(ounces)	10,320	14,629	12,249	6,158	6,920

### OUR OPERATIONS

Our production process can be largely divided into mining and processing.

#### Mining

The diagram below illustrates our mining process.



#### *Ore Body Planning*

The gold-bearing sediments in the Witwatersrand basin are concentrated within thin individual conglomerate reefs that have an average width of about 1.5 m. Adopting underground hard rock mining techniques, we focus on the VC Reef and the V Reef and target, to a limited extent, the Dennys Reef and the C Reef. On a yearly and monthly basis, we conduct ore body planning that involves digital designing and scheduling of geological outputs of our mines. The ore body planning parameters include detailed volume, mass and content of the outputs in short-term and long-term, which allow us to conduct financial analysis. We closely monitor these parameters to ensure that our mine layouts and mining schedules are adhered to.

#### *Off-reef Development*

Off-reef development provides access ways to the working areas and ore pass systems, as well as to create storage capacity for broken ore without constraining stopping operations. These access ways are then used for transporting workers, raw materials and broken ore.

#### *On-reef Development and Stopping*

On-reef development provides access to the ore and allows ledging of panels. The stopping operations (drilling, blasting and cleaning of stope faces) take place on a daily basis to generate broken ore. Our Tau Lekoa Mine uses hydro-power drilling systems with an average drilling time of two minutes per hole, while our Kopanang Mine uses compressed-air powered drilling systems with an average drilling time of five minutes per hole. The holes are filled with explosives and blasted to excavate the ore, which were tipped into ore passes. Stope faces are cleaned by scrapers and winches with the assistance of high pressure cleaning tools.

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## BUSINESS

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### ***Rock Loading and Hauling to Shaft***

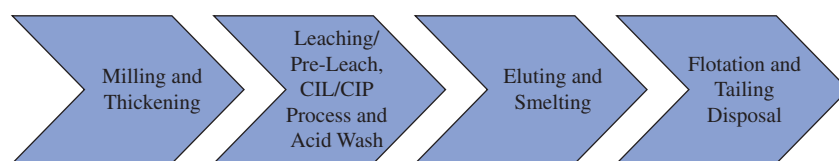
The broken ore is loaded into hoppers from ore-passes. Our underground locomotives transport the broken ore from separate underground loading locations to the shaft through internal ore-pass systems. Our Kopanang Mine has a unique locomotive system call the “Big Mamma,” which is designed to transport high volume of broken ore to the bottom of the shaft at the depth of more than 2,300 meters below surface.

### ***Hoisting to Surface and Stockpiling***

The broken ore is hoisted in a conveyance to surface by the winder, and transported from shafts to silos by conveying belts for stockpiling. The ores in silos are then transported to West Gold Plant by our own trucks (in the case of the Tau Lekoa Mine) or trains operated by a third party (in the case of the Kopanang Mine). All the ore delivered to West Gold plant is weighted on a weigh-bridge and sampled by an automatic belt sampler, before it is stockpiled at the silos at West Gold plant and fed into the metallurgical facilities by conveyor belts.

### **Processing**

The diagram below illustrates our processing steps.



### ***Milling and Thickening***

Mined ore delivered by train or trucks from our mines is offloaded onto a stockpile, and fed to the apron feeder by a loader or directly into the apron feeder bin, which transfers it to a mill stockpile (silo). The ore is then fed to the mills via vibrating feeders that are interlinked with the controls of the mills. The ore is then milled and classified in the hydro-cyclones where an overflow product size of 80% -75 micrometers is targeted.

The slurry is then fed into the thickeners and settled with the addition of flocculent and lime. A density value of 1,500 kilogram per cubic meter and a pH value of 10.5 are targeted. The pH assists with control of cyanide consumption.

### ***Leaching/Pre-Leach, CIL/CIP Process and Acid Wash***

*Leaching (Nicolor Plant).* The thickened slurry is pumped into leaching vessels where oxygen and cyanide are added to dissolve gold out of the ore. The dissolution of gold is also aided by compressed air agitation.

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*Pre-Leach (West Gold Plant).* The thickened slurry is pumped into pre-leach vessels where oxygen and cyanide are added to dissolve gold out of the ore. The dissolution of gold is also aided by mechanical agitation.

*CIP Process.* The dissolved gold is adsorbed by carbon in the six carbon-in-pulp adsorption vessels. The CIP process is counter-current with dissolved gold in the pulp flowing downstream and activated carbon moving upstream.

*CIL Process.* The dissolved gold is adsorbed by carbon in the eight carbon-in-leach vessels. In this process gold is dissolved and loaded by the carbon at the same time. The CIL process is counter-current with dissolved gold in the pulp flowing downstream and activated carbon moving upstream.

*Acid Wash.* The loaded carbon is washed by hydrochloric acid to remove organics and calcium before it is eluted. Cyanide soaking is in addition completed to increase stripping efficiency in the elution process.

### ***Eluting and Smelting***

Gold in the loaded carbon is eluted into solution. The elution is operated under pressure and temperature of more than 130 °C. The gold-bearing solution from the elution column gets pumped to a flash tank, and then flows to electro winning cells, where it gets electro-deposited onto steel cathodes.

The coated cathodes are then removed from the electro winning cells to produce a gold sludge. The gold sludge is pressure filtered to a semi-dry cake and dried in the drying oven, and then smelted into doré bars with gold purities of approximately 70-90%. Further refining of the gold bar is done off site at Rand Refinery. The barren solution from electro winning cells is now pumped to eluant tank and back to the elution column to prepare solution for the next elution. The eluted carbon from the column is pumped to kiln to regenerate the carbon by removing organic contaminants at high temperature in the absence of oxygen. From the kiln the activated carbon drops into the quench tank, and is pumped over a screen to remove fines. The screened carbon is then pumped to the CIL/CIP process.

### ***Flotation and Tailing Disposal***

*Tailings Disposal (West Gold Plant).* After CIL circuit, the pulp is disposed of to the tailings facility that is operated by AngloGold pursuant to our commercial arrangement.

*Flotation and Tailing Disposal (Nicolor Plant).* The pulp from CIP is pumped to the flotation plant where gold-bearing sulphides and any unleached coarse gold are floated and returned to the leaching section for gold recovery. This results in a reduction in the total residue of gold. The tailings from the flotation circuit are currently pumped to the Megadam tailings facility that is operated by AngloGold pursuant to our commercial arrangement.

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### Production Facilities

We have two processing plants, namely, West Gold Plant and Nicolor Plant (formerly South Plant). Nicolor Plant used to treat reef materials from the Tau Lekoa Mine and gold-containing materials from third parties, which are mostly small mining companies in surrounding areas. We processed these gold-containing materials in Nicolor plant and sold a certain portion of the gold. We also charged the third parties tolling fees. See “Financial Information — Description of Principal Income Statement Items — Revenue — Tolling Services.”

In February 2018, we acquired the Kopanang Mine, together with West Gold Plant. West Gold Plant is conveniently located between our two mines, 10 kilometers from the Tau Lekoa Mine and 18 kilometers from the Kopanang Mine. As a result, we decided to treat reef materials from both Tau Lekoa Mine and Kopanang Mine at West Gold Plant in order of save transportation costs. Since the acquisition, Nicolor Plant has mainly been used to treat surface materials from Buffels surface material site and gold-containing materials from third parties using our tolling services.

#### *West Gold Plant*

West Gold Plant has a total surface area of 20.7 ha. Using CIL process, our West Gold Plant has an annual processing capacity of approximately 1.9 million tons of gold-bearing materials.

West Gold Plant was primarily used to treat low-grade surface materials before March 2018, when it was operated by its previous owner. It has been used to treat higher-grade gold-containing ore from the Tau Lekoa Mine and the Kopanang Mine since March 2018 after our acquisition.

The below table sets forth the utilization rates of West Gold Plant for the periods indicated.

<u>West Gold Plant</u>	<u>For the year ended December 31</u>			<u>For the six months ended June 30,</u>	
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2018</u>	<u>2019</u>
<i>(in thousand tons, except percentages)</i>					
Gold ore processed . . . . .	1,521	1,347	1,199	436	690
Designed capacity . . . . .	1,920	1,920	1,600 <sup>(1)</sup>	640 <sup>(3)</sup>	960
Utilization rate . . . . .	79%	70%	62% <sup>(2)</sup>	68% <sup>(4)</sup>	72%

*Notes:*

- (1) Only includes the capacity for the ten months ended December 31, 2018, as West Gold Plant was not in operating status in January and February 2018.



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- (2) Only includes the utilization rate for the ten months ended December 31, 2018, as West Gold Plant was not in operating status in January and February 2018.
- (3) Only includes the capacity for the four months ended June 30, 2018, as West Gold Plant was not in operating status in January and February 2018.
- (4) Only includes the utilization rate for the four months ended June 30, 2018, as West Gold Plant was not in operating status in January and February 2018.

The utilization rate of West Gold Plant decreased from 79% in 2016 to 70% in 2017 because West Gold Plant experienced a decrease in the source of low-grade surface materials in 2017. The utilization rate of West Gold Plant decreased to 62% in 2018 because we used West Gold Plant to process gold-containing ore instead of waste rocks after our acquisition of the Kopanang Operations. The utilization rate of the West Gold Plant increased to 72% in the six months ended June 30, 2019 mainly because of the increase in its treatment of higher-grade underground ore, specifically from the Kopanang Mine, which ramped up its production. We expect that its utilization rate will further increase when Kopanang's production continues to ramp up and the Weltevreden project commences production at the end of 2019, since we plan to process the ore from Weltevreden in West Gold Plant as well.

The gold recovery rate of West Gold Plant was 82%, 67%, 91%, 90% and 92% in 2016, 2017, the ten months ended December 31, 2018 and the six months ended June 30, 2018 and 2019, respectively. The gold recovery rate of West Gold Plant decreased from 82% in 2016 to 67% in 2017 mainly due to a decrease in the grade and purity of the surface materials it processed under the management of AngloGold. West Gold Plant was not operating in January and February 2018. The gold recovery rate of West Gold Plant increased to 91% in the ten months ended December 31, 2018 because it started to treat higher grade gold-containing ore from the Tau Lekoa Mine and the Kopanang Mine in March 2018 after our acquisition. The gold recovery rate of the West Gold Plant increased slightly to 92% in the six months ended June 30, 2019.

### ***Nicolor Plant (Formerly South Plant)***

Nicolor Plant has a total surface area of 20.3 ha. Using the standard CIP process, Nicolor Plant has an annual processing capacity of approximately 2.2 million tons of gold-bearing materials.

Nicolor Plant was used to treat gold-containing materials from our Tau Lekoa Mine and third parties using our tolling services, as well as waste rock from our Buffels surface material site in 2016, 2017 and the first two months of 2018, and has been used to treat mainly waste rock from our Buffels surface material site as well as a small amount of gold-containing materials from third parties using our tolling services since March 2018.

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The below table sets forth the utilization rates of Nicolor Plant for the periods indicated.

Nicolor Plant	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
<i>(in thousand tons, except percentages)</i>					
Gold ore/surface materials					
processed . . . . .	1,868	2,077	2,112	1,061	1,025
Designed capacity . . . . .	2,160	2,160	2,160	1,080	1,080
Utilization rate . . . . .	86%	96%	98%	98%	95%

The utilization rate of Nicolor Plant increased from 86% in 2016 to 96% in 2017 mainly because we processed more waste rock from our Buffels surface material site. The utilization rate of Nicolor Plant increased to 98% in 2018 mainly because we processed more gold-containing materials from third parties. The utilization rate of the Nicolor Plant decreased slightly to 95% in the six months ended June 30, 2019.

The gold recovery rate of Nicolor Plant was 93%, 91%, 80%, 81% and 73% in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively. The gold recovery rate of Nicolor Plant remained relatively stable at 93% and 91% in 2016 and 2017, and decreased to 80% in 2018, mainly because it had been used to treat mostly waste rock from our Buffels surface material site as well as a small amount of gold-containing materials from third parties using our tolling services since March 2018. The gold recovery rate of the Nicolor Plant further decreased to 73% in the six months ended June 30, 2019 mainly because it was used to treat lower-grade ore from Buffels and tolling materials from third parties.

### ***Production Machinery and Equipment***

The production machinery and equipment that we use primarily includes crushing, screening and milling facilities, agitated tanks, elution column and regeneration kiln. We own a majority of machinery and equipment necessary for our production operations.

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The table below sets forth the number and book value of our critical production machinery and equipment as of the dates indicated and their remaining useful life as of June 30, 2019.

	As of December 31,						As of June 30,		As of
	2016		2017		2018		2019		June 30,
	Number	Book value	Number	Book value	Number	Book value	Number	Book value	2019
Production machinery and equipment									Remaining useful life
		(US\$ in thousands)		(US\$ in thousands)		(US\$ in thousands)		(US\$ in thousands)	(years)
Crushing and screening . .	4	52.5	4	48.3	58	527.2	63	544.5	7
Milling and thickening . .	24	1,256.0	43	1,931.2	116	2,715.1	120	2,593.2	7
Leaching/pre-leach, CIL/CIP process and acid wash . . . . .	18	587.6	24	670.7	72	1,432.9	74	1,403.7	7
Eluting and smelting . . .	8	147.6	10	215.1	116	385.2	118	410.2	7
Others . . . . .	62	5,641.5	80	5,840.7	253	5,332.7	262	5,016.8	7
<b>Total . . . . .</b>	<b>116</b>	<b>7,685.2</b>	<b>161</b>	<b>8,706.0</b>	<b>615</b>	<b>10,393.2</b>	<b>637</b>	<b>9,968.4</b>	

The increases in the book value and number of our critical production machinery and equipment from 2016 to 2017 were due to the upgrade of milling and thickening facilities at Nicolor Plant. The further increases in 2018 were due to the addition of machinery and equipment from West Gold Plant, which was acquired by us in February 2018. Routine maintenance on production machinery is conducted in-house where possible while more sophisticated or specialized work is outsourced to licensed third-party contractors. See “— Our Operations — Third-Party Contractors.”

### Transportation

Our transportation primarily consists of: (i) underground transportation of ores from different levels of the mine to a central underground location by our locos; (ii) vertical transportation of ores from the central underground location to the surface by shafts, (iii) surface transportation of ores from shafts to silos by conveyor belts, and (iv) ground transportation of ores from silos to West Gold Plant by trucks operated by a third party (in the case of the Tau Lekoa Mine) or trains operated by a third party (in the case of the Kopanang Mine).

We have also transported sludge from West Gold Plant to Nicolor Plant for smelting as an interim measure since our acquisition of the Kopanang Operations on February 28, 2018. Since March 1, 2018, we started to treat reef materials from both Tau Lekoa Mine and Kopanang Mine at West Gold Plant. See “— Our Operations — Production Facilities.” As

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AngloGold centralized its smelting process, which was the last key step to produce doré bars, for all its mines in the Orkney area at a single processing plant, West Gold Plant did not have its own smelting house and instead transported the gold sludge to that centralized processing plant by trucks. We plan to build a smelting house at West Gold Plant and expect to complete construction around December 2019. During the interim period from March 1, 2018 until West Gold Plant's own smelting house commences operation, we transport gold sludge from West Gold Plant to Nicolor Plant for smelting by trucks, which is conducted by a private security company and escorted by its vehicles with armed guards, about twice a week.

Ground transportation of gold sludge involves risks. On February 8, 2019, while transporting gold sludge from West Gold Plant to Nicolor Plant, our trucks and the convoying vehicles from the private security company were attacked by unknown armed robbers and most of the gold sludge was lost. We estimate that the total weight of gold sludge lost was 1,921.9 ounces and recorded a loss of US\$2.6 million in connection with this incident in the six months ended June 30, 2019. No one was seriously harmed in the robbery. As advised by Werksmans, our marine transit policy covers us for 85% (after payment of the relevant deductible) of loss arising from armed robbery or theft of (among other things) gold and gold ore while in transit between our premises. Immediately after this incident, we amended our security protocols to use helicopters if the weather allows, or armored vehicles in the case of inclement weather or other unforeseeable circumstances, to transport gold sludge from West Gold Plant to Nicolor Plant, until West Gold Plant's own smelting house commences operation, which is expected to be around December 2019. We have also strengthened our transportation security procedures. See “— Our Operations — Security.” We believe that these prudent measures will significantly enhance our transportation security during this interim period.

In addition, in line with the industry practice in South Africa, we transport doré bars from Nicolor to the gold refinery by helicopters. All of our doré bars are processed by Rand Refinery. Delivery of doré bars by us to Rand Refinery takes place generally twice per week. When West Gold Plant's own smelting house commences operation, we plan to transport doré bars directly from West Gold Plant to Rand Refinery by helicopters. Although doré bars can be delivered through various modes of ground transportation, we have determined that on balance, considering the current level of safety and security concerns in South Africa, and the relatively inexpensive nature of helicopter delivery, that helicopter delivery of doré bars is our best option. The risk of loss and damage of doré bars during the helicopter transportation is insured against by a major insurance company in South Africa. There are alternative suppliers of helicopter delivery services on the South African market, which are able to provide such services at similar prices. We had not experienced any material shortage of transportation capacity during the Track Record Period and up to the Latest Practicable Date.

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### Security

Onsite and transportation security is essential to personal safety and safeguarding of our properties. We have engaged a professional private security company to perform security services for us and their operations are overseen by our in-house security managers. The services provided by the private security company include provision of armed security staff, bullion and slag escorts, access control, explosive searches, alcohol tests and physical and vehicle searches. Security guards would patrol the perimeter of our sites, including our non-operational shafts, to prevent unauthorized access. In addition, the private security company also provides the following specific services:

- monitoring our essential infrastructure, such as sub-stations, pump stations, smelt houses, recovery houses and mill areas;
- CCTV surveillance with cameras and drone surveillance units coordinated at a central control room;
- reaction units to respond to alarms and incidents of crime, unrest and strikes; and
- investigation services following occurrence of incidents.

On February 8, 2019, we encountered an armed robbery while transporting gold sludge from West Gold Plant to Nicolor Plant. See “— Our Operations — Transportation.” Until West Gold Plant’s own smelting house commences operation, which is expected to be around December 2019, we will need to continue to transport gold sludge from West Gold Plant to Nicolor Plant. To safeguard our assets during transportation, we have enhanced our transportation security procedures. We require a senior security officer to be in control of each escort and file a mini risk assessment on site. The escorting team must be equipped with professional communication tools, weapons, bullet proof jackets and drones with surveillance cameras.

When the weather allows, we require the private security firm escorting the transportation of gold sludge to use helicopters. We also require the use of armored vehicles for the transport between the recovery house and the loading zone at West Gold Plant, as well as the transport between the loading zone to the smelt house at Nicolor Plant. The loading zones must be secured by senior security personnel. In the case of inclement weather or other unforeseeable circumstances, we require the private security firm escorting the transportation of gold sludge to use armored vehicles and a helicopter to stay in the immediate area to conduct support and observation duties.

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Throughout all loading and unloading operations, whether a helicopter is in place or not, we close all entrance gates of the plants. The surrounding areas and roads in the vicinity of the loading zones are cordoned off by means of chains and padlocks to prevent unnecessary employee movement while proceedings are in progress. We also have a security vehicle stationed in a proper location, where the occupants can have a clear observation view on the proceedings, and additional security vehicles stationed in strategic positions for observation purposes. We conduct regular maintenance and inspections on these security vehicles to ensure that they are in a good running and operational condition.

We believe that these security measures have successfully prevented access by illegal miners and effectively reduced loss of life and property damage. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any breach of security that had a material and adverse impact on our operations.

The Sole Sponsor has conducted due diligence on our internal control measures of property safety, including interviewing with our security managers, the mining operations director of the external safety contractor and the relevant insurance provider, inquiring the relevant governmental officials through its South African legal adviser, as well as reviewing an internal control report prepared by an independent internal control consultant. Based on its due diligence work, the Sole Sponsor is of the view that the internal control measures of property safety adopted by the Group are effective to safeguard its inventories.

### **Third-Party Contractors**

#### *Overview*

In line with industry practice, we outsource exploratory drilling, opening-up and equipping, rock engineering, surface transportation, security services and medical services to reputable and qualified third-party contractors. The rehabilitation at Buffels is also being done by a third-party contractor. We believe that these outsourcing arrangements, if managed properly, can lower our operational costs and reduce our capital expenditures for equipment and machinery.

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The table below sets forth the number of our critical third-party contractors for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
Medical services . . . . .	1	1	2	2	2
Opening-up and equipping . . . . .	1	5	4	5	5
Surface transportation . . . . .	3	3	4	2	3
Security services . . . . .	2	2	2	2	2
Exploratory drilling . . . . .	3	1	2	2	2
Rock engineering . . . . .	1	1	1	1	1
Rehabilitation . . . . .	1	1	1	1	–
<b>Total . . . . .</b>	<b>12</b>	<b>14</b>	<b>16</b>	<b>15</b>	<b>15</b>

The table below sets forth a breakdown of contracting fees for third-party contractors by major activities for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
<i>(US\$ in thousands)</i>					
Medical services . . . . .	1,801.7	2,088.0	3,662.7	1,273.4	2,695.5
Opening-up and equipping . . . . .	1,602.0	1,965.8	4,413.5	1,748.9	4,243.6
Surface transportation . . . . .	2,502.0	3,784.1	5,119.4	1,960.0	1,931.9
Security services . . . . .	943.5	1,091.1	1,772.2	785.3	991.0
Exploratory drilling . . . . .	521.7	930.8	1,583.7	672.3	941.2
Rock engineering . . . . .	607.5	569.5	1,168.7	498.1	569.3
Rehabilitation . . . . .	2,348.2	3,378.4	744.5	740.9	–
<b>Total . . . . .</b>	<b>10,130.0</b>	<b>13,592.1</b>	<b>18,264.5</b>	<b>7,678.9</b>	<b>11,372.6</b>

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### *Salient Terms of the Agreements with Contractors*

Our agreements with critical third-party contractors are summarized below.

#### *Surface Transportation*

On September 6, 2019, Tau Lekoa Pty and Contractor A entered into a service agreement in respect of, *inter alia*, transport of ore. The key terms of the service agreement include:

- Scope. The scope of work includes, *inter alia*, the transport by Contractor A of an anticipated 50,000 to 100,000 tonnes of ore per month. The ore shall be transported from the reef silo to West Gold Plant.
- Term. This agreement commenced on September 1, 2019 and shall endure until August 31, 2020.
- Price. The contract prices are set at a per-ton rate. The total rate per ton will be ZAR23.03 (excluding value-added tax) and no more than 100,000 tons of ore are transported per month.
- Contractor obligation. Contractor A shall execute and complete the services in accordance with the agreement. Contractor A shall provide all equipment, temporary works, fuel, surface transport, labour and supervision thereof necessary to perform its obligations.
- Termination. Either party may at their discretion terminate the contract during the contracting period by giving 30 days' written notice of termination to the other party.

#### *Opening-up and Equipment*

On May 22, 2019, Tau Lekoa Pty entered into a service agreement with Contractor B in respect of underground services at Tau Lekoa Mine.

- Scope. Contractor B shall provide the vamping, stope vamping and mud loading services.
- Term. The service agreement commenced on June 3, 2019 and shall expire on June 2, 2020.
- Price. Tau Lekoa Pty pays Contractor B in accordance with predetermined rate schedule.
- Contractor Obligation. Contractor B is obliged to perform the services as set out in the agreement.



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- Termination. A party wishing to terminate the agreement must give a 30 days' written notice to the other party.

### *Medical Services*

On December 18, 2018, VMR entered into a service agreement with Contractor C in respect of health care services. The key terms of the service agreement include:

- Scope. The scope of work includes providing (i) primary health care, (ii) occupational health care, (iii) emergency management and (iv) health risk management.
- Term. The service agreement commenced on January 1, 2019 and shall expire on December 31, 2022.
- Price. VMR shall pay Contractor C a one-off fee of ZAR6.0 million (excluding value-added tax), which was due and paid on January 30, 2019. This amount will be set off against the final monthly fee of ZAR5.6 million due and payable in the final month of the agreement, VMR shall also pay Contractor C a monthly fee of ZAR5.7 million (excluding value-added tax).
- Contractor Obligation. Contractor C shall provide a range of occupational health and primary health care services as well as additional services to VMR when requested to do so.
- Termination. Either party may terminate the agreement at any time on a three months' written notice to the other party. Either party will be entitled to terminate the agreement on a five days' prior written notice if the defaulting party: (i) breaches a material provision of the agreement, which is incapable of being remedied; (ii) breaches a material provision and it is not remedied within 14 days after receiving a notice to do so; (iii) breaches any other provision of the agreement which is not remedied within 21 days after receiving notice to do so; (iv) is liquidated; (v) has any application or other proceedings brought against it; (vi) be or becomes insolvent; (vii) be deemed to be unable to pay its debts in terms of the South African Companies Act; (viii) compromises or attempts to compromise with its creditors; (ix) through its own fault, ceases to carry out the services; or (x) alienates or encumbers the whole or a major portion of its assets without the prior written consent of the aggrieved party.

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### *Rehabilitation*

On April 1, 2014, Buffelsfontein Pty entered into a service agreement with Contractor D in respect of mine closure and rehabilitation services. The key terms of the service agreement include:

- Scope. The scope of work includes the demolition and rehabilitation of the Buffelsfontein mine, low-grade plant and four shafts.
- Term. The agreement commenced on March 1, 2014. The expiration date of this agreement was stated as August 30, 2014, which was however subject to change should the approvals from the DMRE, the NNR or other governmental departments required for the work not be timely obtained. As all requisite environmental approvals have been obtained, the rehabilitation work must be completed by no later than December 31, 2020.
- Price. In carrying out its obligations, Contractor D shall retain all salvageable materials derived from the demolition to offset costs by way of a rebate. The total cost of demolition was ZAR125.4 million, including a contingent cost of ZAR12.5 million (excluding value-added tax). The estimated rebate amount is ZAR29.0 million (excluding value-added tax).
- Contractor Obligation. Contractor D shall ensure that (i) all civil materials are demolished down to 1.5 meter below ground level until natural soil is reached and (ii) all steel structures are demolished, processed and removed from the site. Contractor D has a general obligation to take all reasonable steps to protect the environment and to avoid damage or nuisance to persons or to property of the public or others resulting from pollution, noise or other causes arising as a consequence of Contractor D's operations. Contractor D is also subject to the general duty of care, which is imposed under the NEMA and the NWA and requires reasonable measures to be taken to prevent environmental pollution and degradation.
- Termination. The agreement does not set out any termination rights.

### *Selection and Management of Contractors*

We select third-party contractors through a tendering process, taking into account the price, past performance, delivery and lead time, quality, BBBEE status and stability. All the third-party contractors are subject to our vendor approval process that checks their existence, the validity of their business and their requisite qualifications and permits. We also send quality controllers to visit our contractors' facilities and determine whether they have the technical capabilities to perform the work required.

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Once we have entered into agreements with the third-party contractors who meet our requirements, our health, safety and environmental department will be required to perform our health, safety and environment induction courses. Pursuant to the agreements we entered into with our third-party contractors, who are responsible for taking reasonable precautions and complying with any applicable laws and regulations setting out minimum terms of basic conditions of employment, workplace operations or health and safety requirements to their employees. In relation to technical work, we will assign an engineer to supervise and inspect the work performed by our contractors.

All of our third-party contractors during the Track Record Period were independent third parties. We believe that the services provided by our third-party contractors are not unique in the market and it would not be difficult for us to find substitute contractors to provide similar services on terms similar to our existing arrangements. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any difficulties in enforcing contracts in South Africa, neither had we experienced any material dispute with our contractors or any suspension or delay of operations as a result of improper conduct on the part of the third-party contractors. See “Risk Factors — Risks Relating to Our Business and Industry — We engage third-party contractors at certain of our operations, which may expose us to delays or suspensions in mining activities and increase in production costs.”

## SALES, CUSTOMERS AND HEDGING

### Sales

Gold is our major product for sale. The market to trade precious metals is highly regulated in South Africa. Under the Precious Metals Act 2008 (“PMA”), only the holder of a refining license or a precious metal beneficiation license, an authorized dealer, or a producer may sell or dispose of unwrought or semi-fabricated precious metals. A person intending to sell or dispose of unwrought or semi-fabricated precious metals must first obtain approval from the precious metals regulators, the South Africa National Treasury and the National Commissioner of the South African Police Service. Under the Exchange Control Regulations, exporting gold out of South Africa requires the approval from the National Treasury and the concurrence of the Minister of Mineral Resources.

As advised by Werksmans, the PMA defines a “producer” as any person who holds a permit or right to prospect for or mine precious metals in terms of the MPRDA. As such, each member in the Group which holds a mining right is a “producer” as contemplated in the PMA. In terms of the PMA, a producer is entitled to acquire, possess or dispose of unwrought and semi-fabricated precious metals that it has itself produced from its operations pursuant to the mining right that it holds.

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In order for any member of the Group who is not a producer to acquire, possess or dispose of unwrought and/or semi-fabricated precious metals (either from a third party or a Group company which is a producer), such entity is required to be the holder of a refining licence issued pursuant to section 7(1)(a) of the PMA. Nicolor has obtained a refining license from the South African Diamond and Precious Metals Regulator pursuant to section 7(1)(a) of the PMA.

During the Track Record Period, all of our unwrought precious metals were processed by Rand Refinery and a refiner of gold mine waste. Rand Refinery and the refiner of gold mine waste were in possession of the necessary licenses in terms of the PMA in order to refine the unwrought gold to refined gold. Following the processing of the unwrought precious metals into refined precious metals, the gold was then sold to Rand Refinery and the refiner of the gold mine waste as end customers. The PMA does not prohibit the acquisition, possession or disposal of refined precious metals without a licence.

In 2018, we commenced with the sale of refined gold through our intermediary agent, TreasuryONE, for the reasons set out below. The PMA prohibits and restricts the acquisition, possession and disposal of unwrought and semi-fabricated metals, while it does not provide any restrictions relating to the acquisition, possession or disposal of refined precious metals. TreasuryONE, as an intermediary for the sales transaction, only deals in refined precious metals on behalf of the Company. Accordingly, TreasuryONE is not required to hold a refining licence under the PMA. Therefore, Werksmans is of the opinion that our sales through TreasuryONE were in compliance with the applicable laws and regulations in South Africa.

In line with the market practice in South Africa, we used Rand Refinery, the only authorized refinery in Africa, to refine the doré bars. We treat ore from our mines, as well as gold-containing materials and ore slime from third parties at our metallurgical plants and smelt them into doré bars with gold purities of approximately 70-90%. The doré bars are transported to Rand Refinery, which may charge extra fees if there are quality concerns in the doré bars or return the doré bars if they contain impurities that are deleterious to Rand Refinery's processing facilities above the maximum permitted levels as set out in our refining agreement with Rand Refinery. During the Track Record Period and up to the Latest Practicable Date, Rand Refinery had never charged extra fees or returned any of our doré bars due to quality issues. Rand Refinery then re-smelts doré bars into gold bullion with a purity of 99.5%, in accordance with the standards set by the London Bullion Market Association.

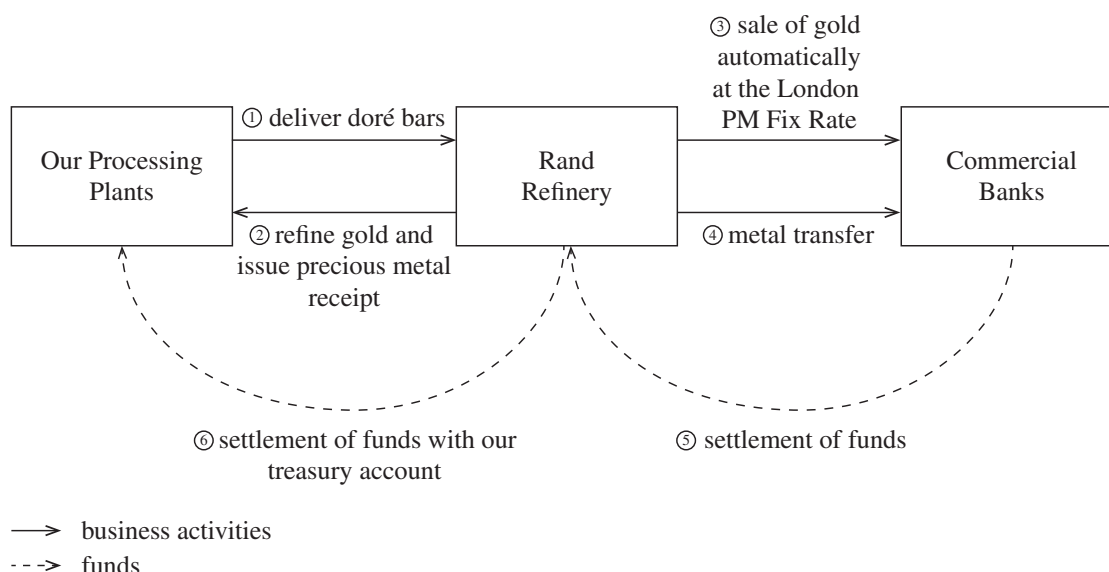
Before September 2018, we sold our bullion gold predominantly through Rand Refinery to commercial banks in South Africa. The gold is sold at the afternoon closing dollar price fixed by the London Bullion Market Association (the "**London PM Fix Rate**"). However, as we have no control over which end customers the gold bullion is ultimately sold to, we are unable to identify the exact volume of our gold sold to any particular end customer through Rand Refinery. As a result, Rand Refinery was deemed to be our customer for such gold sales.

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The following diagram illustrates the transaction process and cash flows in a typical gold sale transaction through Rand Refinery.



After we deliver doré bars to Rand Refinery, it conducts weighing, sampling and assaying and issues us a precious metal receipt setting forth the metal credit payable to us, which is based on the weight and purity of our doré bars. Rand Refinery automatically sells gold to commercial banks at the London PM Fix Rate, and conducts metal transfers through electronic book entry system while maintaining physical gold in its vault. The commercial banks then settle the funds with Rand Refinery, which in turn settles the funds with our treasury account. We issue invoices to Rand Refinery and generally receive payments within two days after delivering doré bars to Rand Refinery.

In September 2018, we ceased to use Rand Refinery as our sales agent while still using its refinery service. Since then, we started using TreasuryONE, an authorized financial services provider in South Africa, as our agent for gold sales, because sales through TreasuryONE can be made at any time during trading hours, giving us the flexibility to potentially outperform the London PM Fix Rate due to the daily gold price volatility.

We sell our gold using TreasuryONE as an agent, which allows us to select and identify end customers of our gold bullion. In South Africa, there is a mature market to trade refined gold. Our customers are typically precious metals merchants or commercial banks. The credit risk associated with these institutions and banks are minimal as gold is traded on a trade date plus two days payment term. Therefore, we receive the cash payment in full for gold sales within two days. Although we have never experienced any instance of impairment of trade receivables relating to gold sales, we track the national scale long-term ratings of these commercial banks and monitor our exposure to credit risk on trade and other receivables on a regular basis in order to assess the credit risks involved. We identify and procure end customers with the assistance from TreasuryONE and have not experienced any difficulty in procuring appropriate end customers.

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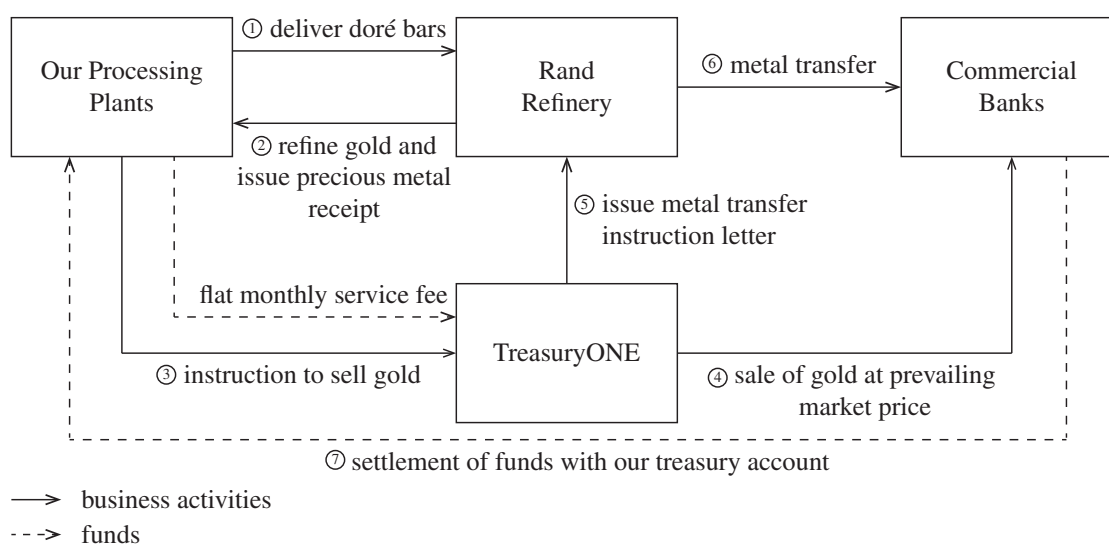
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In addition, TreasuryONE provides us with additional treasury services, such as exchange rate risk management, commodity risk management, cash and liquidity management, back office and accounting and treasury management system services.

According to Frost & Sullivan, selling of gold through agents, such as Rand Refinery and Bullion Banks, is a common market practice among gold miners in South Africa. Besides, it is commonplace for small to medium gold miners to engage treasury service providers such as TreasuryONE who are able to act as agents for gold sales. The transaction process and cash flows in a typical gold sale transaction through such treasury service providers are largely the same as ours as set forth in the chart and described more fully below.

The following diagram illustrates the transaction process and cash flows in a typical gold sale transaction through TreasuryONE.



Once we and our end customers have agreed on the price, which is benchmarked against the prevailing spot price of gold in the global market at the time of sales, we instruct TreasuryONE to sell our gold and TreasuryONE completes the sale on our behalf. TreasuryONE instructs Rand Refinery to issue a metal transfer instruction letter to our customers, and Rand Refinery conducts metal transfers through an electronic book entry system while maintaining physical gold in its vault. The commercial banks then issue a trade confirmation to us and settle the funds with our treasury account generally within two days from the sales.

Pursuant to our agreement with TreasuryONE, we pay TreasuryONE a flat rate of ZAR65,000 per month for its agent service and various treasury services. Our agreement with TreasuryONE has an indefinite term unless terminated by either TreasuryONE or us by giving the other party not less than three months' written notice to that effect.

Since July 10, 2018, we have also engaged in hedging activities to limit our exposure to the volatility in gold prices. See “— Hedging.”

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### Customers

Rand Refinery was our largest customer in 2016, 2017 and 2018. Our gold sales derived from Rand Refinery were US\$122.6 million, US\$123.0 million and US\$121.8 million in 2016, 2017 and 2018, respectively, representing 92.1%, 94.4% and 55.3% of our revenue in the same years. As we started using TreasuryONE in September 2018 as our sales agent, which allowed us to identify the particular end customers of our gold, sales to Rand Refinery decreased to 55.3% of our total revenue in 2018 and further decreased to nil in the six months ended June 30, 2019. Our other major customers include commercial banks in South Africa and Auramet, our hedging service provider. See “— Hedging.”

The table below sets forth a breakdown of our revenue from our five largest customers in 2016.

<u>Ranking</u>	<u>Customers</u>	<u>Products/ Services</u>	<u>Sales amount</u>	<u>% of total revenue</u>	<u>Years of business relationship with us</u>
			<i>(US\$ in millions)</i>		
1. . . . .	Rand Refinery	gold	122.6	92.1%	20
2. . . . .	Customer A1	tolling material treatment	1.9	1.4%	<1
3. . . . .	Customer A2	tolling material treatment	3.0	2.3%	<1
4. . . . .	Customer A3	tolling material treatment	3.7	2.8%	<1
5. . . . .	Customer A4 <sup>(1)</sup>	gold mine waste	1.0	0.8%	4
	<b>Total</b>		<b>132.2</b>	<b>99.3%</b>	

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The table below sets forth a breakdown of our revenue from our five largest customers in 2017.

<u>Ranking</u>	<u>Customers</u>	<u>Products/ Services</u>	<u>Sales amount</u> <i>(US\$ in millions)</i>	<u>% of total revenue</u>	<u>Years of business relationship with us</u>
1. . . . .	Rand Refinery	gold	123.0	94.4%	21
2. . . . .	Customer A3	tolling material treatment	3.2	2.5%	1
3. . . . .	Customer A4 <sup>(1)</sup>	gold mine waste	2.9	2.2%	5
4. . . . .	Customer B1	tolling material treatment	0.5	0.4%	<1
5. . . . .	Customer B2	tolling material treatment	0.4	0.3%	<1
<b>Total</b>			<b>130.0</b>	<b>99.7%</b>	

The table below sets forth a breakdown of our revenue from our five largest customers in 2018.

<u>Ranking</u>	<u>Customers</u>	<u>Products/ Services</u>	<u>Sales amount</u> <i>(US\$ in millions)</i>	<u>% of total revenue</u>	<u>Years of business relationship with us</u>
1. . . . .	Rand Refinery	gold	121.8	55.3%	22
2. . . . .	A commercial bank in South Africa <sup>(2)</sup>	gold	63.4	28.8%	<1
3. . . . .	Auramet	gold	22.9	10.4%	<1
4. . . . .	Customer A4 <sup>(1)</sup>	gold mine waste	4.5	2.0%	6
5. . . . .	Customer C1	tolling material treatment	1.9	0.9%	1
<b>Total</b>			<b>214.5</b>	<b>97.4%</b>	



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The table below sets forth a breakdown of our purchases from our five largest customers in the six months ended June 30, 2019.

<u>Ranking</u>	<u>Customers</u>	<u>Products/ Services</u>	<u>Sales amount</u> <i>(US\$ in millions)</i>	<u>% of total revenue</u>	<u>Years of business relationship with us</u>
1 . . . . .	A commercial bank in South Africa <sup>(2)</sup>	gold	72.8	55.4%	<1
2 . . . . .	Auramet	gold	41.7	31.7%	<1
3 . . . . .	Customer A4	gold mine waste	10.0	7.6%	6
4 . . . . .	A commercial bank in South Africa <sup>(2)</sup>	gold	2.7	2.0%	<1
5 . . . . .	Customer C1	tolling material treatment	1.2	0.9%	1
<b>Total</b>			<b>128.4</b>	<b>97.7%</b>	

*Notes:*

(1) a licensed refiner that purchases low-grade waste from our gold mines.

(2) sold through TreasuryONE.

All of major customers during the Track Record Period were independent third parties. Our tolling material treatment customers are also our suppliers, as we retain a portion of the revenue from the sales of gold derived from these tolling materials. See “Financial Information — Description of Principal Income Statement Items — Revenue — Tolling Services.” None of the other major customers during the Track Record Period were also our supplier.

### Hedging

We conduct hedging activities pursuant to our treasury policy which allows us to purchase various derivative instruments including, among others, over-the-counter commodity spots, forwards and swaps, commodity derivative options (zero cost collars), cross currency swaps, interest rate swaps, interest rate caps/floors and forward rate agreements. On July 10, 2018, we entered into a master purchase contract based on the standardized master agreement drafted by International Swaps and Derivatives Association, (the “**Master Purchase Contract**”) with

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Auramet to limit our exposure to commodity risks caused by the volatility in gold prices. Pursuant to the Master Purchase Contract, we can sell a specific amount of gold to Auramet at the forward sale price, which is set with reference to the prevailing market price at the time we enter into the forward sale contract. For each forward sale, we may choose to deliver gold to satisfy our pre-agreed monthly delivery schedule or net settle the gold price difference in cash. The Master Purchase Contract is valid for one year and will be automatically extended for successive one year periods unless terminated by either party 30 days prior to the then expiration date.

Pursuant to our treasury policy, our Chief Financial Officer may enter hedge positions for up to 50% of the estimated gold production for a period of 12 months upon approval of our Treasury Committee, which consists of our Chairman, Chief Executive Officer, Chief Operating Officer and Chief Financial Officer. The Company's hedging policy aims to minimize the impact on the Group's revenue from material gold price fluctuation. We would consider hedging when forward prices in the current market are higher than our anticipated unit cost of gold production, or when we anticipate gold prices to fall, so that the price locked in through selling our gold forward could protect our revenue during a downturn of the gold price (specifically in case of actual unit production cost at the time of delivery higher than both of the forward price and the prevailing spot gold price, such forward sales can avoid further loss, being the difference between the higher forward sale price and the lower prevailing price). During the six months ended June 30, 2019, the actual price of gold as well as our unit production cost exceeded the forward price, and hence a loss for such difference was recorded. See "Risk Factors — Risks Relating to Our Business and Industry — We engage in hedging activities for gold sales, which may eliminate potential gains and result in losses." We entered into forward sales from time to time since July 2018 as an interim protective measure against the risk of declining gold prices. In light of the improved gold price environment recently, we have ceased entering into any new forward sale contracts since July 2019 and currently do not have any plans to enter into new forward sale contracts.

From the accounting perspective, when the spot price of gold at the time of our delivery falls below the forward sale price, we will book a gain from the forward sale contract. However, the use of gold forward sale contracts binds us to the pre-determined price and eliminates the potential gains from a higher spot price upon our delivery in the future. When the spot price of gold at the time of delivery rises above our forward sale price, we will incur a loss from the forward sale contract. Such hedging loss represents the additional revenue we would have generated had we sold that gold at spot price.

During the period from July 2018 to December 31, 2018, we forward sold 30,000 ounces of gold, accounting for approximately 17.8% of our sales volume in the same period. We incurred a loss of US\$0.4 million in 2018 primarily because the spot prices of gold at the time of delivery in aggregate were higher than the contract forward sale prices. During the six months ended June 30, 2019, we entered into forward sale agreements for 99,000 ounces of gold with an average price of ZAR19,269 (US\$1,367.9) per ounce. Delivery of these forward sale agreements are scheduled throughout 2019 and 2020. We had delivered 29,750 ounces under these contracts, with 69,250 ounces outstanding as of June 30, 2019. We recorded a gain

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of US\$1.3 million on gold hedges for the six months ended June 30, 2019, primarily because the spot prices of gold at the time of delivery were in aggregate lower than the contract forward sale prices. We also entered into zero cost collars in January 2019 for hedging 5,400 ounces of gold in aggregate for the period from January to March 2019, with a floor of ZAR18,660.0 (US\$1,324.7) per ounce and a cap of ZAR18,975.0 (US\$1,347.1) per ounce. We settled all the zero cost collar positions in January 2019. The foregoing unit forward sales prices of gold are converted at the rate of ZAR14.0862:US\$1, the prevailing rate as of June 30, 2019 for illustrative purposes only. Depending on the gold price in the market, we may choose to conduct further forward sales to reduce our risk exposure to gold price fluctuations. Except for the above, we have not engaged, and do not plan to engage, in any other hedging activities.

### UTILITIES

#### Electricity

Electricity for our operations is supplied by Eskom, which is the national electricity provider in South Africa. Our total installed Eskom capacity is 340 MVA. In 2016, 2017, 2018 and the six months ended June 30, 2019, Eskom supplied to us a total of 198.0 million, 208.2 million, 211.8 million and 108.1 million kilowatt hours of electricity, respectively.

Since 2008, Eskom has implemented a load shedding program against the backdrop that there is insufficient electricity produced to meet the rising demand. To cope with the load shedding implemented by Eskom, we have applied for several load curtailment programs, which required that Eskom must inform us at least 24 hours before any load reduction or load shedding takes place. Pursuant to our electricity supply agreements with Eskom, our notified maximum demand, which is 46.0 MVA in aggregate until June 2019, may be increased or reduced if notified by us and accepted by Eskom. If our consumption of electricity exceeds the notified maximum demand, we would be required to pay penalties. During the Track Record Period, we had never exceeded the notified maximum demand set out in the agreements with Eskom.

Situated in a mining district that is supported with well-established Eskom infrastructure, our operations can be supplied with power from either the Hermes or Mercury Eskom distribution substations. These substations are located in different Eskom distribution corridors, thus making the power supply more secure. In the event of interruption of power supply, we have emergency power system provided by a third party to serve as back-up power source to ensure the safety of our employees who work underground. These generators have an aggregate of 20 MVA emergency power available as back-up power. During the Track Record Period and up to the Latest Practicable Date, we had never encountered any shortage of electricity that would require using the emergency power. We, however, cannot assure you that we would not incur shortage of electricity and our back-up power would be sufficient to maintain our production in times of load shedding in the future. See “Risk Factors — Risks Relating to Our Business and Industry — Power outages and usage constraints may force us to halt or curtail operations, or subject us to penalties.”

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The fees we pay for the electricity provided by Eskom include a fee calculated in accordance with the applicable tariff with reference to the rate of consumption. Our electricity tariff rates are comparable to the market rates that Eskom charges other electricity users. Eskom may raise its electricity tariff annually upon approval from the NERSA. Eskom raised its electricity tariff by approximately 10% each year from 2016 to 2018, and implemented an average tariff increase of 13.9% in 2019. Our utility costs, mainly consisting of our electricity fees, were US\$13.7 million, US\$15.7 million, US\$32.1 million, US\$14.4 million and US\$16.8 million in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively, accounting for 10.7%, 11.5% and 12.1%, 12.0% and 11.9% of our cost of sales in the same periods. Our utility costs will likely increase because Eskom has received approval from the NERSA to apply a 9.4% increase for the 2019-2020 financial year (which is in addition to 4.4% claw back granted to Eskom previously), an 8.1% increase for the 2020-2021 financial year and a 5.2% increase for the 2021-2022 financial year. Our Directors believe that the increase of our electricity tariff has no material and adverse impact on our operations and financial performance. See “Risk Factors — Risks Relating to Our Business and Industry — The continued increase in electricity tariff may adversely affect our results of operations.”

### **Water**

Our operations are close to the Vaal River, which has abundant water resources to supply the various mining companies in the area. Our water needs for underground operations are primarily met through tap water provided by Midvaal Water Company, a local water service provider.

The water use licenses allow us to extract certain amount of groundwater to be reused for the gold processing, dispose of a certain amount of waste slurry, dispose of drained water and store water in a way as described in the licenses. The water use licenses for our operations were granted to or applied for by their predecessor owners. As of the Latest Practicable Date, we had obtained or submitted applications for water use licenses under our own name for all of our operations. See “— Environmental Protection.” To a lesser extent, we use recycled underground water in our mining and metallurgical process. We believe that there are no material difficulties in securing water supply for our operations.

## **SUPPLY OF MATERIALS AND EQUIPMENT**

### **Raw Materials**

We use various materials during our processing operations, primarily including cyanide, carbon, steel balls, lime and diesel. We source these materials from local suppliers in South Africa.

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### **Machinery and Equipment**

The mining and processing machinery and equipment used at our mines include mining drilling equipment, trucking and tramming equipment, plant crushing, screening and milling equipment, agitated tanks, elution column, regeneration kiln. We source our equipment and machinery from local and international manufacturers at market prices. For details of the machinery and equipment, see “— Our Operations — Mining” and “— Our Operations — Production Facilities.”

### **Suppliers**

We maintain a supplier list and make procurement only through the suppliers that are on our list. When procurement need arises, we conduct site visits and interview with our suppliers as part of the selection process. We generally enter into one-year supply agreements with our suppliers without any minimum purchase commitment and place orders based on our operational demands.

Pursuant to our procurement policy, all tenders must be submitted in writing and we invite qualified suppliers to submit tenders. The tender documents, including tenders’ business certificates, BBBEE compliance certificates and financial proof, are examined by our procurement officer and technical manager. Purchases of ZAR500,000 or above are also required to be submitted to our tender committee for evaluation. The tender committee considers various factors including our business strategy requirements, pricing, specialized equipment, skills and DMRE targets for BBBEE, and makes decisions based on various factors.

To effectively manage our risks associated with the price fluctuations of our raw materials, we analyze the consumption and other data of major raw materials, carry out research on market trends, and prepare annual procurement budgets. We endeavour to strictly implement the tendering process in our procurement system and optimize the level of our inventories, which in turn improves our cost management and efficiency. Most of the raw materials and equipment used by us are typically readily available from multiple suppliers and can be sourced at competitive market prices. Except for liquid cyanide in its liquid form, which is only sold by a limited number of local suppliers due to the tight regulations, we do not rely on any particular supplier for any particular raw material. As of the Latest Practicable Date, we had not encountered any material disruption to our business as a result of shortage or delay in the supply of raw materials.

In 2016, 2017 and 2018 and the six months ended June 30, 2019, purchases from our five largest suppliers accounted for 42.9%, 35.3%, 34.6% and 30.3% of our total purchases, respectively. During the same years, purchases from our largest supplier accounted for 14.6%, 15.2%, 18.2% and 14.9% of our total purchases, respectively. As of the Latest Practicable Date, none of our Directors, their respective associates or any Shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, had any interest in any of our five largest suppliers.

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The table below sets forth a breakdown of our purchases from our five largest suppliers in 2016.

<u>Ranking</u>	<u>Suppliers</u>	<u>Products/ Services</u>	<u>Purchase amount</u> <i>(US\$ in millions)</i>	<u>% of total purchase</u>	<u>Years of business relationship with us</u>
1. . . . .	Supplier A1	electricity	11.8	14.6%	21
2. . . . .	Supplier A2	tolling material	8.7	10.7%	<1
3. . . . .	Supplier A3	tolling material	6.0	7.4%	<1
4. . . . .	Supplier A4	tolling material	5.6	7.0%	<1
5. . . . .	Supplier A5	engineering training, manufacturing/ repairing of man cages	2.7	3.3%	8
<b>Total</b>			<b>34.8</b>	<b>42.9%</b>	

The table below sets forth a breakdown of our purchases from our five largest suppliers in 2017.

<u>Ranking</u>	<u>Suppliers</u>	<u>Products/ Services</u>	<u>Purchase amount</u> <i>(US\$ in millions)</i>	<u>% of total purchase</u>	<u>Years of business relationship with us</u>
1. . . . .	Supplier A1	electricity	13.2	15.2%	22
2. . . . .	Supplier A4	tolling material	9.5	10.9%	<1
3. . . . .	Supplier A5	mining royalties	3.1	3.5%	9
4. . . . .	Supplier B1	cyanide	2.6	3.0%	22
5. . . . .	Supplier B2	hydro power equipment	2.2	2.5%	10
<b>Total</b>			<b>30.6</b>	<b>35.3%</b>	

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The table below sets forth a breakdown of our purchases from our five largest suppliers in 2018.

<u>Ranking</u>	<u>Suppliers</u>	<u>Products/ Services</u>	<u>Purchase amount</u>	<u>% of total purchase</u>	<u>Years of business relationship with us</u>
			<i>(US\$ in millions)</i>		
1. . . . .	Supplier A1	electricity	28.8	18.2%	23
2. . . . .	Supplier C1	tolling material	8.7	5.5%	<1
3. . . . .	Supplier C2	tolling material	6.8	4.3%	1
4. . . . .	Supplier A5	engineering training, manufacturing/ repairing of man cages	6.3	3.9%	10
5. . . . .	Supplier B1	cyanide	4.3	2.7%	23
<b>Total</b>			<b>54.8</b>	<b>34.6%</b>	

The table below sets forth a breakdown of our purchases from our five largest suppliers in the six months ended June 30, 2019.

<u>Ranking</u>	<u>Suppliers</u>	<u>Products/Services</u>	<u>Purchase amount</u>	<u>% of total purchase</u>	<u>Years of business relationship with us</u>
			<i>(US\$ in millions)</i>		
1. . . . .	Supplier A1	electricity	12.6	14.9%	23
2. . . . .	Supplier C2	tolling material	5.0	5.9%	1
3. . . . .	Supplier D1	tolling material	3.0	3.5%	<1
4. . . . .	Supplier D2	tolling material	2.7	3.2%	<1
5. . . . .	Supplier B1	cyanide & explosives	2.3	2.7%	23
<b>Total</b>			<b>25.6</b>	<b>30.3%</b>	

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During the Track Record Period, we typically enjoyed a credit term of 30 to 60 days and made payment to our suppliers by electronic fund transfer. Certain payables did not have strict credit terms due to our strategic business relationships with the relevant suppliers. All of our major suppliers during the Track Record Period were independent third parties. Our tolling material suppliers are also our customers, as we retain a portion of the revenue from the sales of gold derived from these tolling material. See “Financial Information — Description of Principal Income Statement Items — Revenue — Tolling Services.” None of the other major suppliers during the Track Record Period was also a customer of us.

### INVENTORY MANAGEMENT

Our inventories consist of (i) consumable stores and (ii) gold inventories, which include ore in stockpiles, gold in-process and occasionally, a small amount of gold doré before they are shipped to Rand Refinery.

We manage our inventories of consumables by monitoring and dynamically adjusting the inventory levels based on our developing and mining activities. Our warehouse manager maintains perpetual records for all major types of supplies to facilitate the obsolescence provision analysis and coordinates physical inventory counts. Our site controller reconciles sub-ledgers of the inventory records to the general ledger on a monthly basis, and calculates the provision for obsolescence on a quarterly basis. Our general manager communicates events that will result in obsolete supplies, such as changes in processes, replacement materials and stock balances, to the site controller throughout each quarter.

To manage our ore in stockpiles, we require our mine operations to maintain perpetual inventory records. Our chief geologist, engineer or metallurgist determines the grade in ore in stockpiles to enable a net realizable value calculation. Our site controller ensures that all direct and mining department costs are properly allocated to ore in stockpiles and that all inventory-related transactions are completely and accurately reported. Our site controller also completes impairment tests on ore in stockpiles quarterly and our financial manager reviews and approves impairment adjustments.

To manage our gold in-process, we require our mine operations to maintain perpetual inventory records. Our chief geologist, engineer or metallurgist calculates the contained ounces of gold in-process to enable a net realizable value calculation and inventory valuation. Our site controller ensures that all direct and mining department costs are properly allocated to gold in-process and that all inventory-related transactions are completely and accurately reported. Our site controller also completes impairment tests on gold in-process quarterly and our group controller or vice president or operations controller reviews and approves impairment adjustments.



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### QUALITY CONTROL

As a gold mining and production company, quality control is important to our operations. We inspected the mining infrastructure thoroughly at the time of our asset acquisitions and we have adhered to industry standards for adequate maintenance afterwards. We have in place a stringent quality control system to ensure the quality of our products throughout the mining and production stages.

During the mining stage, we closely monitor the safety of our mining activities, the production volume as measured by the amount of ore blasted, the productivity as measured by the output per person, and the quality of the ores mined as measured by the amount of external waste-rock being mined with the ore. We conduct sampling of the ore and reconcile the grades back to the LoM-planned grades as per our geological block model. We designate competent and experienced managerial, supervisory and other personnel to supervise our mining activities. We have vertical reporting lines. Members of a mining team report to the team leader and miner, who are required to hold a blasting certificate in accordance with applicable law. The miners report to shift supervisors. The shift supervisors report to the mine overseers, who are required to hold mine overseer's certificate of competency issued by the governmental authority in accordance with applicable law. The mine overseers report directly to the managers.

During the processing stage, we conduct sampling as an integral aspect of our grade control. When the ore is being processed at the metallurgical plant, we take regular samples at key points, such as on the conveyor belt and the thickener underflow. We perform an ore tonnage and grade mass balance for all samples taken throughout the production process on a monthly basis. We take a sample for each doré bar before it dispatches to Rand Refinery for final processing.

We use third-party contractors for certain parts of the operation. See “— Our Operations — Third-Party Contractors.” We require that all these third-party contractors possess the requisite qualifications for undertaking their respective work. We routinely supervise their work and conduct periodic inspections to ensure that their works are undertaken in accordance with our quality standards.

### COMPETITION

The gold mining and processing industry is subject to extensive regulations in South Africa. Pursuant to the relevant South African laws and regulations, companies engaged in the mining and exploration of Mineral Resources must obtain the relevant mining rights or prospecting rights, as the case may be, before the commencement of the mining and exploration activities relating to Mineral Resources. For more information, see “Regulatory Overview — Relevant South African Laws and Regulations — Major Laws and Regulations on Mining.” The entry barriers to the gold mining industry include, among others, the high capital cost, strict regulatory environment and high environmental rehabilitation costs. For more information, see “Industry Overview — Competition.”

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Because gold is a well-established commodity actively traded on spot and derivative markets, the price of gold is typically determined as a function of the market as a whole and is not substantially differentiated by producers or brands. Therefore, we do not face competition in terms of price differentiation. We may, however, compete with our peers in acquiring gold and other mining assets, mining efficiency and quality of ore mined. Our major competitors are major gold mining companies in South Africa, such as Sibanye, Harmony Gold, AngloGold, Gold Fields and Pan African Resources. Our competitors may have certain advantages over us, including greater financial, technical and global resources, greater economies of scale and, broader name recognition. We may also have to compete in acquiring new Mineral Resources and/or with other gold mining and process companies.

### TECHNOLOGY, RESEARCH AND DEVELOPMENT

Technological innovation is essential for us to remain competitive over the long term. Our research and development activities are primarily focused on improving our production efficiency, mining and processing methods, and mine development. We have implemented a complex network of various instruments and gauges at each mine and facility that allows us to centrally monitor activity throughout our operations. These allow us to quickly identify problems within our processes, understand the source of the problem and efficiently dispatch the resources necessary to repair or otherwise correct the problem, saving us valuable time and increasing our operating efficiency. We also have placed a large number of cameras throughout our mines and facilities, which can improve our ability to identify potential issues and respond in an appropriate and timely manner.

We have established a strategic cooperation relationship with BGRIMM Technology Group (北京礦冶科技集團有限公司), a leading research institute of mining technologies in China, to research, develop and apply innovative mining technologies. With expertise in mining, safety monitoring, mineral processing and tailings treatment, BRGIMM Technology Group agrees to provide comprehensive technological consulting services to improve our operational performance and sustainable developments of mining operations. To boost our technology competency, we are identifying other potential partners, including engineering firms and institutions from South Africa, China and internationally. Our cooperative partners may use our mining assets to facilitate their study or experiment the application of innovative solutions. We may benefit from these technologies with faster new mining development and more efficient operations at existing mines. We also plan to participate in funding of appropriate study programs initiated by our innovation partners, particularly in areas of mining safety and mining efficiency of deep level gold mines.

We strive to be an early mover in embracing new solutions and mining equipment. We have implemented hydro power drilling, which could improve drilling efficiency, in our Tau Lekoa Mine and plan on applying the same technology in our Kopanang Mine. We plan to roll out a key project utilizing innovative engineering solutions in mine development, production and exploration. See “— Business Strategies — Implement innovative technologies and methodologies on our mining operations.”

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### PROPERTIES

#### Owned Properties

As of June 30, 2019, we owned the following immovable properties that are material to our business operations:

Immovable Properties	Owner
1 The Farm Weltevreden 130, Registration Division Viljoenskroon RD, In extent 421.0648 Hectares . . . . .	Buffelsfontein Pty
2 Remaining Extent of Portion 5 of the Farm Hartebeestfontein 422, Registration Division IP, In extent 685.3527 Hectares . . . . .	Buffelsfontein Pty
3 Remaining Extent of Portion 41 of the Farm Hartebeestfontein 422, Registration Division IP, In extent 147.1861 Hectares . . . . .	Buffelsfontein Pty
4 1/3 (one third) share in and to Portion 51 of the Farm Hartebeestfontein 422, Registration Division IP, In extent 9.6608 Hectares . . . . .	Buffelsfontein Pty
5 Portion 57 of the Farm Hartebeestfontein 422, Registration Division IP, In extent 613.3815 Hectares . . . . .	Buffelsfontein Pty
6 Portion 27 of the Farm Goedgenoeg 433, Registration Division IP, In extent 160.0288 Hectares . . . . .	Tau Lekoa Pty
7 Portion 31 of the Farm Goedgenoeg 433, Registration Division IP, In extent 225.6962 Hectares . . . . .	Tau Lekoa Pty
8 A subdivided portion of Portion 27 of the Farm PretoriusKraal 53, Registration Division Viljoenskroon RD . . . . .	Kopanang Pty <sup>(1)</sup>
9 Portion 6 of the Farm PretoriusKraal 53, Registration Division Viljoenskroon RD, In extent 21.4990 Hectares . . . . .	Kopanang Pty

*Note*

- 1: The formal registration of ownership is being transferred from AngloGold to Kopanang Pty, and is expected to complete after the subdivision. We currently possess and occupy this property through a lease agreement with AngloGold and plan to continue to do so until the transfer is completed.

As confirmed by Werksmans, none of our properties has defective titles.

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### Servitudes

As of June 30, 2019, we had entered into the following servitudes.

<u>Servitude</u>	<u>Property over which servitude has been secured</u>	<u>Owner of Property/ Grantor</u>	<u>Grantee</u>
1 Right of way servitude to be able to access our decline shaft, as the entrance to the decline is not situated on properties owned by a VMR entity. . . . .	The Farm Bellevue 365, District Viljoenskroon, in extent 342.6 Hectares	Ronmarlo Ontwikkeling CC	Weltevreden Mines Limited
2 Right of way servitude for Kopanang Pty to traverse this property for its rolling stock to enter the West Gold Plant. . . . .	Portion 169 of the Farm Nooitgedacht 434, Registration Division IP, In extent 10.6 Hectares	CAPM	Kopanang Pty
3 The West Gold Plant, dumping pad and pumping infrastructure are situated on this property. A right of way to access the road to west gold plant and related infrastructure and the dump pad next to the rail line has also been granted over this property. . . . .	Portion 200 of the Farm Nooitgedacht 434, Registration Division IP, In extent 1,850.7 Hectares	CAPM	Kopanang Pty

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<u>Servitude</u>	<u>Property over which servitude has been secured</u>	<u>Owner of Property/ Grantor</u>	<u>Grantee</u>
4 Right of way servitude giving access through Motlatsi Village required in case there is a need to transport ore by road between Kopanang Mine and the West Gold Plant . . .	<ul style="list-style-type: none"> <li>• Remaining Extent of the Farm Vaalkop 439</li> <li>• Remaining Extent of Portion 3 of the Farm Vaalkop 439</li> <li>• Remaining Extent of portion 4 of the Farm Modderfontein 440</li> <li>• Remaining Extent of Portion 1 of the Farm Witkop 438; and</li> <li>• Remaining Extent of Portion 4 of the Farm Witkop 438</li> </ul>	AngloGold	Kopanang Pty

### Leased Properties

As of June 30, 2019, we entered into lease agreements for three properties primarily for our operation and administrative office use, as well as for the housing of our employees.

The following table sets out all the immovable properties leased by us as of June 30, 2019.

<u>Tenant/Lessee</u>	<u>Location</u>	<u>Tenure</u>	<u>Use</u>	<u>Lessor</u>
1 VMR . . . . .	30 Melrose Boulevard, Melrose Arch, Melrose North, Johannesburg, South Africa 2196	five years commencing on September 1, 2018 to August 31, 2023	Office and administration	Melrose Arch Investment Holdings (Pty) Ltd & Liberty Propco (Pty) Ltd & Liberty Two Degrees (Collective Investment Scheme in property)

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	<u>Tenant/Lessee</u>	<u>Location</u>	<u>Tenure</u>	<u>Use</u>	<u>Lessor</u>
2	Kopanang Pty . . . . .	The Kopanang Accommodation housing the employees of the Kopanang Mine located on the subdivision and consolidation of Portion 3 and the Remaining Extent of the Farm Vaalkop 439, Registration Division IP, North West Province and Portion 4 of the Farm Modderfontein 440, Registration Division IP, North West Province.	three years commencing on February 28, 2018 to January 31, 2021	Housing of the employees of the Kopanang Mine	Harmony Moab Khosong Operations Proprietary Limited
3	AngloGold . . . .	Residential rooms located on the Kopanang Mine	three years commencing on February 28, 2018 to January 31, 2021	Housing of the AngloGold employees	Kopanang Pty

## INTELLECTUAL PROPERTY RIGHTS

We entered into a trademark licensing agreement with HSC on January 16, 2019, pursuant to which HSC agreed to grant a non-exclusive license to the Company for free to use its trademarks “”, “”, “”, “”, “” and “” in connection with its business operations for a term of three years, effective from the Listing Date and subject to renewal. See “Connected Transactions — Fully-Exempt Continuing Connected Transactions — Trademark Licensing Agreement.” On December 18, 2018, we submitted trademark applications to the South African Trade Marks Office for the “” logo and “VILLAGE MAIN REEF” word mark. Werksmans advises us that the applications are likely to be examined by the registry during the course of 2019 and if accepted by the South African Registrar of Trade Marks and no oppositions are lodged by third parties, the trademark registration certificate should be issued by the end of 2021.

As of the Latest Practicable Date, we had registered and maintained three domain names heavensentgold.com, www.villagemainreef.co.za and www.hscsa.co.za, which we believe are material to our business.

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As of the Latest Practicable Date, there were no material disputes or infringements in respect of our intellectual property rights. See “Risk Factors — Risks Relating to Our Business and Industry — We may not fully protect our intellectual property rights” and “Appendix V — Statutory and General Information — C. Intellectual Property Rights of Our Group.”

### LABOR AND EMPLOYEES

#### General

We view our experienced and dedicated employees as critical to our success. We have system and policies in place to ensure the quality of personnel recruitment and training. Substantially all of our employees reside in South Africa.

As part of the transactions acquiring the Kopanang Operations, we entered into an agreement with AngloGold and its employees’ labor representatives on November 16, 2017, pursuant to which 74% of former employees at Kopanang mine have been transferred to us. AngloGold honored its undertaking to pay accrued severance packages to all affected employees at the Kopanang Mine immediately following the conclusion of the sale transaction.

As of June 30, 2019, we had 6,428 full-time employees. The table below sets forth a breakdown of our employees by function, as of June 30, 2019:

<b>Function</b>	<b>Number of Employees</b>
Mining . . . . .	4,348
Engineering . . . . .	989
Support Services . . . . .	450
Metallurgical plant . . . . .	407
Mineral Resources Management . . . . .	191
Lab . . . . .	43
<b>Total . . . . .</b>	<b><u>6,428</u></b>

We recruit employees from the open market. In making hiring decisions, we take into account factors such as the availability of local labor to meet the requirements of our social and labor plan, our business strategies, our development plans, industry trends, the competitive environment and our competitors. For more information on the social and labor plan, see “Regulatory Overview — Relevant South African Laws and Regulations — Major Laws and Regulations on Mining.” As advised by Werksmans, we were in material compliance with the relevant legal requirements in relation to the social and labor plan during the Track Record Period.

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The remuneration packages for our employees generally include a basic salary component and annual bonus. We determine employee remuneration based on factors such as qualifications and years of experience. We also provide our employees with welfare benefits, including mine accommodation or housing allowances, paid maternity leave and other miscellaneous items. We provide training to our employees to improve their skills and professional knowledge necessary for our operations and their personal development, including an initial training upon entering our Company and regular trainings on work safety and environmental protection.

### Labor Unions

Under South African laws, employees may elect to be part of a labor union. See “Regulatory Overview — Relevant South African Laws and Regulations — Laws and Regulations relating to Labor — Trade Unions.” As of June 30, 2019, 62.0% of our employees were registered members of the NUM, our majority union. As of the same date, 24.2%, 2.5%, 2.6% and 3.9% of our employees were registered members of the AMCU, the SLU, the UASA and the NUMSA, respectively, which were our minority unions. The remaining 4.8% of our employees were not affiliated with any unions.

We entered into a wage agreement with all labor unions other than the NUMSA and AMCU (the “**Wage Agreement**”) which became effective from July 1, 2018. Since the NUM, which is the majority labor union at all our workplaces, is a signatory to the Wage Agreement, the Wage Agreement will be binding on our non-managerial employees represented by minority unions or non-union affiliated employees, according to the principle of majoritarianism which governs collective bargaining in South Africa. According to the Wage Agreement, the base salary of our non-managerial employees has a fixed annual increase until the expiration of the Wage Agreement on June 30, 2021. All employees covered under the Wage Agreement are not allowed to request extra salary increases or benefits outside the scope of the Wage Agreement. Upon the expiration of the Wage Agreement, our unions may negotiate new wage agreements with us and request salary increases for their members. See “Risk Factors — Risks Relating to Our Business and Industry — Our operations and profits have been and may be negatively affected by increased labor costs and new and existing labor laws.”

To mitigate the potential risks for social unrest and strike action by communities regarding job opportunities, recruitment and downscaling, we have adopted a variety of measures. We implement consistent human resource and employment policies so that none of our employees are discriminated against. Our human resource manager communicates with the leaders of all labor unions from time to time and promotes mutual understanding about our business prospects and employees’ welfare. We have also appointed a sustainability manager, who organizes community liaison forums and establishes communication procedures with communities. We also impose security and access control procedures to ensure the safety of our employees. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any labor strike or unrest of our employees that had a material and adverse impact on our operations.



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### MINE HEALTH AND SAFETY

We consider the health and safety of our employees to be of the utmost importance. We are committed to providing a healthy and safe working environment for every mine worker.

According to the MHSA, the employer (being the holder of the mining right) has certain duties and obligations regarding the operations of its mine. The duties and obligations of the an employer in terms of the MHSA is subject to the health and safety criterion of “*as far as reasonably practicable*.” Accordingly, compliance by the employer with its duties and responsibilities in terms of the MHSA must be viewed in this context.

Under the MHSA, the employer is obligated to ensure that the mine is properly designed, constructed, equipped, operated and maintained in order to provide conditions for a safe and healthy working environment and that employees are able to perform their work without endangering the health and safety of themselves or of any other person. These obligations apply equally to persons employed by the employer and also to any person who is working at a mine, such as third-party contractor employees. The employer is also responsible for providing and maintaining a working environment that does not impose a risk to the health and safety of persons working at the mine and persons whose health and safety may be affected by the activities of the mine.

In accordance with the MHSA, we have established a policy for health and safety, which provides a foundation for our managerial, supervisory and other employees who have been tasked with the responsibility to, amongst others, maintain health and safety. We adopt a holistic approach as far as health and safety is concerned and rely on a health and safety management system comprising of, amongst others, (i) competent managerial, supervisory and other employees, (ii) codes of practice, standards and procedures, (iii) supervision and proper communication, (iv) equipment and machinery that satisfy our safety standards, (v) formal and informal training, and (vi) hazard identification and risk assessment. Our competent and trained managerial, supervisory and other employees, including services department employees, are tasked with the responsibility to monitor and ensure compliance with the provisions of the MHSA and the regulations binding thereunder, as well as with our internal safety policies, codes of practice, standards and procedures through, amongst others, scheduled and unscheduled inspections, visits and audits.

We strive to cultivate a safe and healthy management culture and endeavor to ensure compliance with all applicable health and safety laws and regulations governing our South African operations. We set objectives with quantifiable targets to demonstrate continual improvement in health and safety performance and prevention of injury and ill-health. We assess our employees' competence, provide health and safety training to, and communicate with them, in order to follow best practices and reduce risky behaviour. In our operations, we provide personal protective equipment to our employees and use the best available technology to separate employees from risks to the extent reasonably practicable. We also take measures to reduce risks relating to underground and surface fires, radiation, horizontal and vertical transport hazards, flammable gas and explosives, airborne pollutants, noise above the threshold limit and flooding.

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Our designated radiation protection officers work with external radiation consultants to monitor the uranium radiation level at our mines and ensure that it is in compliance with applicable standards. We have been authorized by the NNR to carry out activities associated with radioactive materials, subject to compliance with its monitoring programs. We submit to the NNR annual and bi-annual reports, which indicate that our uranium radiation levels are well within the allowable limits. The NNR also conducts inspections to verify our compliance with the requirements of the relevant radioactive waste management program, and we had not been issued with any directives regarding non-compliance during the Track Record Period.

We have engaged an independent medical service provider whose services include health management, primary healthcare, occupational health and emergency healthcare. At both of our underground mining operations, employees have access to a medical station that provides primary healthcare and emergency stabilization services on site. The medical stations provide healthcare services for all acute and chronic medication, including that for tuberculosis. Our emergency services include having an ambulance available around-the-clock at both underground mining operations. Emergency services include stabilization, treatment and referral processes to hospitals. In addition, we require our third-party contractors to possess appropriate qualifications for their contracted tasks and in production safety. However, we cannot guarantee that all the third-party contractors engaged will operate safely at all times. For more information, see “Risk Factors — Risks Relating to Our Business and Industry — We engage third-party contractors at certain of our operations, which may expose us to delays or suspensions in mining activities and increases in production costs.”

The table below sets forth the injury frequency rates at our mines and plants during the Track Record Period:

<u>Types of injuries</u>	<u>For the year ended December 31</u>			<u>For the six months ended</u>
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>June 30, 2019</u>
	<i>(per one million hours worked)</i>			
Lost time injury frequency rates <sup>(1)</sup> . . . . .	16.2	19.1	10.6	6.3
Reportable injury frequency rates <sup>(2)</sup> . . . . .	7.5	6.0	3.6	2.9

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*Notes:*

- (1) Lost time injury frequency rates refer to the number of lost time injuries occurring in a workplace per one million hours worked. A lost time injury is an injury sustained by an employee that will ultimately lead to the loss of productive work time in the form of worker delays or absenteeism, and includes reportable injuries.
- (2) Reportable injury frequency rates refer to the number of reportable injuries occurring in a workplace per one million hours worked. A reportable injury is an injury emanating from an accident at a mine that results in: (a) the death of an employee; (b) an injury to an employee likely to be fatal; (c) unconsciousness, incapacitation from heat stroke or heat exhaustion, oxygen deficiency, the inhalation of fumes or poisonous gas, or electric shock or electric burn accidents and which is not reportable in terms of paragraph (d); (d) an injury which either incapacitates the injured employee from performing that employee's normal or similar occupation for a period totaling 14 days or more, or which causes the injured employee to suffer the loss of a joint or part of a joint, or sustain a permanent disability; (e) an injury (other than the injuries listed in paragraph (d)) that incapacitates the injured employee from performing that employee's normal or similar occupation the next calendar day.

In the South African mining industry, the total number of fatalities was 73, 90, 81 and 24 in 2016, 2017 and 2018 and the six months ended June 30, 2019, respectively, according to the DMRE. During the Track Record Period and up to the Latest Practicable Date, a total of eight accidents resulting in 11 fatalities had occurred at our underground mining operations and gold processing plants.

The table below sets forth the details of these accidents as of the Latest Practicable Date.

Mine and Time	Background	Status of the MHSA Proceedings	Risk of any successful prosecution
<b>Tau Leka</b> July 10, 2016	an employee was fatally injured when he was struck either by a rolling rock or by a scraper or scraper rope during scraper winch operations  Fatality: 1	formal accident inquiry proceedings have concluded. A report in terms of section 72(1)(b) of the MHSA was issued by the MHSI. The immediate cause of the accident could not be determined. Premised thereon, a recommendation was made by the MHSI for criminal proceedings to be instituted against, amongst others, senior managerial employees <i>"to establish what could have fatally injured the now deceased"</i> . Despite the recommendation, and upon an assessment of the evidence led during the inquiry proceedings, it does not appear that there is any evidence to substantiate a finding that the conduct of the managerial employees negligently caused the death of the employee and/or that the employer and/or managerial employees failed to comply with the MHSA	Remote
July 22, 2017	four employees were fatally injured following the occurrence of a seismic event, measuring 0.8 on the local magnitude scale, and sidewall ejection  Fatalities: 4	formal accident inquiry proceedings have concluded although the MHSI has not yet issued its report in terms of section 72(1)(b) of the MHSA; based on an assessment of the evidence led during the inquiry proceedings, it does not appear that the seismic event was reasonably foreseeable and no evidence was presented that may substantiate a finding that the conduct of the managerial employees negligently caused the death of the employees and/or that the employer and/or managerial employees failed to comply with the MHSA	Remote
June 15, 2018	a fall of ground fatally injured a contractor, and injured another contractor, whilst installing secondary support (being wire mesh and lacing), due to failure of the crew to conduct a proper entry examination, which included the installation of the correct number of temporary support units, at the correct support spacing in accordance with applicable support standards, as well as the installation of support to address geological discontinuities observed in the area  Fatalities: 1	formal accident inquiry proceedings have concluded although the MHSI has not yet issued its report in terms of section 72(1)(b) of the MHSA; based on an assessment of the evidence led during the inquiry proceedings, it does not appear that there is any evidence to substantiate a finding that the conduct of the managerial employees negligently caused the death of the employee and the injury of another employee; limited potential instances of non-compliance with the MHSA were identified which were not attributable to the cause of the death of the contractor and the injury of another contractor	Remote
August 31, 2018	a fall of ground fatally injured an employee due to the failure of the opening-up crew to conduct proper barring operations and making safe of the working place as required by the mine's entry examination procedure prior to the commencement of normal work therein  Fatality: 1	formal accident inquiry proceedings have concluded although the MHSI has not yet issued its report in terms of section 72(1)(b) of the MHSA; based on an assessment of the evidence led during the inquiry proceedings, it does not appear that there is any evidence to substantiate a finding that the conduct of the managerial employees negligently caused the death of the employee and/or that the employer and/or managerial employees failed to comply with the MHSA	Remote
January 5, 2019	an employee fell down an ore pass whilst occupying an unsafe position over a holed ore pass (filled with broken ore), without the prescribed health and safety equipment, being a safety harness  Fatality: 1	formal accident inquiry proceedings have concluded although the MHSI has not yet issued its report in terms of section 72(1)(b) of the MHSA; based on an assessment of the evidence led during the inquiry proceedings, it does not appear that there is any evidence to substantiate a finding that the conduct of the managerial employees negligently caused the death of the employee; limited potential instances of non-compliance with the MHSA were identified which were not attributable to the cause of the death of the employee	Remote
<b>Kopanang</b> October 18, 2018	an employee was struck by a derailed caboose, due to his failure to comply with the mine's tramming procedures when re-railing a derailed rolling stock  Fatality: 1	formal accident inquiry proceedings have concluded although the MHSI has not yet issued its report in terms of section 72(1)(b) of the MHSA; based on an assessment of the evidence led during the inquiry proceedings, it does not appear that there is any evidence to substantiate a finding that the conduct of the managerial employees negligently caused the death of the employee and/or that the employer and/or managerial employees failed to comply with the MHSA	Remote
November 6, 2018	a fall of ground fatally injured an employee whilst he was drilling the face of a panel, due to failure of the crew: to conduct a proper entry examination of the Panel on the day of the accident in that the area was not adequately barred nor supported with temporary support; as well as the commencement of drilling operations at the face of the panel in the absence of support  Fatality: 1	formal accident inquiry proceedings have concluded although the MHSI has not yet issued its report in terms of section 72(1) (b) of the MHSA; based on an assessment of the evidence led during the inquiry proceedings, it does not appear that there is any evidence to substantiate a finding that the conduct of the managerial employees negligently caused the death of the employee and/or that the employer and/or managerial employees failed to comply with the MHSA	Remote
<b>Nicolor Plant</b> June 15, 2018	an employee fell from height in an area which he was not permitted to be in  Fatality: 1	formal accident inquiry proceedings have concluded although the MHSI has not yet issued its report in terms of section 72(1)(b) of the MHSA; based on an assessment of the evidence led during the inquiry proceedings, it does not appear that there is any evidence to substantiate a finding that the conduct of the managerial employees negligently caused the death of the employee and/or that the employer and/or managerial employees failed to comply with the MHSA	Remote

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As advised by ENSafrica, a law firm with expertise in mine safety issues in South Africa, in the event that a fatal accident is attributable to the negligent conduct of any person (including the employer and/or managerial employees at these operations), such person may be charge with the common law crime of culpable homicide and/or a statutory offence in terms of section 86 of the MHSA. In addition, if the employer and/or managerial employees fails to comply with the provisions of the MHSA and the regulations binding in terms thereof, the employer and/or the managerial employee commit an offence. See “Regulatory Overview — Relevant South African Laws and Regulations — Laws and Regulations relating to Mine Health and Safety.”

In addition, an employer may be subject to significant penalties and/or administrative fines for non-compliance with the provisions of the MHSA. Where a contravention of the MHSA has occurred, the DMRE may elect to impose an administrative fine of up to ZAR1.0 million per transgression. In addition, the South Africa National Prosecuting Authority may decide to prosecute the relevant operating subsidiary for alleged contraventions of the MHSA as a juristic entity and/or ultimately the responsible individuals, including the chief executive officer of the relevant operating subsidiary. Depending on the section of the MHSA that has been contravened, the court may, upon a successful prosecution, either impose a fine and/or imprisonment (in respect of natural persons). In addition, if the relevant operating subsidiary is found guilty of negligently causing serious injury or illness to any person (in terms of section 86 of the MHSA), the court may order that the mining right held by such operating subsidiary be withdrawn or suspended or that a fine of ZAR3.0 million be imposed. The court may also, over and above imposing a sentence in respect of the offence and making an order, order the person convicted to, amongst others, repair any damage that may have been caused to satisfaction of the Chief Inspector of Mines.

We have been advised by ENSafrica that based on the assessment of available information pertaining to the above fatal accidents, there is no evidence to indicate that the relevant operating subsidiary or our senior management employees acted negligently or that such conduct caused the deaths of the employees. As further advised by ENSafrica, historically there has been very few instances of persons being successfully prosecuted as a result of a fatal accident at a mine. We have been advised by ENSafrica that in respect to the aforementioned accidents, the prospects of any successful prosecutions being brought against the relevant operating subsidiary and/or the managerial employees are remote. As advised by ENSafrica, in terms of COIDA, an employer is also protected from claims by employees (excluding contractor employees) for injuries sustained in the course and scope of their employment, and in the event of the death of an employee, the dependents of such person are in such circumstances prevented from recovering damages from the employer of the deceased employee.

To reduce injuries and fatalities, we have put in place safety measures and procedure to provide and maintain a working environment which is safe and minimizes risk to employees. Employees are required to adhere to these safety measures and procedures. Over and above the aforesaid, we will review safety measures and procedures from time to time and implement additional measures, where necessary, to further improve health and safety. A safety manager

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has been appointed to monitor the enforcement of these safety measures. To mitigate geotechnical and safety risks, such as the occurrence of rock bursts and rock falls, we plan to expand the use of our seismic network, which includes a seismic monitoring system and seismic regular auto warning system, and continue to comply with our post-major seismic event procedure. The control rooms at our mines keep track of our employees and monitor safety on a daily basis. We have also strengthened our permanent and temporary support standards and established a trigger action response plan and entry examination and make safe procedures. For instance, we have limited the mining of isolated blocks of ground and adopted time blasting at our Tau Lekoa mine at pre-set times, so that the seismic activities happen during a concentrated period of time, which would reduce the risk of accidents as the seismic window is contained. At our Kopanang Mine, we have installed in-stop crush pillars or breaker lines of support as determined by the rock engineers depending on ground conditions, to limit hanging wall failures. In addition, we have staffed our rock engineering department with strata control officers and contracted seismologists to provide safety advice. We believe that these measures have improved our safety records significantly. Both our lost time injury frequency rate and reportable injury frequency rate decreased significantly in 2018. In 2016, 2017, 2018 and the six months ended June 30, 2019, our lost time injury frequency rate was 16.2, 19.1, 10.6 and 6.3, and our reportable injury frequency rate was 7.5, 6.0, 3.6 and 2.9, respectively.

In January 2019, a compliance audit was conducted by a third party safety adviser at our South African operations pursuant to the instruction of ENSAfrica to establish compliance on the part of the employer with its duties and responsibilities in terms of the MHSA. Upon reviewing the findings of the compliance audit, ENSAfrica is generally satisfied with the measures put in place to ensure the health and safety of our workers and is of the view that we are in compliance with all applicable health and safety laws and regulations governing our South African operations in all material respects. Based on the assessment of available information pertaining to and/or the evidence led during the formal accident inquiry proceedings in respect of the aforementioned fatal accidents and the findings of the safety compliance audit, ENSAfrica is of the opinion that the risk of any successful prosecution of our operating subsidiary and/or senior management employees is remote.

## ENVIRONMENTAL PROTECTION

Our operations are subject to various South African laws and regulations with respect to environmental protection. For more details, see “Regulatory Overview — Relevant South African Laws and Regulations — Laws and Regulations on Environmental Protection.”

We have obtained the converted mining rights for our mines in compliance with various South African laws and regulations. Our activities are deemed to be environmentally sensitive under the relevant laws and would require public consultation and the EIA prior to granting of the mining rights, as well as ongoing monitoring and management through the compilation of an EMP. The EIA includes baseline and specialist studies, which assess the impacts of activities on specific environmental features and suggest mitigating factors to reduce

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significant impacts. We have conducted baseline studies in relation to biophysical and socio-economic factors, as well as specialist studies or assessment for surface water, underground water, air quality, noise, vibrations and wetland, among others, for all our mine sites and plants.

### Environmental Permits and Licenses

During the Track Record Period, we possessed or have applied for all the environmental permits and licenses that were material to our operations. The table below sets forth our permits or licenses issued by environmental authorities as of the Latest Practicable Date.

Operation	Applicable Legal Entity	Type of License/ Permits	Scope	Status	License No./ Application No.
Kopanang <sup>1</sup>	Kopanang Pty	Water Use License	Approval for water use in accordance with Section 21(g) of the NWA <sup>2</sup>	Applied on March 12, 2019; expected to be approved within 300 days of application, and will be valid for 20 years upon approval	01/C24J/BFJ/2000 (current AngloGold license)
		Nuclear Authorization	License issued that certifies compliance with regulations of the NNR	License issued on July 29, 2019, and will be valid until the closure of the Kopanang Mine	APP-NNR-083B001
		Environmental Authorization	Approval of Environmental Management Program	Approved on May 14, 2018, and valid until February 17, 2043	NW30/5/3/2/1/04 EM & NW30/5/3/2/1/14 EM
		Air Emissions License	Permissions granted for specified emissions	License issued on May 22, 2019, and valid until May 30, 2021	NWPG/KOPANANG (PTY) LTD/PAEL 4.1/May/19
Tau Lekoa	Tau Lekoa Pty	Water Use License	Approval for water use in accordance with Section 21(a), (c), (e), (g), (i) and (j) of the NWA <sup>2</sup>	Applied on March 11, 2018; approved on February 22, 2019, and valid for 20 years until February 22, 2039	IWULA Tau Lekoa 08/C24J/CEGAJ/8941
		Nuclear Authorization	License issued that certifies compliance with regulations of the NNR	Approved on February 8, 2017, and valid for an indefinite period of time	COR265
		Environmental Authorization	Approval of Environmental Management Program	Approved on April 21, 2011, and valid until the expiry date of the mining rights	NW30/5/3/2/1/17 EM & FS30/5/3/2/1/03 EM

<sup>1</sup> The Kopanang Mine has been operating with the environmental licenses and permits under the name of AngloGold, its previous owner, after the acquisition by VMR, which is in compliance with the relevant South African laws in all material respects, according to Werksmans. We have filed applications for new licenses and permits under Kopanang Pty's name. Based on the opinions of Werksmans and SRK, our Directors are of the view that the pending status of these license and permit applications is in compliance with the relevant South African laws in all material respects and the risk of our operations being interrupted due to such pending status is low.

<sup>2</sup> Section 21 of the NWA specifies that water use includes: (a) taking water from a water resource; (b) storing water; (c) impeding or diverting the flow of water in a watercourse; (d) engaging in a stream flow reduction activity contemplated in Section 36 of the NWA (in relation to stream flow reduction activities); (e) engaging in a controlled activity identified as such in Section 37(1), or declared under section 38(1), of the NWA (in relation to controlled activities); (f) discharging waste or water containing waste into a water resource through a pipe, canal, sewer, sea outfall or other conduit; (g) disposing of waste in a manner which may detrimentally impact on a water resource; (h) disposing in any manner of water which contains waste from, or which has been heated in, any industrial or power generation process; (i) altering the bed, banks, course or characteristics of a watercourse; (j) removing, discharging or disposing of water found underground if it is necessary for the efficient continuation of an activity or for the safety of people; and (k) using water for recreational purposes.



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Operation	Applicable Legal Entity	Type of License/ Permits	Scope	Status	License No./ Application No.
Weltevreden	Tau Lekoa Pty	Water Use License	Approval for water use in accordance with definitions S21 (a), (c), (g), (i) and (j) of the NWA <sup>2</sup>	Applied on March 11, 2018; approved on February 22, 2019, and valid for 20 years until February 22, 2039	IWULA Tau Lekoa
Nicolor <sup>3</sup>	Nicolor (Pty) Ltd	Water Use License	Approval for water use in accordance with definition S21 (a), (b), (f), and (g) of the NWA <sup>2</sup>	Applied on December 18, 2018; expected to be approved within 300 days of application, and will be valid for 20 years upon approval	Reference number to be issued by relevant authority
		Nuclear Authorization	License issued that certifies compliance with regulations of the NNR	Approved on February 8, 2017, and valid for an indefinite period of time	COR266
		Air Emissions License	Permissions granted for specified emissions	Licences issued on May 22, 2019, and valid until May 30, 2021	NWPG/NICOLOR (PTY) LTD/PAEL 4.13/MAY/19 & NWPG/NICOLOR (PTY) LTD/PAEL 4.1 & 4.17/MAY/19
		Environmental Authorization	Approval of Environmental Management Program	Applied on December 13, 2018; expected to be approved in November 2019	Application number is expected to be received by the end of March 2019
West Gold Plant <sup>4</sup>	Kopanang Pty	Water Use License	Approval for water use in accordance with Section 21(j) of the NWA <sup>2</sup>	Applied on March 12, 2019; expected to be approved within 300 days of application, and will be valid for 20 years upon approval	01/C24J/BFJ/2000 (current AngloGold license)
		Air Emissions License	Permissions granted for specified emissions	Approved on May 22, 2019, and valid until May 30, 2021	NWPG/AngloGold/AEL4.13/ Feb2014 (existing license number)
		Nuclear Authorization	License issued that certifies compliance with regulations of the NNR	Approved on July 29, 2019, and valid until the closure of West Gold Plant	APP-NNR-083B001
		Environmental Authorization	Approval of Environmental Management Program	Approved on May 14, 2018, and valid until February 17, 2043	NW30/5/3/2/1/04 EM & NW30/5/3/2/1/14 EM

3 Nicolor Plant has been operating with the licenses under Buffel's name as Nicolor's surface is within the Buffels mining right area. As Buffels started its rehabilitation process, we filed applications for new licenses and permits under Nicolor's corporate name. Based on the opinions of Werksmans and SRK, our Directors are of the view that the pending status of these license and permit applications is in compliance with the relevant South African laws in all material respects and the risk of our operations being interrupted due to such pending status is low.

4 West Gold Plant has been operating with the environmental licenses and permits under the name of AngloGold, its previous owner, after the acquisition by VMR, which is in compliance with the relevant South African laws in all material respects, according to Werksmans. We have filed applications for new licenses and permits under Kopanang Pty's name. Based on the opinions of Werksmans and SRK, our Directors are of the view that the pending status of these license and permit applications is in compliance with the relevant South African laws in all material respects and the risk of our operations being interrupted due to such pending status is low.



### **Our Environmental Management System**

As a mining business, our operations have a material impact on the surrounding environment. We regard environmental protection as an important corporate responsibility and are committed to implementing a comprehensive environmental management system in our daily operations. Our local operation team convenes meetings on a monthly basis to review the Group's environmental management. Our senior management continuously monitors the environmental measures to ensure compliance with the Group's internal standards and national regulatory requirements. Our Environmental Department is responsible for developing, implementing and monitoring our environmental management system in all stages of our mining operations and gold production. Internally, we designated environmental control officers who are in charge of the the daily implementation of our environmental management measures and are responsible for ensuring that such measures are in compliance with the statutory requirements under environmental laws and regulations of South Africa. Our external environmental consultants regularly provide us with independent environmental services, which include site visits, environmental compliance assessment and audits, licence applications, preparation of site closure reports and submission of regulatory reports to the authorities. We also provide training to our employees to enhance their awareness of our environmental policies.

At the level of VMR, we established the Social and Ethics Committee to encourage transparency and high standards of corporate governance and to ensure social and environmental compliance. Mr. Xia Dong and Mr. William Stanly Owen O'Brien, our senior management, are members of the Social and Ethics Committee. We established an ESG (Environmental, Social and Governance) committee in October 2019, headed by Mr. Sheng Zhang, the chairman of the Board. The ESG committee comprises personnel at all levels from our Board of Directors to employees at the operational level to oversee the day-to-day implementation of our vision, strategies and policies of environmental, social and governance. Our Board will continue to oversee the Group's overall environmental management practices.

Our costs for managing environmental-related risks primarily include costs incurred in connection with various measures and services relating to environmental safety and health, including the expenses paid to ensure compliance with conditions in environmental authorizations and payments to our relevant employees and third-party service providers. In 2016, 2017 and 2018 and the six months ended June 30, 2019, our costs for environmental compliance were ZAR1.0 million (US\$0.07 million), ZAR1.8 million (US\$0.1 million), ZAR4.3 million (US\$0.3 million) and ZAR2.8 million (US\$0.2 million), respectively. We expect our costs for environmental management to be approximately ZAR3.0 million (US\$0.2 million) for July through December 2019. For further details on the potential impacts of our environmental-related risks, see "Risk Factors – Risks Relating to Doing Business in South Africa – Our Operations are subject to extensive environmental regulations."

During the Track Record Period, as advised by Werksmans, we had been operating our mines and processing plants in compliance with the requirements of the relevant regulatory authorities, the MPRDA and the various environmental legislation in all material respects. As confirmed by Werksmans, there was no pending compliance and enforcement action against

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any of our mines or processing plants as of the Latest Practicable Date. During the Track Record Period and as of the Latest Practicable Date, we were not subject to any penalties associated with the violation of any material environmental laws or regulations.

The main types of potential pollution in our business operations include those relating to air emissions, waste water discharge, hazardous wastes such as reagents, radioactive materials, and mine tailings and non-hazardous waste, such as wood chips, steel, timber and general waste produced in the production process. Accordingly, our environmental management efforts primarily focus on emission reduction, dust fallout monitoring and control, waste management, clean-up of contamination, energy conservation, rehabilitation of soil and plants, and programs to manage invasive plants.

### Emission Management

#### *Waste Gas Treatment*

The main emissions in our plants during the gold extraction and refining process include nitrogen oxide, sulphur dioxide, particles, hydrogen chloride, chlorine, hydrogen fluoride and gaseous ammonia. We monitor gas pollutant emissions against their respective regulatory maximum limits. We have installed waste gas treatment devices to ensure that the waste gas emissions comply with national and regional waste gas emission standards. During the Track Record Period and as of the Latest Practicable Date, we were not subject to any penalties associated with the violation of any material environmental laws or regulations.

We engage services of a third-party specialist to monitor and quantify the emissions from our plants. Specifically, we engaged Rayten Engineering Solutions, an air quality assessment and monitoring specialist, to conduct stack emission surveys for the West Gold Plant by sampling from two stacks. According to a recent survey conducted by the third-party specialist, the West Gold Plant was in compliance with the emission standards identified in the applicable statutory requirements for the third quarter of 2019. Each of the emissions monitored was significantly lower than its minimum statutory standard. The following table set out the results of the average values of the emissions at the West Gold Plant and the minimum statutory standards in the third quarter of 2019.

<u>Values of Emissions</u>	<u>Stack 1 Result</u>	<u>Stack 2 Result</u>	<u>Minimum Statutory Standards (Existing Plant)</u>	<u>Minimum Statutory Standards (New Plant)</u>
Average value of PM (particulate matter) . . .	1.79	1.30	100.00	50.00
Average value of SO <sub>2</sub> . . .	0.00	0.00	400.00	400.00
Average value of NO <sub>x</sub> . . .	2.73	1.37	500.00	300.00

*Note:* all values above have units of mg.Nm<sup>-3</sup> (NPT, dry)

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### *Greenhouse Gas Emission*

The greenhouse gas emissions attributable to our operations consist mostly of diesel and petrol emissions from the vehicles employed by us. Such emissions are considered immaterial in terms of our business as our business process does not involve combustion, although we are aware that the National Greenhouse Gas Emission Reporting Regulations sets out listed activities in respect of which emitters are required to register and report if certain thresholds are met. In addition, the Carbon Tax Act 15 of 2019 came into effect on June 1, 2019, which imposes a tax on emitters for the emissions of the carbon dioxide (CO<sub>2</sub>) equivalent of greenhouse gas emissions, such as Methane (CH<sub>4</sub>), Nitrous oxide (N<sub>2</sub>O), Hydrofluorocarbons (HFCs), Perfluorocarbons (PFCs), Sulfur hexafluoride (SF<sub>6</sub>) and Nitrogen trifluoride (NF<sub>3</sub>)<sub>3</sub>.

### *Dust Mitigation*

We monitor our dust fallout which is governed by the National Environmental Management Air Quality Act and the National Dust Control Regulations. The limits are 1,200 mg of dust per day on average over a 30-day period. During the Track Record Period and up to the Latest Practicable Date, we were in compliance with such statutory limits. Throughout our operations, water is used to allay dust wherever practicable. Dust samples are collected as required by local legislation and the corresponding results are reported to regulators accordingly. Dust fallout monitoring is undertaken monthly and we review the monthly test results at our mines and plants to monitor the levels of dust emissions.

### *Recycling, Reuse and Discharge of Water*

Water reuse and recycling systems have been installed at our mines to recycle water discharged from underground. Water from underground is processed in a high rate settler to remove the fine particles, after which the water is stored in a recycle pond. From this pond, water is re-used underground. Surface water, including storm water and water from surface workshops, goes through the oil separator purification system before it is transferred to West Gold Plant for use (in the case of Tau Lekoa Mine) or goes underground to be used as service water (in the case of the Kopanang Operations). Some of Tau Lekoa's treated sewage effluent is used to water the gardens, with the remainder of the treated sewage water pumped to West Gold Plant to be used in the plant process. The quality of surface water is measured against the water use license requirements. Our recent surface water monitoring program indicated that there was no impact from the Tau Lekoa Mine on the quality of surface watercourses of this region for the second quarter of 2019. Only Nicolor Plant-treated sewage effluent within the allowable limits as set by the Department of Water Affairs and Sanitation is discharged to the environment. To cope with an environmental risk caused by a poorly managed process and storm water system at Nicolor Plant, we plan to upgrade storm water channels to direct water to catchment ponds.

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At West Gold Plant, the metallurgical plant tailings are disposed on a tailings storage facility, from where water is recycled to a lined return water dam. West Gold Plant draws water from this dam, and also draws water from the recycle pond. We have not discharged any water into the environment since March 2018, and do not expect to do so, as we recycle and reuse our water and there was never excess water. Our environmental control officers monitor the quality of natural water resources, such as rivers, around our operations as directed by the water use license conditions to assess potential pollution from our activities. We have entrusted a third party laboratory to conduct testing of the drinking water and our service water on a regular basis for indicators such as total plate count, total coliforms and Eschechiacoli, pursuant to the MHSA. According to the recent test results of water samples, our drinking and service water was in good condition.

### *Deep Groundwater Contamination*

We have identified the potential for future mine shaft decant and groundwater contamination resulting from the mineralogy of the mine shafts, as a future pollution risk associated with underground mines in South Africa. Due to the interconnected nature of mining operations, a proposed solution to this risk needs to be a combined one supported by all the mines located in these gold fields. As a result, the MPRDA and the NEMA authorize the Minister of Mineral Resources in consultation with the Minister of Environmental Affairs to identify where mines are interconnected, strategies to facilitate mine closure in such circumstances (i.e., develop a Regional Mine Closure Strategy) and determine the apportionment of liability for mine closure. In view of the limitation of current information for the accurate estimation of a liability, no reliable estimate can be made for this obligation and mitigation of this future risk. Contamination or the detrimental effect or significant pollution of the environment or water resources may result in significant latent groundwater liability, which is currently unquantifiable, and subject to future enforcement action.

We engage services of third-party underground water and effluents consultants, such as Midvaal Water Company, to conduct groundwater quality testing for our mines and plants. The quality of groundwater is measured against the water use license requirements. Based on the testing results, we conduct periodic compliance review on the groundwater quality and implement measures to control and manage the mining impact on groundwater.

### *Acid Mine Drainage*

AMD relates to the acidification and contamination of naturally occurring water resources by pyrite bearing ore contained in underground mines and in rock dumps, tailings dams and pits on the surface. AMD arises as a result of metal sulphides in the rock being exposed to water and air, which causes oxidation and generates acidity. The nearby surface and groundwater resources can be impacted by this acidity.

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We have taken certain preventative actions, including the lining of certain of our return water dams and the drilling of monitoring boreholes to test ground water quality against our baseline data, in an attempt to minimize our exposure to environmental contamination. We also engage a third party to pump underground water for surface reclamation, which ensures that water levels in the basin remain below the critical environmental levels.

AMD is typical for most gold mines in the area and is sometimes unavoidable even with sufficient preventative measures. In the event that AMD impacts arise, we will take remedial measures including pumping and treatment, bioremediation or scavenger wells.

### ***Management of Hazardous Materials***

The major hazardous chemicals involved in our production and operation include sodium cyanide, sulfuric acid, hydrochloric acid and sodium hydroxide, which are stored in special containers or warehouses equipped with the relevant facilities to guard against penetration and leakage, and managed by specific personnel, pursuant to the statutory requirements in South Africa.

The hazardous waste we dispose of is mainly hydrocarbons produced during the production process. We recycle or dispose of our hazardous wastes in strict accordance with the regulatory standards. All our hazardous waste was measured and disposed of by Ensa Environmental South Africa, a third-party accredited hazardous waste management company. All of our hazardous waste produced in 2018 was either recycled or disposed of legally. There are no regulatory limits for the quantity of hazardous waste produced in South Africa.

### ***Utilization and Disposal of Non-Hazardous Waste***

The non-hazardous wastes produced by us are mainly wood chips, steel, timber, general waste, etc. produced in the production process. We endeavor to have all non-hazardous waste either recycled, re-used or disposed of in compliance with the national laws and regulations. All of our non-hazardous waste produced in 2018 was recycled, re-used or disposed of legally. The only waste that was not recycled nor re-used was the general waste, which accounted for a small portion of the non-hazardous waste we produced in 2018.

### **Consumption of Natural Resources**

Apart from mineral resources, the natural resources we primarily used include electricity, water, diesel oil, etc. Currently, there are no regulatory or internal limits for energy consumption for our operations. Our annual energy consumption is planned in advance as part of a budgeting process. In order to reduce energy consumption, we regularly track our energy consumption and continuously implement various energy-saving measures. We also provide our operators of energy-consuming equipment with education and training to improve their energy saving awareness and enthusiasm.

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To save power, we turn off refrigeration units in winters and we have also initiated a project to convert drills from air powered (pneumatic) to hydro-powered at the Kopanang Operations. In terms of water conservation, we have established water reuse and recycling systems and strive to recycle the water produced in our operations as much as possible. We reduce the run time of water pump to a level which is necessary for our operations.

We reduce our diesel consumption by means of optimizing the ore transportation plan and shortening the transportation distance.

### **Rehabilitation**

As required by law, we undertake rehabilitation works as part of our ongoing operations in accordance with the EMPr, which constitute the main cost of our ongoing environmental compliance. Our rehabilitation works include measures that ensure our compliance with the legal requirements and principles for management and rectification of environment damage as set out in the NEMA. We submit monthly progress update reports to the DMRE which is verified through random spot checks by the DMRE.

Under South African law, we are required to make annual provision for the costs of annual rehabilitation, rehabilitation upon closure and the costs of post closure latent and residual impacts. The regulations relating to the financial provision for rehabilitation upon closure were adopted on November 20, 2015. It is anticipated that the financial provision regime may change with the implementation of an amended set of financial provision regulations. For details, see “Regulatory Overview — Relevant South African Laws and Regulations — Rehabilitation obligation and expenditure.”

Based on the estimation performed by an independent rehabilitation expert in terms of the MPRDA, our mine closure and post-closure rehabilitation costs for all-inclusive operations are approximately US\$22.7 million, out of which US\$4.2 million is for the Tau Lekoa Mine, US\$1.0 million is for the Weltevreden project, US\$11.7 million is for the Kopanang Mine, US\$3.0 million is for the Buffelsfontein Mine and US\$2.9 million is for the Nicolor Plant. The estimated mine closure and post-closure rehabilitation costs were discounted to a present value of US\$18.8 million as of June 30, 2019, and we have set aside that amount in the form of collateral for financial guarantees, which will be sufficient to cover the estimated mine closure and post-closure rehabilitation costs. The remaining financial guarantees will be supplemented during the LoM. In 2016, 2017 and 2018 and the six months ended June 30, 2019, the present value of our provision for all-inclusive rehabilitation cost, totaled US\$12.7 million, US\$11.1 million, US\$18.5 million and US\$18.8 million, respectively.

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### SOCIAL RESPONSIBILITY

We are committed to protecting people from danger and removing them from high-risk situations, while we work towards ensuring the sustainability and stability of our operations. Our challenges are most acute in areas where there are high levels of poverty and a lack of opportunity. Against this background, we foster respect for local communities' rights to earn a living and their values and traditions. We have policies in place to deal with discrimination issues and human right breaches.

As the communities of our mining sites are frequently situated out of the urban reach, these communities often have low levels of education, employment and income. Mining companies are usually the only major employers in these areas. Through our engagement processes, we have identified that the provision of infrastructure and support for educational facilities are among the most pressing needs in our neighboring communities. We have provided financial support to local community institutions including schools and disability center to help improve the well-being of members living in our neighboring communities.

### INSURANCE

We maintain a broad range of insurance covering property damage and business interruption, legal liabilities arising out of business operations, directors and officers liabilities, employment practices, commercial crimes, storage and marine transit of bullion goods, cyber liability, motor fleet, security of facilities and riot, strike and public disorder. The insurers and co-insurers are major insurance companies in South Africa.

We are also insured by Rand Mutual Assurance Limited, which covers for all injury or death on duty insurance liabilities as defined in the Compensation for Occupational Diseases and Injuries Act of 1993. Rand Mutual Assurance Limited would indemnify us from any claims arising from personal injuries or death of employees. In addition, we maintain cell captive insurance, which provides us with performance bank and insurance guarantees in favor of the DMRE for our fulfilment of the environmental rehabilitation obligations. We also have performance guarantees in favor of Eskom for its supply of electricity to us.

We believe that the insurance policies that we carry are in line with the customary industry practice and are sufficient for our daily operations. However, there are certain risks which cannot be pragmatically insured against. For example, we do not currently carry key man insurance. See "Risk Factors — Risks Relating to Our Business and Industry — Our insurance coverage may be inadequate." During the Track Record Period and up to the Latest Practicable Date, we had not received any material insurance claims against us.



### INTERNAL CONTROL AND RISK MANAGEMENT

We have a comprehensive internal control and financial reporting system and are continuously enhancing the internal control management. We have reviewed our corporate governance and redrafted certain critical corporate policies and procedures relating to delegation of authorities, expenditures, ethics, fraud and anti-bribery and corruption and conducted training for all key staff involved in decision making. We have appointed an internal control manager to oversee the enforcement of these new policies and procedures.

We strive to manage risk effectively in order to protect our assets, stakeholders, environment and reputation, and to ensure achievement of our business objectives. We have established a group-wide risk management framework, in order to achieve a full understanding of the reward to risk balance, to reduce the likelihood and consequences of adverse effects to levels that are within our risk tolerance, and to achieve continual improvement in our management of risks.

Development of a formal risk management structure helps ensure that employees across the organization understand their responsibilities and are accountable with regard to risk management. Our Board of Directors is responsible for risk governance. It sets the tone for risk management and ensures that risk management does not become a series of activities that are detached from the realities of achieving the business objectives. The Risk Committee has been delegated with the power to assist the Board of Directors with its duties and responsibilities in terms of risk governance.

We have established various risk management policies to identify, assess and manage risks arising from our operations on a continuous basis. Some of the major risks and the ways that we are managing include:

- *Strategic risk management.* The strategic risk registers of our operations are monitored and updated on an ongoing basis. We assess these strategic risks and extract the top ones onto the Group's strategic risk register. The top strategic risks drawn up from the Group's risk register are reported to and reviewed by members of the Executive Committee. The risk control and mitigating measures are then deliberated and dived upon during the Executive Committee meetings.
- *Operational risk management.* The operational risk registers of our operations are reviewed every quarter and the top risks are discussed at monthly operational risk reviews. Various types of operational risk assessment are conducted on an ongoing basis at all of our operating mines and divisions, in accordance with the regulatory requirements. Our management is required to consider the top issues drawn up from the operational risk registers.



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We endeavor to continuously develop, implement and maintain sound risk management practices and systems that are consistent with international best practice and that will address the following:

- Identify, assess and manage risks in an effective and efficient manner;
- Make decisions based on a comprehensive view of the reward to risk balance;
- Provide greater certainty on the delivery of objectives; and
- Satisfy our corporate governance requirements.

In pursuit of these objectives, we endeavor to:

- Implement a comprehensive and systematic risk assessment and reporting process across the Company;
- Create an environment that controls and mitigates (responds to) risks within our accepted risk tolerance levels;
- Integrate the outputs of specialist risk functions to provide an informed view of the risks associated with our business activities;
- Achieve appropriate risk management awareness in our business processes, with an emphasis on risk management instilled in all associated stakeholders;
- Foster a culture of continuous improvement in risk management by setting best practice standards, supported by audit and review processes; and
- Create an appropriate risk financing program, based on the risk profiles developed in the assessment process.

## LEGAL AND ADMINISTRATIVE PROCEEDINGS

We may from time to time become a party to various legal, arbitral or administrative proceedings or regulatory investigations or inquiries arising in the ordinary course of our business.

### SARS Tax Dispute

Buffelsfontein Pty, one of our subsidiaries, is engaged in a dispute with the SARS in respect of the imposition of understatement penalties for understatements contained in its 2011 and 2012 income tax returns. Buffelsfontein Pty has conceded that understatements in respect of the 2011 and 2012 income tax returns constitute non-compliance with the Income Tax Act, 58 of 1962. Accordingly, the dispute concerns only the imposition of understatement penalties.

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The Tax Administration Act, 28 of 2011 allows for penalties and/or interest to be levied due to errors in calculations contained in filed income tax returns. However, Buffelsfontein Pty contends, *inter alia*, that the errors in the 2011 and 2012 income tax returns arguably did not result in financial prejudice to the SARS due to the significant unredeemed capital balances and assessed losses carried forward by Buffelsfontein Pty. Our Directors are therefore of the view that there should be no basis for the imposition of material understatement penalties by the SARS. Interest will be levied at the prescribed rate on such understatement penalties if Buffelsfontein Pty is unsuccessful with its dispute.

Buffelsfontein Pty met with the SARS on April 3, 2019 to discuss a settlement proposal for the understatement penalties and related interest. The SARS agreed to present the settlement proposal to the SARS Settlement Committee and supported the settlement amount proposed and background information provided. Our final settlement proposal with a proposed settlement amount of US\$0.9 million was submitted to the SARS on April 4, 2019. We made a full provision for such proposed settlement amount in our consolidated statements of profit or loss for the six months ended June 30, 2019. On April 5, 2019, the matter was removed from the roll of the tax court by agreement between the parties, indicating that the SARS is likely to accept the settlement proposal made by Buffelsfontein Pty. Based on the practice of SARS that the SARS Settlement Committee does not typically interrogate the details of each proposal, which had been previously reviewed by the SARS case officials, and our interactions with the SARS case officials responsible for this matter, our Directors are of the view that the SARS is unlikely to reject the settlement proposal and for this reason have not made any provision in relation to this tax dispute beyond the settlement amount proposed. However, it is possible that the SARS Settlement Committee will not accept the settlement proposal. See “Risk Factors — Risks Relating to Our Business and Industry — One of our subsidiaries is involved in a tax dispute with the SARS and failure to reach a settlement with the SARS may subject us to interest and penalties.”

### **Alleged Contravention of Environmental Legislation at Blyvooruitzicht Mine**

In February 2017, VMR and two former directors, along with other parties, were charged for contravention of environmental legislation at Blyvooruitzicht mine during the period from 2013 to 2017. The charges were withdrawn against all of the accused on October 4, 2017 in terms of Section 342A of the Criminal Procedure Act. As advised by Werksmans, VMR should not be held responsible for the rehabilitation under the applicable laws and regulations in South Africa because VMR did not acquire or operate the Blyvooruitzicht mine and never became the holder of the mining right. VMR only exercised control of the Blyvooruitzicht mine for a limited period between May 29, 2012 and August 6, 2013. During this period, VMR contributed significant funds and resources to contain pollution and to prevent further pollution or environmental degradation from occurring.

On February 28, 2018, we submitted written representations motivating why the prosecution against VMR should not be re-instated. On February 27, 2019, the National Prosecuting Authority advised that DRDGold Limited and VMR should identify some residual environmental damage that DRDGold Limited and VMR could jointly rehabilitate. As of the

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Latest Practicable Date, the National Prosecuting Authority had not yet made a determination on the residual environmental damage or any related proposal. We estimate that our share of the potential rehabilitation cost for the Blyvooruitzicht mine under this rehabilitation plan will be between ZAR5.0 million and ZAR7.5 million. On implementation of this rehabilitation plan, the National Prosecuting Authority will withdraw the charges against, *inter alia*, VMR and all the relevant directors. As such and based on our assessment of the circumstances of this case, Werksmans is of the view that (assuming the parties develop and comply with the necessary rehabilitation plan) the chance of reinstatement of these charges by the National Prosecuting Authority against VMR is remote. As a result, we have not made any provision in relation to this alleged contravention of environmental legislation. See “Risk Factors — Risks Relating to Doing Business in South Africa — Our operations are subject to extensive environmental regulations.”

As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we and our Directors were not involved in any actual or threatened material claims or litigations that would have a material adverse effect on our business, financial position or results of operations.

As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we had been in compliance with all applicable laws and regulations in all material respects and except as disclosed above, there was no pending compliance and enforcement action against us as of the Latest Practicable Date.

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## DIRECTORS AND SENIOR MANAGEMENT

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### BOARD OF DIRECTORS

Upon Listing, our Board will consist of seven Directors, including one executive Director, three non-executive Directors and three independent non-executive Directors. The following table sets forth information about our Directors:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Roles and Responsibilities</u>	<u>Date of joining the Group</u>	<u>Date of appointment as Director</u>
Mr. Xia Dong (董夏) . . . . .	32	Executive Director and chief executive officer	Overall management of strategic, development, strategy execution, investment execution and corporate governance of the Company	June 2015	March 8, 2019
Mr. Sheng Zhang (張晟) . . . . .	32	Non-executive Director and chairman of the Board	Overall strategic planning, investment planning and business planning of our Company	March 2015	March 24, 2015
Mr. Yue Bao (鮑鉞) . . . . .	51	Non-executive Director	Overall strategic planning and business planning of our Company	March 2019	March 8, 2019
Mr. Quanyou Zhang (張全有) . . . . .	39	Non-executive Director	Overall strategic planning and business planning of our Company	October 2015	March 8, 2019
Mr. Vincent Marshall Kwan Ho Lee (李君豪) . . . . .	64	Independent non-executive Director	Providing independent advice and judgement to our Board	October 2019	October 31, 2019
Mr. Meifeng Cai (蔡美峰) . . . . .	76	Independent non-executive Director	Providing independent advice and judgment to the Board of the Company	October 2019	October 31, 2019
Mr. Jia He (何佳) . . . . .	65	Independent non-executive Director	Providing independent advice and judgment to the Board of the Company	October 2019	October 31, 2019

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## DIRECTORS AND SENIOR MANAGEMENT

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### Executive Director

**Mr. Xia Dong (董夏)**, alias Jeff Dong, aged 32, was appointed as an executive Director and the chief executive officer of the Company in March 2019. Mr. Dong is responsible for the overall management of strategic development, strategy execution, investment execution and corporate governance of the Company. Mr. Dong has been serving as a director of each of Buffelsfontein Pty, Simmer and Jack, Tau Lekoa Pty, Temotuo Rehabilitation Company NPC, VMR 01, VMR 03, VMR 04 and VMR since June 2015, a director of Kopanang Pty since November 2017 and a director of VMR Group since September 2018. He also served as a director of Nicolor from June 2015 to April 2019.

Mr. Dong served as the vice president of Heaven-Sent Fu Kun from June 2018 to March 2019, where he was primarily in charge of outbound investment in mining and manufacturing section. From June 2015 to May 2018, he worked at HSC as the principal of mining investment, where he was mainly responsible for evaluation, execution and management of the firm's investment in mining and resource sector. Prior to that, Mr. Dong worked at Beijing Zhaojin Technology Co., Ltd. (北京招金科技有限公司), Beijing Yushang Jinshi Investment Co., Ltd. (北京渝商金石投資有限公司) and Loncin Resources Investment Co., Ltd. (北京隆鑫礦業資源投資有限公司) from December 2014 to May 2015, October 2014 to December 2014, and December 2013 to September 2014, respectively, as a deputy chief investment officer, where he was mainly responsible for evaluation, execution and management of mining investment projects in Australia and Africa. From September 2010 to October 2013, Mr. Dong served as a manager of The Beijing Axis Limited (北京中外商橋投資貿易諮詢有限公司), where he was primarily responsible for sell-side advisory services to South African and Australian mining firms looking for financing from China.

Mr. Dong received his bachelor's degree in financial management in July 2009 from The University of International Business and Economics (對外經濟貿易大學).

### Non-executive Directors

**Mr. Sheng Zhang (張晟)**, alias Michael Zhang, aged 32, is a non-executive Director and the chairman of the Board of the Company. Mr. Zhang is responsible for the overall strategic planning, investment planning and business planning of our Company. He joined us in March 2015 as a Director.

Mr. Zhang currently holds positions in various subsidiaries of our Group. He has been serving as a director of VMR Group since March 2015, a director of each of Buffelsfontein Pty, Simmer and Jack, Tau Lekoa Pty, Temotuo Rehabilitation Company NPC, VMR, VMR 01, VMR 03 and VMR 04 since June 2015, and a director of Kopanang Pty since March 2018. He also served as a director of Nicolor from June 2015 to April 2019.

Mr. Zhang has been working at HSC since June 2013 and he currently serves as a managing director, where he is mainly responsible for investment management of the group. He served as a deputy general manager of the risk management department of HSC from June

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## DIRECTORS AND SENIOR MANAGEMENT

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2013 to January 2015, and the general counsel of HSC from January 2015 to July 2017 where he was mainly responsible for the risk control and legal support for the day-to-day operation and investment business of the company. Mr. Zhang has been the president and the executive director of Heaven-Sent Fu Kun since February 2018, where he is currently also the legal representative, primarily in charge of the overall strategic planning and business planning of the company. He has been the sole director of Sunshine HK since March 2015, the sole director of Sunshine BVI since January 2016, the sole director of each of Heaven-Sent Capital (BVI) Company Limited, Heaven-Sent Capital (Cayman) Company Limited and Heaven-Sent Capital (HK) Company Limited since August 2016, the sole director of Heaven-Sent Spring Holding (Cayman) Company Limited since June 2017, the sole director of the general partner of Heaven-Sent Capital ZDH Fund L.P. since December 2017, the sole director of the general partner of ZDH Husheng Fund L.P. since May 2018, and the president of Silicon Paradise since August 2019.

Mr. Zhang served as an attorney at Fangda Partners (上海市方達(北京)律師事務所) from September 2011 to May 2013, where he was primarily responsible for advisory matters related to M&A deals and private equity investments.

Mr. Zhang also served as a director of Heaven-Sent Spring Holding (HK) Company Limited prior to its dissolution, which is an investment holding company incorporated in Hong Kong. As it had never commenced business since its incorporation, the company was dissolved on October 27, 2017 by deregistration under section 751 of the Companies Ordinance.

Mr. Zhang received his dual bachelor's degrees in law and economics in July 2010 from Peking University (北京大學) and later a master's degree in law in May 2011 from the University of California, Berkeley. He was admitted to practice law in PRC in March 2012, and was admitted to practice law in the State of New York in July 2012.

**Mr. Yue Bao (鮑鉞)**, aged 51, was appointed as a non-executive Director of the Company in March 2019. Mr. Bao is responsible for the overall strategic planning and business planning of our Company.

Mr. Bao has been the chairman of the board of directors and the legal representative of HSC since January 2019, primarily in charge of supervising the implementation of the decision of the board of directors, presiding over the shareholders' general meetings and meetings of the board of directors, appointing members of professional decision committees and considering the work reports of such committees. Mr. Bao has been serving as the legal representative, the executive director and the general manager of Tibet Changji since January 2017, where he was primarily responsible for the day-to-day operation management.

Mr. Bao served as a managing director from March 2007 to March 2016, the secretary to the board of directors from January 2011 to July 2016, and the president from March 2016 to January 2019, at HSC, where he was mainly responsible for capital operation, information disclosure, duties related to the board meeting and the shareholders' meeting, implementation of the decision of the board of directors, overall day-to-day management and the business development of the company based on the Group's strategies. Mr. Bao served as a board

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## DIRECTORS AND SENIOR MANAGEMENT

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secretary of China United Construction Equipment Co., Ltd (中聯建設裝備股份有限公司) from September 1998 to August 1999, where he was primarily responsible for optimizing the functions of the board of directors, assisting the chairman in formulating company strategies and improving the operation and management of the company. He worked at Century Securities Co., Ltd. (世紀證券有限責任公司) from July 1999 to February 2007, where he was appointed as a vice president in January 2001 and was primarily responsible for assisting the president in carrying out the business and improving the performance of the company.

Mr. Bao was listed as one of the “List of Individuals in Equity Investment in 2017 – Outstanding Individuals in Mergers and Acquisitions of the Year” (2017股權投資人物榜單 – 年度傑出並購人物) in 2017 by Chinese Venture (融資中國), which is a magazine focusing on the industry of private equity in China, and was listed as one of the “Top 100 China Investors” (投資界TOP 100投資人) in 2017 by PEdaily.cn (清科投資界), which is a website focusing on the venture capital and private equity industry in China.

Mr. Bao received his bachelor’s degree in economics in July 1991 from Hunan College of Finance and Economics (湖南財經學院) and graduated from Renmin University of China (中國人民大學) in January 2014 with a master of business administration degree (part time).

**Mr. Quanyou Zhang (張全有)**, aged 39, was appointed as a non-executive Director of the Company in March 2019. Mr. Zhang is responsible for the overall strategic planning and business planning of our Company. Mr. Zhang has been serving as a director of each of Simmer and Jack, Tau Lekoa Pty, Temotuo Rehabilitation Company NPC, Buffelsfontein Pty, VMR, VMR 01, VMR 03 and VMR 04 since October 2015. He served as a director of Nicolor from October 2015 to April 2019 and a director of Kopanang Pty from March 2018 to April 2019.

Mr. Zhang has been serving as the Company secretary of HSC and the general manager of the financial management department of HSC since October 2019 and February 2015, respectively, primarily in charge of formulating the financial objectives, policies and operational procedures of the company, establishing, improving, organizing and implementing the internal financial management, auditing system of the company, and managing the funds and assets. He has been serving as the authorized representative appointed by the executive partner of Shanghai Lvhe and Shanghai Yunfeng since December 2014 and August 2015, respectively. He also served as the legal representative, the executive director and the general manager of Tibet Changji from August 2014 to January 2017, where he was in charge of the day-to-day company operation management. He served as an accountant, a deputy financial manager and a financial manager of HSC from July 2007 to December 2009, January 2010 to February 2012, and February 2012 to January 2015, respectively, where he was mainly in charge of the internal financial work.

Prior to that, Mr. Zhang worked at Qianjiang Guigu Holdings Co., Ltd. (錢江硅谷控股有限責任公司) as a financial manager, from July 2002 to June 2007, where he was primarily responsible for the day-to-day financial management, financial internal control and financial analysis of the company.

Mr. Zhang received his bachelor’s degree in accountancy in June 2002 from Zhongnan University of Economics and Law (中南財經政法大學).



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## DIRECTORS AND SENIOR MANAGEMENT

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### Independent Non-executive Directors

**Mr. Vincent Marshall Kwan Ho Lee (李君豪)**, aged 64, *BBS*, was appointed as an independent non-executive Director of the Company in October 2019. He is mainly responsible for providing independent advice and judgment to the Board of the Company.

Mr. Lee is currently a deputy to the National People's Congress of PRC, an officer of the Order of the Crown (Belgium) and the chairman of Tung Tai Group of Companies. Mr. Lee is also currently a member of the Election Committee of the HKSAR, the chairman of the Correctional Services Children's Education Investment Trust Advisory Board, and a member of the Council of The Chinese University of Hong Kong.

Mr. Lee has been an independent non-executive director of HK Asia Holdings Limited (港亞控股有限公司) (Stock Exchange stock code: 1723) since August 2018, and an independent non-executive director of Guangdong Land Holdings Limited (粵海置地控股有限公司) (Stock Exchange stock code: 0124) since March 2009.

Mr. Lee has approximately forty years of experience in the securities and futures industry and has extensive experience in banking, corporate finance and investment. He served as a member of Correctional Services Children's Education Trust Committee from January 2014 to December 2016, a non-official member of Financial Services Development Council from January 2013 to January 2019, the chairman of the Sir Murray Maclehorse Trust Fund Investment Advisory Committee from December 2012 to November 2018, a part-time member of Central Policy Unit of the Government of the HKSAR from January 2008 to December 2008, the chairman of the Institute of Securities Dealers Limited from January 2005 to February 2009, a member of the Securities and Future Appeals Tribunal from April 2003 to March 2009, and a member of the SFC Academic and Accreditation Advisory Committee from February 2002 to February 2006.

Mr. Lee served as a non-executive director of LT Commercial Real Estate Limited (勒泰集團有限公司) (Stock Exchange stock code: 0112) from March 2013 to June 2017, an independent non-executive director of Hong Kong Exchange and Clearing Limited (Stock Exchange stock code: 0388) from April 2000 to April 2017.



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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Lee also served as a director of the following companies prior their respective dissolution:

<b>Company name</b>	<b>Place of incorporation</b>	<b>Principal business activity immediately before dissolution</b>	<b>Means of dissolution</b>	<b>Date of dissolution</b>	<b>Reasons of dissolution</b>
Orient Fancy Limited . . . . .	Hong Kong	Trading and investment	Deregistration under section 751 of the Companies Ordinance	December 7, 2018	All members of the company agreed to such deregistration
Garlock Trading Company Limited . . . . .	Hong Kong	Trading	Deregistration under section 291AA of the Old HKCO	December 24, 2010	All members of the company agreed to such deregistration
Leonard Electrical Manufacturing Company, Limited . . . . .	Hong Kong	Trading	Deregistration under section 291AA of the Old HKCO	November 26, 2010	All members of the company agreed to such deregistration
Tung Tai Resource Limited . . . . .	Hong Kong	Trading and investment	Striking off under section 291 of the Old HKCO	February 7, 2003	All members of the company agreed to such dissolution
Canadian City Capital Ltd . . . . .	British Virgin Islands (registered in Hong Kong as a non-Hong Kong Company)	Trading and investment	Ceased place of business in Hong Kong	June 5, 1999	Company ceased to have a place of business in Hong Kong

Mr. Lee confirmed that all such companies above were solvent immediately prior to their respective dates of dissolution and so far as he was aware, the dissolution of such companies had not resulted in any liability or obligation imposed against him.

Mr. Lee obtained his bachelor's degree in science (Accounting and International Finance) from University of Southern California in June 1978, graduating with Magna Cum Laude. He received his master's degree in economics from London School of Economics and Political Science in August 1981. He has been a certified public accountant registered with the California State Board of Accountancy since December 1980. He was admitted as a member of the American Institute of Certified Public Accountants in January 1982 and a member of

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## DIRECTORS AND SENIOR MANAGEMENT

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HKICPA in January 1989. He currently holds SFC licences for Dealing in Securities (type 1 regulated activity), Dealing in Futures Contracts (type 2 regulated activity), Advising on Securities (type 4 regulated activity) and Asset Management (type 9 regulated activity).

**Mr. Meifeng Cai (蔡美峰)**, aged 76, was appointed as an independent non-executive Director of the Company in October 2019. He is mainly responsible for providing independent advice and judgment to the Board of the Company.

Mr. Cai is a specialist in geotechnical engineering and mining engineering. Being one of the pioneers in crustal stress measurement of domestic mines, he was the first person to develop the measurement technique of crustal stress, which owns an independent intellectual property right in the PRC, and he has also introduced a system of techniques for optimization of mining design based upon crustal stress theory, safe mining techniques of high efficiency, and techniques for forecast, prevention and control of mine dynamic disasters.

Mr. Cai is currently an academician of China Engineering Academy (中國工程院), and a doctor adviser and a professor of the School of Civil and Environmental Engineering of The University of Science and Technology Beijing (北京科技大學). He is also currently the chairman of ISRM Commission on Education (國際岩石力學學會教育委員會), and a supervisor of the Chinese Society for Rock Mechanics and Engineering (中國岩石力學與工程學會).

Mr. Cai has been an independent non-executive director of Sichuan Yahua Industrial Group Co., Ltd. (四川雅化實業集團股份有限公司) (Shenzhen Stock Exchange stock code: 002497) since June 2018, and an independent non-executive director of Zijin Mining Group Company Limited (紫金礦業集團股份有限公司) (Stock Exchange stock code: 2899) since December 2016.

Mr. Cai served as a member and a professor of the assessment division for mineral oil discipline of the State Council Academic Degrees Committee (國務院學位委員會) from January 2003 to December 2008. He worked at The University of Science and Technology Beijing (北京科技大學), and served as the director and a professor of the School of Civil and Environmental Engineering from 2002 to 2016, and the director and a professor of the School of Resources Engineering from 1994 to 2002.

Mr. Cai received his bachelor's degree in mechanical engineering from Shanghai Jiao Tong University (上海交通大學) in July 1968, his master's degree in mining engineering from Beijing Steel and Iron Institute (北京鋼鐵學院) in September 1982, and his doctor's degree in philosophy from the University of New South Wales in October 1990.

**Mr. Jia He (何佳)**, aged 65, was appointed as an independent non-executive Director of the Company in October 2019. He is mainly responsible for providing independent advice and judgment to the Board of the Company.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. He has over 20 years of experience in the finance and education industry. He has served as a chair professor of Southern University of Science and Technology of China (南方科技大學) since May 2014, and an associate professor (life tenure) of the University of Houston since September 1996.

Mr. He also held various other positions, including an executive director and an academic member of the China Society for Finance and Banking (中國金融學會) from June 2001 to October 2002, a member of the Strategy and Development Committee of CSRC from July 2001 to July 2002, and a professor of the Department of Finance of the Chinese University of Hong Kong from August 1996 to August 2014. He had also served as a Cheung Kong Visiting Chair Professor of the Ministry of Education.

Mr. He has been serving as an independent non-executive director of each of the following listed companies: Shanghai Junshi Biosciences Co., Ltd. (上海君實生物醫藥科技股份有限公司) (Stock Exchange stock code: 1877) since June 2018, Bank of Tianjin Co., Ltd. (天津銀行股份有限公司) (Stock Exchange stock code: 1578) since June 2018, Norinco International Cooperation Co., Ltd. (北方國際合作股份有限公司) (Shenzhen Stock Exchange stock code: 000065) since January 2017, CITIC Securities Company Limited (中信證券股份有限公司) (Stock Exchange stock code: 6030, and Shanghai Stock Exchange stock code: 600030) since March 2016, China Chengtong Development Group Limited (中國誠通發展集團) (Stock Exchange stock code: 0217) since September 2015, Tsinghua Tongfang Co., Ltd. (同方股份有限公司) (Shanghai Stock Exchange stock code: 600100) since May 2016 and OP Financial Limited (東英金融有限公司) (Stock Exchange stock code: 1140) since February 2003.

The Directors and the Sole Sponsor have considered Mr. He's concurrent service as an independent non-executive director of the above seven other listed companies. The Directors are of the view that they are satisfied with Mr. He's time commitments to the affairs of our Company having regard to all relevant factors including:

- (a) based on the published annual reports for 2016, 2017 and 2018 of the other listed companies in which he had directorships as of the Latest Practicable Date and the confirmation from Mr. He, he has performed a high attendance rate for the board meetings of such listed companies, by personal attendance or by correspondence, during these three years;
- (b) Mr. He has sufficient knowledge and experience in discharging the directors' duties through his past working experience and his services as an independent non-executive director in different listed companies. He has sufficient understanding in his role as independent director of these companies and in estimating the time required for attending to the affairs of each listed company;

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## DIRECTORS AND SENIOR MANAGEMENT

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- (c) Mr. He has held directorship for over three years in five of the above listed companies. He has confirmed that he has not found any difficulty in devoting and managing his time to the listed companies that he is involved in and none of the listed companies that he has directorship has questioned or complained about his time devoted to the listed companies;
- (d) Mr. He has confirmed and undertaken to our Company that he has the capability and is committed to devote sufficient time to discharge his duties and responsibilities as an independent non-executive Director of our Company, taking into account his experience in acting as independent non-executive director of a number of listed companies and the time he is required to devote to each of these listed companies; and
- (e) in addition, pursuant to the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Board will regularly review whether each of the Directors is spending sufficient time in performance of his responsibilities. Our Board will, from time to time, review the attendance record of the Directors of their meetings with the Board and its committees. The Board may request the relevant Director(s) to provide an update to the Board in relation to any changes to his significant commitments in the event any concerns arise as to the time committed to us by any Director. At the time where any re-election of Director is proposed, we will also set out in the circular to our Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting the reasons why the Board believes such individual should be elected, why such individual is considered to be independent by the Board and, if appropriate or otherwise required, whether such individual would be able to devote sufficient time to the Board.

On the basis of the factors as set out above, the Sole Sponsor is not aware of any reasons that cast doubt on the reasonableness of the views made by the Directors above on Mr. He's time commitment to the affairs of our Company.

He also served as an independent non-executive director of Tibet Huayu Mining Co., Ltd. (西藏華鈺礦業股份有限公司) (Shenzhen Stock Exchange stock code: 601020) from October 2015 to October 2018.

Mr. He graduated from Heilongjiang University (黑龍江大學) in August 1978 majoring in mathematics (worker-peasant-soldier student), obtained his dual master's degree in computer science and decision science engineering from Shanghai Jiao Tong University (上海交通大學) in November 1983, and obtained his doctor's degree from the University of Pennsylvania in 1989.

Save as disclosed above, none of our Directors holds or has held any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the date of this prospectus. Please refer to the section headed "Statutory and General Information" in Appendix V to this prospectus for further information about the Directors,

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## DIRECTORS AND SENIOR MANAGEMENT

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including the particulars of their service contracts or letters of appointment and remuneration, and details of any interests of the Directors in the Shares (within the meaning of Part XV of the SFO). Save as disclosed herein, there are no other matters in respect of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there are no other material matters relating to our Directors that need to be brought to the attention of our Shareholders.

### SENIOR MANAGEMENT

Our executive Director and senior management are responsible for the day-to-day management and operation of our business. The following table sets forth information about the senior management team of our Group other than our executive Director:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Roles and Responsibilities</u>	<u>Date of joining our Group</u>	<u>Date of appointment</u>
Mr. William Stanly Owen O'Brien . .	55	Chief operating officer	Overall management of all operations of the Company, as well as all stakeholder engagements locally in South Africa	January 2017	March 8, 2019
Mr. Phillip Andrew Charles Spencer .	39	Chief financial officer	Overall financial management, treasury, risk and commercial compliance of the Company	April 2018	March 8, 2019
Mr. Lobbertus Jacobus Van Der Bijl . . . . .	72	Vice president of new business	New business development and management functions of the Company	November 2015	March 8, 2019
Mr. Dirk Jacobus Kotze . . . . .	44	Vice president of organizational effectiveness	Assisting the chief operating officer to improve efficiencies and management processes across the various functions of the Company	October 2015	March 8, 2019

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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. William Stanly Owen O'Brien**, aged 55, was appointed as the chief operating officer of the Company in March 2019 and is responsible for overall management of all operations of the Company, as well as all stakeholder engagements locally in South Africa.

Mr. O'Brien has been serving as the chief executive officer of VMR Group since January 2017, primarily responsible for the general supervision of VMR Group, with a specific focus on setting, enforcing and delivering the operational budget at VMR Group's various mining operations. He has also been serving as an executive director of each of VMR and Kopanang Pty since January 2018 and March 2018, respectively.

Mr. O'Brien has 35 years of experience in the mining industry. From December 2011 to February 2016, he worked at Sibanye and held various positions including vice president and head of operations, senior manager of operations, and senior vice president of the Kloof Driefontein Complex, where he was primarily responsible for overall management of operations, including four operational shafts. From October 2008 to December 2011, he served as the general manager at Blyvooruitzicht gold mine of DRDGOLD SA, where he was in charge of the overall management of operations. For the period from January 1984 to September 2008, he worked at the Harmony Gold Mining Company Limited and held various positions, including mine manager, mining manager, acting mining manager, mine overseer, acting mine overseer, acting chief safety officer, safety officer, shiftboss, and learner official, where he was in charge of managing the operations of the mines.

Mr. O'Brien graduated from Hentie Cilliers High School with a senior certificate issued by the Department of Education in January 1984. He received various industry specific certifications, including Mine Manager's Certificate in August 2008 from the Department of Minerals and Energy of the Republic of South Africa and Mine Overseer's Certificate in March 1995, from the Department of Mineral Resources of the Republic of South Africa. He attended various professional training programs, including the National Technical Certificate Part Two by Department of National Education of Republic of South Africa from December 1984, the Sibanye Gold Leader as Coach Programme 2014 by University of Pretoria's Gordon Institute of Business Science in March 2015, and Leadership Development Programme by Duke University in August 2013. He was recognized as a Candidate Certificated Engineer in June 2010 and then registered as a Professional Certified Engineer by the Engineering Council of South Africa. He was awarded the Best in Safety for Gold Mines 2013 during the Mine Safe Conference held by the Mines Health and Safety Council in 2014.

**Mr. Phillip Andrew Charles Spencer**, aged 39, was appointed as the chief financial officer of the Company in March 2019 and is responsible for overall financial management, treasury, risk and commercial compliance of the Company.

Mr. Spencer joined us in April 2018 as a senior adviser and has been the financial director of VMR Group since April 2018, primarily in charge of the finance, risk and audit functions of the VMR Group. He has also been serving as an executive director of VMR since October 2018 and a financial director of Kopanang Pty since April 2018.

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## DIRECTORS AND SENIOR MANAGEMENT

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Prior to joining our Group, Mr. Spencer worked at Gold One Group Limited from November 2012 to March 2018. He was appointed as the vice president responsible for finance in November 2012, and the chief financial officer of Gold One Group Limited in July 2014. He was employed by KPMG South Africa from January 2003 to October 2012 and held various positions including partner, senior manager, manager, supervisor and audit clerk. He accepted a partnership in the KPMG Mozambique office at the time of leaving the firm.

Mr. Spencer received his Bachelor of Accounting in March 2002 and Bachelor of Accounting (Honors) in March 2003 from the University of Free State in South Africa. He was recognized as a Chartered Accountant by the South African Institute of Chartered Accountants in April 2010.

**Mr. Lobbertus Jacobus Van Der Bijl**, aged 72, was appointed as the vice president of new business of the Company in March 2019 and is responsible for new business development and management functions of the Company.

He joined us in November 2015 as a general manager of Tau Lekoa Pty. In January 2017, he was appointed as the chief operating officer of VMR and is primarily responsible for the supervision of mining operations of VMR and evaluation of organic growth opportunities in the mining operations targeting at the extension of mine life and improvement of mining efficiency. He has also been a trustee of each of Village Main Reef Gold Mining Company Nature Conservation Trust and Bulffelsfontein Rehabilitation Trust since June 2016, and a trustee of Tau Lekoa Rehabilitation Trust since August 2016.

Mr. Van Der Bijl has over 50 years of experience in the mining industry. From March 2008, he served as director at Chopper Mining (Pty) Ltd.. From November 2005 to February 2008, he worked at the Ezulwini mine of First Uranium Corporation as the chief operating officer, where he was primarily in charge of purchasing the Ezulwini shaft, operation of the mine and listing the Ezulwini mine as part of Uranium Corporation in Toronto. He served as a mine manager underground at Randfontein Estates Gold Mine from October 1990 to April 1998, a mine manager underground at South Deep from April 1987 to September 1990. He also served as an assistant manager and a mine manager underground at President Steyn Mine from July 1985 to April 1987, and a mine manager underground, a section manager and an underground manager at Kusasalethu Mine from October 1978 to July 1985, he worked at President Brand Mine and held various positions from November 1968 to October 1978, including ventilation official, underground manager, mine overseer, shift boss, acting shift boss and personal official, and he served as a mining learner official at Western Deep Levels from January 1968 to February 1968, a mining learner official at President Steyn Mine from January 1967 to January 1968.

Mr. Van Der Bijl received his bachelor's degree of science from University of the Witwatersrand in December 1974, majoring in mining engineering, and later obtained a graduate diploma in management from University of South Africa in November 1981, a graduate diploma in mining engineering in December 1982 and a graduate diploma in industrial engineering in December 1996 from University of the Witwatersrand (for both diplomas it



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## DIRECTORS AND SENIOR MANAGEMENT

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comprised of both distance learning and on-site learning). He received a graduate diploma in management from University of Cape Town in December 1997. He received Mine Manager's Certificate of Competence in April 1975, from the Department of Mineral Resources of the Republic of South Africa.

**Mr. Dirk Jacobus Kotze**, aged 44, was appointed as the vice president of organizational effectiveness of the Company in March 2019 and is responsible for assisting the chief operating officer to improve efficiencies and management processes across the various function of the Company. He is also the vice president of organizational effectiveness at both VMR and Kopanang Pty. He has been a trustee of Village Main Reef Gold Mining Company Nature Conservation Trust since January 2019.

Mr. Kotze joined us in October 2015 and held various positions at VMR Group, including vice president of corporate affairs and chief commercial Representative, where he was primarily responsible for managing the corporate development issues and engaging with local stakeholders in South Africa.

Prior to joining our Group, Mr. Kotze worked at The Beijing Axis Limited (北京中外商橋投資諮詢有限公司), a China-focused advisory firm, and held various positions, including general manager of strategic projects, director and general manager, from January 2011 to October 2014, where he was primarily responsible for managing consulting service projects of African mining companies. From October 2008 to April 2010, he served as a senior consultant at CRU Strategies, the consulting division of CRU Group, where he was primarily responsible for the delivery of market intelligence related consulting projects to major mining companies. Prior to that, he worked at The Beijing Axis Limited (北京中外商橋投資諮詢有限公司) and held various positions, including consultant, manager of projects, and general manager, from December 2004 to September 2008, where he was primarily responsible for providing consulting services to African mining companies looking for strategic partner or financing in China. Mr. Kotze co-presented an MBA elective course at the University of Pretoria's Gordon Institute of Business Science during August 2015.

Mr. Kotze received his bachelor of commerce in law (BCom Law) degree from University of Stellenbosch in March 1999. He received dual master degrees in business administration from Fordham University and National School of Development of Peking University in February 2010.

### JOINT COMPANY SECRETARIES

**Ms. Ying Zhao (趙瑩)**, aged 28, was appointed as the secretary to the Board in March 2019 and our joint company secretary in March 2019. Ms. Zhao has been serving as a director of risk management of Heaven-Sent Fu Kun since January 2018.

Ms. Zhao served as a legal manager of the risk management department of HSC from January 2016 to February 2017 and subsequently a senior legal manager from March 2017 to January 2018. She served as a legal consultant at Gibson, Dunn & Crutcher LLP from July 2014 to November 2015.



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## DIRECTORS AND SENIOR MANAGEMENT

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Ms. Zhao obtained her bachelor's degree in law and master's degree in law from Renmin University of China (中國人民大學) in June 2012 and June 2014, respectively. She was admitted to practice law in PRC in March 2013.

**Ms. Pung Fei Chan (陳梵霏)**, aged 29, was appointed as our joint company secretary in February 2019. Ms. Chan is a manager of corporate services of Vistra Corporate Services (HK) Limited, a corporate services provider. She has over six years of experience in providing full range of company secretarial and compliance services.

Ms. Chan has been an associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators in the United Kingdom since December 2016. She has also been a full member of The Society of Trust and Estate Practitioners since May 2018 and a professional member of International Compliance Association since November 2018.

Ms. Chan obtained her bachelor's degree in business administration in accountancy from the Hong Kong Polytechnic University in 2012.

### COMMITTEES UNDER THE BOARD OF DIRECTORS

#### Audit Committee

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three members, namely Mr. Quanyou Zhang, Mr. Vincent Marshall Kwan Ho Lee and Mr. Jia He. Mr. Jia He has been appointed as the chairman of the Audit Committee and Mr. Vincent Marshall Kwan Ho Lee is our independent non-executive Director with the appropriate professional qualifications. The primary duties of the Audit Committee include, but are not limited to, the following:

- (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policies on engaging an external auditor to supply non-audit services. For this purpose, an "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information

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## DIRECTORS AND SENIOR MANAGEMENT

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would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

- (d) to monitor the integrity of the Company's financial statements and annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee shall focus particularly on:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from the audit;
  - (iv) the going concern assumptions and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- (e) regarding paragraph (d) above: (i) Members shall liaise with the Board and senior management of the Company and the Audit Committee must meet, at least twice a year, with the Company's auditors; and (ii) the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, and it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;
- (f) to review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the Company's risk management and internal control systems;
- (g) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion shall include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;
- (h) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

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## DIRECTORS AND SENIOR MANAGEMENT

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- (i) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (j) to review the financial and accounting policies and practices of the Company and its subsidiaries;
- (k) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to report to the Board on the matters set out in the Corporate Governance Code;
- (n) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (o) to act as the key representative body for overseeing the Company's relation with the external auditor;
- (p) to review ongoing connected transactions of the Company and ensure compliance with terms of approval by shareholders of the Company; and
- (q) to consider such other matters as the Board may from time to time determine.

### **Remuneration Committee**

We have established a Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of three members, namely Mr. Xia Dong, Mr. Vincent Marshall Kwan Ho Lee and Mr. Jia He. Mr. Vincent Marshall Kwan Ho Lee has been appointed as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include, but are not limited to, the following:

- (a) to make recommendations to the Board on the Company's policy and structure for all directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policies;

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## DIRECTORS AND SENIOR MANAGEMENT

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- (b) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (c) either:
  - (i) to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management of the Company, or
  - (ii) to make recommendations to the Board on the remuneration packages of individual executive directors and senior management of the Company.

This should, include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

- (d) to make recommendations to the Board on the remuneration of non-executive directors of the Company;
- (e) to consider salaries paid by comparable companies, time commitment and responsibilities, and employment conditions of the Company and its subsidiaries;
- (f) to consider the levels of remuneration required to attract and retain the directors to run the Company successfully;
- (g) to review and approve compensation payable to executive directors and senior management of the Company for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- (h) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- (i) to ensure that no director of the Company or any of his or her associates is involved in deciding his or her own remuneration.

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## DIRECTORS AND SENIOR MANAGEMENT

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### **Nomination Committee**

We have established a Nomination Committee with written terms of reference in compliance with the Code on Corporate Governance and Corporate Governance Report in Appendix 14 to the Listing Rules. The Nomination Committee consists of three members, namely Mr. Sheng Zhang, Mr. Vincent Marshall Kwan Ho Lee and Mr. Meifeng Cai. Mr. Sheng Zhang has been appointed as the chairman of the Nomination Committee. The primary duties of the Nomination Committee include, but are not limited to, the following:

- (a) to review the structure, size, composition and diversity (including but not limited to gender, age, cultural and educational background, race, skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- (b) to identify individuals who are qualified/suitable to become a member of the Board and to select or make recommendations to the Board on the selection of individuals nominated for directorships;
- (c) to assess the independence of independent non-executive directors of the Company; and
- (d) to make recommendations to the Board on the appointment or re-appointment of directors of the Company and succession planning for directors of the Company, in particular, the chairman and the chief executive of the Company.

### **Risk Management Committee**

We have established a Risk Management Committee with written terms of reference. The Risk Management Committee consists of three members, namely Mr. Yue Bao, Mr. Vincent Marshall Kwan Ho Lee and Mr. Meifeng Cai. Mr. Yue Bao has been appointed as the chairman of the Risk Management Committee. The primary duties of the Risk Management Committee include, but are not limited to, the following:

- (a) to oversee the Company's risk management and internal control systems on an ongoing basis to identify and deal with financial, operational, legal, regulatory, compliance, technology, business and strategic risks faced by the Company;
- (b) to monitor the implementation of risk management measures and procedure and to review the effectiveness of the Company's risk management system;
- (c) to liaise with the Board and other senior management of the Company to ensure development and maintenance of the Company's system to identify, measure and manage risks in respect of the Company's operations and business development;

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## DIRECTORS AND SENIOR MANAGEMENT

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- (d) to conduct research on and make recommendations to the Board on the Company's risk management and internal control system in respect of the Company's operations and business development;
- (e) to advise the risk profile and risk management strategy of the Company; to consider, review and approve risk management policies and guidelines and to decide on risk levels and related resources allocation;
- (f) to discuss the risk management with management to ensure that management has performed its duty to have effective systems. This discussion shall include the adequacy of resources, staff qualifications and experience, training programs and budget of the issuer's accounting, internal audit and financial reporting functions;
- (g) to undertake an annual review of the effectiveness of the Company and its subsidiaries' risk management and internal control systems which shall cover:
  - (i) the changes in the nature and extent of significant risks and the Company's ability to respond to the changes in its business and the external environment;
  - (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems, and where applicable, the work of its internal audit function and other assurance providers;
  - (iii) the extent and frequency of communication of monitoring results to the Board and/or the Board committees which enables it to access control of the Company and the effectiveness of risk management;
  - (iv) significant control failings or weaknesses that have been identified during the period, and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the issuer's financial performance or condition; and
  - (v) the effectiveness of the Company's processes for financial reporting and compliance with the Listing Rules; and
- (h) to consider such other matters as the Board may from time to time determine.

### BOARD DIVERSITY

Our Directors have a balanced mix of experiences and industry background, including but not limited to experiences in mining, manufacturing, computer science, finance, economics, accountancy, investment, law, consulting and securities industries. Our Directors obtained

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## DIRECTORS AND SENIOR MANAGEMENT

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degrees in various majors including mining engineering, mechanical engineering, financial management, law, accountancy, economics and computer science. We have three independent non-executive Directors with different industry backgrounds, representing more than one third of the members of our Board.

We have adopted a board diversity policy which sets out the approach to achieve and maintain an appropriate balance of diverse perspectives on our Board that are relevant to the Company's business growth. Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity factors, including gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The existing members of the Board were appointed after taking into account the aforesaid factors. While we recognize that gender diversity at the Board level can be improved given its current composition of a single gender, we will continue to apply the principle of appointments based on merits with reference to our diversity policy as a whole, taking into account the nature of our business. Our Board believes that such merit-based appointments will be in the best interest of the Company and its Shareholders as a whole.

In recognition of the particular importance of gender diversity, we are committed to promote gender diversity of our Company at all levels, including but without limitation, at the Board and senior management levels, to enhance the effectiveness of our corporate governance. We have taken, and will continue to take steps to promote gender diversity of our Company, including our recent appointment of the Joint Company Secretaries, who are both female. Subject to availability of experienced management personnel in our industry, we have also adopted measures to promote gender diversity in developing our pipeline of potential successors to the Board that commensurate with the industry practice, including putting gender diversity as a strategic priority when sourcing for our director candidates, leveraging the community resources including relevant associations, networking groups and publications, and forging and keeping relationship with the potential candidates.

The effective implementation of the board diversity policy requires that our Shareholders are able to judge for themselves whether the Board as constituted is a reflection of diversity, or a gradual move to increased diversity, on a scale and at a speed which they support. To this end, our Shareholders will be provided with detailed information of each candidate for appointment or re-election to the Board through announcements and circulars published prior to general meetings of our Company.

Our nomination committee is responsible for ensuring the diversity of our Board members and will discuss and recommend the candidates to the Board for adoption with a view of achieving board diversity. After Listing, our nomination committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of the board diversity policy in our corporate governance report on annual basis.

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## DIRECTORS AND SENIOR MANAGEMENT

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### DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Our Directors and senior management receive remuneration, including salaries, allowances and benefits in kind, including our contribution to the pension plan on their behalf.

The aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) incurred by the five highest paid individuals for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019 was approximately US\$0.8 million, US\$1.6 million, US\$1.4 million and US\$0.7 million, respectively.

Mr. Sheng Zhang was the sole Director of the Company for the years ended December 31, 2016, 2017 and 2018. No remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) was paid to Mr. Sheng Zhang by the Company during the aforesaid period. None of our Directors waived any remuneration during the aforesaid periods.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past directors for the Track Record Period for the loss of office as director or any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waive any emoluments during the same period.

Save as disclosed above, no other payments have been paid or are payable, in respect of the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019 by our Company to our Directors.

Under the arrangements currently in force, our Directors will be entitled to receive remuneration and benefits in kind which, for the year ending December 31, 2019, is expected to be approximately HK\$1.2 million in aggregate (excluding discretionary bonus).

### COMPLIANCE ADVISER

We have appointed Anglo Chinese Corporate Finance, Limited as our Compliance Adviser pursuant to Rule 3A.19 of the Listing Rules. The Compliance Adviser will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will advise our Company, among others, in the following circumstances:

- (a) before the publication of any regulatory announcement, circular, or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;



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## DIRECTORS AND SENIOR MANAGEMENT

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- (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry to the Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of the Compliance Adviser shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### CONTROLLING SHAREHOLDERS

As of October 31, 2019, HSC was indirectly interested in 100% of our Company's share capital through Sunshine HK and ZDH Husheng Fund L.P.

Sunshine HK directly holds approximately 94.75% of the Shares and is directly owned by Shanghai Lvhe, Sunshine BVI and Heaven-Sent Capital ZDH Fund L.P. as to 58.21%, 36.38% and 5.41% of its equity interests, respectively. Sunshine BVI is a wholly owned subsidiary of Shanghai Yunfeng. Tibet Changji, a wholly owned subsidiary of HSC, is the general partner of each of Shanghai Lvhe and Shanghai Yunfeng. Heaven-Sent Spring Holding (Cayman) Company Limited is the general partner of Heaven-Sent Capital ZDH Fund L.P.

ZDH Husheng Fund L.P. directly holds approximately 5.25% of the Shares. Heaven-Sent Spring Holding (Cayman) Company Limited is the general partner of ZDH Husheng Fund L.P. Heaven-Sent Spring Holding (Cayman) Company Limited is a wholly owned subsidiary of HSC through Heaven-Sent Fu Kun, Heaven-Sent Capital (BVI) Company Limited, Heaven-Sent Capital (Cayman) Company Limited and Heaven-Sent Capital (HK) Company Limited.

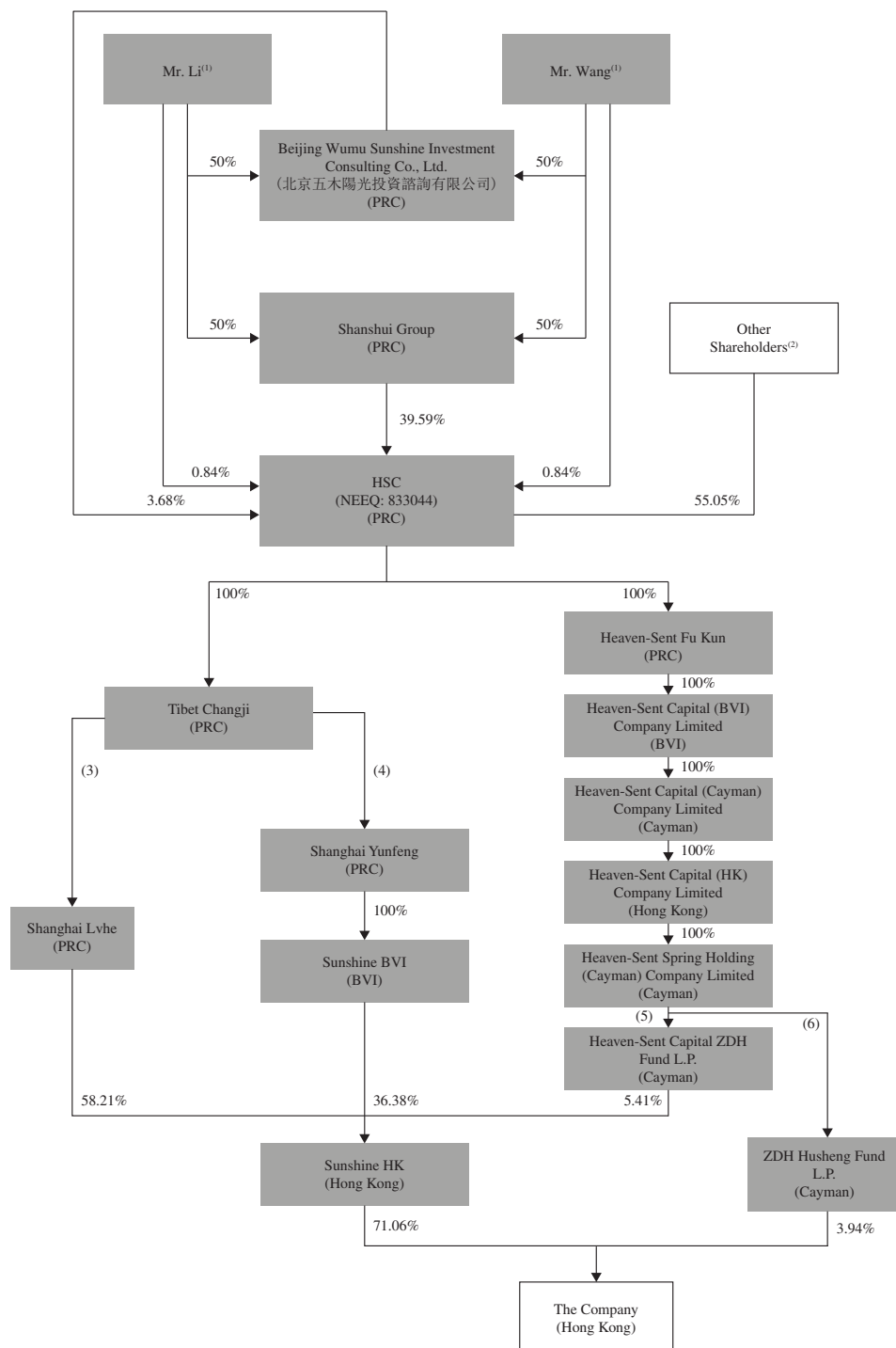
Given the aforesaid, Tibet Changji, Shanghai Lvhe, Shanghai Yunfeng, Sunshine BVI, Heaven-Sent Fu Kun, Heaven-Sent Capital (BVI) Company Limited, Heaven-Sent Capital (Cayman) Company Limited, Heaven-Sent Capital (HK) Company Limited, Heaven-Sent Spring Holding (Cayman) Company Limited, Heaven-Sent Capital ZDH Fund L.P., Sunshine HK and ZDH Husheng Fund L.P. (the **"HSC Entities"**) and HSC are deemed as Controlling Shareholders, and each, a Controlling Shareholder.

As of October 31, 2019, Mr. Li, Mr. Wang, Shanshui Group and Beijing Wumu Sunshine Investment Consulting Co., Ltd. (北京五木陽光投資諮詢有限公司) (the **"HSC Shareholders"**), as a group of Controlling Shareholders, are indirectly interested in 100% of our share capital through their controlling interest in HSC. Mr. Li and Mr. Wang entered into the Agreement of Acting-in-concert in relation to the exercise of shareholders' rights of HSC. See "History and Corporate Structure — HSC and Parties Acting in Concert" for details.

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), the Controlling Shareholders will be entitled to exercise voting rights of approximately 75% of our share capital and hence will continue to be our Controlling Shareholders.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The following diagram illustrates our Controlling Shareholders' shareholdings in our Company, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (1) Pursuant to the Agreement of Acting-in-concert, Mr. Li and Mr. Wang have agreed to act in concert in all major decisions of HSC. For details, see “History and Corporate Structure — HSC and Parties Acting in Concert.”
- (2) As of October 31, 2019, there were 13 other public shareholders holding less than 5% but more than 1% in HSC.
- (3) The general partner of Shanghai Lvhe is Tibet Changji, which held 0.0025% interest in Shanghai Lvhe. Currently the general partner, namely Tibet Changji, holds the power to make investment decisions in Shanghai Lvhe.
- (4) The general partner of Shanghai Yunfeng is Tibet Changji, which held 0.40% interest in Shanghai Yunfeng. Currently, the general partner, namely Tibet Changji, holds the power to make investment decisions in Shanghai Yunfeng.
- (5) The general partner of Heaven-Sent Capital ZDH Fund L.P. is Heaven-Sent Spring Holding (Cayman) Company Limited, a company indirectly wholly owned by HSC, which does not hold any interest in Heaven-Sent Capital ZDH Fund L.P.
- (6) The general partner of ZDH Husheng Fund L.P. is Heaven-Sent Spring Holding (Cayman) Company Limited, a company indirectly wholly owned by HSC, which does not hold any interest in ZDH Husheng Fund L.P.

HSC is a company incorporated in the PRC and quoted on the NEEQ since 2015 (stock code 833044). HSC is a well-recognized comprehensive capital management group specializing in professional services and creating value via mergers and acquisitions. The HSC Entities are intermediate holding companies that are either subsidiaries of HSC or limited partnerships of which HSC controls the general partner.

As of the Latest Practicable Date, apart from HSC’s interests in our Company, none of the Controlling Shareholders had any interest in a business that competes or is likely to compete, either directly or indirectly, with our Group’s business, which would require disclosure under Rule 8.10 of the Listing Rules.

As our Controlling Shareholders are primarily engaged in the investment business, they may make investments in listed companies from time to time. As of the Latest Practicable Date, HSC does not hold more than 5% of voting shares in any listed companies.

## INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are able to carry on our business independently from our Controlling Shareholders and their respective associates after the Global Offering.

### Management Independence

We carry on our business independently from our Controlling Shareholders from a management perspective. Our Board consists of seven Directors, comprising one executive Director, three non-executive Directors and three independent non-executive Directors. The day-to-day operation of our Group is managed by our core management team consisting of the sole executive Director and other senior management members of the Group. Each member of

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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our core management team, namely Mr. Xia Dong, Mr. William Stanly Owen O'Brien, Mr. Phillip Andrew Charles Spencer, Mr. Lobbertus Jacobus Van Der Bijl and Mr. Dirk Jacobus Kotze, is independent of the Controlling Shareholders.

The following table sets forth the positions held by our Directors in our Controlling Shareholders as at the Latest Practicable Date:

<u>Name of Director</u>	<u>Position held in our Company</u>	<u>Position held in our Controlling Shareholders</u>
Mr. Sheng Zhang . . . . .	Non-executive Director and chairman of the Board	<p>A managing director of HSC</p> <p>The sole director of each of Sunshine HK, Sunshine BVI, Heaven-Sent Spring Holding (Cayman) Company Limited, Heaven-Sent Capital (BVI) Company Limited, Heaven-Sent Capital (Cayman) Company Limited, Heaven-Sent Capital (HK) Company Limited, and the sole director of the general partner of each of ZDH Husheng Fund L.P. and Heaven-Sent Capital ZDH Fund L.P.</p> <p>The legal representative, the president and the executive director of Heaven-Sent Fu Kun</p>
Mr. Yue Bao . . . . .	Non-executive Director	<p>The chairman of the board of directors and the legal representative of HSC</p> <p>The legal representative, the executive director and the general manager of Tibet Changji</p>

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Name of Director	Position held in our Company	Position held in our Controlling Shareholders
Mr. Quanyou Zhang . . . .	Non-executive Director	<p>A general manager of the financial management department and the company secretary of HSC</p> <p>An authorized representative appointed by the executive partner of Shanghai Lvhe and Shanghai Yunfeng</p>

Save as disclosed above, none of our Directors and senior management members holds any position in our Controlling Shareholders.

The Company is of the view that these concurrently held positions will not affect the independence of the Board due to the following:

- (a) although Mr. Sheng Zhang holds directorship in Sunshine BVI, Heaven-Sent Capital (BVI) Company Limited, Heaven-Sent Capital (Cayman) Company Limited, Heaven-Sent Capital (HK) Company Limited, Heaven-Sent Spring Holding (Cayman) Company Limited, Sunshine HK and the sole director of the general partner of each of ZDH Husheng Fund L.P. and Heaven-Sent Capital ZDH Fund L.P., which are our Controlling Shareholders, these companies are all investment holding companies without any business operations;
- (b) although Mr. Sheng Zhang, Mr. Yue Bao and Mr. Quanyou Zhang hold various positions in our Controlling Shareholders, the respective roles of Mr. Sheng Zhang, Mr. Yue Bao and Mr. Quanyou Zhang in the Company are non-executive in nature, and they mainly focus on providing guidance and direction to the Company, assisting the Board in strategy and policy formulation rather than management of operations; and
- (c) the Directors expect that any conflicts of interest situation involving the Controlling Shareholders or their associates will be minimal or unlikely to arise because no connected transactions is expected to be entered into between the Controlling Shareholders or their associates upon Listing and the Group and there is currently no competition between the Controlling Shareholders or their associates and the Group. In the event of any conflicts of interest, we believe that we have sufficient and effective control mechanisms to enable the Directors to discharge their duties appropriately, avoid potential conflicts of interest and safeguard the interests of shareholders as a whole, as detailed below.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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We consider that our Board and senior management team will function independently from our Controlling Shareholders and that our Company is capable of managing our business independently from our Controlling Shareholders because:

- (a) our Controlling Shareholders do not engage in businesses which are in competition with our Group's business, and no connected transactions is expected to be entered into between Controlling Shareholders and the Group upon Listing;
- (b) each of our Directors is aware of his fiduciary duties as a director which require, among other things, that he must act for the benefit of and in the best interests of our Company and our Shareholders as a whole and must not allot any conflict between his duties as a Director and his personal interests;
- (c) each of our independent non-executive Directors has extensive experience in different areas and has been appointed in accordance with the requirements of the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. There is no overlap in the independent non-executive directors of our Company, Controlling Shareholders and their associates, which is in line with corporate governance practice in Hong Kong. The independent non-executive Directors either have appropriate academic qualifications or extensive experience in different areas, and have been appointed pursuant to the requirements of the Listing Rules so as to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions;
- (d) none of our Company's senior management members have any role in our Controlling Shareholders or their associates;
- (e) our Board has put in place adequate arrangements set forth below to manage conflicts of interest, to ensure independent decision-making, and ultimately, to protect the interests of our Shareholders. Our Directors believe that the presence of Directors from different backgrounds provides a balance of views and opinions;
- (f) the day-to-day operation of our Group is not only managed by the executive Director, but also by other senior management staff, who are all full time employees of our Group and are all independent of the Controlling Shareholders, namely, Mr. William Stanly Owen O'Brien, Mr. Phillip Andrew Charles Spencer, Mr. Lobbertus Jacobus Van Der Bijl and Mr. Dirk Jacobus Kotze with Mr. Xia Dong overseeing the performance of the operation and management of the Group. The aforesaid executive Director and members of the senior management form the core management group of the Company which has been responsible for the daily management of the Company, including assisting the Board in deriving sound management decisions, carrying out the decisions of the Board, performing overall

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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strategic financial planning and analysis for the Group, overseeing the business development, project development and management, finance and accounting issues, the sales and financial aspects of management of the business and other essential operations of the Company;

- (g) each of our Directors will not vote in any Board resolution approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest and shall not be counted in the quorum present at the particular Board meeting; and
- (h) we have established an internal control mechanism to identify related party transactions and/or connected transactions that are subject to the requirements under the Listing Rules to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions.

### **Operational Independence**

Our Company has full rights to make all decisions on and to carry out our own business operations independently from our Controlling Shareholders. We have sufficient independent premises, equipment, access to customers and suppliers, employees etc. to operate our business independently from our Controlling Shareholders and their respective associates.

### **Financial Independence**

Our Group has an independent financial system and makes financial decisions according to our own business needs. We have independent internal control and accounting systems and an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on the Controlling Shareholders. As of the Latest Practicable Date, there is no loan or guarantee provided by, or granted to, our Controlling Shareholders or their associates.

Based on the above, our Directors are of the view that we will be financially independent of our Controlling Shareholders upon Listing.

### **CONTROLLING SHAREHOLDERS' AND DIRECTORS' INTERESTS IN OTHER BUSINESSES**

Our Controlling Shareholders and our Directors confirm that, as of the Latest Practicable Date, they do not have any interest in any business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protection of our Shareholders' interests. We adopted the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and the Controlling Shareholders:

- (a) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of his/her associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon Listing, if our Company enters into connected transactions with a Controlling Shareholder or any of his/her associates, our Company will comply with the applicable Listing Rules;
- (c) we have appointed three independent non-executive Directors who possess sufficient experience and are free from any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the section headed "Directors and Senior Management — Board of Directors — Independent Non-executive Directors" in this prospectus;
- (d) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expenses; and
- (e) we have appointed Anglo Chinese Corporate Finance, Limited as our Compliance Adviser to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders' interests after the Listing.

Our Company will comply with the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules which sets out principals of good corporate governance in relation to, among others, Directors, the chairman and chief executive officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communities with our Shareholders. Our Company will state in its interim and annual reports whether we have complied with the Corporate Governance Code, and will provide details of, and reasons for, any deviation from it in the corporate governance report which may be included in our annual report.

## CONNECTED TRANSACTIONS

### OVERVIEW

We have entered into the continuing agreements with our connected persons in our ordinary and usual course of business as set out below. Upon the Listing, these transactions will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

### CONNECTED PERSONS

We have entered into transactions with the following parties which will become our connected persons upon Listing:

Name	Connected relationship
HSC . . . . .	HSC is and will remain a Controlling Shareholder of our Company after the Listing
Landmark Resources . . . . .	Landmark Resources is an associate of Mr. Lulamile Lincoln Xate, who is a director of VMR nominated by BBBEE shareholders pursuant to the shareholders' agreement in respect of VMR
RR Masebelanga Legal and Management Consultants CC ("RR") . . . . .	RR is an associate of Mr. Raisaka Ronald Masebe, who is a director of Kopanang Pty nominated by BBBEE shareholders pursuant to the shareholders' agreement in respect of Kopanang Pty

### SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

			Proposed annual cap for the years ending December 31,		
Transaction	Applicable Listing Rule	Waiver Sought	2019	2020	2021
Fully-exempt continuing connected transactions					
1	Trademark Licensing Agreement between HSC and the Company	Rule 14A.76(1) N/A	N/A	N/A	N/A
2	Consulting Services Agreement between VMR and Landmark Resources	Rule 14A.76(1) N/A	ZAR1,410,000	ZAR1,460,000	ZAR1,510,000
3	Consultancy Agreement between VMR and RR	Rule 14A.76(1) N/A	ZAR870,000	ZAR930,000	ZAR980,000

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## CONNECTED TRANSACTIONS

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### FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below a summary of the continuing connected transactions of our Group which are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### Trademark Licensing Agreement

**Principal terms:** We entered into a trademark licensing agreement (the “**Trademark Licensing Agreement**”) with HSC on January 16, 2019, pursuant to which HSC agreed to grant a non-exclusive license to the Company to use its trademarks “”, “**硅谷天堂**”, “**HEAVEN-SENT**”, “”, “**天堂硅谷**” and “**SILICON PARADISE**” in connection with its business operations for a term of 3 years commencing from the Listing Date and subject to renewal. The trademark license is granted for nil consideration.

**Reasons for transaction:** The Company expect to use such trademarks and logos after the Listing in order to develop our market image and corporate culture.

#### Consulting Services Agreement between VMR and Landmark Resources

**Principal terms:** Pursuant to the Landmark Resources Consulting Services Agreement, Landmark Resources is appointed to provide consulting and advisory services in respect of VMR's compliance with any legislation or regulation pertaining to BBBEE which are applicable to VMR and its subsidiaries for an initial term of 3 years commencing from the Listing Date. The consideration for the Consulting Services Agreement is a monthly consulting fee equal to the sum of (i) the directors' fee of an amount of ZAR50,000 per month for the three years ended December 31, 2019, 2020 and 2021; (ii) the management fee of an amount of ZAR66,905 per month for the year ended December 31, 2019, ZAR70,920 per month for the year ended December 31, 2020, and ZAR75,175 per month for the year ended December 31, 2021; (iii) the costs incurred by Landmark Resources in respect of the performance of the services, and (iv) the value added tax levied due to Landmark Resources.

**Reasons for transaction:** Landmark Resources had been providing consulting services for VMR during the Track Record Period. The purpose of the Landmark Resources Consulting Services Agreement is to assist VMR with the compliance with BBBEE related legislation and regulations.

**Pricing policy:** The consulting fee to be provided to Landmark Resources by VMR during the term of the Landmark Resources Consulting Services Agreement was determine on arm's length basis and based on actual costs of services incurred by Landmark Resources. The maximum consulting fee payable in any month in respect of the forthcoming year shall be approved by the shareholders at the annual shareholders' meeting of VMR.

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## CONNECTED TRANSACTIONS

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**Historical Transaction Amounts:** For each of the three years ended 31 December 2016, 2017 and 2018, and for the six months ended June 30, 2019, the total amount of historical transactions of consulting services provided by Landmark Resources to VMR were approximately ZAR200,000, ZAR1,568,459, ZAR1,314,552 and ZAR678,708, respectively.

### **Consultancy Agreement between VMR and RR**

**Principal terms:** VMR and RR entered into a consultancy agreement on May 24, 2018, as amended by first addendum dated February 28, 2019 (together, the “**RR Consultancy Agreement**”), pursuant to which RR is appointed to provide legal, regulatory and general advice to VMR. The term of the RR Consultancy Agreement commenced on March 1, 2018 and will expire on March 1, 2020. The consideration for the consulting services is an aggregate of a monthly retainer fee of ZAR30,000 and a fee of ZAR6,500 per day for work done by RR which is requested by VMR.

**Reasons for transaction:** RR had been providing consulting services for VMR during the Track Record Period. The purpose of the RR Consultancy Agreement is to assist VMR for compliance with applicable legislation and regulations.

**Pricing policy:** The consulting fee to be provided to RR by VMR during the term of the Consultancy Agreement was determined on arm's length basis and based on actual costs of services incurred by RR.

**Historical Transaction Amounts:** For each of the three years ended 31 December 2016, 2017 and 2018, and for the six months ended June 30, 2019, the total amount of historical transactions of consulting services provided by RR to VMR were approximately nil, ZAR411,954, ZAR820,500 and ZAR405,000, respectively.

Each of the above-mentioned transactions were entered into on normal commercial terms or on terms more favorable to our Group, and our Directors currently expect that each of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will not exceed 0.1%. Pursuant to Rule 14A.76(1) of the Listing Rules, the transactions will be fully exempt from all disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, the following persons will have interests or short positions in our Shares or our underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name of Shareholder	Capacity/Nature of Interest	As of October 31, 2019		Immediately following the completion of the Global Offering	
		Number of Shares held	Approximate percentage of shareholding in our Company	Number of Shares held	Approximate percentage of shareholding in our Company
Sunshine HK <sup>(1)</sup> . . . . .	Beneficial owner	228,645,240(L)	94.75%	228,645,240(L)	71.06%
Shanghai Lvhe <sup>(1)</sup> . . . . .	Interest in controlled corporation	228,645,240(L)	94.75%	228,645,240(L)	71.06%
Jiaxing Kuncheng <sup>(1)</sup> . . . . .	Interest in controlled corporation	228,645,240(L)	94.75%	228,645,240(L)	71.06%
Sunshine BVI <sup>(1)</sup> . . . . .	Interest in controlled corporation	228,645,240(L)	94.75%	228,645,240(L)	71.06%
Shanghai Yunfeng <sup>(1)</sup> . . . . .	Interest in controlled corporation	228,645,240(L)	94.75%	228,645,240(L)	71.06%
Tianjin Yingze Enterprise Management and Consulting Co., Ltd. (天津盈澤企業管理諮詢有限責任公司) <sup>(1)</sup> . . . . .	Interest in controlled corporation	228,645,240(L)	94.75%	228,645,240(L)	71.06%
Tibet Kunyu <sup>(1)</sup> . . . . .	Interest in controlled corporation	228,645,240(L)	94.75%	228,645,240(L)	71.06%
Tibet Changji <sup>(1)</sup> . . . . .	Interest in controlled corporation	228,645,240(L)	94.75%	228,645,240(L)	71.06%

## SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Capacity/Nature of Interest	As of October 31, 2019		Immediately following the completion of the Global Offering	
		Number of Shares held	Approximate percentage of shareholding in our Company	Number of Shares held	Approximate percentage of shareholding in our Company
ZDH Husheng Fund L.P. <sup>(2)</sup> . . .	Beneficial owner	12,673,680(L)	5.25%	12,673,680(L)	3.94%
Husheng Investment (Cayman) Limited <sup>(2)</sup> . . . . .	Interest in controlled corporation	12,673,680(L)	5.25%	12,673,680(L)	3.94%
Heaven-Sent Spring Holding (Cayman) Company Limited <sup>(2)</sup> . . . . .	Interest in controlled corporation	12,673,680(L)	5.25%	12,673,680(L)	3.94%
Heaven-Sent Capital (HK) Company Limited <sup>(2)</sup> . . . . .	Interest in controlled corporation	12,673,680(L)	5.25%	12,673,680(L)	3.94%
Heaven-Sent Capital (Cayman) Company Limited <sup>(2)</sup> . . . . .	Interest in controlled corporation	12,673,680(L)	5.25%	12,673,680(L)	3.94%
Heaven-Sent Capital (BVI) Company Limited <sup>(2)</sup> . . . . .	Interest in controlled corporation	12,673,680(L)	5.25%	12,673,680(L)	3.94%
HSC <sup>(1)(2)(3)</sup> . . . . .	Interest in controlled corporation	241,318,920(L)	100%	241,318,920(L)	75%
Mr. Li <sup>(1)(2)(3)</sup> . . . . .	Interest in controlled corporation	241,318,920(L)	100%	241,318,920(L)	75%
Mr. Wang <sup>(1)(2)(3)</sup> . . . . .	Interest in controlled corporation	241,318,920(L)	100%	241,318,920(L)	75%
Shanshui Group <sup>(1)(2)(3)</sup> . . . . .	Interest in controlled corporation	241,318,920(L)	100%	241,318,920(L)	75%
Beijing Wumu Sunshine Investment Consulting Co., Ltd. (北京五木陽光投資諮詢有限公司) <sup>(1)(2)(3)</sup> . . . . .	Interest in controlled corporation	241,318,920(L)	100%	241,318,920(L)	75%

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## SUBSTANTIAL SHAREHOLDERS

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*Notes:*

- (1) As of October 31, 2019, Sunshine HK holds 228,645,240 Shares in the Company, representing 94.75% of the issued share capital of the Company. Sunshine HK is owned (i) as to 58.21% by Shanghai Lvhe, which is in turn owned as to 99.9975% by Jiaxing Kuncheng; and (ii) as to 36.38% by Sunshine BVI, which is in turn wholly owned by Shanghai Yunfeng. Tibet Changji is a general manager of each of Shanghai Lvhe, Jiaxing Kuncheng and Shanghai Yunfeng. Tibet Kunyu is a limited partner of Jiaxing Kuncheng holding 74.75% of its equity interest. Tianjin Yingze Enterprise Management and Consulting Co., Ltd. (天津盈澤企業管理諮詢有限責任公司) is a limited partner of Shanghai Yunfeng holding 99.60% of its equity interest, which is in turn owned as to 69.01% by Tibet Kunyu. Tibet Changji is a wholly owned subsidiary of HSC. Therefore, HSC, Tibet Changji, Tibet Kunyu, Jiaxing Kuncheng, Shanghai Lvhe, Tianjin Yingze Enterprise Management and Consulting Co., Ltd. (天津盈澤企業管理諮詢有限責任公司), Sunshine BVI are deemed to be interested in the 228,645,240 Shares held by Sunshine HK for the purpose of Part XV of the SFO.
- (2) As of October 31, 2019, ZDH Husheng Fund L.P. holds 12,673,680 Shares in the Company, representing 5.25% of the issued share capital of the Company. ZDH Husheng Fund L.P. is wholly owned by Husheng Investment (Cayman) Limited as its limited partner. Heaven-Sent Spring Holding (Cayman) Company Limited is wholly owned by Heaven-Sent Capital (HK) Company Limited, a wholly owned subsidiary of Heaven-Sent Capital (Cayman) Company Limited, which is in turn owned by Heaven-Sent Capital (BVI) Company Limited as to 100% of its equity interest. Heaven-Sent Capital (BVI) Company Limited is wholly owned by HSC. Therefore, HSC, Heaven-Sent Capital (BVI) Company Limited, Heaven-Sent Capital (Cayman) Company Limited, Heaven-Sent Capital (HK) Company Limited, Heaven-Sent Spring Holding (Cayman) Company Limited and Heaven-Sent Capital ZDH Fund L.P. are deemed to be interested in the 12,673,680 Shares held by ZDH Husheng Fund L.P. for the purpose of Part XV of the SFO.
- (3) As of October 31, 2019, HSC is owned by Mr. Li and Mr. Wang, as parties acting in concert in respect of exercising their rights as shareholders of HSC, as to 44.95% of its equity interest, through (i) 0.84% of its shares held by Mr. Li and Mr. Wang respectively; (ii) 39.59% of its shares held by Shanshui Group, which is owned by Mr. Li and Mr. Wang as to a respective 50% of its equity interest; and (iii) 3.68% of its shares held by Beijing Wumu Sunshine Investment Consulting Co., Ltd. (北京五木陽光投資諮詢有限公司), which is owned by Mr. Li and Mr. Wang as to a respective 50% of its equity interest. Therefore, for purpose of Part XV of the SFO, (i) Mr. Li and Mr. Wang are deemed to be interested in the interested held by Shanshui Group and Beijing Wumu Sunshine Investment Consulting Co., Ltd. (北京五木陽光投資諮詢有限公司) in HSC; and (ii) Mr. Li, Mr. Wang, Shanshui Group and Beijing Wumu Sunshine Investment Consulting Co., Ltd. (北京五木陽光投資諮詢有限公司) are deemed to be interested in the 241,318,920 Shares which HSC is interested in.

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## SHARE CAPITAL

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### SHARE CAPITAL

The number of Shares of our Company as of the date of this prospectus and immediately after completion of the Global Offering is as follows:

	Number of Shares
<i>Number of Shares:</i>	
Ordinary Shares as of the date of this prospectus . . . . .	241,318,920
<i>Shares to be issued:</i>	
Ordinary Shares to be issued pursuant to the Global Offering (assuming the Over-allotment Option is not exercised) . . . . .	80,440,000
<b>Shares on completion of the Global Offering (assuming the Over-allotment Option is not exercised)</b>	<b>321,758,920</b>
<i>Shares to be issued:</i>	
Ordinary Shares to be issued on exercise of the Over-allotment Option in full . . . . .	12,066,000
<b>Shares on completion of the Global Offering (assuming the Over-allotment Option is exercised in full)</b>	<b>333,824,920</b>

### ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and Shares are issued pursuant to the Global Offering. It does not take into account any Shares which may be issued or repurchased pursuant to the general mandate given to the Directors for issue and allotment of Shares referred to in Appendix V to this prospectus or the repurchase mandate referred to in Appendix V to this prospectus, as the case may be.

### RANKING

The Offer Shares are ordinary shares in our share capital and rank equally with all Shares currently in issue and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

### CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETINGS ARE REQUIRED

Pursuant to the Companies Ordinance and the Articles of Association, our Company may from time to time by ordinary Shareholders' resolution (i) increase its share capital; (ii) capitalize its profits; (iii) allot and issue bonus shares; (iv) convert its shares into a larger or smaller number; (v) dividing its shares into several classes; (vi) cancel any Shares which have not been taken or that have been forfeited; and (vii) make provisions for the issue and allotment of shares. In addition, our Company may reduce its share capital by Shareholders' special resolution. For more details, see "Appendix IV — "Summary of the Articles of Association — Alteration of Capital."



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## SHARE CAPITAL

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Further, subject to the provisions of the Companies Ordinance, if at any time the capital of the Company is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied, either while the Company is a going concern or during or in contemplation of a winding-up, either with the consent in writing of the holders of 75% of the total voting rights of holders of shares in that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class, but not otherwise. For more details, see “Appendix IV — “Summary of the Articles of Association — Variation of Rights.”

### GENERAL MANDATE TO ISSUE SHARES

Conditional on the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares with a total number of Shares not exceeding:

- 20% of the total number of Shares of our Company immediately following the completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option); and
- the total number of Shares of our Company repurchased by us (if any) under the general mandate to repurchase Shares referred to below.

This general mandate to issue Shares will remain in effect until:

- the conclusion of our next annual general meeting;
- the expiration of the period within which our next annual general meeting is required by any applicable law or the Articles of Association to be held; or
- it is varied or revoked by an ordinary resolution of our shareholders in general meeting, whichever is the earliest.

Particulars of this general mandate to allot, issue and deal with Shares are set forth under “Appendix V — Statutory and General Information — Written resolutions of our shareholders passed on October 31, 2019” to this prospectus.

### GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares (Shares which may be listed on the Stock Exchange) of an aggregate number of not more than 10% of the total number of our Shares immediately following the completion of the Global Offering (without taking into account any Shares to be issued upon the exercise of the the Over-allotment Option).

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## SHARE CAPITAL

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This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in “Appendix V — Statutory and General Information — Written resolutions of our shareholders passed on October 31, 2019” to this prospectus.

The general mandate to repurchase Shares will remain in effect until:

- the conclusion of our next annual general meeting;
- the expiration of the period within which our next annual general meeting is required by any applicable law or the Articles of Association to be held; or
- it is varied or revoked by an ordinary resolution of our shareholders in general meeting, whichever is the earliest.

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## FINANCIAL INFORMATION

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*You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements included in “Appendix I — Accountants’ Report” to this prospectus, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. Our historical results presented herein are not necessarily indicative of the results that may be expected for any future period. The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements due to various factors, including those set forth in the sections headed “Risk Factors” and “Business” in this prospectus.*

### OVERVIEW

We are a growth and efficiency-driven South African gold mining company. We have successfully acquired assets in South Africa from major mining houses and their operational efficiency has been improving since the acquisitions. Our principal business is mining gold-containing ore and smelting it into doré bars, and our revenue is predominantly derived from the sale of gold. Our annual production volume of gold was 168,031 ounces in 2018, making us the fourth largest gold mining company in South Africa, according to Frost & Sullivan.

Our portfolio of assets includes (i) two underground gold mining assets, namely the Tau Lekoa Group (including the operating Tau Lekoa Mine and two development projects, namely the Weltevreden project and the Goedgenoeg project) and the Kopanang Mine, (ii) the Buffels surface material site and (iii) two processing plants, namely West Gold Plant and Nicolor Plant. All of these assets are situated in close proximity to each other near the town of Orkney, which is approximately 200 km southwest of Johannesburg.

During the Track Record Period, we significantly increased our sales volume of gold through acquisition and improving production management. In 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, our sales volume of gold was 99,019 ounces, 100,165 ounces, 168,037 ounces, 69,080 ounces and 95,963 ounces, respectively, and our revenue from gold sales was US\$123.6 million, US\$125.8 million, US\$214.0 million, US\$91.9 million and US\$125.9 million, respectively. In 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, our total revenue was US\$133.1 million, US\$130.3 million, US\$220.1 million, US\$94.7 million and US\$131.4 million, respectively. Our gross profit was US\$5.0 million in 2016, while our gross loss expanded from US\$6.1 million in 2017 to US\$44.6 million in 2018. Our gross loss narrowed by 60.5% from US\$25.9 million for the six months ended June 30, 2018 to US\$10.2 million in the same period in 2019. Based on the production profile of our mines, the predictable cost of sales and the trends of market gold prices and ZAR to U.S. dollar exchange rates, we may realize gross profit starting in 2019. See “Financial Information — Description of Principal Income Statement Items — Gross Profit or Loss — Profitability Trends.”

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## FINANCIAL INFORMATION

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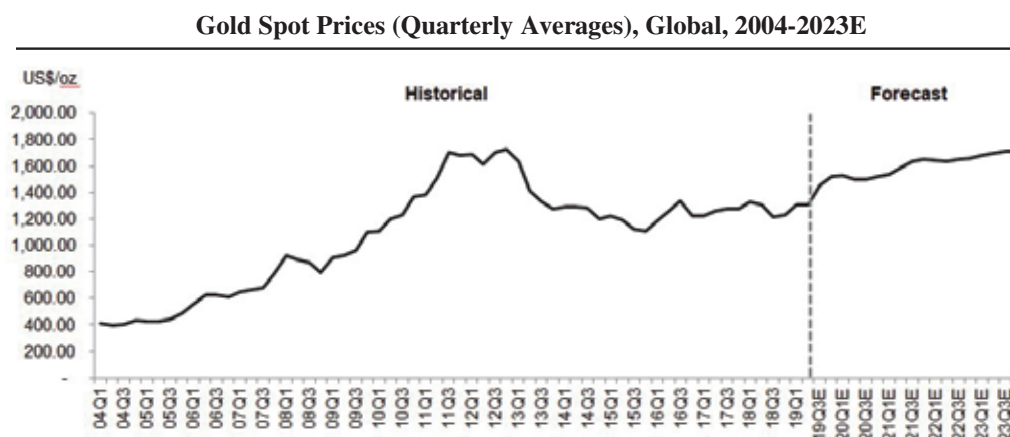
### KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that key factors affecting our results of operations, financial position and cash flow include the following:

#### Gold Price and Foreign Exchange Rate

Our revenue is predominantly derived from the sales of gold and the global market price of gold is denominated in U.S. dollars. Our gold sales price based on ZAR is agreed on the trade date and settled by the customer within two business days of the trade date. The ZAR-denominated gold price is a function of (i) the spot U.S. dollar gold price and (ii) the prevailing U.S. dollar to ZAR exchange rate. In case our gold sales price is denominated in U.S. dollar, it is affected directly by the spot U.S. dollar gold price. The functional currency of our entities in South Africa is ZAR. Our cost of sales, operating expenses and capital expenditures are all incurred in ZAR. However, our reporting currency is U.S. dollars and therefore our revenue, cost of sales and other accounting items are all translated into U.S. dollars on our consolidated financial statements. As a result, our results of operations and financial position presented in U.S. dollars are significantly affected by a combination of (i) the market price of gold in U.S. dollars and (ii) the exchange rate between ZAR and U.S. dollars.

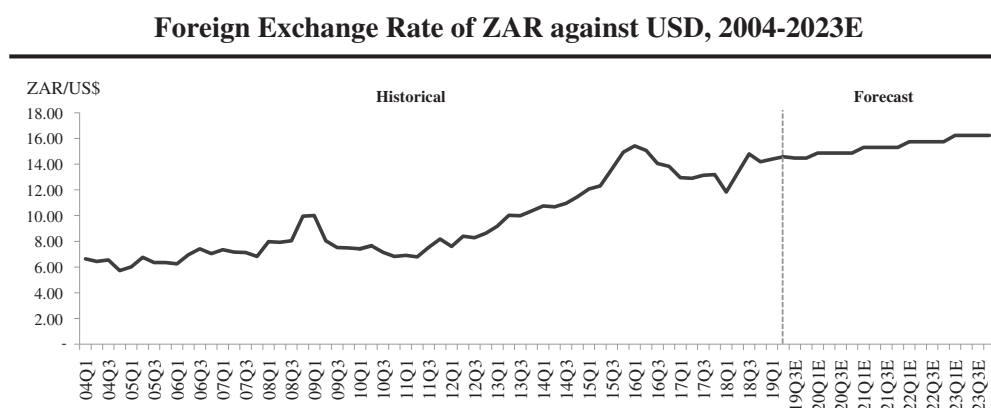
The average market price of gold in U.S. dollars increased from US\$1,250.0 per ounce in 2016 to US\$1,257.3 per ounce in 2017 and further increased to US\$1,268.5 per ounce in 2018, representing a CAGR of 0.74% from 2016 to 2018, and further increased to US\$1,306.5 per ounce in the six months ended June 30, 2019, according to Frost & Sullivan. Our average selling price of gold is generally in line with the market price. Our average selling price of gold increased from US\$1,248.1 per ounce in 2016 to US\$1,256.3 per ounce in 2017 and further increased to US\$1,273.7 per ounce and US\$1,312.0 per ounce in 2018 and the six months ended June 30, 2019, respectively. The following diagram illustrates the historical market price of gold in U.S. dollars for the periods indicated.



Source: Frost & Sullivan, London Bullion Market Association (LBMA)

## FINANCIAL INFORMATION

The average exchange rate of ZAR appreciated significantly against U.S. dollars from ZAR14.7 per U.S. dollar in 2016 to ZAR13.3 per U.S. dollar in 2017, and further appreciated slightly to ZAR13.2 per U.S. dollar in 2018, according to Frost & Sullivan. The average exchange rate of ZAR depreciated to ZAR14.2 per U.S. dollar for the six months ended June 30, 2019, according to Frost & Sullivan. The following diagram illustrates the exchange rates between ZAR and U.S. dollar for the periods indicated.



Source: Frost & Sullivan

The fluctuations of the foreign exchange rate between U.S. dollar and ZAR have affected our results of operations during the Track Record Period. For instance, our cost of sales denominated in ZAR decreased slightly from ZAR1,881.0 million in 2016 to ZAR1,814.6 million in 2017. However, as a result of the appreciation of ZAR against U.S. dollars, our cost of sales denominated in U.S. dollars increased from US\$128.1 million in 2016 to US\$136.4 million in 2017. More recently, our cost of sales denominated in ZAR increased by 35.9% from ZAR1,483.4 million in the six months ended June 30, 2018 to ZAR2,015.3 million in the same period in 2019, while our cost of sales denominated in U.S. dollars increased only by 17.5% from US\$120.6 million in the six months ended June 30, 2018 to US\$141.7 million in the the same period in 2019.

### Production and Sales Volume

Our revenue is directly affected by our production and sales volume of gold because substantially all of our revenue is derived from the sales of gold we produce. As all of the gold we produce is sold either at spot prices in the global market or, beginning in July 2018, through hedging arrangements, our sales volume of gold is substantially the same as our production volume of gold with small discrepancies due to a number of factors, including the timing of revenue recognition and the gold inventory.

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## FINANCIAL INFORMATION

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Production and sales volumes may be affected by a number of factors, such as the grade, tonnage, and metallurgical factors and other characteristics of the gold-containing ore mined, as well as the gold recovery rate in production. Our production and sales volumes may also be affected by changes in gold prices because a decrease in gold prices may cause currently economical reserves to become less economical or uneconomical to mine. In addition, fatal accidents, injuries and natural phenomena that are beyond our control, such as weather conditions, floods and rock falls, may temporarily suspend part of our mining operations and affect our gold production volume. Our sales volume increased slightly from 99,019 ounces in 2016 to 100,165 ounces in 2017, while our sales volume increased significantly to 168,037 ounces in 2018 mainly as a result of our acquisition of the Kopanang Mine in February 2018. See “— Acquisition of Kopanang Operations.” Starting from 2019, the Tau Lekoa Mine is expected to have increasing gold production partly due to virgin ground currently being developed. The acquired Kopanang Mine, which experienced relatively low production during the transition period after the acquisition in February 2018, is also expected to have improved production starting from 2019. Additionally, the Weltevreden project will start to contribute to our production toward the end of 2019, according to its development plan. As a result, we expect that our sales volume of gold will increase considerably in 2019 compared to 2018. For example, our sales volume increased by 38.9% from 69,080 ounces for the six months ended June 30, 2018 to 95,963 ounces in the same period in 2019.

### Cost of Sales

Our cost of sales are all denominated in ZAR and mainly include employee costs, costs of mining consumables, utilities, tolling material purchases, consultants and contractors, as well as the depreciation of property, plant and equipment. We expect that our cost of sales will increase at a stable pace and continue to be affected by predictable increases in costs of employees, consumables and utilities, as well as the inflation rate in South Africa. A large portion of our cost of sales, such as employee costs, do not vary significantly with changes in production volume. As a result, as we grow our production volume we should have a lower unit cost of sales.

Employee costs are the largest component of our cost of sales. Our employee costs accounted for 45.5%, 51.3%, 51.3%, 53.5 % and 51.7% of our cost of sales in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively. Union activities in South Africa in recent years have contributed to a general wage increase in the mining industry in South Africa. The average salary of our employees increased stably during the Track Record Period. Pursuant to the new wage agreement effective from July 1, 2018 (the “**Wage Agreement**”), which was binding on our non-managerial employees, the base salary of all our non-managerial employees has a prescribed annual increase annually by a fixed amount which varies by category of employee. In 2019, the increase was linked to a fixed amount of ZAR575 per month or to a fixed percentage of 4.25% of the base salary, and in 2020 and 2021, the increase will be linked to a fixed amount of ZAR575 per month of the base salary or to the consumer price index in South Africa. The Wage Agreement expires on June 30, 2021. All

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employees covered under the Wage Agreement are not allowed to request any additional salary raise outside the scope of the Wage Agreement. Upon the expiration of the Wage Agreement, our unions may negotiate new wage agreements with us and request salary increases for their members.

Our mining consumables accounted for 14.0%, 15.8%, 14.6%, 15.0% and 15.8% of our cost of sales in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively. The amount of mining consumables we use vary with the volume of the ore we mine. Most of the mining consumables we use are typically readily available from multiple suppliers and can be sourced at competitive market prices although we note that certain consumables such as cyanide are only available from a single supplier. Our utility costs accounted for 10.7%, 11.5%, 12.1%, 12.0% and 11.9% of our cost of sales in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively. Our utility costs mainly include the cost of electricity we consume during our production activities, and to a lesser extent, the cost of water. Our electricity tariff rates are the same as the market rates that Eskom charges other electricity users. See “— Description of Principal Income Statement Items — Cost of Sales.”

Our cost of sales are also affected by inflation in South Africa. The average annual or semi-annual inflation rate in South Africa, indicated by the average annual or semi-annual percentage change in the producer price index for mining, was 11.5%, 5.4%, 2.5%, 0.1% and 15.3% in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively.

### **Acquisition of the Kopanang Operations**

We acquired the Kopanang Mine, West Gold Plant and related infrastructure from AngloGold in February 2018. See “History and Corporate Structure — Our Corporate History and Development — Acquisition of Kopanang Operations.” In ten months from March to December in 2018 and the six months ended June 30, 2019, the average monthly production volume of gold produced by the Kopanang Mine was 5,943 ounces and 6,793 ounces, respectively. The LoM plan for the Kopanang Mine estimates an average production rate of approximately 740,000 tons of ore and approximately 109,000 ounces of gold per annum through 2025.

The acquisition of the Kopanang Operations significantly affected our operational scale and results of operations in 2018. Our sales volume of gold increased by 67,872 ounces from 100,165 ounces in 2017 to 168,037 ounces in 2018. Out of this increase, 61,078 ounces were contributed by the Kopanang Operations. Correspondingly, our revenue increased by US\$89.8 million, from US\$130.3 million in 2017 to US\$220.1 million in 2018, out of which US\$78.5 million was contributed by the Kopanang Operations. On the other hand, our cost of sales increased by US\$128.2 million, from US\$136.4 million in 2017 to US\$264.6 million in 2018, out of which US\$92.2 million was attributable to the Kopanang Operations. After acquiring the Kopanang Operations in February 2018, we had a ramp up period in which we incurred a large



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portion of our cost of sales without having yet achieved designed production capacity and as a result Kopanang suffered a loss in 2018. The loss-making position of the Kopanang Operations in 2018 was an important contributing factor to the increase in our loss in 2018.

Similarly, the acquisition of the Kopanang Operations also significantly affected our operational scale and results of operation for the six months ended June 30, 2019 because we acquired the Kopanang Operations on February 28, 2018 and its operation is fully reflected in our consolidated financial information in the six months ended June 30, 2019 while only partially reflected in the same period in 2018. Specifically, our sales volume of gold increased by 38.9% from 69,080 ounces for the six months ended June 30, 2018 to 95,963 ounces for the same period in 2019. Out of this increase, 19,915 ounces were contributed by the Kopanang Mine. Correspondingly, our revenue increased by 38.8% from US\$94.7 million for the six months ended June 30, 2018 to US\$131.4 million for the same period in 2019, primarily due to a US\$26.1 million increase from the Kopanang Mine. Our cost of sales increased by 17.5% from US\$120.6 million for the six months ended June 30, 2018 to US\$141.7 million for the same period in 2019, primarily due to a US\$18.4 million increase from the Kopanang Mine, and a US\$6.9 million increase from the tolling treatment. See “— Description of Principal Income Statement Items — Cost of Sales.”

We expect that Kopanang’s revenue should increase considerably with an improved production level and may realize gross profit starting in 2019. See “— Description of Principal Income Statement Items — Gross Profit or Loss — Profitability Trends.” The Kopanang Operations will continue to impact our business, financial condition, results of operations and prospects.

### **Our Mine Developments and Capital Expenditures**

During the Track Record Period, we conducted substantially all of our mining operations at our Tau Lekoa Mine and Kopanang Mine. We expect that these two mines will continue to be our principal operating mines in the next few years. At Tau Lekoa Mine, we have been developing more face length in the mine, which may reduce its reliance on isolated block of grounds and enhance operational flexibility, as well as enable access to the north block and the high-grade areas below 1,650 meters. At Kopanang Mine, in September 2018 we began conducting studies about the possibility of opening-up of the isolated block of grounds in previously developed but unmined areas. In 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, our total capital expenditures were US\$7.9 million, US\$14.6 million, US\$22.6 million, US\$9.3 million and US\$13.0 million, respectively.

We will continue to invest in maintaining and expanding our mining operations. The amount of our capital expenditure depends on a number of factors, such as our life of mine production plan, refurbishing aging infrastructure, replacement of equipment due to wear and tear and availability of funding for our development projects. Capital expenditures today will increase our future depreciation costs. Therefore, our management needs to consider, on an ongoing basis, the capital expenditures necessary to achieve our sustainable production objectives against other demands on cash.



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We are preparing for the construction of the Weltevreden project, which is the up-dip extension of the Tau Lekoa Mine, and planning to develop the Goedgenoeg exploration project. We expect the Weltevreden project to have the first gold produced by the end of 2019, followed by an approximately three-year ramp-up period to reach steady-state production. As of June 30, 2019, we had already incurred capital expenditures of US\$1.3 million in connection with the Weltevreden project, and we estimate that we will additionally incur project capital expenditures of US\$40.3 million from 2019 to 2025 and sustaining capital expenditures of US\$35.4 million over this period in connection with this project. We are conducting exploration activities and plan to conduct feasibility studies for the Goedgenoeg project around 2021. If the Goedgenoeg project commences production, the LoM of the Tau Lekoa Mine is expected to be extended considerably. The timing of development of these projects will have a significant effect on our future operating results. See “Business — Our Assets — Descriptions of Our Assets — Tau Lekoa Group.” We expect that our total capital expenditures will be approximately US\$49.7 million in 2019.

### **BASIS OF PRESENTATION**

Our historical financial information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise all standards and interpretations approved by the International Accounting Standards Board. Our historical financial information has been prepared under the historical cost convention, except for available-for-sale investments/equity investments designated at fair value through other comprehensive income and derivative financial instruments that have been measured at fair value.

### **IFRS 15 Revenue from Contracts with Customer**

IFRS 15, issued in May 2014, established a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognizing revenue.

We have applied IFRS 15 using the full retrospective method of adoption in the preparation of the historical financial information. The adoption of IFRS 15 has no significant impact on our consolidated financial statements.

### **IFRS 9 Financial Instruments**

IFRS 9 brings together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments, to be assessed based on a combination of the entity’s business model for managing the assets and the instruments’ contractual cash flow characteristics.

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The adoption of IFRS 9 has fundamentally changed our accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. IFRS 9 requires us to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL. The ECL allowance is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that we expect to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The adoption of IFRS 9 has also changed our accounting for derivative financial instruments and hedge accounting, as we used derivative financial instruments, such as gold forward contracts, to hedge our commodity price risk. IFRS 9 requires us to record such derivative financial instruments initially at fair value on the date on which a derivative contract is entered into and subsequently remeasured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value of derivative financial instruments are taken directly to the consolidated statement of profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

The adoption of IFRS 9 has no significant impact on our consolidated financial statements.

### **IFRS 16 Leases**

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged as under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

We have applied IFRS 16 using the full retrospective method of adoption. The adoption of IFRS 16 has no significant impact on our consolidated financial statements.

See Notes 2.1 and 2.3 of the Accountants' Report attached as Appendix I to this prospectus.

### **CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES**

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operating results. Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry

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practices and expectations of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

When reviewing our consolidated financial statements, you should consider (i) our critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. Our significant accounting policies, estimates and judgments, which are important for an understanding of our financial condition and results of operations, including any changes in accounting policy and disclosures, are set forth in detail in Note 2 to the Accountants' Report in Appendix I to this prospectus.

### **Revenue Recognition**

We are principally engaged in the business of producing and sale of gold and tolling service. Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

#### ***Sale of Gold***

Revenue from the sale of gold is recognized when control of gold is transferred to the customer, generally upon receipt by the customer of the gold at a fixed amount that reflects the consideration to which we expect to be entitled in exchange for those products.

#### ***Tolling Service***

Revenue from tolling service for gold is recognized when control of service is transferred to the customer, generally on the completion of service at a fixed amount that reflects the consideration to which we expect to be entitled in exchange for service.

### **Foreign Currencies**

Our historical financial information is presented in U.S. dollars, which is also the functional currency of our Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency exchange rates prevailing as of December 31, 2016, 2017 and 2018 and June 30, 2019. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

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Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into U.S. dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into U.S. dollars at the weighted average exchange rates for the year.

### **Accounting for Business Combinations**

The fair value of assets acquired and liabilities assumed, and the resulting goodwill or gain from bargain purchase, if any, requires the group to make judgements and estimates based on available information about the purchased business. Factors could include:

- Changes in proved and probable mineral reserves;
- The grade of mineral reserves may vary significantly from time to time;
- Differences between actual commodity prices and commodity price assumptions;
- Unforeseen operational issues at mine sites;
- Changes in capital, operating, mining processing and reclamation costs, discount rates and foreign exchange rates; and
- Changes in mineral reserves which could similarly affect the useful lives of assets depreciated on the straight-line basis, where those lives are limited to the life of the mine.

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### **Exploration and Evaluation Expenditure**

The application of our accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

In addition to applying judgement to determine whether future economic benefits are likely to arise from our exploration and evaluation assets or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves, we have to apply a number of estimates and assumptions. The determination of a SAMREC resource is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified (i.e., measured, indicated or inferred). The estimates directly impact when we defer exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events and circumstances, particularly, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the relevant capitalized amount is written off to profit or loss in the period when the new information becomes available.

### **Property, Plant and Equipment and Depreciation**

#### ***Initial Recognition***

Upon completion of the mine construction phase, the assets are transferred into “property, plant and equipment”. Items of property, plant and equipment and producing mine are stated at cost, less accumulated depreciation and accumulated impairment losses.

#### ***Depreciation***

Accumulated mine development costs are depreciated on a unit of production basis over the economically recoverable reserves of the mine concerned, except in the case of assets whose useful life is shorter than the life of the mine, in which case, the straight-line method is applied. The unit of account for run-of-mine costs are recoverable ounces of gold. Rights and concessions are depleted on the unit of production basis over the economically recoverable reserves of the relevant area. The unit of production rate calculation for the depreciation/amortization of mine development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure. Economically recoverable reserves include proven and probable reserves.

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The estimated fair value attributable to the mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of the acquisition is amortized on a unit of production basis whereby the denominator is the proven and probable reserves, and for some mines, a portion of mineral resources which are expected to be extracted economically. These other mineral resources may be included in depreciation calculations in limited circumstances and where there is a high degree of confidence in their economic extraction. This would be the case when the other mineral resources do not yet have the status of reserves merely because the necessary detailed evaluation work has not yet been performed and the responsible technical personnel agree that inclusion of a proportion of measured and indicated resources is appropriate based on historic reserve conversion rates.

The estimated fair value of the mineral resources that are not considered to be probable of economic extraction at the time of the acquisition is not subject to amortization, until the resource becomes probable of economic extraction in the future and is recognized in exploration and evaluation assets. The asset's residual values, useful lives and methods of depreciation/amortization are reviewed at each reporting period and adjusted prospectively, if appropriate.

### **Mineral Reserves and Resources Estimates**

At the end of each financial year, the estimate of Proved and Probable Mineral Reserves and Resources is updated. Depreciation of mining assets is prospectively adjusted based on these changes. Mineral Reserves are estimates of the amount of product that can be economically and legally extracted from our properties. In order to calculate Mineral Reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including but not limited to quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. Estimating the quantity and/or grade of Mineral Reserves requires the size, shape and depth of ore bodies to be determined by analyzing geological data, such as the logging and assaying of drill samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

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We are required to determine and report mineral reserves in accordance with the SAMREC Code. Because the economic assumptions used to estimate Mineral Reserves change from period to period and because additional geological data is generated during the course of operations, estimates of Mineral Reserves may change from period to period. Changes in reported mineral reserves may affect our financial results and financial position in a number of ways including the following:

- Asset carrying values may be affected due to changes in estimated future cash flows;
- Depreciation, depletion and amortization charged in profit or loss may change where such changes are determined by the units-of-production method, or where the useful lives of assets change;
- Decommissioning, site restoration and environmental provisions may change where changes in estimated Mineral Reserves affect expectations about the timing or cost of these activities; and
- The carrying value of deferred tax assets may change due to changes in estimate of the likely recovery of the tax benefits.

These adjustments are made prospectively where relevant. The recoverable amounts of Mineral Resources are estimated using the market multiple approach, with reference to observable market values of similar or comparative resources.

For details about our significant accounting policies, judgments and estimates, see Note 2.3 and Note 3 of the Accountants' Report attached as Appendix I to this prospectus.

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### CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth a summary of our consolidated statement of profit or loss and other comprehensive income for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
(Unaudited)										
(US\$ in thousands, except percentages)										
REVENUE . . . . .	133,127	100.0%	130,316	100.0%	220,065	100.0%	94,726	100.0%	131,443	100.0%
Cost of sales . . . . .	(128,143)	(96.3)%	(136,446)	(104.7)%	(264,636)	(120.3)%	(120,609)	(127.3)%	(141,659)	(107.8)%
<b>Gross profit/(loss) . . . . .</b>	<b>4,984</b>	<b>3.7%</b>	<b>(6,130)</b>	<b>(4.7)%</b>	<b>(44,571)</b>	<b>(20.3)%</b>	<b>(25,883)</b>	<b>(27.3)%</b>	<b>(10,216)</b>	<b>(7.8)%</b>
Other income and gains . . . . .	1,652	1.2%	1,813	1.4%	48,996	22.3%	28,074	29.6%	1,533	1.2%
Administrative expenses . . . . .	(3,005)	(2.3)%	(4,255)	(3.3)%	(9,486)	(4.3)%	(3,298)	(3.5)%	(5,691)	(4.3)%
Finance costs . . . . .	(975)	(0.7)%	(1,005)	(0.8)%	(1,516)	(0.7)%	(663)	(0.7)%	(825)	(0.6)%
Share of losses of an associate . . . . .	(584)	(0.4)%	(653)	(0.5)%	(745)	(0.3)%	(383)	(0.4)%	(367)	(0.3)%
Reversal of/(impairment loss) on financial assets . . . . .	—	—	451	0.3%	(123)	(0.1)%	—	—	—	—
Other expenses . . . . .	—	—	—	—	—	—	—	—	(3,424)	(2.6)%
Impairment loss on loans to an associate . . . . .	(204)	(0.2)%	(166)	(0.1)%	(328)	(0.1)%	(144)	(0.2)%	(64)	(0.0)%
<b>PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATION . . . . .</b>	<b>1,868</b>	<b>1.4%</b>	<b>(9,945)</b>	<b>(7.6)%</b>	<b>(7,773)</b>	<b>(3.5)%</b>	<b>(2,297)</b>	<b>(2.4)%</b>	<b>(19,054)</b>	<b>(14.5)%</b>
Income tax credits/(expense) . . . . .	(113)	(0.1)%	(24)	(0.0)%	(2,290)	(1.0)%	808	0.9%	566	0.4%
<b>PROFIT/(LOSS) FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS . . . . .</b>	<b>1,755</b>	<b>1.3%</b>	<b>(9,969)</b>	<b>(7.6)%</b>	<b>(10,063)</b>	<b>(4.6)%</b>	<b>(1,489)</b>	<b>(1.6)%</b>	<b>(18,488)</b>	<b>(14.1)%</b>
Loss for the year/period from a discontinued operation . . . . .	(212)	(0.2)%	(488)	(0.4)%	(480)	(0.2)%	(287)	(0.3)%	—	—
<b>PROFIT/(LOSS) FOR THE YEAR/PERIOD . . . . .</b>	<b>1,543</b>	<b>1.2%</b>	<b>(10,457)</b>	<b>(8.0)%</b>	<b>(10,543)</b>	<b>(4.8)%</b>	<b>(1,776)</b>	<b>(1.9)%</b>	<b>(18,488)</b>	<b>(14.1)%</b>
<b>Attributable to:</b>										
Owners of the parent . . . . .	1,589	1.2%	(10,351)	(7.9)%	(14,860)	(6.8)%	(1,713)	(1.8)%	(18,488)	(14.1)%
Non-controlling interests . . . . .	(46)	(0.0)%	(106)	(0.1)%	4,317	2.0%	(63)	(0.0)%	—	—
<b>PROFIT/(LOSS) FOR THE YEAR/PERIOD . . . . .</b>	<b>1,543</b>	<b>1.2%</b>	<b>(10,457)</b>	<b>(8.0)%</b>	<b>(10,543)</b>	<b>(4.8)%</b>	<b>(1,776)</b>	<b>(1.9)%</b>	<b>(18,488)</b>	<b>(14.1)%</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>										
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:										
Available-for-sale investments:										
Changes in fair value . . . . .	107	0.1%	(99)	(0.1)%	—	—	—	—	—	—
Exchange differences:										
Exchange differences on translation of foreign operations . . . . .	5,559	4.2%	9,165	7.0%	(15,831)	(7.2)%	(12,618)	(13.3)%	1,630	1.2%
Reclassification adjustments for a subsidiary disposed of during the period . . . . .	—	—	—	—	3,729	1.7%	—	—	—	—
Cash flow hedges:										
Effective portion of change in fair value of derivative financial instruments . . . . .	—	—	—	—	—	—	—	—	(1,949)	(1.5)%
Reclassification adjustments to revenue in profit or loss . . . . .	—	—	—	—	—	—	—	—	(1,276)	(1.0)%
Tax effect . . . . .	—	—	—	—	—	—	—	—	(903)	(0.7)%
Net other comprehensive income to that may be reclassified to profit or loss in subsequent periods . . . . .	5,666	4.3%	9,066	7.0%	(12,102)	(5.5)%	(12,618)	(13.3)%	(692)	(0.5)%
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:										
<b>Equity investments designated at fair value through other comprehensive income:</b>										
Changes in fair value . . . . .	—	—	—	—	199	0.1%	146	0.2%	(179)	(0.1)%
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods . . . . .	—	—	—	—	199	0.1%	146	0.2%	(179)	(0.1)%
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX . . . . .</b>	<b>5,666</b>	<b>4.3%</b>	<b>9,066</b>	<b>7.0%</b>	<b>(11,903)</b>	<b>(5.4)%</b>	<b>(12,472)</b>	<b>(13.2)%</b>	<b>(871)</b>	<b>(0.7)%</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD . . . . .</b>	<b>7,209</b>	<b>5.4%</b>	<b>(1,391)</b>	<b>(1.1)%</b>	<b>(22,446)</b>	<b>(10.2)%</b>	<b>(14,248)</b>	<b>(15.0)%</b>	<b>(19,359)</b>	<b>(14.7)%</b>
<b>Attributable to:</b>										
Owners of the parent . . . . .	6,532	4.9%	(2,007)	(1.5)%	(26,026)	(11.8)%	(13,483)	(14.2)%	(19,359)	(14.7)%
Non-controlling interests . . . . .	677	0.5%	616	0.5%	3,580	1.6%	(765)	(0.8)%	—	—
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD . . . . .</b>	<b>7,209</b>	<b>5.4%</b>	<b>(1,391)</b>	<b>(1.1)%</b>	<b>(22,446)</b>	<b>(10.2)%</b>	<b>(14,248)</b>	<b>(15.0)%</b>	<b>(19,359)</b>	<b>(14.7)%</b>



## FINANCIAL INFORMATION

### DESCRIPTION OF PRINCIPAL INCOME STATEMENT ITEMS

#### Revenue

##### *Revenue breakdown by types of goods/service*

We generate substantially all of our revenue from sales of gold and a small portion of revenue from tolling services fee charged to third parties. Our revenue amounted to US\$133.1 million, US\$130.3 million, US\$220.1 million, US\$94.7 million and US\$131.4 million, respectively, in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019.

The following table sets forth our revenue breakdown by types of goods/service for the periods indicated.

For the year ended December 31,						For the six months ended June 30,			
2016		2017		2018		2018		2019	
% of		% of		% of		% of		% of	
Amount	revenue	Amount	revenue	Amount	revenue	Amount	revenue	Amount	revenue
(Unaudited)									
(US\$ in thousands, except percentages)									

#### Revenue from contracts with customers

Gold sales . . . . .	123,583	92.8%	125,835	96.6%	214,028	97.3%	91,891	97.0%	125,904	95.8%
Tolling services . . . . .	9,544	7.2%	4,481	3.4%	6,460	2.9%	2,835	3.0%	4,263	3.2%
Gain/(loss) on gold hedges . . . . .	—	—	—	—	(423)	(0.2)%	—	—	1,276	1.0%
<b>Total . . . . .</b>	<b>133,127</b>	<b>100.0%</b>	<b>130,316</b>	<b>100.0%</b>	<b>220,065</b>	<b>100.0%</b>	<b>94,726</b>	<b>100.0%</b>	<b>131,443</b>	<b>100.0%</b>

#### *Gold Sales*

Our revenue is predominantly derived from sale of gold, most of which are from gold-containing ore mined by ourselves. The remaining are from our own low-grade surface rock dumps ‘Buffels’ and gold-containing materials from third parties who use our tolling services. See “— Tolling Services.” All of our gold is sold through Rand Refinery or TreasuryONE at prevailing spot price of gold in the global market at the time of sale. See “Business — Sales, Customers and Hedging — Sales.” In July 2018, we began entering into hedging activities to limit our exposure to the volatility of gold prices. See “Business — Sales, Customers and Hedging — Hedging.” Our revenue from gold sales was US\$123.6 million, US\$125.8 million, US\$214.0 million, US\$91.9 million and US\$125.9 million in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively, accounting for 92.8%, 96.6%, 97.3%, 97.0% and 95.8% of our total revenue in the same periods.

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The following table sets forth the key statistics of our gold sales for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
Revenue from gold sales					
(US\$ in thousands) . . .	123,583	125,835	214,028	91,891	125,904
Sales volume (oz) . . . . .	99,019	100,165	168,037	69,080	95,963
Our average selling price					
(US\$/oz) <sup>(1)</sup> . . . . .	1,248.1	1,256.5	1,273.7	1,330.2	1,312.0
Market price of gold					
(US\$/oz) <sup>(2)</sup> . . . . .	1,250.0	1,257.3	1,268.5	1,317.7	1,306.5

*Notes:*

- (1) Calculated as our revenue from gold sales divided by sales volume.
- (2) The average gold price in the global market for the years indicated, according to Frost & Sullivan.

Our average selling prices of gold, calculated as our revenue from gold sales divided by sales volume, were generally in line with the gold prices in the global market because most of our gold was sold at the spot price of gold in the global market. The slight variances of our average selling prices of gold from the market prices were because we sold different volume of gold at different spot prices.

### *Tolling Services*

During the Track Record Period, we utilized the excess processing capacity in Nicolor Plant to treat gold-containing materials from third parties, which were mostly small mining companies in surrounding areas. Upon receiving gold-containing materials from third parties, we would conduct a grade test on samples and only accept the materials that meet our minimum grade standard. Then we process these gold-containing materials in Nicolor Plant and smelt them into gold doré for sale. For regular gold-containing materials, we are entitled to retain at least 20% of the revenue from such gold sales and pay the rest to the third party, which we book in tolling material purchase cost as part of our cost of sales. We also charge the third parties tolling fees of ZAR300 per ton of gold-containing materials (subject to price adjustments), which account for our revenue from tolling services. In 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, our revenue derived from tolling fees was US\$9.5 million, US\$4.5 million, US\$6.5 million, US\$2.8 million and US\$4.3 million, respectively, accounting for 7.2%, 3.4%, 2.9%, 3.0% and 3.2% of our total revenue in the same periods. For ore slime, which has low-grade of gold and requires special treatment and results in low recovery rate, we are entitled to retain 50% of the revenue from such gold sales and pay the rest to the third party as a corresponding tolling material purchase cost, and we do not charge any tolling fees for tolling slime.

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### *Gold Hedges*

In July 2018 we began entering into gold forward sales to limit our exposure to the volatility of gold prices. We enter into forward sales contracts which obligate us to deliver the agreed upon amount of gold at a future date for which we will receive the pre-agreed price at the time the contract was entered into. In 2018, we recorded a loss of US\$0.4 million on gold hedges primarily because the spot prices of gold at the time of delivery were in aggregate higher than the contract forward sale prices. During the six months ended June 30, 2019, we entered into forward sale agreements for 99,000 ounces of gold with an average price of ZAR19,269 (US\$1,367.9) per ounce. Delivery of these forward sale agreements are scheduled throughout 2019 and 2020. We had delivered 29,750 ounces under these contracts, with 69,250 ounces outstanding as of June 30, 2019. We recorded a gain of US\$1.3 million on gold hedges for the six months ended June 30, 2019, primarily because the spot prices of gold at the time of delivery were in aggregate lower than the contract forward sale prices. We also entered into zero cost collars in January 2019 for hedging 5,400 ounces of gold in aggregate for the period from January to March 2019, with a floor of ZAR18,660.0 (US\$1,324.7) per ounce and a cap of ZAR18,975.0 (US\$1,347.1) per ounce. We had settled all the zero cost collar positions in January 2019. The foregoing unit forward sales prices of gold are converted at the rate of ZAR14.0862:US\$1, the prevailing rate as of June 30, 2019 for illustrative purposes only. See “Business — Sales, Customers and Hedging — Hedging.”

### *Revenue and sales volume breakdown by mines and tolling treatment*

The following table sets forth a breakdown of our revenue by mines and tolling treatment for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	% of		% of		% of		% of		% of	
	Amount	revenue	Amount	revenue	Amount	revenue	Amount	revenue	Amount	revenue
<i>(US\$ in thousands, except percentages)</i>										
<b>Revenue</b>										
Kopanang Mine . . . . .	–	–	–	–	76,144	34.6%	26,598	28.1%	52,750	40.1%
Tau Lekoa Mine . . . . .	89,330	67.1%	93,624	71.9%	86,053	39.1%	42,665	45.0%	45,074	34.3%
Buffels . . . . .	12,616	9.5%	18,397	14.1%	15,443	7.0%	7,863	8.3%	9,133	6.9%
Tolling Treatment <sup>(1)</sup> . . . . .	31,181	23.4%	18,295	14.0%	42,425	19.3%	17,600	18.6%	24,486	18.6%
<b>Total . . . . .</b>	<b>133,127</b>	<b>100.0%</b>	<b>130,316</b>	<b>100.0%</b>	<b>220,065</b>	<b>100.0%</b>	<b>94,726</b>	<b>100.0%</b>	<b>131,443</b>	<b>100.0%</b>

*Note:*

- (1) Revenue from tolling treatment represents revenue of both gold sales from our tolling services and tolling fees charged to third-party tolling customers in the applicable period.

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We generate most of our revenue from sales of gold from gold-containing ore mined by ourselves at the Kopanang Mine and the Tau Lekoa Mine. Our own low-grade surface rock dumps ‘Buffels’ contributed to a small portion of our total revenue.

Our revenue of tolling treatment is affected by our processing capacity and the amount of tolling materials from third parties that satisfy our minimum standard of acceptance. For more detailed discussion on the fluctuation in each of the revenue components during the Track Record Period, see “– Period to Period Comparison of Results of Operations.”

The following table sets forth a breakdown of our sales volume by mines and tolling treatment for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	% of sales		% of sales		% of sales		% of sales		% of sales	
	Amount	volume	Amount	volume	Amount	volume	Amount	volume	Amount	volume
<i>(ounce, except percentages)</i>										
<b>Sales Volume</b>										
Kopanang Mine . . . . .	–	–	–	–	59,425 <sup>(2)</sup>	35.4%	19,732 <sup>(3)</sup>	28.6%	39,647	41.3%
Tau Lekoa Mine . . . . .	71,675	72.4%	74,477	74.4%	68,135	40.5%	32,285	46.7%	33,909	35.3%
Buffels . . . . .	10,312	10.4%	14,624	14.6%	12,233	7.3%	5,945	8.6%	6,920	7.2%
Tolling Treatment <sup>(1)</sup> . .	17,032	17.2%	11,064	11.0%	28,244	16.8%	11,118	16.1%	15,486	16.1%
<b>Total . . . . .</b>	<b>99,019</b>	<b>100.0%</b>	<b>100,165</b>	<b>100.0%</b>	<b>168,037</b>	<b>100.0%</b>	<b>69,080</b>	<b>100.0%</b>	<b>95,963</b>	<b>100.0%</b>

*Notes:*

- (1) Sales volume of tolling treatment represents gold sales from our tolling services in the applicable period.
- (2) Only includes the sales volume of Kopanang Mine for the ten months ended December 31, 2018
- (3) Only includes the sales volume of Kopanang Mine for the four months ended June 30, 2018.

Our sales volume increased from 99,019 ounces in 2016 to 100,165 ounces in 2017 primarily due to (i) an increase in sales volume of 2,802 ounces from the Tau Lekoa Mine as we improved its efficiency and (ii) an increase in sales volume of 4,312 ounces from Buffels surface material site, partially offset by a decrease in sales volume of 5,968 ounces from tolling treatment. In 2017, less tolling materials from third party tolling customers satisfied our minimum standard of acceptance and therefore, we processed more gold-containing rock dumps from Buffels to better utilize Nicolor Plant’s treatment capacity.

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Our sales volume increased significantly to 168,037 ounces in 2018 mainly as a result of our acquisition of the Kopanang Mine in February 2018. The Kopanang Mine contributed 59,425 ounces in sales volume during 2018, although it did not achieve its planned production level in 2018. We also had an increase in non-Kopanang Mine sales volume from 100,165 ounces in 2017 to 108,613 ounces in 2018, which was mainly due to an increase in sales volume of 17,180 ounces from tolling treatment as we processed more gold-containing materials from third parties, partially offset by (i) a decrease in sales volume of 6,342 ounces from the Tau Lekoa Mine as relatively large seismic events occurred in late 2018 which adversely affected its production volume for 2018 and (ii) a decrease in sales volume of 2,390 ounces from Buffels surface material site as the increasing tolling materials occupied our treatment capacity.

Our sales volume increased by 38.9% from 69,080 ounces in the six months ended June 30, 2018 to 95,963 ounces in the same period in 2019, mainly as a result of an increase in sales volume attributable to the Kopanang Mine which was acquired in February 2018. The Kopanang Mine contributed 39,647 ounces in sales volume during the six months ended June 30, 2019, although it had not achieved its planned production level for such period. We also had an increase in sales volume attributable to non-Kopanang Mine from 49,348 ounces in the six months ended June 30, 2018 to 56,316 ounces in the same period in 2019, which was mainly due to an increase in the sales volume from tolling treatment. The increase in the sales volume from tolling treatment was primarily because (i) we have primarily treated reef materials from both Tau Lekoa Mine and Kopanang Mine at West Gold Plant since we acquired it in February 2018, which opened up the treatment capacity of Nicolor Plant; and (ii) more tolling materials from third-party tolling customers satisfied our standard of acceptance in the first half of 2019.

We expect that our sales volume of gold will increase considerably in 2019 compared to 2018. See “— Description of Principal Income Statement Items — Gross Profit or Loss — Profitability Trends.”

## FINANCIAL INFORMATION

### Cost of Sales

#### *Description of Principal Cost of Sales Items*

The following table sets forth the components of our cost of sales and their respective percentages in the total cost of sales for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	% of cost of sales	Amount	% of cost of sales	Amount	% of cost of sales	Amount	% of cost of sales	Amount	% of cost of sales
<i>(US\$ in thousands, except percentages)</i>										
Employee costs . . . . .	58,306	45.5%	70,059	51.3%	135,713	51.3%	64,488	53.5%	73,300	51.7%
Mining consumables . .	17,971	14.0%	21,585	15.8%	38,717	14.6%	18,107	15.0%	22,313	15.8%
Tolling material										
purchases . . . . .	22,057	17.2%	12,985	9.5%	29,898	11.3%	12,765	10.6%	18,961	13.4%
Utilities . . . . .	13,730	10.7%	15,720	11.5%	32,126	12.1%	14,437	12.0%	16,805	11.9%
Consultants and										
contractors . . . . .	6,018	4.7%	6,971	5.1%	12,894	4.9%	6,046	5.0%	7,582	5.4%
Depreciation . . . . .	4,925	3.8%	7,726	5.7%	15,978	6.0%	7,239	6.0%	7,028	5.0%
Transport costs . . . . .	3,905	3.0%	4,481	3.3%	5,594	2.1%	2,782	2.3%	3,287	2.3%
Production cost related										
to gold theft . . . . .	—	—	—	—	—	—	—	—	(3,126)	(2.2)%
Capital transfer . . . . .	(4,304)	(3.4)%	(8,003)	(5.9)%	(11,724)	(4.4)%	(4,511)	(3.7)%	(7,593)	(5.3)%
Other costs . . . . .	5,535	4.3%	4,922	3.6%	5,440	2.1%	(743)	(0.6)%	3,102	2.2%
<b>Total . . . . .</b>	<b>128,143</b>	<b>100.0%</b>	<b>136,446</b>	<b>100.0%</b>	<b>264,636</b>	<b>100.0%</b>	<b>120,609</b>	<b>100.0%</b>	<b>141,659</b>	<b>100.0%</b>

#### *Employee Costs*

Our employee costs consist of direct employee costs, which mainly include basic salaries, bonus and benefits, such as leave pay provision charge, allowances, retirement benefits and medical aid contributions, that we pay to our employees engaged in production activities. The base salary of our non-managerial employees are collectively negotiated and has a fixed annual increase under the Wage Agreement. See “Business — Labor and Employees — Labor Unions.” Employee costs are the largest component of our cost of sales. Our employee costs were US\$58.3 million, US\$70.1 million, US\$135.7 million, US\$64.5 million and US\$73.3 million in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively, accounting for 45.5%, 51.3%, 51.3%, 53.5% and 51.7% of our cost of sales in the same periods.

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### *Mining Consumables*

Our mining consumables mainly include blasting consumables, ventilation, drill steel and bits, fuel, pumps, carbon, cyanide, steel balls, timber and reagents that we use in our production activities, most of which are typically readily available from multiple suppliers and can be sourced at competitive market prices (although we note that certain consumables such as cyanide are only available from a single supplier). The amount of mining consumables we use are generally in proportion with the volume of the ore we mine. See “Business — Supply of Materials and Equipment.” Our mining consumables were US\$18.0 million, US\$21.6 million, US\$38.7 million, US\$18.1 million and US\$22.3 million in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively, accounting for 14.0%, 15.8%, 14.6%, 15.0% and 15.8% of our cost of sales in the same periods.

### *Tolling Material Purchases*

Our tolling material purchase costs mainly include the portion of revenue that we do not keep from sales of the gold from gold-containing materials provided by third parties that utilize our tolling services. See “— Revenue — Tolling Services.” Our tolling material purchase costs were US\$22.1 million, US\$13.0 million, US\$29.9 million, US\$12.8 million and US\$19.0 million in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively, accounting for 17.2%, 9.5%, 11.3%, 10.6% and 13.4% of our cost of sales in the same periods.

### *Utilities*

Our utility costs mainly include the cost of electricity we consume during our production activities, and to a lesser extent, the cost of water. Our electricity tariff rates are at the market rates that Eskom charges other electricity users. See “Business — Utilities — Electricity.” Our utility costs were US\$13.7 million, US\$15.7 million, US\$32.1 million, US\$14.4 million and US\$16.8 million in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively, accounting for 10.7%, 11.5%, 12.1%, 12.0% and 11.9% of our cost of sales in the same periods.

### *Consultants and Contractors*

Our consultant and contractor costs under cost of sales represent our payments to consultants and contractors relating to production. Our consultant and contractor costs under cost of sales were US\$6.0 million, US\$7.0 million, US\$12.9 million, US\$6.0 million and US\$7.6 million in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively, accounting for 4.7%, 5.1%, 4.9%, 5.0% and 5.4% of our cost of sales in the same periods.

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### *Depreciation*

Our depreciation under cost of sales represents the depreciation of our mining properties (including mineral rights), mine development and processing plant facilities relating to underground operations, which are depreciated using the units-of-production method based on actual production and the estimated Proved and Probable Mineral Reserves. Our depreciation under cost of sales was US\$4.9 million, US\$7.7 million, US\$16.0 million, US\$7.2 million and US\$7.0 million in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively, accounting for 3.8%, 5.7%, 6.0%, 6.0% and 5.0% of our cost of sales in the same periods.

### *Transport Costs*

Our transport costs under cost of sales represent the costs of underground and surface transportation of ore from our mines to processing plants. Our transport costs were US\$3.9 million, US\$4.5 million, US\$5.6 million, US\$2.8 million and US\$3.3 million in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively, accounting for 3.0%, 3.3%, 2.1%, 2.3% and 2.3% of our cost of sales in the same periods.

### *Capital Transfer*

Our cost of sales are partially offset by capital transfer. We capitalize a portion of cost of sales associated with mine development activities into our property, plant and equipment. We recorded mine development capitalization cost in the amount of US\$4.3 million, US\$8.0 million, US\$11.7 million, US\$4.5 million and US\$7.6 million in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively.

### *Production Cost Related to Gold Theft*

We lost gold in an incident of gold robbery on February 8, 2019, see “Business — Our Operations — Transportation.” The production cost related to the entire gold sludge lost in this incident was US\$3.1 million, accounting for 2.2% of our cost of sales in the six months ended June 30, 2019. We recorded a loss of US\$2.6 million in connection with this incident in the first six months ended June 30, 2019.

### *Other Cost of Sale Items*

Our other cost of sale items mainly include (i) royalties payable to AngloGold pursuant to our acquisition agreement for the Kopanang Operations, (ii) royalties for extraction of minerals, which rate is determined based on our revenue and earnings before interest, taxes, depreciation and amortization, (iii) tailing costs incurred in connection with our tailing services in Nicolor plant and (iv) other costs, such as cost of training, employee transport, assay and security.



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Our other cost of sales is offset by certain incidental income relating to cost of sales, which includes (i) inventory movements, which are movements in our gold work in progress, high-grade stockpiles and consumables, and (ii) changes in estimate, which relates to our provision for environmental liability.

### *Management of Cost of Sales*

We incur a large portion of cost of sales regardless of production volume. Among the components of our cost of sales, employee costs, mining consumables, utilities and transport costs, which in aggregate accounted for approximately 80% of our total cost of sales, are less sensitive to production volume (the “**Non-Production-Sensitive Costs**”), while the remaining components of our cost of sales, such as tolling material purchases, depreciation and consultant and contractors costs, are highly correlated to production volume. Our sales volume of gold in the second quarter of 2019 increased by 13% compared to the first quarter of 2019, while our Non-Production-Sensitive Costs only increased by 2%.

While increasing our production volume, we make efforts to control our cost of sales. Employee costs are the largest component of our cost of sales and accounted for 45.5%, 51.3%, 51.3%, 53.5% and 51.7% of our cost of sales in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019. Although our employees’ base salaries and benefits are fixed, we can enhance control over bonus, over-time costs and absence from work. We are also upgrading our enterprise resource planning, or ERP system and overhauling our payroll and human resource management system to improve our cost management efficiency.

### *Cost of Sales Breakdown by Mines and Tolling Treatment*

The following table sets forth a breakdown of our cost of sales by mines and tolling treatment for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	% of cost sales	Amount	% of cost sales	Amount	% of cost sales	Amount	% of cost sales	Amount	% of cost sales
<i>(US\$ in thousands, except percentages)</i>										
<b>Cost of Sales</b>										
Kopanang Mine . . . . .	-	-	-	-	90,296	34.1%	35,059	29.1%	53,422	37.7%
Mine Development . . . . .	-	-	-	-	5,769	2.2%	1,549	1.3%	4,414	3.1%
Tau Lekoa Mine . . . . .	89,916	70.2%	101,875	74.7%	117,645	44.5%	62,725	52.0%	57,022	40.3%
Mine Development . . . . .	2,899	2.3%	10,248	7.5%	10,142	3.8%	4,974	4.1%	5,378	3.8%
Buffels . . . . .	10,836	8.4%	14,798	10.8%	15,907	6.0%	6,959	5.8%	8,442	6.0%
Tolling Treatment <sup>(1)</sup> . . . . .	27,391	21.4%	19,773	14.5%	40,788	15.4%	15,866	13.2%	22,773	16.1%
<b>Total . . . . .</b>	<b>128,143</b>	<b>100.0%</b>	<b>136,446</b>	<b>100.0%</b>	<b>264,636</b>	<b>100.0%</b>	<b>120,609</b>	<b>100.0%</b>	<b>141,659</b>	<b>100.0%</b>

*Note:*

- (1) Cost of sales of tolling treatment represents cost of sales for ore purchases and treatment costs of all tolling materials in the applicable period.

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The cost of sales at the Kopanang Mine increased by 52.4% from US\$35.1 million in the six months ended June 30, 2018 to US\$53.4 million in the same period of 2019, primarily because (i) the Kopanang Mine is fully reflected in our consolidated financial information in the six months ended June 30, 2019, while only partially reflected in the same period in 2018, and (ii) production of the Kopanang Mine continued to ramp up. The cost of sales at Tau Lekoa Mine generally exhibited an upward trend from 2016 through 2018, primarily due to increased mine development activities. Our cost of sales at Tau Lekoa Mine denominated in ZAR increased slightly in the six months ended June 30, 2019 compared to the same period in 2018, in line with the increase in its production and inflation in South Africa. The cost of sales at Tau Lekoa Mine denominated in U.S. dollars decreased slightly in the six months ended June 30, 2019 compared to the same period of 2018, primarily because of the weaker exchange rate of ZAR against U.S. dollar in the first half of 2019.

### Gross Profit or Loss

Our gross profit was US\$5.0 million in 2016, while our gross loss was US\$6.1 million, US\$44.6 million, US\$25.9 million and US\$10.2 million in 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively. Our gross margin was 3.7%, (4.7)%, (20.3)%, (27.3)% and (7.8)% in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively. See “– Period to Period Comparison of Results of Operations.”

The following table sets forth a breakdown of our gross profit and gross margin by mines and tolling treatment for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Gross Amount	Gross Margin	Gross Amount	Gross Margin	Gross Amount	Gross Margin	Gross Amount	Gross Margin	Gross Amount	Gross Margin
<i>(US\$ in thousands, except percentages)</i>										
<b>Gross Profit/(Loss)</b>										
Kopanang Mine . . . . .	–	–	–	–	(14,152)	(18.6)%	(8,461)	(31.8)%	(672)	(1.3)%
Tau Lekoa Mine . . . . .	(586)	(0.7)%	(8,251)	(8.8)%	(31,592)	(36.7)%	(20,060)	(47.0)%	(11,948)	(26.5)%
Buffels . . . . .	1,780	14.1%	3,599	19.6%	(464)	(3.0)%	904	11.5%	691	7.6%
Tolling Treatment . . . . .	3,790	12.2%	(1,478)	(8.1)%	1,637	3.9%	1,734	9.9%	1,713	7.0%
<b>Total . . . . .</b>	<b>4,984</b>	<b>3.7%</b>	<b>(6,130)</b>	<b>(4.7)%</b>	<b>(44,571)</b>	<b>(20.3)%</b>	<b>(25,883)</b>	<b>(27.3)%</b>	<b>(10,216)</b>	<b>(7.8)%</b>

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The acquired Kopanang Mine suffered gross loss in 2018 mainly because it did not reach its planned production level during the transition period following our acquisition in February 2018, while a large portion of its cost of sales were incurred regardless of its production volume in that period. The gross loss of the Kopanang Mine narrowed significantly and the gross loss margin decreased significantly in the six months ended June 30, 2019, as its production continued to ramp up and ZAR became weaker against U.S. dollar in the same period.

The gross loss at the Tau Lekoa Mine increased from US\$586,000 in 2016 to US\$8.3 million in 2017, as its cost of sales grew at a faster pace than its revenue did, primarily due to the significant appreciation of ZAR against U.S. dollar in 2017. The gross loss at the Tau Lekoa Mine increased substantially in 2018, primarily due to its increased cost of sales associated with the increased mine development activities. The gold sold attributable to the Tau Lekoa Mine decreased slightly in 2018 because (i) increased mine development activities impacted our mining activities and (ii) several relatively large seismic events occurred at the Tau Lekoa Mine in late 2018, which adversely affected its production volume for 2018. The gross loss at the Tau Lekoa Mine narrowed in the six months ended June 30, 2019 compared to the same period of 2018, primarily due to a slight increase in sales volume at the Tau Lekoa Mine and a relatively weaker ZAR against U.S. dollar.

The Tau Lekoa Mine's relatively significant gross losses in 2018 and the six months ended June 30, 2019 were to a large extent attributable to a series of unexpected seismic events occurred at certain high-grade mining areas at the Tau Lekoa Mine, which adversely affected our grade performance and tonnage mined. See "Risk Factors – Risks relating to our business and industry – Due to the nature of mining and the type of the gold mines we operate, we face significant risks of delays or stoppages in production and may incur increased production costs arising from environmental, health and safety issues." As we open up more stoping panels in the Tau Lekoa Mine as part of our ongoing mine development, we expect that the adverse impacts caused by unpredictable future seismic events will be mitigated.

### ***Profitability Trends***

Based on the production profile of our mines, the predictable cost of sales, as well as the trends of market gold prices and ZAR to U.S. dollar exchange rates, we believe that we may realize gross profit starting in 2019 and net profit starting in 2020.

- *Significant Production Increase.* Since acquiring the Kopanang Operations in February 2018, we have made significant efforts towards consolidating its management and operations with our existing operations, improving its operational efficiency and implementing stricter labor policies. Production at the Kopanang Mine was less than half of its planned production level in March 2018. Although we had largely stabilized Kopanang's production by June 2018, between June and December 2018 its production was only approximately 80% of its planned production level. As a result, the total production at the Kopanang Mine during the transition period (the four months ended June 30, 2018) was 21,126 ounces,

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representing a shortfall of 6,771 ounces compared to the planned production level of 27,897 ounces. The production rate of the Kopanang Mine remained stable at around 86% of its planned production level in the first half of 2019. Based on the current trend, we expect the Kopanang Mine to achieve its planned full production in October 2019, with stabilized grade and improved performance on tonnage mined. Further, we will benefit from having a 12-month production year compared to only 10 months in 2018 following the February acquisition.

West Gold Plant, which was acquired by us together with the Kopanang Mine in February 2018, also underperformed in 2018. Before our acquisition, West Gold Plant was primarily used to treat low-grade surface materials and waste materials. Since March 2018, it started to treat higher-grade gold-containing ore from the Tau Lekoa Mine and the Kopanang Mine. West Gold Plant did not achieve its targeted gold recovery level during the first few months after our acquisition during a transition period caused in part by the refurbishment of certain equipment and the building up of the gold recovery rate. The average gold recovery rate of West Gold Plant was 91% for the period from March 1, 2018, when we took control, to December 31, 2018. We maintained its gold recovery rate at approximately 91% in the first quarter of 2019 and increased its gold recovery rate to 93% in the second quarter of 2019. We are currently in the process of upgrading key production machinery and equipment at West Gold Plant, such as the elution circuit and carbon re-generation circuit, and expect to complete by the end of 2019, by which time West Gold Plant will be running at its optimized efficiency and achieve a stable gold recovery rate at around 93% - 94%.

At the Tau Lekoa Mine, our ongoing mine development activities will start to show positive results. We have been extending existing on-reef development and developing into virgin grounds, such as the North Block area at the Tau Lekoa Mine which commenced mining in April 2019 and the virgin areas below 1,650 meters which are progressing as planned. These newly-developed areas not only allow us to access more stoping panels, but also improve our mining efficiency, as the stoping panels in newly-developed areas are relatively concentrated and support an average of nine months of continuous mining, while those in existing areas are scattered and only support an average of three months of continuous mining. For example, the North Block area is a large block of ground and is closer to the shaft. This will result in improved efficiencies and productivity as the effective shift time of the crews will be improved as a result of the reduced traveling time. We estimate that approximately 30% of our production at the Tau Lekoa Mine will be derived from these newly-developed areas by the end of 2020. We believe that the newly-developed areas also have more mining flexibility, which enables better grade control, and less exposure to production interruption risks such as seismicity. In the meantime, as the requirements for opening-up crews in the old mining areas are reduced, we have been re-training these crews for stoping and moving them to the newly-developed areas for stoping. As such, we can effectively increase our production capacity without additional labor costs. These measures will

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considerably improve our production volume and grade at the Tau Lekoa Mine. In addition, once the Weltevreden project commences operation toward the end of 2019, we will have an additional source of gold ore output.

Our sales volume increased by 38.9% from 69,080 ounces for the six months ended June 30, 2018 to 95,963 ounces for the same period in 2019. We expect that our sales volume of gold will increase considerably in 2019 compared to 2018.

- *Predictable Cost of Sales.* Our cost of sales mainly include employee costs, costs of mining consumables, tolling material purchases, utilities, consultants and contractors, as well as depreciation of property, plant and equipment. We will incur a large portion of cost of sales regardless of production volume. See “— Key Factors Affecting Our Results of Operations — Cost of Sales.” As a result, although we expect considerable increases in sales volume of gold in 2019, we expect that our cost of sales denominated in ZAR will increase at a slower pace in the same year.
- *Market Gold Price.* The average market price of gold increased from US\$1,268.5 per ounce in 2018 to US\$1,306.5 per ounce for the six months ended June 30, 2019. Based on the current trend as well as the complex political and business environment in different areas of the world, the average market gold price in 2019 is likely to be higher than that in 2018, according to Frost & Sullivan. See “Industry Overview – Global Gold Prices.” To limit our exposure to the volatility of gold prices, we have entered into various hedging transactions in 2019 and may continue to do so depending on the gold price in the market. See “Business – Sales, Customers and Hedging – Hedging.”
- *U.S. Dollar to ZAR Exchange Rate.* The U.S. dollar to ZAR exchange rate fluctuated between ZAR13.3 and ZAR15.0 per U.S. dollar in the first six months of 2019. As of June 30, 2019, the U.S. dollar to ZAR exchange rate was ZAR14.1 per U.S. dollar. Based on the current trend, the ZAR is likely to depreciate slightly against U.S. dollar in the rest of 2019, according to Frost & Sullivan. As our cost of sales and operating expenses are incurred in ZAR but denominated in U.S. dollar on our financial statements, the depreciation of ZAR against U.S. dollar will have positive impacts on our operating results expressed in U.S. dollars. See “Financial Information – Key Factors Affecting Our Results of Operations – Gold Price and Foreign Exchange Rate.”

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### *Sustainability of Our Business*

Gold mining in South Africa is a mature industry with rich heritage, infrastructure, institutional knowledge and geological data. We believe we have a well-established business model. Both of our Tau Lekoa Mine and Kopanang Mine are deep underground mines exploiting this well-understood ore body of high continuity in the Witwatersrand basin. As the current operating areas of our mines only cover a small portion of our Mineral Resources or Mineral Reserves, we expect that the LoM of our mines will extend as further Mineral Reserves are declared through on-reef development during the mining process. See “Business – Our Assets – Features of South African Deep-Level Underground Gold Mine.” During the Track Record Period, we successfully declared additional Mineral Resources and converted into Mineral Reserves from our Mineral Resources through our mine development activities.

Our cost of sales is predictable. A large portion of our cost of sales does not vary significantly with changes in production volume. We incurred gross losses during the Track Record Period largely due to the ramp-up of our production during the transition period after the acquisition of the Kopanang Mine, as well as the continual high level of development activities at the Tau Lekoa Mine. Despite the gold robbery incident in February 2019, our gross loss narrowed in the six months ended June 30, 2019 compared to the same period in 2018. As the production of the Kopanang Mine gradually increases to full production level, coupled with the expected production volume increase from the Tau Lekoa Mine and potentially the Weltevreden project, we believe that we may realize gross profit starting in 2019 and maintain the profitability onwards, absent any material adverse changes that are out of our control. See “– Description of Principal Income Statement Items – Gross Profit or Loss – Profitability Trends.”

Considering our well-established business model, abundant Mineral Resources and Mineral Reserves, predictable cost of sales, as well as improvement in and room for further improvement in production volume and operational efficiency, we believe that our business is sustainable.

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### Other Income and Gains

The following table sets forth the components of our other income and gains and their respective percentages in our revenue for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
(Unaudited)										
(US\$ in thousands, except percentages)										
Interest income from										
other assets . . . . .	959	0.7%	701	0.5%	651	0.3%	293	0.3%	373	0.3%
Interest income from										
bank deposits . . . . .	352	0.3%	643	0.5%	467	0.2%	426	0.4%	755	0.6%
Royalties income . . . . .	258	0.2%	330	0.3%	336	0.2%	177	0.2%	169	0.1%
Sale of scrap . . . . .	50	0.0%	89	0.1%	84	0.0%	67	0.1%	122	0.1%
Rental income . . . . .	33	0.0%	52	0.0%	99	0.0%	37	0.0%	23	0.0%
	<u>1,652</u>	<u>1.2%</u>	<u>1,815</u>	<u>1.4%</u>	<u>1,637</u>	<u>0.7%</u>	<u>1,000</u>	<u>1.1%</u>	<u>1,442</u>	<u>1.1%</u>
Gain on bargain										
purchase . . . . .	-	-	-	-	27,074	12.3%	27,074	28.6%	-	-
Gain on disposal of a										
subsidiary . . . . .	-	-	-	-	20,274	9.2%	-	-	-	-
(Loss)/gain on disposal										
of items of property,										
plant and equipment .	-	-	(2)	(0.0)%	11	0.0%	-	-	91	0.1%
Total . . . . .	<u>1,652</u>	<u>1.2%</u>	<u>1,813</u>	<u>1.4%</u>	<u>48,996</u>	<u>22.3%</u>	<u>28,074</u>	<u>29.6%</u>	<u>1,533</u>	<u>1.2%</u>

### Gain on Bargain Purchase Price

Our gain on bargain purchase price represents the difference between fair value of the Kopanang Operations as of February 28, 2018 and the consideration we agreed to pay for acquiring the Kopanang Operations under the acquisition contract. We acquired the Kopanang Operations at a bargain purchase price because as part of its restructuring efforts in South Africa, AngloGold was planning to dispose of the Kopanang Operations, which were loss-making at the time of sale due to its own management inefficiencies. AngloGold was seeking a new owner based largely on the potential owner's reputation and ability to efficiently manage the business, instead of the bidding price. See "History and Corporate Structure — Our Corporate History and Development — Acquisition of Kopanang Operations."

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### *Gain on Disposal of a Subsidiary*

We disposed of our interest in Lesego on December 18, 2018. Our gain on disposal of a subsidiary represents the difference between the consideration we received for sale of Lesego, which was negotiated on an arm's length basis and determined based on its valuation at the time we acquired its shares from IDC, and its book value at the time of closing of the sale. See "History and Corporate Structure — Our Corporate History and Development — Disposal of Lesego."

### *Other Income and Gain Items*

Our other income and gain items include (i) interest income from other assets, which include environmental trust fund, restricted cash and reimbursive rights, (ii) interest income from bank deposits, (iii) royalties income in connection with AngloGold's treatment of gold-containing dumps from Buffels at a rate of 1% of gold recovered from such dumps, pursuant to a previous transaction in which Buffels sold its slimes dam to a third party, which subsequently sold it to AngloGold, (iv) rental income, which was derived from leasing our houses to employees near the Kopanang Mine and Orkney at cost and (v) income from sale of scrap metals, such as scrap steel, copper, timber plastics and domestic waste.

### *Administrative Expenses*

The following table sets forth the components of our administrative expenses and their respective percentages in our revenue from continuing operations for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
<i>(US\$ in thousands, except percentages)</i>										
IPO listing expenses . . .	–	–	–	–	1,821 <sup>(1)</sup>	0.8%	–	–	2,363 <sup>(1)</sup>	1.8%
Insurance . . . . .	543	0.4%	644	0.5%	1,352	0.6%	695	0.7%	628	0.5%
Employee costs . . . . .	231	0.2%	1,007	0.8%	1,389	0.6%	522	0.6%	428	0.3%
Depreciation . . . . .	108	0.1%	294	0.2%	549	0.2%	218	0.2%	352	0.3%
Consultant and										
contractors . . . . .	620	0.5%	935	0.7%	1,392	0.6%	321	0.3%	349	0.3%
Transaction costs . . . . .	–	–	125	0.1%	192	0.1%	192	0.2%	–	–
Share option expense . . .	49	0.0%	–	–	63	0.0%	63	0.1%	–	–
Other expenses . . . . .	1,454	1.1%	1,250	1.0%	2,728	1.2%	1,287	1.4%	1,571	1.2%
<b>Total . . . . .</b>	<b>3,005</b>	<b>2.3%</b>	<b>4,255</b>	<b>3.3%</b>	<b>9,486</b>	<b>4.3%</b>	<b>3,298</b>	<b>3.5%</b>	<b>5,691</b>	<b>4.3%</b>

*Note:*

(1) Excludes expenses capitalized as prepayments.



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### ***IPO Listing Expenses***

We incurred IPO listing expenses of US\$1.8 million and US\$2.4 million in 2018 and the six months ended June 30, 2019, respectively, as we commenced our IPO process in 2018 and engaged professional parties for work in connection with the proposed listing of our shares on the Stock Exchange.

### ***Employee Costs***

Our employee costs under administrative expenses represent the salaries and benefits we paid to our senior management, executives, administrative personnel and all other employees who are not directly engaged in exploration and production activities. Our employee costs under administrative expenses were US\$0.2 million, US\$1.0 million, US\$1.4 million, US\$0.5 million and US\$0.4 million in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively, accounting for 0.2%, 0.8%, 0.6%, 0.6% and 0.3% of our revenue in the same periods.

### ***Insurance***

Our insurance expenses represent the insurance premium we paid for maintaining our insurance coverage, such as property damage and business interruption insurance. See “Business — Insurance.” Our insurance expenses were US\$0.5 million, US\$0.6 million, US\$1.4 million, US\$0.7 million and US\$0.6 million in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively, accounting for 0.4%, 0.5%, 0.6%, 0.7% and 0.5% of our revenue in the same periods.

### ***Consultant and Contractors***

Our consultant and contractors expenses under administrative expenses represent the fees we paid to our consultant and contractors providing administrative services to us. Our consultant and contractors expenses under administrative expenses were US\$0.6 million, US\$0.9 million, US\$1.4 million, US\$0.3 million and US\$0.3 million in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively, accounting for 0.5%, 0.7%, 0.6%, 0.3% and 0.3% of our revenue in the same periods.

### ***Depreciation***

Our depreciation under administrative expenses represent the depreciation of our furniture and office equipment. Our depreciation under administrative expenses was US\$0.1 million, US\$0.3 million, US\$0.5 million, US\$0.2 million and US\$0.4 million in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively, accounting for 0.1%, 0.2%, 0.2%, 0.2% and 0.3% of our revenue in the same periods.

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### ***Transaction Costs***

Our transaction costs represent the expenses we incurred in connection with our acquisition of the Kopanang Operations, which was initiated in 2017 and closed on February 28, 2018. Our transaction costs were nil, US\$0.1 million, US\$0.2 million, US\$0.2 million and nil in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively, accounting for nil, 0.1%, 0.1%, 0.2% and nil of our revenue in the same periods.

### ***Share Option Expense***

We entered into two share options arrangements with various BBBEE partners in order to meet the South African Mining Charter requirements of 26% BBBEE shareholding in 2018. See “Regulatory Overview — Relevant South African Laws and Regulations — Major Laws and Regulations on Mining — Mining Charter.” Our share option expenses represent the expenses in connection with the share options issued to our BBBEE partners to satisfy such requirements. See “History and Corporate Structure – Our Corporate History and Development – Introduction of Our BBBEE Partners.” Our share option expenses were US\$49,000, nil, US\$63,000, US\$63,000 and nil in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively. These share option arrangements will be settled by equity shares of our subsidiaries with mining operations once the subscription price has been paid in full from future dividends from these operations. These share option arrangements are related to issued shares and thus will not require issuance of any new shares of the Company nor any of its subsidiaries in any condition and therefore, will not have any dilutive effect on the shareholding of the Company.

### ***Other Expense Items***

Our other expense items under administrative expenses consist of legal fees, travel expenses, lease rentals on operating leases, transaction costs and other expenses, which mainly include other miscellaneous expense items.

### ***Finance Costs***

Our finance costs represent interest on lease and unwinding of discounting on provision of rehabilitation liability. We recorded interest on lease in the amount of US\$10,000, US\$7,000, US\$17,000, US\$1,000 and US\$21,000 in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively. We make provisions for environmental rehabilitation costs which are expected to be incurred when exploration, mining, evaluation and development activities give rise to the need for restoration. See “— Description of Principal Consolidated Balance Sheet Items — Rehabilitation Liability.” Discounting on environmental rehabilitation liability is unwound throughout the period during which we are required to make such provisions and expensed to our finance costs. We recorded unwinding of the discounting of provisions for environmental rehabilitation in the amount of US\$1.0 million, US\$1.0 million, US\$1.5 million, US\$0.7 million and US\$0.8 million in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively.

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### Share of Losses of an Associate

Our share of losses of an associate was our loss from equity accounted investments in Margaret Water Company, which is a non-profit company established pursuant to a directive issued by the DMRE and the Department of Water and Sanitation in 2007. We recorded share of losses of an associate in the amount of US\$0.6 million, US\$0.7 million, US\$0.7 million, US\$0.4 million and US\$0.4 million in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively, as a result of Margaret Water Company's loss from continuing operations in the same periods.

### Reversal of/(Impairment Loss) on Financial Assets

Our reversal of financial assets was US\$0.5 million in 2017, and our impairment loss on financial assets was US\$0.1 million in 2018. Our reversal of financial assets in 2017 represents a reversal of impairment for the sale price receivables in connection with our disposal of the equity interests in Southern African Tantalum Mining Proprietary Limited ("SAFTA") in the amount of US\$0.5 million. We obtained the equity interest in SAFTA together with our acquisition of the VMR operations and impaired the SAFTA sale price receivable in 2015 due to our inability to recover the receivables from the sale of the SAFTA equity interest. We successfully sold our SAFTA interest to a third party in 2017 and reversed the impairment loss of the receivables. Our impairment loss on financial assets of US\$0.1 million in 2018 represents the impairment loss on receivables from our tolling service customers. Our reversal of/(impairment loss on) financial assets was nil for each of the six months ended June 30, 2018 and 2019.

### Other Expenses

Our other expenses of US\$3.4 million in the six months ended June 30, 2019 represented (i) US\$2.6 million of the entire gold sludge lost in the incident of gold robbery on February 8, 2019, see "Business — Our Operations — Transportation", and (ii) the provision of the proposed settlement amount of US\$0.9 million in relation to the SARS tax dispute, see "Business — Legal and Administrative Proceedings — SARS Tax Dispute."

### Impairment Loss on Loan to an Associate

Our impairment loss on loans to an associate represents our impairment loss relating to Margaret Water Company. Our impairment loss on loans to an associate was US\$0.2 million, US\$0.2 million, US\$0.3 million, US\$0.1 million and US\$64,000 in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively, which were in line with Margaret Water Company's loss from continuing operations in the same years.

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### Income tax credits/(expense)

We are subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. No provision for Hong Kong profits tax has been made as we had no assessable profits derived from or earned in Hong Kong during the Track Record Period. Taxes on profits assessable in South Africa have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof. Pursuant to the South Africa Income Tax Act effective on 1962, the South Africa corporate income tax rate of our subsidiaries operating in South Africa during the Track Record Period was 28% on their taxable profits. Our effective tax rate was 6.0%, (0.2%), (29.5%), 35.2% and 3.0% in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively.

The following table sets forth the components of our income tax credits/(expense) for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	(Unaudited)				
	(US\$ in thousands)				
Current - South Africa					
Charge for the year . . . .	113	114	4,155	62	256
Overprovision in prior years . . . . .	–	(90)	(12)	–	–
Deferred - South Africa . . .	–	–	(1,853)	(870)	(822)
<b>Total tax charge for the year from continuing operations . . . . .</b>	<b>113</b>	<b>24</b>	<b>2,290</b>	<b>(808)</b>	<b>(566)</b>

Our income tax expense/(credits) was US\$0.1 million, US\$24,000, US\$2.3 million, US\$(0.1) million and US\$(0.1) million in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively. Our income tax expense was relatively larger in 2018 mainly because we disposed of Lesego and realized a taxable capital gain in 2018. Buffelsfontein Pty, one of our subsidiaries, has been engaged in a dispute with the SARS relating to understatement penalties claimed by the SARS for errors contained in the 2011 and 2012 tax filings. See “Business — Legal and Administrative Proceedings — SARS Tax Dispute.” As of the Latest Practicable Date, except as disclosed above, we had paid all relevant taxes, and we are not aware of any material disputes or unresolved tax issues with the relevant tax authorities.

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### **Other Comprehensive Income/(Loss)**

#### ***Exchange Differences on Translation of Foreign Operations***

Our exchange differences on translation of foreign operations represent the foreign currency fluctuations on the monetary items which are part of our net investment in foreign operations for which the settlement is neither planned nor likely to occur in the foreseeable future. We recorded a gain from exchange differences on translation of foreign operations under other comprehensive income in the amount of US\$5.6 million, US\$9.2 million and US\$1.6 million in 2016 and 2017 and the six months ended June 30, 2019, respectively, as a result of appreciation of ZAR against U.S. dollars. We recorded a loss from exchange differences on translation of foreign operations under other comprehensive loss in the amount of US\$15.8 million and US\$12.6 million in 2018 and the six months ended June 30, 2018, respectively, as a result of the general depreciating trend of ZAR against U.S. dollars.

### **PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS**

#### **The Six Months Ended June 30, 2019 Compared to the Six Months Ended June 30, 2018**

The acquisition of the Kopanang Operations significantly affected our operational scale and results of operation for the six months ended June 30, 2019 because we acquired the Kopanang Operations on February 28, 2018 and its operation is fully reflected in our consolidated financial information in the six months ended June 30, 2019 while only partially reflected in the same period in 2018.

#### ***Revenue***

Our revenue increased by 38.8% from US\$94.7 million in the six months ended June 30, 2018 to US\$131.4 million in the same period in 2019 due to (i) an increase in revenue from gold sales from US\$91.9 million in the six months ended June 30, 2018 to US\$125.9 million in the same period in 2019, (ii) an increase in revenue from tolling services from US\$2.8 million in the six months ended June 30, 2018 to US\$4.3 million in the same period in 2019 and (iii) an increase in revenue from gain on gold hedges from nil in the six months ended June 30, 2018 to US\$1.3 million in the same period in 2019.

The increase in revenue from our gold sales in the six months ended June 30, 2019 was primarily due to an increase in our sales volume of gold from 69,080 ounces in the six months ended June 30, 2018 to 95,963 ounces in the same period in 2019, partially offset by a decrease in our average selling price of the gold from US\$1,330.2 per ounce in the six months ended June 30, 2018 to US\$1,312.0 per ounce in the same period in 2019, which was in line with the decrease in the average gold price in the global market. Our sales volume increased by 38.9% from 69,080 ounces in the six months ended June 30, 2018 to 95,963 ounces in the same period in 2019 mainly as a result of our acquisition of the Kopanang Operations in February 2018. The Kopanang Mine contributed 19,732 ounces in sales volume from March to June of 2018 and 39,647 ounces in sales volume during the six months ended June 30, 2019. We also had an

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increase in non-Kopanang Mine sales volume from 49,348 ounces in the six months ended June 30, 2018 to 56,316 ounces in the same period in 2019, which was mainly due to an increase in the sales volume from Buffels, tolling treatment and Tau Lekoa Mine. The increase in the sales volume from tolling treatment was primarily because (i) more tolling materials from third-party tolling customers satisfied our standard of acceptance in the first half of 2019, and (ii) the sales volume from tolling customers at Nicolor Plant increased as we have treated reef materials from both Tau Lekoa Mine and Kopanang Mine at West Gold Plant since we acquired it in February 2018, which opened up the treatment capacity of Nicolor Plant.

The increase in our revenue from tolling services in the six months ended June 30, 2019 was mainly because we processed more tolling materials from third parties, as Nicolor Plant had more excess processing capacity after we decided to treat reef materials from the Tau Lekoa Mine at West Gold Plant that was acquired by us in February 2018. See “Business – Our Operations – Production Facilities.”

Our revenue from gain on gold hedges in the six months ended June 30, 2019 was primarily because the spot prices of gold at the time of delivery were in aggregate lower than the contract forward sale prices. See “– Description of Principal Income Statement Items – Revenue – Gold Hedges.”

### *Cost of Sales*

Our cost of sales denominated in ZAR increased by 35.6% from ZAR1.5 billion in the six months ended June 30, 2018 to ZAR2.0 billion in the same period in 2019. The average U.S. dollar to ZAR exchange rate was ZAR12.3 per U.S. dollar in the six months ended June 30, 2018 compared to ZAR14.2 per U.S. dollar in the same period in 2019. As a result, our cost of sales denominated in U.S. dollars increased only by 17.5% from US\$120.6 million in the six months ended June 30, 2018 to US\$141.7 million in the the same period in 2019.

Our employee costs denominated in ZAR increased by 31.1% from ZAR793.1 million in the six months ended June 30, 2018 to ZAR1.0 billion in the same period in 2019, while our employee costs denominated in U.S. dollars increased by 13.7% from US\$64.5 million in the six months ended June 30, 2018 to US\$73.3 million in the same period in 2019. The increase in our employee cost was mainly due to (i) an increase in the number of our employees engaged in production activities, mainly attributable to a transfer of more than 3,000 employees working with the Kopanang Operations to us after our acquisition in February 2018, and (ii) an increase in their average salary, see “Business – Labor and Employees.” The average salary of our employees engaged in production activities increased mainly due to increases in their basic salaries, bonus and benefits, such as leave pay provision charges, allowances, retirement benefits and medical aid contributions. The basic salaries of our non-managerial employees are collectively negotiated and has a fixed annual increase under the Wage Agreement.

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Our mining consumable costs denominated in ZAR increased by 42.1% from ZAR222.7 million in the six months ended June 30, 2018 to ZAR316.8 million in the same period in 2019, while such costs denominated in U.S. dollars increased by 23.2% from US\$18.1 million in the six months ended June 30, 2018 to US\$22.3 million in the same period in 2019. The increase in our mining consumable costs was mainly due to an increase in procurement of mining consumables as a result of the acquisition of the Kopanang Operations in February 2018.

Our tolling material purchase costs denominated in ZAR increased by 71.2% from ZAR157.0 million in the six months ended June 30, 2018 to ZAR269.2 million in the same period in 2019, while such costs denominated in U.S. dollars increased by 48.5% from US\$12.8 million in the six months ended June 30, 2018 to US\$19.0 million in the same period in 2019. The increase in our tolling material purchase costs was in line with the increase in our revenue from tolling services in the first half of 2019.

Our utility costs denominated in ZAR increased by 34.2% from ZAR177.6 million in the six months ended June 30, 2018 to ZAR238.6 million in the same period in 2019, while such costs increased by 16.4% from US\$14.4 million in the six months ended June 30, 2018 to US\$16.8 million in the six months ended June 30, 2019. The increase in our utility costs was mainly due to (i) an increase in consumption of electricity and water as a result of the acquisition of the Kopanang Operations in February 2018 and (ii) an increase in the electricity tariff rate in the same period.

Our consultant and contractor costs denominated in ZAR increased by 44.6% from ZAR74.4 million in the six months ended June 30, 2018 to ZAR107.7 million in the same period in 2019; while such costs denominated in U.S. dollars increased by 25.4% from US\$6.0 million in the six months ended June 30, 2018 to US\$7.6 million in the same period in 2019. This increase was mainly due to an increase in the number of consultants and contractors as a result of our acquisition of the Kopanang Operations in February 2018.

Our depreciation denominated in ZAR increased by 11.9% from ZAR89.0 million in the six months ended June 30, 2018 to ZAR99.8 million in the same period in 2019; while our depreciation denominated in U.S. dollars decreased slightly by 2.9% from US\$7.2 million in the six months ended June 30, 2018 to US\$7.0 million in the same period in 2019. The increase in depreciation was mainly due to the addition of mining properties (including mineral rights), mine development and processing plant facilities as a result of our acquisition of the Kopanang Operations in February 2018.

Our cost of sales is net against the capitalization of a portion of cost of sales associated with off-reef mine development activities into our property, plant and equipment. In the six months ended June 30, 2018 and 2019, we capitalized ZAR55.5 million (US\$4.5 million) and ZAR109.6 million (US\$7.6 million), respectively, from the cost of sales into the property, plant and equipment. The increase in mine development capitalization cost was primarily due to the addition of mining properties (including mineral rights), mine development and processing plant facilities mainly as a result of our acquisition of the Kopanang Operations in February 2018.



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Our cost of sales is also net against the production cost related to gold theft of ZAR42.6 million (US\$3.1 million) in the six months ended June 30, 2019 in connection with the entire gold sludge lost in the incident of gold robbery on February 8, 2019. See “Business – Our Operations – Transportation.”

### ***Gross Loss***

As a result of the foregoing, our gross loss decreased by 60.5% from US\$25.9 million in the six months ended June 30, 2018 to US\$10.2 million in the same period in 2019. Our gross profit margin increased from (27.3)% in the six months ended June 30, 2018 to (7.8)% in the same period in 2019.

Our gross loss narrowed in the six months ended June 30, 2019 mainly because our revenue from both the Kopanang Mine and non-Kopanang Mine increased at a faster pace than our cost of sales did. The increase in revenue from our gold sales was primarily due to our increased sales volume of gold in the first half of 2019 compared to the same period in 2018, partially offset by a decrease in our average selling price of the gold, which was in line with the decrease of average gold price in the global market in the same periods. Our cost of sales increased at a slower pace, primarily because a large portion of our cost of sales, such as employee costs, do not vary significantly with changes in production volume, and ZAR became weaker against U.S. dollar in the first half of 2019 compared to the same period in 2018. See “– Key Factors Affecting Our Results of Operations – Cost of Sales”.

### ***Other Income and Gains***

Our other income and gains decreased significantly from US\$28.1 million in the six months ended June 30, 2018 to US\$1.5 million in the same period in 2019, primarily because we recorded a one-off gain on bargain purchase price of US\$27.1 million for the acquisition of the Kopanang Operations in the six months ended June 30, 2018.

### ***Administrative Expenses***

Our administrative expenses increased from US\$3.3 million in the six months ended June 30, 2018 to US\$5.7 million in the same period in 2019, primarily due to (i) the IPO listing expenses of US\$2.4 million (excluding expenses capitalized as prepayments), as we commenced our IPO process in 2018 and (ii) an increase in other expenses from US\$1.3 million in the six months ended June 30, 2018 to US\$1.6 million in the same period in 2019 relating to other miscellaneous administrative expenses, partially offset by a weakening ZAR against U.S. dollars from ZAR12.3 per U.S. dollar for the six months ended June 30, 2018 to ZAR14.2 per U.S. dollar for the same period in 2019.



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### ***Finance Costs***

Our finance costs increased from US\$0.7 million in the six months ended June 30, 2018 to US\$0.8 million in the same period in 2019 mainly because we had more provisions for environmental rehabilitation and therefore more unwinding of such provisions, as a result of the acquisition of the Kopanang Operations, partially offset by a weakening ZAR against U.S. dollars from ZAR12.3 per U.S. dollar for the six months ended June 30, 2018 to ZAR14.2 per U.S. dollar for the same period in 2019. See “– Description of Principal Income Statement Items – Finance Costs.”

### ***Share of Losses of an Associate***

We recorded losses in the amount of US\$0.4 million in each of the six months ended June 30, 2018 and 2019, respectively, from equity accounted investments mainly as a result of Margaret Water Company’s loss from continuing operations in the same periods.

### ***Reversal of/(Impairment Loss) on Trade and Other Receivables***

We recorded reversal of/(impairment loss) on trade and other receivables of nil in each of the six months ended June 30, 2018 and 2019, respectively.

### ***Other Expenses***

Our other expenses increased significantly from nil in the six months ended June 30, 2018 to US\$3.4 million in the same period in 2019 mainly because (i) US\$2.6 million of the entire gold sludge lost in the incident of gold robbery on February 8, 2019, see “Business – Our Operations – Transportation”, and (ii) the provision of the proposed settlement amount of US\$0.9 million in relation to the SARS tax dispute, see “Business – Legal and Administrative Proceedings – SARS Tax Dispute.”

### ***Impairment Loss on Loans to an Associate***

Our impairment loss on loans to an associate decreased from US\$144,000 in the six months ended June 30, 2018 to US\$64,000 in the same period in 2019 primarily due to a weakening ZAR against U.S. dollars from ZAR12.3 per U.S. dollar in the six months ended June 30, 2018 to ZAR14.2 per U.S. dollar in the same period in 2019.

### ***Income Tax Credits/(Expense)***

Our income tax expense was US\$(0.1) million and US\$(0.1) million in the six months ended June 30, 2018 and 2019, which was mainly attributable to deferred tax credited to us in the same periods.

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### *Loss for the Period*

As a result of the above, our loss increased from US\$1.8 million in the six months ended June 30, 2018 to US\$18.5 million in the same period in 2019. Our net profit margin was (1.7)% and (14.1)% in the six months ended June 30, 2018 and 2019, respectively.

### **Year Ended December 31, 2018 Compared to Year Ended December 31, 2017**

#### *Revenue*

Our revenue increased by 68.9% from US\$130.3 million in 2017 to US\$220.1 million in 2018 due to (i) an increase in revenue from gold sales from US\$125.8 million in 2017 to US\$214.0 million in 2018, (ii) an increase in revenue from tolling services from US\$4.5 million in 2017 to US\$6.5 million in 2018, and (iii) a loss of US\$0.4 million on gold hedges in 2018.

The increase in revenue from our gold sales in 2018 was due to (i) an increase in our sales volume of gold from 100,165 ounces in 2017 to 168,037 ounces in 2018, and (ii) an increase in our average selling price of the gold from US\$1,256.3 per ounce in 2017 to US\$1,273.7 per ounce in 2018, which was in line with the increase of average gold price in the global market. Our sales volume increased significantly from 100,165 ounces in 2017 to 168,037 ounces in 2018 mainly as a result of our acquisition of the Kopanang Mine in February 2018. The Kopanang Mine contributed 59,425 ounces in sales volume during 2018, although it did not achieve its planned production level in 2018. We also had an increase in non-Kopanang sales volume from 100,165 ounces in 2017 to 108,613 ounces in 2018, which was mainly due to an increase in sales volume of 17,180 ounces from tolling treatment as we processed more gold-containing materials from third parties, partially offset by (i) a decrease in sales volume of 6,342 ounces from the Tau Lekoa Mine as several relatively large seismic events in late 2018 adversely affected its production volume for 2018 and (ii) a decrease in sales volume of 2,390 ounces from Buffels surface material site as the increasing tolling materials occupied our treatment capacity.

The increase in revenue from tolling services in 2018 was because we processed more gold-containing materials from third parties in the same year, as Nicolor Plant had more excess processing capacity after we decided to treat reef materials from the Tau Lekoa Mine at West Gold Plant that was acquired by us in February 2018. See “Business — Our Operations — Production Facilities.”

In July 2018, we began entering into gold forward sales to limit our exposure to the volatility of gold prices. In 2018, we recorded a loss of US\$0.4 million on gold hedges primarily because the spot prices of gold at the time of delivery were in aggregate higher than the contract forward sale prices.

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### *Cost of Sales*

As the average exchange rate of ZAR to U.S. dollars changed only slightly from ZAR13.3 per U.S. dollar in 2017 to ZAR13.2 per U.S. dollar in 2018, the presentation of our cost of sales in ZAR has no meaningful difference from the presentation in U.S. dollars. Our cost of sales increased by 93.9% from US\$136.4 million in 2017 to US\$264.6 million in 2018 primarily due to increases in costs of employees, mining consumables, tolling material purchases, utilities, depreciation and consultants and contractors, which were partially offset by an increase in capital transfer in 2018.

Our employee costs increased by 93.7% from US\$70.1 million in 2017 to US\$135.7 million in 2018 mainly due to increases in the number of our employees engaged in production activities and their average salary. The increase in number of our employees engaged in production activities was mainly attributable to a transfer of more than 3,000 employees working with the Kopanang Mine to us after our acquisition in February 2018. See “Business — Labor and Employees.” The increase in average salary of our employees engaged in production activities was attributable to increases in their basic salaries, bonus and benefits, such as leave pay provision charge, allowances, retirement benefits and medical aid contributions. The basic salary of our non-managerial employees are collectively negotiated and has a fixed annual increase under the Wage Agreement.

Our mining consumable costs increased by 79.4% from US\$21.6 million in 2017 to US\$38.7 million in 2018 mainly due to an increase in procurement of mining consumables as a result of the acquisition of the Kopanang Operations in February 2018.

Our tolling material purchase costs increased by 130.3% from US\$13.0 million in 2017 to US\$29.9 million in 2018, which was in line with the increase in revenue from tolling services in 2018. We processed more gold-containing materials from third parties in 2018, as Nicolor Plant had more processing capacity after we decided to treat reef materials from the Tau Lekoa Mine at West Gold Plant that we acquired in February 2018.

Our utility costs increased by 104.4% from US\$15.7 million in 2017 to US\$32.1 million in 2018 mainly due to (i) an increase in consumption of electricity and water as a result of the acquisition of the Kopanang Operations in February 2018 and our increased mine development activities at Tau Lekoa and (ii) an increase in the electricity tariff rate in 2018.

Our depreciation increased by 106.8% from US\$7.7 million in 2017 to US\$16.0 million in 2018 mainly due to the addition of mining properties (including mineral rights), mine development and processing plant facilities as a result of our acquisition of the Kopanang Operations in February 2018.

Our consultant and contractor costs increased by 85.0% from US\$7.0 million in 2017 to US\$12.9 million in 2018 mainly due to an increase in the number of consultants and contractors as a result of our acquisition of the Kopanang Operations in February 2018.

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Our cost of sales is net against the capitalization of a portion of cost of sales associated with off-reef mine development activities into our property, plant and equipment. In 2017 and 2018, we capitalized US\$8.0 million and US\$11.7 million, respectively, from the cost of sales into the property, plant and equipment. The increase in mine development capitalization cost from 2017 to 2018 was primarily due to the addition of mining properties (including mineral rights), mine development and processing plant facilities mainly as a result of our acquisition of the Kopanang Operations in February 2018.

### ***Gross Loss***

As a result of the foregoing, our gross loss increased significantly from US\$6.1 million in 2017 to US\$44.6 million in 2018. Our gross profit margin decreased from (4.7)% 2017 to (20.3)% in 2018.

Our loss expanded in 2018 mainly because (i) the cost of sales incurred by our Tau Lekoa operation increased at a faster pace than its revenue increase and (ii) we acquired the Kopanang Operations, which was also loss-making.

At the Tau Lekoa Mine, the cost of sales increased substantially in 2018 because (i) employee costs increased mainly as a result of salary increase and (ii) depreciation increased as we developed into virgin grounds and extended existing on-reef development. On the other hand, the gold sold attributable to the Tau Lekoa Mine decreased slightly in 2018 because (i) increased mine development activities impacted our mining activities and (ii) several relatively large seismic events occurred at the Tau Lekoa Mine in late 2018, which we believe adversely affected its production volume by around 5,000 ounces for 2018.

The acquired Kopanang Operations suffered loss in 2018 mainly because it did not reach its planned production level during the transition period following our acquisition in February 2018, while a large portion of its cost of sales were incurred regardless of its production volume in that period. Production at the Kopanang Mine was less than half of its planned production level in March 2018. Though we had largely stabilized Kopanang Mine's production by June 2018, between June and December 2018 its production was only approximately 80% of its planned production level.

West Gold Plant, which was acquired by us together with the Kopanang Mine in February 2018, also underperformed in 2018. Before our acquisition, West Gold Plant was primarily used to treat low-grade surface materials and waste materials. Since March 2018, it started to treat higher-grade gold-containing ore from the Tau Lekoa Mine and the Kopanang Mine. West Gold Plant did not achieve its targeted gold recovery level during the first few months after our acquisition due to a transition period for the refurbishment of certain equipment and the building up of the gold recovery rate.

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### *Other Income and Gains*

Our other income and gains increased significantly from US\$1.8 million in 2017 to US\$49.0 million in 2018, primarily because (i) we recorded a gain on bargain purchase price for the acquisition of the Kopanang Operations and (ii) we disposed of our interest in Lesego in December 2018 and recorded a gain in disposal in the amount of US\$20.3 million.

### *Administrative Expenses*

Our administrative expenses increased by 122.9% from US\$4.3 million in 2017 to US\$9.5 million in 2018, primarily due to (i) the incurrence of IPO listing expenses of US\$1.8 million (excluding expenses capitalized as prepayments) as we commenced our IPO process in 2018 and engaged professional parties for work in connection with the proposed initial public offering and listing of our shares on the Stock Exchange, (ii) the incurrence of share option expense of US\$63,000 in connection with the share options issued to our BBBEE partners, (iii) an increase in employee cost from US\$1.0 million in 2017 to US\$1.4 million in 2018 as a result of increases in number of our managerial personnel, (iv) an increase in insurance expenses from US\$0.7 million in 2017 to US\$1.4 million in 2018 and (v) an increase in other expenses from US\$1.3 million in 2017 to US\$2.7 million in 2017 relating to other miscellaneous administrative expenses.

### *Finance Costs*

Our finance costs increased from US\$1.0 million in 2017 to US\$1.5 million in 2018 mainly because we had more provisions for environmental rehabilitation, and therefore more unwinding of such provisions, as a result of the acquisition of the Kopanang Operations. See “— Description of Principal Income Statement Items — Finance Costs.”

### *Share of Losses of an Associate*

We recorded losses in the amount of US\$0.7 million and US\$0.7 million in 2017 and 2018, respectively, from equity accounted investments mainly as a result of Margaret Water Company’s loss from continuing operations in the same years.

### *Reversal of/(Impairment Loss) on Financial Assets*

Our reversal of trade and other receivables in 2017 represents a reversal of impairment for our equity interest in SAFTA of US\$0.5 million as we successfully sold our SAFTA interest to a third party in 2017. See “— Description of Principal Income Statement Items — Year Ended December 31, 2018 Compared to Year Ended December 31, 2017 — Reversal of/(Impairment Loss) on Trade and Other Receivables.” Our impairment loss on trade and other receivables of US\$0.1 million in 2018 represents the impairment loss on receivables from our tolling service customers.

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### ***Impairment Loss on Loans to an Associate***

Our impairment loss on loans to an associate increased from US\$0.2 million in 2017 to US\$0.3 million in 2018 primarily due to an increase in impairment losses on loans to Margaret Water Company, which was in line with Margaret Water Company's loss from continuing operations in 2018.

### ***Income Tax (Credits)/Expense***

Our income tax expense was US\$24,000 in 2017, which was attributable to our tax charge of US\$114,000 and overprovision in prior years of US\$90,000. Our income tax expense was US\$2.3 million in 2018, which was primarily attributable to our capital gain tax of US\$4.2 million as we disposed of Lesego in 2018, partially offset by deferred tax credit of US\$1.9 million in 2018.

### ***Loss for the Year***

As a result of the above, we recorded a loss for the year of US\$10.5 million in 2017 and US\$10.5 million in 2018, respectively. Our net profit margin was (8.0)% and (4.8)%, respectively, in 2017 and 2018.

## **Year Ended December 31, 2017 Compared to Year Ended December 31, 2016**

### ***Revenue***

Our revenue decreased by 2.1% from US\$133.1 million in 2016 to US\$130.3 million in 2017 due to a decrease in revenue from tolling services from US\$9.5 million in 2016 to US\$4.5 million in 2017, which was partially offset by an increase in revenue from gold sales from US\$123.6 million in 2016 to US\$125.8 million in 2017.

The decrease in revenue from tolling services in 2017 was due to a decrease in the volume of gold-containing materials from third parties that could meet our minimum grade requirement in the same year, partially offset by an appreciation of ZAR from ZAR14.7 per U.S. dollar in 2016 to ZAR13.3 per U.S. dollar in 2017. As a quality control measure, we only accept gold-containing materials from third parties that can meet our minimum grade requirement. However, the grade of the gold-containing materials delivered by third parties is beyond our control. Compared to 2016, a smaller amount of the gold-containing materials was accepted and processed by us in 2017, which resulted in a decrease in revenue from tolling services.

The increase in revenue from our gold sales in 2017 was due to (i) an increase in our sales volume of gold from 99,019 ounces in 2016 to 100,165 ounces in 2017 and (ii) an increase in our average selling price of the gold from US\$1,248.1 per ounce in 2016 to US\$1,256.3 per ounce in 2017, which was in line with the increase in the average gold price in the global market. Our sales volume increased from 99,019 ounces in 2016 to 100,165 ounces in 2017 primarily due to (i) an increase in sales volume of 2,802 ounces from the Tau Lekoa Mine as

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we improved its efficiency and (ii) an increase in sales volume of 4,312 ounces from Buffels surface material site, partially offset by a decrease in sales volume of 5,968 ounces from tolling treatment. In 2017, less tolling materials from third parties satisfied our minimum standard of acceptance and therefore, we processed more gold-containing rock dumps from Buffels surface material site to better utilize Nicolor Plant's treatment capacity.

### *Cost of Sales*

Our cost of sales denominated in ZAR decreased slightly from ZAR1,881.0 million in 2016 to ZAR1,814.6 million in 2017. However, the average exchange rate of ZAR appreciated significantly against U.S. dollars from ZAR14.7 per U.S. dollar in 2016 to ZAR13.3 per U.S. dollar in 2017. As a result, our cost of sales denominated in U.S. dollars increased by 6.5% from US\$128.1 million in 2016 to US\$136.4 million in 2017.

Our tolling material purchase costs denominated in ZAR decreased by 46.7% from ZAR323.8 million in 2016 to ZAR172.7 million in 2017, while our tolling material purchase costs denominated in U.S. dollars decreased by 41.1% from US\$22.1 million in 2016 to US\$13.0 million in 2017. The decrease in our tolling material purchase costs was in line with the decrease in revenue from tolling services in 2017, which was mainly due to a decrease in the volume of gold-containing materials from third parties that could meet our minimum grade requirement in the same year.

Our employee costs denominated in ZAR increased by 8.9% from ZAR855.8 million in 2016 to ZAR931.7 million, while our employee costs denominated in U.S. dollars increased by 20.2% from US\$58.3 million in 2016 to US\$70.1 million in 2017. The increase in our employee cost was mainly due to an increase in the number of our employees engaged in production activities at the Tau Lekoa Mine from 2,887 as of the end of 2016 to 3,285 as of the end of 2017. The increase in average salary of our employees engaged in production activities was attributable to increases in their basic salaries, bonus and benefits, such as leave pay provision charge, allowances, retirement benefits and medical aid contributions. The basic salary of all our non-managerial employees are collectively negotiated and have a fixed annual increase under the Wage Agreement. See "Business — Labor and Employees — Labor Unions."

Our mining consumable costs denominated in ZAR increased by 8.7% from ZAR263.8 million in 2016 to ZAR287.1 million in 2017, while our mining consumable costs denominated in U.S. dollars increased by 20.1% from US\$18.0 million in 2016 to US\$21.6 million in 2017. The increase in our mining consumable costs was mainly due to our increased mining activities, which were in line with our increased production volume of gold in 2017.

Our utility costs denominated in ZAR increased by 3.6% from ZAR201.5 million in 2016 to ZAR209.1 million in 2017, while our utility costs denominated in U.S. dollars increased by 14.5% from US\$13.7 million in 2016 to US\$15.7 million in 2017. The increase in our utility costs was mainly due to an increase in the electricity tariff rate and our increased mining activities in 2017.



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Our depreciation denominated in ZAR increased by 41.9% from ZAR72.3 million in 2016 to ZAR102.7 million in 2017, while our depreciation denominated in U.S. dollars increased by 56.9% from US\$4.9 million in 2016 to US\$7.7 million in 2017. The increase in depreciation was mainly due to our increased production volume in 2017.

Our consultant and contractor costs denominated in ZAR increased by 4.8% from ZAR88.3 million in 2016 to ZAR92.7 million in 2017, while our consultant and contractor costs denominated in U.S. dollars increased by 15.8% from US\$6.0 million in 2016 to US\$7.0 million in 2017. The increase in our consultant and contractor costs was mainly due to our increased mining activities in 2017.

Our cost of sales is net against the capitalization of a portion of cost of sales associated with off-reef mine development activities into our property, plant and equipment. In 2016 and 2017, we capitalized ZAR63.2 million (US\$4.3 million) and ZAR106.4 million (US\$8.0 million), respectively, from the cost of sales into the property, plant and equipment. The increase in mine development capitalization cost from 2016 to 2017 was primarily due to an increase in our mine development activities.

### ***Gross Profit/(Loss)***

As a result of the foregoing, our gross profit was US\$5.0 million and our gross profit margin was 3.7% in 2016, while in 2017 our gross loss was US\$6.1 million and our gross profit margin was (4.7)%.

We turned from a profitable position in 2016 into loss-making in 2017 mainly because our revenue decreased slightly while our cost of sales denominated in U.S. dollars increased in 2017. Despite a slight increase in revenue from gold sales, our total revenue decreased in 2017 primarily due to the decrease in revenue from tolling services. On the cost side, although we slightly reduced our cost of sales denominated in ZAR in 2017, our cost of sales denominated in U.S. dollars increased by 6.5% due to the significant appreciation of ZAR from ZAR14.7 per U.S. dollar in 2016 to ZAR13.3 per U.S. dollar in 2017.

### ***Other Income and Gains***

Our other income and gains increased by 9.7% from US\$1.7 million in 2016 to US\$1.8 million in 2017 primarily due to an increase in interest income from bank deposits from US\$0.4 million in 2016 to US\$0.6 million in 2017, which was in line with the increase in our bank deposits in 2017.

### ***Administrative Expenses***

Our administrative expenses increased by 41.6% from US\$3.0 million in 2016 to US\$4.3 million in 2017 primarily due to (i) an increase in employee cost from US\$0.2 million in 2016 to US\$1.0 million in 2017 primarily as a result of increases in the number of our management



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personnel, (ii) an increase in audit fees from US\$0.3 million in 2016 to US\$0.5 million in 2017 and (iii) an increase in insurance expenses from US\$0.5 million in 2016 to US\$0.6 million in 2017, all of which increases above were also affected by the appreciation of ZAR against U.S. dollars in 2017.

### ***Finance Costs***

Our finance costs remained stable at US\$1.0 million in 2016 and 2017.

### ***Share of Losses of an Associate***

We recorded losses in the amount of US\$584,000 and US\$653,000 in 2016 and 2017, respectively, from equity accounted investments mainly as a result of Margaret Water Company's loss from continuing operations in the same years.

### ***Reversal of/(Impairment Loss) on Financial Assets***

We did not have any reversal of/(impairment loss) on financial assets in 2016. Our reversal of financial assets in 2017 represents a reversal of impairment for our receivable in connection with the sale price of our equity interest in SAFTA of US\$0.5 million as we successfully sold our SAFTA interest to a third party in 2017. See “— Description of Certain Income Statement Items — Year Ended December 31, 2018 Compared to Year Ended December 31, 2017 — Reversal of/(Impairment Loss) on Financial Assets.”

### ***Impairment Loss on Loans to an Associate***

Our impairment loss on loans to an associate decreased slightly from US\$204,000 in 2016 to US\$166,000 in 2017 primarily due to a decrease in impairment losses on Margaret Water Company, which was in line with Margaret Water Company's loss from continuing operations in the same years.

### ***Income Tax (Credits)/Expense***

Our income tax expense was US\$113,000 in 2016, which was attributable to our current tax charge of US\$113,000. Our income tax expense was US\$24,000 in 2017, which was attributable to our current tax charge of US\$114,000, partially offset by our over-provision in prior years of US\$90,000 in the same year.

### ***Profit/(Loss) for the Year***

As a result of the above, we recorded a profit of US\$1.6 million in 2016 and a loss of US\$10.5 million in 2017. Our net profit margin was 1.2% and (8.0)%, respectively, in the same years.

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### DESCRIPTION OF PRINCIPAL CONSOLIDATED BALANCE SHEET ITEMS

#### Property, Plant and Equipment

Our property, plant and equipment primarily consists of mineral assets, mine development and infrastructure. As of December 31, 2016, we had property, plant and equipment in the amount of US\$73.2 million.

Our property, plant and equipment increased to US\$88.3 million as of December 31, 2017 primarily due to (i) the addition of underground mine development and infrastructure, mining assets and other property, plant and equipment in the amount of US\$14.6 million as a result of our increased mine development activities in 2017 and (ii) foreign exchange movements (increase) in connection with our property, plant and equipment in the amount of US\$9.0 million as a result of the appreciation of ZAR against U.S. dollars as of December 31, 2017, which were partially offset by depreciation of our underground mine development and infrastructure, mining assets and other property, plant and equipment in the amount of US\$8.0 million, which was in line with our increased mine development activities in 2017.

Our property, plant and equipment decreased to US\$81.5 million as of December 31, 2018 primarily due to (i) the disposal of Lesego exploration assets in the amount of US\$35.4 million as we disposed of Lesego in May 2018 (See “History and Corporate Structure — Our Corporate History and Development — Disposal of Lesego”), (ii) foreign exchange movements (decrease) in connection with our property, plant and equipment in the amount of US\$19.1 million as a result of the weaker ZAR against U.S. dollars as of December 31, 2018 and (iii) depreciation of our underground mine development and infrastructure, mining assets and other property, plant and equipment in the amount of US\$16.5 million, which was in line with our addition of the Kopanang Operations and increased mine development activities in 2018, which were partially offset by (i) the addition of underground mine development and infrastructure, mining assets and other property, plant and equipment through business combination in the amount of US\$42.0 million as a result of our acquisition of the Kopanang Operations in February 2018 and (ii) the addition of underground mine development and infrastructure, mining assets and other property, plant and equipment in the amount of US\$22.6 million as a result of our increased mine development activities at Tau Lekoa and Kopanang in 2018.

Our property, plant and equipment increased to US\$88.8 million as of June 30, 2019 mainly due to the addition of underground mine development and infrastructure, mining assets and other property, plant and equipment in the amount of US\$13.0 million as a result of our mine development activities in the six months ended June 30, 2019, partially offset by a depreciation of our underground mine development and infrastructure, mining assets and other property, plant and equipment in the amount of US\$7.3 million, which was in line with our increased mine development activities in the same period.

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### Inventories

Our inventories consist of (i) consumable stores and (ii) gold inventories, which include ore in stockpiles, gold in-process and occasionally a small amount of gold doré before they are shipped to Rand Refinery.

The following table sets forth the components of our inventories as of the dates indicated and the average inventory turnover days for the periods indicated.

	As of and for the year ended December 31,			As of and for the six months ended June 30,
	2016	2017	2018	2019
	<i>(US\$ in thousands)</i>			
Consumable stores . . . . .	2,737	3,284	5,908	4,975
Gold inventory . . . . .	299	951	2,958	3,274
	<b>3,036</b>	<b>4,235</b>	<b>8,866</b>	<b>8,249</b>
Write-downs . . . . .	(43)	–	(8)	(8)
<b>Total . . . . .</b>	<b><u>2,993</u></b>	<b><u>4,235</u></b>	<b><u>8,858</u></b>	<b><u>8,241</u></b>
Average inventory turnover days <sup>(1)</sup> . . . . .	6.9	9.7	9.0	10.9

*Note:*

- (1) Average inventories equal the average of the inventories at the beginning of the period plus inventories at the end of the period. Average inventory turnover days equal average inventories divided by cost of sales and multiplied by the number of days in the period.

Our inventories increased from US\$3.0 million as of December 31, 2016 to US\$4.2 million as of December 31, 2017 mainly as a result of increases in consumable stores and gold inventories, which were attributable to (i) a higher closing rate of ZAR against U.S. dollars on December 31, 2017 compared to December 31, 2016 and (ii) our increased gold work in progress at year end. Our inventories increased significantly to US\$8.9 million as of December 31, 2018 mainly as a result of the significant increases in consumable stores and gold inventories, which were in line with our expansion of operational scale and increased mining activities after we acquired the Kopanang Operations in February 2018. Our inventories decreased slightly to US\$8.2 million as of June 30, 2019 mainly as a result of a decrease in consumable stores due to the improvement in our store management efficiencies partially offset by a slight increase in gold work in progress as of the same date.

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Our average inventory turnover days increased from 6.9 days in 2016 and 9.7 days in 2017 mainly due to an increase in our inventories as of December 31, 2017, partially offset by a slight increase in our cost of sales in 2017. Our average inventory turnover days decreased slightly to 9.0 days in 2018. Our average inventory turnover days increased to 10.9 days in the six months ended June 30, 2019 mainly due to an increase in our average inventories in the six months ended June 30, 2019, partially offset by a slight increase in our cost of sales in the same period.

As of September 30, 2019, we had used or sold US\$6.0 million, or 73%, of our inventories outstanding as of June 30, 2019.

### Trade Receivables

The following table sets forth the components of our trade receivables as of the date indicated and the average trade receivable turnover days for the periods indicated.

	As of and for the year ended December 31,			As of and for the six months ended June 30,
	2016	2017	2018	2019
	<i>(US\$ in thousands)</i>			
<b>Trade receivables</b>				
Trade receivables –				
Gold sales . . . . .	1,695	911	3,217	9,250
Trade receivables –				
Tolling fees . . . . .	166	233	176	125
	1,861	1,144	3,393	9,375
Loss allowance . . . . .	–	–	(123)	(125)
<b>Trade receivables, net . . . . .</b>	<b>1,861</b>	<b>1,144</b>	<b>3,270</b>	<b>9,250</b>
 Average trade receivable turnover days <sup>(1)</sup> .	5.7	4.2	3.7	8.6

*Note:*

- (1) Average trade receivables equal the average of the trade receivables of continuing operations at the beginning of the period plus trade receivables of continuing operations at the end of the period. Average trade receivable turnover days equals average trade receivables divided by revenue and then multiplied by the number of days in the period.

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Our trade receivables decreased from US\$1.9 million as of December 31, 2016 to US\$1.1 million as of December 31, 2017 primarily attributable to a decrease in trade receivables of gold sales from US\$1.7 million as of December 31, 2016 to US\$0.9 million as of the same date in 2017, which was primarily because a smaller amount of gold was delivered and accepted at the end of 2017 as compared to the end of 2016. Our trade receivables increased significantly to US\$3.3 million as of December 31, 2018 primarily attributable to an increase in trade receivables of gold sales from US\$0.9 million as of December 31, 2017 to US\$3.2 million as of the same date in 2018, which was primarily because a larger amount of gold was delivered and accepted at the end of 2018 as compared to the end of 2017. This is in line with our expansion of operational scale and increase in gold production volume after we acquired the Kopanang Operations in February 2018. Our trade receivables increased significantly to US\$9.3 million as of June 30, 2019 primarily attributable to an increase in trade receivables of gold sales from US\$3.2 million as of December 31, 2018 to US\$9.3 million as of June 30, 2019, which was primarily because of a large gold sale near the end of June 2019.

As of September 30, 2019, we had collected US\$9.2 million, or 100%, of our trade receivables outstanding as of June 30, 2019.

Our average trade receivable turnover days decreased from 5.7 days in 2016 to 4.2 days in 2017 primarily due to the smaller amount of accepted gold at the end of 2017. Our average trade receivable turnover days decreased to 3.7 days in 2018 primarily due to a significant increase in our revenue in 2018 compared to 2017, partially offset by an increase in trade receivables as of December 31, 2018 compared to the same date of 2017. Our average trade receivable turnover days increased to 8.6 days for the six months ended June 30, 2019 primarily due to a significant increase in trade receivables as of June 30, 2019 compared to December 31, 2018, partially offset by an increase in revenue for the six months ended June 30, 2019.

### *Trade Receivable Aging Analysis*

We typically receive payments from our customers generally within two days after gold sales. See “Business — Sales, Customers and Hedging — Sales.”

The following table sets forth the aging analysis of our trade receivables based on the invoice date as of the dates indicated.

	As of December 31,			As of
	2016	2017	2018	June 30,
				2019
	<i>(US\$ in thousands)</i>			
Within one month . . . . .	1,860	1,001	3,270	9,250
Two to three months . . . . .	—	143	—	—
Over three months . . . . .	1	—	123	125
	<u>1,861</u>	<u>1,144</u>	<u>3,393</u>	<u>9,375</u>
<b>Total . . . . .</b>	<b><u>1,861</u></b>	<b><u>1,144</u></b>	<b><u>3,393</u></b>	<b><u>9,375</u></b>

## FINANCIAL INFORMATION

### *Prepayments and Other Receivables*

The following table sets forth the components of our prepayments and other receivables as of the date indicated.

	As of December 31,			As of
	2016	2017	2018	June 30,
				2019
	<i>(US\$ in thousands)</i>			
Prepayment . . . . .	214	123	1,542	2,891
Value added tax refund . . . . .	2,210	2,248	4,418	1,431
Deposits . . . . .	106	172	87	89
Employee receivables . . . . .	29	131	62	47
Other receivables . . . . .	249	745	138	1,046
<b>Total . . . . .</b>	<b>2,808</b>	<b>3,419</b>	<b>6,247</b>	<b>5,504</b>

Our prepayment and other receivables increased significantly from US\$2.8 million as of December 31, 2016 to US\$3.4 million as of December 31, 2017 mainly due to the increase in the amount due from a third party for our equity interest in SAFTA sold. Our prepayment and other receivables increased to US\$6.2 million as of December 31, 2018 mainly due to an increase in value-added tax refund receivables from the South African government as a result of the expansion of our operation with the acquisition of the Kopanang Operations. Our prepayment and other receivables decreased to US\$5.5 million as of June 30, 2019 mainly due to a significant decrease in value-added tax refund receivables as we partially received the value-added tax refund receivables outstanding as of December 31, 2018, partially offset by a significant increase in prepayments in connection with the capitalization of IPO listing expenses in the first half of 2019 and a significant increase in other receivables mainly attributable to margin payments made to Auramet.

### **Cash and Cash Equivalents**

Our cash and cash equivalents represent our cash at banks. Our cash and cash equivalents decreased from US\$38.3 million as of December 31, 2016 to US\$16.0 million as of December 31, 2017 mainly attributable to cash used in investing activities in 2017. Our cash and cash equivalents increased to US\$31.4 million as of December 31, 2018 mainly attributable to cash generated from investing activities and financing activities in 2018, partially offset by cash used in our operating activities in the same year. Our cash and cash equivalents decreased to US\$8.5 million as of June 30, 2019 mainly attributable to cash used in investing activities and operating activities in the six months ended June 30, 2019. See “— Liquidity and Capital Resources — Cash Flows.”

Our cash and cash equivalents amounted to US\$3.4 million as of September 30, 2019.

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### Other Assets

Our other assets consist of environmental trust fund, deposit in escrow account, restricted cash and Guardrisk reimbursive rights. The following table sets forth the components of our other assets as of the dates indicated.

	As of December 31,			As of the six months ended June 30,
	2016	2017	2018	2019
	<i>(US\$ in thousands)</i>			
Environmental trust fund . . . .	6,759	4,511	2,855	2,844
Deposit in escrow account . .	–	8,122	–	–
Restricted cash . . . . .	858	957	7,934	10,771
Reimbursive rights . . . . .	2,162	3,509	–	–
	9,779	17,099	10,789	13,615
Less: Current . . . . .	–	(8,122)	–	(3,647)
	<u>9,779</u>	<u>8,977</u>	<u>10,789</u>	<u>9,968</u>

### Environmental Trust Fund

Our environmental trust fund under other assets represents the balances of our investments, including primarily interest-bearing short-term investments, made by a trust under our control for provisioning estimated cost of rehabilitation during and after the life of our mines. Income earned on the investments is restricted in use and may only be used to fund our approved rehabilitation costs. Our balance of environmental trust fund decreased from US\$6.8 million as of December 31, 2016 to US\$4.5 million as of December 31, 2017 and further decreased to US\$2.9 million as of December 31, 2018 mainly because a portion of the fund was drawn down and spent on rehabilitation activities in 2017 and 2018. Our balance of environmental trust fund remained stable at US\$2.8 million as of June 30, 2019.

### Deposit in Escrow Account

Our deposit in escrow account was US\$8.1 million as of December 31, 2017, representing the deposit we placed with in escrow account in preparation of the acquisition of the Kopanang Operations. Our deposit in escrow account was nil as of December 31, 2018 and June 30, 2019 as we completed the transaction in February 28, 2018.

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## FINANCIAL INFORMATION

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### ***Restricted Cash***

We place deposits with banks and insurance companies, which provide guarantees for us in favor of the DMRE for environmental rehabilitation. In 2016 and 2017, we insured with Insurance Company A, our deposits with which were treated as reimbursive rights. In 2018, due to lower insurance cost, we switched to Insurance Company B, our deposits with which were treated as restricted cash.

Our restricted cash relates to our deposits with a commercial bank in South Africa and Insurance Company B for them to provide guarantees for us in favor of the DMRE for environmental rehabilitation. Our restricted cash increased only slightly from US\$0.9 million as of December 31, 2016 to US\$1.0 million as of December 31, 2017. Our restricted cash increased significantly to US\$7.9 million as of December 31, 2018 mainly because (i) we replaced Insurance Company A with Insurance Company B as our insurer for environmental rehabilitation in 2018 and our deposits with Insurance Company B were treated as restricted cash and (ii) our deposits for environmental rehabilitation increased significantly as a result of our acquisition of the Kopanang Operations in February 2018. Our restricted cash increased further to US\$10.8 million as of June 30, 2019 because US\$2.5 million was held by Auramet as refundable security for credit line in connection with our hedging activities.

### ***Guardrisk Reimbursive Rights***

Our reimbursive rights relate to our deposits with Insurance Company A for it to provide guarantees for us in favor of the DMRE for environmental rehabilitation. Our reimbursive rights increased from US\$2.2 million as of December 31, 2016 to US\$3.5 million as of December 31, 2017 mainly due to (i) our additional deposits with Insurance Company A in 2017 and (ii) a higher closing rate of ZAR against U.S. dollars on December 31, 2017 compared to December 31, 2018. Our reimbursive rights was nil as of December 31, 2018 and June 30, 2019 mainly because we replaced Insurance Company A with Insurance Company B as our insurer for environmental rehabilitation in 2018 and the deposits with Company B were treated as restricted cash instead of reimbursive rights.

### ***Rehabilitation Liability***

We make provision for environmental rehabilitation costs, which are expected to be incurred when our mining activities give rise to the need for restoration or decommissioning.

Our provisions for environmental rehabilitation decreased from US\$12.7 million as of December 31, 2016 to US\$11.1 million as of December 31, 2017 primarily because US\$3.2 million was utilized during 2017 in connection with our rehabilitation activities in Buffels in 2017, which was partially offset by (i) unwinding of provision of US\$1.0 million based on our schedule of discounting provisions for environmental rehabilitation and (ii) foreign exchange difference of US\$1.3 million as a result of a higher closing exchange rate of ZAR against U.S. dollars on December 31, 2017 compared to December 31, 2016.



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Our provisions for environmental rehabilitation increased to US\$18.5 million as of December 31, 2018 primarily because (i) we assumed the environmental rehabilitation liability of US\$10.7 million in relation to the Kopanang Mine after our acquisition in February 2018 and (ii) unwinding of provision of US\$1.5 million based on our schedule of discounting provisions for environmental rehabilitation, which was partially offset by foreign exchange difference of US\$3.7 million as a result of the depreciation of ZAR against the U.S. dollars in 2018.

Our provisions for environmental rehabilitation increased slightly to US\$18.8 million as of June 30, 2019.

### Employee Related Accruals

The following table sets forth the components of our employee related accruals as of the dates indicated.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	<i>(US\$ in thousands)</i>			
Salary and employee social				
security accruals . . . . .	3,225	3,767	7,481	6,407
Leave pay accruals . . . . .	2,468	2,894	5,598	5,854
Bonus accruals . . . . .	1,632	2,002	3,606	4,196
Employee income tax				
accruals . . . . .	725	852	1,398	1,574
<b>Total . . . . .</b>	<b>8,050</b>	<b>9,515</b>	<b>18,083</b>	<b>18,031</b>

Our employee related accruals consist of (i) salary and employee social security accruals (ii) leave pay accruals, (iii) bonus accruals and (iv) employee income tax accruals, which is a statutory employee pay-as-you-earn tax payables.

Our employee related accruals increased from US\$8.1 million as of December 31, 2016 to US\$9.5 million as of December 31, 2017 mainly due to (i) increases in salary and employee social security accruals, leave pay accruals, bonus accruals and employee income tax accruals, which were primarily because of an increase in the number of our employees and (ii) the appreciation of ZAR against U.S. dollars in 2017.

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Our employee related accruals increased from US\$9.5 million as of December 31, 2017 to US\$18.1 million as of December 31, 2018 mainly due to increases in salary and employee social security accruals, leave pay accruals, bonus accruals and employee income tax accruals, which were primarily because more than 3,000 employees working with the Kopanang Mine transferred to us after our acquisition in February 2018. See “Business — Labor and Employees.”

Our employee related accruals decreased only slightly from US\$18.1 million as of December 31, 2018 to US\$18.0 million as of June 30, 2019.

### Trade and Other Payables

The following table sets forth the components of our trade and other payables as of the dates indicated and the average trade payable turnover days for the periods indicated.

	As of and for the year ended December 31,			As of and for the six months ended June 30,
	2016	2017	2018	2019
	<i>(US\$ in thousands)</i>			
Trade payables . . .	7,899	10,233	15,425	24,517
Other payables . . .	1,581	1,491	1,332	762
<b>Total . . . . .</b>	<b>9,480</b>	<b>11,724</b>	<b>16,757</b>	<b>25,279</b>
 Average trade payable turnover days <sup>(1)</sup> . . . . .	 49.7	 66.0	 46.0	 62.5

*Note:*

- (1) Average trade payables equal trade payables of continuing operations at the beginning of the period plus trade payables of continuing operations at the end of the period, divided by two. Average trade payable turnover days equals average trade payables divided by cost of sales (excluding employee costs and depreciation) and then multiplied by the number of days in the period.

### Trade Payables

Our trade payables increased from US\$7.9 million as of December 31, 2016 to US\$10.2 million as of December 31, 2017 mainly due to (i) a higher closing rate of ZAR against U.S. dollars on December 31, 2017 compared to December 31, 2016 and (ii) our increased purchase of machinery and consumables, which was as a result of our increased mining and development

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activities in 2017. Our trade payables increased to US\$15.4 million as of December 31, 2018 mainly due to our increased purchase of machinery and consumables, which was primarily as a result of our acquisition of the Kopanang Operations in February 2018. Our trade payables increased to US\$24.5 million as of June 30, 2019, mainly representing the outstanding balance for our purchase of machinery and consumables as of June 30, 2019 due to the timing of our payments.

Our average trade payable turnover days increased from 49.7 days as of December 31, 2016 to 66.0 days as of December 31, 2017 primarily because our trade payables increased at a faster pace than the increase in our cost of sales in 2017. Our average trade payable turnover days decreased to 46.0 days mainly because our cost of sales in 2018 increased at a faster pace than the increase in our trade payables as of December 31, 2018. Our average trade payable turnover days increased to 62.5 days mainly because our trade payables as of June 30, 2019 increased at a faster pace than the increase in our cost of sales in the six months ended June 30, 2019.

Our suppliers typically grant us a credit period of 30-60 days. The following table sets forth the aging analysis of our trade payables based on the invoice date as of the dates indicated.

	<b>As of December 31,</b>			<b>As of June 30,</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>(US\$ in thousands)</i>			
Within 1 month . . . . .	6,765	8,585	9,456	19,442
1 to 2 months . . . . .	964	1,099	844	1,620
2 to 3 months . . . . .	154	60	1,483	1,499
Over 3 months . . . . .	16	489	3,642	1,956
<b>Total . . . . .</b>	<b>7,899</b>	<b>10,233</b>	<b>15,425</b>	<b>24,517</b>

### ***Other Payables***

Our other payables, which include AngloGold royalty payable, value-added tax payables and provision for mineral royalty, decreased slightly from US\$1.6 million as of December 31, 2016 to US\$1.5 million as of December 31, 2017, and further to US\$1.3 million as of December 31 2018. The decreases were mainly attributable to the continued decreases in our AngloGold royalty payable, which represents our mineral royalty payable to AngloGold at a rate of 3% of the revenue of Tau Lekoa Pty each six months pursuant to our acquisition agreement for the Tau Lekoa Mine. Our other payables decreased slightly to US\$0.8 million as of June 30, 2019, mainly due to our repayment of accrued AngloGold royalty payable in the six months ended June 30, 2019.

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Our Directors confirm that we did not have any default in payment of trade payables during the Track Record Period.

As of September 30, 2019, we had settled US\$24.9 million, or 98.4%, of our trade and other payables outstanding as of June 30, 2019.

### LIQUIDITY AND CAPITAL RESOURCES

#### Working Capital

The following table sets forth the details of our current assets and current liabilities as of the dates indicated.

	As of December 31,			As of June 30,	As of September 30,
	2016	2017	2018	2019	2019
	<i>(US\$ in thousands)</i>				
<b>Current assets</b>					
Inventories . . . . .	2,993	4,235	8,858	8,241	7,533
Amounts due from a fellow subsidiary . . . . .	–	–	16	–	–
Trade receivables . . . . .	1,861	1,144	3,270	9,250	13,320
Prepayments and other receivables . . . . .	2,808	3,419	6,247	5,504	5,856
Other assets . . . . .	–	8,122	–	3,647	5,093
Derivative financial instruments . .	–	–	–	–	–
Tax recoverable . . . . .	63	214	144	6	6
Cash and cash equivalents . . . . .	38,314	15,997	31,401	8,473	3,380
<b>Total current assets . . . . .</b>	<b>46,039</b>	<b>33,131</b>	<b>49,936</b>	<b>35,121</b>	<b>35,188</b>
<b>Current liabilities</b>					
Amounts due to an associate . . .	1,432	1,597	1,314	1,408	1,356
Rehabilitation liability . . . . .	1,584	1,778	1,521	1,122	822
Employee related accruals . . . . .	8,050	9,515	18,083	18,031	18,060
Trade and other payables . . . . .	9,480	11,724	16,757	25,279	30,419
Amounts due to an immediate holding company . . . . .	1	1	1	–	–
Lease liability . . . . .	36	33	38	45	45
Tax payable . . . . .	–	–	587	1,042	1,089
Derivative financial instruments . .	–	–	–	3,246	7,913
<b>Total current liabilities . . . . .</b>	<b>20,583</b>	<b>24,648</b>	<b>38,301</b>	<b>50,173</b>	<b>59,704</b>
<b>Net current assets/(liabilities) . .</b>	<b>25,456</b>	<b>8,483</b>	<b>11,635</b>	<b>(15,052)</b>	<b>(24,516)</b>

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We recorded net current liabilities of US\$15.1 million as of June 30, 2019, which was primarily attributable to our trade and other payables of US\$25.3 million, employee related accruals of US\$18.0 million and derivative financial instruments of US\$3.2 million as of the same date, which was partially offset by trade receivables of US\$9.3 million, cash and cash equivalents of US\$8.5 million and inventories of US\$8.2 million as of the same date.

We recorded net current assets of US\$11.7 million as of December 31, 2018, which was primarily attributable to our cash and cash equivalent of US\$31.4 million, prepayments and other receivables of US\$6.2 million, trade receivables of US\$3.3 million and inventories of US\$8.9 million as of December 31, 2018, which was partially offset by trade and other payables of US\$16.8 million and employee related accruals of US\$18.0 million as of the same date.

We recorded net current assets of US\$8.5 million as of December 31, 2017, which was primarily attributable to our cash and cash equivalent of US\$16.0 million, prepayments and other receivables of US\$3.4 million, other assets of US\$8.1 million, inventories of US\$4.2 million as of December 31, 2017, which was partially offset by trade and other payables of US\$11.7 million and employee related accruals of US\$9.5 million as of the same date.

We recorded net current assets of US\$25.5 million as of December 31, 2016, which was primarily attributable to our cash and cash equivalent of US\$38.3 million, prepayments and other receivables of US\$2.8 million, trade receivables of US\$1.9 million and inventories of US\$3.0 million as of December 31, 2016, which was partially offset by trade and other payables of US\$9.5 million and employee related accruals of US\$8.1 million as of the same date.

### **Sufficiency of Working Capital**

To date, we have financed our operations primarily through cash from our operations and capital injection from shareholders. We may also consider seeking additional financing when required. On August 7, 2019, we signed a loan term sheet with The Industrial Development Corporation of South Africa (“IDC”), which is a self-financing national development finance institution whose primary objectives are to contribute to the generation of balanced, sustainable economic growth in Africa. If we choose to enter into a loan agreement with IDC pursuant to the term sheet, IDC may provide credit facilities of up to a principal amount of ZAR200 million for us to draw down until December 30, 2022 specifically for the development of the Weltevreden project, subject to fulfillment of certain conditions precedent. As of September 30, 2019, we had US\$3.4 million in cash and cash equivalents, most of which were denominated in ZAR. Our cash and cash equivalents primarily consist of our cash, bank deposits and short-term fixed income money market instruments.

After taking into account our currently available financial resources, expected operating and investing cash in flow as well as the estimated proceeds from the Global Offering, our Directors believe that we have available sufficient working capital for 125% of our present requirements for at least 12 months after the date of this prospectus.

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### Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	<i>(Unaudited)</i>				
	<i>(US\$ in thousands)</i>				
Operating cash flows before movement in working capital . . . . .	7,444	(2,120)	(36,958)	(21,364)	(11,627)
Net cash flows from/(used in) operating activities . . . . .	7,165	(402)	(35,086)	(9,765)	(8,329)
Net cash flows from/(used in) investing activities . . . . .	(8,741)	(23,008)	21,168	(8,405)	(15,004)
Net cash generated from (used in) financing activities . . . . .	37,376	(45)	28,891	14,275	(39)
Net increase/(decrease) in cash and cash equivalents . . . . .	35,800	(23,455)	14,973	(3,895)	(23,372)
Cash and cash equivalents at beginning of year/period . . . . .	3,417	38,314	15,997	15,997	31,401
Effect of foreign exchange rate changes, net . . . . .	(903)	1,138	431	(2,944)	444
Cash and cash equivalents at end of year/period . . . . .	38,314	15,997	31,401	9,158	8,473

### Operating Activities

Our net cash used in operating activities in the six months ended June 30, 2019 was US\$8.3 million, which was primarily attributable to cash used in operations of US\$7.8 million. Cash used in operations of US\$7.8 million was primarily attributable to loss before taxation of US\$19.1 million, as adjusted by increase in trade receivables of US\$6.0 million, which was partially offset by (i) increase in trade and other payables of US\$8.5 million due to the timing of our payments and (ii) depreciation and amortization of US\$7.3 million mainly in connection with our mining developments.

Our net cash used in operating activities in the six months ended June 30, 2018 was US\$9.8 million, which was primarily attributable to cash used in operations of US\$9.4 million. Cash used in operations of US\$9.4 million was primarily attributable to loss before taxation of US\$2.3 million, as adjusted by (i) gain on bargain purchases of US\$27.1 million representing the difference between fair value of the Kopanang Operations as of February 28, 2018 and the

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consideration we paid for acquiring the Kopanang Operations and (ii) increase in inventories of US\$5.9 million, which was partially offset by (i) increase in employee related accruals of US\$10.4 million and (ii) increase in trade and other payables of US\$10.1 million.

Our net cash used in operating activities in 2018 was US\$35.1 million, which was primarily attributable to cash used in operations of US\$31.0 million, tax paid of US\$3.4 million and cash flows utilized in discontinued operations of US\$0.6 million. Cash used in operations of US\$31.0 million was primarily attributable to loss before taxation of US\$7.8 million, as adjusted by (i) gain on bargain purchase of US\$27.1 million representing the difference between fair value of the Kopanang Operations as of February 28, 2018 and the consideration we paid for acquiring the Kopanang Operations and (ii) gain on disposal of subsidiary of US\$24.0 million as we disposed of our interest in Lesego in December 2018, which was partially offset by depreciation and amortization of US\$16.5 million mainly in connection with our addition of mining development after the acquisition of Kopanang operation.

Our net cash used in operating activities in 2017 was US\$0.4 million, which was primarily attributable to cash generated from operations of US\$0.4 million, partially offset by tax paid of US\$0.2 million and cash flows utilized in discontinued operations of US\$0.7 million. Cash generated from operations of US\$0.4 million was attributable to loss before taxation of US\$10.0 million, which was partially offset by depreciation and amortization of US\$8.0 million mainly in connection with our mining developments.

We may incur net operating cash outflows in the future, see “Risk Factor – Risks Relating to Our Business and Industry – We recorded net current liabilities and net operating cash outflows during the Track Record Period, which might expose us to certain liquidity risks and could constrain our operational flexibility.”

Our net cash flows from operating activities in 2016 was US\$7.2 million, which was primarily attributable to cash generated from operations of US\$7.3 million and tax received of US\$0.1 million, partially offset by cash flows utilized in discontinued operations of US\$0.3 million. Cash generated from operations of US\$7.3 million was attributable to profit before taxation of US\$1.9 million, as adjusted by depreciation and amortization of US\$5.0 million mainly in connection with our mining developments, partially offset by increase in prepayment and other receivables of US\$2.8 million.

### ***Investing Activities***

Our net cash used in investing activities in the six months ended June 30, 2019 was US\$15.0 million, which was primarily attributable to (i) purchase of property, plant and equipment of US\$13.0 million in connection with the addition of mine development and infrastructure as a result of our increased mining activities, and (ii) investment in other assets of US\$2.5 million, which was primarily attributable to cash placed with Auramet for credit lines.

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## FINANCIAL INFORMATION

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Our net cash used in investing activities in the six months ended June 30, 2018 was US\$8.4 million, which was primarily attributable to (i) purchase of non-controlling interest in shareholders on May 31, 2018 in the amount of US\$11.7 million in connection with the buyout of minority interest held by IDC, (ii) purchase of property, plant and equipment of US\$9.3 million in connection with the addition of mine development and infrastructure as a result of our increased mining activities and (iii) acquisition of a business of US\$0.5 million representing part of the consideration we paid for the acquisition of the Kopanang Operations in February 2018, partially offset by share issue of US\$13.2 million as we issued shares of Lesego to a third party.

Our net cash generated from investing activities in 2018 was US\$21.2 million, which was primarily attributable to (i) proceeds on disposal of a subsidiary of US\$51.3 million as we disposed of our interest in Lesego in December 2018 and (ii) share issue of US\$13.2 million as we issued shares to a third party in connection with the Lesego disposal, which were partially offset by (i) purchase of property, plant and equipment of US\$22.6 million in connection with the addition of mine development and infrastructure as a result of our increased mining activities, (ii) purchase of non-controlling interest in shareholders on May 31, 2018 in the amount of US\$11.7 million in connection with the Lesego disposal and (iii) purchase of non-controlling interest in shareholders on November 30, 2018 in the amount of US\$11.2 million in connection with the Lesego disposal.

Our net cash used in investing activities in 2017 was US\$23.0 million, which was primarily attributable to (i) purchase of property, plant and equipment of US\$14.6 million in connection with the addition of mine development and infrastructure as a result of our increased mining activities, (ii) acquisition of a business of US\$7.5 million as we pre-paid consideration for the acquisition of the Kopanang Operations in 2017 and (iii) environmental rehabilitation payments of US\$3.2 million in connection with the restoration or decommissioning of the environment, which were partially offset by sale of financial assets of US\$3.2 million as a portion of the fund was drawn down and spent on rehabilitation activities in 2017.

Our net cash used in investing activities in 2016 was US\$8.7 million, which was primarily attributable to (i) purchase of property, plant and equipment of US\$7.9 million in connection with the addition of mine development and infrastructure as a result of our increased mining activities and (ii) environmental rehabilitation payments of US\$1.9 million in connection with the restoration or decommissioning of the environment, which were partially offset by sale of financial assets of US\$1.9 million as a portion of the fund was drawn down and spent on rehabilitation activities in 2017.

### ***Financing Activities***

Our net cash used in financing activities in the six months ended June 30, 2019 was US\$39,000, which represented our payment of lease liabilities relating to our corporate office.



## FINANCIAL INFORMATION

Our net cash from financing activities in the six months ended June 30, 2018 was US\$14.3 million, which was attributable to proceeds on share issue of US\$14.3 million in connection with the equity injection from Sunshine HK.

Our net cash generated from financing activities in 2018 was US\$28.9 million, which was attributable to proceeds on share issue of US\$28.9 million in connection with the equity injection from Sunshine HK.

Our net cash used in financing activities in 2017 was US\$45,000, which represented our payment of lease liabilities relating to our corporate office.

Our net cash generated from financing activities in 2016 was US\$37.4 million, which was primarily attributable to capital injection from the holding company of US\$38.4 million in connection with the equity injection from Sunshine HK in 2016, which was partially offset by the repayment of financial liabilities at fair value through profit or loss of US\$1.0 million relating to our enterprise resource planning software.

### INDEBTEDNESS

During the Track Record Period and up to September 30, 2019, we had indebtedness in the form of lease liabilities. The table below sets out a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of June 30,	As of September 30,
	2016	2017	2018	2019	2019
				(US\$ in thousands)	(Unaudited)
<b>Current indebtedness</b>					
Lease liabilities . . . . .	36	33	38	45	45
<b>Non-current indebtedness</b>					
Lease liabilities . . . . .	29	–	260	242	212
<b>Total Indebtedness . . . . .</b>	<b>65</b>	<b>33</b>	<b>298</b>	<b>287</b>	<b>257</b>

We place deposits with banks and insurance companies, which provide guarantees in favor of the DMRE for environmental rehabilitation. See “— Description of Principal Consolidated Balance Sheet Items — Other Assets.” We may be subject to an obligation imposed by the MPRDA to develop a Regional Mine Closure Strategy, see “— Commitment and Contingent Liabilities — Contingent Liabilities — Deep Groundwater Pollution.” Other than the foregoing, we did not have any debt securities, term loans, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages, charges, other guarantees or material contingent liabilities, or any

## FINANCIAL INFORMATION

covenants in connection therewith as of September 30, 2019, being the most recent practicable date for the purpose of our indebtedness statement. We did not have any unutilized banking facilities as of the Latest Practicable Date.

### COMMITMENTS AND CONTINGENT LIABILITIES

#### Capital Commitments

Our capital commitments contracted but not provided for during the Track Record Period primarily related to our purchase of property, plant and equipment. As of December 31, 2016, 2017 and 2018 and June 30, 2019, our capital commitments amounted to US\$0.9 million, US\$1.6 million, US\$0.9 million and US\$7.7 million, respectively.

Our Group had the following capital commitments and guarantees at the end of the relevant periods:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	<i>(US\$ in thousands)</i>			
Contracted, but not provided for: Property, plant and equipment . . . . .	884	1,631	924	7,698
	<u>884</u>	<u>1,631</u>	<u>924</u>	<u>7,698</u>
<b>Guarantees</b>	As at December 31,			As at June 30,
	2016	2017	2018	2019
	<i>(US\$ in thousands)</i>			
DMRE <sup>(1)</sup> . . . . .	5,392	6,587	14,252	17,960
Eskom Holdings SOC Limited (“Eskom”) <sup>(2)</sup> . . . . .	1,951	2,178	4,111	4,087
Others . . . . .	–	–	278	276
<b>Total</b> . . . . .	<u>7,343</u>	<u>8,765</u>	<u>18,641</u>	<u>22,323</u>

*Notes:*

- (1) The guarantees in favor of DMRE are asset-backed performance guarantees for rehabilitation requirement purposes. We entered into a performance guarantee for Nicolor (Pty) Ltd for rehabilitation requirement purposes on August 1, 2019 with the amount of ZAR41.8 million, or US\$2.9 million at the rate of ZAR14.5 to US\$1 (the closing rate as of August 1, 2019).
- (2) The guarantees in favor of Eskom, an independent third party, are performance guarantees required by Eskom for it to provide power and electricity to our Group.

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### Contingent Liabilities

#### *Deep Groundwater Pollution*

We have identified potential water ingress and future pollution risk (acid mine drainage) posed by deep ground water in certain underground mines in South Africa. Due to the interconnected nature of mining operations, any proposed solution needs to be a combined one supported by all the mines located in these gold fields. As a result, the MPRDA requires that the affected mining companies develop a Regional Mine Closure Strategy to be approved by the DMRE. In view of the limitation of current information for the accurate estimation of a liability, no reliable estimate can be made for the obligation.

Our Directors further confirm that as of September 30, 2019, other than the foregoing, we did not have any debt securities, term loans, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages, charges, other guarantees or material contingent liabilities, or any covenants in connection therewith.

### CAPITAL EXPENDITURES

Our capital expenditures relating to continuing operations during the Track Record Period consist of our purchase of property, plant and equipment. The following table sets forth our capital expenditures for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	(Unaudited)				
	(US\$ in thousands)				
Property, plant and equipment . . . . .	7,898	14,609	22,624	9,280	13,022
<b>Total . . . . .</b>	<b>7,898</b>	<b>14,609</b>	<b>22,624</b>	<b>9,280</b>	<b>13,022</b>

We will continue to incur capital expenditures following the completion of the Global Offering. We expect to incur capital expenditures of US\$32.6 million in 2019, among which approximately US\$7.6 million is expected to be used for the Weltevreden project in 2019. We plan to fund such capital expenditures through cash generated from our continuing operations and net proceeds from the Global Offering. We may also consider debt financing from commercial banks and other channels, depending on the development progress and our capital needs. See “Business — Our Assets — Descriptions of Our Assets — Tau Lekoa Group — Weltevreden Project.”

## FINANCIAL INFORMATION

### AISC AND CASH OPERATING COSTS

Both AISC and cash operating cost are terms defined and published by the World Gold Council to standardize industry cost reporting. AISC is the sum of cash operating cost, royalties and production taxes, corporate overheads, reclamation and remediation expenses, exploration costs (expensed not capitalized), and sustaining capital expenditure. Cash operating cost is the sum of direct mining cost, ore processing cost, mine site general and administrative cost (including services), freight cost, and third party treatment and refining charges, and minus by-product credits.

Compared to AISC, cash operating cost consists of components which are more similar to those comprising the cost of sales and may be a better metric to evaluate the Company's operating profit, according to the Competent Person. Meanwhile, AISC may be a better metric to evaluate profitability for the complete mining life cycle from exploration closure.

### AISC

Our consolidated AISC per ounce of gold produced, including toll allocation, was US\$1,379, US\$1,489, US\$1,664 and US\$1,546 in 2016, 2017 and 2018 and the six months ended June 30, 2019, respectively.

The tables below set forth a summary of the historical and forecast of AISC for our Tau Lekoa Mine and Kopanang Mine, respectively, for the periods indicated.

		Tau Lekoa								
PARAMETER <sup>(1)</sup>	Units	2016A	2017A	2018A	H1-2019A	2019E	2020E	2021E	2022E	2023E
Employment Costs . . . . .	US\$ in millions	53.4	63.6	69.4	33.6	59.7	50.8	43.3	40.4	24.9
Stores . . . . .	US\$ in millions	13.7	15.8	16.2	7.7	14.5	13.6	12.1	10.0	7.7
Electricity & Water . . . . .	US\$ in millions	7.8	9.3	10.0	5.0	10.0	9.6	9.3	8.9	7.1
Surface Transport . . . . .	US\$ in millions	1.4	1.8	1.4	0.7	1.1	0.9	0.8	0.6	0.5
Plant/refining costs . . . . .	US\$ in millions	6.4	8.1	11.7	5.3	9.7	7.5	6.6	5.0	3.9
AngloGold Royalty . . . . .	US\$ in millions	2.6	2.8	2.6	1.4	2.8	3.0	2.4	2.1	1.6
State Royalty . . . . .	US\$ in millions	0.4	0.5	0.5	0.2	0.5	0.5	0.4	0.4	0.3
Other costs . . . . .	US\$ in millions	9.4	8.6	7.1	5.2	8.2	4.9	4.1	1.7	1.7
Reversal – capital development/opening up . .	US\$ in millions	(6.0)	(8.6)	(6.5)	(5.2)	(12.0)	(10.2)	(4.5)	(2.8)	(2.1)

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Tau Leko										
PARAMETER <sup>(1)</sup>	Units	2016A	2017A	2018A	H1-2019A	2019E	2020E	2021E	2022E	2023E
Cash Operating Costs . . . .	US\$ in millions	89.2	101.9	112.4	53.8	94.6	80.7	74.5	66.2	45.4
Capital costs . . . . .	US\$ in millions	8.6	13.9	12.4	5.7	10.7	12.5	10.1	3.3	(1.0)
All-in sustainable cost (AISC) . . . . .	US\$ in millions	97.8	115.8	124.7	59.7	105.2	93.2	84.6	69.5	44.4
Gold produced <sup>(5)</sup> . . . . .	(koz)	71.0	74.5	69.3	34.7 <sup>(3)</sup>	74.5	82.9	65.8	57.9	40.7
Unit cash operating cost . . .	(US\$/oz)	1,256	1,369	1,623	1,549	1,269	972	1,133	1,143	1,115
All-in sustainable cost (AISC) . . . . .	(US\$/oz)	1,355	1,546	1,839	1,720	1,413	1,123	1,286	1,201	1,089

Kopanang										
PARAMETER <sup>(1)</sup>	Units	2016A	2017A	2018A	H1-2019A	2019E	2020E	2021E	2022E	2023E
Employment Costs . . . . .	US\$ in millions	54.4	65.2	67.7	34.4	68.6	68.4	62.2	61.2	61.1
Stores . . . . .	US\$ in millions	10.2	12.1	18.5	7.1	16.7	18.5	17.4	17.7	17.1
Electricity & Water . . . . .	US\$ in millions	11.3	13.5	15.4	6.9	14.2	14.0	14.0	14.0	13.9
Surface Transport . . . . .	US\$ in millions	0.0	0.0	0.8	0.6	1.1	1.1	1.1	1.1	1.1
Plant treatment costs . . . . .	US\$ in millions	7.5	9.2	7.3	4.0	11.5	9.1	9.0	8.7	8.5
AngloGold Royalty . . . . .	US\$ in millions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
State Royalty . . . . .	US\$ in millions	0.6	0.6	0.5	0.3	0.6	0.7	1.1	2.5	2.2
Other costs . . . . .	US\$ in millions	44.3	50.3	8.1	5.4	11.6	12.3	11.8	11.3	11.3
Reversal – capital development . . . . .	US\$ in millions	(11.2)	(11.4)	(6.5)	(5.5)	(9.7)	(8.4)	(4.4)	(5.8)	(8.5)
Cash Operating Costs . . . .	US\$ in millions	117.0	139.4	111.9	53.2	114.7	115.6	112.2	110.7	106.7
Capital costs . . . . .	US\$ in millions	14.2	13.5	10.7	5.4	11.1	14.4	13.9	13.5	10.1
All-in sustainable cost (AISC) . . . . .	US\$ in millions	131.2	152.9	122.6	59.0	126.2	130.0	126.0	124.2	116.8
Gold produced <sup>(5)</sup> . . . . .	(koz)	91.1	91.3	71.2	40.8 <sup>(4)</sup>	97.1	109.6	118.7	119.9	111.5
Unit cash operating cost . . .	(US\$/oz)	1,285	1,527	1,570	1,305	1,181	1,054	945	923	957
All-in sustainable cost (AISC) . . . . .	(US\$/oz)	1,435	1,668	1,721	1,448	1,300	1,185	1,061	1,036	1,048

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We expect that the major components of our AISC (per ounce of gold produced) of both our Tau Lekoa Mine and Kopanang Mine, such as employment costs, stores, electricity and water, and plant or refining costs, will continue to decrease gradually from 2020 to 2023 due to the continuous increase in our production volume, which is in line with our improving operational efficiency.

### Cash Operating Costs

Cash operating costs for our mines primarily consist of mining operation costs and processing costs. A majority of these costs relate to employee costs, stores, electricity and water and plant treatment costs. Our cash operating costs per ounce of gold produced from own gold production was US\$1,284, US\$1,353, US\$1,603 and US\$1,382 in 2016, 2017 and 2018 and the six months ended June 30, 2019, respectively.

The table below sets forth a summary of historical and forecast of the cash operating costs per ounce of gold produced for our Tau Lekoa Mine and Kopanang Mine, respectively, for the years indicated.

		Tau Lekoa								
PARAMETER <sup>(1)</sup>	Units	2016A	2017A	2018A	H1-2019A	2019E	2020E	2021E	2022E	2023E
Employment Costs . . . . .	US\$ in millions	53.4	63.6	69.4	33.6	59.7	50.8	43.3	40.4	24.9
Stores . . . . .	US\$ in millions	13.7	15.8	16.2	7.7	14.5	13.6	12.1	10.0	7.7
Electricity & Water . . . . .	US\$ in millions	7.8	9.3	10.0	5.0	10.0	9.6	9.3	8.9	7.1
Surface Transport . . . . .	US\$ in millions	1.4	1.8	1.4	0.7	1.1	0.9	0.8	0.6	0.5
Plant/refining costs . . . . .	US\$ in millions	6.4	8.1	11.7	5.3	9.7	7.5	6.6	5.0	3.9
AngloGold Royalty <sup>(2)</sup> . . . . .	US\$ in millions	2.6	2.8	2.6	1.4	2.8	3.0	2.4	2.1	1.6
State Royalty . . . . .	US\$ in millions	0.4	0.5	0.5	0.2	0.5	0.5	0.4	0.4	0.3
Other costs . . . . .	US\$ in millions	9.4	8.6	7.1	5.2	8.2	4.9	4.1	1.7	1.7
Reversal – capital development/opening up . . .	US\$ in millions	(6.0)	(8.6)	(6.5)	(5.2)	(12.0)	(10.2)	(4.5)	(2.8)	(2.1)
<b>Cash Operating Costs . . . .</b>	<b>US\$ in millions</b>	<b>89.2</b>	<b>101.9</b>	<b>112.4</b>	<b>53.8</b>	<b>94.6</b>	<b>80.7</b>	<b>74.5</b>	<b>66.2</b>	<b>45.4</b>
Gold produced <sup>(5)</sup> . . . . .	(koz)	71.0	74.5	69.3	34.7 <sup>(2)</sup>	74.5	82.9	65.8	57.9	40.7
Unit cash operating cost . . .	(US\$/oz)	1,256	1,369	1,623	1,549	1,269	972	1,133	1,143	1,115

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		Kopanang								
PARAMETER <sup>(1)</sup>	Units	2016A	2017A	2018A	H1-2019A	2019E	2020E	2021E	2022E	2023E
Employment Costs . . . . .	US\$ in millions	54.4	65.2	67.7	34.4	68.6	68.4	62.2	61.2	61.1
Stores . . . . .	US\$ in millions	10.2	12.1	18.5	7.1	16.7	18.5	17.4	17.7	17.1
Electricity & Water . . . . .	US\$ in millions	11.3	13.5	15.4	6.9	14.2	14.0	14.0	14.0	13.9
Surface Transport . . . . .	US\$ in millions	0.0	0.0	0.8	0.6	1.1	1.1	1.1	1.1	1.1
Plant treatment costs . . . . .	US\$ in millions	7.5	9.2	7.3	4.0	11.5	9.1	9.0	8.7	8.5
AngloGold Royalty <sup>(2)</sup> . . . . .	US\$ in millions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
State Royalty . . . . .	US\$ in millions	0.6	0.6	0.5	0.3	0.6	0.7	1.1	2.5	2.2
Other costs . . . . .	US\$ in millions	44.3	50.3	8.1	5.4	11.6	12.3	11.8	11.3	11.3
Reversal – capital development . . . . .	US\$ in millions	(11.2)	(11.4)	(6.5)	(5.5)	(9.7)	(8.4)	(4.4)	(5.8)	(8.5)
<b>Cash Operating Costs . . . . .</b>	<b>US\$ in millions</b>	<b>117.0</b>	<b>139.4</b>	<b>111.9</b>	<b>53.2</b>	<b>114.7</b>	<b>115.6</b>	<b>112.2</b>	<b>110.7</b>	<b>106.7</b>
Gold produced <sup>(5)</sup> . . . . .	(koz)	91.1	91.3	71.2	40.8 <sup>(3)</sup>	97.1	109.6	118.7	119.9	111.5
Unit cash operating cost . . . . .	(US\$/oz)	1,285	1,527	1,570	1,305	1,181	1,054	945	923	957

*Notes:*

- (1) The forecast consolidated AISC and cash operating costs per ounce of gold produced and all cost inputs are included in constant money terms. All costs from July 2019 to 2023 are converted at an exchange rate of ZAR14.0862:US\$1, the prevailing ZAR to U.S. dollar exchange rate as of June 30, 2019 (the effective date of the CPR). No contingency has been provided for in the cost estimation.
- (2) Represents our mineral royalty payable to AngloGold at a rate of 3% of the revenue of Tau Lekoa Pty pursuant to our acquisition agreement for the Tau Lekoa Mine.
- (3) This includes the 25.1 kg (808 oz) of gold robbed from the West Gold Plant in February 2019.
- (4) This includes the 34.6 kg (1,114 oz) of gold robbed from the West Gold Plant in February 2019.
- (5) The forecast of gold production volume comprises only the Proved and Probable Mineral reserves derived from the Measured and Indicated Resources as of June 30, 2019 in the CPR. It does not include the potential new reserves to be declared through the Company's continuous mine development efforts.

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The increase in our consolidated AISC and cash operating costs per ounce of gold produced from own gold production from 2016 to 2017 was due to (i) the appreciation of ZAR against U.S. dollars from ZAR14.7 per U.S. dollar in 2016 to ZAR13.3 per U.S. dollar in 2017, (ii) an increase in our employment cost, which was primarily attributable to an increase in the number of our employees engaged in production activities at the Tau Lekoa Mine from 2,887 as of the end of 2016 to 3,285 as of the end of 2017 and (iii) an increase in mining consumable and utility costs due to our increased mining activities and an increase in the electricity tariff rate, while our sales volume of gold only increased slightly in 2017. The increase in our consolidated AISC per ounce of gold produced in 2017 was also because we incurred substantial opening up and development costs as we conducted development activities at the Tau Lekoa Mine. Such mine development activities at the Tau Lekoa Mine impacted our production volume in 2018 and have a lag effect, which would result in increasing production volume and decreasing AISC per ounce of gold produced in the future.

The increase in our consolidated AISC and cash operating costs per ounce of gold produced from own gold production from 2017 to 2018 was due to (i) a significant increase in our employment cost due to the increase in the number of our employees engaged in production activities, which was primarily attributable to a transfer of more than 3,000 employees working with the Kopanang Mine to us after our acquisition in February 2018 and (ii) the significant increase in mining consumable and utility costs as a result of the acquisition of the Kopanang Operations in February 2018, while our sales volume of gold increased to a lesser extent than the increase in AISC and cash operating costs in 2018. The increase in our consolidated AISC per ounce of gold produced in 2018 was also because we incurred additional mine development costs as we developed into virgin grounds and extended existing on-reef development at the Tau Lekoa Mine, as well as that in relation to the Kopanang Mine acquired by us in February 2018. Such mine development activities have a lag effect, which would result in increasing production volume and decreasing AISC per ounce of gold produced in the future.

Our consolidated AISC and cash operating costs per ounce of gold produced from own gold production decreased slightly from 2018 to the six months ended June 30, 2019, as our gold production volume grew at a faster pace than the AISC and cash operating costs did, primarily as a result of (i) the production ramp-up at Kopanang Mine, (ii) the mine development activities we conducted at Tau Lekoa mine which started to show positive result, and (iii) the positive impact due to a weaker ZAR in the first half of 2019.

See “— Period to Period Comparison of Results of Operations.”



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### QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to a variety of financial risks in the ordinary course of our business. The financial risks include interest rate risk, foreign exchange risk, commodity price risk, credit risk and liquidity risk. Our overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance.

#### Interest Rate Risk

Our exposure to the risk of changes in market interest rates relates primarily to our borrowings with a floating interest rate. We do not have any significant exposure to the interest rate risk in the cash flows.

#### Credit risk

We trade only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant.

#### *Maximum Exposure as of December 31, 2016 and 2017*

The credit risk of our other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since we trade only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. We had certain concentrations of credit risk as 100%, 99%, 99%, and 99% of our trade receivables were due from our certain customers with the top five balances as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively.

Further quantitative data in respect of our exposure to credit risk arising from trade receivables are disclosed in Note 39 to the Accountants' Report attached hereto as Appendix I to this prospectus.

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### *Maximum Exposure and Year-end Staging as of December 31, 2018 and June 30, 2019*

The table below shows the credit quality and the maximum exposure to credit risk based on our credit policy, which is mainly based on past due information unless other information is available without undue cost or effort as of December 31, 2018 and June 30, 2019. The amounts presented are gross carrying amounts for financial assets.

<u>December 31, 2018</u>	<u>12-month ECLs</u>	<u>Lifetime ECLs</u>	
	<u>Stage 1</u>	<u>Simplified approach</u>	<u>Total</u>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Trade receivables* . . . . .	–	3,270	3,270
Financial assets included in prepayment and other receivable			
– Normal** . . . . .	225	–	225
– Doubtful** . . . . .	–	–	–
Other assets			
– Normal** . . . . .	10,789	–	10,789
– Doubtful** . . . . .	–	–	–
Amounts due from a fellow subsidiary			
– not yet past due . . . . .	16	–	16
Cash and cash equivalents			
– not yet past due . . . . .	31,401	–	31,401
	<b>42,431</b>	<b>3,270</b>	<b>45,701</b>
	<b>42,431</b>	<b>3,270</b>	<b>45,701</b>
	<b>42,431</b>	<b>3,270</b>	<b>45,701</b>
<u>June 30, 2019</u>	<u>12-month ECLs</u>	<u>Lifetime ECLs</u>	
	<u>Stage 1</u>	<u>Simplified approach</u>	<u>Total</u>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Trade receivables* . . . . .	–	9,250	9,250
Financial assets included in prepayment and other receivables			
– Normal** . . . . .	1,135	–	1,135
– Doubtful** . . . . .	–	–	–
Other assets			
– Normal** . . . . .	13,615	–	13,615
– Doubtful** . . . . .	–	–	–
Cash and cash equivalents			
– Not yet past due . . . . .	8,473	–	8,473
	<b>23,223</b>	<b>9,250</b>	<b>32,473</b>
	<b>23,223</b>	<b>9,250</b>	<b>32,473</b>
	<b>23,223</b>	<b>9,250</b>	<b>32,473</b>

## FINANCIAL INFORMATION

\* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the Accountants' Report attached hereto as Appendix I to this prospectus.

\*\* The credit quality of the financial assets included in prepayments and other receivables, and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful."

### Liquidity risk

We monitor our risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations. Our objective is to maintain a balance between continuity of funding and flexibility through the use of loans and borrowings and funds generated from operations.

The maturity profile of our financial liabilities as of December 31, 2016, 2017 and 2018 and June 30, 2019, based on the contractual undiscounted payments, is as follows:

	<b>Within 1 year or on demand</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	<i>(US\$ in thousands)</i>			
<b>As of December 31, 2016</b>				
Amounts due to an associate . . .	1,432	–	–	1,432
Trade and other payables . . . . .	9,480	–	–	9,480
Amounts due to an immediate holding company . . . . .	1	–	–	1
Lease liability . . . . .	65	–	–	65
	<b>10,978</b>	<b>–</b>	<b>–</b>	<b>10,978</b>

	<b>Within 1 year or on demand</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	<i>(US\$ in thousands)</i>			
<b>As of December 31, 2017</b>				
Amounts due to an associate . . .	1,597	–	–	1,597
Trade and other payables . . . . .	11,724	–	–	11,724
Amounts due to an immediate holding company . . . . .	1	–	–	1
Lease liability . . . . .	33	–	–	33
	<b>13,355</b>	<b>–</b>	<b>–</b>	<b>13,355</b>

## FINANCIAL INFORMATION

	<b>Within 1 year or on demand</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	<i>(US\$ in thousands)</i>			
<b>As of December 31, 2018</b>				
Amounts due to an associate . . .	1,314	–	–	1,314
Trade and other payables . . . . .	16,757	–	–	16,757
Amounts due to an immediate holding company . . . . .	1	–	–	1
Lease liability . . . . .	298	–	–	298
	<b>18,370</b>	<b>–</b>	<b>–</b>	<b>18,370</b>

	<b>Within 1 year or on demand</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	<i>(US\$ in thousands)</i>			
<b>As of June 30, 2019</b>				
Amounts due to an associate . . .	1,408	–	–	1,408
Trade and other payables . . . . .	25,279	–	–	25,279
Derivative financial instruments	3,246	–	–	3,246
Lease liability . . . . .	287	–	–	287
	<b>30,220</b>	<b>–</b>	<b>–</b>	<b>30,220</b>

### Commodity price risk

We are exposed to the risk of fluctuations in prevailing market commodity prices on the gold it produces which it makes sale to South African markets. The market prices of gold are the key drivers of the Group's capacity to generate cash flow. We are predominantly a producer to provide our shareholders with exposure to changes in the market price of gold. Our Board of Directors has developed and enacted a strategy for commodity price risk management and its mitigation. Pursuant to our treasury policy, our Chief Financial Officer may enter hedge positions for up to 50% of the estimated gold production for a period of 12 months upon approval of our Treasury Committee, which consists of our Chairman, Chief Executive Officer, Chief Operating Officer and Chief Financial Officer.

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## FINANCIAL INFORMATION

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The table below summarizes the impact on profit before tax for changes in commodity prices on the fair values of derivative financial instruments.

The analysis is based on the assumption that the gold prices move 10% with all other variables held constant. Reasonably possible movements in gold prices were determined based on a review of the last two years' historical prices and the expectation of economic forecasters.

<b>June 30, 2019</b>	<b>Effect on profit before tax for the six months ended June 30, 2019</b>
	<b>Increase/(decrease)</b>
	<i>(US\$ in thousands)</i>
<b>Change in gold prices</b>	
Increase of 10% .....	20,487
Decrease of 10% .....	(20,487)

We also enter into physical commodity contracts in the normal course of business. These contracts are not derivatives and are treated as executory contracts, which are recognized and measured at cost when the transactions occur. The above derivative financial instruments are for hedging purposes and our management expects that the fair value changes of derivative financial instruments are able to mitigate the effect of physical commodity contracts.

### Foreign Exchange Risk

Foreign currency risk is the risk of loss resulting from changes in foreign exchange rates. Fluctuations in exchange rates between U.S. dollars and other currencies in which we conduct business may affect our financial condition and results of operations. Since we do not hold any financial instruments denominated in currencies other than the functional currency of the respective operating units during the Track Record Period, We do not have any significant exposure to the foreign currency risk.

### Capital Management

The primary objectives of our capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

We manage our capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, we may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

## FINANCIAL INFORMATION

We monitor capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes amount due to an associate, trade and other payables, amounts due to an immediate holding company and lease liability less cash and cash equivalents, and excludes the discontinued operation. Capital represents the equity attributable to owners of the parent. The gearing ratios as of December 31, 2016, 2017, 2018 and June 30, 2019 were as follows:

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	<i>(US\$ in thousands)</i>			
Amount due to an associate .	1,432	1,597	1,314	1,408
Trade and other payables . . .	9,480	11,724	16,757	25,279
Lease liability . . . . .	65	33	298	287
Derivative financial instruments . . . . .	—	—	—	3,246
Amounts due to an immediate holding company . . . . .	1	1	1	—
Less: Cash and cash equivalents . . . . .	(38,314)	(15,997)	(31,401)	(8,473)
Net debt . . . . .	<b>(27,336)</b>	<b>(2,642)</b>	<b>(13,031)</b>	<b>21,747</b>
Equity attributable to owners of the parent . . . . .	85,491	83,484	87,199	67,840
Capital and net debt . . . . .	58,155	80,842	74,168	89,587
Gearing ratio . . . . .	N/A	N/A	N/A	24%

## SENSITIVITY ANALYSIS

Our revenue is principally affected by gold price, foreign exchange rate and our sales volume, which are interlinked.

### Gold Price

The table below sets forth the impact of fluctuation of gold price on our results of operations for the periods indicated.

*(US\$ in thousands, except for percentages)*

<b>Hypothetical fluctuation of the gold price . . . . .</b>	+1%	-1%	+5%	-5%	+10%	-10%
Impact on the results for 2016						
Change in revenue . . . . .	1,236	(1,236)	6,179	(6,179)	12,358	(12,358)

## FINANCIAL INFORMATION

*(US\$ in thousands, except for percentages)*

Change in gross profit . . . . .	984	(984)	4,920	(4,920)	9,841	(9,841)
Change in gross profit margin . .	0.70%	(0.71)%	3.37%	(3.69)%	6.45%	(7.76)%
Impact on the result for 2017						
Change in revenue . . . . .	1,258	(1,258)	6,292	(6,292)	12,584	(12,584)
Change in gross profit . . . . .	1,095	(1,095)	5,474	(5,474)	10,948	(10,948)
Change in gross profit margin . .	0.88%	(0.89)%	4.22%	(4.65)%	8.08%	(9.80)%
Impact on the result for 2018						
Change in revenue . . . . .	2,140	(2,140)	10,701	(10,701)	21,403	(21,403)
Change in gross profit . . . . .	1,806	(1,806)	9,029	(9,029)	18,058	(18,058)
Change in gross profit margin . .	1.01%	(1.03)%	4.85%	(5.35)%	9.27%	(11.27)%
Impact on the result for the six months ended June 30, 2019						
Change in revenue . . . . .	1,259	(1,259)	6,295	(6,295)	12,590	(12,590)
Change in gross profit . . . . .	1,050	(1,050)	5,249	(5,249)	10,498	(10,498)
Change in gross profit margin . .	0.86%	(0.88)%	4.17%	(4.59)%	7.97%	(9.66)%

### Sales Volume of Gold

The table below sets forth the impact of fluctuation of sales volume of gold on our results of operations for the periods indicated.

*(US\$ in thousands, except for percentages)*

<b>Hypothetical fluctuation of the sales volume of gold . . . . .</b>	<b>+1%</b>	<b>-1%</b>	<b>+5%</b>	<b>-5%</b>	<b>+10%</b>	<b>-10%</b>
Impact on the results for 2016						
Change in revenue . . . . .	1,236	(1,236)	6,179	(6,179)	12,358	(12,358)
Change in gross profit . . . . .	984	(984)	4,920	(4,920)	9,841	(9,841)
Change in gross profit margin . .	0.70%	(0.71)%	3.37%	(3.69)%	6.45%	(7.76)%
Impact on the results for 2017						
Change in revenue . . . . .	1,258	(1,258)	6,292	(6,292)	12,584	(12,584)
Change in gross profit . . . . .	1,095	(1,095)	5,474	(5,474)	10,948	(10,948)
Change in gross profit margin . .	0.88%	(0.89)%	4.22%	(4.65)%	8.08%	(9.80)%
Impact on the results for 2018						
Change in revenue . . . . .	2,140	(2,140)	10,701	(10,701)	21,403	(21,403)
Change in gross profit . . . . .	1,806	(1,806)	9,029	(9,029)	18,058	(18,058)
Change in gross profit margin . .	1.01%	(1.03)%	4.85%	(5.35)%	9.27%	(11.27)%
Impact on the result for the six months ended June 30, 2019						
Change in revenue . . . . .	1,259	(1,259)	6,295	(6,295)	12,590	(12,590)
Change in gross profit . . . . .	1,050	(1,050)	5,249	(5,249)	10,498	(10,498)
Change in gross profit margin . .	0.86%	(0.88)%	4.17%	(4.59)%	7.97%	(9.66)%

## FINANCIAL INFORMATION

### Employee costs

The table below sets forth the impact of fluctuation of the employee costs in our cost of sales on our results of operations for the periods indicated.

*(US\$ in thousands, except for percentages)*

<b>Hypothetical fluctuation of the</b>						
<b>employee costs</b> . . . . .	<b>+5%</b>	<b>-5%</b>	<b>+10%</b>	<b>-10%</b>	<b>+15%</b>	<b>-15%</b>
Impact on the result for 2016						
Change in gross profit . . . . .	(2,915)	2,915	(5,831)	5,831	(8,746)	8,746
Change in gross profit margin . .	(2.19)%	2.19%	(4.38)%	4.38%	(6.57)%	6.57%
Impact on the result for 2017						
Change in gross profit . . . . .	(3,503)	3,503	(7,006)	7,006	(10,509)	10,509
Change in gross profit margin . .	(2.69)%	2.69%	(5.38)%	5.38%	(8.06)%	8.06%
Impact on the result for 2018						
Change in gross profit . . . . .	(6,786)	6,786	(13,571)	13,571	(20,357)	20,357
Change in gross profit margin . .	(3.08)%	3.08%	(6.17)%	6.17%	(9.25)%	9.25%
Impact on the result for the six months ended June 30, 2019						
Change in gross profit . . . . .	(3,665)	3,665	(7,330)	7,330	(10,995)	10,995
Change in gross profit margin . .	(2.79)%	2.79%	(5.58)%	5.58%	(8.36)%	8.36%

### Exchange Rate

The table below sets forth the impact of the fluctuation of exchange rate between ZAR and U.S. dollar on our results of operations for the periods indicated.

*(ZAR per US\$1.00; US\$ in thousands, except for percentages )*

<b>Hypothetical fluctuation of the exchange</b>						
<b>rate</b> . . . . .	<b>+5%</b>	<b>-5%</b>	<b>+10%</b>	<b>-10%</b>	<b>+15%</b>	<b>-15%</b>
Impact on the results for 2016						
Change in revenue . . . . .	(455)	502	(868)	1,060	(1,245)	1,684
Change in gross profit . . . . .	4,447	(4,915)	8,490	(10,376)	12,181	(16,480)
Change in gross profit margin . . . . .	3.36%	(3.69)%	6.44%	(7.76)%	9.27%	(12.27)%
Impact on the result for 2017						
Change in revenue . . . . .	(213)	236	(407)	498	(584)	791
Change in gross profit . . . . .	5,506	(6,085)	10,511	(12,847)	15,081	(20,403)
Change in gross profit margin . . . . .	4.22%	(4.65)%	8.08%	(9.80)%	11.60%	(15.53)%
Impact on the result for 2018						
Change in revenue . . . . .	(671)	704	(1,315)	1,446	(1,934)	2,232
Change in gross profit . . . . .	10,337	(11,464)	19,702	(24,241)	28,220	(38,565)
Change in gross profit margin . . . . .	4.65%	(5.13)%	8.88%	(10.81)%	12.76%	(17.15)%



## FINANCIAL INFORMATION

*(ZAR per US\$1.00; US\$ in thousands, except for percentages )*

Impact on the result for the six months

ended

June 30, 2019

Change in revenue . . . . .	(2,225)	2,247	(4,432)	4,518	(6,622)	6,819
Change in gross profit . . . . .	3,544	(4,130)	6,583	(8,944)	9,181	(14,562)
Change in gross profit margin . . . . .	2.61%	(2.96)%	4.91%	(6.32)%	6.94%	(10.15)%

### BREAK-EVEN ANALYSIS

#### Gold Price

The table below sets forth the hypothetical fluctuation necessary to achieve gross profit in terms of gold price during the Track Record Period. This table assumes all other factors, including operating and financial metrics, remained as they actually were during the periods indicated.

	For the year ended December 31,			For the six months ended June 30,
	2016	2017	2018	2019
Hypothetical gold price (US\$/oz) . . .	N/A	1,326.8	1,588.1	1,439.7
Actual gold price (US\$/oz) . . . . .	1,248.1	1,256.5	1,273.7	1,312.0
Fluctuation to achieve gross profit . .	N/A	5.60%	24.68%	9.73%

#### Gold Sales

The table below sets forth the hypothetical fluctuation necessary to achieve gross profit in terms of sales volume of gold during the Track Record Period. This table assumes all other factors, including operating and financial metrics, remained as they actually were during the periods indicated.

	For the year ended December 31,			For the six months ended June 30,
	2016	2017	2018	2019
Hypothetical gold sales (ounce) . . . .	N/A	105,771	209,515	105,302
Actual gold sales (ounce) . . . . .	99,019	100,165	168,037	95,963
Fluctuation to achieve gross profit . .	N/A	5.60%	24.68%	9.73%

## FINANCIAL INFORMATION

### Exchange Rate

The table below sets forth the hypothetical fluctuation necessary to achieve gross profit in terms of exchange rate between U.S. dollar and ZAR during the Track Record Period. This table assumes all other factors, including operating and financial metrics, remained as they actually were during the periods indicated.

	For the year ended December 31,			For the six months ended June 30,
	2016	2017	2018	2019
Hypothetical exchange rate (ZAR per US\$1.00) . . . . .	N/A	14.04	16.70	16.05
Actual exchange rate (ZAR per US\$1.00) . . . . .	14.68	13.30	13.25	14.20
Fluctuation to achieve gross profit . .	N/A	5.60%	26.07%	17.24%

### KEY FINANCIAL RATIOS

The table below sets forth certain of our key financial ratios as of and for the periods indicated.

	As of and for the year ended December 31,			As of and for the six months ended June 30,
	2016	2017	2018	2019
Return on equity <sup>(1)</sup> . .	1.7%	N/A	N/A	N/A
Return on assets <sup>(2)</sup> . .	1.2%	N/A	N/A	N/A
Current ratio <sup>(3)</sup> . . . . .	223.7%	134.4%	130.4%	70.0%
Quick ratio <sup>(4)</sup> . . . . .	209.1%	117.2%	107.3%	53.6%

*Notes:*

- (1) Calculated as profit for the period divided by the average of equity attributable to equity shareholders of the Company at the beginning of the period and at the end of the period, then multiplied by 100%.
- (2) Calculated as profit for the period divided by the average of total assets at the beginning of the period and at the end of the period, then multiplied by 100%.
- (3) Calculated as current assets at the end of the period divided by current liabilities at the end of the period, then multiplied by 100%.
- (4) Calculated as current assets less inventories at the end of the period divided by current liabilities at the end of the period, then multiplied by 100%.

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## FINANCIAL INFORMATION

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Our return on equity was 1.7% in 2016. We incurred loss and had negative return on equity in 2017, 2018 and the six months ended June 30, 2019.

Our return on assets was 1.2% in 2016. We incurred loss and had negative return on assets in 2017, 2018 and the six months ended June 30, 2019.

Our current ratio decreased from 223.7% as of December 31, 2016 to 134.4% as of December 31, 2017 mainly because (i) our current assets decreased significantly from US\$46.0 million as of December 31, 2016 to US\$33.1 million as of December 31, 2017, which was mainly attributable to a significant decrease in our cash and cash equivalents from US\$38.3 million to US\$16.0 million as of the same dates as a result of cash used in operating activities in 2017 and (ii) an increase in our current liabilities from US\$20.6 million as of December 31, 2016 to US\$24.6 million as of December 31, 2017, which was mainly attributable to increases in amount due to an associate, rehabilitation liability, employee related accruals and trade and other payables as of the same dates.

Our current ratio decreased to 130.4% as of December 31, 2018, primarily due to an increase in our current liabilities from US\$24.6 million as of December 31, 2017 to US\$38.3 million as of December 31, 2018, which was mainly attributable to increases in employee related accruals and trade and other payables as of the same dates. Such increase was partially offset by an increase in our current assets from US\$33.1 million as of December 31, 2017 to US\$49.9 million as of December 31, 2018, which was mainly attributable to (i) a significant increase in our cash and cash equivalents from US\$16.0 million to US\$31.4 million as a result of cash generated from investing activities and financing activities in 2018, (ii) an increase in inventories from US\$4.2 million as of December 31, 2017 to US\$8.9 million as of the same date in 2018, (iii) an increase in prepayments and other receivables from US\$3.4 million as of December 31, 2017 to US\$6.2 million, as of the same date in 2018, which were partially offset by a decrease of other assets from US\$8.1 million as of December 31, 2017 to nil as of the same date in 2018.

Our current ratio decreased to 70.0% as of June 30, 2019, primarily because (i) our current assets decreased from US\$49.9 million as of December 31, 2018 to US\$35.1 million as of June 30, 2019, mainly attributable to a decrease in our cash and cash equivalents from US\$31.4 million as of December 31, 2018 to US\$8.5 million as of June 30, 2019 as a result of cash used in operating and investing activities such as mine development in the six months ended June 30, 2019, and (ii) our current liabilities increased from US\$38.3 million as of December 31, 2018 to US\$50.2 million as of June 30, 2019, mainly attributable to an increase in trade and other payables and derivative financial instruments that are usually outstanding in the middle of year but settled at the year end as of the same dates.

For similar reasons of changes in our current ratio, our quick ratio decreased from 209.1% as of December 31, 2016 to 117.2% as of December 31, 2017 and to 107.3% as of December 31, 2018, and further to 53.6% as of June 30, 2019.

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## FINANCIAL INFORMATION

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### RELATED PARTY TRANSACTIONS

We disposed of our interest in Lesego on December 18, 2018. See “History and Corporate Structure — Our Corporate History and Development — Disposal of Lesego.” Our amounts due from a fellow subsidiary of US\$16,000 represents our loan to Lesego for payment of the salary of its chief executive officer due to a temporary issue relating to its bank account. The balance is non-trade nature, and is unsecured, interest-free and repayable on demand. The balance has been fully settled in January 2019.

We received a capital injection of US\$38.4 million from Sunshine HK in 2016, of which US\$1,250 was recorded as amount due to Shanghai Lvhe and was used to pay the registration fees to the Company Registry in Hong Kong. We recorded amounts due to a fellow subsidiary of US\$1,250 as of December 31, 2016, 2017 and 2018. The balance is non-trade nature, and is unsecured, interest-free and repayable on demand. In April 2019, Shanghai Heaven-Sent Lv He waived our repayment obligation of the outstanding balance of US\$1,250.

We also paid consulting fees of US\$14,000, US\$147,000, US\$161,000 and US\$63,000 in 2016, 2017 and 2018 and the six months ended June 30, 2019, respectively, to our BBBEE partners, who held seats in the board of our relevant subsidiaries, pursuant to the relevant laws. See “Regulatory Overview — Relevant South African Laws and Regulations — Major Laws and Regulations on Mining — Mining Charter.”

### OFF-BALANCE SHEET ARRANGEMENTS

Our transactions with our BBBEE partners constitute off-balance sheet arrangements except for the relevant option expense we record. During the Track Record Period, we entered into two transaction and funding agreements with various BBBEE partners in order to meet the South African Mining Charter requirements of at least 26% BBBEE ownership. These awards under the transactions will be settled by the equity of our subsidiaries, Kopanang Pty and VMR, respectively.

These awards have been accounted as in-substance options as the BBBEE partners will only share in the upside, and not the downside of their equity interest in our mining subsidiaries until the date the financing provided by us is fully repaid. On this date the options will be exercised and a non-controlling interest in VMR and Kopanang Pty will be recognized. The in-substance options carry no vesting conditions and the fair value of the options of US\$49,000 and US\$63,000 has been expensed on the grant date in 2016 and 2018, respectively.

We entered into certain BBBEE related transactions in respect of Nicolor in August 2019. As of the Latest Practicable Date, such transactions have not been fully completed as certain conditions precedent to the respective transaction agreements have not been fulfilled. The Company expects that the transactions will be completed and settled before the Listing Date. See “History and Corporate Structure – Our Corporate History and Development – Introduction to Our BBBEE Partners” for further details of our transactions with our BBBEE partners. Other than the foregoing, we did not have any off-balance sheet arrangements during the Track Record Period and up to the Latest Practicable Date.

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## FINANCIAL INFORMATION

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### DISTRIBUTABLE RESERVES

We did not have any distributable reserves as of June 30, 2019.

### DIVIDEND POLICY

We do not currently have a dividend policy and did not declare or pay any dividend out of our Group during the Track Record Period. Under the Companies Ordinance, we may only pay dividends out of the profits of the Company available for distribution and we may only pay dividends after recovery of accumulated losses. The Company may by ordinary resolution declare dividends but no dividend shall exceed the amount recommended by the Board. The declaration, payment and amount of any future dividends will depend on our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant. We currently plan to continue to focus on business growth and do not expect to declare any dividend in the near future.

Our Board declares dividends by considering our results of operations, cash flows and financial conditions, operating and capital requirements and other relevant factors. The payment of any dividends will also depend on the availability of dividends, if any, received from the VMR Group, which is the immediate South African subsidiary of the Company and the holding vehicle of all of our South African operating subsidiaries. In addition to capital injection, the VMR Group also provides our South African operating subsidiaries with shareholder loans, which will be repaid to the VMR Group. The VMR Group's ability to declare dividends is subject to compliance with the South African Companies Act and the MOI of such companies. In terms of section 46 of the South African Companies Act, a company must not make any proposed distribution (including dividends) unless (a) the distribution is (i) pursuant to an existing legal obligation of the company, or a court order, or (ii) the board of the company, by resolution, has authorized the distribution, (b) it reasonably appears that the company will satisfy the solvency and liquidity test immediately after completing the proposed distribution, and (c) the board of the company, by resolution, has acknowledged that it has applied the solvency and liquidity test, as set out in section 4 of the Companies Act, and reasonably concluded that the company will satisfy the solvency and liquidity test immediately after completing the proposed distribution. In applying the solvency and liquidity test to the VMR Group, only the loss accumulated on the VMR Group (excluding its subsidiaries) will be taken into account. Besides, as we expect our operations to generate positive cash flow in the future, it is expected that the operating subsidiaries would be able to repay the shareholder loans back to the VMR Group, which will also enable the VMR Group to pay dividend to the Company. Accordingly, since our Company derives all of its earnings and cash flows from dividends paid by the VMR Group, we will only be able to pay dividends to our shareholders subject to compliance with section 46 of the Companies Act and in accordance with the terms of the MOI of the relevant companies. See "Risk Factors — Risks Relating to the Global Offering — We cannot assure you that we will declare dividends in the future and any dividend payment may be subject to withholding tax."

### DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

We confirm that, as of the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

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## FINANCIAL INFORMATION

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### LISTING EXPENSES

The listing expenses in connection with the Global Offering consist primarily of underwriting commissions and professional fees. Based on the mid-point Offer Price of HK\$15.30 per share, the total estimated listing related expenses payable by us in relation to the Global Offering, including the underwriting commissions, is approximately US\$13.1 million. During the Track Record Period, we incurred listing expenses of approximately US\$5.6 million, of which US\$1.8 million and US\$2.4 million was charged to our expenses for the year ended December 31, 2018 and for the six months ended June 30, 2019, respectively, and US\$1.4 million was capitalized and will be charged to our equity upon the Listing. We currently expect to incur further listing expenses (including the underwriting commissions) amounting to US\$7.4 million subsequent to the end of the Track Record Period, of which US\$3.0 million will be charged to our income statement and US\$4.4 million will be charged to our equity.

### DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since June 30, 2019 (being the date to which our Company's latest consolidated audited financial results were prepared), and there has been no events since June 30, 2019 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

We confirm that, as of the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

### UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on June 30, 2019 based on the audited consolidated net tangible assets attributable to equity shareholders of the Company as of June 30, 2019 as shown in the Accountants' Report, the text of which is set out in Appendix I to this Prospectus.

## FINANCIAL INFORMATION

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our financial position of the Group had the Global Offering been completed as of June 30, 2019 or at any future dates following the Global Offering.

	Audited consolidated net tangible assets of the Group attributable to equity shareholders of the Company as of June 30, 2019	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible asset of the Group attributable to equity shareholders of the Company	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	US\$'000	US\$'000	US\$'000	US\$	HK\$
Based on an Offer Price of HK\$13.10 (equivalent to approximately US\$1.68) per Share . . . . .	67,840	126,610	194,450	0.60	4.72
Based on an Offer Price of HK\$15.30 (equivalent to approximately US\$1.96) per Share . . . . .	67,840	148,700	216,540	0.67	5.26
Based on an Offer Price of HK\$17.50 (equivalent to approximately US\$2.24) per Share . . . . .	67,840	170,791	238,631	0.74	5.79

*Notes:*

- (1) The consolidated net tangible assets of the Group attributable to equity shareholders of the Company as at June 30, 2019 is extracted from the Accountants' Report as set forth in Appendix I to this Prospectus.
- (2) The estimated net proceeds from the Global Offering are based on the indicative offer prices of HK\$13.10 (equivalent to approximately US\$1.68) per Share (being the minimum Offer Price), HK\$15.30 (equivalent to approximately US\$1.96) per Share (being the middle Offer Price) and HK\$17.50 (equivalent to approximately US\$2.24) per Share (being the maximum Offer Price), respectively, after deduction of the estimated expenses relating to the Global Offering expected to be incurred by the Group subsequent to June 30, 2019, which mainly include professional fees for the Sole Sponsor, the Company's legal advisers and reporting accountants, underwriting fees and other listing related expenses payable by the Company, excluding listing expenses of approximately US\$5.6 million which have been accounted for prior to June 30, 2019, and 80,440,000 Shares expected to be issued under the Global Offering.

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## FINANCIAL INFORMATION

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- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis of 321,758,920 Shares expected to be in issue immediately following completion of the Global Offering (without taking into account of any Shares which may be allotted and issued upon exercise of the Over-allotment Option), which is assumed to be on June 30, 2019 for the purpose of the pro forma financial information.
- (4) The estimated net proceeds from the Global Offering and unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity shareholders of the Company per Share are converted into Hong Kong dollars at an exchange rate of HK\$1.00 to US\$0.1280 as of June 30, 2019.
- (5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions entered into by our Group subsequent to June 30, 2019.



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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

Please see “Business — Business Strategies” for further details of our future plans.

### USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$1,128.7 million (US\$144.5 million) (after deducting the underwriting fees and other estimated expenses paid and payable by us in connection with the Global Offering), assuming that the Over-allotment Option is not exercised and an Offer Price of HK\$15.30 per Share, being the mid-point of the indicative Offer Price range of HK\$13.10 to HK\$17.50 per Share in this prospectus.

We intend to use the net proceeds we will receive from this offering for the following purposes:

- approximately 40% of the net proceeds, which is approximately HK\$451.5 million (US\$57.8 million), to be used for development of new mining areas and operations of the Tau Lekoa mine. More specifically, we plan to allocate:
  - (a) 40% of which to the continued development of virgin mining grounds of the large north block, which has been partially developed during the past two years, with its first raise line already in initial production;
  - (b) 40% of which to the identified high-grade area below 1650 level, which requires the development of a short ramp to access the block of ground;
  - (c) 10% of which to necessary infrastructure upgrade to facilitate the development of new mining areas and increased production in the future, such as underground rail, ore pass, ventilation, etc.;
  - (d) 10% of which to the development of any further new ground identified during our continued mining activities;
- approximately 30% of the net proceeds, which is approximately HK\$338.6 million (US\$43.4 million), to be used for development of new mining areas and operation of the Weltevreden project. More specifically, we plan to allocate:
  - (a) 30% of which to the deepening of the current twin decline shaft;
  - (b) 30% of which to the off-reef and on-reef developments necessary to access block of grounds for mining, including horizontal tunnel, cross-cuts, travelling way, raise lines, etc.;

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## FUTURE PLANS AND USE OF PROCEEDS

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- (c) 30% of which to the construction of ventilation shaft and related infrastructure;
- (d) 10% of which to surface infrastructure associated with the operation of Weltevreden;
- approximately 20% of the net proceeds, which is approximately HK\$225.7 million (US\$28.9 million), to be used for development of new mining areas and operation of the Kopanang Mine. More specifically, we plan to allocate:
  - (a) 50% of which to the development into the high-grade areas below current infrastructure at the South section of the mine;
  - (b) 30% of which to the opening up of high-grade IBGs at the old mining areas;
  - (c) 20% of which to the necessary infrastructure upgrade to facilitate the development and increased production, such as rail, ore pass, ventilation, etc.;
- approximately 10% of the net proceeds, which is approximately HK\$112.9 million (US\$14.5 million), to be used for our general working capital purposes.

In the event that the Over-allotment Option is exercised in full, we estimate that we will receive additional net proceeds from the sale of these additional Offer Shares of approximately HK\$180.0 million (US\$23.0 million), after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the same initial public Offer Price as stated above. We intend to apply the additional net proceeds to the above uses on a pro rata basis.

In the event that the Offer Price is set at the low end of the proposed Offer Price range and the Over-allotment Option is not exercised, our Company will receive net proceeds of approximately HK\$956.1 million (US\$122.4 million). Under such circumstances, the net proceeds allocated to the above uses will be adjusted on a pro rata basis.

In the event that the Offer Price is set at the high-end of the proposed Offer Price range and the Over-allotment Option is exercised in full, our Company will receive net proceeds of approximately HK\$1,507.1 million (US\$193.0 million). The additional net proceeds of approximately HK\$550.9 million (when compared to the net proceeds to our Company with the Offer Price being determined at the low end of the stated range and assuming the Over-allotment Option is not exercised) will be used for the above uses on a pro rata basis.

To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above, they will be placed on deposit with banks or other financial institutions or held in other treasury instruments.

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## CORNERSTONE INVESTORS

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### THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with the cornerstone investors (the “**Cornerstone Investors**”) who have agreed to subscribe for such number of our Offer Shares (rounded down to the nearest whole board lot of 200 Shares) which may be purchased with an aggregate amount of approximately US\$51.3 million (equivalent to approximately HK\$400.3 million).

Assuming the Offer Price of HK\$13.10 (being at the low end of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed by the Cornerstone Investors would be approximately 30,556,800 Shares, representing approximately (i) 38.0% of the Offer Shares, assuming that the Over-allotment Option is not exercised, (ii) 9.5% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised, and (iii) 9.2% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK\$15.30 (being at the mid-point of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed by the Cornerstone Investors would be approximately 26,163,200 Shares, representing approximately (i) 32.5% of the Offer Shares, assuming that the Over-allotment Option is not exercised, (ii) 8.1% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised, and (iii) 7.8% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK\$17.50 (being at the high end of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed by the Cornerstone Investors would be approximately 22,874,000 Shares, representing approximately (i) 28.4% of the Offer Shares, assuming that the Over-allotment Option is not exercised, (ii) 7.1% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised, and (iii) 6.9% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is fully exercised.

To the best knowledge of our Company, each of the Cornerstone Investors is an Independent Third Party and is not our connected person (as defined in the Listing Rules). The Cornerstone Investors will acquire the Offer Shares pursuant to, and as part of, the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Shares in issue and will be counted towards the public float of our Company under Rule 8.08 of the Listing Rules. None of the Cornerstone Investors will have any representation on the Board or becomes a substantial Shareholder of our Company upon completion of the Global Offering, or will subscribe for any Offer Shares under the Global Offering other than pursuant to the cornerstone investment agreements referred to below.

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## CORNERSTONE INVESTORS

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To the best knowledge of the Company, each of the Cornerstone Investors is independent of each other, independent of the Company, its connected persons and their respective associates, and not an existing shareholder or close associates of the Company. Pursuant to the respective cornerstone investment agreements with the Company, the Cornerstone Investors have confirmed that they are not accustomed to take and have not taken any instructions from any such core connected person in relation to the acquisition, disposal, voting or other disposition of securities of the Company. As confirmed by each of the Cornerstone Investors, the cornerstone investments of the Cornerstone Investors are not financed, directly or indirectly, by the Company, its subsidiaries, its directors and close associates of any of them. In addition, as confirmed by each of the Cornerstone Investors, there is no side arrangement made between the Company and each of the Cornerstone Investors.

Each of the Cornerstone Investors has confirmed that no approval by the relevant stock exchange or its shareholders is required for its cornerstone investment in the Company, and also represented, warranted and undertaken that it has full power, authority and capacity, and has taken all actions (including obtaining all necessary consents, approvals and authorizations from any governmental and regulatory bodies or third parties) required to execute and deliver the cornerstone investment agreement, enter into and carry out the transactions as contemplated in the cornerstone investment agreement and perform its obligations under their respective agreements. Pursuant to the respective cornerstone investment agreements with the Company, the Cornerstone Investors have confirmed that they will make full payment of the investment amount, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee by same day value credit at or before 8:00 a.m. (Hong Kong time) on the Listing Date.

The Offer Shares to be subscribed by the Cornerstone Investors may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed “Structure of the Global Offering – The Hong Kong Public Offering – Reallocation and Clawback” in this prospectus. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by us on or around November 22, 2019.

Notwithstanding that the Sole Global Coordinator has the right to defer delivery of the Offer Shares to be subscribed by each of the Cornerstone Investors pursuant to the terms of the cornerstone investment agreements entered into with each of the Cornerstone Investors, the Sole Global Coordinator has confirmed that it does not plan to delay the delivery of the Offer Shares to the Cornerstone Investors. Instead, the Stock Borrowing Agreement is expected to be entered into between Sunshine HK and the Stabilizing Manager in order to facilitate the stabilization by the Stabilizing Manager as well as to cover over-allocations in the International Offering.

## CORNERSTONE INVESTORS

### OUR CORNERSTONE INVESTORS

Based on the Offer Price of HK\$13.10 (being the low end of the Offer Price range)

Cornerstone Investor	Investment Amount <sup>(Note)</sup>	Number of Offer Shares (rounded down to nearest whole board lot of 200 Shares)	Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the completion of the Global Offering	
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Zhaojin International Mining (Hong Kong) Company Limited . . .	US\$25 million (equivalent to approximately HK\$195.2 million)	14,904,400	18.5%	16.1%	4.6%	4.5%
Pengxin International Group Limited . . . . .	HK\$166.0 million	12,671,600	15.8%	13.7%	3.9%	3.8%
Zijin Global Fund . . . . .	US\$5 million (equivalent to approximately HK\$39.0 million)	2,980,800	3.7%	3.2%	0.9%	0.9%
<b>Total . . . . .</b>	<b>HK\$400.3 million</b>	<b>30,556,800</b>	<b>38.0%</b>	<b>33.0%</b>	<b>9.5%</b>	<b>9.2%</b>

Based on the Offer Price of HK\$15.30 (being the mid-point of the Offer Price range)

Cornerstone Investor	Investment Amount <sup>(Note)</sup>	Number of Offer Shares (rounded down to nearest whole board lot of 200 Shares)	Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the completion of the Global Offering	
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Zhaojin International Mining (Hong Kong) Company Limited . . .	US\$25 million (equivalent to approximately HK\$195.2 million)	12,761,400	15.9%	13.8%	4.0%	3.8%
Pengxin International Group Limited . . . . .	HK\$166.0 million	10,849,600	13.5%	11.7%	3.4%	3.3%
Zijin Global Fund . . . . .	US\$5 million (equivalent to approximately HK\$39.0 million)	2,552,200	3.2%	2.8%	0.8%	0.8%
<b>Total . . . . .</b>	<b>HK\$400.3 million</b>	<b>26,163,200</b>	<b>32.5%</b>	<b>28.3%</b>	<b>8.1%</b>	<b>7.8%</b>

## CORNERSTONE INVESTORS

Based on the Offer Price of HK\$17.50 (being the high end of the Offer Price range)

Cornerstone Investor	Investment Amount <sup>(Note)</sup>	Number of Offer Shares (rounded down to nearest whole board lot of 200 Shares)	Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the completion of the Global Offering	
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Zhaojin International Mining (Hong Kong) Company Limited . . .	US\$25 million (equivalent to approximately HK\$195.2 million)	11,157,000	13.9%	12.1%	3.5%	3.3%
Pengxin International Group Limited . . . . .	HK\$166.0 million	9,485,600	11.8%	10.3%	2.9%	2.8%
Zijin Global Fund . . . . .	US\$5 million (equivalent to approximately HK\$39.0 million)	2,231,400	2.8%	2.4%	0.7%	0.7%
<b>Total . . . . .</b>	<b>HK\$400.3 million</b>	<b>22,874,000</b>	<b>28.4%</b>	<b>24.7%</b>	<b>7.1%</b>	<b>6.9%</b>

*Note:* Calculated based on an exchange rate of US\$1.00 to HK\$7.81. The actual investment amount of the Cornerstone Investors in Hong Kong dollars may vary due to the actual exchange rate on the business day immediately prior to the Price Determination Date.

The Cornerstone Investors are all subsidiaries of listed mining companies which are peer companies of the Company that have business communications with the Company from time to time. The Cornerstone Investors are all engaged in the business of mining investment and considered their respective cornerstone investment in the Company to be in line with their investment strategies.

The following information on the Cornerstone Investors was provided to the Company by the Cornerstone Investors.

### Zhaojin International Mining (Hong Kong) Company Limited

Zhaojin International Mining (Hong Kong) Company Limited (“**Zhaojin International**”) has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 200 Shares) which may be purchased with an aggregate amount of US\$25 million (equivalent to approximately HK\$195.2 million) at the Offer Price. As confirmed by Zhaojin International, the source of funding for its cornerstone investment was derived from its internal financial resources. In addition, pursuant to the relevant cornerstone investment agreement, Zhaojin International has confirmed that it has not obtained and does not intend to obtain a loan or other forms of financing to meet its payment obligations under the cornerstone investment agreement.

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## CORNERSTONE INVESTORS

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Zhaojin International is a company incorporated in Hong Kong with the main business of mining investment, mining engineering technical consultation and technical services, mining trade and financial investment. Zhaojin International is a wholly-owned subsidiary of Zhaojin Mining Industry Company Limited (招金礦業股份有限公司) (“**Zhaojin Mining**”), which was listed on the Stock Exchange (stock code: 1818) on December 8, 2006. Zhaojin Mining is principally engaged in the exploration, mining, processing, smelting of gold and the sale of gold productions in China.

### **Pengxin International Group Limited**

Pengxin International Group Limited (“**Pengxin International**”) has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 200 Shares) which may be purchased with an aggregate amount of HK\$166.0 million at the Offer Price.

Pengxin International is a company incorporated in Hong Kong with the main business of overseas investment, international trade and expanding overseas investment and financing channels. Pengxin International is a wholly-owned subsidiary of Pengxin International Mining Co., Ltd. (鵬欣環球資源股份有限公司) (“**Pengxin Mining**”) which was listed on the Shanghai Stock Exchange (stock code: 600490) on June 26, 2003. Pengxin Mining is primarily engaged in mining, processing, melting and sale of metallic copper, gold and cobalt. In addition, Pengxin Mining is also involved in the investment business in various fields, including trade, finance, new materials and new energy. As of the Latest Practicable Date, Tibet Xuanyu Enterprise Management Co., Ltd., a wholly owned subsidiary of HSC, holds approximately 1.2% of the total share capital of Pengxin Mining.

Pengxin International has obtained external financing by entering into a margin loan agreement with CCB International Securities Limited (“**CCBI**”), which is an affiliate of one of the Joint Bookrunners and Joint Lead Managers, CCB International Capital Limited, to finance its subscription of the Shares. The loan has been obtained on normal commercial terms after arm’s length negotiation with no other direct or indirect benefits given by CCBI. All of the Shares to be subscribed for by Pengxin International have been charged to CCBI as security. Under the financing arrangement, upon occurrence of certain customary events of default, Pengxin International will be required to repay the loan before its maturity. CCBI will therefore have the right to enforce the security interest by way of appropriation or foreclosure in the Shares subject to such charge at any time upon the occurrence of certain customary events of default, save that CCBI has entered into an undertaking in favor of the Company, Pengxin International, the Sole Sponsor, CLSA Limited and CCB International Capital Limited that it shall not, at any time during the period of twelve months from the Listing Date, without the prior written consent of each of the Company, Pengxin International, the Sole Sponsor, CLSA Limited and CCB International Capital Limited, directly or indirectly, (i) dispose of, in any way, any collateral Shares or any interest in any company or entity holding any collateral Shares; (ii) allow itself to undergo a change of control (as defined in the Takeovers Code) at the level of its ultimate beneficial owner; or (iii) enter into any transactions directly or indirectly with the same economic effect as any of the aforesaid transactions.



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## CORNERSTONE INVESTORS

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### Zijin Global Fund

Zijin Global Fund has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 200 Shares) which may be purchased with an aggregate amount of US\$5 million (equivalent to approximately HK\$39.0 million) at the Offer Price. As confirmed by Zijin Global Fund, the source of funding for its cornerstone investment was derived from its internal financial resources. In addition, pursuant to the relevant cornerstone investment agreement, Zijin Global Fund has confirmed that it has not obtained and does not intend to obtain a loan or other forms of financing to meet its payment obligations under the cornerstone investment agreement.

Zijin Global Fund is an investment fund focused on mining sector investment, which is organized as an exempted company under the laws of the Cayman Islands. Zijin Global Fund is managed by Gold Mountains Asset Management, which is a subsidiary of Zijin Mining Group Co., Ltd (紫金礦業集團股份有限公司) (“**Zijin Mining**”). Zijin Mining is a leading mining company mainly engaged in exploration and mining of gold, copper, zinc and other mineral resources, dual listed on the Hong Kong Stock Exchange (H shares, code: 2899) and the Shanghai Stock Exchange (A shares, code: 601899). Zijin Mining is the ultimate beneficial owner of Zijin Global Fund.

### CONDITIONS PRECEDENT

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

- (a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements, and neither of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been terminated;
- (b) the Offer Price having been agreed upon between the Company and the Sole Global Coordinator (on behalf of the Underwriters);
- (c) the Listing Committee having granted the approval for the listing of, and permission to deal in, the Shares, as well as other applicable waivers and approvals, and that such approval or permission or waiver not having been revoked prior to the commencement of dealings in the Shares;



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## CORNERSTONE INVESTORS

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- (d) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the relevant cornerstone investment agreements, and there shall be no orders or injunctions from a court or a governmental authority of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (e) the respective representations, warranties, undertakings, acknowledgements and confirmations of the Cornerstone Investors under the relevant cornerstone investment agreements are accurate and true in all respects and not misleading and that there is no material breach of the relevant cornerstone investment agreements on the part of the relevant Cornerstone Investor.

### **RESTRICTIONS ON DISPOSAL OF SHARES BY THE CORNERSTONE INVESTORS**

Each of the Cornerstone Investors has agreed that without the prior written consent of each of the Company, the Sole Sponsor and the Sole Global Coordinator, it will not, whether directly or indirectly, at any time during the period of twelve months following the Listing Date (the “**Lock-up Period**”), dispose of any of the Shares it has purchased pursuant to the cornerstone investment agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries which will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

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## UNDERWRITING

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### HONG KONG UNDERWRITERS

CLSA Limited

CCB International Capital Limited

Haitong International Securities Company Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 8,044,000 Hong Kong Offer Shares (subject to adjustment and re-allocation as described under the section headed “Structure of the Global Offering – The Hong Kong Public Offering”) for subscription by way of a Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to (i) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering as mentioned herein (including any additional Shares to be allotted and issued under the Over-allotment Option), and such listing and permission not having been subsequently revoked prior to the commencement of trading of our Shares on the Main Board of the Stock Exchange and; (ii) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

One of the conditions is that the Offer Price must be agreed between us and the Sole Global Coordinator (on behalf of the Underwriters). For applicants applying under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The International Offering will be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator (on behalf of the Underwriters), the Global Offering will not proceed.

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## UNDERWRITING

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### *Grounds for Termination*

The obligations of the Hong Kong Underwriters to subscribe or to procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination by written notice to us from the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if prior to 8:00 a.m. on the Listing Date:

- (a) there shall develop, occur, exist or come into effect:
  - (i) any local, national, regional or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, South Africa, the United States, the United Kingdom, the European Union (or any member thereof) or any jurisdiction relevant to any member of the Group or the Global Offering (collectively, the “**Relevant Jurisdictions**”); or
  - (ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or
  - (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or
  - (iv) the imposition of any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or by other competent authority) or any of the Relevant Jurisdictions (declared by any of the relevant authorities), or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions; or
  - (v) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, or affects any of the Relevant Jurisdictions; or

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## UNDERWRITING

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- (vi) any new law, statute, ordinance, legal code, regulation or rule, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, statutes, ordinances, legal codes, regulations or rules, in each case, in or affecting any of the Relevant Jurisdictions; or
- (vii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in or affecting any of the Relevant Jurisdictions; or
- (viii) any litigation or claim of any third party being threatened or instigated against any member of the Group; or
- (ix) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (x) the chairman or chief executive officer or chief financial officer of our Company vacating his office; or
- (xi) an authority or a political body or organisation in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or
- (xii) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including Shares to be allotted and issued under the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (xiii) a contravention by any member of the Group of the Listing Rules or applicable laws, statutes, ordinances, legal codes, regulations or rules; or
- (xiv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws, statutes, ordinances, legal codes, regulations or rules; or
- (xv) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies

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## UNDERWRITING

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(Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC without prior consent of the Sole Global Coordinator; or

- (xvi) (other than any voluntary winding up of any member of the Group as disclosed in this prospectus) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or
- (xvii) any material breach of, or any event or circumstance rendering untrue or incorrect in any material respect or misleading, any of the representations, warranties, agreements and undertakings of the Company and the Warranting Shareholders contained in the Hong Kong Underwriting Agreement,

which, individually or in the aggregate, in the sole opinion of the Sole Global Coordinator (1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

- (b) there has come to the notice of the Sole Global Coordinator:
  - (i) that any statement contained in any of this prospectus, the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue or incorrect in any material respect or misleading, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our

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## UNDERWRITING

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Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions in any material respect; or

- (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of this prospectus, the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or
- (iii) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or
- (iv) any material adverse change, or any development involving a prospective material adverse change, in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or
- (v) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares in issue and to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (vi) our Company withdraws this prospectus (and/or any other offering documents issued or used in connection with the Global Offering) or the Global Offering; or
- (vii) any person has withdrawn its consent to the issue of this prospectus with the inclusion of its report, letter or opinion (as the case may be) or references to its name in the context appeared; or
- (viii) that a material portion of the orders placed or confirmed in the bookbuilding process, or of the investment commitments made by any of the cornerstone investors under any agreement entered into with any of such cornerstone investors (if any), have been withdrawn, terminated or cancelled.

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## UNDERWRITING

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### *Undertakings pursuant to the Hong Kong Underwriting Agreement*

#### *(A) Undertakings by our Company*

Pursuant to the Hong Kong Underwriting Agreement, except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-month Period**”), our Company has undertaken to each of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters not to, without the prior written consent of the Sole Sponsor (for itself and on behalf of the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of our Company) or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other equity securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of our Company); or
- (c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company, or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-month Period). In the event that, during the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-Month Period**”), our Company enters into any of the transactions specified in paragraph (a), (b) or (c) above or offers to or

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## UNDERWRITING

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agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Each of the Warranting Shareholders has undertaken to each of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters to procure our Company to comply with the above undertaking.

The Company has agreed and undertaken that it will not effect any purchase of Shares, or agree to do so, which may reduce the holdings of Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below 25% on or before the date falling six months after the Listing Date without first having obtained the prior written consent of the Sole Sponsor (for itself and on behalf of the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters).

*(B) Undertakings by the Warranting Shareholders*

Pursuant to the Hong Kong Underwriting Agreement, each of the Warranting Shareholders has undertaken to each of the Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to the Stock Borrowing Agreement, without the prior written consent of the Sole Sponsor (for itself and on behalf of the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) it will not, at any time during the First Six-month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraphs (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraphs (i), (ii) or (iii) above, in each case, whether any of the transactions specified in sub-paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-month Period);



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## UNDERWRITING

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- (b) it will not, during the Second Six-Month Period, enter into any of the transactions specified in sub-paragraphs (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a controlling shareholder (as the term is defined in the Listing Rules) of our Company; and
- (c) until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in sub-paragraphs (a)(i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Each of the Warranting Shareholders has agreed and undertaken that it will not, and each of the Warranting Shareholders further undertakes to procure that our Company will not, effect any purchase of Shares, or agree to do so, which may reduce the holdings of Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below 25% on or before the date falling six months after the Listing Date without first having obtained the prior written consent of the Sole Sponsor (for itself and on behalf of the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters).

### ***Indemnity***

Each of our Company and the Warranting Shareholders has agreed to jointly and severally indemnify, among others, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from, among others, their performance of their obligations under the Hong Kong Underwriting Agreement and any breach of our Company and the Warranting Shareholders of the Hong Kong Underwriting Agreement.

### **Undertakings to the Stock Exchange pursuant to the Listing Rules**

In addition to the above undertakings under the Hong Kong Underwriting Agreement, our Company and our Controlling Shareholders have undertaken to the Stock Exchange pursuant to Rule 10.07 and Rule 10.08 of the Listing Rules, respectively.

### ***By our Company***

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of the Company (whether or not of a class already listed) may be issued or form the subject of any agreement or arrangement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except certain circumstances prescribed by Rule 10.08 of the Listing Rules.

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## UNDERWRITING

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### *By our Controlling Shareholders*

Pursuant to Rule 10.07 of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange that, except pursuant to the Global Offering, they shall not and shall procure that the relevant registered holder(s) shall not:

- (a) in the period commencing on the date by reference to which disclosure of their shareholding in the Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of our Company in respect of which he is or they are shown by this prospectus to be the beneficial owner(s); or
- (b) in the period of six months commencing on the date on which the period referred to in Rule 10.07(1)(a) of the Listing Rules expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in Rule 10.07(1)(a) of the Listing Rules if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, that person or group of persons would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

According to Note (2) to Rule 10.07(2) of the Listing Rules, nothing in Rule 10.07 shall prevent a controlling shareholder from using securities of the issuer beneficially owned by him as security (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

Pursuant to Note (3) of Rule 10.07(2) of the Listing Rules, our Controlling Shareholders have undertaken to our Company and the Stock Exchange that, during the period commencing on the date by reference to which disclosure of their shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date:

- (a) when he/it pledges or charges any securities beneficially owned by him/it in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged/charged; and
- (b) when he/it receives indications, either verbal or written, from the pledgee/chargee that any of the pledged/charged securities will be disposed of, immediately inform the issuer of such indications.

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## UNDERWRITING

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Our Company will also inform the Stock Exchange as soon as we have been informed of the above matters, if any, by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

### **International Underwriting Agreement**

In connection with the International Offering, we expect to enter into the International Underwriting Agreement with, among other parties, the Sole Global Coordinator, the Sole Sponsor and the International Underwriters. Under the International Underwriting Agreement, it is expected that the International Underwriters would, subject to certain conditions set out therein, agree to purchase or procure subscribers to purchase the International Offer Shares. It is also expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. It is expected that pursuant to the International Underwriting Agreement, we will give undertakings similar to those given pursuant to the Hong Kong Underwriting Agreement as described in the paragraph headed “Underwriting Arrangements and Expenses – Hong Kong Underwriting Agreement – Undertakings Pursuant to the Hong Kong Underwriting Agreement” in this section.

Under the International Underwriting Agreement, we are expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator at any time and from time to time from the Listing Date until (and including) 30 days after the last date for lodging of Application Forms under the Hong Kong Public Offering, to sell up to an aggregate of 12,066,000 additional Shares, representing in aggregate of approximately 15% of the number of Offer Shares initially available under the Global Offering. These Shares will be sold at the Offer Price plus brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%.

### **Underwriting Commission and Expenses**

The Hong Kong Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters.

The Sole Sponsor will receive financial advisory and documentation fees. The underwriting commission, financial advisory and documentation fee, Stock Exchange listing fees and trading fee, SFC transaction levy, legal and other professional fees together with applicable printing and other expenses relating to the Global Offering are estimated to amount

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## UNDERWRITING

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to approximately HK\$102.1 million in total (based on an Offer Price of HK\$15.30 per Share, being the mid-point of the indicative Offer Price range of between HK\$13.10 and HK\$17.50 per Share, and on the assumption that the Over-allotment Option is not exercised).

The commissions and fees were determined after arm's length negotiation between our Company and the Hong Kong Underwriters, the Sole Sponsor or other parties by reference to the current market conditions.

### **Underwriters' Interests in the Company**

As at the Latest Practicable Date, other than pursuant to the Underwriting Agreements, the Hong Kong Underwriters did not have any interests, directly or indirectly, in any shares or securities in any member of our Group or any right or options (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares or securities in any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of Shares as a result of fulfilling their obligations under the Underwriting Agreements and the International Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the International Underwriting Agreement.

### **ACTIVITIES BY SYNDICATE MEMBERS**

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

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## UNDERWRITING

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In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in the section headed “Structure of the Global Offering” in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager, its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

### INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

### MINIMUM PUBLIC FLOAT

Our Directors will ensure that there will be a minimum 25% of the total issued shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. CLSA Limited is the Sole Global Coordinator of the Global Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Sole Sponsor has made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

The Global Offering comprises:

- the Hong Kong Public Offering of initially 8,044,000 Shares (subject to reallocation) in Hong Kong as described in the paragraph headed “The Hong Kong Public Offering” in this section; and
- the International Offering of initially 72,396,000 Shares (subject to reallocation and the Over-allotment Option) outside the United States in offshore transactions in reliance on Regulation S, as described in the paragraph headed “The International Offering” in this section.

Investors may either apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for the International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 25.0% of the issued share capital of the Company immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the issued share capital of the Company immediately following the completion of the Global Offering.

References in this prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

### THE HONG KONG PUBLIC OFFERING

#### Number of Offer Shares initially offered

The Hong Kong Public Offering is a fully underwritten public offering (subject to agreement as to pricing and satisfaction or waiver of the other conditions provided in the Hong Kong Underwriting Agreement and described in the paragraph headed “Conditions of the Global Offering” in this section) for the subscription in Hong Kong of, initially, 8,044,000 Offer Shares at the Offer Price (representing 10.0% of the total number of the Offer Shares initially available under the Global Offering). Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering described below, the

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## STRUCTURE OF THE GLOBAL OFFERING

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Hong Kong Offer Shares will represent approximately 2.5% of our enlarged issued share capital immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised at all). The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

### **Allocation**

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and that those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools for allocation purposes:

- Pool A: The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK\$5,000,000 (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and
- Pool B: The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5,000,000 (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that pool and be allocated accordingly. For the purpose of this subsection only, the “subscription price” for the Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. We will reject multiple applications between the two pools and reject multiple applications within pool A or pool B. In addition, any application for more than 50% of 8,044,000 Offer Shares initially included in the Hong Kong Public Offering (that is, 4,022,000 Offer Shares) will be rejected.



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## STRUCTURE OF THE GLOBAL OFFERING

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### Reallocation and Clawback

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Currently, we have allocated 8,044,000 Shares to the Hong Kong Public Offering, representing 10% of the Offer Shares initially available under the Global Offering.

If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times; (ii) 50 times or more but less than 100 times; and (iii) 100 times or more, of the total number of Offer Shares initially available for subscription under the Hong Kong Public Offering, and provided that the International Offering is not undersubscribed, then our Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of our Offer Shares available under the Hong Kong Public Offering will be increased to 24,132,000 Offer Shares (in the case of (i)), 32,176,000 Offer Shares (in the case of (ii)) and 40,220,000 Offer Shares (in the case of (iii)), respectively, representing 30%, 40% and 50%, respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate.

In addition, the Sole Global Coordinator has the discretion to reallocate our Shares offered in the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. However, according to the Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if (a) the International Offering is undersubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed irrespective of the number of times; or (b) when the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is oversubscribed by less than 15 times the total number of Offer Shares initially available under the Hong Kong Public Offering, then in any of these circumstances, the Sole Global Coordinator may only reallocate the Offer Shares from the International Offering to the Hong Kong Public Offering on the following conditions (the “**Allocation Cap**”):

- (i) the total number of Offer Shares that may be reallocated from the International Offering to the Hong Kong Public Offering shall not be more than the number of Offer Shares initially allocated to the Hong Kong Public Offering, i.e. 8,044,000 Offer Shares, representing 10% of the number of the Offer Shares being offered under the Global Offering, so that the total number of Offer Shares for subscription under the Hong Kong Public Offering will increase up to 16,088,000 Shares, representing two times the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering and 20% of the number of Offer Shares initially available under the Global Offering; and
- (ii) the final Offer Price must be fixed at the bottom end of the indicative Offer Price range stated in this prospectus (i.e. HK\$13.10 per Offer Share).



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## STRUCTURE OF THE GLOBAL OFFERING

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In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be allocated to the Hong Kong Public Offering following such reallocation shall not be more than double the initial allocation to the Hong Kong Public Offering (i.e. 16,088,000 Shares) and the final Offer Price range shall be fixed at the bottom end of the indicative price range (i.e. HK\$13.10 per Offer Share).

If the Hong Kong Public Offering is not fully subscribed and the International Offering is not undersubscribed, the Sole Global Coordinator may, in its discretion, reallocate to the International Offering all or any unsubscribed Shares offered in the Hong Kong Public Offering in such amount as it deems appropriate. The allocation Cap will not be triggered.

Subject to the Allocation Cap, the Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Sole Global Coordinator.

In the event that both the Hong Kong Public Offering and the International Offering are undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements.

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Global Offering, which is expected to be published on Friday, November 22, 2019.

### **Applications**

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that they and any person(s) for whose benefit they are making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if they have been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the Maximum Offer Price of HK\$17.50 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK\$3,535.27 for one board lot of 200 Shares. If the Offer Price, as finally determined in the manner described in "Pricing" below, is less than the Maximum Offer Price of HK\$17.50 per Offer Share, appropriate refund payments (including the brokerage, the SFC

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## STRUCTURE OF THE GLOBAL OFFERING

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transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in “How to Apply for the Hong Kong Offer Shares”.

### THE INTERNATIONAL OFFERING

#### Number of Offer Shares initially offered

The number of Offer Shares initially offered for subscription and sale under the International Offering will be 72,396,000 Offer Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering (subject to reallocation and the Over-allotment Option). The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 22.50% of our enlarged issued share capital immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised).

#### Allocation

Pursuant to the International Offering, the International Offer Shares will be conditionally placed on our behalf by the International Underwriters or through selling agents appointed by them. International Offer Shares will be placed with certain professional and institutional investors and other investors anticipated to have a sizeable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of the International Offer Shares to investors under the International Offering will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not the relevant investor is likely to buy further, and/or hold or sell its International Offer Shares after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to our benefit and the benefit of our Shareholders as a whole.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that such investor is excluded from any allocation of Hong Kong Offer Shares under the Hong Kong Public Offering.

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## STRUCTURE OF THE GLOBAL OFFERING

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### Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in the “The Hong Kong Public Offering – Reallocation and Clawback” above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

### OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Company intends to grant the Over-allotment Option to the International Underwriters which is exercisable at the sole discretion of the Sole Global Coordinator (on behalf of the International Underwriters). The Over-allotment Option gives the Sole Global Coordinator the right, exercisable at any time from the day on which trading of our Shares commences on the Stock Exchange until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Company to allot and issue up to an aggregate of 12,066,000 additional Shares, representing 15.0% of the total number of Offer Shares initially available under the Global Offering at the Offer Price to cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 3.61% of the enlarged total Shares in issue immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. If the Over-allotment Option is exercised, an announcement will be made.

### STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to slow and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws, rules and regulations in place, including those of Hong Kong. In Hong Kong, the stabilisation price is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager (or its affiliates or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager (or its affiliates or any person acting for it) to conduct any such stabilizing action. Such stabilising action, if taken, (a) will be conducted at the absolute discretion of the Stabilizing Manager (or its affiliates or any person acting for it)

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## STRUCTURE OF THE GLOBAL OFFERING

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and in what the Stabilizing Manager reasonably regards as the best interest of the Company; (b) may be discontinued at any time; and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules includes (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (c) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under item (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (e) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases, and (f) offering or attempting to do anything as described in item (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager (its affiliates or any person acting for it) may, in connection with the stabilising action, maintain a long position in our Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager (its affiliates or any person acting for it) will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager (its affiliates or any person acting for it) and selling in the open market may have an adverse impact on the market price of our Shares;
- no stabilising action can be taken to support the price of our Shares for longer than the stabilisation period, which will begin on the Listing Date, and is expected to expire on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

We will ensure to procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

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## STRUCTURE OF THE GLOBAL OFFERING

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### Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager (or its affiliates or any person acting for it) may cover such over-allocations by, among other methods, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager (or its affiliates or any person acting for it) in the secondary market at prices that do not exceed the Offer Price.

### STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilizing Manager (or its affiliates or any person acting for it) may choose to borrow up to 12,066,000 Shares (being the maximum number of shares which may be issued pursuant to the exercise of the Over-allotment Option) from Sunshine HK under the Stock Borrowing Agreement, or acquire Shares from other sources.

The stock borrowing arrangement will only be effected by the Stabilizing Manager, its affiliates or any person acting for it for settlement of over-allocations in the International Offering and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are complied with. The same number of Shares so borrowed must be returned to Sunshine HK or its nominee as the case may be, on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised; (ii) the day on which the Over-allotment Option is exercised in full; and (iii) such earlier time as may be agreed in writing between Sunshine HK and the Stabilizing Manager. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Sunshine HK by the Stabilizing Manager, its affiliates or any person acting for it in relation to such stock borrowing arrangement.

### PRICING

#### Determination of Offer Price

We expect the Offer Price to be fixed by agreement among us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date when market demand for the Offer Shares will be determined. We expect the Price Determination Date to be on or around Monday, November 18, 2019 and in any event, no later than Tuesday, November 19, 2019, or such other date as agreed between the parties to the Price Determination Agreement, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$17.50 per Offer Share and is expected to be not less than HK\$13.10 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application the Maximum Offer Price of HK\$17.50 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK\$3,535.27 for one board lot of 200 Shares. If the Offer Price is less than HK\$17.50 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock exchange trading fee attributable to the surplus application monies, without any interest) will be made to successful applications. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the minimum Offer Price stated in this prospectus.

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## STRUCTURE OF THE GLOBAL OFFERING

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The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional, institutional and other investors will be required to specify the number of the Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Sole Global Coordinator, on behalf of the Underwriters, may, where it deems appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range below that described in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering publish a notice of the reduction in the number of Offer Shares and/or the indicative Offer Price range on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.heavensentgold.com](http://www.heavensentgold.com).

Upon issue of such a notice, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us will be fixed within such revised Offer Price range. If the number of Offer Shares and/or the Offer Price range is so reduced, all applicants who have already submitted an application will need to confirm their applications in accordance with the procedures set out in the supplemental prospectus and all unconfirmed applications will not be valid.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in “How to Apply for the Hong Kong Offer Shares – Publication of Results”.

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## STRUCTURE OF THE GLOBAL OFFERING

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### UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, including the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarized in the section headed “Underwriting” in this prospectus.

### CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on, among other things:

- the Listing Committee granting approval for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares to be issued pursuant to any exercise of the Over-allotment Option) on the Main Board of the Stock Exchange, and such approval not having been subsequently revoked or withdrawn prior to the Listing Date;
- the Offer Price having been agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company and the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date;
- the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, and
- the execution of the International Underwriting Agreement on or around the Price Determination Date,

in each case, on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event, not later than the date that is 30 days after the date of this prospectus.



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## STRUCTURE OF THE GLOBAL OFFERING

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If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on or before Tuesday, November 19, 2019, or such other date as agreed between the parties to the Price Determination Agreement, the Global Offering will not proceed and will lapse.

The consummation of each of the International Offering and the Hong Kong Public Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will not proceed and will lapse and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Hong Kong Public Offering on the websites of our Company and the Stock Exchange at [www.heavensentgold.com](http://www.heavensentgold.com) and [www.hkexnews.hk](http://www.hkexnews.hk), respectively, on the next business day following such lapse. In such a situation, we will return all application monies to the applicants, without interest and on the terms described in the section headed “How to Apply for the Hong Kong Offer Shares — 13. Refund of Application Monies” in this prospectus. In the meantime, we will hold all application monies in a separate bank account or separate bank accounts with the receiving bank or other banks licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

We expect to despatch share certificates for the Offer Shares on Friday, November 22, 2019. However, these share certificates will only become valid certificates of title at 8:00 a.m. on Monday, November 25, 2019 provided that the Global Offering has become unconditional in all respects at or before that time.

### DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, November 25, 2019, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, November 25, 2019. The Shares will be traded in board lots of 200 Shares each and the stock code of the Shares will be 1342.



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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### 1. HOW TO APPLY

If you apply for the Hong Kong Offer Shares, then you may not apply for or indicate an interest for the International Offer Shares.

To apply for the Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via **HK eIPO White Form** in the IPO App (which can be downloaded by searching “IPO App” in App Store or Google Play or downloaded at [www.hkeipo.hk/IPOApp](http://www.hkeipo.hk/IPOApp) or [www.tricorglobal.com/IPOApp](http://www.tricorglobal.com/IPOApp)) or at [www.hkeipo.hk](http://www.hkeipo.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for the Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC (except those who have complied with all relevant PRC laws and regulations in relation to such application, including but not limited to qualified domestic institutional investors).

If you apply online through the **HK eIPO White Form**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members’ names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation’s chop.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in the Company and/or any of its subsidiaries;
- are a director or chief executive officer of the Company and/or any of its subsidiaries;
- are a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering;
- are an associate (as defined in the Listing Rules) of any of the above;
- are a United States person (as defined in Regulation S under the U.S. Securities Act), or a legal or natural person of the PRC (except those who have complied with all relevant PRC laws and regulations in relation to such application, including but not limited to qualified domestic institutional investors); or
- have been allocated or have applied for any International Offer Shares or otherwise participated in the International Offering.

### 3. APPLYING FOR HONG KONG OFFER SHARES

#### Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply through the **HK eIPO White Form** Service in the IPO App or at [www.hkeipo.hk](http://www.hkeipo.hk).

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a copy of this prospectus during normal business hours between 9:00 a.m. on Friday, November 8, 2019 to 12:00 noon on Monday, November 18, 2019 from:

- (i) any of the following offices of the Hong Kong Underwriters:

<b>CLSA Limited</b>	18/F, One Pacific Place 88 Queensway Hong Kong
<b>CCB International Capital Limited</b>	12/F, CCB Tower 3 Connaught Road Central Central, Hong Kong
<b>Haitong International Securities Company Limited</b>	22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong

- (ii) any of the following branches of the receiving bank, **Bank of China (Hong Kong) Limited**:

<u>Region</u>	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island . . .	Gilman Street Branch	136 Des Voeux Road Central Hong Kong
	North Point (King's Centre) Branch	193-209 King's Road North Point Hong Kong
Kowloon . . . . .	Hoi Yuen Road Branch	55 Hoi Yuen Road Kwun Tong Kowloon
	Olympian City Branch	Shop 133, 1/F Olympian City 2 18 Hoi Ting Road Kowloon

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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Region	Branch Name	Address
New Territories . . . . .	Tai Po Plaza Branch	Unit 4, Level 1 Tai Po Plaza 1 On Tai Road Tai Po New Territories
	Castle Peak Road (Yuen Long) Branch	162 Castle Peak Road Yuen Long New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, November 8, 2019 until 12:00 noon on Monday, November 18, 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

### Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — HEAVEN-SENT GOLD GROUP PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, November 8, 2019	9:00 a.m. – 5:00 p.m.
Saturday, November 9, 2019	9:00 a.m. – 1:00 p.m.
Monday, November 11, 2019	9:00 a.m. – 5:00 p.m.
Tuesday, November 12, 2019	9:00 a.m. – 5:00 p.m.
Wednesday, November 13, 2019	9:00 a.m. – 5:00 p.m.
Thursday, November 14, 2019	9:00 a.m. – 5:00 p.m.
Friday, November 15, 2019	9:00 a.m. – 5:00 p.m.
Saturday, November 16, 2019	9:00 a.m. – 1:00 p.m.
Monday, November 18, 2019	9:00 a.m. – 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, November 18, 2019, the last application day or such later time as described in "— 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Applications Lists" in this section.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form**, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of the Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### **Additional Instructions for Yellow Application Form**

You may refer to the **Yellow** Application Form for details.

## **5. APPLYING THROUGH HK eIPO WHITE FORM**

### **General**

Individuals who meet the criteria as described in the “— 2. Who Can Apply” section, may apply through the **HK eIPO White Form** for the Offer Shares to be allotted and registered in their own names through the IPO App or the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

Detailed instructions for application through the **HK eIPO White Form** are in the IPO App and on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the IPO App or the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form**.

### **Time for Submitting Applications under the HK eIPO White Form**

You may submit your application to the **HK eIPO White Form** Service Provider in the IPO App or at [www.hkeipo.hk](http://www.hkeipo.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, November 8, 2019 until 11:30 a.m. on Monday, November 18, 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, November 18, 2019 or such later time under the “— 10. Effects of Bad Weather and/or Extreme Conditions on the Opening of the Applications Lists” in this section.

### **No Multiple Applications**

If you apply by means of the **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** to make an application for the Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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electronic application instruction under the **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** or by any other means, all of your applications are liable to be rejected.

### **Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

## **6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS**

### **General**

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (+852) 2979 7888 or through the CCASS Internet System at <https://ip.ccass.com/> (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

### **Hong Kong Securities Clearing Company Limited**

Customer Service Center  
1/F, One & Two Exchange Square,  
8 Connaught Place, Central,  
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.



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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

### Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
  - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as his agent;
  - confirm that you understand that the Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving of **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

### Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 200 Hong Kong Offer Shares. Instructions for more than 200 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates<sup>(1)</sup>:

- Friday, November 8, 2019: 9:00 a.m. to 8:30 p.m.
- Saturday, November 9, 2019: 8:00 a.m. to 1:00 p.m.
- Monday, November 11, 2019: 8:00 a.m. to 8:30 p.m.
- Tuesday, November 12, 2019: 8:00 a.m. to 8:30 p.m.
- Wednesday, November 13, 2019: 8:00 a.m. to 8:30 p.m.
- Thursday, November 14, 2019: 8:00 a.m. to 8:30 p.m.
- Friday, November 15, 2019: 8:00 a.m. to 8:30 p.m.
- Saturday, November 16, 2019: 8:00 a.m. to 1:00 p.m.
- Monday, November 18, 2019: 8:00 a.m. to 12:00 noon

*Note:*

- (1) These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, November 8, 2019 until 12:00 noon on Monday, November 18, 2019 (24 hours daily, except on Monday, November 18, 2019, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, November 18, 2019, the last application day or such later time as described in “— 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists” in this section.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

## 7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application**

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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**instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, November 18, 2019.

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### 9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** in respect of a minimum of 200 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 200 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified in the IPO App or on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the sections headed “Structure of the Global Offering – Pricing”.

### 10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning, and/or
- an announcement of “extreme conditions” by the Hong Kong Government in accordance with the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Hong Kong Labour Department in June 2019;

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, November 18, 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings and/or extreme conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, November 18, 2019 or if there is a tropical cyclone warning signal number 8 or above and/or an announcement of Extreme Conditions or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### 11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Friday, November 22, 2019 on the Company's website at [www.heavensentgold.com](http://www.heavensentgold.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at [www.heavensentgold.com](http://www.heavensentgold.com) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m. on Friday, November 22, 2019;
- from the "Allotment Result" function in the IPO App or the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) or [www.hkeipo.hk/IPOResult](http://www.hkeipo.hk/IPOResult) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Friday, November 22, 2019 to 12:00 mid-night on Thursday, November 28, 2019;
- by telephone enquiry line by calling (+852) 3691 8488 between 9:00 a.m. to 6:00 p.m. from Friday, November 22, 2019 to Wednesday, November 27, 2019 (excluding Saturday, Sunday and public holiday);
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, November 22, 2019 to Monday, November 25, 2019 at all the receiving bank's designated branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.



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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If the Company or its agents exercise their discretion to reject your application:**

The Company, the Sole Global Coordinator, the Hong Kong Share Registrar, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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**(iii) If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** are not completed in accordance with the instructions, terms and conditions in the IPO App and on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Sole Global Coordinator believes that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$17.50 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure of the Global Offering — Conditions of the Global Offering” or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Friday, November 22, 2019.

### 14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Friday, November 22, 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, November 25, 2019 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

### **Personal Collection**

#### ***(i) If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, November 22, 2019 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Friday, November 22, 2019 by ordinary post and at your own risk.

#### ***(ii) If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Friday, November 22, 2019, by ordinary post and at your own risk.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, November 22, 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "— 11. Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, November 22, 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

### ***(iii) If you apply through the HK eIPO White Form***

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, November 22, 2019, or such other date as notified by the Company as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Friday, November 22, 2019 by ordinary post at your own risk.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

*(iv) If you apply via Electronic Application Instructions to HKSCC*

*Allocation of Hong Kong Offer Shares*

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

*Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, November 22, 2019, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Friday, November 22, 2019. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, November 22, 2019 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, November 22, 2019. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, November 22, 2019.

### 15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

*The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.*



22nd Floor  
CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

The Directors  
Heaven-Sent Gold Group Company Limited  
CLSA Capital Markets Limited

Dear Sirs,

We report on the historical financial information of Heaven-Sent Gold Group Company Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-104, which comprises the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2016, 2017 and 2018 and 30 June 2019, and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-104 forms an integral part of this report, which has been prepared for inclusion in the Prospectus of the Company dated 8 November 2019 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

#### **Directors’ responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.



**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2016, 2017 and 2018 and 30 June 2019 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

**Review of interim comparative financial information**

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended 30 June 2018 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in

accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

**Dividends**

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

Yours faithfully,

*Ernst & Young*

*Certified Public Accountants*

Hong Kong

8 November 2019

**I HISTORICAL FINANCIAL INFORMATION****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young, in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board (the "IAASB") (the "Underlying Financial Statements").

The Historical Financial Information is presented in United States dollars ("US\$"), and all values are rounded to the nearest thousand ("US\$'000") except when otherwise indicated.

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Year ended 31 December			Six months ended 30 June	
	Notes	2016	2017	2018	2018	2019
		US\$'000	US\$'000	US\$'000	US\$'000 (Unaudited)	US\$'000
<b>CONTINUING OPERATIONS</b>						
REVENUE . . . . .	5	133,127	130,316	220,065	94,726	131,443
Cost of sales . . . . .		(128,143)	(136,446)	(264,636)	(120,609)	(141,659)
Gross profit/(loss) . . . . .		4,984	(6,130)	(44,571)	(25,883)	(10,216)
Other income and gains . . . . .	5	1,652	1,813	48,996	28,074	1,533
Administrative expenses . . . . .		(3,005)	(4,255)	(9,486)	(3,298)	(5,691)
Finance costs . . . . .	7	(975)	(1,005)	(1,516)	(663)	(825)
Share of losses of an associate . . . . .	26	(584)	(653)	(745)	(383)	(367)
Reversal of/(impairment loss) on financial assets . . . . .		–	451	(123)	–	–
Other expenses . . . . .	6	–	–	–	–	(3,424)
Impairment loss on loans to an associate . . . .	26	(204)	(166)	(328)	(144)	(64)
<b>PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS . . . . .</b>						
Income tax credits/(expense) . . . . .	10	(113)	(24)	(2,290)	808	566
<b>PROFIT/(LOSS) FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS . . . .</b>						
<b>DISCONTINUED OPERATION</b>		1,755	(9,969)	(10,063)	(1,489)	(18,488)
Loss for the year/period from a discontinued operation . . . . .	11	(212)	(488)	(480)	(287)	–
<b>PROFIT/(LOSS) FOR THE YEAR/PERIOD . .</b>						
		<u>1,543</u>	<u>(10,457)</u>	<u>(10,543)</u>	<u>(1,776)</u>	<u>(18,488)</u>
Attributable to:						
Owners of the parent . . . . .		1,589	(10,351)	(14,860)	(1,713)	(18,488)
Non-controlling interests . . . . .		(46)	(106)	4,317	(63)	–
		<u>1,543</u>	<u>(10,457)</u>	<u>(10,543)</u>	<u>(1,776)</u>	<u>(18,488)</u>
<b>EARNINGS/(LOSSES) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>						
Basic	13					
– For profit/(loss) for the year/period . . . . .		<u>US\$52,967</u>	<u>(US\$0.51)</u>	<u>(US\$0.07)</u>	<u>(US\$0.01)</u>	<u>(US\$0.08)</u>
– For profit/(loss) from continuing operations . . . . .		<u>US\$60,033</u>	<u>(US\$0.49)</u>	<u>(US\$0.06)</u>	<u>(US\$0.01)</u>	<u>(US\$0.08)</u>
Diluted						
– For profit/(loss) for the year/period . . . . .		<u>US\$39,100</u>	<u>(US\$0.51)</u>	<u>(US\$0.07)</u>	<u>(US\$0.01)</u>	<u>(US\$0.08)</u>
– For profit/(loss) from continuing operations . . . . .		<u>US\$46,167</u>	<u>(US\$0.49)</u>	<u>(US\$0.06)</u>	<u>(US\$0.01)</u>	<u>(US\$0.08)</u>

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Six months ended 30 June	
		2016	2017	2018	2018	2019
		US\$'000	US\$'000	US\$'000	US\$'000 (Unaudited)	US\$'000
PROFIT/(LOSS) FOR THE YEAR/PERIOD . . . . .		1,543	(10,457)	(10,543)	(1,776)	(18,488)
OTHER COMPREHENSIVE INCOME/(LOSS)						
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:						
Available-for-sale investments:						
Changes in fair value . . . . .	15	107	(99)	–	–	–
		107	(99)	–	–	–
Exchange differences:						
Exchange differences on translation of foreign operations . . . . .		5,559	9,165	(15,831)	(12,618)	1,630
Reclassification adjustments for a subsidiary disposed of during the year/period . . . . .	33	–	–	3,729	–	–
		5,559	9,165	(12,102)	(12,618)	1,630
Cash flow hedges:						
Effective portion of change in fair value of derivative financial instruments . . . . .	17	–	–	–	–	(1,949)
Reclassification adjustments to revenue in profit or loss . . . . .	17	–	–	–	–	(1,276)
Tax effect . . . . .	17	–	–	–	–	903
		–	–	–	–	2,322
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods . . . . .		5,666	9,066	(12,102)	(12,618)	(692)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:						
Equity investments designated at fair value through other comprehensive income:						
Changes in fair value . . . . .	15	–	–	199	146	(179)
		–	–	199	146	(179)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods . . . . .		–	–	199	146	(179)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD, NET OF TAX . . . . .		5,666	9,066	(11,903)	(12,472)	(871)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD . . . . .		7,209	(1,391)	(22,446)	(14,248)	(19,359)
Attributable to:						
Owners of the parent . . . . .		6,532	(2,007)	(26,026)	(13,483)	(19,359)
Non-controlling interests . . . . .		677	616	3,580	(765)	–
		7,209	(1,391)	(22,446)	(14,248)	(19,359)

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 June
	Notes	2016	2017	2018	2019
		US\$'000	US\$'000	US\$'000	US\$'000
NON-CURRENT ASSETS					
Property, plant and equipment . . . . .	14	73,191	88,344	81,506	88,782
Right-of-use assets . . . . .	29	48	22	287	263
Investments in an associate . . . . .	26	–	–	–	–
Available-for-sale investments . . . . .	15	186	100	–	–
Equity investments designated at fair value through other comprehensive income . . . . .	15	–	–	269	95
Deferred tax assets . . . . .	28	–	–	–	1,939
Other assets . . . . .	16	9,779	8,977	10,789	9,968
Total non-current assets . . . . .		83,204	97,443	92,851	101,047
CURRENT ASSETS					
Inventories . . . . .	18	2,993	4,235	8,858	8,241
Amounts due from a fellow subsidiary . . . . .	36	–	–	16	–
Trade receivables . . . . .	19	1,861	1,144	3,270	9,250
Prepayments and other receivables . . . . .	20	2,808	3,419	6,247	5,504
Other assets . . . . .	16	–	8,122	–	3,647
Tax recoverable . . . . .		63	214	144	6
Cash and cash equivalents . . . . .	21	38,314	15,997	31,401	8,473
Total current assets . . . . .		46,039	33,131	49,936	35,121
CURRENT LIABILITIES					
Amounts due to an associate . . . . .	26	1,432	1,597	1,314	1,408
Rehabilitation liability . . . . .	25	1,584	1,778	1,521	1,122
Employee-related accruals . . . . .	23	8,050	9,515	18,083	18,031
Trade and other payables . . . . .	24	9,480	11,724	16,757	25,279
Amounts due to an immediate holding company . . . . .	36	1	1	1	–
Derivative financial instruments . . . . .	17	–	–	–	3,246
Lease liability . . . . .	29	36	33	38	45
Tax payable . . . . .		–	–	587	1,042
Total current liabilities . . . . .		20,583	24,648	38,301	50,173
NET CURRENT ASSETS/(LIABILITIES) . . . . .		25,456	8,483	11,635	(15,052)
TOTAL ASSETS LESS CURRENT LIABILITIES . . . . .					
		108,660	105,926	104,486	85,995
NON-CURRENT LIABILITIES					
Rehabilitation liability . . . . .	25	11,136	9,362	17,027	17,711
Lease liability . . . . .	29	29	–	260	242
Deferred tax liabilities . . . . .	28	5,738	6,198	–	202
Total non-current liabilities . . . . .		16,903	15,560	17,287	18,155
Net assets . . . . .		91,757	90,366	87,199	67,840

**APPENDIX I****ACCOUNTANTS' REPORT**

		As at 31 December			As at 30 June
	Notes	2016	2017	2018	2019
		US\$'000	US\$'000	US\$'000	US\$'000
EQUITY					
Equity attributable to owners of the parent					
Share capital . . . . .	30	*	92,349	121,299	121,299
Reserves/(deficits) . . . . .	31	85,491	(8,865)	(34,100)	(53,459)
<hr/>					
Non-controlling interests . . . . .	27	6,266	6,882	–	–
<hr/>					
Total equity . . . . .		91,757	90,366	87,199	67,840
		<hr/>	<hr/>	<hr/>	<hr/>

\* The amount is less than US\$1,000.

## Year ended 31 December 2016 and 2017

	<b>Attributable to owners of the parent</b>						
	<b>Share capital</b>	<b>Available- investment for-sale revaluation reserve</b>	<b>Exchange fluctuation reserve</b>	<b>Equity-settled share-based payment reserve</b>	<b>Other capital reserve</b>	<b>Retained profits/(Accumulated losses)</b>	
	US\$'000 <i>(Note 30)</i>	US\$'000 <i>(Note 31)</i>	US\$'000 <i>(Note 31)</i>	US\$'000 <i>(Note 31)</i>	US\$'000	US\$'000	Total equity
							US\$'000
At 1 January 2016 . . . . .	*	(85)	(8,110)	-	53,999	(5,244)	46,149
Profit/(loss) for the year . . . . .	-	-	-	-	-	1,589	1,543
Other comprehensive income for the year:							
Changes in fair value of available-for-sale investments . . . . .	-	107	-	-	-	-	-
Exchange differences on translation of foreign operations . . . . .	-	-	4,836	-	-	-	107
Total comprehensive income for the year . . . . .	-	107	4,836	-	-	1,589	6,532
Capital contribution made by the holding company . . . . .	-	-	-	-	38,350	-	38,350
Equity-settled share-based arrangements . . . . .	-	-	-	49	-	-	49
At 31 December 2016 and 1 January 2017 . . . . .	*	22#	(3,274)#	49#	92,349#	(3,655)#	91,757
Loss for the year . . . . .	-	-	-	-	-	(106)	(10,457)
Other comprehensive income/(loss) for the year:							
Changes in fair value of available-for-sale investments . . . . .	-	(99)	-	-	-	-	(99)
Exchange differences on translation of foreign operations . . . . .	-	-	8,443	-	-	-	8,443
Total comprehensive income/(loss) for the year . . . . .	-	(99)	8,443	-	-	(10,351)	616
Issue of shares of the Company . . . . .	92,349	-	-	-	(92,349)	-	-
At 31 December 2017 and 1 January 2018 . . . . .	92,349	(77)#	5,169#	49#	-#	(14,006)#	90,366

\*\*The amount is less than US\$1,000.



### Attributable to owners of the parent

	Equity investments designated at fair value through other comprehensive income						
	Share capital	income revaluation reserve	Exchange fluctuation reserve	Equity-settled share-based payment reserve	Other capital reserve	Accumulated losses	Total
	US\$'000 (Note 30)	US\$'000 (Note 31)	US\$'000 (Note 31)	US\$'000 (Note 31)	US\$'000	US\$'000	US\$'000
At 31 December 2017 and 1 January 2018 . . . . .	92,349	(77)	5,169	49	-	(14,006)	83,484
Profit/(loss) for the year . . . . .	-	-	-	-	-	(14,860)	(14,860)
Other comprehensive income/(loss) for the year:							
Changes in fair value of equity investments designated at fair value through other comprehensive income . . . . .	-	199	-	-	-	-	199
Exchange differences on translation of foreign operations. . . . .	-	-	(15,094)	-	-	-	(15,094)
Release of exchange fluctuation reserve upon disposal of a subsidiary (note 33) . . . . .	-	-	3,729	-	-	-	3,729
Total comprehensive income/(loss) for the year . . . . .	-	199	(11,365)	-	-	(14,860)	(26,026)
Equity-settled share-based arrangements . . . . .	-	-	-	63	-	-	63
Issue of shares of the Company . . . . .	28,950	-	-	-	-	-	28,950
Acquisition of non-controlling interests in Lesego Platinum Mining Proprietary Limited ("Lesego Platinum") (note 27) . . . . .	-	-	-	-	(5,153)	-	(5,153)
Issue of shares of a subsidiary to non-controlling interests at a premium (note 27) . . . . .	-	-	-	-	-	-	-
Acquisition of non-controlling interests in Village Main Reef Investment Company 04 Proprietary Limited ("VMR 04") (note 27) . . . . .	-	-	161	-	5,720	-	5,881
At 31 December 2018 . . . . .	121,299	122 <sup>#</sup>	(6,035) <sup>#</sup>	112 <sup>#</sup>	567 <sup>#</sup>	(28,866) <sup>#</sup>	87,199

## Six months ended 30 June 2019

	Attributable to owners of the parent									
	Share capital	Equity investments designated at fair value through other comprehensive income revaluation reserve	Equity-settled			Cash flow hedge reserve	Other capital reserve	Accumulated losses	Non-controlling interests	Total equity
			Exchange fluctuation reserve	share-based payment reserve						
	US\$'000 (Note 30)	US\$'000 (Note 31)	US\$'000 (Note 31)	US\$'000 (Note 31)	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 31 December 2018 and 1 January 2019 . . . . .	121,299	122	(6,035)	112	-	567	(28,866)	87,199	-	87,199
Loss for the period . . . . .	-	-	-	-	-	-	(18,488)	(18,488)	-	(18,488)
Other comprehensive income/(loss) for the period:										
Changes in fair value of equity investments designated at fair value through other comprehensive income . . . . .	-	(179)	-	-	-	-	-	(179)	-	(179)
Effective portion of change in fair value of derivative financial instruments, net of tax . . . . .	-	-	-	-	(1,403)	-	-	(1,403)	-	(1,403)
Reclassification adjustments to revenue in profit or loss, net of tax . . . . .	-	-	-	-	(919)	-	-	(919)	-	(919)
Exchange differences on translation of foreign operations . . . . .	-	-	1,630	-	-	-	-	1,630	-	1,630
Total comprehensive income/(loss) for the period . . . . .	-	(179)	1,630	-	(2,322)	-	(18,488)	(19,359)	-	(19,359)
At 30 June 2019 . . . . .	121,299	(57) <sup>#</sup>	(4,405) <sup>#</sup>	112 <sup>#</sup>	(2,322) <sup>#</sup>	567 <sup>#</sup>	(47,354) <sup>#</sup>	67,840	-	67,840

## Six months ended 30 June 2018

	Attributable to owners of the parent							
	Equity investments designated at fair value through other comprehensive income revaluation		Equity- settled share-based payment reserve		Other capital reserve		Non- controlling interests	
	Share capital	US\$'000 (Note 31)	Exchange fluctuation reserve	US\$'000 (Note 31)	Accumulated losses	US\$'000	Total	US\$'000 US\$'000
(Unaudited)	US\$'000 (Note 30)	US\$'000 (Note 31)	US\$'000 (Note 31)	US\$'000 (Note 31)	US\$'000 (Note 31)	US\$'000	US\$'000	US\$'000
At 1 January 2018 . . . . .	92,349	(77)	5,169	49	–	(14,006)	83,484	90,366
Loss for the period . . . . .	–	–	–	–	–	(1,713)	(1,713)	(63)
Other comprehensive income/(loss) for the period:								
Changes in fair value of equity investments designated at fair value through other comprehensive income . . . . .	–	146	–	–	–	–	146	146
Exchange differences on translation of foreign operations . . . . .	–	–	(11,916)	–	–	–	(11,916)	(702)
								(12,618)
Total comprehensive income/(loss) for the period . . . . .	–	146	(11,916)	–	–	(1,713)	(13,483)	(765)
Capital contribution made by the holding company . . . . .	–	–	–	–	14,300	–	14,300	–
Acquisition of non-controlling interests in Lesego Platinum (note 27) . . . . .	–	–	–	–	(5,153)	–	(5,153)	(6,533)
Issue of shares of a subsidiary to non-controlling interests at a premium (note 27) . . . . .	–	–	–	–	–	–	–	13,158
Equity-settled share-based arrangements . . . . .	–	–	–	63	–	–	63	–
								63
At 30 June 2018 . . . . .	92,349	69	(6,747)	112	9,147	(15,719)	79,211	12,742
								91,953

# These reserve accounts comprise the consolidated reserves of US\$85,491,000, (US\$8,865,000), (US\$34,100,000) and (US\$53,459,000) in the consolidated statements of financial position as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Six months ended 30 June	
	Notes	2016	2017	2018	2018	2019
		US\$'000	US\$'000	US\$'000	US\$'000 (Unaudited)	US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax						
From continuing operations . . . . .		1,868	(9,945)	(7,773)	(2,297)	(19,054)
Adjustments for:						
Depreciation of items of property, plant and equipment . . . . .	14	5,033	8,020	16,527	7,457	7,349
Depreciation of right-of-use assets . . . . .	29	27	30	42	16	31
(Gain)/loss on disposal of items of property, plant and equipment . . . . .	6	–	2	(11)	–	(91)
Share of losses of an associate . . . . .	6	584	653	745	383	367
Interest income . . . . .	5	(1,311)	(1,344)	(1,118)	(719)	(1,128)
Finance costs . . . . .	7	975	1,005	1,516	663	825
Impairment loss on loans to an associate . . .	26	204	166	328	144	64
(Reversal of)/impairment loss on trade receivables . . . . .	6	–	(451)	123	–	–
(Reversal of)/impairment loss on inventories . . . . .		43	(43)	8	–	–
Gain on disposal of a subsidiary . . . . .	33	–	–	(24,003)	–	–
Release of exchange fluctuation reserve upon disposal of a subsidiary . . . . .	33	–	–	3,729	–	–
Gain on a bargain purchase . . . . .	32	–	–	(27,074)	(27,074)	–
Penalties accrued for South African Revenue Service . . . . .	6	–	–	–	–	873
Equity-settled share-based payment . . . . .	6	49	–	63	63	–
Change in estimate in rehabilitation liability . . . . .	25	(28)	(213)	(60)	–	(863)
		7,444	(2,120)	(36,958)	(21,364)	(11,627)
(Increase)/decrease in inventories . . . . .		(1,108)	(1,242)	(2,698)	(5,886)	617
(Increase)/decrease in trade receivables . . . . .		406	717	(2,126)	(1,620)	(5,980)
(Increase)/decrease in prepayment and other receivables . . . . .		(2,808)	(611)	(2,828)	(1,098)	743
Increase in trade and other payables . . . . .		1,321	2,244	5,033	10,148	8,522
Increase/(decrease) in employee-related accruals . . . . .		2,083	1,465	8,568	10,432	(52)
Cash generated from/(used in) operations . . . . .		7,338	453	(31,009)	(9,388)	(7,777)
Tax received/(paid) . . . . .		122	(175)	(3,429)	–	(552)
Cash flows utilised in discontinued operations . . . . .	11	(295)	(680)	(648)	(377)	–
Net cash flows from/(used in) operating activities . . . . .		7,165	(402)	(35,086)	(9,765)	(8,329)

**APPENDIX I**
**ACCOUNTANTS' REPORT**

		Year ended 31 December			Six months ended 30 June	
	Notes	2016	2017	2018	2018	2019
		US\$'000	US\$'000	US\$'000	US\$'000 (Unaudited)	US\$'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment . . . . .	14	(7,898)	(14,609)	(22,624)	(9,280)	(13,022)
Proceeds from disposal of items of property, plant and equipment . . . . .		1	15	128	–	191
Acquisition of a business . . . . .	32	–	(7,519)	(497)	(497)	–
Amounts received from/(advanced to) related parties . . . . .		–	–	(16)	–	16
Purchases of other assets . . . . .		(408)	(719)	(8,290)	–	(2,478)
Proceeds from disposal of other assets . . . . .		1,924	3,212	9,600	652	–
Loans advanced to an associate . . . . .		(204)	(166)	(328)	(144)	(64)
Contributions to an associate . . . . .		(584)	(653)	(745)	(383)	(367)
Interest received . . . . .		352	643	467	427	755
Proceeds on share issue of a subsidiary to non-controlling interests at a premium . . . . .	27	–	–	13,158	13,158	–
Acquisition of non-controlling interests in Lesego Platinum . . . . .	27	–	–	(11,686)	(11,686)	–
Acquisition of non-controlling interests in VMR 04 . . . . .	27	–	–	(11,206)	–	–
Disposal of a subsidiary . . . . .	33	–	–	51,286	–	–
Repayment of loans from a fellow subsidiary . . . . .	33	–	–	2,647	–	–
Expenditure on environmental rehabilitation . . . . .	25	(1,924)	(3,212)	(726)	(652)	(35)
Net cash flows (used in)/from investing activities . . . . .		(8,741)	(23,008)	21,168	(8,405)	(15,004)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds on share issue . . . . .	30	–	–	28,950	–	–
Payment of lease liability . . . . .	29	(27)	(45)	(59)	(25)	(39)
Capital contribution made by the holding company . . . . .		38,350	–	–	14,300	–
Repayment of financial liabilities at fair value through profit or loss . . . . .		(947)	–	–	–	–
Net cash flows from/(used in) financing activities . . . . .		37,376	(45)	28,891	14,275	(39)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS . . . . .						
Cash and cash equivalents at beginning of year/period . . . . .		3,417	38,314	15,997	15,997	31,401
Effect of foreign exchange rate changes, net . . . . .		(903)	1,138	431	(2,944)	444
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD . . . . .		38,314	15,997	31,401	9,158	8,473

		Year ended 31 December			Six months ended 30 June	
	Notes	2016	2017	2018	2018	2019
		US\$'000	US\$'000	US\$'000	US\$'000 (Unaudited)	US\$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances . . . . .	21	38,314	15,997	31,401	9,158	8,473
Cash and cash equivalents as stated in the statement of financial position . . . . .		38,314	15,997	31,401	9,158	8,473
Cash and cash equivalents as stated in the statement of cash flows . . . . .		38,314	15,997	31,401	9,158	8,473

## STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December			As at 30 June
	Notes	2016	2017	2018	2019
		US\$'000	US\$'000	US\$'000	US\$'000
NON-CURRENT ASSETS					
Investments in subsidiaries . . . . .	22	67,990	87,990	118,790	116,724
Total non-current assets . . . . .		67,990	87,990	118,790	116,724
CURRENT ASSETS					
Cash and cash equivalents . . . . .	21	24,426	4,253	797	1,170
Prepayments and other receivables . . . . .	20	–	–	311	860
Total current assets . . . . .		24,426	4,253	1,108	2,030
CURRENT LIABILITIES					
Other payables . . . . .	24	7	11	–	514
Amounts due to an immediate holding company . .	36	1	1	1	–
Total current liabilities . . . . .		8	12	1	514
NET CURRENT ASSETS . . . . .		24,418	4,241	1,107	1,516
TOTAL ASSETS LESS CURRENT LIABILITIES . . . . .					
		92,408	92,231	119,897	118,240
NET ASSETS . . . . .		92,408	92,231	119,897	118,240
EQUITY					
Share capital . . . . .	30	*	92,349	121,299	121,299
Reserves/(deficits) . . . . .	31	92,408	(118)	(1,402)	(3,059)
Total equity . . . . .		92,408	92,231	119,897	118,240

\* The amount is less than US\$1,000.

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION****1. CORPORATE INFORMATION**

The Company is a limited liability company incorporated in Hong Kong on 24 March 2015. The registered office of the Company is located at Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

The Company is an investment holding company. During the Relevant Periods, the principal activities of the subsidiaries comprised the acquisition, exploration, development and operation of mining and exploration properties in South Africa.

The financial information contained in this Prospectus does not constitute the Company's statutory annual financial statements for any of the financial years ended 31 December 2016, 2017 and 2018 but is derived from these financial statements of the Company. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

As the Company is a private company, the Company is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

Baker Tilly Hong Kong Limited has reported on the statutory financial statements of the Company for the years ended 31 December 2016 and 2017. Ernst & Young has reported on the statutory financial statements of the Company for the year ended 31 December 2018. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.



As at the date of this report, the Company has direct or indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Company name	Place and date of incorporation and place of operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities	Statutory financial statements	
			Direct	Indirect*		Statutory auditors	For the years ended 31 December
Village Main Reef Group Proprietary Limited . . . . .	South Africa 24 March 2015	1,081,505,400 South Africa Rand ("ZAR")	100%	–	Investment holding	Pricewaterhouse Coopers	2016 and 2017
Village Main Reef Proprietary Limited . . . . .	South Africa 25 June 1934	ZAR178,232,911	–	74%	Investment holding	Pricewaterhouse Coopers	2016 and 2017
Village Main Reef Gold Investments 01 Proprietary Limited . . . . .	South Africa 17 November 2011	ZAR100	–	74%	Investment holding	Pricewaterhouse Coopers	2016 and 2017
Village Main Reef Gold Investments 03 Proprietary Limited . . . . .	South Africa 9 May 2011	ZAR1	–	74%	Investment holding	Pricewaterhouse Coopers	2016 and 2017
Village Main Reef Gold Investments 04 Proprietary Limited (previously Umbono Minerals and Mining Proprietary Limited . . . . .	South Africa 11 April 2011	ZAR1	–	100%	Investment holding	Pricewaterhouse Coopers	2016 and 2017
Village Main Reef Gold Investments 06 Proprietary Limited (previously Umbono Platinum Mining Proprietary Limited . . . . .	South Africa 8 October 1998	ZAR69,080,700	–	74%	Investment holding	Pricewaterhouse Coopers	2016 and 2017
Nebavest 49 Proprietary Limited . . . . .	South Africa 20 January 2008	ZAR120	–	74%	Investment holding	Pricewaterhouse Coopers	2016 and 2017
Nebavest 69 Proprietary Limited . . . . .	South Africa 23 November 2009	ZAR3,988,580	–	74%	Investment holding	Pricewaterhouse Coopers	2016 and 2017
Village Main Reef Gold Mining Company Nature Conservation Trust . . . . .	South Africa 19 January 1993	–	–	74%	Receiving, holding and applying money, properties and other assets exclusively for rehabilitation	Pricewaterhouse Coopers	2016 and 2017
Simmer and Jack Investments Proprietary Limited . . . . .	South Africa 5 March 1981	ZAR1	–	74%	Investment holding	Pricewaterhouse Coopers	2016 and 2017
Buffelsfontein Gold Mines Proprietary Limited . . . . .	South Africa 20 September 1995	ZAR45,934,000	–	74%	Gold mining	Pricewaterhouse Coopers	2016 and 2017
Temotuo Rehabilitation Company NPC . . . . .	South Africa 14 November 2000	–	–	74%	Rehabilitation related activities	Pricewaterhouse Coopers	2016 and 2017
Jovizest Proprietary Limited . . . . .	South Africa 27 February 2013	ZAR120	–	74%	Investment holding	Pricewaterhouse Coopers	2016 and 2017

Company name	Place and date of incorporation and place of operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities	Statutory financial statements	
			Direct	Indirect*		Statutory auditors	For the years ended 31 December
Disadox Proprietary Limited . . . . .	South Africa 11 March 2013	ZAR120	–	74%	Investment holding	Pricewaterhouse Coopers	2016 and 2017
Simidox Proprietary Limited . . . . .	South Africa 5 February 2013	ZAR120	–	74%	Investment holding	Pricewaterhouse Coopers	2016 and 2017
Vaxomode Proprietary Limited . . . . .	South Africa 28 February 2013	ZAR120	–	74%	Investment holding	Pricewaterhouse Coopers	2016 and 2017
VMR Shared Services Proprietary Limited . . . . .	South Africa 19 July 2012	ZAR1	–	74%	Support services to mining companies	Pricewaterhouse Coopers	2016 and 2017
Nicolor Proprietary Limited . . . . .	South Africa 26 July 2012	ZAR120	–	74%	Mineral processing	Pricewaterhouse Coopers	2016 and 2017
Tau Lekoa Gold Mining Company Proprietary Limited . . . . .	South Africa 17 November 2011	ZAR1,000	–	74%	Gold mining	Pricewaterhouse Coopers	2016 and 2017
Tau Lekoa Rehabilitation Trust . . . . .	South Africa 10 July 2012	–	–	74%	Receiving, holding and applying money, properties and other assets exclusively for rehabilitation	Pricewaterhouse Coopers	2016 and 2017
Khumo Mining and Investment Proprietary Limited . . . . .	South Africa 10 November 2003	ZAR100	–	74%	Mining and investment activities	Pricewaterhouse Coopers	2016 and 2017
Buffelsfontein Rehabilitation Trust . . . . .	South Africa 7 November 2006	–	–	74%	Applying the trust property exclusively for rehabilitation	Pricewaterhouse Coopers	2016 and 2017
Kopangang Gold Mine Proprietary Limited . . . . .	South Africa 6 October 2017	ZAR740	–	74%	Gold mining	Note (b)	Note (b)

\* During the Relevant Periods, the Group entered into transaction and funding arrangements with various Broad-Based Black Economic Empowerment (“BBBEE”) partners in order to meet the South African Mining Charter requirements of at least 26% BBBEE ownership (i.e. holding 26% shares). Non-controlling interests by BBBEE partners in Village Main Reef Proprietary Limited and Kopangang Gold Mine Proprietary Limited are not recognized until the date the financing provided by the Group is fully repaid by BBBEE partners as described in note 31 (b) to the Historical Financial Information.

*Notes:*

- (a) No audited financial statements have been prepared for all subsidiaries of the Company for the year ended 31 December 2018.
- (b) No audited financial statements have been prepared for this entity for the year ended 31 December 2017, as the entity was set up in 2017.

**2.1 BASIS OF PREPARATION**

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB").

The Historical Financial Information has been prepared under the historical cost convention, except for available-for-sale investments/equity investments designated at fair value through other comprehensive income and derivative financial instruments that have been measured at fair value.

The Group had net current liabilities of US\$15,052,000 as at 30 June 2019. In view of the net current liabilities position, the Directors have given careful consideration of the Groups' operating performance and the future cash flows in assessing the Group's capability to continue as a going concern. Taking into consideration the increase in gold production and the future cash flows from operation, the Directors are of the opinion that it is appropriate to prepare the Historical Financial Information on a going concern basis.

The Group has applied IFRS 9, effective for the periods beginning on or after 1 January 2018. The Group has not restated financial information from 1 January 2016 to 31 December 2017 for financial instruments in the scope of IFRS 9. The financial information from 1 January 2016 to 31 December 2017 is reported under IAS 39 *Financial Instruments: Recognition and Measurement* and is not comparable to the information presented for the year ended 31 December 2018 and the six months ended 30 June 2019.

The principal effects of adopting these new IFRSs are as follows:

**IFRS 15 Revenue from Contracts with Customer**

IFRS 15, issued in May 2014, established a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard has superseded all previous revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard.

The Group has applied IFRS 15 using the full retrospective method of adoption.

The accounting policy for the Group's main types of revenue is presented in note 5 to the Historical Financial Information which has been updated to reflect the application of IFRS 15. More extensive disclosures on the Group's revenue transactions have been made in the Historical Financial Information upon the application of IFRS 15.

All customer contracts in force throughout the Relevant Periods have been reviewed and assessed and it was determined that the application of IFRS 15 had no significant impact on the recognition and measurement of revenue and on the financial position and/or financial performance of the Group.

**IFRS 9 Financial Instruments**

IFRS 9 brings together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9.

**Changes to classification and measurement**

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories of financial assets (fair value through profit or loss ("FVPL"), available-for-sale ("AFS"), held-to-maturity, loans and receivables, and amortised cost) have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income ("FVOCI"), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets at FVPL

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements are presented in other comprehensive income with no subsequent reclassification to profit or loss.

The Group's classification of its financial assets and liabilities is explained in note 2.3 to the Historical Financial Information.

#### *Classification and measurement*

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL. The ECL allowance is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate ("EIR").

Details of the Group's impairment method are disclosed in note 2.3 to the Historical Financial Information.

The changes for the Group's financial assets and financial liabilities on 1 January 2018, the Group's date of initial application of IFRS 9, are summarised as follows:

	IAS 39 measurement		Reclassification	IFRS 9 measurement	
	Category	Amount		Amount	Category
		US\$'000	US\$'000	US\$'000	
<b>Financial assets</b>					
Equity investments designated at fair value through other comprehensive income . . . . .	N/A	–	100	100	FVOCI <sup>1</sup> (equity)
From: Available-for-sale investments ( <i>note</i> ) . . . . .			100		
Available-for-sale investments . . . . .	AFS <sup>2</sup>	100	(100)	–	N/A
To: Equity investments designated at fair value through other comprehensive income ( <i>note</i> ) . . . . .			(100)		
Other assets . . . . .	L&R <sup>3</sup>	5,468	–	5,468	AC <sup>4</sup>
Trade receivables . . . . .	L&R	1,144	–	1,144	AC
Financial assets included in prepayments and other receivables . . . . .	L&R	745	–	745	AC
Cash and cash equivalents . . . . .	L&R	15,997	–	15,997	AC
		<u>23,454</u>	<u>–</u>	<u>23,454</u>	
<b>Financial liabilities</b>					
Amounts due to an associate . . . . .	AC	1,597	–	1,597	AC
Trade and other payables . . . . .	AC	11,724	–	11,724	AC
Amounts due to an immediate holding company . . . . .	AC	1	–	1	AC
Lease liability . . . . .	AC	33	–	33	AC
		<u>13,355</u>	<u>–</u>	<u>13,355</u>	

<sup>1</sup> FVOCI: Financial assets at fair value through other comprehensive income

<sup>2</sup> AFS: Available-for-sale investments

<sup>3</sup> L&R: Loans and receivables

<sup>4</sup> AC: Financial assets or financial liabilities at amortised cost

*Note:* The Group has elected the option to irrevocably designate its previous available-for-sale equity investments as equity investments at fair value through other comprehensive income.

**Impairment**

After reconciling the aggregate opening impairment allowances under IAS 39 to the ECL allowances under IFRS 9, the impact of IFRS 9 is immaterial.

**IFRS 16 Leases**

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Group has applied IFRS 16 using the full retrospective method of adoption.

The accounting policy for the Group's leases is presented in note 2.3 to the Historical Financial Information which has been updated to reflect the application of IFRS 16. Disclosures on the Group's leases have been made in note 29 to the Historical Financial Information upon the application of IFRS 16.

**2.2 ISSUED BUT NOT YET EFFECTIVE IFRSS**

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IFRS 3 . . . . .	<i>Definition of a Business</i> <sup>1</sup>
Amendments to IFRS 10 and IFRS 28 . . . . .	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
IFRS 17 . . . . .	<i>Insurance Contracts</i> <sup>2</sup>
Amendments to IAS 1 and IAS 8 . . . . .	<i>Definition of Material</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> No mandatory effective date yet determined but available for adoption

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now. The Group is in the process of making an assessment of the impact and does not expect that the adoption of amendments to IFRS 10 and IAS 28 will have an impact on the financial position or performance of the Group.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

### **2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Subsidiaries**

A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Company the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Company's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

#### **Basis of consolidation**

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group transactions and balances have been eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group has directly disposed of the related assets or liabilities.

#### **Investments in associates**

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any

changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

### **Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on a bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.



**Fair value measurement**

Fair value is 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

**Impairment of non-financial assets*****Non-financial assets (excluding goodwill)***

The Group assesses, at each reporting date, whether there is an indication that an asset (or cash generating unit ("CGU")) may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's or CGU's recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal ("FVLCD") and its value in use ("VIU"). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the asset is tested as part of a larger CGU to which it belongs. If the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered impaired and is written down to its recoverable amount. Management has assessed its CGUs as being individual mines, which is the lowest level for which cash inflows are largely independent of those of other assets.

In calculating VIU, 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 risks specific to the asset/CGU. In determining FVLCD, recent market transactions (where available) are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies, or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecasts, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated, based on the life-of-mine plans. The estimated cash flows are based on expected future production, metal selling prices, operating costs and forecast capital expenditure, and cash flows beyond five years are based on life-of-mine plans.

VIU does not reflect future cash flows associated with improving or enhancing an asset's performance, whereas anticipated enhancements to assets are included in FVLCD calculations.



Impairment losses of continuing operations, including impairment of inventories, are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets/CGUs excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's/CGU's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset/CGU does not exceed either its recoverable amount, or the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset/CGU in prior years. Such a reversal is recognised in profit or loss as other income.

### **Related parties**

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

### **Property, plant and equipment and depreciation**

#### ***Initial recognition***

Upon completion of the mine construction phase, the assets are transferred into "Property, plant and equipment". Items of property, plant and equipment and producing mine are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included in "Property, plant and equipment".

When a mine construction project moves into the production phase, the capitalisation of certain mine construction costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to mining asset additions, improvements or new developments, underground mine development or mineable reserve development.

### ***Depreciation***

Accumulated mine development costs are depreciated on a Unit of Production ("UOP") basis over the economically recoverable reserves of the mine concerned, except in the case of assets whose useful life is shorter than the life of the mine, in which case, the straight-line method is applied. The unit of account for run-of-mine (ROM) costs is recoverable ounces of gold. Rights and concessions are depleted on the UOP basis over the economically recoverable reserves of the relevant area. The UOP rate calculation for the depreciation/amortisation of mine development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure. Economically recoverable reserves include proven and probable reserves.

The estimated fair value attributable to the mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of the acquisition is amortised on a UOP basis whereby the denominator is the proven and probable reserves, and for some mines, a portion of mineral resources which are expected to be extracted economically. These other mineral resources may be included in depreciation calculations in limited circumstances and where there is a high degree of confidence in their economic extraction. This would be the case when the other mineral resources do not yet have the status of reserves merely because the necessary detailed evaluation work has not yet been performed and the responsible technical personnel agree that the inclusion of a proportion of measured and indicated resources is appropriate based on historic reserve conversion rates.

The estimated fair value of the mineral resources that are not considered to be probable of economic extraction at the time of the acquisition is not subject to amortisation, until the resource becomes probable of economic extraction in the future and is recognised in exploration and evaluation assets.

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

<b>Item</b>	<b>Depreciation method</b>	<b>Average useful life</b>
Land	Not depreciated	Infinite
Above-ground structure	Units of production	Proven and probable reserves
Plant and machinery	Units of production	Proven and probable reserves
Furniture and fixtures	Straight line	5 years
Motor vehicles	Straight line	5 years
IT equipment	Straight line	3 years
Exploration assets	Not depreciated	N/A*
Mining assets	Units of production	Proven and probable reserves
Decommissioning assets	Units of production	Proven and probable reserves
Development and infrastructure	Units of production	Proven and probable reserves
Construction in progress	Not depreciated	N/A*

\* Measured at historical cost less impairments until transferred to items of property, plant and equipment with a definite useful life.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation/amortisation are reviewed at each reporting period and adjusted prospectively, if appropriate.

***Exploration assets***

Exploration cost are expensed as incurred except for any directly attributable cost associated with gathering more evidence on the ore body such as drilling cost and feasibility studies. Once there is high degree of confidence in the projects viability and its probable that the project will return future economic benefits to the Group, all cost is capitalised including pre-production cost.

**Leases*****Right-of-use assets***

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

***Lease liabilities***

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

***Short-term leases and leases of low-value assets***

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the low-value assets lease recognition exemption to leases that are considered of low value (i.e., below US\$5,000). Lease payments on short-term leases and of low-value assets leases are recognised as expense on a straight-line basis over the lease terms.

**Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018)*****Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

#### ***Subsequent measurement***

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments) The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

#### ***Financial assets at fair value through other comprehensive income (debt instruments)***

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

#### ***Financial assets designated at fair value through other comprehensive income (equity investments)***

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

**Investments and other financial assets (policies under IAS 39 applicable before 1 January 2018)*****Initial recognition and measurement***

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

***Subsequent measurement***

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

#### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

#### ***Available-for-sale financial investments***

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

**Derecognition of financial assets (policies under IFRS 9 applicable from 1 January 2018 and policies under IAS 39 applicable before 1 January 2018)**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018)**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

***Financial assets carried at amortised cost***

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.



***Available-for-sale financial investments***

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

**Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018)**

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs



Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

***Simplified approach***

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

**Financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)**

***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and payables, net of directly attributable transaction costs.

The Group's financial liabilities include amounts due to an associate, trade and other payables, lease liability and amounts due to related parties.

***Subsequent measurement***

The subsequent measurement of financial liabilities depends on their classification as follows:

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

**Offsetting of financial instruments (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**Derivative financial instruments and hedge accounting**

***Initial recognition and subsequent measurement***

The Group uses derivative financial instruments, such as gold forward contracts, to hedge its commodity price risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the consolidated statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

Starting from 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is “an economic relationship” between the hedged item and the hedging instrument.
- The effect of credit risk does not “dominate the value changes” that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

#### *Cash flow hedges*

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the consolidated statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the consolidated statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the consolidated statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

**Other assets*****Environmental trust fund***

Pursuant to environmental regulations in South Africa, the Group is obligated to rehabilitate lands impacted by mining activities in accordance with these regulations. As a consequence, the Group is required in some circumstances to establish independent environmental trust fund or provide guarantees issued by the operation, to Department of Mineral Resources of South Africa ("DMR") to cover the potential environmental rehabilitation obligation in specified amounts. Interest bearing investments in environmental trust fund under the control of the Group are measured at amortised cost while listed equity investments are measured at fair value through profit or loss.

***Reimbursive rights***

Contributions made to rehabilitation obligation funds not controlled by the Group to cover the estimated cost of rehabilitation are recognised as a right to receive a reimbursement from the fund and measured at the lower of the amount of the decommissioning obligation recognised or the funds available. Changes in the carrying value of the fund assets, other than contributions to and payments from the fund, are recognised in profit or loss.

**Inventories**

Inventories, including gold in concentrate, metal in circuit and ore stockpiles, are physically measured or estimated and valued at the lower of cost or net realisable value. Net realisable value is the estimated future sales price of the product the entity expects to realise when the product is processed and sold, less estimated costs to complete production and bring the product to sale.

Cost is determined by using the weighted-average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation, incurred in converting materials into finished goods, based on the normal production capacity.

**Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

**Provisions*****General***

A provision is recognised when a present obligation has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

***Rehabilitation provision***

Mine rehabilitation costs will be incurred by the Group either while operating, or at the end of the operating life of, the Group's facilities. The Group assesses its mine rehabilitation provision at each reporting date. The Group recognises a rehabilitation provision where it has a legal and constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. The nature of these restoration activities includes: dismantling and removing structures; rehabilitating mines and tailings dams; dismantling operating facilities; closing plant and waste sites; and

restoring, reclaiming and revegetating affected areas. Provisions are recognised when the Group has a present obligation, whether legal or constructive, because of a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised only when the reimbursement is virtually certain. The amount to be reimbursed is recognised as other asset in accordance with IAS 37. Where the Group has a joint and several liabilities with one or more other parties, no provision is recognised to the extent that those other parties are expected to settle part or all of the obligation.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the mining operation's location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred as a result of the development/construction of the mine. Any rehabilitation obligations that arise through the production of inventory are recognised as part of the related inventory item. Additional disturbances which arise due to further development/construction at the mine are recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur. Costs related to restoration of site damage (subsequent to start of commercial production) that is created on an ongoing basis during production are provided for at their net present values and recognised in profit or loss as extraction progresses.

Changes in the estimated timing of rehabilitation or changes to the estimated future costs are dealt with prospectively by recognising an adjustment to the rehabilitation liability and a corresponding adjustment to the asset to which it relates, if the initial estimate was originally recognised as part of an asset measured in accordance with IAS 16.

Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss.

If the change in estimate results in an increase in the rehabilitation liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment. If, for mature mines, the estimate for the revised mine assets net of rehabilitation provisions exceeds the recoverable value that portion of the increase is charged directly to expense.

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in profit or loss as part of finance costs.

For closed sites, changes to estimated costs are recognised immediately in profit or loss.

The Group recognises neither the deferred tax asset in respect of the temporary difference on the decommissioning liability nor the corresponding deferred tax liability in respect of the temporary difference on a decommissioning asset.

### **Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current income tax assets and liabilities are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (tax loss).
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or ventures and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available, against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and 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.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances arises. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it occurred during the measurement period or if outside the measurement period, it is recognised in profit or loss.

## **Revenue recognition**

### ***Revenue from contracts with customers***

The Group is principally engaged in the business of producing and sale of gold and tolling service.

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

*(a) Sale of gold*

Revenue from the sale of gold is recognised when control of gold is transferred to the customer, generally upon receipt by the customer of the gold at a fixed amount that reflects the consideration to which the Group expects to be entitled in exchange for those products. The credit term is normally decided on a case-by-case basis (usually within 15 days) upon the acceptance of the products.

*(b) Tolling service*

Revenue from tolling service for gold is recognised when control of service is transferred to the customer, generally on the completion of service at a fixed amount that reflects the consideration to which the Group expects to be entitled in exchange for service. The credit term is normally decided on a case-by-case basis (usually within 15 days) upon the completion of service.

**Other income**

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

**Other share-based payments**

The awards to the BBBEE partners described in Note 31 to the Historical Financial Information have been accounted as in-substance options as the BBBEE partners will only share in the upside, and not the downside of their equity interest in mining subsidiaries of the Group until the date the financing provided by the Group is fully repaid. On this date the options will be exercised and a non-controlling interest in Village Main Reef Proprietary Limited and Kopanang Gold Mine Proprietary Limited will be recognised.

The fair value of shares granted is obtained by determining net present value through Monte Carlo simulation of the underlying share, together with its dividends, to estimate the closing share price at vesting date, as well as the remaining funding. The cost of shares granted is recognised in administrative expenses, together with a corresponding increase in equity, at each year end of the Relevant Periods.

**Employee benefits**

***Pension scheme***

The employees of the Group's subsidiaries which operate in South Africa are required to participate in a pension scheme operated by the local municipal government. Contributions are made based on a certain percentage of the employee's basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the pension scheme.

**Dividends**

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

**Foreign currencies**

The Historical Financial Information is presented in US\$, which is also the functional currency of the Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the US\$. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss are translated into US\$ at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into US\$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into US\$ at the weighted average exchange rates for the year.

**3. SIGNIFICANT ACCOUNTING ESTIMATES**

The preparation of the Group's Historical Financial Information requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

**Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.



***Other share-based payments***

Management exercises judgement in the determination of fair values of in-substance options issuances in respect of transactions relating to the BBBEE legislation implemented by the government of South Africa. Fair values determined using the Monte Carlo valuation model are impacted by the following assumptions: gold price, prescription price, cost of equity, interest accumulated on loan/preference share and expected life. Fair values determined using the net present value of future cash flows associated with the underlying mining assets are impacted by the following assumptions: forecasts of production levels, operating and capital costs, future gold prices, foreign exchange rates, and discount rates.

***Accounting for business combinations***

The fair value of assets acquired and liabilities assumed, and the resulting goodwill or gain from a bargain purchase, if any, requires the Group to make judgements and estimates based on available information about the purchased business. Factors could include:

- Changes in proved and probable mineral reserves;
- The grade of mineral reserves may vary significantly from time to time;
- Differences between actual commodity prices and commodity price assumptions;
- Unforeseen operational issues at mine sites;
- Changes in capital, operating, mining processing and reclamation costs, discount rates and foreign exchange rates; and
- Changes in mineral reserves which could similarly affect the useful lives of assets depreciated on the straight-line basis, where those lives are limited to the life of the mine.

***Exploration and evaluation ("E&E") expenditure***

The application of the Group's accounting policy for E&E expenditure requires judgement to determine whether future economic benefits are likely from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

In addition to applying judgement to determine whether future economic benefits are likely to arise from the Group's E&E assets or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Group has to apply a number of estimates and assumptions. The determination of a MORC resource is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified (i.e., measured, indicated or inferred). The estimates directly impact when the Group defers E&E expenditure. The deferral policy requires management to make certain estimates and assumptions about future events and circumstances, particularly, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the relevant capitalised amount is written off to profit or loss in the period when the new information becomes available.

***Recoverable amount of mining assets and depreciation***

The recoverable amounts of mining assets are generally determined utilising discounted future cash flows, Management also considers such factors as the market capitalisation of the Group, the quality of the individual ore body and the country risk in determining the recoverable amount.

The calculation of the units-of-production rate of depreciation, could be affected if actual production in the future is different from the current forecast production based on proved and probable mineral reserves. This would generally arise when there are significant changes in any of the factors or assumptions used in estimating mineral reserves.



Factors could include:

- Changes in proved and probable mineral reserves;
- The grade of mineral reserves may vary significantly from time to time;
- Differences between actual commodity prices and commodity price assumptions;
- Unforeseen operational issues at mine sites;
- Changes in capital, operating, mining processing and reclamation costs, discount rates and foreign exchange rates; and
- Changes in mineral reserves which could similarly affect the useful lives of assets depreciated on the straight-line basis, where those lives are limited to the life of the mine.

***Mineral reserves and resources estimates***

At the end of each financial year, the estimate of proved and probable mineral reserves and resources is updated. Depreciation of mining assets is prospectively adjusted based on these changes.

Mineral reserves are estimates of the amount of product that can be economically and legally extracted from the Group's properties. In order to calculate mineral reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including but not limited to quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Estimating the quantity and/or grade of mineral reserves requires the size, shape and depth of ore bodies to be determined by analysing geological data such as the log and assay results of drill samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

The Group is required to determine and report mineral reserves in accordance with the South African Code for the Reporting of Exploration Results, Resources and Reserves ("SAMREC Code").

Because the economic assumptions used to estimate mineral reserves change from period to period and because additional geological data is generated during the course of operations, estimates of mineral reserves may change from period to period. Changes in reported mineral reserves may affect the Group's financial results and financial position in a number of ways including the following:

- Asset carrying values may be affected due to changes in estimated future cash flows;
- Depreciation, depletion and amortisation charged in profit or loss may change where such changes are determined by the units-of-production method, or where the useful lives of assets change;
- Decommissioning, site restoration and environmental provisions may change where changes in estimated mineral reserves affect expectations about the timing or cost of these activities; and
- The carrying value of deferred tax assets may change due to changes in estimate of the likely recovery of the tax benefits.

These adjustments are made prospectively where relevant.

The recoverable amounts of mineral resources are estimated using the market multiple approach, with reference to observable market values of similar or comparative resources.

***Provision for environmental rehabilitation obligations***

Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. Management's best estimate for environmental obligations is recognised in the period in which they are incurred. Actual costs incurred in future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates, inflation rates, foreign currency exchange rates and discount rates could affect the carrying amount of this provision.

*Impairment of non-financial assets*

Impairment assessments require the use of estimates and assumptions such as long-term commodity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, closure and rehabilitation costs, exploration potential, reserves (see note 2.3 above) and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs. In such circumstances, some or all of the carrying amount of the assets/CGUs may be further impaired or the impairment charge reduced with the impact recognised in profit or loss.

*Deferred tax assets*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets relating to recognised tax losses as at 31 December 2016, 2017 and 2018 and 30 June 2019 were nil, nil, nil and US\$2,601,000, respectively. The amounts of unrecognised tax losses as at 31 December 2016, 2017 and 2018 and 30 June 2019 were US\$113,663,000, US\$143,821,000, US\$168,629,000 and US\$197,630,000, respectively. Further details are contained in note 28 to the Historical Financial Information.

**4. OPERATING SEGMENT INFORMATION**

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) the underground segment, which engages in underground gold mining operations;
- (b) the surface segment, which engages in surface operations; and
- (c) the platinum segment, which produces platinum exploration assets.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of profit/loss before tax from continuing operations.

<b>Year ended 31 December 2016</b>	<b>Underground</b>	<b>Surface</b>	<b>Platinum</b>	<b>Unallocated</b>	<b>Total</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Reportable segment revenue from					
external customers . . . . .	120,511	12,616	–	–	133,127
Depreciation . . . . .	(4,000)	(1,022)	–	(38)	(5,060)
Interest income . . . . .	728	214	–	369	1,311
Finance costs . . . . .	(279)	(686)	–	(10)	(975)
Share of losses of an associate . . .	–	–	–	(584)	(584)
Impairment loss on loans to an					
associate . . . . .	–	–	–	(204)	(204)
Reportable segment profit/(loss)					
before tax . . . . .	1,216	1,147	–	(495)	1,868
Income tax credits/(expense) . . . .	9	(9)	–	(113)	(113)
Reportable segment assets . . . . .	36,949	17,456	34,896	39,942	129,243
Reportable segment liabilities . . . .	(17,141)	(12,777)	(5,801)	(1,767)	(37,486)

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# ACCOUNTANTS' REPORT

<b>Year ended 31 December 2017</b>	<b>Underground</b>	<b>Surface</b>	<b>Platinum</b>	<b>Unallocated</b>	<b>Total</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Reportable segment revenue from external customers . . . . .	111,918	18,398	–	–	130,316
Depreciation . . . . .	(6,925)	(1,088)	–	(37)	(8,050)
Interest income . . . . .	293	375	–	676	1,344
Finance costs . . . . .	(369)	(629)	–	(7)	(1,005)
Share of losses of an associate . . . . .	–	–	–	(653)	(653)
Impairment loss on loans to an associate . . . . .	–	–	–	(166)	(166)
Reportable segment profit/(loss) before tax . . . . .	(12,736)	3,845	–	(1,054)	(9,945)
Income tax credits/(expense) . . . . .	(9)	(81)	–	66	(24)
Reportable segment assets . . . . .	48,370	16,167	39,380	26,657	130,574
Reportable segment liabilities . . . . .	(20,827)	(11,059)	(6,231)	(2,091)	(40,208)
<b>Year ended 31 December 2018</b>	<b>Underground</b>	<b>Surface</b>	<b>Platinum</b>	<b>Unallocated</b>	<b>Total</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Reportable segment revenue from external customers . . . . .	204,586	15,479	–	–	220,065
Gain on disposal of a subsidiary . . . . .	–	–	–	24,003	24,003
Depreciation . . . . .	(15,624)	(862)	–	(83)	(16,569)
Interest income . . . . .	470	188	–	460	1,118
Finance costs . . . . .	(1,049)	(450)	–	(17)	(1,516)
Gain on a bargain purchase . . . . .	27,074	–	–	–	27,074
Share of losses of an associate . . . . .	–	–	–	(745)	(745)
Impairment loss on loans to an associate . . . . .	–	–	–	(328)	(328)
Reportable segment profit/(loss) before tax . . . . .	(22,770)	(1,599)	–	16,596	(7,773)
Income tax credits/(expense) . . . . .	1,865	–	–	(4,155)	(2,290)
Reportable segment assets . . . . .	96,974	13,586	–	32,227	142,787
Reportable segment liabilities . . . . .	(43,761)	(8,698)	–	(3,129)	(55,588)
<b>Six months ended 30 June 2019</b>	<b>Underground</b>	<b>Surface</b>	<b>Platinum</b>	<b>Unallocated</b>	<b>Total</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Reportable segment revenue from external customers . . . . .	99,239	32,204	–	–	131,443
Depreciation . . . . .	(6,825)	(494)	–	(61)	(7,380)
Interest income . . . . .	268	120	–	740	1,128
Finance costs . . . . .	(599)	(192)	–	(34)	(825)
Share of losses of an associate . . . . .	–	–	–	(367)	(367)
Impairment loss on loans to an associate . . . . .	–	–	–	(64)	(64)
Reportable segment profit/(loss) before tax . . . . .	(18,770)	1,185	–	(1,469)	(19,054)
Income tax credits/(expense) . . . . .	972	(173)	–	(233)	566
Reportable segment assets . . . . .	109,314	13,658	–	13,196	136,168
Reportable segment liabilities . . . . .	(49,256)	(12,671)	–	(6,401)	(68,328)

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## ACCOUNTANTS' REPORT

Six months ended 30 June 2018 (Unaudited)	Underground US\$'000	Surface US\$'000	Platinum US\$'000	Unallocated US\$'000	Total US\$'000
Reportable segment revenue from external customers . . . . .	86,566	8,160	–	–	94,726
Depreciation . . . . .	(7,035)	(422)	–	–	(7,457)
Interest income . . . . .	202	97	–	420	719
Finance costs . . . . .	(420)	(242)	–	(1)	(663)
Gain on a bargain purchase . . . . .	–	–	–	27,074	27,074
Share of losses of an associate . . . . .	–	–	–	(383)	(383)
Impairment loss on loans to an associate . . . . .	–	–	–	(144)	(144)
Reportable segment profit/(loss) before tax . . . . .	(6,203)	5,513	–	(1,607)	(2,297)
Income tax credits/(expense) . . . . .	870	–	–	(62)	808
Reportable segment assets . . . . .	96,974	13,586	–	31,940	142,500
Reportable segment liabilities . . . . .	(43,761)	(7,384)	(587)	(2,831)	(54,563)

### Geographical information

The revenue of the Group of continuing operations is substantially derived from sales to customers whose registered offices are located in South Africa.

The non-current assets of the Group of continuing operations (excluding financial instruments) are substantially located in South Africa.

### Information about major customers

Revenue from continuing operations of the following was derived from sales to single customers for each of the Relevant Periods:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				(Unaudited)	
Customer A . . . . .	122,550	122,967	121,755	88,039	*
Customer B . . . . .	*	*	63,395	*	72,810
Customer C . . . . .	*	*	22,923	*	40,412

\* Less than 10%

## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue and other income and gains is as follows:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000 (Unaudited)	US\$'000
<i>Revenue from contracts with customers</i>					
Sale of gold . . . . .	123,583	125,835	214,028	91,891	125,904
Tolling services . . . . .	9,544	4,481	6,460	2,835	4,263
Gain/(loss) on gold hedge .	—	—	(423)	—	1,276
	<u>133,127</u>	<u>130,316</u>	<u>220,065</u>	<u>94,726</u>	<u>131,443</u>

## Revenue from contracts with customers

## (i) Disaggregated revenue information

Segments	For the year ended 31 December 2016			
	Underground	Surface	Platinum	Total
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Type of goods or services</b>				
Sale of gold . . . . .	110,967	12,616	—	123,583
Tolling services . . . . .	9,544	—	—	9,544
Total revenue from contracts with customers . . . . .	<u>120,511</u>	<u>12,616</u>	<u>—</u>	<u>133,127</u>
<b>Timing of revenue recognition</b>				
At a point in time . . . . .	<u>120,511</u>	<u>12,616</u>	<u>—</u>	<u>133,127</u>

Segments	For the year ended 31 December 2017			
	Underground	Surface	Platinum	Total
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Type of goods or services</b>				
Sale of gold . . . . .	107,437	18,398	—	125,835
Tolling services . . . . .	4,481	—	—	4,481
Total revenue from contracts with customers . . . . .	<u>111,918</u>	<u>18,398</u>	<u>—</u>	<u>130,316</u>
<b>Timing of revenue recognition</b>				
At a point in time . . . . .	<u>111,918</u>	<u>18,398</u>	<u>—</u>	<u>130,316</u>

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# ACCOUNTANTS' REPORT

For the year ended 31 December 2018				
Segments	Underground	Surface	Platinum	Total
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Type of goods or services</b>				
Sale of gold . . . . .	198,549	15,479	–	214,028
Tolling services . . . . .	6,460	–	–	6,460
Loss on gold hedge . . . . .	(423)	–	–	(423)
Total revenue from contracts with customers . . . . .	204,586	15,479	–	220,065
<b>Timing of revenue recognition</b>				
At a point in time . . . . .	204,586	15,479	–	220,065
For the six months ended 30 June 2019				
Segments	Underground	Surface	Platinum	Total
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Type of goods or services</b>				
Sale of gold . . . . .	97,680	28,224	–	125,904
Tolling services . . . . .	283	3,980	–	4,263
Gain on gold hedge . . . . .	1,276	–	–	1,276
Total revenue from contracts with customers . . . . .	99,239	32,204	–	131,443
<b>Timing of revenue recognition</b>				
At a point in time . . . . .	99,239	32,204	–	131,443
For the six months ended 30 June 2018 (Unaudited)				
Segments	Underground	Surface	Platinum	Total
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Type of goods or services</b>				
Sale of gold . . . . .	83,731	8,160	–	91,891
Tolling services . . . . .	2,835	–	–	2,835
Total revenue from contracts with customers . . . . .	86,566	8,160	–	94,726
<b>Timing of revenue recognition</b>				
At a point in time . . . . .	86,566	8,160	–	94,726

## (ii) Performance obligations

Information about the Group's performance obligations is summarized below:

*Sale of gold*

The performance obligation is satisfied upon receipt of gold and for most customers, payment is generally due within 15 days upon the acceptance of the products.

*Tolling service*

The performance obligation is satisfied on the completion of service and for most customers, payment is generally due within 15 days upon completion of service.

		Year ended 31 December			Six months ended 30 June	
	Note	2016	2017	2018	2018	2019
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
					(Unaudited)	
<u>Other income</u>						
Royalties income . . . . .		258	330	336	177	169
Rental income . . . . .		33	52	99	37	23
Sale of scrap . . . . .		50	89	84	67	122
Interest income from bank deposits . . . . .		352	643	467	426	755
Interest income from other assets . .		959	701	651	293	373
		<u>1,652</u>	<u>1,815</u>	<u>1,637</u>	<u>1,000</u>	<u>1,442</u>
<u>Gains</u>						
Gain/(loss) on disposal of items of property, plant and equipment . .		–	(2)	11	–	91
Gain on disposal of a subsidiary . .	33	–	–	20,274	–	–
Gain on a bargain purchase . . . . .	32	–	–	27,074	27,074	–
		<u>–</u>	<u>(2)</u>	<u>47,359</u>	<u>27,074</u>	<u>91</u>
		<u>1,652</u>	<u>1,813</u>	<u>48,996</u>	<u>28,074</u>	<u>1,533</u>

**6. PROFIT/(LOSS) BEFORE TAX**

The Group's profit/(loss) before tax from continuing operations is arrived at after charging/(crediting):

	<i>Notes</i>	<b>Year ended 31 December</b>			<b>Six months ended 30 June</b>	
		<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2018</b>	<b>2019</b>
		<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i> (Unaudited)	<i>US\$'000</i>
Cost of inventories sold . . . . .		128,143	136,446	264,636	120,609	141,659
Depreciation of property, plant and equipment . . . . .	14	5,033	8,020	16,527	7,457	7,349
Depreciation of right-of-use assets . . . . .	29	27	30	42	16	31
Employee benefit expense (excluding directors' remuneration (note 8)):						
Wages and salaries . . . . .		54,956	66,702	128,133	60,746	69,096
Pension scheme contributions (defined contribution scheme) . . . . .		3,581	4,364	8,969	4,264	4,632
		<u>58,537</u>	<u>71,066</u>	<u>137,102</u>	<u>65,010</u>	<u>73,728</u>
Auditors' remuneration . . . . .		286	535	708	236	–
Equity-settled share-based payment <sup>1</sup> . . . . .	31	49	–	63	63	–
IPO expenses . . . . .		–	–	1,821	–	2,363
(Gain)/loss on disposal of items of property, plant and equipment <sup>2</sup> . . . . .		–	2	(11)	–	(91)
(Reversal of)/impairment loss on financial assets . . . . .		–	(451)	123	–	–
Write-down of inventories to net realisable value <sup>3</sup> . . . . .		15	493	247	1,192	320
Share of losses of an associate . . . . .		584	653	745	383	367
Gain on disposal of a subsidiary <sup>2</sup> . . . . .	33	–	–	(24,003)	–	–
Reclassification adjustments on exchange differences for a subsidiary disposed of <sup>2</sup> . . . . .	33	–	–	3,729	–	–
Gain on a bargain purchase <sup>2</sup> . . . . .	32	–	–	(27,074)	(27,074)	–
Loss caused by gold theft <sup>4</sup> . . . . .		–	–	–	–	2,551
Penalties accrued for South African Revenue Service <sup>4</sup> . . . . .		–	–	–	–	873

<sup>1</sup> Included in "Administrative expenses" in profit or loss.

<sup>2</sup> Included in "Other income and gains" in profit or loss.

<sup>3</sup> Included in "Cost of sales" in profit or loss.

<sup>4</sup> Included in "Other expenses" in profit or loss.



An analysis of finance costs from continuing operations is as follows:

## 8. DIRECTORS' REMUNERATION

Directors' remuneration for the Relevant Periods, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

**(a) Independent non-executive directors**

Subsequent to the end of the Relevant Periods on 31 October 2019, Mr. CAI Meifeng, Mr. HE Jia and Mr. LEE Kwan Ho Vincent Marshall were appointed as independent non-executive directors of the Company.

**(b) Executive and non-executive directors**

**Year ended 31 December 2016**

Executive director:

**Year ended 31 December 2017**

Executive director:

Zhang Sheng . . . . .	-	-	-	-
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# APPENDIX I

# ACCOUNTANTS' REPORT

	<b>Fees</b>	<b>Salaries, allowances and benefits in kind</b>	<b>Retention and discretionary bonuses</b>	<b>Total</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Year ended 31 December 2018</b>				
Executive director:				
Zhang Sheng . . . . .	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Six months ended 30 June 2019</b>				
Executive director:				
Dong Xia . . . . .	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Non-executive directors:				
Zhang Sheng . . . . .	—	—	—	—
Zhang Quanyou . . . . .	—	—	—	—
Bao Yue . . . . .	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Six months ended 30 June 2018 (Unaudited)</b>				
Executive director:				
Zhang Sheng . . . . .	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

On 11 March 2019, Mr. DONG Xia was appointed as the executive director of the Company, Mr. ZHANG Sheng was redesignated from an executive director to a non-executive director, and Mr. BAO Yue and Mr. ZHANG Quanyou were appointed as non-executive directors of the Company.

## 9. FIVE HIGHEST PAID EMPLOYEES

No directors were included in the five highest paid employees during the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, details of whose remuneration are set out in note 8 above. Details of the remuneration of the 5 highest paid employees for the years ended 2016, 2017 and 2018 and the six months ended 30 June 2019, respectively, are as follows:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				(Unaudited)	
Salaries, allowances and benefits in kind . . . . .	668	1,251	1,284	558	674
Discretionary bonuses . . . . .	78	338	75	–	41
Pension scheme contributions . . . . .	18	9	12	5	9
	<u>764</u>	<u>1,598</u>	<u>1,371</u>	<u>563</u>	<u>724</u>

The number of non-director highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
				(Unaudited)	
Nil to HK\$1,000,000 . . . . .	–	–	–	4	3
HK\$1,000,001 to HK\$1,500,000 . . . . .	4	1	2	1	1
HK\$1,500,001 to HK\$2,000,000 . . . . .	1	–	–	–	1
HK\$2,000,001 to HK\$2,500,000 . . . . .	–	1	–	–	–
HK\$2,500,001 to HK\$3,000,000 . . . . .	–	3	3	–	–
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

During the Relevant Periods, no remuneration was paid by the Group to non-director highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

## 10. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Relevant Periods.

Taxes on profits assessable in South Africa have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof. Pursuant to the South Africa Income Tax Act (the “Income Tax Act”) effective on 1962, the South Africa corporate income tax rate of the Group’s subsidiaries operating in South Africa during the Relevant Periods was 28% on taxable profits.

# APPENDIX I

# ACCOUNTANTS' REPORT

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000 (Unaudited)	US\$'000
Current – South Africa					
Charge for the year/period . . . . .	113	114	4,155	62	256
Overprovision in prior years/periods . . . . .	–	(90)	(12)	–	–
Deferred – South Africa (note 28) . . . . .	–	–	(1,853)	(870)	(822)
Total tax charge for the year/period from continuing operations . .	<u>113</u>	<u>24</u>	<u>2,290</u>	<u>(808)</u>	<u>(566)</u>
Total tax charge for the year/period from a discontinued operation – Deferred (note 28) . . . .	<u>(83)</u>	<u>(192)</u>	<u>(168)</u>	<u>(90)</u>	<u>–</u>

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory tax rate to the tax expense at the effective tax rate is as follows:

	Year ended 31 December						Six months ended 30 June			
	2016		2017		2018		2018		2019	
	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%
	(Unaudited)									
Profit/(loss) before tax from continuing operations . . . . .	1,878		(9,953)		(7,773)		(2,297)		(19,054)	
Tax at the statutory tax rate . . . .	525	28.0	(2,787)	28.0	(2,176)	28.0	(643)	28.0	(5,335)	28.0
Income not subject to tax . . . . .	(622)	(33.1)	(1,139)	11.4	(2,623)	33.7	(2,813)	122.5	(1)	–
Expenses not deductible for tax . .	636	33.9	1,113	(11.2)	1,014	(13.0)	20	(0.9)	343	(1.8)
Tax losses not recognised/ (utilized) . . . . .	(426)	(22.8)	2,927	(29.4)	6,548	(84.2)	2,628	(114.4)	4,427	(23.2)
Adjustments in respect of current tax of previous periods . . . . .	–	–	(90)	0.9	(12)	0.2	–	–	–	–
Effect of capital gains tax . . . . .	–	–	–	–	(461)	5.9	–	–	–	–
Tax charge at the effective tax rate from continuing operations . . .	<u>113</u>	<u>6.0</u>	<u>24</u>	<u>(0.2)</u>	<u>2,290</u>	<u>(29.5)</u>	<u>(808)</u>	<u>35.2</u>	<u>(566)</u>	<u>3.0</u>

## 11. DISCONTINUED OPERATION

In 2018, the Group decided to dispose of Lesego Platinum. Lesego Platinum engages in prospecting for and mining platinum minerals in South Africa. The disposal of Lesego Platinum was completed on 18 December 2018. The discontinued operation is presented in the platinum segment in note 4 to the Historical Financial Information.

The results of Lesego Platinum up to the date of disposal are presented below:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000 (Unaudited)	US\$'000
Revenue . . . . .	–	–	–	–	–
Expenses . . . . .	(295)	(680)	(648)	(377)	–
Loss before tax from the discontinued operation . . . . .	(295)	(680)	(648)	(377)	–
Income tax . . . . .	83	192	168	90	–
Loss for the year/period from the discontinued operation . . . . .	<u>(212)</u>	<u>(488)</u>	<u>(480)</u>	<u>(287)</u>	<u>–</u>

The net cash flows incurred by Lesego Platinum are as follows:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000 (Unaudited)	US\$'000
Operating activities . . . . .	(295)	(680)	(648)	(377)	–
Investing activities . . . . .	–	–	–	–	–
Financing activities . . . . .	–	–	–	–	–
Net cash flow . . . . .	<u>(295)</u>	<u>(680)</u>	<u>(648)</u>	<u>(377)</u>	<u>–</u>
Earnings per share:					
Basic, from the discontinued operation . . . . .	<u>(US\$7,067)</u>	<u>(US\$0.02)</u>	<u>(US\$0.002)</u>	<u>(US\$0.001)</u>	<u>–</u>
Diluted, from the discontinued operation . . . . .	<u>(US\$7,067)</u>	<u>(US\$0.02)</u>	<u>(US\$0.002)</u>	<u>(US\$0.001)</u>	<u>–</u>

The calculations of basic and diluted earnings per share from the discontinued operation are based on:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
				(Unaudited)	
Profit attributable to ordinary equity holders of the parent from the discontinued operation . . . . .	US\$(212,000)	US\$(488,000)	US\$(480,000)	US\$(287,000)	–
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculation ( <i>note 13</i> ) . . .	30	20,146,110	225,194,310	216,274,350	241,318,920

## 12. DIVIDENDS

No dividend was paid or declared by the Company in the Relevant Periods.

## 13. EARNINGS/(LOSSES) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019 are based on the profit/loss for the year/period attributable to ordinary equity holders of the parent, and the weighted average numbers of ordinary shares.

The calculation of diluted earnings per share amounts is based on the profit attributable to ordinary shareholders (as used in the basic earnings per share calculation), adjusted to take into account the dilution of the Company's interest in its subsidiaries as a result of the BBBEE transactions in the years ended 31 December 2016 and 2018. The expense recorded for these BBBEE transactions is not adjusted for in determining either basic or diluted earnings per share. Rather the total profit or loss of the relevant subsidiary is diluted to take into account the effect of the dilution of the Group's shareholding, and that adjusted profit or loss then enters into the calculation of the Group's profit attributable to ordinary shareholders.

The Group's weighted average number of shares (as used in the basic earnings per share calculation) is not adjusted as the shares to be issued are those of the relevant subsidiary entities.

# APPENDIX I

# ACCOUNTANTS' REPORT

The calculations of basic and diluted earnings per share are based on:

<b>Earnings</b>	<b>Year ended 31 December</b>			<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2018</b>	<b>2019</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i> <i>(Unaudited)</i>	<i>US\$'000</i>
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:					
From continuing operations . . . . .	1,801	(9,863)	(14,380)	(1,426)	(18,488)
From a discontinued operation . . . . .	(212)	(488)	(480)	(287)	—
	<u>1,589</u>	<u>(10,351)</u>	<u>(14,860)</u>	<u>(1,713)</u>	<u>(18,488)</u>
The effect of BBBEE transactions . . . . .	<u>(416)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Profit/(loss) attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation: . . . . .	<u>1,173</u>	<u>(10,351)</u>	<u>(14,860)</u>	<u>(1,713)</u>	<u>(18,488)</u>
Attributable to:					
Continuing operations . . . . .	1,385	(9,863)	(14,380)	(1,426)	(18,488)
A discontinued operation . . . . .	<u>(212)</u>	<u>(488)</u>	<u>(480)</u>	<u>(287)</u>	<u>—</u>
	<u>1,173</u>	<u>(10,351)</u>	<u>(14,860)</u>	<u>(1,713)</u>	<u>(18,488)</u>
	<u><u>1,173</u></u>	<u><u>(10,351)</u></u>	<u><u>(14,860)</u></u>	<u><u>(1,713)</u></u>	<u><u>(18,488)</u></u>
<b>Shares</b>	<b>Year ended 31 December</b>			<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2018</b>	<b>2019</b>
				<i>(Unaudited)</i>	
Weighted average number of ordinary shares in issue during the Relevant Periods . . . . .	1	671,537	7,506,477	7,209,145	8,043,964
Effect of division of shares . . . . .	<u>29</u>	<u>19,474,573</u>	<u>217,687,833</u>	<u>209,065,205</u>	<u>233,274,956</u>
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculation . . . . .	<u>30</u>	<u>20,146,110</u>	<u>225,194,310</u>	<u>216,274,350</u>	<u>241,318,920</u>

## 14. PROPERTY, PLANT AND EQUIPMENT

	Land	Above-ground structure	Plant and machinery	Furniture and fixtures	Motor vehicles	IT equipment	Exploration assets	Mining assets	Decommissioning assets	Development and infrastructure	Construction in progress	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
31 December 2016												
At 1 January 2016:												
Cost . . . . .	579	2,670	8,106	1,300	93	1,180	30,996	32,046	3,900	27,719	–	108,589
Accumulated depreciation . . . . .	–	(516)	(2,212)	(1,265)	(30)	(1,052)	–	(20,137)	(1,240)	(20,020)	–	(46,472)
Net carrying amount . . . . .	579	2,154	5,894	35	63	128	30,996	11,909	2,660	7,699	–	62,117
At 1 January 2016, net of accumulated depreciation . . . . .	579	2,154	5,894	35	63	128	30,996	11,909	2,660	7,699	–	62,117
Additions . . . . .	–	–	495	110	–	301	407	3,321	–	2,899	365	7,898
Change in rehabilitation liability ( <i>note 25</i> ) . . . . .	–	–	–	–	–	–	–	–	60	–	–	60
Depreciation provided during the year . . . . .	–	(140)	(1,017)	(24)	(28)	(84)	–	(2,292)	(297)	(1,151)	–	(5,033)
Exchange realignment . . . . .	76	274	742	10	6	34	3,873	1,640	334	1,135	25	8,149
At 31 December 2016, net of accumulated depreciation . . . . .	655	2,288	6,114	131	41	379	35,276	14,578	2,757	10,582	390	73,191
At 31 December 2016:												
Cost . . . . .	655	2,944	9,343	1,420	99	1,515	35,276	37,007	4,294	31,753	390	124,696
Accumulated depreciation . . . . .	–	(656)	(3,229)	(1,289)	(58)	(1,136)	–	(22,429)	(1,537)	(21,171)	–	(51,505)
Net carrying amount . . . . .	655	2,288	6,114	131	41	379	35,276	14,578	2,757	10,582	390	73,191



	Land	Above-ground structure	Plant and machinery	Furniture and fixtures	Motor vehicles	IT equipment	Exploration assets	Mining assets	Decommissioning assets	Development and infrastructure	Construction in progress	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
31 December 2017												
At 1 January 2017:												
Cost . . . . .	655	2,944	9,343	1,420	99	1,515	35,276	37,007	4,294	31,753	390	124,696
Accumulated depreciation . . . . .	–	(656)	(3,229)	(1,289)	(58)	(1,136)	–	(22,429)	(1,537)	(21,171)	–	(51,505)
Net carrying amount . . . . .	655	2,288	6,114	131	41	379	35,276	14,578	2,757	10,582	390	73,191
At 1 January 2017, net of accumulated depreciation . . . . .	655	2,288	6,114	131	41	379	35,276	14,578	2,757	10,582	390	73,191
Additions . . . . .	–	44	983	42	87	433	431	2,316	–	10,248	25	14,609
Disposal . . . . .	–	(13)	–	–	–	–	–	–	–	–	–	(13)
Change in rehabilitation liability ( <i>note 25</i> ) . . . . .	–	–	–	–	–	–	–	–	(455)	–	–	(455)
Depreciation provided during the year . . . . .	–	(211)	(1,005)	(32)	(24)	(263)	–	(3,087)	(421)	(2,977)	–	(8,020)
Exchange realignment . . . . .	76	252	708	18	9	56	4,134	1,632	287	1,813	47	9,032
At 31 December 2017, net of accumulated depreciation . . . . .	731	2,360	6,800	159	113	605	39,841	15,439	2,168	19,666	462	88,344
At 31 December 2017:												
Cost . . . . .	731	3,320	11,490	1,632	204	2,159	39,841	43,809	4,290	46,512	462	154,450
Accumulated depreciation . . . . .	–	(960)	(4,690)	(1,473)	(91)	(1,554)	–	(28,370)	(2,122)	(26,846)	–	(66,106)
Net carrying amount . . . . .	731	2,360	6,800	159	113	605	39,841	15,439	2,168	19,666	462	88,344

	Land	Above-ground structure	Plant and machinery	Furniture and fixtures	Motor vehicles	IT equipment	Exploration assets	Mining assets	Decommissioning assets	Development and infrastructure	Construction in progress	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
31 December 2018												
At 1 January 2018:												
Cost . . . . .	731	3,320	11,490	1,632	204	2,159	39,841	43,809	4,290	46,512	462	154,450
Accumulated depreciation . . . . .	–	(960)	(4,690)	(1,473)	(91)	(1,554)	–	(28,370)	(2,122)	(26,846)	–	(66,106)
Net carrying amount . . . . .	731	2,360	6,800	159	113	605	39,841	15,439	2,168	19,666	462	88,344
At 1 January 2018,												
net of accumulated depreciation . . . . .	731	2,360	6,800	159	113	605	39,841	15,439	2,168	19,666	462	88,344
Additions . . . . .	–	89	1,662	80	30	965	892	3,167	–	15,739	–	22,624
Additions through business combination (note 32) . . . . .	150	4,679	3,390	244	49	–	–	12,605	–	20,902	–	42,019
Disposal . . . . .	–	(118)	–	–	–	–	–	–	–	–	–	(118)
Disposal of a subsidiary (note 33) . . . . .	–	–	–	–	–	–	(35,359)	–	–	–	–	(35,359)
Transfers . . . . .	–	–	–	–	–	–	–	–	–	171	(171)	–
Change in rehabilitation liability (note 25) . . . . .	–	–	–	–	–	–	–	–	(371)	–	–	(371)
Depreciation provided during the year . . . . .	–	(980)	(1,153)	(68)	(71)	(480)	–	(3,889)	(775)	(9,111)	–	(16,527)
Exchange realignment . . . . .	(131)	(1,065)	(1,606)	(65)	(20)	(126)	(4,331)	(4,341)	(393)	(6,974)	(54)	(19,106)
At 31 December 2018,												
net of accumulated depreciation . . . . .	750	4,965	9,093	350	101	964	1,043	22,981	629	40,393	237	81,506
At 31 December 2018:												
Cost . . . . .	750	10,614	19,008	2,017	314	2,659	1,043	56,917	3,013	104,169	237	200,741
Accumulated depreciation . . . . .	–	(5,649)	(9,915)	(1,667)	(213)	(1,695)	–	(33,936)	(2,384)	(63,776)	–	(119,235)
Net carrying amount . . . . .	750	4,965	9,093	350	101	964	1,043	22,981	629	40,393	237	81,506

	Above-ground structure	Plant and machinery	Furniture and fixtures	Motor vehicles	IT equipment	Exploration assets	Mining assets	Decommissioning assets	Development and infrastructure	Construction in progress	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
30 June 2019											
At 1 January 2019:											
Cost . . . . .	750	10,614	19,008	2,017	314	2,659	1,043	56,917	3,013	104,169	237
Accumulated depreciation . . . . .	–	(5,649)	(9,915)	(1,667)	(213)	(1,695)	–	(33,936)	(2,384)	(63,776)	–
Net carrying amount . . . . .	750	4,965	9,093	350	101	964	1,043	22,981	629	40,393	237
At 1 January 2019, net of accumulated depreciation . . . . .	750	4,965	9,093	350	101	964	1,043	22,981	629	40,393	237
Additions . . . . .	–	11	383	1	–	77	228	1,763	–	9,792	767
Disposal . . . . .	–	(73)	–	(26)	–	(1)	–	–	–	–	–
Transfers . . . . .	–	–	90	–	–	–	10	(8,785)	1,643	7,142	(100)
Depreciation provided during the period . . . . .	–	(346)	(607)	(37)	(29)	(283)	–	(1,569)	(251)	(4,227)	–
Exchange realignment . . . . .	16	98	186	7	1	16	23	522	45	780	9
At 30 June 2019, net of accumulated depreciation . . . . .	766	4,655	9,145	295	73	773	1,304	14,912	2,066	53,880	913
At 30 June 2019:											
Cost . . . . .	766	10,757	19,873	832	317	2,360	1,304	42,930	2,989	123,216	913
Accumulated depreciation . . . . .	–	(6,102)	(10,728)	(537)	(244)	(1,587)	–	(28,018)	(923)	(69,336)	–
Net carrying amount . . . . .	766	4,655	9,145	295	73	773	1,304	14,912	2,066	53,880	913

The Group performs impairment tests on property, plant and equipment when there is an indicator that they may be impaired.

The recoverable amount of property, plant and equipment within identified cash-generating units as at 31 December 2016, 2017 and 2018 and 30 June 2019 was determined based on a value-in-use calculation using cash flow projections based on life of mine plans for each CGU using production figures from the Competent Person's Report ("CPR") attached in Appendix III of the prospectus and sales price approved by management independently benchmarked against industry pricing assumptions at each reporting date. The pre-tax discount rates applied to the cash flow projections were 13.81%, 9%, 9.5% and 9.5% for the years ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2019, respectively. Management determined the budgets (life of mine plans and cash flow models) based on the CPR.

The details of headroom of the Group's property, plant and equipment impairment testing are as follows:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Tau Lekoa and Surface operations . .	35,485	33,039	32,576	34,292
Kopanang . . . . .	Not applicable	Not applicable	52,786	62,081

The headroom disclosed is only based on the measured and indicated reserves and does not contemplate any value of inferred resources which may convert into reserves in future periods. Any value ascribed to these resources would further increase the headroom.

Based on the assessment, no impairment provision was necessary as at 31 December 2016, 2017 and 2018 and 30 June 2019.

#### 15. AVAILABLE-FOR-SALE INVESTMENTS/EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments held by the Group which are measured at fair value, are as follows:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Equity investments designated at fair value through other comprehensive income</b>				
Listed equity investments,				
at fair value . . . . .	—	—	269	95
<b>Available-for-sale investments</b>				
Listed equity investments,				
at fair value . . . . .	186	100	—	—

As at 1 January 2018, the above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

During the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, a fair value gain of US\$107,000, a fair value loss of US\$99,000, a fair value gain of US\$199,000 and a fair value loss of US\$179,000 were recognised in other comprehensive income, respectively.

## 16. OTHER ASSETS

	<i>Notes</i>	As at 31 December			As at 30 June
		2016	2017	2018	2019
		US\$'000	US\$'000	US\$'000	US\$'000
Environmental trust fund . . .	(i)	6,759	4,511	2,855	2,844
Deposit in escrow account . .	(ii)	–	8,122	–	–
Restricted cash . . . . .	(iii)	858	957	7,934	10,771
Reimbursive rights . . . . .	(iv)	2,162	3,509	–	–
		<u>9,779</u>	<u>17,099</u>	<u>10,789</u>	<u>13,615</u>
Less: Current . . . . .		<u>–</u>	<u>(8,122)</u>	<u>–</u>	<u>(3,647)</u>
Non-current . . . . .		<u>9,779</u>	<u>8,977</u>	<u>10,789</u>	<u>9,968</u>

## (i) Environmental trust fund

The environmental trust fund is the investments made within a trust under the Group's control. Contributions to the trust are invested primarily in interest-bearing short-term investments. These investments provide for the estimated cost of rehabilitation during and after the life of the Group's mines. Income earned on the investments is restricted in use and may only be used to fund the Group's approved rehabilitation costs.

## (ii) Deposit in escrow account

The Group made payment to an escrow account, for the purpose of the acquisition of Kopanang Mining Business.

## (iii) Restricted cash

Restricted cash includes bank deposits with designated use and pledged deposits for the purposes of obtaining insurance guarantees under the requirement of the Department of Mineral Resources of South Africa ("DMR").

## (iv) Reimbursive rights

The Group made contributions to rehabilitation obligation funds not controlled by the Group to cover the estimated cost of rehabilitation at the end of the life of the relevant mine. These contributions are recognised as a right to receive a reimbursement from the fund and measured at the lower of the amount of the decommissioning obligation recognised or the funds available.

## 17. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	N/A	N/A	N/A	Liabilities
	US\$'000	US\$'000	US\$'000	US\$'000
Gold forward contracts – Current . .	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,246</u>

**Cash flow hedge under IFRS 9**

During the year ended 31 December 2018 and the six months ended 30 June 2019, the Group entered into forward contracts for the sale of gold bullion at a fixed price in order to economically hedge against gold commodity price volatility in terms of the Group's risk management and treasury policies.

The Group applies cash flow hedge accounting for all the gold forward sales contracts by designating these fixed price contracts as cash flow hedges of the exposure to gold price fluctuations in relation to future sales of gold bullion. The hedged gold sales are expected to occur in several months' time and affect profit and loss throughout 2019. As the designated hedging instruments are the same contracts as those under which the gold is sold and delivered, the terms of the hedging instruments matched those of the gold sales. The hedges were assessed to be highly effective and no ineffectiveness was recognised in profit or loss from the cash flow hedge during the year ended 31 December 2018 and the six months ended 30 June 2019.

The Group holds the following gold forward contracts:

	Maturity				Total
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	
As at 30 June 2019					
Gold forward contracts (highly probable forecast sales)					
Notional amount (ounces) . . . . .	41,749.85	27,500	–	–	69,249.85
Average forward rate (US\$/ounce) . . . . .	1,363	1,391	–	–	1,374

The impacts of the hedging instruments on the consolidated statement of financial position are as follows:

	Notional amount	Carrying amount	Line item in the consolidated statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the period
	Ounces	US\$'000		US\$'000
As at 30 June 2019				
			Derivative financial instruments (liabilities)	
Gold forward contracts . . .	69,249.85	3,246		(3,246)

The impact of the hedged items on the consolidated statement of financial position is as follows:

	Change in fair value used for measuring hedge ineffectiveness for the period	Cash flow hedge reserve
	US\$'000	US\$'000
As at 30 June 2019		
Highly probable forecast sales . . . . .	(1,949)	(2,322)

## APPENDIX I

## ACCOUNTANTS' REPORT

The effects of the cash flow hedge on the consolidated statement of profit or loss and the consolidated statement of comprehensive income are as follows:

	Total hedging loss recognised in other comprehensive income			Hedge ineffectiveness recognised in profit or loss	Line item in the consolidated statement of profit or loss	Amount reclassified from other comprehensive income to profit or loss			Line item (gross amount) in the consolidated statement of profit or loss
	Gross amount	Tax effect	Total			Gross amount	Tax effect	Total	
	US\$'000	US\$'000	US\$'000	US\$'000		US\$'000	US\$'000	US\$'000	
The six months ended 30 June 2019									
Highly probable forecast sales . . . . .	(1,949)	546	(1,403)	–	N/A	(1,276)	357	(919)	Revenue

### 18. INVENTORIES

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Consumable stores . . . . .	2,737	3,284	5,908	4,975
Gold inventory . . . . .	299	951	2,958	3,274
	3,036	4,235	8,866	8,249
Write-downs . . . . .	(43)	–	(8)	(8)
	2,993	4,235	8,858	8,241

### 19. TRADE RECEIVABLES

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Trade receivables – Sale of gold . . .	1,695	911	3,217	9,250
Trade receivables – Tolling services . . . . .	166	233	176	125
	1,861	1,144	3,393	9,375
Loss allowance for trade receivables . . . . .	–	–	(123)	(125)
	1,861	1,144	3,270	9,250

The Group's trading terms with its customers are mainly on credit. The credit term is normally decided on a case-by-case basis upon the acceptance of the products or the completion of service. More information about the Group's trading terms is disclosed in note 5 to the Historical Financial Information.

The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Within 1 month . . . . .	1,860	1,001	3,270	9,250
1 to 2 months . . . . .	–	–	–	–
2 to 3 months . . . . .	–	143	–	–
Over 3 months . . . . .	1	–	123	125
	<u>1,861</u>	<u>1,144</u>	<u>3,393</u>	<u>9,375</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000
At beginning of year/period . . . . .	–	–	–	123
Impairment loss . . . . .	–	–	123	–
Exchange realignments . . . . .	–	–	–	2
At end of year/period . . . . .	<u>–</u>	<u>–</u>	<u>123</u>	<u>125</u>

#### Impairment under IAS 39 for the years ended 31 December 2016 and 2017

The ageing analysis of the trade receivables, based on the credit term, that are not individually nor collectively considered to be impaired under IAS 39 is as follows:

	Total	Neither past due nor impaired	Past due but not impaired	
			Less than 90 days	Over 90 days
	US\$'000	US\$'000	US\$'000	US\$'000
31 December 2016 . . . . .	1,861	1,860	–	1
31 December 2017 . . . . .	1,144	1,001	143	–

Since most of the debtors are large companies in South Africa and based on past experience, management, based on IAS 39's incurred loss approach, believes that no impairment allowance is necessary as at 31 December 2016 and 2017 in respect of the past due balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.



**Impairment under IFRS 9 for the year ended 31 December 2018 and the six months ended 30 June 2019**

From 1 January 2018, the Group has applied the simplified approach to providing impairment for ECLs prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the ECLs, the trade receivables have been grouped based on shared credit risk characteristics and the days past due. ECLs are estimated based on historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions. During the Relevant Periods, the expected loss rate for certain customers that are credit-impaired are assessed specifically by management. The impairment as at 31 December 2018 and 30 June 2019 was determined as follows:

<b>31 December 2018</b>	<b>Expected credit loss rate</b>	<b>Gross carrying amount</b>	<b>Impairment</b>
		<i>US\$'000</i>	<i>US\$'000</i>
Credit-impaired receivables . . . . .	100%	123	123
Trade receivables aged:			
Current and within one month . . . . .	*	3,270	—
		<u>3,393</u>	<u>123</u>
<b>30 June 2019</b>	<b>Expected credit loss rate</b>	<b>Gross carrying amount</b>	<b>Impairment</b>
		<i>US\$'000</i>	<i>US\$'000</i>
Credit-impaired receivables . . . . .	100%	125	125
Trade receivables aged:			
Current and within one month . . . . .	*	9,250	—
		<u>9,375</u>	<u>125</u>

\* The Group considered the default rate for balances that are current and aged within one month is minimal as the historical default rate in prior years is minimal.

**20. PREPAYMENTS AND OTHER RECEIVABLES****Group**

	<b>As at 31 December</b>			<b>As at 30 June</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Prepayment . . . . .	214	123	1,542	2,891
Value added tax refund . . . . .	2,210	2,248	4,418	1,431
Employee receivables . . . . .	29	131	62	47
Deposits . . . . .	106	172	87	89
Other receivables . . . . .	249	745	138	1,046
	<u>2,808</u>	<u>3,419</u>	<u>6,247</u>	<u>5,504</u>

**Company**

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Prepayment . . . . .	–	–	311	860

Other receivables are unsecured, interest-free and repayable on demand. None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Since 1 January 2018, the Group has applied the general approach to provide for expected credit losses for financial assets included in prepayments and other receivables under IFRS 9. The Group considers the historical loss rate and adjusts for forward looking macroeconomic data in calculating the expected credit loss rate. The Group has classified financial assets included in prepayments and other receivables in stage 1 and continuously monitors their credit risk. As at 31 December 2018 and 30 June 2019, the Group estimated the expected loss rate for financial assets included in prepayments and other receivables is insignificant.

**21. CASH AND CASH EQUIVALENTS****Group**

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Cash and bank balances . . . . .	38,314	15,997	31,401	8,473
Denominated in:				
– ZAR . . . . .	13,888	11,744	30,604	7,303
– US\$ . . . . .	24,426	4,253	797	1,170
	38,314	15,997	31,401	8,473

**Company**

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Cash and bank balances . . . . .	24,426	4,253	797	1,170
Denominated in:				
– US\$ . . . . .	24,426	4,253	797	1,170

Cash at banks earns interest at floating rates based on daily bank deposit rates. Since 1 January 2018, the Group has applied the general approach to provide for expected credit losses for cash and cash equivalents under IFRS 9. The Group has classified cash and cash equivalents in stage 1 and continuously monitors their credit risk. As at 31 December 2018 and 30 June 2019, cash and cash equivalents of the Group and the Company were considered to be of low credit risk, and thus the Group has assessed that the ECL for cash and cash equivalents is immaterial under the 12-month expected losses method.

## 22. INVESTMENTS IN SUBSIDIARIES

### Company

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Unlisted shares, at cost:				
At beginning of year/period . . . . .	54,000	67,990	87,990	118,790
Additions . . . . .	13,990	20,000	30,800	–
Share repurchase . . . . .	–	–	–	(2,066)
At end of year/period . . . . .	<u>67,990</u>	<u>87,990</u>	<u>118,790</u>	<u>116,724</u>

Particulars of the subsidiaries are disclosed in note 1 to the Historical Financial Information.

## 23. EMPLOYEE RELATED ACCRUALS

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Salary and employee social security accruals . . . . .	3,225	3,767	7,481	6,407
Employee income tax accruals . . . . .	725	852	1,398	1,574
Leave pay accruals . . . . .	2,468	2,894	5,598	5,854
Bonus accruals . . . . .	1,632	2,002	3,606	4,196
	<u>8,050</u>	<u>9,515</u>	<u>18,083</u>	<u>18,031</u>

## 24. TRADE AND OTHER PAYABLES

### Group

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Trade payables . . . . .	7,899	10,233	15,425	24,517
Other payables . . . . .	1,581	1,491	1,332	762
	<u>9,480</u>	<u>11,724</u>	<u>16,757</u>	<u>25,279</u>

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Within 1 month . . . . .	6,765	8,585	9,456	19,442
1 to 2 months . . . . .	964	1,099	844	1,620
2 to 3 months . . . . .	154	60	1,483	1,499
Over 3 months . . . . .	16	489	3,642	1,956
	<u>7,899</u>	<u>10,233</u>	<u>15,425</u>	<u>24,517</u>

The trade payables are non-interest-bearing and are normally settled on 0 to 90 days. Other payables are non-interest-bearing and repayable on demand.

#### Company

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Other payables . . . . .	<u>7</u>	<u>11</u>	<u>–</u>	<u>514</u>

#### 25. REHABILITATION LIABILITY

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Environmental rehabilitation</b>				
At beginning of year/period . . . . .	12,112	12,720	11,140	18,548
Change in decommissioning provision ( <i>note 14</i> ) . . . . .	60	(455)	(371)	–
Fulfilled during the year/period . . . . .	(1,924)	(3,212)	(726)	(35)
Changes in restoration provision . . . . .	(28)	(213)	(60)	(863)
Unwinding of discount ( <i>note 7</i> ) . . . . .	965	998	1,499	804
Exchange realignment . . . . .	1,535	1,302	(3,656)	379
Acquired through business combination ( <i>note 32</i> ) . . . . .	<u>–</u>	<u>–</u>	<u>10,722</u>	<u>–</u>
At end of year/period . . . . .	<u>12,720</u>	<u>11,140</u>	<u>18,548</u>	<u>18,833</u>
Discount rate* . . . . .	<u>5.5%-8.77%</u>	<u>5.5%-8.24%</u>	<u>5.5%-8.96%</u>	<u>5.5%-8.96%</u>

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Current . . . . .	1,584	1,778	1,521	1,122
Non-current . . . . .	11,136	9,362	17,027	17,711
	<u>12,720</u>	<u>11,140</u>	<u>18,548</u>	<u>18,833</u>

\* Discount rate varies due to different lives of mines and inflation rates estimated by the Group.

## 26. INVESTMENTS IN AN ASSOCIATE/AMOUNTS DUE TO AN ASSOCIATE

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Investments in an associate . . . . .	—	—	—	—
Loans to an associate . . . . .	3,328	3,895	3,634	3,773
Provision for impairment . . . . .	(3,328)	(3,895)	(3,634)	(3,773)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Amounts due to an associate . . . . .	<u>(1,432)</u>	<u>(1,597)</u>	<u>(1,314)</u>	<u>(1,408)</u>

The movements in the loans to an associate are as follows:

	2016	2017	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000
At beginning of year/period . . . . .	2,748	3,328	3,895	3,634
Loan granted . . . . .	204	166	328	64
Exchange realignment . . . . .	376	401	(589)	75
At end of year/period . . . . .	<u>3,328</u>	<u>3,895</u>	<u>3,634</u>	<u>3,773</u>

The loans to an associate are unsecured, interest-free and repayable on demand. In the opinion of the directors, these loans are unlikely to be repaid and recovered in the foreseeable future and are considered as part of the Group's net investments in an associate and are fully impaired in the same year/period.

## APPENDIX I

## ACCOUNTANTS' REPORT

Particulars of the material associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group				Principle activity
			2016	2017	2018	2019	
Margaret Water Company Non-Profit Company . . .	Ordinary shares	South Africa	34%	34%	34%	34%	Water pumping

The Group's shareholdings in an associate are held through a subsidiary of the Company, Village Main Reef Group Proprietary Limited.

The following table illustrates the financial information of the Group's associate:

	Year ended 31 December			Six months ended 30 June
	2016	2017	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Share of the associate's loss for the year/period . . . . .	(584)	(653)	(745)	(367)
Share of the associate's total comprehensive loss . . . . .	(584)	(653)	(745)	(367)
Aggregate carrying amount of the Group's investments in an associate . . . . .	—	—	—	—

### 27. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below:

Name	Place of incorporation	Proportion of equity interest held by non-controlling interests			Accumulated balances of material non-controlling interest			Profit allocated to material non-controlling interest		
		2016	2017	2018	2016	2017	2018	2016	2017	2018
					US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Lesego Platinum Mining Proprietary Limited . . .	South Africa	22%	22%	—	6,266	6,882	—	(46)	(106)	4,317

VMR 04 held 78% shares in Lesego Platinum from 1 January 2016 to 31 May 2018.

On 31 May 2018, VMR 04, a subsidiary of the Company, purchased the non-controlling interest owned by Industrial Development Corporation of South Africa, an independent third party, at a consideration of US\$11,686,000 (ZAR148,734,102) ("IDC acquisition").

Village Main Reef Group Proprietary Limited held a 100% interest in VMR 04 from 11 April 2011 to 31 May 2018.

On 31 May 2018, VMR 04 issued new shares to Lesego Platinum (HK) Company Limited ("Lesego HK"), which is owned by the ultimate shareholder of the Company, for a consideration of US\$13,158,000 (ZAR166,649,000).

On 30 November 2018, VMR 04 repurchased the share capital issued to Lesego HK at an amount of US\$11,206,000 (ZAR154,440,960).

After the above transactions, the non-controlling interest of the Group reduced to nil.

The summarised consolidated financial information of VMR 04 and Lesego Platinum is provided below. This information is based on amounts before inter-company eliminations.

*Summarised consolidated statement of profit or loss and other comprehensive income*

	Year ended 31 December	Year ended 31 December	Eleven months ended 30 November
	2016	2017	2018
	US\$'000	US\$'000	US\$'000
Other income/(expenses) . . . . .	(295)	(693)	23,366
PROFIT/(LOSS) BEFORE TAX . . . . .	(295)	(693)	23,366
Income tax credits/(expense) . . . . .	83	192	(3,890)
PROFIT/(LOSS) FOR THE YEAR/PERIOD . . . .	(212)	(501)	19,476
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD . . . . .	(212)	(501)	19,476

*Summarised consolidated cash flow information*

	Year ended 31 December	Year ended 31 December	Eleven months ended 30 November
	2016	2017	2018
	US\$'000	US\$'000	US\$'000
Net cash outflow from operating activities . . . .	(425)	(648)	(680)
Net cash inflow/(outflow) from investing activities . . . . .	(46)	(362)	51,153
Net cash inflow/(outflow) from financing activities . . . . .	475	1,007	(10,282)
Net increase/(decrease) in cash and cash equivalents . . . . .	4	(3)	40,191

## 28. DEFERRED TAX

The movements in deferred tax during the Relevant Periods are as follows:

	Provision of rehabilitation	Other payables	Losses available for offsetting against future taxable profits	Derivative financial instruments	Property, plant and equipment	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2016 . . . . .	–	–	–	–	(5,147)	(5,147)
Deferred tax credited to profit or loss during the year (note 10) . . . . .	–	–	–	–	83	83
Exchange realignments . . .	–	–	–	–	(674)	(674)
At 31 December 2016 and 1 January 2017 . . . . .	–	–	–	–	(5,738)	(5,738)
Deferred tax credited to profit or loss during the year (note 10) . . . . .	–	–	–	–	192	192
Exchange realignments . . .	–	–	–	–	(652)	(652)
At 31 December 2017 and 1 January 2018 . . . . .	–	–	–	–	(6,198)	(6,198)
Deferred tax credited/(charged) to profit or loss during the year (note 10) . . . . .	(963)	(469)	–	–	3,453	2,021
Disposal of a subsidiary (note 33) . . . . .	–	–	–	–	5,375	5,375
Purchased through business combination (note 32) . . . . .	1,074	523	–	–	(3,657)	(2,060)
Exchange realignments . . .	(111)	(54)	–	–	1,027	862
At 31 December 2018 and 1 January 2019 . . . . .	–	–	–	–	–	–
Deferred tax credited/(charged) to profit or loss during the period (note 10) . . . . .	2,588	1,135	2,584	–	(5,485)	822
Deferred tax credited to other comprehensive income during the period . . . . .	–	–	–	903	–	903
Exchange realignments . . .	18	7	17	6	(36)	12
At 30 June 2019 . . . . .	2,606	1,142	2,601	909	(5,521)	1,737



**APPENDIX I****ACCOUNTANTS' REPORT**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	<b>As at 31 December</b>			<b>As at 30 June</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Net deferred tax assets recognised in the consolidated statement of financial position . . . . .	–	–	–	1,939
Net deferred tax liabilities recognised in the consolidated statement of financial position . . .	(5,738)	(6,198)	–	(202)
Net deferred tax assets/(liabilities) .	<u>(5,738)</u>	<u>(6,198)</u>	<u>–</u>	<u>1,737</u>

The Group has the following tax losses and unredeemed capital allowances arising in South Africa as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

	<b>As at 31 December</b>			<b>As at 30 June</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Unused tax losses available for offsetting against future taxable profits . . . . .	57,617	82,227	99,362	114,300
Unredeemed capital expenditure available for offsetting against future taxable mining profits . . .	56,046	61,594	69,267	83,330
	<u>113,663</u>	<u>143,821</u>	<u>168,629</u>	<u>197,630</u>

**29. LEASE LIABILITY AND RIGHT-OF-USE ASSETS**

Set out below are the carrying amounts of the Group's right-of-use assets and lease liability and the movements during the Relevant Periods:

	<b>Right-of-use assets</b>	
	<b>Above-ground structure</b>	<b>Lease liability</b>
	<i>US\$'000</i>	<i>US\$'000</i>
As at 1 January 2016 . . . . .	68	74
Depreciation expense ( <i>note 6</i> ) . . . . .	(27)	–
Interest expense ( <i>note 7</i> ) . . . . .	–	10
Payment . . . . .	–	(27)
Exchange realignment . . . . .	7	8
	<hr/>	<hr/>
As at 31 December 2016 and 1 January 2017 . . . . .	48	65
Depreciation expense ( <i>note 6</i> ) . . . . .	(30)	–
Interest expense ( <i>note 7</i> ) . . . . .	–	7
Payment . . . . .	–	(45)
Exchange realignment . . . . .	4	6
	<hr/>	<hr/>
As at 31 December 2017 and 1 January 2018 . . . . .	22	33
Additions . . . . .	304	304
Depreciation expense ( <i>note 6</i> ) . . . . .	(42)	–
Interest expense ( <i>note 7</i> ) . . . . .	–	17
Payment . . . . .	–	(59)
Exchange realignment . . . . .	3	3
	<hr/>	<hr/>
As at 31 December 2018 and 1 January 2019 . . . . .	287	298
Depreciation expense ( <i>note 6</i> ) . . . . .	(31)	–
Interest expense ( <i>note 7</i> ) . . . . .	–	21
Payment . . . . .	–	(39)
Exchange realignment . . . . .	7	7
	<hr/>	<hr/>
As at 30 June 2019 . . . . .	<u>263</u>	<u>287</u>

## 30. SHARE CAPITAL

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Issued and fully paid	*	92,349	121,299	121,299

A summary of movements in the Company's share capital is as follows:

	Notes	Number of ordinary shares	Share capital US\$'000
At 1 January 2016, 31 December 2016 and 1 January 2017 . . . . .	a	1	*
Issued . . . . .	b	7,209,144	92,349
At 31 December 2017 and 1 January 2018. . . . .		7,209,145	92,349
Issued . . . . .	c	834,819	28,950
At 31 December 2018 and 1 January 2019. . . . .		8,043,964	121,299
Share subdivision . . . . .	d	233,274,956	–
At 30 June 2019 . . . . .		241,318,920	121,299

\* The amount is less than US\$1,000

## Notes:

- The Company was incorporated on 24 March 2015 with an initial share capital of 1 Hong Kong dollar ("HK\$") divided into 1 share.
- On 28 November 2017, 7,209,144 ordinary shares were allotted and issued by the Company with total issued share capital of HK\$720,914,480 (equivalent to approximately US\$92,349,000).
- On 23 August 2018, 834,819 ordinary shares were allotted and issued by the Company with total issued share capital of US\$28,950,000.
- By a written resolution of the Company's shareholders dated 12 March 2019, a share subdivision was approved and each of the 8,043,964 shares of the Company then in issue was subdivided into 30 shares ("Share Subdivision"). Immediately following the Share Subdivision, the total number of issued shares of the Company became 241,318,920 shares.

**31. RESERVES****Group**

The amounts of the Group's reserves and the movements therein for each of the Relevant Periods are presented in the consolidated statements of changes in equity.

*(a) Available-for-sale investment revaluation reserve/Equity investments designated at fair value through other comprehensive income revaluation reserve*

The reserve represents the difference between the cost and fair value of the available-for-sale investments/equity investments designated at fair value through other comprehensive income.

*(b) Equity-settled share-based payment reserve*

The reserve represents the value of in-substance options in relation to the BBBEE transactions. BBBEE is a form of economic empowerment initiated by the South African Government to redress the inequalities of Apartheid by giving certain previously disadvantaged groups (Blacks, Indians and Chinese who arrived before 1994) the South African citizens' economic privileges previously not available to them.

During the Relevant Periods, the Group entered into 2 transaction and funding agreements with various BBBEE partners in order to meet the South African Mining Charter requirements of at least 26% BBBEE shareholding. These awards will be settled by the equity of the Group's subsidiaries, Kopanang Gold Mining Company Proprietary Limited ("Kopanang") and Village Main Reef Proprietary Limited ("Village Main Reef"), respectively.

These awards have been accounted as in-substance options as the BBBEE partners will only share in the upside, and not the downside of their equity interest in mining subsidiaries of the Group until the date the financing provided by the Group is fully repaid. On this date the options will be exercised and a non-controlling interest in Village Main Reef and Kopanang will be recognised. The in-substance options carry no vesting conditions and the fair value of the options of US\$49,000 and US\$63,000 has been expensed on the grant date in 2016 and 2018, respectively.

A subscription price will be paid in terms of cumulative dividends entitled by BBBEE partners in Kopanang and Village Main Reef, respectively.

The fair value of the in-substance options was measured based on the Monte Carlo valuation model. The key inputs of assumptions used in the grant date measurement of the fair value are listed below:

<b>Assumption</b>	<b>Village Main Reef</b>	<b>Kopanang</b>
Grant date . . . . .	June 2016	March 2018
Percentage share . . . . .	26%	26%
Prescription price . . . . .	US\$13,371,966	US\$8,846,480
Business value . . . . .	US\$63,378,923	US\$35,960,992
Expected dividend yield . . . . .	10.25%	10.25%
Expected redemption date . . . . .	June 2046	March 2048

*(c) Exchange fluctuation reserve*

The exchange fluctuation reserve comprises all relevant exchange differences arising from the translation of the financial statements of foreign operations.

**Company**

	<b>Other capital reserve US\$'000</b>	<b>Retained earnings/ (Accumulated losses) US\$'000</b>	<b>Total US\$'000</b>
At 1 January 2016 . . . . .	53,999	(4)	53,995
Profit for the year . . . . .	–	63	63
Capital contribution made by the holding company . . . . .	38,350	–	38,350
At 31 December 2016 and 1 January 2017 . . . . .	92,349	59	92,408
Loss for the year . . . . .	–	(177)	(177)
Issue of shares of the Company . . . . .	(92,349)	–	(92,349)
At 31 December 2017 and 1 January 2018 . . . . .	–	(118)	(118)
Loss for the year . . . . .	–	(1,284)	(1,284)
At 31 December 2018 and 1 January 2019 . . . . .	–	(1,402)	(1,402)
Loss for the period . . . . .	–	(1,657)	(1,657)
At 30 June 2019 . . . . .	–	(3,059)	(3,059)

**32. BUSINESS COMBINATION**

On 1 March 2018, the Group acquired 100% interest in Kopanang Mining Business from AngloGold Ashanti Limited, an independent third party and a company incorporated in South Africa. The Kopanang Mining Business is engaged in exploration and operation of mining. The acquisition was made as part of the Group's strategy to expand its mining business in South Africa. The purchase consideration for the acquisition was divided in three parts:

- (1) ZAR100,000,000 (equivalent to US\$8,390,000) in cash prepaid in an escrow account in 2017;
- (2) ZAR5,900,000 (equivalent to US\$497,000) in cash paid in 2018;
- (3) Gold bearing rock dumps.

The fair values of the identifiable assets and liabilities of Kopanang Mining Business as at the date of acquisition were as follows:

	Fair value recognised on acquisition
	<i>US\$'000</i>
Property, plant and equipment . . . . .	42,019
Other assets . . . . .	4,799
Inventory . . . . .	1,925
Rehabilitation liability . . . . .	(10,722)
Deferred tax liabilities . . . . .	(2,060)
	<hr/>
Total identifiable net assets . . . . .	35,961
Gain on a bargain purchase recognised in other income and gains . . . . .	(27,074)
	<hr/>
	8,887
	<hr/>
Satisfied by:	
Cash . . . . .	8,887
Gold bearing rock dumps . . . . .	*
	<hr/>
	8,887
	<hr/> <hr/>

\* The fair value of gold bearing rock dumps is minimal.

The acquisition was made as part of the Group's strategy to increase the gold reserve. Gain on a bargain purchase arose from the acquisition as a result of a favorable price negotiated and a different operating structure could be applied to the distressed asset acquired from a large gold mining company.

The Group incurred transaction costs of US\$125,000 and US\$192,000 for the years ended 31 December 2017 and 2018, respectively, for this acquisition. These transaction costs have been expensed and are included in administrative expenses in profit or loss.

An analysis of the cash flows in respect of the acquisition is as follows:

	<i>US\$'000</i>
Cash consideration . . . . .	(8,887)
	<hr/>
Net outflow of cash and cash equivalents included in cash flows from investing activities in 2017 . . . . .	(7,519)
Net outflow of cash and cash equivalents included in cash flows from investing activities in 2018 . . . . .	(497)
Exchange differences, net . . . . .	(871)
	<hr/>
	(8,887)
	<hr/> <hr/>

Since the acquisition, Kopanang Mining Business contributed US\$78,463,000 to the Group's revenue and US\$11,845,000 to the consolidated loss for the year ended 31 December 2018.

Had the combination taken place at the beginning of the year of 2018, the revenue of the Group and the loss of the Group from continuing operations for the year would have been US\$92,225,000 and US\$27,780,000, respectively.

**33. DISPOSAL OF A SUBSIDIARY**

Pursuant to a Subscription Agreement entered into between Lesego SA Holding Proprietary Limited ("Lesego SA") and Lesego Platinum on 18 December 2018, Lesego SA subscribed for 1,000 ordinary shares of Lesego Platinum with a subscription price of ZAR707,628,766, and became a shareholder of Lesego Platinum.

Pursuant to a Share Repurchase Agreement entered into between Lesego Platinum and VMR 04 on 18 December 2018, Lesego Platinum repurchased all 255,622,657 shares from VMR 04 with a consideration of ZAR707,628,766. Subsequently, Lesego SA became the sole shareholder of Lesego Platinum, and Lesego Platinum was disposed of by the Group.

The whole processes of disposal have been legally settled and completed on 18 December 2018. Upon completion of the aforesaid disposal, the Group ceased to hold any interest in Lesego Platinum. The consideration of the disposal was determined based on the valuation of Lesego Platinum in the acquisition by VMR 04 of the shares of Lesego Platinum from IDC. Please refer to note 27 to the Historical Financial Information.

Subsequent to the disposal, Lesego Platinum repaid its loan with the Group with an amount of US\$2,647,000 (ZAR36,480,000).

	<i>Notes</i>	<b>2018</b> <i>US\$'000</i>
Net assets disposed of:		
Property, plant and equipment . . . . .	14	(35,359)
Cash and cash equivalents . . . . .		(56)
Deferred tax liabilities . . . . .		5,375
Amounts due to VMR 04 . . . . .		2,647
Trade and other receivables . . . . .		(38)
Trade and other payables . . . . .		50
Employee-related accruals . . . . .		42
Total net assets sold . . . . .		(27,339)
Cash consideration . . . . .		51,342
Gain on disposal of a subsidiary . . . . .	5	24,003
Reclassification adjustments on exchange differences for a subsidiary disposed of . . . . .	5	(3,729)
Gain on disposal of a subsidiary . . . . .		20,274

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	<b>2018</b> <i>US\$'000</i>
Cash consideration . . . . .	51,342
Cash and bank balances disposed of . . . . .	(56)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary . .	51,286

**34. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS****(a) Major non-cash transactions**

There were no major non-cash transactions during the Relevant Periods.

**(b) Changes in liabilities arising from financing liabilities**

	<b>Financial liabilities at fair value through profit or loss</b>
	<i>US\$'000</i>
At 1 January 2016 . . . . .	947
Repayment of financial liabilities at fair value through profit or loss . . . . .	(947)
At 31 December 2016 . . . . .	—
	<b>Amounts due from a fellow subsidiary</b>
	<i>US\$'000</i>
At 1 January 2018 . . . . .	—
Disposal of a subsidiary . . . . .	2,647
Repayment of loans from a fellow subsidiary . . . . .	(2,647)
Expense paid on behalf of a fellow subsidiary . . . . .	16
At 31 December 2018 and 1 January 2019 . . . . .	16
Repayment of loans from a fellow subsidiary . . . . .	(16)
At 30 June 2019 . . . . .	—

**35. COMMITMENTS, CONTINGENCIES AND LITIGATION****(a) Commitments**

The Group had the following capital commitments and guarantees at the end of the Relevant Periods:

	<b>As at 31 December</b>			<b>As at 30 June</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Contracted, but not provided for:				
Property, plant and equipment . . .	884	1,631	924	7,698



*Guarantees*

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000
DMR (note (i)) . . . . .	5,392	6,587	14,252	17,960
Eskom Holdings SOC Limited ("Eskom") (note (ii)) . . . . .	1,951	2,178	4,111	4,087
Others . . . . .	–	–	278	276
	<u>7,343</u>	<u>8,765</u>	<u>18,641</u>	<u>22,323</u>

- (i) The guarantees in favour of DMR are asset-backed performance guarantees for rehabilitation requirement purposes.
- (ii) The guarantees in favour of Eskom, an independent third party, are performance guarantees required by Eskom for it to provide power and electricity to the Group.

**(b) Contingencies and litigation***Deep groundwater pollution*

The Group has identified potential water ingress and future pollution risk (acid mine drainage) posed by deep ground water in certain underground mines in South Africa. Acid mine drainage relates to the acidification and contamination of naturally occurring water resources by pyrite bearing ore contained in underground mines and in rock dumps. Due to the interconnected nature of mining operations, any proposed solution needs to be a combined one supported by all the mines located in these gold fields. As a result, the Mineral and Petroleum Resources Development Act ("MPRDA") requires that the affected mining companies develop a Regional Mine Closure Strategy to be approved by the Department of Mineral Resources. In view of the limitation of current information for the accurate estimation of a liability, no reliable estimate can be made for the obligation.

**36. RELATED PARTY TRANSACTIONS**

In addition to the transactions with the associate disclosed in note 26 and the disposal of a subsidiary disclosed in notes 27 and 33 to the Historical Financial Information, the Group had the following transactions with related parties during the Relevant Periods:

	Year ended 31 December			Six months ended 30 June
	2016	2017	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Consulting fees paid to BBBEE partners . . . . .	<u>14</u>	<u>147</u>	<u>161</u>	<u>63</u>

**Outstanding balances with related parties***Amounts due from a fellow subsidiary*

	<i>Note</i>	<b>As at 31 December</b>			<b>As at 30 June</b>
		<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
		<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Lesego Platinum . . . . .	(1)	–	–	16	–

- (1) Lesego Platinum is a fellow subsidiary of the Company after the disposal in note 33 to the Historical Financial Information. The balance is non-trade nature, and is unsecured, interest-free and repayable on demand.

*Amounts due to an immediate holding company*

	<i>Note</i>	<b>As at 31 December</b>			<b>As at 30 June</b>
		<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
		<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Shanghai Heaven-Sent Lv He Investment Partnership (Limited Partnership) (“上 海硅谷天堂呂合投資合夥企 業(有限合伙)”) . . . . .	(1)	1	1	1	–

- (1) Shanghai Heaven-Sent Lv He Investment Partnership (Limited Partnership) is an intermediate holding company of the Company. The balance is non-trade nature, and is unsecured, interest-free and repayable on demand.

**Compensation of key management personnel**

	<b>Year ended 31 December</b>			<b>Six months ended 30 June</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Salaries, allowances and benefits in kind . . . . .	374	1,040	1,262	480
Retention and discretionary bonuses . . . . .	–	226	75	–
Pension scheme contributions . . . . .	–	–	–	5
	<u>374</u>	<u>1,266</u>	<u>1,337</u>	<u>485</u>

## 37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

## 31 December 2016

*Financial assets*

	Available-for-sale investments	Loans and receivables	Total
	US\$'000	US\$'000	US\$'000
Available-for-sale investments . . . . .	186	–	186
Trade receivables . . . . .	–	1,861	1,861
Financial assets included in prepayments and other receivables . . . . .	–	355	355
Other assets . . . . .	–	7,617	7,617
Cash and cash equivalents . . . . .	–	38,314	38,314
	<u>186</u>	<u>48,147</u>	<u>48,333</u>

*Financial liabilities*

	Financial liabilities at amortised cost	Total
	US\$'000	US\$'000
Amounts due to an associate . . . . .	1,432	1,432
Trade and other payables . . . . .	9,480	9,480
Amounts due to an immediate holding company . . . . .	1	1
Lease liability . . . . .	65	65
	<u>10,978</u>	<u>10,978</u>

## 31 December 2017

*Financial assets*

	Available-for-sale investments	Loans and receivables	Total
	US\$'000	US\$'000	US\$'000
Available-for-sale investments . . . . .	100	–	100
Trade receivables . . . . .	–	1,144	1,144
Financial assets included in prepayments and other receivables . . . . .	–	917	917
Other assets . . . . .	–	13,590	13,590
Cash and cash equivalents . . . . .	–	15,997	15,997
	<u>100</u>	<u>31,648</u>	<u>31,748</u>

*Financial liabilities*

	Financial liabilities at amortised cost	Total
	US\$'000	US\$'000
Amounts due to an associate . . . . .	1,597	1,597
Trade and other payables . . . . .	11,724	11,724
Amounts due to an immediate holding company . . . . .	1	1
Lease liability . . . . .	33	33
	<u>13,355</u>	<u>13,355</u>

31 December 2018

*Financial assets*

	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	Equity investments		
	US\$'000	US\$'000	US\$'000
Amounts due from a fellow subsidiary . . . . .	–	16	16
Equity investments designated at fair value through other comprehensive income . . . . .	269	–	269
Trade receivables . . . . .	–	3,270	3,270
Financial assets included in prepayments and other receivables . . . . .	–	225	225
Other assets . . . . .	–	10,789	10,789
Cash and cash equivalents . . . . .	–	31,401	31,401
	<u>269</u>	<u>45,701</u>	<u>45,970</u>

*Financial liabilities*

	Financial liabilities at amortised cost	Total
	US\$'000	US\$'000
Amounts due to an associate . . . . .	1,314	1,314
Trade and other payables . . . . .	16,757	16,757
Amounts due to an immediate holding company . . . . .	1	1
Lease liability . . . . .	298	298
	<u>18,370</u>	<u>18,370</u>

30 June 2019

*Financial assets*

	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	Equity investments		
	US\$'000	US\$'000	US\$'000
Equity investments designated at fair value through other comprehensive income . . . . .	95	–	95
Trade receivables . . . . .	–	9,250	9,250
Financial assets included in prepayments and other receivables . . . . .	–	1,135	1,135
Other assets . . . . .	–	13,615	13,615
Cash and cash equivalents . . . . .	–	8,473	8,473
	<u>95</u>	<u>32,473</u>	<u>32,568</u>

*Financial liabilities*

	Financial liabilities at amortised cost	Derivatives designated as hedging instruments	Total
	US\$'000	US\$'000	US\$'000
Amounts due to an associate . . . . .	1,408	–	1,408
Trade and other payables . . . . .	25,279	–	25,279
Derivative financial instruments . . . . .	–	3,246	3,246
Lease liability . . . . .	287	–	287
	<u>26,974</u>	<u>3,246</u>	<u>30,220</u>

**38. FAIR VALUE MEASUREMENT**

As at 31 December 2016, 2017 and 2018 and 30 June 2019, the fair values of the Group's financial assets or financial liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of trade receivables, financial assets included in prepayments and other receivables, cash and cash equivalents, trade and other payables, lease liability, amounts due to an associate and amounts with related parties approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments are based on quoted market prices.

The Group enters into derivative financial instruments with various counterparties. Derivative financial instruments, including gold forward contracts, are measured using valuation techniques similar to forward pricing, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties and gold spot and forward rates. The carrying amounts of gold forward contracts are the same as their fair values.

As at 30 June 2019, the marked-to-market value of the derivative liability position was net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

#### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's assets and liabilities:

Assets measured at fair value:

#### As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Available-for-sale investments:				
Listed equity investments . . . . .	186	–	–	186

#### As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Available-for-sale investments:				
Listed equity investments . . . . .	100	–	–	100

#### As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Equity investments designated at fair value through other comprehensive income:				
Listed equity investments . . . . .	269	–	–	269

As at 30 June 2019

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	US\$'000	US\$'000	US\$'000	US\$'000
Equity investments designated at fair value through other comprehensive income:				
Listed equity investments . . . . .	95	–	–	95
Liabilities measured at fair value:				

As at 30 June 2019

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	US\$'000	US\$'000	US\$'000	US\$'000
Derivative financial instruments . . .	–	3,246	–	3,246

During the Relevant Periods, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise available-for-sale investments, equity investments designated at fair value through other comprehensive income, derivative financial instruments and cash and cash equivalents. The Group has other various financial assets and liabilities such as trade receivables, financial assets included in prepayments and other receivables and trade and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk, foreign currency risk and commodity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

#### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and borrowings with a floating interest rate. As at the end of each of the Relevant Periods, the Group did not have any significant exposure to the interest rate risk in the cash flows.

#### Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

*Maximum exposure as at 31 December 2016 and 2017*

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, other assets, trade receivables, and financial assets included in prepayments and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. The Group had certain concentrations of credit risk as 100%, 99%, 99% and 99% of the Group's trade receivables were due from the Group's five largest customers as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively.

*Maximum exposure and year-end staging as at 31 December 2018 and 30 June 2019*

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort as at 31 December 2018 and 30 June 2019. The amounts presented are gross carrying amounts for financial assets.

31 December 2018	12-month ECLs	Lifetime ECLs	Total
	Stage 1	Simplified approach	
	US\$'000	US\$'000	US\$'000
Trade receivables* . . . . .	–	3,270	3,270
Financial assets included in prepayment and other receivables			
– Normal** . . . . .	225	–	225
– Doubtful** . . . . .	–	–	–
Other assets			
– Normal** . . . . .	10,789	–	10,789
– Doubtful** . . . . .	–	–	–
Amounts due from a fellow subsidiary			
– Not yet past due . . . . .	16	–	16
Cash and cash equivalents			
– Not yet past due . . . . .	31,401	–	31,401
	<u>42,431</u>	<u>3,270</u>	<u>45,701</u>
30 June 2019	12-month ECLs	Lifetime ECLs	Total
	Stage 1	Simplified approach	
	US\$'000	US\$'000	US\$'000
Trade receivables* . . . . .	–	9,250	9,250
Financial assets included in prepayment and other receivables . . . . .			
– Normal** . . . . .	1,135	–	1,135
– Doubtful** . . . . .	–	–	–
Other assets			
– Normal** . . . . .	13,615	–	13,615
– Doubtful** . . . . .	–	–	–
Cash and cash equivalents			
– Not yet past due . . . . .	8,473	–	8,473
	<u>23,223</u>	<u>9,250</u>	<u>32,473</u>



- \* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the Historical Financial Information.
- \*\* The credit quality of financial assets included in prepayments and other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

### Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans and borrowings and funds generated from operations.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	Within 1 year or on demand	2 to 5 years	Over 5 years	Total
	US\$'000	US\$'000	US\$'000	US\$'000
<b>As at 31 December 2016</b>				
Amounts due to an associate . . . . .	1,432	—	—	1,432
Trade and other payables . . . . .	9,480	—	—	9,480
Amounts due to an immediate holding company . . . . .	1	—	—	1
Lease liability . . . . .	65	—	—	65
	<u>10,978</u>	<u>—</u>	<u>—</u>	<u>10,978</u>
	Within 1 year or on demand	2 to 5 years	Over 5 years	Total
	US\$'000	US\$'000	US\$'000	US\$'000
<b>As at 31 December 2017</b>				
Amounts due to an associate . . . . .	1,597	—	—	1,597
Trade and other payables . . . . .	11,724	—	—	11,724
Amounts due to an immediate holding company . . . . .	1	—	—	1
Lease liability . . . . .	33	—	—	33
	<u>13,355</u>	<u>—</u>	<u>—</u>	<u>13,355</u>
	Within 1 year or on demand	2 to 5 years	Over 5 years	Total
	US\$'000	US\$'000	US\$'000	US\$'000
<b>As at 31 December 2018</b>				
Amounts due to an associate . . . . .	1,314	—	—	1,314
Trade and other payables . . . . .	16,757	—	—	16,757
Amounts due to an immediate holding company . . . . .	1	—	—	1
Lease liability . . . . .	298	—	—	298
	<u>18,370</u>	<u>—</u>	<u>—</u>	<u>18,370</u>

## APPENDIX I

## ACCOUNTANTS' REPORT

	Within 1 year or on demand	2 to 5 years	Over 5 years	Total
	US\$'000	US\$'000	US\$'000	US\$'000
<b>As at 30 June 2019</b>				
Amounts due to an associate . . . . .	1,408	–	–	1,408
Trade and other payables . . . . .	25,279	–	–	25,279
Derivative financial instruments . . . . .	3,246	–	–	3,246
Lease liability . . . . .	287	–	–	287
	<u>30,220</u>	<u>–</u>	<u>–</u>	<u>30,220</u>

### Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign exchange rates. Fluctuations in exchange rates between US\$ and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. As at the end of each of the Relevant Periods, since the Group did not hold any financial instruments denominated in currencies other than the functional currency of the respective operating units, the Group did not have any significant exposure to the foreign currency risk.

### Commodity price risk

The Group is exposed to the risk of fluctuations in prevailing market commodity prices on the gold it produces which it makes sale to South African markets. The market prices of gold are the key drivers of the Group's capacity to generate cash flow. The Group is predominantly a producer to provide its shareholders with exposure to changes in the market price of gold. The Group's Board of Directors has developed and enacted a strategy for commodity price risk management and its mitigation. The Group's policy is to manage these risks through the use of contract-based prices with customers and derivative financial instruments and to keep up to 50% of its production at fixed prices.

The table below summarises the impact on profit before tax for changes in commodity prices on the fair values of derivative financial instruments.

The analysis is based on the assumption that the gold prices move 10% with all other variables held constant. Reasonably possible movements in gold prices were determined based on a review of the last two years' historical prices and the expectation of economic forecasters.

	Effect on profit before tax for the six months ended 30 June 2019
30 June 2019	Increase/(decrease)
	US\$'000
<b>Change in gold prices</b>	
Increase of 10% . . . . .	20,487
Decrease of 10% . . . . .	(20,487)

The Group also enters into physical commodity contracts in the normal course of business. These contracts are not derivatives and are treated as executory contracts, which are recognised and measured at cost when the transactions occur. The above derivative financial instruments are for hedging purposes and the management expects that the fair value changes of derivative financial instruments are able to mitigate the effect of physical commodity contracts.

**Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes amounts due to an associate, trade and other payables, derivative financial instruments, amounts due to an immediate holding company and lease liability less cash and cash equivalents, and excludes the discontinued operation. Capital represents the equity attributable to owners of the parent. The gearing ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Amounts due to an associate . . . . .	1,432	1,597	1,314	1,408
Trade and other payables . . . . .	9,480	11,724	16,757	25,279
Lease liability . . . . .	65	33	298	287
Derivative financial instruments . . . . .	–	–	–	3,246
Amounts due to an immediate holding company . . . . .	1	1	1	–
Less: Cash and cash equivalents . . . . .	(38,314)	(15,997)	(31,401)	(8,473)
Net debt . . . . .	<u>(27,336)</u>	<u>(2,642)</u>	<u>(13,031)</u>	<u>21,747</u>
Equity attributable to owners of the parent . . . . .	<u>85,491</u>	<u>83,484</u>	<u>87,199</u>	<u>67,840</u>
Capital and net debt . . . . .	<u>58,155</u>	<u>80,842</u>	<u>74,168</u>	<u>89,587</u>
Gearing ratio . . . . .	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>24%</u>

**40. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2019.

### III. SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION OF THE KOPANANG MINING BUSINESS

Pre-acquisition financial information of the Kopanang Mining Business for the period from 1 January 2016 to 28 February 2018 (the “Pre-acquisition Period”) has been prepared in accordance with the basis of preparation and accounting policies as set out below. This information is referred hereafter as “Financial Information of the Kopanang Mining Business”.

#### 1. FINANCIAL INFORMATION OF THE KOPANANG MINING BUSINESS

##### Statements of Profit or Loss and other Comprehensive Income

	<i>Notes</i>	Year ended 31 December		Two months ended 28 February	
		2016	2017	2017	2018
		<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
				<i>(Unaudited)</i>	
REVENUE . . . . .	2.3	120,612	119,930	6,875	14,298
Cost of sales . . . . .		(145,318)	(140,847)	(21,434)	(29,194)
Gross loss . . . . .		(24,706)	(20,917)	(14,559)	(14,896)
Administrative expenses . . . . .		(3,557)	(3,485)	(549)	(735)
Fair value adjustment on investments held by trust funds . . . . .		(83)	71	–	–
Finance costs . . . . .	2.4	(1,414)	(1,296)	(208)	(305)
LOSS BEFORE TAX . . . . .		(29,760)	(25,627)	(15,316)	(15,936)
Tax expense . . . . .	2.5	–	–	–	–
LOSS FOR THE YEAR/PERIOD . . . . .		(29,760)	(25,627)	(15,316)	(15,936)
OTHER COMPREHENSIVE INCOME/(LOSS)					
Exchange difference . . . . .		2,481	7,631	(4,373)	992
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD, NET OF TAX . . . . .		2,481	7,631	(4,373)	992
TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD . . . . .		(27,279)	(17,996)	(19,689)	(14,944)

**APPENDIX I****ACCOUNTANTS' REPORT****Statements of Financial Position**

		<b>As at 31 December</b>		<b>As at 28 February</b>
	<i>Notes</i>	<b>2016</b>	<b>2017</b>	<b>2018</b>
		<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment . . . . .	2.6	34,405	37,128	38,196
Investment held by environmental trusts . . . . .	2.7	3,828	4,646	4,862
Total non-current assets . . . . .		38,233	41,774	43,058
<b>CURRENT ASSETS</b>				
Inventories . . . . .	2.8	2,699	5,511	5,905
Trade and other receivables . . . . .	2.9	1,021	1,102	948
Total current assets . . . . .		3,720	6,613	6,853
<b>CURRENT LIABILITIES</b>				
Trade and other payables . . . . .	2.10	11,624	12,190	8,681
Total current liabilities . . . . .		11,624	12,190	8,681
NET CURRENT LIABILITIES . . . . .		(7,904)	(5,577)	(1,828)
TOTAL ASSETS LESS CURRENT LIABILITIES . . . . .		30,329	36,197	41,230
<b>NON-CURRENT LIABILITIES</b>				
Environmental rehabilitation provisions . . . . .	2.11	5,939	9,320	9,821
Employee related accruals . . . . .	2.12	84	85	88
Deferred tax liability . . . . .		6,350	6,034	919
Total non-current liabilities . . . . .		12,373	15,439	10,828
Net assets . . . . .		17,956	20,758	30,402
<b>EQUITY</b>				
Owner's loan . . . . .		51,891	72,689	97,277
Accumulated losses . . . . .		(37,866)	(63,493)	(79,429)
Foreign currency translation reserve . . . . .		3,931	11,562	12,554
Total equity . . . . .		17,956	20,758	30,402

## Statements of Changes in Equity

	Owner's loan	Accumulated losses	Foreign currency translation reserve	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2016 . . . . .	29,075	(8,106)	1,450	22,419
Loss for the year . . . . .	–	(29,760)	–	(29,760)
Other comprehensive income for the year:				
Exchange differences on translation of foreign operations . . . . .	–	–	2,481	2,481
Total comprehensive income/(loss) for the year . . . . .	–	(29,760)	2,481	(27,279)
Changes of owner's loan . . . . .	22,816	–	–	22,816
At 31 December 2016 and 1 January 2017 . .	51,891	(37,866)	3,931	17,956
Loss for the year . . . . .	–	(25,627)	–	(25,627)
Other comprehensive income for the year:				
Exchange differences on translation of foreign operations . . . . .	–	–	7,631	7,631
Total comprehensive income/(loss) for the year . . . . .	–	(25,627)	7,631	(17,996)
Changes of owner's loan . . . . .	20,798	–	–	20,798
At 31 December 2017 and 1 January 2018 . .	72,689	(63,493)	11,562	20,758
Loss for the period . . . . .	–	(15,936)	–	(15,936)
Other comprehensive income for the period:				
Exchange differences on translation of foreign operations . . . . .	–	–	992	992
Total comprehensive income/(loss) for the period . . . . .	–	(15,936)	992	(14,944)
Changes of owner's loan . . . . .	24,588	–	–	24,588
At 28 February 2018 . . . . .	97,277	(79,429)	12,554	30,402

## 2. NOTES TO THE FINANCIAL INFORMATION OF THE KOPANANG MINING BUSINESS

### 2.1 Basis of preparation and principal accounting policy

#### *Basis of preparation*

The Kopanang Mining Business do not constitute a separate legal entity. The historical financial information for the Reporting Periods (Two months ended 28 February 2018, the years ended 31 December 2017 and 31 December 2016) has been prepared by aggregating the historical financial information relating to the Kopanang Mining Business applying the principles of carve out accounting based on the financial information of AngloGold Ashanti Limited, the previous owner of Kopanang Mining Business as if Kopanang Mining Business had been a standalone entity at the beginning of the Reporting Periods.

The Financial Information of Kopanang Mining Business has been prepared in accordance with the accounting policies set out in Section II of the Historical Financial Information. All balances between the Kopanang Mining Business and AngloGold Ashanti Limited ("AGA"), which have historically been eliminated in the consolidated financial statements of AGA, have now been presented in Owner's loans and reflected as equity in the historical combined financial information. As the Kopanang Mining Business, except for the environmental rehabilitation trusts, is a division of the South African operations of AGA, it did not have its own cash balances and borrowings. Therefore, the balances with AGA, together with the cash balances and borrowing relating to the environmental rehabilitation trust, are representative of the net funding of the Kopanang Mining Business for the Reporting Periods and reflected in shareholder's equity as it represents the cumulative investment of AGA in the Kopanang Mining Business.

Statements of cashflow are not prepared for the Kopanang Mining Business due to Kopanang Mining Business did not have its independent bank account.

The Kopanang Mining Business has applied IFRS 9, effective for the periods beginning on or after 1 January 2018. The Kopanang Mining Business has not restated financial information from 1 January 2016 to 31 December 2017 for financial instruments in the scope of IFRS 9. The financial information from 1 January 2016 to 31 December 2017 is reported under IAS 39 *Financial Instruments: Recognition and Measurement* and is not comparable to the information presented for 2018.

The principal effects of adopting new IFRSs are as follows:

#### *IFRS 9 Financial Instruments*

IFRS 9 brings together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of 1 January 2018.

Financial instruments of the Kopanang Mining Business consist primarily of the following financial assets: investments held by environmental trusts, cash and cash equivalents, trade and other receivables and the following financial liabilities: trade and other payables.

The changes for the financial assets and financial liabilities of Kopanang Mining Business on 1 January 2018, the date of initial application of IFRS 9, are summarised as follows:

	IAS 39 classification and measurement			IFRS 9 classification and measurement	
	Category	Amount	Reclassification	Amount	Category
		US\$'000	US\$'000	US\$'000	
Financial assets					
Investments held by environmental trusts . . . . .	FVPL <sup>1</sup>	4,646	–	4,646	FVPL <sup>1</sup>
Financial assets included in trade and other receivables . . . . .	L&R <sup>2</sup>	1,102	–	1,102	AC <sup>3</sup>
		5,748	–	5,748	
	IAS 39 measurement			IFRS 9 measurement	
	Category	Amount	Reclassification	Amount	Category
		US\$'000	US\$'000	US\$'000	
Financial liabilities					
Financial liabilities included in trade and other payables . . . . .	AC <sup>3</sup>	12,190	–	12,190	AC <sup>3</sup>

<sup>1</sup> FVPL: Financial assets at fair value through profit or loss

<sup>2</sup> L&R: Loans and receivables

<sup>3</sup> AC: Financial assets or financial liabilities at amortised cost

#### ***Property, plant and equipment***

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

Item	Depreciation method	Average useful life
Assets under construction . . . .	Not depreciated	N/A
Mine development costs . . . . .	Units of production	Proven and probable reserves
Decommissioning assets . . . . .	Units of production	Proven and probable reserves
Mine infrastructure . . . . .	Units of production	Proven and probable reserves

#### ***Foreign currencies***

The South African Rand is the functional currency of the Kopanang Mining Business and this historical combined financial information is accordingly presented in US\$.

## **2.2 Significant Estimate**

### ***Provision for environmental rehabilitation obligations***

Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. Management's best estimate for environmental obligations is recognised in the period in which they are incurred. Actual costs incurred in future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates, inflation rates, foreign currency exchange rates and discount rates could affect the carrying amount of this provision.



**2.3 Revenue**

Revenue represents the sale of gold during the Pre-acquisition Period. An analysis of revenue is as follows:

	Year ended 31 December		Two months ended 28 February	
	2016	2017	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
			(Unaudited)	

Type of goods				
Sale of gold . . . . .	120,612	119,930	6,875	14,298

	Year ended 31 December		Two months ended 28 February	
	2016	2017	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
			(Unaudited)	

Timing of revenue recognition				
At point of time . . . . .	120,612	119,930	6,875	14,298

	Year ended 31 December		Two months ended 28 February	
	2016	2017	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
			(Unaudited)	

Geographic market				
South Africa . . . . .	120,612	119,930	6,875	14,298

**2.4 Finance costs**

An analysis of finance costs from operations is as follows:

	Year ended 31 December		Two months ended 28 February	
	2016	2017	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
			(Unaudited)	

Unwinding of discount on rehabilitation liability . . . . .	1,414	1,296	208	305
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## 2.5 Tax Expense

	Year ended 31 December		Two months ended 28 February	
	2016	2017	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
			(Unaudited)	
Current				
Local tax income-current period . . .	—	—	—	—
Deffered				
Originating and reversing temporary differences . . . . .	(2,298)	(4,655)	5,603	5,275
Accumulated losses utilised/(increased) . . . . .	2,298	4,655	(5,603)	(5,275)
	—	—	—	—

## 2.6 Property, plant and equipment

31 December 2016	Mine development costs	Mine infrastructure	Decommissioning asset	Assets under construction	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2016:					
Cost . . . . .	192,062	5,424	4,209	880	202,575
Accumulated depreciation . . . . .	(161,135)	(571)	(3,887)	—	(165,593)
Net carrying amount. . .	30,927	4,853	322	880	36,982
At 1 January 2016, net of accumulated depreciation . . . . .	30,927	4,853	322	880	36,982
Additions . . . . .	11,535	2,108	—	702	14,345
Transfers and other movements* . . . . .	139	711	—	(807)	43
Derecognition . . . . .	(3)	(2,925)	—	—	(2,928)
Depreciation provided during the year . . . . .	(17,643)	(451)	(342)	—	(18,436)
Exchange realignment . . .	3,672	598	20	109	4,399
At 31 December 2016, net of accumulated depreciation . . . . .	28,627	4,894	—	884	34,405
At 31 December 2016:					
Cost . . . . .	125,766	5,851	4,764	884	137,265
Accumulated depreciation . . . . .	(97,139)	(957)	(4,764)	—	(102,860)
Net carrying amount. . .	28,627	4,894	—	884	34,405

# APPENDIX I

# ACCOUNTANTS' REPORT

<b>31 December 2017</b>	<b>Mine development costs</b>	<b>Mine infrastructure</b>	<b>Decommissioning asset</b>	<b>Assets under construction</b>	<b>Total</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
At 1 January 2017:					
Cost . . . . .	125,766	5,851	4,764	884	137,265
Accumulated depreciation . . . . .	(97,139)	(957)	(4,764)	–	(102,860)
Net carrying amount. . .	<u>28,627</u>	<u>4,894</u>	<u>–</u>	<u>884</u>	<u>34,405</u>
At 1 January 2017, net of accumulated depreciation . . . . .	28,627	4,894	–	884	34,405
Additions . . . . .	4,707	117	–	616	5,440
Transfers and other movements* . . . . .	–	–	1,195	(423)	772
Derecognition . . . . .	(4,082)	(857)	–	–	(4,939)
Depreciation provided during the year . . . . .	(2,073)	(107)	(273)	–	(2,453)
Exchange realignment . . .	<u>3,211</u>	<u>500</u>	<u>75</u>	<u>117</u>	<u>3,903</u>
At 31 December 2017, net of accumulated depreciation . . . . .	<u>30,390</u>	<u>4,547</u>	<u>997</u>	<u>1,194</u>	<u>37,128</u>
At 31 December 2017:					
Cost . . . . .	141,057	5,733	6,609	1,194	154,593
Accumulated depreciation . . . . .	(110,667)	(1,186)	(5,612)	–	(117,465)
Net carrying amount. . .	<u>30,390</u>	<u>4,547</u>	<u>997</u>	<u>1,194</u>	<u>37,128</u>
<b>28 February 2018</b>	<b>Mine development costs</b>	<b>Mine infrastructure</b>	<b>Decommissioning asset</b>	<b>Assets under construction</b>	<b>Total</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
At 1 January 2018:					
Cost . . . . .	141,057	5,733	6,609	1,194	154,593
Accumulated depreciation . . . . .	(110,667)	(1,186)	(5,612)	–	(117,465)
Net carrying amount. . .	<u>30,390</u>	<u>4,547</u>	<u>997</u>	<u>1,194</u>	<u>37,128</u>

## APPENDIX I

## ACCOUNTANTS' REPORT

<b>28 February 2018</b>	<b>Mine development costs</b>	<b>Mine infrastructure</b>	<b>Decommissioning asset</b>	<b>Assets under construction</b>	<b>Total</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
At 1 January 2018, net of accumulated depreciation . . . . .	30,390	4,547	997	1,194	37,128
Transfers and other movements* . . . . .	–	322	(238)	–	84
Depreciation provided during the year . . . . .	(549)	(166)	(11)	–	(726)
Exchange realignment . . .	1,399	216	40	55	(1,710)
At 28 February 2018, net of accumulated depreciation . . . . .	<u>31,240</u>	<u>4,919</u>	<u>788</u>	<u>1,249</u>	<u>38,196</u>
At 28 February 2018: Cost . . . . .	147,610	6,329	6,672	1,249	161,860
Accumulated depreciation . . . . .	<u>(116,370)</u>	<u>(1,410)</u>	<u>(5,884)</u>	<u>–</u>	<u>(123,664)</u>
Net carrying amount. . .	<u>31,240</u>	<u>4,919</u>	<u>788</u>	<u>1,249</u>	<u>38,196</u>

\* Transfers and movements include amounts from changes in estimates of decommissioning assets, asset reclassifications and impairment of assets.

### 2.7 Investments held by environmental trusts

	<b>As at 31 December</b>		<b>As at 28 February</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Financial assets at fair value through profit or loss . . . . .	<u>3,828</u>	<u>4,646</u>	<u>4,862</u>

### 2.8 Inventories

	<b>As at 31 December</b>		<b>As at 28 February</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Work in progress . . . . .	392	1,643	470
Finished goods . . . . .	931	1,931	3,423
Mine operating supplies . . . . .	<u>1,376</u>	<u>1,937</u>	<u>2,012</u>
	<u>2,699</u>	<u>5,511</u>	<u>5,905</u>

**2.9 Other receivables**

	As at 31 December		As at 28 February
	2016	2017	2018
	US\$'000	US\$'000	US\$'000
Others . . . . .	141	60	33
Prepayments and accrued income . . . . .	377	172	–
Recoverable tax, rebates, levies and duties . . . . .	503	870	915
	<u>1,021</u>	<u>1,102</u>	<u>948</u>

An ageing analysis of the other receivables as at the end of each of the Pre-acquisition Period, based on the invoice date, is as follows:

	As at 31 December		As at 28 February
	2016	2017	2018
	US\$'000	US\$'000	US\$'000
Within a month . . . . .	<u>1,021</u>	<u>1,102</u>	<u>948</u>

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Since 1 January 2018, the Kopanang Mining Business has applied the general approach to provide for expected credit losses for financial assets included in other receivables under IFRS 9. The Kopanang Mining Business considers the historical loss rate and adjusts for forward looking macroeconomic data in calculating the expected credit loss rate. The Kopanang Mining Business has classified financial assets included other receivables in stage 1 and continuously monitors their credit risk. As at 28 February 2018, the Group estimated the expected loss rate for financial assets included in other receivables is insignificant.

**2.10 Trade and other payables**

	As at 31 December		As at 28 February
	2016	2017	2018
	US\$'000	US\$'000	US\$'000
Trade payables . . . . .	3,984	3,599	4,924
Other payables . . . . .	7,640	8,591	3,757
	<u>11,624</u>	<u>12,190</u>	<u>8,681</u>

## 2.11 Environmental rehabilitation provisions

	As at 31 December		As at 28 February
	2016	2017	2018
	US\$'000	US\$'000	US\$'000
Provision for decommissioning			
Balance at beginning of year . . . . .	6,082	5,939	9,320
Changes in estimates* . . . . .	(2,298)	1,195	(238)
Exchange realignment . . . . .	741	890	435
Unwinding of decommissioning obligation . . .	1,414	1,296	304
Total environmental obligations . . . . .	5,939	9,320	9,821
Discount rate . . . . .	9.73%	8.72%	8.96%

\* The change in estimates is attributable to changes in discount rates due to changes in global economic assumptions and changes in mine plans resulting in a change in cash flows and changes in design of tailings storage facilities and in methodology following requests from the environmental regulatory authorities. These provisions are expected to unwind beyond the end of the life of mine.

## 2.12 Employee-related accruals

	As at 31 December		As at 28 February
	2016	2017	2018
	US\$'000	US\$'000	US\$'000
Employee-related accruals . . . . .	84	85	88

## 2.13 Contractual commitments and contingencies

*Capital commitments*

	As at 31 December		As at 28 February
	2016	2017	2018
	US\$'000	US\$'000	US\$'000
<i>Acquisition of tangible assets</i>			
Contracted for . . . . .	1,023	130	–
Not contracted for . . . . .	17,591	1,534	–
Authorised by the directors of AGA . . . . .	18,614	1,664	–

To service these capital commitments, purchase obligations and other operational requirements, the Kopanang Mining Business is dependent on existing cash resources, cash generated from operations and borrowing facilities of the AGA group.

***Contingent liabilities******Deep groundwater pollution***

The Kopanang Mining Business has identified potential water ingress and future pollution risk posed by deep ground water in certain underground mines in South Africa. Various studies have been undertaken by AGA since 1999 to understand this potential risk. Due to the interconnected nature of mining operations, any proposed solution needs to be a combined one supported by all the mines located in these gold fields. As a result, the Mineral and Petroleum Resources Development Act ("MPRDA") requires that the affected mining companies develop a Regional Mine Closure Strategy to be approved by the Department of Mineral Resources. In view of the limitation of current information for the accurate estimation of a liability, no reliable estimate can be made for the obligation.

*The information set forth in this appendix does not form part of the Accountants' Report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, as set forth in Appendix I to this prospectus, and is included herein for illustrative purpose only.*

*The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.*

#### **A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS**

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on June 30, 2019 based on the audited consolidated net tangible assets attributable to equity shareholders of the Company as of June 30, 2019 as shown in the Accountants' Report, the text of which is set out in Appendix I to this Prospectus.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our financial position of the Group had the Global Offering been completed as of June 30, 2019 or at any future dates following the Global Offering.

	Audited consolidated net tangible assets of the Group attributable to equity shareholders of the Company as of June 30, 2019	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity shareholders of the Company	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	US\$'000	US\$'000	US\$'000	US\$	HK\$
Based on an Offer Price of HK\$13.10 (equivalent to approximately US\$1.68) per Share . . . . .	67,840	126,610	194,450	0.60	4.72



**APPENDIX II**
**UNAUDITED PRO FORMA FINANCIAL INFORMATION**

	Audited consolidated net tangible assets of the Group attributable to equity shareholders of the Company as of June 30, 2019	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity shareholders of the Company	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	US\$'000	US\$'000	US\$'000	US\$	HK\$
Based on an Offer Price of HK\$15.30 (equivalent to approximately US\$1.96) per Share . . . . .	67,840	148,700	216,540	0.67	5.26
Based on an Offer Price of HK\$17.50 (equivalent to approximately US\$2.24) per Share . . . . .	67,840	170,791	238,631	0.74	5.79

**Notes:**

- (1) The consolidated net tangible assets of the Group attributable to equity shareholders of the Company as at June 30, 2019 is extracted from the Accountants' Report as set forth in Appendix I to this Prospectus.
- (2) The estimated net proceeds from the Global Offering are based on the indicative offer prices of HK\$13.10 (equivalent to approximately US\$1.68) per Share (being the minimum Offer Price), HK\$15.30 (equivalent to approximately US\$1.96) per Share (being the middle Offer Price) and HK\$17.50 (equivalent to approximately US\$2.24) per Share (being the maximum Offer Price), respectively, after deduction of the estimated expenses relating to the Global Offering expected to be incurred by the Group subsequent to June 30, 2019, which mainly include professional fees for the Sole Sponsor, the Company's legal advisers and reporting accountants, underwriting fees and other listing related expenses payable by the Company, excluding listing expenses of approximately US\$5.6 million which have been accounted for prior to June 30, 2019, and 80,440,000 Shares expected to be issued under the Global Offering.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis of 321,758,920 Shares expected to be in issue immediately following the completion of the Global Offering (without taking into account of any Shares which may be allotted and issued upon exercise of the Over-allotment Option), which is assumed to be on June 30, 2019 for the purpose of the pro forma financial information.
- (4) The estimated net proceeds from the Global Offering and unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity shareholders of the Company per Share are converted into Hong Kong dollars at an exchange rate of HK\$1.00 to US\$0.1280 as of June 30, 2019.
- (5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions entered into by our Group subsequent to June 30, 2019.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this prospectus.*

To the Directors of Heaven-Sent Gold Group Company Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Heaven-Sent Gold Group Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at June 30, 2019 and related notes as set out on pages II-1 to II-2 of the prospectus dated November 8, 2019 issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at June 30, 2019 as if the transaction had taken place at June 30, 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the six months ended June 30, 2019, on which an accountants' report has been published.

**Directors' responsibility for the Pro Forma Financial Information**

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Our independence and quality control**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting accountants' responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering and placing of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

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

**Opinion**

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

*Certified Public Accountants*  
Hong Kong

November 8, 2019

# Competent Person's Report on Heaven-Sent's Gold Assets

Report Prepared for  
**Heaven-Sent Gold Group Company Limited**



Report Prepared by



SRK Consulting (South Africa) (Pty) Ltd

Report Ref: 527067\_HSG Gold Assets\_CPR\_Final\_H1 2019\_20191108.docx

Report Date: 8 November 2019

Effective Date 30 June 2019

# Competent Person's Report on Heaven-Sent's Gold Assets

## Heaven-Sent Gold Group Company Limited

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Report Ref: 527067\_HSG Gold Assets\_CPR\_Final\_H1 2019\_20191108.docx

Report Date: 8 November 2019

Effective Date 30 June 2019

**Compiled by:**

SRK Consulting - Certified Electronic Signature  
  
527067/43723 Report  
9966-7654-3765-XXXX  
This signature has been printed digitally. The Author has given permission for its use for this document. The details are stored in the SRK Signature Database.

S Mandava PrSciNat  
Senior Resource Geologist  
Email: [smandava@srk.co.za](mailto:smandava@srk.co.za)

**Reviewed by:**

SRK Consulting - Certified Electronic Signature  
  
527067/43723 Report  
8101-9672-6552-WERT-17/09/2019  
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ML Wertz PrEng  
Partner & Principal Mining Engineer

**Contributors**

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## Executive Summary

[18.05(1), 18.09(2)(3)]

### ES1: Introduction

[18.03(1), 18.05(1), 18.09(2)(3)] [SR1.1(i)]

SRK Consulting (South Africa) (Pty) Ltd (**SRK**) is an associate company of the international group holding company, SRK Global Limited (the **SRK Group**). SRK has been commissioned by Heaven-Sent Gold Group Company Limited (**HSG**, also referred to as the **Company**) to prepare a Competent Person's Report (**CPR**) on HSG's gold assets in the Republic of South Africa respectively (collectively the **Gold Assets**). HSG is a Chinese capital management company with its headquarters in Hong Kong. Founded in 2006, HSG operates as the holding parent company of its South Africa subsidiary Village Main Reef Group (Pty) Ltd (**VMR**).

The CPR for inclusion in the Prospectus, Admission Document, Circular or similar (**Circular**) in support of HSG's proposed listing on the Stock Exchange of Hong Kong Limited (**HKSE**) must satisfy the reporting requirements of Chapter 18 – Mineral Companies of the Rules Governing the Listing of Securities on the HKSE (the **Listing Rules**).

HSG advised SRK that a Competent Valuation Report was not required.

HSG, via its wholly-owned subsidiary VMR, holds an indirect 74% interest in various gold operations and projects in South Africa (collectively, the **Gold Assets**). The Gold Assets are located near Orkney and Klerksdorp, in the North West and Free State Provinces (Figure ES11.1). The HSG Gold Assets assessed in this CPR include the following:

- Kopanang gold mine (**Kopanang**);
- Tau Lekoa Group which comprises Tau Lekoa and Jonkerskraal (**Tau Lekoa mine**), Weltevreden gold project (**Weltevreden**) and Goedgenoeg gold project (**Goedgenoeg**);
- West Gold Plant; and
- Nicolor South gold plant (**Nicolor**) and Buffelsfontein Gold mine (**Buffels**) old rock dumps.

Buffels has been closed and is currently in the process of rehabilitation and will thus not be part of the CPR compilation.

### ES2: Description of Assets

[SR1.1(i), SR1.2(i)]

HSG's Gold Assets include the following:

- Kopanang - HSG acquired Kopanang, the West Gold Plant and related infrastructure from AngloGold Ashanti Ltd (**AGA**) in October 2017, although HSG only took effective control of operations from March 2018. Kopanang is a mature deep-level gold mine exploiting the Vaal Reef (**VR**) approximately 5 km northeast of Orkney. The West Gold Plant uses a standard pre-leach and carbon-in-leach (**CIL**) process, with a current plant capacity of 160 ktpm. The West Gold Plant processes ores from Kopanang and Tau Lekoa;
- Tau Lekoa is a mature deep-level gold mine exploiting the Ventersdorp Contact Reef (**VCR**) and is located approximately 5 km southwest of Orkney. The VCR is extracted from Tau Lekoa and Jonkerskraal and trucked to the West Gold Plant for processing. Jonkerskraal lies to the south east of and is contiguous with Tau Lekoa. Weltevreden is the shallow extension (approximately 300 metres below surface (**mbs**)) of Tau Lekoa lying to the east of the mine. An exploration programme during the first six months of 2018 (**H1-2018**) at Weltevreden enabled an Indicated Mineral Resource to be declared, which is sufficient to support a mine design at pre-feasibility study (**PFS**) level with an approximate seven-year mine life. Ore from Weltevreden is planned to form part of Tau Lekoa's production profile, with first ore available in November 2019 but only reaching steady-state of 40 ktpa in November 2022. Goedgenoeg is an early-stage exploration project which is immediately west of Tau Lekoa. Goedgenoeg hosts the VCR in a down-thrown block some 600 m deeper than the current workings in Tau Lekoa, and represents upside potential for Tau Lekoa both in terms of mine life and higher grades (see Figure ES11.2);



- West gold plant which treats ore from Kopanang and Tau Lekoa, and will also treat the Weltevreden ore. It is a carbon-in-leach (CIL) plant with capacity of 160 ktpm; and
- Nicolor Plant (previously Buffelsfontein South gold plant), approximately 35 km from Tau Lekoa, treats material from low-grade stockpiles, old tailings from various localities and ore from a number of gold producers in terms of certain toll-treating arrangements. The Nicolor Plant uses the standard leach and carbon-in-pulp (CIP) process and has a capacity of 180 ktpm. Tau Lekoa ore was previously treated at the Nicolor Plant. As the West Gold Plant is only 10 km from Tau Lekoa, there are significant savings in ore transport costs by treating the Tau Lekoa ore at the West Gold Plant.

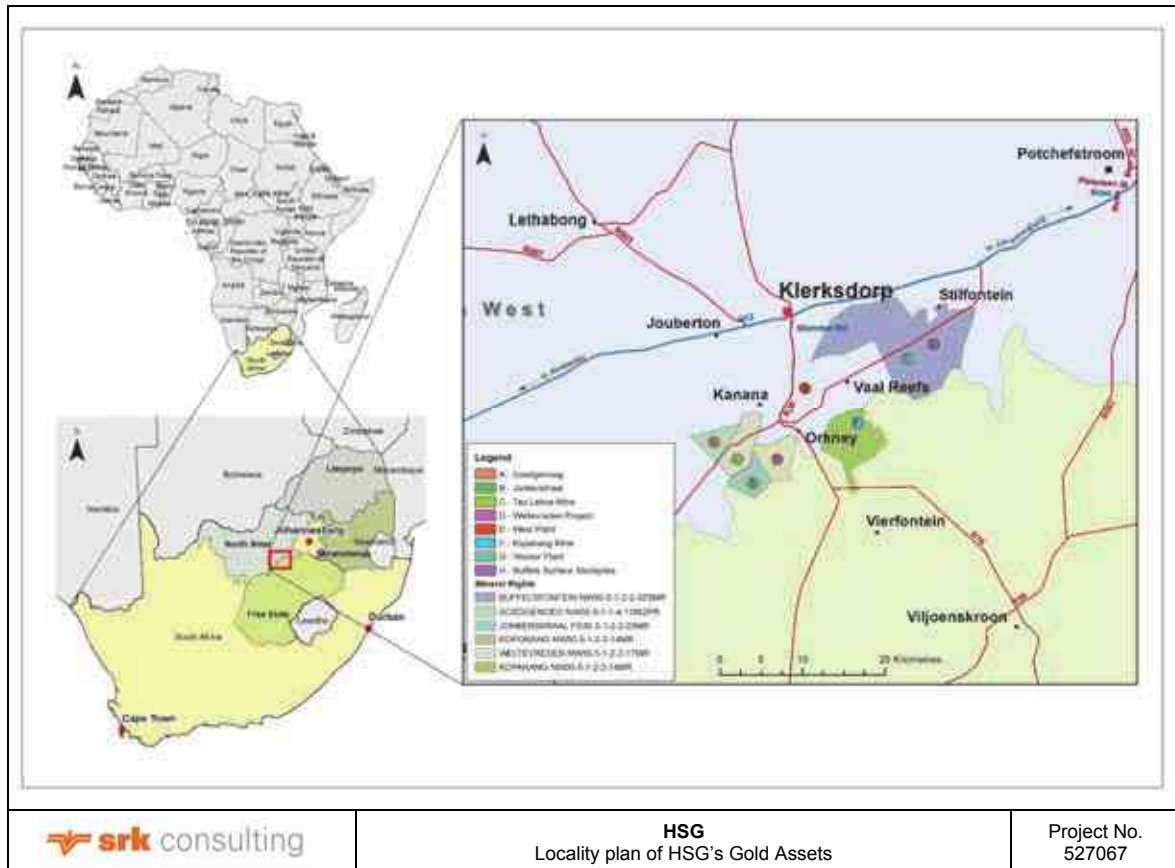


Figure ES11.1: Locality plan of HSG's Gold Assets

### ES3: HSG Corporate Structure

[18.05(3)] [SR1.5(i) (ii) (iii) (iv) (v)]

HSG is an emerging South African mid-tier gold producer. It is a mining and resources investment company. A simplified corporate structure for HSG, VMR and the relevant subsidiaries is shown in Figure ES11.3.

### ES4: Mineral and Surface Rights

[18.03(1), 18.05(3)] [SR1.5(i) (ii) (iii) (iv) (v)]

Table ES11.1 presents a summary of HSG's mineral rights for the Gold Assets, while a summary of the surface rights held by HSG for the Gold Assets is given in Table ES11.2.

SRK has reviewed the information provided by HSG and is satisfied that the extent of the properties described in the various rights are consistent with the maps and diagrams received from HSG. SRK has placed reliance for HSG's title to the mineral and surface rights held over the Gold Assets, as follows:

- Accuracy Mr Dirk Kotze, Vice President Organisational Effectiveness at VMR;
- Validity a legal due-diligence report compiled by Werksmans Attorneys Inc.



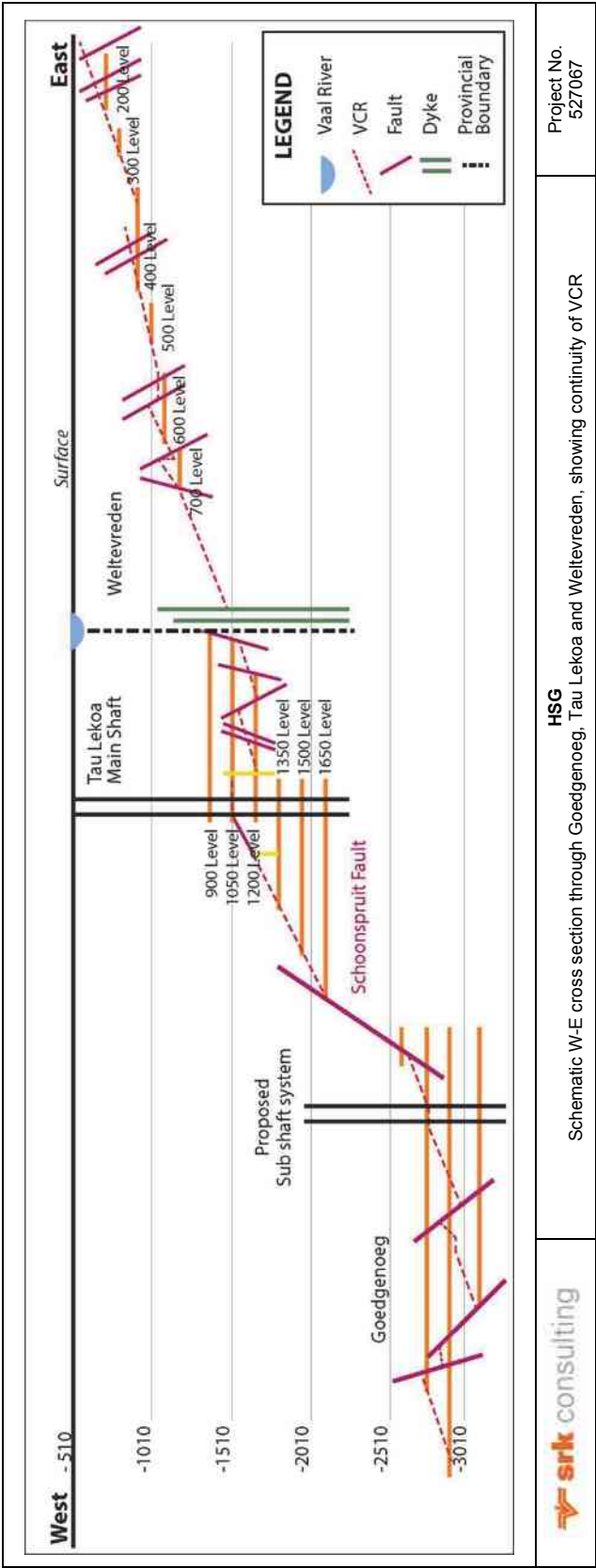


Figure ES11.2: Schematic W-E cross section through Goedgenoeg, Tau Lekoa and Weltevreden, showing continuity of VCR

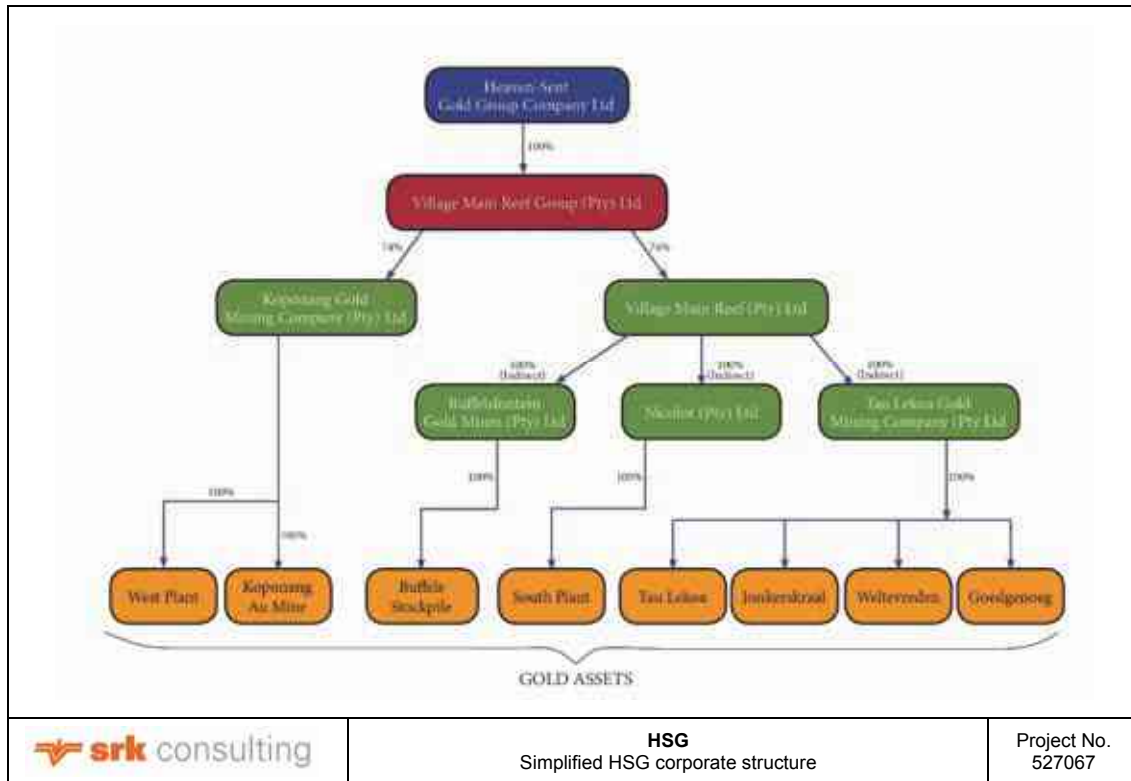


Figure ES11.3: Simplified HSG corporate structure

Table ES11.1: Summary of Mineral Rights for the Gold Assets held by HSG

Operation	Mineral Right Reference	Awarded to	Area (ha)	Expiry Date	Commodity
Kopanang	NW30/5/1/2/2/04MR Viljoenskroon magisterial district in the North West Province	Kopanang Gold Mining Company (Pty) Ltd	286.4739	11 Sep 2022	Au, U, Ag, Pt, Ir, and other PGMs
	NW30/5/1/1/2/14MR Viljoenskraal magisterial district in the North West Province	Kopanang Gold Mining Company (Pty) Ltd	3 668.3148	17 Feb 2043	Precious metals
Tau Lekoa	NW30/5/1/2/2/17MR (Tau Lekoa and Weltevreden) Viljoenskraal magisterial district, North West Province	Tau Lekoa Gold Mining Company (Pty) Ltd	4 234.4591	11 Sep 2037	Au, U, Ag, Pt, Ir, and other PGMs
	FS30/5/1/2/3/03MR (Jonkerskraal) Bothaville Administrative District, Free State Province	Tau Lekoa Gold Mining Company (Pty) Ltd	1 488.1288	08 Mar 2036	Au and U
	NW30/5/1/1/2/11862PR (Goedgenoeg) Klerksdorp Magisterial District, North West Province	Tau Lekoa Gold Mining Company (Pty) Ltd	1 141.0056	18 May 2021	Au
Buffels	NW30/5/1/2/2/323MR Klerksdorp Administrative District, North West Province	Buffelsfontein Gold Mines (Pty) Ltd (BGM)	12 663.1880	23 Apr 2043	Au

**Table ES11.2: Summary of Surface Rights for the Gold Assets held by HSG**

Operation	Description of Status and Required Actions	Title Deed / Reference Number	Comments
Kopanang (Figure 3.4)	Transfer of Portions 0, 6, 10 and 24 of Pretoriuskraal 53 from AGA to Kopanang (shaded pink in diagram).	T9112/2018	Transfer complete and title deeds received
	Actions required prior to transfer of Portion 27 of Pretoriuskraal 53 from AGA to Kopanang:		
	• Sub-divide and transfer portion to OMV crushers (black-shaded area in Figure 3.4);	-	In process
	• Abandon those parts of Surface Right Permit SRP73/80 that overlap with area to be transferred to OMV Crushers and AGA's SRP61/84;	-	In process
	• Once above actions completed, the remainder of SRP73/80 will be transferred to Kopanang.		Not yet started
	Actions related to Portions 27 and 24 of Pretoriuskraal 53:		
	• Area of SRP61/84 will be leased to AGA, along with areas that include the settling ponds and railway loading facility;	-	In process
West Plant (Figure 3.4)	• In addition to SRP73/80, three other Surface Right Permits SRP182/80, SRP27/84 and SRP94/74 have to be transferred to Kopanang. Located around the Kopanang Shaft, these SRPs include <i>inter alia</i> the hostel and two other areas linked to the mining operation.	--	In process
	Register a servitude over a private road between the train loading facility and the public road east of West Plant (yellow line in Figure 3.4).	-	In process
	A number of actions need to happen with respect to the West Plant operational area as follows:		Awaiting feedback from AGA
	• Register a servitude which relates to the West Plant footprint (orange area in inset in Figure 3.4);	-	
Tau Lekoa / Weltevreden (Figure 3.5)	• Register a servitude for the dumping pad next to the railway line (shown in inset in Figure 3.4);	-	Or transfer of property following subdivision
	• Register a joint-use agreement to access the WAFU pumping infrastructure (shown in inset in Figure 3.4);	-	AGA also needs access to the WAFU area
	• Register a joint-use agreement over the access road to West Plant, Shared Services offices (transferred to Kopanang) and WAFU (shown in inset in Figure 3.4);	-	AGA also needs to use this road
	• Registration of access servitude over CAPM ground, that needs to be traversed by VMR vehicles to get to the plant.	-	Drafted, awaiting CAPM signature.
	• Tau Lekoa owns 13 farm portions	T95895/2015	in process
Buffels (Figure 3.6)	Aspects regarding the farm Weltevreden 130:		
	• The property is owned by Buffels;	T5178/2013	Completed
	• An agreement has been concluded with the owner of Boshoeck 465 to exchange the shaded portion marked B with the portion marked A, to provide a route for a power supply line to the Weltevreden Project. Both properties need to first be sub-divided, following which the land exchange can be effected;		In process
	• A small servitude is registered over the adjoining farm Bellevue 365 to cover the boxcut footprint and decline access;	-	Completed
	• The farm Weltevreden 130 is subject to an Eskom power line servitude.	-	Completed
Temotuo Rehabilitation Trust	Buffels owns 7 farms and farm portions, including Weltevreden 130 above, as per Figure 3.6.	T95911/1996, T5178/2013	Completed
	Portion 57 of Hartebeesfontein 422 has to be sub-divided, with the eastern portion transferred to AGA for expansion of the TSF.	-	In process
Temotuo Rehabilitation Trust	Temotuo owns six farm portions, as per Figure 3.6	T26935/2001, T82061/2001, T82111/2010, T105859/2001	Completed
	[Temotuo is a wholly-owned subsidiary of BGM]	T25046/2001	

SRK has no reason to believe that the transfer of title deeds will not go ahead.

The combined servitudes and joint-use agreements for West Plant represent a surface area of 20.7 ha, together with a road access servitude through the Motlatsi Village that is 5.14 km long.

The Nicolor Plant is located within the Buffels Mining Right, and covers a surface area of 20.3 ha.

**ES5: Legal Claims or Proceedings**

[18.05(4)] [SR1.5(iv)]

SRK has been advised by the HSG and its legal advisors that there are no legal claims or proceedings that could influence HSG's rights to explore and/or mine at the Gold Assets.

**ES6: Effective Date**

[18.24(2)] [SR9.1(iii)]

The Effective Date for this CPR is deemed to be 30 June 2019 (the **Effective Date**).

The Mineral Resource and Mineral Reserve statements set out in this CPR are reported as at 30 June 2019 and represent the Mineral Resources and Reserves at the Effective Date as audited by SRK.

The life of mine (**LoM**) plans and associated technical and economic parameters (**TEPs**) included in the LoM plans and techno-economic models (**TEMs**) all commence on 1 July 2019.

The financial results for the Assets are taken to be correct at 30 June 2019, the Effective Date of the CPR.

**ES7: Material Change Statement**

[18.05(2)] [SR3.5(iv), SR4.1(iv), SR4.3(viii), SR5.3(iii), SR5.5(iii) (v)]

Based on information provided by HSG, there are no events that have occurred since the Effective Date that are likely to have a material impact on the Mineral Resource and Mineral Reserve statements for the Gold Assets at the date of publication of this CPR (the **Publication Date**).

**ES8: Requirement and Reporting Standard**

[18.24(2), 18.29(1)(c), 18.34(1)]

The reporting standard adopted for the reporting of the Mineral Resources and Mineral Reserves for the Gold Assets is the 2016 Edition of "*The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (The SAMREC Code)*" as prepared by the South African Mineral Resource Committee Working Group under the auspices of the Southern African Institute for Mining and Metallurgy (**SAIMM**) and the Geological Society of South Africa (**GSSA**). The SAMREC Code is an international reporting code that is acceptable to the Listing Rules [Rule 18.29(1)(c)].

A shorthand notation has been used to denote compliance of a given section, so for example, 18.29 refers to Rule 18.29 of the Listing Rules, SR1.1 refers to Section 1.1 Synopsis of Table 1 of the SAMREC Code and ESG2.3 relates to Item 2.3 included in the SAMSEG Guideline. Summary tables showing compliance to Chapter 18 of the Listing Rules, SAMREC Code and ESG are included in Appendices 2 to 4 respectively.

**ES9: Reliance on SRK**

[18.21, 18.23] [SR9.1(i)]

The CPR is addressed to and may be relied upon by the Company, the Directors of the Company and the Company's various financial, legal and accounting advisors (the **Advisors**) in support of the Proposed Transaction, specifically in respect of compliance with the requirements of the Listing Rules. SRK agrees that the CPR may be made available to and relied upon by the Advisors.

SRK declares that it has taken all reasonable care to ensure that this CPR and the technical information contained therein is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

SRK confirms that the presentation of technical information contained elsewhere in the Circular released by the Company in connection with the Proposed Transaction which relates to information in the CPR is accurate, balanced and not inconsistent with the CPR.

SRK has no obligation or undertaking to advise any person of any development in relation to the Gold Assets which comes to its attention after the date of the CPR or to review, revise or update the CPR or opinion in respect of any such development occurring after the date of the CPR.

The following are the Competent Persons (**CPs**) responsible for the signing off on the Mineral Resources and Mineral Reserves for HSG's Gold Assets:

- The CP assuming overall responsibility of the CPR is Mr. Roger Dixon, PrEng (Reg. No. 20000060). Honorary Life Fellow of the SAIMM, who is a Corporate Consultant with SRK. Mr. Dixon is a mining engineer with 46 years' global experience in the mining industry;
- The CP with responsibility for the reporting of Kopanang and Buffels Mineral Resources is Mr. Mark Wanless, PrSciNat (Reg. No. 400178/05), a Fellow of the GSSA, and a Partner with SRK. Mr. Wanless is a resource geologist with 20 years' experience of the geology and resource estimation of Witwatersrand gold deposits;
- The CP with responsibility for the reporting of Tau Lekoa, Weltevreden, Jonkerskraal and Goedgenoeg Mineral Resources is Mr. Ivan Doku, PrSciNat (Reg. No. 400513/14). Mr. Doku is a Principal Geologist with SRK who has undertaken numerous mineral resource estimations and audits of gold deposits in Southern Africa and internationally during the past ten years;
- The CP with responsibility for the reporting of Mineral Reserves for all the Gold Assets is Mr. Joseph Mainama, PrEng (Reg. No. 20080413). Mr. Mainama is a Principal Mining Engineer with SRK and has been involved in the field of mining engineering for the past 21 years. He has undertaken numerous technical audits and reviews as well as Mineral Reserve sign-offs for gold mines in Southern Africa during the past five years.

SRK believes that its opinion should be considered as a whole and selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the opinions presented in this CPR. The preparation of a CPR is a complex process and does not lend itself to partial analysis or summary.

While SRK has exercised due care in reviewing the supplied information, SRK does not accept responsibility for finding any errors or omissions contained therein and disclaims liability for any consequences of such errors and omissions. SRK's assessment of the Mineral Resources and Mineral Reserves and TEP forecasts for the Gold Assets is based on information provided by the Company and VMR throughout the course of SRK's investigations, which in turn reflect various technical-economic conditions prevailing at the date of the CPR. In particular, the Mineral Reserves and TEPs for the Gold Assets are based on commodity prices and exchange rates prevailing at the Effective Date of this CPR. These TEPs can change significantly over short periods of time.

This report includes technical information, which requires subsequent calculations to derive subtotals, totals and weighted averages. Such calculations may involve a degree of rounding and consequently introduce an error. Where such errors occur, SRK does not consider them to be material.

### ES10: Independence

[18.22]

SRK will be paid a fee for this work at commercial rates in accordance with normal professional consulting practice.

Payment of fees is in no way contingent upon the conclusions to be reached in the CPR.

### ES11: Review Process

SRK has conducted a review (which specifically excludes independent verification by means of re-calculation) and assessment of all material technical issues likely to influence the future performance of the operating mines and development projects and the resulting TEPs, which includes the following:

- Inspection visits to the operations and projects of the Gold Assets;
- Enquiry of key mine management and head office personnel in respect of the Gold Assets, the resource and reserves statements, the LoM plans, the TEPs, and other related matters;
- Examination of historical information for the Gold Assets;
- A review of the Mineral Resource and Mineral Reserve statements for the Gold Assets. Whilst SRK has not re-estimated the Mineral Resources and Mineral Reserves, SRK has performed all necessary validation and verification procedures deemed appropriate to place reliance on such information. SRK,

however undertook the re-estimation of the Mineral Resources for the Weltevreden Project, to take account of 2018 exploration data;

- Reporting of the Mineral Resource and Mineral Reserve Statements based on the Mineral Resources and Mineral Reserves information provided by HSG, which include mining depletion up to 30 June 2019;
- Examination, review and where appropriate, modification, of TEPs in the TEMs drawn from technical studies and LoM plans for the Gold Assets, and all conclusions and recommendations drawn therefrom; and
- Assessment of the reasonableness of the macro-economic and commodity price assumptions incorporated into the Mineral Resource and Mineral Reserve Statements, the TEPs and financial models for the Gold Assets.

SRK confirms that it has performed all validation and verification procedures deemed necessary and/or appropriate by SRK in order to place an appropriate level of reliance on the technical information provided by the Company and VMR.

### ES12: Forward Looking Statements

This report contains statements of a forward-looking nature which are subject to a number of known and unknown risks, uncertainties and other factors that may cause the results to differ materially from those anticipated in this report. The achievability of these projections is neither assured nor guaranteed by SRK. The projections cannot be assured as they are based on economic assumptions, many of which are beyond the control of HSG and SRK. Future cash flows and profits derived from such projections are inherently uncertain and actual results may be significantly more or less favourable.

### ES13: Geology

[SR2.1]

#### Regional Geology

[SR2.1(i)]

The Witwatersrand Supergroup occupies a central position of the Archaean Kaapvaal Craton. It covers an area of 350 x 200 km with an average thickness of 5 to 8 km, underlain by the Dominion Group, Archaean Granitoids and Greenstone basement, and is overlain by the Ventersdorp Supergroup.

The Upper Witwatersrand System, known as the Central Rand Group, hosts the economic horizons at Kopanang. The geological setting is one of crustal extension, dominated by major south-dipping fault systems with north westerly dipping Zuiping faults wedged between the south-easterly dipping faults.

The Venterspost Formation at the base of the Ventersdorp Supergroup hosts the VCR which is exploited at Tau Lekoa. This formation overlies (discordantly) the Elsburg Formation of the Central Rand Group and underlies the Alberton Formation of the Klipriviersberg Group, at depths varying between 900 and 1 700 mbs.

#### Stratigraphy of the Witwatersrand Supergroup

The Witwatersrand was separated into a Lower Witwatersrand System, which contained the basal Hospital Hill Series overlain by the Government Reef Series and finally the Jeppeshtown Series, and an Upper Witwatersrand System containing the Main-Bird (**MB**) Series and the Kimberley-Elsburg Series, discovered by Mellor in 1911, and although numerous revisions and adaptations have been done, including SACS (1980) the basic subdivisions have been retained. The Lower Witwatersrand System is now known as the West Rand Group and the Upper Witwatersrand System is known as the Central Rand Group. The West Rand Group contains numerous well-developed argillaceous units, whereas the Central Rand Group is more arenaceous. The most important gold-bearing horizons are mostly restricted to the Central Rand Group, shown in the stratigraphic column (Figure ES3.4).

#### Local Geology

[SR2.1(ii) (iii) (iv)]

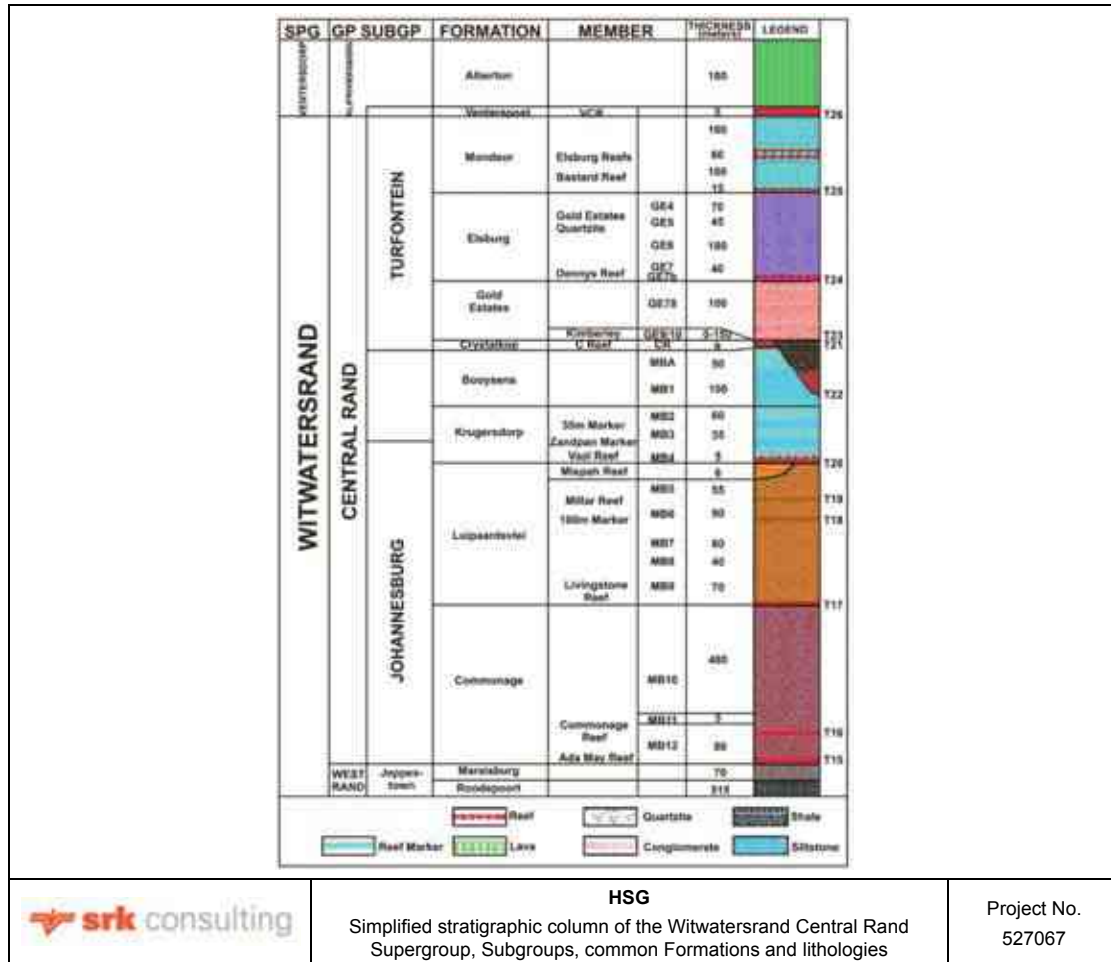
The VR is the primary economic horizon at Kopanang and the Crystalkop Reef (**C Reef**) is the secondary economic horizon, which contributes less than 2% of the total mining volume. Both reefs are narrow tabular deposits forming part of the Witwatersrand Supergroup and are stratigraphically located near the middle of the Central Rand Group. The VR lies approximately 255 m below the C Reef.



The major fault systems affecting Kopanang are the oldest north-westerly dipping Zuiping faults, and the younger Shaft and Jersey fault systems, which dip to the south east.

The primary economic horizon at Tau Lekoa, Jonkerskraal and Weltevreden is the VCR. The VCR dips between 20° and 30° at Tau Lekoa, whereas the dip at Jonkerskraal is steeper (>30°) and gentler at Weltevreden (average of 15°).

The VCR in this locality is structurally complex due to disruption by a number of dykes and faults. The major faults of post-Ventersdorp age present tend to be normal, trending NNE-SSW direction and these include the Schoonspruit and Nooitgedacht faults, both of which have displacements of over 100 m. Two dextral faults with lateral movement (wrenching) in the order of 675 m and 170 m have been mapped on Tau Lekoa and projected into the adjacent project areas. There are also a number of intrusives present, which vary in age from pre-Ventersdorp through to Karoo in age.



**Figure ES3.4: Simplified stratigraphic column of the Witwatersrand Central Rand Supergroup, Subgroups, common Formations and lithologies**

### Deposit Type

[SR2.1(v)]

The Witwatersrand gold deposits are of the "Quartz Pebble Conglomerate Au-U type". These are also referred to as "placer gold and uranium in ancient conglomerate", or "palaeo-placer gold and uranium" deposits. The mineralised horizons, or reefs, are essentially oligomictic to polymictic, matrix to pebble-supported conglomerate in which vein quartz pebbles predominate. The matrix, which essentially is quartzitic, accommodates the gold and uraninite largely as disseminated clastic particles.

The mode of the gold and uranium mineralisation has been widely debated over the last 126 years. However, the Modified Placer (the gold and associated minerals were deposited as detrital components within fluvial fans

and braided stream systems, derived from a granite/greenstone hinterland provenance, but with limited hydrothermal re-distribution of gold occurred during diagenesis and low-grade greenschist facies metamorphism) is favoured.

A geological model is employed to delineate variations (either lateral or vertical) in characteristics of the VR and C Reef. The current geological model thus subdivides the VR and C Reef into homogeneous zones based on geological, sedimentological and grade characteristics.

The VCR, which thickens up to 5 m, caps the uppermost angular unconformity of the Witwatersrand Supergroup. Due to the angular unconformity at the base of the VCR the footwall stratigraphy youngs towards the NE, with the various formations sub-cropping against the VCR in a NE-SW direction. The VCR eventually subcrops below the Karoo Supergroup on the western side of Weltevreden.

Recent paleo-reconstruction studies of the VCR mineralisation by Shango Solutions (Pty) Ltd (**Shango**) suggest that the gold distribution at Tau Lekoa and adjacent projects represent a large dispersion plume of gold scavenged primarily from the Denny's Reef to the NW, with additional scavenging occurring where the VCR crosses over the Bastard and Elsburg Reefs. It is further postulated that the gold plume formed early in the depositional history of the VCR. In subsequent depositional phases, the stream patterns and resulting mass flow directions changed due to gradual tilting to the west during syn-Ventersdorp tectonic movements.

Shango's palaeodepositional model is solely based on channel width, grade and accumulation data from Tau Lekoa and adjacent project footprints.

### Mineralisation

[SR2.1(vi) (vii)]

The gold-bearing quartzitic and conglomerate bands of the Witwatersrand Supergroup are characterised by rounded pebbles set in a mineralogically complex matrix. The pebbles are predominantly vein quartz, but can include jasper, quartzite, shales and schist, and typically do not contain appreciable mineralisation. The VR and C Reef are examples of the reefs characterised by discontinuous layers of kerogen at their base. There is a strong association between the kerogen and gold, which is found on its surface, as well as filling cleats and open spaces between filaments. There are two main varieties of gold. One is (possibly) primary gold, occurring as rare inclusions in detrital grains of massive pyrite, or as detrital grains and nugget like particles in the matrix. The second is a younger generation, possibly the result of metamorphism and recrystallization virtually in situ, which seems to have replaced fine-grained matrix material.

The mineralisation of the VCR has been interpreted into four sedimentological end members based on a facies model in order of decreasing maturity, as follows:

- **Multiple Scour Facies:** a mature oligomictic conglomerate with up to 90% sand. This facies, generally has the highest grades of all the lithofacies with the scour surfaces typically well mineralised with pyrite and gold;
- **Massive Conglomerate (MC) Facies:** a less mature conglomerate, consisting of up to 90% sand but lacking well defined scour or bedding surfaces. The grades are generally marginal;
- **Sandfill Facies:** a grey siliceous quartzite with more than 90% sand content. Mineralisation is generally poor with gold grades similar to that of the MC Facies; and
- **Plateau/Slope Reef Facies:** these facies are best described as inter-channel thin reef facies (<40 cm of sediments). Gold concentrations are low but sporadic high-grade zones have been encountered.

The gold mineralisation within the Tau Lekoa and Weltevreden Mining Right areas is associated with pyrite. The presence of pyrrhotite is observed west of Tau Lekoa (i.e. Goedgenoeg project area), and a gradual decrease in buckshot pyrite is observed eastward into Weltevreden.

## ES14: Exploration and Drilling

[SR3.1(i) (ii) (iii) (iv) (vi) (vii)]

### Kopanang

The mature nature of the Kopanang operations means that the reliance on surface drilling has been significantly reduced. Only one domain, 520, which is below the cut-off, and does not form part of the Mineral Resource is estimated using drilling information. The underground drilling at the operation is used for defining the reef elevation, and the holes are not sampled due to the high risk of carbon loss and consequent under-



estimation of the gold content. The chip sampling which informs the estimates is done using industry standard approach for Witwatersrand orebodies.

#### **Tau Lekoa Group**

Previous CPRs on historical exploration (drilling from surface) programmes at Tau Lekoa and surrounding (i.e. pre-2009) indicate that the procedures adopted were consistent with industry best practice at that time. Commentary on Quality Assurance and Quality Control (**QA/QC**) of assay results suggest a high confidence in the reliability of the assay results for Mineral Resource estimation. It should be noted that ownership of Tau Lekoa pre-2010 was in the custody of AGA, widely acknowledged to employ best practice in their QA/QC management.

Protocols adopted for the 2009 exploration campaign are not available for review. However, analysis of QA/QC assay results for this campaign indicate that the assay dataset is reliable for Mineral Resource estimation.

Protocols covering underground drilling and chip samples are consistent with industry best practice and tailored to suit the Witwatersrand tabular orebody. Independent QA/QC assay results were not made available for the period 2010 and December 2015; results subsequent to December 2015 are scanty considering the amount of chip and underground drill hole samples available for the same period. Independent QA/QC results subsequent to SRK's visit to Tau Lekoa mine on 14<sup>th</sup> and 15<sup>th</sup> June 2018 do indicate an improvement in reliability of assay results.

During the 2009 exploration campaign, a total of 46 mother holes (with deflections ranging from three to five per mother hole) were drilled and together with historical drill holes, were used to compile Independent Mineral Resource estimates. In the first half of 2018, an infill drilling program from surface was conducted, during which a total of 18 mother holes were drilled, with an average deflection of three per mother hole. The drilling programme aimed at increasing the Mineral Resource confidence at Weltevreden. The drilling protocol required BQ diamond drilling within the orebody; there was no specific requirement on the drilling technique for the overburden material. Two drilling contractors were tasked to undertake the drilling and Caracle Creek International Consulting Africa (Pty) (**CCIC**) were mandated to manage the exploration programme. Both multi and single shot survey were carried out on the mother holes; deflection holes were not surveyed. Review of all the protocols adopted for this campaign are found to be consistent with SRK's expectation.

#### **Buffels**

The sampling of the Buffels 10 Shaft Dump is from the go-belt sampling as the plant feed conveyor. No drilling has been undertaken on the dump to SRK's knowledge. Although pitting and sampling is undertaken on the dump, as part of the mining grade control process, this has not been used by SRK, as this is not considered to be sufficiently representative.

The go-belt samples are daily composites, which are reduced from approximately one tonne to approximately 2 kg of sample, which is then pulverised and split into twelve individual 25 g aliquots for assay. The samples are assayed using conventional lead collection fire assay with a gravimetric finish. The precision of assays at the typical grades from the dump is low using this method.

### **ES15: Mineral Resources and Mineral Reserves**

[18.03(2), 18.18] [SR4.2(v), SR4.5(vi)] [SR5.1(i) (ii), SR6.1(iii) (iv)]

#### **Kopanang**

The estimation approach is complex and uses a combination of Ordinary Kriging (**OK**), Simple Kriging (**SK**) and three parameter compound lognormal Macro Kriging (**MK**) into progressively larger block sizes as the distance from the data increases. The estimation domains have been adopted based on sedimentology, channel thickness, grade and footwall stratigraphy. These have been shown to be relatively robust and change little from year to year. The style of estimation is predominantly interpolation of areas surrounded by dense chip sampling data.

#### **Tau Lekoa Group**

Delineation of domains for Mineral Resource estimation are based on grade and not facies type. There are six domains straddling the farm boundaries. Domains four and five, which are confined within the Weltevreden and Jonkerskraal farm boundaries contribute only surface drill hole composite assay data for the resource estimation whiles the remaining domains contribute composite assay data from drill holes (surface and

underground) and chip samples. Composites values of accumulation (**cm.g/t**) and channel width (**CW**) have been compiled as input data for resource estimation.

The composite dataset is regularised into 30 m, 60 m and 120 m datasets and variography is carried out on these three datasets per domain. Due to the inadequate regularised data in domains four and five, the estimates use a borrowed variogram model. SRK finds the variogram models fitted onto the experimental semi-variograms to be reasonable. Using MK as the estimation technique, the regularised 30 m, 60 m and 120 m datasets are kriged into grids/blocks with dimensions 30 m by 30 m, 60 m by 60 m, and 120 m by 120 m respectively. Based on a geostatistical confidence criterion, estimates in the 30 m by 30 m, 60 m by 60 m, and 120 m by 120 m grids are classified as Measured, Indicated and Inferred Mineral Resources respectively. The three block estimates are combined into one in such a way that potentially Measured Mineral Resource estimates are not over written by Indicated and Inferred; likewise, Indicated Resources are not over written by Inferred Resources.

### Buffels

The estimation of the Buffels 10 Shaft Dump Mineral Resource is relatively simple, as only the average grade of the whole dump is being estimated. The volume is determined from a recent airborne photogrammetric survey, while the density is estimated from weighing of bins of a known volume. The grade estimate is the tonnage weighted mean of the go-belt sampling from January 2016 until June 2019, as this is the most representative sample of the dump.

### Summary Mineral Resource and Mineral Reserve Statements

SRK has verified the calculations of the cut-off grades for the respective assets and is satisfied with these thresholds. The calculations are premised on HSG's philosophy of attaining a 30% and 20% operating margin at Kopanang and Tau Lekoa Group respectively.

With respect to all the Gold Assets, the Mineral Reserves are derived only from the Measured and Indicated categories of Mineral Resources.

The Mineral Reserves are based on a long-term Au price of ZAR550 000/kg (based on USD1 180/oz and ZAR14.50=USD1.00). A long-term price of ZAR700 000/kg was used for the estimation of Mineral Resources, a premium of approximately 30%.

The SRK-audited Mineral Resources and Mineral Reserves for the Gold Assets, estimated and classified in accordance with the 2016 Edition of "The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (The SAMREC Code) at 30 June 2019, are set out as follows on a 100% gross basis:

- |                      |              |
|----------------------|--------------|
| • Kopanang           | Table ES3.3; |
| • Tau Lekoa Group    | Table ES3.4; |
| • Buffels Rock dumps | Table ES3.5; |
| • Consolidated       | Table ES3.6. |

The Mineral Resources are quoted inclusive of the Mineral Reserves.

A Mineral Resource is not a Mineral Reserve, and there is no guarantee that all or part of it will be converted to a Mineral Reserve.

In practice, Inferred Resources are often extracted as part of a mine plan and included in the LoM production schedule. Any Inferred Resources extracted in this way have been excluded from the cash flow evaluation in this CPR as required by the Listing Rules, and therefore represent potential upside to the results presented.

**Table ES3.3: SRK-Audited Kopanang Mineral Resource and Mineral Reserve Statement at 30 June 2019**

Reef Name	Mineral Resources				Mineral Reserves <sup>3,4,5</sup>			
	Category	Quantity (Mt)	Au Grade (g/t) <sup>1</sup>	Contained Au (Moz) <sup>2</sup>	Category	Quantity (Mt)	Au Grade (g/t) <sup>1</sup>	Contained Au (Moz) <sup>2</sup>
Vaal Reef	Measured	3.67	12.20	1.44	Proved	1.84	4.82	0.28
	Indicated	6.38	11.16	2.29	Probable	2.65	4.97	0.42
	<b>Subtotal (M &amp; I)</b>	<b>10.05</b>	<b>11.54</b>	<b>3.73</b>	<b>Subtotal (Proved &amp; Probable)</b>	<b>4.49</b>	<b>4.90</b>	<b>0.71</b>
	Inferred	1.26	17.17	0.69	-	-	-	-
C Reef	Measured	0.03	15.01	0.01	Proved	-	-	-
	Indicated	0.46	14.90	0.22	Probable	0.34	5.24	0.06
	<b>Subtotal (M &amp; I)</b>	<b>0.49</b>	<b>14.91</b>	<b>0.23</b>	<b>Subtotal (Proved &amp; Probable)</b>	<b>0.34</b>	<b>5.24</b>	<b>0.06</b>
	Inferred	0.20	18.11	0.12	-	-	-	-
Total	Total Measured	3.70	12.22	1.45	Total Proved	1.84	4.82	0.28
	Total Indicated	6.84	11.41	2.51	Total Probable	2.99	5.00	0.48
	<b>Total (M &amp; I)</b>	<b>10.53</b>	<b>11.70</b>	<b>3.96</b>	<b>Total (Proved &amp; Probable)</b>	<b>4.82</b>	<b>4.93</b>	<b>0.76</b>
	Total Inferred	1.46	17.30	0.81				
	<b>Total (M&amp;I&amp;I)</b>	<b>11.99</b>	<b>12.38</b>	<b>4.78</b>				

Notes:

<sup>1</sup> Mineral Resources are reported above a gold cut-off grade of 500 cm.g/t, which was derived using a gold price of ZAR700 000/kg of gold, an operating cost of ZAR2 293.80/t milled and Mine Call Factor (MCF) - Vaal Reef of 68% and C Reef of 60% and Plant Recovery Factor (PRF) of 95%.

<sup>2</sup> troy oz = 31.1034768 g.

<sup>3</sup> Milling width is 161 cm.

<sup>4</sup> Stopping width is 122 cm.

<sup>5</sup> Cut-off for Mineral Reserves is 650 cm.g/t at a gold price of ZAR550 000/kg.

<sup>6</sup> M & I – Measured and Indicated Resources.

<sup>7</sup> M&I&I – Measured, Indicated and Inferred Resources.

<sup>8</sup> All figures are rounded to reflect the relative accuracy of the estimate.

**Table ES3.4: SRK-Audited Tau Lekoa Group Mineral Resource and Mineral Reserve Statement at 30 June 2019**

Asset	Reef Name	Mineral Resources				Mineral Reserves <sup>3, 4, 5</sup>			
		Category	Quantity (Mt)	Au Grade (g/t) <sup>1</sup>	Contained Au (Moz) <sup>2</sup>	Category	Quantity (Mt)	Au Grade (g/t) <sup>1</sup>	Contained Au (Moz) <sup>2</sup>
Tau Lekoa mine	VCR	Measured	4.72	7.28	1.10	Proved	1.35	4.68	0.20
		Indicated	6.98	5.00	1.12	Probable	0.89	3.67	0.11
		<b>Subtotal (M &amp; I)</b>	<b>11.70</b>	<b>5.92</b>	<b>2.23</b>	<b>Total (Proved &amp; Probable)</b>	<b>2.24</b>	<b>4.28</b>	<b>0.31</b>
		Inferred	18.77	5.84	3.53				
Weltevreden	VCR	Measured	0.10	5.79	0.02	Proved	0.02	4.77	0.003
		Indicated	5.27	3.86	0.65	Probable	2.05	3.27	0.21
		<b>Subtotal (M &amp; I)</b>	<b>5.37</b>	<b>3.90</b>	<b>0.67</b>	<b>Total (Proved &amp; Probable)</b>	<b>2.07</b>	<b>3.28</b>	<b>0.21</b>
		Inferred	26.32	2.57	2.18				
Goedgenoeg	VCR	Measured	-	-	-	Proved	-	-	-
		Indicated	0.21	6.05	0.04	Probable	-	-	-
		<b>Subtotal (M &amp; I)</b>	<b>0.21</b>	<b>6.05</b>	<b>0.04</b>	<b>Total (Proved &amp; Probable)</b>	<b>-</b>	<b>-</b>	<b>-</b>
		Inferred	10.42	13.19	4.42				
Combined Tau Lekoa Group Total	VCR	Total Measured	4.82	7.25	1.12	Total Proved	1.37	4.68	0.21
		Total Indicated	12.46	4.54	1.82	Total Probable	2.94	3.39	0.31
		<b>Total (M &amp; I)</b>	<b>17.28</b>	<b>5.29</b>	<b>2.94</b>	<b>Total (Proved &amp; Probable)</b>	<b>4.31</b>	<b>3.80</b>	<b>0.52</b>
		Total Inferred	55.51	5.67	10.12				
		<b>Total (M&amp;I&amp;I)</b>	<b>72.78</b>	<b>5.58</b>	<b>13.06</b>				

**Notes:**

<sup>1</sup> Weltevreden Mineral Resources are reported above a gold cut-off grade of 387 cm.g/t, which was derived using a gold price of ZAR700 000/kg of gold, an operating cost of ZAR1 052/t milled and MCF for Tau Lekoa and Jonkerskraal of 84% and PRF of 94%. The rest of the Tau Lekoa Group Mineral Resources are reported at a gold cut-off grade of 400 cm.g/t using the same gold price as Weltevreden and an operation cost of ZAR1 924/t milled, with 80% MCF and 94% PRF.

<sup>2</sup> troy oz = 31.1034768 g.

<sup>3</sup> Tau Lekoa mine Reserves exclude the Shaft Pillar. Stopping width is 140 cm, milling width is 161 cm.

<sup>4</sup> Cut-off for Tau Lekoa Mineral Reserves is 488 cm.g/t at a gold price of ZAR550 000/kg.

<sup>5</sup> Trammings width is 177 cm and Milling width is 188 cm.

<sup>6</sup> In-situ cut-off for Weltevreden Mineral Reserves is 429 cm.g/t at a gold price of ZAR 550 000/kg, applied over a mine design and schedule for a 7 Year LoM at 40 ktpm from steady state mining.

<sup>7</sup> M & I – Measured and Indicated Resources.

<sup>8</sup> M&I&I – Measured, Indicated and Inferred Resources.

<sup>9</sup> All figures are rounded to reflect the relative accuracy of the estimate.

**Table ES3.5: SRK-Audited Buffelsfontein Rock Dumps Mineral Resource and Mineral Reserve Statement at 30 June 2019**

Reef Name	Mineral Resources				Mineral Reserves			
	Category	Quantity (Mt)	Au Grade (g/t) <sup>1</sup>	Contained Au (Moz) <sup>3</sup>	Category	Quantity (Mt)	Au Grade (g/t) <sup>2</sup>	Contained Au (Moz) <sup>3</sup>
Low-grade stockpiles	Measured	-	-	-	Proved	-	-	-
	Indicated	9.16	0.49	0.14	Probable	8.45	0.52	0.14
	<b>Total (M &amp; I)</b>	<b>9.16</b>	<b>0.49</b>	<b>0.14</b>	<b>Total (Proved &amp; Probable)</b>	<b>8.45</b>	<b>0.52</b>	<b>0.14</b>
	Inferred	-	-	-				
	<b>Total (M&amp;I&amp;I)</b>	<b>9.16</b>	<b>0.49</b>	<b>0.14</b>				

Notes:

<sup>1</sup> Average grade based on two and half years mine grade determined from RoM grade.<sup>2</sup> Production rate is 175 ktpm and feed grade of 0.52 g/t is based on a screening plant yield of 55% and screening plant waste grade of 0.04 g/t.<sup>3</sup> troy oz = 31.1034768 g.<sup>4</sup> No cut-off was applied as the entire dump is planned to be mined.<sup>5</sup> M & I – Measured and Indicated Resources.<sup>6</sup> M&I&I – Measured, Indicated and Inferred Resources.<sup>7</sup> All figures are rounded to reflect the relative accuracy of the estimate.**Table ES3.6: SRK-Audited Consolidated Mineral Resource and Mineral Reserve Statement for the Gold Assets at 30 June 2019 (100% gross basis)**

Mineral Resources				Mineral Reserves <sup>4,6</sup>			
Category	Quantity (Mt)	Au Grade (g/t) <sup>1,2</sup>	Contained Au (Moz) <sup>3</sup>	Category	Quantity (Mt)	Au Grade (g/t) <sup>5,7</sup>	Contained Au (Moz) <sup>3</sup>
Measured	8.52	9.41	2.58	Proved	3.21	4.76	0.49
Indicated	28.46	4.88	4.47	Probable	14.38	2.04	0.94
<b>Total (M &amp; I)</b>	<b>36.97</b>	<b>5.93</b>	<b>7.04</b>	<b>Total (Proved &amp; Probable)</b>	<b>17.59</b>	<b>2.54</b>	<b>1.43</b>
Inferred	56.96	5.97	10.93				
<b>Total (M&amp;I&amp;I)</b>	<b>93.94</b>	<b>5.95</b>	<b>17.98</b>				

Notes:

<sup>1</sup> Kopanang Mineral Resources are reported above a gold cut-off grade of 500 cm.g/t, which was derived using a gold price of ZAR700 000/kg of gold, an operating cost of ZAR2 293.8/t milled and Mine Call Factor - VR of 68% and C Reef of 60% and Plant Recovery Factor of 95%.<sup>2</sup> Weltevreden Mineral Resources are reported above a gold cut-off grade of 387 cm.g/t, which was derived using a gold price of ZAR700 000/kg of gold, an operating cost of ZAR1 052/t milled and MCF of 84% and PRF of 94%. The rest of the Tau Lekoa Group Mineral Resources are reported at a gold cut-off grade of 400 cm.g/t using the same gold price as Weltevreden and an operating cost of ZAR 1 924/t milled, with 80% MCF and 94% PRF.<sup>3</sup> troy oz = 31.1034768 g.<sup>4</sup> Milling width is 161 cm for Kopanang.<sup>5</sup> Cut-off for Tau Lekoa and Kopanang Mineral Reserves is 488 cm.g/t and 650 cm.g/t at a gold price of ZAR550 000/kg respectively.<sup>6</sup> Trammings width is 177 cm and Milling\ width is 188 cm.<sup>7</sup> In-situ cut-off for Weltevreden Mineral Reserves is 429 cm.g/t at a gold price of ZAR 550 000/kg, applied over a mine design and schedule for a 7 Year LoM at 40 ktpm from steady state mining.<sup>8</sup> Production rate is 175 ktpm and feed grade of 0.52 g/t is based on a screening plant yield of 55% and screening plant waste grade of 0.04 g/t for Buffels Reserves.<sup>9</sup> No cut-off was applied to Buffels 10 Shaft Rock Dump as entire dump is planned to be mined.<sup>10</sup> Average grade of Buffels 10 Shaft Rock Dump based on two and half years mine grade determined from RoM grade.<sup>11</sup> All figures are rounded to reflect the relative accuracy of the estimate.<sup>12</sup> M & I – Measured and Indicated Resources.<sup>13</sup> M&I&I – Measured, Indicated and Inferred Resources.

### Issues Related to Deep Level Gold Mine Conversion of Mineral Resources to Mineral Reserves

To understand the conversion of Mineral Resources to Mineral Reserves in deep level gold mines, a basic understanding of the different gold ore genesis processes is required. Gold deposits are typically related to different types of deposits which include Placer, Orogenic, Volcanic arc-hosted porphyry, Epithermal, Carlin-

type and Iron-oxide-Cu-Au deposits (Frimmel, 2007). The HSG gold deposits are placer deposits typical of the Witwatersrand Basin, mined using underground conventional mining methods. Gold is usually associated with conglomerate pebble bed horizons within quartzite strata. Witwatersrand Basin deposits are typically tabular, shallow-dipping deposits, whilst the other principal classes of gold deposits, apart from the unique (and rare) Carlin-type and Iron oxide copper gold ore deposits (**IOCG**) deposits, are most commonly vertically orientated with a limited strike extent.

The nature of the Witwatersrand (placer) gold deposits and a porphyry gold deposit are quite different. Due to the geological continuity of the gold mineralisation found in the Witwatersrand Basin and the depth of these deposits below surface, South African deep level gold mines are developed with a relatively low conversion ratio of Resource to Reserve, as compared to gold found in other principal gold deposit types. Exploratory drilling in a deep level mine has to be done for more than 1 km and up to 5 km through unmineralized waste material until a reef which is generally <2 m thick is intersected. It thus becomes very costly to drill from surface in order to upgrade an Inferred Mineral Resource to a category to support conversion to a Mineral Reserve, even though there is evidence that the reef exists and is continuous. However, in a shallow porphyry deposit, drilling occurs mostly within the orebody, which may be hundreds of metres thick, thus making it possible to classify the material as Indicated or Measured Mineral Resource.

With mature South African deep level mines, mining is conducted on a scattered basis, often including the mining of remnants. As mining progresses and on-reef development during mining is completed, so confidence in Mineral Resource categories can be increased to support conversion to Mineral Reserves. Mineral Reserves are depleted while mining is conducted, to be replaced with Mineral Reserves from revised Mineral Resource classifications.

A brief comparison of available data from Annual Reports for the main South African gold mining and producing companies in South Africa, i.e. AGA, Sibanye, Goldfields and Harmony, is presented graphically in Figure ES3.5. The results for HSG, which relate to Tau Lekoa group only, are shown for comparison.

For Sibanye, AGA and South Deep, the proportion of Measured, Indicated and Inferred Resource ounces remained fairly consistent during the periods shown, as did the Reserve ounces. This illustrates that as mining progresses, Inferred ounces are constantly being added, while earlier Inferred ounces are upgraded to Indicated and/or Measured categories.

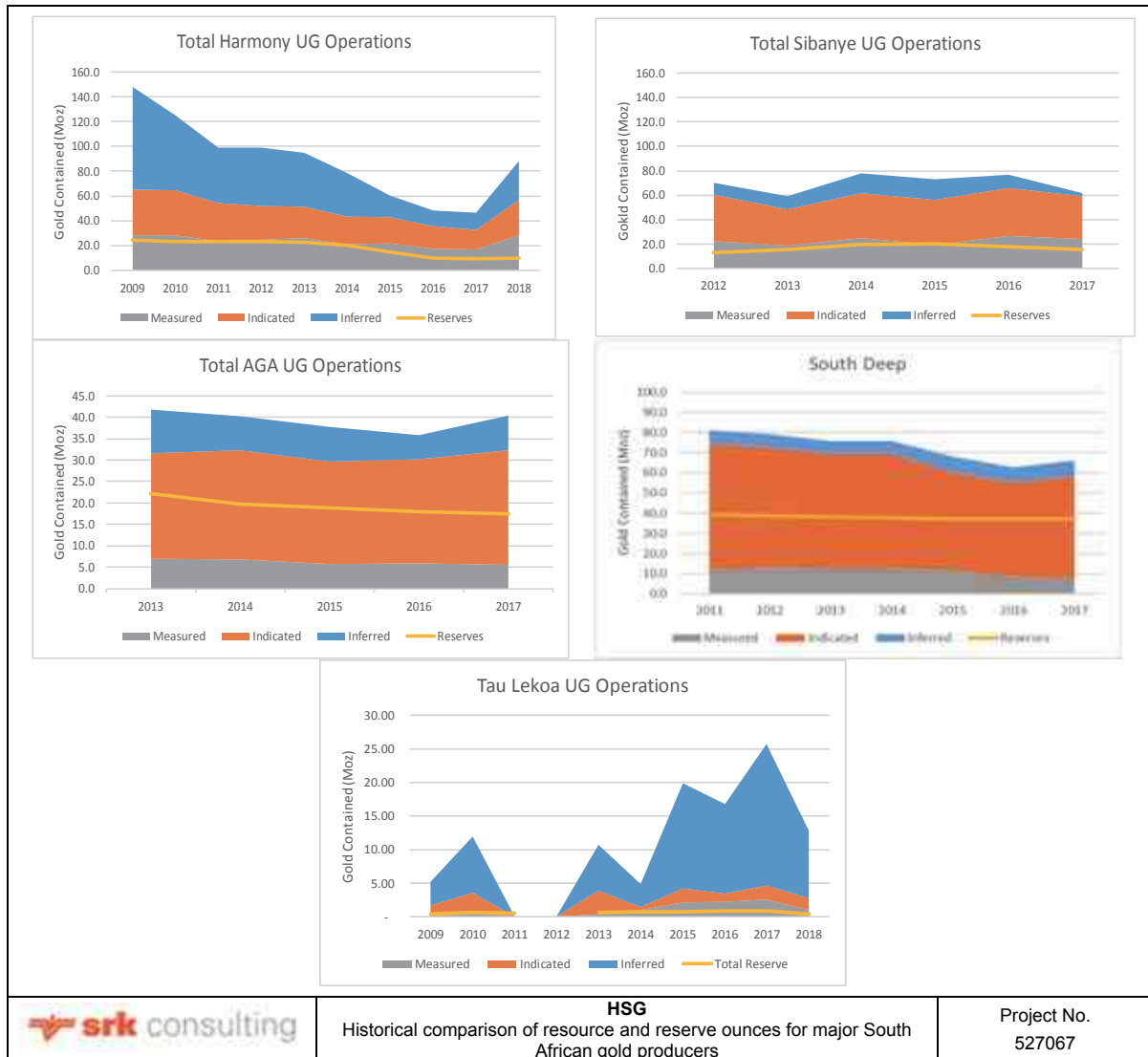
In the case of Harmony, the extent of Measured Resource ounces has remained fairly constant, while the Inferred and Indicated ounces have decreased over time, as these get upgraded to Indicated and Measured respectively.

For Tau Lekoa, the total Reserve ounces are relatively unchanged from 2009 to 2018. The Reserve ounces are supported by fairly consistent Measured and Indicated ounces over this period. The significant increase in Inferred ounces in the last three years arises from changes in HSG's Mineral Resource estimation and classification criteria e.g. gold price, domain boundaries, geostatistical parameters and inclusion of isolated blocks of ground (**IBGs**, also referred to as remnants).

It is reasonable for HSG to expect to maintain its Reserve ounces during the next three to five years, due to the following:

- The continuous nature of the orebody (see Figure ES11.2);
- Ongoing reef development included in the LoM plans, continually opens up new blocks of ground, which enable Inferred and Indicated Resources to be upgraded to Indicated and Measured Resources respectively, sufficient to be converted to Mineral Reserves;
- Additional sampling as mining advances allows extrapolation of grade information with increased confidence; and
- Extensions of underground infrastructure, e.g. development drives and decline shafts, create access which is used to conduct drilling to explore deeper or remote parts of the deposits.

The above are common practises in deep-level mining and are customary in the gold mining industry.



**Figure ES3.5: Historical comparison of resource and reserve ounces for major South African gold producers**

## ES16: Reconciliation of Mineral Resources and Mineral Reserves

[SR4.2(v), SR4.5(vi), SR6.1(iii)]

### Kopanang

HSG has not declared a Mineral Resource since the acquisition of Kopanang in early 2018. The last public estimate of Mineral Resources available is from AGA at December 2017. The most significant changes to the Mineral Resource estimates (**MREs**) are the change in cut-off value (AGA reported above a cut-off of 750 cm.g/t while HSG report above a cut-off of 500 cm.g/t), changes which are attributed to structure or estimation (including additional data) changes, and changes to the resource blocks not reported in the Mineral Resource (internally reported as mineralised inventory). Changes to block availability, offset by depletions and changes to structural interpretation, from the December 2017 Mineral Resource statement amounts to an increase from 6.80 Mt to 7.00 Mt at 750 cm.g/t cut-off. Because of the nature of the orebodies at Kopanang, the decrease in the cut-off grade from 750 cm.g/t to 500 cm.g/t has a relatively small impact on the Mineral Resources, converting approximately 0.79 Mt and 0.15 Moz from below cut-off to Mineral Resource, at an average grade of 6.53 g/t. The most significant change is the incorporation of 3.16 Mt of the VR, which was classified under AGA as inventory, into the Mineral Resources under HSG.



VMR took over Kopanang Mine operation as from March 2018. As at December 2018, VMR has declared 0.46 Moz Mineral Reserves more than what AGA had in February 2018. The increase is mainly due to a decrease in the cost structure of VMR which dropped the cut-off. Blocks that were unpay under AGA can now be mined profitably. AGA had also stopped the development as the mine was planned to be closed, VMR have restarted development and incorporated the blocks previously excluded by AGA into the LoM plan.

### **Tau Lekoa**

A reconciliation to the most recent public Tau Lekoa Group Mineral Resource statement at 30 June 2014 (VMR 2014 Integrated Annual Report) is not possible due to material inaccuracies in the June 2014 contained ounces, material differences in tonnage and gold ounces between the 2014 and 2015 declarations which cannot be explained by depletions, and subsequent changed modelling and classification criteria.

In August 2016, SRK reviewed and signed-off on the MREs compiled for the Tau Lekoa Group. It is worth noting that two independent consultancy firms compiled the MREs; Minxcon compiled the estimates within Tau Lekoa farm boundary and the estimates for the project areas (Jonkerskraal, Weltevreden and Geodgenoeg) were compiled by Shango. The effective date for the Mineral Resource Statement at a cut-off of 150 cm.g/t was 31 August 2015. For ease of comparison, SRK recalculated the 2018 Mineral Resource statement also at a cut-off of 150 cm.g/t. It is noted that although there is a 23% increase in Measured and Indicated Resources tonnes between 2015 and 2018, there is a corresponding 7% drop in ounces of gold. Reasons for this difference in Mineral Resources is due to one or more of the following factors:

- Fundamental differences in 2015 and 2018 composite dataset;
- Material differences in domain boundaries between 2015 and 2018, especially within the Tau Lekoa Mine boundary;
- Changes in variography (especially where domain boundaries have changed significantly) which thus impacts the kriged output parameters (e.g. slope of regression) used for Mineral Resource classification;
- Changes in geological losses applied for Weltevreden, Jonkerskraal and Geodgenoeg between 2015 and 2018;
- Changes in minimum block width for Weltevreden, Jonkerskraal and Geodgenoeg between 2015 and 2018; and
- Depletions at Tau Lekoa Mine subsequent to August 2015.

Although the 2016 estimates are not in the public domain, they use a consistent approach to that which has been used for the 2018 estimates, and form the only viable point from which to do the reconciliation.

There is a reduction of gold ounces, from 1.03 Moz to 0.34 Moz, from the 2017 to December 2018 Mineral Reserve declaration. The reduction is as a result of the following:

- The Dennies Reef was included in the 2017 Mineral Reserve declaration but is not part of the 2018 declaration;
- The exclusion of the reef-in-foot (**RIF**) in the 2018 declaration;
- The scheduling of the IBGs has been more stringent compared to 2017. Only identified and investigated IBGs have been used in the 2018 Mineral Reserve process;
- Some of the stabilising pillars left for regional support, including the shaft pillar, were scheduled in 2017, whereas in 2018 they were excluded. and
- Large undeveloped areas above 800 Level and to the south of the mine were excluded in 2018.

### **Buffels**

There is no previous Public Report for the Buffels 10 Shaft dump. Documents provided to SRK by HSG show estimates of 11.4 Mt, at an average grade of 0.52 g/t, containing 0.19 Moz gold (2009) and 12.8 Mt, at an average grade of 0.66 g/t, containing 0.27 Moz gold (2013). There are no records of any additions or depletions between October 2009 and December 2015; however, records indicate extraction of 3.4 Mt of material from the dump between December 2015 and 30 June 2019. Assuming no deposition or extraction between 2013 and December 2015, depletion of the 2013 estimate by the mined tonnage gives a Mineral Resource of 9.8 Mt, compared to the current estimate of 9.1 Mt. The 2009 grade estimate of 0.52 g/t is consistent with the current



estimate of 0.50 g/t; however, the 2013 estimate is significantly higher. SRK is unable to explain the discrepancies due to the lack of support for the historical estimates.

### ES17: Geotechnical Engineering

[SR3.1(i), SR3.2(ii), SR4.1(ii), SR4.3(ii), SR5.2(vii) (viii)]

Tau Lekoa and Kopanang are well run from a geotechnical perspective with the appropriate mitigation measures and strategies in place to contain both the rockfall and rockburst hazards.

The mining strategies linked to the business plan are comprehensive and provide for each of the mining areas and geotechnical ground control districts.

The potential of mining IBGs at Tau Lekoa has been realised with the appropriate risk mitigation factors in place. At Kopanang the potential of mining IBGs has been recognised and appropriate assessments have been undertaken..

The PFS mining layout for Weltevreden is appropriate for the shallow depth of mining and barrier pillars and in-panel pillars are appropriately designed. This design may be conservative due to the pillar strength factor being assumed to be 0.3 of the uniaxial rock strength. This is adequate for a PFS level of study. However, an opportunity exists to optimise this result by using the rock mass rating and calculating a design rock mass strength.

All aspects of ground control for example tunnel support and in-stope support at Weltevreden have been assessed and the requirements have been incorporated into the mine design and support strategies in the PFS.

No geotechnical issues were identified for Weltevreden.

### ES18: Hydrogeology and Hydrology

[SR3.1(i), SR4.3(ii), SR5.2(ii) (vii) (viii)]

#### Kopanang

The Vaal River will be the main receptor of any pollution from the Kopanang Shaft complex. The water samples that have been collected classify into distinctive upstream and downstream discharge qualities. The downstream water quality in the Vaal River has a definite increase in sulphate (**SO<sub>4</sub>**) concentrations indicating impacts from gold mining operations.

The Water Use License (**WUL**) used by Kopanang is included in the combined WUL for the previous Vaal River Operations (**VRO**) which included Kopanang, Great Noligwa and Moab Khotsonk. HSG submitted an application in March 2019 to divide this WUL into a separate licence for Kopanang, which includes a challenge against the conditions relating to water quality within the tailings circuit. HSG has met with the Department of Water and Sanitation (**DWS**) to formalise the process.

The quality of groundwater at the operations has been severely impacted by mine operations over the last 100 years. No baseline information is available. The first groundwater sampling from boreholes was conducted in 1998. However, from extrapolations and qualities of isolated non-polluted sources, it can be deduced that the quality of groundwater pre-mining was good for all use or at least Class 1 (based on South African National Standard (**SANS**) domestic use). It is evident that median groundwater quality is currently not fit for any use, indicating impacts from the mining operations.

The Kopanang Shaft, sunk to a depth of 2 240 m, is situated in the lower parts of the Klerksdorp Goldfield and could receive groundwater from the larger catchment as many of the shafts in the area are interlinked. As mines and shafts close, re-watering of the underground workings would take place, requiring additional pumping capacity to ensure safe mining conditions. An audit was undertaken in November 2018, indicating that some items of non-compliance had been addressed and these include the measurement of discharge from the mine.

There are numerous pollution control measures that are required to meet compliance with the WUL conditions. These items were identified in numerous audits and internal compliance audits. The following capital items are needed to meet the compliance for the carved-out assets:

- Separation of clean and dirty water at the shaft complex;
- Remediation of pollution plumes which have been identified; and

- Treatment of any post closure decant.

The following risks have been identified:

- The risk of contamination of groundwater and surface water resources is considered as high; and
- The risk of unexpected groundwater ingress is considered as medium.

#### **Tau Lekoa**

Water from the Tau Lekoa underground operations is pumped to the West Gold Plant for top up process water. Approximately 14 552 m<sup>3</sup>/month is re-used in the mining operations. The mine's potable water is supplied by Midvaal Water and is stored in potable reservoirs. Current water monitoring data has indicated that surface and groundwater quality is of relatively good quality.

The closest surface water features to the operation are the Vaal River and the Schoonspruit. Two seep wetlands also occur on the site, one on the Goedgenoeg Farm where the surface infrastructure of the mine is located and the other on the Boschoek Farm where no surface infrastructure exists. There are no other known sensitive areas on the site other than the surface water features mentioned. The Waste rock dump (WRD) owned by Mallosana Industries has encroached on the 1:100 year flood line and may interfere with natural water flows.

Two main aquifers occur on the site namely a shallow, weathered aquifer at an average depth of 10 m below ground level and a fractured aquifer. Existing monitoring boreholes were constructed in a manner that allows mixing of groundwater from the shallow weathered aquifer and the deeper fractured aquifer. This prevents an evaluation of the severity of the impacts on the different aquifer systems. The mixing also promotes the exchange of contaminants from an impacted aquifer to an unaffected aquifer.

A hydrocensus of monitoring boreholes has indicated that the current network is insufficient to adequately evaluate the impacts of mining infrastructure. The lack of long term groundwater data has hindered the evaluation of impacts.

The following risks have been identified:

- The contaminant plume from the operations (WRD and Swanepoel Dam) has impacted the aquifers and reached the Vaal River;
- Remediation of pollution plumes which have been identified; and
- Treatment of any post closure decant.

#### **Weltevreden**

The hydrological impact assessment (EIMS, 2017) determined that the implementation of the proposed Weltevreden Shaft complex in conjunction with the additional mitigation measures, would result in the impacts being of a low significance if the following recommendations are considered to limit the potential of the proposed development to impact the surrounding surface water bodies:

- A detailed Stormwater Management Plan that adheres to GN704 should be planned and constructed for the mine and shaft in order to limit dirty water contamination;
- The 1:50-year rainfall event should be monitored and treated, if necessary, prior to release back into the environment;
- A water quality monitoring programme should be implemented immediately to assess the impact on the surrounding water bodies; and
- The mitigation measures highlighted during the construction, operational and decommissioning phase of the project be implemented to decrease the risks associated with the activities.

The Weltevreden mitigation measures have not been implemented as yet. There is currently no mining activity at Weltevreden and no impacts have yet been identified. Boreholes sampled by EIMS in 2017 showed good quality groundwater. Potential impacts of the project include:

- Increased runoff and siltation of the Vaal River; and
- Surface and groundwater contamination from hydrocarbon and chemical leakage/spillage.

**Nicolor Plant (South Plant)**

Buffels is no longer responsible for the operation of the tailings dams and pollution control dams (PCDs). However, the borehole monitoring conducted by Buffels is still taking place at some of the boreholes.

The process plant interferes with the natural drainage patterns of the area. Storm water and surface run-off ("clean" water) is diverted around structures as far as practically possible, although the diversion of surface run-off via bunded facilities around the Nicolor Plant does not seem to be as effective as planned and may need to be upgraded. From the external audit conducted, there is still some discharge from the site, however, the water quality in the river meets the WUL compliance.

Rain water and process water that falls on metallurgical plant surfaces is considered as "dirty" water and is channelled via the drainage system (comprising pipelines and trenches) into return water dams (acting both as pollution control and evaporation dams). All dirty water systems in the plant are maintained in such a way that water is kept in a closed circuit and not allowed to spill and/or mix with clean water. All dirty water is recycled to the metallurgical process. HSG submitted a WUL application for the Nicolor Plant in December 2018, which included use of borehole water that is presently not licensed.

The evaporation dam located south of No.10 Shaft is still part of the Buffels' liability and management but is not currently in use.

**ES19: Mining**

The scattered up-dip, down-dip and breast mining methods applied at Kopanang and Tau Lekoa have been proved over many years of production at the mines. SRK believes the mining methods are appropriate for the narrow reefs mined. The applied modifying factors and planning parameters to convert Mineral Resources to Mineral Reserves take cognizance of the historically achieved results.

**Kopanang**

Kopanang is a deep level mature gold mine and the planned production rate of 66 ktpm is significantly lower than the installed capacity of the infrastructure. Two gold-bearing horizons, viz. VR and C Reef, are accessed through a single shaft system which descends to a maximum depth of 2 334 m, while the main working levels are situated between 1 300 m and 2 064 mbs. The Kopanang ore body is geologically complex and scattered mining methods are employed. Access to the orebody is mainly by footwall haulages.

Broken rock handling is track-bound and transferred via a number of inter level - transfer systems to the silos on 75 Level. The rock is hoisted to surface through the main shaft. Personnel access in the mine is through main and sub-vertical shafts, man carriages and chairlift systems.

The actual Mine Call Factor (MCF) realised by the mine from January to June 2019 was 72%. The 68% applied in the LoM plan is based on what was historically achieved by AGA.

**Tau Lekoa**

The Tau Lekoa underground workings are accessed by two 10 m diameter vertical shafts developed to a depth 1 748 mbs.

The duration of the LoM plan based on the Measured and Indicated Mineral Resources within Tau Lekoa and Jonkerskraal is less than two years. The mine is currently extending mining into remnant pillars (referred to locally as IBGs, to distinguish from support and stability pillars).

Conventional track-bound locomotives and hoppers are used for the tramming of ore underground. The drilling and loading is powered with a hydropower system fed from surface and track-bound loaders. The hydropower system is more efficient in comparison to compressed air.

The mine was originally designed for a higher production rate of 210 Ktpm and the installed infrastructure capacity is significantly higher than the 65 ktpm that is currently planned.

**Weltevreden**

Weltevreden is the shallow extension of Tau Lekoa lying to the east of the mine. Ore from Weltevreden is planned to form part of Tau Lekoa's production profile, with first ore available in November 2019 reaching steady-state of 40 ktpa in July 2022. An existing twin-decline provides access to the reef horizon. It is estimated that it will take four months to dewater the mine and a further two months to make safe the declines and reinstate the underground services.

The production plan has assumed all underground development will be done using mechanised equipment by contractors operating on a continuous operations basis, while all stoping will be on a conventional scattered breast mining basis working an 11-shift fortnight.

## ES20: Ventilation and Cooling

[SR5.2(vii) (viii)]

A technical review was undertaken to evaluate the effectiveness of risk control measures, with emphasis on workplace ventilation design, which are aimed at minimizing occupational health exposures to below occupational health exposure limits (OELs) as contemplated in mandatory codes of practice and Regulation 9.2 of the Mine Health and Safety Act (Act no.29 of 1996) (MHSA).

### Kopanang

Kopanang is mining at an average depth of 1 600 mbs with ambient rock temperatures exceeding 40.0°C and is therefore classified as a deep level mine. The ventilation and cooling infrastructure was originally designed for a production rate of 210 ktpm. Current production is approximately 66 ktpm.

The excessive distances from the shaft (current distance to furthest workings: 5 200 m) to the workings are a ventilation and cooling challenge. However, the current reduced ventilation quantity (1 100 to 800 kg/s) and reduced cooling (36 to 18 MW) is sufficient for the provision of acceptable environmental conditions at the production faces. Average wet bulb temperatures do not exceed 28.5°C.

### Tau Lekoa

Tau Lekoa is mining at an average depth of 1 500 mbs with rock temperatures exceeding 35.0°C and therefore is classified as a deep level mine. The ventilation and cooling infrastructure was originally designed for a production rate of 210 ktpm. Current production is approximately 65 ktpm.

The current reduced ventilation quantity (1 100 to 740 kg/s) and service water cooling is sufficient for the provision of acceptable environmental conditions at the production faces. Average wet bulb temperatures did not previously exceed 29.0°C.

### Weltevreden

Weltevreden is in the design phase. The design ventilation quantity (300 m³/s) is sufficient for the mechanised mining development and conventional stoping production requirements.

## ES21: Historical Production

[SR1.4(iii)]

Summary historical production statistics for the Gold Assets are set out as follows:

- Kopanang (shaded cells in AGA's hands) Table ES3.7;
- Tau Lekoa Table ES3.8;
- Nicolor (South Plant) Table ES3.9;
- West Gold Plant (shaded cells in AGA's hands) Table ES3.10;
- Buffels Table ES3.11;
- Consolidated VMR (excludes AGA) Table ES3.12.

**Table ES3.7: Summary historical production statistics for Kopanang**

Item	Units	Annual Production (AGA)				Kopanang in HSG's hands	
		2015	2016	2017	Jan/Feb 2018	Mar-Dec 2018	H1-2019 (6 months)
Production							
Ore milled	(kt)	672.0	552.0	612.0	64.9	462.8	297.7
MCF	(%)	73%	73%	65%	75%	53%	72%
Av. mining grade	(cm.g/t)	1 276	1 200	1 303	1 333	1 266	1 140
Au produced	(koz)	117.5	91.1	91.3	11.8	59.4	40.8 <sup>(1)</sup>
Au recovered grade	(g/t)	5.43	5.09	4.67	5.88	4.02	4.26
Total Operating Cost	(ZARm)	1 610.5	1 718.0	1 854.5	285.7	1 196.4	755.2
AISC Cost	(ZARm)	1 831.4	1 925.6	2 033.6	299.1	1 318.4	837.8
AISC Cost	(USDm)	143.3	131.2	152.9	24.9	97.8	59.0
Unit costs							
Direct cost	(ZAR/t milled)	2 379	3 112	3 030	4 402	2 585	2 537
AISC cost	(ZAR/t milled)	2 719	3 488	3 323	4 608	2 849	2 814
AISC cost	(USD/t milled)	213	238	250	383	211	198
AISC cost	(USD/oz produced)	1 067	1 440	1 674	2 101	1 645	1 448

Notes:

<sup>1</sup> Includes the 34.6 kg (1.1 koz) of gold stolen during February 2019.**Table ES3.8: Summary historical production statistics for Tau Lekoa**

Item	Units	2015 (6 months)	2016	2017	2018	H1-2019 (6 months)
<b>Production</b>						
Ore milled	(kt)	352.2	646.8	764.4	794.5	379.5
MCF	(%)	78%	84%	72%	74%	76%
Av. mining grade	(cm.g/t)	844	797	716	717	633
Au produced (own production)	(koz)	38.6	71.0	74.5	69.3	34.7 <sup>(1)</sup>
Au produced (toll allocation)	(koz)	0.0	17.7	11.1	27.1	0.0
Au recovered grade	(g/t)	3.41	3.42	3.03	2.71	2.85
Operating Cost (own production)	(ZARm)	600.0	1 309.7	1 355.4	1 488.9	763.8
AISC Cost (own production)	(ZARm)	640.8	1 439.7	1 544.5	1 667.1	848.1
AISC Cost (own production)	(USDm)	47.1	98.1	116.1	125.8	59.7
<b>Unit costs (own production)</b>						
Direct cost	(ZAR/t milled)	1 704	2 025	1 773	1 874	2 013
AISC cost	(ZAR/t milled)	1 820	2 226	2 020	2 098	2 235
AISC cost	(USD/t milled)	134	152	152	158	157
AISC cost	(USD/oz produced)	1 219	1 381	1 560	1 817	1 720

Notes:

<sup>1</sup> Includes the 25.1 kg (0.8 koz) of gold stolen during February 2019.**Table ES3.9: Summary historical production statistics for Nicolor (South Plant)**

Item	Units	2015 (6 months)	2016	2017	2018	H1-2019 (6 months)
<b>Production</b>						
Tau Lekoa ore	(kt)	352.2	646.8	764.4	317.5	0.0
Buffels ore	(kt)	439.4	656.1	1 004.2	1 081.7	680.9
Toll-treatment	(kt)	3.7	565.3	309.0	308.3	343.7
Total ore processed	(kt)	795.3	1 868.2	2 077.6	2 111.7	1 024.6
Plant recovery	(%)			91%	80%	69%
Recovered grade	(g/t)			1.49	0.97	0.66
Total Operating Cost	(ZARm)	99.2	234.2	255.3	279.2	301.9
AISC Cost	(ZARm)	100.6	244.9	267.4	289.4	303.9
AISC cost	(USDm)	7.4	16.7	20.1	21.8	21.4
<b>Unit costs</b>						
Operating cost	(ZAR/t milled)	125	126	123	132	295
AISC cost	(ZAR/t milled)	127	131	129	137	297
AISC cost	(USD/t milled)	9.3	8.9	9.7	10.3	20.9

**Table ES3.10: Summary historical production statistics for West Plant**

Item	Units	Annual Production (AGA)				West Plant in HSG's hands	
		2015	2016	2017	Jan/Feb 2018	Mar-Dec 2018	H1-2019 (6 months)
Production							
Tau Lekoa ore	(kt)	-	-	-	-	637.6	379.5
Kopanang ore	(kt)					461.7	297.7
Toll-treatment	(kt)	-	-	-	-	20.6	12.9
Total ore processed	(kt)	1 620.4	1 520.8	1 347.2	0.0	1 119.9	690.1
Plant recovery	(%)	86%	82%	67%		91%	92%
Au produced	(koz)			64.5		115.4	76.3
Au recovered grade	(g/t)			1.49	0.97	3.26	3.44
Total Operating Cost	(ZARm)	134.5	169.1	157.4	0.0	191.7	139.8
AISC Cost	(ZARm)					208.7	146.9
AISC cost	(USDm)					15.5	10.3
Unit costs							
Operating cost	(ZAR/t milled)	83	111	117		171	203
AISC cost	(ZAR/t milled)	83	111	117		186	213
AISC cost	(USD/t milled)	6.5	7.6	8.8	-	13.8	136

**Table ES3.11: Summary historical production statistics for Buffels**

Item	Units	2015 (6 months)	2016	2017	2018	H1-2019 (6 months)
<b>Production</b>						
Ore milled	(kt)	398.7	679.6	1 004.2	1 066.7	680.9
Au produced	(koz)	4.9	10.3	14.6	12.2	6.9
Au recovered grade	(g/t)	0.38	0.47	0.45	0.36	0.32
Total Operating Cost	(ZARm)	90.0	160.2	200.2	214.2	135.8
AISC Cost	(ZARm)	90.0	167.6	203.5	217.7	146.5
AISC cost	(USDm)	6.6	11.4	15.3	16.4	10.3
<b>Unit costs</b>						
Cash cost	(ZAR/t milled)	226	236	199	201	192
AISC cost	(ZAR/t milled)	226	247	203	204	194
AISC cost	(USD/t milled)	16.6	16.8	15.2	15.4	13.6
AISC cost	(USD/oz produced)	1 361	1 106	1 046	1 341	1 345

**Table ES3.12: Summary consolidated historical production statistics for VMR**

Item	Units	2015 (6 months)	2016	2017	2018	H1-2019 (6 months)
<b>Production</b>						
Ore milled	(kt)	750.9	1 851.3	2 075.1	3 054.8	1 714.7
Au produced	(koz)	43.5	98.9	100.1	168.0	97.9
Au recovered grade	(g/t)	1.80	1.66	1.50	1.71	1.78
Operating Cost (own production)	(ZARm)	690.0	1 532.2	1 603.9	2 993.1	1 968.8
AISC Cost (own production)	(ZARm)	730.8	1 680.9	1 810.8	3 309.5	2 149.2
AISC Cost (own production)	(USDm)	53.7	114.5	136.2	249.8	151.4
<b>Capital</b>						
Total capital	(ZARm)	40.8	134.8	196.2	290.7	169.0
Admin/reclamation	(ZARm)		13.9	10.7	25.7	11.4
<b>Unit costs (own production)</b>						
Direct cost	(ZAR/t milled)	919	828	773	980	1 148
Direct cost	(USD/oz produced)	1 234	1 284	1 353	1 603	1 417
AISC cost	(ZAR/t milled)	979	908	873	1 083	1 253
AISC cost	(USD/t milled)	72	62	66	82	88
AISC cost	(USD/oz produced)	1 235	1 408	1 528	1 772	1 546

**ES22: Metallurgy and Mineral Processing**

[SR4.3(ii), SR5.3]

HSG gold processing facilities include the Nicolor Gold Plant and the West Gold Plant. Until recently, underground ore from the Tau Lekoa mine was processed with Buffels surface material and third-party material through the Nicolor Gold Plant. Following the acquisition of Kopanang and West Gold Plant, ore from Kopanang and Tau Lekoa have been processed through the West Gold Plant. The Nicolor Gold Plant is now dedicated to processing surface sources and third-party material under tolling agreements. Ore from the future Weltevreden will be treated through the West Gold Plant.

**Nicolor Gold Plant**

The Nicolor Gold Plant uses the standard leach and CIP process and has a capacity of 180 ktpm. Tailings are transferred to AGA's Mine Waste Solutions (**MWS**) for further processing and ultimate storage on their Mega Dam.

Planned throughput is seen to be in line with the best achieved in recent years. It should be noted that the planned tonnage will be derived solely from the #10 Dump material for the LoM. The availability of third-party material is uncertain and erratic, and has therefore been excluded for evaluation purposes. A secure and sustainable source of tolling material would provide an upside opportunity.

Planned gold production is lower than achieved in recent years but this is primarily due to the fact that higher grade Tau Lekoa ore is no longer being processed through this facility.

There are no capital projects planned at the Nicolor Gold Plant. The LoM Plan allows for sustaining Capex at 7.5% of operating costs (**Opex**). This equates to approximately ZAR20 million per year which is considered to be reasonable.

It is informative to note that water costs contribute 8% to total processing costs, compared to 0.2% at West Gold Plant. This is principally due to the need to purchase Municipal water for the operation of the Nicolor Plant, as the tailings disposal contract with MWS does not allow for the return of tailings transfer water to Nicolor.

**West Gold Plant**

The West Gold Plant uses a standard pre-leach and CIL process and has a rated reef milling capacity of 180 ktpm and CIL capacity of 220 ktpm. Current plant capacity is estimated at 160 ktpm. It was reported that in order to achieve the rated milling capacity, it will be necessary to recommission the secondary ball mill, which is not currently in operation.

Tailings are transferred to AGA's MWS for further processing and ultimate storage on their Mega Dam.

Planned throughput is seen to be highly variable but generally below rated milling capacity of 2 160 ktpa once the secondary ball mill is recommissioned.

Planned gold production is seen to be highly variable in line with the variable feed tonnage.

Investigations undertaken by SRK a number of years ago concluded that the practice of allocating gold in proportion to the measured gold received from each feed source, would favour Kopanang at the expense of Tau Lekoa. It is understood that similar accounting discrepancies are presently being experienced at West Gold Plant. Further investigation is being undertaken.

There are no capital projects planned at the West Gold Plant. The LoM Plan allows for sustaining Capex at 7.5% of Opex. This equates to approximately ZAR16 million per year, which is considered to be reasonable.

**Weltevreden**

The main reef at Weltevreden is the VCR. The metallurgy of this deposit is likely to be very similar to Tau Lekoa. HSG commissioned a programme of comparative leach testwork at Mintek and indications are that the leach characteristics of the Weltevreden Domain 5 sample were similar to the Tau Lekoa Geozone 5 sample. Further investigation would be required to predict recovery with greater confidence but results of this single sample indicate a recovery of 95% for Weltevreden Domain 5.

Weltevreden ore will be processed in the existing West Gold plant and no specific Capex is anticipated.

Opex is likely to be very similar to that achieved on Tau Lekoa and Kopanang ore in the West Gold Plant.



**ES23: Tailings Disposal**

[SR1.1(ii), SR5.4(ii)]

Neither the Kopanang nor Tau Lekoa operations have dedicated tailings storage facilities (**TSFs**) on their respective sites. The Special Purpose Vehicle (**SPV**) Services Agreement between AGA and HSG makes provision for tailings produced at the West Gold Plant (comprising ore received from Kopanang and Tau Lekoa mines and future reef projects) to be deposited at AGA's West Complex and West Extension TSFs (see discussion in Section 6.13, "Material Contracts").

SRK understands that all tailings from Nicolor (the Buffels South plant) will be disposed of on AGA's new mega TSF.

The ownership of and risk in the tailings sent to the TSFs pass automatically to AGA once the tailings have been deposited on the TSFs. SRK thus assumes that all operations, adherence to Codes of Practice (**CoPs**), regular audit/monitoring reports, rehabilitation, etc of the TSFs is AGA's sole responsibility and liability.

SRK has identified two risks associated with the tailings disposal third party agreement:

- AGA has the sole right to determine when the TSF has reached "full capacity" (per clause 11.1.4.4 of the SPV Services Agreement); and
- AGA has the right to refuse tailings from the West Plant where the tailings are derived from ores other than Kopanang, Tau Lekoa or other reef projects.

The term of the SPV Services Agreement is ten years, which exceeds HSG's current seven-year LoM plan. The risk that AGA would no longer be able to receive tailings from West Plant is therefore low.

In terms of the SPV Services Agreement, HSG would pay a fixed price of ZAR9.00/t of tailings disposed on AGA's TSFs.

**ES24: Capital and Operating Cost**

[18.03(3), 18.06] [SR4.3(vii), SR5.6(iii)]

**Capital**

The Capex for the current operations consisting of Ore Reserve Development (**ORD**) and sustaining capital provisions is as shown in Table ES3.13.

**Table ES3.13: Ore Reserve Development and Sustaining Capex for the Current Operations**

Asset	Units	Total LoM	Ore Reserve Development	Sustaining
Kopanang	(ZARm)	966	547	420
Tau Lekoa	(ZARm)	481	371	109
Weltevreden	(ZARm)	1 083	503	580
Buffels	(ZARm)	0	n/a	0
Nicolor <sup>1</sup>	(ZARm)	76	n/a	76
West Plant <sup>1</sup>	(ZARm)	108	n/a	108
<b>Total Capital</b>	<b>(ZARm)</b>	<b>2 713</b>	<b>1 421</b>	<b>1 292</b>

Note:

<sup>1</sup> Included in plant treatment costs recovered from Kopanang, Tau Lekoa, Weltevreden and Buffels.

The ORD and sustaining Capex provisions for the current operations are considered reasonable. The capital indicated for Goedgenoeg is not currently supported by a technical study document and has not been considered.

HSG has spent ZAR3.8 million on the Weltevreden Project up to end June 2019. The remaining Capex for the Weltevreden Project is estimated at ZAR1 083 million, including project capital, sustaining capital, and ORD for the seven-year plan. It should be noted that if the capital cost should over-run by 5%, this will result in a negative NPV.

**Operating Costs**

The LoM average all-in sustaining operating costs (**AISC**) for the Gold Assets are provided in Table ES3.14.



**Table ES3.14: All-in sustaining operating costs**

Operation	AISC (ZAR/t milled)
Kopanang	2 254
Tau Lekoa	2 118
Weltevreden project	1 634
Buffels	208
Nicolor	148
West Plant	178

**ES25: Infrastructure and Engineering**

[SR4.3(ii), SR5.4(i) (ii)]

Surface and underground physical infrastructure at the existing operations is more than adequate to support the respective 2018 LoM Plans.

In the case of Weltevreden, the planned surface and underground infrastructure as reported in the 2018 PFS is also adequate to support a 7-year plan.

**Electrical Infrastructure**

[SR1.1(ii), SR4.3(iii), SR5.4(ii)]

**Kopanang**

The installed capacity and the agreed Notified Maximum Demand (**NMD**) of 54.3 MVA at Kopanang is adequate to supply power requirements for the LoM. All the necessary power supply agreements such as the emergency supply network and the NMD agreement has since been transferred from previous owners to Kopanang Mining Company, owned by HSG.

**Tau Lekoa**

The agreed NMD of 32 MVA and the installed bulk electrical infrastructure with a capacity of 80 MVA for Tau Lekoa are enough to supply the power requirements for the LoM. Tau Lekoa is on the same emergency supply network as Kopanang.

**Weltevreden**

The spare capacity of 7 MVA at Tau Lekoa is enough to supply the start-up phase power requirements of 4 MVA at Weltevreden. The main incoming substation at Weltevreden will be equipped with one 22/6.6 kV 15 MVA transformer. The 7-year plan CPR presentation dated 20 November 2018 indicates that the total maximum absorbed load at any given time will be about 7.9 MVA. This is based on a maximum demand load factor of 46% at any given time, with a power factor of 0.8. The installed 15 MVA transformer is therefore currently enough to supply the power requirements for the whole mine. SRK is, however, of the opinion that the maximum absorbed power at any given time, be thoroughly reviewed in the next phase of the study, to ensure that the allocated maximum demand is used efficiently and that the transformer is correctly sized. Opportunity to improve the power factor to above 0.9 should also be explored in the next phase.

The risk with the installation of a single transformer is that production will be affected should this transformer fail. However, major electrical equipment such as transformers are designed to have a minimum lifespan of about 25 years, if properly maintained. Considering that this transformer will be purchased new, be properly maintained and that the LoM is only seven years, it is expected that chances of this transformer failing during the LoM will be low.

**Nicolor (South Plant)**

The Nicolor main incoming substation has an installed capacity of 70 MVA, with an agreed NMD of 12.5 MVA with Eskom. The installed capacity is more than enough to supply the power requirements for the plant.

**West Plant**

The West Gold Plant has adequate electrical supply to support the LoM and adequate emergency generation capacity, to supply critical equipment such as thickener drives and Telkom lines during Eskom power failures.

**ES26: Human Resources**

There are five Trade Unions at the HSG operations. The dominant Trade Union is the National Union of Mineworkers (**NUM**). The union membership of the Association of Mineworkers and Construction Union (**AMCU**) is found at both Kopanang and Tau Lekoa mines. The National Union of Metal Workers of South Africa (**NUMSA**) only has a presence at Tau Lekoa.

Although union rivalry has been observed elsewhere in the South African mining industry, SRK does not regard this as a significant risk factor to the operations as industrial relations are well managed at HSG. The relationship between the various trade unions and management appear to be cordial and not hostile. There is a well-defined dispute resolution mechanism in place at the HSG operations.

The operations at HSG are adequately staffed to deliver on the LoM plan.

Both the Kopanang and Tau Lekoa operations exceed the targets set for employment equity and women in mining.

HIV and AIDS does not present a material risk factor to the operations of HSG and the achievability of the LoM plan.

SRK considers that there is compliance to the in-house policies and procedures governing the management of Human Resources (**HR**) at the HSG.

**ES27: Occupational Health and Safety**

[SR5.2(viii)]

**Occupational health**

Silica dust with a crystalline silica content in excess of 18% is one of the main occupational health risks at the Gold Assets. The mines have an industry leading silica dust suppression and enhanced medical surveillance programme in place in their quest towards zero harm.

In terms of the health surveillance records, early diagnosed cases have been on the decline since 2006.

There are short term fluctuations with previously exposed employees being diagnosed with silicosis (lag period from exposure to diagnoses: 10 to 20 years).

The mitigating action to reduce the silicosis risk is the continuation of dust suppression initiatives.

**Safety**

Kopanang continues in the quest to reduce employee injuries. The average Lost time injury frequency rate (**LTIFR**) has decreased from 15.8 in 2016 to 3.8 in 2018. There has been a significant reduction in injuries and fatal injuries from 2002 to 2018.

A recent court ruling in favour of Kopanang, indicates that there has been a reduction in the number of questionable safety stoppages by the DMR.

The Tau Lekoa mine LTIFR has decreased from an average of 18.8 in 2016 to 14.0 in 2018. This is much higher than the rate of 3.8 for Kopanang.

**ES28: Environmental and Social Impact**

[SR5.5] [ESG2.2, ESG2.3, ESG2.4, ESG3.2, ESG3.3, ESG3.4, ESG4.3, ESG4.4]

**Kopanang**

The land use in the region of Kopanang comprises of predominantly mining and agriculture. It is predominantly low shrublands/open space with limited areas of woodlands and grasslands. The land capabilities range from moderate to very poor quality arable soils with areas of moderate to low economic potential, wilderness and wetlands. The Vaal River is the primary surface watercourse adjacent to Kopanang and the Schoonspruit is adjacent to the West Gold Plant. Surface water quality monitoring has indicated that the water quality of the Vaal River has been compromised not only by mining operations but by other activities upstream. The quality of groundwater in the region of Kopanang has been severely impacted by mine operations over the last 100 years. The following sensitive environmental and social features are found within the vicinity of the Kopanang Operations and West Gold Plant:

- The Vaal River and associated tributaries and riparian habitats;
- Heritage sites: graves (although not located within the mine property) and historical buildings; and

- Farmhouses.

Kopanang and West Gold plant activities were environmentally authorised in the 2012 VRO Environmental Management Programme (**EMP**). In November 2017, SRK compiled and submitted an Environmental Impact Assessment (**EIA**)/EMP in terms of Regulation 982 of the National Environmental Management Act (act No. 107 of 1998) (**NEMA**) to the DMR to separate the activities associated with Kopanang operations and West Gold Plant for K2017449111 (South Africa) (Pty) Ltd from AGA's VRO into a separate EMP. The company name K2017449111 (South Africa) (Pty) Ltd was subsequently changed to Kopanang Gold Mining Company (Pty) Ltd (**KGM**). Following the submission of the EMP, a Regulation 29(1) as per NEMA Regulation 982 was submitted to the DMR in February 2018. The Regulation 29(1) was approved on 24 May 2018.

VRO has an existing WUL (No. 01/C24J/BFJ/2000) that was issued on 5 August 2013, which includes the Kopanang and West Gold Plant operations. SRK was appointed to separate out the applicable water uses for the Kopanang and West Gold Plant operations from the approved WUL. The separate WUL application was lodged with the DWS on 12 March 2019 and HSG is still awaiting feedback from the DWS.

AGA has an existing certificate of registration granted in terms of Section 22 of the National Nuclear Regulator Act (**NNRA**). The certificate was issued on 20 June 2006. Certain sections of the certificate were applied for separately by KGM on 2 May 2018. The approval of this amended certificate is pending.

The West Gold plant has an existing Air Emissions Licence (**AEL**) which was issued in 2014 for the AGA VRO (NWPG/ANGLOGOLD ASHANTI/AEL4.13/FEB 14). The AEL is also in the process of being transferred to KGM. The application for Listed Activity 4.17 (Precious and base metal production and refining) was submitted to the North West Department of Rural, Environmental and Agricultural Development on 14 December 2018. A provisional AEL (Licence number NWPG/Kopanang (Pty) Ltd/Pael 4.1/May/19 was issued to Kopanang Gold Mining Company on 22 May 2019. This licence will expire on 30 May 2021. In addition to this, a section 22a application in terms of the National Environmental Management: Air Quality Act (39 of 2004) (**NEM:AQA**) was submitted to North West Department of Rural, Environmental and Agricultural Development on 28 March 2019. It is assumed that this application was submitted in lieu of West Gold Plant operating a listed air emission activity without a valid AEL which has subsequently been received as detailed above.

Kopanang and the West Gold Plant currently do not have an environmental management system (**EMS**) and SRK understands that HSG does not plan to seek ISO 14001 accreditation, however a formal Environmental and Social Management System (**ESMS**) is in the process of being implemented. Environmental management at Kopanang is the responsibility of the assigned Environmental Control Officer (Yvonne Van Der Berg).

The latest annual environmental audit of the mine was conducted in March 2019 by Joan Consulting and ongoing quarterly audits are intended. The operation is largely complying with the EMP commitments however, there are areas which still require significant attention (groundwater and surface water as the mine is currently not complying with the EMP which poses a risk for the operation (refer to section 4.15.6). SRK is of the understanding that the mine plans to implement a surface and groundwater monitoring programme in the near future.

A Social and Labour Plan (**SLP**) was prepared as part of the Mining Right Application (**MRA**) in terms of the requirements of the MPRDA. Kopanang has developed a SLP for the 2018-2022 period, which, according to information from the HSG Sustainable Development Officer, was approved by the DMR on 11 July 2018. A SLP Annual Report was submitted to the DMR on 25 March 2019.

In future, Kopanang's social performance will depend on the effective management of the high level of expectations between the authorities, local government and communities. The mine therefore needs to keep ensuring that it has the requisite human and financial resources to honour its social commitments in terms of the Mining Charter and SLP, to monitor and proactively address its social risks and to maintain healthy relations with stakeholders across all levels.

Future Forum meetings for Kopanang have been taking place with the most recent meeting held on 27 June 2019. Representation at the meeting included unions; AMCU, NUM, Solidarity, UASA and mine personnel, Mine manager, Section manager and senior HR manager.

The establishment of a BEE shareholding mechanism, commitment towards LED projects, as well as continued community engagement, should however, assist in establishing good relations with the affected communities.

**Tau Lekoa and Weltevreden**

The current water monitoring data at Tau Lekoa has indicated that surface and groundwater quality is of relatively good quality. The closest surface water features to the operation are the Vaal River and the Schoonspruit. Two seep wetlands also occur on the site, one on the Goedgenoeg Farm where the surface infrastructure of the mine is located and the other on the Boschoek Farm where no surface infrastructure exists. There are no other known sensitive areas on the site other than the surface water features mentioned.

The Tau Lekoa mine has the following environmental licences/permits:

- A combined approved Environmental Management Programme Report (**EMPR**) (approved on 21 April 2011) (Registration number NW30/5/1/2/3/17MR) for both mining rights as per MPRDA;
- A National Nuclear Regulator Certificate of Registration (Reg number: 2011/133765/07); and
- WUL and associated Integrated Water and Waste Management Plan (**IWWMP**) for Section 21(g), (c&i), (e) and (j) activities (approved on 22 February 2019) (Licence number 08/C24J/CEGAJ/8941).

Tau Lekoa currently does not have a comprehensive EMS and SRK understands that HSG does not plan to seek ISO 14001 accreditation however a formal ESMS is in the process of being implemented. The dedicated Environmental Manager at Tau Lekoa is Cobus Martin and Joan Projects is contracted to assist with environmental management and auditing at Tau Lekoa.

Tau Lekoa has submitted a SLP which covers the mining rights for Tau Lekoa, Weltevreden and Jonkerskraal for the years from 2016 to 2020. The SLP for Tau Lekoa was approved on 18 February 2019 and a SLP Annual Report was submitted to the DMR on 12 March 2019.

There is potential for unrest and unlawful strike action due to inadequate information about job opportunities and recruitment disseminated to communities. Communities have already protested about recruitment and procurement opportunities at the mine and continue to highlight these concerns at the Kanana Community Unemployment Development Forum.

Poor traffic management has been highlighted as a concern but has not been effectively addressed by any remedial action.

In future, Tau Lekoa's social performance will depend on the effective management of the high level of expectations between the authorities, local government and communities. The mine currently does not have the requisite human and financial resources allocated to adequately address these risks. The mine should therefore address the capacity concerns to honour its social commitments in terms of the Mining Charter and SLP, to monitor and proactively address its social risks and to maintain healthy relations with stakeholders across all levels.

According to a draft report by RPM Global in 2017, the completion of studies and permitting requirements for Weltevreden has not yet been finalised and have to be prioritised in order to reduce the economic risk of the gold operations. Since the project is not yet operational, no additional social information could be reviewed for Weltevreden.

The Weltevreden social commitments have been incorporated into the 2016 - 2020 Tau Lekoa SLP, which was approved by the DMR on 18 February 2019.

Since Weltevreden is part of the Tau Lekoa New Order Mining Right (**NOMR**), all information pertaining to Tau Lekoa applies equally to Weltevreden.

**Nicolor (South Plant) and Buffels**

Sensitive areas surrounding the site include the Vaal River and its banks, the wetland and the Koekemoerspruit.

The following environmental authorisations and licences are relevant to Buffels currently in the closure phase:

- EIA and EMP Report Amendment (2014) was submitted in support of the converted mining right and Section 102 applications and approved by DMR (date was not specified on the approval letter from DMR);
- The mine applied for a closure certificate in May 2014 and it is still in process. The closure certificate will only be issued once the DMR is satisfied with the rehabilitation of the site and once the DWS is satisfied that the regional closure strategy and plan has been implemented for Margaret Shaft;

- Application for Amendment of a Mining Right in terms of Section 102 of the MRPDA to exclude tailings dams, dumps and portions of land – approved in May 2014;
- HSG submitted a WUL application for the Nicolor Plant in December 2018, which included use of borehole water that is presently not licensed. The mine is still awaiting feedback on this application from DWS; and
- The Nicolor Plant has no separate environmental authorisations in place as it was included as part of the Buffels environmental authorisation. Currently, Nicolor acts as a standalone operation and will require its own AEL and WUL. All environmental approvals for the Nicolor Plant are pending. Only a Section 102 application to separate the plant from the Buffels Mining Right has been submitted to DMR. However, this will only be approved once the EMP has been approved. The EMP was submitted to the DMR on 7 June 2019 after which a request for the financial provision guarantee was requested by the DMR. Nicolor still awaits approval of the EMP from the DMR. The AEL application was submitted on 14 December 2018. Two provisional AEL's have since been received, one for the plant and another for the assay laboratory. The AEL for the plant (Licence number: NWPG/Nicolor (Pty) Ltd/PAEL 4.1 & 4.17/May/19) was received on 22 May 2019 and is valid until 30 May 2021. The AEL for the assay laboratory (Licence number: NWPG/Nicolor (Pty) Ltd/PAEL 4.13/May/19) was also received on 22 May 2019 and is valid until 30 May 2021. Nicolor Plant also has a Certificate of Registration with the NNR (Registration number 2012/133043/07) and a compliance audit was carried out on 21 and 22 May 2019 by the NNR team. NNR concluded that the Nicolor Plant achieved a 90% compliance index which provided confidence of quality documents and records.

To date there are no land claims on the property occupied by the Nicolor Plant.

The plant currently does not have an EMS and, based on the discussions during the site visit it is not envisaged that HSG will apply for ISO 14001 accreditation. Mr Cobus Martins was appointed in 2018 as the Environmental Manager for Nicolor Plant. Joan Projects is contracted to assist with environmental management at Nicolor Plant.

In terms of section 28(2) of the MPRDA, "the holder of a mining right or mining permit, or the manager of any processing plant operating separately from a mine, must submit to the Director-General— (c) an annual report detailing the extent of the holder's compliance with the provisions of section 2(d) and (f), the charter contemplated in section 100 and the SLP". HSG advised SRK that it is nevertheless not required to submit a revised SLP for Buffels and/or Nicolor to the Regional Manager, pending completion of the closure process for Buffels.

Management of social risks such as theft, vandalism and illegal miners at its operations was mitigated by undertaking the rehabilitation process (demolition of infrastructure, disposal of rubble and surface clean-up), which was largely complete by December 2018. Ongoing liaison with the authorities, local government and communities should mitigate social risks associated with the mine closure. This aspect is likely to occur and poses a low risk to the operations.

Nicolor should align themselves with the requirements of Section 2(d) and (f) and comply with section 28(2) of the MPRDA. These principles require mining companies to improve on the socio-economic conditions of communities and to promote and advance the social and economic welfare of all South Africans. The risk of not complying with the relevant sections will include a reputational risk, losing their social licence to operate, or in extreme circumstances, they may face a directive from the DMR. This will also impact on their alignment to the Mining Charter.

## ES29: Mine Closure and Liabilities

[18.05(6)(d)(e)] [SR5.2(ii)]

The closure position for the Gold Assets at the Effective Date is summarised in the Table ES4.15.

**Table ES4.15: Summary of Closure Position**

Operation	Liability (ZARm)	Accuracy	Provision Made (ZARm)	Legally Complaint	Risks
Kopanang	123.6	±25%	Yes, Centriq Insurance	Yes	Water make underground
Tau Lekoa	62.3	±50%	Yes, Centriq Insurance	Yes	Water make underground
Weltevreden	14.1	±50%	Yes, Centriq Insurance	Yes	Water make underground
Nicolor	17	Uncertain	39.8 (in Trust)	Yes	Soil contamination

**ES30: Economic Analysis**

[18.06] [18.03(3)] [SR5.6, SR5.8]

The consolidated techno-economic model (**TEM**) for the Gold Assets based on the declared Mineral Reserves is included as a separate tab in the Company's BP2019 Excel file. Key production and financial metrics from the Consolidated TEM for the Gold Assets are summarised in Table ES4.16. SRK has reviewed the metrics in the Consolidated and component TEMs to the extent of the information provided, revised these as appropriate, and is satisfied that the metrics as presented in Table ES4.16 are reasonable for the LoM.

Any ore from toll arrangements or other sources has been excluded from the TEM for evaluation purposes, since the feed tonnes are erratic and there is no guarantee that the tonnes from these ore sources are sustainable for the LoM. The first period in the TEM is six months long, from 1 July to 31 December 2019.

To cater for a 30 June 2019 reporting date, SRK has removed the first six months of the 2019 budget and left the remaining months (July to December 2019) unchanged. The mill feed and recovered Au have been adjusted in the final year of the LoM plans for Tau Lekoa, Kopanang and Buffels to ensure the LoM totals match the Mineral Reserve statement. Start of ore production at Weltevreden has been moved out to November 2019 (from July 2019), with the planned ore production (tonnes and contained Au) for these four months per the PFS added to the final year of the LoM plan.

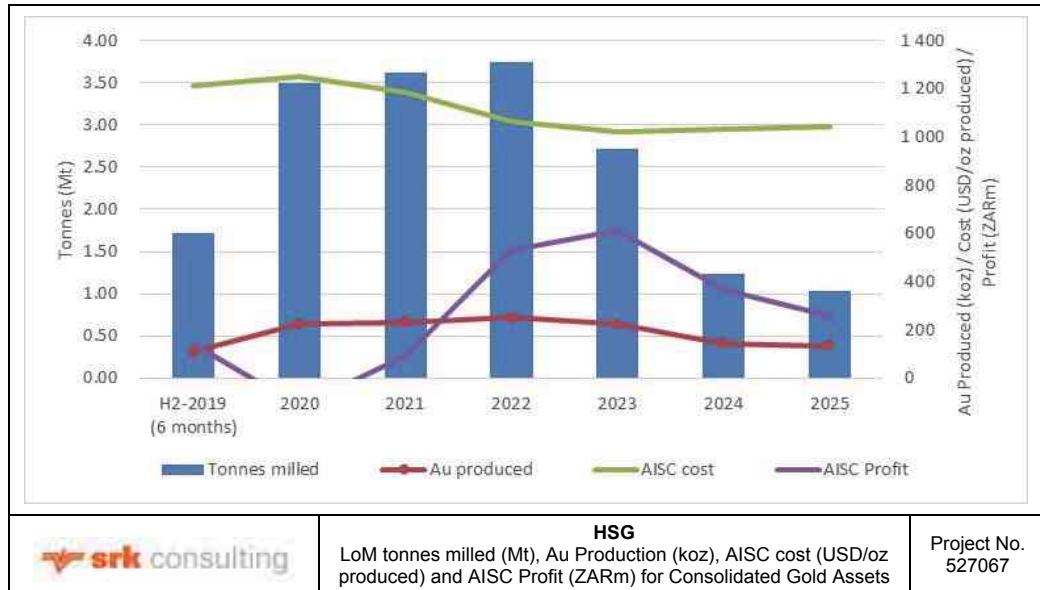
All ore from Kopanang, Tau Lekoa and Weltevreden is processed through the West Plant, while the #10 Dump material is processed through the Nicolor Plant.

The AISC production costs from West Plant are allocated to Kopanang, Tau Lekoa and Weltevreden according to the proportions of the respective ore tonnages fed to the plant. The Nicolor Plant AISC cost is recovered in full from Buffels.

The Company is predicted to be cash flow positive for most years of the LoM (Figure ES4.6), which is based only on Proved and Probable Mineral Reserves derived from the Measured and Indicated Resources.

The Company is predicted to have a positive NPV using the base case macroeconomic assumptions and the other relevant modifying factors. The TEM supports the declaration of a Mineral Reserve.

The Company entered into a forward hedge contract in February 2019 for 60 koz of gold production during 2019 at an average price of ZAR618 026/kg. By the end of June 2019, 29.8 koz had been delivered into this contract. The Company entered into another contract for 39 koz during May/June for delivery before the end of 2019. The net gain to the Company from the 69.2 koz of forward gold sales still to be delivered has been taken into account in the consolidated group level results and amounts to ZAR147 million.



**Figure ES4.6: LoM tonnes milled, Gold Production, AISC cost and AISC profit for the consolidated Gold Assets**

Gold production peaks at 250 koz in 2022 and declines thereafter due to reducing annual production. The reduction in annual production reflects the extent of the declared Mineral Reserves, which are expected to be replaced each year as mining opens up new areas.

Unit cost of production averages ZAR961/t milled during the first five years, increasing thereafter as the annual production rate decreases.



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Table ES4.16: Consolidated TEM

Item	Units	Totals	H2-2019 (6 months)	2020	2021	2022	2023	2024	2025
<b>Tonnes milled</b>	<b>(Mt)</b>	<b>17.58</b>	<b>1.71</b>	<b>3.50</b>	<b>3.63</b>	<b>3.75</b>	<b>2.72</b>	<b>1.23</b>	<b>1.03</b>
Tau Lekoa	(Mt)	2.24	0.28	0.62	0.56	0.44	0.34	0.00	0.00
Kopanang	(Mt)	4.82	0.38	0.75	0.76	0.76	0.74	0.72	0.71
Buffels	(Mt)	8.45	1.05	2.10	2.10	2.10	1.10	0.00	0.00
Weltevreden	(Mt)	2.07	0.00	0.03	0.20	0.45	0.55	0.51	0.32
<b>Gold Produced</b>	<b>(koz)</b>	<b>1 319</b>	<b>111</b>	<b>223</b>	<b>232</b>	<b>250</b>	<b>223</b>	<b>145</b>	<b>134</b>
Tau Lekoa	(koz)	287	40	83	66	58	41	0	0
Kopanang	(koz)	711	56	110	119	120	111	92	103
Buffels	(koz)	114	14	28	28	28	15	0	0
Weltevreden	(koz)	207	0	3	19	44	56	53	31
Recovered Au grade	(g/t)	2.33	2.01	1.98	1.99	2.08	2.55	3.66	4.05
Hedge contract gain/(loss)	(ZARm)	147	147						
<b>Total Revenue (incl. hedge)</b>	<b>(ZARm)</b>	<b>22 711</b>	<b>2 037</b>	<b>3 820</b>	<b>3 965</b>	<b>4 285</b>	<b>3 820</b>	<b>2 487</b>	<b>2 298</b>
Employment Costs	(ZARm)	9 081	866	1 731	1 585	1 584	1 418	955	943
Stores	(ZARm)	2 701	235	480	479	476	432	304	294
Electricity & Water	(ZARm)	2 078	175	340	354	374	357	251	229
Surface Transport	(ZARm)	617	57	116	126	138	100	45	34
Plant treatment costs	(ZARm)	2 861	318	539	552	566	465	221	199
AGA Royalty	(ZARm)	256	21	44	44	53	52	27	16
State Royalty	(ZARm)	198	9	19	22	48	41	22	36
Other costs	(ZARm)	1 414	149	286	271	236	221	122	121
Reversal - capital development	(ZARm)	( 918)	( 154)	( 261)	( 125)	( 121)	( 150)	( 86)	( 20)
<b>Operating Costs</b>	<b>(ZARm)</b>	<b>18 287</b>	<b>1 676</b>	<b>3 294</b>	<b>3 306</b>	<b>3 354</b>	<b>2 935</b>	<b>1 862</b>	<b>1 852</b>
	<b>(USDm)</b>	<b>1 298</b>	<b>119</b>	<b>234</b>	<b>235</b>	<b>238</b>	<b>208</b>	<b>132</b>	<b>131</b>
Operating Profit	(ZARm)	4 424	361	526	659	931	884	625	446
<b>Capital Costs</b>	<b>(ZARm)</b>	<b>2 470</b>	<b>215</b>	<b>642</b>	<b>566</b>	<b>400</b>	<b>271</b>	<b>250</b>	<b>126</b>
Tau Lekoa	(ZARm)	420	70	176	142	47	-15	0	0
Kopanang	(ZARm)	966	80	202	196	190	143	109	47
Buffels	(ZARm)	0	0	0	0	0	0	0	0
Weltevreden	(ZARm)	1 083	65	263	229	163	143	142	79
All-in sustainable cost (AISC)	(ZARm)	20 757	1 891	3 935	3 872	3 754	3 206	2 112	1 978
All-in sustainable cost (AISC)	(USDm)	1 474	134	279	275	266	228	150	140
<b>Unit Costs</b>									
Cash operating cost	(ZAR/t milled)	1 040	981	941	912	895	1 078	1 510	1 794
Cash operating cost	(USD/oz produced)	984	1 077	1 047	1 013	951	933	909	979
AISC cost	(ZAR/t milled)	1 180	489	474	459	431	423	412	444
AISC cost	(USD/t milled)	84	1 107	1 124	1 068	1 001	1 177	1 713	1 916
AISC cost	(USD/oz produced)	1 117	1 215	1 251	1 186	1 064	1 019	1 032	1 045
Tax payable	(ZARm)	72	0	0	0	0	0	8	64
<b>AISC profit / (loss)</b>	<b>(ZARm)</b>	<b>1 882</b>	<b>146</b>	<b>( 115)</b>	<b>93</b>	<b>531</b>	<b>614</b>	<b>366</b>	<b>256</b>
	<b>(USDm)</b>	<b>134</b>	<b>10</b>	<b>( 8)</b>	<b>7</b>	<b>38</b>	<b>44</b>	<b>26</b>	<b>18</b>

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The NPV of the post-tax cash flows at different discount rates in ZARm and USDm terms are set out in Table ES4.17. The post-tax cash flows in Table ES4.16 are converted from the ZAR values into USD terms at the exchange rate ruling at the Effective Date of this CPR. Derivation of the Company's real WACC of 9.5% is discussed in Section 4.17.1.

**Table ES4.17: NPV sensitivity of consolidated post-tax cash flows at different discount rates**

Real Discount Rate	(ZARm)	(USDm)
0.0%	1 932	137.1
6.0%	1 549	110.0
8.0%	1 445	102.6
<b>9.5% (WACC)</b>	<b>1 374</b>	<b>97.5</b>
10.0%	1 351	95.9
11.0%	1 308	92.8
12.0%	1 266	89.9
14.0%	1 189	84.4

The overall NPV at 9.5% real discount rate (**NPV<sub>9.5%</sub>**) is ZAR1 374 million (USD97.5 million) excluding any upside that may be realised from toll treating operations of third-party ores or alternative surface sources. The average operating margin is 19% over the LoM. The company is exposed in the event that the gold price declines in ZAR terms. However, the Company has some ability to offset this exposure through the incorporation of Inferred Resources into the LoM.

The twin sensitivity of the post-tax NPV<sub>9.5%</sub> to changes in revenue and operating cost per the Consolidated TEM for the Gold Assets is set out in Table ES4.18. The impact of the spot gold price at the Effective Date on the financial result can be seen in Table ES4.18.

The twin sensitivity of the post-tax NPV<sub>9.5%</sub> to changes in capital and operating costs per the Consolidated TEM for the Gold Assets is set out in Table ES4.19.

**Table ES4.18: Twin-sensitivity of consolidated NPV<sub>9.5%</sub> to changes in revenue and operating cost**

	ZAR/kg	Revenue Sensitivity					
		440 000	495 000	550 000	605 000	638 110	660 000
		-20.0%	-10.0%	0.0%	10.0%	16.0%	20.0%
Operating Cost Sensitivity	-20.0%	683	2 459	4 236	6 013	7 083	7 790
	-10.0%	( 748)	1 028	2 805	4 582	5 652	6 359
	0.0%	(2 179)	( 403)	1 374	3 151	4 220	4 928
	10.0%	(3 611)	(1 834)	( 57)	1 720	2 789	3 496
	20.0%	(5 042)	(3 265)	(1 488)	289	1 358	2 065

**Table ES4.19: Twin-sensitivity of consolidated NPV<sub>9.5%</sub> to changes in capital and operating cost**

		Capital Cost Sensitivity				
		-20.0%	-10.0%	0.0%	10.0%	20.0%
Operating Cost Sensitivity	-20.0%	4 644	4 440	4 236	4 032	3 828
	-10.0%	3 213	3 009	2 805	2 601	2 397
	0.0%	1 782	1 578	1 374	1 170	966
	10.0%	351	147	( 57)	( 261)	( 465)
	20.0%	(1 080)	(1 284)	(1 488)	(1 692)	(1 896)

Key economic risks include:

- Stronger ZAR:USD exchange rate leading to a reduction in revenue;
- Lower USD gold price leading to lower revenue; and
- Higher inflation, particularly power and labour, leading to higher Opex and lower profitability.

The average margin for the group is relatively low, leaving limited room to absorb sustained lower prices. It is possible that variations in either or both of the exchange rate and USD gold price could threaten the viability of the company. There is limited recourse to mitigate the risk at source. Hedging is possible and forward cover can be taken out for the exchange rate. However, it is also possible that both the price and exchange rate can move favourably, improving the outlook for the company and facilitating further development.

Labour and power costs are likely to increase faster than inflation. Margins in the company are already low and this can adversely impact profitability although it is not expected to threaten the viability of the company. However, if combined with adverse price movements, it could jeopardise profitable operation.

### ES31: Risks and Opportunities

[18.05(5)] [SR5.7(i)]

#### Risks

SRK completed a risk assessment of the specific risks identified for the various operations and projects in relation to their likelihood of occurrence within a seven-year period and consequence in accordance with Guidance Note 7 of the Listing Rules. Risks were assessed according to 3 x 3 matrix as set out in Table ES4.20.

**Table ES4.20: Risk Assessment Matrix**

Likelihood of Risk	Consequence of Risk		
	Minor	Moderate	Major
Likely	Medium	High	High
Possible	Low	Medium	High
Unlikely	Low	Low	Medium

All risks that were assessed to have a High inherent rating before mitigation per the risk assessment matrix in Table ES4.20 are summarised by discipline in Table ES4.21. Many of these risks apply equally across a number of the assets, so evaluating these per discipline avoids duplication.

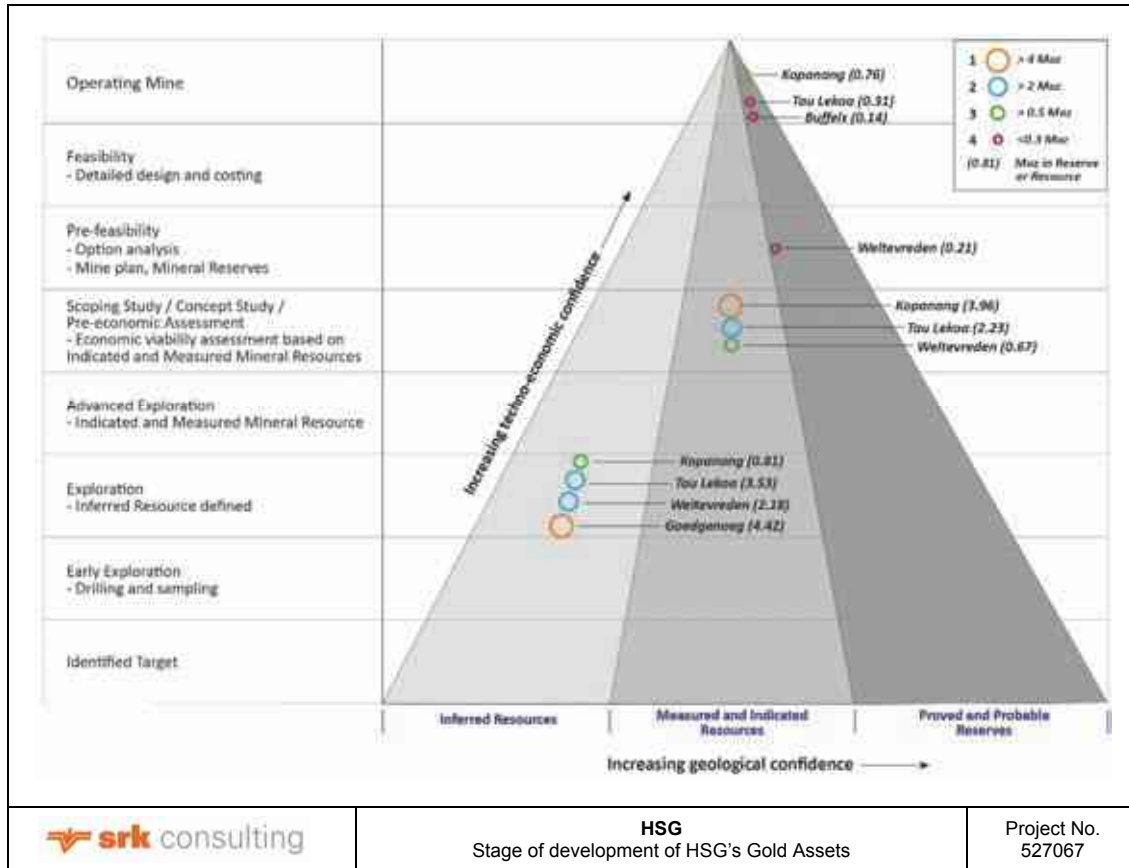
SRK has reviewed the Company's mitigation measures for these High risks and believes these are appropriate for operations in a South African context.

Table ES4.21: Key Risks and Company Mitigation Measures

Hazard Risk	Likelihood	Consequence	Inherent Risk Rating	Company Mitigation Measures
Geotechnical Risks				
Occurrence of rock bursts	Likely	Major	High	<ul style="list-style-type: none"><li>Seismic network (Seismic monitoring system, needs to be expanded)<ul style="list-style-type: none"><li>Seismic regular auto warning system</li><li>Post major seismic event procedure</li></ul></li><li>Permanent support standards</li><li>Temporary support standards<ul style="list-style-type: none"><li>Fixed time blasting with re-entry time</li><li>Trigger Action Response Plan</li><li>Entry examination and make safe procedure</li></ul></li><li>Nets</li><li>Staffed rock engineering department with strata control officers</li><li>Seismologist contracted</li></ul>
				<ul style="list-style-type: none"><li>Post major seismic event procedure</li><li>Permanent support standards</li><li>Temporary support standards</li><li>Trigger Action Response Plan (TARP)</li><li>Entry examination and make safe procedure</li><li>Nets</li><li>Staffed rock engineering department with strata control officers</li></ul>
Safety Risks				
Seismic events and falls of ground (FoG)	Likely	Major	High	See mitigation under geotechnical risks
Social Risks				
Potential for unrest and strike action by communities regarding job opportunities, recruitment and downscaling.	Likely	Major	High	<ul style="list-style-type: none"><li>Continuously update security and access control procedures</li><li>Appointment of a Communities, SMME's Liaison Officer and LED Project Implementation Liaison Officer</li><li>Consistent HR and employment policies</li><li>Community liaison forums and established communication procedures with communities</li></ul>

### Opportunities

Although the Measured and Indicated Resources shown in Figure ES4.7 include the Proved and Probable Reserves, these together with the Inferred Resources indicate that there is significant upside potential to extend the LoM plans. Although there is no guarantee that all of the Inferred Resources can be upgraded to Indicated or Measured Resources, historical results within the South African gold fields show there is a good probability that this will occur.

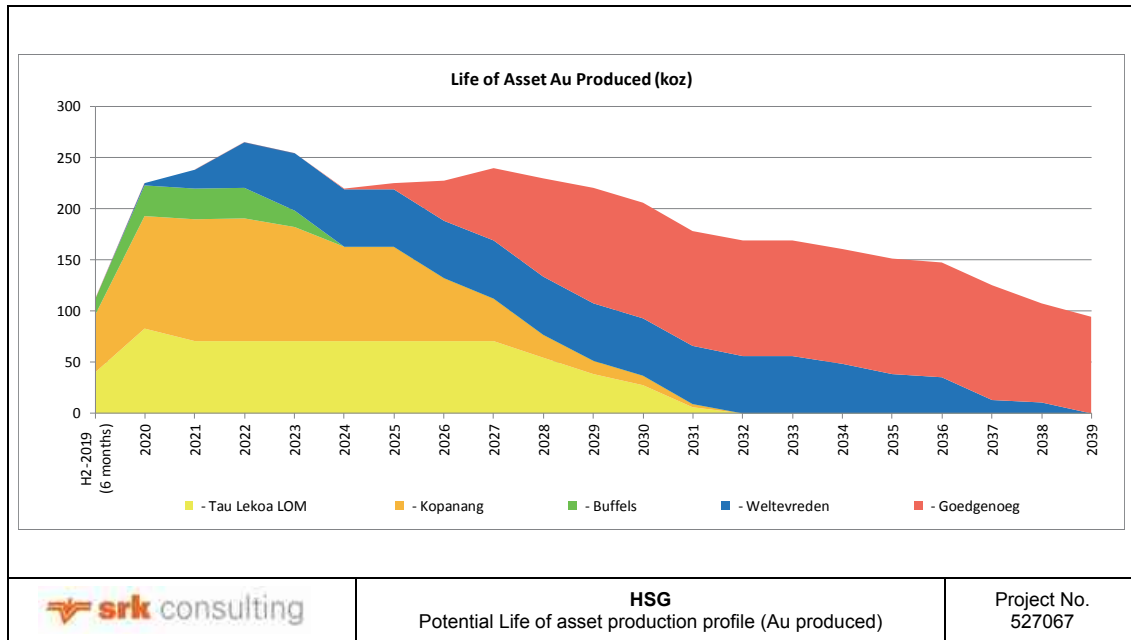


**Figure ES4.7: Stage of Development of the Gold Assets**

If the total Mineral Resource base of the Gold Assets is considered, the opportunity exists to establish at least a 20-year life of asset production profile as shown in Figure ES4.7. The vast majority of the produced gold in this life of asset profile is sourced from Inferred Mineral Resources. HSG should consider a focused exploration and engineering study programme to be able to realise this potential.

The opportunity exists to exploit the VCR at Kopanang. This is not included in any resource estimate at this stage. There is limited access into the VCR. HSG plans further work to evaluate the practicalities and economics of exploiting this resource.

Third-party gold-bearing material has been treated by both Nicolor and West Plant in the past. The certainty and sustainability of supply of this material cannot be guaranteed. A secure and sustainable source of tolling material provides an upside opportunity for HSG.



**Figure ES4.8: Potential Life of asset production profile (Au produced)**

## GLOSSARY OF TERMS, ABBREVIATIONS AND UNITS

### TERMS

Acid leach	leaching an ore or concentrate with a mineral acid, normally sulphuric acid, to dissolve one or more metals into solution.
Agitation leaching	vigorously mixing a slurry with an acid in a tank, usually sulphuric acid, to promote the dissolution of metal values into solution.
Anticline	rock strata folded to give a convex upward structure.
Argillaceous	term describing sedimentary rocks with a modal grain size in the silt fraction
Assay	the chemical analysis of ore samples to determine their metal content.
Breccia	rocks consisting of relatively large angular fragments of durable minerals or rock in a fine matrix.
Chalcopyrite	an important copper mineral commonly called 'fool's gold' – $\text{Cu}_2\text{S} \cdot \text{Fe}_2\text{S}_2$ .
Dip	the angle of inclination from the horizontal of a geological feature.
Hydrothermal	process of injection of hot, aqueous, generally mineral-rich solutions into existing rocks or features.
Competent Person's Report (CPR)	a report on the technical aspects of a project or mine prepared by a Competent Person (CP). The contents are determined by the nature/status of the project/mine being reported and may include a techno-economic model as appropriate for the level of study.
Datamine	generalized mining software used for the derivation of Mineral Resources and Reserves.
Dilution /Contamination	low or zero grade (waste) material that is mined during the course of mining operations and thereby forms part of the Mineral Reserve.
Effective Date	the date of the most recent scientific or technical information included in the technical report.
Diamond drilling	the act or process of drilling boreholes using bits inset with diamonds as the rock-cutting tool.
Indicated Mineral Resource	that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation.
Inferred Mineral Resource	that part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. An Inferred Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to a Mineral Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.
Historical Estimate	an estimate of the quantity, grade, or metal or mineral content of a deposit that an issuer has not verified as a current Mineral Resource or Mineral Reserve. The estimate predates the issuing of the Code and/or was prepared before the issuer acquiring, or entering into an agreement to acquire, an interest in the property that contains the deposit.
Kriging	an interpolation method that minimises the estimation error in the determination of a mineral resource.
Life of Mine Plan	a design and financial/economic study of an existing operation in which appropriate assessments have been made of existing geological, mining, metallurgical, economic, marketing, legal, environmental, social, governmental, engineering, operational and all other Modifying Factors, which are considered in sufficient detail to demonstrate that continued extraction is reasonably justified.
Licence, Permit, Right, Lease etc.	any form of licence, permit, right or lease, or other entitlement granted by the relevant Government in accordance with its mining legislation that confers on the

	holder certain rights to explore for or extract minerals (or both) that might be contained in the designated area. Alternatively, any form of title that may prove ownership/tenure of the minerals.
Material	circumstances are considered material if omission or misstatement of the associated factor, constituent or information could influence the economic decisions of users. As a rule of thumb, this difference would normally be equal to or exceed 10%.
Material Information	material information is any information relating to the business and affairs of a company that results in or would reasonably be expected to result in a significant change in the market price or value of any of the company's assets. Material information consists of both material facts and material changes related to the business and affairs of a company.
Measured Mineral Resource	that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource.
Mineable	those parts of the orebody, both economic and uneconomic, that can be extracted during the normal course of mining.
Mine Design	a framework of mining components and processes taking into account such aspects as mining methods used, access to the orebody, personnel and material handling, ventilation, water, power, and other technical requirements, such that mine planning can be undertaken.
Mine Planning	production planning and scheduling, within the Mine Design, taking into account such aspects as geological structures and Mineralisation and associated infrastructure and other constraints.
Mineral Deposit (or Deposit)	a mass of naturally occurring mineral material, usually of economic interest, without regard to mode of origin. No commercial value is implied.
Mineral Occurrence	any solid mineral of potential economic interest in any concentration found in bedrock or as float; especially a valuable (or potentially valuable) mineral in sufficient concentration to suggest further exploration.
Mineralisation	a concentration (or occurrence) of material of possible economic interest, in or on the Earth's crust, for which quantity and quality cannot be estimated with sufficient confidence to be defined as a Mineral Resource. Mineralisation is not classified as a Mineral Resource or Mineral Reserve and can only be reported under Exploration Results. The data and information relating to it must be sufficient to allow a considered and balanced judgement of its significance.
Mineralisation	the process or processes by which a mineral or minerals are introduced into rock, resulting in a potentially valuable deposit. It is a general term, incorporating various types, e.g. fissure filling, impregnation, replacement, etc.
Mineral Reserve	the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified.
Mineral Resource	a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling.
Orogeny	the complex series of processes which culminate in the formation of mountains.
Overburden	material, usually barren rock overlying a useful mineral deposit.

Probable Mineral Reserve	the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Mineral Reserve is lower than that applying to a Proved Mineral Reserve.
Proterozoic	of or relating to the later of the two divisions of Precambrian time, from approximately 2.5 billion to 570 million years ago, marked by the build-up of oxygen and the appearance of the first multicellular eukaryotic life forms.
Proved Mineral Reserve	the economically mineable part of a Measured Mineral Resource. A Proved Mineral Reserve implies a high degree of confidence in the Modifying Factors.
Percussion Drilling:	the process of boring into rock by means of an air- or hydraulic-powered drill bit
Residue / low grade stockpile / tailings	material resulting from mining or processing operations.
Review	a systematic and detailed inspection or examination of any element of the Mineral Resource and/or Mineral Reserve estimation process undertaken in order to validate adherence to standards and procedures, identify material errors and/or omissions or improvements. A review might include a detailed examination of the base data. When compliance with the SAMREC Code is declared, the review must have been conducted by a Competent Person.
RoM	Run-of-Mine – usually ore produced from the mine for delivery to the process plant
SAMREC Code 2016	South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves released in 2016. Mineral Resource Committee (SAMREC) Working Group.
Sandstone	medium grained clastic (mechanically formed) rocks composed usually of fragments of quartz in a cementing material.
Saprolite	deeply weathered rock retaining certain of its rock structure but displays extensive chemical modification.
Shale	a fine grained detrital sedimentary rock formed by the compaction of clay, silt or mud.
Silicified	introduction of silica in hydrothermal deposits.
Stratigraphic column	a grouping of sequences of strata onto systems.
Supergene enrichment	the process initiated at or near the surface whereby part of an ore deposit is enriched at the expense of the parts above.
Tailings	refuse or dross remaining after the mineral has been removed from the ore - metallurgical plant waste product.
Unconformable	sedimentary strata are laid down on top of one another. When deposition ceases for a time and later recommences over the area so that a new sequence of sediments are laid down the new layer is said to be unconformable with one another.
Unconformities	a surface between successive strata representing a missing interval in the geologic record of time and produced either by an interruption in deposition or by the erosion of depositionally continuous strata followed by renewed deposition
Variogram	a measure of the average variance between sample locations as a function of sample separation.
Vug	during hydrothermal deposition minerals are deposited on the walls of open spaces in rocks. The opening remaining after mineralisation is known as a vug.
Wad	insoluble residue (most commonly manganese and iron oxides) remaining after the dissolution of dolomites by rain water found in the bottom of sinkholes.



**ABBREVIATIONS**

Acronym	Definition
2-D	2-Dimensional
2SD	Two Standard Deviations
3-D	3-Dimensional
AARL	Anglo American Research Laboratories.
AAS	Atomic Absorption Spectrometry
AAS	Atomic Absorption Spectrometry
ABA	Acid Base Accounting
ADT	Articulated Dump Truck
AEL	Air Emission Licence
AGA	AngloGold Ashanti Limited
Aids	Acquired Immune Deficiency Syndrome
AIM	Alternative Investment Market, the London Stock Exchange's international market for smaller growing companies
AISC	All in Sustaining Cost
AMCU	Association of Mineworkers and Construction Union
AMIS	African Mineral Standards
Amplats	Anglo American Platinum Ltd
amsl	above mean sea level
AngloPlats	Anglo Platinum Limited
ARM	African Rainbow Minerals
BC	Bushveld Igneous Complex
BGRIMM	Beijing General Research Institute of Mining and Metallurgy
BP	Business Plan
BW	Block Width
C Reef	Crystalkop Reef
Capex	Capital Expenditure/Capital Cost
CBE	Control Budget Estimate
CCD	Counter Current Decantation
CCIC	Caracle Creek International Consulting Africa (Pty)
CCT	Cyclone Classified Tailings
CDP	Cyanide Destruction Plant
CEO	Chief Executive Officer
CN	Cyanide
COAD	Chronic Obstructive Airway Disease Diagnosed
Coffey Mining	Coffey Mining (SA) (Pty) Ltd
CoGHSTA	Department of Cooperative Governance, Human Settlements and Traditional Affairs
Conc	Concentrates
CoP	Codes of Practice
CoV	Coefficient of Variation
CP	Competent Person
CPI	Consumer Price Index
CPR	Competent Persons' Report
CRM	Certified Reference Material
CSI	Corporate Social Investment

Acronym	Definition
CSW	Chilled service water
DA	Development Agreement
dB	Decibel
DB	Dry Bulb
DCF	Discounted Cash Flow
DCS	Distributed Control System
DD	Diamond Drilling
DEA	Department of Environmental Affairs
Deswik	Deswik Mining Consultants (Pty) Ltd
DFS	Definitive Feasibility Study
DGPS	Digital Global Positioning System
DMR	Department of Mineral Resources
DMS	Digital Mining Services
DPM	Diesel Plant Matter
DRA	DRA Mineral Projects (Pty) Ltd
DRAM	DRA Mining (Pty) Ltd
DRD	Durban Roodepoort Deep
DRDLR	Department of Rural Development and Land Reform
DTM	Digital Terrain Model
DWS	Department of Water and Sanitation
EC	Electric Conductivity
ECO	Environmental Control Officer
ECSA	Engineering Council of South Africa
EEA	Employment Equity Act (No. 55 of 1998)
EIA	Environmental Impact Assessment
EMP	Environmental Management Programme
EMPR	Environmental Management Programme Report
EMS	Environmental Management System
EPCM	Engineering Procurement and Construction Management.
ESG	Environmental, social and governance
ESMS	Environmental and Social Management System
Eskom	Electricity Supply Commission, South African electricity supplier
ETF	Exchange Traded Fund
FM	Financial Model
FoG	Falls of Ground
Geoserve	Geoserve Exploration Drilling (Pty) Limited
GHG	Greenhouse gas
GMSI	Graphical Mining Solutions International
GNR	General Notice Regulation
Goedgenoeg	Goedgenoeg Gold Project
Gold Assets	Village Main Reef (Pty) Ltd (VMR) various gold operations and projects in South Africa
GSSA	Geological Society of South Africa
GTO	Geoscience Technical Office
HARD	Half Absolute Relative Difference

Acronym	Definition
Harmony	Harmony Gold Mining Company Limited
HDSA	Historically disadvantaged South African
HIV	Human Immunodeficiency Virus
HKSE	Hong Kong Stock Exchange
HR	Human Resources
HRD	Human Resource Development
HSG	Heaven-Sent SA Sunshine Investment Company
HSE	Health, Safety and Environment
HSM	Heat Stress Management
IAIAsa	International Association for Impact Assessment South Africa
IAP2	International Association for Public Participation
IBGs	Isolated Blocks of Ground
ICMI	International Cyanide Management Code
ICP	Inductive Coupled Plasma
ICP-MS	Inductively Coupled Mass Spectroscopy
ICP-OES	Inductively Coupled Optical Emission Spectroscopy
IDS	Inverse Distance Squared
Implats	Impala Platinum Ltd
Inf	Inferred, Inferred Mineral Resource
IOCG	Iron oxide copper gold ore deposits
IoDSA	Institute of Directors in Southern Africa
IoM3	Institute of Materials, Minerals and Mining (London)
IRUPS	Iron-Rich Ultramafic Pegmatoids
ISO	International Standards Organisation
IWMSA	Institute of Waste Management of Southern Africa
IWWMP	Integrated Water and Waste Management Plan
JCI	JCI Projects (Pty) Ltd
Kopanang	Kopanang Gold Mine
KOSH	Klerksdorp, Orkney, Stilfontein, Hartebeestfontein
LEDET	Limpopo Department of Economic Development, Environment and Tourism
LGS	Lebowa Granite Suite
LHD	Load, Haul, Dump machine
LIMS	Laboratory Information Management System
LME	London Metals Exchange
LoM	Life of Mine
LPR	Lower Pseudo Reef
LRA	Labour Relations Act (No. 66 of 1995)
LTI	A lost-time injury is something that results in a fatality, permanent disability or time lost from work. It could be as little as one day or shift.
LTIFR	Lost Time Injury Frequency Rate refers to the number of lost time injuries occurring in a workplace per one million hours worked.
LTIP	Long-Term Incentive Plan
M&I	Measured and Indicated, Measured and Indicated Mineral Resources
Ma	Million Years Before Present
mamsl	Metres Above Mean Sea Level

Acronym	Definition
MAP	Mean Annual Precipitation
MAR	Mean Annual Rainfall
MB	Main-Bird
mbgl	Metres Below Ground Level
mbs	Metres Below Surface
MCF	Mine Call Factor
MHSA	Mine Health and Safety Act 29 of 1996
Mining Charter	Charter to facilitate the sustainable transformation and development of the South African mining industry
MoU	Memorandum of Understanding
MPRDA	Mineral and Petroleum Resources Development Act
MPTRO	Mineral and Petroleum Titles Registration Office
MR	Mining Regulations
MRA	Mining Right Application
MRE	Mineral Resource Estimate
MSDS	Material Safety Data Sheets
MSU	Most Sensitive User
MVSSA	Mine Ventilation Society of South Africa
MWS	Mine Waste Solutions Tailings Retreatment Complex
NCCRP	National Climate Change Response Policy of 2011
n.d	Not defined
NDC	National Determined Contribution
NEM:BA	National Environmental Management: Biodiversity Act (10 of 2004)
NEM:PAA	National Environmental Management: Protected Areas Act (57 of 2003)
NEM:AQA	National Environmental Management: Air Quality Act (39 of 2004)
NEM:WA	National Environmental Management: Waste Act (59 of 2008)
NEM:WAA	National Environmental Management: Waste Amendment Act, 2014 (Act No. 26 of 2014)
NEMA	National Environmental Management Act (Act 107 of 1998)
NFEPA	National Freshwater Ecosystem Priority Areas
NGER	National Greenhouse Gas Emission Reporting Regulations
NIHL	Noise induced hearing loss
NMC	Ni, Mn and Co
NMD	Notified Maximum Demand
NNRA	National Nuclear Regulator Act
No.	Number
NOMR	New Order Mining Right
NOPR	New Order Prospecting Right
NOSA	National Occupational Safety Association
NPC	Non Profit Company
NPV	Net Present Value.
NUFCOR	Nufcor (Pty) Limited
NUM	National Union of Mineworkers
NWA	National Water Act (Act 36 of 1998)
OCB	Oil Circuit Breaker
OEL	Occupational Exposure Limits

Acronym	Definition
OEM	Original Equipment Manufacturer
OGM	Orkney Gold mine
OHMS	Open House Management Solutions
OHSE	Occupational Health, Safety and Environment
Opex	Operating costs/Operating Expenditure
ORD	Ore Reserve Development
PAR	Performance Assessment Review
PbO	Litharge
PCD	Pollution Control Dam
PCDS	Precision Capital Development Services (Pty) Ltd
PDS	Proximity Detection System
PFS	Pre-feasibility Study
pH	Measure of acidity or alkalinity
PIC	Public Investment Corporation
PoD	Point of Delivery
PPE	Personal Protective Equipment
PRV	Pressure reducing valve
PSD	Particle size distribution
QA/QC	Quality Assurance / Quality Control
QC	Quality Control
RAP	Relocation Action Plan
RC	Reverse Circulation Drilling
RCF	Revolving Credit Facility
RD	Relative Density
RG	Rooiberg Group
RLS	Rustenburg Layered Suite
RoM	Run of Mine
Royalty Act	The Mineral and Petroleum Resources Royalty Act, Act No. 28 of 2008, (MPRRA)
RPEEE	Reasonable Prospects For Eventual Economic Extraction
RPO	Recognised Professional Organisation
RV	Rock and ventilation shaft
RWD	Return Water Dam
SA	South Africa
SACNASP	South African Council for Natural Scientific Professions
SACPCMP	South African Council for Project and Construction Management Professions
SAG	Semi Autogenous Grinding
SAIMM	Southern African Institute for Mining and Metallurgy
SAMREC Code	The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves, 2016 Edition
SANAS	South African National Accreditation System
SANS	South African National Standard
SARB	The South African Reserve Bank
SCADA	Supervisory Control and Data Acquisition

Acronym	Definition
Section 54 safety stoppages	In terms of section 54 of the Mine Health and Safety Act 29 of 1996, if an inspector of mines believes that an occurrence, practice or condition at a mine endangers or may endanger the health or safety of people at the mine, the inspector may give any instruction necessary to protect the health or safety of people at the mine, including instructing that operations at the mine or a part of the mine be halted
Setpoint	Setpoint Laboratories
SG	Specific Gravity
SHEC	Safety, health, environment and community
SHEQC	Safety, health, environment, quality and community
SIA	Social Impact Assessment
SIB	Stay in Business
SLOS	Sub-level Open Stopping
SLP	Social and Labour Plan
SK	Simple Kriging
SMME	Small, Medium, Micro Enterprise
SMU	Small Mining Unit
SoP	Standard Operating Procedure
SRD	Saline Rock Drainage
SRK	SRK Consulting (South Africa) Pty Ltd
SRK Group	SRK Global Limited.
SVOL1	First-search Ellipsoids
SVOL2	Second-search Ellipsoids
SW	Stope width
Tau Lekoa	Tau Lekoa Gold Mine
TB	Tuberculosis
TDS	Total Dissolved Solids
TEC	Total Employees Costed
TEP	Techno-Economic Parameter
TEPs	Technical-economic parameters
TLAL	Tau Lekoa Assay Laboratory
TMM	Trackless Mobile Machinery
Tonnage discrepancy	It is the difference between the tonnage hoisted as ore, as calculated by the surveyor, and that accounted for by the plant measuring methods. It is expressed as a percentage of the former. The discrepancy is known as a shortfall when the surveyor's calculated tonnage is less than the tonnage accounted for. The discrepancy is known as an excess when the surveyor's calculated tonnage is greater than the tonnage accounted for.
TSF	Tailings Storage Facility
TSFs	Tailings Storage Facilities
TWC	Total Working Cost
UASA	Formerly named United Association of South Africa
UG	Underground
UPR	Upper Pseudo Reef
VCB	Vacuum circuit breaker
VCR	Ventersdorp Contact Reef
VIA	Visual Impact Assessment
VMR	Village Main Reef (Pty) Ltd
VoIP	Voice Over Internet Protocol
VR	Vaal Reef

Acronym	Definition
VRO	Vaal Reef Operations
VSD	Variable Speed Drive
WACC	Weighted Average Cost of Capital
WB	Wet Bulb
Weltevreden	Weltevreden gold project
WHO	World Health Organisation
WMA	Middle Vaal Water Management Area
WML	Waste Management Licence
WRD	Waste Rock Dump
WUL	Water Use Licence
WULA	Water Use Licence Application
XRF	X-ray fluorescence

## CHEMICAL ELEMENTS

Symbol	Element
Au	gold
Ag	silver
CO	Carbon Monoxide
NO	Nitrogen Oxide
NO <sub>2</sub>	Nitrogen Dioxide
SiO <sub>2</sub>	silica

## UNITS

Acronym	Definition
A	ampere
cm	a centimetre
cm.g/t	calculated gold accumulation, being the grade (in g/t) multiplied by the full channel width (in cm)
g	grammes
g/t	grammes per metric tonne – metal concentration
ha	a hectare
kg	kilogram, one thousand grammes
kg/s	kilograms per second
km	a kilometre (=1 000 metres)
koz	one thousand ounces
kt	a thousand metric tonnes
kPa	kilopascal
ktpa	a thousand tonnes per annum
ktpm	a thousand tonnes per month
kV	one thousand volts
kVA	one thousand volt-amperes
kW	kilowatt
kWh	kilowatt hours

Acronym	Definition
L	litre
lb	a pound (2.204 lb = 1 kg)
m	a metre
m <sup>2</sup>	square metre
m <sup>3</sup>	cubic metre
mm	millimetre
Ma	a million years before present
Moz	a million ounces
MPa	a million pascals
Mt	a million metric tonnes
Mtpm	a million tonnes per month
Mtpa	a million tonnes per annum
MVA	a million volt-amperes
MW	a million watts
oz	ounce
t	a metric tonne (= 1 000 kg)
ppm	parts per million
t/m <sup>3</sup> / tm <sup>-3</sup>	density measured as metric tonnes per cubic metre
tpa	tonnes per annum
tpd	tonnes per day
tpm	tonnes per month
USD	United States Dollar
USDm	million United States Dollars
USD/kg	US Dollars per kilogram
USD/oz	US Dollars per ounce
USD/t	US Dollars per tonne
V	volt
ZAR	South African Rand
ZARm	million South African Rands
ZAR/kg	South African Rand per kilogram
ZAR/t	South African Rand per tonne
°	degrees
°C	Degree Celsius
'	minutes
%	percentage



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## 1 INTRODUCTION

### 1.1 Background

[18.03(1), 18.05(1), 18.09(2)(3)] [SR1.1(i)]

SRK Consulting (South Africa) (Pty) Ltd (**SRK**) is an associate company of the international group holding company, SRK Global Limited (the **SRK Group**). SRK has been commissioned by Heaven-Sent Gold Group Company Limited (**HSG**, also referred to as the **Company**) to prepare a Competent Person's Report (**CPR**) on HSG's gold assets in the Republic of South Africa respectively (collectively the **Gold Assets**). HSG is a Chinese capital management company with its headquarters in Hong Kong. Founded in 2006, HSG operates as the holding parent company of its South Africa subsidiary Village Main Reef Group (Pty) Ltd (**VMR**).

The CPR for inclusion in the Prospectus, Admission Document, Circular or similar (**Circular**) in support of HSG's proposed listing on the Stock Exchange of Hong Kong Limited (**HKSE**) must satisfy the reporting requirements of Chapter 18 – Mineral Companies of the Rules Governing the Listing of Securities on the HKSE (the **Listing Rules**).

HSG advised SRK that a Competent Valuation Report was not required.

HSG, via its wholly-owned subsidiary VMR, holds an indirect 74% interest in various gold operations and projects in South Africa (collectively, the **Gold Assets**). The Gold Assets are located near Orkney and Klerksdorp, in the North West and Free State Provinces (Figure 1.1). In total, HSG has an annual gold production capacity in excess of 200 koz. The HSG Gold Assets assessed in this CPR include the following:

- Kopanang gold mine (**Kopanang**);
- Tau Lekoa Group which comprises Tau Lekoa and Jonkerskraal (**Tau Lekoa mine**), Weltevreden gold project (**Weltevreden**) and Goedgenoeg gold project (**Goedgenoeg**);
- West Gold Plant; and
- Nicolor South gold plant (**Nicolor**) and Buffelsfontein Gold mine (**Buffels**) old rock dumps.

Buffels has been closed and is currently in the process of rehabilitation and will thus not be part of the CPR compilation.

### 1.2 Terms of Reference

[18.05(1), 18.09(2)(3)]

HSG requires a CPR to be compiled on its Gold Assets as a prerequisite document for a proposed transaction as required by the Listing Rules (the "**Proposed Transaction**"). The CPR for inclusion in the Prospectus, Admission Document, Circular or similar document (the "**Circular**") in support of the Company's Proposed Transaction to the HKSE must satisfy the reporting requirements of the Listing Rules, in particular Chapter 18 – Mineral Companies.

HSG advised SRK that a Competent Valuation Report for the Gold Assets was not required.

### 1.3 Sources of Data

Details of the information used to prepare this report are:

- Electronic information received from the HSG data room; and
- Discussion with the relevant Project team members at the operations.

### 1.4 HSG - VMR Corporate Structure

[18.03(1)]

HSG is a Chinese capital management company with its headquarters in Hong Kong. Founded in 2006, HSG has identified itself as a comprehensive capital management group specialising in professional services of mergers and acquisitions (**M&A**). HSG operates as an investment company, providing equity investment, investment management, and other services.

VMR is an emerging South African mid-tier gold producer which owns and operates the Gold Assets. It is a mining and resources investment company.

A simplified corporate structure for HSG, VMR and the relevant subsidiaries is shown in Figure 1.2.

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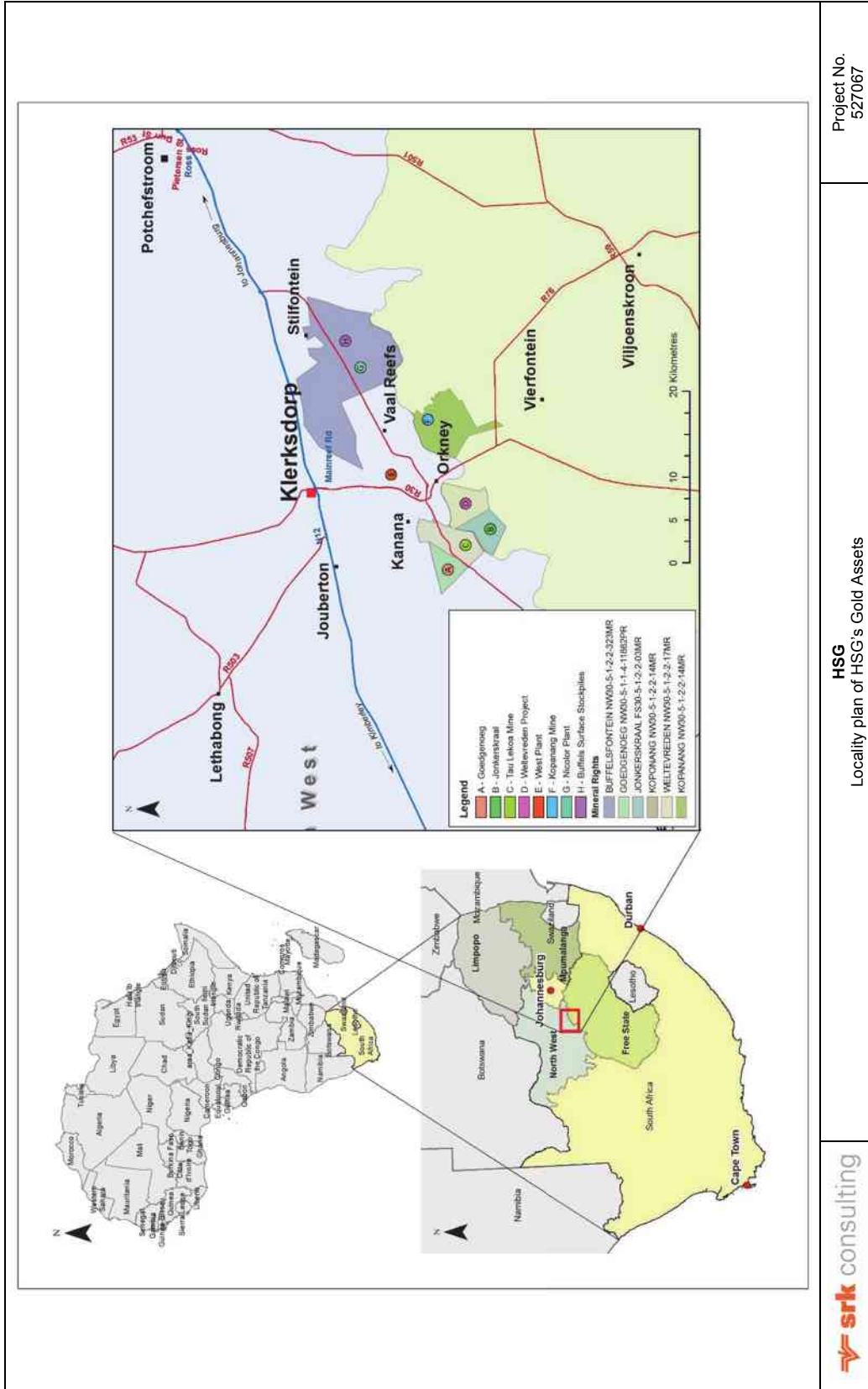


Figure 1.1: Locality plan of HSG's Gold Assets

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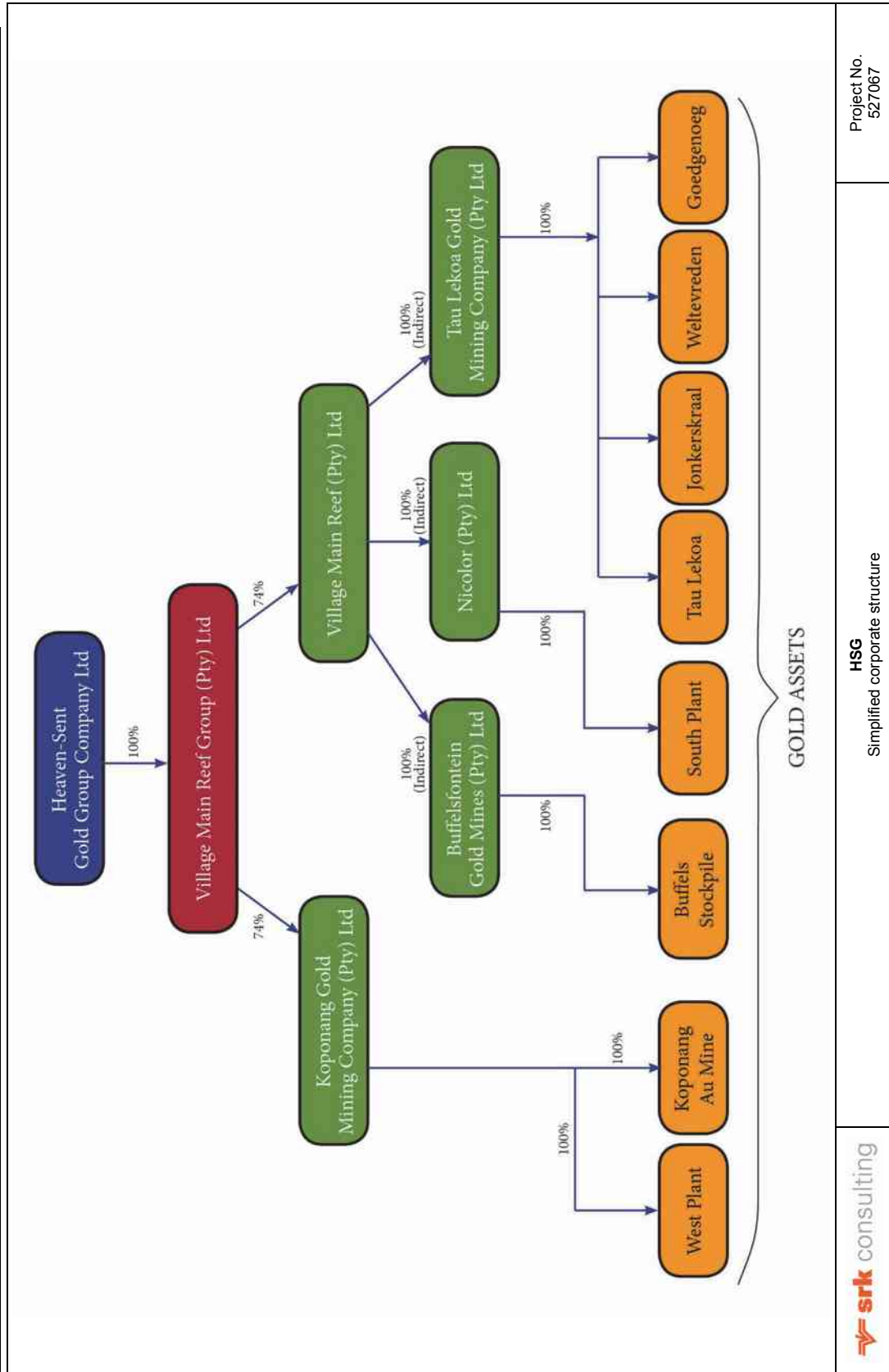


Figure 1.2: HSG - Simplified corporate structure

## 1.5 Reporting Compliance, Reporting Standard and Reliance

### 1.5.1 Reporting Standard

[18.24(3), 18.28, 18.29, 18.34]

The reporting standard adopted for the reporting of the Mineral Resources and Mineral Reserves for the Gold Assets is the 2016 Edition of "*The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (The SAMREC Code)*" as prepared by the South African Mineral Resource Committee Working Group under the auspices of the Southern African Institute for Mining and Metallurgy (**SAIMM**) and the Geological Society of South Africa (**GSSA**). The SAMREC Code is an international reporting code that is acceptable to the HKSE Listing Rules [Rule 18.29(1)(c)].

### 1.5.2 Reporting Compliance

[18.02]

SRK has adopted a shorthand notation to reflect compliance with the Chapter 18 Rules, the SAMREC Code and SAMSEG Guideline, for example:

- [18.03(1)] relates to Rule 18.03(1) of Chapter 18;
- [SR1.3(i)] relates to Section 1.3(i) of Table 1 included in the SAMREC Code; and
- [ESG2.3] relates to Item 2.3 included in the SAMSEG Guideline.

The shorthand notation is included under all section headings, as relevant, to indicate what compliance aspects that section is addressing. Summary tables showing compliance to Chapter 18 of the Listing Rules, SAMREC Code and ESG are included in Appendices 2 to 4 respectively.

SRK confirms that this CPR complies with the disclosure and reporting requirements of the Listing Rules, including:

- Rules 18.09 to 18.13 inclusive, relating to relevant notifiable transactions involving the acquisition or disposal of Gold Assets;
- Rules 18.18, 18.19, 18.21, 18.22, 18.23, 18.24, 18.25, 18.26, and 18.30, relating to statements on Mineral Resources and Mineral Reserves;
- Rule 18.28, 18.29 and 18.30, relating to the applicable reporting standard; and
- Guidance Note 7 to the Listing Rules, titled "Suggested Risk Assessment for Mineral Companies" [Rule 18.05(5)].

SRK understands the requirements set out in the Listing Rules with regards to the qualifications and experience of the Independent CP. SRK confirms that the staff employed on the project satisfy these requirements of the HKSE Listing Rules [Rules 18.21, 18.22 and 18.23].

### 1.5.3 Reliance on SRK

[18.21, 18.23]

The CPR is addressed to and may be relied upon by the Company, the Directors of the Company and the Company's various financial, legal and accounting advisors (the **Advisors**) in support of the Proposed Transaction, specifically in respect of compliance with the requirements of the Listing Rules. SRK agrees that the CPR may be made available to and relied upon by the Advisors.

SRK is responsible for the CPR and for all the technical information contained therein. SRK declares that it has taken all reasonable care to ensure that this CPR and the technical information contained therein is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

SRK confirms that the presentation of technical information contained elsewhere in the Circular released by the Company in connection with the Proposed Transaction which relates to information in the CPR is accurate, balanced and not inconsistent with the CPR.

SRK believes that its opinion should be considered as a whole and selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the opinions presented in this CPR. The preparation of a CPR is a complex process and does not lend itself to partial analysis or summary.

SRK has no obligation or undertaking to advise any person of any development in relation to the Project which comes to its attention after the date of the CPR or to review, revise or update the CPR or opinion in respect of any such development occurring after the date of the CPR.

## 1.6 Effective Date

[18.24(2)] [SR9.1(iii)]

The Effective Date for this CPR is 30 June 2019 (the **Effective Date**).

The Mineral Resource and Mineral Reserve statements set out in this CPR are reported as at 30 June 2019 and represent the Mineral Resources and Reserves at the Effective Date as audited by SRK.

The life of mine (**LoM**) plans and associated technical and economic parameters (**TEPs**) included in the LoM plans and techno-economic models (**TEMs**) all commence on 1 July 2019 and are presented in constant money terms.

The financial results for the Gold Assets are taken to be correct at 30 June 2019, the Effective Date of the CPR.

### 1.6.1 Commodity Prices

[18.30(4)]

In discussion with HSG, it was agreed that a long-term Au price of ZAR550 000/kg (based on USD1 180/oz and ZAR14.50=USD1.00) would be used for evaluation purposes and the estimation of Mineral Reserves. A long-term price of ZAR700 000/kg was used for the estimation of Mineral Resources, which represents a premium of approximately 30% to the price selected for the Mineral Reserves.

The spot Au price and ZAR:USD exchange rate ruling at the Effective Date of the CPR and their respective sources are shown in Table 1.1.

**Table 1.1: Spot Prices and ZAR:USD Exchange Rate at Effective Date**

Metal / Item	Units	Value	Source
Au	(USD/oz)	1 409.00	London pm fix on 28/06/2019 - <a href="http://www.kitco.com">www.kitco.com</a>
Exchange Rate	ZAR:USD	14.0862	Rate ruling at 00:00 UTC - <a href="http://www.xe.com">www.xe.com</a>

The parameters in Table 1.1 yield a spot Au price at the Effective Date of ZAR638 110/kg. The impact on the cash flows generated by the Gold Assets if the spot price was sustained for the LoM can be seen in the respective revenue-operating cost sensitivity tables.

The Company entered into a forward hedge contract in February 2019 for 60 koz of gold production during 2019 at an average price of ZAR618 026/kg. By the end of June 2019, 29.8 koz had been delivered into this contract. The Company entered into another contract for 39 koz during May/June for delivery before the end of 2019. The effect of the 69.2 koz of forward gold sales still to be delivered has been taken into account in the consolidated group level results.

### 1.6.2 Industry and Market Overview

[SR4.3(vi), SR5.6]

The industry and market overview for the gold industry is provided in the Prospectus and not repeated here.

### 1.6.3 Units and Currency

All units used in the CPR are defined in the Glossary of Terms and conform to the International System of Units (**SI**, abbreviated from the French *Système International (d'unités)*).

All operating costs (**Opex**), capital expenditure (**Capex**), revenue and cash flow entries are expressed in South African Rands (**ZAR**), to allow calculation of royalties and taxation obligations to be done correctly. The post-tax cash flows are converted to United States Dollars (**USD**) using the ZAR:USD exchange rate at the Effective Date. All financial results are presented in both ZAR and USD terms, to facilitate reporting for the HKSE.

### 1.6.4 Material Change

[18.05(2)] [SR3.5(iv), SR4.1(iv), SR4.3(viii), SR5.3(iii), SR5.5(iii) (v)]

Based on information provided by HSG, there are no events that have occurred since the Effective Date that are likely to have a material impact on the Mineral Resource and Mineral Reserve statements or the values for the Gold Assets at the date of publication of this CPR (the Publication Date).

### 1.6.5 Legal Claims and Proceedings

[18.05(4), 18.05(6)(h)] [SR1.5(iv)]

SRK has been advised by HSG and its legal advisors that there are no legal claims or proceedings which could influence HSG's rights to explore and/or mine at the Gold Assets. From a list of legal proceedings and outstanding liabilities provided by HSG, SRK could not find any outstanding issues that could influence HSG's rights or prevent it from continuing with its operations.

### 1.6.6 Sufficiency of Rehabilitation Funding

[18.05(6)(d)(e)] [SR1.7(i)]

The liability for the Gold Assets has been assessed in a manner, which would meet the current legislative requirements. The accuracy of the assessments is variable with it being SRK's opinion that the Kopanang estimate of ZAR123.6 million has an accuracy of  $\pm 25\%$  and the estimates for Tau Lekoa (ZAR62.3 million) and Weltevreden (ZAR14.1 million) have an accuracy of  $\pm 50\%$  and that of Nicolor being underdetermined. This accuracy assigned by SRK is within the context that none of the operations have made provision for post closure water management, as the requirement for this has not been adequately defined through the existing knowledge base. Although, the accuracy is variable, there is no specification in the current legislation, which regulates the accuracy with which the estimate is made. Provision to the authorities for the liability at Kopanang, Tau Lekoa and Weltevreden is in place using an Insurance Policy and the provision for Nicolor is by means of a Trust. The provision in the form of an insurance policy and trust are methods acceptable to the authorities. Based on the information provided to SRK, SRK is of the opinion that from a legislative perspective, the four operations are compliant with regulatory requirements. Recognising that the accuracy of the estimates is low, as indicated by the accuracies assigned by SRK, there is a risk that while the legally required provisions are in place, the actual cost of implementing Decommissioning, Rehabilitation and Closure activities may be higher than the estimates against which the legally required provisions have been raised. Furthermore, if there is a requirement to treat water as the workings re-water and the water level approaches the surface, the liability may increase significantly. The water risk has however not yet been assessed at the operations.

### 1.6.7 Claims Over Land

[18.05(6)(h)] [SR1.5(iv)]

HSG has advised SRK that there are no land claims that may exist over the land on which exploration or mining activity is being carried out. From a list of outstanding liabilities provided by HSG and VMR, SRK could not find any outstanding claims that could materially influence HSG's rights or prevent it from continuing with its operations.

## 1.7 Verification and Validation

[SR3.1(ii)]

SRK has conducted a review and recalculation (Tau Lekoa and Weltevreden Mineral Resources) and assessment of all material technical issues likely to influence the future performance of the mines and the resulting TEPs, which included the following:

- Inspection visits to the Gold Assets as detailed in Table 1.3;
- A review of the Resource and Reserve statements for the Gold Assets. Whilst SRK has not re-estimated the Mineral Resources and Mineral Reserves (for Kopanang and Nicolor Plant), SRK has performed all necessary validation and verification procedures of the source data, sampling methods, QA/QC methods applied, geological database, geological modelling and resource classification criteria deemed appropriate to place reliance on such information and to satisfy itself that the resource estimates are valid. SRK however undertook the re-estimation of the Mineral Resources for the Weltevreden Project, to take account of 2018 exploration data;
- Reporting of the Mineral Resource and Mineral Reserve Statements based on the Mineral Resources and Mineral Reserves provided by HSG as at 31 December 2018 and depleted by actual production to 30 June 2019, the Effective Date of this CPR;

- Examination, review and where appropriate, modification, of TEPs in the TEMs drawn from technical studies and LoM plans for the Gold Assets, and all conclusions and recommendations drawn therefrom; and
- Assessed the reasonableness of the macro-economic and commodity price assumptions incorporated into the Mineral Resource and Mineral Reserve Statements, the TEPs and values for the Gold Assets.

SRK confirms that it has performed all validation and verification procedures deemed necessary and/or necessary by SRK in order to place an appropriate level of reliance on the technical information provided by VMR and the Company.

In presenting the Mineral Resource and Mineral Reserve Statements, the TEPs and values for the Gold Assets in this CPR, the following apply:

- Measured and Indicated Resources are inclusive of those Mineral Resources modified to produce Mineral Reserves, i.e. Mineral Resources are reported on an inclusive basis of the Mineral Reserves; and
- In accordance with Chapter 18 of the Listing Rules, SRK has not included any consideration of Inferred Mineral Resources in determining the financial results for the Gold Assets.

## 1.8 Limitations, Reliance on Information, Declaration, Consent and Cautionary Statements

### 1.8.1 Limitations

[18.25]

Mineral Reserve estimates are based on many factors, including data with respect to drilling and sampling. Mineral Reserves are derived from estimates of future technical factors, operating and Capex, product prices and the exchange rate between the ZAR and USD. The Mineral Reserve estimates contained in this CPR should not be interpreted as assurances of economic life of the Project. As Mineral Reserves are only estimates based on the factors and assumptions described herein, future Mineral Reserve estimates may need to be revised. For example, if production costs increase or product prices decrease, a portion of the current Mineral Resources, from which the Mineral Reserves are derived, may become uneconomical to recover and would therefore result in lower estimated Mineral Reserves. Furthermore, should any of the assumed factors change adversely, the TEPs and values for the Project as reported herein may need to be revised and may result in lower estimates.

This CPR contains statements of a forward-looking nature. These forward-looking statements are estimates and involve a number of risks and uncertainties that may cause the actual results to differ materially from those anticipated in this CPR.

The achievability of the projections, LoM plans, budgets and forecast TEPs as included in this CPR is neither warranted nor guaranteed by SRK. The projections as presented and discussed herein have been proposed by HSG management and have been adjusted where appropriate by SRK.

The projections cannot be assured as they are based on economic assumptions, many of which are beyond the control of the Company and VMR. Future cash flows and profits derived from such forecasts are inherently uncertain and actual results may be significantly more or less favourable.

This report includes technical information, which requires subsequent calculations to derive subtotals, totals and weighted averages. Such calculations may involve a degree of rounding and consequently introduce an error. Where such errors occur, SRK does not consider them to be material.

Unless otherwise expressly stated, all the opinions and conclusions set out in this CPR are those of SRK.

### 1.8.2 Reliance on Information

[18.25]

SRK has relied upon the accuracy and completeness of technical, financial and legal information and data:

- Furnished by or through the Company or VMR, including information and data originating with the Company's Advisors; and
- In respect of, publicly available information published by HSG from time to time, including but not limited to any Mineral Resources and Mineral Reserve statements and technical studies contained in such information or data.

HSG has confirmed to SRK that, to its knowledge, the information provided by it to SRK was complete and not incorrect or misleading in any material aspect. SRK has no reason to believe that any material facts have been withheld.

Whilst SRK has exercised all due care in reviewing the supplied information, SRK does not accept responsibility for finding any errors or omissions contained therein and disclaims liability for any consequences of such errors or omissions.

The technical views in this report are based on information provided by HSG and its advisors throughout the course of SRK's investigations, which in turn reflect various technical-economic conditions prevailing at the date of this report. In particular, the Mineral Reserves, TEPs and values of the Gold Assets are based on expectations regarding commodity prices and exchange rates prevailing at the Effective Date of this CPR. These can change significantly over relatively short periods of time. Should these change materially, the TEPs could be materially different in these changed circumstances.

SRK has reviewed the information provided by HSG and is satisfied that the extents of the properties described in the various rights are consistent with the maps and diagrams received from HSG. SRK has placed reliance on the legal DD report compiled by Werksmans Attorneys Inc, regarding the accuracy of all legal information in this CPR and the validity of HSG's title to the mineral rights held over the Gold Assets.

### 1.8.3 Declaration

[18.22]

SRK will be paid a fee for this work at commercial rates in accordance with normal professional consulting practice. Payment of fees is in no way contingent upon the conclusions to be reached in the CPR.

Neither SRK nor any of its employees or associates employed in the compilation of the CPR of the Gold Assets, nor any of the CPs who are responsible for authoring this CPR, nor any directors of SRK, have at the date of this report, nor have had within the previous two years, any shareholding in HSG, the Gold Assets or HSG's Advisors, or any other any pecuniary, economic or beneficial interest, or the right to subscribe for such interest, whether direct or indirect, in HSG, the Gold Assets, any of the HSG's Advisors or the outcome of the work.

Consequently, SRK, the CPs consider themselves to be independent of HSG, their respective directors, senior management and the HSG's Advisors.

In this CPR, SRK provides assurances to the Board of Directors of the Company, in compliance with the requirements of the reporting standards, that the Mineral Reserves and Mineral Resources, TEPs, including production profiles, Opex and Capex for the Gold Assets, as provided to SRK by HSG and reviewed and where appropriate modified by SRK, are reasonable given the information currently available.

### 1.8.4 Consent

[18.13]

SRK consents to the issuing of this report in the form and content in which it is to be included in documentation distributed to shareholders of HSG.

Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of the CP as to the form and context in which it appears.

### 1.8.5 Cautionary Statements

[18.08]

The reader and any potential or existing shareholder or investor in the Company or VMR is cautioned that HSG is involved in mining the Gold Assets and there is no guarantee that any unmodified part of the Mineral Resources will ever be converted into Mineral Reserves nor ultimately extracted at a profit.

### 1.8.6 Disclaimers and Cautionary Statements for US Investors

[18.08]

This CPR uses the terms "Mineral Resource", "Measured Mineral Resource", "Indicated Mineral Resource" and "Inferred Mineral Resource". US shareholders and investors in HSG are advised that while such terms are recognised and permitted under the SAMREC Code and the Listing Rules, the US Securities and Exchange Commission (**SEC**) does not recognise them and strictly prohibits companies from including such terms in SEC filings.



Accordingly, US investors and shareholders in HSG are cautioned not to assume that any unmodified part of the Mineral Resources in these categories will ever be converted into Mineral Reserves.

## 1.9 Indemnities provided by the Company

[18.26]

The Company has provided the following indemnities to SRK:

- In the event that the Company discloses or distributes any SRK work product or other deliverable (including reports, analysis, opinion or similar) (the “**SRK Work Products**”) to any third party, the Company shall procure that such third party complies *mutatis mutandis* with various of the Company's obligations to SRK that are contained in the engagement letter between the Company and SRK, and, unless otherwise agreed in writing by SRK, no such third party shall be entitled to place reliance upon any information, warranties or representations which may be contained within the SRK Work Products and the Company shall indemnify SRK against all and any such claims, losses and costs which may be incurred by SRK arising from the breach by the Company of this obligation. This indemnity shall not apply in relation to the provision by the Company of drafts of this CPR to the Company's Advisors and the HKSE and in relation to, or following, the public release of this CPR in the Circular.
- The Company has confirmed to SRK that, to its knowledge, the information provided by it to SRK was complete and not incorrect or misleading in any material aspect. SRK has no reason to believe that any material facts have been withheld. Whilst SRK has exercised all due care in reviewing the supplied information, SRK does not accept responsibility for finding any errors or omissions contained therein and disclaims liability for any consequences of such errors or omissions.

### 1.9.1 Copyright

Copyright in all text and other matter in this document, including the manner of presentation, is the exclusive property of SRK. It is a criminal offence to publish this document or any part of the document under a different cover, or to reproduce and/or use, without written consent, any technical procedure and/or technique contained in this document. The intellectual property reflected in the contents resides with SRK and shall not be used for any activity that does not involve SRK, without the written consent of SRK.

## 1.10 Qualifications of Consultants

[18.21, 18.23] [SR9.1(i) (ii)]

SRK is part of an international group (the SRK Group) that comprises almost 1 400 staff, offering expertise in a wide range of resource engineering disciplines. The SRK Group's independence is ensured by the fact that it holds no equity in any project and is totally owned by its employees. This permits SRK to provide its clients with conflict-free and objective recommendations on crucial judgement issues.

SRK has a demonstrated track record in undertaking independent assessments of resources and reserves, project evaluations and audits, Mineral Expert's Reports, CP Reports, Mineral Resource and Mineral Reserves Compliance Audits, Independent Valuation Reports and independent feasibility evaluations to bankable standards and valuation of mineral properties on behalf of exploration and mining companies and financial institutions world-wide. The SRK Group has also worked on a large number of major international mining operations and their projects, providing mining consultancy service inputs. SRK has specific experience in commissions of this nature.

The following are the CPs responsible for the signing off on HSG Gold Assets Mineral Resources and Mineral Reserves:

- The CP assuming overall responsibility of the CPR is Mr. Roger Dixon, PrEng (Reg. No. 20000060). Honorary Life Fellow of the SAImm, who is a Corporate Consultant with SRK. Mr. Dixon is a mining engineer with 46 years' global experience in the mining industry;
- The CP with responsibility for the reporting of Kopanang and Buffels Mineral Resources is Mr. Mark Wanless, PrSciNat (Reg. No. 400178/05), a Fellow of the GSSA and a Partner with SRK. Mr. Wanless is a Principal Resource geologist with 20 years' experience of the geology and resource estimation of Witwatersrand gold operations in South Africa;

- The CP with responsibility for the reporting of Tau Lekoa, Weltevreden, Jonkerskraal and Goedgenoeg Mineral Resources is Mr. Ivan Doku, PrSciNat (Reg. No. 400513/14). Mr. Doku is a Principal Geologist with SRK who has undertaken numerous mineral resource estimations and audits of gold operations in Southern Africa and internationally during the past ten years; and
- The CP with responsibility for the reporting of Mineral Reserves for all the Gold Assets is Mr. Joseph Mainama, PrEng (Reg. No.20080413). Mr. Mainama is a Principal Mining Engineer and Associate Partner with SRK and has been involved in the field of mining engineering for the past 21 years. He has undertaken numerous technical audits and reviews as well as Mineral Reserve sign-offs for gold mines in Southern Africa.

This CPR has been prepared based on a technical and economic review by a team of consultants sourced from SRK's offices in South Africa over a two-month period. These consultants are specialists in the field of geology, resource and reserve estimation and classification, underground mining, geotechnical engineering, mineral processing, hydrogeology and hydrology, tailings management, infrastructure, environmental management and Gold Asset evaluation. The consultants who have carried out the work in this report, have extensive experience in the mining industry and are members in good standing of appropriate professional institutions. Details of their qualifications and discipline are set out in Table 1.2.

## 1.11 Site Visits

[SR1.1(iii)]

SRK personnel visited the Gold Assets operations as part of the inspection of surface and underground facilities, metallurgical processing facilities and geotechnical conditions underground, and met with personnel representing relevant disciplines of HSG as indicated in Table 1.3.

**Table 1.2: Consultant Contributors**

Name	Contribution
Shaun Murphy CertEng, C.O.M, GDE, MSANIRE	Mining Geotechnics (Rock Engineering)
Andrew van Zyl BSc (Eng), MCom, MloD, MSAIMM	Financial modelling/reporting
Andrew McDonald, CEng, MSc, MBL, MloM3, FSAIMM	Marketing, Contracts, Tenure, Financial reporting, Project Manager
Victor Hills PrEng, BSc (Eng), MSAIMM	Metallurgy, Mineral Processing
James Lake, PrSciNat, MSc, BSc (Hon), MWISA	Closure and Rehabilitation Requirements
Beth Candy PrSciNat, MSc, BSc (Hons)	Environmental permitting, Compliance
Ashleigh Maritz PrSciNat, MSc, BSc (Hons)	Environmental permitting, Compliance
Jessica Edwards, MA, BSocSci, MIAIAsa	Social permitting and stakeholder relations
Vassie Maharaj BSc, MIAIAsa, MIAP2, IoDSA	Social permitting and stakeholder relations
Ivan Doku PrSciNat MSc, GDE, BSc (Eng), MGSSA, MSAIMM	Geology, Mineral Resources
Joseph Mainama PrEng, BSc (Eng), MBL, MSAIMM	Mining, Mine Design, Mineral Reserves
<sup>1</sup> Rob McNeill PrTechEng, PrCPM, Nat.Dip(T4), MSAICE, MIWMSA, MSACPCMP	Tailings Disposal
Chris Smythe CertEng, HND, MSAIMM	Infrastructure, Engineering (Mechanical), Maintenance, Capital
Kenneth Mahuma PrTechEng, Nat.Dip(N6), MSAIMM	Infrastructure, Engineering (Electrical)
Mark Wanless PrSciNat BSc (Hons), FGSSA	Geology, Mineral Resources
Ismail Mahomed PrSciNat BSc (Hons), MGSSA	Hydrogeology, Ground Water
Benedict Mabenge PrSciNat, MSc, BSc (Hons), MGSSA	Hydrogeology, Ground Water
Peter Shepherd PrSciNat, BSc (Hons)	Hydrology, Surface Water
<sup>2</sup> Jaques Van Eyssen Adv.Cert (Mine Environ Control), FMVSSA	Occupational Health and Safety and Ventilation
Roger Dixon PrEng, BSc (Hon), FSAIMM, CRIRSCO	Mining, Mine Design, Mineral Reserves, Overall CP
Marcin Wertz PrEng, BSc (Eng), FSAIMM, MMCC	Partner and Final Review
Senzeni Mandava PrSciNat MSc, GDE, MGSSA	Geology, Report Compilation

**Notes:**

All of SRK House, 265 Oxford Road, Illovo, 2196, Johannesburg.

<sup>1</sup>SRK, 8 Montrose Dr, Town Bush Valley, Pietermaritzburg, 3201 Pietermaritzburg.

<sup>2</sup>Independent SRK Consultant.

The purpose and overview of the site visits included but was not limited to the following:

- Discussed and reviewed the database informing the Mineral Resources;
- Reviewed the geological and grade model generation and Mineral Resource validation procedures;
- Reviewed Quality Assurance/Quality Control measures/procedures and data;
- Reviewed the LoM planning process and the conversion of Mineral Resources to Mineral Reserves;



- Reviewed the operation's engineering infrastructure;
- Reviewed the processing plants; and

Reviewed and discussed with pertinent HSG personnel regarding the status quo involving the Gold Assets permitting, key environmental and social issues.

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Table 1.3: Summary of Site Visits to Gold Assets

Discipline	Operation	SRK Consultant		HSG Personnel			Date of Visit	Work place visited and remarks
		Name	Company	Designation/Role	Name	Designation/Role		
Geology and Mineral Resources	Tau Lekoa and Weltevreden	Ivan Doku	SRK	Principal Resource Geologist	Richard Montpie Coillard Howard	Project Manager MRM at Tau Lekoa	13 and 14 June 2018	Weltevreden drilling core yard and underground visit at Tau Lekoa
	Kopangang	Mark Wanless	SRK	Partner and Principal Resource Geologist	Andre Belbin	Kopangang Geosciences Manager	21 August 2018	Kopangang MRM department, Buffels Laboratory Buffels No.10 waste rock dump
					Pieter Enslin	Kopangang Mineral Resources Manager		
					Arnold Pillay	Kopangang Senior Evaluator		
Mining and Mineral Reserve	Nicolor Gold Plant	Roger Dixon	SRK	Corporate Consultant	Sydney Mdhuli	Senior Sampler	21 August 2018	I conducted site visits to Tau Lekoa on 20th August 2018 and to Kopangang.
	Tau Lekoa				Peter Lugisan	Metallurgical Plant Manager	20 August 2018	Nicolor Plant and the Buffels 10# waste rock dump.
Mining and Mineral Reserve	Kopangang	Joseph Mainama	SRK	Principal Mining Engineer	Pieter Enslin	Kopangang Mineral Resources Manager	22 August 2018	I conducted site visits to Tau Lekoa on 20th August 2018 and to Kopangang, Nicolor Plant and the Buffels 10# waste rock dump on 21st August 2018.  Inspected underground - the 65 Raseline on 42 Level. The raiseline was under ledging and compliance to standards was generally good. The stoping width control was good.
					Mr Steven Manyathela	Section Manager		
					Mr Rosewell Mahluno	Mine Overseer		
Mining and Mineral Reserve	Tau Lekoa	Joseph Mainama	SRK	Principal Mining Engineer	Ms Pearle Mosiane Ms Wendy Chabangu	Rock Engineer Geologist	21 August 2018	Underground raise line no. 9.4 North which is under the mine overseer section 10.3 located on 1 050 mbl. An IBG was being mined and had been given the Licence to Mine. A down dip panel was opened up to be mined but was stopped for remedial support. The ground conditions observed were not good. This working place is situated close to the main shaft.  Inspected underground to a haulage protection pillar that is being extracted from the haulage on 1 050 Level. Discussions held with rock engineer. No major geotechnical issues identified underground.
					Willie Baartman	Mine Overseer		
Rock Engineering	Tau Lekoa	Mr Shaun Murphy	SRK	Principal Rock Engineer	Mr Marius Stander	Rock Engineer	21 August 2018	Discussions held with rock engineer. No major geotechnical issues identified underground.
Metallurgy and Mineral Processing	Nicolor Gold Plant	Vic Hills	SRK	Principal Mineral Processing Consultant	Peter Lugisani	Metallurgical Plant Manager	21 August 2018	Inspected the plants.
	West Gold Plant						22 August 2018	
Engineering Infrastructure (Mechanical) and Capital Engineering Infrastructure (Electrical)	Tau Lekoa	Chris Smythe	SRK	Infrastructure Engineer	Piet Kock	Engineering Manager Surface and Services	20 and 21 August 2018	Surface infrastructure. All underground shaft infrastructure levels and 44 tranning level.

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Discipline	Operation	SRK Consultant		HSG Personnel		Date of Visit	Work place visited and remarks
		Name	Company	Designation/Role	Name	Designation/Role	
Engineering Infrastructure (Mechanical) and Capital Engineering Infrastructure (Electrical) Engineering Infrastructure (Mechanical) and Capital Engineering Infrastructure (Electrical)	Kopanang				Bjorn Thiel		Surface infrastructure. All underground shaft infrastructure levels and 70 tranning level.
					Johan Loots	Chief Electrician	
	Weltevreden				Richard Montjoie	Project Manager	Surface visit to existing abandoned infrastructure
Environmental and Social	Kopanang and Weltevreden Gold Plant						Surface inspection conducted on both the mine and at the plant and meeting with environmental control officer and external environmental consultant who were very knowledgeable. Environmental housekeeping at the mine is well managed and there is room for improvement at the plant. Surface inspection conducted for the Tau Lekoa mine, environmental management lacking as seen from general housekeeping on site. Met with the external environmental consultant who was knowledgeable about the environmental aspects for the project.
	Tau Lekoa and Weltevreden Gold	Beth Candy Ashleigh Maritz	SRK	Principal Environmental Scientists	Lutuno Mutshathama	External Environmental Consultant for VMR	
	Nicolor Plant and Buffels						
Financial modelling	Gold Assets	Andrew van Zyl	SRK	Partner and Principal Consultant (Valuation)	Thys Debeer	Finance Contractor (responsible for construction of all VMR TEMs)	Meeting held in the Main Boardroom. Detailed discussion of the Financial Model and a discussion on the background of the various projects and on the requirements for the final report.

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## 2 DESCRIPTION OF ASSETS AND LOCATION

[SR1.1(i), SR1.2(i)]

The description of the Gold Assets and their location in relation to adjoining properties is discussed in the following section. This section includes discussion on access, climate, physiography and regional infrastructure in the general vicinity of the Gold Assets.

### 2.1 Property Location

The Gold Assets are located approximately 200 km south west of Johannesburg, near the Vaal River within the North West and Free State Provinces of South Africa. The HSG Gold Assets include two underground gold mines able to process ore of more than 3 Mtpa, along with a surface materials site, two operating gold processing plants that have a combined total annual processing capacity of more than 3 Mt, and an exploration project.

The Gold Assets are situated in close proximity to each other as shown in Figure 2.1.

#### 2.1.1 Kopanang

Kopanang is located approximately 170 km from Johannesburg, and 10 km east of the town of Orkney and south of the Vaal River in the Free State Province. It is a mature, deep level underground operation. The mine is bound to the south by the Jersey Fault and to the east by Great Noligwa mine and incorporates an area of 35 km<sup>2</sup>. The primary reefs mined by these operations are the Vaal Reef (**VR**) and the secondary Crystalline Reef (**C Reef**) which are accessed via a single-shaft system which descends to a maximum depth of 2 334 m, while the main working levels are situated between 1 350 m and 2 240 m below. A sequential grid mining layout is used from which scattered mining takes place and production is planned to reach 110 000 oz per year by 2019. Ore from Kopanang is transported to the West Gold Plant via railway line for processing. Gold tailings are disposed of on tailings storage facilities (**TSFs**) operated by AngloGold Ashanti Limited (**AGA**) in terms of a service level agreement (**SLA**).

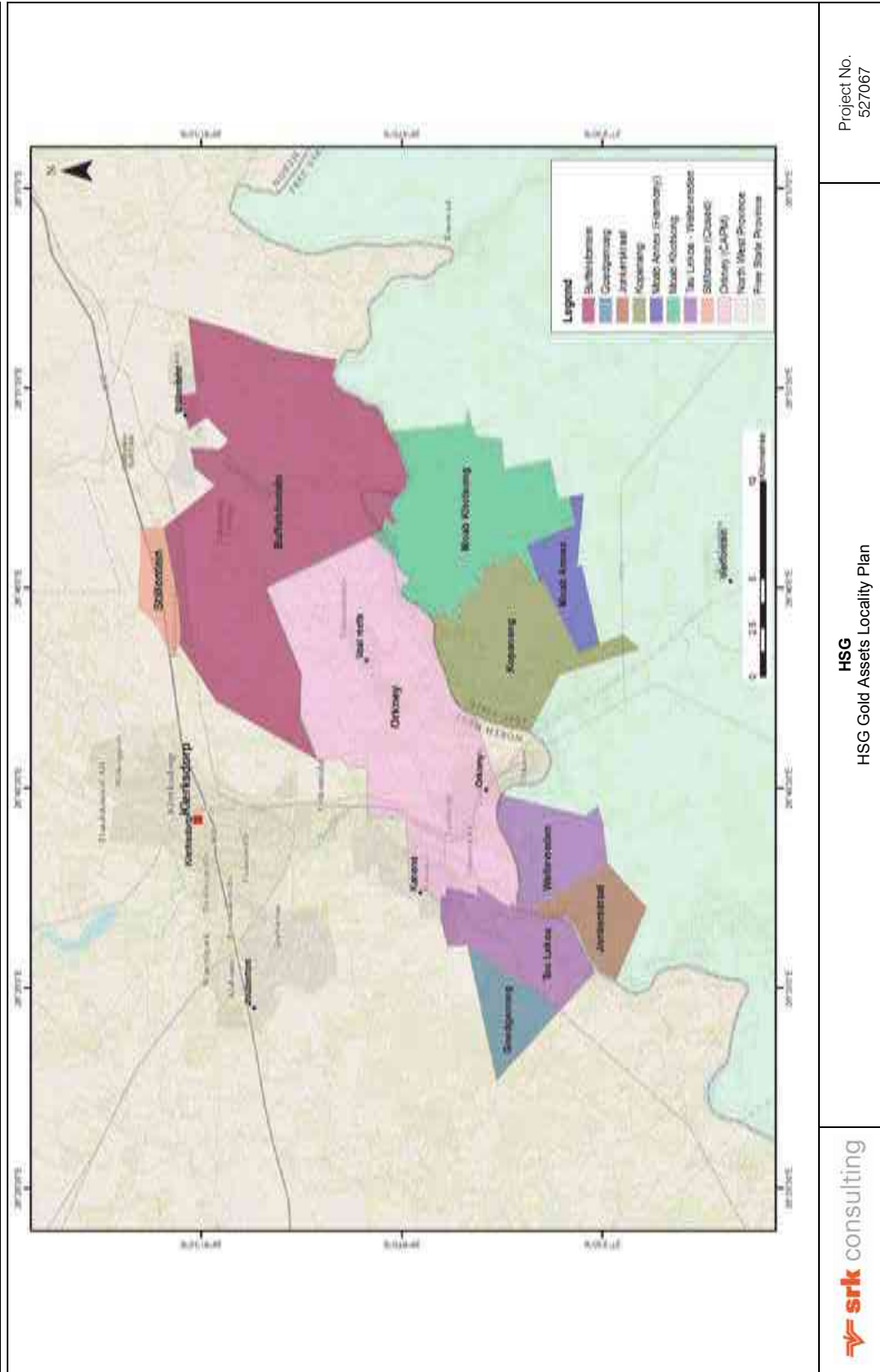
HSG acquired Kopanang, the West Gold Plant and related infrastructure from AGA in October 2017 for a purchase consideration of ZAR100 million in cash and the transfer of certain gold-bearing rock dumps from HSG to AGA.

#### 2.1.2 Tau Lekoa Group

**Tau Lekoa** is located approximately 200 km from Johannesburg and 8 km west of the town of Orkney at the western extreme of the Klerksdorp goldfields (where major gold mining activity has been taking place since the 1960s) in the North West Province. Contiguous to the mine are Jonkerskraal, Goedgenoeg and Weltevreden. The mine exploits the Ventersdorp Contact Reef (**VCR**) which forms part of the Venterspost Formation of the Witwatersrand Supergroup, at depths varying between 900 m and 1 650 m below surface and producing 75 000 oz of gold per year by 2019. The main access is via two vertical surface shafts. Due to the complex geological environment, a scattered mining method is employed with pre-developed access tunnels in the footwall. Following ledging of the raises, breast mining is conducted in a strike direction. Ore from Tau Lekoa is transported to the West Gold Plant for processing. Gold tailings are disposed of on AGA's TSFs per the SLA.

**Weltevreden** is the shallow up-dip extension (approximately 300 metres below surface (**mbs**)) of Tau Lekoa (see Figure 2.2), lying to the east of the mine and is located approximately 200 km south west of Johannesburg, near the towns of Orkney and Klerksdorp in the Free State Province of South Africa. The project is located on the western margin of the Witwatersrand basin, within the Klerksdorp gold field. Weltevreden's main orebody is the VCR and is shallow (between 80 and 300 m). The VCR is very close to the outcrop on the eastern side of Weltevreden and deepens to approximately 1 400 m in the extreme western portion of the property. The reef strikes north north-eastwards, and dips are generally 23°. Access to both Weltevreden and Goedgenoeg orebodies is possible through the Tau Lekoa infrastructure. An exploration programme during the first six months of 2018 (**H1-2018**) enabled an Indicated Mineral Resource to be declared, which is sufficient to support an approximate five-year mine life. Ore from Weltevreden is planned to form part of Tau Lekoa's production profile, with first ore available in November 2019 but only reaching steady-state of 40 ktpa and annualised 45 000 oz in November 2022.

**Goedgenoeg and Jonkerskraal** are Tau Lekoa's adjacent properties. Goedgenoeg is the VCR extension of Tau Lekoa lying to the west of the mine in the North West Province of South Africa, whilst Jonkerskraal lies to the south east of Tau Lekoa (refer to Figure 2.1 and Figure 2.2).



**Figure 2.1: HSG Gold Assets Locality Plan**

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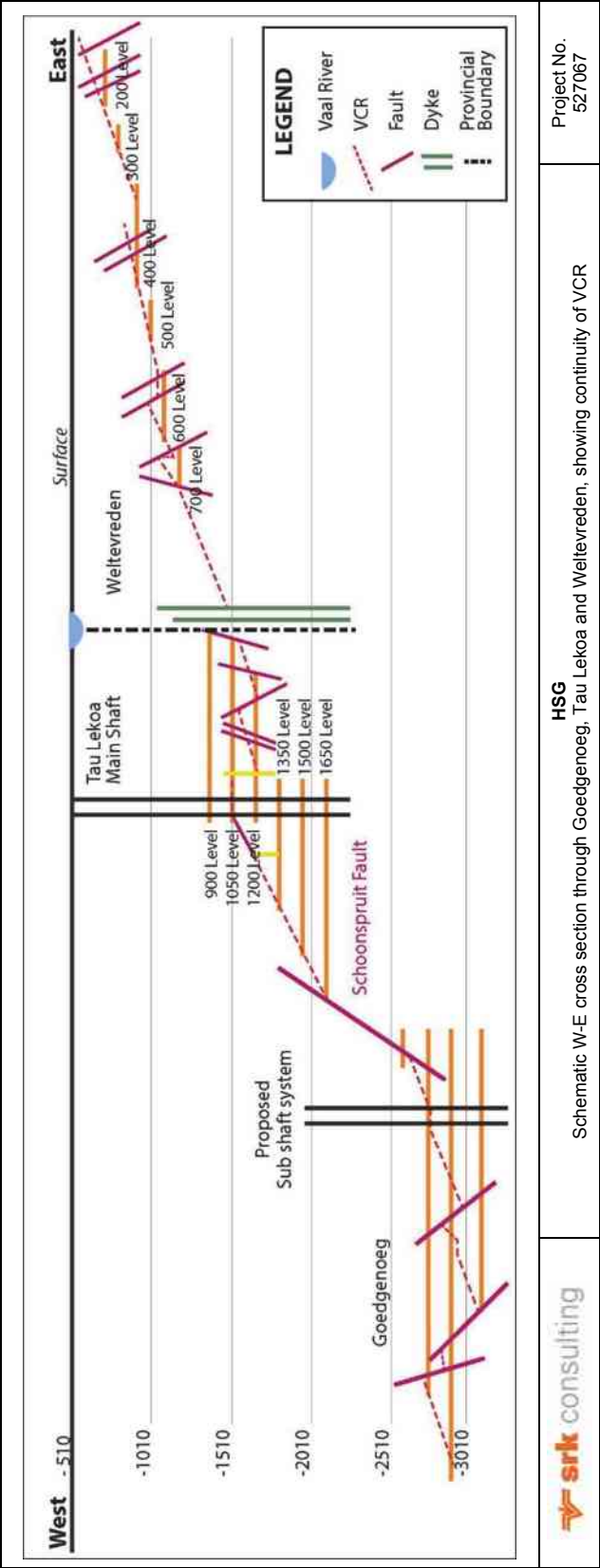


Figure 2.2: Schematic W-E cross section through Goedgenoeg, Tau Lekoa and Weltevreden, showing continuity of VCR

### 2.1.3 Nicolor (South Gold Plant)

Nicolor Plant (formerly Buffelsfontein South gold plant) is located south of Buffels, 160 km south west of Johannesburg and approximately 35 km from Tau Lekoa, in the North West Province of South Africa. It is directly located south of Stilfontein, approximately 10 km east of Klerksdorp and 15 km north east of Orkney.

The plant treats surface material (remnants of the old Buffels that was closed in 2013), along with toll material from third parties. The Nicolor gold plant is a carbon-in-pulp (**CIP**) plant with capacity 180 ktpm.

### 2.1.4 West Gold Plant

The West Gold Plant is located on the farm Nooitgedacht 434 portion 200 approximately 200 km south west of Johannesburg and approximately 4 km west of Orkney in the North West Province of South Africa. The plant treats ore from Kopanang and Tau Lekoa which are approximately 18 km and 10 km away respectively. It is a carbon-in-leach (**CIL**) plant with capacity of 160 ktpm. The doré gold bars from the West Gold Plant are transported to Rand Refinery (one of the largest gold refineries in the world) where they are refined to a 99.99% purity. The slurry from the plant is pumped to the West Complex Tailings Storage Facilities (**TSFs**) owned by AGA. There is an SLA between AGA and VMR to make use of West Complex TSF. VMR pay for the deposition of the tailings and AGA deal with the financial liability associated with the rehabilitation of the tailings dam (toll disposal).

## 2.2 Adjacent Properties

[SR1.3(i)]

Mining properties adjacent to the Gold Assets are shown in Figure 2.1 and discussed below.

### 2.2.1 Orkney Gold Mine

Orkney Gold mine (**OGM**) is a large seven shaft mine on a mining right that covers an area of 10 561.7 ha. Infrastructure includes seven shaft complexes, two gold plants, and five TSFs. It was originally owned by Anglo American, which later became AGA, and was part of their Vaal River Operations (**VRO**). African Rainbow Minerals (**ARM**) then purchased the mine from AGA and in 2003, ARM merged with Harmony Gold Mining Company Limited (**Harmony**). In 2008, Pamodzi Gold (**Pamodzi**) bought the operations from Harmony but due to financial problems Pamodzi was liquidated in October 2009. The mine was eventually bought by China African Precious Metals (**CAPM**) in 2012.

OGM mines from three primary reefs (VCR, VR and Elsburg Reef) that occur at depths between 80 and 4 000 m. Several major faults occur in the mine area and typically have throws of tens of metres and further divide the reef into blocks of up to 100 m in width. The horsts and grabens are further disturbed by faults sympathetic to the major faults and typically have throws of tens of metres.

### 2.2.2 Moab Khotsong and Great Noligwa Gold Mines

Moab Khotsong mine (**Moab**) is located near the towns of Orkney and Klerksdorp, about 180 km south west of Johannesburg. The mining lease area lies just south of the Vaal River. Moab and the shuttered Great Noligwa mine (**Great Noligwa**) (amalgamated to form Moab operations in 2014) were previously owned by AGA who originally built the mine. The mines were also part of the AGA's VRO. On 28 February 2018 AGA announced it had sold the mine to Harmony in a USD300 million deal. The primary reefs mined by these operations are the VR and C Reef. Due to the complex nature of the orebodies because of faulting, the scattered mining method is utilized, together with an integrated backfill support system that incorporates bracket pillars. The mined zones occur anywhere between 1 791 m and 3 052 mbs.

### 2.2.3 Buffelsfontein Gold Mine

Buffels is located approximately 10 km north west of the town of Orkney and 7 km south west of the town of Klerksdorp. The original tenement covered an area of 12 860.80 ha. VMR acquired Simmer and Jack (**Simmers**) in a ZAR1 billion reverse takeover on 27 June 2011 thereby acquiring Buffels. In May 2013, VMR announced the closing of the mine because production reached levels that were not sufficient to justify the costs of developing and opening up new areas. However, at the time of closure Buffels had Proven and Probable Reserves of 5.7 Moz of gold graded at 6.12 g/t; Measured and Indicated Resources of 11.02 Moz of gold graded at 10.67 g/t on the VR.



Buffels had 12 shaft complexes and two gold plants and a uranium plant, as well as surface retreatment operations. Over its lifetime, the mine produced more than 71 Moz of gold. Mining was conducted using conventional breast mining method with scraper winch cleaning. Ore processing included semi autogenous grinding (**SAG**), thickening, cyanide leaching, CIP and carbon processing before final recovery of gold. The Buffels area was operational for more than 50 years and HSG is in the process of the rehabilitating the mine.

## 2.3 Access, Infrastructure Climate, and Physiography

[SR1.1(ii), SR1.2(i)]

### 2.3.1 Accessibility

An efficient network of all-weather roads operates in the area. The Gold Assets are easily accessible via the R502 tarred main road from Orkney. Orkney and Klerksdorp are regional centres that provide support to the mining and agricultural industries. Orkney is readily accessible from Johannesburg via a national highway (N12). Rail and bus services link Klerksdorp to other centres throughout the North West Province. There is good year-round road access to the assets.

In the Nicolor site location, tarred roads cross the property and the current stockpile reclaim operations utilise established access roads as well as existing water and power infrastructure.

Weltevreden is accessible via unsealed roads and a twin decline which was developed to intersect the VCR in 1995.

### 2.3.2 Infrastructure

[SR5.4(i) (ii)]

Klerksdorp is a regional centre providing infrastructural support to mining, agriculture and manufacturing industries. The different types of local infrastructure include but not limited to:

- Roads and transport infrastructure, such as rail and airports;
- Water and sanitation infrastructure;
- Telecommunication infrastructure, such as masts and pylons;
- Electricity provision infrastructure, such as substations, pylons and cables;
- Housing, schools and hospitals; and
- Waste removal and recycling infrastructure, such as refuse removal, pipelines, sewage plants and water purification plants.

There is a ready pool of labour in the Klerksdorp area, much of which has previous experience in the mining sector. HSG plans to deliver power and water to Weltevreden via a direct 4.7 km long power line and pipeline from Tau Lekoa and administer Weltevreden from a combination of the existing Tau Lekoa facilities and a new set of auxiliary facilities including office blocks and workshops.

### 2.3.3 Climate

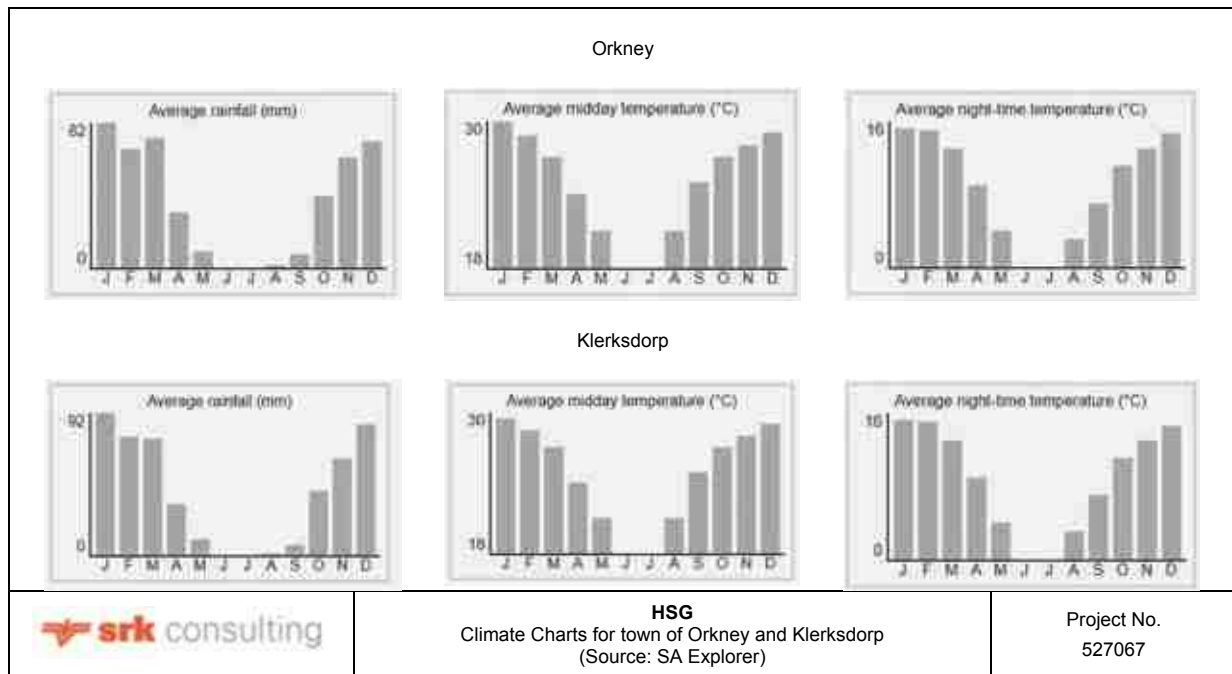
The towns of Orkney and Klerksdorp are the neighbouring towns close to the Gold Assets. The overall climate is typical of the South African Highveld with peak rainfall periods during the summer months and relatively high evaporation rates throughout the year, with mild winters and warm summers. Climatic conditions are not extreme, and mining operations are continuous throughout the year. The prevailing wind direction is in a north westerly direction. Dust from poorly vegetated land as well as the numerous surrounding mining activities is therefore a common nuisance concern in the area and is aggravated during the dry windy months of the year. Figure 2.3 shows the climate charts for towns of Orkney and Klerksdorp.

Orkney normally receives about 444 mm of rain per year, with most rainfall occurring mainly during mid-summer. The chart in Figure 2.3 (top left) shows the average rainfall values for Orkney per month. It receives the lowest rainfall (0 mm) in June and the highest (82 mm) in January. The monthly distribution of average daily maximum temperatures for Orkney as reflected in Figure 2.3 range from 18°C in June to 29.9°C in January. The region is the coldest during July when the mercury drops to 0°C on average during the night.

Klerksdorp has a semi-arid climate with warm to hot summers and cool, dry winters. The average annual precipitation is 482 mm, with most rainfall occurring mainly during summer. The chart in Figure 2.3 (bottom left) shows the average rainfall values for Klerksdorp per month. It receives the lowest rainfall (0 mm) in June



and the highest (92 mm) in January. The monthly distribution of average daily maximum temperatures for Klerksdorp range from 18°C in June to 29.5°C in January. The region is the coldest during July when the mercury drops to 0°C on average during the night.



**Figure 2.3: Climate Charts for town of Orkney and Klerksdorp**

### 2.3.4 Physiography

The area is generally flat with occasional hills rising approximately 100 m above the surrounding plains and scattered trees and grassland. The Koekemoer Spruit flows through the mine property and drains into the Vaal River. Figure 2.4 shows the typical landscape and Infrastructure at Tau Lekoa and Kopanang.

The Vaal River flows along the southern border of the North West and Free State provinces, bisecting the license area. The land use in the region comprises of predominantly mining and agricultural practices and in the immediate vicinity of Kopanang it is predominantly low shrublands/open space as well as cultivation. There are also limited areas of woodlands and grasslands. The land capabilities range from moderate to very poor quality arable soils with areas of moderate to low economic potential, and wilderness and wetlands. The Vaal River is the primary surface watercourse adjacent to Kopanang and the Schoonspruit is the adjacent to the West Gold Plant.

Virtually the entire property is underlain by dolomite. The area is mapped as Cymnopogon-Thembeda Veld and consists of several grass species. The biodiversity in the area has been impacted on by mining, residential and industrial activities.

## 2.4 Regional Profile

### 2.4.1 Environmental profile

[SR1.2(ii) (iii), SR5.5(i) (iii)] [ESG2.2, ESG2.4, ESG3.2, ESG4.2]

#### Kopanang

The land use in the region comprises of predominantly mining and agricultural practices and in the immediate vicinity of Kopanang is predominantly low shrublands/open space as well as cultivation. There are also limited areas of woodlands and grasslands. The land capabilities range from moderate to very poor quality arable soils with areas of moderate to low economic potential, and wilderness and wetlands. The Vaal River is the primary surface watercourse adjacent to Kopanang and the Schoonspruit is the adjacent to the West Gold Plant. Surface water quality monitoring has indicated that the water quality of the Vaal River has been compromised not only by mining operations but by other activities upstream. The quality of groundwater in the region of the

Kopanang has been severely impacted by mine operations over the last 100 years. However, the groundwater model developed by MvB Consulting, dated October 2017, illustrates that groundwater quality impacts at Kopanang are limited and confined to the infrastructure footprint. Groundwater impacts at the West Gold Plant based on the groundwater model are resultant from AGA's West TSF.



**HSG**  
Typical Landscape and Infrastructure at Tau Lekoa (above) and  
Kopanang (Below)

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**Figure 2.4: Typical Landscape and Infrastructure Tau Lekoa (above) and Kopanang (Below)**

The noise monitoring data illustrates that Kopanang and West Gold Plant operations generally comply with the SANS daytime guideline of 70 dBA average. However, night-time noise measurements indicate that half of the noise monitoring points exceed the 60 dBA night-time noise levels.

The following sensitive environmental and social features are found within the vicinity of Kopanang and West Gold Plant:

- The Vaal River and associated tributaries and riparian habitats;
- Heritage sites: graves (although not located within the mine property) and historical buildings; and
- Farmhouses.

The sensitivity map for Kopanang and the West Gold Plant indicating the above-mentioned sensitivities is shown in Figure 2.5.

### **Tau Lekoa Group**

Tau Lekoa surface activities are located within the boundaries of their approved mining license lease area on the farm Goedgenoeg 433. The surface activities include offices, hostels and two shafts and a sewage treatment plant, contributing to its surface infrastructure. All general waste generated on site is transported and disposed of at the landfill site currently operated by the Stilfontein Municipality. All hazardous waste is removed by a contractor and is disposed of at the Vaakfontein Hazardous Waste Facility in the Vaal Triangle. Ore from Tau Lekoa is trucked to the West Gold Plant. The Waste Rock Dump (**WRD**) located to the south of the shaft complex is owned by Mallosana Industries. HSG has an agreement in place to make use of the WRD. The WRD is currently crushed and used for aggregate. Predominant land uses in the area are farming and mining. Ore from the Tau Lekoa operations is transported via road to West Gold Plant for processing. Prior to the purchase of the West Gold Plant in February 2018, ore was trucked to the Nicolor Plant. Water from the Tau Lekoa underground operations is pumped to the West Gold Plant for top up process water. The mine's potable water is supplied by Midvaal Water and is stored in potable reservoirs.

The mine is located within the dry Highveld climatic region and is classified as a semi-arid region. Dust from poorly vegetated land as well as the numerous surrounding mining activities is therefore a common nuisance concern in the area and is aggravated during the dry windy months of the year.

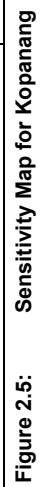
Current water monitoring data has indicated that surface and groundwater quality is of relatively good quality. The closest surface water features to the operation are the Vaal River and the Schoonspruit. As illustrated in Figure 2.6, two seep wetlands also occur on the site, one on the Goedgenoeg Farm where the surface infrastructure of the mine is located and the other on the Boschoek Farm where no surface infrastructure exists. There are no other known sensitive areas on the site other than the surface water features mentioned. The WRD owned by Mallosana Industries has encroached on the 1:100 year flood line. Two main aquifers occur on the site namely a shallow, weathered aquifer at an average depth of 10 m below ground level and a fractured aquifer.

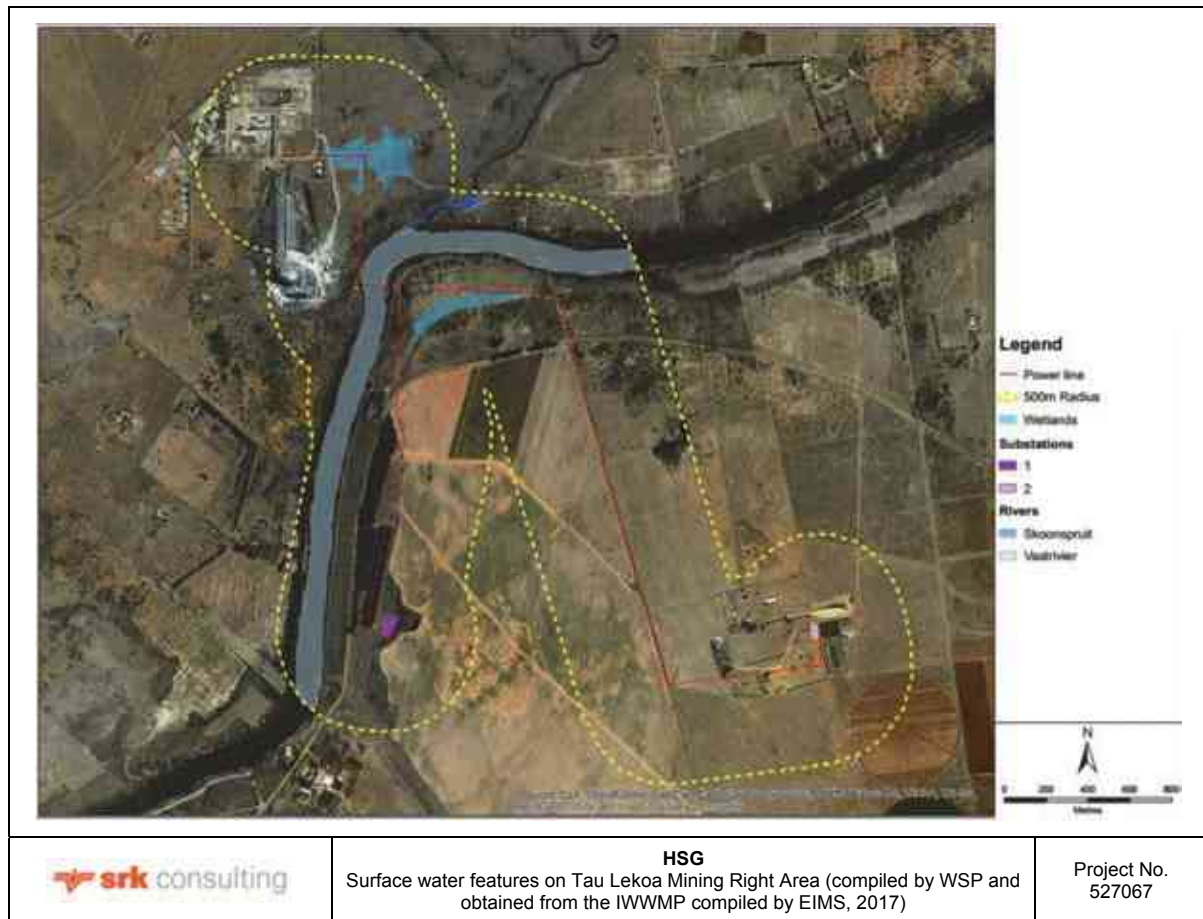
### **Nicolor Plant**

The site is located in Middle Vaal River Catchment. A wetland occurs on a portion of land owned by Buffels and this wetland has been impacted on by the surrounding mining activities. Historical surface water quality monitoring indicates that the surface water quality varies from good to poor whereas groundwater data shows quality as being generally good. General land use in the region is farming, mining, business, residential and manufacturing.

Sensitive areas surrounding the site include the Vaal River and its banks, the wetland and the Koekemoer Spruit.







**Figure 2.6: Surface water features on Tau Lekoa Mining Right Area**

## 2.4.2 Social Profile

[SR1.2(i) (ii) SR5.5(i) (iii)] [ESG2.1, ESG2.2, ESG3.1, ESG3.2, ESG4.1, ESG4.2]

### Kopanang

In terms of the location of Kopanang operation, the applicable local authorities are City of Matlosana Municipality and the Mophaka Local Municipality, both characterised by high unemployment levels, at 32.7% and 35.2% respectively. Service delivery in the region is reportedly poor and limited within the two municipalities.

Kopanang includes an office complex which is used for administrative duties by the management as well as contractors. The Kopanang residence village complex is located directly adjacent to Kopanang. The housing units and singles quarters are used to accommodate employees and their families. Based on information obtained during the site visit on 21 August 2018 as well as in the 2019 SLP Annual Report, 3 227 people work at Kopanang on a three-shift basis.

Based on information in the 2017 EIA and EMP, there is an existing community forum comprised of mine personnel and identified key stakeholders. Quarterly community forum meetings are held to inform members of environmental monitoring results and to share information, discuss comments and provide feedback regarding the current operations. It was noted in the 2017 EMP that HSG intended to continue with the quarterly community forum meetings after the assets were acquired. Confirmation of monthly community meetings was provided in the form of minutes of meetings held in September and November 2018, as well as January to March 2019. Social impacts were not assessed as part of the AGA EMP that was conducted in 2009. However, radiation and noise impacts were highlighted as a concern of medium significance.

### Tau Lekoa Group

Tau Lekoa is located within the City of Matlosana Municipality in the Southern District Municipality of the North-West Province. It is located in an area with easy access to the N12 and N14 arterial roads meeting at

Klerksdorp. Vaal Reefs and the Umzummuhle residential area are situated amongst the mine shafts. Numerous mining activities take place around Orkney and Buffels. There is a ready pool of labour in the Klerksdorp area, with previous experience in the mining sector. It was indicated during the site visit on 21 August 2018, as well as the revised SLP dated 31 January 2019, that there are 2 830 people working at Tau Lekoa. The mine has three shifts, morning, afternoon and night. Confirmation of monthly community meetings was provided in the form of minutes of meetings held in September and November 2018, as well as January to April 2019.

**Nicolor Plant**

Buffels is also located in the City of Matlosana Municipal District. According to the 2014 EIA/EMP by Joan Construction and Projects (Pty) Ltd, the majority of the workforce at Buffels during the operational phase were South African citizens, with 26% originating from the North West Province (of which 17% were local recruits). There are relatively high levels of unemployment in the affected municipal areas and persons living in these areas will be affected by downturns in the mining, construction, trade and manufacturing industries. Due to limited suitable municipal land, housing backlogs have been highlighted as a concern, coupled with high interest rates, low employment levels and a general lack of resources. There are several community and social groups in Stilfontein and it was also noted that some social infrastructure, which used to belong to mining companies, is falling into disrepair. Currently, there are no community forums established for Nicolor and Buffels

### 3 REGULATORY ENVIRONMENT AND TENURE

[18.05(3)] [SR1.5]

This section gives a brief overview of the regulatory environment in South Africa within which HSG operates and the status of the Gold Mineral with respect to the requirements of these laws.

#### 3.1 South African Regulatory Environment

The relevant South African regulatory framework is summarised below.

##### 3.1.1 Constitution of the Republic of South Africa Act (Act No. 108 of 1996)

Section 24 of The Bill of Rights in the Constitution of the Republic of South Africa affords every citizen the right:

- To an environment that is not harmful to their health or well-being;
- To have the environment protected, for the benefit of present and future generations, through reasonable legislative and other measures that;
  - Prevent pollution and ecological degradation;
  - Promote conservation; and
  - Secure ecologically sustainable development and use of natural resources while promoting justifiable economic and social development.

The Constitution is the supreme law of the Land, all conduct and legislation inconsistent with its contents is unlawful and will be set aside.

##### 3.1.2 Mineral Framework: The Minerals and Petroleum Resources Development Act

The MPRDA was promulgated by the South African Parliament during July 2002 and came into effect on 1 May 2004. The MPRDA is the key legislation governing prospecting and mining activities within South Africa. It details the requirements and processes which need to be followed and adhered to by mining companies. The Department of Mineral Resources (**DMR**) is the delegated authority to deal with all mining related applications and the designated authority to administer this act.

Under the MPRDA, New Order Prospecting Rights (**NOPRs**) are initially granted for a maximum period of five years and can be renewed once upon application for a further period of up to three years. New Order Mining Rights (**NOMRs**) are valid for a maximum period of 30 years and can be renewed on application for further periods, each of which may not exceed 30 years. Provision is made for the granting of retention permits in circumstances where prospecting has been completed but mining is not commercially viable, which have a maximum term of three years and which are not renewable. A wide range of factors and principles, including proposals relating to black economic empowerment (**BEE**), social responsibility and evidence of an applicant's ability to conduct mining optimally, are pre-requisites for the approval of such applications.

Key requirements under the MPRDA are:

- A social and labour plan (**SLP**) which sets out a company's commitments relating to Human Resources (**HR**) and socio-economic development;
- A mining work programme (**MWP**) which provide a summary of the proposed mining operation;
- Proof of technical and financial competence; and
- An approved environmental management plan / programme (**EMP**).

Holders of NOMRs could have these suspended or cancelled by the Minister of Mineral Resources if such holders are deemed to be non-compliant with the empowerment requirements of the MPRDA.

All mines are required to make financial provision for closure. Environmental liability provisioning in the South African mining industry is a requirement of the MPRDA and must be agreed with the relevant regulatory authorities (mainly DMR and the Department of Water and Sanitation, **DWS**). In general, the financial provision can be made up through one or more of an insurance policy, a bank guarantee or trust fund, based on the estimated environmental rehabilitation cost should the mine have to close immediately. The South African Revenue Service (**SARS**) approves contributions into a trust fund as a tax benefit. For new mines and some older mines, guarantees may be required for the shortfall between the amount available in trust funds and the total estimated closure liability.



### 3.1.3 The Mineral and Petroleum Resources Development Amendment Bill

The Minister of Mines announced during August 2018 that he will propose to cabinet that the MPRDA amendment bill be scrapped.

### 3.1.4 Mineral Framework: The Mining Charter

To provide guidance to the mining industry regarding the fulfilment of the broad-based black economic empowerment requirements (**B-BBEE**), the Mining Charter was published by the DMR on 1 May 2004 (**Charter I**). Charter I embraced a range of criteria against which prospecting and Mining Right Applications (**MRAs**) and conversion applications would be considered. These criteria included issues such as Human Resources Development (**HRD**), employment equity, procurement, community and rural development and ownership of mining assets by historically disadvantaged South Africans (**HDSAs**). Charter I required that mining companies achieve 26% HDSA ownership of mining assets by 1 May 2014.

The DMR introduced the Amended Mining Charter (**Charter II**) in 2010 which contained guidelines which envisaged, inter alia, that mining companies should achieve 40% HDSA demographic representation at board level by 2014.

A third version of the Mining Charter was published in June 2017 (**Charter III**), but was challenged by the Chamber of Mines and subsequently withdrawn. Following consultation by the DMR with the Minerals Council of South Africa (previously known as the Chamber of Mines), unions and interested parties, Charter III was issued for public comment in June 2018. Following a period of public comment, the Charter III was gazetted on 27 September 2018. General legal consensus is that Charter III is an improvement on the June 2017 version, but there are far reaching changes and the compliance obligations are more onerous and stringent than set out in Charter II. Among the proposed changes are a minimum 30% HDSA ownership for a new mining right, comprising 5% for qualifying employees, 5% for host mine communities and 20% for a BEE partner, of which 5% should preferably be for women. There are also prescribed procurement targets to be phased in over a period of five years.

### 3.1.5 Mineral and Petroleum Resources Royalty Act

[18.05(6)(c)] [SR1.6(i)]

The *Mineral and Petroleum Resources Royalty Act No 28 of 2008* was enacted on 1 May 2009 (**Royalty Act**) and came into effect on 1 May 2010. The Royalty Act embodies a formula-derived royalty rate regime, since it provides necessary relief for mines during times of difficulties (low commodity prices or marginal mines) and allows the fiscus to share in the benefits during time of higher commodity prices. As the final product can be either refined or unrefined, two separate formulae are given. Both formulae calculate the royalty rate on the basis of a company's earnings before interest and taxes (referred to as **EBIT**) and its aggregate gross sales for the assessment period. While the gross sales figure used in the formulae excludes transportation and handling costs, these are taken into account in the determination of the EBIT figure.

The mineral royalty percentage rates (Y%) are based on the following formulae:

$$Y(\%) = 0.5 + \frac{\text{EBIT}}{\text{Gross Sales} \times 12.5} \times \frac{100\%}{1}$$

- Refined Minerals:

$$Y(\%) = 0.5 + \frac{\text{EBIT}}{\text{Gross Sales} \times 9.0} \times \frac{100\%}{1}$$

- Unrefined Minerals:

The maximum percentage rates for refined and unrefined minerals are 5.0% and 7.0% respectively. Gold refined to a 99.5% purity is treated as a refined mineral (Schedule 1 of the Royalty Act).

Only royalties in terms of the Royalty Act will be applicable to the Gold Assets.

### 3.1.6 Income Tax

[18.05(6)(c)] [SR1.6(i), SR5.6(vii)]

HSG will be subject to income tax in South Africa according to the Gold Formula.

HSG advised SRK that at 30 June 2019 there are unredeemed Capex and accumulated (assessable) losses (tax shields) for the Gold Assets as shown in Table 3.1.



**Table 3.1: Unredeemed Capex and Assessable Losses for the Gold Assets at 30 June 2019**

Gold Asset / Operation	Unredeemed Capex (ZARm)	Assessable Losses (ZARm)
Kopanang	240.9	187.5
Tau Lekoa	656.2	578.0
Nicolor	-	6.2
Buffels	196.2	563.1

**3.1.7 Carbon tax**

The Carbon Tax Bill was formally introduced in parliament in November 2018 by the Minister of Finance. The National Assembly adopted the Bill on the 19<sup>th</sup> of February 2019. The Bill is currently with the National Council of Provinces for final approval from where it will be signed into by the President. The Carbon Tax Bill will come into effect on 1 June 2019.

The carbon tax will play a role in achieving the objectives set out in the National Climate Change Response Policy of 2011 (**NCCRP**) and contribute towards meeting South Africa's commitments to reduce greenhouse gas (**GHG**) emissions. This gradual approach takes cognizance of the developmental challenges facing South Africa and South Africa's National Determined Contribution (**NDC**) commitments made under the Paris Agreement to reduce GHG emissions. The first phase of the Bill will continue up until 31 December 2022, and the second phase will commence in 2023 and end in 2030 (Table 3.2). South Africa agreed at Conference of Parties COP15 in 2009 to cut its emissions by 34% by 2020 and 42% by 2025.

A carbon tax payer is classified as any person (including partnership, trust, municipal entity and public entity) that conducts an activity or activities in South Africa which results in GHG emissions (fuel combustion, industrial processes, and fugitive emissions) above the prescribed threshold, will be liable to pay carbon tax. The carbon tax will be administered by SARS.

**Table 3.2: Carbon Tax**

Category	Phase 1	Phase 2
Applicable Period	1 June 2019 – 31 December 2022	1 January 2023 - 2030
Tax Rate	ZAR120/tCO <sub>2</sub> e (for emissions above the tax-free thresholds). Increased by the amount of the consumer price inflation plus 2% until 31 December 2022.	Revision of ZAR120/tCO <sub>2</sub> e The effective tax rate will increase but the magnitude of the increase is not known at this stage Increased expected to be applied from 1 January 2023, by the amount of the consumer price inflation.
Emission scopes included	Scope 1 (direct emissions) only	Scope 1 and potential additions
Emission sources	Combustion emissions Fugitive emissions Industrial process emissions	Same as Phase 1, with possible additions
Excluded Sectors	Agriculture, Livestock, Forestry, Waste and Residential	Unknown, however it is anticipated that more sectors will be added.
Greenhouse gasses covered	GHG classes as defined under the Kyoto Protocol: carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride	Same as Phase 1
Tax-free thresholds	Percentage based thresholds from 60% tax-free allowance to up to 95% (ZAR6.00 – ZAR48.00 per tCO <sub>2</sub> e)	The tax-free thresholds may be decreased progressively, or be replaced by absolute emission thresholds.

Based on the Carbon Tax Bill and the operational activities of HSG, the business should allow for the following financial impacts:

- Direct taxation on fuel combustion emission activities (stationary and mobile);
- Increased cost of up-and downstream carbon intensive activities; and
- In Phase 1, the carbon tax will not have an impact on the price of electricity (Scope 2 emissions), therefore the financial impact of carbon tax relating to electricity has not been assessed within the scope of this assessment. The price of electricity is however expected to increase.

### Tax Free Allowances

To provide sectors sufficient time and flexibility to transition their activities through investments in energy efficiency, renewables and other low carbon measures, the design of the carbon tax provides significant tax-free emission allowances for the first phase. Allowances include a basic tax-free allowance for all activities as well as additional sector-dependant allowances.

### Tax Liability

To provide sectors sufficient time to and flexibility to transition their activities through investments in energy efficiency, renewables and other low carbon measures, the design of the carbon tax provides significant tax-free emissions allowances for the first phase. Allowances include a basic tax-free allowance for all activities as well as additional sector-dependant allowances.

## 3.1.8 Mining Legislative Risk

Mining companies in South Africa are exposed to typical mining industry risks associated with rising costs, labour wage demands, resource nationalisation and social licence to operate. Additional country risk is raised through legislative uncertainty, political interference and bureaucratic ineptitude.

## 3.1.9 South African Environmental Legislation

This section covers a brief, high-level summary of selected aspects of environmental legislation applicable to the mining industry in South Africa and relevant to the Project.

Section 24 of the *Constitution of the Republic of South Africa (Act 108 of 1996)* states: "everyone has the right to an environment that is not harmful to their health or well-being; and to have the environment protected, for the benefit of present and future generations, through reasonable legislative and other measures that:

- Prevent pollution and ecological degradation;
- Promote conservation; and
- Secure ecologically sustainable development and use of natural resources while promoting justifiable economic and social development."

The lead agent in implementing environmental legislation in the mining industry is the DMR under the *National Environmental Management Act 107 of 1998, as amended (NEMA)* and Environmental Impact Assessment (EIA) Regulations of 2014.

Key environmental legislation, which is applicable to the South African mining industry, is as follows:

- NEMA, as regulated by the Department of Environmental Affairs (**DEA**). Responsibility for the implementation of NEMA is generally delegated to the relevant provincial environmental departments. This Act over-arches South African environmental legislation and lays down basic environmental principles including: duty of care, polluter pays and sustainability. NEMA provides for co-operative environmental governance based on the principles that everyone has the right to an environment that is not harmful to one's health or well-being and enabling the administration and enforcement of other environmental management laws. Sections 28 (1) and (3) of NEMA set out the duty of care principle, which is applicable to all types of pollution and must be taken into account in considering any aspects of potential environmental degradation. Every person who causes, has caused or may cause significant pollution or degradation of the environment must take reasonable measures to prevent such pollution or degradation from occurring, continuing or recurring, or, in so far as such harm to the environment is authorised by law or cannot reasonably be avoided or stopped, to minimise and rectify such pollution or degradation of the environment. A series of regulations have been promulgated in terms of NEMA including:
  - *NEMA Environmental Impact Assessment Regulations, 2014*: These regulations were developed for the preparation, evaluation, submission, processing and consideration of, and decision on, applications for environmental authorisations;
  - *NEMA Regulations pertaining to the Financial Provision for Prospecting, Exploration, Mining or Production Operations, 2015*: The purpose of these regulations is to regulate the determine and making of financial provision as contemplated in the Act for the costs associated with the undertaking of management, rehabilitation and remediation of environmental impacts from prospecting, exploration, mining or production operations through the lifespan of such operations and latent or residual environmental impacts that may become known in the future. The regulations also include detailed descriptions of the wording required in the documentation to support the provisioning for

liability using Bank Guarantees and Trust Funds. It also provides detailed on the information to be contained in the following plans: annual rehabilitation plan; final rehabilitation, decommissioning and mine closure plan; environmental risk assessment report; and care and maintenance plan;

- **MPRDA:** The MPRDA makes provision for equitable access to and sustainable development of South Africa's mineral resources. The MPRDA requires that the environmental management principles set out in NEMA shall apply to all mining operations and serves as a guideline for the interpretation, administration and implementation of the environmental requirements of NEMA;
- **National Environmental Management: Biodiversity Act (10 of 2004) (NEM:BA):** The NEM:BA seeks amongst other things, to manage and conserve biological diversity, to protect certain species and ecosystems, to ensure the sustainable use of biological resources and to promote the fair and equitable sharing of benefits arising from bio-prospecting involving those resources. The NEM:BA includes a regulation related to the management of threatened and protected species. A similar regulation is applied to Threatened Ecosystems. NEM:BA has a set of norms and standards for the development of management plans for both species (e.g. Threatened or Migratory Species) and ecosystems (Endangered or Critically Endangered);
- **National Environmental Management: Protected Areas Act (57 of 2003) (NEM:PAA):** Protected areas such as nature reserves and special nature reserves are declared and managed in terms of NEM:PAA. Depending on the nature of the protected area, certain activities (such as mining) may require Ministerial consent or be prohibited outright. The Act also aims to promote the sustainable use of protected areas and the participation of local communities in such areas. In addition, it provides for the continued existence of the South African National Parks; and
- **National Environmental Management: Air Quality Act (39 of 2004) (NEM:AQA):** NEM:AQA regulates atmospheric pollution and repealed the Atmospheric Pollution Prevention Act. The Act came into full effect on 1 April 2010 and entrusts the DEA with the task of preventing pollution and ecological degradation, while at the same time promoting justifiable economic and social development. Metropolitan and District Municipalities are charged with issuing atmospheric emission licenses for certain listed activities. It must be shown that the best practical means are being employed to limit air pollution before these certificates will be issued. Penalties and criminal sanctions are imposed for non-compliance with NEM:AQA.

On 1 April 2010, the DEA established a list of activities, which require atmospheric emission licenses. The Department has published the minimum emission standards resulting from these listed activities. These include the permissible amount, volume, emission rate or concentration of that substance or mixture of substances that may be emitted into the atmosphere and the manner in which measurements of such emissions must be carried out. The consequences of the listing of these activities is that no person may, without a provisional atmospheric emission licence or an atmospheric emission license, conduct an activity listed on the list anywhere in the Republic or listed on the list applicable in a province anywhere in that province.

The National Greenhouse Gas Emission Reporting Regulations (**NGER**), under section 53(A), (o) and (p) of NEM:AQA, were instituted in 2017 (General Notice Regulation (**GNR**) 275 of 2017). The regulations provide a list in Annexure 1 of activities and operations that are required to report their GHG emissions through a national system. NGER classifies data providers as follows:

- **Category A:** any person in control of or conducting an activity marked in the Category A column above the capacity given in the threshold column of the table in Annexure 1 to these Regulations; and
- **Category B:** any organ of state, research institution or academic institution, which holds GHG emission data or activity data relevant for calculating GHG emissions relating to a category identified in the table in Annexure 1 to these Regulations.

If HSG conducts any activity equal to or above the thresholds specified in Annexure 1 of NGER, it will be considered as a Category A data provider, and will have to register as a data provider and report to the Competent Authority by 31 March every year. Monitoring and reporting should cover all process, fugitive and combustion emissions from all greenhouse gas emission sources and source streams belonging to activities listed in Annexure 1 of NGER. It is recommended that HSG reviews its current operations to ensure it is below the specified thresholds relating to stationary combustion, fugitive emissions from fuel, incineration of waste, and wastewater treatment and discharge.

- **National Environmental Management: Waste Act (59 of 2008) (NEM:WA):** NEM:WA came into effect on 1 July 2009 and seeks to encourage the prevention and minimization of waste generation, whilst promoting

reuse and recycling of the waste and only consider disposal of waste as a last resort. It provides for the licensing of waste management activities. A series of regulations have been promulgated in terms of NEM:WA including:

- NEM:WA Regulations regarding the Planning and Management of Residue Stockpiles and Residue Deposits (2015): These regulations specify the design approach and considerations for Residue Stockpiles and Residue Deposit (**RSRD**). They also specify that these facilities must comply with the Norms and Standards;
- NEM:WA Waste Classification and Management Regulations: These regulations require that waste generators must ensure that the waste they generate be classified in accordance with SANS 10234 within 180 days of generation (Chapter 2, 4(2)). If the waste is to be disposed of to landfill, the waste must be assessed in accordance with the Norms and Standards for Assessment of Waste for Landfill Disposal (Chapter 2 (8)1) (a);
- NEM:WA National Norms and Standards for the Remediation of Contaminated Land and Soil Quality (2014): The purpose of these norms and standards is to: provide a uniform national approach to determine the contamination status of an investigation area; limit uncertainties about the most appropriate criteria and method to apply in the assessment of contaminated land; and provide minimum standards for assessing necessary environmental protection measures for remediation activities;
- The National Environmental Management: Waste Amendment Act, 2014 (Act No. 26 of 2014) (**NEM:WAA**) came into effect on 2nd September 2014. In terms of this act, Schedule 3 was amended to include mining residue deposits and stockpiles as hazardous waste. The intention of the amendment is that residue deposits and stockpiles will now be regulated in terms of NEM:WA. For new waste facilities a Waste Management Licence (**WML**) may be required under NEM:WAA. Mine residues are excluded from the Act, but the disposal of other wastes on a mine, for example general wastes, would need to be licensed if no Section 20 permit is in place. If a mine subcontracts waste disposal, the subcontractor must be in possession of the appropriate permit/licence. An important change that could affect HSG in the future is the sections of the new Act relating to contaminated land. It is not yet clear how contaminated land within mining areas will be managed;
- *National Water Act (Act 36 of 1998) (NWA)*, as regulated by the DWS. Chapter 4 of the NWA stipulates that water uses (abstraction, storage, waste disposal, discharge, removal of underground water and alteration to watercourses) must be licensed. There are transitional arrangements to enable permits under the former 1956 Water Act to be converted into water use licences (**WULs**). The Act also has requirements relating to pollution control, protection of water resources (Regulation 704 relates to mines), dam safety (for dams with a capacity greater than 50 000 m<sup>3</sup> and a dam wall higher than 5 m) and water-use tariffs;
- *National Heritage Resources Act (Act 25 of 1999) (NHRA)*, regulated by South African Heritage Resource Agency or relevant Provincial departments where established. This Act controls sites of archaeological or cultural significance. Such sites must be investigated and, where necessary, protected for the nation. Procedures for the relocation of graves are also given;
- *Hazardous Substances Act (Act 15 of 1973)*, regulated by the Department of Health. This Act controls the declaration of hazardous substances and control of declared substances. It allows for regulations relating to the manufacturing, modification, importation, storage, transportation and disposal of any grouped hazardous substance;
- *Environmental Conservation Act (Act 73 of 1989) (ECA)*, as regulated by DEA and DWS. The waste sections of this Act (Section 20) were repealed and replaced by the NEM: WA, which came into effect on 1 July 2009;
- *Mine Health and Safety Act (Act 29 of 1996) and amendments (MHSA)*, regulated by the DMR. This Act deals with the protection of the health and safety of persons in the mining industry but has some implications for environmental issues due to the need for environmental-health monitoring within mine operations; and
- *National Forests Act (84 of 1998) (NFA)*: Enforced by Department of Agriculture, Forestry and Fisheries (**DAFF**), the NFA supports sustainable forest management and the restructuring of the forestry sector, as well as protection of indigenous trees in general.

The DEA, and its provincial authorities, the DWS and the provincial DEA and DMR departments are key stakeholders in the approvals process.

It is SRK's experience that the DEA takes increased interest in the mining authorizations and expects its EIA requirements to be incorporated into processes and documentation. It is also important to note that listed activities, such as waste sites and sewage treatment works, require authorization by DEA even if they are within a mine site and have been authorized as part of the Environmental Management Programme Report (EMPR) by the DMR. As a worst case, the lack of compliance with the above legislation could lead to prosecution and ultimately the closure of the operation. However, it is considered more likely that the authorities would issue a directive possibly coupled with a fine. The directive indicates which legislation is being contravened and describes the time period in which the operation must comply. An operation would then be required to present a plan, including timing, to achieve compliance. Directives related to environmental issues, specifically WULs in terms of Section 21 of the NWA and authorisation in terms of NEMA, are being issued more frequently than was historically the case, and legal action is being taken against individuals, including directors, responsible for non-compliance with legislative requirements.

### 3.2 HSG's Title and Rights

[18.03(1), 18.05(3)] [SR1.5(i) (iii) (iv)]

SRK has reviewed the information provided by HSG and is satisfied that the extents of the properties described in the various rights are consistent with the maps and diagrams received from HSG. SRK has placed reliance for HSG's title to the mineral and surface rights held over the Gold Assets, as follows:

- Accuracy Mr Dirk Kotze, Vice President Organisational Effectiveness at VMR; and
- Validity a legal due-diligence report compiled by Werksmans Attorneys Inc.

#### 3.2.1 Mineral Rights

A summary of HSG's mining and prospecting rights and current legal mineral tenure is shown in Table 3.3.

The extent of the various mineral rights for the Gold Assets are shown graphically as follows:

- |                   |            |
|-------------------|------------|
| • Kopanang        | Figure 3.1 |
| • Tau Lekoa Group | Figure 3.2 |
| • Buffels         | Figure 3.3 |

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Table 3.3: Mineral Rights held by HSG

Mine / Project	Mineral Right Reference	Company	Specified Area Description	Issue date	Valid to	Area (ha)	Commodity	Comments
Kopanang	NW/30/5/1/2/2/14MR [Mining Right] MPTRO No 105/2013 [Viljoenskraal magisterial district in North West Province]	Kopanang Gold Mining Company (Pty) Ltd	Farm Grootdraai 468, the farm Vaalbrug Dolomiet 577, RE and Ptn 1 of the farm De Pont Landing 500 and the farm Altona 50HP, amended to include Ptns 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 21, 22, 23, 24, 28, 29, portion of the RE, portions of Ptns 14, 15, 16, 17, 27 of the farm Pretoriuskraal 53; parts of the farm Doornkom West 446; part of portion of the farm Mispah 274; part of portion of the farm Moab 279; portion of the farm Kleinfontein 472 and part of portion of the farm Edom 277.	18-Feb-13 (Converted Old Order Mining Right)	17-Feb-43	3 668.3148	Precious metals.	This is one of the two mining rights under which the Kopanang mine operates. On 28 February 2018 the right was ceded by AGA to Kopanang and was submitted to Mining Titles to be registered.
	NW/30/5/1/2/2/04MR [Mining Right] [Viljoenskraal magisterial district in Free State Province]	Kopanang Gold Mining Company (Pty) Ltd	Remaining portions of the farms Edom 277 and Kleinfontein 472	12-Sep-07 (New Order Mining Right)	11-Sep-22	286.4739	Au, U, Ag, Pt, Ir and any other PGMs and the ores of any such metals.	This is one of the two mining rights under which the Kopanang mine operates. On 28 February 2018 the right was ceded by AGA to Kopanang and was submitted to Mining Titles to be registered. Section 102 application to accede this mining right to Kopanang's other mining right NW/30/5/1/12/14MR in process.
Tau Lekoa	NW/30/5/1/2/2/17MR [Tau Lekoa and Weltevreden Mining Right] [Klerksdorp & Viljoenskraal magisterial district in North West Province]	Tau Lekoa Gold Mining Company (Pty) Ltd	Portion 0 of Bellevue 365, Portion 0 of Boshoeck 466, Gold Reef 166, Grootvadersbosch 222, Hermania 128, Portion 0 of Main Reef 131, Weltevreden 130, Portions 11, 12, 13, Remaining Extent of Portion 14, Portions 15, 17, 18, 20, 27, 3, 30, 31, 35, 36, 37, 38, 39, 4, 40, 41, 42, 43, 48, 5, 51, 52, 53, 6, 60, 63, 64, 65, 67, 68, 69, Portion 7 (2 areas), Portions 71, 72, 76, 8, 84, 85, 86, 87, 88, 9, 1, 47, 66, Portion of Portion 82, Portion of Portion 22, Portion of Portion 61, Portion of Portion 62, Portion of Portion 33, Portion of Portion 81, Portion of Portion 46 and Portion of Portion 70 of the farm Goedgenoeg 433IP.	12-Sep-07 (Converted Old Order Mining Right)	11-Sep-37	4 234.4591	Au, U, Ag, Pt, Ir and any other PGMs and the ores of any such metals.	This is one of the two mining rights under which the Tau Lekoa mine operates. This right used to belong to BGM, but was ceded to Tau Lekoa in 2017.  Section 102 application is underway to accede prospecting right NW/30/5/1/12/11862PR (Goedgenoeg) to this mining right.
	FS/30/5/1/2/2/03MR [Jonkerskraal Mining Right] [Bothaville administrative district in Free State Province]	Tau Lekoa Gold Mining Company (Pty) Ltd	Farm Jonkerskraal 476	09-Mar-06 (Converted Old Order Mining Right)	08-Mar-36	1 488.1288	Au, U	This is one of the two mining rights under which the Tau Lekoa mine operates. This right used to belong to BGM, but was ceded to Tau Lekoa in 2017.
Buffels	NW/30/5/1/1/2/11862PR [Goedgenoeg Prospecting Right] [Klerksdorp magisterial district in North West Province]	Tau Lekoa Gold Mining Company (Pty) Ltd	Portions 24, 12, 33, 34, 81, 19 and 45 of the farm Goedgenoeg 433 IP	19-May-17	18-May-21	1 141.0056	Au	This right was executed in June 2017 and registered with Mining Titles in early 2018. Section 102 application to accede this prospecting right to mining right NW/30/5/1/12/17MR (Tau Lekoa) in process.
	NW/30/5/1/2/2/323MR [Buffels Mining Right] [Klerksdorp magisterial district in North West Province]	Buffelsfontein Gold Mines (Pty) Ltd (BGM)	Certain portions of the farms Mapsakraal 441 IP, Buffelsfontein 443 IP, Wildebeestpan 442 IP, Stiffontein 401 IP, Hartbeesfontein 422 IP, Zandpan 423 IP, Palmietfontein 403 IP, Zuiping 394, Grootvadersbosch 470, Die Hoek 114, Doornkom Oost 447 and Townlands of Klerksdorp 424 IP	24-Apr-13 (Converted Old Order Mining Right)	23-Apr-43	12 663.1880	Au	This is the mining right under which the Buffels rock dump operates.

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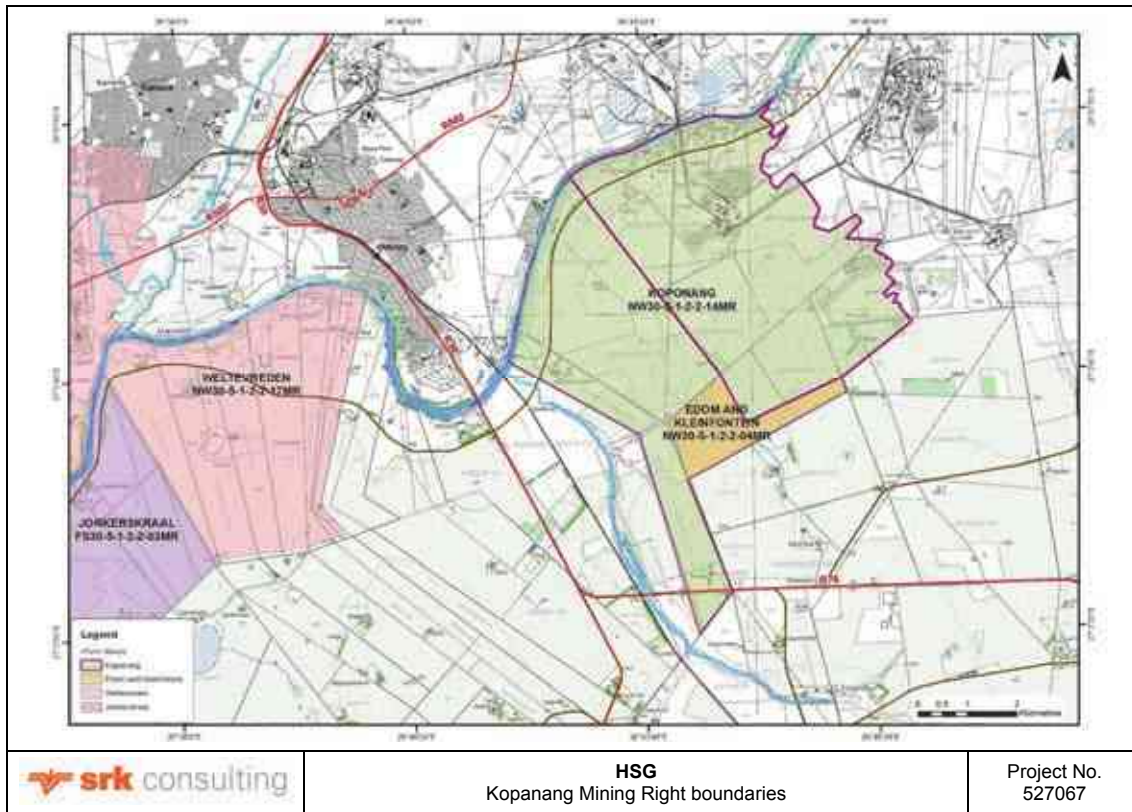


Figure 3.1: Kopanang Mining Right boundaries

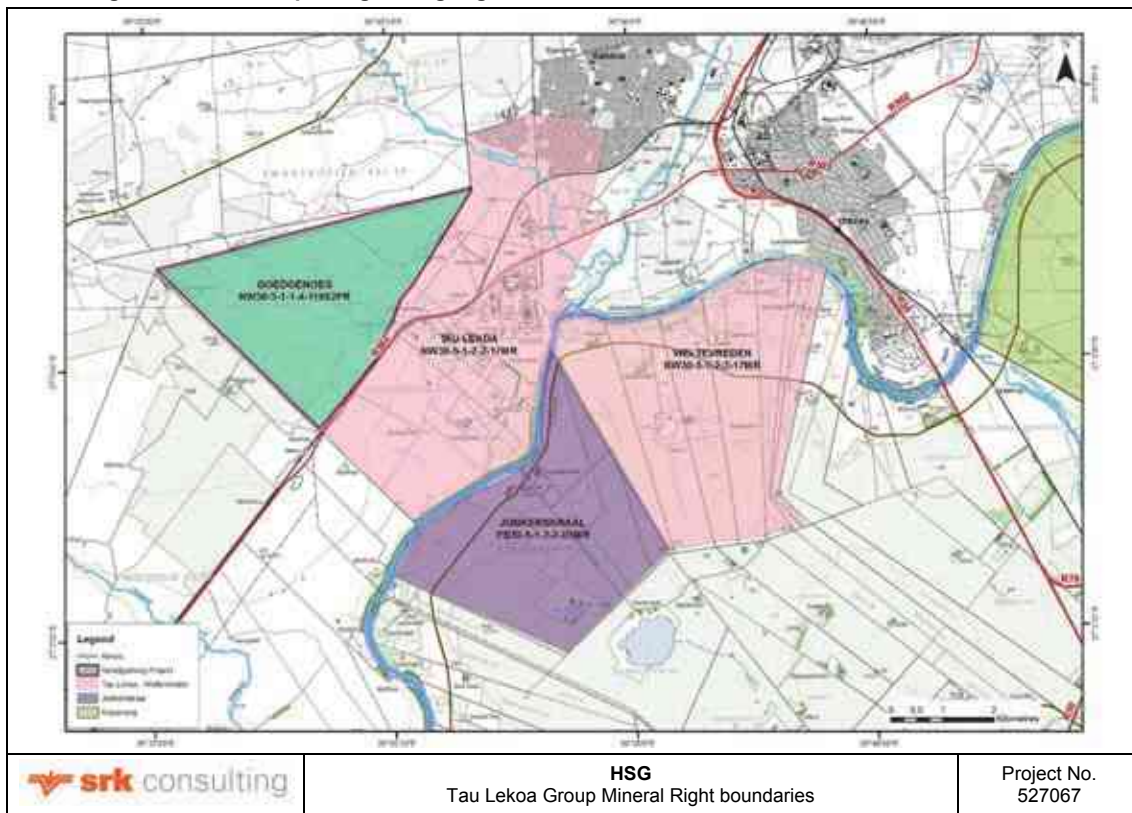
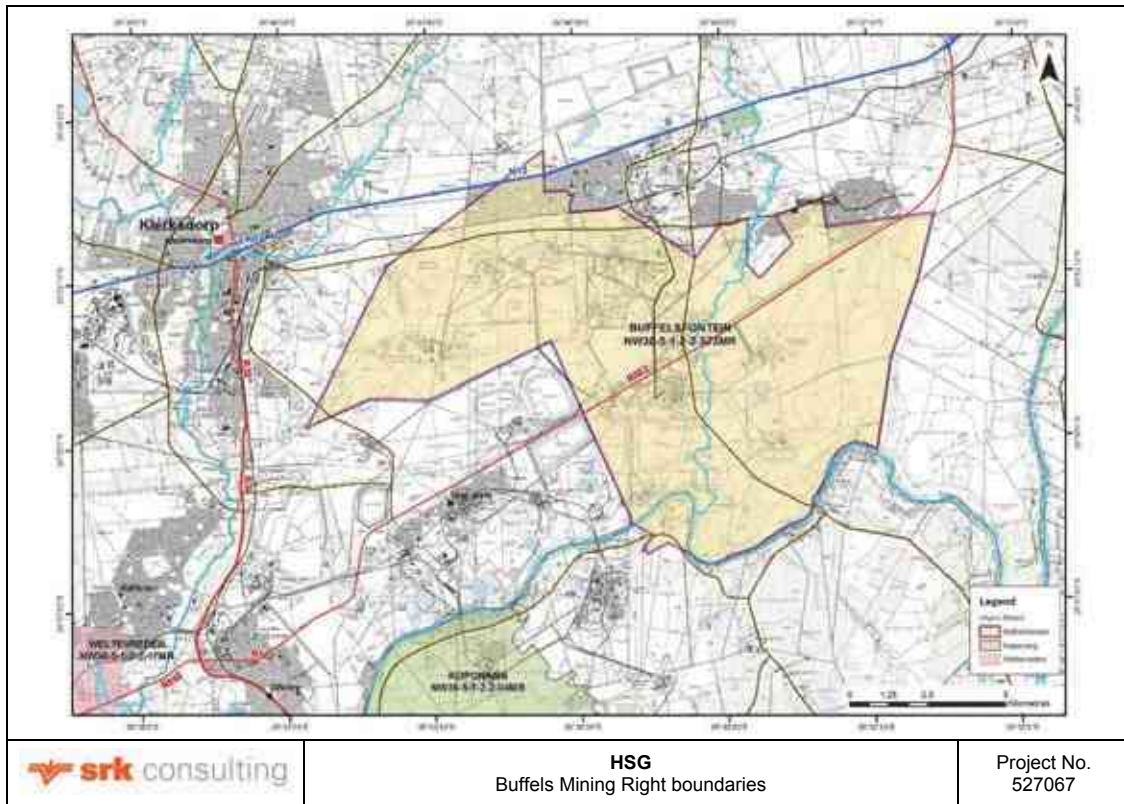


Figure 3.2: Tau Lekoa Group Mineral Right boundaries





**Table 3.4: Surface Rights aspects related to Gold Assets**

Operation	Description of Status and Required Actions	Title Deed / Reference Number	Comments
Kopanang (Figure 3.4)	Transfer of Portions 0, 6, 10 and 24 of Pretoriuskraal 53 from AGA to Kopanang (shaded pink in diagram).	T9112/2018	Transfer complete and title deeds received
	Actions required prior to transfer of Portion 27 of Pretoriuskraal 53 from AGA to Kopanang:		
	• Sub-divide and transfer portion to OMV crushers (black-shaded area in Figure 3.4);	-	In process
	• Abandon those parts of Surface Right Permit SRP73/80 that overlap with area to be transferred to OMV Crushers and AGA's SRP61/84;	-	In process
	• Once above actions completed, the remainder of SRP73/80 will be transferred to Kopanang		Not yet started
	Actions related to Portions 27 and 24 of Pretoriuskraal 53:		
	• Area of SRP61/84 will be leased to AGA, along with areas that include the settling ponds and railway loading facility;	-	In process
West Plant (Figure 3.4)	• In addition to SRP73/80, three other Surface Right Permits SRP182/80, SRP27/84 and SRP94/74 have to be transferred to Kopanang. Located around the Kopanang Shaft, these SRPs include <i>inter alia</i> the hostel and two other areas linked to the mining operation.	--	In process
	Register a servitude over a private road between the train loading facility and the public road east of West Plant (yellow line in Figure 3.4).	-	In process
	A number of actions need to happen with respect to the West Plant operational area as follows:		Awaiting feedback from AGA
	• Register a servitude which relates to the West Plant footprint (orange area in inset in Figure 3.4);	-	
	• Register a servitude for the dumping pad next to the railway line (shown in inset in Figure 3.4);	-	Or transfer of property following subdivision
	• Register a joint-use agreement to access the WAFU pumping infrastructure (shown in inset in Figure 3.4);	-	AGA also needs access to the WAFU area
	• Register a joint-use agreement over the access road to West Plant, Shared Services offices (transferred to Kopanang) and WAFU (shown in inset in Figure 3.4);	-	AGA also needs to use this road
Tau Lekoa / Weltevreden (Figure 3.5)	• Registration of access servitude over CAPM ground, that needs to be traversed by VMR vehicles to get to the plant.	-	Drafted, awaiting CAPM signature.
	Tau Lekoa owns 13 farm portions	T95895/2015	in process
	Aspects regarding the farm Weltevreden 130:		
	• The property is owned by Buffels	T5178/2013	Completed
	• An agreement has been concluded with the owner of Boshok 465 to exchange the shaded portion marked B with the portion marked A, to provide a route for a power supply line to the Weltevreden Project. Both properties need to first be sub-divided, following which the land exchange can be effected.		In process
	• A small servitude is registered over the adjoining farm Bellevue 365 to cover the boxcut footprint and decline access.	-	Completed
	• The farm Weltevreden 130 is subject to an Eskom power line servitude.	-	Completed
Buffels (Figure 3.6)	Buffels owns 7 farms and farm portions, including Weltevreden 130 above, as per Figure 3.6	T95911/1996, T5178/2013	Completed
	Portion 57 of Hartbeesfontein 422 has to be sub-divided, with the eastern portion transferred to AGA for expansion of the TSF.	-	In process
Temotuo Rehabilitation Trust	Temotuo owns six farm portions, as per Figure 3.6 [Temotuo is a wholly-owned subsidiary of BGM]	T26935/2001, T82061/2001, T82111/2010, T105859/2001 T25046/2001	Completed

The combined servitudes and joint-use agreements for West Plant represent a surface area of 20.69 ha, together with a road access servitude through the Motlatsi Village that is 5.14 km long.

The Nicolor South Plant is located within the Buffels Mining Right, and covers an area of 20.30 ha.

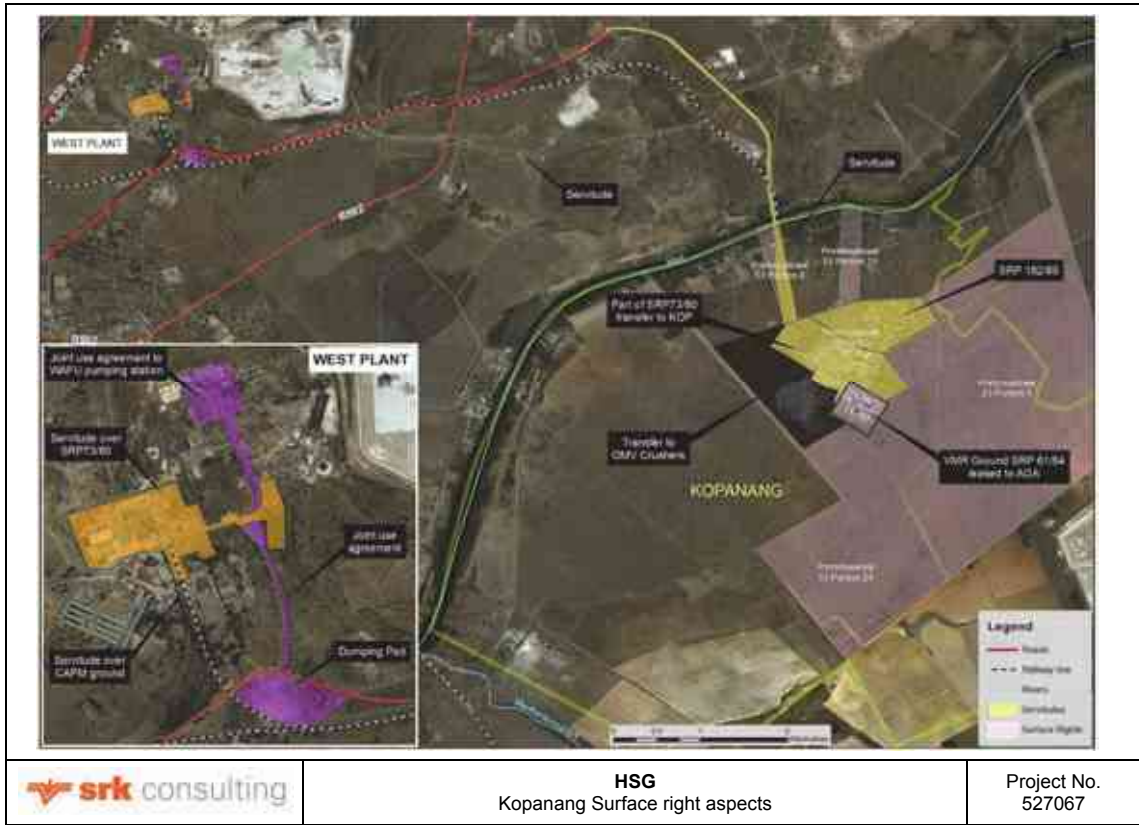


Figure 3.4: Kopanang Surface right aspects



Figure 3.5: Tau Lekoa / Weltevreden Surface right aspects



- Transfer of some 300 residential units from AGA to Kopanang;
- Signature of lease agreements – several residential complexes and apartment blocks were sold to Harmony and Kopanang in 2017. Certain workers who transferred to Kopanang are still resident in property complexes that were sold to Harmony, and vice versa (partially complete); and
- Cession of water take-off agreement – the agreement by which AGA has a right to water take-off from CAPM has to be ceded to Kopanang. The cession has been drafted and is awaiting CAPM signature.

Disposal of tailings is not an issue, as this is catered for in the agreements between HSG and AGA.

- In November 2017, SRK compiled and submitted an EIA/EMP and Regulation 29(1) motivation to the DMR (Kopangang EMP) to separate out Kopangang and West gold plant from AGA's VRO into a separate EIA/EMP. This was approved on 24 May 2018:

- VRO has an existing WUL (No. 01/C24J/BFJ/2000) that was issued on 5 August 2013, that includes the Kopanang and West gold water uses. The WUL was amended to separate out water use activities which are only relevant to Kopanang and West Gold Plant Operations. HSG lodged the application with DWS on 12 March 2019 and is still awaiting feedback from the DWS;
- AGA has an existing certificate of registration granted in terms of Section 22 of National Nuclear Regulator Act, Act No. 47 of 1999) (**NNRA**). The certificate was issued on 20 June 2006. Certain sections of the certificate will have to be applied for separately for Kopanang and West Gold Plant Operations. The application was submitted in May 2019. The certificate of registration is still pending;
- AGA has an existing Air Emissions Licence (**AEL**) for the West gold plant (NWPG/ANGLOGOLD ASHANTI/AEL4.13/FEB 14). The AEL for the West Gold plant is currently being transferred to K2017449111 (South Africa) (Pty) Ltd. The company name K2017449111 (South Africa) (Pty) Ltd was subsequently changed to Kopanang Gold Mining Company (Pty) Ltd (**KGM**). This application was submitted on 14 December 2018 for listed activity 4.17. A provisional AEL (Licence number NWPG/Kopanang (Pty) Ltd/Pael 4.1/May/19 was issued to Kopanang Gold Mining Company on 22 May 2019 for listed activity 4.1. This licence is valid until 30 May 2021. In addition to this, a section 22a application in terms of NEM:AQA was submitted to North West Department of Rural, Environmental and Agricultural Development on 28 March 2019. It is assumed that this application (together with an associated penalty fine) was submitted in lieu of West Gold Plant operating a listed air emission activity without a valid AEL which has subsequently been received as detailed above; and
- EMPR in accordance with the requirements of the MPRDA (Act No 51 of 2002).

AGA updated and reviewed its approved EMPR, which included Kopanang and West gold plants in terms of the Minerals Act (Act No. 50 of 1991) for its VRO in line with the Regulations of the MPRDA in 2009. The EMPR update and review process involved the compilation of a Scoping, EIA and EMPRs which were submitted for approval to the North West office of the DMR. An EMP was developed to mitigate and manage identified environmental impacts. The EMP was approved by the DMR on 12 February 2012 (Ref No: NW30/5/1/2/3/2/2/04 EM, NW30/5/1/2/3/2/2/15EM and NW30/5/1/2/3/2/2/16 EM) for both Kopanang and the West gold plant.

In 2016, AGA submitted an EMP amendment to the DMR to MWS assets into the 2009 EMP. This EMP contained updated environmental and social information as well as updated project information. The 2016 EMP was approved by the DMR on 24 May 2018.

The above activities and associated infrastructure were environmentally authorised in the 2012 VRO EMP. In November 2017, SRK compiled and submitted an EIA/EMP in terms of Regulation 982 of NEMA to the DMR to separate out the activities associated with Kopanang and West gold plant for KGM from AGA's VRO into a separate EMP. Following the submission of the EMP, a Regulation 29(1) as per NEMA Regulation 982 was submitted to DMR in February 2018. The Regulation 29(1) has been approved.

AGA has an existing certificate of registration granted in terms of Section 22 of the NNRA. The certificate was issued on 20 June 2006. Certain sections of the certificate will have to be applied for separately by KGM. The status of this is pending.

### **Tau Lekoa**

The following environmental legislation and permits/licences are applicable to Tau Lekoa:

- Environmental Management Programme Report (EMPR) in accordance with the requirements of the Minerals and Petroleum Resources Development Act (Act No 51 of 2002);
- An EIA/EMP in terms of Regulation 982 accordance with the requirements of the National Environmental Management Act (Act 107 of 1998);
- A WUL for water uses 21(g), (c&i), (e) and (j) in terms of Section 21 of the National Water Act (Act 36 of 1998); and
- A Certificate of Registration granted in terms of Section 22 of the NNRA.

No WML or AEL is required for Tau Lekoa.

Based on the site visit discussions and information reviewed it appears that no directives or pre-directives have been received from the DMR, DWS or DEA for any of the Tau Lekoa. No penalties or fines have been received to date.



**Weltevreden**

Weltevreden forms part of the Tau Lekoa mining right NW30/5/1/2/2/17MR. All information pertaining to Weltevreden has been included as part of the discussion on Tau Lekoa in Section 6.14.

Any mining activities on Weltevreden would be covered by Tau Lekoa's current environmental authorisations, although these may need to be updated to reflect the expansion of the mining operations.

**Nicolor Plant**

When DRD bought Hartebeesfontein Mining and incorporated it into Buffels in 1999, a single consolidated EMP was submitted to DMR in 2001 to address the environmental impacts associated with the combined operations. When Simmer and Jack purchased the DRD operations in 2005, an EMP was amended to realign the 2001 approved EMP with the MPRDA as part of the MR Conversion. This amended EMP was submitted in 2008 but was never approved due to the financial provision shortfall. VMR then acquired the DRD operations from Simmer and Jack in 2011 and the converted Mining Right was then issued in 2013 and was since registered.

In 2013 (production stopped in June 2013), VMR announced that Buffels would be put on care and maintenance in August 2013. The mine has since been in the decommissioning phases and preparing for closure. A closure application has been lodged. An EMP amendment was submitted with the closure application, including all the closure activities. The closure EMP has since been approved by DMR. As part of the closure process heritage and soil contamination surveys were conducted. No surface or ground water studies were conducted as part of the closure EMP.

The following relevant acts are applicable to the closure of Buffels; NWA, The National Environmental Management: Air Quality Act (Act 39 of 2004), The National Heritage Resources Act (Act 25 of 1999), NEMA, MPRDA, NNRA, and NEMA Regulations Pertaining to the Financial Provision for the Rehabilitation, Closure and Post Closure of Prospecting, Exploration, Mining or Production Operations (Regulation 1147).

The following Environmental authorisations and licences are relevant to the mine currently in the closure phase:

- EIA and EMP report amendment (2014) was submitted in support of the converted mining right and Section 102 applications and approved by DMR (date was not specified on the approval letter from DMR);
- The mine has applied for a closure certificate – was issued to DMR in May 2014 and still in process. The closure certificate will only be issued once the DMR is satisfied with the rehabilitation of the site and once the DWS is satisfied that the regional closure strategy and plan has been implemented for Margaret Shaft; and
- Application for Amendment of a Mining Right in terms of Section 102 of the MRPDA to exclude tailings dams, dumps and portions of land – approved in May 2014.

The DWS issued a directive in 2005 to the then active mines (Harmony, AGA and VMR (previously Simmer & Jack)) within the Klerksdorp, Orkney, Stilfontein, Hartebeesfontein (**KOSH**) area. The KOSH area includes the Klerksdorp, Orkney, Stilfontein and Hartebeesfontein areas. This directive was in response to the closure of Stilfontein mine in 2002, resulting in a challenge associated with the remaining mines increased dewatering volumes of the operational mining activities. The response to the directive was the establishment of the Margaret Water Treatment Company and the continuing dewatering Margaret Shaft at Stilfontein mine. Closure of Buffels will have a further impact on the AGA mines. However, the DWA directive still remains in place until a regional closure strategy and plan has been implemented.

The Nicolor Plant has no separate environmental authorisations in place as it was included as part of the Buffels environmental authorisation. In the past, Nicolor processed ore from Buffels. However, since the decommissioning of Buffels, the plant is now processing ore from other mines outside the Buffels mining right area. Since Buffels is in the closure phase, a Section 102 has been lodged with the DMR to separate the plant from the mine.

Currently Nicolor acts as a standalone plant. All tailings produced at the Nicolor Plant are pumped to the Mega dam (Kareerand TSF) which is managed by MWS. A service level agreement between VMR and MWS was signed on 1 March 2012.

HSG submitted an AEL application for the Nicolor Plant on 14 December 2018. The North West Department of Rural, Environment and Agricultural Development rejected the AEL application and advised Nicolor to submit

a Section 22A application for unlawful commencement of activities without a licence. The Section 22A application was submitted in February 2019 and acknowledged by the Department. Subsequent to this, the Department issued a fine to Nicolor in terms of Section 22A and the mine is currently appealing the fine. Two provisional AEL's have since been received, one for the plant and another for the assay laboratory. The AEL for the plant (Licence number: NWPG/Nicolor (Pty) Ltd/PAEL 4.1 & 4.17/May/19) was received on 22 May 2019 and is valid until 30 May 2021. The AEL for the assay laboratory (Licence number: NWPG/Nicolor (Pty) Ltd/PAEL 4.13/May/19) was also received on 22 May 2019 and is valid until 30 May 2021. Nicolor Plant also has a Certificate of Registration with the NNR (Registration number 2012/133043/07) and a compliance audit was carried out on 21 and 22 May 2019 by the NNR team. NNR concluded that the Nicolor Plant achieved a 90% compliance index which provided confidence of quality documents and records.

A WUL for Buffels which included the Nicolor Plant was lodged in 2013. However, it has never issued by DWS. HSG submitted a WUL application for the Nicolor Plant in December 2018, which included use of borehole water that is presently not licensed. The plant obtains half its water from Midvaal and half from the boreholes. The plant has a storage dam which stores 22 Ml/d of water. The plant is still awaiting feedback on this application from DWS

In terms of section 28(2) of the MPRDA, "the holder of a mining right or mining permit, or the manager of any processing plant operating separately from a mine, must submit to the Director General (c) an annual report detailing the extent of the holder's compliance with the provisions of section 2(d) and (f), the charter contemplated in section 100 and the SLP. A SLP must be lodged with the Regional Manager for Buffels and must be valid until a closure certificate has been issued in terms of section 43 of the MPRDA (Regulation 43). Based on information provided to SRK, no SLP is in place for Buffels or Nicolor Plant. HSG advised SRK that a revised SLP for Buffels and/or Nicolor is not required to be submitted to the Regional Manager, pending completion of the closure process for Buffels. HSG have indicated that in the case of social closure measures, both SLPs for Kopanang and Tau Lekoa will provide guidance.

### 3.3.2 Environmental and Social Approvals

[18.05(6)(c)] [18.03(1)] [SR1.2(ii), SR1.5(ii) (iv) (v)] [ESG2.3, ESG2.7, ESG3.3, ESG3.7, ESG4.3]

#### Kopanang

The following environmental approvals are applicable to Kopanang Mining and West Gold Plant Operations:

- In November 2017, SRK compiled and submitted an EIA/EMP and Regulation 29(1) motivation to the DMR (Kopanang EMP) to separate out Kopanang and West gold plant from AGA's VRO into a separate EIA/EMP. This was approved on 24 May 2018;
- VRO has an existing WUL (No. 01/C24J/BFJ/2000) that was issued on 5 August 2013. The WUL is in the process of being amended to separate out water use activities which are only relevant to Kopanang and West Gold Plant Operations. This application was lodged with the DWS on 12 March 2019 and HSG is still awaiting feedback from the DWS;
- AGA has an existing certificate of registration granted in terms of Section 22 of the NNRA. The certificate was issued on 20 June 2006. Certain sections of the certificate will have to be applied for separately for Kopanang and West Gold Plant Operations. The application was submitted in May 2019; and the Certificate of Registration is still pending.
- AGA has an existing AEL for the West gold plant (NWPG/ANGLOGOLD ASHANTI/AEL4.13/FEB 14). The AEL for the West Gold plant is currently being transferred to KGM. This application was lodged on 14 December 2018. A provisional AEL (Licence number NWPG/Kopanang (Pty) Ltd/Pael 4.1/May/19) was issued to Kopanang Gold Mining Company on 22 May 2019. This licence will expire on 30 May 2021.

A SLP was prepared as part of the MRA in terms of the requirements of the MPRDA. Accordingly, the SLP must comply with the requirements of all relevant skills development legislation, including the Skills Development Act (No. 97 of 1998), Skills Development Levies Act (No. 9 of 1999), EEA and the LRA. Kopanang has developed a SLP for the 2018-2022 period, which according to information from the VMR Sustainable Development Officer, was approved by the DMR on 11 July 2018. The SLP undertaking was signed by Mr. Owen O'Brien on 9 November 2017. A SLP Annual Report was submitted to the DMR on 25 March 2019.

**Tau Lekoa**

Tau Lekoa mine has the following environmental licences/permits:

- A combined approved EMPR (approved on 21 April 2011) (Registration number NW30/5/1/2/3/17MR) for both mining rights as per MPRDA;
- A WUL and IWWMP (approved on 22 February 2019) (Licence number 08/C24J/CEGAJ/8941) for water uses 21(g), (c&i), (e) and (j) in terms of Section 21 of the National Water Act (Act 36 of 1998); and
- A National Nuclear Regulator Certificate of Registration (Reg number: 2011/133765/07).

Tau Lekoa has submitted a SLP which covers the mining rights for Weltevreden, Jonkerskraal and Goedgenoeg for the years from 2016 to 2020. The SLP forms part of the requirements of the MPRDA and requires compliance with all relevant skills development legislation, including the Skills Development Act (Act No. 97 of 1998), Skills Development Levies Act (Act No. 9 of 1999), EEA and the LRA. The SLP for Tau Lekoa was approved by the DMR on 18 February 2019 and a SLP Annual Report was submitted to the DMR on 12 March 2019.

**Weltevreden**

All information pertaining to Weltevreden has been included as part of the discussion for Tau Lekoa.

Any mining activities on Weltevreden would be covered by Tau Lekoa's current environmental authorisations, although these may need to be updated to reflect the expansion of the mining operations. No approvals are in place for Weltevreden.

Weltevreden commitments to the SLP are included in the 2016-2020 SLP for Tau Lekoa. The financial commitments have been addressed holistically for all three mining rights, therefore the specific contribution for Weltevreden cannot be extracted. The SLP in terms of the MPRDA, requires compliance with all relevant skills development legislation, including the Skills Development Act (No. 97 of 1998), Skills Development Levies Act (No. 9 of 1999), EEA and the LRA.

**Nicolor Plant**

All environmental approvals for the Nicolor Plant are pending. Only a Section 102 application to separate the Nicolor Plant from the Buffels Mining Right has been submitted to DMR but the approval of the Section 102 application is dependent on the approval of the EMP which will only be submitted in May 2019. The AEL and WUL applications were submitted in December 2018. The AEL application was declined and Nicolor were requested to rather submit a section 22A application for unlawful commencement with activities without an AEL. The section 22A application was submitted in February 2019 as per discussions with Ms Mutshathama. Two provisional AEL's have since been received, one for the plant and another for the assay laboratory. The AEL for the plant (Licence number: NWPG/Nicolor (Pty) Ltd/PAEL 4.1 & 4.17/May/19) was received on 22 May 2019 and is valid until 30 May 2021. The AEL for the assay laboratory (Licence number: NWPG/Nicolor (Pty) Ltd/PAEL 4.13/May/19) was also received on 22 May 2019 and is valid until 30 May 2021.

To date there are no land claims on the property occupied by the Nicolor Plant.

In terms of section 28(2) of the MPRDA, "the holder of a mining right or mining permit, or the manager of any processing plant operating separately from a mine, must submit to the Director-General— (c) an annual report detailing the extent of the holder's compliance with the provisions of section 2(d) and (f), the charter contemplated in section 100 and the SLP". A SLP must be lodged with the Regional Manager for Buffels and must be valid until a closure certificate has been issued in terms of section 43 of the MPRDA (Regulation 43). Based on information provided to SRK, no SLP is in place for Buffels mine or Nicolor Plant. HSG, however, advised SRK that it is nevertheless not required to submit a revised SLP for Buffels and/or Nicolor to the Regional Manager, pending completion of the closure process for Buffels.

## 4 KOPANANG GOLD MINE

### 4.1 Introduction

[SR1.2(i)]

Kopanang is located in the Free State province, approximately 170 km south-west of Johannesburg and 10 km south-east of the town of Orkney. It is a mature, deep level underground operation.

The major reef mined at Kopanang is the VR, while a secondary reef, the C Reef is mined on a smaller scale. Mining operations are conducted at depths ranging from 1 350 m to 2 240 m. Kopanang comprises a single shaft system. Given the geologically complex orebody occurring at Kopanang, a scattered mining method is used with the orebody being accessed mainly via footwall tunnelling, raised on the dip of the reef and stoped on strike.

### 4.2 History

[SR1.4(i) (ii) (iii)]

Kopanang has been in production since 1984 and was originally known as Vaal Reef's 9 Shaft and forms part of the Klerksdorp goldfield.

#### 4.2.1 Historical Development

[SR1.4(iii) (iv)]

The discovery of gold deposits in the Witwatersrand was occurred 1886, hosted in quartz-pebble conglomerate known as "reefs" (Mellor, 1916; McCarthy, 2006). These gold-bearing reefs were also discovered in the Klerksdorp area (VR), as late as the 1940s (Chapman et al., 1986).

Table 4.1 summarises the exploration and mining activities at Kopanang.

**Table 4.1: Kopanang Exploration and Mining Activities Summary**

Date	Exploration and mining activities
1938	First exploration drilling conducted in the Vaal Reefs area by Union Corporation/General Mining (Gencor).
1940s	Exploration continued in the Vaal Reefs area.
1950s	Anglo American Corporation (AAC) (Western holdings) started exploration drilling in the Vaal Reefs area.
1960s	Gencor and AAC continue exploration drilling.
1970s	Exploration on Pretoriuskraal Farm which constitutes the majority of Kopanang Mine Lease Area is conducted by AAC.
1977	Shaft sinking is started at Kopanang by AAC.
1981	Shaft sinking completed.
1984	Production at Kopanang commences with its first gold pour.
	Gencor 1E farm is added to the Kopanang mining right.
	Edom farm added to Kopanang mining right.
	De Pont Landing and Altona farms added to Kopanang mining right.

#### 4.2.2 Prior Ownership

[SR1.4(ii)]

Kopanang was owned by AAC Gold Division, AngloGold and then AGA, all under AAC before it was acquired by HSG in November 2017. Table 4.2 summarises the prior ownership of Kopanang and ownership changes.

**Table 4.2: Kopanang Prior Ownership and Ownership Changes**

Date	Ownership
	AAC Western Holdings.
	Anglo American Vaal Reefs Gold Mining Company.
June, 1998	<ul style="list-style-type: none"> <li>AngloGold Limited is formed through consolidation of gold interests of AAC and its associated companies; and</li> <li>Vaal Reefs Exploration and Mining Company Limited (Vaal Reefs), changed its name to AngloGold Limited and increased its authorised share capital, effective 30 March 1998.</li> </ul>
2003	AngloGold Ashanti.
October 2017	HSG enters into a sale agreement with AGA to acquire Kopanang.
February 2018	Purchase consideration is settled by payment of ZAR100 million in cash and transfer of certain gold bearing rock dumps from HSG to AGA.



### 4.2.3 Historical Operating Statistics

[18.05(6)(c)] [SR1.4(iv)]

HSG acquired Kopanang in November 2017, but only took operational control from 1 March 2018. Thus, it is only operating statistics since this latter date that are relevant to this CPR.

The December 2018 monthly operational report compiled by HSG lists historical performance statistics for Kopanang for 2015 to February 2018 while still part of AGA, and these entries (shaded) are included in Table 4.3 for information. Table 4.3 provides the key information for Kopanang for the ten months March to December 2018 and the first six months of 2019 (**H1-2019**).

**Table 4.3: Kopanang historical operating statistics (2015 to H1-2019)**

Item	Units	Annual Production (AGA)				Kopanang in HSG's hands	
		2015	2016	2017	Jan/Feb 2018	Mar-Dec 2018	H1-2019 (6 months)
<b>Production</b>							
Total development	(m)		5 275	2 936	296	2 888	2 527
Ore milled	(kt)	672.0	552.0	612.0	64.9	462.8	297.7
MCF	(%)	73%	73%	65%	75%	53%	72%
Av. mining grade	(cm.g/t)	1 276	1 200	1 303	1 333	1 266	1 140
Au produced	(koz)	117.5	91.1	91.3	11.8	59.4	40.8 <sup>(1)</sup>
Au recovered grade	(g/t)	5.43	5.09	4.67	5.88	4.02	4.26
Au Revenue	(ZARm)	1 737.7	1 673.8	1 529.4	188.9	1 039.6	740.0
Au Revenue	(USDm)	136.0	114.0	115.0	15.7	77.1	52.1
Av. Exchange Rate	(ZAR:USD)	12.776	14.679	13.299	12.033	13.486	14.199
<b>Operating Costs</b>							
Employment	(ZARm)	700.6	798.0	866.9	133.9	763.6	488.5
Stores	(ZARm)	0.0	149.0	160.5	24.1	221.4	101.0
Electricity & Water	(ZARm)	158.2	166.5	179.8	28.1	176.0	98.0
Ore transport costs	(ZARm)	0.0	0.0	0.0	0.0	10.9	7.9
Plant/refining costs	(ZARm)	105.2	109.7	122.1	14.9	82.1	57.2
Other direct costs	(ZARm)	637.1	651.4	668.9	97.0	16.4	76.9
Royalties	(ZARm)	9.3	8.7	7.9	1.2	5.2	3.9
Reversal – capital development	(ZARm)		-165.4	-151.6	-13.4	-79.1	-78.2
Total Operating Cost	(ZARm)	1 610.5	1 718.0	1 854.5	285.7	1 196.4	755.2
Admin /reclamation	(ZARm)					11.0	6.5
All-in Sustaining Cost (AISC)	(ZARm)	1 831.4	1 925.6	2 033.6	299.1	1 318.4	837.8
AISC cost	(USDm)	143.3	131.2	152.9	24.9	97.8	59.0
<b>Capital</b>							
SIB development	(ZARm)	189.0	165.4	151.6	13.4	79.1	55.9
Project capital (equipment)	(ZARm)	40.0	42.2	27.5	0.0	31.9	20.3
<b>Unit costs</b>							
Cash operating cost	(ZAR/t milled)	2 379	3 112	3 030	4 402	2 585	2 537
Cash operating cost	(USD/oz produced)	1 220	1 285	1 527	2 007	1 494	1 305
AISC cost	(ZAR/t milled)	2 719	3 488	3 323	4 608	2 849	2 814
AISC cost	(USD/t milled)	213	238	250	383	211	198
AISC cost	(USD/oz produced)	1 067	1 440	1 674	2 101	1 645	1 448
<b>Labour / Productivity</b>							
TECs	(No)	4 346	4 056	3 880	3 741	3 262	3 061
Productivity	(t/TEC/month)	13.1	10.0	10.8	8.1	10.7	16.2

Notes:

<sup>1</sup> Includes the 34.6 kg (1.1 koz) of gold stolen during February 2019.

Source: VMR December 2018 and June 2019 Monthly Reports; VMR AIC Calculations 2019

Summary operating statistics for the West Plant, which was acquired by HSG at the same time as Kopanang, for the ten months March to December 2018 and H1-2019 are shown in Table 4.4. Historical performance statistics for West Plant for 2015 to February 2018 while still part of AGA are shaded in Table 4.4 for information.

**Table 4.4: West plant historical operating statistics (2015 to H1-2019)**

Item	Units	Annual Production (AGA)				West Plant in HSG's hands	
		2015	2016	2017	Jan/Feb 2018	Mar-Dec 2018	H1-2019 (6 months)
<b>Production</b>							
Tau Lekoa ore	(kt)					637.8	379.5
Kopanang ore	(kt)					461.5	297.7
Toll-treatment	(kt)					20.6	12.
Total ore processed	(kt)	1 620.4	1 520.8	1 347.2	0.0	1 119.9	690.1
Plant recovery	(%)	86%	82%	67%		91%	92%
Gold produced	(koz)			64.5		115.4	2 373
Recovered grade	(g/t)			1.49	0.97	3.21	3.44
Au Revenue	(ZARm)	134.5	169.1	157.4	0.0	198.3	135.5
Au Revenue	(USDm)	10.5	11.5	11.8	0.0	14.7	9.5
Av. Exchange rate	(ZAR:USD)	12.776	14.679	13.299	12.033	13.486	14.199
<b>Operating Costs</b>							
Employment	(ZARm)	53.2	56.2	61.2	0.0	49.6	32.0
Stores	(ZARm)	21.4	31.9	29.6	0.0	67.4	51.9
Electricity & Water	(ZARm)	47.1	49.7	44.0	0.0	47.8	28.1
Ore transport costs	(ZARm)	0.0	0.0	0.0	0.0	0.0	0.1
Other direct costs	(ZARm)	12.9	31.2	22.6	0.0	26.8	27.6
Royalties	(ZARm)					0.0	0.0
Total Operating Cost	(ZARm)	134.5	169.1	157.4	0.0	191.7	139.8
AISC Cost	(ZARm)					208.7	146.9
AISC cost	(USDm)					15.5	10.3
<b>Capital</b>							
SIB development	(ZARm)	0.0	0.0	0.0	0.0	0.0	0.0
Project capital (equipment)	(ZARm)	16.8	64.8	145.2	0.0	17.0	7.1
<b>Recovery - cost allocation</b>							
Tau Lekoa	(ZARm)				0.0	112.6	75.2
Kopanang ore	(ZARm)				0.0	80.9	57.2
Toll-treatment	(ZARm)				0.0	4.7	0.1
Other	(ZARm)	11.2	14.1	13.1		0.0	2.9
<b>Unit costs</b>							
Operating cost	(ZAR/t milled)	83	111	117		171	203
AISC cost	(ZAR/t milled)	83	111	117		186	213
AISC cost	(USD/t milled)	6.5	7.6	8.8		13.8	15.0
AISC cost	(USD/oz produced)					134	136
<b>Labour / Productivity</b>							
TECs	(No)			238		157	157
Productivity	(t/TEC/month)			472		713	733

Source: VMR December 2018 and June 2019 Monthly Reports; VMR AIC Calculations June 2019

### 4.3 Geological Setting, Deposit and Mineralisation

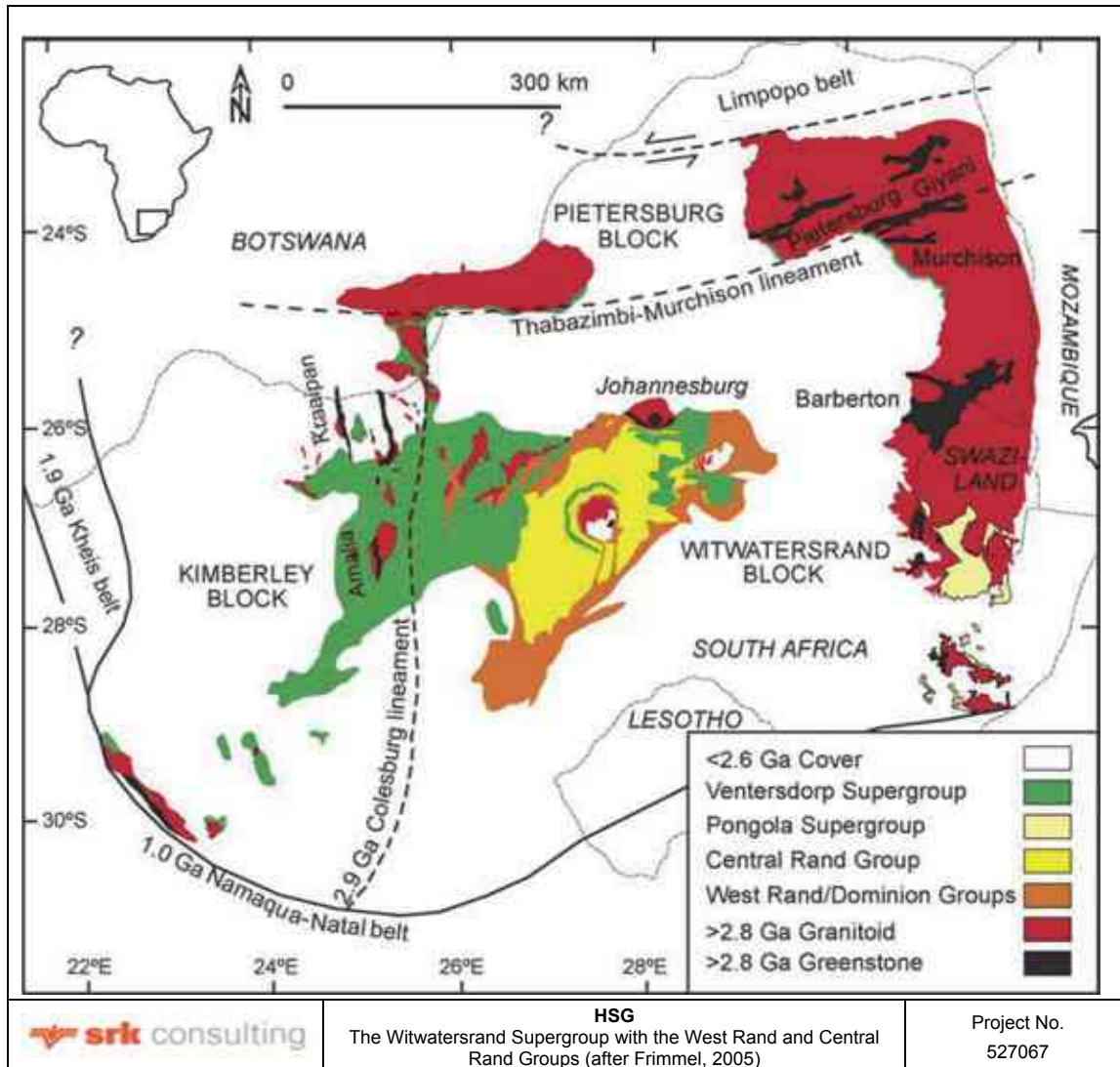
[SR2.1]

#### 4.3.1 Regional Geology

[SR2.1(i)]

##### Witwatersrand Basin Geology

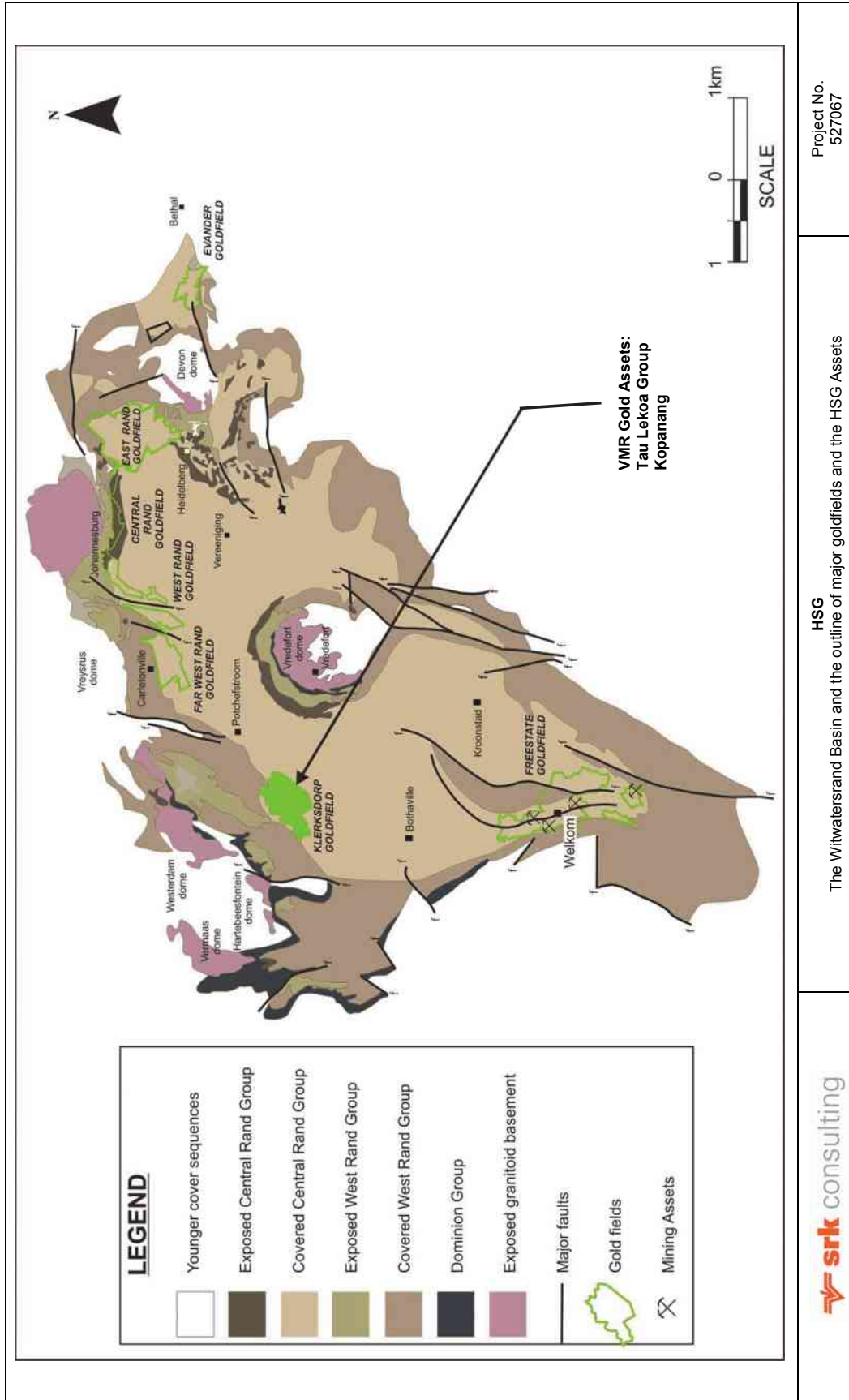
The Witwatersrand Supergroup occupies a central position of the Archaean Kaapvaal Craton. It covers an area of 350 x 200 km with an average thickness of 5 to 8 km, underlain by the Dominion Group, Archaean Granitoids and Greenstone basement, and is overlain by the Ventersdorp Supergroup (Frimmel, 2005; Smieja-Krol *et al.*, 2009) (Figure 4.1). The simplified geological map of the Witwatersrand Basin showing the Archaean granitoid domes, the nine major Goldfields, major faults and paleocurrent directions of reefs in the Central Rand is shown in Figure 4.2.



**Figure 4.1: The Witwatersrand Supergroup with the West Rand and Central Rand Groups**

The Upper Witwatersrand System, known as the Central Rand Group, hosts the economic horizons at Kopanang. The geological setting is one of crustal extension, dominated by major south-dipping fault systems with north westerly dipping Zuiping faults wedged between the south-easterly dipping faults.

The Venterspost Formation at the base of the Ventersdorp Supergroup hosts the VCR which is exploited at Tau Lekoa. This formation overlies (discordantly) the Elsburg Formation of the Central Rand Group and underlies the Alberton Formation of the Klipriversberg Group, at depths varying between 900 and 1 700 mbs.



### Stratigraphy of the Witwatersrand Supergroup

The Witwatersrand was separated into a Lower Witwatersrand System, which contained the basal Hospital Hill Series overlain by the Government Reef Series and finally the Jeppes-town Series, and an Upper Witwatersrand System containing the Main-Bird (MB) Series and the Kimberley-Elsburg Series, discovered by Mellor in 1911, and although numerous revisions and adaptations have been done, including SACS (1980) the basic subdivisions have been retained. The Lower Witwatersrand System is now known as the West Rand Group and the Upper Witwatersrand System is known as the Central Rand Group. The West Rand Group contains numerous well-developed argillaceous units, whereas the Central Rand Group is more arenaceous. The most important gold-bearing horizons are mostly restricted to the Central Rand Group, shown in the stratigraphic column (Figure 4.3).

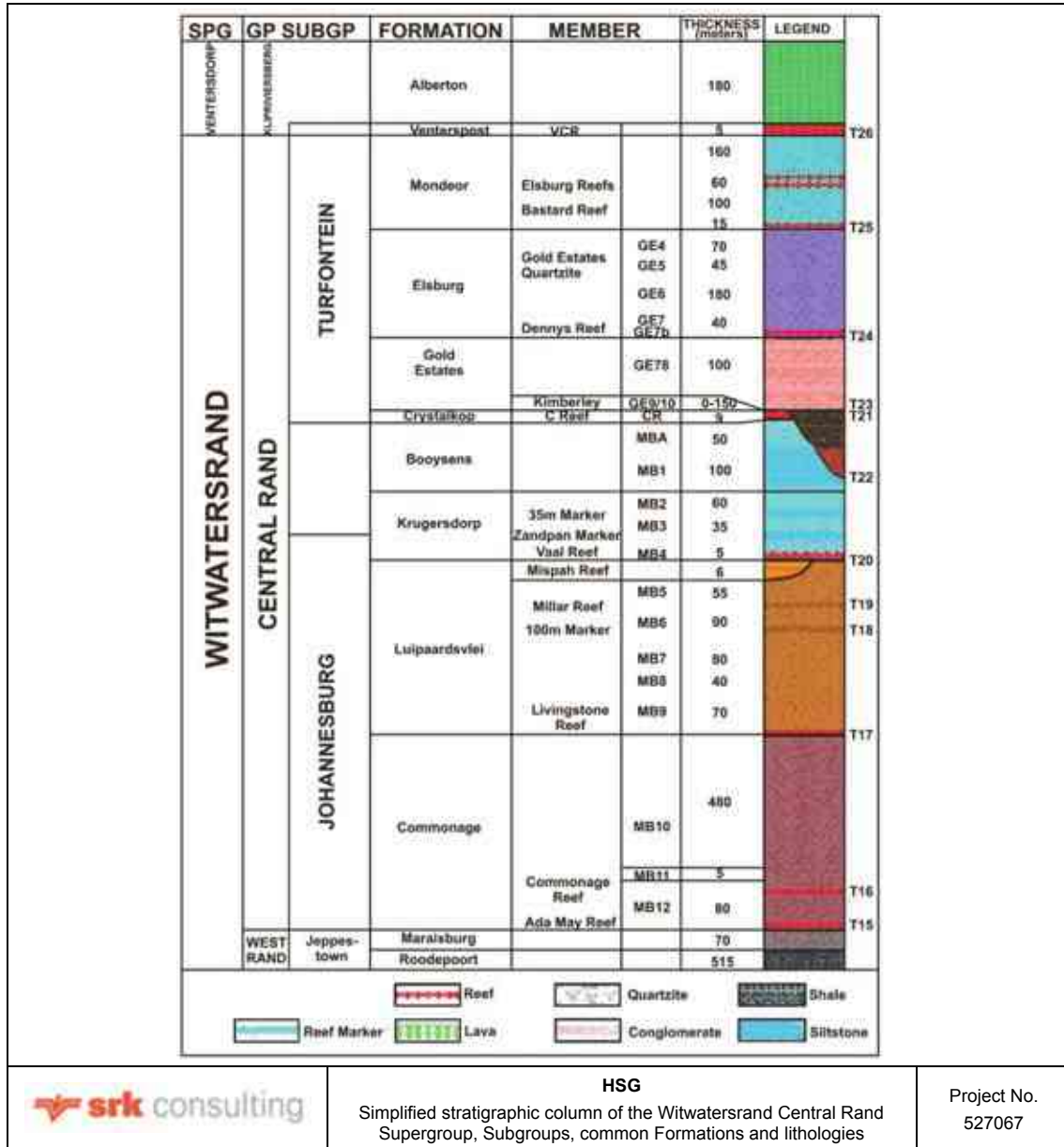


Figure 4.3: Simplified stratigraphic column of the Witwatersrand Central Rand Supergroup, Subgroups, common Formations and lithologies



#### 4.3.2 Local Geology

[SR2.1(ii) (iii) (iv)]

The Klerksdorp Goldfield which hosts the Gold Assets is located 160 km southwest of Johannesburg and lies on the western rim of the Witwatersrand Basin (Antrobus, 1986). The Klerksdorp Goldfield has been an area of active mining since the discovery of gold and uranium on the Western Reefs mine and the VR in the 1940s and 1950s.

On Kopanang, the Archean Witwatersrand Supergroup is unconformably overlain by the Archean Ventersdorp and Proterozoic Transvaal Supergroups, as well as the Phanerozoic Karoo Supergroup to the south of the lease area. The former can be split into a lower West Rand Group and an upper Central Rand Group. Above the Witwatersrand Supergroup, the Ventersdorp Supergroup consists of a lower Klipriviersberg lava which is overlain by sediments belonging to the Platberg Group and finally by sediments and lavas of the Pniel Sequence.

##### West Rand Group

In the Klerksdorp area, the West Rand Group attains a thickness of 4 500 m and consists of interlayered shales and quartzites, together with a minor volcanic unit, the Crown Lava. Numerous conglomeratic units in the West Rand Group have been mined where they outcrop on surface and will not be discussed further in this report. Armstrong *et al.* (1991), using U/Pb dating on zircons have determined an age of 2914 +/- 6 Ma for the Crown Lava.

##### Central Rand Group

The Central Rand Group reaches a thickness of 2 100 m in the study area, and contains mostly quartzites, with lesser amounts of shale and conglomerates. The Central Rand Group is distinctly less argillaceous than the underlying West Rand Group and this is a result of tectonic uplift in the hinterlands during Central Rand Times (e.g. Tankard *et al.*, 1982). Gold is hosted in the conglomerates of the Central Rand Group, and these conglomerate horizons are known as reefs. The economically important VR is located near the middle of this sedimentary sequence. The VR is the equivalent of the Basal Reef in the Free State Goldfield and the Bird Reef in the West Rand Goldfield. The Central Rand Group has been divided into two subgroups, the lower Johannesburg and the upper Turfontein subgroup.

##### Tectonic evolution of the Vaal Reef

Following deposition of the VR, the Vaal River area underwent extensive structural deformation. Initially, early NNW-dipping Zuiping thrusts and reverse faults were re-activated as normal faults. Continued extension led to the development of the large south-dipping faults, principally the Jersey and Die Hoek Faults. These cut the older Zuiping Faults and displaced the upper portions to the southeast.

After deposition of the Transvaal Supergroup, more normal and reverse faults formed, probably associated with the development of the Vredefort Dome. The large Buffels East fault appears to have formed at this time.

One key difference between the current model and its predecessors is that movement on the Jersey and Die Hoek Faults has been shown to be west-to-east rather than northwest-to-southeast.

The geological setting is one of crustal extension, dominated by major south-dipping fault systems with north westerly dipping Zuiping faults wedged between the south-easterly dipping faults. The major fault systems affecting Kopanang are the oldest north-westerly dipping Zuiping faults, and the younger Shaft and Jersey fault systems, which dip to the south east. A fourth major fault is present on the mine, and is known as the Shaft Steep Fault, which is sub vertical, and strikes northeast-southwest. The majority of the major faults have a normal displacement, with reverse faulting displacements typically less than 10 m. Relatively intense small scale faulting is ubiquitous at Kopanang, and this affects the efficiency of mining when encountered.

#### 4.3.3 Deposit Type

[SR2.1(v)]

The Witwatersrand gold deposits are of the "Quartz Pebble Conglomerate Au-U type". These are also referred to as "placer gold and uranium in ancient conglomerate", or "palaeo-placer gold and uranium" deposits (Frimmel, 2004).

The mineralised horizons, or reefs, are essentially oligomictic to polymictic, matrix- to pebble-supported conglomerate in which vein quartz pebbles predominate. The matrix, which essentially is quartzitic, accommodates the gold and uraninite largely as disseminated clastic particles.

In addition to gold and uranium, the reefs may also contain substantial amounts (generally 5 to 15%) of sulphide, mainly pyrite associated with pyrrhotite, chalcopyrite and arsenopyrite. Diamonds and monazite have been encountered in trace quantities (Frimmel, 2004).

The conglomerate layers, which may contain laterally extensive quartzite middlings, exhibit remarkable lateral continuity and may display continuous strike lengths of hundreds of kilometres. However, the gold and uranium are not uniformly distributed within these reefs, and sedimentary facies with differing reef characteristics are present. Locally, varying mineral grades and reef thicknesses may reflect the channelized nature of the conglomerate. In the VR at least three distinct stacked quartzitic conglomerate units can be present.

The mode of the gold and uranium mineralisation has been widely debated over the last 126 years (Pretorius, 1964, Frimmel, 2004), and has involved three major hypotheses, i.e.:

- Placer: The gold and associated minerals were deposited as detrital components within fluvial fans and braided stream systems, derived from a granite/greenstone hinterland provenance;
- Modified Placer: As for 1), but limited hydrothermal re-distribution of gold occurred during diagenesis and low-grade greenschist facies metamorphism; and
- Hydrothermal: Gold was introduced subsequent to the deposition of the conglomerates along geological discontinuities such as faults and dykes. These fluids are proposed to have differentially penetrated the coarse, clastic sediments, where the gold precipitated out of solution.

A geological model is employed to delineate variations (either lateral or vertical) in characteristics of the VR and C Reef. The current geological model thus subdivides the VR and C Reef into homogeneous zones based on geological, sedimentological and grade characteristics.

#### 4.3.4 Mineralisation

[SR2.1(vi) (vii), SR3.1(vii)]

The gold-bearing quartzitic and conglomerate bands of the Witwatersrand Supergroup are characterised by rounded pebbles set in a mineralogically complex matrix. The pebbles are predominantly vein quartz, but can include jasper, quartzite, shales and schist, and typically do not contain appreciable mineralisation. The compact matrix that cements the pebbles consists essentially of finer-grained clastic and secondary quartz, and fine-grained phyllosilicates (mainly mixtures of sericite and lesser chlorite, with minor amounts of muscovite, pyrophyllite and chloritoid). This matrix is also host to heavy, allogenic minerals consisting largely of pyrite with lesser amounts of zircon, rutile, chromite, uraninite, 'flyspeck kerogen', arsenopyrite, cobaltite, and rare platinum-group metals. Authigenic minerals within the matrix include pyrite, pyrrhotite, chalcopyrite, uraniferous leucoxene, brannerite, futile, galena, sphalerite, and gersdorffite (Janisch, 1986).

The VR and C Reef are examples of the reefs characterised by discontinuous layers of kerogen at their base. There is a strong association between the kerogen and gold, which is found on its surface, as well as filling cleats and open spaces between filaments.

There are two main varieties of gold. One is (possibly) primary gold, occurring as rare inclusions in detrital grains of massive pyrite, or as detrital grains and nugget like particles in the matrix. The second is a younger generation, possibly the result of metamorphism and recrystallization virtually *in situ*, which seems to have replaced fine-grained matrix material. Fine, flaky, irregular or jagged particles predominate. Gold is distributed throughout the thickness of the reef but tends to concentrate where other heavy minerals and carbon are found (Janisch, 1986). In the VR and the C Reef, the gold mineralisation is strongly partitioned near the base of the conglomerate units.

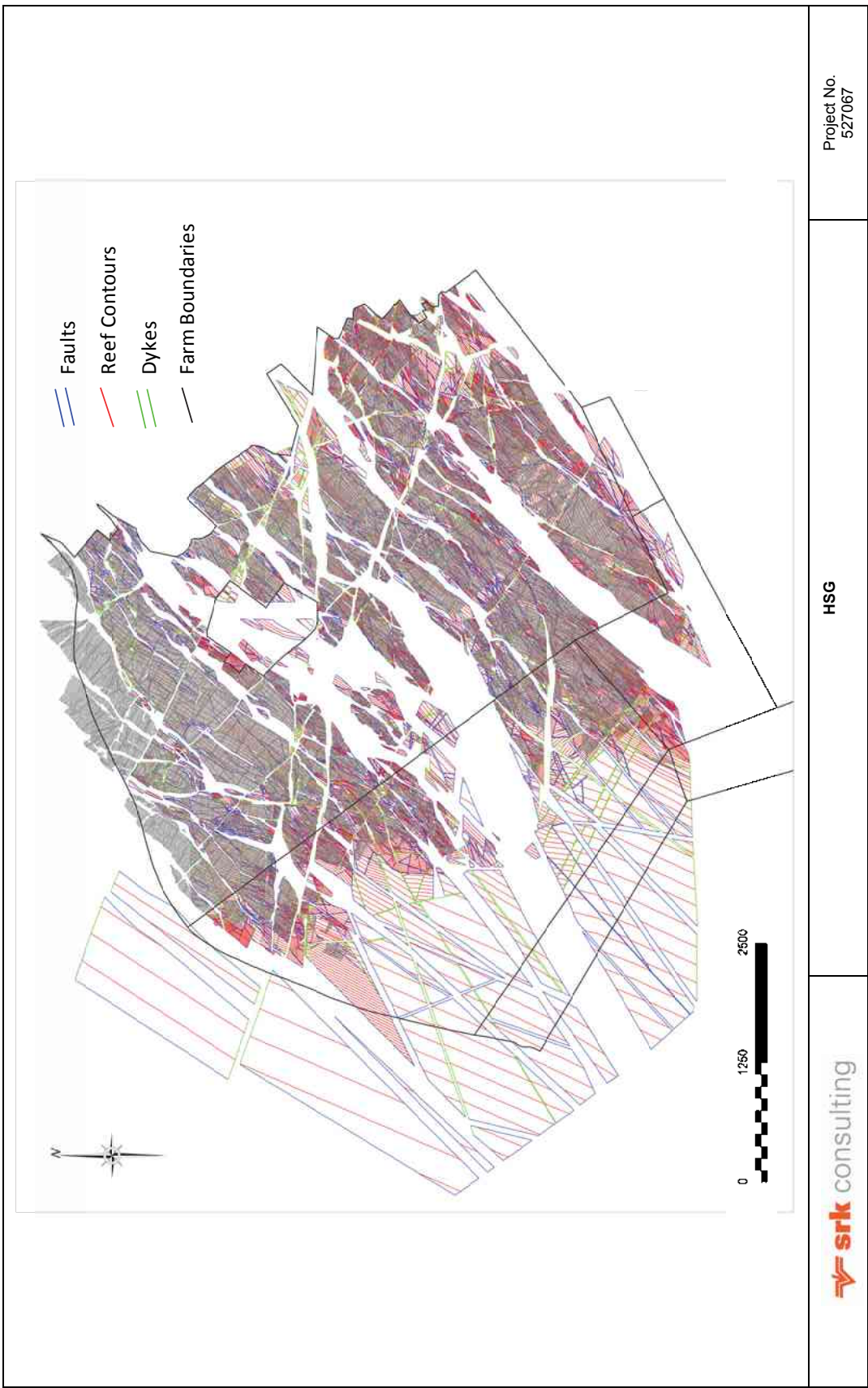


Figure 4.4: Geological plan of the VR structures



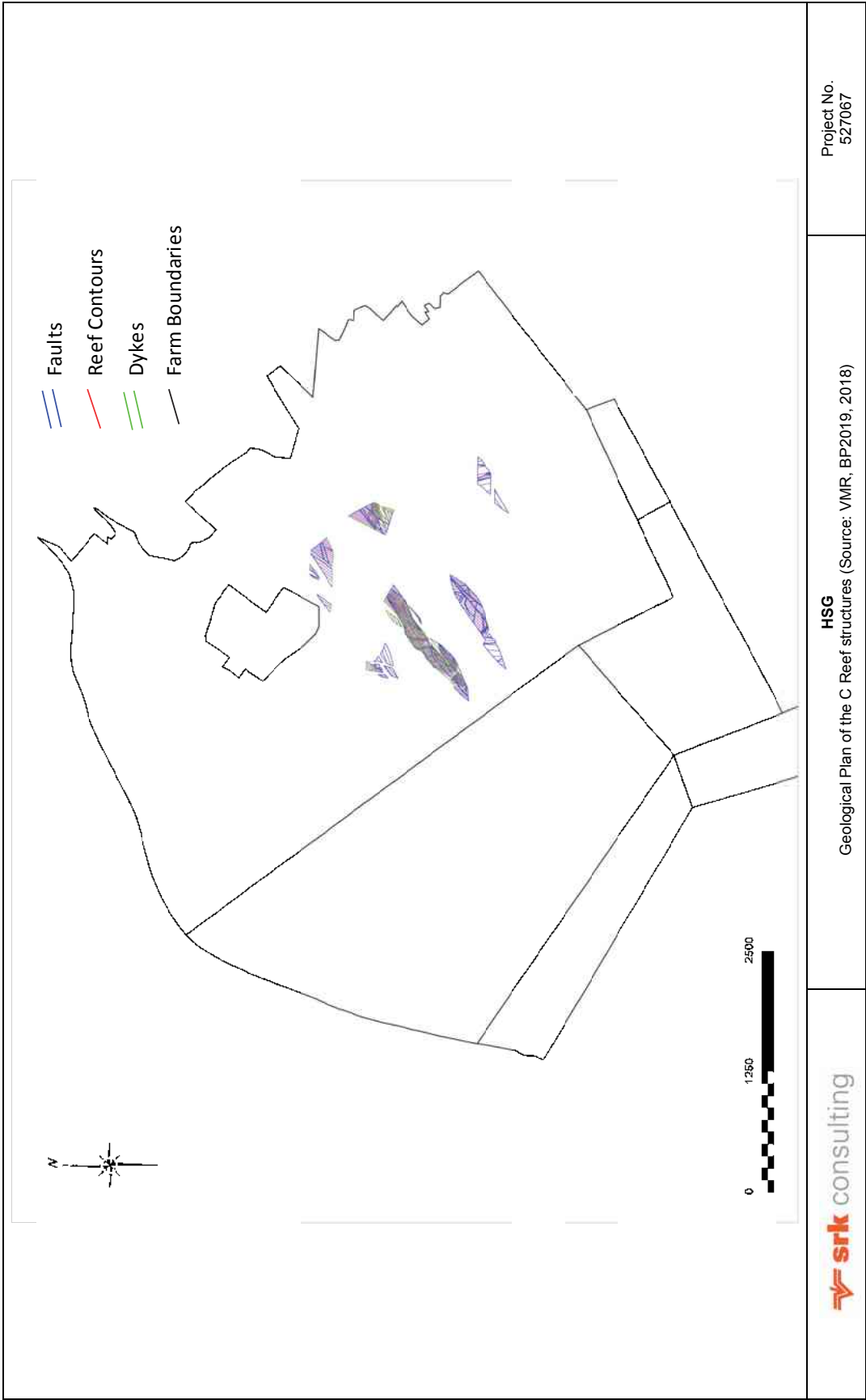


Figure 4.5: Geological plan of the C Reef structures

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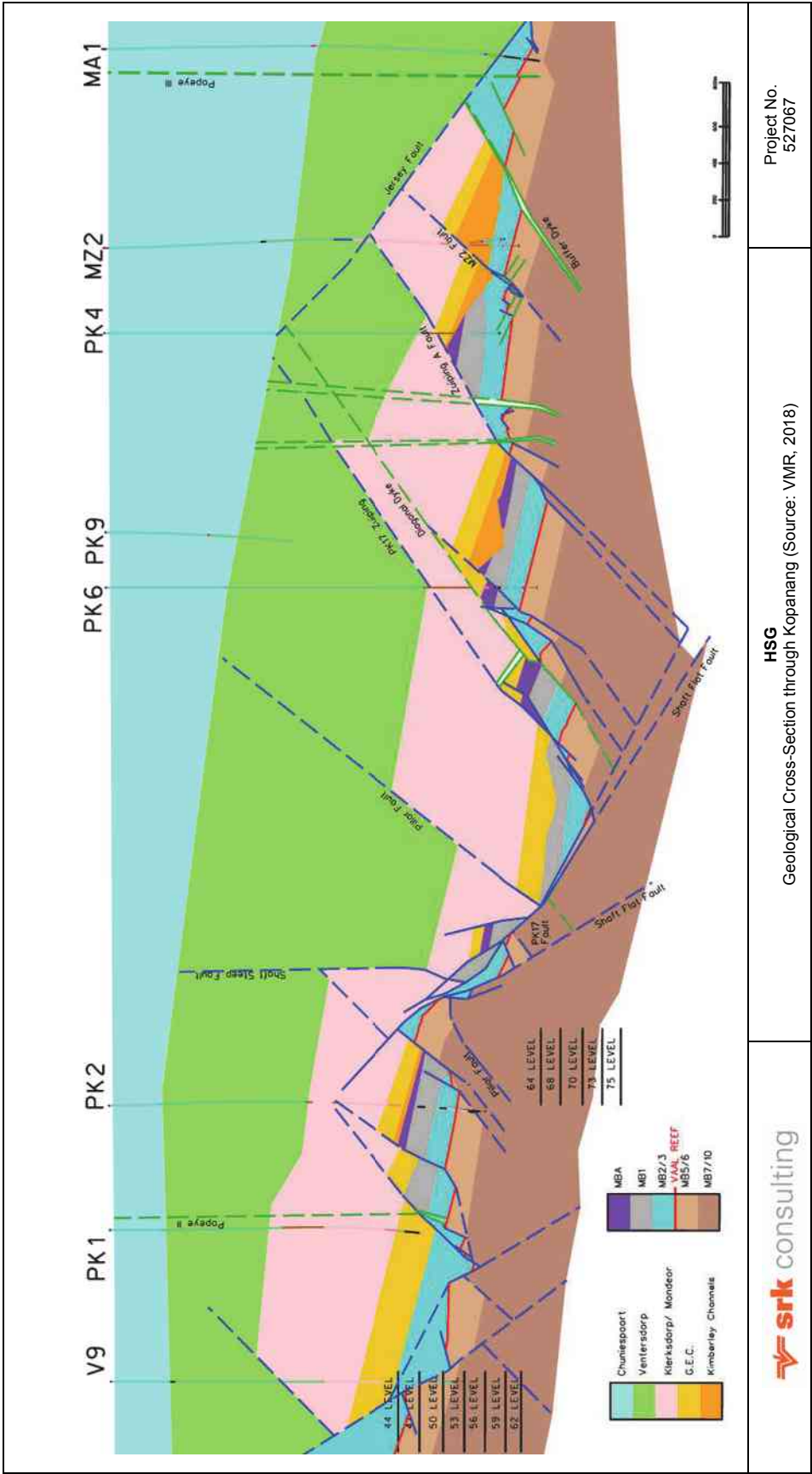


Figure 4.6: Geological Cross-Section through Kopanang

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#### 4.4 Exploration and Drilling, Sampling Techniques and Data

[SR3.1, SR3.2]

##### 4.4.1 Exploration

###### Underground Mapping

[SR3.1(i)]

All development ends are mapped mainly by Geological Technicians and assisted by the Senior Geologists in more complex structural areas and to confirm the geological interpretation. Rock type, strike, dip, faulting and intrusive are incorporated into the structural and facies model and used to dynamically update the geological models. Development mapping reporting is carried out per procedure and the signed mappings are scanned and saved electronically for easy access and reference by production personnel.

Stope panels are mapped by Geological Technicians and also by Mineral Resource Officers during routine sampling. The aim is to map and sample 75% of the panels within 6.5 m advance. Top 20 panels should have a 100% mapping at least once a month.

##### 4.4.2 Capital/Exploration Drilling

[SR3.1(vi)]

Exploration drilling is carried out by the Geosciences Department to optimize placement of primary development for Level 1 and approved projects; and to upgrade Blue Sky blocks in to resource. Surface drilling is managed by the Geoscience Technical Office (GTO) Exploration Section and Underground is managed from the mine under AGA. No new surface drilling has been undertaken since the acquisition. All the drilling budgets fall under brownfields exploration.

Brownfields exploration is focused on improving confidence in the geological model, as well as adding additional Mineral Resource to the mine.

No surface drilling was carried out recently at Kopanang. Underground exploration is done through diamond drilling (DD) and utilises a combination of hydraulic and pneumatic powered machines. The exploration strategy adopted for Kopanang is to address its structural complexity and involves:

- Definition drilling aiming for a 100 m x 100 m drilling grid for optimal placement of primary haulage and cross-cut development;
- While infill drilling aims for a minimum of 50 m x 50 m drilling spacing for placement of secondary development; and
- The drill spacing is reduced further in structurally complex areas to reduce the risk of stoping operations intersecting unexpected faults greater than 3 m.

The majority of the drilling is carried out with pneumatic drill rigs, with hydraulic machines used where holes longer than 200 m are required. During 2017, a total of 12 956 m of linear drilled metres was completed. This is an increase in total metres drilled over 2016 drilling but is consistent with the drilling metres achieved in the preceding years. This appears to be sufficient to support the ongoing increase in the structural confidence at the operation, in support of the mine plan.

##### 4.4.3 Drilling Techniques

[SR3.1(iii), SR3.2(i) (ii) (iii) (iv)]

Core diamond drilling is used though hydraulic and pneumatic drill rigs. The different core sizes for reef intersections are as follow: pneumatic drilling - AXT, hydraulic drilling- BX or BQ and surface drilling - BX or BQ using a thin-walled core barrel (TNW size core barrel) that delivers NQ core for better sample recovery.

###### Underground Diamond Drilling

Underground diamond drilling takes place to obtain geological information and to cover development ends advancing into virgin ground. Cover drilling investigates the potential occurrence of methane and/or water ahead of the face. The aims of an exploration drilling programme are to:

- Identify timeously any geological structures that may impact on future development;
- Optimize cross-cut positions relative to geological structures to optimize extraction rates;

- Upgrade the confidence of resource blocks; and
- Upgrade the confidence in the facies/geozones or mineralisation model.

Previously under AGA all diamond drilling was logged, plotted, entered into AuBIS and are interpreted according to the Standard. AuBIS is the AGA proprietary drill hole database. Following the transfer of ownership of Kopanang to HSG the drill hole database was extracted from AuBIS and has been securely stored with password protection in Excel spreadsheets which are backed up on the Kopanang server. New drill hole information is currently being captured and processed in Excel spreadsheets, until such time as a new dedicated drill hole database is setup at Kopanang.

Underground drilling is audited in conjunction with the underground mapping.

Ore Reserve Development (**ORD**) drilling forms part of integrated drilling strategy of increasing geological model confidence to secure the production plan. The focus at Kopanang is to improve structural model confidence, to achieve optimal planning of secondary development, achieve planned reef metres and stoping plan. The underground drill holes are not assayed, as loss of carbon has historically resulted in a low bias for the drill holes.

ORD drilling aims to significantly reduce and stabilize the impact of intersecting unanticipated structures. Drilling plans are revised monthly to ensure that the programme is optimal, and the costs are contained. Machines are gradually reduced with increasing drilling efficiencies, while maintaining number of machines required to service ORD ends going at any given time. The impact of this drilling is reflected in the structural changes.

#### 4.4.4 Sampling Method, Collection, Capture and Storage

[SR3.3]

##### Drillhole Sampling Procedures

All strategic surface drillholes to be sampled, as well as underground exploration drillholes (LIB, LVB, etc.) and in any other underground holes that are considered strategic, in terms of their potential impact on Resource and Reserve estimations are brought to the GTO for sampling so that uniformity in the sampling process is maintained. The drillhole reef intersections are cut with a diamond saw along the low-point of the apparent bedding dip, as determined on the reef/footwall contacts or on internal bedding planes. The diamond saw facilities at the Regional Exploration Office are used to eliminate possible external contamination from sources such as mine dumps or other contaminated rock dust. Additional lengths of hangingwall and footwall core are also sampled. All other identifiable conglomerate bands are routinely sampled if intersected.

The remaining half of each core sample is marked with its unique sample number in indelible ink, and stored in boxes for future reference, or for sample re-submission if necessary.

The same Project / Mine Geologist supervises the drillhole from layout, drilling supervision, core logging, core sampling, Excel data entry and value calculations to ensure data integrity.

The minimum core sample size taken is 20 cm small samples being adequate to provide material for multiple fire assays. Samples are crushed and pulverised using dedicated ring mill, located in a separate room in the laboratory.

##### Underground Chip Sampling Procedures

The area to be sampled is cleared of all loose pieces of rock and then thoroughly washed down with clean water so as to remove completely, any fines or sludge.

The reef is then closely examined and segregated according to its apparent quality as well observed geological differences, maximum and minimum sample widths should not be less than 5 cm (including HW/FW conditions) and no greater than 20 cm.

The width of a reef is the shortest distance between the waste rocks on each side and is determined by measuring at right angles to the plane of the reef.

The sample is chipped (using a sharp chisel) to a uniform depth 2 cm throughout the rectangle contained by its perimeter so that the cutting edge of the moil is sharp, and the sample dish is held immediately below the sample being chipped, to avoid any sample losses.

Where more than one sample is marked off at a sampling section, the order in which the samples are chipped is from bottom upward in order to avoid contamination.

Once chipping of the sample is completed, great care must be taken to ensure that no contamination or sample loss occurs during the transfer of the sample to the sample bag. The sample bags must be securely packed for transport from the workplace and care must also be taken in bringing the samples to the surface.

During emptying of bags at the crusher house the whole sample must be transferred to the sample pan.

The sampling protocol for development is the same as for stope sampling.

#### **Procedure for the sampling of the ore zone and placing of blanks & standards when sampling reef intersections**

The general rules for sampling reef intersections are:

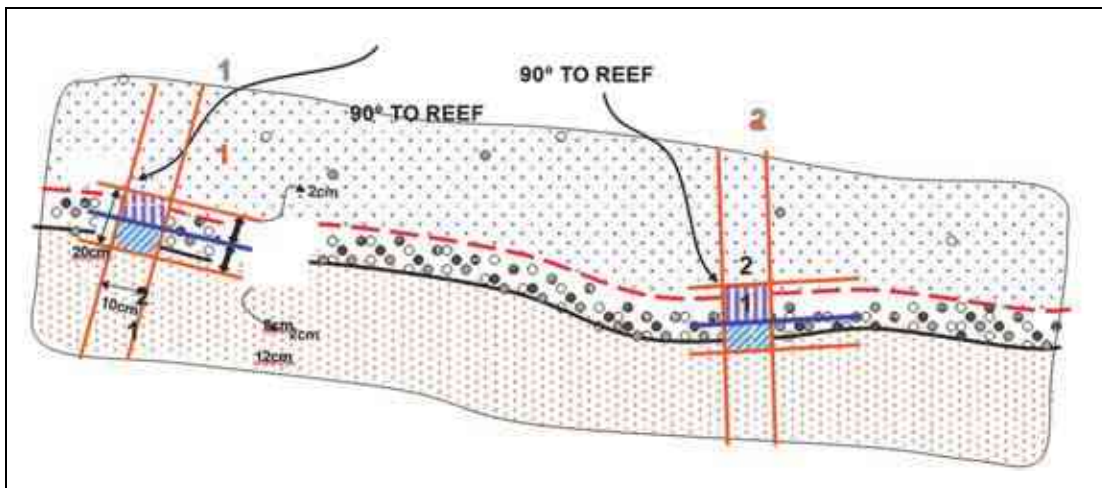
- One Standard per reef intersection irrespective of how many reef samples are taken;
- One Standard per 20 samples that make up an individual reef intersection (laboratory batch);
- Standard grade must be appropriate to the estimate grade of the reef sample;
- A blank must be placed after the standard to ensure that if there is any contamination from the standard, it does not influence the next reef sample in any way;
- If more than one standard is to be placed, a mixture of high and low-grade standards must also be used;
- A blank must be placed between the last (bottom contact) reef sample and the first of the two footwall samples. In this way if gold in any concentration is reported in the first footwall sample, the possibility of contamination from the bottom contact reef sample can be ruled out; and
- If the hole is drilled in such a way that it passes from the footwall sequence, through reef into the hangingwall, the sampling procedure is merely reversed e.g. FW, FW, standard, blank, reef, blank, reef, blank, HW, HW.


Diagram indicating the underground sampling method is shown in Figure 4.7.

The sample lengths are determined by the rock type (density), core diameter, whether the core is sampled whole, halved or quartered, so as to ensure that after milling, sufficient material (200 g) exists to conduct at least two gold fire assays and one uranium XRF analysis per sample. Table 4.5 shows the guidelines for sample lengths versus the size of the core based on split core sampling. Values can be halved for whole-core sampling.

**Table 4.5: Guidelines for sample lengths versus the core size based on split core sampling**

Core Size	Core Diameter (mm)	Recommended Sample Length (cm)
AXT	32.51	30-40
BQ	36.4	25-40
BX	42.04	25-40
TBW	45.19	20-40
NQ	47.63	20-40
NX	54.74	20-40
HQ	63.5	15-30



	<b>HSG</b> Diagram indicating the underground sampling method	Project No. 527067
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**Figure 4.7: Diagram indicating the underground sampling method**

The representativeness of samples within a reef intersection is defined by the completeness of the expected lithology within the samples. This is determined by the amount of core loss due to grinding, and/or any cross-cutting geological structure (veining, intrusive or faulting) that may have resulted in a loss of any of parts of the expected lithology within a particular sample. The facies, or sedimentary characteristics of the samples should not be used to determine their representativeness, as these may change regularly over a small scale. Furthermore, a full reef intersection need only be classified as Non-Representative where non-representative samples form part of the reef intersection calculation, i.e. where footwall samples are classified as non-representative, but do not fall within the mineralised zone (or calculated intersection), the reef intersection as a whole may be classified as representative.

**Digital photography**

Digital photography is used on a site specific basis. The requirements of all quality sample are ensured using digital photography underground. A before photograph and an after photograph is taken for every section that is sampled. Multiple photographs are required for larger channel widths.

**4.4.5 Sampling Preparation and Analysis**

[SR3.4]

**Sample Laboratories**

[SR3.4(i)]

An AGA Corporate decision was made during 2005 to use SGS Johannesburg, to conduct fire assay on all the underground samples of the AGA SA Underground Region. SGS Johannesburg is an independent accredited laboratory according to International Standard ISO/IEC 17025:2005. This laboratory is accredited by the South African National Accreditation System (**SANAS**), with a facility accreditation number of 'T0169'. Kopanang sent the first samples to SGS Johannesburg in 2005. Since 2014 the samples have been sent to SGS Randfontein laboratories until the cut-off date for data used in the Mineral Resource estimate (**MRE**). Following the transfer of ownership of Kopanang, the assays are now submitted to the Tau Lekoa Assay Laboratory (**TLAL**) for analysis.

Assay results are emailed and hard-copied to the Geoscience Manager who then adds the sampling information to the drill hole database.

**Sample Preparation**

[SR3.4(iii)]

The samples are received from the mines in locked containers with seals. The sample labels are scanned, and the batches compared to the submitted sample sheets. The scanned bar codes are transferred to C-class and work sheets are automatically created. Each sample is transferred from the plastic sample bag into a stainless steel dish and dried in a walk-in oven. The samples are then crushed to a particle size of not less than 80% passing 2 mm. Samples are then subjected to further reduction by milling to a size where a target of 95% of the sample is finer than 75 µm. Crushers and mills are cleaned between samples with compressed air and silica waste rock material (blank).

Routine screen tests on pulps by the assay laboratory are used to check comminution of samples to contract specification. The contract specification is that the comminution should be 90% to 95% passing 75 µm. The grind should not be less than 90% passing 75 µm nor should it be more than 95% passing 75 µm. If the grind is less than 90% passing 75 µm (under milled), not all the gold will be liberated. If more than 95% passing 75 µm (over milled), the risk is run of smearing and rolling the gold particles (adversely affecting the Au assay/value obtained).

Sample preparation includes the delivery of the TSF samples, manually capturing each sample number into the Laboratory Information Management System (**LIMS**), mass measuring (wet) each sample, transferring the samples to the drying dishes and oven, mass measuring the dried material and de-agglomerating and splitting the dry material into sub-samples. Steps are followed methodically to prevent sample swaps, losses and contamination.

The laboratory uses rectangular pans for drying. This increases the exposed surface area of each sample, ultimately decreasing the drying time. The drying oven can accommodate one trolley with 70 drying pans.



All the sample dishes are washed before use and the spatula that is used to spread the samples in the drying pans are rinsed in water between samples. The oven temperature is set at 105°C and maintained at this setting so that the composition of the ore is not altered.

Each sample is mass measured after drying and the weights are recorded and reported.

- The samples are de-agglomerated on a 1 000 µm sieve;
- Sub-sampling is conducted by means of a 10-way cascade rotary splitter to reduce sample size;
- The cup divider runs at an angular speed of less than 0.6 m/s. The vibration of the feeder is moderate, ensuring an even flow of material with a bed thickness of ±5 mm;
- Each paper bag is torn (post sample transfer) by the operator, ensuring that all the material is transferred into the feed hopper of the rotary splitter;
- Barcoded tickets are placed on the sample bag and kept by the laboratory for analysis; and
- Samples are then fluxed for Fire Assay.

### Assay Techniques

[SR3.4(ii)]

All underground chip samples are analysed using the Fire Assay method with a Gravimetric finish.

After the preparation stage the samples are packed into trays and transported to the fluxing-room. A catch weight aliquot of ±30 g and a flux aliquot of ±100 g is placed into a fire assay crucible and thoroughly mixed. The purpose of the flux is to separate the precious metals from the gangue. A scoop of Copper Sulphate is placed into the appropriate crucibles to mark them as per the sample-tracking layout for that tray. Samples that are known to be of low gold grade also get a small amount of Silver Nitrate added, in order to produce a larger prill after cupellation. The samples are then transferred to the ovens for the fusion process. The cupellation process is where the precious metals are collected in a lead button and then separated from the lead by means of oxidation fusion. The gold prill is then added to a nitric acid solution to dissolve the silver and thereafter the remaining gold prill is weighed to determine its mass relative to the original sample mass. Extremely low-grade samples are dissolved in an Aqua Regia solution (1:3 Nitric to Hydrochloric Acid) where Atomic Absorption Spectrometry is used to determine the grade of the sample.

### Digestion of Prills and Evaluation

During the digestion of prills process the gold prill is digested by a nitric acid (HNO<sub>3</sub> 70% m/m) and hydrochloric acid (HCL 33% m/m) solution (ratio of 1:3). Aqua Regia dissolves the gold, though neither constituent acid will do so alone, as each acid in combination performs a different task. Nitric acid is a powerful oxidizer, which will actually dissolve the gold, forming gold ions (Au<sup>3+</sup>). The hydrochloric acid provides a ready supply of chloride ions (Cl<sup>-</sup>), which react with the gold ions to produce tetrachloraurate (III) anions (in solution). The reaction with hydrochloric acid is an equilibrium reaction which favours formation of chloroaurate anions (AuCl<sub>4</sub><sup>-</sup>). This results in a removal of gold ions from solution and allows further oxidation of gold to take place. The gold dissolves to become chloroauric acid. Steps are followed meticulously to prevent sample swops, losses and contamination.

## 4.4.6 Sampling Governance

[SR3.5(i) (ii) (iii) (iv)]

Samples are kept in secured storage facilities and are transported by a permit holder for transporting gold-bearing material. Weighbills and registers are checked and signed-off by security. The samples are received from at the laboratory in locked containers with seals. The sample labels are scanned, and the batches compared to the submitted sample sheets. The scanned bar codes are transferred to the LIMS and work sheets are automatically created.

Diamond drilled core is recovered for sampling, the samples are re- logged, checked and then split for assay. Acceptability of the samples is discussed and categorised according to set criteria. A drillhole sampling procedure is in place. Underground chip sampling also goes through a number of quality checks including planned compliance observation reporting, mass measurements vs theoretical mass and photographic process checks. Achieving a well-balanced sample entails chipping the entire marked off area, including the 2 cm hangingwall and footwall widths, as well as chipping at a consistent depth throughout the entire sample.

Once assay results are returned, the Senior Geologist supervises the data input and calculations. A peer review, including senior supervisory staff, is done on the inputs and calculations and then signed-off. Through a process known as acceptorization it is determined if a cluster of mother hole and deflections should be used for estimation purposes. The accuracy of underground chip samples coordinates is controlled by a graphic interface within the GMSI samples software and eliminates the erroneous co-ordination of sampling positions. They are, however, still checked visually as part of the validation process. Biannual local audits are conducted by the Technical Specialist evaluation.

Laboratory audits are carried out on at least a monthly basis by the Kopanang staff, and by independent consultants annually.

This standard is applicable to all gold assay methods. The total percentage mass loss on each sample should not exceed 2%.

#### 4.4.7 Quality Control/Quality Assurance

[SR3.5(i) (iii), SR3.6(i)]

Kopanang submits independent Quality Assurance and Quality Control (QA/QC) samples to SGS as part of the normal sample stream. These include blank samples, standard reference materials, and pulp duplicate samples. Kopanang monitor the QA/QC sample results on a batch by batch basis, using the Maxwell Geoservices software, a commercial software suite designed for this purpose. Kopanang were unable to provide a full set of QA/QC data to SRK, however a database of QA/QC results from January 2017 till February 2018 (the data cut-off) including:

- Assay results for coarse blanks;
- Assay results for crushed blanks;
- Assay results for milled blanks;
- Assay results for three standard reference materials;
- Chart of mass loss and sieve analyses results (note not the actual results); and
- Half Absolute Relative Different (HARD) Chart for pulp duplicate analyses (note not the assay results).

SRK was not provided with the details of the regularity of submission of QA/QC samples in the sample stream, nor the details of how the samples are submitted. The details of the certification of the standard reference materials was also not supplied to SRK.

For the blank sample results, a total of 372 results were provided, with over 100 results for each type of blank. Of this dataset, two results did not return the detection limit value. These two samples have values of 13.59 g/t and 0.33 g/t. It is most likely that these results represent swapped samples rather than between sample contamination. Less than 1% of the samples fail the acceptance criteria, which SRK considers acceptable.

The standard reference materials results are summarised in Table 4.6. With just a single sample failing the acceptance criteria of falling within two Standard Deviations (2SD) of the certified value the precision of the assay results is shown to be acceptable for a properly homogenised sample. For a laboratory to have results within the expected precision, 95% of the results should be between the 2SD upper and lower limits. Bias is a measure of accuracy and is assessed here as the difference in value between the certified and assay mean values and expressed as a percentage of the assay mean value. SRK considers any results with a bias greater than or equal to 5% to be material enough to impact on the accuracy of the assay dataset. SRK notes however that the 2SD values are between 6 and 9% of the certified values, which is a wide variance. Inspection of the control plots however shows that the range of values is typically significantly lower than the 2SD limits. In each standard, there is a slight bias with the assays results returning values with average between 1.6 and 2.3% higher than the certified value. Since the samples are no longer being analysed by SGS, following the Kopanang acquisition, SRK recommends that Kopanang monitor the results from the new analytical laboratory to ensure that the results are not biased. As SRK is not aware of the certification details of the standards, it is also possible that the certified value is low. The degree of possible bias is not material.

**Table 4.6: Summary of Kopanang standard reference material results**

Standard	No. Results	Average Result	Certified Value	% Difference	2SD	% within 2SD
CRMOE003	68	26.78	26.36	1.6%	2.4	100%
CRMOI002	76	90.40	88.4	2.3%	5	100%



CRMOJ002	85	328.77	322	2.1%	29	99%
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The HARD plot supplied (see Figure 4.8) shows that the repeatability of the pulp duplicate analyses is lower than expected. For pulp duplicates, SRK expect 90% of the pairs to have a HARD value of less than 10%, and for this dataset, the 90<sup>th</sup> percentile of pairs has a HARD value of 30%. Only 74% of the pairs have a HARD value of less than 10%. SRK has no data to be able to assess if the higher errors are associated with very low gold grades, where the error is known to increase close to the detection limit.

SRK can only conclude that the sample preparation and analyses has a precision that is lower than expected. The effect of this is error on the individual analytical results. SRK recommends that Kopanang engages with the new laboratory to ensure improved precision in the sample preparation and analysis.

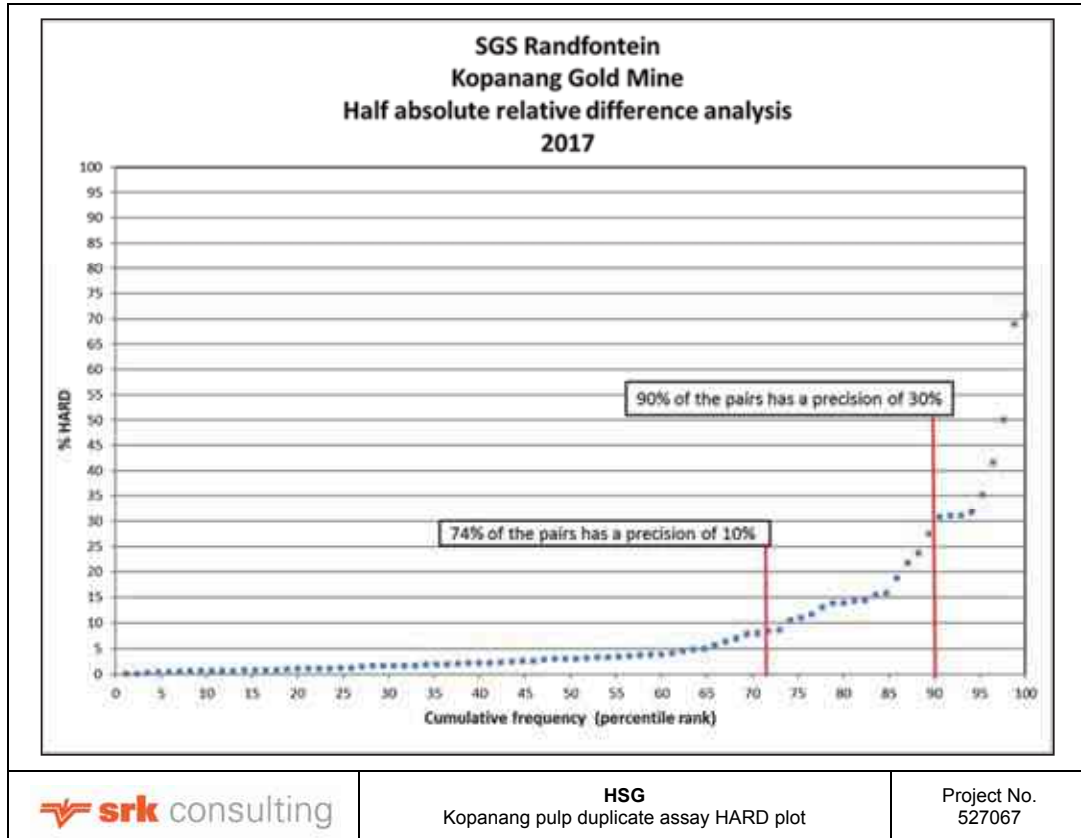


Figure 4.8: HARD plot of Kopanang pulp duplicate assays

#### 4.4.8 Relative Density

[SR3.1(i), SR3.3(iii), SR3.5(iii), SR3.7]

It is common practice within the Witwatersrand deep level gold mines to report the Mineral Resources using a constant Relative Density (RD). Historical practices on the Witwatersrand mines did not include routine RD measurements. Kopanang has used a RD of 2.78 t/m<sup>3</sup> in the conversion of volumes to tonnes. Kopanang reports that validations of this value have been undertaken in periodically (2003, 2010, and 2014). Measurements are done using the Archimedes bath water displacement method. Between 500 and 700 sections across the mined units (hangingwall, reef and footwall) were sampled in each of the three verification exercises, and the density measured for each unit. These were then assessed according to the relative mix of the material typically mined at Kopanang. The conclusion from all three studies is essentially similar, i.e. that the density of the VR is approximately 2.78 g/m<sup>3</sup>. However, the hangingwall and foot wall units have a lower density (2.67 g/m<sup>3</sup> and 2.69 g/m<sup>3</sup> respectively). Therefore, while the reef density of 2.78 g/m<sup>3</sup> has been shown to be correct, the lighter waste units mean that the average value used is too high, and a value of approximately 2.71 g/m<sup>3</sup> would be more appropriate.

#### 4.4.9 Bulk-Sampling

[SR3.7(i) (ii) (iii) (iv)]

This is a current mining operation with an existing metallurgical processing facility and therefore this section does not apply to this operation.

#### 4.5 Mineral Resource and Classification

Kopanang Mineral Resources were estimated using the methods and approach used by AGA, the previous owners. The C Reef estimate was completed in 2015, prior to the purchase of Kopanang by HSG, by a team of AGA employee's including Mr. Ignatius Bischoff and Mr. Arnold Pillay. The HSG MRE was generated in 2017 and 2018 by Mr. Arnold Pillay for HSG.

#### 4.5.1 Geological Modelling and Geozones Interpretation

[SR4.1(i) (ii) (iii)]

##### Database and Data Validation

[SR4.1]

The database of exploration information is a combination of data collected over the life of the operations, and during the original exploration phases. As underground development and mining progresses, the original exploration data becomes increasingly less important as it is superseded by high density mapping and sampling information. In the case of the VR at Kopanang, the original exploration information has no impact on the MRE aside from the domains on the far western boundary of the mine, as the dense underground chip sampling dominates the estimation process. For the C Reef, the surface drill holes still play a role in the estimates, given the relatively limited mining of the reef. However, the chip samples form the bulk of the estimation database, and have a significant impact on the process.

The chip sampling is captured and managed in a commercial software suite designed for Witwatersrand gold mines. The data is exported from the software database into text files, which are imported into the estimation software (**Geoserv**). The sample section co-ordinates and values are checked through a set of validation routines, which include detection of duplicate values, removal of zero values, incomplete sample sections (these are not exported from the database), outside of acceptable thresholds (i.e. channel widths smaller than the sampling standard minimum width and plotting inside fault loss structures. SRK's validations of the estimation dataset indicate finding no duplicates, but a single zero channel width data value on the VR, and no duplicates or zero values for the C Reef dataset. This indicates that the validation routines are mostly effective, and the single anomalous channel value will be no impact on the estimation results. The surface and long inclined drillholes (**LIB holes**) which are drilled and sampled (note that the underground drill holes are not routinely sampled due to the risk of loss of carbon during drilling, which is expected to bias the grades) are captured and stored, in a drill hole database.

Each intersection is logged as representative in the database during the geological logging, sampling and capture procedure. Each intersection is classified as representative if the top and bottom contact are intact and sampled, and if there is no significant fault loss in the reef, or other indication of reef or gold loss. A second flag is also recorded to indicate whether the intersection is suitable for use in the second phase of data filtering applied to the drill holes. The flag indicates whether the observed issues with the intersection (fault loss etc.) are relatively minor, and if the intersections should still be considered for statistical analysis of acceptability.

Each cluster of intersections (i.e. short and long deflections from a parent hole) is assessed using an analysis of variance (**Anova**) which is a statistical test to determine whether the individual samples theoretically belong to the same population. This result is used to test if the clusters of deflections should be treated as individual samples, or if they can be combined into an average for the cluster. Following this, the data are assessed through a process that is based on the acceptability or not of the reef intersections (determined in the logging phase) and the relationship to the 95% confidence limits of the ratios of non-acceptable and acceptable pairs within clusters.

Evaluation of the C Reef in undeveloped areas is hindered by poor or unacceptable reef cuts from exploration drillholes, where the carbon seam is frequently washed out. Consequently, drillhole sampling is not utilised to estimate the reef grades or accumulations but only to delineate areas of reef preservation. SRK considers this to be an appropriate and acceptable approach to dealing with the drill hole information. However, it does limit the confidence in the C Reef estimates which are distant from the areas with underground exposure that can be properly sampled.

As noted above the surface and LIB holes have a very limited or no impact on most facies of the VR estimates aside from the low-grade 520 Facies.

### Geology Modelling and Domain Interpretation

[SR3.1(vii), SR4.1(i) (ii) (iii)]

Two reef horizons have been exploited on Kopanang, which are termed VR and the C. Each reef has different criteria for selection and definition of estimation domains, and these are discussed briefly below.

#### Vaal Reef

The VR is composed of three stratigraphic layers (see Section 4.3.1) with identifiable sedimentological and mineralogical characteristics. The three layers from two overlying unconformity surfaces on which mineralized conglomerates are developed. The Mineralised sequence is divided into three units termed (from top to bottom) the A Facies, B Facies and C Facies. The A Facies is broken down into a further three distinct layers (Top A, Middle A, and Bottom A).

The Bottom A sub-facies consists of argillaceous quartzites, pebbly quartzites and conglomerates, with carbon seams present and associated with elevated gold mineralisation. The Middle A sub-facies is usually a cross-bedded orthoquartzite. The quartzite contains phytate in places, as well as matrix supported conglomerates in places. The Top A sub-facies is the most widely present of the three A Facies, and is usually a well-developed, moderately to well packed, and often well pyritised conglomerate.

The base of the A Facies has a well-developed unconformity in the east, but appears to become more conformable to the west, where it may be very difficult to identify the base of the A Facies from the top of the B Facies. The bottom A is typically the best mineralized unit in the VR.

The B Facies thins from west to east, and is well developed over parts of Kopanang, but mostly absent at the adjacent Great Noligwa Mine. The B Facies is a clean, pale grey, trough cross-bedded orthoquartzite, with a poorly developed grit band at the base on the western side of Kopanang. The B Facies thins from west to east, and where it is thickest in the west, it may contain more grits and pyrite stringers.

The C Facies is usually characterised by a thin basal pebble layer with an overlying argillaceous quartzite. A carbon seam is commonly present varying in thickness from a millimetre up to 5 centimetres. Where the C Facies is thicker in the western portion of Kopanang, it is sub-divided into three sub-units: Grootdraai, Stilfontein, and C Quartzite.

The Grootdraai sub-unit is a highly variable unit ranging from an argillaceous protoquartzite with scattered pebbles to a poorly sorted small pebble conglomerate. Clast content is similar to the Stilfontein Facies, although larger clasts are more numerous, especially on the base of the channel. Some small angular grey to bluish lava porphyry clasts are present within the Grootdraai. The Grootdraai, unlike the Stilfontein Facies shows shallow channelization, up to 45 cm deep. Carbon development is patchy and generally related to the conglomerate. Pyrite content is generally lower than in the overlying Stilfontein. The contact with the Stilfontein can be either abrupt or gradational and would indicate that the Grootdraai sediments were not lithified prior to the deposition of the Stilfontein lag.

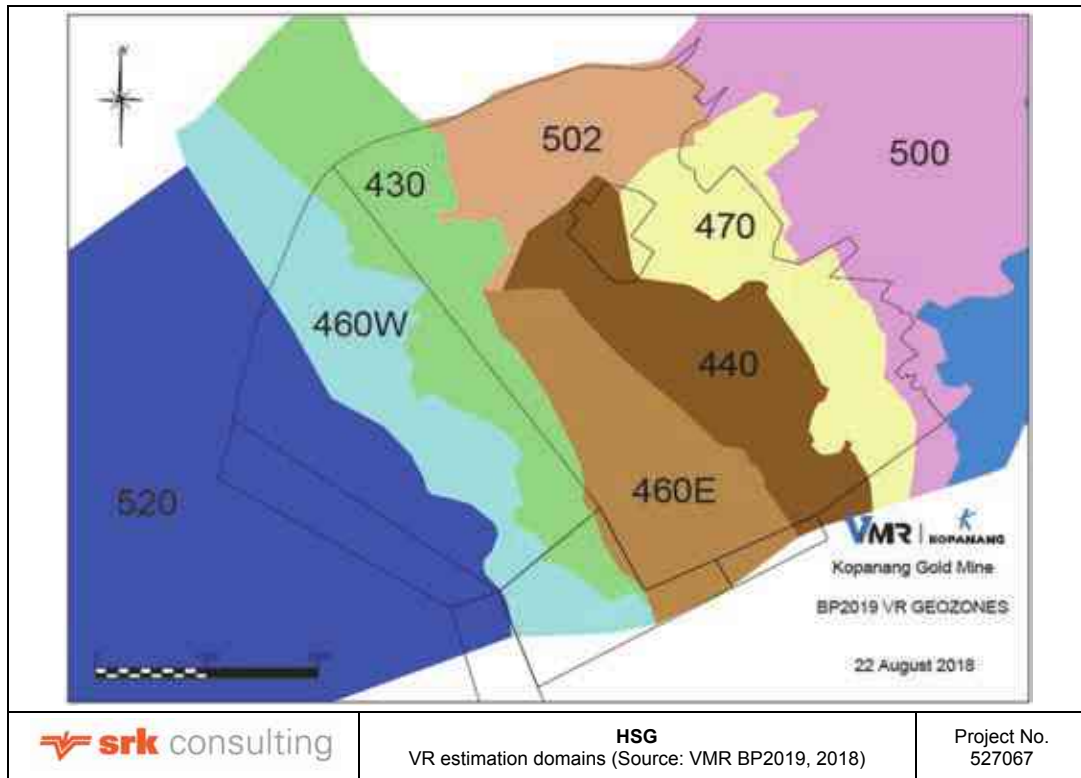
The Stilfontein sub-unit is a thin conglomerate that is extensively developed across the goldfield. Stilfontein is typically thin, and in places only a carbon contact may be present. Carbon thickness can be up to 5 cm, although typically the seam is only a millimetre or two thick.

The C quartzite overlies the Stilfontein and is generally thinner than 50 cm. The quartzite may be very argillaceous and contain grits, very small quartz and porphyry clasts and fragments, and the odd pyrite stringer. Laterally, this quartzite varies very rapidly, and over a distance of only a few metres may vary from the argillaceous quartzite described above to a siliceous orthoquartzite that is very difficult to distinguish from the overlying B Facies orthoquartzites. The majority of the mining at Kopanang is from the C Facies.

The distribution of the vertical facies and the lateral domains is illustrated in Figure 4.9. Each domain has a matrix of identification characteristics, including the channel width, clast size, presence of carbon, degree of alteration footwall type, presence of characteristic units, percentage of conglomerate and gold content. Based on the criteria described above with respect to the vertical facies, and the geological characteristics, the areas with similar characteristics have been outlined and domains created. The distribution of the domains across the Vaal River area is shown in Figure 4.10. These domains are updated and refined as additional mapping and data is collected

The majority of the VR domain boundaries are hard boundaries, i.e. only data from within the domain is used to estimates blocks within the domain. A small number (mainly in Kopanang lease area) are soft boundaries.





**Figure 4.10: VR estimation domains**

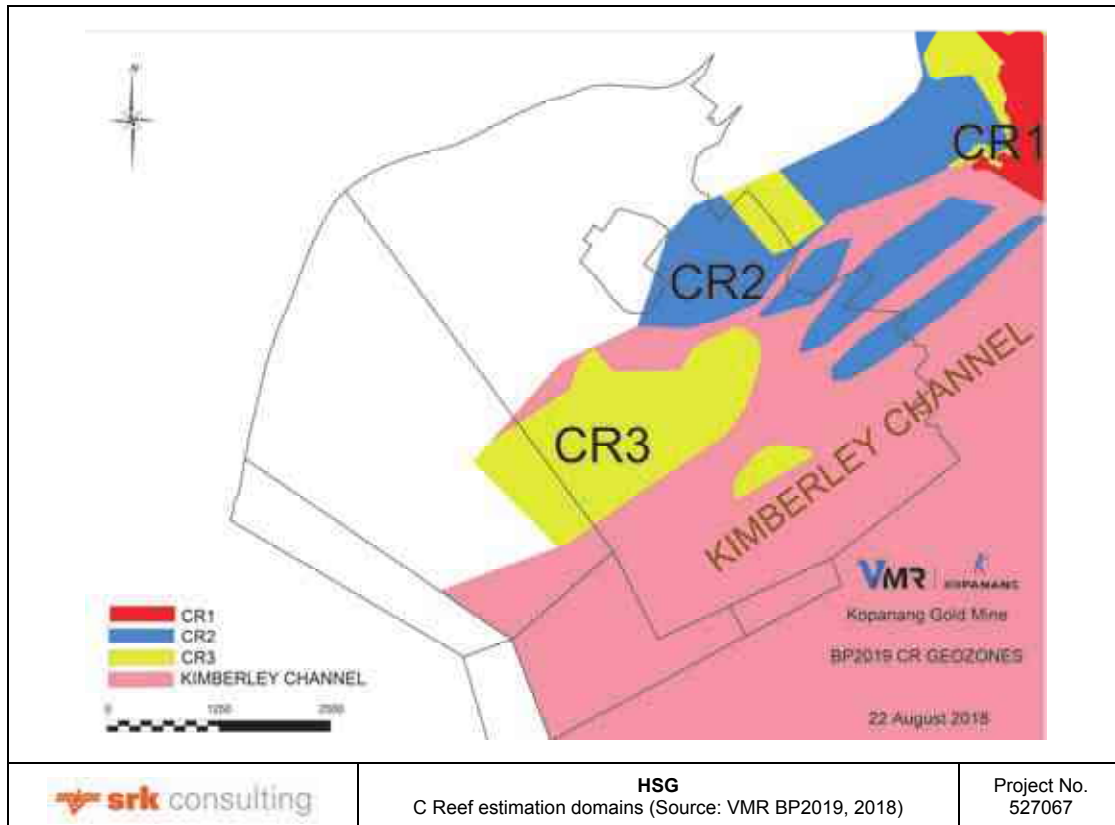
### C Reef

The C Reef estimation domains are based on the vertical facies of the reef, in a similar manner to the VR. The C Reef is divided into two facies: No. 1 Unit and No. 2 Unit, with three additional subdivisions of the overlying quartzites defined, but not relevant to the domain definition.

The No. 1 Unit is a coarse-grained argillaceous quartzite, typically less than 20 cm thick, with a carbon seam, pebble lag, or thin conglomerate at the base. The overlying No. 2 Unit is an oligomictic conglomerate, where the pebble sizes are generally small, and may grade down to grits in places. At Kopanang the maximum thickness of the No. 1 Unit is about 6 cm, and the overlying No. 2 Unit often has a well-developed carbon seam at the base, whereas the carbon seam at the base of the No. 1 Unit is less extensively developed.

The C Reef is subdivided into three lateral estimation domains based on the lateral continuity of both the No. 1 and No. 2 Units. The C Reef Domain model is defined with a CR1 (high grade, high channel width (**CW**)) with both the No. 1 and No. 2 Units well developed. CR2 Domain (lower grade, low CW) is defined where Unit No. 1 is typically not developed, and Unit No. 2 is poorly or not developed. CR3 Domain is defined by a mixture of well-developed and poorly developed No. 2 Unit, with the odd No. 1 Unit remnant, characterised by very erratic grades and channel variation.

Only the CR2 and CR3 Domains are present on Kopanang, with the CR1 Domain the most extensively mined at Great Noligwa.



**Figure 4.11: C Reef estimation domains**

#### Domain validations

AGA standard procedures, which have been used by VMR for the current estimate, recommend a robust set of tests that should be applied for assessing of the domain boundaries are appropriate or not. These include:

- Channel Width analyses – break points in scatter plots between channel width and other variables are used to pick intervals which are applied to colour code the estimation data, allowing for visual testing of presence of trends;
- Trend analysis – mean values in bands along X or Y axes are plotted to assess for systematic changes in the mean value of the variable within the domain;
- Cumulative sum – the data are categorised into ranges for a variable, and then from low to high, the cumulative difference from a reference value is calculated from each range, and graphed;
- Boundary analysis – a process that highlights if the selected domain boundary is in the correct spatial position, where there is a sharp break in the parameter value at the boundary position;
- Comparing Frequency distributions;
- Comparing point semi-variograms; and
- Scatter plots – Bivariate analysis.

Kopanang is a mature operation, with extensive history of estimation, mining and reconciliation on the VR. The domain boundaries have been modelled, tested and validated extensively using the above-mentioned tools. The report detailing the estimation contains a suite of these tests, mainly where there has been additional data added to the domains, but also contains a record, going back several years for some tests, of the results of statistical analysis of the domain variables. Aside from some minor modifications in places, there are no major changes from the domains used in the previous year's estimates.

Visual validations confirm the grade and channel width thickness that support the definition of the domains. The coefficient of variation (**CoV**) per domain (see Table 4.7) is also relatively low, typically between 1 and 1.3, aside from the 470 and CR3 Domains, which supports the definition of single populations within each domain.



**Table 4.7: VR and C Reef Gold Domain metal accumulation statistics**

Reef	Domain	Count	Minimum	Maximum	Mean	Std. Dev.	Variance	CoV
VR	430	54 607	1	47 305	1 369	1 750	3 064 209	1.28
	440	56 419	1	98 574	3 020	3 815	14 557 615	1.26
	460E	63 521	1	57 435	1 569	1 944	3 777 604	1.24
	460W	15 690	1	14 079	917	1 069	1 142 831	1.17
	470	28 566	1	51 081	995	1 491	2 223 274	1.50
	500	6 075	1	33 480	1 465	2 047	4 191 958	1.40
C Reef	CR1	13 888	1	41 033	2 002	2 495	6 224 115	1.25
	CR2	4 860	1	9 464	639	822	675 866	1.29
	CR3	8 143	1	115 908	1 349	2 396	5 740 430	1.78

SRK is satisfied that the estimation domains have been adequately defined, based not only on the metal accumulation and reef thickness characteristics, but also on the geological and sedimentological characteristics.

#### 4.5.2 Mineral Resource Estimation and Modelling Techniques

[SR4.2(i) (ii)]

The MREs for the underground assets are compiled by Mr. Arnold Pillay, who has 30 years' experience working on Witwatersrand gold mines in various capacities and has a National Higher Diploma and a Graduate Diploma in Engineering, both in Mineral Resource Management. Mr. Pillay worked under the supervision of the lead CP, Mr. Paul Andre Belbin, who is a member of SACNASP (Reg no. 116844) and member of the GSSA and Mr. Belbin certifies that he has sufficient experience in the style of mineralisation and type of deposit. SRK has reviewed the data used in the estimate, the geological modelling, domaining, geostatistical parameters and approach, and is satisfied that the approach is consistent with the guidelines of the SAMREC Code. The estimates are generated using 'Geoserv' Software, which was developed specifically for AGA, and was customised for the AGA estimation approach. HSG has acquired a license for the software to allow its continued use following the acquisition of Kopanang from AGA. SRK has not re-estimated the Mineral Resources but has conducted sufficient checks to be satisfied that the estimates are a reasonable reflection of the deposit and the data informing the estimate. Mr. Mark Wanless of SRK who is a member of SACNASP (Reg no. 400178/05) has been responsible for reviewing the underground operations.

Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resource will be converted into Mineral Reserve. This section describes the resource estimation methodology and summarizes the key assumptions considered. A single final model, which included the adjacent Great Noligwa and Moab Khotsong Mines, was generated for the C Reef in 2015, and for the VR as part of the transition from AGA to the new owners of the mines in 2018. The discussion following therefore covers the estimates over Kopanang, Great Noligwa and Moab Khotsong, unless specified otherwise. Note that the estimates in Domain 502 are unchanged since 2011. Therefore, while the approach to estimation described herein is valid for this domain, no statistics or validations are presented.

#### Compositing and Capping of Extreme Values

[SR4.2(i) (iii)]

It is common practice in the Witwatersrand Basin tabular orebodies to simplify the estimation process into a two dimensional (2D) process. This is possible because of the inability in most instances to mine selectively in the vertical dimension, due to the channel widths typically being close to or lower than the minimum practical mining width.

Because of this, it is required to composite the samples across the full channel width into a single composite value. The CW is generally defined based on the lithological and stratigraphic definitions of the reef. In the case of the C Reef, the base is generally defined as the top of the MBA quartzite, identified by the unconformity surface. The top contact is the interface between either the top of the MBA (if the No. 1 and 2 Units are not developed) or the No. 2 Unit and the No. 3 Unit quartzite.

For the VR, the top contact is the upper contact of the A Facies with the overlying Streakies or the Zandpan quartzite. The base is the contact between the VR C Facies and the Mispah member.

The samples are then length-weighted and averaged across the full reef width. Where the top contact or bottom contact is not sampled, either through faulting or lack of exposure underground, for example, the composite is discarded as unrepresentative.

Although it would be best practice to use a length and density weighting in the compositing process, it has never been standard practice to measure the density of each chip sample, therefore making it impossible to achieve this.

The result of the full CW compositing is a dataset with mixed support, which is not ideal for geostatistical assessment. Therefore, the standard practice is to calculate the metal accumulation, by weighting the grade by the CW. This achieves a consistent support, as the accumulation, generally referred to as gold accumulation (**cm.g/t**) can be simplified into grams per square metre multiplied by density which, as indicated, is assumed to be a constant.

Capping of extreme values is done on a per domain basis. The capping value is selected on a percentile basis, from assessment of the domain grade population distribution. Capping values for the VR are shown in Table 4.8.

**Table 4.8: VR domain capping values**

Domain	430	440	460E	460W	470	500	502
Capping value	9 851	22 472	12 981	8 241	6 322	7 482	14 216
Percentile of population	99.5%	99.5%	99.7%	99.8%	98.8%	98%	99.5%

The choice of capping value is subjective, but SRK considers the selected values to be reasonable, and these are not expected to have a material impact on the estimate, given the small proportion of the data affected.

### Variograms

[SR4.2(ii)]

The Kapanang estimation process includes kriging on point and block support, and therefore semi-variograms are modelled on both data supports. The point support semi-variogram are generated for the metal accumulation using the chip sample database. Channel width semi-variograms are not calculated, as the block estimates are reported over a mining width which is greater than the channel width, making the channel width estimation redundant. All semi-variogram are omnidirectional (recall that the estimates are 2D, so therefore only calculated in the horizontal plane on full width composites) the nugget effect is derived from experimental semi-variogram which are aligned to the raise line directions, where the densest samples are located.

The semi-variograms presented by Kapanang generally show a reasonably robust structure, with long ranges of the order of 90 m to 100 m, nugget effect of 42% to 64% of the population variance, and two shorter range structures, which account for 80% to 95% of the total variance above the nugget, with ranges of 6 m to 10 m and 15 m to 30 m respectively, for both the VR and the C Reef. Kapanang presented the semi-variograms from previous periods, which illustrate that the semi variogram are relatively consistent from estimate to estimate. Cutting of outlier values is applied for the calculation of the experimental semi-variograms, which allows for more stable structures, and SRK considered to be appropriate.

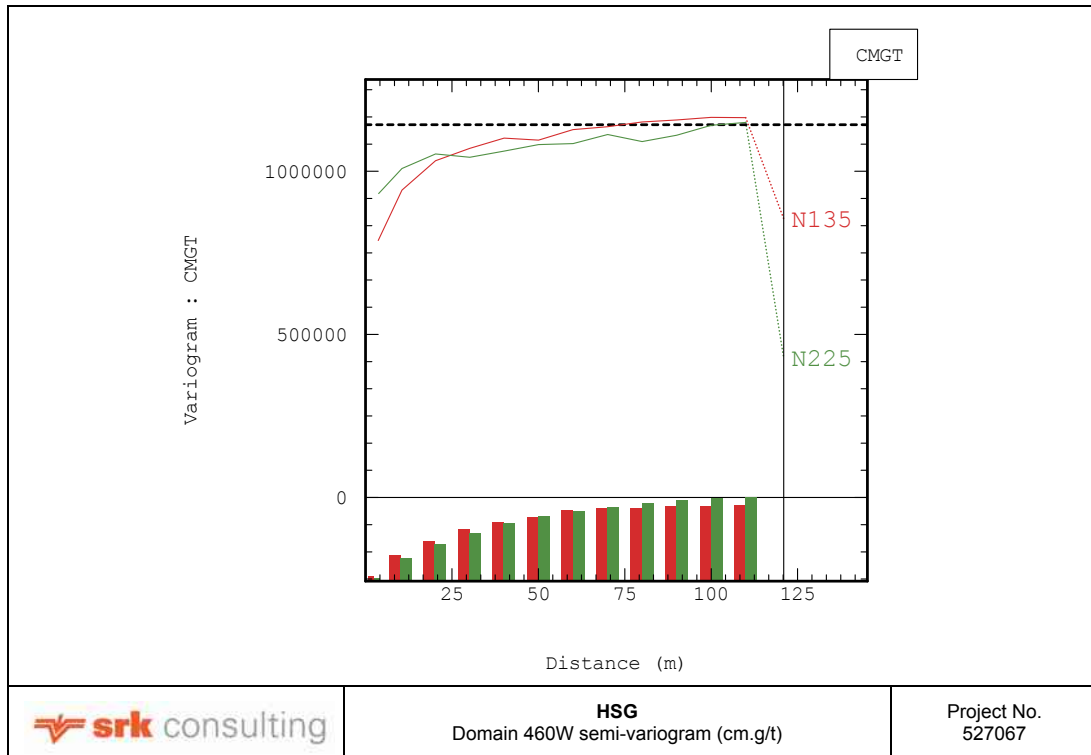
For estimation domains where the experimental semi-variogram stabilises above or below the population variance are re-scaled to the population variance. SRK considers it appropriate that the modelled semi-variogram are scaled to the population variance, to allow for the correct Kriging statistics (such as estimation variance, Slope of Regression etc.).

The block support semi-variograms are calculated and modelled using two datasets. The nugget effect *only* is calculated from a dataset of regularised chip samples. Chip samples are regularised on a 20 m grid, and the support of the regularised points is ignored. The natural logarithm of the regularised metal accumulation is taken and the experimental semi-variograms calculated and models fitted. The experimental semi-variograms show relatively robust structures. However, the ranges and sill structures are not important since only the nugget value is used from this exercise. The modelled nugget effect values are typically approximately 50% of the population variance.

SRK independently calculated experimental semi-variograms for a set of domains and found little evidence for anisotropy in the experimental results. Further, the experimental semi-variograms modelled by SRK is similar to those calculated by Kapanang, supporting the modelled structures and ranges. An example of the experimental semi-variogram calculated by SRK for the 460W domain is shown in Figure 4.12, and confirms the isotropic



nature, and the Kopanang modelled range for this domain of 90 m. The red and green colours correspond to semi-variogram along perpendicular axes (azimuth 135 and 225 respectively).



**Figure 4.12: Domain 460W point support experimental semi-variogram for metal accumulation**

Block support semi-variogram are then calculated on a second dataset of regularised data, with a larger support size, consistent with the block size to be used in the mixed support kriged estimates. For this regularised dataset the regularised point support is considered, both in terms of the number of samples in the block (taken as a minimum of half the block size in this instance (210 points based on the 420 by 420 m block size)) and the distribution of points within a block. Each block is visually validated to ensure that there are sufficient samples covering the entire block for it to be accepted for use.

The natural logarithm of each regulated point is calculated for the metal accumulation, as well as the log variance (which is used in the back transformation later). The omnidirectional semi-variogram calculated for each domain is based on the regularised data log values. The experimental semi-variograms are generally relatively poorly structured, due in part to the limited number of points available in each domain. However, they still display an interpretable structure, with a typical long range of the order of 1 100 m to 2 000 m. The Kopanang experimental and modelled semi-variogram for the 460W domain illustrated above is shown in Figure 4.13, including the previous year's data for comparison.

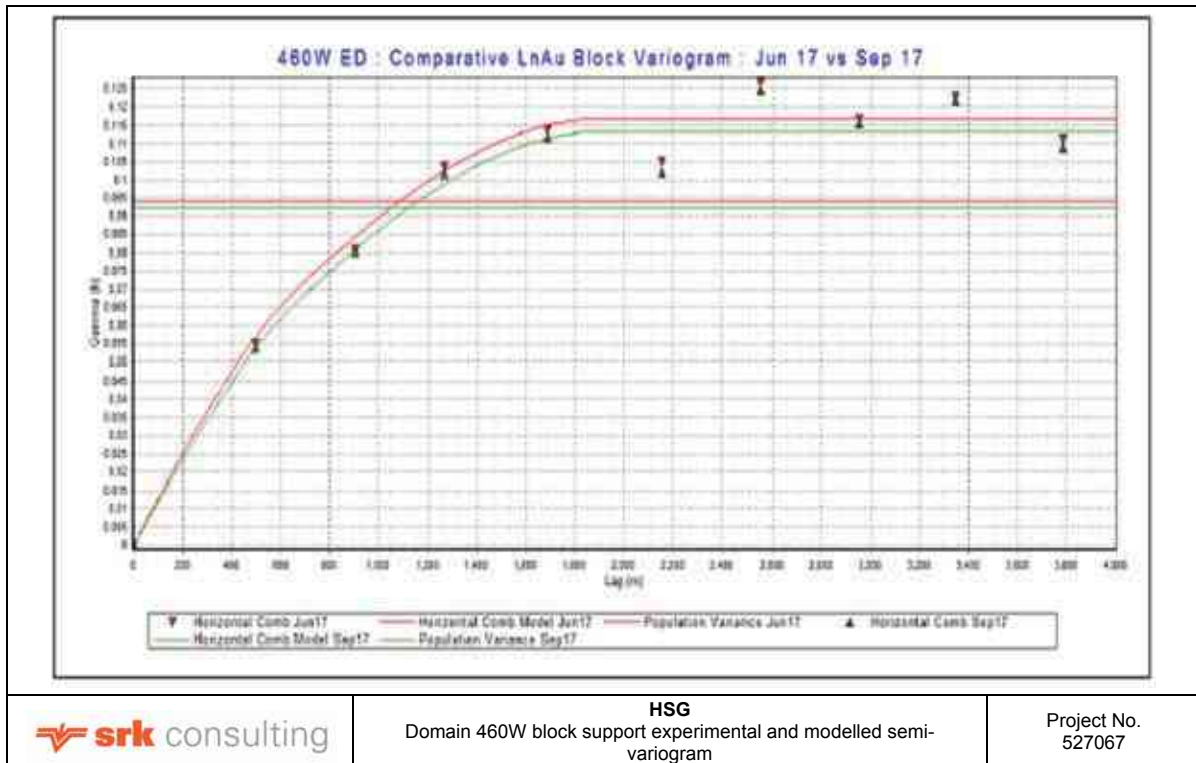


Figure 4.13: Domain 460W block support experimental and modelled semi-variogram for metal

### Estimation Methodology

[SR4.2(i) (ii) (iii) (iv) (v)]

### Underground Resources

Kopanang estimates the metal accumulation with two approaches, one for short scale 'local' estimates, and a second for larger scale 'macro' estimates. Only the metal accumulation is estimated, as the channel widths are generally significantly lower than the mining widths, and the mining widths are used to report the Mineral Resources on a diluted basis.

#### Local estimation

The local estimates are generated in two passes, the first into a 10 m by 10 m grid using Ordinary Kriging (**OK**) and the second in to a 30 m by 30 m grid using Simple Kriging (**SK**). The search parameters are selected using a Kriging Optimisation, whereby the effect on a set of OK statistics is measured with different neighbourhood parameters, and the optimal neighbourhood is recursively optimised.

The objective is to maximise the kriging variance and regression slope and minimise the LaGrange multiplier and count percentage negative weights. The number of discretisation points, search range and minimum and maximum number of composites are selected using this approach. The search is rectangular and is defined as the number of block model cells (10 m x 10 m or 30 m x 30 m grid) around the target block.

The VR cm.g/t estimation parameters are summarised in Table 4.9 and Table 4.10, and the equivalent information for the C Reef in Table 4.11 and Table 4.12.

**Table 4.9: Local estimation search parameters the VR for Ordinary Kriging of cm.g/t**

Domain	Neighbourhood	Discretisation	Min Comps	Max Comps	% Negative weights
430	9 x 9	10 x 10	3	100	0%
440	9 x 9	10 x 10	3	100	0%
460E	9 x 9	10 x 10	3	100	0%
460W	9 x 9	10 x 10	3	100	0%
470	9 x 9	10 x 10	3	100	0%
500	9 x 9	10 x 10	3	100	0%

SRK considers the parameters to be generally appropriate. The large maximum number of samples will result in some smoothing of the estimates; however, none of the domains have negative weights for the selected search strategy.

**Table 4.10: Local estimation search parameters the VR for Simple Kriging of cm.g/t**

Domain	Neighbourhood	Discretisation	Min Comps	Max Comps	% Negative weights
430	9 x 9	10 x 10	3	80	0%
440	9 x 9	10 x 10	3	100	0%
460E	9 x 9	10 x 10	3	100	0%
460W	9 x 9	10 x 10	3	60	4%
470	9 x 9	10 x 10	3	80	2.50%
500	9 x 9	10 x 10	3	100	5%

SRK considers the parameters to be generally appropriate. The large maximum number of samples will result in some smoothing of the estimates; however, the negative weights are not excessive.

**Table 4.11: Local estimation search parameters the C Reef for Ordinary Kriging of cm.g/t**

Domain	Neighbourhood	Discretisation	Min Comps	Max Comps	% Negative weights
CR1	9 x 9	10 x 10	3	60	0%
CR2	9 x 9	10 x 10	3	35	0%
CR3	9 x 9	10 x 10	3	100	0%

**Table 4.12: Local estimation search parameters the C Reef for Simple Kriging of cm.g/t**

Domain	Neighbourhood	Discretisation	Min Comps	Max Comps	% Negative weights
CR1	9 x 9	10 x 10	3	100	0%
CR2	9 x 9	10 x 10	3	50	0%
CR3	9 x 9	10 x 10	3	100	0%

The C Reef estimates have similarly high nugget effects, and relatively short range semi-variograms, which results in smoothed estimates, however the search parameters have been optimised to maximise the kriging statistics, without encountering negative kriging weights.

The estimates are assessed, and the slope of regression derived from an OK estimate is used to constrain the Ordinary Kriged estimates, while the weight of the mean is used to constrain the Simple Kriged estimates. The variance equivalent to a slope of regression of at least 0.6 is used as the minimum value, below which the estimates are discarded and replaced by the macro estimates. The actual variable used to constrain the Ordinary Kriged estimates is the Kriging Variance, however this is strongly correlated to the Slope of Regression. Slope of regression values of between 0.5 and 0.8 are used for the Ordinary Kriged estimates, and weight of the mean values of between 75% and 85% for the SK estimates.

The Simple Kriged estimates are validated on a monthly basis by comparing estimated blocks where additional information has been used in the estimates against the previous estimate for the same blocks.

#### Macro estimation

The macro estimation is premised on the assumption of second order stationarity within the estimation domains (the mean and variance are constant within the domain). If the domains in fact have second order stationarity, then it is possible to evaluate uninformed areas where limited information exists, based on the detailed information within the domain in other areas. The macro estimates use mixed support OK, using a combination of the block support semi-variogram derived from regularised chip sampling data (420 m grid), and the nugget effect from point support semi-variograms (in practice these are chip samples regularised on a 20 m grid).

The search neighbourhood is again optimised dependent on the block size to be estimated (420 m). The block size is selected based on a, "variance size of area analysis". The variance is related to the size of the block being estimated, the objective is to minimize the influence of the block size on the calculation of variance. This can be achieved through minimizing the between block variance which in turn is achieved by determining the minimum block size for which the log variance of the samples within the block approach the population log-variance. At this point it can be assumed the area over which it is calculated will no longer be influenced by block variance.

The estimation parameters are again derived from a kriging optimisation exercise which tests the impact varying a set of four parameters on the kriging quality statistics. The VR metal accumulation search neighbourhood parameters and block sizes are detailed in Table 4.13 and Table 4.15 for In(cm.g/t) and In(cm.g/t) variance respectively, and the equivalent parameters for the C Reef in Table 4.14 and Table 4.16 respectively.

**Table 4.13: Macro estimation search parameters on the VR for In(cm.g/t)**

Domain	Neighbourhood	Discretisation	Min points	Max points	Negative weights
430	13 x 13	13 x 13	5	40	4%
440	15 x 15	15 x 15	5	50	3%
460E	15 x 15	11 x 11	5	60	0%
460W	13 x 13	13 x 13	5	90	5%
470	11 x 11	10 x 10	5	60	1%
500	13 x 13	10 x 10	5	100	5%

**Table 4.14: Macro estimation search parameters on the C Reef for In (cm.g/t)**

Domain	Neighbourhood	Discretisation	Min points	Max points	Negative weights
CR1 & 3	17 x 17	16 x 16	5	42	9%
CR2	25 x 25	16 x 16	5	35	2.2%

The search ranges are relatively long (4 600 m to 6 300 m) relative to the semi-variogram ranges (1 600 m to 2 800 m) for the VR and (7 000 to 10 000 m) relative to the semi-variogram ranges of 1 900 m for the C Reef. For the VR, the extrapolation distance within the mine lease and in the reef blocks reported in the Mineral Resource is significantly lower than the search ranges and is consistent with the semi-variogram range.

For the C Reef, the extrapolation is significantly longer than the semi-variogram ranges, however the blocks which are reported as a Mineral Resource are limited to blocks which have exploration or development sampling within them, and these are in fact also within the semi-variogram ranges. SRK is therefore of the opinion that the degree of extrapolation is not excessive.

**Table 4.15: Macro estimation search parameters the VR for In (cm.g/t) variance**

Domain	Neighbourhood	Discretisation	Min points	Max points	Negative weights
430	15 x 15	13 x 13	3	10	5%
440	19 x 19	15 x 15	3	20	2%
460E	17 x 17	13 x 13	3	7	4%
460W	15 x 15	13 x 13	3	16	0%
470	11 x 11	10 x 10	3	4	0%
500	7 x 7	10 x 10	3	5	3%

**Table 4.16: Macro estimation search parameters the C Reef for In (cm.g/t) variance**

Domain	Neighbourhood	Discretisation	Min points	Max points	Negative weights
CR1 & 3	19 x 19	14 x 14	3	7	16.2%
CR2	19 x 19	14 x 14	3	10	7.8%

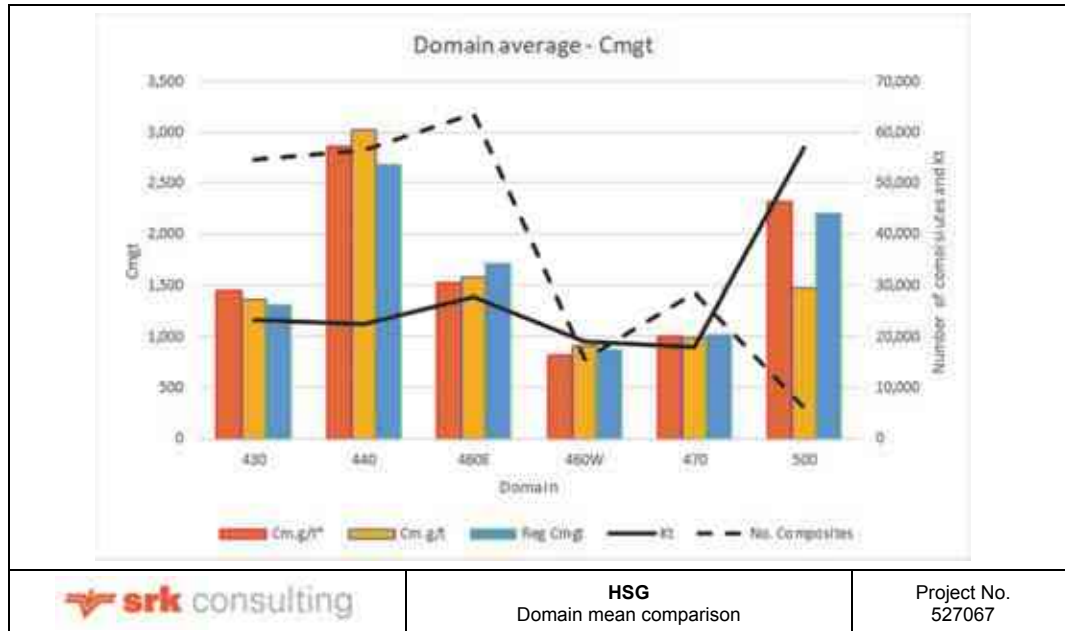
Following estimation of the log accumulation and variance, the estimates are back transformed into normal space using a four parameter log normal transformation.

**Validation of Estimates**

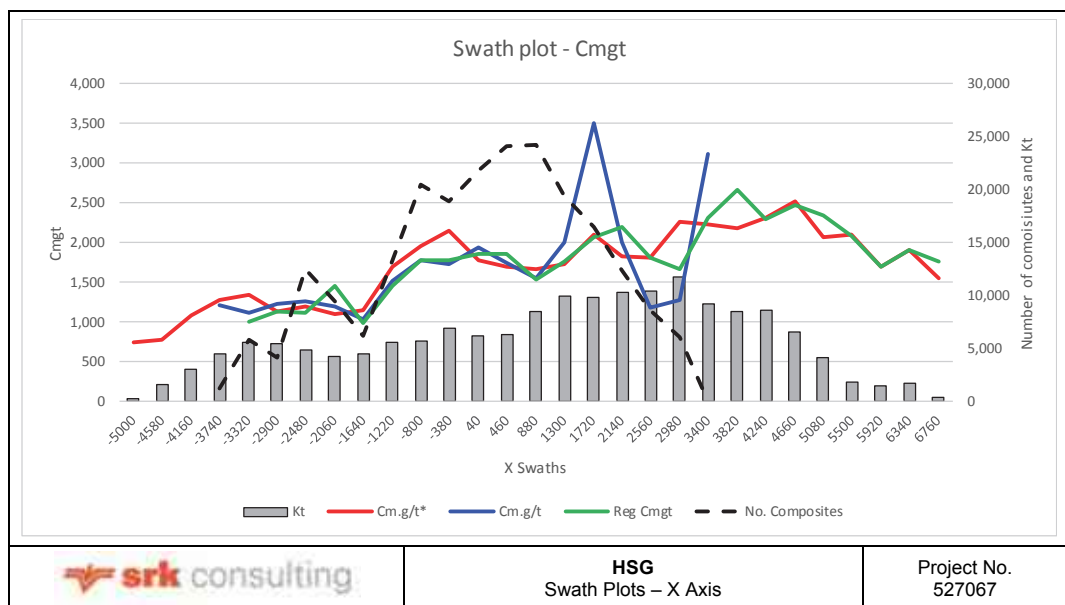
[SR4.2(v) (vi)]

**Underground Resources**

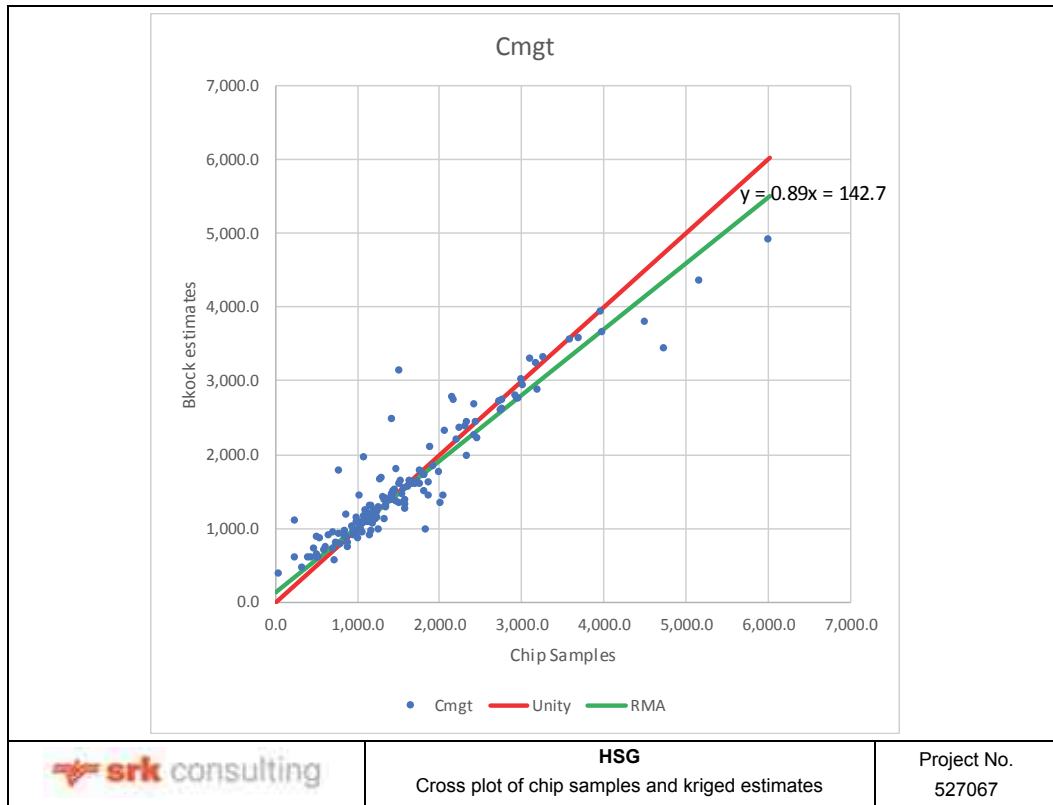
Kopanang undertakes a number of validations of the estimates, which include various plots of statistics, such as negative weights, grid plots comparing the block estimates against the data within the block, changes year on year where there has been new data, and peer review presentations. SRK was supplied with the data used to estimate the Mineral Resources, and the grid files estimated at each stage. SRK compiled the individual grids into a composite grid file and generated a number of validations such as swath plots, grid plots and global domain statistical comparisons. The validations are done per domain, and examples are presented in Figure 4.14, Figure 4.15 and Figure 4.16. The swath plots and grid plots are generated over 420 m block and swath sizes. Cm.g/t\* is for the estimates, Cm.g/t is for the composites, and Reg Cmgt for the regularised composites.



**Figure 4.14: Comparison of the mean value of the data and estimates per domain**



**Figure 4.15: Swath plots along the X Axis**



**Figure 4.16: Cross plot of chip samples and kriged estimates**

In the statistical comparison in Figure 4.14, the estimated grade (cm.g/t\*) compares well with the point data and regularized datasets, with the exception of Domain 500, where the chip sampling is only from the portion of the domain close to Kopanang (the domain covers the majority of the adjacent Great Nologwa Mine). SRK is satisfied from the validations conducted that the estimates are a fair reflection of the data.

The swath plots, both globally (as illustrated in Figure 4.15) and per domain show a good correlation between the estimates, chip and regularised data, with the chip sampling showing greater variability. From approximately X 1000 and further east the presence of Domain 500 results in a poorer correlation. However, as indicated above, SRK considers this to be due to the partial chip sampling dataset for this domain.

The grid plot in Figure 4.16 excludes Domain 500 as discussed above. There is a good correlation between the data and the estimates, and on a global scale, the degree of smoothing has been minimised. SRK was able to replicate the reported Mineral Resources independently, from the composite block model generated by SRK. Kopanang reports the remaining Mineral Resources using software purpose designed for them by Deswik Mining Consultants (Pty) Ltd (**Deswik**). The reef blocks from the geological and structural model are used for the basis of the reporting. Mined areas from digital survey capture of the measured volumes underground are used to exclude the mined-out areas from the Mineral Resource reporting.

SRK was supplied with a set of wireframe surfaces of the remaining reef blocks, which were used to query the SRK composite block model and compared to the tabulations generated by Kopanang in Deswik software. The results from the two independent processes correlate well, and the minor differences are likely due to rounding errors and differences in the precision of the two processes.

The remaining Mineral Resources, colour coded per estimation domain are shown in Figure 4.17, with Kopanang boundary shown as a bold black line.

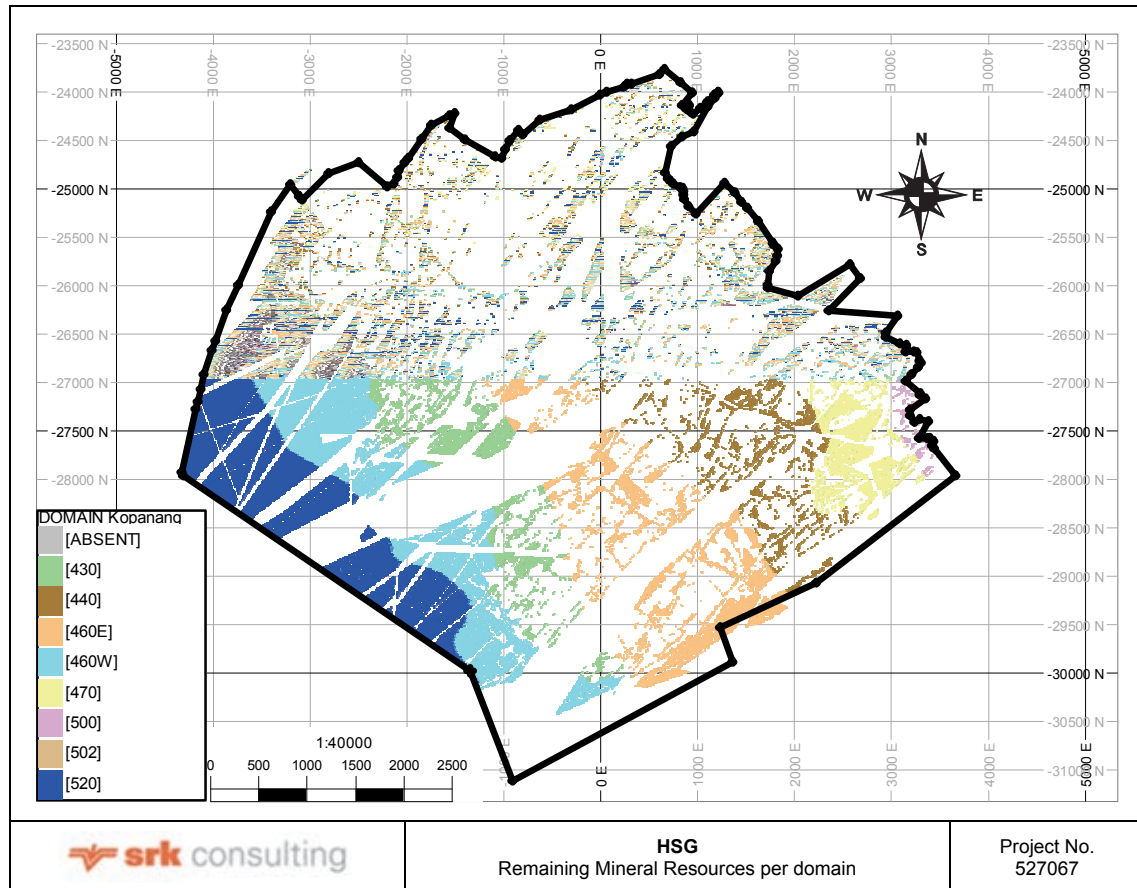


Figure 4.17: Plot of the remaining VR Mineral Resources per estimation domain

#### 4.5.3 Reasonable and Realistic Prospects for Eventual Economic Extraction

[18.08] [SR4.1(iv), SR4.2(ii) (iv), SR4.3, SR5.6(iii) (iv)]

##### Mineral Resource Parameters

The SAMREC Code (2016) defines a Mineral Resource as:

*“A ‘Mineral Resource’ is a concentration or occurrence of solid material of economic interest in or on the Earth’s crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling.”*

To evaluate the reasonable prospects for eventual economic extraction (RPEEE), Kopanang considers the parameters listed in Table 4.17.

Table 4.17: Parameters applied in the Kopanang cut-off calculation

Parameter	Units	Value
Gold Price	(ZAR/kg)	700 000
Mining Cost	(ZAR/t)	2 294
Milling Width	(cm)	168
Stope Width	(cm)	105
MCF	(%)	68.0%
PRF	(%)	95%

Notes:

MCF = Mine Call Factor

PRF = Plant Recovery Factor

Using these parameters results in a break even cut-off value of 8.06 g/t or 845.8 cm.g/t over a stope width of 105 cm. Kopanang then uses the grade tonnage curve (or value area curve – See Section 4.5.6), reading off the

cut-off value required to achieve an average grade equal to the breakeven cut-off. This is effectively the value at which zero profit would be made by mining all of the material above this cut-off, considering the parameters in Table 4.17. The logic is that mining tonnes which may make a small (theoretical) loss, but which assist in covering fixed overhead costs, will prolong the LoM and result in an improved utilization of the Mineral Resource, rather than making the maximum profit.

Although this approach included material in the Mineral Resource that is theoretically uneconomic to extract, considering the mine as a whole, and not on the resolution of individual reporting panels, the total resource would be economic. Using this method returns no cut-off, as the average grade of the global inventory of mineralised material estimated (1 018 cm.g/t) is greater than this value. Kopanang elected to use a value of the Mineral Resource, of 500 cm.g/t. The impact of this on the reported Mineral Resource can be assessed from the grade tonnage curves.

#### 4.5.4 Classification Criteria

[SR4.4(i)]

Kopanang reports that the Mineral Resources are classified and reported according to the SAMREC Code guidelines. The classification is initially informed by the geostatistical results, and the modified according to the geological confidence.

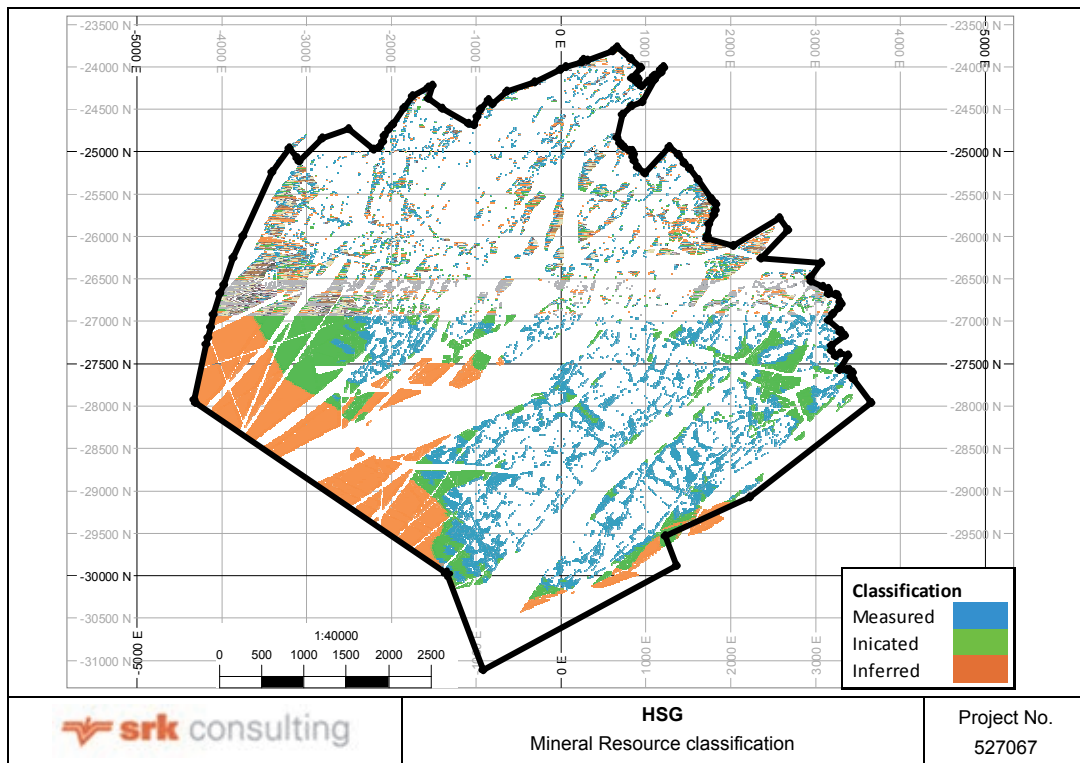
The Ordinary Kriged 10 m x 10 m and Simple Kriged 30 m x 30 m blocks, which have been constrained using the slope of regression and weight of the mean are classified as Measured Mineral Resources. For the definition of Indicated and Inferred categories, the 95% confidence limits on the log space metal accumulation value is calculated. The ratio of the 95% lower limit value to the estimated value (in real space) expressed as a percentage is the Lower Limit percentage confidence. Blocks with a Lower Limit percentage confidence of greater than 20% are classified as Indicated Mineral Resources, and blocks with a Lower Limit percentage confidence between 0% and 20% are classified as Inferred.

Blocks which are currently not available to be mined, either due to geotechnical constraints, or if the technical ability to mine the Isolated Blocks of Ground (**IBG**) has not been demonstrated through a full investigation, are excluded from the Mineral Resources, and tracked in a mineralised inventory.

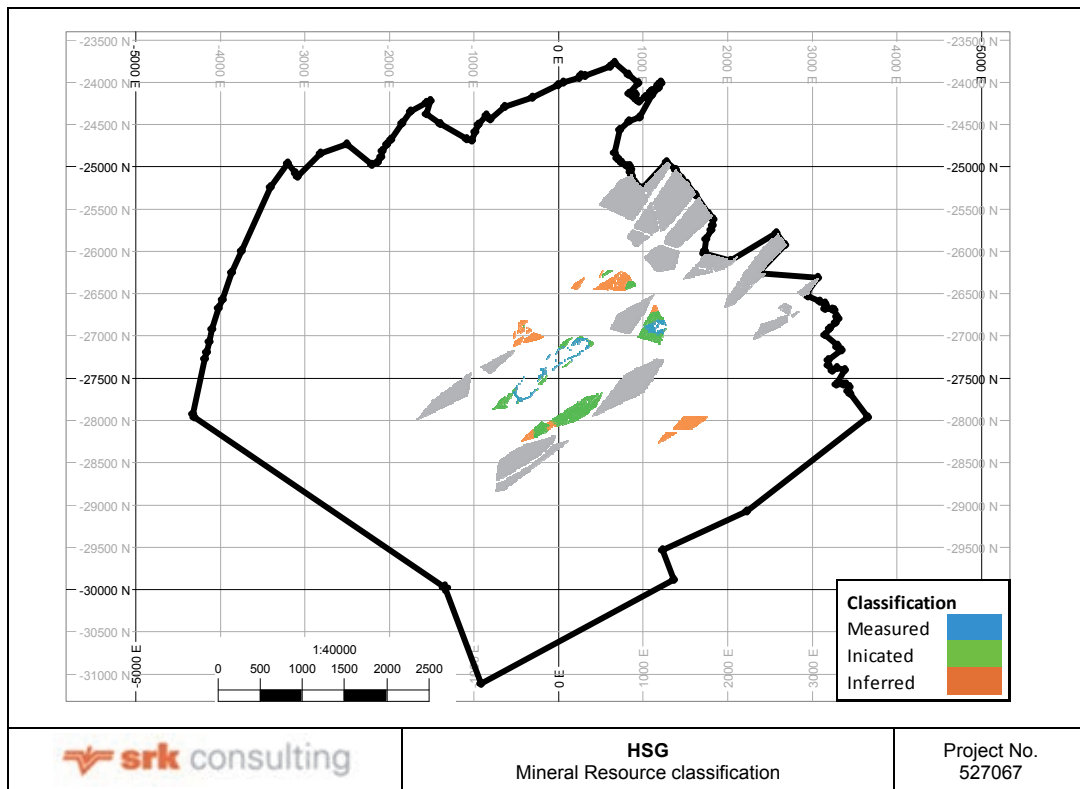
For each area, the CP will then assess the confidence in the geological model, structural interpretation, and facies interpretation, and on this basis, then modify the initial classification. Kopanang indicates that the changes in classification due to geological aspects are typically downgrades in the confidence classification. The Kopanang Mineral Resource classification for the VR and C Reef respectively are illustrated in Figure 4.18 and Figure 4.19.

SRK is of the opinion that the Kopanang classification approach is reasonable and is compliant with the SAMREC (2016) guidelines, taking sufficient cognisance of both the geological and geostatistical uncertainties. The extensive mining history of the deposit, and the good continuity of the orebody over several kilometres, supports the long-range extrapolation and confidence classification. The classification of the Mineral Resources is illustrated in Figure 4.18 and Figure 4.19 for the VR and C Reef respectively.





**Figure 4.18: Plot of the remaining VR Mineral Resource classification**



Note:

Blocks categorised as 'Inventory' are not included in the Mineral Resource.

**Figure 4.19: Plot of the remaining C Reef Mineral Resource classification**

#### 4.5.5 Mineral Resources

[18.03(2), 18.18, 18.30(2), [18.30(4)] [SR4.1(iv), SR4.5(ii) (iv) (v) (vii), SR6.1(i), SR6.3(vi)]

The Mineral Resources are reported according to the guidelines of the SAMREC Code (2016), inclusive of any Mineral Reserves that are derived from them.

##### Mineral Resources Statement for Underground Resources

Kopanang reports the underground Mineral Resource above a minimum mining width of 105 cm. No blocks were estimated to have a channel width greater than this.

The Mineral Resources are reported after the application of geological loss factors detailed in Table 4.18.

**Table 4.18: Geological discounts applied to the Mineral Resources for reporting**

Classification	VR	C Reef
Measured	2%	2%
Indicated <sup>1</sup>	3% - 18%	3% - 18%
Inferred	30%	30%

Notes:

<sup>1</sup> Kopanang subdivide their Indicated Resources into three sub-classes for their internal reporting. Each of these sub-classes is assigned a different geological loss, therefore the ranges listed.

The Mineral Resource tabulations are based on the measured face positions for stoping and development at end-June 2019 as surveyed by Kopanang and taken to be correct at the Effective Date of 30 June 2019. The Mineral Resources are reported in Table 4.19 and are inclusive of the Mineral Reserves.

**Table 4.19: SRK-Audited Kopanang Mineral Resource Statement for gold at 30 June 2019**

Reef Name	Mineral Resources			
	Category	Quantity (Mt)	Au Grade (g/t) <sup>1</sup>	Contained Au (Moz) <sup>2</sup>
Vaal Reef	Measured	3.67	12.20	1.44
	Indicated	6.38	11.16	2.29
	<b>Subtotal (M &amp; I)</b>	<b>10.05</b>	<b>11.54</b>	<b>3.73</b>
	Inferred	1.26	17.17	0.69
C Reef	Measured	0.03	15.01	0.01
	Indicated	0.46	14.90	0.22
	<b>Subtotal (M &amp; I)</b>	<b>0.49</b>	<b>14.91</b>	<b>0.23</b>
	Inferred	0.20	18.11	0.12
<b>Total</b>	Total Measured	3.70	12.18	1.45
	Total Indicated	6.84	12.18	2.51
	<b>Total (M &amp; I)</b>	<b>10.53</b>	<b>11.70</b>	<b>3.96</b>
	Total (Inferred)	1.46	12.18	0.81
	<b>Total (M&amp;I&amp;I)</b>	<b>11.99</b>	<b>12.38</b>	<b>4.78</b>

Notes:

<sup>1</sup>Mineral Resources are reported above a gold cut-off grade of 500 cm.g/t, which was derived using a gold price of ZAR700 000/kg of gold, an operating cost of ZAR2 293.80/t milled and MCF - Vaal Reef of 68% and C Reef of 60% and PRF of 95%.

<sup>2</sup> troy oz = 31.1034768 g.

<sup>3</sup> M & I – Measured and Indicated Resources.

<sup>4</sup> M&I&I – Measured, Indicated and Inferred Resources.

<sup>5</sup> All figures are rounded to reflect the relative accuracy of the estimate.

The metal accumulation (cm.g/t) estimates for the remaining Mineral Resources are shown in Figure 4.20 and Figure 4.21 for the VR and C Reef respectively. In each plan, the domain boundaries are also overlain over the reporting blocks.

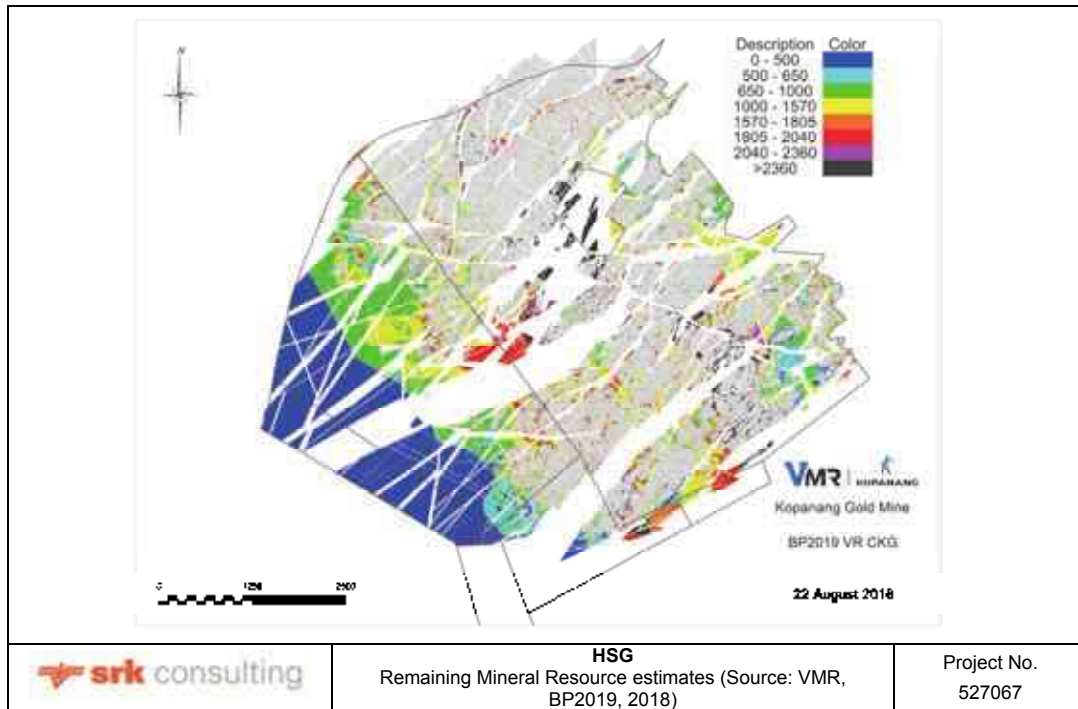


Figure 4.20: Plot of the remaining VR Mineral Resource grades (cm.g/t)

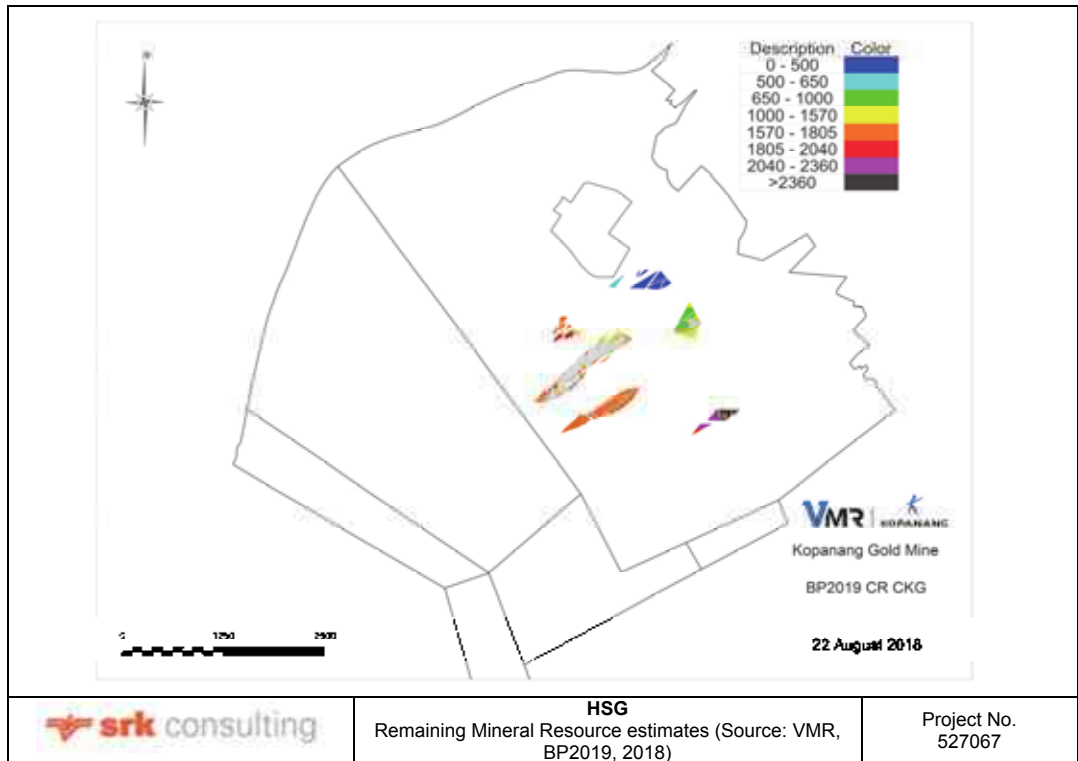


Figure 4.21: Plot of the remaining C Reef Mineral Resource grades (cm.g/t)

#### 4.5.6 Grade Tonnage Curves

The Mineral Resources at Kopanang are sensitive to the selection of the reporting cut-off grade. To illustrate this sensitivity, the global model quantities and grade estimates for each reef are illustrated in Figure 4.22 at different cut-off grades. The reader is cautioned that the figures presented in this table should not be misconstrued with a

Mineral Resource Statement. The figures are only presented to show the sensitivity of the block model estimates to the selection of cut-off grade.

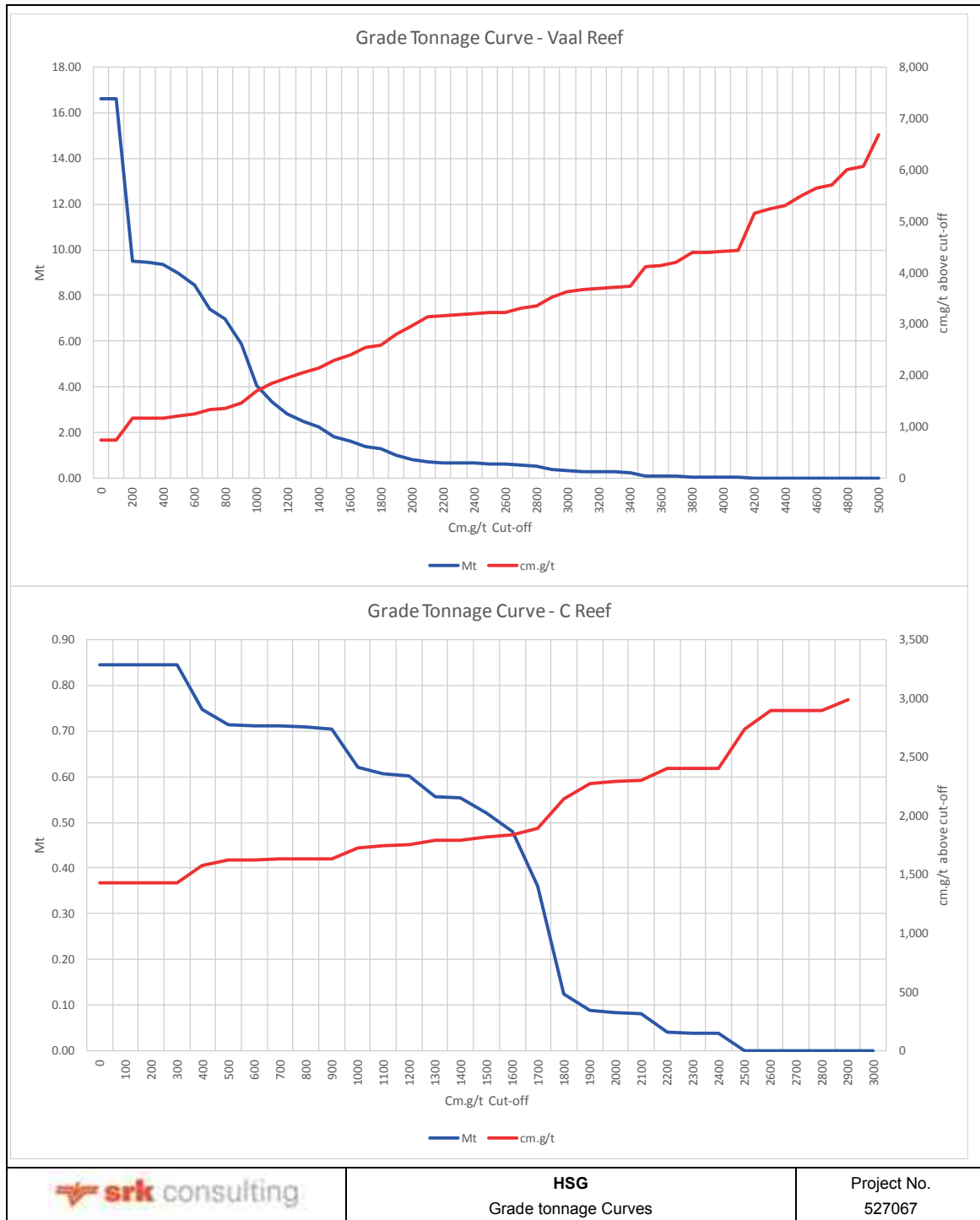


Figure 4.22: Grade Tonnage Curves for Kopanang VR and C Reef

#### 4.5.7 Reconciliation of Mineral Resources

[SR4.2(v), SR4.5(vi)]

SRK is unable to do a detailed reconciliation of the Mineral Resources from the previous Mineral Resource statement, as this was reported under the previous owners AGA, and SRK does not have access to the detailed

information supporting the AGA declaration. The data supporting the MREs, and the methods for estimating the Mineral Resources have not changed materially from the previous AGA declaration.

The most significant changes to the MREs are the change in cut-off value (AGA reported above a cut-off of 750 cm.g/t while HSG report above a cut-off of 500 cm.g/t as discussed above), changes which are attributed to structure or estimation (including additional data) changes, and changes to the resource blocks not reported in the Mineral Resource (internally reported as mineralised inventory). The changes to the global MREs (VR combined with C Reef) at Kopanang from December 2017 to June 2019 are summarised in Table 4.20. The first sub-total represents the current Mineral Resource, reported using the same criteria as AGA, including cut-off and definitions of inventory blocks not reporting to Mineral Resource.

The change from the AGA resources to the first sub-total is due to depletions based on the surveys of actual mining from January 2018 to June 2019. The second sub-total is attributed to changes to the structural interpretation, and estimation changes and changes to block availability. However SRK is unable to properly account for these, due to the lack of detail available for the AGA declaration. These have a net gain of 1.78 Mt and 0.37 Moz.

Due to the nature of the orebodies at Kopanang, the decrease in the reporting cut-off from 750 cm.g/t to 500 cm.g/t has a relatively small impact on the Mineral Resources, adding 0.79 Mt and 0.15 Moz from below cut-off to Mineral Resource, at an average grade of 6.53 g/t.

**Table 4.20: Kopanang Mineral Resource Reconciliation**

Item	Mt	Grade (g/t)	Moz
<b>AGA December 2017</b>	<b>6.80</b>	<b>13.82</b>	<b>3.02</b>
Depletion etc.	-0.54	11.79	-0.20
<b>Sub-total</b>	<b>6.26</b>	<b>13.99</b>	<b>2.82</b>
Structure and Estimation Changes	1.78	6.53	0.37
<b>Sub-total</b>	<b>8.05</b>	<b>12.33</b>	<b>3.19</b>
Cut off Change	0.79	6.01	0.15
<b>Sub-total</b>	<b>8.84</b>	<b>11.77</b>	<b>3.34</b>
Inventory Changes	3.16	14.08	1.43
<b>VMR June 2019</b>	<b>11.99</b>	<b>12.38</b>	<b>4.77</b>

The most significant change is the incorporation of 3.16 Mt of the VR, which was classified under AGA as inventory, into the Mineral Resource. The blocks which are now included as Mineral Resources fall into three broad categories:

- Large structural blocks with limited information – e.g. Unmined structural blocks that may require significant capital to enable access;
- IBG in open areas; and
- IBG in walled off areas.

Blocks of ground smaller than 1 000 m<sup>2</sup> and rock engineering pillars were not considered for conversion to Mineral Resources. Blocks in areas which have been closed for greater than 20 years were not considered. Kopanang undertook a detailed program to consider all blocks meeting the above criteria, focusing on IBG close to open infrastructure, and larger higher grade IBG, or clustered smaller IBG. Each of the blocks modified from Inventory is assigned into one of the above categories, and this is recorded in the block listing. The majority of the converted blocks are Indicated Resources (46%) with 42% classified as Measured and 11% as Inferred. 52% of the blocks converted are in open areas, with 27% IBG in open ground and the remainder IBG from previously walled off areas.

#### 4.5.8 Risk issues and their mitigation

[18.05(5)] [SR3.5(iv), SR4.3(viii), SR4.5(viii), SR5.7(i)]

Kopanang is a mature mining operation. The risks are those of a typical Witwatersrand gold mine:

- Uncertainties in the scale and position of faults and dykes; and

- Unanticipated changes in grade.

These risks are inevitable in this kind of mining operation, and Kopanang has an experienced Mineral Resource Management team in place to manage the risks. Diamond drilling from development ends ahead of the stoping is undertaken to manage and reduce the structural uncertainties. For the IBGs, the risk of the grade estimates being low is relatively low, and where the estimates are extrapolated ahead of the stope face into unmined ground, the risk of error in the grade estimation is not only on the low side. SRK considers the risk to the resources to be low.

#### 4.5.9 SRK Comments

SRK has reviewed the data supporting the Mineral Resource declaration, and there is sufficient evidence to support the quality of the data for use in Mineral Resource estimation. SRK considers the geological model, domain definition and MREs to be robust, and the validations indicate that the estimates have a low risk of significant errors.

#### 4.6 Rock Engineering

[SR4.1(ii), SR4.3(ii), SR5.2(vii) (viii)]

##### 4.6.1 Introduction

The review of the rock engineering aspects of the Kopanang underground mine consisted of an assessment of the documentation provided and a site visit to the mine. The site visit included presentations and an underground visit. Discussions were held with Geotechnical Department at the mine to understand the technical challenges and design approach. The documentation reviewed includes:

- Kopanang Code of Practice (**CoP**) to combat rockfalls and rockburst accidents;
- Stopping standards;
- Development standards;
- Mine plans;
- Seismic monitoring documentation; and
- Rockfall and rockburst management documents.

##### 4.6.2 Geotechnical Design Considerations

[SR5.2(vii) (viii)]

The CoP documents contains all information pertaining to underground ground control at Kopanang, outlines the company's approach in terms of resolving ground control related issues and provides guidelines for ensuring that current ground control standards are in accordance with industry best practice and guidelines. This document is updated at least once per year by personnel in the rock engineering department and is reviewed and signed-off by the appropriate departmental heads and Unions. This review of this document revealed that the mine has taken into account all aspects of the geotechnical environment covering the geology, mine design, ground control, geotechnical monitoring program, seismic management etc. The review also indicated that the all the geotechnical hazards were adequately identified, and adequate risk mitigation strategies were put in place.

##### 4.6.3 Site visit underground

A site visit was conducted underground to the 65 Raiseline on 42 Level. The ground conditions in the area are fair and the support was installed as per the support standard. All rock related hazard appeared to have been identified and the appropriate mitigation measures put in place. The overall impression was this stoping operation was well managed.

##### 4.6.4 Risk issues and their mitigation

[18.05(5)] [SR5.7(i)]

Large falls of ground have historically occurred at this mine. In the case of Kopanang, the immediate hangingwall of the VR that consist of individual strata layers (quartzite) which varies between 5 and 30 cm thick with the interfaces containing shale type infilling (Phylonite). This hangingwall package is locally known as the "streakies" that exhibits pseudo plastic behaviour due to its low resistance to shear and at times the whole package flows into the stope. Crossbedding exacerbates this Falls of Ground (**FoG**) problem. This hazard is contained using in

stope crush pillars in the shallower areas of this mine. In the deeper reached of the mine breaker lines of support are installed which limit this type of hangingwall failure.

Seismicity has been and continues to be associated with this mining operation. Monitoring of seismicity forms an integral part of this mining operation and daily reports are submitted to mine personnel regarding the seismic activity that has occurred over the previous 24 hours. The seismic management strategy conforms to industry norms and as such the correct mitigation measures are being used including use of the appropriate support where necessary. Medium and Long term seismic management is monitored during scrutiny meetings and mining strategy documents.

The mining of isolated blocks of ground (IBGs) does constitute a hazard considering that the blocks were left in large mined out areas. It appears that the potential risk associated with the IBGs is managed with a set of rules/requirements including an underground visit to each IBG by a multidisciplinary team who, determines whether the hazards associated with each IBG can be contained prior to any mining of the IBG. It is also recommended that the IBG areas are only included in the mine plan once they have been properly assessed.

#### 4.7 Hydrogeology and Hydrology

[SR4.3(ii), SR5.2(ii) (vii) (viii)]

##### 4.7.1 Introduction

The Vaal River is situated to the north of Kopanang and the topography of the mine area slopes towards the Vaal River basin. A description of the surface and groundwater management and controls are described in this section as well as the potential risks which include contamination of water resources as well as ongoing liability to treat the water emanating from the shaft.

The Vaal River will be the main receptor of any pollution from the Kopanang Shaft complex. The water samples that have been collected classify into distinctive upstream and downstream discharge qualities. The downstream water quality in the Vaal River has a definite increase in sulphate ( $\text{SO}_4$ ) concentrating indicating impacts from gold mining operations. The Vaal River will be the foremost receptor that will be impacted by the new infrastructure primarily from the shaft area.

Potable water is supplied by Midvaal Water Company. Kopanang discharge water from the underground pumping goes through an oil separator, and then pumped to Kopanang Plant as process water (AGA's responsibility in terms of the Service Level Agreement (SLA)).

##### 4.7.2 Permitting

The WUL used by Kopanang is included in the combined WUL for the previous VRO which included Kopanang, Great Nologwa and Moab Khotso. HSG has submitted an application to divide this WUL into a separate licence for Kopanang, which includes a challenge against the conditions relating to water quality within the tailings circuit. HSG has met with DWS to formalise the process. HSG is still awaiting feedback from the DWS.

##### 4.7.3 Stormwater management

Detailed clean and dirty water assessments were completed for the high-risk areas. From these clean and dirty water assessments, conceptual infrastructure recommendations were made to address the deficiencies in storage and the effective separation of clean and dirty water based on the 1:50 year storm event. The recommendations for the new assets require new clean water canals. A clean water trench upstream of the shaft may be needed. An audit was undertaken in November 2018 indicating that some items of non-compliance had been addressed which include the measurement of discharge from the mine.

##### 4.7.4 Groundwater management

The operations are located within an area characterized by the Ventersdorp lavas and the Dolomitic aquifer systems. The general water-bearing horizon is relatively shallow and most of the boreholes are less than 30 m deep, with a static water level less than 10 m. The groundwater flow is predominantly towards the Vaal River.

The Kopanang Shaft at a depth of 2 240 m, is situated in the lower parts of the Klerksdorp goldfield and could receive groundwater from the larger catchment as many of the shafts in the area are interlinked. As mines and shafts close, re-watering of the underground works would take place.



Two major rock units outcrop in the area. These are, stratigraphically from bottom to top the Malmani Subgroup of the Transvaal Sequence (chert rich and chert poor dolomites) and the Karoo formations in the south of the area. The Kopanang area is underlain by the following lithologies:

- Aeolian sand overburden;
- Ferricrete;
- Karoo lithologies (sandstone and siltstone);
- Weathered dolomite and chert; and
- Unweathered dolomite.

Aeolian sand (approximately 2 m thick) overlies the Karoo and older Malmani dolomite deposits in the southern portion of the area.

#### 4.7.5 Water Quality

Surface water quality monitoring has indicated that the quality of groundwater at the operations has been severely impacted by mine operations over the last 100 years as well as by other activities upstream. No baseline information is available. The first groundwater sampling from boreholes was conducted in 1998. However, from extrapolations and qualities of isolated non polluted sources, it can be deducted that the quality of groundwater pre-mining was good for all use or at least Class 1 (based on South African National Standard (**SANS**)) domestic use. The groundwater model developed by MvB Consulting, dated October 2017, illustrates that groundwater quality impacts at Kopanang are limited and confined to the infrastructure footprint. Groundwater impacts at the West Gold Plant based on the groundwater model are resultant from AGA's West TSF.

It is evident that median groundwater quality is currently not fit for any use.

#### 4.7.6 Risks to surface and groundwater

[18.05(5)] [SR5.7(i)]

There are numerous pollution control measures that are required to meet compliance of the WUL conditions. These items were identified in numerous audits and internal compliance audits. The following capital items are needed to meet the compliance for the carved-out assets:

- Separation of clean and dirty water at the shaft complexes;
- Remediation of pollution plumes which have been identified; and
- Treatment of any post closure decant.

#### 4.7.7 Risks and Opportunities

[18.05(5)] [SR5.7(i)]

- The risk of contamination of groundwater and surface water resources is considered as high; and
- The risk of unexpected groundwater ingress is considered as medium.

#### 4.7.8 SRK Comments

The greatest liability will remain the treatment of water from underground and the remediation of the groundwater plume.

### 4.8 Mining and Mineral Reserves

[SR5.1(i) (ii)]

#### 4.8.1 Introduction

This section discussed the mining operations, LoM plan and Mineral Reserve declared at Kopanang. The processes following to convert Mineral Resources to Mineral Reserves are reviewed for compliance to the HSG procedures followed and compliance to the SAMREC code is assessed.

#### 4.8.2 Mine Infrastructure, Access and Mining Method

[SR4.3(ii), SR5.2(i) (v) (vii) (ix)]



The mine infrastructure is mature and is designed to support a significantly greater level of production than that anticipated in the LoM Plan. Underground access is by means of a vertical shaft and second outlet is via Great Nologwa mine on 73 Level.

Kopanang is a deep level mature gold mine and the planned production rate is significantly lower than the installed capacity of the mining infrastructure. Two gold-bearing horizons viz. VR and C Reef are accessed through a single shaft system which descends to a maximum depth of 2 334 m, while the main working levels are situated between 42 Level (1 222mbs) and 68 Level (2 024mbs). The Kopanang ore body is geologically complex and a scattered mining method is employed. Access to the ore body is mainly by footwall haulages up to the east – west strike haulage positions, which are approximately 90 m vertically below the reef position for the different levels. The strike haulages with the crosscuts spaced 180 m apart on a regular sequential grid. Where possible, only South crosscuts are used to access the reef horizon. The tabular nature, along with the depth and structural complexity of the ore body dictates the mining method utilized at Kopanang mine. The sequential grid mining layout is used from which scattered mining takes place.

Conventional mining utilizing compressed air is utilized. The compressors are located on surface. There is currently no centralised blasting being undertaken but the rounds are set-off at about 18:00 at designated locations underground.

Broken rock is transported via an extensive rail network system which is designed to transport high volumes of broken ore. The broken rock is transferred to a number of inter level sub-vertical ore passes that discharge to the silos on 75 Level. The rock is hoisted to surface through the main shaft. Personnel access the mine through vertical shafts, man carriages and chairlift systems.

From the shaft the ore is transported to the processing plant via rail or road.

The areas scheduled in the LoM plan are shown in Figure 4.23.

#### 4.8.3 Life of Mine Planning Process

[SR5.1(i) (ii)] [SR5.2(i) (ii)]

The processes followed to convert Mineral Resources to Mineral Reserves are still based on the AGA policies and standards. There is no MRM policy document for HSG available but planning briefs are compiled to articulate the planning parameters. The AGA policy advocates for consistency in the reporting of Mineral Resources and Mineral Reserves across the operation and in compliance to internationally recognised codes. The code used by HSG is the SAMREC Code. The SAMREC Code requires that only Measured and Indicated category of Mineral Resources be used in developing the plan and that the work should be to at least a level of accuracy of a PFS. The process also stipulates that the Mineral Reserves should be economically viable to render the declaration valid. SRK did not do a detailed review of compliance to these policy guidelines but the following have been gleaned from the CPR review process:

- The CP accountable for the compilation and declaration of Mineral Resources and Mineral Reserves at the operation rests with the appointed MRM manager, Mr. Pieter Enslin. Mr Enslin has 36 years experience in the management of Mineral Resources and is a member of the South African Geomatics Council. He is responsible for the review, communication and joint approval of the declared Mineral Resource and Reserve estimates with the executive management of the company. He is as such the custodian of this process and has the requisite experience and skills and is member of professional institutes and bodies in good standing;
- The LoM plans undergo a rigorous review process to identify and mitigate risk factors that can impact the achievability of the plans. The respective disciplines give input into the review process. Opportunities to improve the robustness and economics of the plans are also explored in this review process; and
- The conversion process takes cognizance of the requirements of the SAMREC Code. The Mineral Reserves are categorised into the Probable and Proven categories and have been accurately determined.

#### 4.8.4 Development and Production Schedule

[SR5.1(i), SR5.2(ii)]

Flat development is carried out through conventional track-bound operations. Train systems are used to tram the material from the development ends to the shaft passes. The drilling is carried out with handheld pneumatic rock drills and cleaning is by track-bound pneumatic loaders. The haulages are planned on a twin haulage access layout to facilitate the provision of ventilation.

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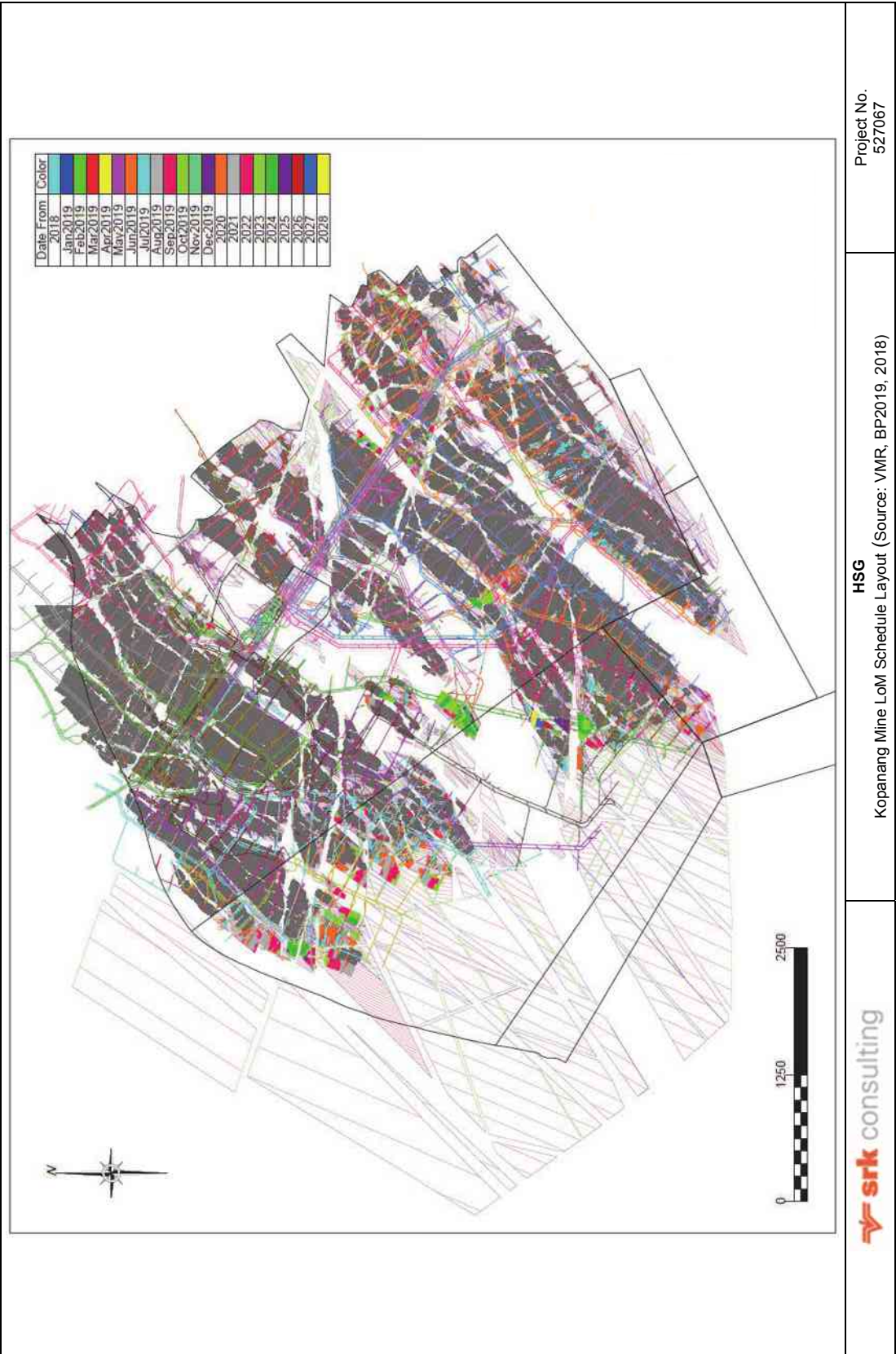


Figure 4.23: Kopanang LoM Schedule Layout

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Effective Date: 30 June 2019

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On-reef development is also done through conventional means and scrapers are used for cleaning. The dimensions for the development ends are provided in Table 4.21. The development planning parameters are set out in Table 4.22. The crosscut and travelling way layout is shown in Figure 4.24.

Box holes are developed through a combination of conventional development and drop-raising.

All the development operations are carried out by mine employees and contractors are only used in specialised construction and equipping projects.

**Table 4.21: Kopanang development end dimensions**

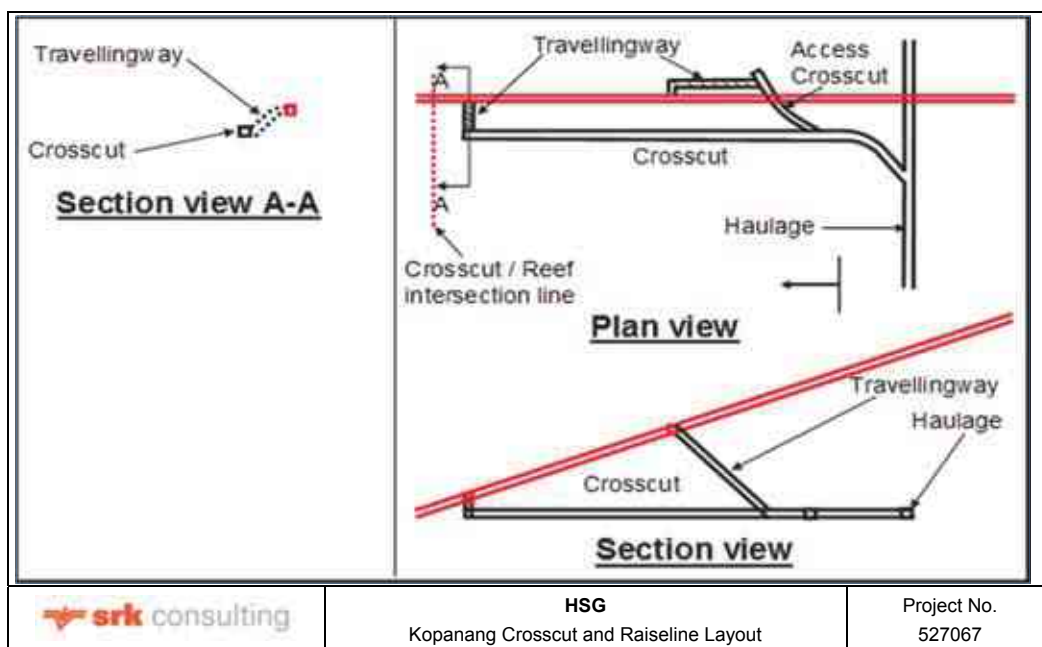
Development end	Width (m)	Height (m)
Access crosscut	3.0	3.5
Blind bore hole (diameter)	1.52	
Boxhole	1.5	1.5
Drop raise (diameter)	1.8	
Reef diagonal	1.4	2.9
Raise	1.4	2.9
Slusher	1.4	2.9
Ventilation travelling way	2.6	2.0
Crosscut	3.0	3.8

The development planning parameters applied in the LoM plan are provided in Table 4.22.

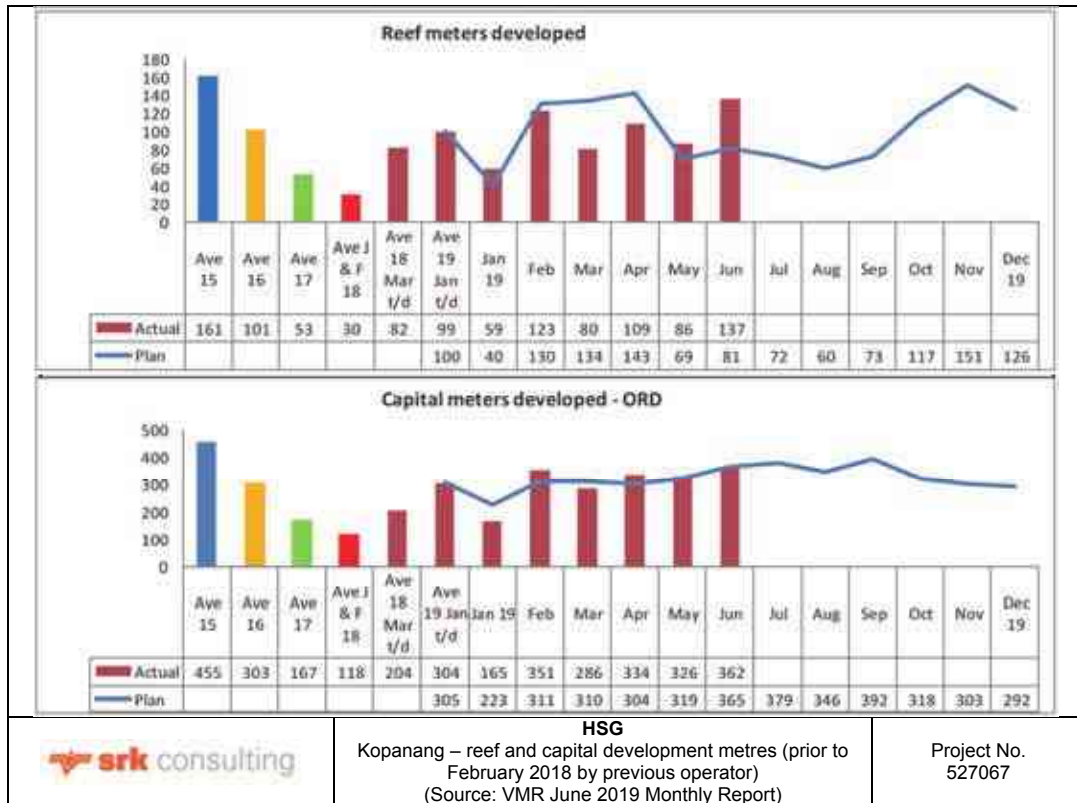
**Table 4.22: Kopanang Development planning parameters**

Development end	Metres per month	Remark
Flat end	30	
Raise	20	
Travelling way	20	Long raises to have a midway travelling way
Box hole	15	Limit to 35 inclined m then drop raise. 25 m panels preferred; maximum of 30 m panel to be applied. Plan 1 panel per box hole. Maximum of 2 panels per box hole
Drop raise	15	1 Machine on mine
Blind Bore/Raise Bore	40	The boring is done by contractors

These parameters take cognizance of the historically achieved actuals in Figure 4.25. SRK is satisfied that the projected development rates are reasonable and consistent with the historical values.



**Figure 4.24: Kopanang Crosscut and Raiseline Layout**



**Figure 4.25: Kopanang – reef and capital development metres (prior to February 2018 by previous operator)**

#### 4.8.5 Stopping

Mining at Kopanang is based on a sequential grid mining layout from which scattered mining takes place together with a timber support system that incorporates bracket pillars. The hangingwall and footwall both are made of quartzite for both the VR and C Reefs. This rock mass is competent and assists in ensuring the stability of the stopes and in limiting dilution of the reef with the host rock.

The modifying factors have been used to convert the Mineral Resource to Mineral Reserve are outlined in Table 4.24. Dilution is mainly from stoping width and channel width being mined and development waste hoisted with reef as one product. Kopanang Planning Parameters applied in the LoM plan.

**Table 4.23: Kopanang stoping rates applied in the LoM plan**

Description	m <sup>2</sup> per month	Remark
Stoping	300	
Ledging	250	20-25% Start only after 3 months after the raise is holed
Down Dip /Up Dip	150	
IBG/Pillars	200	

The applied stoping rates correlate to what was achieved in the past.

#### 4.8.6 Kopanang Modifying Factors Applied in the LoM plan

[SR4.5(iii), SR5.1(i) (ii), SR5.2(ii) (iv), SR6.1(iii), SR6.2(i)]

The modifying factors applied in the conversion of Mineral Resources to Reserves are provided in Table 4.24.

SRK calculated the cut-off grade to be 1 077 cm.g/t. The mine applied a cut-off of 650 cm.g/t. The mine selected cut-off allows for a portion of unpay material to be included in the plan. The actual MCF realised from January to June 2019 was 72%.

The LoM plan yields a positive NPV and this cut-off allows for the unpay blocks to assist in covering overhead costs.

**Table 4.24: Kopanang modifying factors applied in the LoM plan**

Factor Description	Applied Factor
Off reef On Reef factor	94%
MCF for VR	68%
MCF for C Reef	60%
PRF	95%
Stoping Width	105 cm
Channel Width	15 cm
Tonnage discrepancy	14%
Development Overbreak	2.7%
Ballast (All flat ends)	8%
Other sources stoping	15.1%

#### 4.8.7 Ventilation and Cooling Requirements

[SR5.2 (vii) (viii)]

##### Summary of Principle Objectives

The focus of the CP's report was to conduct a review of the ventilation and cooling "modifying factor". The focus of the technical review was to evaluate the effectiveness of risk control measures with emphasis on work place ventilation design. These are aimed at minimizing all occupational hygiene exposures to below occupational exposure limits (OELs) as contemplated in all mandatory codes of practices (CoPs) and Regulation 9.2 of the MHSA.

The following methodology was applied per operation:

- Ventilation designs to provide ventilation and cooling for the long-term business plan;
- Mine production plan aligned with ventilation supply (air per kiloton ratio). Recommended air per kiloton ratios: Depth < 800 m : 3 to 4 kg/s. Depth >800 m : 4 to 6 kg/s;
- Infrastructure requirements consisting of intake, return airways, main fans and cooling (refrigeration plants);
- Emergency evacuation/second outlets;
- Critical spares; and
- Capital requirements.

##### Ventilation and Cooling Designs/Controls for Life of Mine Production

The overall airflow requirements were assessed in terms of airflow provision for diesel emission dilution, heat removal and clearance of blasting fumes, provision of a ventilation rate of one ktpm or ventilation requirements for conventional scattered stoping whichever the greatest.

The total airflow requirement for Kopanang was dominated by the ventilation required for the conventional scattered stoping.

Kopanang can be classified as a deep level mine where the provision of sufficient ventilation and cooling is an essential requirement for production. The ventilation and cooling infrastructure for the mine was originally designed for larger tonnage outputs.

##### Summary of the Ventilation and Cooling Parameters

The ventilation and cooling designs in terms of the 2019 business plan are outlined in Table 4.25 and Table 4.26.



**Table 4.25: Current infrastructure and LoM ventilation designs for Kopanang**

Ventilation	Current requirements	LoM (2022)
Total mine		
Tonnage	66 ktpm	66 ktpm
Mining method	Scattered mining	Scattered mining
Rock breaking depth	1 890 m	1 890 m
Rock temperature	44°C	44°C
Furthest working place from shaft	5 200 m	5 200 m
Planned ventilation quantity	800 kg/s	800 kg/s
Air per kiloton ratio	12.0 kg/s/ktpm	12.0 kg/s/ktpm
Ventilation distribution		
Top Mine	140 kg/s	140 kg/s
Middle Mine	140 kg/s	140 kg/s
Lower Mine	270 kg/s	270 kg/s
Other commitments (pump chambers, leakage etc.)	100 kg/s	100 kg/s
Leakage (20%)	150 kg/s	150 kg/s
Total	800 kg/s	800 kg/s
Maximum required quantity	800 kg/s (2 out of 3 fans)	800 kg/s (2 out of 3 fans)
Main fans		
Main fans (maximum design quantity)	1 100 kg/s @ 6.8 kPa (3 out of 3 fans)	1 100 kg/s @ 6.8 kPa (3 out of 3 fans)
Booster fans	44, 47, 53, 59 and 62 Level	44, 47, 53, 59 and 62 Level
Intake airways		
Main downcast shaft (86.5 m <sup>2</sup> )	Capacity: 1 100 kg/s	Capacity: 1 100 kg/s
Return airways		
Main upcast shaft (50.3 m <sup>2</sup> )	Capacity: 1 100 kg/s	Capacity: 1 100 kg/s
<b>Critical spares</b>		
Main fans	1 spare motor 1 impeller	2 spare motors. 2 impellers

**Table 4.26: Current and LoM cooling (refrigeration) designs for Kopanang**

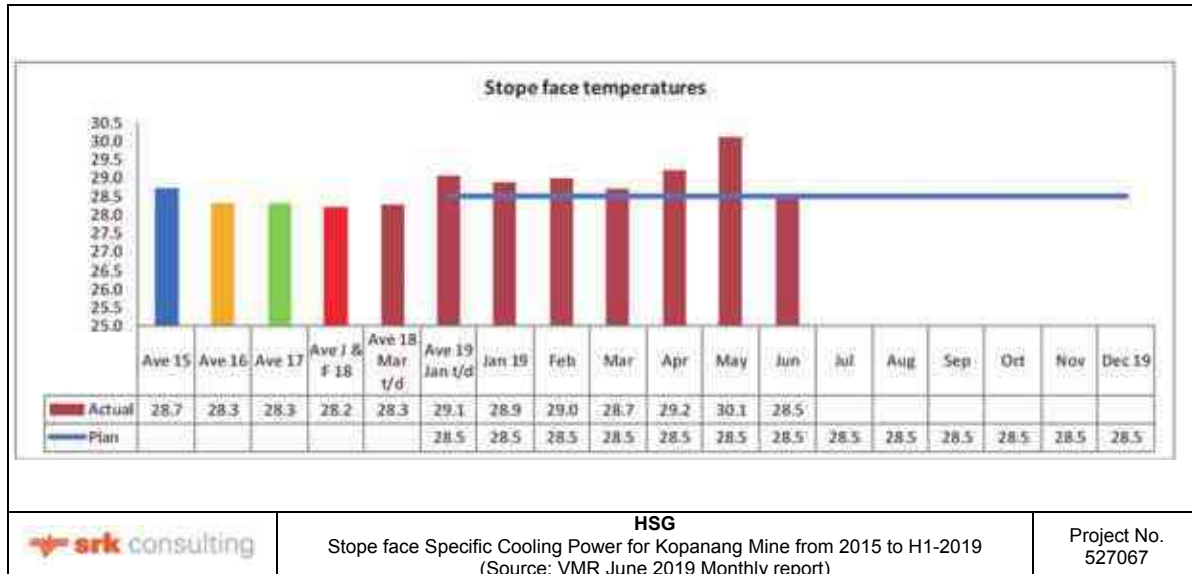
Category	Kopanang	
	Current	LoM (2022)
<b>Cooling</b>		
Available refrigeration capacity		
Surface plant type and capacity 6 out of 7 plants @ 6 MW	36 MW	36 MW
Underground plant type and capacity	No UG plants	No UG plants
Total cooling capacity with 7 plants operating	42 MW (surface)	42 MW (surface)
Heat load	26 MW	11.0 MW
Total cooling required	18 MW	8.0 MW
Design reject temperature	30.5°C	30.5°C
Water reticulation		
Type (on level)	Semi closed loop	Semi closed loop
Service water consumption	Ave: 3.0 ton/ton Peak: 4.0 ton/ton	Not available
Water temperature to shaft (design)	3.0°C	3.5°C
Energy recovery systems	2 units	2 units
Service water pressure reducing	Pressure reducing stations on 41 to 70 Level	Pressure reducing stations on 41 to 70 Level
Underground air cooling		
Spot coolers	300 kW Low pressure	300 kW Low pressure
Surface bulk air cooler		
Maximum capacity	16 MW	8.0 MW
Inlet water temperature	3.5°C	
Air temperature to shaft	7.0°C	
Airflow capacity	720 kg/s	350 kg/s
Average specific cooling power (standard: 240 W/m <sup>2</sup> )	285 W/m <sup>2</sup>	-
<b>Critical spares</b>		
Refrigeration plants	1 standby plant	1 standby plant

In deep level mines, airflow rates in the shafts and the main haulages are reported in mass flow (kg), rather than quantity flow (m<sup>3</sup>/s). Mass flow remains constant throughout the mine network, whereas the quantity flow varies with density.

### Specific Cooling Power

Kopanang makes use of Specific Cooling Power (SCP) which is dependent on wet bulb temperature and face air speed for employee heat stress management. Employees doing hard work on the face, generate metabolic heat of  $\pm 200$  W/m<sup>2</sup>. Cooling power of the environment in excess of 200 W/m<sup>2</sup> needs to be provided to prevent a heat stress condition. A target of 240 W/m<sup>2</sup> and above will provide acceptable environmental conditions. Examples: 0.50 m/s @ 30.0°C wet bulb = 240 W/m<sup>2</sup> and 1.0 m/s @ 31.0°C = 240 W/m<sup>2</sup>.

The average stope face SCP results are shown in Figure 4.26.



**Figure 4.26: Specific Cooling Power for Kopanang Mine from 2015 to H1-2019**

### SRK Comments

The average SCP of 275 W/m<sup>2</sup> for 2018 exceeds the minimum required level of 240 W/m<sup>2</sup>.

### Ventilation Distribution

The distance from the main shaft to furthest working place is 5 200 m. The 2017 rate of production was approximately 66 ktpm (well below original design). The ventilation design at industry standard (4 to 5 kg/s per ktpm) is 310 kg/s. The current ventilation quantity is  $\pm 800$  kg/s (two out of three main fans operating). The air quantity available for production after other commitments and 15% leakage is 600 kg/s. The air to kiloton ratio is 9 kg/s. The current production coming from the following areas:

- Kopanang 1 and 2 on levels 41 to 68; and
- Booster fans are currently required on 44, 47, 53 and 62 Levels to overcome horizontal airway resistance.

### Cooling (Refrigeration)

The cooling capacity of the ventilating air (800 kg/s) at the mean rock breaking depth of 1 800 m is 8 500 kW. Cooling (refrigeration) of 17 500 kW has to be provided for the balance of the heat load in 2017 (26 000 – 8 500 = 17 500 kW).

As a result of reduced production, a cost saving initiative was to cut back on refrigeration. This changed the figures from design to actual significantly. The temperature of the chilled water down the mine and to the surface bulk air cooler changed from 3.0°C to 10.0°C. Consequently, there was also a reduction in water flow rates to the bulk air cooler and underground. The consequence is that face wet bulb temperatures cannot be maintained within 28.0°C. Corrective action required (possibly implemented by now):

- Maintain temperature of water going underground below 6.0°C; and
- Maintain the temperature of the air going down the shaft to below 15.0°C.

**Life of Mine Ventilation and Cooling Capital Requirements**

In terms of the 2019 business plan, no additional capital is required for ventilation and cooling.

**Flammable Gas Management**

The mine has a mandatory CoP in place. Flammable gas intersections are limited to isolated pockets. This is not a high risk.

**Mine Fires**

The latest approved mandatory CoP is in place. In addition to the CoP, early warning fire and gas detection systems are in place.

**Emergency Preparedness**

The following is in place:

- Refuge bays are situated at 750 m intervals. The second outlet escape routes are via 70 and 76 Level to Great Nologwa Shaft; and
- In the event of a major power failure, the mine has an emergency generator to provide power for the hoisting of employees.

**Additional Information**

- Kopanang has experienced large accumulations of carbon monoxide (**CO**) gas from worked out areas. The possible source can be from old neighbouring mines. In addition to CO, there is a possible risk of exposure to radiation in the worked out areas. These risks have to be managed when considering an increase in production; and
- The excessive distances from the shaft (current distance to furthest workings: 5 200 m) to the workings need to be considered when planning additional ventilation and cooling for additional production.

**Legal Appointments**

The Ventilation/Occupational Hygiene legal appointments in terms of sections 12(1), 5.1(a and b) and 16.1(1) are in place.

**Critical Issues To Be Resolved**

No critical issues were identified.

**4.8.8 Mining Equipment**

[SR5.2(viii)]

The reader is referred to the discussion in Section 4.11.8.

**4.8.9 Manpower**

[SR5.2(viii)]

The reader is referred to the discussion in Section 4.13.

**4.8.10 Mining Capital and Operating Costs**

[18.03(3)] [SR4.3(vii), SR5.6(iii)]

**Capital Costs**

The planned Capex for Kopanang comprises undefined projects and capitalised development, as shown in Figure 4.27. The undefined capital project cost averages 4.5% of the operating cost over the LoM, which is reasonable.

**Operating Costs**

The direct operating cost per tonne milled is provided in Figure 4.27. The Kopanang operating cost over the LoM averages ZAR2 054/t milled. The operating cost varies over the LoM as the production rate changes.

The average unit operating cost for the period March to December 2018 was ZAR2 565/t milled vs a planned operating cost of ZAR2 197/t milled. Comparative costs for H1-2019 were ZAR2 530/t milled (actual) vs ZAR2 253/t milled (planned). This was adversely affected by lower than expected production in November and December 2018 and H1-2019 respectively.

SRK considers that the Opex applied over the LoM is reasonable.



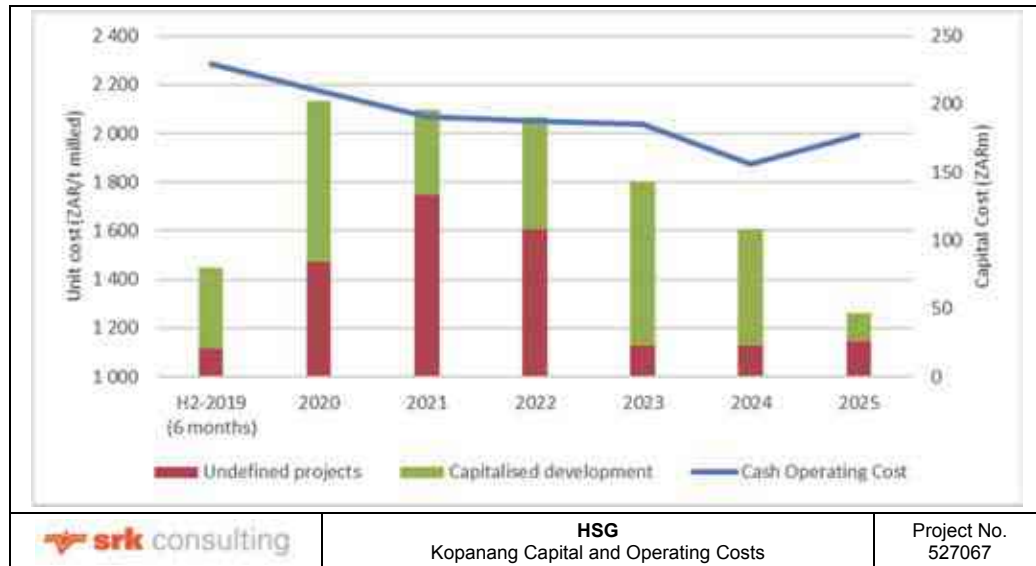


Figure 4.27: Kopanang Capital and Operating Costs

#### 4.8.11 Mineral Reserve

[18.18, 18.30(2), [18.30(4)] [SR6.1(ii), SR6.2(i), SR6.3(i)]

The mine design and scheduling was undertaken using Deswik software. HSC is currently in the process of rolling out the Deswik mine planning software package across the group.

The planning process includes the delineation of mining or stoping areas for each mining level and section, usually leading from an extension to the existing mining sequence, and the definition of the necessary development layouts. A geological interpretation of the major faults, dykes and structure is made and extensions to these known structures are extrapolated. The mine design includes bracket pillars of geological features.

#### Kopanang LoM plan

The Kopanang LoM plan delivers 711 koz of gold from a head grade of 4.94 g/t. Average annual production is 109 koz from 740 kt RoM ore. The production profile is provided in Figure 4.28 and the Mineral Reserve statement in Table 4.27.

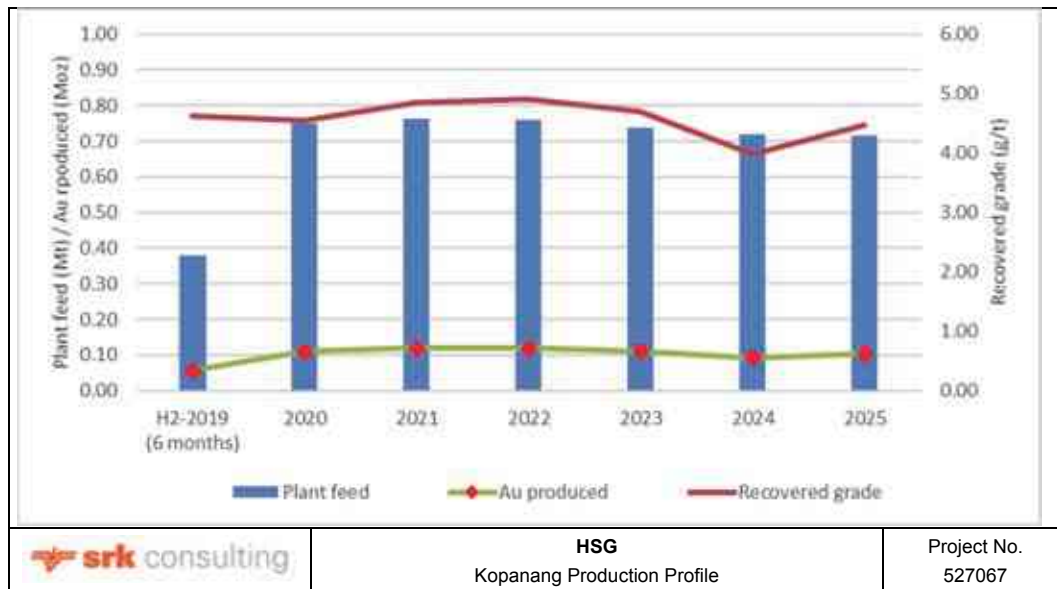


Figure 4.28: Kopanang Production Profile

**Table 4.27: SRK-Audited Kopanang Mine Mineral Reserve Statement as at 30 June 2019**

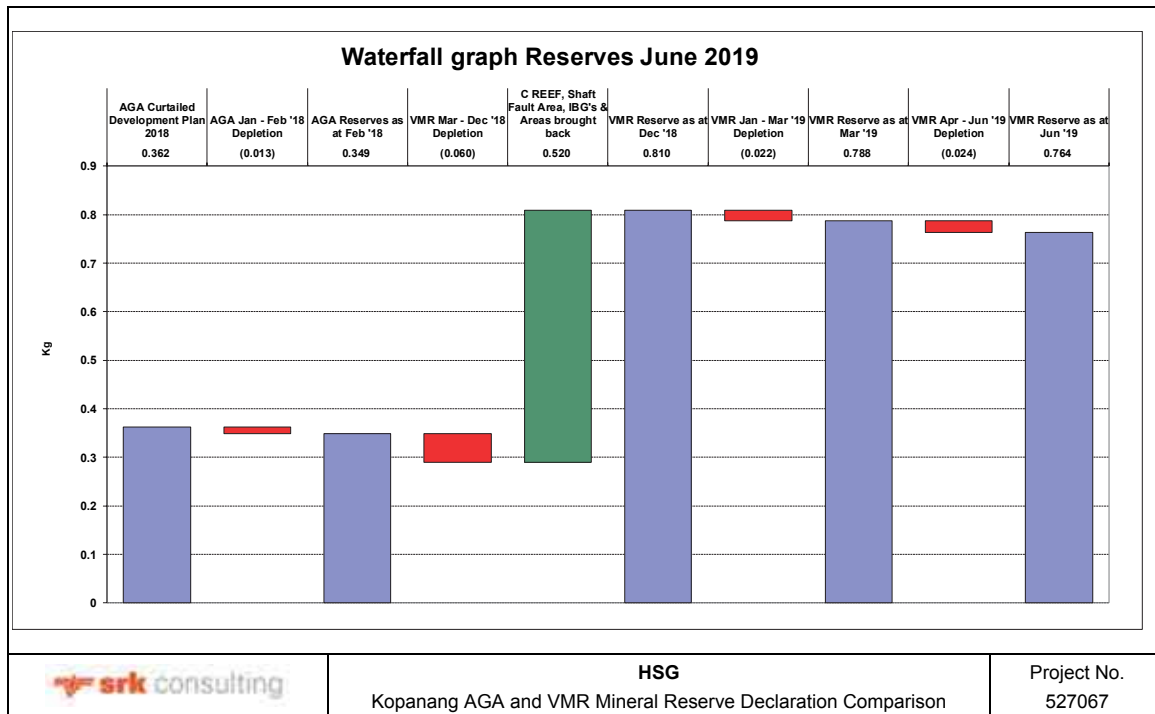
Reef Name	Mineral Reserves			
	Category	Quantity (Mt)	Au Grade (g/t) <sup>1</sup>	Contained Au (Moz) <sup>2</sup>
Vaal Reef	Proved	1.84	4.82	0.28
	Probable	2.65	4.97	0.42
	<b>Subtotal (Proved &amp; Probable)</b>	<b>4.49</b>	<b>4.91</b>	<b>0.71</b>
C Reef	Proved	-	-	-
	Probable	0.34	5.24	0.06
	<b>Subtotal (Proved &amp; Probable)</b>	<b>0.34</b>	<b>5.24</b>	<b>0.06</b>
<b>Total</b>	Total Proved	1.84	4.82	0.28
	Total Probable	2.99	5.00	0.48
	<b>Total (Proved &amp; Probable)</b>	<b>4.82</b>	<b>4.93</b>	<b>0.76</b>

Notes:

<sup>1</sup> Cut-off for Mineral Reserves is 650 cm.g/t at a gold price of ZAR550 000/kg and MCF - VR of 68% and C Reef of 60% and PRF of 95%.<sup>2</sup> troy oz = 31.1034768 g.<sup>3</sup> Stopping width is 122 cm.<sup>4</sup> Milling width is 161 cm.<sup>5</sup> M & I – Measured and Indicated Resources.<sup>6</sup> M&I&I – Measured, Indicated and Inferred Resources.<sup>7</sup> All figures are rounded to reflect the relative accuracy of the estimate.**4.8.12 Reconciliation of Mineral Reserves**

[SR6.1(iii) (iv), SR6.3(iv)]

The last public Mineral Reserve declaration for Kopanang was that done by AGA in December 2017 (Figure 4.29). HSG took over Kopanang as from March 2018. As at December 2018, HSG had declared 0.46 Moz more than what AGA had in February 2018. The increase is mainly due to a decrease in the cost structure of HSG which dropped the cut-off. Blocks that were unpay under AGA can now be mined profitably. AGA had also stopped the development as the mine was planned to be closed and HSG has incorporated the blocks previously excluded by AGA into the LoM plan.

**Figure 4.29: Kopanang AGA and VMR Mineral Reserve Declaration Comparison**

**4.8.13 Risks and Opportunities**

[18.05(5)] [SR5.7(i)]

**Risks**

- The duration of the LoM plan based on the Measured and Indicated categories is eight years. SRK proposes that a study be conducted to mine more Resources to extend the LoM. The level of confidence in the planning parameters should be improved to also minimise the risks associated with the mining of IBGs; and
- Kopanang has experienced large accumulations of CO gas from worked out areas. The possible source can be from old neighbouring mines. In addition to CO, there is a possible risk of exposure to radiation in the worked out areas.

**Opportunities**

- SRK recognises that the IBGs can extend the LoM and recommends the remaining IBGs are assessed as quickly as possible. These IBGs should be evaluated for risk and economic potential;
- A techno-economic study should be conducted for the mining of the shaft pillar;
- The Weltevreden Project is currently evaluated on standalone basis. Synergies between Tau Lekoa and the Weltevreden Project should be investigated; and
- Kopanang has spare ventilation and refrigeration capacity to increase production if required.

**4.8.14 SRK Comments**

- Kopanang follows a comprehensive and elaborate process to convert Mineral Resources to Reserves. The process is well documented, and an audit trail is available for review at any point in the future;
- The MCF achieved in the plant is currently 60%. The 68% applied in the LoM plan is based on what was achieved by AGA. The plant recovery is planned at 95% but currently 91% is achieved. SRK believes if the metallurgical process is run according to AGA standards the situation will improve; and
- SRK believes that the IBGs can extend the LoM and advocates for a blitz to be started to assess the remaining IBGs. These IBG's should be evaluated for risk and economic potential.

**4.9 Metallurgical Processing**

[SR4.3(ii), SR5.3]

HSG gold processing facilities include the Nicolor Gold Plant and the West Gold Plant.

Until recently, underground ore from the Tau Lekoa mine was processed with Buffels surface material and third party tolling material through the Nicolor Gold Plant. Following the acquisition of Kopanang mine and West Gold Plant, ore from Kopanang and Tau Lekoa is processed through the West Gold Plant. The Nicolor Gold Plant is now dedicated to processing surface sources and third party material under tolling agreements. Ore from the future Weltevreden will be treated through the West Gold Plant.

In terms of this review, SRK visited the HSG processing facilities listed in Table 4.28 on 21 and 22 August 2018.

**Table 4.28: HSG Gold Processing Facilities**

Plant	Feed	Product	Name Plate Capacity (ktpm)
Nicolor	Surface Material + Third Party Toll Material	Doré	180
West Gold	U/G Ore	Cathode Slime	180 (milling) 220 (treatment)

This section of the report addresses the metallurgical and mineral processing aspects relating to plant capacity, metallurgical performance and process Opex of the West Gold Plant.

**4.9.1 Ore Sources**

[SR5.3(i) (ii) (iv) (v)]

Following the 2017 acquisition of Kopanang and the West Gold Plant, reef material from both Tau Lekoa and Kopanang is currently being treated at the West Gold Plant facility. During the remaining LoM, HSG plans to also treat ore from Weltevreden and Goedgenoeg in the West Gold Plant.

#### 4.9.2 Mineral Processing Facility

[SR5.3(iii)]

West Gold Plant was commissioned in 1995 after demolition of the old plant. The new revamped plant had a rated milling capacity of 180 ktpm of reef and CIL capacity of 220 ktpm. Current plant capacity is estimated at 160 ktpm. It was reported that in order to achieve the rated milling capacity of 180 ktpm, it will be necessary to recommission the secondary ball mill which is not currently in operation.

The circuit includes the following production machinery/equipment and unit processes:

- Ore receipt;
- RoM crushing, screening and milling;
- Thickening;
- Cyanide pre-leaching in mechanically agitated tanks;
- CIL adsorption;
- ZADRA elution and electrowinning;
- Carbon acid wash;
- Carbon regeneration;
- Smelting of electrowinning cathode sludge in the Nicolor Smelt house; and
- Tailings storage.

Tailings are transferred to AGA's MWS plant for further processing and ultimate storage on their Mega Dam.

The schematic flow diagram of the West Gold Plant is shown in Figure 4.30.

#### 4.9.3 Gold Allocation

In principle, produced gold is allocated to the respective feed sources in proportion to the measured gold received from each ore source, after allowing for leach efficiency and downstream processing gains or losses.

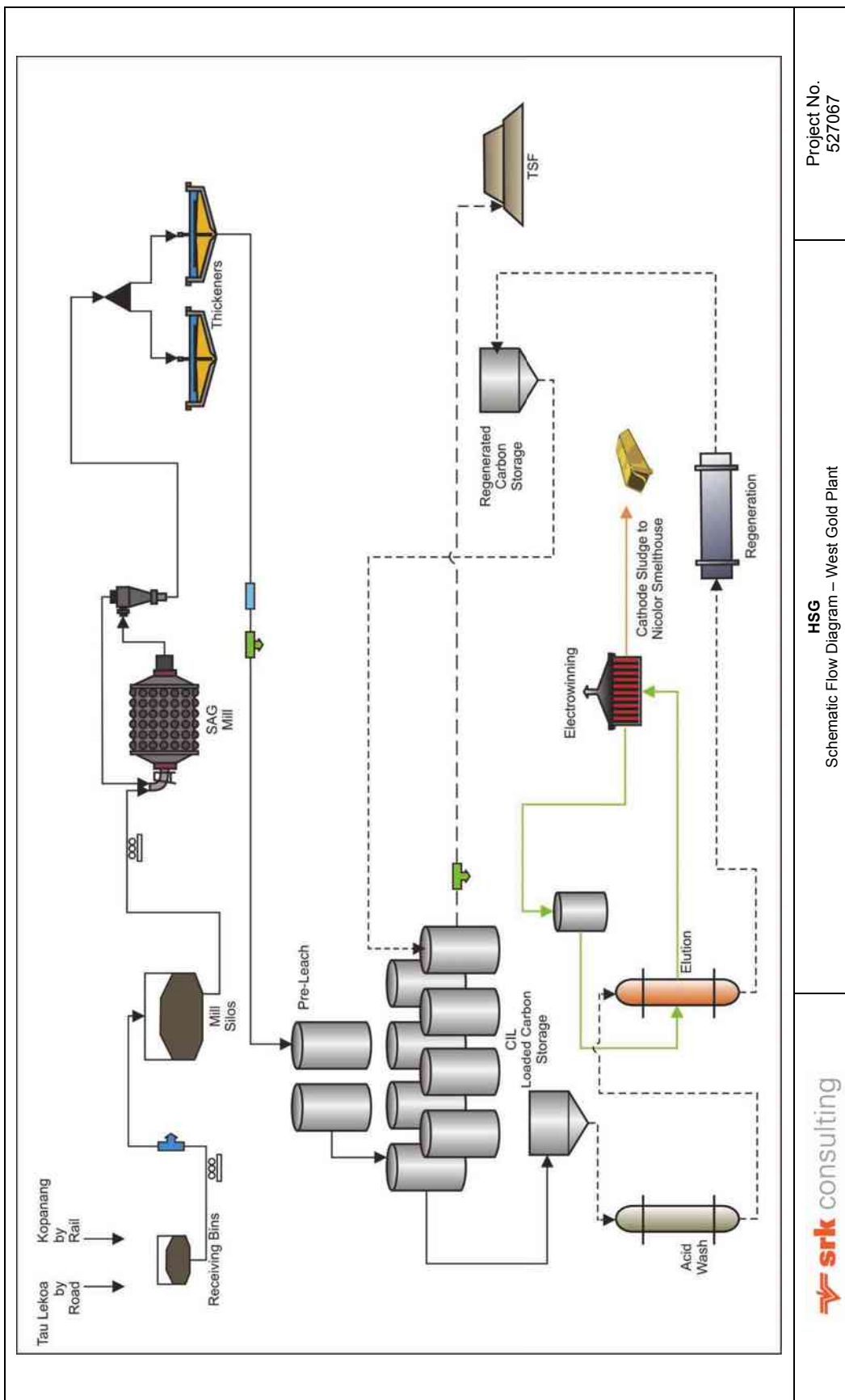
- Delivered tonnage is generally determined on the basis of weighbridge or on-track-rail measurements corrected for moisture content;
- Delivered gold grade is generally determined on the basis of fire assay of samples taken by cross belt hammer samplers or "Go-Belt" samplers;
- Leach efficiency is determined by bottle roll leaching of weekly composite samples of each feed ore; and
- Actual gold production is determined by gold bar masses and bullion assays.

An important assumption in this approach is that there are no conditional biases in the measurement of received gold from the various sources. In this regard it is informative to note that SRK investigated metal accounting discrepancies pertaining to Kopanang and Tau Lekoa approximately 20 years ago for a previous owner.

Without addressing all of the issues, it was concluded that reef geology and mineralogy contributed significantly to the measurement difficulties.

Furthermore, the practice of allocating gold in proportion to the measured gold received from each feed source, would accordingly favour Kopanang at the expense of Tau Lekoa.

It is understood that similar accounting discrepancies are presently being experienced at West Gold Plant. Further investigation is likely recommended.



**Figure 4.30: Schematic Flow Diagram – West Gold Plant**

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**Report Date: 8 November 2019**

Effective Date: 30 June 2019

#### 4.9.4 Metallurgical Performance

[SR5.3(iv)]

The plant utilisation for the West Gold Plant for 2016 to 2018 is set out in Table 4.29. The plant was operated by AGA during 2016 and 2017, with no production during January and February 2018. The total values for 2018 in Table 4.29 represents the ten months of production when operated by HSG.

**Table 4.29: West Gold Plant Utilisation Rate**

Item	Units	2016	2017	2018 (10 months)	H1-2018	H1-2019
Gold ore processed	(ktpa)	1 521	1 347	1 199	436	690
Current capacity	(ktpa)	1 920	1 920	1 600 <sup>1</sup>	640	960
Utilisation rate	(%)	79%	70%	62% <sup>2</sup>	68% <sup>3</sup>	72%

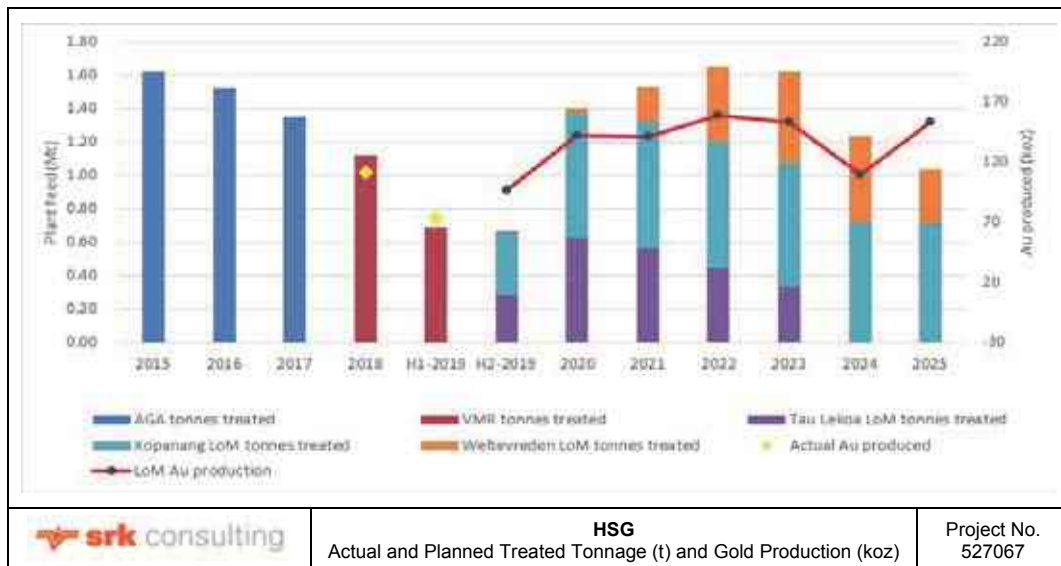
Notes:

<sup>1</sup> Only includes the capacity for the ten months ended December 31, 2018, as West Gold Plant was not in operating status in January and February 2018.

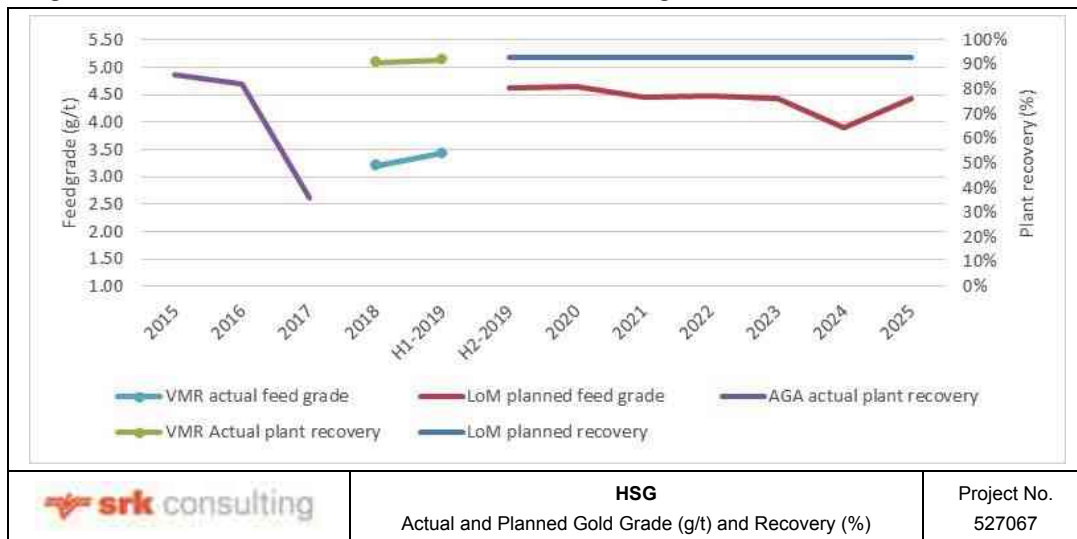
<sup>2</sup> Only includes the utilisation rate for the ten months ended December 31, 2018, as West Gold Plant was not in operating status in January and February 2018.

<sup>3</sup> Represents results for March to June 2018 only. West Gold Plant did not operate for January and February 2018.

The metallurgical performance of the West Gold Plant is presented in Figure 4.31 and Figure 4.32.



**Figure 4.31: West Plant – Actual and Planned Treated Tonnage and Gold Production**



**Figure 4.32: West Gold – Actual and Planned Gold Grade and Recovery**

Planned throughput is seen to be highly variable but generally below rated milling capacity of 2 160 ktpa once the secondary ball mill is recommissioned.

Planned gold production is seen to be highly variable in line with the variable feed tonnage. The planned LoM plant recovery is in line with what HSG has achieved during the latter half of 2018 and is seen as reasonable. The planned gold feed grades are higher than what was achieved during 2018 but are based on the geological models and mine schedule, and as such are accepted as reasonable.

#### 4.9.5 Plant Capital and Operating Costs

[18.03(3)] [SR4.3(vii), SR5.6(iii)]

There are no material capital projects planned at the West Gold Plant.

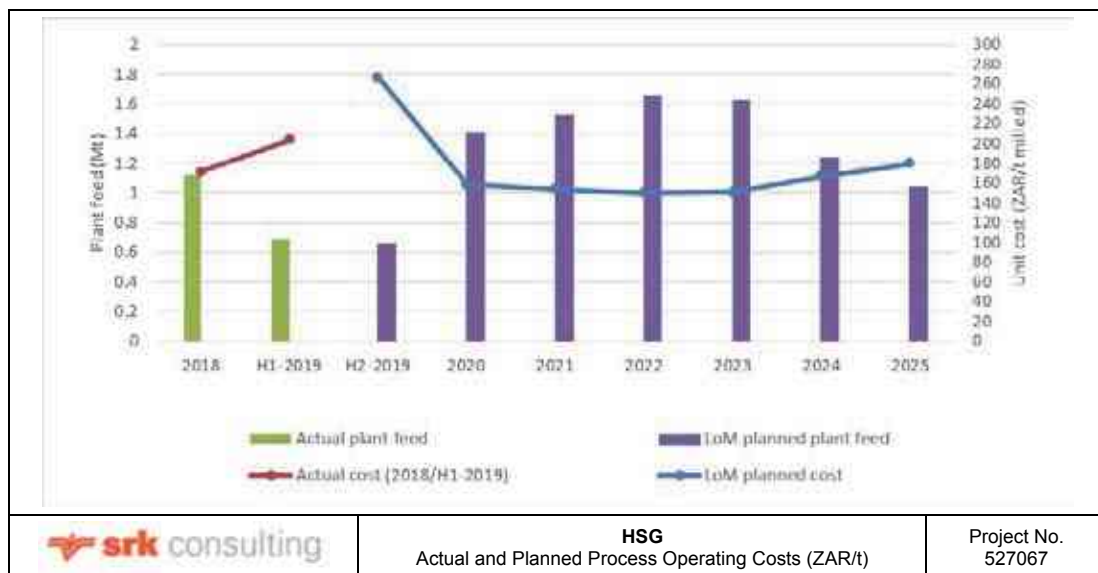
The LoM Plan allows for sustaining Capex at 7.5% of Opex. This equates to approximately ZAR17.6 million per year, which is considered to be reasonable.

A breakdown of West Gold Plant process Opex incurred from April to July 2018 is shown in Table 4.30.

**Table 4.30: West Gold Plant Operating Cost Breakdown - 2018**

Cost Element	Percentage Contribution
Payroll	28.0%
All Stores	28.8%
Process Consumables	0.0%
Maintenance Consumables	0.0%
Water	0.2%
Power	28.3%
Other	14.7%
<b>Total</b>	<b>100.0%</b>

Actual and planned unit Opex for the West Gold Plant are shown in Figure 4.33.



**Figure 4.33: West Gold Plant Unit Operating Costs**

Projected unit Opex is seen to be in line with actual Opex achieved in 2018 and H1-2019. The unit cost in H2-2019 is a result of lower tonnages. It should be noted that projected costs are expressed in real terms and vary with planned feed tonnage.

#### 4.9.6 Risks and Opportunities

[18.05(5)] [SR5.7(i)]



The reader is referred to the discussion in Section 7.

#### 4.9.7 SRK Comments

The current West Gold Plant capacity is estimated at 160 ktpm. It was reported that in order to achieve the rated milling capacity of 180 ktpm, it will be necessary to recommission the secondary ball mill which is not currently in operation.

Planned throughput is seen to be highly variable but generally below rated milling capacity of 2 160 ktpa once the secondary ball mill is recommissioned.

Planned gold production is seen to be highly variable in line with the variable feed tonnage.

Investigations undertaken by SRK a number of years ago, concluded that the practice of allocating gold in proportion to the measured gold received from each feed source, would favour Kopanang at the expense of Tau Lekoa. It is understood that similar accounting discrepancies are presently being experienced at West Gold Plant. Further investigation is accordingly recommended.

There are no capital projects planned at the West Gold Plant. The LoM Plan allows for sustaining Capex at 7.5% of Opex. This equates to approximately ZAR16 million per year, which is considered to be reasonable.

#### 4.10 Tailings Storage Facilities

[SR1.1(ii), SR5.4(ii)]

The SPV Services Agreement makes provision for tailings produced at the West Gold Plant (comprising ore received from Kopanang and Tau Lekoa mines, and future reef projects) to be deposited at AGA's West Complex and West Extension TSFs. The terms and conditions of the SPV Services Agreement are assessed as part of the material contracts discussed in Section 6.13.

The ownership of and risk in the tailings sent to the TSFs pass automatically to AGA once the tailings have been deposited on the TSFs. SRK thus assumes that all operations, adherence to Codes of Practice (CoPs), regular audit/monitoring reports, rehabilitation, etc of the TSFs and associated return water dams (RWDs) is AGA's sole responsibility and liability.

The term of the SPV Services Agreement is ten years, which exceeds HSG's current seven-year LoM plan. The risk that AGA would no longer be able to receive tailings from West Plant is therefore low.

In terms of the SPV Services Agreement, HSG would pay a fixed price of ZAR9.00/t of tailings disposed on AGA's TSFs.

##### 4.10.1 Risks and Opportunities

[18.05(5)] [SR5.7(i)]

SRK has identified two risks associated with the tailings disposal agreement:

- AGA has the sole right to determine when the TSF has reached "full capacity" (per clause 11.1.4.4 of the SPV Services Agreement); and
- AGA has the right to refuse tailings from the West Plant where the tailings are derived from ores other than Kopanang, Tau Lekoa or other reef projects.

With HSG's seven-year LoM, the risk that AGA would no longer be able to receive tailings from West Plant is low.

#### 4.11 Infrastructure and Engineering

[SR4.3(ii), SR5.4(i) (ii)]

##### 4.11.1 Engineering Infrastructure

Engineering infrastructure at Kopanang includes a wide range of operating technologies. The mine is located in a well-resourced mining centre with established infrastructure and the capital projects are generally of a replacement tonnage nature.

Underground mining infrastructure comprise access infrastructure to convey personnel, materials and equipment to and from the working areas and associated services to support mining operations. Surface access infrastructure is by means of a vertical shaft. Emergency egress is via Great Noligwa mine on 70 Level and Moab Khotsoeng mine, if Great Noligwa is unavailable. Horizontal access infrastructure includes haulages,



and cross-cuts. Associated underground infrastructure includes ore passes, conveyor belts, crushing stations, ore bins, shaft loading station, water dams, pump stations, secondary ventilation plants, workshops, and power and water reticulation systems.

Associated surface infrastructure includes primary ventilation fans, refrigeration plant, office blocks and training centres, workshops and stores, lamp room, and change house. At Kopanang, there are also a number of service and supply centres. These include a compressed air supply station, and major workshops for repair of major plant and equipment.

Surface installations include RoM stockpiling facilities, waste dumps, consumable storage facilities, power supply and reticulation with emergency generating systems, water supply and storage, workshops, mine offices and auxiliary infrastructure buildings.

Ore processing for Kopanang ore is carried out at the West Gold Plant and is transported there by trucks.

Kopanang will be required to produce a maximum of 762 ktpa in 2021, (average 63.5 ktpm) in terms of the 2018 LoM plan. This compares with a 260 ktpm rock hoisting limit capacity.

Notwithstanding the age of the general infrastructure, SRK considers that all surface and underground infrastructure is reasonably maintained and equipped. In conjunction with planned maintenance programmes, including specific remedial action and expenditure of projected ongoing sustaining capital allowances, the current infrastructure is considered by SRK to be adequate to satisfy the requirements of the LoM.

#### 4.11.2 Kopanang Electrical Infrastructure

[SR1.1(ii), SR4.3(iii), SR5.4(ii)]

Kopanang's main incoming substation is equipped with six 20 MVA 132/6.6 kV transformers. These transformers supply the main 6.6 kV switchgear from where medium voltage is distributed to different areas around the mine site as required. Power factor correction has been installed at the main incoming 6.6 kV substation to limit the amount of reactive energy, which can result in high power costs. The shaft and underground supply is on a ring feed system, allowing for redundancy.

Kopanang is also connected to the emergency ring network supplied by the emergency generators located at Moab Khotsonk and the old VR No. 1 Shaft, previously owned by AGA. The agreement has since been amended in the transitional services agreement during the time of sale, and the agreement is now with Harmony, who owns the generators.

The electricity bills for the past three months (April, May and June 2018) were reviewed and the following can be noted:

- The electricity supply contract has been amended and the agreement is now between Eskom and Kopanang Mining Company, which is owned by HSG;
- The agreed Notified Maximum Demand (NMD) has since been reduced from 60 MVA to 54.3 MVA, effective May 2018, resulting in some savings in fixed costs; and
- The agreed NMD of 54.3 MVA was never exceeded, with average power consumption of 42 MVA for the months reviewed.

Some of the energy efficiency measures applied at both Kopanang and Tau Lekoa are:

- Pumping outside of peak periods;
- Controlling of ventilation fans inlet guide vanes to regulate amount of air, thus reducing power consumed by the fans;
- Hoisting during off peak periods; and
- Scheduling most of the energy consumed during the off peak and the standard energy charge periods, which also reduces energy costs.

The installed bulk power supply infrastructure and the agreed NMD both have enough capacity to support the current LoM.

#### 4.11.3 West Gold Plant Electrical Infrastructure

The West Gold Plant has a Notified Maximum Demand of 5.2 MW with Eskom. Electrical reticulation around the plant is 6.6 kV, with local transformers installed in different locations to drop the voltage down from 6.6 kV

to 525 V and from 525 V to 400 V as required. Allowance has been made for a 200 kVA emergency generator, to supply critical equipment such as thickener and Telkom lines during Eskom power failures.

Access to the West Gold plant is at the main security entrance, whereby a Skycom card system is used by both employees and visitors to access the plant. The Skycom access system also allows for time and attendance. The plant is controlled by a SIMATIC WinCC SCADA system, running on a Profibus network. UPS has been allowed as backup in the event of Eskom power failures. The voice communications allow for VoIP, Telkom lines and radio communications between operators and control room. The access control, communications and control strategy for the West Gold Plant is capable to supply the operational requirements of the plant.

#### 4.11.4 Access Control, Communications and Control Strategy

Access control, communications and control systems at Kopanang are similar to those at Tau Lekoa. Voice communications network include both fixed and mobile telephones. Data and internet communications are both available at the mine, for e-mail and other forms of data communications. Access control is by Human Resources Pell Solutions on top of the Xtime system, which also allows for time and attendance recording.

The Proximity Detection System (PDS) has been allowed for on locomotive to locomotive. No personnel tagging and tracking has been installed at the mine. Underground communications allows for both fibre and copper network backbones, whereby fibre is mainly used for control purposes (SCADA) and copper for voice communications. UPS and generators have been allowed for in the communications infrastructure for continuous communications between surface and underground in the event of normal power failure. Underground traffic is controlled by a robot system, for a safe and smooth flow of traffic. Cameras have been installed at strategic positions around the mines, for monitoring and security purposes.

Kopanang allows for a centralised blasting system, whereby blasting is carried out remotely from the mine's surface control room.

The access control, communications and control infrastructure at Kopanang are well designed to supply the requirements of the LoM.

#### 4.11.5 Kopanang Surface Mechanical Infrastructure

Figure 4.34 shows the general surface layout of the mine and Figure 4.35 indicates the major production infrastructure.



Figure 4.34: Kopanang area surface layout

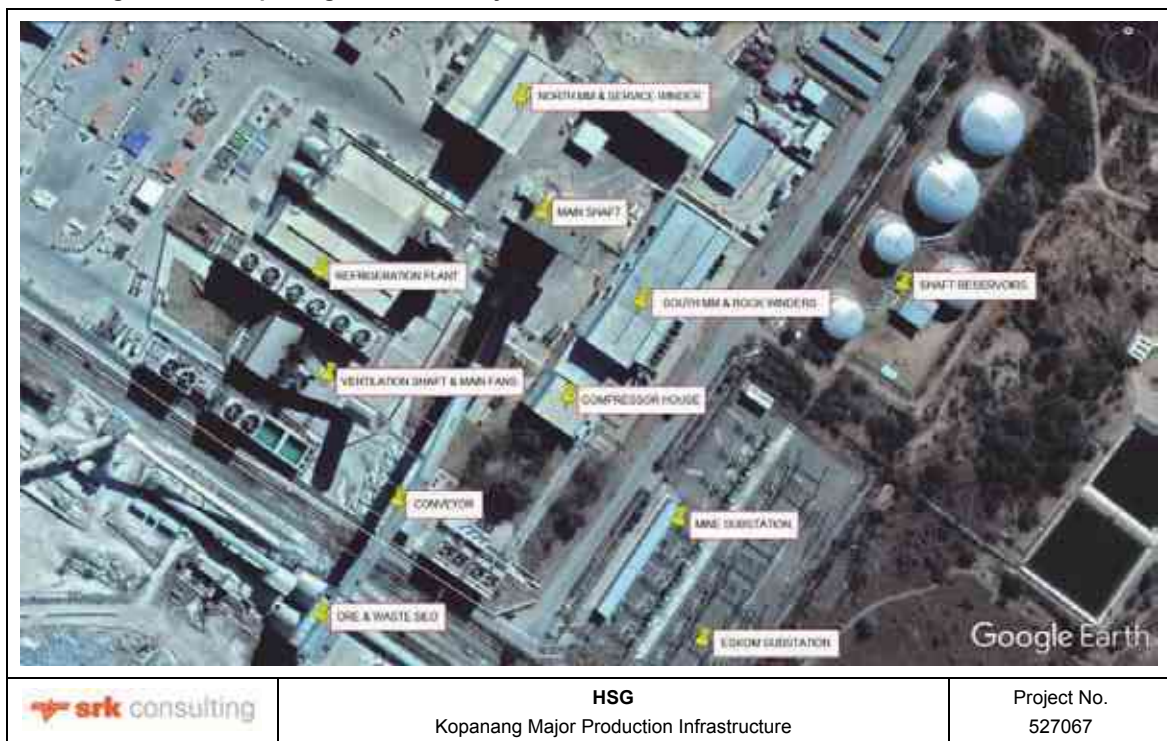


Figure 4.35: Kopanang Major Production Infrastructure

#### 4.11.6 West Gold Plant Surface Mechanical Infrastructure

Figure 4.36 shows the infrastructure layout of the West Gold Plant.



Figure 4.36: General infrastructure layout of the West Gold Plant



#### 4.11.7 Observations on Kopanang Surface Infrastructure

The mine surface areas were visited on 21 August 2018 and the following areas were visited:

- Winders, spare conveyances, attachments and sheaves;
- Headgear;
- Shaft bank;
- Control Room;
- Main fans;
- Refrigeration plant;
- Compressors (not operating, compressed air is supplied by means of the Vaal Reefs Ring Feed);
- Engineering workshops;
- Conveyors and silos;
- Administration area, including change hoses, crush and lamp room;
- Main substation;
- Security controls;
- Main stores and timber yard;
- Diesel generators; and
- Water supply.

The surface infrastructure was found to be in good operating condition and more than adequate to support the LoM Plan.

#### 4.11.8 Observations on Kopanang Underground Infrastructure

An underground visit was conducted on 22 August and the following areas were inspected:

- Main pump stations and settlers, including 38 Level pump and turbine system, 73 Level settlers, 74 Level mud press and 75 Level pumps;
- Shaft loading system on 75 Level;
- Shaft substations on 38 Level and 44 Level;
- Main tramming level and tips on 70 Level;
- Locomotives and rolling stock on 44 Level and 70 Level, including the high speed trains; and
- Crushers and conveyors on 74 Level and conveyors on 75 Level.

The underground infrastructure was found to be in good operating condition and more than adequate to support the LoM Plan.

##### Kopanang Main Shaft

A structural condition assessment of the Kopanang main shaft was carried out by Croeser Structural Engineering in June 2016, which reported that the shaft was "in good condition and nothing was observed which is an immediate threat to continued safe operation. It is confirmed the shaft can be classified as "Benign". The report recommended a re-assessment within 3 years.

Figure 4.37 shows a longitudinal section of the levels at the Kopanang Shafts and Figure 4.38 shows a cross section of the main shaft which is 10.6 m in diameter.

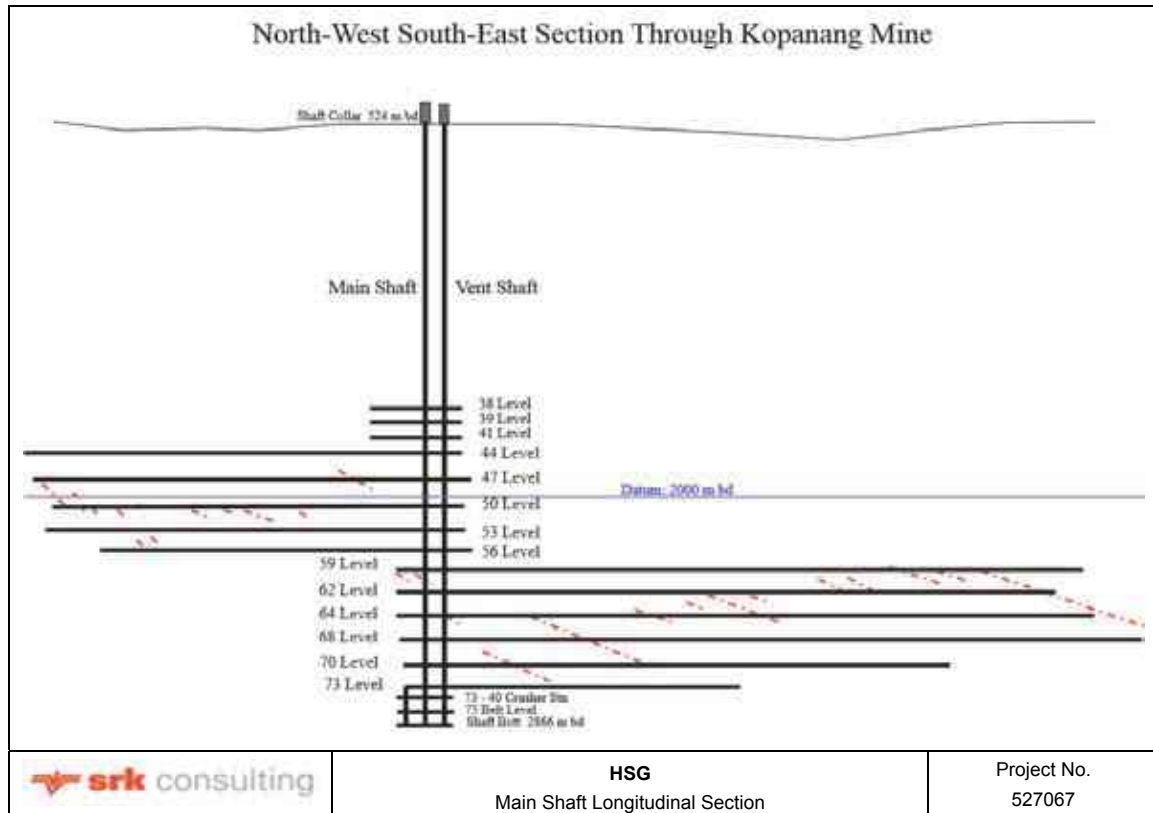


Figure 4.37: Kopanang Shafts Longitudinal Section

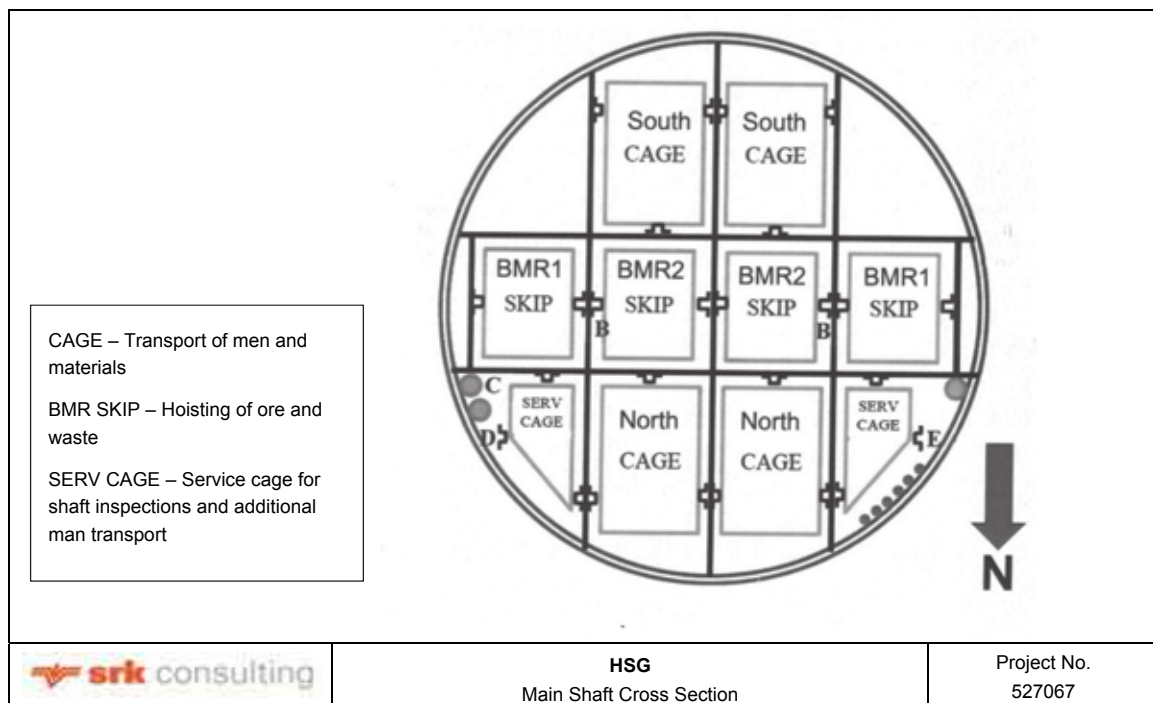


Figure 4.38: Kopanang Main Shaft Cross Section

#### 4.11.9 Transitional Services Agreement

Kopanang was recently purchased by HSG from AGA, who had also previously owned Great Noligwa and Moab Khotson. Currently, Moab Khotson and Great Noligwa are owned by Harmony. Historically, AGA maintained an extensive network of services for its mines in the area, many of them cutting across individual mine boundaries. As a result of the abovementioned acquisitions, it was necessary to establish a comprehensive services agreement.

A Transitional Services Agreement was entered into by AGA, Harmony and VMR Special Purpose Vehicle (SPV) in 2018 to define and regulate the provision of these services, which encompass:

- Access to core yard;
- Collection of domestic waste;
- Primary compressed air supply (main supply);
- Secondary compressed air supply (backup supply);
- Supply of potable water to Kopanang from the AEL Reservoirs;
- Supply of emergency power;
- Interdependence in respect of underground ventilation and escape routes and the preparation of a "Second Escape Agreement";
- Strategic spares store; and
- Access to road.

This agreement is for an initial period of three years, renewable for successive six-month periods.

#### 4.11.10 Kopanang Engineering Maintenance Planning

[SR5.4(ii) (ii) (iii)]

Engineering planning and maintenance is controlled by means of the Asset Maintenance and Management module of the Delta ERP system, by DataSaint. This has recently been installed and is in process of implementation.

#### 4.11.11 West Gold Plant Engineering Maintenance Planning

[SR5.4(ii) (ii) (iii)]

It is understood that engineering planning and maintenance is controlled by means of the Asset Maintenance and Management module of the Delta ERP system, by DataSaint.

#### 4.11.12 Kopanang Capital and Operating Costs

[18.03(3), 18.06] [SR4.3(vii), SR5.6(iii)]

##### Capital costs

The ORD Capex is determined by a rate of ZAR35 000/m, opening-up is based on labour and stores costs. Undefined projects is a calculation of a percentage of total operating costs, less ORD costs.

The capital cash flow is shown in Table 4.31.

**Table 4.31: Kopanang Capital Cash Flow**

Item	Units	LoM	H2-2019	2020	2021	2022	2023	2024	2025
Undefined Projects	(ZARm)	420	21	85	134	109	23	23	26
Development capital (ORD)	(ZARm)	547	59	118	62	82	120	86	20
<b>Total Capital</b>	<b>(ZARm)</b>	<b>966</b>	<b>80</b>	<b>202</b>	<b>196</b>	<b>190</b>	<b>143</b>	<b>109</b>	<b>47</b>

There are no capital projects planned for Kopanang and capital expenditure is restricted to sustaining capital and ORD appropriate for the remaining period of the current life-of-mine plan.

##### Engineering, Shaft and Services Operating Costs

Production engineering Opex is calculated as 20% fixed costs and 80% variable costs as a proportion of the historical average of ZAR3.9 million per month, with adjustments for development and production in the variable cost.

Shaft and Services Opex is calculated as 70% fixed costs as a proportion of the historical average of ZAR1.28 million per month costs, and 30% variable costs of the production engineering historical average of ZAR3.9 million per month, adjusted by a ratio of the actual tonnes milled and the historic average tonnes milled.

These calculations and adjustments are adequate predictions for the engineering, shaft and services Opex. Engineering and shaft services costs average ZAR138/t milled over the LoM.

Electricity costs average ZAR299/t milled, and water costs average ZAR15/t milled.

The unit operating cost is a reflection of the extent of infrastructure that has to be operated and maintained and the relative low tonnage in the LoM Plan.

#### 4.11.13 Risks and Opportunities

[18.05(5)] [SR5.7(i)]

No material infrastructure and engineering risks were identified.

Opportunities for improvement in infrastructure and engineering are limited, primarily because the LoM plan requires scattered mining to continue on all existing levels, targeting IBGs, which should be supported in the same way as the levels were supported when mining was at its peak. Kopanang is already optimising the services costs to align with the mining requirements.

#### 4.11.14 SRK Comments

The infrastructure and engineering services are adequate to support the 2018 LoM Plan.

The agreed NMD and installed capacity is enough to supply the power requirements of the current LoM. Access control, communications and control strategy employed at the mine has been well designed for the requirements of the LoM.

### 4.12 Logistics

[SR5.4(iii)]

The operating assets are mature, and contracts and systems are in place to ensure logistical integrity.

#### 4.12.1 Risks and Opportunities

[18.05(5)] [SR5.7(i)]

No material risks have been identified with regard to logistics.

### 4.13 Human Resources

[SR1.1(ii), SR5.2(ii), SR5.3(iii)]

This chapter presents the employee related matters reviewed for the CPR process. SRK reviewed the HR function to identify material risk factors that may impact the LoM plan. The HR function was also reviewed for compliance with legislation that governs employee related matters at the assets targeted in the transaction. The following acts and regulations were reviewed:

- The Basic Conditions of Employment Act of 1998 and the subsequent amendments;
- The Labour Relations Act of 1995 (**LRA**) and associated amendments; and
- The Employment Equity Act of 1998 (**EEA**) and promulgated amendments.

Compliance to the company's internal policies and procedures were reviewed.

Kopanang mine and West Plant statistics were included as from March 2018 into the HSG monthly management reporting.

#### 4.13.1 Trade union membership

There are five Trade Unions at the HSG operations. The unions are:

- The National Union of Mineworkers (**NUM**);
- The Association of Mineworkers and Construction Union (**AMCU**);
- United Association of South Africa (**UASA**);
- National Union of Metal Workers of South Africa (**NUMSA**); and

- Solidarity.

Trade Union membership is provided in Table 4.32.

The dominant Trade Union is the NUM. AMCU is found at both Kopanang and Tau Lekoa mines. NUMSA only has a presence at Tau Lekoa.

**Table 4.32: Trade Union Membership at the HSG operations as at 30 June 2019**

Operation	AMCU	NUM	NUMSA	Solidarity	UASA	No Union	Total Union Members
Assay	0%	87%	0%	0%	5%	8%	39
Buffels	0%	63%	0%	0%	11%	26%	19
Kopanang	36%	58%	0%	3%	2%	1%	3 029
Nicolor	0%	89%	0%	3%	5%	4%	228
Tau Lekoa	17%	66%	9%	2%	3%	2%	2 831
West Gold Plant	2%	85%	0%	6%	3%	4%	144
<b>Grand total</b>	<b>1 600</b>	<b>3 980</b>	<b>262</b>	<b>157</b>	<b>161</b>	<b>130</b>	<b>6 290</b>

#### 4.13.2 Potential for union rivalry

Although Union rivalry has been observed elsewhere in the South African mining industry, SRK does not regard this as a significant risk factor to the operations as industrial relations are well managed at the Company.

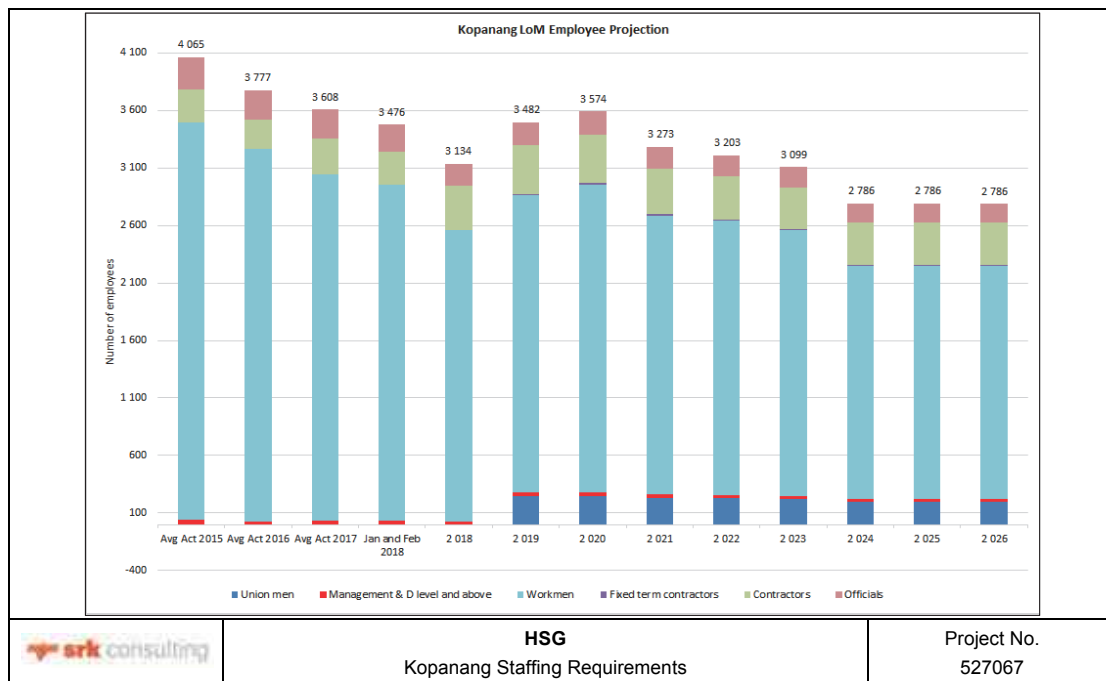
#### 4.13.3 Labour absenteeism and unavailability

The labour non-availability and absenteeism at Kopanang from November 2018 to June 2019 has averaged 16% for the period. The significant contribution was from leave taken and absence due to sickness.

SRK believes absenteeism will not impact the achievability of the LoM plan materially.

#### 4.13.4 Staffing requirements

The Kopanang staffing requirements are provided in Figure 4.39. There was a reduction in the staff count at the operation from 2015 to 2017. Kopanang was owned by AGA for January and February 2018 and the numbers for these months reflects the AGA operational personnel requirement. The LoM projections are correlated with the HSG production profiles planned for the operation.



**Figure 4.39: Kopanang staff requirements and statistics**



#### 4.13.5 HIV and AIDS management

The HIV and AIDS prevalence rate has averaged 13% for Kopanang and West Plant in 2018. As at June 2019 there were 661 confirmed cases of HIV at the mine.

All staff at Nicolor plant are on medical schemes, meaning that their HIV status is not known to any company in the HSC Group. Staff employed at BGM, the HSC Shared Services Office, LPM or the Head Office in Johannesburg are not included in the above figures

HSC only provides Anti-Retroviral Therapy (**ART**) ART treatment to staff who depend on its medical services. The HIV status of employees who obtain medical services off-site, like those who have private medical cover do not receive Anti-Retroviral (**ARV**) treatment at HSC. All permanent employees, including employees who depend on company-provided health services as well as those on medical schemes are provided with ARVs.

As at 2017 Stats SA released the mid-year HIV and AIDS estimates for South Africa as follows:

- The estimated overall HIV prevalence rate was approximately 12,6% among the South African population; and
- The total number of people living with HIV is estimated at approximately 7.06 million in 2017. For adults aged 15–49 years, an estimated 18.0% of the population is HIV positive.

Although the prevalence rate at Kopanang and West Plant is similar to the national average, the increase in the number of infections is a concern.

SRK however believes the HIV and AIDS pandemic does not present a material risk factor to the LoM plan and the operations of Kopanang mine.

#### 4.13.6 Employee wellness programme

HSC has commissioned Netcare to establish an employee Wellness Programme (**EWP**) to provide counselling and advisory services to employees.

#### 4.13.7 Employment equity compliance

The Kopanang operation exceeds the employment equity set target of 40% for the middle and senior management categories. There are also more women employed at the mine than planned for.

#### 4.13.8 Retention of key skills

The average staff turnover was less than 2% for all employee categories during 2018. The turnover for Kopanang is low and SRK considers that it does not present material risks to the LoM plan.

The strategies employed by HSG to retain key skills are as follows:

- Centralised bargaining to ensure alignment within industry players;
- Attractive bonus schemes have been put in place to incentivise and retain key people;
- HRD and succession planning is focussed on; and
- Professional and sound leadership practices.

#### 4.13.9 Risks and Opportunities

[18.05(5)] [SR5.7(i)]

Trade Union rivalry has the potential to impact the operations at Kopanang and West Plant but SRK believes the threat is not material as industrial relations are well managed at the operations. HIV incidence at Kopanang and West Plant is similar to the national average. HIV positive employees has increased by 30% for Kopanang over the period. VMR should embark upon HIV awareness programmes at the operations.

#### 4.13.10 SRK Comments

SRK believes industrial relations are well managed at the operations of Kopanang and West Plant.

Employee turnover is low at the operations.

#### 4.14 Occupational Health and Safety

[SR5.2(viii)]

This review of the Safety and Occupational Health “modifying factor” focused on key safety and health issues which may impact on the LoM production/profits.

As a deep mine (depth in excess of 1 000 m), Kopanang faces additional safety and health challenges when compared to shallower mines. Due to the nature of underground operations, exposure exists for possible harm to employees and contractors. The prime responsibility for health and safety rests with the management.

#### 4.14.1 Safety

The status of safety at Kopanang is summarised in Table 4.33.

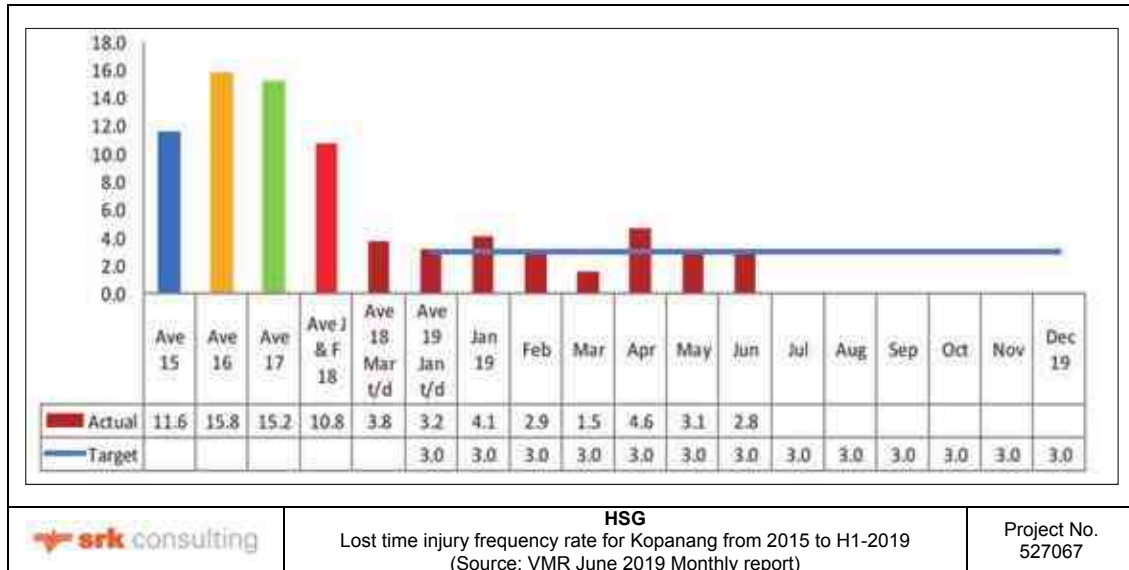
**Table 4.33: Summary of safety aspects at Kopanang**

Aspect	Requirements	Status
Successes to date		Combined safety statistics for the previous VRO (which include Kopanang) show significant decrease in fatalities and injuries from 2002 to 2016. The average Lost time injury frequency rate (LTIFR) has decreased from 15.5 in 2016 to 5.0 in 2018 YTD, a 68% improvement.
Regulatory requirements	Legal compliance necessary for managing risk, developing trust with government and other stakeholders Mine Manager is responsible for observance and enforcement of all safety and health regulations. Non-compliance can result in Section 54 temporary closure, penalties or loss of licence.	Fully compliant.
Legal appointments	In terms of the MHSA	All legal appointment are in place
Health and Safety Policy	MHSA Section 8(1)(a-d) Every manager must prepare a document that describes the organization of work, establishes a policy concerning the protection of employees' health and safety at work, establishes a policy concerning the protection of persons who are not employees but who are directly affected by mining activities and outline the arrangements for carrying out and reviewing policies. Management's commitment towards zero harm.	A signed policy is in place
Health and Safety Committee	MHSA Section 8(2) and 8(3)(b) The manager must consult with the health and safety committee on the preparation or revision of the document and policies referred to in Section 8(1), prominently and conspicuously display a copy of the document referred to in Section 8(1) for employees to read. Each health and safety representative has to be supplied with a copy of the document	The mine has the required health and safety committee in place
Risk management, risk identification and controls	MHSA Section 11(1-4) The employer must be able to prove risk reduction and risk control. The risk management standard should determine how risks are identified and managed	Baseline risk assessments have been compiled. From the baseline risk assessments, risk registers are created whereby risks are listed in order of severity. Additional controls: • OSHAS 18001 safety and health audits (external); and • ISO 14001 environmental audits (external).
Mandatory Codes of Practice	MHSA Section 9(1-6)(7a and b) A manager must prepare and implement a code of practice on any matter affecting the health and safety of employees and other persons who may be directly affected by activities at the mine if the Chief Inspector requires it. Required CoPs: The prevention of mine fires; Emergency preparedness and response; Occupational health program on personal exposure to airborne pollutants; Thermal stress; Fatigue Management; Noise exposure; Medical incapacitation to work; Combat rock falls in underground mines; Right to refuse unsafe work; Minimum standard for fitness to perform work at a mine; Women in mining PPE; Trackless mobile machinery; Safe use of conveyor belt installations; Safe operation of draw and tipping points; Isolation, lockout and clearance to work; and Mine residue deposits	The required mandatory CoPs are in place.
Safety training	MHSA Section 10(1-3) An employer must provide employees with any information, instruction, training or supervision that is necessary to enable them to perform their work safely and without risk to health.	A comprehensive training procedure is in place for all new appointments. Refresher training is provided annually

**Safety Performance to Date**

The reporting of serious injuries to the DMR via SAMRAS is accurate.

Kopanang was part of the AGA VRO until February 2018. A summary of the lost time injury frequency rate per million man hours (LTIFR) for Kopanang is reflected in Figure 4.40.



**Figure 4.40: Lost time injury frequency rate for Kopanang from 2015 to H1-2019**

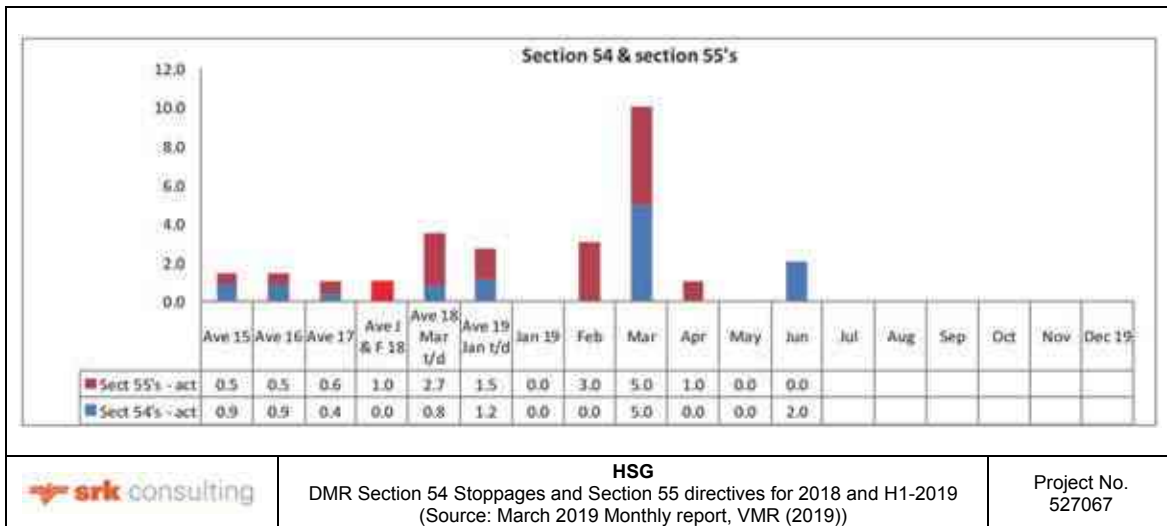
**SRK Comments**

The mine continues in the quest to reduce employee injuries. The average LTIFR has decreased from 15.8 in 2016 to 3.8 in 2018 and 2.8 in H1-2019, a significant improvement.

**DMR Safety Stoppages**

Section 54 stoppages are implemented where harm to employees has occurred. A Section 55 is a directive from the DMR to address an issue, without stopping production.

Figure 4.41 shows the DMR Section 54 stoppages and Section 55 directives for 2018 and H1-2019, in comparison to prior years.



**Figure 4.41: Kopanang DMR Section 54 stoppages and Section 55 directives for 2018 and H1-2019**

**SRK Comments**

- The incidence of section 54 stoppages issued by the DMR has been much higher in 2018 than prior years. This partly reflects the DMR clamping down on an increase in accidents and fatalities throughout the gold mining industry in 2018;
- Major Incident review during the past two years - There have been no major incidents reported during the past two years; and
- There have been no fines imposed by the DMR to date.

**4.14.2 Occupational Hygiene/Health**

Occupational health is aimed at the protection and promotion of the health of workers by preventing and controlling occupational diseases and accidents by eliminating conditions hazardous to health at work. The aim is to minimize all occupational hygiene exposures to below OELs as contemplated in all mandatory CoPs and Regulation 9.2 of the MHSA.

The working environment for the underground mines is similar for all deep level gold operations and the identified occupational health risks are also similar. Identified occupational health risks include: silicosis, occupational TB, noise induced hearing loss (NIHL), barotrauma (ear discomfort due to pressure changes), radiation and heat related illnesses.

Identified occupational health risks for Kopanang are shown in Table 4.34.

Kopanang has the required occupational health control systems in place (Table 4.35).

**Table 4.34: Identified occupational health risks**

Source	Health hazard	OEL	Risk
Noise	>85 dB	85 dB	NIHL Compensation claims
Respirable Dust	Respirable dust particles $\leq 10 \mu\text{m}$	3.0 mg/m <sup>3</sup>	Upper respiratory diseases Chronic Bronchitis
Dust	Silicon Dioxide (SiO <sub>2</sub> ) in rock $\geq 18\%$	0.10 mg/m <sup>3</sup>	Silicosis Compensation claims
Diesel exhaust emissions in enclosed areas	Gases		
	Carbon Monoxide	30 ppm	Poisonous
	Nitrogen Oxide	25 ppm	Poisonous
	Nitrogen Dioxide	3 ppm	Poisonous
	Particulate Matter		
	Diesel Particulate Matter (DPM)	DMR milestone for 2018: 0.16 mg/m <sup>3</sup>	Carcinogenic (Cancer) Compensation claims
Thermal	Heat	DB $\geq 37.0^\circ\text{C}$ WB $\geq 27.5^\circ\text{C}$	Potentially conductive to heat disorders
Thermal	Cold	ECT $\leq 5.0^\circ\text{C}$	Severe cold. Potential risk
Welding	Metal fumes	5.0 mg/m <sup>3</sup>	Lung diseases Kidney damage
Radiation (Troxler gauge) Rock strata	Radiation	50 millisievert (mSv) per annum	Cancers associated with Radiation
UV radiation (environment)	Sun burn	-	Skin disorders
Power tools and TMM vehicles	Vibration	-	Musculoskeletal disorders and neurological effects
TMM vehicles	Ergonomics	-	Discomfort, fatigue and musculoskeletal disorders

Note:

Respirable dust: Dust particles less than 10  $\mu\text{m}$  in size which can penetrate into the lung.

**Occupational Health Performance to Date****Silica Dust exposure**

The silica dust measurement results are shown in Figure 4.42.

The OEL for silica dust is 0.10 mg/m<sup>3</sup>. However, the DMR has set a new milestone target of 0.05 mg/m<sup>3</sup>. In terms of the 2018 measurement results, Kopanang is meeting the new milestone target.

**Dust Management Plan**

The current silicosis prevention programs include the following:

- Tipping points equipped with multi stage filtration systems and tip sprays;
- Footwall treatment spray cars deployed on all tramming levels;

- Entry examinations are followed by watering down;
- Regular washing down of station areas; and
- Extraction fans in specific areas

**Table 4.35: Summary of occupational hygiene/health aspects at Kopanang**

Aspect	Requirements	Status
Successes to date		The "All Occupational Diseases Frequency Rate" is decreasing year on year.
Pollution sources Drilling, blasting, loading, hauling and crushing  The quartzite in the reef contains silica in crystalline form.	MHSA Section 11(1) requires: Hazards to health to which employees may be exposed to be identified and recorded; The risks to health to be identified and assessed; Control measures are required to eliminate or control any recorded risks at the source; and In so far as the risk remains, the following is required: Where possible personal protective equipment to be provided; and A programme to monitor the risk to which employees may be exposed has to be instituted.	Employees continuously exposed to dust containing SiO <sub>2</sub> concentration in excess of 18% are at risk of contracting the lung disease silicosis.  The Occupational Hygiene Baseline Risk Assessment was compiled with recommended controls identified.
Irrespirable atmospheres	MHSA Section 16.2(2) If the risk assessment in terms of Section 11 shows that there is a significant risk that employees may be exposed to irrespirable atmospheres at any area of the mine, the employer must ensure that no person goes into such are without a body-worn self-contained self-rescuer which complies with the SABS 1737 specifications.	All the Kopanang underground employees are issued with approved self-contained self-rescuers.
Occupational hygiene measurements	MHSA Section 12(1-3) The manager must engage the part-time or full time services of a person qualified in occupational hygiene techniques to measure exposure of health hazards at the mine.	The mine has an appointed Occupational Hygienist.
Mandatory reports to the Regional Principal Inspector (DMR)	MHSA Section 9.2(7) The employer must annually submit to the regional principal inspector of mines the following reports on occupational measurement results: 21.9(2)(a) – Airborne pollutants personal exposure; 21.9(2)(b) – Heat stress exposure; 21.9(2)(c) – Cold stress exposure; and 21.9(2)(d) – Personal noise exposure.	The above reports are submitted to the principle inspector on a quarterly basis.
System of medical surveillance	MHSA Section 13(1-8) The manager must establish and maintain a system of medical surveillance of employees exposed to health hazards. A record of medical surveillance for each employee exposed to health hazards must be kept; The records are to be retained until the mine closes; The medical surveillance program should ensure that the baseline health of every employee entering the workforce is recorded, that their state of health is monitored throughout the duration of their employment. The program should diagnose early signs of ill health, which have to be treated and investigated; All diagnosed cases are thoroughly investigated to determine if the illnesses are worked related or inherited cases before the cases are certified; and Certified cases are referred to the certification board for possible compensation.	
Annual Medical report	MHSA Section 16(1)(2) Every occupational medical practitioner at a mine must compile an annual report covering employees at that mine, giving an analysis of the employees' health based on the employees' records of medical surveillance, without disclosing the names of the employees.	The 2016 and 2017 reports were compiled.

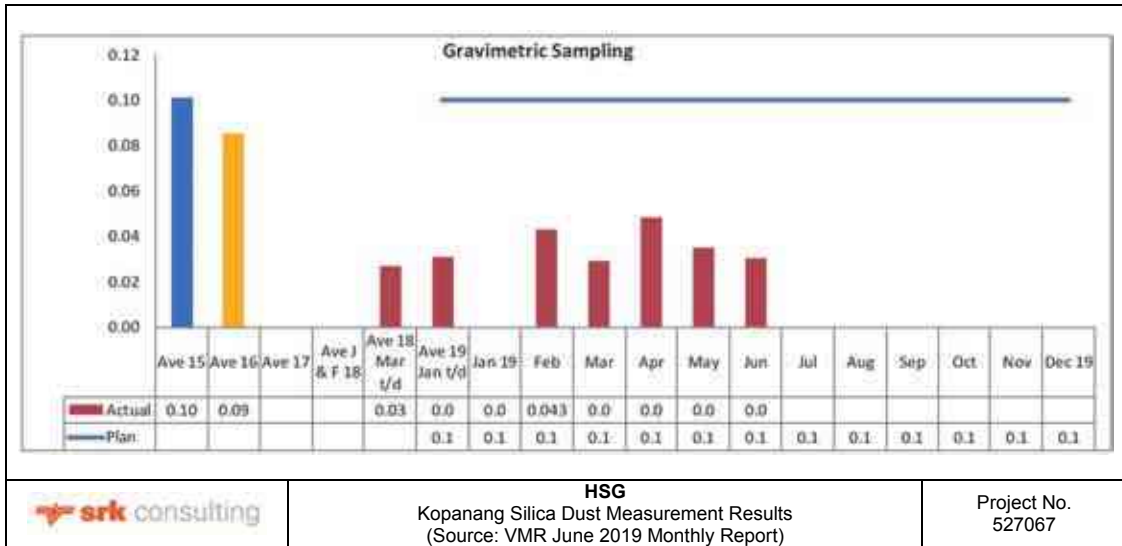


Figure 4.42: Kopanang Silica Dust Measurement Results

**Diesel Particulate Matter exposure**

Kopanang does not make use of diesel machinery in the underground operations.

**Thermal exposure**

The average recorded stope face wet bulb temperatures are shown in Table 4.36.

**Table 4.36: Average recorded stope face wet bulb temperatures**

Reporting area	2015	2016	2017	2018
Wet bulb (WB) (°C)	28.7	28.3	28.3	28.3
Mine Wet Bulb target (°C)	28.5	28.5	28.5	28.5

**Noise exposure**

The noise measurement results for Kopanang are reflected in Figure 4.43.

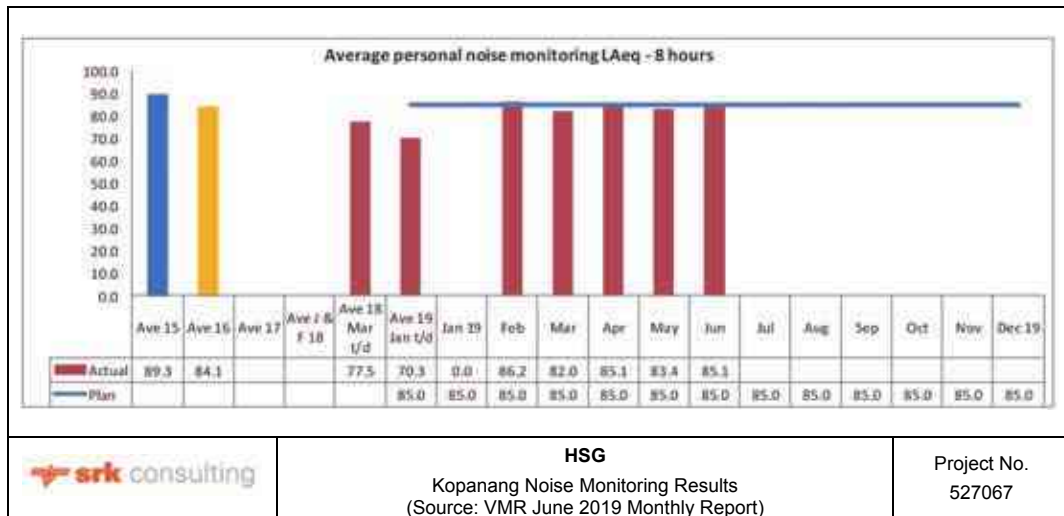


Figure 4.43: Kopanang Noise Monitoring Results

**SRK Comments**

The results from the mine for 2017 were not included in the above graph.

The above measurement results are equivalent noise levels over an 8 hour period. In noise zone areas such as stope faces where rock drills operate, employees can be subjected to equivalent noise levels exceeding 85 dB(A).

The following controls are in place to prevent employees from contracting NIHL:

- All mining equipment noise levels do not exceed the DMR milestone limit of 110 dB(A); and
- Employees have to wear hearing protection devices (**HPD**) in noise zones. The HPD's reduce noise levels below 85 dB(A).

#### Radiation

All working places are monitored on a quarterly basis. Radiation levels do not exceed the maximum permissible level of 20 mSv per annum.

#### Health surveillance results

The mine doctor cannot access the previous AGA historical health surveillance statistics from earlier than 2016. The annual health surveillance results for the period 2016 to 2017 are reflected in Table 4.37. Results for 2018 and H1-2019 were not available (N/A) at the time of compiling this report.

**Table 4.37: Kopanang Health surveillance statistics**

Kopanang Mine	2016	2017	2018	H1-2019
Total employees	4 292	3 959		
NIHL diagnosed cases	5	13		
NIHL certified cases	Nil	10		
Pulmonary Tuberculosis ( <b>PTB</b> ) Diagnosed	36	42	N/A	N/A
PTB Certified	31	29		
Obstructive airway disease diagnosed ( <b>OAD</b> )	3	1		
Silicosis diagnosed cases	30	20		
Silicosis cases certified for compensation	17	23		
Radiation	Nil	Nil		

#### SRK comments

##### Silicosis

Dust created from gold-bearing ore with an average crystalline silica content above 18% is a cause of the lung disease silicosis. Exposure to onset of the disease can take 10 to 20 years. The disease is irreversible, untreatable and it progresses despite ceasing exposure. The operations have an industry leading silica dust suppression and enhanced medical surveillance programme in place in their quest towards zero harm. Although employee exposure to silica dust is being reduced, more initiatives are required to get all measurement results below the OEL. Early diagnosed cases have been on the decline since 2006. Short term fluctuations are difficult to explain in a disease with a 10 – 20 year lag period.

##### Noise Induced Hearing Loss

The operations have a comprehensive noise control programme in place. Noise levels of all noise emitting equipment have been reduced to below the benchmark of 110 dB and all production employees have been issued with personal hearing protection devices and have to wear these devices in noise zones. Occupational exposure to noise appears to be controlled and NIHL cases should be on the decrease. However, the fluctuations can be ascribed to non-occupational and social noise.

##### Thermal Stress (Heat illnesses)

In deep level mining, heat stress causes discomfort, decreased productivity, increased accident rates, abnormal physiological strain on workmen. The ultimate consequence of excessive heat stress is a collapse of the body's temperature regulating system which results in death due to heat stroke. The provision of thermal conditions to minimize the dangers and adverse effects of heat stress is thus one of the major reasons for installing ventilation and cooling systems in deep hot mines. Heat discomfort starts at a wet bulb temperature above 27.5°C.

The annual rates continued to reduce from diagnosed cases in 2012 to zero cases in 2016 and 2017.

##### Radiation

All working places are monitored on a quarterly basis. Radiation levels do not exceed the maximum permissible levels. No Radiation related illnesses were diagnosed in the review period.

##### Occupational (Silico) TB

- Annual rates reflect a sustained improvement of 70% since 2004;



- Pulmonary Tuberculosis is caused by bacteria. The silica dust or any dust for that matter cannot cause Tuberculosis. Most employees contract Tuberculosis when they have low immune systems. Typical examples are employees who have underlying illnesses such as HIV Aids and silicosis. Therefore, all the diagnosed cases cannot be classified as an occupational related health disease; and
- All diagnosed occupational health disease cases are thoroughly investigated to determine if the illnesses are worked related, inherited or non-occupational illnesses before the cases are certified and compensated.

#### 4.14.3 Risks and Opportunities

[18.05(1), 18.06(a)] [SR5.7(i)]

Kopanang Mine has experienced large accumulations of CO gas from worked out areas. The possible source can be from old neighbouring mines. In addition to CO, there is a possible risk of exposure to radiation in the worked out areas. These risks have to be managed when considering an increase in production in these areas.

#### 4.15 Environmental Studies, Permitting and Social Impact

The majority of the information contained in this section has been extracted from the 2017 EIA report and EMPR prepared by SRK for Kopanang. References to information obtained from other documents have been made where applicable throughout the text.

##### 4.15.1 Introduction and Regional Setting

[SR1.2(i) (ii)] [ESG2.1, ESG 2.2, ESG 3.2, ESG4.2]

The reader is referred to the discussion in Section 2.4.1.

##### 4.15.2 Environmental Authorisations and Licenses

[SR 1.2(ii), SR1.5(ii) (v), SR5.5(i) (ii)] [ESG2.3, ESG3.3, ESG4.3]

The reader is referred to the discussion in Section 3.3.1.

##### 4.15.3 Social Profile

[SR1.2(i) (ii)] [ESG2.1, ESG2.2, ESG3.1, ESG3.2, ESG4.1, ESG4.2]

The reader is referred to the discussion in Section 2.4.2.

##### 4.15.4 Environmental and Social Approvals

[SR1.2(ii), SR1.5(ii) (iv) (v), SR5.5(i) (ii), SR7.1(i)] [ESG2.3, ESG2.7, ESG3.3, ESG3.7, ESG4.7, ESG4.3]

The reader is referred to the discussion in Section 3.3.2.

##### 4.15.5 Environmental and Social Management Approach

###### Environmental Approach

[SR5.5(iv), SR7.1(i), SR4.3(iv),] [ESG2.1, ESG 2.3, ESG2.7, ESG3.1, ESG3.3, ESG3.7, ESG4.1, ESG4.3, ESG4.7]

The majority of the information contained in this section has been extracted from the 2017 EIA/EMP prepared by SRK for Kopanang. In addition to this, the Environmental and Social Management Approach for Kopanang was confirmed with the Independent Environmental Consultant, Ms Lufuno Mutshathama of Joan Construction and Projects (Pty) Ltd (**Joan Projects**) at the site visit to the Operations on Tuesday 21 August 2018.

Kopanang and West Gold Plant currently do not have an EMS or any other form of a management system and based on discussions during the site visit it is not envisaged that HSG will apply for ISO 14001 accreditation. However a formal Environmental and Social Management System (**ESMS**) is in the process of being implemented.

Environmental management at Kopanang is the responsibility of the assigned Environmental Control Officer, Ms Yvonne Van Der Berg. External audits are conducted by Joan Projects.

The mine does have an Occupational Health, Safety and Environmental (**OHSE**) Policy which has been reviewed and is posted at various locations within the surface infrastructure area.



Kopanang, as part of the EMS that HSG is currently compiling, has identified various environmental aspects along with frequency and responsibility, as listed in Table 4.38.

**Table 4.38: Identified Environmental Aspects**

Description	Unit/Frequency	Responsibility
Air Emission Licence (AEL) transfer	Once off	Joan Projects
AEL Quarterly reporting	Quarterly	Joan Projects
Environmental awareness Training	Annual	Joan Projects
Waste management plan	Once off	Joan Projects
Preliminary closure plan	Once off	Joan Projects
Environmental risk assessment report	Once off	Joan Projects
Financial provision revision	Annual	Joan Projects
Invasive plants management plan	Once off	Joan Projects
Invasive plants control		Joan Projects
Veld fire management plan	Once off	Joan Projects
Compliance site visit	Monthly	Joan Projects
Quarterly audit	Quarterly	Joan Projects
Annual audit	Annual	Joan Projects
Complaints register review (for AEL, EMP and WUL)	Quarterly	Joan Projects
Water Quality monitoring	monthly	Internal
Water quality results review and recording	monthly	Internal
Water quality results reporting	Quarterly	Internal
Water license conditions compliance	Monthly	Internal
Water Balance compilation	Once off	Internal
Water Balance update	Quarterly	Internal
Pollution Control dam (PCD) KPIs compliance	Quarterly	Internal
Clean and dirty water separation system maintenance	quarterly	Internal
Air quality/ dust fall out sampling collection and analysis (lab)	Monthly	Internal
Air quality/ dust fall out results review and recording	Monthly	Internal
Air quality/ Dust fall out results reporting	Quarterly	Internal
Air Emission Licence (AEL) monthly reporting	Monthly	Internal
Environmental awareness monthly topics	Monthly	Internal
KOSH Air quality meetings (report preparation and attendance)	Quarterly	Internal
KOSH water meetings (report preparation and attendance)	Bi monthly	Internal
Dust fall out monitoring stations installation	Once off	Internal
Tailings pipeline monitoring and maintenance	Quarterly	Internal
Veld fire management plan monitoring		Internal

The tasks presented in Table 4.39 were completed for Kopanang.

**Table 4.39: Tasks to be completed for Kopanang**

Task	Period
Preliminary closure plan	Completed
Environmental risk Assessment report	Completed
Waste management plan	Completed
Veld fire management plan	Completed
Invasive plants management plan	Completed

Since acquiring the assets, HSG is undertaking the following monitoring at Kopanang and West Gold Plant:

- Dust monitoring is undertaken on a monthly basis. No PM<sub>10</sub> or PM<sub>2.5</sub> monitoring is currently taking place; and
- Water balance is updated on a monthly basis with flow readings.

Groundwater and surface water monitoring is being undertaken by HSG in line with the recommendations of the hydrogeological report for Kopanang and WGP (report dated May 2019). Based on discussions with Ms Mutshathama, a geohydrologist from GCS Water and Environment has visited the mine and has identified suitable monitoring points for both surface and groundwater. Currently, only one borehole at the West Gold

Plant is being monitored and groundwater monitoring reports are available for this borehole. It is recommended that PM<sub>10</sub> and PM<sub>2.5</sub> monitoring be undertaken at the West Gold Plant.

Joan Projects has conducted quarterly and annual environmental audits for Kopanang. SRK has reviewed the latest annual environmental audit report dated March 2019. The findings from the audit indicate that the operation is largely complying with the EMP commitments, although the areas summarised below still require attention as the mine is currently not complying with its EMP which poses a risk for the operation:

- The mine has no groundwater or surface monitoring plan in place and therefore it is not possible to fully understand the impact of the mine's operations and activities on the ground and surface water reserves;
- The mine has no biodiversity monitoring programme in place; and
- The mine has no inventory of disturbed or contaminated sites in place.

The following measures have been implemented in line with the shortcomings of the March 2019 audit:

- The mine plans to commence with a groundwater and surface monitoring plan; and
- The mine has no inventory of disturbed or contaminated sites in place as a soil contamination assessment is not deemed necessary since the mine's surface is lined with concrete and the storm water management system ensures that all contamination water is collected into the system. Nonetheless, West Gold Plant plans to undertake a soil contamination assessment in July 2019.

An EMS Manual was developed for Kopanang in 2013 (Ref no S/P/A/env/073) by AGA as well as a Health, Safety and Environment Policy. In addition to these, the following documents pertaining to environmental and social management were also provided and reviewed as part of the CPR process:

- Policy concerning absence with permission (Ref No: S/P/A/h/004 – 3 October 2006);
- Management of Alien weed and invader plant species (Ref No: O/P/A/env/063 – 17 May 2013);
- Auditing Policy and Procedure (Ref No: S.P.A.I.001 – 18 February 2015);
- Control of Contractors Procedure (Ref No: S/P/A/g/0004 – 23 March 2009);
- Control of EMS Records Procedure (Ref No: S/P/A/env/071 – 26 January 2015);
- Dust Monitoring Procedure (Ref No: O/P/A/o/060 – 6 March 2006);
- Environmental Incident Reporting Procedure (Ref No: S/P/A/env/006 – 13 February 2015);
- Environmental Incident Reviews Procedure (Ref No: S/P/A/o/007 – 25 January 2006);
- Environmental Internal Audits Procedure (Ref No: O/P/A/env/036 – 13 February 2015);
- Environmental Legal and Other Requirements Procedure (Ref No: S/P/A/env/048 – 16 February 2015);
- Management of Change Procedure (Ref No: P.A.o.087 – 7 January 2011);
- Environmental Management Review Procedure (Ref No: S/P/A/env/037 – 17 May 2013);
- Environmental Non-conformance, preventative and corrective action Procedure (Ref No: S/P/A/env/068 – 17 May 2013);
- Environmental Objectives and Targets Procedure (Ref No: S/P/A/env/069 – 17 May 2013);
- Environmental Resources, Roles and Responsibilities Procedure (Ref No: S/P/A/env/049 – 5 May 2013);
- Environmental Risk/Significance Assessment Methodology (Ref No: S/P/A/env/077 – 14 June 2013);
- Environmental Training, Competence and Awareness Procedure (Ref No: O/P/A/env/070 – 14 June 2013);
- Environmental Aspects Procedure (Ref No: S/P/A/env/046 – 5 May 2013);
- General Waste Procedure (Ref No: S/P/A/env/052 – 5 February 2015);
- Guideline on Requests for Sponsorship and Donations from Organised Labour (Ref No: HRDGrsd0001 – 25 April 2012);
- Hydrocarbon Waste Procedure (Ref No: S/P/A/env/055 – 13 February 2015);
- Labour Transfers Procedure (Ref No: S.P.A.f.011 – 17 February 2015);
- Noise Monitoring (Personal and Equipment) Procedure (Ref No: P/S/v/009 – 6 March 2006); and
- Policy on Integration of Roles and Accountabilities (Ref No: HR/LR/POL/0136 – April 2016).

- The majority of the above policies and procedures were compiled by AGA and are therefore no longer applicable to the HSG operations.
- Based on discussions with the environmental representatives at the site visit, each mine includes the costs for all technical monitoring and environmental studies in the yearly Opex budgets.

### Social Approach

[ESG2.5, ESG3.5 ESG4.5, ESG2.6, ESG3.6, ESG4.6]

Based on the information received from the VMR Sustainable Development Officer, the community has recently protested about recruitment, the sourcing of products and services as well as the Local Economic Development (LED) projects that form part of the SLP. Kopanang originally agreed that four people from the immediate community (Kanana) will be employed on a monthly basis; however, due to the Section 11 notification given to DMR, this arrangement was cancelled. According to information received from the VMR Sustainable Development Officer, this was also discussed and communicated directly with communities during a meeting. Other employment opportunities are directly sourced from TEBA who has a database of local employment seekers. TEBA is the Official Recruitment Agency for the Mining Industry and Kopanang for category 3 to 8 employees.

According to the Sustainable Development Department organogram provided by HSG, the department is headed up by a General Manager (Abia Mataboge), and led by Mr. Dirk Kotze, who is the Vice President Organisational Effectiveness. There is a position for a Sustainable Development Officer (Alet Schoeman), who is supported by SMME and Community Liaison- and LED Projects Liaison positions. Both these positions are currently vacant. According to the VMR Sustainable Development Officer, a dedicated training budget and training matrix has not been identified for the Sustainable Development Department.

Kopanang has focussed its 2018-2022 SLP commitments on creating indirect opportunities to benefit the broader community, particularly those in areas close to the mine. The SLP commitments are aimed at driving social upliftment initiatives in close collaboration with the City of Matlosana Local Municipality. Kopanang has committed ZAR7.9 million towards LED projects, which will assist with infrastructure development within the Khuma and Kanana communities. Financial commitments for HRD and downscaling costs have been presented as percentages. These percentages meet the minimum requirements of the Mining Charter.

Communication between Kopanang and the DMR on 9 November 2017 noted that BEE agreements will be in place by 18 November 2017. The letter further noted that Kopanang was a loss making operation and that significant flows of dividends should not be expected. No information was received to confirm the status of the BEE agreements. Kopanang issued a Section 189 (3) notice in term of LRA on 28 June 2017, potentially affecting 8 500 employees. The facilitation process commenced on 14 July 2017, which culminated in a Retrenchment Job Loss Avoidance Agreement. This agreement was signed on 28 August 2017 between AGA and NUM and AMCU. On 17 November 2017, AGA informed stakeholders that all Trade Unions i.e. NUM, AMCU, UASA (formerly named United Association of South Africa) and Solidarity signed a Section 197(6) Agreement, which allowed for the transfer of some employees to HSG and for others to be retrenched. Future Forum meetings for Kopanang have been taking place with the most recent meeting held on 27 June 2019. Representation at the meeting included unions (AMCU, NUM, UASA and mine personnel (Mine manager, Section manager and senior HR manager).

Organised labour is engaged in a variety of meetings, including quarterly presentations as well as the Future Forum, Housing-, Steering-, and Plenary meetings. Plenary meetings are aimed at creating an enabling environment for committees dealing with restructuring and the effect of downsizing and restructuring. Joint Central Committee and Business Unit Restructuring Forum meetings are also scheduled to address restructuring requirements.

From the information provided, it appears that Kopanang has good labour relations with the recognised unions at the operations. Recognition agreements have been signed with UASA, AMCU and NUM. Several other agreements have been entered by Kopanang and the labour unions, which signifies an open consultation process.

Based on information received from HSG, Kopanang has policies and procedures in place for fair selection practices for appointments and promotions as well as a recruitment, screening, selection and placement which is updated on a regular basis.

#### 4.15.6 Environmental and Social Performance

[SR7.1(i)] [ESG 2.3, ESG3.3, ESG4.3, ESG2.7, ESG3.7, ESG4.7]

##### Environmental Performance

The Environmental and Social Management Approach for Kopanang was confirmed with the Independent Environmental Consultant, Ms Lufuno Mutshathama of Joan Projects at the site visit to the Gold Assets on Tuesday 21 August 2018.

To comply with South African legislation, the commitments undertaken in the EMP, and to ensure that operations are conducted to good international industry practice, it is necessary to regularly assess performance and progress against the EMP, environmental authorisations and the relevant corporate policies. In terms of the MPRDA and NEMA, a mine is required to monitor and audit compliance with the requirements of the environmental management programme.

According to the 2017 EMP, the EMP performance assessment (audit) should be undertaken every two years by an external auditor, and a report should be compiled and submitted to the competent authority. As Kopanang and the West Gold Plant were only acquired in February 2018, HSG has not yet been required to submit a Performance Audit Report (**PAR**) to DMR. An internal peer audit should be undertaken every alternate year. Quarterly and annual audits are currently being conducted by Joan Consulting. Operational internal environmental inspections will need to be done once a month by the mine's environmental personnel.

Based on the site visit discussions and information reviewed, it appears that no directives or pre-directives have been received from the DMR, DWS or DEA for any of Kopanang or West Gold Plant operations. The process followed to receive the provisional AEL included a section 22a application with associated fine. Other than this case, no penalties or fines have been received to date.

##### Social Performance

[SR7.1(i)] [ESG2.7, ESG3.7, ESG4.7]

Regular audits should be undertaken to ensure that HSG complies with relevant South African Legislative requirements, as well as their internal corporate policies. These audits should be used as a means to identify any gaps or risks and to identify any areas of improvement. In terms of the MPRDA, a mine is required to monitor and audit compliance with the requirements of the Mining Charter and the SLP. This should commence from July 2019.

#### 4.15.7 Environmental and Social Issues and Risks

[18.05(5), 18.05(6)(a)] [SR4.3(v) (viii), SR5.4(iii) (v), SR5.5(iii), SR5.7(i)] [ESG2.4, ESG3.4, ESG4.4, ESG2.9, ESG3.9, ESG4.9]

##### Environmental Risks

Based on the review of available documentation, consultation with the Environmental management and site visit observations, several environmental issues and risks were identified and are presented below:

- **Some of the conditions in the current WUL are not achievable:** Kopanang and West Gold Plant water uses are licenced in the VRO WUL and a process is in place to separate the licence to be specific to Kopanang and West Gold Plant water uses. The WUL was amended to separate out water use activities which are only relevant to Kopanang and West Gold Plant Operations. HSG lodged the application with DWS on 12 March 2019 and is still awaiting feedback from the DWS;
- **A limited EMS system is currently in place:** It is recommended an EMS is implemented for Kopanang and West Gold plant in order to keep track of all environmental licences and commitments. The absence of an EMS puts the operation at risk as the operation has no official means of tracking how it is minimising its effects on the environment through its activities. Putting an EMS in place will mitigate this risk. SRK notes that HSG has commenced work on modifying the outdated EMS, and that the mine is in the process of implementing a formal ESMS; and
- **Limited understanding of the current surface and groundwater baseline conditions at Kopanang:** Due to the presence of several TSFs and WRDs in the vicinity and upstream of the West Gold Plant impacting on the groundwater quality, the mine is at risk of being implicated in this in the future if there is no baseline data to reflect the status quo. Currently, only one borehole at the West Gold Plant is being monitored which is not sufficient. However, the mine plans to initiate a surface and groundwater baseline monitoring programme which will mitigate this risk.

### Social Risks

A Risk Assessment Report conducted by International Mining Industry Underwriters in 2016 was undertaken for Kopanang, however, no social or labour related issues were addressed in the report. The combined assurance review for Vaal River Mines that was undertaken in 2016, did include employee safety as well as labour relations as risks. The 2016 CPR report compiled for Kopanang by AGA is also silent on social risks. Following this, a report to the HR Audit Committee was drafted to elaborate on the risks related to disciplinary cases, and actions for improvement were recommended to the Labour Relations Forum.

Based on available information reviewed, the following risks are relevant to Kopanang:

- Instances of community unrest have already been noted at the operations, therefore, there is potential unrest and strike action from employees and communities as a result of labour processes associated with downscaling and unmet labour union expectations; and
- Due to Kopanang being a loss-making operation, there is potential protest action due to discontent regarding the restructuring of the BEE agreements and lack of dividends from BEE shares.

Kopanang should continue to review its existing policies and procedures and confirm whether it sufficiently addresses the key community concerns of recruitment and the procurement of supplies and services. Since the external recruitment provider, TEBA, is required to comply with Kopanang Recruitment Policy, their adherence to Kopanang policies and procedures should be audited and improved where possible.

Currently, stakeholder engagement is taking place with community forums but should be strengthened where possible. Kopanang should fill the vacancies in its Sustainable Development Department and assign clear roles and responsibilities for managing social related risks. Currently the Sustainable Development Department serves all operations and is under Shared Services. In order to develop a strong organisation culture, Kopanang should ensure that roles, responsibilities, and authority be defined for persons responsible for the management of social risks. Key social responsibilities should be well defined and communicated to the relevant personnel and to the rest of the staff. Kopanang should ensure that sufficient budget and support is provided to achieve effective and continuous social performance. For projects posing potentially significant adverse impacts or where technically complex issues are involved, Kopanang may be required to involve external experts to assist in the risks and impacts identification process.

A grievance register needs to be implemented at Kopanang and Kopanang should strengthen the grievance mechanism to ensure that community complaints are placed on a social risk register, in order to allow for the monitoring and tracking of these risks. Linked to this, Kopanang could develop social management programmes that, in sum, will describe mitigation and performance improvement measures and actions that address the identified social risks and impacts of the project.

Going forward, Kopanang's social performance will depend on the effective management of the high level of expectations between the authorities, local government and communities. The mine therefore needs to ensure that it has the requisite human and financial resources to honour its social commitments in terms of the Mining Charter and SLP, to monitor and proactively address its social risks and to maintain healthy relations with stakeholders across all levels.

The establishment of a BEE shareholding mechanism as well as continued engagement with community forums and commitment towards LED projects should, however, assist in establishing good relations with the affected communities.

#### 4.15.8 Mine Closure, Planning and Financial Provision

[18.05(6)(d)(e)] [SR1.7, SR5.2(ii)]

The latest assessment of liability for the Kopanang operation, including the West Gold Plant was that undertaken by AGA reflecting the liability at the end of 2016, with this being the quantum that was included in the 2017 EIA/EMP. The assessment was historically undertaken annually to determine the premature and planned closure liability, for the biophysical closure of the operations. This assessment does not include internal or external social closure requirements, as these are considered under the SLP. Furthermore, the assessment does not include post closure water management. The annual update is informed by the closure obligations contained in the operations EMP.

The process followed historically was to assess each aspect of the operation to understand what changes have occurred since the last review, focussing on infrastructure constructed or demolished as well as understanding

additional disturbance created or rehabilitation undertaken. Rates are then applied to the quantities to determine the resultant liability for the aspects.

Based on SRK's understanding of the process, SRK is comfortable that a robust process has historically been followed to determine the liability and that the resultant quantum is an appropriate reflection of the closure liability. SRK has not undertaken an exhaustive detailed review of the rates but is of the opinion that the unit rates are generally the correct order of magnitude for the closure activities and are therefore appropriate to utilise in a unit rate based liability assessment.

SRK is of the opinion that the approach to determining the closure quantum returns an estimate that has an accuracy of -25% to +25%. Further accuracy would only be obtained by undertaking detailed closure planning, including the development of detailed closure designs and obtaining market related quotes based on the design.

The process that has been followed complies with legal requirements as contained in the MPRDA relating to the quantification of liability and is sufficiently robust that it could be adapted to meet the requirements of GN 1147, once these come into effect in February 2019.

Using the process described above, the liability for the Kopanang operation has been assessed to be ZAR123.6 million, which includes a liability of ZAR17.4 million for the West Gold Plant. SRK understands that the quantum of ZAR123.6 million was accepted by the DMR, and a provision in the form of an Insurance Policy underwritten by Centriq Insurance has been lodged with the DMR.

In conclusion, SRK is of the opinion that the quantum of ZAR123.6 million is an appropriate estimate of the closure liability for surface, recognising that this estimate has an accuracy in the order of  $\pm 25\%$  and does not include potential post closure water management of water make underground.

#### 4.15.9 Risks and Opportunities

[18.05(5), 18.05(6)(a)] [SR5.7(i)]

As operations cease and workings rewater, there is the potential that water management may be required post closure to limit the impact of the recovering water table on the environment. There is currently insufficient detail to assess what the requirements may be at closure. However, if a pump and treat system is required, the Capex and Opex of these systems may be significant and may not be offset by revenue potentially realised through the sale of water.

#### 4.16 Material Contracts

[SR5.6(ii)]

The Transitional Services Agreement was entered into by AGA, Harmony and VMR SPV in 2018 to regulate the interdependence of services subsequent to the acquisition of AGA assets by Harmony and HSG. This is renewable after 3 years.

SRK was only provided with the Executive Version of the "ANGLOGOLD TO VMR SPV SERVICES AGREEMENT" signed by both parties on 21 February 2018, in Klerksdorp and Johannesburg respectively. The way the agreement has been bound suggests that the representative from each party signed like, but individual pages, with only one party having their page witnessed. None of the signatories have provided names in support of the signatures and only one party stated that authority to sign was by resolution. The individual pages (56 pages in total) of the Executive version of the Agreement have not been initialled by both parties.

The Agreement addresses the following main services:

- Right to release excess process water received from Kopanang into Service Provider's Bleed Dams;
- Supply of process water from Bokkamp and the West Complex Storm Water Dam to ZAR1 million Dam;
- Supply of potable water from the Prongle Reservoir to the West Gold Plant;
- Depositing of Tailings Produced at the West Gold Plant;
- Acceptance of rain water from the Kopanang Stockpile Area to the Kopanang Gold Plant;
- Supply of industrial waste treatment services;
- Access to telephone services; and
- Transportation of ore from Kopanang to West Gold Plant.



#### 4.16.1 Risks and Opportunities

[18.05(5)] [SR5.7(i)]

The only concern or risk associated with the tailings disposal third party agreement is the third party service part or owner of the TSF has sole right to determine when the TSF is full. It is recommended there be more certainty on this point so both parties know where they stand in this regard.

#### 4.17 Economic Analysis

[18.03(3), 18.03(4), 18.05(6)(c), 18.06] [SR5.6, SR5.8]

##### 4.17.1 Weighted Average Cost of Capital

HSG provided SRK with a determination of its weighted average cost of capital (**WACC**), for use in this CPR as set out in Table 4.40 (FTI, 2018).

**Table 4.40: Determination of WACC**

Component/ Item	Source	Value	Comments
Risk free rate - SA	R186 Government Bond	8.1%	Matures December 2026, matches LoM
Unlevered beta coefficient	Peer group average	0.73	
D/E ratio	Peer group average	0.54	
Corporate income tax rate	SA	28%	Standard SA company tax rate
Beta coefficient	Relevered	1.02	Adjusted to reflect HSG's capital structure
Equity risk premium	PwC Survey	6.0%	Consensus around range 5.5% to 6.5%
Additional risk premium (alpha)	PwC Survey	6.2%	Inherent risk in LoM and remaining asset life
<b>Cost of Equity</b>		<b>20.5%</b>	Capital Asset Pricing Model
Credit default premium	Peers	1.5%	Rates pegged to JIBAR or LIBOR; peer debt
Pre-tax cost of debt		9.6%	
<b>Cost of debt (post tax)</b>		<b>6.9%</b>	
Debt to invested capital	Peer group average	35.0%	
Nominal WACC (ZAR)		15.5%	
Average long-term inflation rate	Trade Economics	5.5%	
<b>Real WACC (post-tax)</b>	<b>Fischer</b>	<b>9.5%</b>	

##### 4.17.2 Kopanang Techno-Economic Model (TEM)

[18.30(2)]

The Kopanang techno-economic model (**TEM**) is included as a separate tab in the Microsoft Excel file *LOM - 19 Dec version - include 2019 budget - version 16.2a added (Tau).xlsx* (2019 Business Plan (**BP2019**); VMR, 2019), which provides the LoM plan and cash flows for the Gold Assets as well as the approved 2019 budget. To cater for a 30 June 2019 reporting date, SRK has removed the first six months of the 2019 budget and left the remaining months (July to December 2019) unchanged. The mill feed and recovered Au have been adjusted in the final year of the LoM plan to ensure the LoM totals match the Mineral Reserve statement.

Key production and financial metrics from the Kopanang TEM are summarised in Table 4.41. SRK has reviewed the metrics in the Kopanang TEM to the extent of the information provided, revised these as appropriate, and is satisfied that the metrics as presented are reasonable for the LoM.

Only the Proved and Probable Mineral Reserves derived from the Measured and Indicated Resources are included in the table.

##### 4.17.3 West Plant TEM

The TEM for West plant is included as a separate tab in the BP2019 Excel file. Any ore from toll arrangements or other sources has been excluded from the TEM for evaluation purposes, since there is no guarantee that the tonnes from these ore sources are sustainable for the LoM.

Key production and financial metrics from the West Plant TEM are summarised in Table 4.42. SRK has reviewed the metrics in the West Plant TEM to the extent of the information provided, revised these as appropriate, and is satisfied that the metrics as presented are reasonable for the LoM.

The all-in sustaining cost (**AISC**) of production is split proportionately to Tau Lekoa, Kopanang and Weltevreden based on tonnages milled.

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Table 4.41: Kopanang TEM Summary

Item	Units	Totals	H2-2019	2020	2021	2022	2023	2024	2025
Ore hoisted	(Mt)	4.82	0.55	0.75	0.76	0.76	0.74	0.72	0.71
Plant feed	(Mt)	4.82	0.38	0.75	0.76	0.76	0.74	0.72	0.71
Plant feed grade	(g/t)	4.94	4.77	4.90	5.21	5.27	5.06	4.28	4.96
Recovered Au grade	(g/t)	4.59	4.62	4.55	4.85	4.90	4.71	3.98	4.48
Gold produced	(koz)	711	56	110	119	120	111	92	103
<b>Revenue</b>	<b>(ZARm)</b>	<b>12 166</b>	<b>964</b>	<b>1 875</b>	<b>2 031</b>	<b>2 051</b>	<b>1 907</b>	<b>1 576</b>	<b>1 761</b>
Employment Costs	(ZARm)	5 542	482	963	876	862	861	755	743
Stores	(ZARm)	1 584	135	261	245	249	241	227	226
Electricity & Water	(ZARm)	1 278	103	197	198	198	196	194	194
Surface Transport	(ZARm)	98	8	15	15	15	15	15	15
Plant treatment costs	(ZARm)	888	106	128	126	123	119	129	138
AGA Royalty	(ZARm)	0	0	0	0	0	0	0	0
State Royalty	(ZARm)	144	5	9	12	36	32	18	34
Other costs	(ZARm)	938	88	173	166	159	159	96	96
Reversal - capital development	(ZARm)	( 547)	( 59)	( 118)	( 62)	( 82)	( 120)	( 86)	( 20)
<b>Operating Costs</b>	<b>(ZARm)</b>	<b>9 906</b>	<b>867</b>	<b>1 628</b>	<b>1 576</b>	<b>1 560</b>	<b>1 502</b>	<b>1 348</b>	<b>1 424</b>
	<b>(USDm)</b>	<b>703</b>	<b>62</b>	<b>116</b>	<b>112</b>	<b>111</b>	<b>107</b>	<b>96</b>	<b>101</b>
Operating Profit	(ZARm)	2 260	98	247	455	491	405	227	337
<b>Capital Costs</b>	<b>(ZARm)</b>	<b>966</b>	<b>80</b>	<b>202</b>	<b>196</b>	<b>190</b>	<b>143</b>	<b>109</b>	<b>47</b>
Undefined projects	(ZARm)	420	21	85	134	109	23	23	26
Development capitalised	(ZARm)	547	59	118	62	82	120	86	20
All-in sustainable cost (AISC)	(ZARm)	10 872	947	1 831	1 772	1 750	1 645	1 457	1 471
All-in sustainable cost (AISC)	(USDm)	772	67	130	126	124	117	103	104
<b>Unit Costs</b>									
Cash operating cost	(ZAR/t milled)	2 054	2 285	2 174	2 068	2 051	2 039	1 872	1 992
Cash operating cost	(USD/oz produced)	989	1 091	1 054	942	923	957	1 039	982
AISC cost	(ZAR/t milled)	2 254	2 496	2 445	2 325	2 301	2 233	2 022	2 058
AISC cost	(USD/t milled)	160	177	174	165	163	159	144	146
AISC cost	(USD/oz produced)	1 085	1 192	1 185	1 059	1 036	1 048	1 123	1 014
Tax payable	(ZARm)	72	0	0	0	0	0	8	64
<b>AISC profit / (loss)</b>	<b>(ZARm)</b>	<b>1,221</b>	<b>18</b>	<b>45</b>	<b>259</b>	<b>301</b>	<b>262</b>	<b>110</b>	<b>226</b>
	<b>(USDm)</b>	<b>87</b>	<b>1</b>	<b>3</b>	<b>18</b>	<b>21</b>	<b>19</b>	<b>8</b>	<b>16</b>

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Table 4.42: West Plant TEM Summary

Item	Units	Totals	H2-2019	2020	2021	2022	2023	2024	2025
<b>Total Plant feed</b>	<b>(Mt)</b>	<b>9.13</b>	<b>0.66</b>	<b>1.40</b>	<b>1.53</b>	<b>1.65</b>	<b>1.62</b>	<b>1.23</b>	<b>1.03</b>
Tau Lekoa ore	(Mt)	2.24	0.28	0.62	0.56	0.44	0.34	0.00	0.00
Kopanang ore	(Mt)	4.82	0.38	0.75	0.76	0.76	0.74	0.72	0.71
Weltevreden ore	(Mt)	2.07	0.00	0.03	0.20	0.45	0.55	0.51	0.32
<b>Recovery of Cost</b>	<b>(ZARm)</b>	<b>1 626</b>	<b>185</b>	<b>239</b>	<b>253</b>	<b>266</b>	<b>263</b>	<b>221</b>	<b>199</b>
Tau Lekoa	(ZARm)	403	78	106	93	71	55	0	0
Kopanang	(ZARm)	868	106	128	126	123	119	129	138
Weltevreden	(ZARm)	354	1	5	33	73	89	92	61
Employment Costs	(ZARm)	441	34	68	68	68	68	68	68
Stores	(ZARm)	469	40	71	77	84	82	63	52
Electricity & Water	(ZARm)	362	31	55	60	65	64	48	40
Tailings disposal	(ZARm)	83	7	13	14	15	15	11	9
Laboratory (assay)	(ZARm)	13	1	2	2	2	2	2	1
State Royalty	(ZARm)	0	0	0	0	0	0	0	0
Other costs	(ZARm)	91	7	14	14	14	14	14	14
<b>Operating Costs</b>	<b>(ZARm)</b>	<b>1 517</b>	<b>177</b>	<b>223</b>	<b>235</b>	<b>247</b>	<b>245</b>	<b>206</b>	<b>185</b>
	(USDm)	108	13	16	17	18	17	15	13
Operating Profit	(ZARm)	108	8	17	18	19	18	15	14
<b>Capital Costs</b>	<b>(ZARm)</b>	<b>108</b>	<b>8</b>	<b>17</b>	<b>18</b>	<b>19</b>	<b>18</b>	<b>15</b>	<b>14</b>
Undefined projects	(ZARm)	108	8	17	18	19	18	15	14
AISC cost	(ZARm)	1 626	185	239	253	266	263	221	199
AISC cost	(USDm)	115	13	17	18	19	19	16	14
<b>Unit Costs</b>									
Cash cost	(ZAR/t milled)	166	267	159	154	150	151	167	180
AISC cost	(ZAR/t milled)	178	279	171	165	161	162	179	193
AISC cost	(USD/t milled)	13	20	12	12	11	12	13	14
Tax payable	(ZARm)	0	0	0	0	0	0	0	0
<b>AISC profit / (loss)</b>	<b>(ZARm)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	(USDm)	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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#### 4.17.4 Sensitivity Analysis

[18.30(5)]

The net present value (NPV) of the post-tax cash flows for Kopanang at different discount rates in ZARm and USDm terms are set out in Table 4.43. The post-tax cash flows in Table 4.41 are converted from the ZAR values into USD terms at the exchange rate ruling at the Effective Date of this CPR. Derivation of the Company's real WACC of 9.5% is discussed in Section 4.17.1.

**Table 4.43: NPV sensitivity of Kopanang post-tax cash flows at different discount rates**

Real Discount Rate	(ZARm)	(USDm)
0.0%	1 221	86.7
6.0%	993	70.5
8.0%	931	66.1
<b>9.5% (WACC)</b>	<b>888</b>	<b>63.0</b>
10.0%	874	62.0
11.0%	847	60.2
12.0%	822	58.4
14.0%	775	55.0

The mine is forecast to be profitable for the remaining life and has an estimated NPV of ZAR888 million (USD63 million) at the Company's real WACC. The sensitivity of the NPV to changes in the real discount rate is minimal, generally due to the relatively short life.

The average operating margin for the LoM is 19%.

The twin sensitivity of the post-tax NPV at 9.5% real discount rate (**NPV<sub>9.5%</sub>**) to changes in revenue and operating cost for Kopanang are set out in Table 4.44, while twin-sensitivity to changes in Capex and operating cost are shown in Table 4.45. The impact of the spot gold price at the Effective Date on the financial result for Kopanang can be seen in Table 4.44.

**Table 4.44: Twin-sensitivity of Kopanang NPV<sub>9.5%</sub> to changes in revenue and operating cost**

		Revenue Sensitivity					
ZAR/kg		440 000	495 000	550 000	605 000	638 110	660 000
		-20.0%	-10.0%	0.0%	10.0%	16.0%	20.0%
Operating Cost Sensitivity	-20.0%	722	1 362	1 919	2 521	2 882	3 122
	-10.0%	( 38)	804	1 432	1 989	2 351	2 591
	0.0%	( 861)	63	888	1 457	1 820	2 059
	10.0%	(1 683)	( 759)	164	969	1 332	1 528
	20.0%	(2 505)	(1 581)	( 658)	261	750	1 039

**Table 4.45: Twin-sensitivity of Kopanang NPV<sub>9.5%</sub> to changes in capital and operating cost**

		Capital Cost Sensitivity				
		-20.0%	-10.0%	0.0%	10.0%	20.0%
Operating Cost Sensitivity	-20.0%	2 000	1 959	1 919	1 878	1 838
	-10.0%	1 522	1 477	1 432	1 386	1 341
	0.0%	999	949	888	823	756
	10.0%	324	245	164	80	( 4)
	20.0%	( 474)	( 566)	( 658)	( 749)	( 841)

#### 4.17.5 Risks and Opportunities

[18.05(5)] [SR5.7(i)]

Key economic risks include:

- Stronger ZAR:USD exchange rate leading to a reduction in revenue;
- Lower USD gold price leading to lower revenue; and
- Higher inflation, particularly power and labour, leading to higher Opex and lower profitability.

The average operating margin is 19% over the LoM. The USD gold price shows approximately a 6% SD around the current spot price for the past five years but the ZAR:USD exchange rate has been more volatile. It is possible that variations in one or both threaten the viability of the mine. There is limited recourse to mitigate the risk at source. Hedging is possible.

## 5 TAU LEKOA GROUP

[SR1.2(i)]

### 5.1 Introduction

The Tau Lekoa Group comprises Tau Lekoa and Jonkerskraal (Tau Lekoa mine), Weltevreden and Goedgenoeg gold projects. Tau Lekoa is located approximately 200 km from Johannesburg and 8 km west of the town of Orkney at the western extremity of the Klerksdorp goldfields (where major gold mining activity has been taking place since the 1960s) in the North West Province. Weltevreden, is the shallow up-dip extension of Tau Lekoa lying to the east of the mine. Goedgenoeg is the VCR extension of Tau Lekoa lying to the west of the mine in the North West Province of South Africa, whilst Jonkerskraal lies to the south east of and is contiguous to Tau Lekoa.

### 5.2 History

[SR1.4]

#### 5.2.1 Historical Exploration

[SR1.4(i) (ii)]

Tau Lekoa was previously known as Vaal Reefs No. 10 Shaft under the ownership of AGA.

Table 5.1 summarises the exploration and mining activities at Tau Lekoa and Weltevreden.

**Table 5.1: Tau Lekoa exploration and mining activities summary**

Date	Exploration and mining activities
1976	Exploration surface drilling commenced at Tau Lekoa. Further drill holes were drilled under the management of Simmers, the majority of which are located in the Weltevreden area and all were aimed for VCR interceptions.
Mid 1980s	Following a trackless feasibility study for Weltevreden by Gencor, construction of a surface decline system (shaft) commenced. However, the extraction of gold-bearing ore never effectively commenced before the mine was mothballed.
1985	The original shaft known as Vaal Reefs No.10 Shaft at Tau Lekoa was sunk by the Vaal Reef and Exploration Company Limited, an associated company of AAC.
1989	Exploration commenced at Goedgenoeg with the drilling of drill hole G38 in 1989. However, drilling was suspended due to G38 intersecting a barren lava/footwall contact and the VCR which was faulted out in G39.
1990	Exploration drillhole G39 is drilled at Goedgenoeg.
1991	Production started at Tau Lekoa with the first production of gold.
Early 1990's	Weltevreden was originally started as a mine by Gencor.
1992	Weltevreden is abandoned by Gencor for economic reasons despite having spent ZAR229 million on developing the mine.
1994	After a 3D seismic survey was carried out, exploration drilling in the Goedgenoeg area re-started with the drilling of drill hole G40 which successfully intersected the VCR close to the predicted depths.
1996	Various studies and assessments, including a 3D seismic study and pre-feasibility study (PFS) are conducted at Weltevreden under AGA ownership.
1999	Production increased to 10.6 Mt at 5.1 g/t (average 1.7 Moz) at Tau Lekoa.
Between 1999 and 2009	At Tau Lekoa, approximately 700 m of development was carried out each month with 130 m of this being on-reef development.
2004	Drilling stopped as the VCR on this property is at depth and therefore economic exploitation is only practical through the Tau Lekoa infrastructure.
From 2010	At Tau Lekoa, approximately 5 900 m of development was carried out per year.

### 5.2.2 Prior Ownership

[SR1.4(i) (ii)]

Table 5.2 summarises the prior ownership of Tau Lekoa Group and ownership changes.

**Table 5.2: Tau Lekoa Group prior ownership and ownership changes**

Date	Ownership
1996	Weltevreden was acquired by Anglo American, later AGA through a group swap with Gengold.
30 March 1998	Vaal Reef and Exploration Company Limited changed its name to AngloGold Limited and renamed Vaal Reefs No. 10 Shaft to Tau Lekoa.
1998	AGA acquired Goedgenoeg area property through the merger of the Anglo-American gold assets.
2005	Aflease Gold and Uranium Resources Ltd purchases Weltevreden from AGA.
February 2009	Tau Lekoa was sold to Simmers by AGA. The deal was for ZAR600 million plus a 3% royalty on net revenue generated from the assets. As part of the deal the parties agreed to subtract unhedged free cash flow generated by Tau Lekoa during 2009, up to a maximum of ZAR150 million, from the purchase price.
July 2010	Simmers announced the transfer of Tau Lekoa (and the adjacent properties of Weltevreden and Goedgenoeg) mining rights from AGA to its wholly-owned subsidiary Buffelsfontein Gold Mines Limited.
June 2011	VMR acquired Simmers in a ZAR1 billion reverse takeover to become the owner of Tau Lekoa Group, Nicolor Plant and Buffels.
June 2015	VMR acquired by HSG and separated the Tau Lekoa Group, the Nicolor Plant and Buffels into three separate holding companies.

### 5.2.3 Historical Operating Statistics

[18.05(6)(c)] [SR1.4(iv)]

Between 1999 and 2009 Tau Lekoa produced approximately 2.5 Moz of gold, treating 18.4 Mt of ore at an average grade of 4.28 g/t. Optimum production levels attained in 2007 ranged between 21 000 m<sup>2</sup>/month and 25 000 m<sup>2</sup>/month, yielding approximately 120 kt of reef monthly.

The historical production figures for the Tau Lekoa from 2015 (6 months) to H1-2019 are tabulated in Table 5.3.

As Weltevreden is presently a development project, where mining has yet to start, there are no historical operating statistics.

### 5.2.4 Historical Development

[18.08] [SR1.4(iii) (iv)]

Access to both Weltevreden and Goedgenoeg orebodies is possible through the Tau Lekoa infrastructure.

Within the last 10 years, some 46 exploration holes were drilled on the site, with the data used by Minxcon (Pty) Ltd (**Minxcon**) to compile a resource model that formed part of an independent techno-economic assessment (**TEA**). An additional drilling programme was carried out in 2018 to increase the confidence level of the Mineral Resource base and to enable an optimised mine design to pre-feasibility study (**PFS**) standards to be done for Weltevreden.

Project Capex has been estimated at ZAR735 million (USD50 million), with first gold expected to be produced within six months from the start of development, followed by a three-year ramp-up to steady-state production.

**Table 5.3: Historical Operating Statistics for Tau Lekoa Production (2015 to H1-2019)**

Item	Units	2015 (6 months)	2016	2017	2018	H1-2019
<b>Production</b>						
Total development	(m)		3 371	5 768	5 817	3 360
Ore milled	(kt)	352.2	646.8	764.4	794.5	379.5
MCF	(%)	78%	84%	72%	74%	76%
Av. mining grade	(cm.g/t)	844	797	716	717	633
Av. recovered grade	(g/t)	3.41	3.42	3.03	2.71	2.85
Au produced (own production)	(koz)	38.6	71.0	74.5	69.3	34.7 <sup>(1)</sup>
Au produced (toll allocation)	(koz)		17.7	11.1	27.1	0.0
Au Revenue (own production)	(ZARm)	582.2	1 286.6	1 245.6	1 161.9	632.4
Au Revenue (toll allocation)	(ZARm)		342.3	183.2	429.2	0.0
Au Revenue (own production)	(USDm)	42.8	87.6	93.7	87.7	44.5
Av. Exchange Rate	(ZAR:USD)	13.618	14.679	13.299	13.250	14.199
<b>Opex</b>						
Employment	(ZARm)	355.7	783.9	846.3	918.9	476.8
Stores	(ZARm)	89.1	200.7	209.7	215.0	108.8
Electricity & Water	(ZARm)	55.4	115.0	123.1	132.3	71.3
Ore transport costs	(ZARm)	10.3	21.0	24.5	18.7	9.8
Plant/refining costs	(ZARm)	55.0	94.7	107.7	154.5	75.2
Other direct costs	(ZARm)	14.1	137.6	114.4	100.9	73.2
Royalties	(ZARm)	20.3	45.3	43.5	41.0	22.6
Reversal – capital development	(ZARm)		-88.3	-113.8	-92.5	-74.0
Operating Cost (own production)	(ZARm)	600.0	1 309.7	1 355.4	1 488.9	763.8
Operating cost (toll allocation)	(ZARm)		387.3	209.5	465.1	0.0
Total Operating cost	(ZARm)		1 697.1	1 564.9	1 954.0	763.8
Admin expenses	(ZARm)		4.1	4.9	7.8	3.3
AISC Cost (own production)	(ZARm)	640.8	1 439.7	1 544.5	1 667.1	848.1
AISC cost (own production)	(USDm)	47.1	98.1	116.1	125.8	59.7
<b>Capital</b>						
SIB development	(ZARm)	34.9	88.3	113.8	92.5	74.0
Project capital (equipment)	(ZARm)	5.9	37.5	70.3	78.0	7.1
<b>Unit costs (own production)</b>						
Cash operating cost	(ZAR/t milled)	1 704	2 025	1 773	1 874	2 013
Cash operating cost	(USD/oz produced)	1 219	1 256	1 369	1 623	1 549
AISC cost	(ZAR/t milled)	1 820	2 226	2 020	2 100	2 235
AISC cost	(USD/t milled)	133.6	151.6	151.9	158.4	157.4
AISC cost	(USD/oz produced)	1 219	1 381	1 560	1 817	1 720
<b>Labour / Productivity</b>						
TECs	(No)	2 837	2 877	3 281	3 284	3 294
Productivity	(t/TEC/month)	10.3	18.7	19.4	20.2	19.2

Notes:

<sup>1</sup> Includes the 25.1 kg (0.8 koz) of gold stolen during February 2019.

Source: VMR December 2018 and June 2019 Monthly Reports; VMR AIC calculations June 2019

### 5.3 Geological Setting, Deposit and Mineralisation

[SR2.1]

The reader is referred to the discussion in Section 4.3.1 for commentary on the regional geology of the Witwatersrand. The local geology and deposit type, as described below, are applicable to Jonkerskraal, Goedgenoeg and Weltevreden considering that the VCR orebody is contiguous across the farm boundaries.

#### 5.3.1 Local Geology

[SR2.1(ii) (iii) (iv)]

The Venterspost Formation is host to the VCR which is the economic mineral being exploited at Tau Lekoa and with an exploration potential on the adjacent projects. This Formation overlies (discordantly) and underlies the Elsburg Formation of the Central Rand Group and the Alberton Formation of the Klipriviersberg Group respectively at depths varying between 900 and 1 700 mbs.

The VCR in this locality is structurally complex due to disruption by a number of dykes and faults. The VCR dips between 20° and 30° (WNW) at Tau Lekoa, whereas the dip at Jonkerskraal is steeper (>30°) and gentler at Weltevreden (average of 15°). The major faults present tend to be normal, trending NNE, and are of post-Ventersdorp age. Flat dipping normal and reverse faults of minor throw are also common. Two of the major faults; the Schoonspruit and Nooitgedacht faults have displacements of over 100 m. Two dextral faults with lateral movement (wrenching) in the order of 675 m and 170 m have been mapped on Tau Lekoa and projected into the adjacent project areas. Both of these structures pass through the historical stoping areas at Tau Lekoa. The strike directions of the two dextral faults are illustrated in blue in Figure 5.1 with the associated lateral movements relative to the northern block, labelled "A".

There are also a number of intrusives present, which vary in age from pre-Ventersdorp through to Karoo in age. These include the east-west striking Pickavance Dyke, which is associated with lateral movement and the NNW-SSE striking incompetent running dykes. Figure 5.2 presents a high-level West East section across the Shaft collar.

### 5.3.2 Deposit Type

[SR2.1(v)]

The general description of the Witwatersrand gold deposit as captured in Section 4.3.1 is applicable here. The VCR which thickens up to 5 m caps the uppermost angular unconformity of the Witwatersrand Supergroup. Due to the angular unconformity at the base of the VCR, the footwall stratigraphy youngs towards the NE with the various formations sub-cropping against the VCR in a northeast-south-westerly direction. The VCR eroded and was deposited on successively older sediments of the Witwatersrand Supergroup, progressively overlying argillaceous Klerksdorp Formation quartzite, Denny's Quartzite (orthoquartzite), Denny's Reef and argillaceous units of the Stilfontein Formation. The Central Rand Group, which forms the floor of the VCR, is represented by the stratigraphic interval from the Denny's Reef up to the upper Elsburg Reefs (Figure 5.3) with these rocks dipping westerly at an estimated average angle of about 30°. The VCR eventually subcrops below the Karoo Supergroup on the western side of Weltevreden.

Recent paleo-reconstruction studies of the VCR mineralisation by Shango Solutions (Pty) Ltd (**Shango**) suggest that the gold distribution at Tau Lekoa and adjacent projects represent a large dispersion plume of gold scavenged primarily from the Denny's Reef to the northwest, with additional scavenging occurring where the VCR crosses over the Bastard and Elsburg Reefs. It is further postulated that the gold plume formed early in the depositional history of the VCR. In subsequent depositional phases, the stream patterns and resulting mass flow directions changed due to gradual tilting to the west during syn-Ventersdorp tectonic movements.

Shango's palaeodepositional model is solely based on channel width, grade and accumulation data from Tau Lekoa and adjacent project footprints. Analysis of isopach maps of these variables largely supports Shango's assertion on:

- The source of gold and the hypothesis of how it was scavenged and disperse; and
- The syn-Ventersdorp tectonics in the depositional environment.

It is worth noting that Shango's model excludes facies information; the exclusion was deliberate in order to avoid unintentional paradigm transfer from previous models (based on facies) put forward by the likes of Frith (1999) and King et al (2011). According to Shango, its palaeodepositional model shows some notable intersections with the facies subdivision of Frith (1999). In Shango's opinion, the proposed gold plume has some spatial resemblance to Frith's Multiple Scour Facies, which is also the facies recognised by King et al. (2011) to be the most enriched in gold.

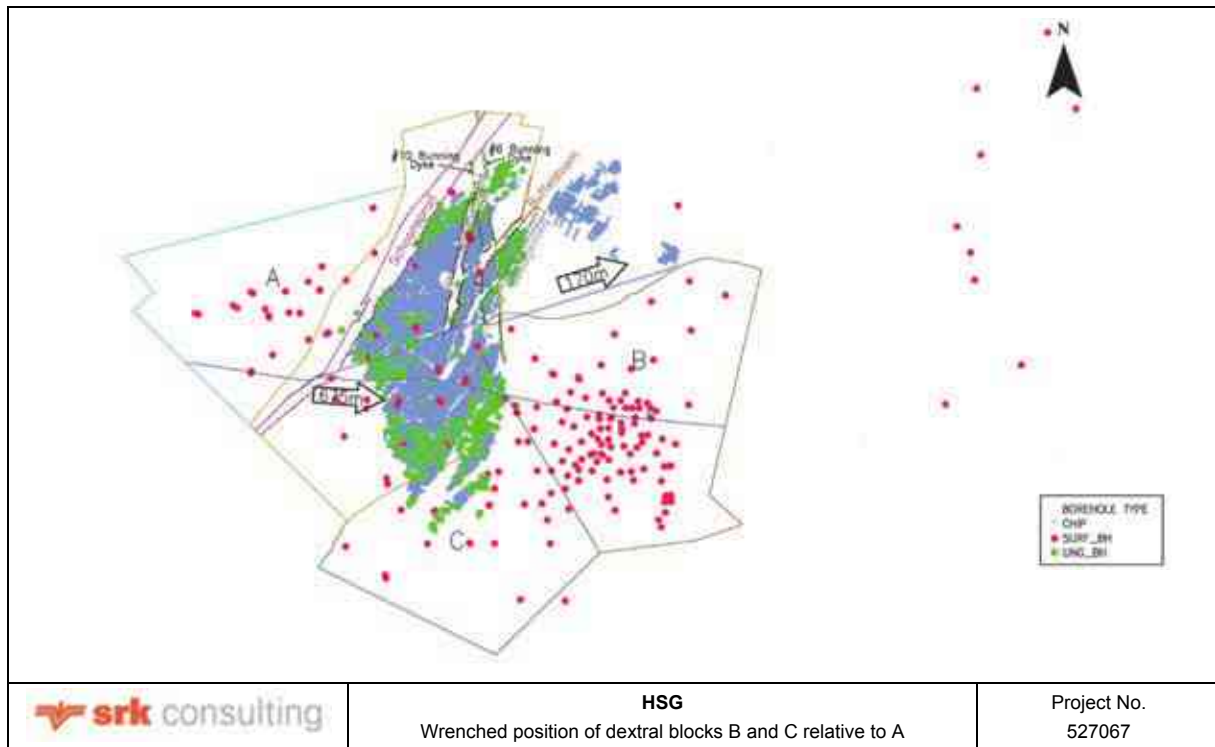
### 5.3.3 Mineralisation

[SR2.1(vi) (vii), SR3.1(vii)]

A brief description of the four sedimentological end members based on the facies model in order of decreasing maturity is as follows:

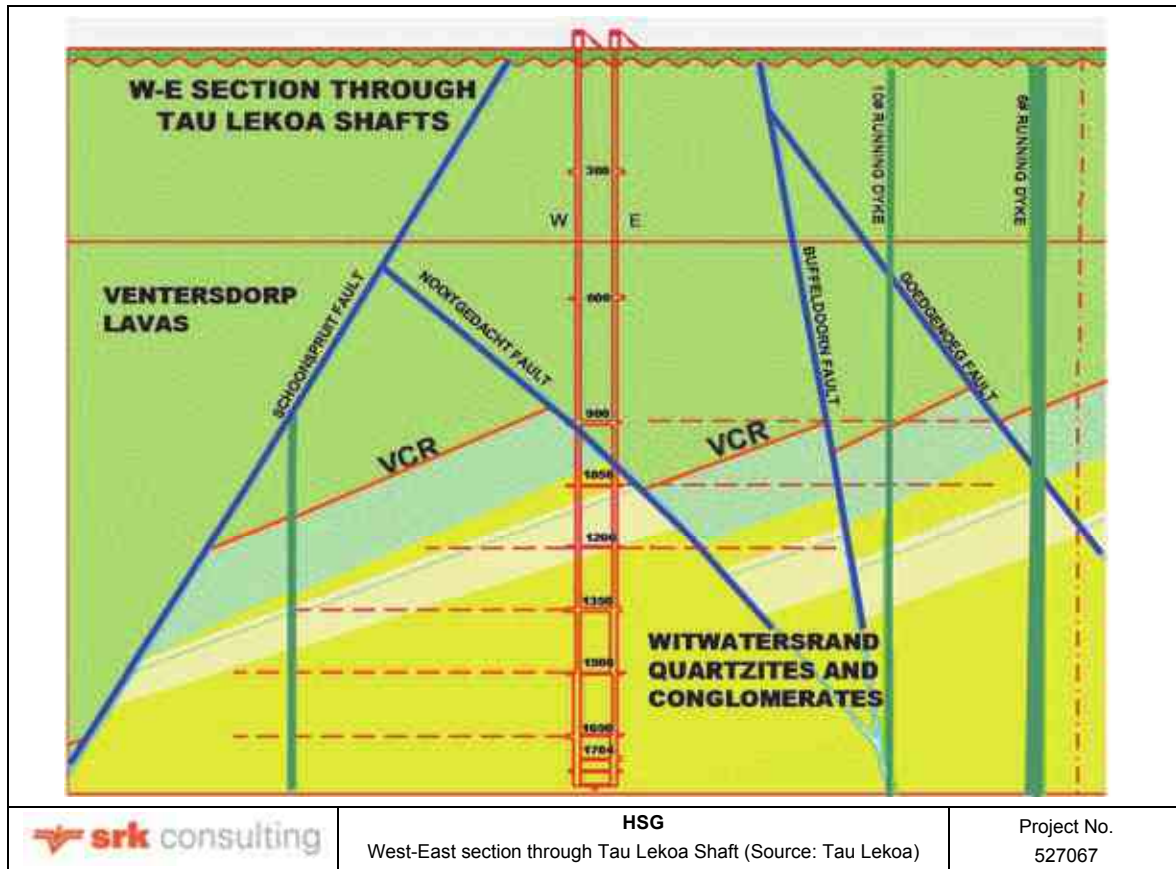
- **Multiple Scour Facies:** a mature oligomictic conglomerate with up to 90% sand. These facies generally have the highest grades of all the lithofacies with the scour surfaces typically well mineralised with pyrite and gold;

- **Massive Conglomerate Facies:** a less mature conglomerate, consisting of up to 90% sand but lacking well defined scour or bedding surfaces. The grades are generally marginal;
- **Sandfill Facies:** a grey siliceous quartzite with more than 90% sand content. Mineralisation is generally poor with gold grades similar to that of the MC Facies; and
- **Plateau/Slope Reef Facies:** these facies are best described as inter-channel thin reef facies (<40 cm of sediments). Gold concentrations are low but sporadic high-grade zones have been encountered.



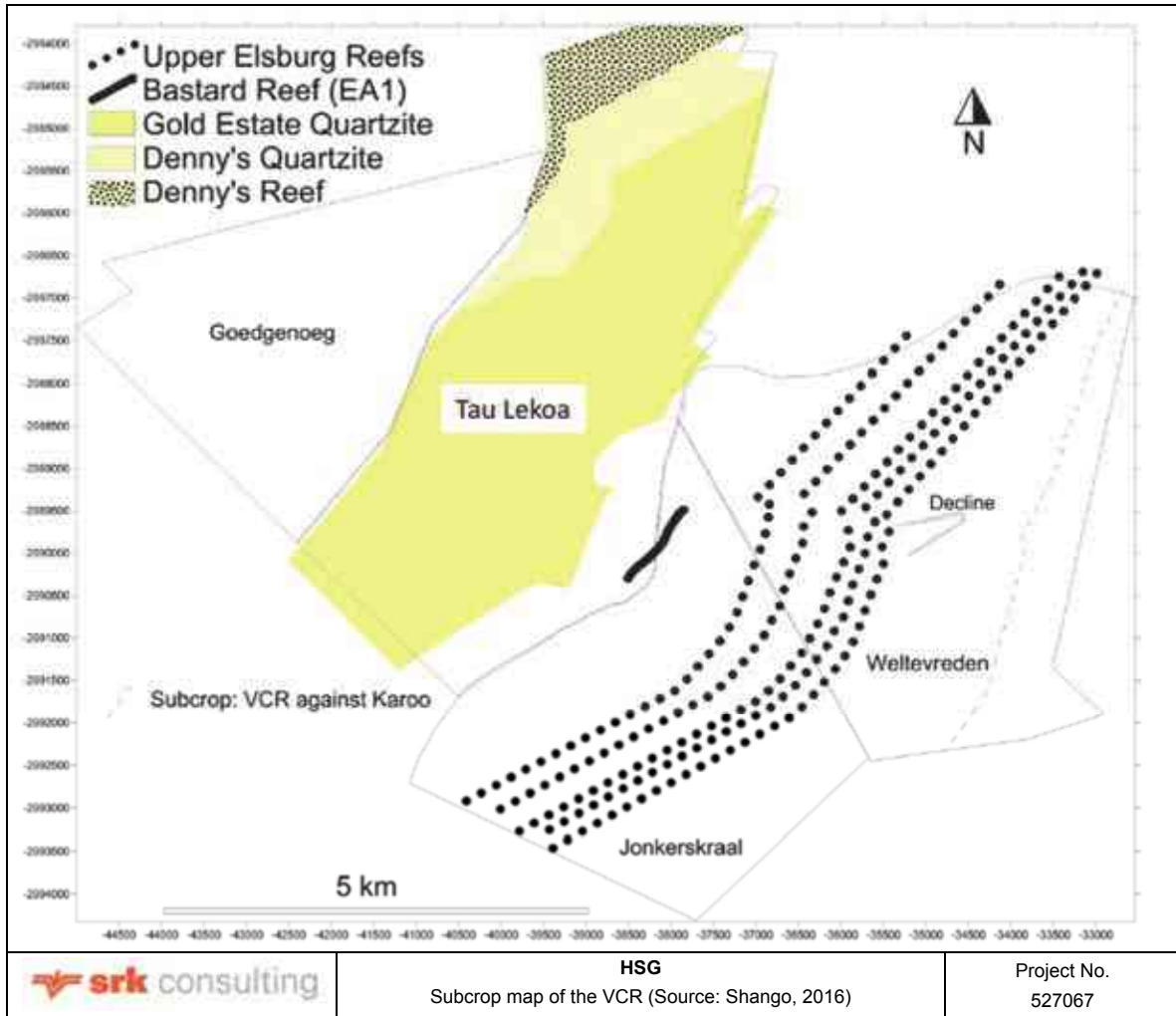
**Figure 5.1:** Wrenched position of dextral blocks B and C relative to A (Structural blocks are shown in light brown)





**Figure 5.2: West-East section through Tau Lekoa Shaft**

The gold mineralisation within the Tau Lekoa and Weltevreden Mining Right areas is associated with pyrite. According to RPM's CPR, the presence of pyrrhotite is observed west of Tau Lekoa (i.e. Goedgenoeg project area), and a gradual decrease in buckshot pyrite is observed eastward into Weltevreden.



**Figure 5.3: Subcrop map of the VCR**

## 5.4 Exploration and Drilling, Sampling Techniques and Data

[SR3.1, SR3.2]

### 5.4.1 Exploration

#### Tau Lekoa

#### Underground Mapping

[SR3.1(i)]

There is no material difference in the mapping approach when compared to Section 4.4.1.

#### Exploration Drilling

[SR3.1(vi)]

With respect to historical surface drilling programmes and protocols governing the drilling, SRK has not been able to access the full information; records of this information are scanty in previous CPRs. There is a high probability that the AGA protocols in place at this time was applicable here considering that both mines have the same owner at the time when majority of the drilling took place. With most exploration drilling in the Witwatersrand basin, it starts with percussion drilling from surface through the overburden; and sometimes through the competent rock material until within the proximity of the orebody of interest before diamond drilling is pursued. Currently there is no exploration (from surface) drilling programme in place at Tau Lekoa and Jonkerskraal.

**Weltevreden****Underground Mapping**

[SR3.1(i)]

There is no record of the geological mapping of the Weltevreden VCR drives in the vicinity of the decline system; however, a composite assay dataset exists for the historical VCR chip sampling exercise.

**Exploration Drilling**

[SR3.1(iii) (vi)]

Historical exploration refers to surface drilling programmes undertaken up to 2009. The 2009 drilling programme resulted in the "SWV and T" series holes. Historical Records with regards to protocols governing these programmes are not available for review. Based on SRK's knowledge of AGA's (previous owner) standards on exploration drilling, there is nothing to suggest that the protocols governing the historical drilling programmes were inconsistent with the industry norms of the time.

In March 2018, HSG embarked on an infill drilling programme (from surface) with the aim of increasing the Mineral Resource confidence at Weltevreden. Prior to the declaration of the Mineral Resources as contained in this CPR, approximately 0.12 Moz of gold at Weltevreden was classified as M & I (refer to SRK's 2016 Sign off report). A total of 18 mother holes, with deflections ranging from three to five per mother hole have been completed. The planned drill holes are largely based on optimisation studies on kriging output parameters using drill hole spacing analysis. This exercise was carried out by SRK. Figure 5.4 is a plan view of the recent drill holes relative to historical holes. At the time of compiling the MRE, assay results of two drill holes were still outstanding.

Two drilling contractors undertook the drilling exercise; namely Van Zyl Boorwerke (Pty) Ltd (Van Zyl) and Zaaïman Exploration Drilling (Pty) Ltd (Zaaïman). Caracle Creek International Consulting Africa (Pty) Ltd (CCIC) were responsible for managing the exploration programme.

**5.4.2 Drilling Techniques**

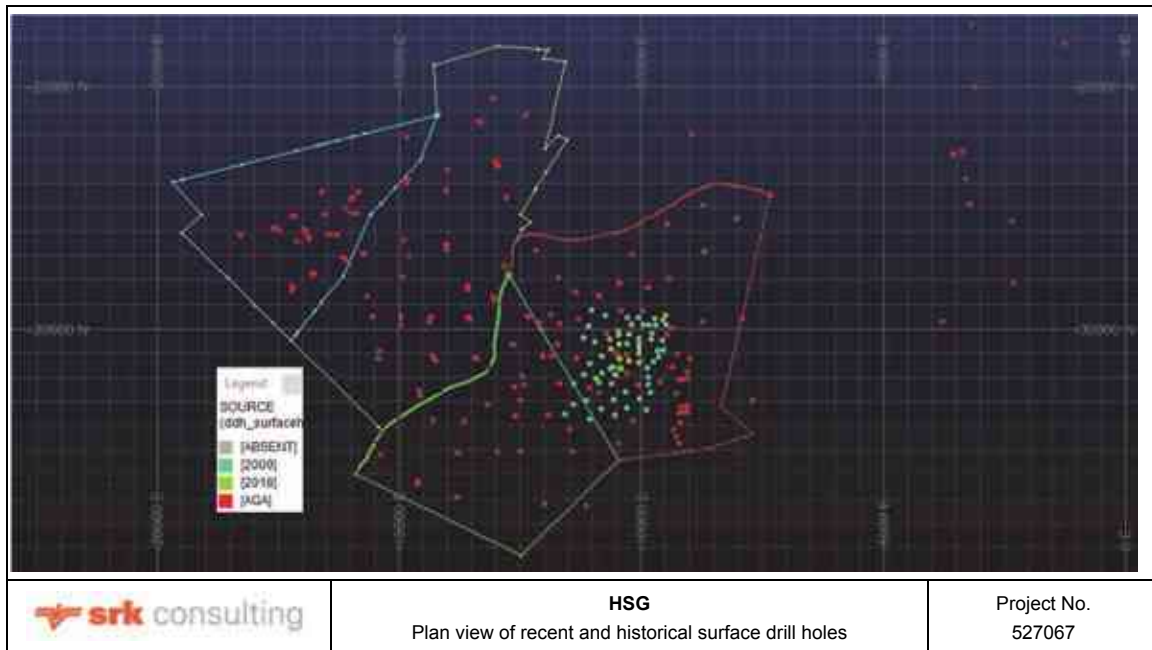
[SR3.1(iv) (vii), SR3.2(i) (ii) (iii) (iv)]

**Tau Lekoa****Underground Diamond Drilling**

The essence or need for underground diamond drilling is captured in Section 4.4.3.

**Weltevreden****2018 Exploration Drilling**

The drilling protocol required BQ diamond drilling within the orebody; there was no specific requirement on the drilling technique for the overburden material. It is however noted that Van-Zyl used percussion drilling from surface to 40 m above estimated top contact of the VCR. Zaaïman used diamond drilling for the Hard Rock; percussion was only for the unconsolidated material. Zaaïman and Van Zyl carried out Multi and single shot survey respectively for the mother holes; deflection holes were not surveyed.



**Figure 5.4: Plan view of recent and historical surface drill holes**

### 5.4.3 Sampling Method, Collection, Capture and Storage

[SR3.1(iii), SR3.3]

#### **Tau Lekoa**

##### **Drillhole Sampling Procedures**

There is no record of sampling procedure for surface drill holes at Tau Lekoa.

With respect to Tau Lekoa underground historical drill holes, the sampling approach was as follows:

- Where the facies of the core to be sampled is known, it is sampled whole (i.e. without splitting);
- If the facies are unknown the core is split into two representative portions with one half of the core sampled whilst the other half is retained for purposes of comparison;
- Subject to the constraints of sample size distinct lithological units are sampled separately. The break of individual samples should not be made on the stratigraphic contact, but 2 cm to 3 cm away from the contact to ensure that the entire contact is included with the appropriate sample. The sampled section of the core is broken into suitable size lengths depending on the relevant lithologies. The sample number and sample depths are then marked on the retained section of the core; and
- Two footwall sections and two hangingwall sections are included with the reef zone to ensure that the mineralised zone is correctly defined and also to prevent contamination. Occasionally “spike” or check samples are submitted to determine the reliability of the assay result. All samples are sent to the assay laboratories together with a request form.

#### **Weltevreden**

##### **Drillhole Sampling Procedures**

Historical sampling procedures for the different exploration programme (i.e. prior to the 2018 programme) is not available for commentary. However, with SRK's knowledge of similar programmes (recent and historical) specifically in the Witwatersrand basin, the procedure is fairly standardised and hence there is no reason to believe that the approach adopted for the historical drilling programmes is materially different from what has been described in the previous sections of the CPR.

The 2018 drilling programme requires that both halves of the deflection holes are sampled and assayed for resource estimation; it is noted from available data, this was not done for the historical exploration programmes.

##### **Underground Chip Sampling Procedures**

In terms of the actual sampling from the stope face at Tau Lekoa and Weltevreden, the methodology is not materially different from what is described under Section 4.4.4.

#### 5.4.4 Sampling Preparation and Analysis

[SR3.4]

##### **Tau Lekoa**

##### **Sample Laboratories**

[SR3.4(i)]

Prior to November 2009, all chip and underground drill hole samples were sent to SGS Johannesburg Laboratory for sample preparation and assay analysis. Subsequent to November 2009, all the mine samples are delivered to Tau Lekoa Assay Laboratory (**TLAL**); this is the mine's in-house laboratory and it is not accredited.

##### **Assay Techniques**

[SR3.4(ii)]

The analytical method prior to and subsequent to November 2009 has been fire assay with gravimetric finish. The details in terms of methodology are as described under Section 4.4.5.

##### **Sample preparation**

[SR3.4(iii)]

Prior to November 2009, samples were prepared and analysed at SGS (refer to Section 4.4.5 for the general sample preparation procedure. With respect to samples sent to TLAL subsequent to November 2009, a summarised version of the written procedures is as follows.

The samples are received in the sample preparation area in plastic bags. The sample is weighed and transferred to steel trays, along with the sample identifier tag, and dried in an open oven until the sample appears dry. Following re-weighing of the dry sample, the sample is passed through a primary jaw crusher, and then a secondary jaw crusher, to ensure that the samples are reduced from a 40 mm input size to less than 4 mm. A Jones riffle splitter is used to reduce the mass of a sample (approximately 300 g) before pulverizing. The sample is introduced to a rotary pulveriser (to reduce the particle size of the sample from 4 mm to 150 µ), which is flushed with a quartz wash between every sample. The sample is then transferred into a mixing vessel in a flume cupboard.

SRK carried out an inspection of the laboratory on the 21 August 2018. From the laboratory inspection, the following issues have been identified:

- Inadequate pulverising of samples prior to assay analysis. This is based on results from particle size analysis of TLAL pulp duplicate samples resubmitted to SGS Randfontein. According to Mr. Andre Kotze, Chief Assayer at Tau Lekoa, they have been aware of this problem which is directly due to inadequate functioning of the rotary mills. According to Mr. Kotze, the lab is achieving on average 60% of the pulverised samples passing 75 µ as against an industry norm of 90% passing 75 µ. With this result, the homogeneity of the pulverised samples is questionable, and this impacts on the accuracy of the assay results; and
- There is a risk of between sample contamination throughout the sample preparation process, and this may lead to errors in the assay results. This is based on empirical evidence (Figure 5.5). Aside from the known flaws in the rotary mills, which cannot be easily cleaned between samples as they are closed units, the design of the primary and secondary crusher allows for material to become trapped on a ledge where the sample is introduced (SRK observed both coarse and fine material in substantial amounts collected on the ledges of both instruments. When transferring samples between the sample mixing vessel and the sample packets, the sample bags are placed next to one another, and some of the pulverised samples can be transferred to other sample bags. When cleaning the sample mixing vessel with compressed air, this is done over the open sample packets, allowing transfer of material.

There is however no evidence to suggest that the above flaws introduce a bias which will either result in an over or under estimation of the Mineral Resources. These flaws in SRK's opinion are related to poor housekeeping, and outdated, and worn equipment.

**Weltevreden****Sample Laboratories**

[SR3.4 (i)]

Weltevreden samples for the 2018 drilling programme were submitted to SGS Randfontein for sample preparation and assay analysis; there is no record available to indicate where historical samples were submitted for analysis.

**Assay Techniques**

[SR3.4 (ii)]

Samples from the 2018 drilling programme were analysed using fire assay followed by Atomic Absorption Spectroscopy (AAS) finish.

**5.4.5 Sampling Governance**

[SR3.5(i) (ii) (iii) (iv)]

**Tau Lekoa**

The sample security is initiated by the Sampler by the sealing of the sample bags underground. The underground samples are brought out from the underground sections in the empty explosive cars. The samples are collected and brought to the Sampling Department where CRMs and Blanks are inserted into randomly pre-determined places in the numbering sequence assigned by Graphical Mining Solutions International™ (GMSI) Software. The CRMs and Blanks are then packed with the rest of the samples that were brought from underground and placed in locked containers for transport to the laboratory. Samples received by the laboratory are checked against the submitted lists and logged into LIMS. Any discrepancies are discussed with Tau Lekoa's Chief Evaluator.

**Weltevreden****2018 exploration programme**

Sample security and integrity on site and transport to SGS Randfontein was the responsibility of CCIC. CCIC's project manager issues a despatch note with the list of samples to accompany samples sent to SGS Randfontein. Upon receipt, SGS Randfontein signed-off on the despatch note, which is subsequently filed at HSG for safe keeping.

**5.4.6 Quality Control/Quality Assurance**

[SR3.5(i) (iii), SR3.6(i)]

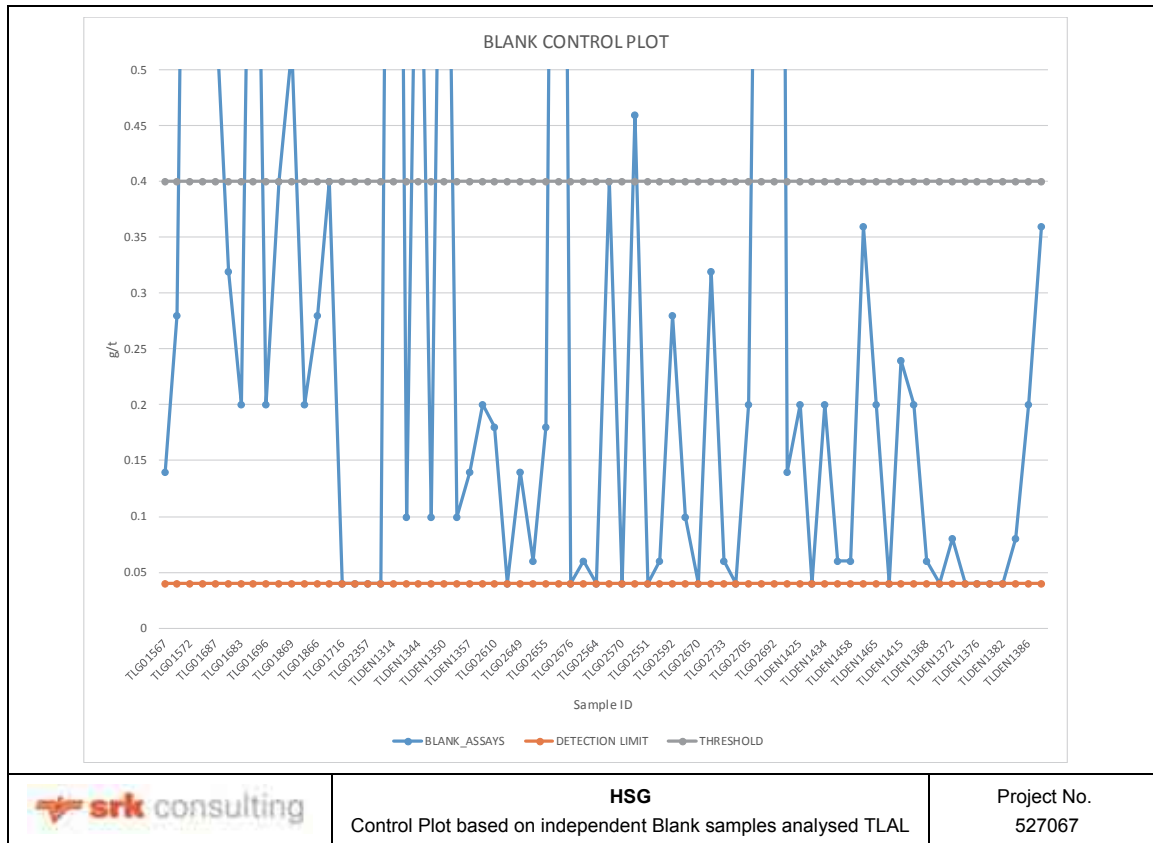
**Tau Lekoa**

It is stated in Minxcon's CPR with effective date 30 September 2009 that based on independent QA/QC assay reports (CRM and Blank control plots) decisions were made either to pass or fail a batch of assay results for resource estimation. Where a batch failed, all samples in the batch were re-assayed. SRK has not reviewed any of these reports and the underlying data prior to this effective date.

**Underground drill hole samples analysed at TLAL**

Blank control plot of assay results (based on independent QA/QC samples) analysed subsequent to December 2015 shows 17% percent of the results outside the threshold (Figure 5.5). SRK calculates this threshold as ten times the TLAL detection limit which is 0.04 g/t for fire assay with gravimetric finish. SRK is of the opinion that the extent of cross contamination during sample preparation is excessive and directly impacts on the accuracy of the assay results. The geology team at Tau Lekoa are however of the opinion that the hangingwall lava material they have been using as blank do contain sporadic mineralisation and hence the reason for the anomalous high grade in the Blank control plot. SRK understands that effort is being made to use river sand as blank material for both drill holes and chip samples.





**Figure 5.5: Control Plot based on independent Blank samples analysed TLAL**

Within the same period three CRMs were analysed and the summary results are as shown Table 5.4. AMIS0307 which is a low-grade CRM fails abysmally. It is a recognised fact within the industry that the use of fire assay with gravimetric finish for analysing low grade samples is not ideal due to the insensitivity of the instrumentation at low grades.

**Table 5.4: Summary results based on independent CRM samples (2016-June 2018)**

CRM	Certified grade	Mean grade	% within threshold	% Bias
AMIS0094	2.66	2.53	80.00%	-5.14%
AMIS0307	0.43	1.02	33.33%	57.80%
AMIS0503	5.48	5.32	66.67%	-3.10%

Although the underground sampling procedure requires the insertion of duplicates for precision analysis, SRK understands that this was not done for the period under consideration. Tau Lekoa has not been able to provide independent pulp duplicate results for the period between 2010 and 2016.

#### Chip Samples analysed at TLAL

There are no independent CRM results/records for the period 2010 up to March 2016, and September 2017 up to May 2018. With respect to Blanks and Duplicates, no records/results are available between 2010 and June 2018. Subsequent to SRK's visit to Tau Lekoa on the 14 and 15 of June 2018, independent QA/QC samples are being inserted into the sample stream for assay analysis. From a resource estimation perspective, assay results between the period 2017 and 2018 contribute the majority of samples at the face position of panels which significantly informs the grade of blocks ahead of the face via grade extrapolation. Hence the inability to assess the confidence in the assay data used in grade extrapolation/interpolation should be problematic from the perspective of Mineral Resource classification. It is in this regard that SRK requested chip sample pulp duplicates for this period to be resubmitted for analysis at an umpire laboratory (SGS Randfontein).

From March 2016 up to October 2018, the following is deduced from the relatively small quantum of QA/QC results:

- Less than 95% of any unique CRM samples analysed return assay values within the 2SD (refer to Table 5.5);
- However, the degree of deviation from the bias threshold for the CRMs under review is not material (refer to Table 5.5);
- The Blank control plot for results subsequent to June 2018 indicate an insignificant level of cross contamination between samples; and
- The HARD plot subsequent to June 2018 indicates that 80% of the paired data return a HARD value less than or equal to 10%, and this is consistent with SRK's expectation.

From the above, it can be concluded that repeatability of assay results subsequent to SRK's visit is satisfactory.

**Table 5.5: Summary results based on independent CRM samples (2017-2018)**

CRM	Certified value	Average analysis	% within threshold	% Bias
AMIS0094	2.66	2.61	71.43%	-1.75%
AMIS0307	0.43	0.47	80.77%	8.36%
AMIS0503	5.48	5.08	32.31%	-7.85%
AMIS0412	5.74	5.76	76.47%	0.43%
AMIS0430	2.68	2.89	80.17%	7.15%
AMIS0539	4.49	4.64	53.33%	3.26%
AMIS0541	3.16	3.37	56.67%	6.10%

#### Chip samples QA/QC Results (November 2018 to June 2019)

Upon SRK's request the frequency/quantity of QA/QC data collected was increased. QA/QC results for the period November 2018 to June 2019 are summarised below:

- Out of the 656 CRM samples analysed only 15 failed. However, their re-assays (i.e. the 15 samples) results were within the expected limits;
- The 656 samples were sourced from 15 different CRMs of which the grade distribution is representative of the orebody; and
- Of the 730 duplicate samples analysed, the HARD plot indicates that 88% of the results have a HARD value of 10% which is consistent with SRK's expectation.

#### Internal Laboratory QA/QC Results

HARD plot of pulp duplicates inserted by TLAL for the period January 2018 to June 2018 indicates that 95% of the results have a HARD value less than 10%. This result is consistent with industry norms and may suggest that the inadequate pulverisation of the samples during sample preparation does not materially impact on the precision of the assay results. SRK is, however, of the opinion that independently (external) inserted pulp duplicate results is not ideal for assessing precision.

Prior to July 2018, internally generated Standard materials which did not undergo any round robin survey were inserted into the sample stream for bias analysis. The variance calculation of these Standard materials was based on a relatively small number of samples and hence the grade acceptability range based on 2SD was wider than expected. This resulted in almost all the Standard materials analysed passing the bias test. Subsequent to July 2018, TLAL is using CRM samples from African Mineral Standards (AMIS) for bias testing. Although the CRM results available are statistically inadequate to make any meaningful conclusion, the indication is that they are consistent with industry norms.

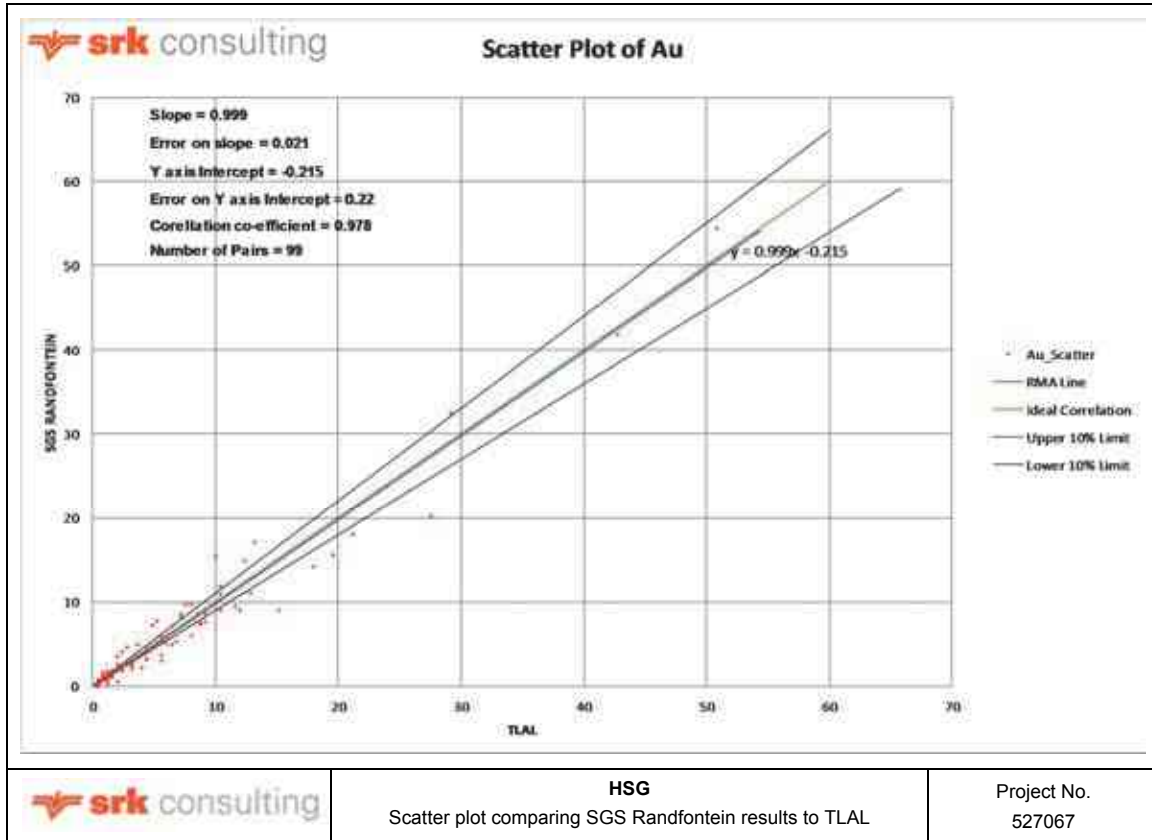
#### Umpire Chip Sample Results

Selected pulp duplicates of chip samples analysed at TLAL between September 2017 and May 2018 were sent to SGS Randfontein for analysis. This was necessary due to the fact that Tau Lekoa, by their own admission, stopped inserting QA/QC samples into the sample stream for analysis at TLAL within this period.

According to SGS Randfontein, results of the particle size analysis is below industry best practise (i.e. 90% passing 75 µ), which thus confirms Mr. Kotze findings in Section 5.4.4.



With respect to individual paired samples between SGS Randfontein and TLAL, there is substantial error in grade value. However, for the 99 paired data points analysed, on average there is no substantial error in grade value. As observed in Figure 5.6, although there is wide scatter relative to the 10% error limits, the regression line (blue) corresponds favourably with the ideal correlation line (green). With respect to the HARD plot results, less than 50% of the paired data return a HARD value of 10%. Irrespective of the materiality of the error it does not indicate a consistent bias which can result in either over or under stating the Mineral Resources.



**Figure 5.6: Scatter plot comparing SGS Randfontein results to TLAL**

### Weltevreden

#### 2018 exploration programme

Pulp duplicate analysis was not undertaken to assess precision from independently submitted samples. However, scatter plots of field duplicate results (based on split core from deflection holes) show a wide scatter between paired data. The HARD plot also indicates that only 35% of the paired field duplicate data have a HARD value of 10%. This result confirms the high nugget characteristics of the gold mineralisation in the Witwatersrand basin.

Based on results from Blank control plots only 7% of independently submitted blank samples analysed, are outside the threshold (Figure 5.7). Result for Sample ID "L11458" with grade approximating 0.7 g/t on Figure 5.7 is likely due to a sample swap. Overall, SRK is of the opinion that the extent of cross contamination during sample preparation is not material.

With respect to CRM, the three CRMs inserted into the sample stream do not meet the threshold requirement; likewise, 2 of the CRMs do not meet the bias requirement as per SRK's expectation. SRK suspects some of the failures to be attributed to sample swap. Pulp duplicates of the batches of samples associated with the CRMs that failed to meet the threshold requirements were resubmitted for analysis, but the results available are inconclusive, primarily because the pulp duplicates submitted did not meet the minimum weight requirement for analysis.

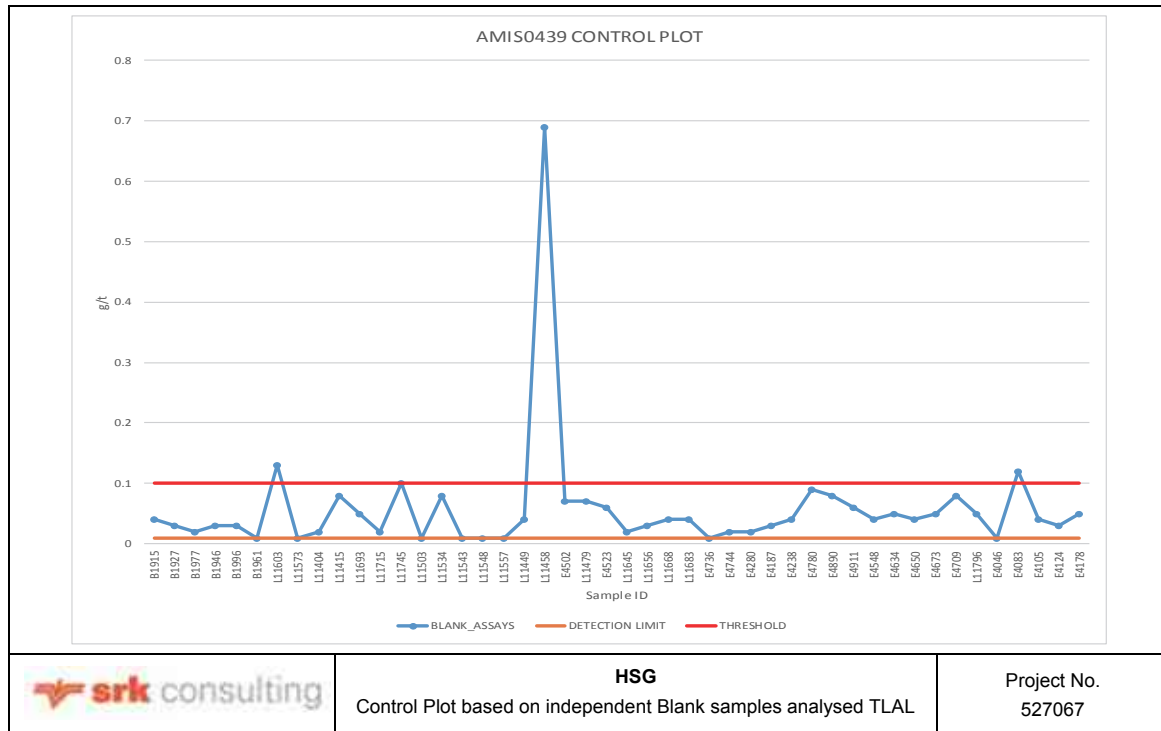


Figure 5.7: AMIS0439 Blank Control Plot

#### 2009 exploration programme

It is not clear what material was used as Blank material. However, it is noted from the Blank Control plot that only 1% of independently submitted blank samples analysed, are outside the threshold. Hence there are no issues related to cross contamination of samples during sample preparation. Results of the two main CRM inserted independently into the sample stream for analysis indicate also that the degree of bias is insignificant and most importantly not consistent (Table 5.6).

Table 5.6: Summary results based on independent CRM samples

CRM	Certified grade	Mean grade	% within threshold	% Bias
AMIS0077	12.09	11.95	98.33%	-1.14%
AMIS0081	0.52	0.54	98.35%	3.19%

Pulp duplicate samples were not submitted for analysis.

#### 5.4.7 Relative Density

[SR3.1(i), SR3.3(iii), SR3.5(iii), SR3.7]

The Specific Gravity (SG) value of 2.71 t/m<sup>3</sup> has been utilized in the tonnage calculations. It is a historically generated value determined by AGA and is in keeping with the SG values anticipated from the VCR.

#### 5.4.8 Bulk-Sampling

[SR3.7(i) (ii) (iii) (iv)]

The reader is referred to the discussion in Section 5.4.7 for Tau Lekoa.

SRK is not aware of any bulk sampling exercise undertaken on VCR ore at Weltevreden.

## 5.5 Mineral Resource and Classification

### 5.5.1 Geological Modelling and Geozones Interpretation

[SR4.1(i) (ii) (iii)]

#### Database and Data Validation

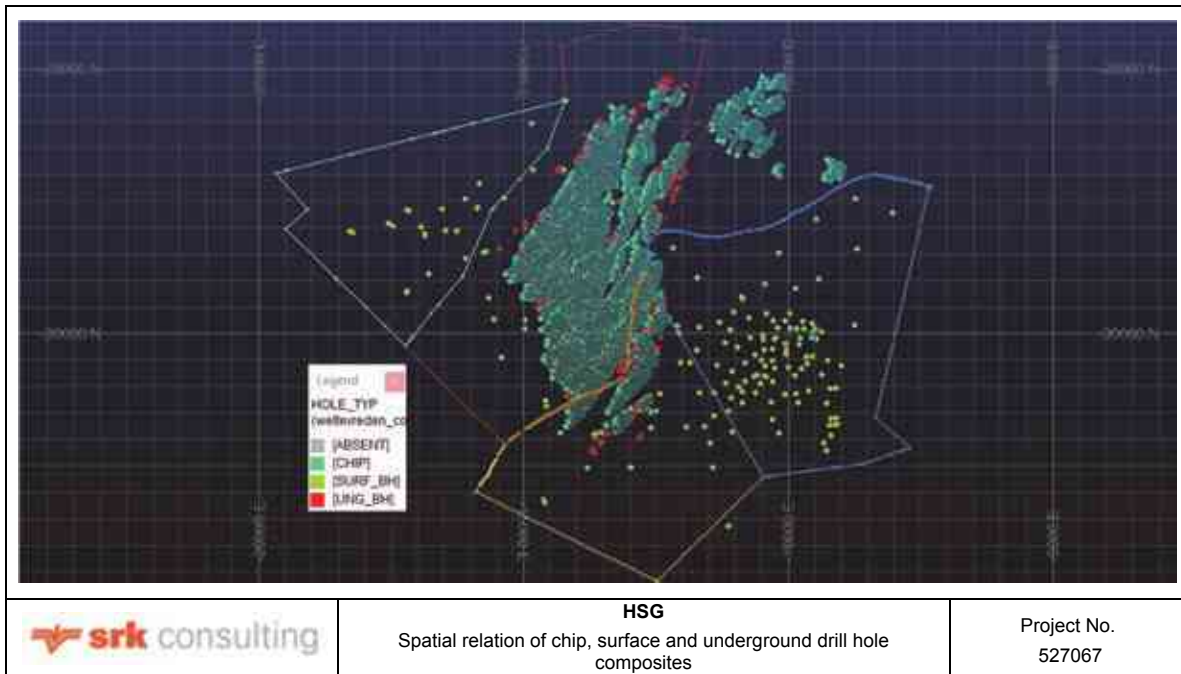
[SR3.1, SR4.1]

The following data (historical and current) related to the VCR was supplied to SRK:

1. Chip sample composite assay data with effective date 30 April 2018;
2. Underground drill hole composite assay data with effective date 30 April 2018;
3. Collar, survey, lithology and assay files of the surface drill holes;
4. A 2D structural model of the mining lease areas;
5. A 2D block listing string file comprising a register of IBGs within mined-out areas and a contiguous undepleted blocks of ground with effective date 30 November 2018; and
6. A 2D depletion string file for the period 1 December 2018 to 31 March 2019.

Cm.g/t and CW composite data of items 1 to 3 above, were combined as input data for resource estimation. The chip sample composite dataset with reef-in-foot/hanging samples were excluded from the final combined composite dataset used for resource estimation. Visual inspection of the combined composite dataset, structural and block listing strings indicates missing historical chip sample composite data.

Historical surface drill hole information was sourced from the original AGA database. Previous surface drill hole databases used by Minxcon and Shango for geozone interpretation and resource estimation did not have all the cm.g/t and CW information; especially for deflection holes having "SWV and T" prefix identities; SRK was able to obtain this missing information for the current evaluation. Some of the collar co-ordinates of these "SWV & T" mother holes were re-surveyed and found to compare favourably with what is contained in the AGA database. A total of 184 736 composites have been used for resource estimation. Figure 5.8 shows the spatial relationship of the different composite types.

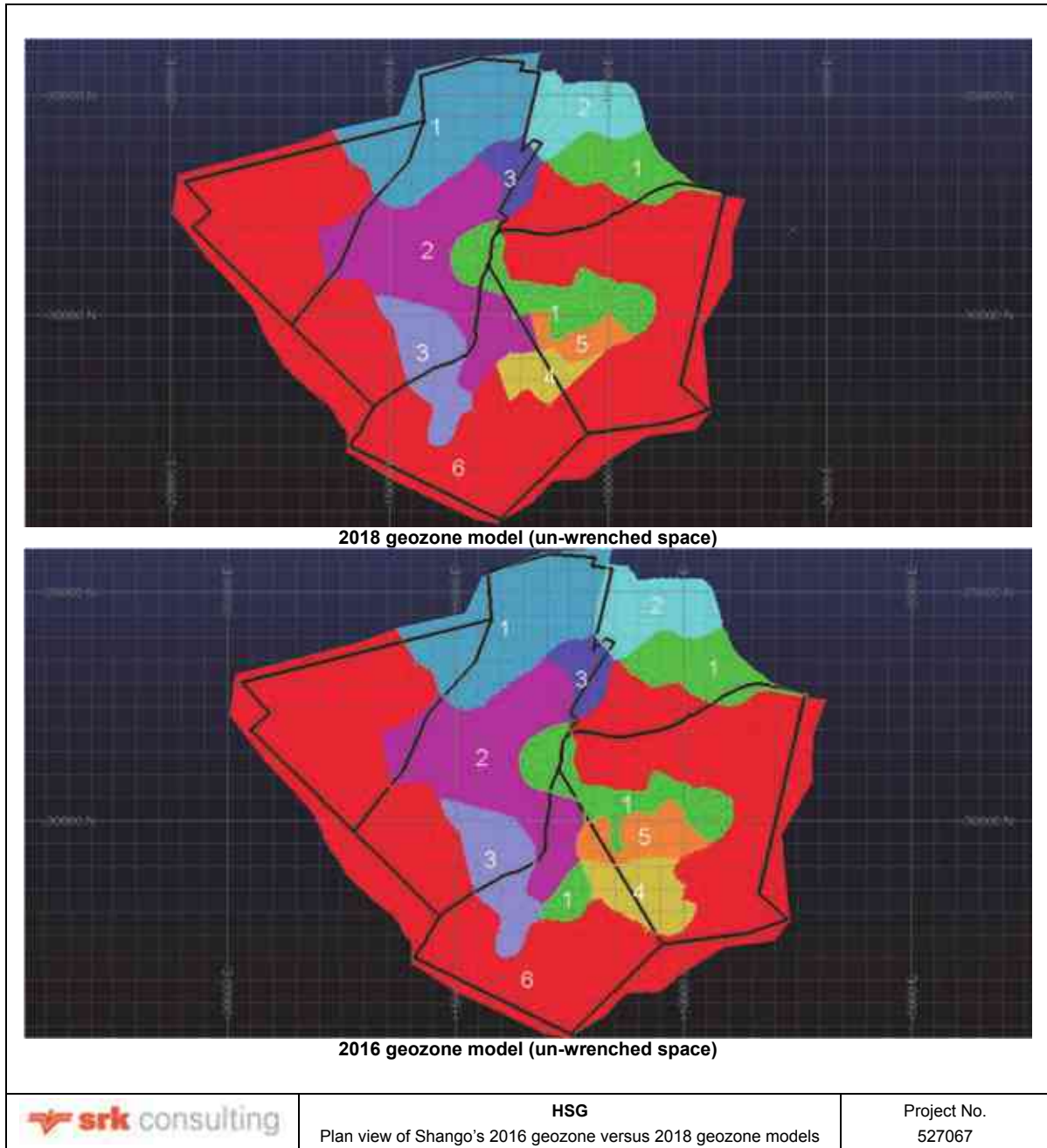


**Figure 5.8: Spatial relation of chip, surface and underground drill hole composites**

### Geology Modelling and Domain Interpretation

[SR4.1 (i) (ii) (iii)]

The paleo-reconstruction hypothesis put forward by Shango is the basis for the current geological model and geozone interpretation. The cm.g/t and CW models put forward by Shango have been updated using information obtained from the 2018 drilling programme and also from some historical surface drill hole information, which was absent in Shango's database. The criteria as put forward by Shango for geozoning also remained unchanged for the updated geozone. Shango identified eight geological domains, which, upon statistical analysis for resource estimation, resulted in six geozones. A statistical breakdown of the updated geozones based on Shango's geozone characteristics is as shown in Table 5.7. Figure 5.9 shows a plan view of the 2016 and 2018 geozones in un-wrenched space; note the significant changes in the vicinity of the boundary between Jonkerskraal and Weltevreden.



**Figure 5.9: Plan view of Shango's 2016 geozone versus 2018 geozone models (black outline is the farm boundaries)**

### 5.5.2 Mineral Resource Estimation and Modelling Techniques

[SR4.2(i) (ii)]

The VCR MRE for Tau Lekoa and adjacent projects is compiled by Ivan Doku (an employee of SRK), who is a member of the South African Council for Natural Scientific Professions (SACNASP: 4006/13/14). Mr. Doku has sufficient experience in the style of mineralisation and type of deposit and has reviewed the MRE (as compiled by other Consultants) for these assets since 2016. Unlike in the previous reviews where a composite dataset was the fundamental data supplied by the client, in compiling this particular estimate, SRK sourced the fundamental historical surface drillhole raw assay dataset from the AGA database (Note that Tau Lekoa was previously owned by AGA). SRK has reviewed all the different sets of data underpinning the geological model and the MRE and is satisfied that the approach is consistent with the guidelines of the SAMREC Code. The MRE has been compiled using Isatis™ and Datamine™ softwares.

The estimates for the Mineral Resources are for gold accumulation (cm.g/t) and Channel Width (CW).

Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resource will be converted into Mineral Reserve.

This section describes the resource estimation methodology and summarizes the key assumptions considered. A final Mineral Resource model of the VCR has been compiled for Tau Lekoa and the adjacent properties comprising of Jonkerskraal, Weltevreden and Goedgenoeg projects. This was necessary because five out of the six geozones straddle the internal farm boundaries; the only exception being geozone 5 which is constraint within Weltevreden (refer to Figure 5.9).

#### Compositing and Capping of Extreme Values

[SR4.2 (i) (iii)]

Compositing of underground chip samples and drill holes (for cm.g/t and CW) is done in-house by Tau Lekoa using GMSI Software. SRK randomly selected some underground drill holes and assessed the raw dataset used for compositing; SRK found the composite values as derived from the GMSI to be appropriate. Compositing of the surface drill holes (recent and historical) assay results was compiled by SRK and appended to that deduced from GMSI. Composite statistics per domain for the variables under consideration are shown in Table 5.7.

**Table 5.7: Statistical breakdown of composite point dataset per domain**

Domain	Variable	Count	Min	Max	Mean	Std. Dev.	CoV	Domain description
1	cm.g/t	30 229	0	94 972.8	1 055.4	1 945.52	1.84	High
1	CW	30 229	0.05	574.0	59.6	42.71	0.72	Thin
2	cm.g/t	92 048	0	45 334.0	1 173.6	1 407.03	1.20	High
2	CW	92 048	0.05	490.0	113.1	55.12	0.49	Thick
3	cm.g/t	53 599	0	68 749.3	871.8	1 106.26	1.27	Intermediate
3	CW	53 599	0.05	544.0	116.0	52.32	0.45	Thick
4	cm.g/t	56	0.39	2 503.8	677.8	511.72	0.76	Intermediate
4	CW	56	8.83	395.5	171.5	103.21	0.60	Very thick
5	cm.g/t	75	0.04	2 433.3	160.9	387.80	2.41	Low
5	CW	75	0.88	210.6	70.2	53.71	0.76	Intermediate
6	cm.g/t	8 729	0	9 874.0	480.1	567.86	1.18	Intermediate
6	CW	8 729	0.05	958.0	89.7	54.09	0.60	Variable

Although the histogram distribution confirmed the highly positively skewed nature of the cm.g/t variable, the estimation technique employed largely smoothens the data distribution and thus reduce the variance; hence the decision not to cap the outliers within the composite dataset.

#### Variograms

[SR4.2 (ii)]

The composite dataset per geozone was regularised into 30 m, 60 m and 120 m grids for variography; this is intended for ordinary Macro Kriging (**MK**). The essence of regularisation is to reduce the variance (based on the composite dataset) which results in a much continuous variogram with ranges greater than what will be

obtained using unregularized data. The choice of grids starting with 30 m, and in multiples of 30 m is SRK’s preference which largely has to do with our understanding of mining in the Wits. Most conventional Wits Mine have a panel size of 30 m (SMU) resolution, hence decision to regularised in multiples of 30 m.

With the exception of geozones 4 and 5, the experimental semi variogram models based on the regularised cm.g/t and CW composite data are found to be moderately to well structured. Figure 5.10 shows the variogram models fitted onto the 30 m regularised data for cm.g/t and CW in Geozone 1.

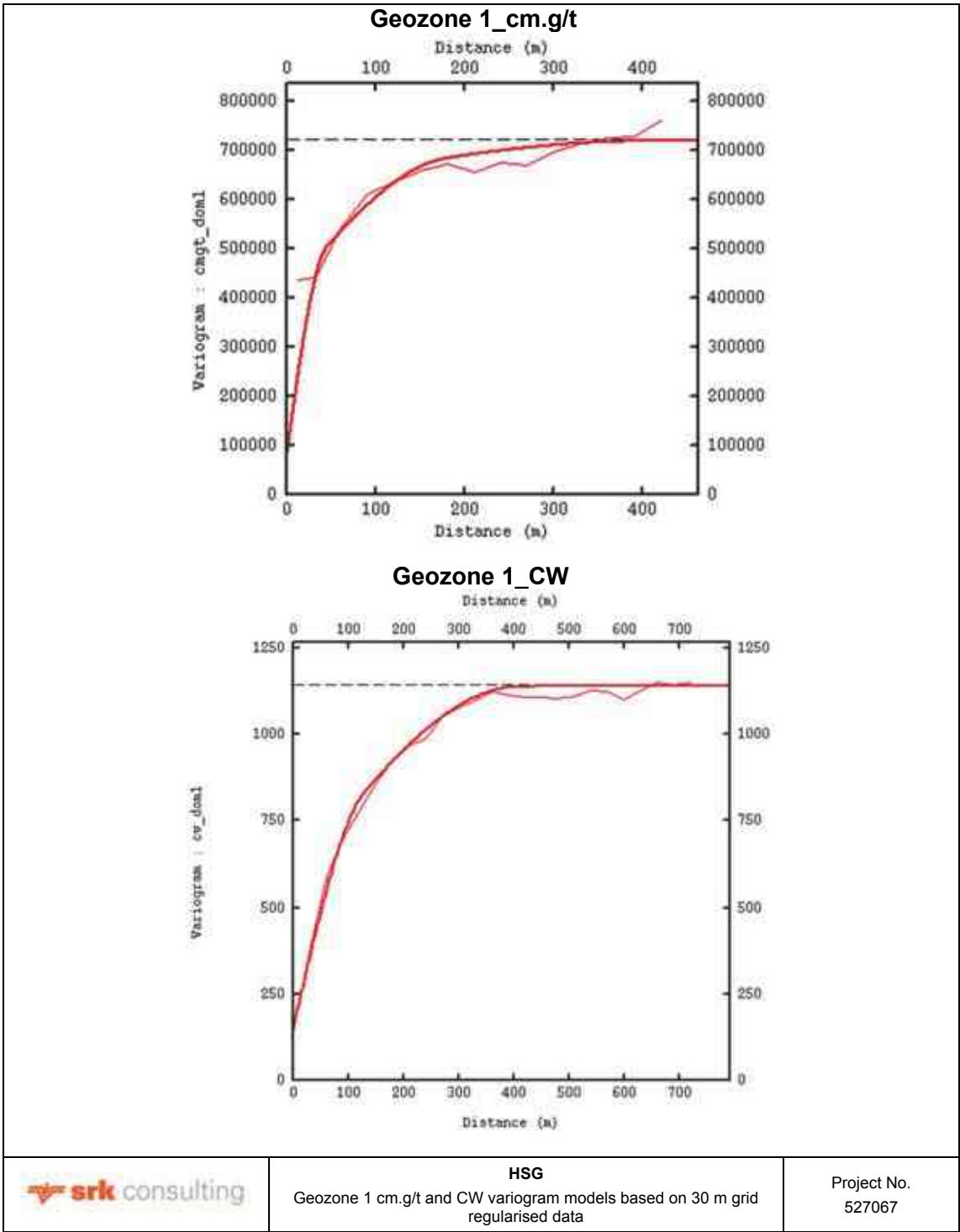


Figure 5.10: Geozone 1 cm.g/t and CW variogram models based on 30 m grid regularised data



The poorly structured experimental semi variogram models (based on regularised data) for Geozones 4 and 5 are primarily due to the inadequate composite point data within these two domains. It is worth mentioning that composites in these two domains are entirely sourced from surface drill holes (refer to Table 5.7). Experimental semi-variograms (Geozones 4 and 5) based solely on the point data also show poor structures. All the experimental semi-variogram models (based on the regularised data) generated are omni directional. As grid size increases, longer range continuity is realised with a subtle disintegration of the structures. In SRK'S opinion the spherical variogram models fitted unto the respective regularised experimental semi-variograms are reasonably robust.

Table 5.8 shows the variogram parameters of each variable and geozone based on the regularised data. Variogram models for Geozone 3 and 6 were used for Geozone 4 and 5 respectively due to the similarity in their population distribution.

Variography was carried out in unwrenched space.

**Table 5.8: Regularised variogram model parameters**

Grid	Variable	Geozone	C <sub>0</sub>	C <sub>1</sub>	C <sub>2</sub>	C <sub>3</sub>	R <sub>1</sub>	R <sub>2</sub>	R <sub>3</sub>
30	cm.g/t	1	88 764	321 935	213 635	94 114	45	180	400
30	cm.g/t	2	211 752	187 441	78 407	109 811	110	400	655
30	cm.g/t	3	53 414	128 217	44 534	23 835	112	290	2 000
30	cm.g/t	6	6 003	56 973	34 244	-	70	110	-
30	CW	1	148	426	536	30	130	405	550
30	CW	2	188	496	541	800	40	210	610
30	CW	3	158	722	323	370	80	270	1 000
30	CW	6	123	867	576	-	160	315	-
60	cm.g/t	1	57 403	140 573	113 813	20 071	225	480	900
60	cm.g/t	2	111 369	166 427	90 689	-	200	700	-
60	cm.g/t	3	30 210	123 002	25 121	30 000	160	350	1 600
60	cm.g/t	6	6 070	25 752	28 616	-	115	305	-
60	CW	1	38	224	555	175	120	430	745
60	CW	2	175	640	808	123	200	700	940
60	CW	3	179	509	276	499	105	340	1 050
60	CW	6	84	245	1 223	300	170	390	480
120	cm.g/t	1	50 713	170 008	104 447	8 028	240	575	900
120	cm.g/t	2	27 493	135 655	73 804	36 895	190	610	1 460
120	cm.g/t	3	16 737	107 883	41 495	627	400	1 330	1 870
120	cm.g/t	6	7 159	24 474	17 655	-	245	1 125	-
120	CW	1	198	68	409	216	413	500	816
120	CW	2	193	685	560	-	445	1 150	-
120	CW	3	148	269	514	310	160	460	1 430
120	CW	6	316	1 036	1 807	-	460	2 160	-

Note:

C<sub>0</sub>: Nugget

C<sub>1</sub> to C<sub>3</sub>: Sills of first to third structure respectively.

R<sub>1</sub> to R<sub>3</sub>: Ranges in metres with respect to the structures.

### Estimation Methodology

Three separate block models on a 30 m, 60 m and 120 m grid were constructed for Mineral Resource estimation. Estimates based on the 30 m, 60 m and 120 m regularised data/variogram models were assigned respectively to the 30 m, 60 m and 120 m block models. For a conventional gold mine typical of the Wits (e.g. Tau Lekoa) where chip sample data density is on an average spacing of 5 m, estimates on a 30 m block size (or smaller) are appropriate for short term planning. Likewise, estimates on a 60 m and 120 m block sizes are appropriate for medium to long term planning respectively.

The estimation technique applied is ordinary MK and is done in 2D for cm.g/t and CW. Only the regularised cm.g/t dataset for domain 4 was capped prior to estimation.

Using the 30 m regularised data and corresponding variogram models, macro-kriged estimates were interpolated into the 30 m block model for the cm.g/t and CW variables. This process was repeated for the 60 m and 120 m units. An omni-directional search range was employed, and this was restricted to the

corresponding variogram range. The choice of minimum and maximum number of samples in each search neighbourhood is based on an optimisation study of Geozone 1's estimation parameters, using kriging neighbourhood analysis. For each search radius, the minimum and maximum number of samples was set to 4 and 10 respectively. Table 5.9 shows the search ranges used. Note that geozones 4 and 5 use the parameters for Geozone 3 and 6 respectively.

**Table 5.9: Search neighbourhood Parameters**

Grid	Variable	Geozone	Search Radius/m
30	cm.g/t	1	400
30	cm.g/t	2	655
30	cm.g/t	3	290
30	cm.g/t	6	110
30	CW	1	550
30	CW	2	610
30	CW	3	1 000
30	CW	6	315
60	cm.g/t	1	500
60	cm.g/t	2	700
60	cm.g/t	3	350
60	cm.g/t	6	305
60	CW	1	745
60	CW	2	940
60	CW	3	1 050
60	CW	6	480
120	cm.g/t	1	900
120	cm.g/t	2	1 460
120	cm.g/t	3	1 870
120	cm.g/t	6	1 125
120	CW	1	900
120	CW	2	1 460
120	CW	3	1 870
120	CW	6	1 125

The grade interpolation was carried with Isatis™ Software in un-wrenched space and subsequently migrated into Datamine™ where the block models were wrenched back into real space. The 3 block models were combined into a single block estimate.

A structural model and depletion outlines both in 2D string format was validated against the composite dataset prior to incorporating their footprint into the final block estimate.

### 5.5.3 Validation of Estimates

[SR4.2(v) (vi)]

#### Tau Lekoa

SRK compared the statistics of the raw data with those of the estimates for the combined Measured and Indicated Mineral Resources (**M&I**) and used swath analyses to compare the spatial correlations of the estimates to the composite data. Figure 5.11 and Figure 5.12 is a swath plot for Geozone 1 showing the correspondence locally between the combined Measured and Indicated MRE, and the composite data. Focus has been placed on M&I because it has the potential to be converted into a Mineral Reserve. It is, however, noted that the inclusion of the Inferred Resources results in a relatively poor correspondence between the block estimate and composite data.



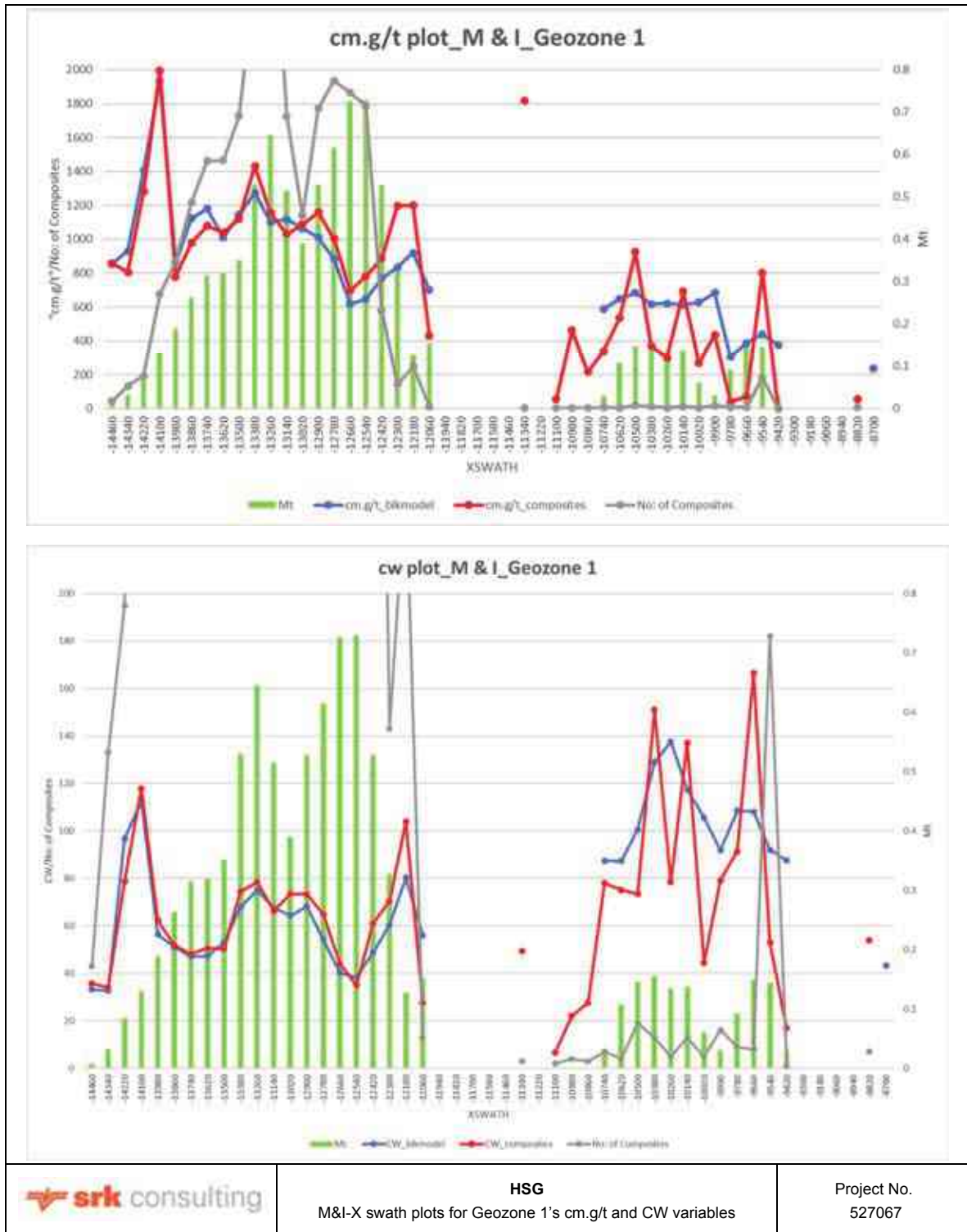
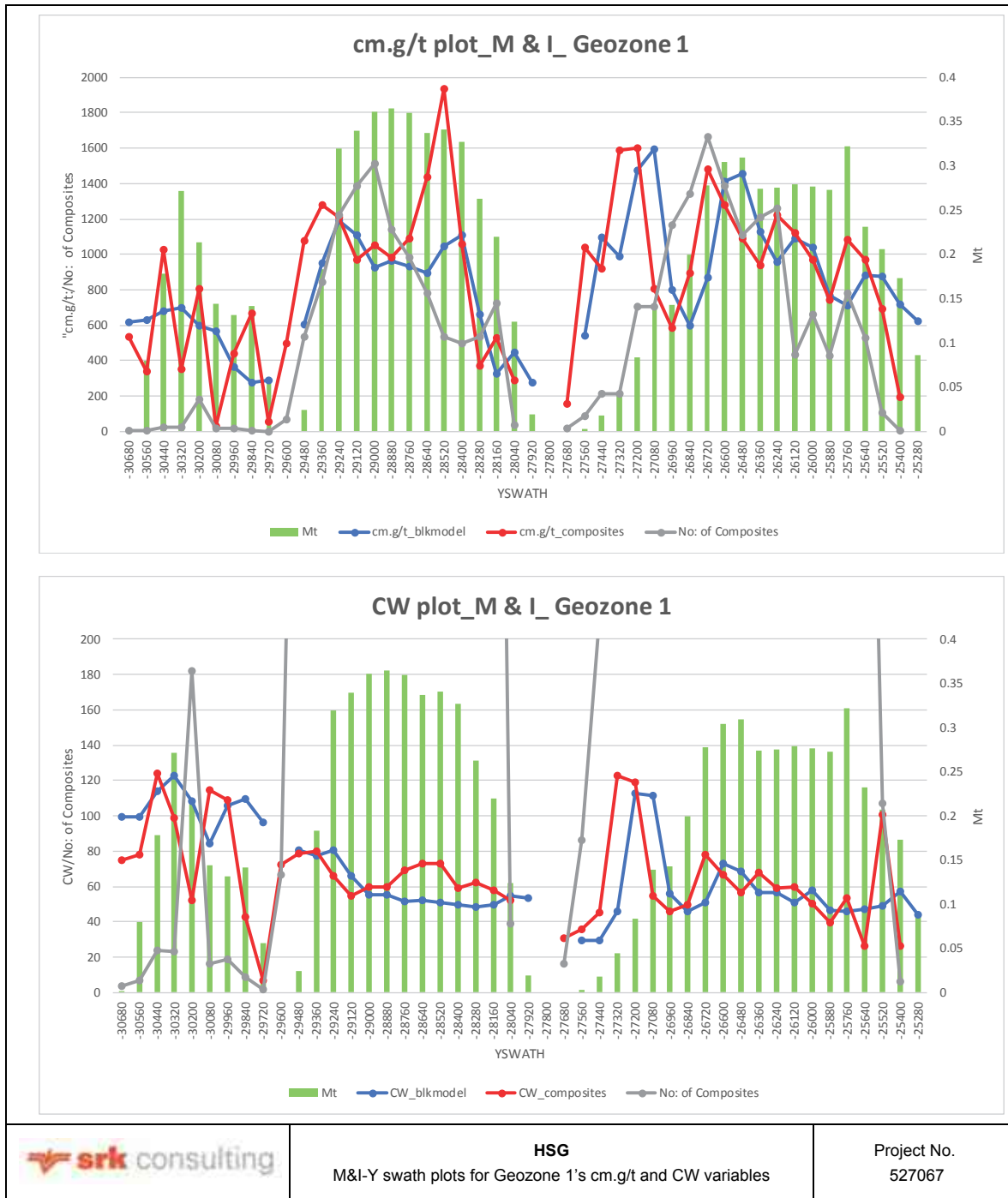


Figure 5.11: M&amp;I-X swath plots for Geozone 1's cm.g/t and CW variables

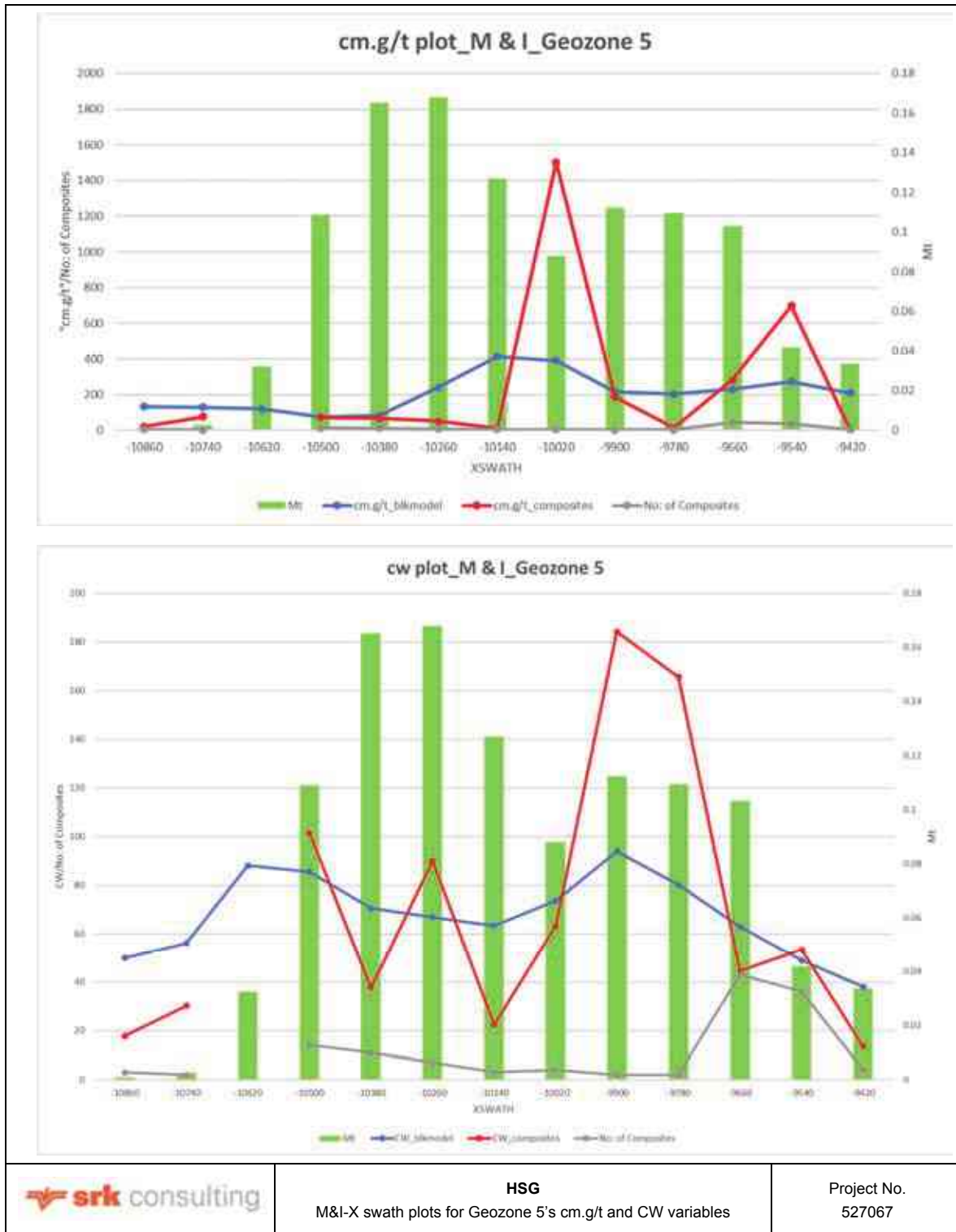


**Figure 5.12: M&I-Y swath plots for Geozone 1's cm.g/t and CW variables**

SRK has reviewed the composite dataset (derived from chips and underground drill holes) subsequent to the 30 April 2018 effective date referred to in section 5.5.1 如上 and up until 30 June 2019. Based on scatter plot analysis carried out on this new/additional composite dataset to the grade estimate, SRK is of the opinion that the grade profile of this set of data (which was not used for the resource estimation) correspond favourably with the grade estimate. Note that the original CPR effective data has changed from 31 December 2018 to 30 June 2019; hence the inability to update the initial composite dataset and re-estimate. SRK is of the opinion that the approach taken to ascertain the correspondence of the new/additional data to the grade estimate is sound.

**Weltevreden**

Domain 5 is the only domain that is unique to Weltevreden and does not straddle farm boundaries. Figure 5.13 and Figure 5.14 is a swath plot for Geozone 5 showing the correspondence locally between the combined Measured and Indicated MRE, and the composite data.



**Figure 5.13: M&I-X swath plots for Geozone 5's cm.g/t and CW variables**

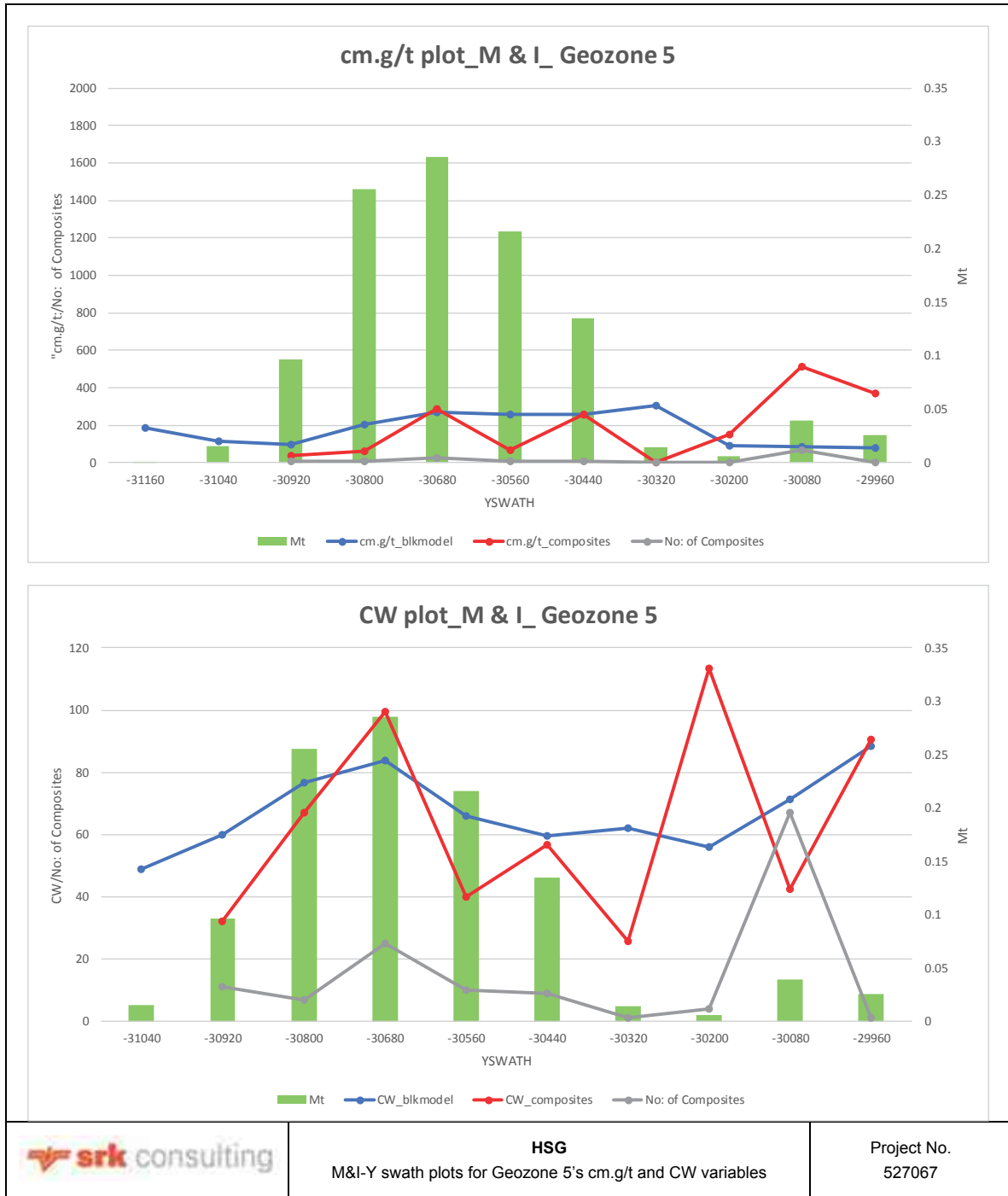


Figure 5.14: M&amp;I-Y swath plots for Geozone 5's cm.g/t and CW variables

#### 5.5.4 Reasonable and Realistic Prospects for Eventual Economic Extraction

[SR4.1(iv), SR4.2(ii) (iv), SR4.3, SR5.6(iii) (iv)]

##### Mineral Resource Parameters

To evaluate RPEEE, Tau Leko considers the parameters listed in Table 5.10. Cost is dependent on operational cost only.

**Table 5.10: Parameters applied in the Tau Lekoa cut-off calculation**

Parameter	Units	Value
Gold Price	ZAR/kg	700 000
Mining Cost <sup>1</sup>	ZAR/t	1 924
Mining Cost <sup>2</sup>	ZAR/t	1 052
Milling Width <sup>1</sup>	cm	174
Milling Width <sup>2</sup>	cm	120
Stope Width <sup>1</sup>	cm	130
Stope Width <sup>2</sup>	cm	117
MCF <sup>1</sup>	%	80%
MCF <sup>2</sup>	%	84%
PRF	%	94%

Notes:

<sup>1</sup> Tau Lekoa and Jonkerskraal.<sup>2</sup> Weltevreden.<sup>3</sup> MCF = Mine Call Factor.<sup>4</sup> PRF = Plant Recovery Factor.

SRK has verified the calculations of the cut-off grades for the respective assets and is satisfied with these thresholds. Tau Lekoa Group optimisation curves showing cut-off grade relation to profit/margins are presented in Figure 5.15.

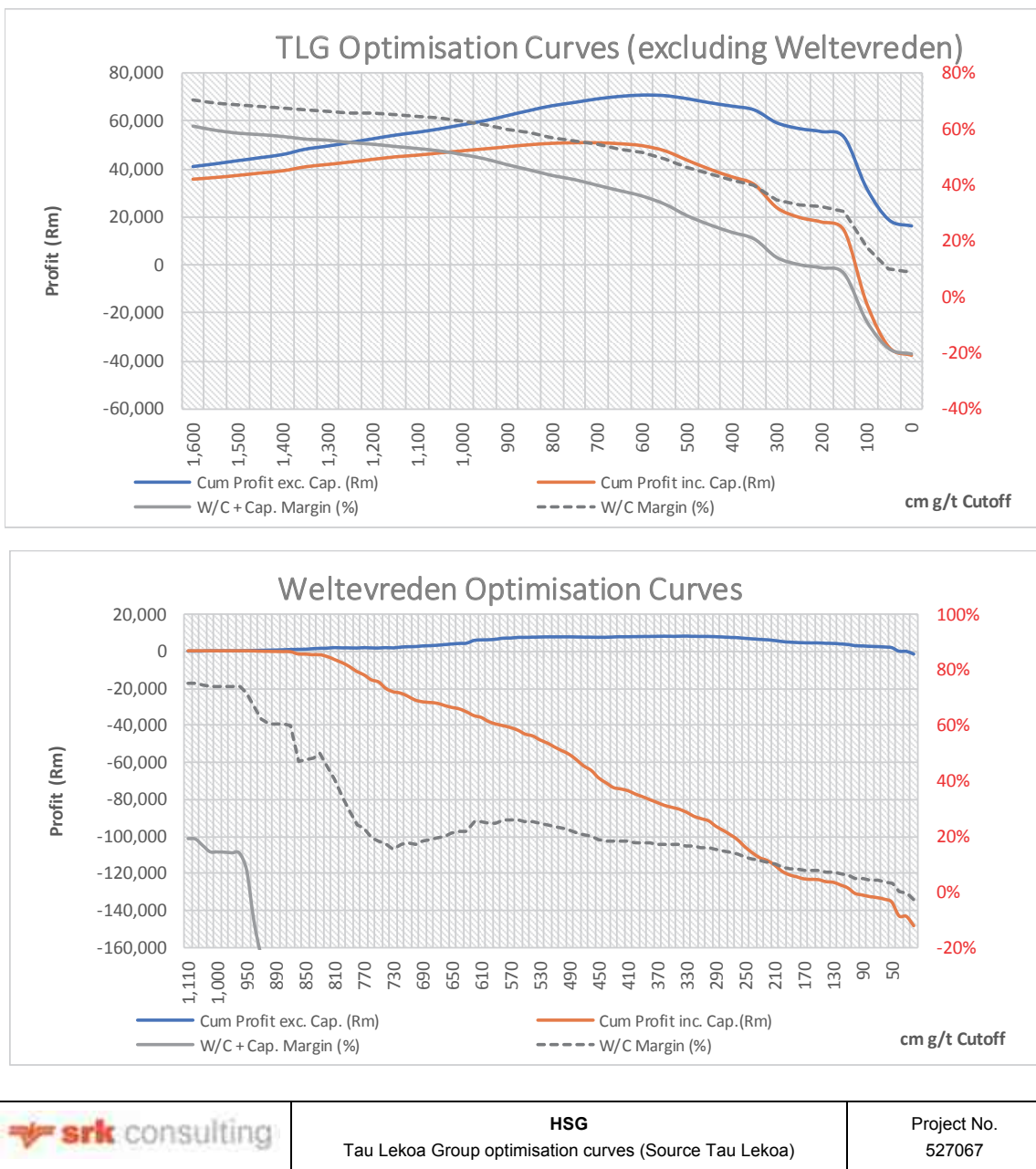
### 5.5.5 Classification Criteria

[SR4.4(i)]

In the classification of the Mineral Resources, the following were considered:

- The geological continuity of the VCR in relation to the structural complexity;
- The confidence in the assay results informing the composites, with special focus on chip samples data on the periphery of stope outlines, underground/surface drill holes in virgin grounds; and
- The kriging output parameters with special focus on regression slope.

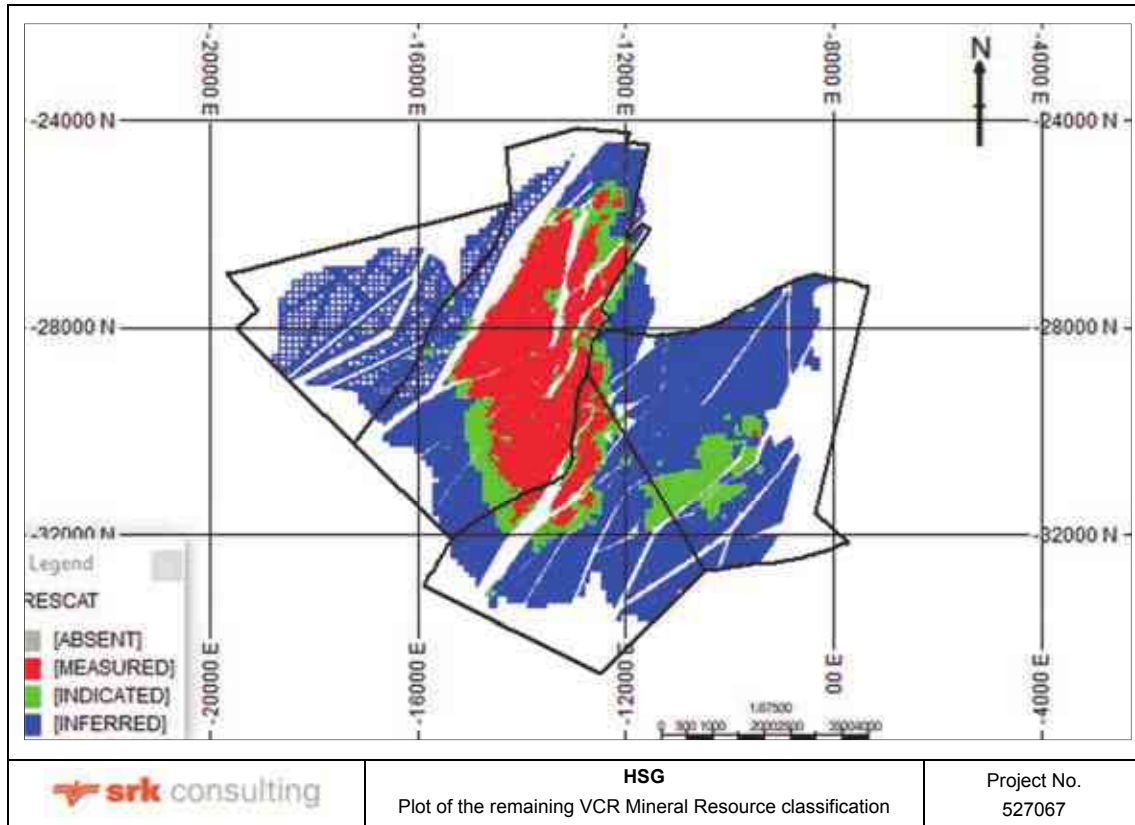
With satisfactory confidence in 1 and 2, the regression slope criterion is the overarching parameter in the Mineral Resource classification process. The 30 m and 60 m block estimates with regression slopes greater than or equal to 0.7 and 0.5 respectively are classified as Measured and Indicated Mineral Resources; similarly, the 120 m blocks with regression slopes greater than 0.5 m are also classified as Indicated Mineral Resources. Any cell (be it parent or subcell) not meeting these criteria is classified as Inferred Resources and replaced with estimates from the 120 m block model.



**Figure 5.15: Tau Lekoa Group optimisation curves**

The classification of the Mineral Resources is illustrated in Figure 5.16 for Tau Lekoa Group. On a limited extent, SRK manually manipulated some of the classification in the block estimate in order to avoid 'spotted dog' scenario's (i.e. lack of continuity in resource categories) which impacts on mine scheduling. In this particular instance where isolated higher confidence blocks (based on SoR criteria) are surrounded by a "pool" of lower confidence blocks (i.e. spotted dog scenarios), the isolated blocks were downgraded; where the converse scenario was identified, the same approach was applied to eliminate the spotted dog.





**Figure 5.16: Plot of the remaining VCR Mineral Resource classification**

### 5.5.6 Mineral Resources

[18.03(2), 18.18, 18.30(2), [18.30(4)] [SR4.5(ii) (iv) (v) (vii), SR(6.1(i), SR6.3(vi)]

The Mineral Resources are reported according to the guidelines of the SAMREC Code (2016), inclusive of any Mineral Reserves that are derived from them.

#### Mineral Resources Statement for VCR

The Mineral Resource tabulation is based on a Mineral Resource cut (i.e. the SW in this instance) and not on the CW cut. The Mineral Resource are reported above a minimum SW (mining width) of 120 cm. Where the CW estimate is less than 120 cm, it is bulk up to 120 cm at zero grade. With a CW value equal or greater than 120 cm, the SW is calculated as follows:

$$SW = CW + 20 \text{ cm}$$

The 20 cm dilution is added at a zero grade.

The Mineral Resources are reported after the application of geological loss factors; ranges from 5% to 10%. Measured, Indicated and Inferred Resources at Tau Lekoa mine are assigned 5%, 7.5% and 10% geological loss respectively; Measured and Indicated Resources at Weltevreden are assigned values of 8% and 10% respectively.

Depletion footprints (i.e. from the block listing file) in the Tau Lekoa mine MRE are based on the measured face positions from stoping and development as at 30 November 2018 (refer to Table 5.11 for Mineral Resource Statement).

The Mineral Resources in Table 5.11 are reported inclusive of Mineral Reserves at 30 June 2019.

**Table 5.11: SRK-Audited Tau Lekoa Group Mineral Resource Statement at 30 June 2019**

Asset	Reef Name	Mineral Resources			
		Category	Quantity	Au Grade	Contained Au
			(Mt)	(g/t) <sup>1</sup>	(Moz) <sup>2</sup>
<sup>2</sup> Tau Lekoa mine	VCR	Measured	4.72	7.28	1.10
		Indicated	6.98	5.00	1.12
		<b>Subtotal (M &amp; I)</b>	<b>11.70</b>	<b>5.92</b>	<b>2.23</b>
		Inferred	18.77	5.84	3.53
<sup>3</sup> Weltevreden	VCR	Measured	0.10	5.79	0.02
		Indicated	5.27	3.86	0.65
		<b>Subtotal (M &amp; I)</b>	<b>5.37</b>	<b>3.90</b>	<b>0.67</b>
		Inferred	26.32	2.57	2.18
<sup>2</sup> Goedgenoeg	VCR	Measured	-	-	-
		Indicated	0.21	6.05	0.04
		<b>Subtotal (M &amp; I)</b>	<b>0.21</b>	<b>6.05</b>	<b>0.04</b>
		Inferred	10.42	13.19	4.42
<b>Combined Tau Lekoa Group Total</b>	VCR	Measured	4.82	7.25	1.12
		Indicated	12.46	4.54	1.82
		<b>Total (M &amp; I)</b>	<b>17.28</b>	<b>5.29</b>	<b>2.94</b>
		Inferred	55.51	5.67	10.12
		<b>Total (M&amp;I&amp;I)</b>	<b>72.78</b>	<b>5.58</b>	<b>13.06</b>

Notes:

<sup>1</sup> Weltevreden Mineral Resources are reported above a gold cut-off grade of 387 cm.g/t, which was derived using a gold price of ZAR700 000/kg of gold, an operating cost of ZAR1 052/t milled and MCF for Tau Lekoa and Jonkerskraal of 84% and PRF of 94%. The rest of the Tau Lekoa Group Mineral Resources are reported at a gold cut-off grade of 400 cm.g/t using the same gold price as Weltevreden and an operation cost of ZAR 1 924/t milled, with 80% MCF and 94% PRF.

<sup>2</sup> troy oz = 31.1034768 g.

<sup>3</sup> M & I – Measured and Indicated Resources.

<sup>4</sup> M&I&I – Measured, Indicated and Inferred Resources.

<sup>5</sup> All figures are rounded to reflect the relative accuracy of the estimate.

The metal accumulation (cm.g/t) estimates for the remaining Mineral Resources are shown in Figure 4.20 for the VCR. The farm boundaries are also overlain over the reporting blocks.



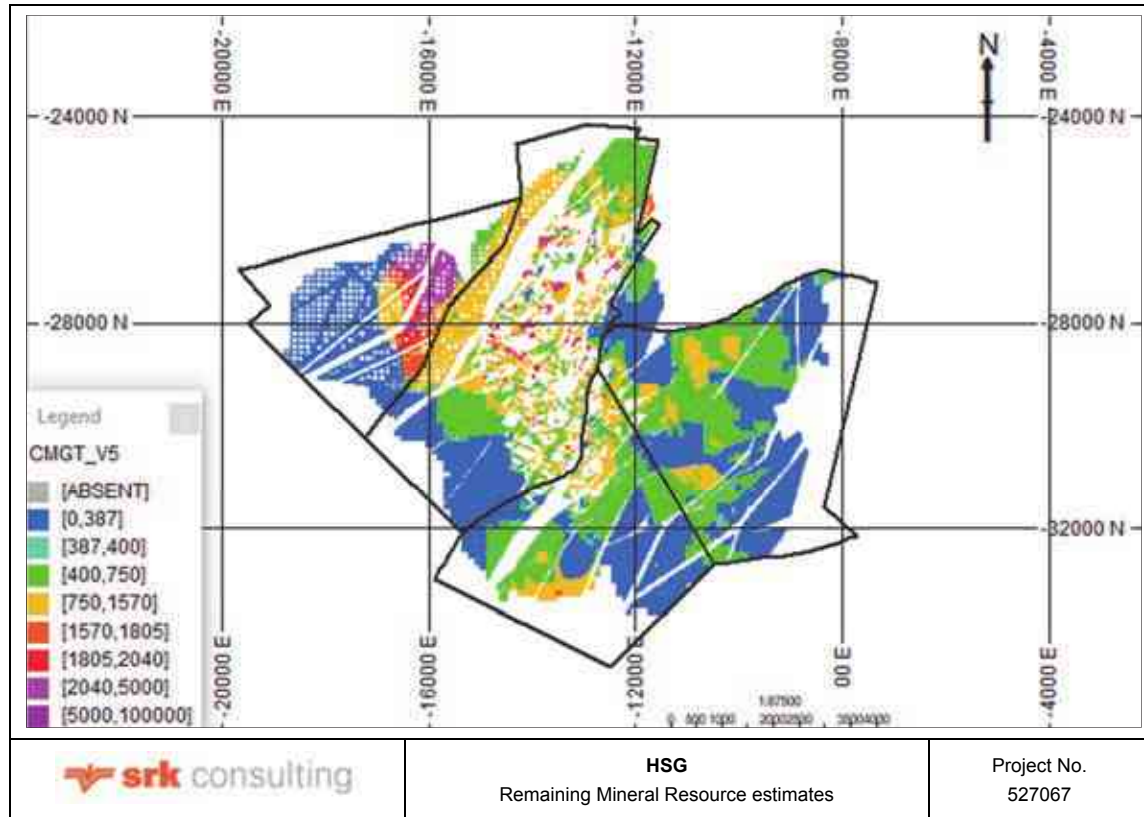


Figure 5.17: Plot of the remaining VCR Mineral Resource grades (cm.g/t)

### 5.5.7 Grade Tonnage Curves

The Mineral Resources are sensitive to the selection of the reporting cut-off grade. The grade tonnage curves as illustrated for Tau Lekoa mine and Weltevreden in Figure 5.18 at different cut-off grades, are for the remaining Mineral Resources (effective date: 30 June 2019). The reader is cautioned that the figures presented in this table should not be misconstrued with a Mineral Resource Statement. The figures are only presented to show the sensitivity of the block model estimates to the selection of cut-off grade.

### 5.5.8 Reconciliation of Mineral Resources

[SR4.2(v), SR4.5(vi)]

The most recent Tau Lekoa Group Mineral Resource Statement in the public domain prior to the 2018 declarations in this CPR was signed off by CAE Datamine (Datamine) with an effective date of 30 June 2014 (VMR 2014 Integrated Annual Report). While industry best-practice requires that any reconciliation must be done relative to a previous public Mineral Resource Statement, SRK is not in a position to use the 2014 declaration, for the following reasons:

- There are material inaccuracies in the June 2014 contained ounces declaration for Tau Lekoa Mine;
- There are material inconsistencies/differences in ore tonnage, grade and gold ounces between the 2014 and 2015 declarations (i.e. a one-year period) which cannot be supported by depletions for the period in question; and
- SRK has not been able to identify the reasons for the material differences, as a result of lack of access to the 2014 geological model, MRE, estimation technique/approach, resource classification criteria, supporting data and Datamine's CPR.

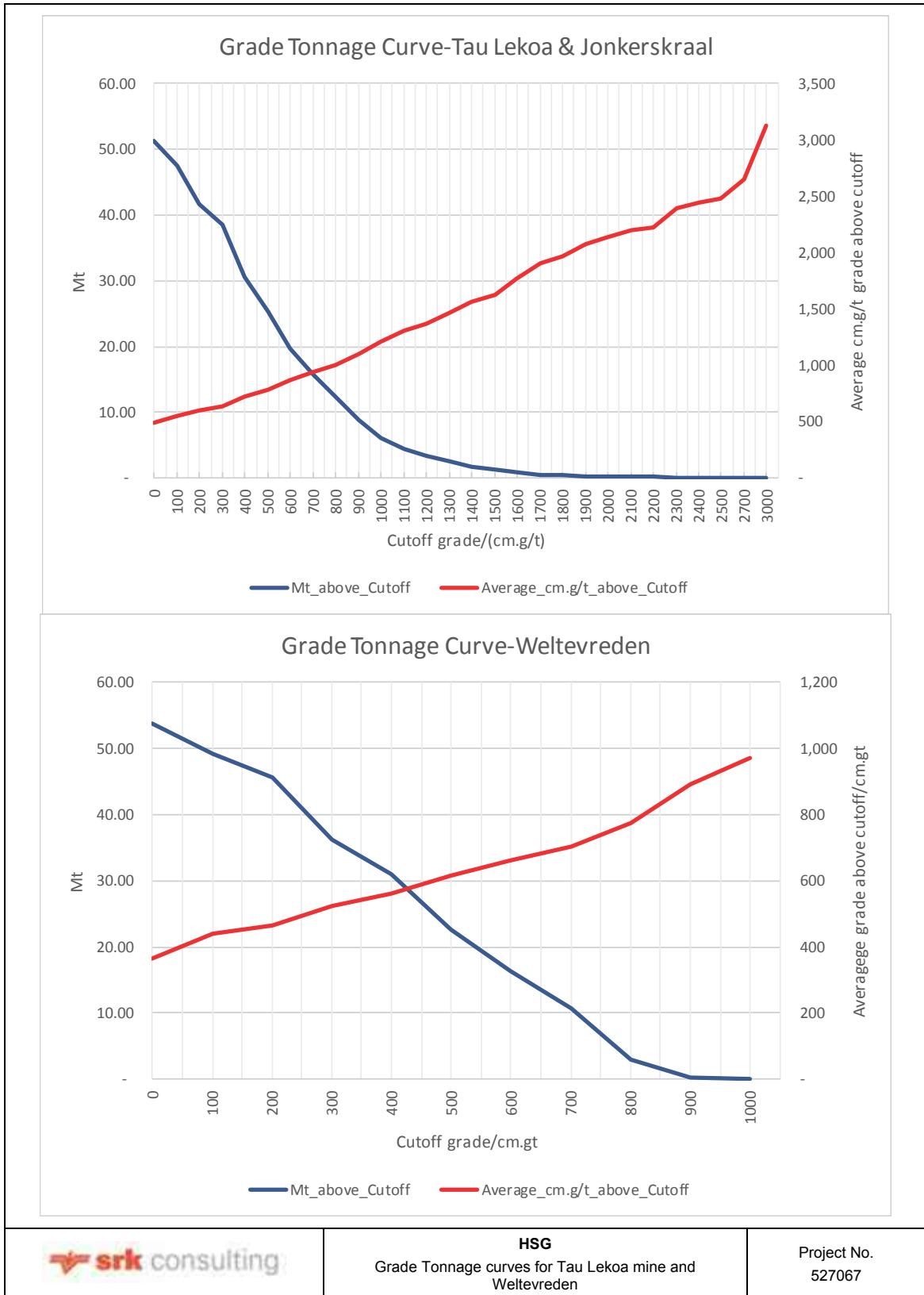


Figure 5.18: Grade Tonnage curves for Tau Lekoa mine and Weltevreden

In August 2016, SRK reviewed and signed-off on the MREs compiled for Tau Lekoa Group. It is worth noting that two independent consultancy firms had compiled the MREs; Minxcon compiled the estimates only within the Tau Lekoa farm boundary and the estimates for the others (Jonkerskraal, Weltevreden and Goedgenoeg) were compiled by Shango. These resource estimates were based on extensive interpretations of the geological structure and domain boundaries, which would have impacted the geostatistical parameters and search criteria for classification of resources. The effective date for the Mineral Resource Statement at a cut-off of 150 cm.g/t was 31 August 2015.

The combined Mineral Resource Statement as per SRK's 2016 sign-off is as tabulated in Table 5.12.

**Table 5.12: Consolidated Tau Lekoa Group Mineral Resource Statement effective as at 31 August 2015 at 150 cm.g/t cut-off**

Category	Quantity (Mt)	Au (cm.g/t)	Au Grade (g/t)	MW (cm)	Content (Moz)
Measured	10.50	786	6.68	118	2.25
Indicated	6.94	599	5.45	110	1.22
<b>Sub total (M &amp; I)</b>	<b>17.44</b>	<b>712</b>	<b>6.21</b>	<b>115</b>	<b>3.46</b>
Inferred	77.69	643	5.40	119	5.40
<b>Total (M&amp;I&amp;I)</b>	<b>95.13</b>	<b>656</b>	<b>5.55</b>	<b>118</b>	<b>16.85</b>

Notes:

The Mineral Resource statement was declared above a pay limit of 150 cm.g/t (in-situ). This was based on operating cost per tonne of ZAR2 000/t and a gold price of ZAR602.83/g of gold quoted at an exchange rate of ZAR15/USD.

In order to reconcile the 2018 and 2015 MREs, SRK recalculated the 2018 MRE at the same cut-off as that of Table 5.12 and this is as shown in Table 5.13.

**Table 5.13: Consolidated Tau Lekoa Group Mineral Resource Statement effective as at 30 June 2019 at 150 cm.g/t cut-off**

Category	Quantity (Mt)	Au (cm.g/t)	Au Grade (g/t)	MW (cm)	Content (Moz)
Measured	5.36	832	6.61	133	1.14
Indicated	16.19	532	4.00	144	2.08
<b>Sub total (M &amp; I)</b>	<b>21.56</b>	<b>610</b>	<b>4.65</b>	<b>141</b>	<b>3.22</b>
Inferred	77.68	664	4.60	160	11.49
<b>Total (M&amp;I&amp;I)</b>	<b>99.24</b>	<b>652</b>	<b>4.61</b>	<b>156</b>	<b>14.71</b>

A myriad of reasons have contributed to the material differences observed in M&I and M&I&I categories with respect to tonnage, gold content and grade. In order to ascertain what has resulted in the material changes, one should understand the contributing factors as highlighted below:

- Fundamental differences in 2015 and 2018 composite dataset;
- Material differences in domain boundaries between 2015 and 2018, especially within the Tau Lekoa boundary;
- Changes in variography (especially where domain boundaries have changed significantly) which thus impacts the kriged output parameters (e.g. slope of regression) used for Mineral Resource classification;
- Changes in geological losses applied for Weltevreden, Jonkerskraal and Goedgenoeg between 2015 and 2018;
- Changes in minimum block width for Weltevreden, Jonkerskraal and Goedgenoeg between 2015 and 2018; and
- Depletions at Tau Lekoa subsequent to August 2015.

Although there is a 23% increase in M&I ore tonnes between 2015 and 2018 (refer to Table 5.12 and Table 5.13), there is a 7% drop in metal ounces of which 5% is due to depletions during this period; the remaining difference is largely due to a drop in grade. The increase in Indicated Resources is largely due to the drilling programme embarked upon at Weltevreden, whereas the decrease in Measured Resources is largely

attributed to depletions and material changes in geozones/domains, and hence variography within the Tau Lekoa boundary.

Although the 2016 estimates are not in the public domain, they use a consistent approach to that which has been used for the 2018 estimates, and form the only viable point from which to do the reconciliation.

### 5.5.9 Risk Issues and their Mitigation

[18.05(5)] [SR3.5(iv), SR4.3(viii), SR4.5(viii), SR5.7(i)]

The risks highlighted in Section 4.5.8, which is typical of Witwatersrand gold mine holds for Tau Lekoa mine and the adjacent projects. There are three additional risk elements, which introduce an element of uncertainty in the grade estimates at Tau Lekoa mine. These are:

- The lack of adequate independent QA/QC data subsequent to 2009;
- Inadequate pulverising of independent coarse samples submitted for assay analysis at TLAL; and
- Poor precision in grade when umpire assay result for pulp samples is compared to original result from TLAL.

The overhauling of sample preparation apparatus/equipment, such as the inefficient/ineffective rotary pulveriser is essential. Adherence to protocols governing sampling and assaying must be enforced and improved upon where necessary.

### 5.5.10 SRK Comments

Overall, the QA/QC assay results do not meet SRK's expectation. However, there is no evidence to suggest that the significant errors observed with respect to the pulp duplicate dataset at Tau Lekoa mine introduce a consistent bias which results in either over- or under-stating the Mineral Resources. It is based on this observation that the flaws in the QA/QC results have not negatively impacted on the Mineral Resource Classification.

## 5.6 Rock Engineering

[SR4.1(ii), SR4.3(ii), SR5.2(vii) (viii)]

### 5.6.1 Introduction

The review of the rock engineering aspects of the Tau Lekoa underground mine consisted of an assessment of the documentation provided and a site visit to the mine. The site visit included presentations and an underground visit. Discussions were held with the Geotechnical Department at the mine to understand the technical challenges and design approach. The documentation reviewed includes:

- Tau Lekoa CoP to combat rockfalls and rockburst accidents;
- Stopping standards;
- Development standards;
- Mine plans;
- Seismic monitoring documentation; and
- Rockfall and rockburst management documents.

### 5.6.2 Geotechnical Design Considerations

[SR5.2(vii) (viii)]

Similarly with Kopanang, the CoP documents all information pertaining to underground ground control at Tau Lekoa. The reader is referred to the discussion in Section 4.6.2.

### 5.6.3 Site Visit Underground

A site visit was conducted underground to a haulage protection pillar that is being extracted from the haulage on 1 050 Level. This pillar was put in place to protect the haulage during the main stopping operations. It is now regarded as an IBG and it appears that the correct procedure for IBGs. The ground conditions in the area are fair and the support was installed as per the support standard. All rock related hazards appeared to have been identified and the appropriate mitigation measures put in place.

### 5.6.4 Risk Issues and their Mitigation

[18.05(5)] [SR5.7(i)]

Large falls of ground have historically occurred at this mine. These falls are mostly geologically controlled and are associated with wedge failure and/or dome structures. This hazard is mitigated with in-stope crush pillars, mid-panel pillars and stiff in-stope support such as elongates and bolting in the stope hangingwall.

Seismicity has been and continues to be associated with this mining operation. Monitoring of seismicity forms an integral part of this mining operation and daily reports are submitted to mine personnel regarding the seismic activity that has occurred over the last 24 hours. The seismic management strategy conforms to industry norms and as such the correct mitigation measures are being used including use of the appropriate support where necessary. Face bursting is also considered as a risk at this mine and it is catered for by use of stope face preconditioning. Medium and Long term seismic management is monitored during scrutiny meetings and mining strategy documents.

The mining of IBGs does constitute a hazard considering that the blocks were left in large mined out areas. It appears that the potential risk associated with the IBGs is managed with a set of rules/requirements including an underground visit to each IBG by a multidisciplinary team which determines whether the hazards associated with each IBG can be contained prior to any mining of the IBG.

### 5.7 Hydrogeology and Hydrology

[SR4.3(ii), SR5.2(ii) (vii) (viii)]

Licence issued in 2000 (under the Act 1956 act) will need to be reapplied for under the new Act.

#### 5.7.1 Tau Lekoa

##### Surface Water

Tau Lekoa mine is situated on the north western banks of the Vaal River, where the confluence of the Jagspruit and Schoonspruit Rivers flow into the Vaal River. The mine falls on the boundary of the C24J and C24H quaternary catchments of the Middle Vaal Water Management Area.

The annual average water balance was calculated and depicted as stipulated in the DWS BPG G1. The Tau Lekoa section operations use and process an average of 3 million cubic metres of water and 1 233 kg of salts per year. The annual average water and salt balance was calculated and is depicted as stipulated in DWS BPG G1:

- Non-mining (general) or domestic waste is generated at the following locations on the property;
- Hostels and married quarters currently occupied on Southern and Northern Sections;
- Offices and security complexes on all of the operational Shafts; and
- Operational plant at No. 9 Shaft (also referred to as South Plant).

All generated waste is transported and disposed of at the landfill site currently operated by Stilfontein Municipality.

EIMS (Pty) Ltd carried out a surface water impact assessment on the Tau Lekoa mine area in 2017 and designed a conceptual Storm Water Management Plan (**SWMP**). A total of fourteen sub-catchments were delineated based on land-use and topography. Of the fourteen, three subcatchments were discretised as 'clean' and eleven were discretised as 'dirty'. Based on the modelling, the sub-catchment responses during the 1:50-year recurrence storm event were determined. Based on the modelling, the channel design requirements to transfer runoff generated during the 1:50-year recurrence storm event were determined. The constructed channel depth should be at least the maximum flow depth expected for the 1:50-year storm event.

##### Groundwater

The surface geology at Tau Lekoa comprises the andesitic lavas of the Allanridge and Rietgat Formations of the Ventersdorp Supergroup. These geological formations are not associated with sustainable aquifers, but higher yielding boreholes are occasionally found along geological structures (faults, dykes) and zones of deeper weathering.

##### Aquifer Properties

The hydrostratigraphy within the Tau Lekoa area is characterised by two aquifers:

- **Weathered Aquifer:** A shallow, weathered aquifer exists in the weathered andesite at an average depth of 10 m below ground level. The most consistent water strike is located at the fresh bedrock / weathering interface. The hydraulic conductivity of the weathered aquifer is typically in the order of 0.017 m/day; and
- **Fractured Aquifer:** The primary porosity of the Andesite is very low. Any water bearing capacity is therefore associated with secondary joints, fractures and faults. The hydraulic conductivity of the fractured rock aquifer is typically in the order of 0.013 m/day. The depth to groundwater in this aquifer can be variable due to confining layers in parts of the study area.

The two aquifers may or may not be hydraulically connected, dependent on the local geology.

Groundwater recharge is estimated at 2.8% of Mean Annual Precipitation (**MAP**), approximately 175 mm per annum.

### Dewatering

Water from the Tau Lekoa underground operations is pumped to the West Gold Plant for top up process water. Approximately 14 552 m<sup>3</sup>/month is re-used in the mining operations. The mine's potable water is supplied by Midvaal Water and is stored in potable reservoirs. Current water monitoring data has indicated that surface and groundwater quality is of relatively good quality.

### Monitoring

There is no groundwater usage in close proximity to the contaminant sources at Tau Lekoa and third parties will not be affected by mine contamination.

Existing monitoring boreholes were constructed in a manner that allows mixing of groundwater from the shallow weathered aquifer and the deeper fractured aquifer. This prevents an evaluation of the severity of the impacts on the different aquifer systems. The mixing also promotes the exchange of contaminants from an impacted aquifer to an unaffected aquifer, in cases where the contamination has been naturally restricted to one aquifer by impermeable barriers.

A hydrocensus of monitoring boreholes has indicated that the current network is insufficient to adequately evaluate the impacts of mining infrastructure. The lack of long term groundwater data has hindered the evaluation of impacts.

### Water Quality

Electrical conductivity and concentrations of manganese, pH and sodium in the Jagspruit River were recorded in concentrations exceeding the Most Sensitive User (**MSU**) guidelines, in relation to aquatic ecosystems, irrigation and livestock watering. Electrical conductivity and concentrations of manganese and sodium in Schoonspruit River (both upstream and downstream of confluence with Jagspruit River) were recorded in concentrations exceeding the MSU guidelines. Electrical conductivity and manganese values upstream and downstream of the operations were in excess of the MSU guidelines. It is likely that the source of the manganese is the dolomites of the Transvaal Supergroup, through which the Vaal River flows upstream of Tau Lekoa, as these dolomites are known to have relatively high manganese content (Johnson, Anhaeusser, & Thomas, 2006). The electrical conductivity values are only expected to pose a threat to very sensitive crops under irrigation using this water. Electrical conductivity and concentrations of manganese, nickel, nitrate, nitrite, sodium, SO<sub>4</sub> and total dissolved solids in the Swanepoel Dam were recorded in excess of the MSU guidelines. However, it should be noted that it is unlikely that the water in the Swanepoel Dam will be used for irrigation purposes, and its main use appears to be for livestock watering. Taking the DWS Livestock Watering Guidelines into account, only the values of nitrate, SO<sub>4</sub> and total dissolved solids exceed the guidelines. The high nitrate levels are likely due to the cattle excrement in the water. Given the shallow nature and the relatively low replenishment of the dam by surface water, it is likely that certain recorded constituents, such as sodium, SO<sub>4</sub> and total dissolved solids, are elevated due to evaporative concentration. Water discharged to the Swanepoel Dam by Tau Lekoa mine should be monitored in order to ensure that the water quality does not deteriorate to a point where its use will likely have an adverse effect on livestock using it as a water source.

Although the current impacts are considered to be low, additional remedial options such as cut-off drains down-gradient from the WRD and Swanepoel Dam can be considered. It is, however, firstly important to establish the depth of the weathered aquifer in these areas and confirm the distribution of contamination in the two aquifers.

A recent analysis of the river below the mine was undertaken and the results of the water quality of the surface samples of the Jagspruit and Schoonspruit Rivers indicate a high level of coliform and NH<sub>4</sub> contamination.

High levels of  $\text{NH}_4$  is also an indicator of bacterial, sewage and animal waste pollution. Hence, this contamination is not an impact due to Tau Lekoa operations but a result of the impacts upstream.

### 5.7.2 Weltevreden

#### Surface Water

The Weltevreden Shaft area is situated to the south east of the Vaal River, downstream of the confluence with the Schoonspruit River and falls on the boundary of C24J and C24B quaternary catchment, both of which fall within the Middle Vaal Water Management Area (**WMA**).

The hydrological impact assessment (EIMS, 2017) determined that the implementation of the proposed Weltevreden Shaft complex in conjunction with the additional mitigation measures, would result in the impacts being of a low significance if the following recommendations are considered to limit the potential of the proposed development to impact the surrounding surface water bodies:

- A detailed Stormwater Management Plan that adheres to GN704 should be planned and constructed for the mine and shaft in order to limit dirty water contamination;
- The 1:50-year rainfall event should be monitored and treated, if necessary, prior to release back into the environment;
- The water quality monitoring programme should be implemented right away to assess the impact on the surrounding water bodies; and
- The mitigation measures highlighted during the construction, operational and decommissioning phase of the project be implemented to decrease the risks associated with the activities.

The annual average water and salt balance was calculated and depicted as stipulated in the DWS BPG G1. The Weltevreden section will use and process an average of 900 000 m<sup>3</sup> of water and 520 kg of salts per year. The water demand of the complex is approximately 440 000 m<sup>3</sup> from decant from the underground shaft and Midvaal Water.

#### Groundwater

The surface geology underlying Weltevreden area comprises the andesitic lavas of the Allanridge and Rietgat Formations of the Ventersdorp Supergroup. These geological formations are not associated with sustainable aquifers, but higher yielding boreholes are occasionally found along geological structures (faults, dykes) and zones of deeper weathering.

#### Aquifer Properties

The hydrostratigraphy within Weltevreden is characterised by two aquifers:

- Weathered Aquifer: A shallow, weathered aquifer exists in the weathered andesite at an average depth of 10 m below ground level. The most consistent water strike is located at the fresh bedrock / weathering interface. The hydraulic conductivity of the weathered aquifer is typically in the order of 0.017 m/day; and
- Fractured Aquifer: The primary porosity of the Andesite is very low. Any water bearing capacity is therefore associated with secondary joints, fractures and faults. The hydraulic conductivity of the fractured rock aquifer is typically in the order of 0.013 m/day. The depth to groundwater in this aquifer can be variable due to confining layers in parts of the study area.

The two aquifers may or may not be hydraulically connected, dependent on the local geology.

### 5.7.3 Risks and Opportunities

[18.05(5)] [SR5.7(i)]

The following risks have been identified at Tau Lekoa:

- The contaminant plume from the operations (WRD and Swanepoel Dam) has impacted the aquifers and reached the Vaal River;
- Remediation of pollution plumes which have been identified; and
- Treatment of any post closure decant.

There is currently no mining activity at Weltevreden and no impacts have yet been identified. Boreholes sampled by EIMS in 2017 showed good quality groundwater. Potential impacts of the project during the construction phase include:



- Increased runoff and erosion due to removal of vegetation;
- Higher sediment load and flood peaks;
- Hydrocarbon Pollution from spillage of oils, fuel and chemicals from heavy machinery and trucks; and
- Siltation of water courses and contamination of rivers.
- Potential impacts of the project during the operational phase include:
- Increased runoff and pollution due to increase in impervious areas;
- Alteration of naturally existing drainage patterns; and
- Surface water contamination from runoff from stockpiles.

Potential impacts of the project during the decommissioning phase include:

- Increased runoff and pollution due to compacted surfaces created by moving vehicles and machinery;
- Water pollution from hydrocarbon and chemical leakage and spillage; and
- Surface water contamination from demolition of infrastructure and earthworks.

Collectively, the potential impacts can be mitigated in all the phases by applying strict housekeeping rules:

- Progressive rehabilitation of disturbed land;
- Minimize traffic and movement over stabilized areas;
- Total footprint area to be cleared for the development should be kept to a minimum;
- Drip trays should be placed under all standing machinery;
- Establish silt traps;
- Utilise SWMP that does not alter natural flow; and
- All dirty water generated on site should be captured and stored in a Pollution Control Dam (PCD).

## 5.8 Mining and Mineral Reserves

[SR5.1(i) (ii)]

### 5.8.1 Introduction

Tau Lekoa mines the VCR and tail tonnes are currently targeted. The focus has been on harvesting with minimal Capex invested into the operation. The mine is currently looking at extending mining into the remnant pillars (referred to locally as IBGs to distinguish from support and stability pillars).

Weltevreden was partially developed and the twin declines were developed for an extent of 1 600 m which is about 200 mbs. The declines are currently flooded for about 400 m from the bottom. Two stoping panels were accessed before the operation was put under care and maintenance and this provides an opportunity for early ore if the mine is reopened in the future.

### 5.8.2 Tau Lekoa

#### Mine Infrastructure, Access and Mining Method

[SR4.3(ii), SR5.2(i) (v) (vii) (ix)]

The Tau Lekoa underground workings are accessed by two 10 m diameter vertical shafts developed to a depth 1 748 mbs.

The mining method employed on the mine is scattered breast stoping, updip and downdip, that have been traditionally used on the mine. These methods are used for the large blocks as well as the IBGs. Conventional track-bound train systems are used for the tramming of ground. The drilling and loading is powered with a hydropower system fed from surface and track-bound loaders.

The mine was originally designed for a higher production rate and the installed infrastructure capacity is significantly higher than what is currently required. The levels are kept open as the IBGs are scattered all over the mine.

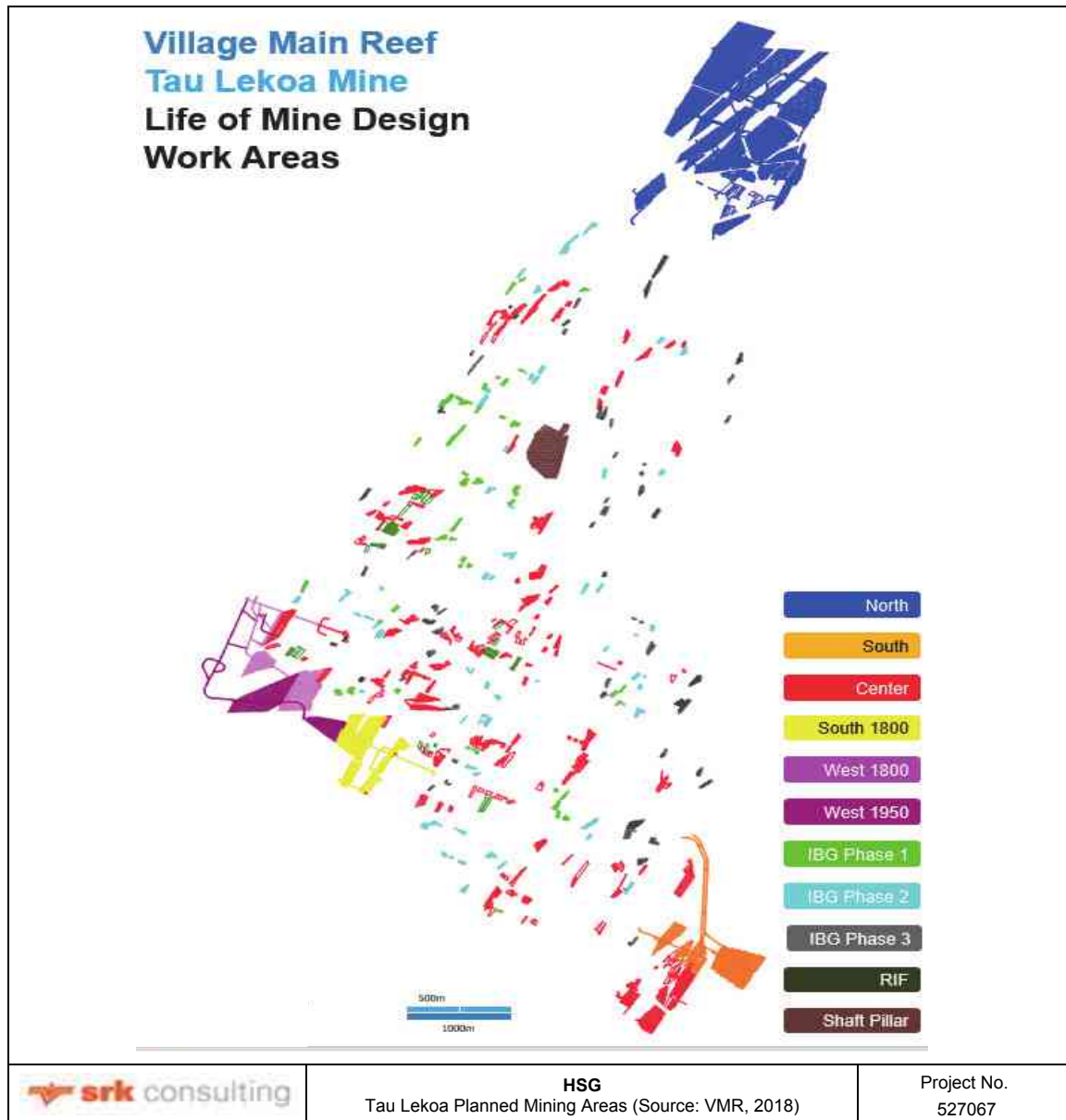
The mine operates on a 11-day fortnight on and off shift configuration. Two shifts are planned daily for development and stoping operations. Electrical blasting is carried out, but the mine is not on a centralised system. Blasting is planned to take place at 18:00 each day and the rounds are initiated from designated locations underground.



**Life of Mine Planning Process**

[SR5.1(i) (ii)] [SR5.2(i) (ii)]

Tau Lekoa has a comprehensive policy that governs the conversion of Mineral Resources to Mineral Reserves. The processes followed for short and long-term mine planning are similar to what is practiced at Kopanang Mine. The processes are described in Section 4.8.3 of this report and the appointed CP is the MRM Manager, Mr. Coillard Howard. Mr. Howard has the necessary skills and experience and is a member in good standing of the relevant professional bodies. He has been involved in the field of MRM for over 20 years and is registered as a PrSciNat with the South African Council for Natural Scientific Professions.

**Figure 5.19: Tau Lekoa Planned Mining Areas****Development and Production Schedule**

[SR5.1(i), SR5.7(ii)]

The footwall development is carried out by conventional means utilizing track-bound hydropower drill rigs. Cleaning is carried out through track-bound loaders. The boxholes are developed by conventional means and

the drilling is carried out with handled hydro-powered rock drills. The Tau Lekoa development end excavation dimensions are provided in Table 5.14 and the scheduled development rates in Table 5.15.

All flat development is scheduled at 35 m per month. The following scheduling criteria have been applied:

- Upon the first holing of the decline, multi blast conditions will apply and a development rate of 50 m a month is applied; and
- Flat end development in the Northern area and 800 Level will multi blast at 50 m a month.

The development philosophy and equipment has been standardised across the mine. Similar ends are developed through the same methods throughout the operation.

**Table 5.14: Tau Lekoa development end excavation dimensions**

Development end	Width (m)	Height (m)
Access crosscut	3.4	3.5
Boxhole (Conventional)	2.4	1.2
Haulage and return airways	3.4	3.5
Reef diagonal	1.6	3
Raise	1.6	3
Slusher	1.6	3
Ventilation travelling way	2.8	2.4
crosscut	3.4	3.5

**Table 5.15: Tau Lekoa Development rates applied in the LoM plan**

Development end	metres per month
Flat end	35
Raise	25
Travelling Way	20
Boxhole	15

These parameters take cognizance of the historically achieved actuals in Figure 5.20. SRK is satisfied that the projected development rates are reasonable and consistent with the historical values.

### Stoping

Stoping is carried in the insitu reef and remnants left as IBGs. Pre-conditioning is carried out to minimise the impact of stress on the stoping panels.

Only the IBGs that have been inspected and signed-off have been included in the LoM plan (Table 5.16). The process followed to approve the IBGs for mining is multi-disciplined in approach and an assessment is carried out by the geologist, mining personnel, rock and ventilation engineers. A risk assessment is carried out on each IBGs. A cost-benefit analysis is finally conducted and only if it is safe and economically viable to mine the IBG is it included in the plan. The same mining method used in the traditional stopes is applied to mine the IBGs. Only areas above the pay limit of 651 cm.g/t have been scheduled.

**Table 5.16: Tau Lekoa stoping parameters applied in the LoM plan**

Description	m <sup>2</sup> per month	Remark
Stoping	330	
Ledging	300	20-25% Start only after 3 months have past post the raise holing
Winzes below level	250	1st panel below
Winzes below level	200	2nd panel below
Down Dip /Up Dip	150	
IBG/Pillars 10 m (10*20)	200	
IBG/Pillars 12 m (12*20)	240	
IBG/Pillars 15 m (15*20)	300	
IBG/Pillars 18 m (18*19)	340	
IBG/Pillars 20 m (20*18)	360	
RIF	450	Only planned if confirmed
50 m <sup>2</sup> less for a crew move		

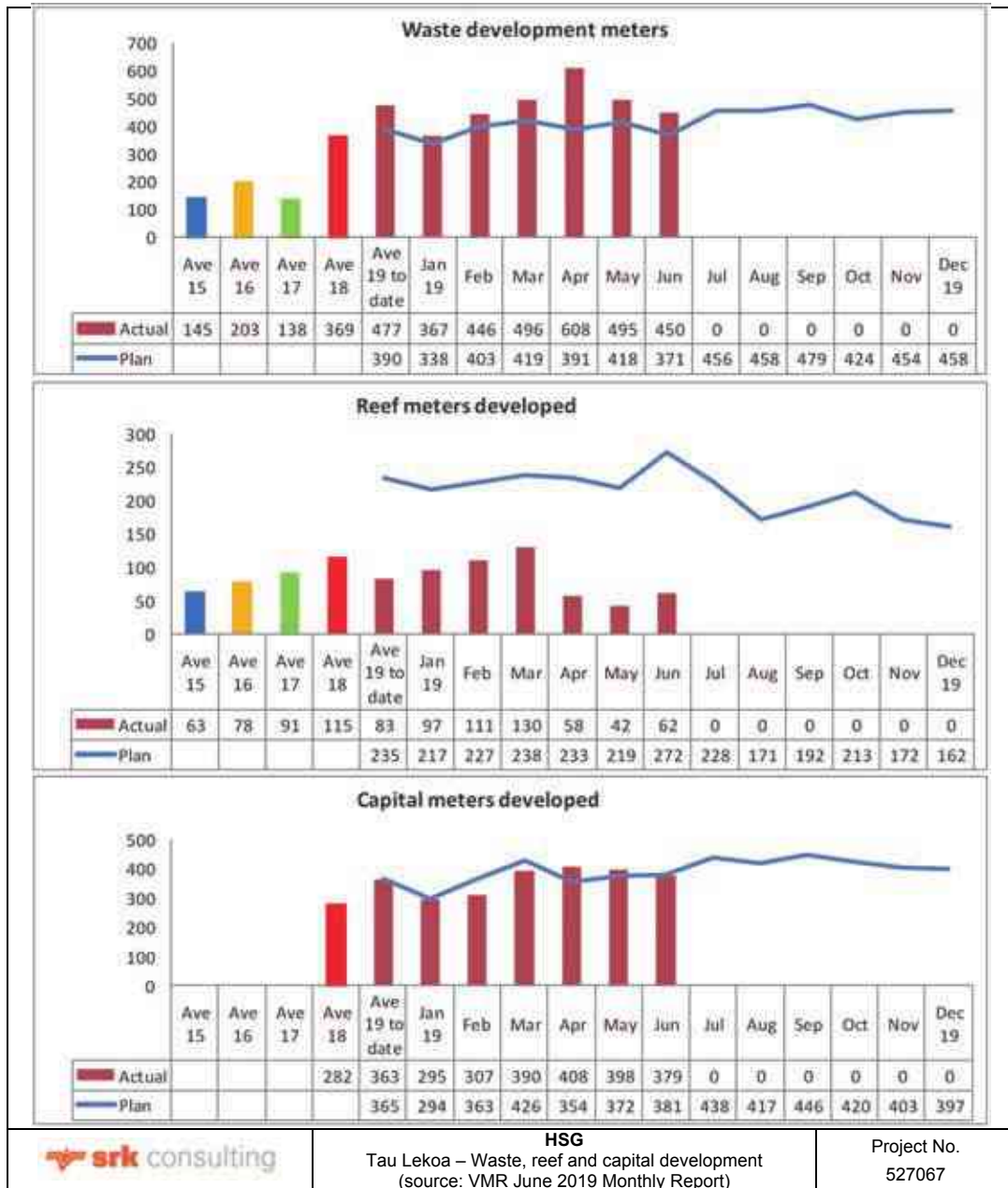


Figure 5.20: Tau Lekoa – Waste, reef and capital development

**Mineral Reserve Modifying Factors**

[SR4.5(iii), SR5.1(i) (ii), SR5.2(ii) (iv), SR6.1(iii), SR6.2(i)]

The modifying factors applied in the LoM plan are provided in Table 5.17. The factors have been applied to the Mineral Resources utilised to generate the LoM planning process. The factors correlate with the historically achieved actuals. The factors applied are reasonable and SRK believes are achievable.

**Table 5.17: Tau Lekoa mine modifying factors applied in the LoM plan**

Factor Description	Applied Factor
Off Reef Factor	98%
MCF	94%
PRF	93%
Stoping Width	128 cm

Factor Description	Applied Factor
Channel Width	88 cm
Tonnage discrepancy	14%
Development Overbreak	2.7%
Ballast (All flat ends)	5%
Other sources stoping	12.5%

### Ventilation and Cooling Requirements

[SR5.2(vii) (viii)]

Tau Lekoa can be classified as ultra-deep level mine where the provision of sufficient ventilation and cooling is an essential requirement for production. The ventilation and cooling infrastructure for the mine was originally designed for larger tonnage outputs.

The total airflow requirement for Tau Lekoa and Weltevreden were also dominated by the ventilation required for the conventional scattered stoping mining layout.

### Summary of the Ventilation and Cooling Parameters

The ventilation and cooling designs in terms of the 2019 business plan are outlined in Table 5.18.

**Table 5.18: Current infrastructure and LoM ventilation designs for Tau Lekoa**

Ventilation	Current requirements	LoM (2024)
Total mine		
Tonnage (incl. waste)	60 ktpm	15 ktpm
Mining method	Scattered mining	Scattered mining
Rock breaking depth	1 650 m	11 650 m
Rock temperature	39°C	39°C
Furthest working place from shaft	4 000 m	4 000 m
Planned ventilation quantity	740 kg/s	740 kg/s
Air per kiloton ratio	11.4 kg/s/ktpm	11.4 kg/s/ktpm
Refrigeration	Service water cooling (±5 MW)	Service water cooling (±5 MW)
Specific Cooling Power (standard: 240 W/m²)	253 W/m²	NA
Main fans		
Main fans (maximum design quantity)	1 100 kg/s (3 out of 3 fans)	1 100 kg/s (3 out of 3 fans)
Intake airways		
Main downcast shaft (78.5 m²)	Capacity: 1 100 kg/s	Capacity: 1 100 kg/s
Return airways		
Main upcast shaft (50.0 m²)	Capacity: 1 100 kg/s	Capacity: 1 100 kg/s
Critical spares		
Main fans	1 spare motor 1 impeller	1 spare motors. 1 impeller

### Ventilation Distribution

In spite of the production sections being up to 4 000 m from the shaft, the average SCP of the air at the working faces is maintained above the minimum of 240 W/m² (average: 253 W/m²). The ventilation infrastructure was designed for higher tonnages than the current output.

The current production utilises 66% (740 m³/s) of the ventilation capacity (1 100 m³/s).

### Life of Mine Ventilation and Cooling Capital Requirements

In terms of the 2017 business plan, no additional capital is required for ventilation and cooling.

### Flammable Gas Management

The mine has a mandatory code of practice in place. Flammable gas intersections are limited to isolated pockets. This is not seen as a high risk.

### Mine Fires

The latest approved mandatory code of practice is in place. In addition to the code of practice, early warning fire and gas detection systems are in place.

### Emergency Preparedness

The following is in place:

- Refuge bays are situated at 750 m intervals. The second outlet escape routes are via Rock Hoisting Shaft to surface; and
- In the event of a major power failure, the mine has an emergency generator to provide power for the hoisting of employees.

#### Legal Appointments

The Ventilation/Occupational Hygiene legal appointments in terms of sections 12(1), 5.1(a and b) and 16.1(1) are in place.

The minimum qualification for the CP performing the above obligations underground is the Certificate in Mine Environmental Control, issued by the Chamber of Mines of South Africa.

#### Critical Issues to Be Resolved

No critical issues were identified.

#### Mining Equipment

[SR5.2(viii)]

The reader is referred to the discussion in Section 5.11.1.

#### Manpower

[SR5.2(viii)]

The reader is referred to the discussion in Section 5.13.

#### Tau Lekoa LoM plan

The Tau Lekoa production profile is shown in Figure 5.21 and the phased LoM schedule by year is provided in Figure 5.22. The plan is based only on the Measured and Indicated Mineral Resource categories and excludes the Inferred Mineral Resources. This approach to LoM planning complies with the requirements of the SAMREC Code. The Tau Lekoa LoM plan yields 287 koz of recovered gold at an average head grade of 4.34 g/t. Average annual production is 65 koz from 505 kt RoM ore.

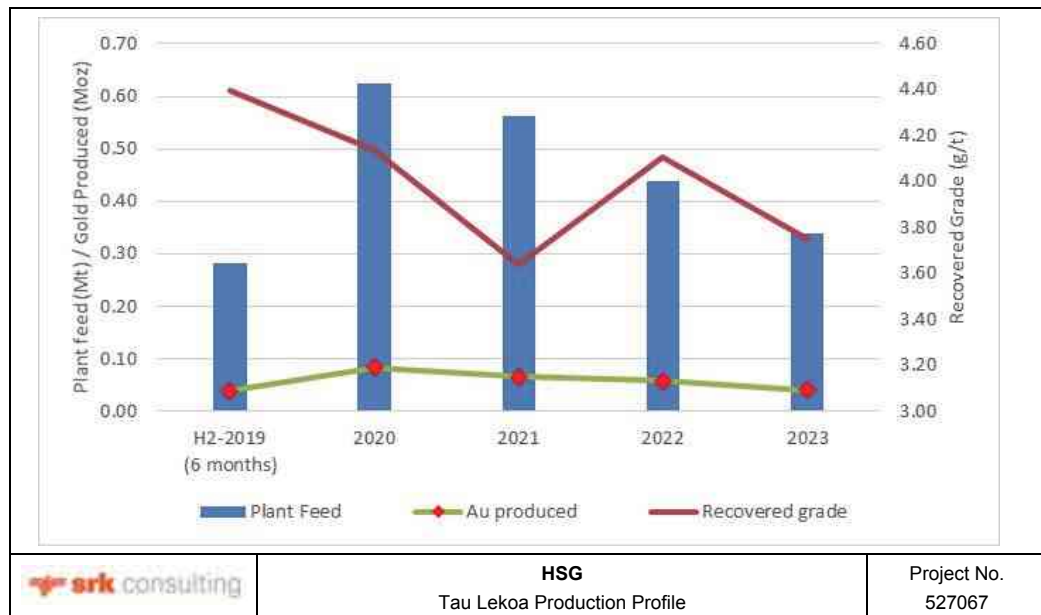


Figure 5.21: Tau Lekoa LoM Production Profile



**Figure 5.22: Tau Lekoa 5 Year Schedule  
Mining Capital and Operating Costs**  
[18.03(3)] [SR4.3(vii), SR5.6(iii)]

The planned Capex for Tau Lekoa comprises undefined projects and capitalised development, as shown in Figure 5.23. The undefined capital project cost averages 1.5% of the operating cost over the LoM, which is reasonable.



### Operating Costs

The operating cost per tonne milled is provided in Figure 5.23. The Tau Lekoa operating cost over the LoM averages ZAR1 931/t milled. The average operating cost for 2018 and H1-2019 was ZAR1 877/t milled and ZAR1 999/t milled respectively. The H1-2019 cash operating cost was marginally above budget.

The Opex applied over the LoM are reasonable.



Figure 5.23: Tau Lekoa Capital and Operating Costs

### 5.8.3 Weltevreden

#### Mine Infrastructure, Access and Mining Method

[SR4.3(ii), SR5.2(i) (v) (vii) (ix)]

The Weltevreden Project is accessed from surface through a portal and the project is located updip of the current Tau Lekoa operations. The Weltevreden TEA study is being revised to a PFS level study by Precision Capital Development Services (Pty) Ltd (PCDS). The general access layout of the mine is shown in Figure 5.24. The project is shallow and, as such, unique in comparison to the deep level mines found in the Klerksdorp Goldfield. The general dip of the orebody is about 23° and the project is contiguous to the Tau Lekoa mine lease South boundary.

The latest mining layout for the Weltevreden Project is illustrated in Figure 5.25. The current design is based on breast stoping, which is accessed through haulages located in the footwall of the reef plane. Although the TEA design utilized on-reef strike haulages, the current design improves the extraction of the reef from the TEA's design of 80% to 84%. The increased extraction is as a result of the ground lost due to the overstoping of the strike reef drives in the TEA design permutation. This improvement in extraction has a positive impact on the gold recovered from the stopes.

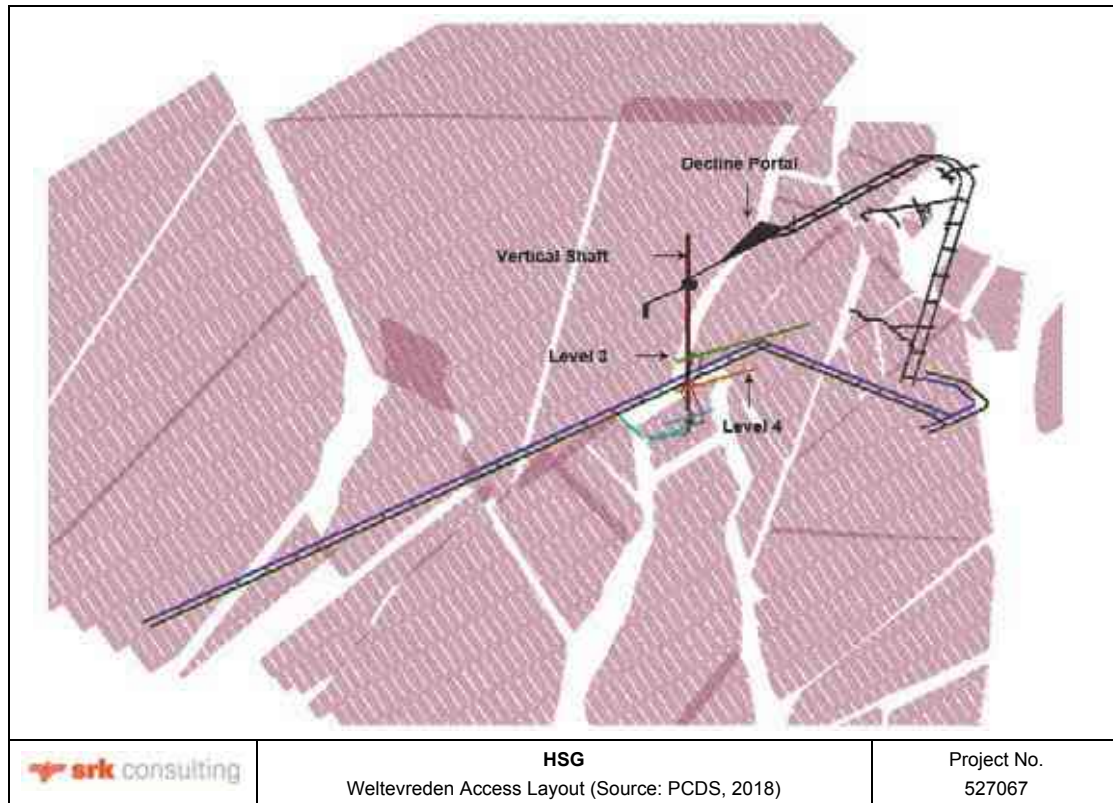


Figure 5.24: Weltevreden Access Layout

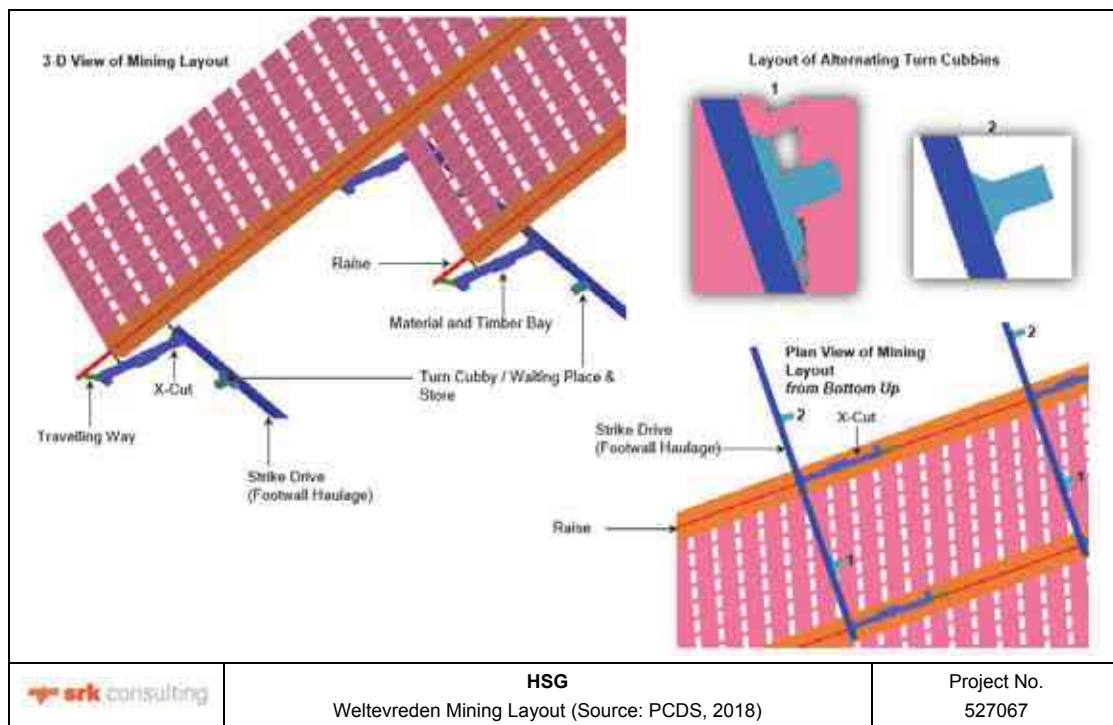


Figure 5.25: Weltevreden Mining Layout

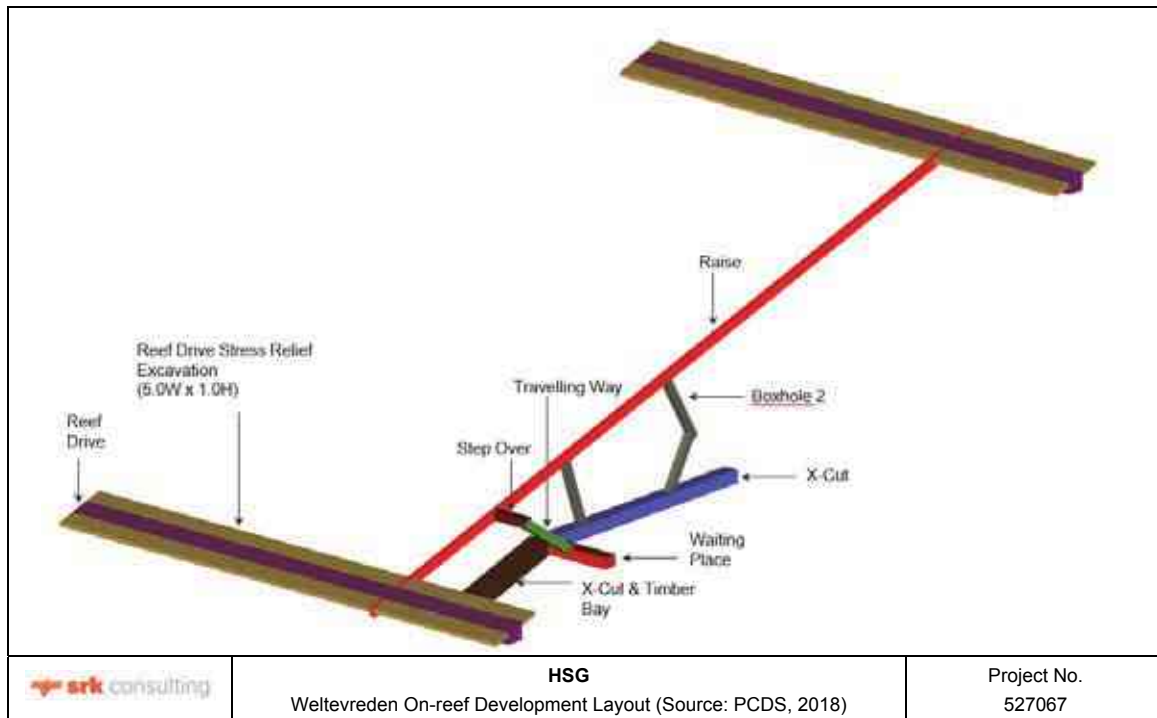


The mining method initially selected for the project in the 2016 TEA was based on a hybrid system. The mining methodology utilized on-reef strike trackless development and breast stoping operations using hydropower equipment. The purpose of the on-reef development was to minimise the dilution of the reef. The development layout is shown in Figure 5.26. This layout also presents a challenge due to the geological structures and the varying dip of the reef across its footprint. With the variation in the dip of the reef it was difficult to maintain straight and smooth curvatures of on-reef strike development haulages for the manoeuvrability of the trackless equipment across the mine. A comparison of the two mining layouts is provided in Table 5.19.

**Table 5.19: Comparison of the on-reef based layout with the footwall haulage design**

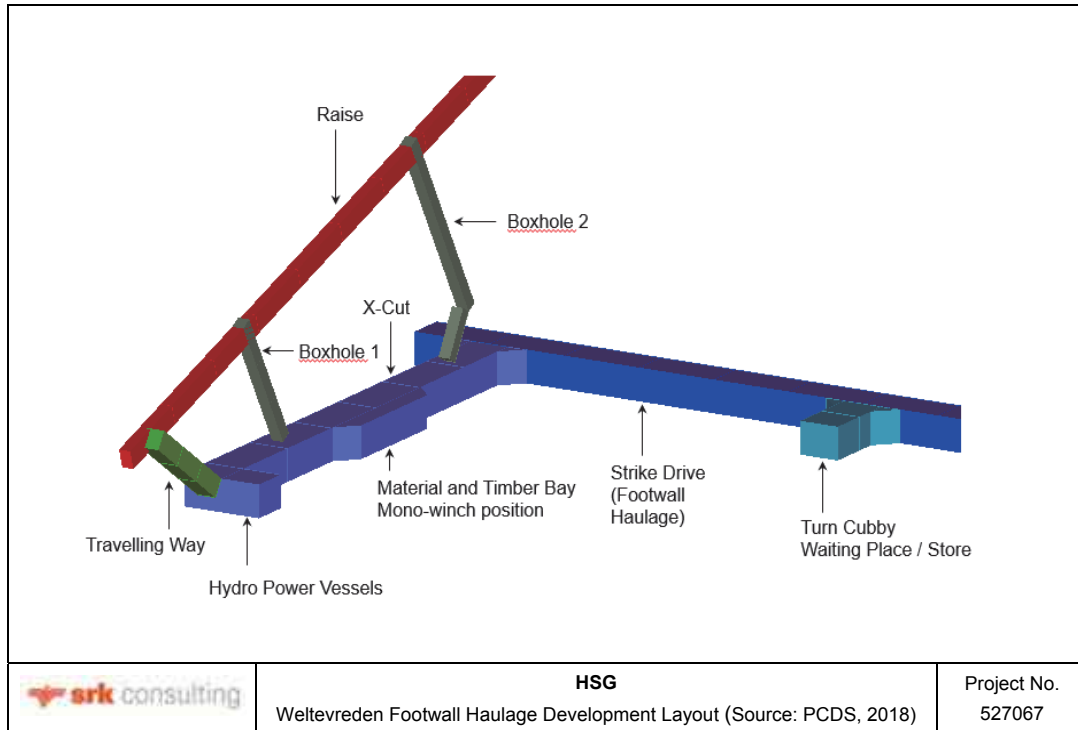
Parameters for Comparison	Reef Drives	Footwall Drives
Stoping Extraction Ratio	80%	84%
Gold Recovered per Stope Block (Comparative)	90 kg	95 kg
Gold Recovered per Stope Block from Mechanised Development	7.5 kg	0 kg
Mechanised Development per Stope Block	265 m	200 m
Conventional Development per Stope Block	218 m	213 m
Boxhole Development per Stope Block	52.5 m	50 m

The shift configuration envisaged is based on a full calendar operation (full-co or continuous operations) for the capital development phase and construction activities. Production stoping is planned on an 11-day fortnight shift system and two shifts are worked per day for stoping. SRK understands that permission has been received from the relevant authorities to implement the full-co configuration.



**Figure 5.26: Weltevreden on-reef development layout**

The on-reef development design has subsequently been changed to access haulages located in the footwall of the reef horizon. The footwall development is planned to be carried out through trackless equipment. This design improves the extraction of the orebody.



**Figure 5.27: Weltevreden footwall development layout**

The plan is to carry on with the currently designed development and mining layout and to convert to footwall haulage development as from the level 3. This will enable the mine to extract early ore from the available stopping panels.

#### Life of Mine Planning Process

[SR5.1 (i) (ii), SR5.2 (i) (ii)]

#### TEA development ends

The development excavation dimensions decided upon in the TEA are provided in Table 5.20. The excavations are based on access for trackless equipment in the declines and haulages and the use of hydropower in the stopes of the breast stopping mining layouts. The on-reef development fleet consists of electrohydraulic drill rigs, Load Haul Dump (LHD) trucks, bolters, utility vehicles and Articulated Dump Trucks (ADT). The ADT trucks will tram the RoM material to surface through the declines. Material is delivered to the underground workings by the utility vehicles.

**Table 5.20: Weltevreden Project development excavation sizes**

Development End	Width (m)	Height (m)
Haulage	5.0	3.8
Crosscut and Timber Bay	6.0	3.5
Crosscut	4.0	3.5
Waiting Place	4.0	3.3
Travelling Way	2.4	2.4
Step Over	2.4	2.4
Raise	1.5	2.4
Boxhole 1	1.5	1.5
Boxhole 2	1.5	1.5

### The Current LoM Plan Development Ends

[SR5.1 (i), SR5.7 (ii)]

The development ends planned for the LoM plan are provided in Table 5.21. As can be seen the ends are similar in size except for the crosscuts and timber bays. The differences in the excavation sizes are not material. The ends are designed for the same suite of equipment selected for the previous design.

**Table 5.21: The development end dimensions for the current LoM plan**

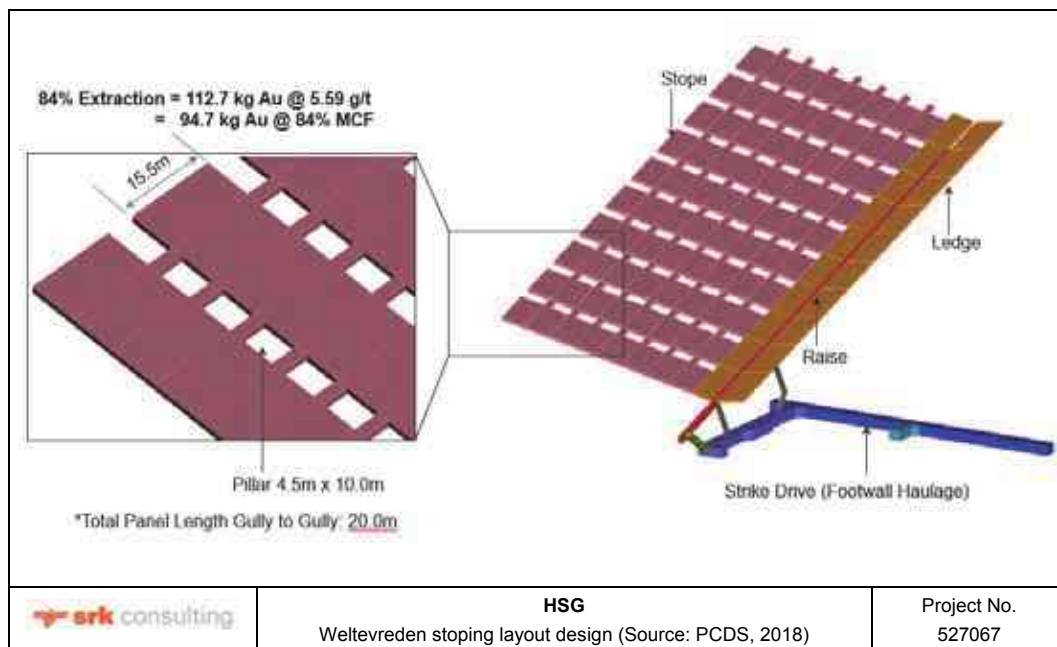
Development End	Width (m)	Height (m)
Haulage	5.0	3.8
Material & Timber Bay	2.5	3.5
Crosscut	4.5	3.5
HP Vessel Bay	5.0	3.3
Travelling Way	2.4	2.4
Raise	1.5	2.4
Boxhole 1	1.5	1.5
Boxhole 2	1.5	1.5

Conversion of Mineral Resources to Mineral Reserves is carried out through an elaborate multi-disciplinary process. The Mineral Resources used in the conversion process have been signed-off by SRK. The LoM design and scheduling is being undertaken by PCDS consultants. PCDS utilizes mine design software supplied by CAE Studio 5D Planner (Datamine). The design is based on the block and Mineral Resource model supplied by SRK and the PCDS mine planning engineer cannot alter the attributes and characteristics signed-off by SRK. The Studio 5D Planner queries the block model and the tonnes, grades and structural information is maintained throughout the mine planning process. The modifying factors, design criteria and planning parameters that have been approved by HSG, SRK and PCDS are applied in the design and scheduling process.

Only the Indicated and Measured category of Mineral Resources are scheduled in the LoM plan. This approach to mine design and scheduling is consistent with the requirements of the SAMREC Code and SRK supports it.

### Stoping

The stoping is based on a width of 20 m at a stoving width of 1.2 m. In-stope pillars of 4.5 m 10 m are designed in as per rock engineering recommendations. The stoving layout is illustrated in Figure 5.28.



**Figure 5.28: Weltevreden stoving layout design**

Down-dip ledging is planned. Drilling is planned to be undertaken with handheld hydro-powered rockdrills and cleaning will be conducted with scrapers. The ore will be scraped into the in-stope ore pass and then collected by ADT which will transport the material out of the mine.

#### Mineral Reserve Modifying Factors

[SR4.5(iii), SR5.1(i) (ii), SR5.2(ii) (iv), SR6.1(iii), SR6.2(i)]

Weltevreden does not have an operating mining history from where the MCF can be gleaned. The declines were partially developed but stoping was never carried out to provide a MCF history. A quantitative and qualitative process was followed to develop an appropriate and suitable MCF to apply in the Weltevreden Project. The process followed included an evaluation of the historically MCF values achieved by AGA, the former mine operator of Tau Lekoa.

In doing the evaluation, cognizance of the prevailing operating conditions at the time have been taken into account. The stoping operations that were taking place at the Tau Lekoa Shaft and the losses incurred as a result of the impact of tramming were minimal. The same reef is planned to be mined currently and although trackless tramming is planned for the Weltevreden Project, the mining conditions are considered fairly similar to those experienced during the AGA years of operation. The monthly MCF values realised from 1995 to 1999 are provided in Figure 5.23. SRK could not interrogate the reasons for the actually achieved MCF figures over this period as they not available.

**Table 5.22: Tau Lekoa actual MCF achieved monthly from 1995 to 1999**

Parameter	1995	1996	1997	1998	1999	5-year average
Average including the values above 100%	100%	85%	98%	81%	85%	90%
Average excluding the values above 100%	90%	85%	83%	81%	83%	84%

The historic MCF for the first five years indicates that an average MCF of 89.71% was attained which included months that ran above 100% which is either an evaluation error or the plant released gold. The figures above 100% are seen as outliers that skew the MCF estimation and have been excluded from the calculation. In excluding the MCF that was over 100% for the first five years the average MCF calculated indicates that an average of 85%, which is more aligned with realistic expectations.

SRK endorses the MCF estimate of 85% and believes it is realistic and reasonable and can be applied to the LoM plan of the Weltevreden Project.

#### Ventilation and Cooling Requirements

The total airflow requirement for Weltevreden Mine was dominated by the ventilation required for the scattered stoping mining layout.

##### Mining Layout

Compared to conventional scattered Platinum and Gold mine layouts, the Weltevreden layout is severely faulted with up and down throw faults as well as blocky ground which includes some back stopes. The production stopes are scattered over a wide range of the footprint. The provision of sufficient ventilation to all the production stopes was a design challenge. Additional intake and return air passes had to be established to get sufficient ventilation flow to the stopes.

#### Summary of the Ventilation and Cooling Parameters

The five-year ventilation and cooling designs are outlined in Table 5.23.

##### Main Fans

- Fan types: Axial flow equipped with variable pitch adjustable blades; and
- Beyond month 60, the total fan quantity can be increased from 150 to  $\pm 200$  m<sup>3</sup>/s per fan by adjusting the pitch of the blades. Total available quantity:  $\pm 400$  m<sup>3</sup>/s.

#### Ventilation Modelling Outcome

In terms of the Ventsim ventilation modelling, the total ventilation quantity of  $\pm 300$  m<sup>3</sup>/s is sufficient to ventilate the required number of stopes, development ends and the conveyor belt decline to return.

**Table 5.23: Infrastructure and ventilation designs for Weltevreden**

Ventilation	Current Requirement	60 months
Total mine	Mine not producing at present	
Tonnage		Ramp-up to 45 ktpm
Mining method		Scattered mining
Rock breaking depth		425 m
Rock temperature		25.3°C
Planned ventilation quantity		
Stoping (incl. leakage)		240 m³/s
Conveyor decline to return		60 m³/s
Total:		300 m³/s
Cooling (Refrigeration)		Not required
In take airways		
Service Decline (5.0 x 4.5 m)		100 m³/s
Raise borehole (3.6 mØ)		110 m³/s
Raise borehole (3.0 mØ)		90 m³/s
Return airways		
Western up-cast (3.0 mØ)		150 m³/s
Eastern up-cast (3.0 mØ)		150 m³/s
Conveyor decline to return		(±60 m³/s) Included with above quantities
Total		±300 m³/s
Main fans		
V1 West Fan		150 m³/s @ 2.0 kPa
V1 East Fan		150 m³/s @ 2.0 kPa
Critical spares		
Required for main fans		1 spare motor, 1 impeller

**Ventilation Distribution to Month 60**

- In addition to the men and material decline an additional 3.0 mØ intake raise borehole from surface has been added to replace the conveyor decline which will be ventilated to return. This is required to mitigate the risk of a possible conveyor belt fire;
- 25% of the production will come from western section of the mine served by the western main fan. The balance (75%) of the production will come from the eastern section, served by the eastern main fan. The additional capacity of the western main fan can be utilized to ventilate the conveyor decline to return;
- In order to provide sufficient air quantities to all the stoping lines, booster fans will be required in some areas of the mine; and
- The workshop and refuelling bay will be located on surface.

**Critical Issues To Be Resolved**

No critical issues were identified.

**Mining Equipment**

[SR5.2 (viii)]

The reader is referred to the discussion in Section 5.11.2.

**Manpower**

[SR5.2 (viii)]

The reader is referred to the discussion in Section 5.13.

**Mining Capital and Operating Costs**

[18.03(3)] [SR4.3 (vii), SR5.6 (iii)]

The reader is referred to the discussion in Section 5.11.2.

**Weltevreden LoM plan**

The production profile for Weltevreden is provided in Figure 5.29. The LoM plan delivers 207 koz of recovered Au from an average plant feed grade of 3.28 g/t. Average annual production is 31 koz from 307 kt RoM ore.

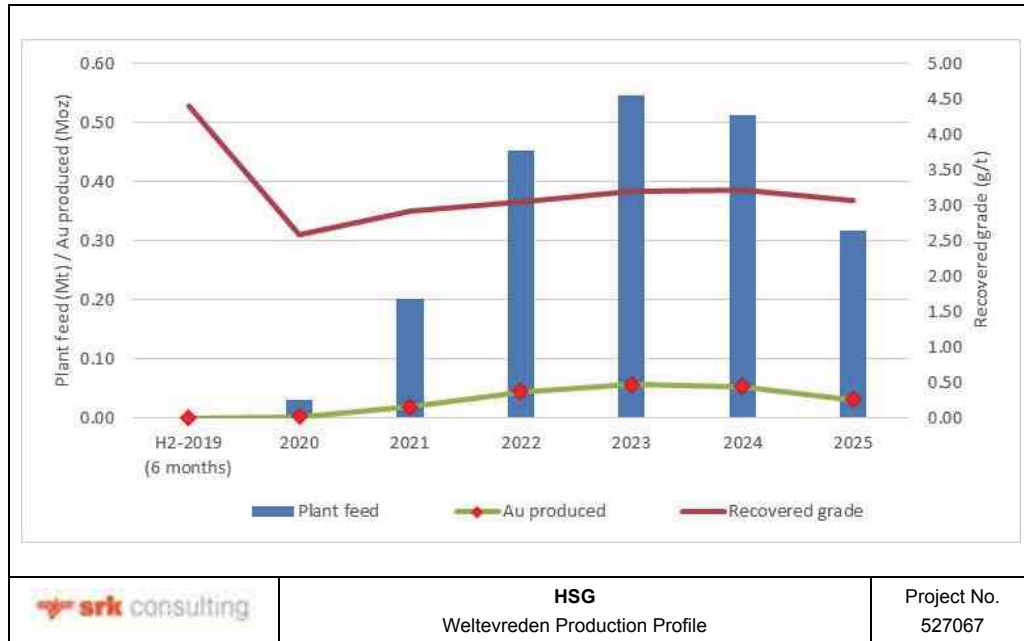


Figure 5.29: Weltevreden LoM Production Profile

#### 5.8.4 Mineral Reserve

[18.18, 18.30(2), [18.30(4)] [SR6.1(ii), SR6.2(i), SR6.3(i) (ii)]

Old gold is being mined on the mine but is not included in the Mineral Reserve declaration.

The Mineral Reserve statement for the Tau Lekoa operation is provided in Table 5.24.

**Table 5.24: SRK-Audited Tau Lekoa Mineral Reserve Statement at 30 June 2019**

Asset	Reef Name	Mineral Reserves			
		Category	Quantity (Mt)	Au Grade (g/t) <sup>1</sup>	Contained Au (Moz) <sup>2</sup>
Tau Lekoa mine	VCR	Proved	1.35	4.68	0.20
		Probable	0.89	3.67	0.10
		<b>Total (Proved &amp; Probable)</b>	<b>2.24</b>	<b>4.28</b>	<b>0.31</b>
Weltevreden	VCR	Proved	0.02	4.77	0.003
		Probable	2.05	3.27	0.21
		<b>Total (Proved &amp; Probable)</b>	<b>2.07</b>	<b>3.28</b>	<b>0.21</b>
<b>Combined Tau Lekoa Group Total</b>	VCR	Total Proved	1.37	4.68	0.21
		Total Probable	2.94	3.39	0.31
		<b>Total (Proved &amp; Probable)</b>	<b>4.31</b>	<b>3.80</b>	<b>0.52</b>

Notes:

<sup>1</sup> Tau Lekoa mine Reserves exclude the Shaft Pillar. Stopping width is 140 cm, milling width is 161 cm.

<sup>2</sup> troy oz = 31.1034768 g.

<sup>3</sup> Cut-off for Tau Lekoa Mineral Reserves is 488 cm.g/t at a gold price of ZAR550 000/kg.

<sup>4</sup> Trimming width is 177 cm and Milling width is 188 cm.

<sup>5</sup> In-situ cut-off for Weltevreden Mineral Reserves is 429 cm.g/t at a gold price of ZAR 550 000/kg, applied over a mine design and schedule for a 7 Year LoM at 40 ktpm from steady state mining.

<sup>6</sup> All figures are rounded to reflect the relative accuracy of the estimate.

### 5.8.5 Reconciliation of Mineral Reserves

[SR6.1(iii) (iv), SR6.3(iv)]

The Mineral Reserve for Tau Lekoa was last reported in the public domain in the VMR annual report of June 2014. The basis for this Reserve declaration could not be verified as the 2014 LoM plan was not available.

The Mineral Reserve comparison between the June 2014 and June 2019 declarations is provided in Table 5.25. There is a reduction in tonnage and contained gold ounces of 4.85 Mt and 0.87 Moz from the 2014 to the June 2019 declaration. From production records, SRK has estimated that 3.5 Mt and 0.38 Moz was depleted during this period. Read in conjunction with the concerns raised in the Mineral Resource reconciliation (Section 5.5.8), the other sources that have contributed to the reduction in tonnage and contained gold ounces could not be identified nor quantified.

The Company would be advised to keep accurate records of all ore mined to enable annual Mineral Reserve reconciliations to be done in future.

**Table 5.25: Tau Lekoa Mineral Reserve Declaration comparison between the June 2014 and June 2019 estimates**

Reef Name	Category	30 June 2014 Mineral Reserves			June 2019 Mineral Reserves			Differences		
		Quantity	Au Grade	Contained Au	Quantity	Au Grade	Contained Au	Quantity	Au Grade	Contained Au
		(Mt)	(g/t)	(Moz)	(Mt)	(g/t)	(Moz)	(Mt)	(g/t)	(Moz)
VCR	Proved	4.42	4.96	0.70	1.35	4.68	0.20	(3.07)	5.07	(0.50)
	Probable	2.67	5.49	0.47	0.89	3.67	0.10	(1.78)	9.96	(0.57)
	<b>Total (Proved &amp; Probable)</b>	<b>7.09</b>	<b>5.16</b>	<b>1.18</b>	<b>2.24</b>	<b>4.28</b>	<b>0.31</b>	<b>(4.85)</b>	<b>8.58</b>	<b>(0.87)</b>

### 5.8.6 Risks and Opportunities

[18.05(5)] [SR5.7(i)]

#### Risk factors

- The MCF achieved in the plant is currently 60%. The 68% applied in the LoM plan is based on what was achieved by AGA. The enforcement of discipline and controls in mining should be investigated; and
- Plant Recovery Factor – Planned at 95%, currently at 91%, but 93% achieved during 2018. SRK believes if the metallurgical process is run according to AGA standards the situation will improve. A PRF of 93% has been used for LoM for evaluation purposes.

#### Opportunities

SRK believes that the IBGs can extend the LoM and advocates for a campaign to be started to assess the remaining IBGs. These IBG's should be evaluated for risk and economic potential. Optimisation of the current plan should be investigated by evaluating the following:

- Bring higher grade IBGs forward;
- Assessing more IBGs;
- Investigating the potential of the areas below 68 Level; and
- A study should be carried out to assess the potential of the South East 1 area.

### 5.8.7 SRK Comments

- The duration of the Tau Lekoa LoM plan based on the Measured and Indicated categories is less than five years;
- The option to mine the shaft pillar to extend the LoM could be further investigated. The level of confidence in the planning parameters should be improved to also minimise the risks associated with the mining of the pillar;
- Alternatively, the shaft pillar and shaft integrity will have to be maintained if the Goedgenoeg resources are to be exploited; and



- Although Weltevreden has been evaluated as a standalone project, synergies with the current Tau Lekoa mine should be explored. The standardization and salvaging of redundant equipment should be investigated.

## 5.9 Metallurgical Processing

[SR5.3(i) (ii) (iii) (iv) (v) (vi)]

Ore from the Tau Lekoa operations is transported via road to West Gold Plant for processing. Prior to the purchase of the West Gold Plant in February 2018, ore was trucked to the Nicolor Plant (refer the discussion in Section 4.9 for Tau Lekoa ore processing).

The following sections will discuss Weltevreden ore processing.

### 5.9.1 Metallurgical Testwork

[SR5.3(i) (ii) (iv) (v)]

In an independent PFS conducted by Minxcon in 2010, recovery was assumed to be 96%.

The metallurgy of the VCR at Weltevreden is likely to be very similar to Tau Lekoa.

Recently HSC commissioned a programme of comparative testwork at SGS. Five samples comprising 2 underground chip samples from Tau Lekoa and 3 Weltevreden core samples were tested. Head assays are shown in Table 5.26.

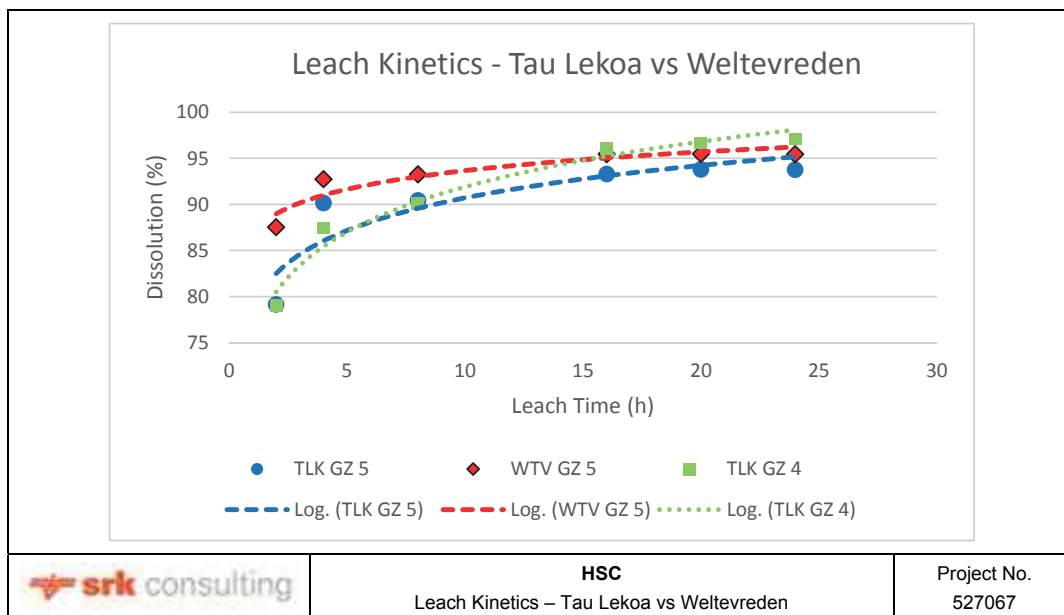
**Table 5.26: Comparative Leach Sample Head Assays**

Sample ID	Description	Assay (g/t)			
		Repeat A	Repeat B	Repeat C	Average
WTVMET004	Tau Lekoa Geozone 4	8.69	8.81	9.11	8.87
WTVMET005	Tau Lekoa Geozone 5	4.15	3.68	3.42	3.75
MTV016D4	Weltevreden Domain 4	0.51	0.50	0.46	0.49
MTV012D3	Weltevreden Domain 5	3.35	3.32	3.04	3.24
MTV002D4	Weltevreden Domain 6	49.9	50.6	50.7	50.4

Unfortunately, a sample from Tau Lekoa Geozone 6 could not be taken and the head grades of the Weltevreden Domain 4 and Domain 6 samples precluded them from any useful interpretation. Only two samples were comparable:

- WTVMET - 005 (Tau Lekoa Geozone 5) – Head Grade 3.75 g/t; and
- MTV - 012 - D3 (Weltevreden Domain 5) – Head Grade 3.24 g/t

The results of these two samples and the Tau Lekoa Geozone 4 sample are shown in Figure 5.30.



**Figure 5.30: Leach Kinetics – Tau Lekoa vs Weltevreden**

The calculated dissolution at 24 hours was as follows:

- WTV - MET - 005 (Tau Lekoa Geozone 5) – 94% (accountability 108%); and
- MTV - 012 - D3 (Weltevreden Domain 5) – 95% (accountability (105%).

Reported reagent consumptions were lower for the Weltevreden Domain 5 sample:

- WTV - MET - 005 (Tau Lekoa Geozone 5) – NaCN (0.30 kg/t); CaO 0.4 kg/t); and
- MTV - 012 - D3 (Weltevreden Domain 5) – NaCN (0.19 kg/t); CaO 0.4 kg/t).

Indications are that the leach characteristics of the Weltevreden Domain 5 sample were similar to the Tau Lekoa Geozone 5 sample.

Further investigation would be required to predict recovery with greater confidence, but results of this single sample indicate a recovery of 95% for Weltevreden Domain 5. A recovery of 95% has been accepted for project evaluation.

**5.9.2 Process Description**

[SR5.3(iii)]

Weltevreden ore will be processed in the existing West Gold plant. This, as already described, is a conventional South African gold plant incorporating RoM milling, pre-leach and CIL.

**5.9.3 Plant Capital and Operating Costs**

[18.03(3)] [SR4.3(vii), SR5.6(iii)]

There are no plans to incur specific Capex at the metallurgical plant in anticipation of processing Weltevreden ore.

Opex is likely to be very similar to those achieved on Tau Lekoa and Kopanang ore in the West Gold Plant.

**5.9.4 SRK Comments**

The main gold reef at Weltevreden is the VCR. The metallurgy of this deposit is likely to be very similar to Tau Lekoa. Based on results of recent comparative tests, a recovery of 95% has been accepted for project evaluation.

Weltevreden ore will be processed in the existing West Gold plant and no specific Capex is anticipated in anticipation of this.

Opex is likely to be very similar to those achieved on Tau Lekoa and Kopanang ore in the West Gold Plant.

**5.10 Tailings Storage Facilities**

[SR1.1(ii), SR5.4(ii)]

The reader is referred to the discussion in Section 4.10.

**5.11 Infrastructure and Engineering**

[SR4.3(ii), SR5.4(i) (ii)]

**5.11.1 Tau Lekoa**

Engineering infrastructure at Tau Lekoa includes a wide range of operating technologies. The mine is located in a well-resourced mining centre with established infrastructure and the capital projects are generally of a replacement tonnage nature.

Underground mining infrastructure comprise access infrastructure to convey personnel, materials and equipment to and from the working areas and associated services to support mining operations. Surface access infrastructure is by means of a vertical shaft. Emergency egress is via the Rock/Ventilation Shaft. Horizontal access infrastructure includes crosscut haulages, footwall haulage levels and cross-cuts. Associated underground infrastructure includes ore passes, conveyor belts, ore bins, loading stations, water dams, pump stations, secondary ventilation plants, workshops, and power and water reticulation systems.

Associated surface infrastructure includes primary ventilation fans, office blocks and workshops and stores, lamp room, and change house. At Tau Lekoa, there are also a number of service and supply centres. These

include a compressed air supply station for shaft services and refuge bays, a hydropower pump station for powering underground rock drilling and associated mining equipment and major workshops for repair of major plant and equipment.

Surface installations include RoM silos, consumable storage facilities, power supply and reticulation with emergency generating systems, water supply and storage, workshops, mine offices and auxiliary infrastructure buildings.

Processing for Tau Lekoa ore is carried out at the West Gold Plant since February 2018 and the ore is transported there by trucks.

Tau Lekoa will be required to produce a maximum of 764 ktpa in 2020 (average 63.7 ktpm) in terms of the 2018 LoM plan. This compares with approximately 250 ktpm (rock hoisting limit capacity) for which the mine infrastructure was originally designed.

Notwithstanding the age of the general infrastructure, SRK considers that all surface and underground infrastructure is reasonably maintained and equipped. In conjunction with planned maintenance programmes, including specific remedial action and expenditure of projected ongoing sustaining capital allowances, the current infrastructure is considered by SRK to be adequate to satisfy the requirements of the LoM.

### **Electrical Infrastructure**

[SR1.1(ii), SR4.3(iii), SR5.4(ii)]

The main incoming substation is equipped with four 20 MVA 132/6.6 kV transformers supplying power to the mine via the main switchgear. Power factor correction has been installed at the main incoming substation, with harmonic filtering installed at each winder substation.

Tau Lekoa is connected to the emergency ring network supplied by the emergency generators located at Moab Khotson and the old Vaal Reefs No.1 Shaft, previously owned by AGA. The agreement has since been amended in the transitional services agreement during the time of sale, and the agreement is now with Harmony, who owns the generators.

The electricity bills for the months March, April and May 2018 and June, July and August 2017 were reviewed in order to compare if there are any major differences in power consumption between the high and low seasons. The following can be noted from the electricity bills reviewed:

- The average power consumption for both the high and low season is 25 MVA;
- The agreed NMD of 32 MVA was not exceeded for the periods reviewed; and
- The current spare capacity of 7 MVA is enough to supply the estimated start-up phase power requirements of 4 MVA at Weltevreden.

The installed bulk electrical infrastructure has enough capacity to support Tau Lekoa's current LoM, including the start-up phase power requirements for Weltevreden.

### **Access Control, Communications and Control Strategy**

Access control, communications and control systems at Tau Lekoa are similar to Kopanang. Voice communications network include both fixed and mobile telephones. Data and internet communications are both available at the mine, for e-mail and other forms of data communications. Access control is by HR Pell Solutions on top of the Xtime system, which also allows for time and attendance recording.

The PDS has been allowed for on locomotive to locomotive. No personnel tagging and tracking has been installed at the mine. Underground communications allows for both fibre and copper network backbones, whereby fibre is mainly used for control purposes and copper for voice communications. UPS and generators have been allowed in the communications infrastructure for continuous communications between surface and underground in the event of normal power failure. Underground traffic is controlled by a robot system, for a safe and smooth flow of traffic. Cameras have been installed at strategic positions around the mines, for monitoring and security purposes.

Tau Lekoa mine does not employ a centralised blasting system, all communications are done via the mine's control room to ascertain that everything is in order before blasting can take place.

The access control, communications and control infrastructure at Tau Lekoa are well designed to supply the requirements of the LoM.

**Surface Mechanical Infrastructure**

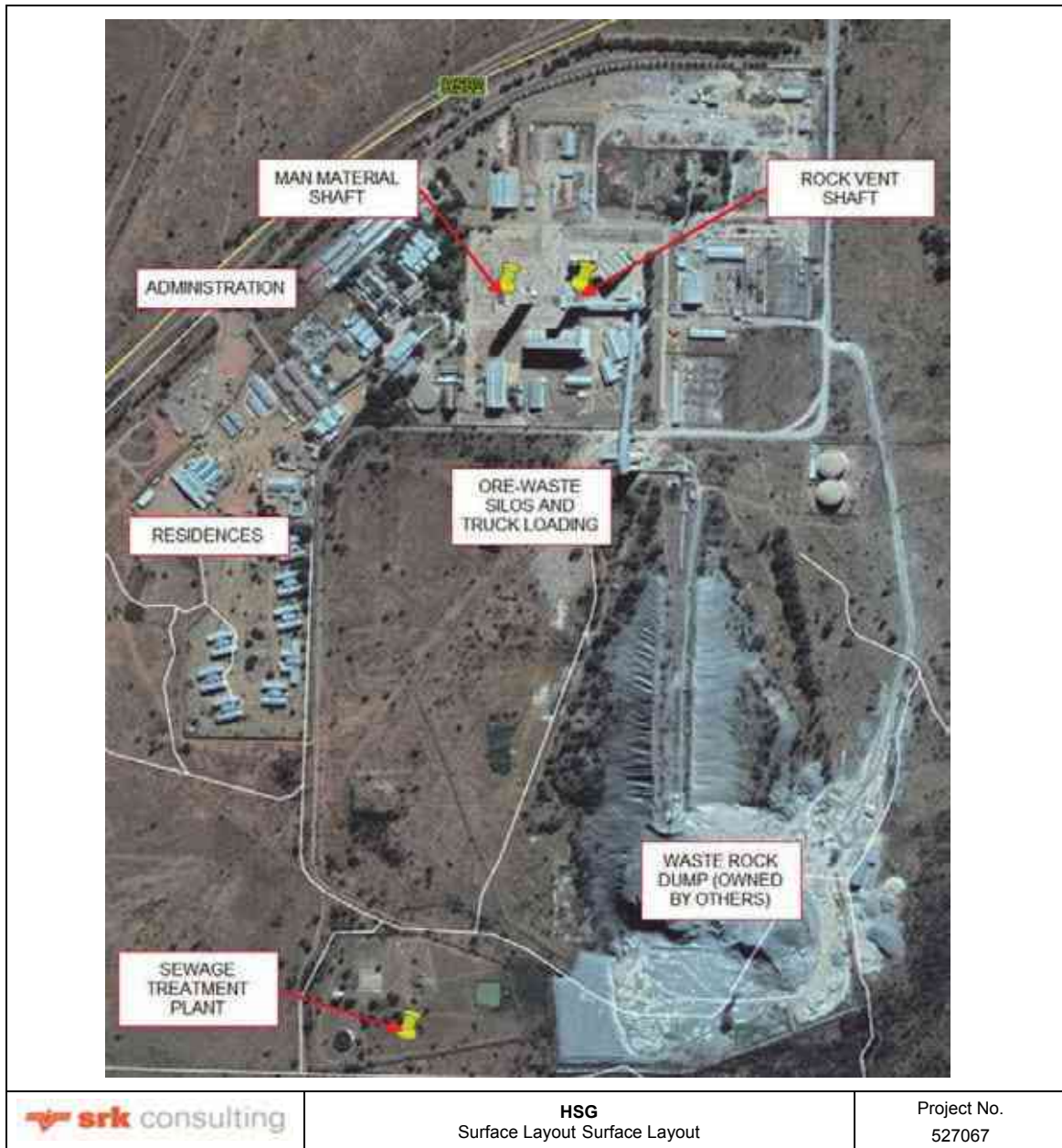
Figure 5.31 shows the general surface layout of the mine and Figure 5.32 indicates the major production infrastructure.

**Observations on Surface Infrastructure**

The mine surface areas were visited on 20 August 2018 and the following areas were visited:

- Winders, spare conveyances, attachments and sheaves;
- Headgear;
- Shaft bank;
- Control room;
- Main fans;
- Refrigeration plant;
- Hydropower pump station;
- Compressors for shaft services and refuge bays;
- Engineering workshops;
- Conveyors and silos;
- Main substation;
- Administration area, including change houses, crush and lamp room;
- Security controls;
- Main stores and timber yard;
- Diesel generators; and
- Water supply.

The surface infrastructure was found to be in good operating condition and more than adequate to support the LoM Plan.



**Figure 5.31: Tau Lekoa Surface Layout**

An underground visit was conducted on 21 August and the following areas were inspected:

- Main dewatering pump stations on 900 Level and 1 734 Level, settlers on 1 650 Level;
- Hydropower reticulation;
- Shaft loading boxes at 1 734 Level;
- Shaft substation at 900 Level;
- Main tramming levels and tips;
- Locos and rolling stock; and
- Conveyors and loading system on 1 734 Level.

The underground main infrastructure was found to be in good operating condition and more than adequate to support the LoM Plan.





**Figure 5.32: Tau Lekoa Major Production Infrastructure**

#### Observations on Underground Infrastructure

Figure 5.33 shows the schematic longitudinal section of Tau Lekoa shafts.

#### Engineering Maintenance Planning

[SR5.4(ii) (ii) (iii)]

Engineering planning and maintenance is controlled by means of the Asset Maintenance and Management module of the Delta ERP system, by DataSaint.

#### Capital and Operating Costs

[18.03(3), 18.06] [SR4.3(vii), SR5.6(iii)]

##### Capital costs

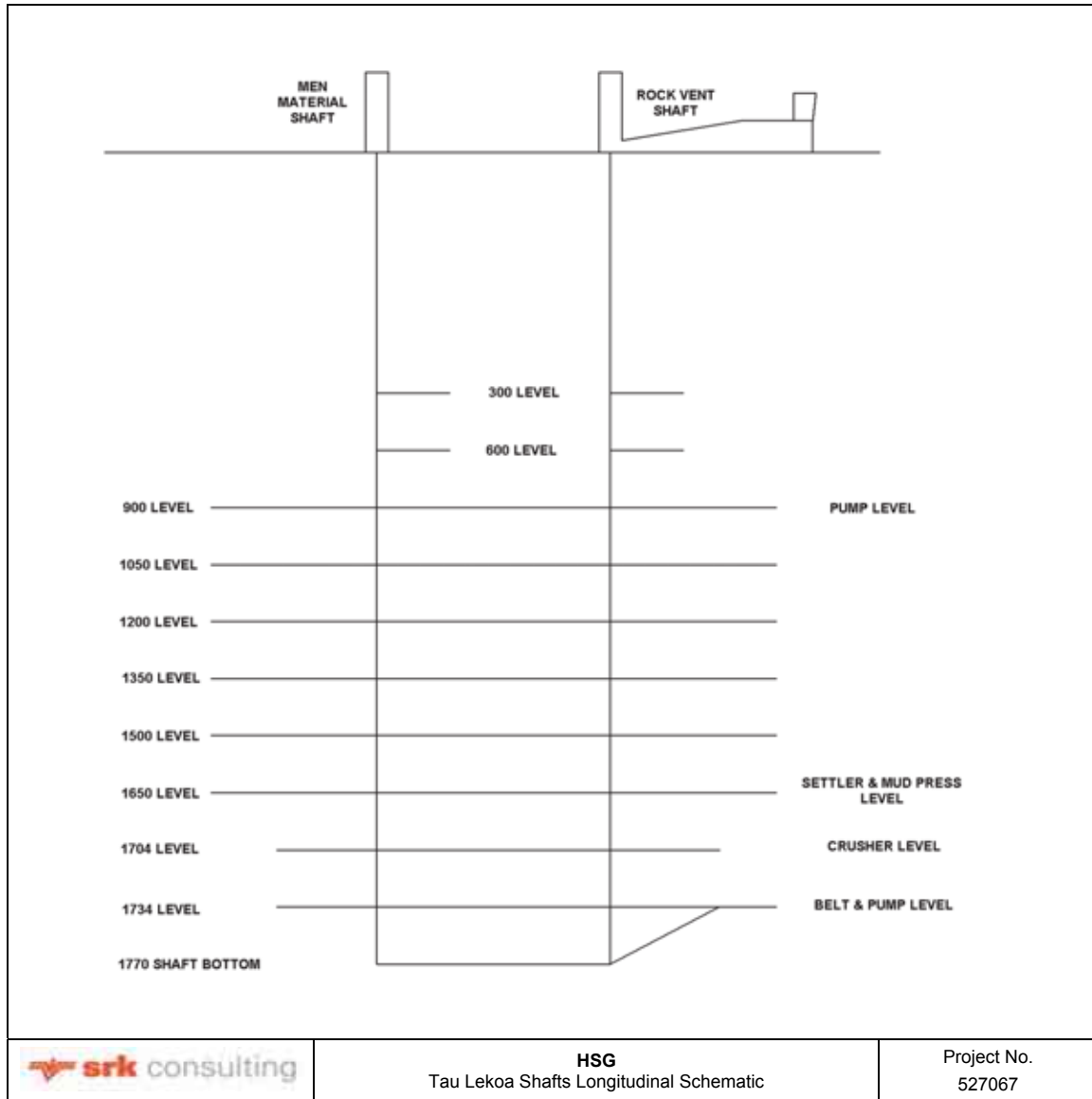
Major capital at Tau Lekoa in the 2018 LoM Plan is the development below 1 650 Level over the period 2019 to 2022. The cost is based on development metres at a rate of ZAR72 000/m for decline, ZAR 50 000/m for Haulage, crosscut and travelling ways, and ZAR30 000/m for other developments, which is considered adequate.

The ORD capital expenditure is determined by a rate of ZAR35 000/m, opening-up is based on labour and stores costs. Undefined projects is a calculation of a percentage of total operating costs, less opening-up and ORD costs.

Capital cash flow is shown in Table 5.27.

**Table 5.27: Tau Lekoa Capital Cash Flow**

Item	Units	LoM	2019 (9 months)	2020	2021	2022	2023
Undefined Projects	(ZARm)	68	(66)	33	79	7	16
Development capital (ORD)	(ZARm)	406	144	144	63	39	16
<b>Total Capital</b>	<b>(ZARm)</b>	<b>475</b>	<b>78</b>	<b>176</b>	<b>142</b>	<b>47</b>	<b>32</b>



**Figure 5.33: Tau Lekoa Shafts Showing Levels**

**Tau Lekoa Engineering, Shaft and Services Operating Costs**

Production engineering Opex is calculated as 20% fixed costs and 80% variable costs as a proportion of the historical average of ZAR4.2 million per month costs, with adjustments for development and production in the variable cost.

Shaft and Services Opex is calculated as 70% fixed costs as a proportion of the historical average of ZAR2.37 million per month costs, and 30% variable costs of the production engineering historical average of ZAR4.2 million per month, adjusted by a ratio of the actual tonnes milled and the historic average tonnes milled.

These calculations and adjustments are adequate predictions for the engineering shaft and services Opex. Engineering and shaft services costs average ZAR117/t milled over the LoM.

Electricity costs average ZAR192/t milled, and water costs average ZAR8/t milled.

The unit operating cost is a reflection of the extent of infrastructure that has to be operated and maintained and the relative low tonnage in the LoM Plan. In comparison to Kopanang, unit Opex may be lower due to the use of hydropower drilling.



### 5.11.2 Weltevreden

[SR1.1(ii), SR4.3(iii), SR5.4(ii)]

The Weltevreden infrastructure and engineering is based on the presentation on the 7-year mining plan developed by PCDS for HSG.

Primary Access is via a trackless twin decline shaft system for rock transport, people, material and intake ventilation. Ventilation shafts will be raise bored where required to safely sustain mining operations, however, no allowance is made for a vertical hoisting shaft, due to the low volume production requirements, the short LoM and therefore to minimise the capital footprint.

Secondary Access for the historically mined upper levels is via on-reef trackless development, whereas secondary access for the remaining areas of the mine is via trackless footwall development. Raises and stoping are done using conventional power pack driven hydro-power rock drilling with trackless hauling

The rock transport system in the decline shaft is initially trucking followed by a conveyor system installation in existing decline, ventilated to return. Trucking is used to transport rock on the levels.

#### Electrical Infrastructure

A 15 MVA transformer will be installed for the permanent phase. This will be supplied from Eskom's 22 kV network. The estimated power consumption at any given time is estimated at 7.9 MVA, with a power factor of 0.8. The total installed load is estimated at approximately 17 MVA. An estimated load of 4 MVA is required for the Weltevreden start-up phase. This load will be supplied from Tau Lekoa via a 6.6 kV overhead power line. The initial 6.6 kV supply will be retained as an emergency standby line after the installation of the 22 kV permanent supply. Although the 15 MVA 22/6.6 kV transformer seems adequate to supply the load requirements for Weltevreden, SRK recommends that the maximum demand at any given time, which is currently worked out at a load factor of 46% of the total installed loads, be thoroughly reviewed in the next phase of the study. This is to ascertain that the allocated and installed capacity is utilised efficiently, and that the main incoming transformer is correctly sized. The opportunity to improve power factor to above 0.9 should also be explored in the next phase of the study. This can help in reducing the maximum demand, resulting in lower electricity bills.

The medium voltage design has been based on surface ring network system and underground radial feeder system. Radial feeder systems are the simplest and least expensive; however, they do have a disadvantage of having difficulty in maintaining the supply in the event of the fault occurring in the feeder. Three underground radial feeders have been allowed to supply power to different levels. Thus, should one underground radial feeder fail, the worst-case scenario will be that only three of the seven underground levels will be affected, thus allowing production to continue on other levels.

Although the risk that comes with the installation of a single transformer is that production will be affected should this transformer fail, major electrical equipment such as transformers are designed to have a minimum lifespan of about twenty five years, if properly maintained. Considering that this transformer will be purchased new and will be properly maintained during LoM, it is expected that chances of this transformer failing during the LoM will be very low. Maintenance on this transformer will have to be scheduled at the same time as the overall maintenance of the mine, so as not to affect production. Power requirements for maintenance purposes will then be supplied from Tau Lekoa mine via the start-up phase power line.

#### Access Control, Communications and Control Strategy

A central security access point to limit access by unauthorised personnel has been allowed for. Security lighting has been included in the design, for ease of night patrols. A microwave link has been included for remote monitoring, time and attendance and access to the security systems at Weltevreden from Tau Lekoa.

A three tier telephone system has been proposed in the design, which consists of:

VoIP phones for the surface network, which are cheaper than the conventional systems;

Conventional hard wired analogue phones for underground, due to their rigidity to withstand underground conditions; and

Wi-Fi network with Wi-Fi phones for key personnel, allowing uninterrupted communications when required.

The main communications and control network will be based on a fibre backbone. PLCs with backup servers for full redundancy, which link to the SCADA system in the mine control room on surface, have been considered in the design for safe operation and control of conveyors, pumps and HT switchgear. A robot system for traffic

control of underground vehicles has been allowed for at strategic points such as entry/exit to decline haulage and breakaways from the main decline haulage. Blasting will be carried out through remote blasting.

The access control, communications and control strategy for Weltevreden has been well designed and is appropriate to cater for the requirements of the LoM.

### General Engineering Infrastructure

#### Existing Infrastructure

The mine is located 4 km southeast of Tau Lekoa mine on the southern side of the Vaal River. The mine was originally established by Gengold in approximately 1990 with a boxcut and the development of a twin decline was started.

The existing surface infrastructure is shown in Figure 5.34 below.



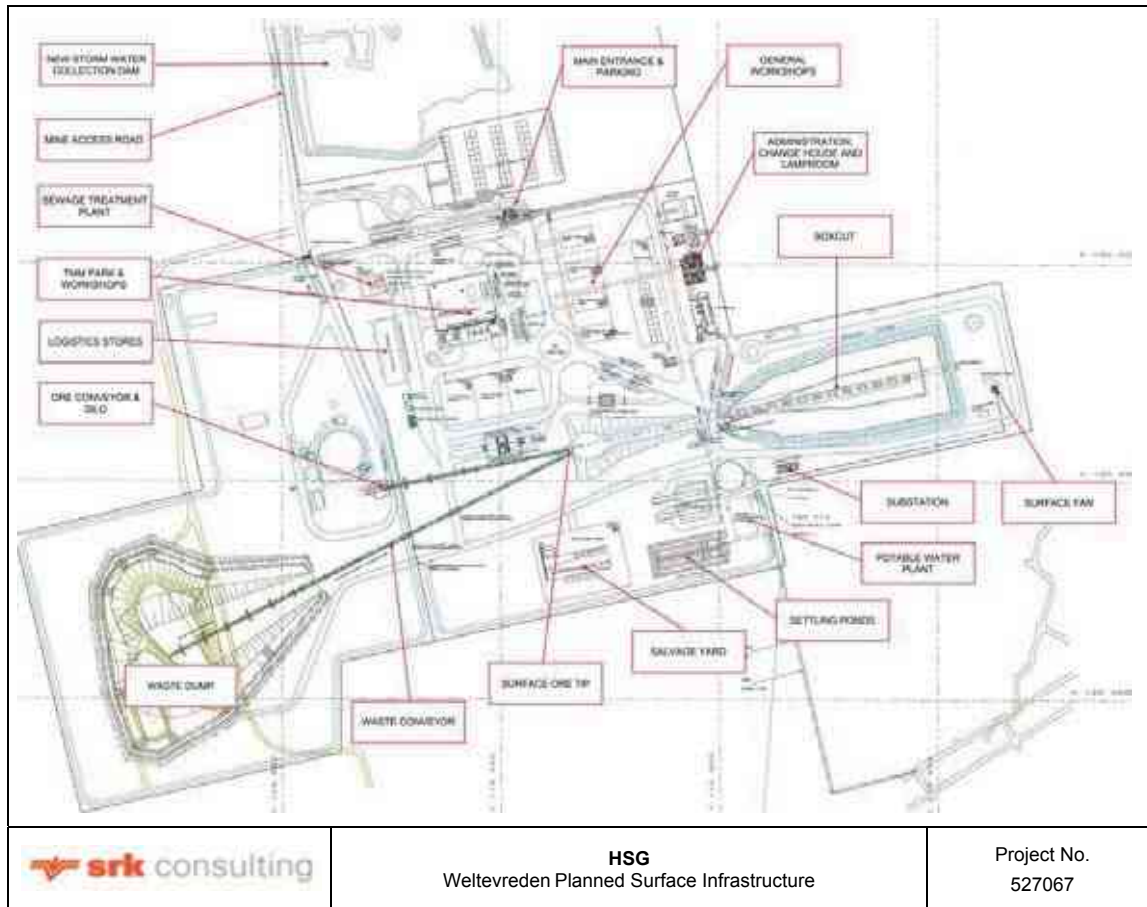
**Figure 5.34: Weltevreden Existing Mine Infrastructure**

The existing infrastructure as it is currently on Weltevreden is listed below:

- A boxcut and twin decline has been developed down to approximately 200 mbs, a linear distance of about 1 600 m;
- An existing surface tipping bin, silo conveyor belt and surface silo;
- A gravel road on Weltevreden's lease area;
- Surface tipping bin, silo conveyor without the conveyor belt and idlers etc. and surface ore silo;
- Two small settling ponds;
- One 200 mm water line;
- One 150 mm machine water line;
- One 100 mm pump pipeline for de-watering the boxcut catchment; and
- The remnants of a small processing plant.

#### Planned Surface Infrastructure

Figure 5.35 indicates the planned surface infrastructure for Weltevreden.



**Figure 5.35: Weltevreden Planned Surface Infrastructure**

Associated planned surface infrastructure includes primary ventilation fans, office blocks, workshops and stores, lamp room, and change house and auxiliary infrastructure buildings. At Weltevreden, there is also a water purification plant for potable water, a salvage yard, a sewage treatment plant, consumable storage facilities, power supply and reticulation with emergency generating systems, water supply and storage.

Surface installations also include a RoM silo, waste dump, storm water dam and other facilities normally provided for this type of operation.

Weltevreden ore will be processed at the West Gold Plant and transported there by trucks.

#### **Water Supply**

The water supply will be obtained from surface boreholes, the location, positions and depth to be determined and indicated by the Hydrologist. The existing 251 m<sup>3</sup> tank will be used for storage. The tank will be refurbished and relocated. Provision has been made for a Domestic Water Filter System to be installed.

#### **Mine Process Water**

Mine process water for drilling and other mine uses will be obtained from the surface settling ponds and supplemented by clean stormwater pumped from the storm water dam and borehole water, if necessary.

#### **Buildings**

There will be a mix of pre-fabricated and permanent buildings. Permanent buildings will be those subject to high wear or those where flammable risk is identified.

#### **Compressed Air**

A compressed air supply is required for refuge bays, workshops, oil separation system, etc. Adequate provision has been made for surface compressors. Underground drilling for development and production will use local hydropower.

**Sewage Treatment**

The treatment of domestic sewerage the proposal is a fully automated, low energy biological treatment process, requiring minimal maintenance.

**Roads**

The main access road and the mine internal roads will be graded gravel roads, which are appropriate to support the LoM.

**TMM Workshop and TMM Park**

Provision has been made for a TMM parking area, a dedicated TMM workshop and refuelling facilities.

**Shaft Surface Arrangements**

The shaft surface arrangements have not yet been finalised, but the surface location of the shaft is planned as shown on Figure 5.35.

**Planned Underground Infrastructure**

Underground mining infrastructure will comprise access declines and drives to convey personnel, materials and equipment to and from the working areas and associated services to support mining operations. Access infrastructure is by means of an existing boxcut and partially developed twin decline. Emergency egress is inherent in the twin decline arrangement. Horizontal access infrastructure includes crosscut haulages and haulage levels. Associated underground infrastructure includes ore passes, loading points, water dams, pump stations, secondary ventilation systems, workshops/service bays, and power and water reticulation systems. Compressed air is provided from surface to supply refuge bays and workshops. Provision is made for storing tyres and dispensing fuel underground.

**SRK Comments**

The planned underground and surface infrastructure is appropriate to support the 7-year plan.

**Engineering Maintenance Planning**

[SR5.4(ii) (ii) (iii)]

This is a new mine which will be managed from Tau Lekoa and, consequently, it is likely that the engineering maintenance systems will adhere to and integrated with the Tau Lekoa systems.

**Capital and Operating Costs**

[18.03(3), 18.06] [SR4.3(vii), SR5.6(iii)]

**Capital costs**

The capital expenditure, which includes project capital and operating costs during the construction phase of ZAR271.3 million and sustaining capital expenditure of ZAR837.7 million, is shown in Table 5.28 and Figure 5.36. By June 2019, ZAR3.8 million had been spent on the project.

The basis of the capital costs is:

- The cost forecast was done in CCSMI Candy in line with the project plan;
- First principle costing was done, backed by quotations, after which risk factors, waste allowances, and contingency factors, as well as labour unavailability factors were added; and
- PCDS contingency factors vary from 5% to 15%. This is already included in the cost estimation, depending on the type of material or activity.

**Operating costs**

The direct operating cost per tonne milled is provided in Figure 5.36. The Weltevreden operating cost over the LoM averages ZAR1 110/t milled and was developed from first principles. The operating cost varies over the LoM as the production rate changes.

SRK considers that the Opex applied over the LoM is reasonable.

Table 5.28: Capital expenditure cash flow for the Weltevreden Project (from June 2019)

Item	Units	LoM	Q3-2019	Q4 - 2019	2020	2021	2022	2023	2024	2025
Security	(ZARm)	0.00								
Mobilisation process of the overhead personnel & production teams	(ZARm)	11.80	0.54	2.14	4.65	1.61	0.29	0.12	0.10	0.10
Buildings, sheds & stores	(ZARm)	13.69	1.26	1.83	7.26	2.20	0.23	0.56	0.36	
Earthworks, roads, walkways & parkings	(ZARm)	11.72	1.00	3.07	5.89	0.79	0.99			
Surface engineering structures & services	(ZARm)	16.43	2.40	3.11	3.87	5.57	0.89	0.43	0.08	0.08
Hydropower mining tools & equipment	(ZARm)	44.08			4.05	13.42	23.50	3.12		
Survey equipment	(ZARm)	0.71		0.37	0.35					
Ventilation requirements	(ZARm)	10.66	1.09	1.58	0.92	0.48	0.49	0.49	3.71	1.90
Electrical grid & distribution	(ZARm)	104.16	11.75	16.17	15.33	11.81	13.33	11.98	11.90	11.87
Engineering infrastructure surface rock handling systems	(ZARm)	7.00	0.00	0.00	6.25	0.76				
Instrumentation & centralised blasting	(ZARm)	13.65	0.03	0.10	3.02	6.83	1.32	0.78	0.78	0.78
Underground infrastructure: service bays, workshop, laydown and other areas	(ZARm)	4.79		0.23	1.20	1.73	0.73	0.87	0.05	
Underground rock handling systems	(ZARm)	23.51			15.27	2.27	5.98			
Mono pump stations	(ZARm)	8.45	0.38	0.79	1.08	3.11	0.69	0.69	0.69	0.90
Underground development - capital portion	(ZARm)	92.07	7.41	14.13	44.09	23.52	1.80	0.11	1.02	
Monthly fixed cost - time related personnel	(ZARm)	285.24	3.38	4.36	44.55	68.80	46.17	46.17	44.24	24.16
Monthly fixed cost - time related plant & equipment, cost of capital and depreciation	(ZARm)	315.64	3.35	5.65	41.68	50.69	56.18	57.99	56.94	40.98
Haulage development, vertical development, stope raising & winzing	(ZARm)	122.65	2.47	3.79	28.00	34.97	9.94	19.50	21.97	2.02
Project management (from Tau Lekoa)	(ZARm)	0.30	0.30							
Carry forward from H2-2019	(ZARm)				35.63					
<b>Total Capital</b>	<b>(ZARm)</b>	<b>1 083.09</b>	<b>26.21</b>	<b>38.84</b>	<b>263.06</b>	<b>228.56</b>	<b>162.51</b>	<b>142.80</b>	<b>141.85</b>	<b>82.79</b>

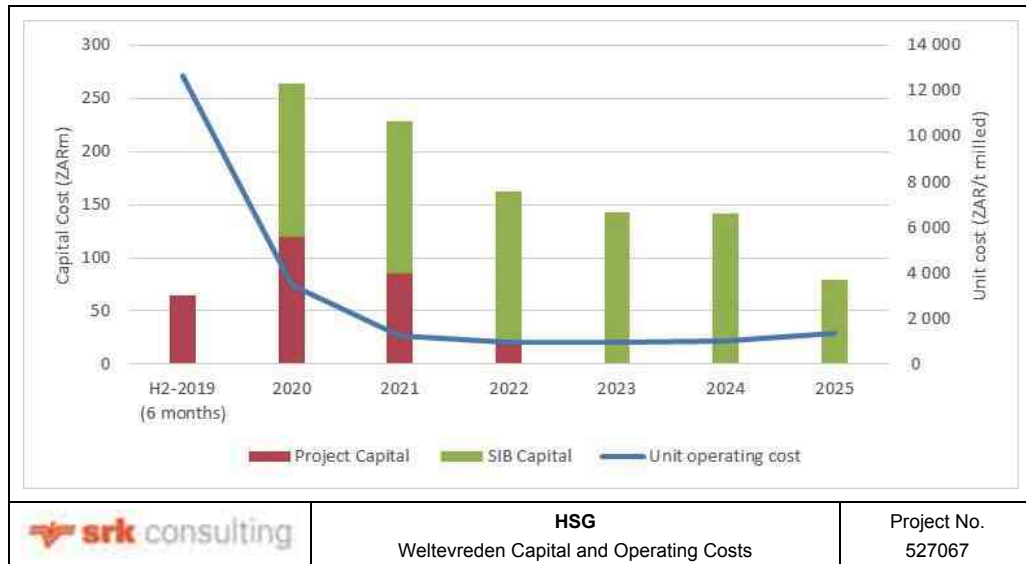


Figure 5.36: Weltevreden Capital and Operating Costs

### 5.11.3 Risks and Opportunities

[18.05(5)] [SR5.7(i)]

#### Risks

- No material infrastructure and engineering risks were identified at Tau Lekoa;
- Project schedule risk exists, as it appears that insufficient time (3 months) may have been provided for dewatering and rehabilitating the existing declines;
- It should be noted that the project is highly capital sensitive in that an increase in project capital cost of 5% will cause the project to become NPV negative;
- Installation of only one main incoming transformer at Weltevreden can result in production losses should this transformer fail. Proper maintenance schedules and procedures as suggested by the Original Equipment Manufacturer (**OEM**) should be followed in order to reduce this risk; and
- A radial underground supply system can result in delayed production in other levels should one radial feeder fail. A spare circuit breaker should be kept in the switchgear room to limit the amount of downtime, should one radial feeder fail.

#### Opportunities

- Opportunities for improvement in infrastructure and engineering are limited, primarily because the LoM plan requires scattered mining to continue on all existing levels, targeting IBGs, which should be supported in the same way as the levels were supported when mining was at its peak. Tau Lekoa is already optimising the services costs to align with the mining requirements; and
- The opportunity of improving the power factor to above 0.9 at Weltevreden should be explored in the next phase of the study. Power factor which is close to a unity can result in reasonable savings in power costs.

### 5.11.4 SRK Comments

- The infrastructure and engineering services at Tau Lekoa are adequate to support the 2018 LoM Plan;
- The infrastructure and engineering services at Weltevreden are adequate to support the 7-year plan; and
- The maximum demand load factor be thoroughly reviewed at the next phase of the study to ensure efficient use of allocated power and that the main incoming 15 MVA transformer is correctly sized.

### 5.12 Logistics

[SR5.4(iii)]



### 5.12.1 Tau Lekoa

The operating assets are mature, and contracts and systems are in place to ensure logistical integrity.

### 5.12.2 Weltevreden

The project is at a PFS level and logistics contracts and systems have not yet been determined. It is proposed that ore and materials will be transported by truck to and from site. It is likely that ore will be transported by contactors and this will be delivered to the West Gold Plant.

## 5.13 Human Resources

[SR1.1(ii), SR5.2(ii), SR5.3(iii)]

This section discusses the HR related matters at the Tau Lekoa operation.

The company management structure, remuneration, employee wellness and performance management are discussed under Section 4.13.

### 5.13.1 Industrial relations climate

#### Trade union membership

As discussed in Section 4.13.1, there are five Trade Unions at the Tau Lekoa operation. The unions are; NUM, AMCU, UASA and NUMSA.

There is a potential for union rivalry especially that NUMSA has been recognised at Tau Lekoa. The rivalry is likely to be between NUM and NUMSA as NUMSA's formation was engineered by a splinter group after the 2016 branch conference. This rivalry is regarded as not material to the continued operations of the mine.

### 5.13.2 Labour absenteeism and unavailability

The labour non-availability and absenteeism have averaged 16% from November 2018 to June 2019.

Approved leave and sickness are the largest contributors to the unavailables.

SRK believes absenteeism will not impact the achievability of the LoM plans materially.

### 5.13.3 Staffing requirements

The Tau Lekoa personnel requirement and statistics are provided in Figure 5.37. There was a downward trend in the staff count from 2015 to 2017.

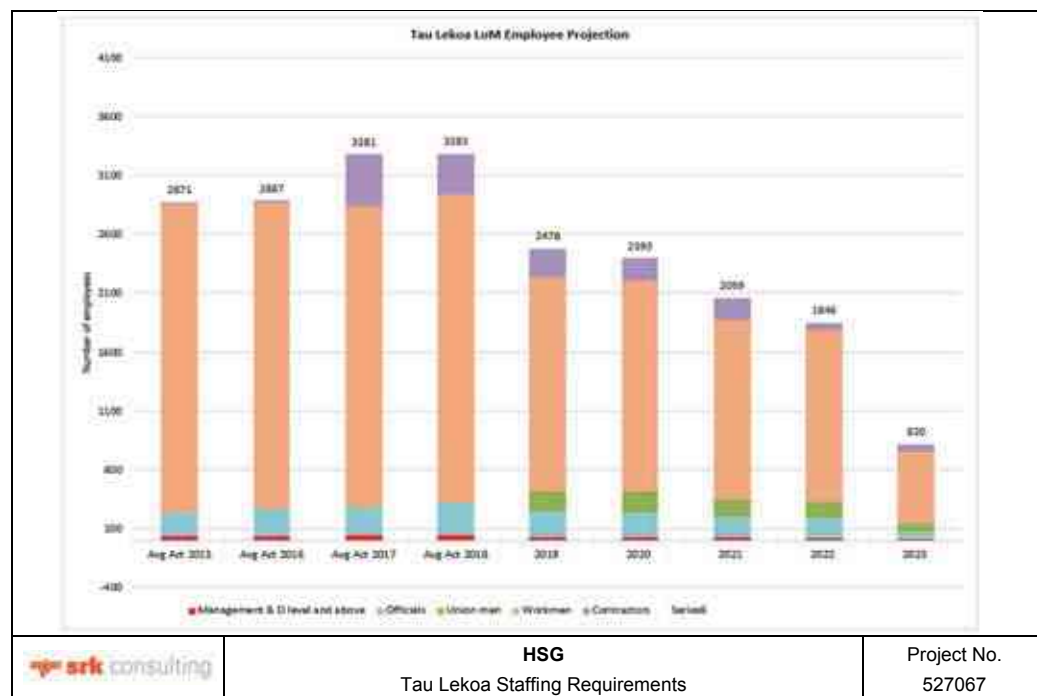


Figure 5.37: Tau Lekoa personnel requirements and statistics



**5.13.4 HIV and AIDS management**

The HIV and AIDS prevalence rate has averaged 20% for Tau Lekoa in 2018. As at June 2019 there were 662 confirmed cases of HIV at the mine. The relatively high prevalence rate of 20% experienced at Tau Lekoa is a concern.

Although the prevalence rate at Tau Lekoa is above the national average, SRK believes the HIV and AIDS pandemic does not present a material risk factor to the LoM plans and the operations of HSC.

**5.13.5 Employment equity compliance**

The Tau Lekoa operation exceeds the target set of 40% for employment equity for both the senior and middle management categories. There are also more women employed at the mine than planned for.

**5.13.6 Retention of key skills**

The turnover across all the categories for Tau Lekoa averaged 1.33% in 2018 and this is regarded as not material. The same employee retention strategies are employed across HSG.

**5.13.7 Risks and Opportunities**

[18.05(5)] [SR5.7(i)]

The HIV prevalence rate for Tau Lekoa of 20% in 2018 is above the national average and HSG has to investigate measures of how to reduce this rate.

**5.13.8 SRK Comments**

Although an uptrend is observed in the HIV prevalence, the pandemic is not viewed as material to the LoM plan of the operation.

**5.14 Occupational Health and Safety**

[SR5.2(viii)]

**5.14.1 Tau Lekoa**

Tau Lekoa can be classified as a deep mine (depth in excess of 1 000 m) with additional safety and health challenges when compared to shallower mines. Due to the nature of underground operations, exposure exists for possible harm to employees and contractors.

No safety and health information received to date for completion of the report.

**Safety**

The status of safety at Tau Lekoa is summarised in Table 5.29.

**Safety performance to date**

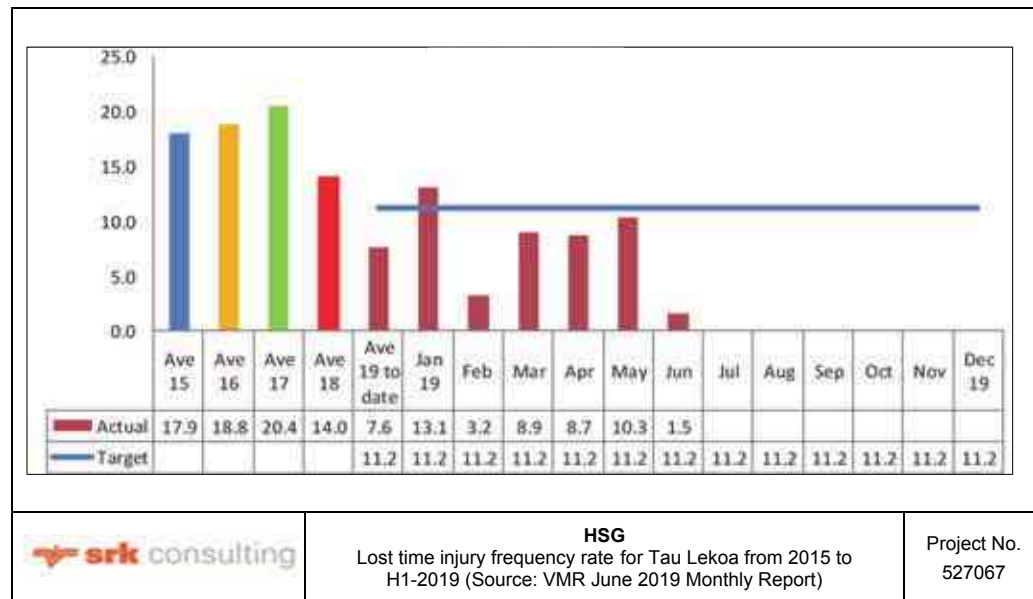
A summary of key performance indicators and LTIFR for Tau Lekoa is presented in Table 5.30 and Figure 5.38 respectively.

**Table 5.29: Summary of safety aspects at Tau Lekoa**

Aspect	Requirements	Status
Successes to date		Combined safety statistics for the previous VRO (which include Kopanang) show significant decrease in fatalities and injuries from 2002 to 2016.
Regulatory requirements	Legal compliance necessary for managing risk, developing trust with government and other stakeholders. Mine Manager is responsible for observance and enforcement of all safety and health regulations in terms of the MHSA. Non-compliance can result in Section 54 temporary closure, penalties or loss of licence.	Fully compliant.
Legal appointments	In terms of the MHSA.	HSG still has to confirm that all legal appointment are in place.
Health and Safety Policy	MHSA Section 8(1)(a-d) Every manager must prepare a document that describes the organization of work, establishes a policy concerning the protection of employees' health and safety at work, establishes a policy concerning the protection of persons who are not employees but who are directly affected by mining activities and outline the arrangements for carrying out and reviewing policies. Management's commitment towards zero harm.	A signed policy is in place.
Health and Safety Committee	MHSA Section 8(2) and 8(3)(b) The manager must consult with the health and safety committee on the preparation or revision of the document and policies referred to in Section 8(1), prominently and conspicuously display a copy of the document referred to in Section 8(1) for employees to read. Each health and safety representative has to be supplied with a copy of the document	HSG has to confirm the mine has the required health and safety committee in place.
Risk management, risk identification and controls	MHSA Section 11(1-4) The employer must be able to prove risk reduction and risk control. The risk management standard should determine how risks are identified and managed	HSG has to confirm if baseline risk assessments have been compiled.
Mandatory Codes of Practice	MHSA Section 9(1-6)(7a&b) A manager must prepare and implement a code of practice on any matter affecting the health and safety of employees and other persons who may be directly affected by activities at the mine if the Chief Inspector requires it. Required CoPs: The prevention of mine fires; Emergency preparedness and response; Occupational health program on personal exposure to airborne pollutants; Thermal stress; Fatigue Management; Noise exposure; Medical incapacitation to work; Combat rock falls in underground mines; Right to refuse unsafe work; Minimum standard for fitness to perform work at a mine; Women in mining PPE; Trackless mobile machinery; Safe use of conveyor belt installations; Safe operation of draw and tipping points; Isolation, lockout and clearance to work; and Mine residue deposits.	HSG has to confirm the required mandatory CoPs are in place.
Safety training	MHSA Section 10(1-3) An employer must provide employees with any information, instruction, training or supervision that is necessary to enable them to perform their work safely and without risk to health.	HSG has to confirm a comprehensive training procedure is in place for all new appointments. Refresher training is provided annually.

**Table 5.30: Key Performance Indicators**

Safety	Mine Targets	Performance against KPIs to date
Work related fatal injuries	Zero	3 – 15/07/18, 31/08/18, 05/01/19
LTIFR	≤11.2	14.0 (2018), 7.6 (H1-2019)
DMR mine stoppages	Zero	12 (total 2018), 7 (H1-2019)

**Figure 5.38: Lost time injury frequency rate for Tau Lekoa from 2015 to H1 2019****Actions for improvement**

- The FoG management strategy will continue to be driven until the target of zero FoG's is achieved;
- Proper team-based entry examinations every morning; and
- Safety interventions with different levels of crew supervision (empowerment sessions).

**SRK Comments**

- The two fatalities in July and August 2018 were as a result of a seismic event (FoG);
- The reporting of serious injuries to the DMR via SAMRAS is accurate;
- The average LTIFR has decreased from an average of 18.8 in 2016 to 14.0 in 2018. This is well above the rate of 3.8 for Kopanang during 2018.

**Major incident review during the past two years**

A seismic event in July 2017 resulted in four fatalities. Two fatal accidents occurred on 15 July and 31 August 2018.

**DMR Safety Stoppages and Fines**

Figure 5.39 shows the DMR Section 54 stoppages and Section 55 directives for 2018, in comparison to prior years.

**SRK Comments**

- The incidence of section 54 stoppages issued by the DMR has been higher in 2018 than prior years. This partly reflects the DMR clamping down on an increase in accidents and fatalities throughout the gold mining industry in 2018;
- Major Incident review during the past two years - There have been no major incidents reported during the past two years; and
- There have been no fines imposed by the DMR to date.

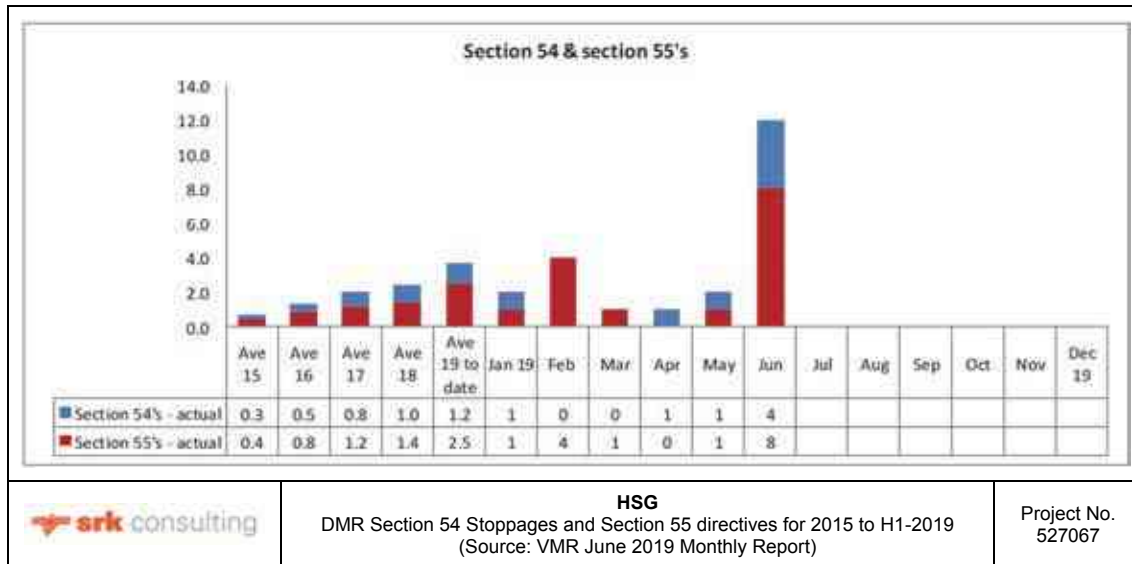


Figure 5.39: Tau Lekoa DMR Section 54 stoppages and Section 55 directives for 2015 to H1-2019

**Occupational Hygiene/Health****Occupational Health Performance to Date****Silica Dust exposure**

The dust sampling measurement results for Tau Lekoa from 2015 to H1-2019 are shown in Figure 5.40.

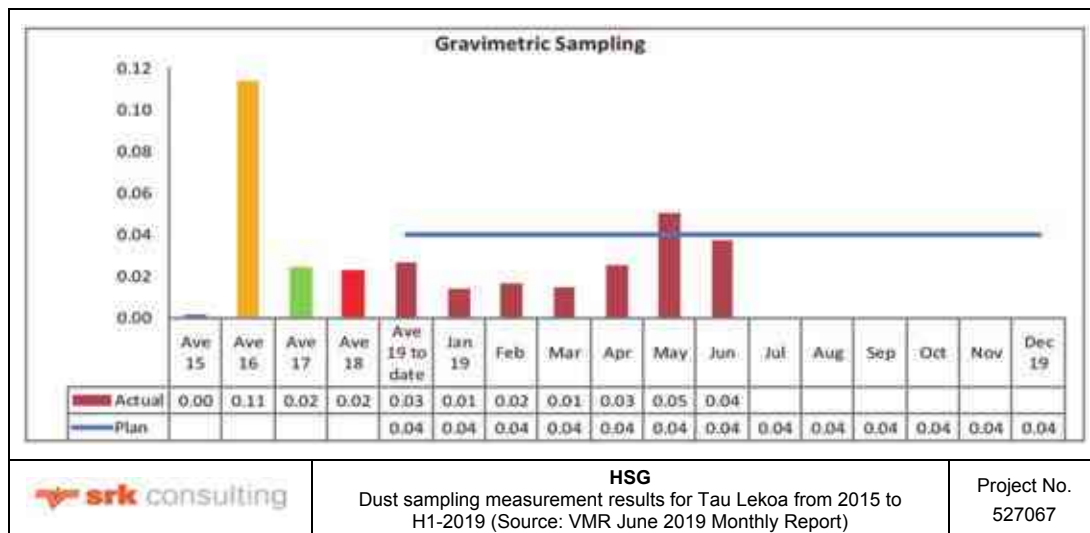


Figure 5.40: Dust sampling measurement results for Tau Lekoa from 2015 to H1-2019

**SRK comments**

The measurements are within the new milestone target of 0.05 mg/m<sup>3</sup>. If dust exposure levels can be maintained within 0.05 mg/m<sup>3</sup>, there should be no risk of the current and future employees contracting silicosis.

**Thermal exposure**

The maximum temperatures recorded at Tau Lekoa are presented in Table 5.31.

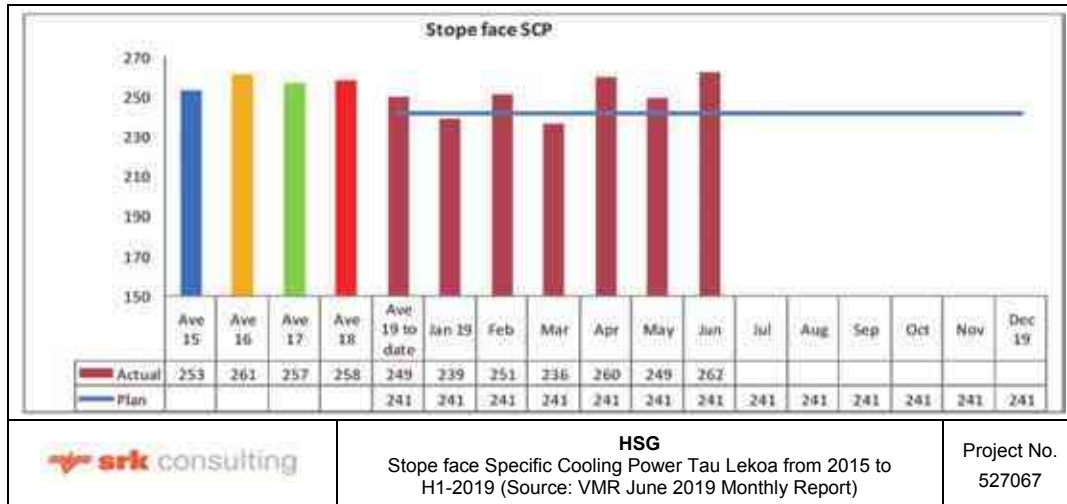
**Table 5.31: Maximum recorded temperatures**

Reporting area	2015	2016	2017	2018
Wet bulb (WB) (°C)	29	28	29	28
Mine Wet Bulb target (°C)				29

The slope face SCP results are shown in Figure 5.41.

#### SRK comments

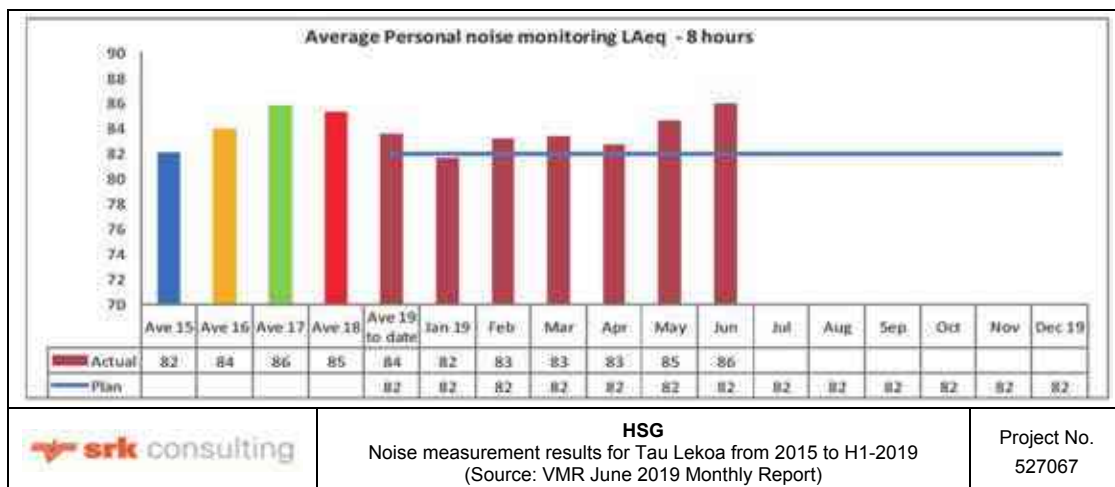
The average SCP of 258 W/m<sup>2</sup> for 2018 was above the minimum limit of 240 W/m<sup>2</sup>, whereas the average SCP for H1-2019 is marginally above the minimum limit. There is no risk of employees contracting illnesses associated with heat.



**Figure 5.41: Specific Cooling Power for Tau Lekoa from 2015 to H1-2019**

#### Noise exposure

The noise exposure measurement results are presented in Figure 5.42.



**Figure 5.42: Noise measurement results for Tau Lekoa from 2015 to H1-2019**

#### SRK comments

Although the measurement results are above the OEL of 85 dB(A) in an 8 hour period, controls are in place to prevent employees from contracting NIHL.

#### Radiation

The radiation dose measurements for the past two years (2017 and 2018) are within the OEL of 50 mSv for a two-year period.

#### Health surveillance results

Tau Lekoa mine makes use of the same medical facilities as Kopanang.

#### Health surveillance statistics

The health surveillance statistics are shown in Table 5.32.

**Table 5.32: Tau Lekoa Health surveillance statistics**

	2015	2016	2017	2018	H1-2019
Total employees	3 265	3 334	No results		
NIHL diagnosed cases	15	6			
NIHL certified cases	Nil	Nil			
PTB Diagnosed	17	28			
PTB Certified	27	14			
OAD diagnosed	2	2			
Silicosis diagnosed cases	14	9			
Silicosis cases certified for compensation	1	3			
Radiation	Nil	Nil			

**SRK comments****Silicosis**

Tau Lekoa mine has a silica dust suppression and enhanced medical surveillance programme in place in their quest towards zero harm. In terms of the 2018 measurement results, employee exposure to silica dust has been reduced to within the DMR milestone level of 0.05 mg/m<sup>3</sup>. Early diagnosed cases have been on the decline since 2006. Short term fluctuations are difficult to explain in a disease with a 10 – 20 year lag period.

**Noise Induced Hearing Loss**

The mine has a comprehensive noise control program in place. Noise levels of all noise emitting equipment have been reduced to below the benchmark of 110 dB and all production employees have been issued with personal hearing protection devices and have to wear these devices in noise zones. Occupational exposure to noise appears to be controlled and NIHL cases should be on the decrease. Nevertheless, the fluctuations can be ascribed to non-occupational and social noise.

**Risks and Opportunities**

[18.05(5), 18.05(6)(a)] [SR5.7(i)]

Falls of ground and seismic events, largely attributed to an increase in accidents during 2017 and 2018.

**5.14.2 Weltevreden**

Due to the nature of underground operations, exposure exists for possible harm to employees and contractors. Weltevreden can be classified as a medium depth mine (depth less than 1 000 mbs).

Weltevreden is being planned as an extension to Tau Lekoa. The prime responsibility for OHS will rest with the management of Tau Lekoa.

Safety performance results are only available for Tau Lekoa, which are discussed in the Tau Lekoa safety section. The rest of the components of the project are presently at a pre-project implementation stage, so no safety performance records are available for this operation.

SRK expects that the OHS management plan for Weltevreden will be identical to the one in operation at Tau Lekoa.

**Risks and Opportunities**

[18.05(5), 18.05(6)(a)] [SR5.7(i)]

No risks have been identified.

**5.15 Environmental Studies, Permitting and Social Impact****5.15.1 Tau Lekoa****Introduction and Regional Setting**

[SR1.2(i) (ii)] [ESG2.1, ESG2.2, ESG3.1, ESG3.2, ESG4.1, ESG4.2]

The reader is referred to the discussion in Section 2.4.1.

**Environmental Authorisations and Licenses**

[SR1.5(i) (ii) (v) SR5.5(i) (ii)] [ESG2.3, ESG3.3, ESG4.3]

The reader is referred to the discussion in Section 3.3.1.

### Environmental and Social Approvals

[SR1.2(ii), SR1.5(ii) (iv) (v), SR5.5(i) (ii)] [ESG2.3, ESG3.3, ESG4.3]

The reader is referred to the discussion in Section 3.3.2.

### Environmental and Social Management Approach

[SR5.5(iii) (iv), SR7.1(i)] [ESG2.3, ESG2.5, ESG2.6, ESG2.7, ESG3.3, ESG3.6, ESG3.5, ESG3.7, ESG4.3, ESG4.5, ESG4.6, ESG4.7]

### Environmental Approach

Tau Lekoa currently does not have a comprehensive EMS or any other form of a management system, although HSG has committed to compiling an EMS for the Tau Lekoa operations. The management system will ensure that Tau Lekoa adheres to all licence conditions and approvals and that environmental performance is audited on a regular.

As part of the EMS that is being compiled, the environmental tasks listed in Table 5.33 were completed for Tau Lekoa in 2018, with one due to be completed in 2019.

**Table 5.33: Tasks to be completed for Tau Lekoa**

Task	Period
Environmental risk Assessment report	Completed
Waste management plan	Completed
Veld Fire management plan	Completed
Invasive plants management plan	Completed
Environmental risk Assessment report	Completed

The mine has an OHSE policy which has been reviewed and is posted at various locations within the surface infrastructure area.

The following monitoring is undertaken at Tau Lekoa:

- Dust monitoring – Dust monitoring is conducted on a monthly basis. No PM<sub>10</sub> or PM<sub>2.5</sub> monitoring is currently taking place;
- Groundwater monitoring – Groundwater monitoring is undertaken every three months; and
- Surface water monitoring is taking place and is revised monthly. The most recent surface water report (June 2019) indicated that: *'The water quality of all the surface samples taken are within guideline limits. The surface water quality thus indicates no influence of Tau Lekoa on the surrounding surface water courses of this region. Tau Lekoa will continue to monitor as per water use license to ensure continued compliance and prevention of any potential contamination'*.

The dedicated Environmental Manager at Tau Lekoa is Cobus Martin and Joan Projects is contracted at Tau Lekoa to assist with environmental management and auditing.

Ms Mutshathama of Joan Projects conducted the annual PAR, which was submitted to the DMR for the past two years in March 2019. Ms Mutshathama mentioned that the only comments from the DMR on the PARs relate to the financial provision sections, where the Department does not agree with the calculation of the financial provision. SRK has not seen the DMR's comments on the PARs. An internal environmental audit has also been conducted, however, the audit report is still in draft form and was not provided during the compilation of this report.

Based on discussions with the environmental representatives at the site visit, each mine includes the costs for all technical monitoring and environmental studies in the annual Opex budgets.

### Social Approach

The discussion under Social Approach as part of Section 4.15.5 applies equally to Tau Lekoa, adjusted for site-specific matters.

The SLP financial provisions are not separated out for Weltevreden and Jonkerskraal mining rights and addresses the operations holistically. The SLP provides for an overall budget of ZAR21 million towards HRD, and a further ZAR1.5 million towards LED. Financial provision was not provided for the management of downscaling and retrenchment and this has subsequently been requested by the DMR in correspondence dated 18 February 2019 but not addressed in the SLP Annual Report dated 12 March 2019. Even though the SLP states that the cost has not been included since it is difficult to estimate, costs for portable skills training



should have been included. The total financial provision for the SLP amounts to ZAR25.1 million. As per correspondence from the DMR dated 18 February 2019, the mine must submit outstanding budgets for the LED projects number 2 and 3 and increase the total number of external learnerships to 9 instead of 6 which appears to not to have been updated in the SLP Annual Report dated 12 March 2019. As per documents reviewed, HSG is monitoring the implementation of the SLP requirements through monthly reporting. The most recent report reviewed was dated December 2017.

Based on the review of correspondence between Tau Lekoa and the local authorities and local communities such as Kanana Community, it appears that Tau Lekoa has established good relations with key stakeholders. Over the years Tau Lekoa has assisted the local authorities and communities with several projects, including enterprise development programmes by providing infrastructure to community based organisations. Future projects include the support of the Community Feeding Scheme in Kanana and Alabama. Meeting minutes from the Kanana Community Unemployment Development Forum which took place on 22 February 2019 also note requests to prioritise an agricultural project and the construction of a community hall.

As far as could be deduced, Tau Lekoa has good labour relations with the recognised unions at the operations. Recognition agreements have been signed with UASA, Solidarity and NUM, with organisational rights having been awarded to AMCU. Several other agreements have been entered into by Tau Lekoa and the labour unions, which signifies a commitment towards collective bargaining.

According to the Employment Equity Plan developed by Tau Lekoa in 2016, organised labour is engaged in a variety of meetings, including the local labour forum and the employment equity committee. Tau Lekoa has various HR and Industrial Relations policies in place. Several benefits are included for employees such as an employee incentive scheme, mine workers retirement funds and compensation pay-outs.

Based on information received from HSG, Tau Lekoa has policies and procedures in place for fair selection practices for appointments and promotions as well as a recruitment, screening, selection and placement, as well as separation and termination.

#### **Environmental Performance**

[SR7.1(i)] [ESG 2.3, ESG3.3, ESG4.3]

The discussion under Environmental Performance as part of Section 4.15.6 applies equally to Tau Lekoa, adjusted for site-specific matters.

Based on the site visit discussions and information reviewed, it appears that no directives or pre-directives have been received from the DMR, DWS or DEA for any of the Tau Lekoa operations. No penalties or fines have been received to date

#### **Social Performance**

[SR7.1(i)] [ESG2.7, ESG3.7, ESG4.7]

The discussion under Social Performance as part of Section 4.15.6 applies equally to Tau Lekoa, adjusted for site-specific matters.

There are several leases signed with local communities on Goedgenoeg 433IP for use of the surface. These have no bearing on the mining operations and are not considered further.

The lack of traffic management has been raised as a concern during various environmental studies and by stakeholders at public meetings. Even though Tau Lekoa has included this on its risk register and has identified mitigation measures for addressing the impact, no remedial action has been taken since it was deemed unfeasible from a geographic and economic point of view. Since this issue has already been raised in public forums, there could be a potential reputational risk to HSG should the lack of traffic management result in traffic accidents.

#### **Environmental and Social Issues and Risks**

[18.05(5), 18.05(6)(a)] [SR1.2(ii), SR4.3(v) (viii), SR5.4(iii) (v), SR5.5(iii), SR5.7(i)] [ESG2.4, ESG2.5, ESG2.9, ESG3.4, ESG3.5, ESG3.9, ESG4.4, ESG4.5, ESG4.9]

#### **Environmental Risks**

Based on the review of available documentation, consultation with the environmental management and site visit observations, several environmental issues and risks were identified and are presented below:

Based on the review of available documentation, consultation with the environmental management and site visit observations, several environmental issues and risks were identified and are presented below:

- **A limited EMS system is currently in place:** It is SRK's understanding that this system will be established in the near future based on the discussions held with the environmental management during the site visit;
- **No understanding of the current surface water baseline conditions due to lack of monitoring;** and
- **Poorly managed stormwater system resulting in spills of contaminated water to the environment:** The stormwater trenches on the mine were blocked with litter and plant material. Overflowing of these trenches would result in pollution to the environment.

### Social Risks

There is potential for unrest and strike action due to inadequate information about job opportunities and recruitment disseminated to communities. Communities have already protested about recruitment and procurement opportunities at the mine and continue to highlight these concerns at the Kanana Community Unemployment Development Forum.

Poor traffic management has been highlighted as a concern, however Tau Lekoa ore is no longer taken to Nicolor but the West Gold Plant which significantly reduces the distance travelled and the alternative route ensures that the trucks travel around the periphery of Orkney as opposed to through the town. This risk needs to be continuously managed as there is potential for public outcry, claims and reputational damage resulting from poor mine traffic management on public roads.

Tau Lekoa should review its existing policies and procedures and confirm whether it sufficiently addresses the key community concerns of recruitment and the procurement of supplies and services. Since the external recruitment provider, TEBA, is required to comply with the Tau Lekoa Recruitment Policy, their adherence to Tau Lekoa policies and procedures should be audited and improved where possible.

Currently, stakeholder engagement is taking place with community forums but this should be strengthened where possible. Tau Lekoa should fill the vacancies in their Sustainable Development Department and assign clear roles and responsibilities for managing social related risks. It is SRK's understanding that a sustainable development officer responsible for special projects and engagement was appointed on 26 June 2019. Tau Lekoa should ensure that roles, responsibilities, and authority be defined for persons responsible for the management of social risks. Key social responsibilities should be well defined and communicated to the relevant personnel and to the rest of the staff. Tau Lekoa should ensure that sufficient budget and support is provided to achieve effective and continuous social performance. For projects posing potentially significant adverse impacts or where technically complex issues are involved, Tau Lekoa may be required to involve external experts to assist in the risks and impacts identification process.

Although there is a grievance register available at the security gate, Tau Lekoa should strengthen the grievance mechanism to ensure that community complaints are placed on a social risk register, in order to allow for the monitoring and tracking of these risks. Linked to this, Tau Lekoa could develop social management programmes that will describe mitigation and performance improvement measures and actions that address the identified social risks and impacts of the project.

Tau Lekoa's social performance will depend in future on the effective management of the high level of expectations between the authorities, local government and communities. The mine therefore needs to ensure that it has the requisite human and financial resources to honour its social commitments in terms of the Mining Charter and SLP, to monitor and proactively address its social risks and to maintain healthy relations with stakeholders across all levels.

### Mine Closure, Planning and Financial Provision

[18.05(6)(d)(e)] [SR1.7, SR5.2(ii)]

The latest assessment of liability for Tau Lekoa and Weltevreden was undertaken by an external consultant in January 2018 reflecting the liability at the end of 2017. The assessment was undertaken using the methodology prescribed in the DMR 2005 Guideline Document for the Evaluation of the Quantum of Closure Related Financial Provision Provided by a mine. While this is a methodology that is acceptable to the authorities for determining liability, it is SRK's opinion, that because the guideline is dated and presents a generic approach to closure assessment that does not necessarily account for site specific subtleties related to impacts and risk, the accuracy of the assessment is in the  $\pm 50\%$  range.

The assessment undertaken only focused on biophysical requirements and does not include internal nor external social closure requirements, as these are considered under the SLP. Furthermore, the assessment does not include post closure water management. The 2018 assessment determined that liability for Tau Lekoa

and Weltevreden was ZAR62.3 million and ZAR14.1 million respectively. The assessed amounts included VAT at 14% as is required in the DMR guideline.

A single provision for the liability for both Tau Lekoa and Weltevreden is made to the DMR, with combined liability for the operations being ZAR76.4 million. The DMR has accepted this estimate of the closure quantum and provision in the form of a policy with Centriq Insurance.

SRK is of the opinion that the amounts of ZAR62.3 million and ZAR14.1 million for Tau Lekoa and Weltevreden respectively calculated with the DMR method are the correct order of magnitude estimate for the closure of surface infrastructure. These estimates are seen to fall within an accuracy of  $\pm 50\%$ , with the liability more likely to be underestimated than over-estimated. This does not include costs potentially incurred for long term post closure water treatment if this is required after closure. SRK is of the opinion that the current legal requirements have been met through the calculation of the quantum.

### 5.15.2 Weltevreden

#### Introduction and Regional Setting

[SR1.2(ii) (ii)] [ESG2.1, ESG2.2, ESG3.1, ESG3.2, ESG4.1, ESG4.2]

Weltevreden is located to the south of the Vaal River on the farm Weltevreden 130. As no activities are currently taking place, all information pertaining to Weltevreden has been included as part of the Tau Lekoa, Section 2.4.1.

#### Environmental Authorisations and Licenses

[SR1.2, SR1.5(i) (ii) (v), SR5.5(i) (ii)] [ESG2.3, ESG3.3, ESG4.3]

The reader is referred to the discussion in Section 3.3.1.

#### Environmental and Social Approvals

[SR5.5(i) (ii)] [SR1.2(ii), SR1.5(ii) (iv) (v)] [ESG2.3, ESG3.3, ESG4.3]

The reader is referred to the discussion in Section 3.3.2.

#### Environmental and Social Management Approach

[SR5.5(iii) (iv), SR7.1(i)] [ESG2.5, ESG2.6, ESG3.5, ESG3.6, ESG4.5, ESG4.6]

Refer to the discussion for Tau Lekoa in Section 5.15.1.

#### Environmental and Social performance

[SR7.1(i)] [ESG 2.3, ESG3.3, ESG4.3, ESG2.7, ESG3.7, ESG4.7]

The reader is referred to the discussion for Tau Lekoa in 5.15.1.

#### Environmental and Social Issues and Risks

[18.05(5), 18.05(6)(a)] [SR4.3(v) (viii), SR5.4(iii) (v), SR5.5(iii), SR5.7(i)] [ESG2.4, ESG3.4, ESG4.4, ESG2.9, ESG3.9, ESG4.9]

The reader is referred to the discussion for Tau Lekoa in Section 5.15.1.

#### Mine Closure, Planning and Financial Provision

[18.05(6)(d)(e)] [SR1.7, SR5.2(ii)]

The reader is referred to the discussion for Tau Lekoa in Section 5.15.1.

### 5.15.3 Risks and Opportunities

[18.05(5), 18.05(6)(a)] [SR5.7(i)]

As operations cease and workings rewater, there is the potential that water management may be required post closure to limit the impact of the recovering water table on the environment. There is currently insufficient detail to assess what the requirements may be at closure. However, if a pump and treat system is required, the Capex and Opex of these systems may be significant and may not be offset by revenue potentially realised through the sale of water.

### 5.16 Material Contracts

[SR5.6(ii)]

The reader is referred to the discussion in Section 4.16 and Section 6.13.5.

**5.16.1 Risks and Opportunities**

[18.05(5) 18.05(6)(c)] [SR5.7(i)]

The reader is referred to the discussion in Section 4.16.1 and Section 6.13.5.

**5.17 Economic Analysis**

[18.03(3), 18.03(4), 18.06] [SR5.6, SR5.8]

**5.17.1 Tau Lekoa TEM**

[18.30(3)]

The TEM for Tau Lekoa is included as a separate tab in the BP2019 Excel file.

Key production and financial metrics from the Tau Lekoa TEM are summarised in Table 5.34. SRK has reviewed the metrics in the Tau Lekoa TEM to the extent of the information provided, revised these as appropriate, and is satisfied that the metrics as presented are reasonable for the LoM. To cater for a 30 June 2019 reporting date, SRK has removed the first six months of the 2019 budget and left the remaining months (July to December 2019) unchanged. The mill feed and recovered Au have been adjusted in the final year of the LoM plan to ensure the LoM totals match the Mineral Reserve statement.

Only the Proved and Probable Mineral Reserves derived from the Measured and Indicated Resources are included in the table.

The mine is predicted to deliver a positive post-tax AISC profit in four out of the five years remaining in the LoM (excluding any further projects or Inferred ounces). The average LoM operating margin is 12%. The mine is, in the absence of any additional ounces, vulnerable to adverse movements in the price, costs or production.

**5.17.2 Weltevreden TEM**

[18.30(3)]

The TEM for Weltevreden is included as a separate tab in the BP2019 Excel file.

Key production and financial metrics from the Weltevreden TEM are summarised in Table 5.35. SRK has reviewed the metrics in the Weltevreden TEM to the extent of the information provided, revised these as appropriate, and is satisfied that the metrics as presented are reasonable for the LoM. First ore has been delayed to November 2019, with the planned ore production (tonnes and contained Au) for the first four months per the PFS added to the final year of the LoM plan.

Only the Proved and Probable Mineral Reserves derived from the Measured and Indicated Resources are included in the table.

The mine is predicted to breakeven within six years at the post-tax AISC profit/(loss) level. Production decreases in the last year of the LoM plan, which is merely a function of the extent of declared Mineral Reserves.

The undiscounted post-tax cash flow is positive for the LoM, which SRK deems sufficient to declare a Mineral Reserve. There are considerable Inferred Mineral Resources beyond the extent of the Mineral Reserves which HSG will upgrade via further drilling programmes and underground development and thereby extend the mine life. Steady-state production levels are attained during year 4 – if the production level of year 5 can be maintained with additional Mineral Reserves for just the seven years of the LoM, a positive NPV at 9.5% can be generated.

In addition, it should be noted that some 400 kt of Au-bearing material from within the Inferred Resource category is extracted as part of the LoM plan, but not considered for evaluation purposes. This is common mining practice where such Inferred Resource or even unpay material is included in the optimisation of a mine design. As mining approaches an Inferred Resource block, the normal grade control and sampling practices allow for the block to be upgraded to an Indicated or Measured Resource category. This 400 kt of Au-bearing material would assist in generating a positive NPV for Weltevreden.

The average LoM operating margin is estimated at 35% of revenue. The operating margin is typical of South African gold mines, but substantial capital investment is required leaving the operation vulnerable to any negative movements in costs or revenues.

Table 5.34: Tau Lekoa TEM Summary

Item	Units	Totals	H2-2019	2020	2021	2022	2023
Ore hoisted	(Mt)	2.24	0.28	0.62	0.56	0.44	0.34
Plant feed	(Mt)	2.24	0.28	0.62	0.56	0.44	0.34
Plant feed grade	(g/t)	4.34	4.46	4.45	3.91	4.42	4.76
Recovered Au grade	(g/t)	3.98	4.39	4.14	3.64	4.11	3.75
Gold produced	(koz)	287	40	83	66	58	41
<b>Revenue</b>	<b>(ZARm)</b>	<b>4 911</b>	<b>680</b>	<b>1 419</b>	<b>1 125</b>	<b>990</b>	<b>697</b>
Employment Costs	(ZARm)	2 613	369	716	609	569	350
Stores	(ZARm)	707	96	192	171	140	108
Electricity & Water	(ZARm)	561	70	135	132	125	100
Surface Transport	(ZARm)	44	6	12	11	9	7
Plant treatment costs	(ZARm)	387	62	106	93	71	54
AGA Royalty	(ZARm)	149	20	43	34	30	23
State Royalty	(ZARm)	25	3	7	6	5	4
Other costs	(ZARm)	217	43	69	58	24	24
Reversal - capital development/opening up	(ZARm)	( 371)	( 95)	( 144)	( 63)	( 39)	( 30)
<b>Operating Costs</b>	<b>(ZARm)</b>	<b>4 332</b>	<b>574</b>	<b>1 136</b>	<b>1 049</b>	<b>932</b>	<b>640</b>
	(USDm)	308	41	81	74	66	45
Operating Profit	(ZARm)	579	106	283	76	58	57
<b>Capital Costs</b>	<b>(ZARm)</b>	<b>481</b>	<b>70</b>	<b>176</b>	<b>142</b>	<b>47</b>	<b>46</b>
Undefined projects	(ZARm)	109	-25	33	79	7	16
Development capitalised	(ZARm)	371	95	144	63	39	30
All-in sustainable cost (AISC)	(ZARm)	4 813	644	1 312	1 191	979	686
All-in sustainable cost (AISC)	(USDm)	342	46	93	85	70	49
<b>Unit Costs</b>							
Cash operating cost	(ZAR/t milled)	1 931	2 040	1 822	1 867	2 127	1 892
Cash operating cost	(USD/oz produced)	1 071	1 025	972	1 133	1 143	1 115
AISC cost	(ZAR/t milled)	2 145	2 289	2 105	2 120	2 234	2 028
AISC cost	(USD/t milled)	152	162	149	150	159	144
AISC cost	(USD/oz produced)	1 190	1 150	1 123	1 286	1 201	1 195
Tax payable	(ZARm)	0	0	0	0	0	0
<b>AISC profit / (loss)</b>	<b>(ZARm)</b>	<b>99</b>	<b>36</b>	<b>107</b>	<b>-66</b>	<b>11</b>	<b>11</b>
	(USDm)	7	3	8	-5	1	1

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Table 5.35: Weltevreden TEM Summary

Item	Units	Totals	H12-2019	2020	2021	2022	2023	2024	2025
Ore hoisted	(Mt)	2.07	0.00	0.03	0.20	0.45	0.55	0.51	0.32
Plant feed	(Mt)	2.07	0.00	0.03	0.20	0.45	0.55	0.51	0.32
Plant feed grade	(g/t)	3.28	4.63	2.72	3.08	3.22	3.36	3.39	3.23
Recovered Au grade	(g/t)	3.12	4.40	2.58	2.93	3.06	3.20	3.22	3.07
Gold produced	(koz)	207	0	3	19	44	56	53	31
<b>Revenue</b>	<b>(ZARm)</b>	<b>3 544</b>	<b>4</b>	<b>43</b>	<b>326</b>	<b>761</b>	<b>962</b>	<b>911</b>	<b>537</b>
Employment Costs	(ZARm)	890	12	44	91	144	199	200	200
Stores	(ZARm)	11	0	1	2	2	2	2	2
Mining	(ZARm)	390	4	25	59	83	79	75	67
Electricity & Water	(ZARm)	231	1	6	22	50	60	57	35
Surface Transport	(ZARm)	124	0	2	12	27	33	31	19
Plant treatment costs	(ZARm)	354	1	5	33	73	89	92	61
AGA Royalty	(ZARm)	106	0	1	10	23	29	27	16
State Royalty	(ZARm)	18	0	0	2	4	5	5	3
Other	(ZARm)	168	6	21	25	31	26	25	25
<b>Operating Costs</b>	<b>(ZARm)</b>	<b>2 292</b>	<b>23</b>	<b>105</b>	<b>256</b>	<b>437</b>	<b>522</b>	<b>513</b>	<b>428</b>
	<b>(USDm)</b>	<b>163</b>	<b>2</b>	<b>7</b>	<b>18</b>	<b>31</b>	<b>37</b>	<b>36</b>	<b>30</b>
Operating Profit	(ZARm)	1 252	(19)	(62)	70	324	441	397	109
<b>Capital Costs</b>	<b>(ZARm)</b>	<b>1 083</b>	<b>65</b>	<b>263</b>	<b>229</b>	<b>163</b>	<b>143</b>	<b>142</b>	<b>79</b>
Project/SIB per PCDS	(ZARm)	1 083	65	263	229	163	143	142	79
VMR Preproduction costs	(ZARm)	0	0	0	0	0	0	0	0
All-in sustainable cost (AISC)	(ZARm)	3 375	88	368	485	599	664	655	507
All-in sustainable cost (AISC)	(USDm)	240	6	26	34	43	47	47	36
<b>Unit Costs</b>									
Cash operating cost	(ZAR/t milled)	1 110	12 654	3 489	1 266	966	953	1 000	1 345
Cash operating cost	(USD/oz produced)	786	6 346	2 984	955	697	658	685	968
AISC cost	(ZAR/t milled)	1 634	48 250	12 220	2 395	1 325	1 214	1 276	1 595
AISC cost	(USDm)	116	3 425	868	170	94	86	91	113
AISC	(USD/oz produced)	1 157	24 198	10 452	1 807	956	839	874	1 147
Tax payable	(ZARm)	0	0	0	0	0	0	0	0
<b>AISC profit / (loss)</b>	<b>(ZARm)</b>	<b>169</b>	<b>(84)</b>	<b>(325)</b>	<b>(159)</b>	<b>162</b>	<b>298</b>	<b>256</b>	<b>30</b>
	<b>(USDm)</b>	<b>12</b>	<b>(6)</b>	<b>(23)</b>	<b>(11)</b>	<b>11</b>	<b>21</b>	<b>18</b>	<b>2</b>

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### 5.17.3 Tau Lekoa Sensitivity Analysis

[18.30(5)]

The NPV of the post-tax cash flows for Tau Lekoa at different discount rates in ZARm and USDm terms are set out in Table 5.36. The post-tax cash flows in Table 5.34 are converted from the ZAR values into USD terms at the exchange rate ruling at the Effective Date of this CPR. Derivation of the Company's real WACC of 9.5% is discussed in Section 4.17.1.

**Table 5.36: NPV sensitivity of Tau Lekoa post-tax cash flows at different discount rates**

Real Discount Rate	(ZARm)	(USDm)
0.0%	99	7.0
6.0%	96	6.8
8.0%	95	6.7
<b>9.5% (WACC)</b>	<b>94</b>	<b>6.7</b>
10.0%	94	6.7
11.0%	94	6.7
12.0%	93	6.6
14.0%	93	6.6

The overall NPV for the operation is estimated at ZAR94 million (USD6.7 million) at the Company's WACC using the base case assumptions. The operation is not very sensitive to discount rate because of the short life.

The average operating margin for the LoM is 12%.

The twin sensitivity of the NPV<sub>9.5%</sub> for Tau Lekoa to changes in revenue and operating cost and changes to Capex and operating cost are set out in Table 5.37 and Table 5.38 respectively.

**Table 5.37: Twin-sensitivity of Tau Lekoa NPV<sub>9.5%</sub> to changes in revenue and operating cost**

		Revenue Sensitivity					
	ZAR/kg	440 000	495 000	550 000	605 000	638 110	660 000
		-20.0%	-10.0%	0.0%	10.0%	16.0%	20.0%
Operating Cost Sensitivity	-20.0%	( 8)	408	823	1 238	1 488	1 654
	-10.0%	( 372)	43	459	874	1 124	1 289
	0.0%	( 736)	( 321)	94	510	760	925
	10.0%	( 1 101)	( 685)	( 270)	146	396	561
	20.0%	( 1 465)	( 1 049)	( 634)	( 219)	31	197

A 10% increase in cost or similar decline in revenue will result in a negative NPV.

The impact of the spot gold price at the Effective Date on the financial result for Tau Lekoa can be seen in Table 5.37.

**Table 5.38: Twin-sensitivity of Tau Lekoa NPV<sub>9.5%</sub> to changes in capital and operating cost**

		Capital Cost Sensitivity				
		-20.0%	-10.0%	0.0%	10.0%	20.0%
Operating Cost Sensitivity	-20.0%	906	865	823	781	740
	-10.0%	542	500	459	417	375
	0.0%	178	136	94	53	11
	10.0%	( 187)	( 228)	( 270)	( 311)	( 353)
	20.0%	( 551)	( 592)	( 634)	( 676)	( 717)

### 5.17.4 Weltevreden Sensitivity Analysis

[18.30(5)]

The NPV of the post-tax cash flows for Weltevreden at different discount rates in ZARm and USDm terms are set out in Table 5.39. The post-tax cash flows in Table 5.35 are converted from the ZAR values into USD terms at the exchange rate ruling at the Effective Date of this CPR. Derivation of the Company's real WACC of 9.5% is discussed in Section 4.17.1.



**Table 5.39: NPV sensitivity of Weltevreden post-tax cash flows at different discount rates**

Real Discount Rate	(ZARm)	(USDm)
0.0%	169	12.0
6.0%	45	3.2
8.0%	12	0.9
<b>9.5% (WACC)</b>	<b>( 10)</b>	<b>(0.7)</b>
10.0%	( 17)	(1.2)
11.0%	( 30)	(2.1)
12.0%	( 42)	(3.0)
14.0%	( 65)	(4.6)

The undiscounted post-tax cash flow is positive for the LoM, which SRK deems sufficient to declare a Mineral Reserve. The overall NPV<sub>9.5%</sub> for Weltevreden is estimated at -ZAR10 million (-USD0.7 million) using the base case assumptions. However, the company does have the ability to upgrade some Inferred Resources that could lead to increased Mineral Reserves, increased LoM and a more robust business case. There are also Inferred Resources that are extracted as part of the mining process which have not been considered in the evaluation.

The average operating margin for the LoM is 35%, typical of South African gold mines.

The twin sensitivity of the NPV<sub>9.5%</sub> for Weltevreden to changes in revenue and operating cost and changes in Capex and operating are set out in Table 5.40 and Table 5.41 respectively.

**Table 5.40: Twin-sensitivity of Weltevreden NPV<sub>9.5%</sub> to changes in revenue and operating cost**

		Revenue Sensitivity					
	ZAR/kg	440 000	495 000	550 000	605 000	638 110	660 000
		-20.0%	-10.0%	0.0%	10.0%	16.0%	20.0%
Operating Cost Sensitivity	-20.0%	( 167)	71	305	526	659	748
	-10.0%	( 325)	( 88)	150	376	509	597
	0.0%	( 484)	( 247)	( 10)	227	359	447
	10.0%	( 642)	( 406)	( 169)	67	209	298
	20.0%	( 800)	( 565)	( 329)	( 94)	48	142

The impact of the spot gold price at the Effective Date on the financial result for Weltevreden can be seen in Table 5.40.

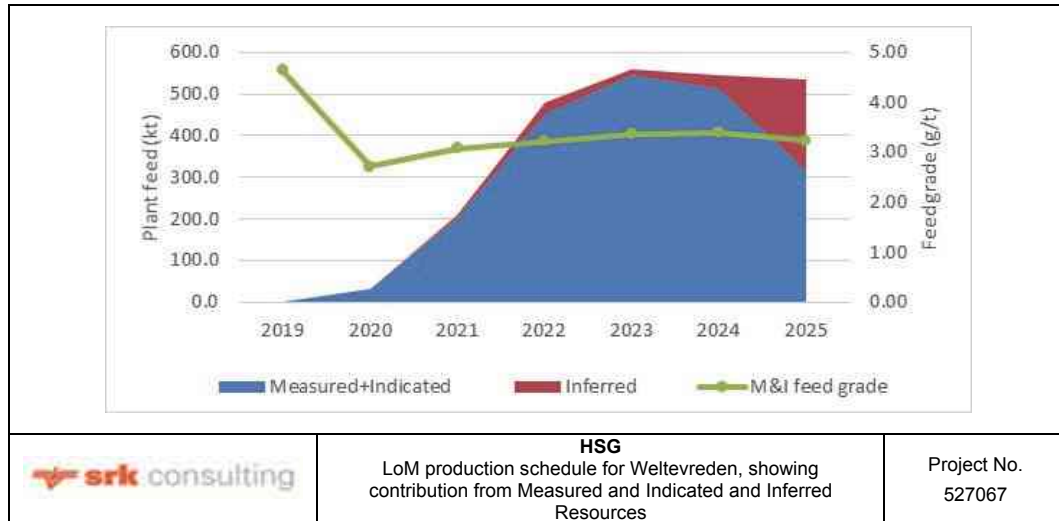
**Table 5.41: Twin-sensitivity of Weltevreden NPV<sub>9.5%</sub> to changes in capital and operating cost**

		Capital Cost Sensitivity				
		-20.0%	-10.0%	0.0%	10.0%	20.0%
Operating Cost Sensitivity	-20.0%	465	385	305	224	138
	-10.0%	317	235	150	64	( 21)
	0.0%	161	76	( 10)	( 95)	( 181)
	10.0%	2	( 84)	( 169)	( 255)	( 341)
	20.0%	( 158)	( 244)	( 329)	( 415)	( 500)

### SRK Comments

Weltevreden is a marginal project due to a seven-year LoM and reaching breakeven in the sixth year. Production based on declared Mineral Reserves reduces in the final years of the LoM plan, which is merely a function of the extent of declared Mineral Reserves. If the steady-state production levels of year 5 can be maintained for years 6 and 7 of the LoM plan, a positive NPV<sub>9.5%</sub> can be generated.

Some 400 kt of Inferred material is mined as part of the LoM plan (Figure 5.43), but excluded from the evaluation in terms of the Listing Rules. There are also considerable Inferred Mineral Resources beyond the extent of the Mineral Reserves which HSG will upgrade via further drilling programmes and thereby extend the mine life. These additional material sources would improve the financial results for Weltevreden.



**Figure 5.43: LoM production schedule for Weltevreden, showing contribution from Measured and Indicated and Inferred Resources**

### 5.17.5 Risks and Opportunities

[18.05(5)] [SR5.7(i)]

Key economic risks include:

- Stronger ZAR:USD exchange rate leading to a reduction in revenue;
- Lower USD gold price leading to lower revenue; and
- Higher inflation, particularly power and labour, leading to higher Opex and lower profitability.

The average operating margins for Tau Lekoa and Weltevreden are 12% and 35% over the LoM respectively.

The USD gold price shows approximately a 6% SD around the current spot price for the past five years but the ZAR:USD exchange rate has been more volatile. It is possible that variations in one or both threaten the viability of the Mine, particularly in this instance where the margin is low. There is limited recourse to mitigate the risk at source. Hedging is possible.

Upgrading of the Inferred Resources at Weltevreden via further drilling programmes should increase the quantum and extent of Mineral Reserves and the life of the project, resulting in a more robust business case.

## 6 NICOLOR (SOUTH PLANT) and BUFFELS

### 6.1 Introduction

[SR1.2 (i)]

The Nicolor South Plant is located within the Buffels NOMR, 160 km south west of Johannesburg and approximately 30 km from Tau Lekoa (Figure 6.1). It is located directly south of Stilfontein, approximately 10 km east of Klerksdorp and 15 km north east of Orkney.

The Nicolor Plant treats Buffels surface material from the No.10 low-grade stockpile (**#10 Dump**) (see Figure 6.1), along with various material from third parties under toll-treating arrangements. The toll-treating agreements are of short duration, and the third parties have considerable latitude in the extent to which they have to send material to the Nicolor Plant (see Section 6.13). There is also no guarantee of continued supply from these third parties.

In the absence of this certainty of supply, only material from the #10 Dump is considered as feed for the Nicolor Plant in this CPR.

The continued toll-treating of third party material provides upside to the financial results presented later in this section.

The plant is a CIP plant with plant capacity of 180 ktpm.



**Figure 6.1: Location of Nicolor Plant and #10 Dump in Buffels NOMR**

### 6.2 History

[SR1.4(i) (ii) (iii)]

#### 6.2.1 Historical Development and Previous Ownership

[SR1.4(i)]

A brief summary of the history of Buffels is set out in Table 6.1. At its peak, Buffels had 12 shaft complexes, two gold plants and one uranium plant, as well as surface retreatment operations. Over its lifetime, more than 71 Moz of gold was produced. Uranium was produced until the mid-1990s, when low prices resulted in the uranium plant being closed.

**Table 6.1: Buffels Historical Development and previous ownership**

Date	Exploration and mining activities
1954	Buffelsfontein Gold Mines (BGM) started production under ownership of Rand Mines Ltd.
1964	Gencor Limited merged with Strathmore Consolidated Investments and gained control of BGM.
Aug 1997	DRD bought Hartebeesfontein Gold Mine from Anglovaal.
Sep 1997	Randgold bought Buffels from Gencor. Durban Roodepoort Deep Limited (DRD) merged with Blyvooruitzicht Gold Mining Company Limited and BGM.
ca. 2000	Consolidation of Hartebeesfontein Mine and Buffels. Hartebeesfontein and Buffels represent northern and southern division of BGM respectively.
Mar 2005	BGM placed under provisional liquidation, following continued financial losses and a seismic event on 9 March 2005, which caused damage to No. 5 Shaft.
Oct 2005	Simmers acquires BGM.
Dec 2005	Underground mining operations resumed.
May 2010	Accident at the mine led to closure of No 5 Shaft.
2011	Buffels bought by VMR as part of the ZAR1 billion takeover of Simmers.
May 2014	Buffels closed, production from underground ceases.

## 6.2.2 Historical Operating Statistics

[18.05(6)(c)] [SR1.4(iv)]

### Nicolor (South Plant)

Historical operating statistics for Nicolor (South Plant) from July 2015 to H1-2019 are summarised in Table 6.2. Three different sources of plant feed are shown, although the Tau Lekoa ore is now processed at the West plant.

### Buffels Stockpile Historical Production

VMR closed the underground operations at Buffels in May 2014 and commenced treating low-grade ore from the Buffels surface stockpiles in Q3 2014. Between 2014 and 2017 the company processed approximately 4 Mt of this low-grade ore at an average grade of 0.7 g/t (Table 6.3). In addition to the quantity and grade, as per standard procedures, the Company undertakes bottle roll tests each week, the recoveries of which are also presented in Table 6.3.

Historical operating statistics for Buffels from July 2015 to H1-2019 as extracted from HSG's monthly management reports are summarised in Table 6.4.

### Other Sources Historical Production

Other sources of feed into the South Plant include slimes and RoM ore from various small operations in the vicinity. The historical tonnages treated by the South Plant are shown in Table 6.2.

## 6.3 Exploration and Drilling, Sampling Techniques and Data

[SR3.1, SR3.2]

Although HSG has done pit sampling on a regular basis on the #10 Dump, SRK does not consider these to be sufficiently representative of the dump and have not relied on this sampling. The plant go-belt sampling is considered to be the most representative sample available for the dump and has been used to characterize the average grade of material being processed over a period of 32 months from January 2016 until March 2019.

### 6.3.1 Drilling Techniques

[SR3.2(i) (ii) (iii) (iv)]

No drilling has been used to determine the grade of the Buffels #10 Dump.

**Table 6.2: Nicolor (South Plant) Historical operating statistics**

Item	Units	2015 (6 months)	2016	2017	2018	H1-2019
<b>Production</b>						
Tau Lekoa ore	(kt)	352.2	646.8	764.4	317.5	0.0
Buffels ore	(kt)	439.4	656.1	1 004.2	1 081.7	680.9
Toll-treatment	(kt)	3.7	565.3	309.0	308.3	343.7
Total ore processed	(kt)	795.3	1 868.2	2 076.9	2 111.7	1 024.6
Plant recovery	(%)		93%	91%	80%	69%
Recovered grade	(g/t)		1.52	1.49	0.97	0.66
Au Revenue	(ZARm)	105.2	256.6	272.9	293.0	487.8
Au Revenue	(USDm)	7.7	17.5	20.5	22.1	34.4
Av. Exchange Rate	(ZAR:USD)	13.618	14.679	13.299	13.250	14.199
<b>Operating Costs</b>						
Employment	(ZARm)	23.2	51.1	59.4	68.6	34.9
Stores	(ZARm)	24.2	65.2	70.9	96.7	54.8
Electricity & Water	(ZARm)	38.2	86.6	83.5	81.8	40.6
Other direct costs	(ZARm)	13.6	31.4	41.5	32.0	18.2
Royalties	(ZARm)	0.0	0.0	0.0	0.0	0.0
Total Operating Cost	(ZARm)	99.2	234.3	255.3	279.2	301.9
Admin expenses	(ZARm)					1.8
AISC Cost	(ZARm)	100.6	244.9	267.4	289.4	303.9
AISC cost	(USDm)	7.4	16.7	20.1	21.8	21.4
<b>Capital</b>						
SIB development	(ZARm)	0.0	0.0	0.0	0.0	0.0
Project capital (equipment)	(ZARm)	1.4	9.0	12.1	10.3	0.2
<b>Recovery - cost allocation</b>						
Tau Lekoa	(ZARm)	47.4	87.5	101.0	41.1	0.0
Buffels	(ZARm)	57.8	93.1	133.2	151.1	105.4
Toll-treatment	(ZARm)		70.3	38.7	100.8	52.6
<b>Unit costs</b>						
Operating cost	(ZAR/t milled)	125	126	123	132	295
AISC cost	(ZAR/t milled)	127	131	129	137	297
AISC cost	(USD/t milled)	9.3	8.9	9.7	10.3	20.9
<b>Labour / Productivity</b>						
TECs	(No)			235	234	235
Productivity	(t/TEC/month)			736.7	752.0	726.7

Source: VMR June 2019 Monthly Report; VMR AIC calculations June 2019

**Table 6.3: Buffels Stockpile in Historical Production**

Shaft	Quantity (Mt)	Au (g/t)	Recovery (%)
Stone and Allied	1.1	0.8	88.4
2	0.9	0.6	84.5
6	0.2	0.9	82.6
7	0.3	0.8	88.0
10	1.6	0.6	81.5
<b>Total</b>	<b>4.1</b>	<b>0.7</b>	<b>84.5</b>

Source: RPM Global report supplied by HSG.

**Table 6.4: Buffels Historical operating statistics**

Item	Units	2015 (6 months)	2016	2017	2018	H1-2019
<b>Production</b>						
Ore milled	(kt)	398.7	679.6	1 004.2	1 066.7	680.9
Au produced	(koz)	4.9	10.3	14.6	12.2	6.9
Au recovered grade	(g/t)	0.38	0.47	0.45	0.36	0.32
Au Revenue	(ZARm)	76.3	189.5	249.3	210.2	130.8
Au Revenue	(USDm)	5.6	12.9	18.7	15.9	9.2
Av. Exchange rate	(ZAR:USD)	13.618	14.679	13.299	13.250	14.199
<b>Opex</b>						
Employment	(ZARm)	4.5	8.6	8.4	9.7	0.1
Stores	(ZARm)	0.4	0.5	0.4	0.5	0.3
Electricity & Water	(ZARm)	0.4	0.6	1.8	0.7	0.6
Ore transport costs	(ZARm)	13.1	34.9	35.2	43.5	26.0
Plant/refining costs	(ZARm)	65.6	100.8	142.0	152.4	105.7
Other direct costs	(ZARm)	5.7	13.7	11.2	6.5	2.4
Royalties	(ZARm)	0.4	0.9	1.2	1.0	-4.6
Total Operating Cost	(ZARm)	90.0	160.2	200.2	214.2	130.6
Admin expenses/reclamation	(ZARm)		7.4	3.3	3.5	1.4
AISC cost	(ZARm)	90.0	167.6	203.5	217.7	132.0
AISC cost	(USDm)	6.6	11.4	15.3	16.4	9.3
<b>Capital</b>						
SIB development	(ZARm)		0.0	0.0	0.0	0.0
Project capital (equipment)	(ZARm)	0	0.0	(1.8)	(0.2)	0.0
<b>Unit costs</b>						
Cash cost	(ZAR/t milled)	226	236	199	201	192
	(USD/oz produced)	1 361	1 057	1 029	1 320	1 330
AISC cost	(ZAR/t milled)	226	247	203	204	194
AISC cost	(USD/t milled)	16.6	16.8	15.2	15.4	13.6
AISC cost	(USD/oz produced)	1 361	1 106	1 046	1 341	1 345
<b>Labour / Productivity</b>						
TECs	(No)		22			19
Productivity	(t/TEC/month)		2.6			6.0

Source: VMR December 2018 and June 2019 Monthly Report; VMR AIC Calculations 2019

**6.3.2 Sampling Method, Collection, Capture and Storage**

[SR3.3]

The go-belt sampler on the plant feed conveyor has been used to collect the sampled used for the grade estimation. The go belt sampler (hammer cross belt sampler) is regulated by the belt weightometer and is set to take a sample for every 40 tonnes of material. The samples are collected in a bin, which is colour coded to identify the source of material (i.e. each material source has its own coloured bins). The material from each source is batch processed, and not mixed. The individual samples are therefore composited to a single sample per day.

Once per day, the sample bin is taken to the TLAL, for crushing and splitting. The crusher reduces the sample to less than 50 mm. Thereafter, the sample of approximately one tonne of material is loaded onto a conveyor belt, and then passed through a riffle splitter, until approximately 2 kg of sample remains. The reject from the riffle splitter is discarded, and no portion of this sample is retained. The 2 kg sample is then transferred to the sample preparation section of the TLAL.

**6.3.3 Sampling Preparation and Analysis**

[SR3.4]

**Sample Laboratories**

[SR3.4(i)]

The samples are analysed at the TLAL, using conventional fire assay with a gravimetric finish. The TLAL is not ISO or SANAS accredited.

**Sample preparation**

[SR3.4 (iii)]

The samples are received in the sample preparation area in plastic bags. The sample is weighed and transferred to steel trays, along with the sample identifier tag, and dried in an open oven until the sample appears dry. Following re-weighing of the dry sample, the sample is passed through a primary jaw crusher, and then a secondary jaw crusher, to ensure that the samples are reduced from a 40 mm input size to less than 4 mm. The sample is introduced to a rotary pulveriser (to reduce the particle size of the sample from 4 mm to 150 µm), which is flushed with a quartz wash between every sample.

SRK's comments regarding the above sample preparation procedure are detailed in Section 5.4.4.

The sample is transferred to a mechanical mixer and mixed for 10 minutes. A rotary splitter is used to split the sample into 12 aliquots.

**Assay Technique**

[SR3.4(ii)]

The percentage recovery of gold in a sample is determined using the bottle roll test. Figure 6.2 summarises the bottle roll process flow diagram.

After the sample is crushed/pulverised, it is taken to the fluxing-room, to determine the head grade value. A large sample (500 g) of finely pulverised material is weighed and transferred to a 2 litre bottle using a funnel, making sure that no sample is lost. A defined volume (500 ml) of tap water is added, and the pH of the mixture is brought to >10 by adding lime to the mixture. Sodium cyanide (0.5 g) is then added to the alkaline sample mixture and the 2 litre bottle with the resultant mixture is placed onto the roller for 24 hours. During the last 3 hours of rolling, 20 g of virgin carbon is added. After the rolling process, the sample mixture is filtered and the solution (filtrate) collected and set aside. The 2 litre bottle is then rinsed with water and the mixture poured through the filter again. The carbon is then washed using tap water and transferred to a stainless dish marked with the sample identity. The filter paper with the sample residue is also transferred to a stainless dish marked with the sample identity. The filtrate is then transferred to a marked glass beaker and the pH of the filtrate measured and recorded. From the filtrate:

- 150 ml is drawn and analysed for gold on the AAS machine; and
- 100 ml is drawn and used for cyanide determination.

The carbon and residue samples are transferred to fluxing, for gold determination by fire assay with gravimetric finish as detailed in Section 5.4.4. All the results are then conveyed to the Chief Assayer for percent recovery calculation and reporting.

**6.3.4 Sampling Governance**

[SR3.5(i) (ii) (iii) (iv)]

The large bins are transported directly from the processing plant to the TLAL, where the remainder of the sample preparation and assay is undertaken. While there is limited opportunity for sample contamination or mix up between the plant and the laboratory (as there is single composite sample taken for the dump per day) there are no specific controls in place in the information provided to SRK. Within the TLAL the sample number is used to track the sample, however as there is typically only one sample of this type per day, the opportunity of sample mix-up is limited.

**6.3.5 Quality Control/Quality Assurance**

[SR3.5(i) (iii), SR3.6(i)]

SRK were not provided with any independent or laboratory QA/QC for the #10 Dump go belt samples. SRK is of the opinion that the discussion of the QA/QC results in Section 5.4.6 for the TLAL chip sample analyses, in particular the sample preparation, is relevant to the #10 Dump samples as well. The larger sample size (500 g) used in the bottle roll test and subsequent fire assay mitigates the relatively lower accuracy of the gravimetric



finish, and in contrast to the chip sample assays should be of sufficient accuracy for reporting of the expected sample grades.

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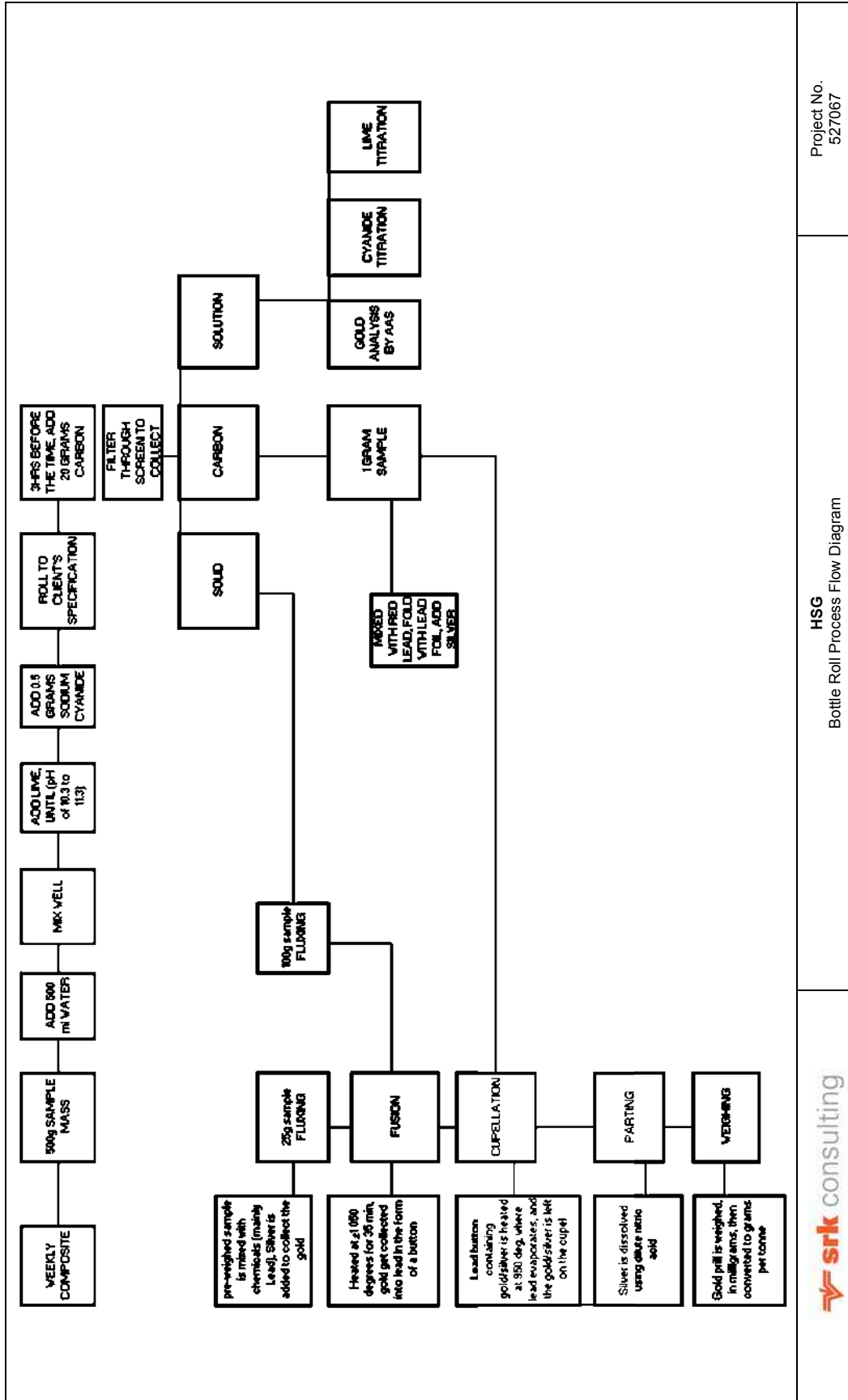


Figure 6.2: Bottle Roll Process Flow Diagram

HSG  
Bottle Roll Process Flow DiagramProject No.  
527067

MANS/WERT

527067\_HSG Gold Assets\_CPR\_Final\_H1 2019\_20191108\_no signatures\_CLEAN

Report date: 8 November 2019

Effective Date: 30 June 2019

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### 6.3.6 Relative Density

[SR3.1(i), SR3.3(iii), SR3.5(iii), SR3.7]

The relative density of the #10 Dump material was measured in September 2018 using sample bins and the Nicolor Plant weighbridge. Four sample bins were loaded with material from the dump, with care taken to ensure a representative mix of coarse and fine material is loaded. The bins were taken to the Nicolor Plant weighbridge, where the mass was determined. The weighbridge is rated to an accuracy of ~20 kg and is calibrated annually. An example of the process is shown in Figure 6.3.

The average mass of the four bins (1 350 kg), less the mass of an empty bin (180 kg) is divided by the volume of the bin (0.704 m<sup>3</sup>) resulting in a RD of 1.662 t/m<sup>3</sup>.

### 6.3.7 Bulk-Sampling

[SR3.7(i) (ii) (iii) (iv)]

The procedures described above are considered to be a representative bulk sample of the #10 Dump.

## 6.4 Mineral Resource and Classification

### 6.4.1 Geological Modelling

[SR4.1(i) (ii) (iii)]

As the deposit is a waste rock dump, no original geological features or continuity is preserved. The aim of the estimates is to characterize the average grade of the dump. The sampling data and DTM modelling for volume estimation are described in the following sections.

#### Database and Data Validation

[SR4.1]

SRK was provided with a spreadsheet recording the daily tonnage processed by the Nicolor Plant, based on the belt weightometer records, and the daily sample averages (calculated as the geometric mean of the 12 splits of the daily composite sample). SRK was not able to access any more detailed information, and no further validations were carried out.



**Figure 6.3: Image of one of the sample bins being weighed at the Nicolor Plant weighbridge**

### Geology Modelling

[SR4.1(i) (ii) (iii)]

Although not a geological model, a wireframe of the top and base of the dump was generated. The dump was surveyed using a drone based aerial photogrammetry survey conducted by Terra Survey, an independent company. Using twenty-two ground control points surveyed with a Lecia 1 200 differential GPS system, and 601 overlapping images, a point cloud is generated in the Hartebeesthoek94 / Lo27 Grid system. SRK was supplied with the survey report, the point cloud, and a set of elevation contours at one metre intervals. Two boundary strings were provided as well, to exclude certain portions of the waste dump. The two outlines are illustrated in Figure 6.4, and cover the material considered to be suitable for processing. Specifically excluded is a portion of the dump from the shaft sinking (the south eastern portion of the dump) and low-grade material which has been moved from the main dump to the north east of the blue outline.

Within these two outlines, SRK generated a DTM wireframe from the provided one metre contours which represents the current top of the dump. The base of the dump was estimated using the boundary strings shown in Figure 6.4, projected to the DTM. The exceptions to this are in areas along the perimeter of the dump where material has been excluded (as discussed above) where the base has been set at an elevation of 1 344 m, which is the mean elevation of the surrounding mostly flat area.

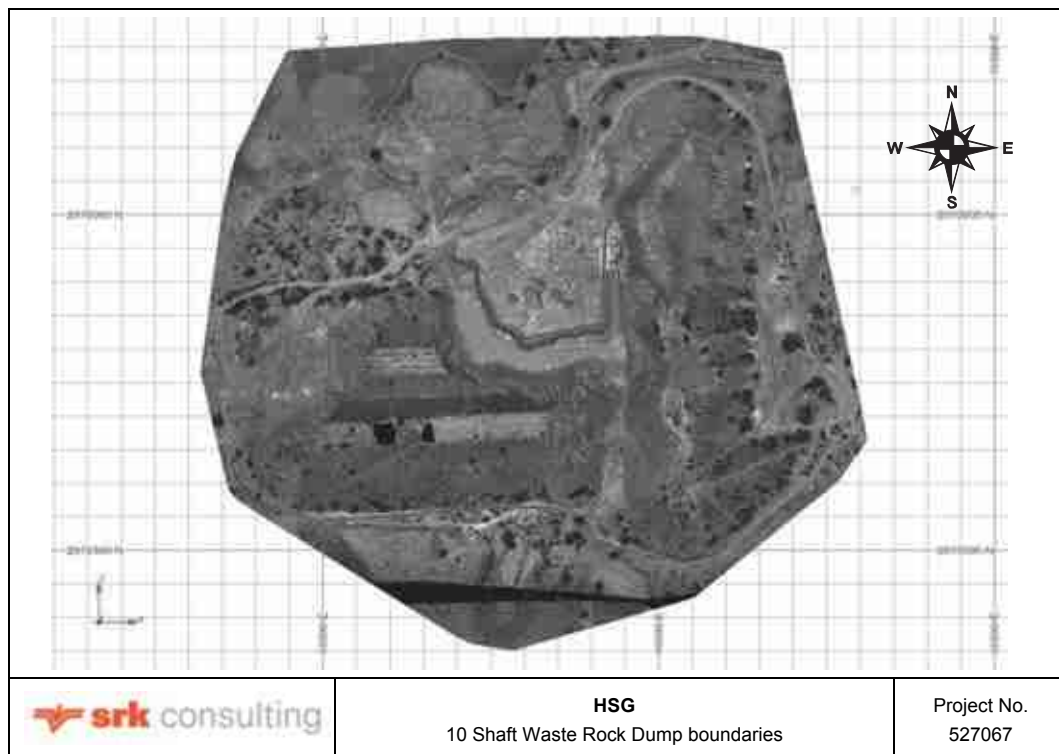
### 6.4.2 Mineral Resource Estimation and Modelling Techniques

[SR4.2(i) (ii)]

#### Compositing and Capping of Extreme Values

[SR4.2(i) (iii)]

Because there is no drilling used in the Mineral Resource estimation, and the grades are estimated from the go belt samples, no compositing of drill holes has been applied. The tonnage weighted average grade of the 856 daily go belt composite samples has been calculated for the estimate of the mean grade of the material processed by the Nicolor Plant.



**Figure 6.4: 10 Shaft Waste Rock Dump boundaries**

#### Variograms

[SR4.2(ii)]

As the entire #10 Dump is to be processed through the Nicolor Plant, and the assigned grade is an average for the whole dump, geostatistics and generation of variograms is not applicable.

### Estimation Methodology

[SR4.2(i) (ii) (iii) (iv) (v)]

The mean value (tonnage weighted) forms the basis of the Mineral Resource grade estimates. The plant head grade results from the screening of a portion of the run of mine feed.

SRK was provided with the following data:

- Typical plant feed of 96 ktpm comprises 78 ktpm (2 600 tpd) unscreened material direct from the stockpile plus 18 ktpm (600 tpd) of screened material;
- The average feed grade is 0.57 g/t (Based on the go belt sampling discussed in the previous sections);
- The screen plant separates the feed into three size fractions:
  - +90 mm material (screened to waste);
  - 90 mm +55 mm material (screened to waste), and
  - 55 mm material sent for processing.
- The yield of the -55 mm varies between 45% and 65%, depending on the nature of the feed. An average yield of 55% has been used for evaluation purposes;
- Average grade of sampled waste (assumed to be the -90+55 mm screened fraction) is 0.12 g/t; and
- The screened material is mixed with the direct feed material (at an average grade of 0.503 g/t) to give the plant head grade of 0.57 g/t.

The only measured grades are the plant head grade (0.57 g/t) and the -90 mm and +55 mm reject material (0.12 g/t). The +90 mm fraction is assumed to have zero grade.

The mass balance shown in Figure 6.5 was created to back-calculate the average "in-situ" grade for the material in the #10 Dump. This was done on an iterative basis using the Goal Seek function within Excel until the Au content in the screen plant feed aligned with the sum of the Au contained in the screened and waste streams.

The tonnage was estimated using a block model between the DTM and the basal surface described in the previous section, and the average density of 1.662 t/m<sup>3</sup>.

### Validation of Estimates

[SR4.2(v) (vi)]

SRK calculated the expected remaining tonnage of material at the dump based on a 2012 declaration of the Mineral Resource provided by HSG, and the recorded processed tonnages (and calculated screened tonnage) and compared this to the tonnage calculated from the 2018 surveyed volume. The tonnage from the surveyed volume is 10.17 Mt, while the calculated tonnage from depletion of the 2012 Mineral Resource is 10.06 Mt. SRK considers this to be a reasonable validation of the tonnage estimate.

### Cut-off grade determination for Mineral Resources Estimates

[SR4.2(ii), SR5.6(iii) (iv)]

Modelling of the Buffels 10 # Dump as a standalone feed for the Nicolor plant, using the planned tonnages and historical plant head grade and recoveries, yields a cash positive results. As the entire dump is planned to be processed, and an average grade has been estimated, no cut-off has been applied.

## 6.4.3 Reasonable and Realistic Prospects for Eventual Economic Extraction

[18.08] [SR4.1(iv), SR4.2(iv), SR4.3]

### Mineral Resource Parameters

The SAMREC Code (2016) defines a Mineral Resource as:

*"A 'Mineral Resource' is a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling."*

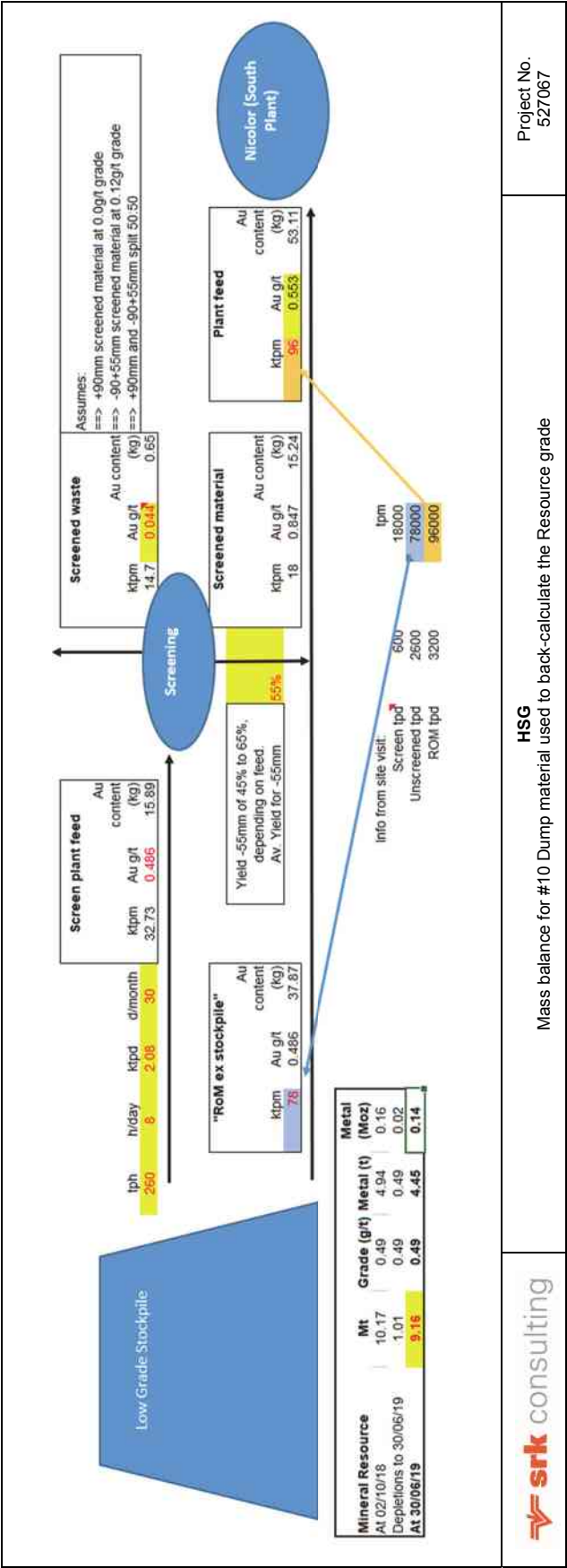


Figure 6.5: Mass balance for #10 Dump material used to back-calculate the Resource grade

#### 6.4.4 Classification Criteria

[SR4.4(i)]

The confidence in the MRE is a combination of the confidence in the tonnage estimate, and the confidence in the grade estimate. SRK considers the confidence in the volume and density estimates to be high, and would be suitable for classification as a Measured Mineral Resource. However, the confidence in the grade estimates is not as high. While two and a half years of go belt grades, representing approximately 2 Mt - just under 20% of the Mineral Resource - is considered to be a relatively good bulk sample, the history of the dump is uncertain, and it is possible that the grade within the dump varies.

In addition, the assay technique (fire assay with a gravimetric finish) has low accuracy at the average grade of the dump, the sample preparation procedures at the TLAL are considered to have a high risk of between sample contamination, and there is no independent analytical QA/QC to support the assayed grades. While there is some internal laboratory QA/QC, and the laboratory participates in Round Robin analysis, in aggregate, SRK considers that these factors preclude a Measured Mineral Resource classification. As a result, the entire Mineral Resource is classified as an Indicated Mineral Resource.

#### 6.4.5 Mineral Resources

[18.03(2), 18.18, 18.30(2), [18.30(4)] [SR4.5(ii) (iv) (v) (vii), SR6.1(i), SR6.3(vi)]

The audited Mineral Resource statement for Buffels at 30 June 2019 is set out in Table 6.5. The Mineral Resources are reported inclusive of the Mineral Reserves.

**Table 6.5: SRK-Audited #10 Dump Mineral Resource Statement at 30 June 2019**

Reef Name	Mineral Resources			
	Category	Quantity (Mt)	Au Grade (g/t) <sup>1</sup>	Contained Au (Moz) <sup>2</sup>
Low-grade stockpiles	Measured	-	-	-
	Indicated	9.16	0.49	0.14
	<b>Total (M &amp; I)</b>	<b>9.16</b>	<b>0.49</b>	<b>0.14</b>
	Inferred	-	-	-
	<b>Total (M&amp;I&amp;I)</b>	<b>9.16</b>	<b>0.49</b>	<b>0.14</b>

Notes:

<sup>1</sup> Average grade based on two and half years mine grade determined from RoM grade.

<sup>2</sup> troy oz = 31.1034768 g.

<sup>3</sup> All figures are rounded to reflect the relative accuracy of the estimate.

<sup>4</sup> No cut-off was applied as the entire dump is planned to be mined.

<sup>5</sup> M & I – Measured and Indicated Resources.

<sup>6</sup> M&I&I – Measured, Indicated and Inferred Resources.

#### 6.4.6 Reconciliation of Mineral Resources

[SR4.2(v), SR4.5(vi)]

It is not clear to SRK if previous MREs for the Buffels 10 # Dump have been publicly released. Two tabulations of historical Mineral Resources for the dump were provided to SRK:

- A CPR for Buffelsfontein Gold Mine dated 13 January 2011, by Minxcon (Pty) Ltd; and
- A tabulation of grade and tonnage for various surface sources at Buffels, including Buffels 10 # Dump dated 22 February 2013.

Neither document contains any details of the source data used or the estimation methods, and only report a tonnage and grade (in the case of the second bullet, with no classification). The Minxcon CPR classified the Mineral Resource as Inferred, but reports this as a historical Mineral Resource, and is not audited by Minxcon.

The historical Mineral Resource from the Minxcon report (effective 31 October 2009) reports 11.4 Mt, at an average grade of 0.52 g/t, containing 0.19 Moz gold. The unsupported 2013 estimate reports 12.8 Mt, at an average grade of 0.66 g/t, containing 0.27 Moz gold.

Records available to SRK indicate extraction of 3.4 Mt of material from the dump between December 2015 and 30 June 2019. No records have been provided for any additions or depletions between October 2009 and December 2015, aside from the higher tonnage estimate from 2013. Unless there was additional deposition post the 2009 MRE, there is a discrepancy between the current MRE and the 2009 estimate, as the depletion of the 2009 estimate would result in approximately 8.0 Mt, in contrast to the 9.1 Mt currently estimated. Assuming the 2013 tonnage estimate is reliable, the current Resource would report as 9.4 Mt, which is a



reasonable approximation of the current tonnage estimate. The 2009 grade estimate of 0.52 g/t is consistent with the current estimate of 0.50 g/t; however the 2013 estimate is significantly higher. SRK is unable to explain the discrepancies due to the lack of support for the historical estimates.

Given that the current estimate is based on an accurate recent volume survey, and the grades are derived from a 2.75 year production history, SRK has higher confidence in the current estimates rather than the unsubstantiated previous reports.

#### 6.4.7 Risk issues and their mitigation

[18.05(5)] [SR3.5(iv), SR4.3(viii), SR4.5(viii), SR5.7(i)]

SRK does not foresee any material risks for the #10 Dump, other than general risks such as gold price decrease, or lower than anticipated mining grades. HSG cannot mitigate gold price risks other than through hedging, and SRK considers it impractical to obtain representative samples from a waste rock dump, meaning it is impractical to attempt to mitigate the risk of lower than expected grades.

#### 6.4.8 SRK Comments

SRK considers it impractical to sample waste rock dumps, composed of material with a wide particle size range, with conventional exploration methods such as drilling. Only bulk sampling can generally provide a reasonable estimate in such situations, and even then, obtaining a representative bulk sample requires mining a significant proportion of the dump. HSG has currently extracted and processed over 15% of the original 2013 tonnage estimate, and SRK considers this to be the most appropriate bulk sample to inform the estimate.

### 6.5 Hydrology

[SR4.3(ii), SR5.2(ii) (vii) (viii)]

The site is located in Middle Vaal River Catchment. A wetland occurs on a portion of land owned by Buffels and this wetland has been impacted on by the surrounding mining activities.

Sensitive areas surrounding the site include the Vaal River and its banks, the wetland and the Koekemoer Spruit.

Potable water supply is provided by the Midvaal Regional water supply. The plant utilizes groundwater from No.10 Shaft at Buffels for the processing. Prior to use in the process plant, the water is stored in three cement surface dams. A portion of the water is utilized as process water and the surplus discharges into the Koekemoerspruit.

#### 6.5.1 Groundwater Monitoring

Buffels is no longer responsible for the operation of the TSF and PCDs, therefore considerably reducing their current impact on the groundwater quality. However, the borehole monitoring conducted by Buffels is still taking place at some of the boreholes.

Due to the cessation of deposition on the Hartebeesfontein TSF and all the Buffels dams except No. 5 TSF, most of the boreholes are dry. Some of the boreholes have been demolished around the Buffels complex due to reclamation activities.

#### 6.5.2 Surface Water

The process plant interferes with the natural drainage patterns of the area. Surface run-off is diverted around structures. Rain water and process water that falls on metallurgical plant surfaces are diverted via man-made pipelines and trenches (drainage system) that ends-up in return water dams (acting both as pollution control and evaporation dams). The evaporation dam located south of No. 10 Shaft is still part of the Buffels liability and management but is not currently in use.

In some instances, the diversion of surface run-off around facilities such as the Nicolor Plant is doubted. Although bunded facilities exist, surface run-off could enter the plant and therefore become contaminated. The run-off of "dirty" water from plant areas which arises from rainstorms with a 1 in 50 year recurrence interval should be retained and recycled to the metallurgical process. HSG has identified that the storm water channels used to direct water to catchment ponds have to be upgraded. SRK is aware that HSG had compiled a programme to upgrade its stormwater controls, although this was not issued to SRK by the end of 2018.

Storm water is diverted around the plant area as far as practically possible. If water falls within the plant boundaries and become contaminated, it is treated as part of the dirty water system.

All dirty water systems in the plant are maintained in such a way that water is kept in a closed circuit and not allowed to spill and/or mix with clean water. There is no PCD however to contain the larger storms.

The surface monitoring system ensures that comprehensive analysis, in sufficient detail takes place, to characterize the water quality on a regular basis and provide early detection of any impacts on the Vaal River. Historical surface water quality monitoring indicates that the surface water quality varies from good to poor whereas groundwater data shows quality as being generally good. There has been some monitoring of the river below the site and the results indicate that the quality is compliant.

### 6.5.3 Risks and Opportunities

[18.05(5)] [SR5.7(i)]

The following risks have been identified:

- The risk of further groundwater and surface water contamination is considered as medium; and
- The risk of increased runoff within the plant area is rated as low.

## 6.6 Mining and Mineral Reserves

[SR5.1(i) (ii)]

### 6.6.1 Introduction

Mining is limited to the reclamation of surface stockpiles of waste or low-grade ore.

### 6.6.2 Mine Infrastructure, Access and Mining Method

[SR4.3(ii), SR5.2(i) (v) (vii) (ix)]

Buffels is busy with the implementation of its closure plan. SRK understands that the various shafts have all been sealed, so that underground access is no longer possible. No underground mining is taking place.

SRK understands that most of the surface infrastructure (buildings, offices, etc) has been demolished, except for the Nicolor Plant and associated infrastructure.

The mining method involves surface operations using front end loaders (**FELs**) to load 30 tonne trucks, which transport the #10 Dump material to the Nicolor Plant.

Screened material from the screening plant located next to the #10 Dump is loaded into the 30 tonne trucks via a silo.

### 6.6.3 Life of Mine Planning Process

[SR5.1(i) (ii)] [SR5.2(i) (ii)]

The LoM plan provides for the reclamation of low-grade material from the #10 Dump, to be fed into the Nicolor Plant at the rate of 175 ktpm. This production rate was selected to ensure the Nicolor Plant is operated at its capacity.

There are other low-grade surface sources that HSG could consider, but these have neither been evaluated and/or sampled nor included in the statement of Mineral Resources.

### 6.6.4 Development and Production Schedule

[SR5.1(i), SR5.7(ii)]

As underground operations have ceased, no development is required.

Low-grade ore from the #10 Dump is processed through the screening plant at the rate of 32.7 ktpm (see Figure 6.5 and Figure 6.6). This is based on the daily rate of production of screened material (600 tpd or 18 ktpm) and an average yield of 55% (45% to 65%) of -55 mm screened material, as advised to SRK.

The balance of the feed into the Nicolor Plant is unscreened material transported directly to the Nicolor Plant (see Figure 6.6).

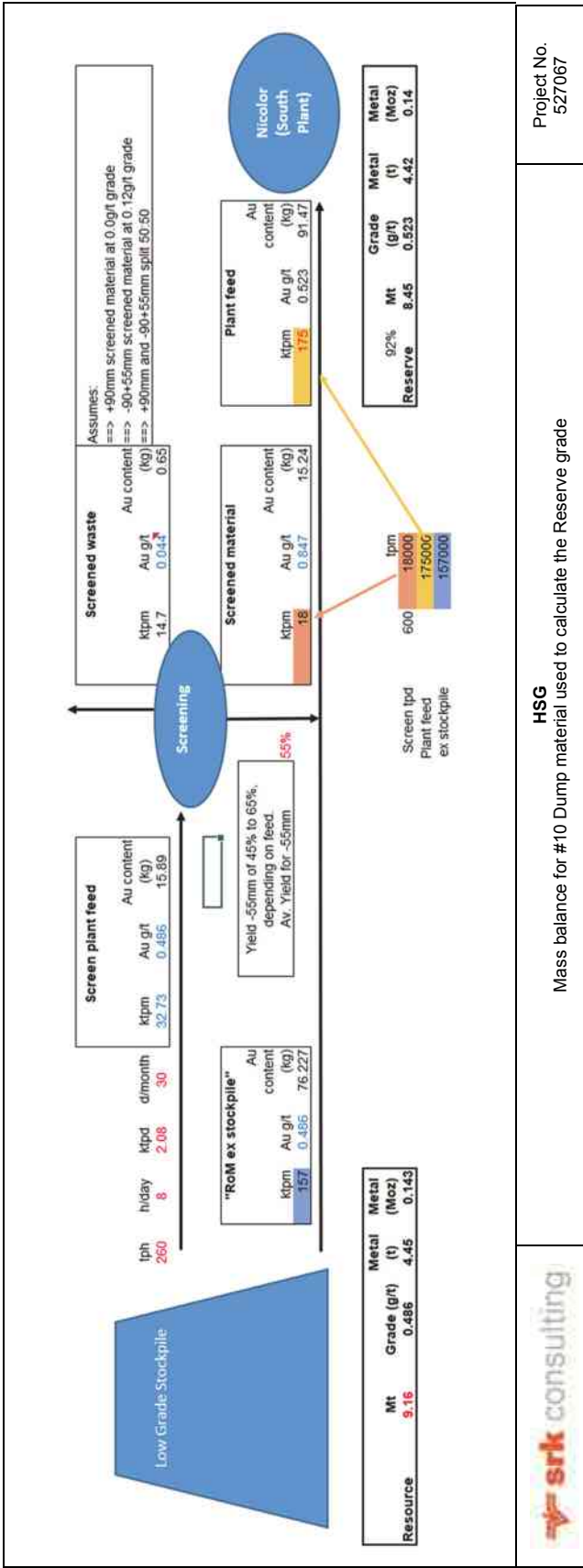


Figure 6.6: Mass balance for #10 Dump material used to calculate the Reserve grade

### 6.6.5 Mining Operation

[SR5.2(v) (viii)]

The material is reclaimed from the #10 Dump by a mining contractor using a dozer, backactor and FEL.

The contractor is required to loosen the material with a backactor, prior to loading onto the contractor's vehicles with a FEL.

Any material that is -40 mm is transported directly to the Nicolor Plant which is located 7 km from the #10 Dump and screening plant. Other material is processed through the screening plant, where three screened products are created:

- +90 mm (waste, not sampled);
- -90+55 mm (waste, sampled); and
- -55 mm (feed for the Nicolor Plant).

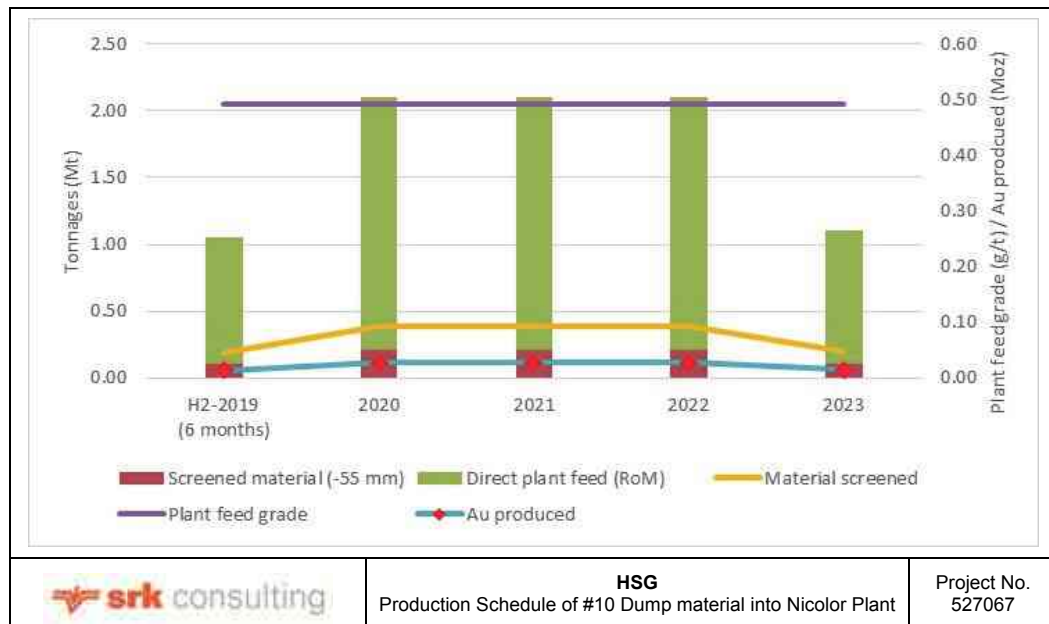


Figure 6.7: Production Schedule of #10 Dump material into Nicolor Plant

### 6.6.6 Manpower

[SR5.2(viii)]

As described in Section 8.13.1, the mining contractor provides 22 personnel to run the #10 Dump reclamation operation, spread over two 8-hour shifts working five days per week.

### 6.6.7 Mining Capital and Operating Costs

[18.03(3)] [SR4.3(vii), SR5.6(iii)]

There is no projected Capex related to the mining of the #10 Dump.

The components of the mining costs per the contract are discussed in Section 8.13.1.

### 6.6.8 Mineral Reserve Modifying Factors

[SR4.5(iii), SR5.1(i) (ii), SR5.2(ii) (iv), SR6.1(iii), SR6.2(i)]

Due to the low grade of the #10 Dump material, the mining rate of the stockpile material has been set to operate the plant at close to its capacity of 180 ktpm.

The plant recovery factor used in the financial evaluation is 85%, which yields a recovered grade for the #10 Dump material of 0.44 g/t. This is consistent with historical recovered grades shown in Table 6.4.

As the entire #10 Dump is to be processed, determination of other modifying factors is not applicable.

### 6.6.9 Mineral Reserve

[18.18, 18.30(2), [18.30(4)] [SR5.2(iv), SR6.1(ii), SR6.2(i), SR6.3(i)]

The Mineral Reserves for Buffels #10 Dump at 30 June 2019 are set out in Table 6.6. The Mineral Reserves have been classified as Probable, to match the Indicated Resource classification.

Given that part of the feed into the Nicolor Plant constitutes screened material, the grade of the Mineral Reserves in Table 6.6 is only valid at a plant feed rate of 180 ktpm. If the plant feed rate is reduced, the feed grade would have to be calculated using the mass balance in Figure 6.6.

**Table 6.6: SRK-Audited #10 Dump Mineral Reserve Statement at 30 June 2019**

Category	Quantity (Mt)	Au Grade (g/t)	Contained Au (Moz)
Proved	-	-	-
Probable	8.45	0.52	0.14
<b>Total (Proved &amp; Probable)</b>	<b>8.45</b>	<b>0.52</b>	<b>0.14</b>

Notes:

<sup>1</sup> All figures are rounded to reflect the relative accuracy of the estimate.

<sup>2</sup> No cut-off was applied as the entire dump is planned to be mined.

<sup>3</sup> Average grade based on two and half years mine grade determined from RoM grade.

<sup>4</sup> Production rate is 175 ktpm and feed grade of 0.49 g/t is based on a screening plant yield of 55% and screening plant waste grade of 0.044 g/t.

<sup>5</sup> troy oz = 31.1034768 g.

### 6.6.10 Reconciliation of Mineral Reserves

[SR6.1(iii) (iv), SR6.3(iv)]

No Mineral Reserves were declared for Buffels in VMR's 2014 Annual Report, as the mine had at that stage been placed on care and maintenance. The #10 Dump material was not included in the 2014 Mineral Resource or Mineral Reserve declaration.

No reconciliation to a historical Mineral Reserve statement in the public domain is thus possible.

The reader is referred to Section 8.4.6 for some pertinent comments regarding the Mineral Resource and Mineral Reserve declaration set out in this CPR.

### 6.6.11 Risks and Opportunities

[18.05(5)] [SR5.7(i)]

The grade assigned to the #10 Dump is based on historical production records and may not be representative of the remaining material on the stockpile.

The Nicolor Plant has toll-treating agreements in place for the processing of third-party ores, tailings and other sources. Based on historical performance, inclusion of such material improves the feed grade into the plant and hence plant recovery, as well as the proportion of recovered gold attributable to Nicolor.

## 6.7 Metallurgical Processing

[SR4.3(ii), SR5.3]

SRK visited the HSG processing facilities on 21 and 22 August 2018. This section of the report addresses the metallurgical and mineral processing aspects relating to plant capacity, metallurgical performance and process Opex of the Nicolor Gold Plant.

### 6.7.1 Ore Sources

In recent years, the Nicolor Gold Plant treated Tau Lekoa ore, Buffels surface sources and third party tolling material. HSG is now treating Tau Lekoa ore at the West Plant, which provides the benefit of a shorter transport distance.

For purposes of this CPR, only surface sources that are planned for treatment through the Nicolor Plant will be considered. Treatment of third-party material under tolling agreements has been ignored, due to the uncertainty of supply. These tolling agreements represent upside potential for Nicolor.

### 6.7.2 Mineral Processing Facility

[SR5.3(iii)]

The Nicolor Plant uses the CIP process and has milling and treatment capacity of 180 ktpm. The schematic flow diagram of the Nicolor Plant is shown in Figure 6.8.

The circuit includes the following unit processes:

- Ore receipt;
- RoM milling;
- Pre-leach thickening;
- Air agitated cyanide leaching;
- CIP adsorption;
- *Flotation of CIP tails (not always included in the circuit);*
- ZADRA elution and electrowinning;
- Carbon acid wash;
- Carbon regeneration; and
- Smelting of electrowinning cathode sludge.

The flotation plant was not being operated at the time of our visit.

Tailings are transferred to AGA's MWS for further processing and ultimate storage on their Mega Dam.

### 6.7.3 Gold Allocation

In principle, gold produced is allocated to the respective feed sources in proportion to the measured gold received from each ore source, after allowing for leach efficiency and downstream processing gains or losses.

- Delivered tonnage is generally determined on the basis of weighbridge measurements corrected for moisture content;
- Delivered gold grade is generally determined on the basis of fire assay of samples taken by hammer cross belt samplers or "Go-Belt" samplers;
- Leach efficiency is determined by bottle roll leaching of weekly composite samples of each feed ore; and
- Actual gold production is determined by gold bar masses and bullion assays.

An important assumption in this approach is that there are no conditional biases in the measurement of received gold from the various sources.

Any potential biases in this process are not relevant for this CPR, as only the processing of #10 Dump material is considered.

### 6.7.4 Metallurgical Performance

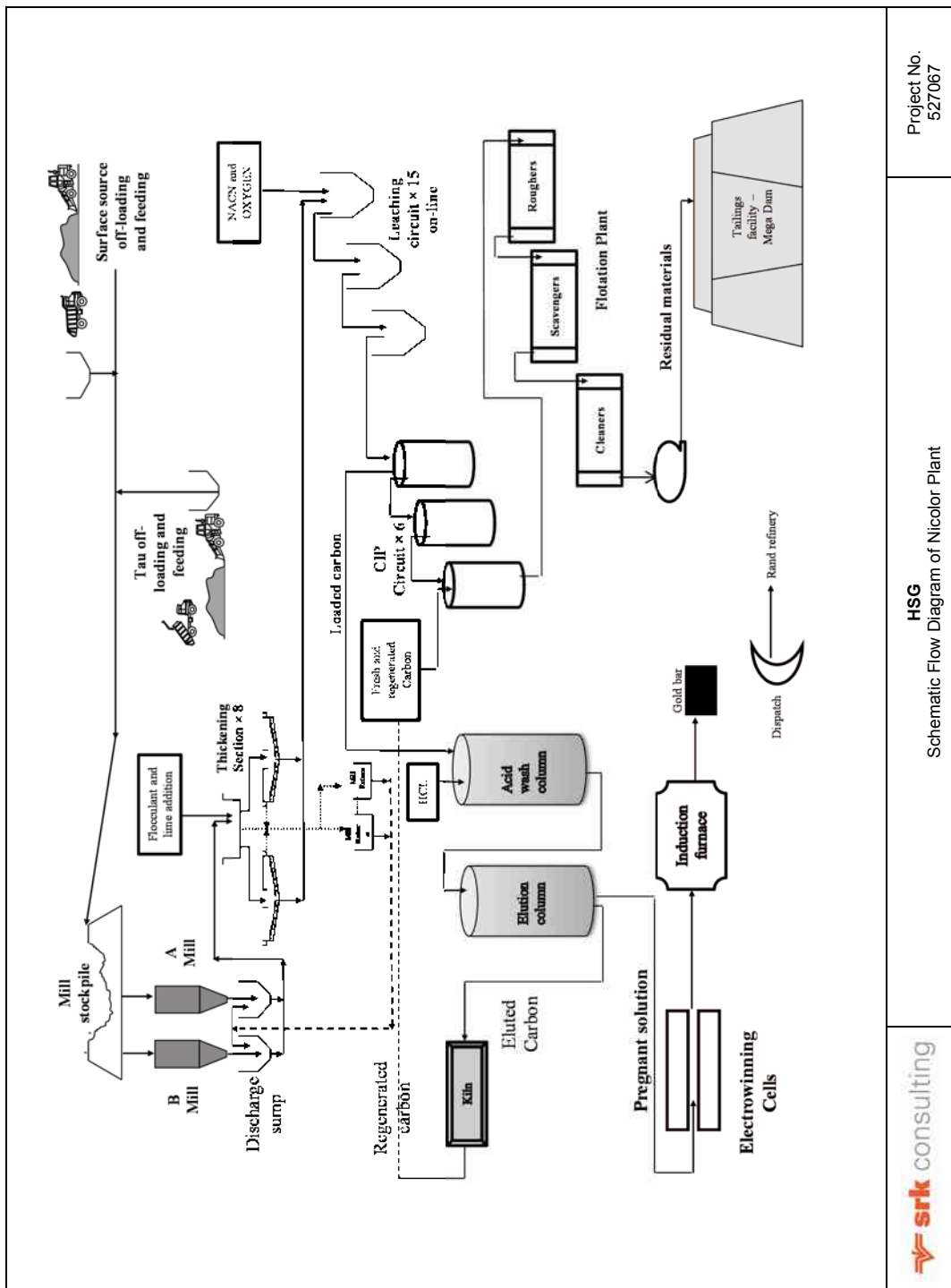
[SR5.3(iv)]

The plant utilisation for the Nicolor Plant for 2016 to H1-2019 is set out in Table 6.7. HSG has maintained relatively high utilisation rates of the Nicolor Plant by supplementing RoM ore from Tau Lekoa with low-grade material from the Buffels #10 Dump and third-party material processed under tolling agreements.

**Table 6.7: Nicolor Plant Utilisation Rate**

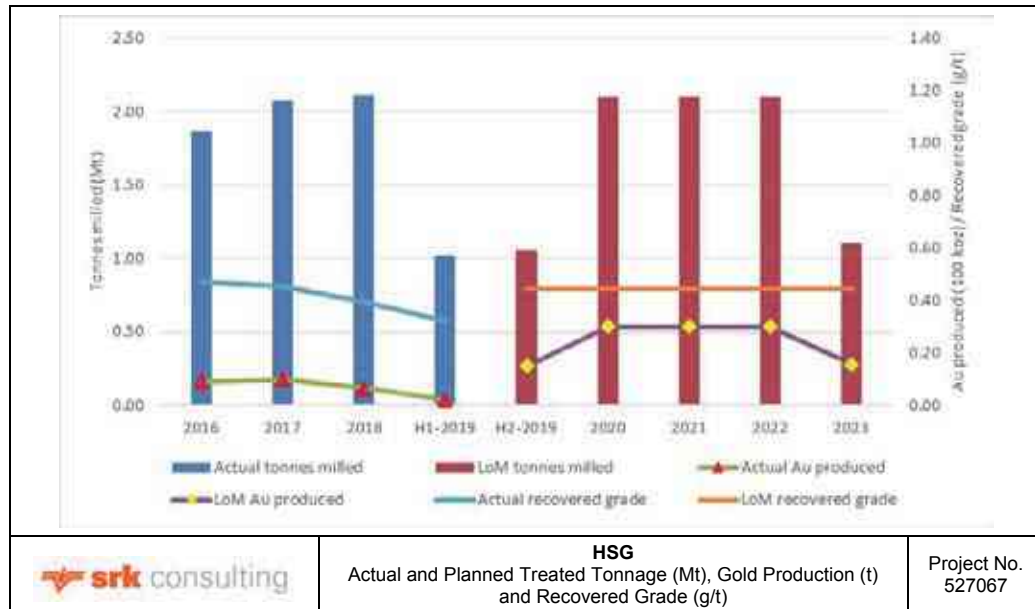
Item	Units	2016	2017	2018	H1-2018	H1-2019
Gold ore processed	(ktpa)	1 868	2 077	2 112	1 061	1 025
Current capacity	(ktpa)	2 160	2 160	2 160	1 080	1 080
Utilisation rate	(%)	86%	96%	98%	98%	95%

Metallurgical performance of the Nicolor Plant over the past three and a half years is compared with planned LoM performance in Figure 6.9.



**Figure 6.8: Schematic Flow Diagram – Nicolor Plant**





**Figure 6.9: Nicolor Plant – Actual and Planned Treated Tonnage, Gold Production and Recovered Grade**

Planned throughput is lower than the rated plant capacity of 2 160 ktpa, but consistent with what has been achieved in recent years. Production in previous years has included third party material which has not been considered for evaluation purposes in this CPR due to the uncertainty of supply.

Planned gold production is lower than achieved in recent years, but this is due to both higher grade Tau Lekoa ore and third-party material that is no longer being processed through this facility.

The planned recovered grade for the #10 Dump material is in line with what has been achieved in the previous years.

Recovery from #10 Dump material is assumed to be 85% for evaluation purposes. The applicable recovery for this material in prior years is difficult to determine, due to the processing of other ore sources.

### 6.7.5 Plant Capital and Operating Costs

[18.03(3), 18.06] [SR4.3(vii), SR5.6(iii)]

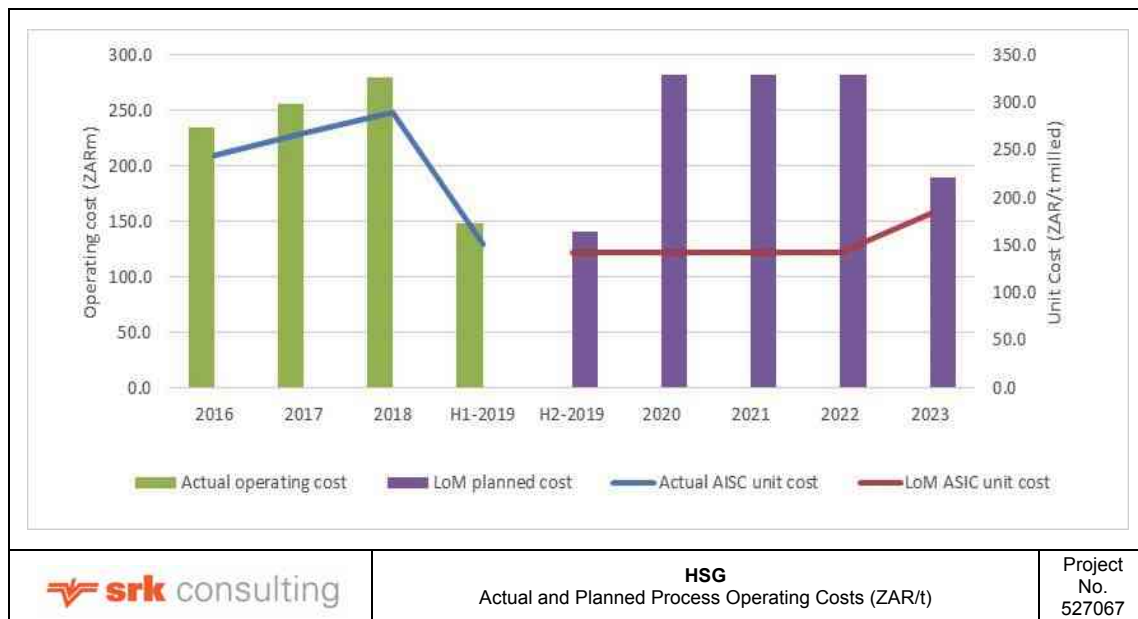
There are no material capital projects planned at the Nicolor Plant. Stay in Business (SIB) capital has averaged around ZAR12 million to ZAR15 million per year in recent years. The LoM Plan allows for sustaining Capex for the Nicolor Plant at 7.5% of Opex. This equates to approximately ZAR21 million per year which is considered to be reasonable. A breakdown of Nicolor Plant process Opex incurred for 2018 is shown in Table 6.8.

It is informative to note that water costs contribute 7% to total processing costs, compared to 0.2% at West Gold Plant. This is principally due to the need to purchase all water for the operation of the Nicolor Plant, as the tailings disposal contract with MWS does not allow for the return of tailings transfer water to Nicolor.

**Table 6.8: Nicolor Plant Operating Cost Breakdown – Actual 2018**

Cost Element	Variable (ZAR/t)	Fixed (ZARm)	Total (ZARm)	Contribution
Total employment cost		68.6	68.6	24.6%
Stores	45.8		96.7	34.6%
Contractors	5.7		12.1	4.3%
Consultants		0.0	0.0	0.0%
Electricity	29.1	43.1	61.5	22.0%
Water	9.6		20.3	7.3%
Security		6.4	6.4	2.3%
Laboratory (assay)	2.9		6.2	2.2%
Other		7.3	7.3	2.6%
<b>Total Annual Operating Cost</b>			<b>279.2</b>	<b>100.0%</b>

Actual and planned Opex and unit costs for the Nicolor Plant are shown in Figure 6.10.



**Figure 6.10: Nicolor Plant Unit Operating Costs**

Projected Opex is seen to be similar to the Opex in 2018, but higher than actual Opex achieved in prior years. The projected unit costs are lower than the actual unit costs achieved in recent years since the ore feed is maintained close to the plant capacity.

The planned Opex for the Nicolor Plant in 2019 are set out in Table 6.9. These costs have been escalated from the actual costs of 2018. These costs are applied in constant money terms for the LoM and are constant due to the constant feed tonnage planned. SRK has reviewed these costs to the level of detail provided and in relation to the actual costs achieved over the previous years and considers them to be reasonable.

**Table 6.9: Nicolor Plant Planned Annual Operating Cost Breakdown (2019)**

Cost Element	Variable (ZAR/t)	Fixed (ZARm)	Total (ZARm)	Contribution
Total employment cost		69.6	69.6	24.7%
Stores	47.6		100.1	35.5%
Contractors	2.7		5.6	2.0%
Consultants		0.0	0.0	0.0%
Electricity	31.2	45.8	65.5	23.2%
Water	9.7		20.4	7.2%
Security		7.4	7.4	2.6%
Laboratory (assay)	3.0		6.3	2.3%
Other		6.7	6.7	2.4%
<b>Total Annual Operating Cost</b>			<b>281.6</b>	<b>100.0%</b>

### 6.7.6 SRK Comments

LoM throughput is planned at 2.1 Mtpa, which is 97% of the rated capacity of the plant.

It should be noted that the planned tonnage is derived from #10 Dump material only. The processing of third party material has been excluded for evaluation purposes due to uncertainty of supply.

There are no capital projects planned at the Nicolor Plant. The LoM Plan allows for sustaining Capex at 7.5% of Opex. This equates to approximately ZAR21 million per year, which is considered to be reasonable.

It is informative to note that water costs contribute 7% to total processing costs, compared to 0.2% at West Gold Plant. This is principally due to the need to purchase water for the operation of the South Plant, as the tailings disposal contract with MWS does not allow for the return of tailings transfer water to Nicolor.

## 6.8 Tailings Storage Facilities

[SR1.1(ii), SR5.4(ii)]

The reader is referred to the discussion in Section 4.10.

### 6.8.1 Risks and Opportunities

[18.05(5)] [SR5.7(i)]

The reader is referred to the discussion in Section 4.10.1.

## 6.9 Infrastructure and Engineering

[SR4.3(ii), SR5.4(i) (ii)]

### 6.9.1 Electrical Infrastructure

[SR1.1(ii), SR4.3(iii), SR5.4(ii)]

The Nicolor main incoming substation is equipped with four 15 MVA and one 10 MVA 88/6.6 kV transformers. These transformers supply the main incoming switchgear which then distributes medium voltage to mainly the CIP and Multi-Gold substations via overhead lines. The CIP substation supplies power to the South Thickeners substation and Clarifier substation. The Clarifier substation then supplies power to the Ore Transfer substation and the C-Mill substation. Emergency power has been allowed to run thickeners and Telkom phones during Eskom power failures.

Electricity bills for the high season (June, July and August 2017) and low season (March, April and May 2018) were reviewed and the following can be noted:

- The agreed NMD with Eskom is 12.5 MVA, with average power consumption of 11.4 MVA and 11.9 MVA in the high and low season respectively;
- The May 2018 electricity bills indicate that the agreed NMD was exceeded by about 257 kVA. SRK recommends that the plant power consumption be continuously monitored, and reference be made to Eskom's NMD rules to determine if an increase in agreed NMD might be required or not;
- Most of the energy consumption is shared between the standard and off-peak periods, resulting in some savings on electricity bills; and
- The plant power factor is not as good as per Eskom's requirements, as the high season electricity bills indicate monthly fines which were imposed due to reactive energy. However, SRK is of the opinion that it is not necessary to improve this power factor due to the following reasons:
  - The monthly fine imposed is less than 1% of the total monthly bills; and
  - Fines on reactive energy are only imposed during the high season, which only consists of three months of the year.

Nicolor Plant has been in operation for a number of years. It is therefore assumed that the electrical infrastructure has been constructed to accommodate the overall power requirements of the plant, including ring feeds and emergency power where required. However, the medium voltage single line diagram still needs to be updated so that it fully represents the "As Built" status of the plant. Ring feeds are currently not properly represented on the single line diagram, fault levels on some of the switchgears are still outstanding, circuit breaker sizes and overhead line sizes also still need to be confirmed.

### 6.9.2 Access Control, Communications and Control Strategy

Access to Nicolor is at the main security entrance, whereby a Skycom card system is used by both employees and visitors to access the plant. The Skycom access system also allows for time and attendance. The plant is controlled by a SIMATIC WinCC SCADA system, running on a Profibus network. UPS has been allowed as backup in the event of Eskom power failures. The voice communications allows for VoIP, Telkom lines and radio communications between operators and control room. The access control, communications and control strategy for the West Gold Plant is capable to supply the operational requirements of the plant.

### 6.9.3 Surface Infrastructure

Figure 6.11 shows a Google image of the infrastructure layout of the Nicolor South Plant.

The original plant was constructed in the 1950s and some of the original equipment is still in use, together with more modern equipment.



**Figure 6.11: General infrastructure layout of the Nicolor South Plant**

### Water supply

Potable water is supplied to the Nicolor Plant for processing purposes from the Midvaal Water Company. Gold processing plants normally receive the majority of the required processing water from a lined RWD as part of the TSF complex with a top-up from other sources. In the case of Nicolor however, tailings are deposited on AGA's Mega Dam and water is not returned. As a result of this, Nicolor Plant is dependent wholly on the Midvaal supply and incurs costs of around ZAR1.4 million per month for water for processing, reagent preparation and other uses.

### 6.9.4 Engineering Maintenance Planning

[SR5.4(ii) (iii)]

It is understood that engineering planning and maintenance is controlled by means of the Asset Maintenance and Management module of the Delta ERP system, by DataSaint.

### 6.9.5 Capital and Operating Costs

[18.03(3), 18.05(6)(c), 18.06] [SR4.3(vii), SR5.6(iii)]

#### Capital Costs

Capital costs for Nicolor are discussed in Section 6.7.5. No capital costs are allocated for Buffels.

#### Operating Costs

The planned Opex for Buffels in 2019 are set out in Table 6.10. These costs have been escalated from the actual costs of January to June 2018. These costs are applied in constant money terms for the LoM. SRK has reviewed these costs to the level of detail provided and in relation to the actual costs achieved over the previous years, and considers them to be reasonable.

**Table 6.10: Buffels Planned Annual Operating Cost Breakdown (2019)**

Cost Element	Variable (ZAR/t)	Fixed (ZARm)	Total (ZARm)	Contribution
Employment cost		7.9	7.9	1.9%
Stores	1.1		2.4	0.6%
Contractors (loading/feeding screening bin)	1.8		3.8	0.9%
Consultants		0.0	0.0	0.0%
Electricity	0.6		1.3	0.3%
Water	0.3		0.7	0.2%
Transport	39.6		83.1	19.7%
Security		3.2	3.2	0.8%
Plant treatment cost	142.8		299.9	71.2%
Au royalty	1.1		2.2	0.5%
Margaret Water Company	5.3		11.1	2.6%
Laboratory	1.0		2.1	0.5%
Other		3.3	3.3	0.8%
<b>Total Annual Operating Cost</b>			<b>421.0</b>	<b>100.0%</b>

No SIB Capex is planned for Buffels, which is seen to be reasonable.

### 6.9.6 Risks and Opportunities

[18.05(5)] [SR5.7(i)]

- No material risks were identified; and
- There is an opportunity to recover tailings return water. This is, however, not currently possible due to the terms of the contract with MWS.

### 6.10 Human Resources

[SR1.1(ii), SR5.2(ii), SR5.3(iii)]

Section 6.10 applies equally to Nicolor and Buffels, and the reader is referred to the discussion there.

The complement at Nicolor including Buffels at 30 June 2019 is summarised in Table 6.11.

**Table 6.11: Summary of labour complement**

HR - Category	Nicolor
Management	5
Official	31
Union Men	20
Workmen	172
Fixed Term	8
<b>Total complement</b>	<b>234</b>

#### 6.10.1 Risks and Opportunities

[18.05(5)] [SR5.7(i)]

There are no risks or opportunities with respect to HR matters identified for Nicolor and/or Buffels.

### 6.11 Occupational Health and Safety

[SR5.2(viii)]

#### 6.11.1 Safety

The status of safety at Nicolor (South Plant) and Buffels is summarised in Table 6.12.

**Table 6.12: Summary of Safety aspects at Buffels**

Aspect	Requirements	Status
Regulatory requirements	Legal compliance necessary for managing risk, developing trust with government and other stakeholders Mine Manager is responsible for observance and enforcement of all safety and health regulations. Non-compliance can result in Section 54 temporary closure, penalties or loss of licence.	Fully compliant.
Legal appointments	In terms of the MSHA	All legal appointment are in place
Health and Safety Policy	MSHA Section 8(1)(a-d) Every manager must prepare a document that describes the organization of work, establishes a policy concerning the protection of employees' health and safety at work, establishes a policy concerning the protection of persons who are not employees but who are directly affected by mining activities and outline the arrangements for carrying out and reviewing policies. Management's commitment towards zero harm.	A signed policy is in place
Health and Safety Committee	MSHA Section 8(2) and 8(3)(b) The manager must consult with the health and safety committee on the preparation or revision of the document and policies referred to in Section 8(1), prominently and conspicuously display a copy of the document referred to in Section 8(1) for employees to read. Each health and safety representative has to be supplied with a copy of the document	The mine has the required health and safety committee in place
Risk management, risk identification and controls	MSHA Section 11(1-4) The employer must be able to prove risk reduction and risk control. The risk management standard should determine how risks are identified and managed	Baseline risk assessments have been compiled. From the baseline risk assessments, risk registers are created whereby risks are listed in order of severity. Additional controls: <ul style="list-style-type: none"> <li>• OSHAS 18001 safety and health audits (external); and</li> <li>• ISO 14001 environmental audits (external).</li> </ul>
Mandatory Codes of Practice	MSHA Section 9(1-6)(7a and b) A manager must prepare and implement a code of practice on any matter affecting the health and safety of employees and other persons who may be directly affected by activities at the mine if the Chief Inspector requires it. Required CoPs: The prevention of mine fires; Emergency preparedness and response; Occupational health program on personal exposure to airborne pollutants; Thermal stress; Fatigue Management; Noise exposure; Medical incapacitation to work; Combat rock falls in underground mines; Right to refuse unsafe work; Minimum standard for fitness to perform work at a mine; Women in mining PPE; Trackless mobile machinery; Safe use of conveyor belt installations; Safe operation of draw and tipping points; Isolation, lockout and clearance to work; and Mine residue deposits	The required mandatory CoPs are in place.
Safety training	MSHA Section 10(1-3) An employer must provide employees with any information, instruction, training or supervision that is necessary to enable them to perform their work safely and without risk to health.	A comprehensive training procedure is in place for all new appointments. Refresher training is provided annually

**Safety Performance to Date**

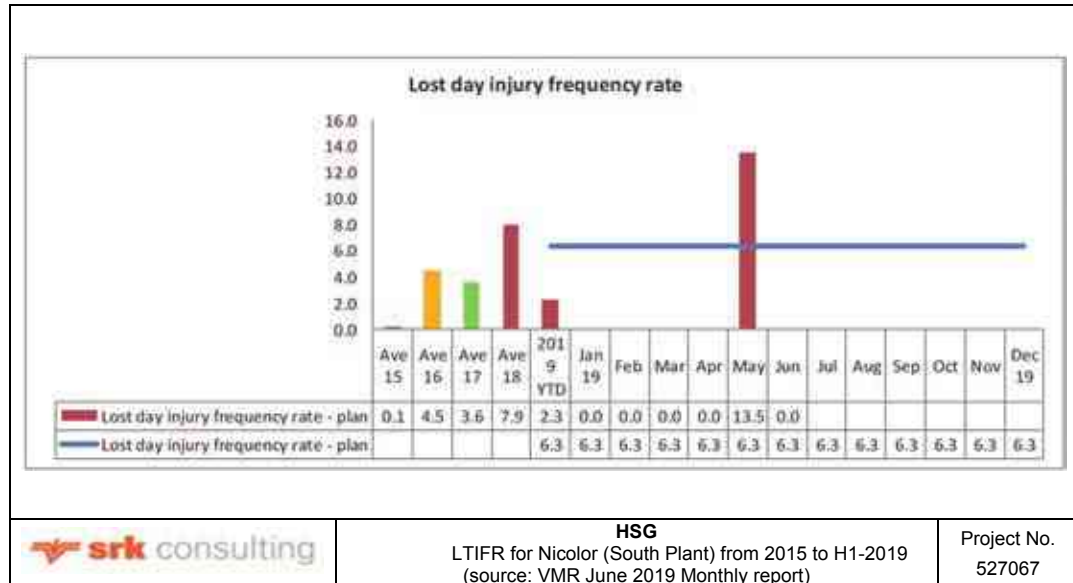
A summary of key performance indicators for Nicolor for 2018 and H1-2019 is set out in Table 6.13.



**Table 6.13: Key Performance Indicators for Nicolor (2018 and H1-2019)**

Safety	Mine Targets	Safety Statistics	
		2018	H1-2019
Dressing station injury frequency rate	5.3	6.7	6.9
LTIFR	6.3	7.9	2.3
DMR Section 54 mine stoppages	0	2	0

The average LTIFR for the Nicolor (South) Plant for 2015 to H1-2019 and monthly for H1-2019 is presented in Figure 6.12.

**Figure 6.12: LTIFR rate for Nicolor (South Plant) from 2015 to H1-2019****SRK comments**

- There was a significant increase in the LTIFR from 4.5 (2016) to 7.9 (2018), which fell to 2.3 in H1-2019. Nicolor had two lost time injuries in June 2018, one of which became a fatality in August 2018. This resulted in the DMR issuing a Section 54. There have been no Section 54s issued in H1-2019;
- There have not been any major incidents during the past two years; and
- There have not been any fines imposed by the DMR during the past two years.

**DMR Safety Stoppages and Fines**

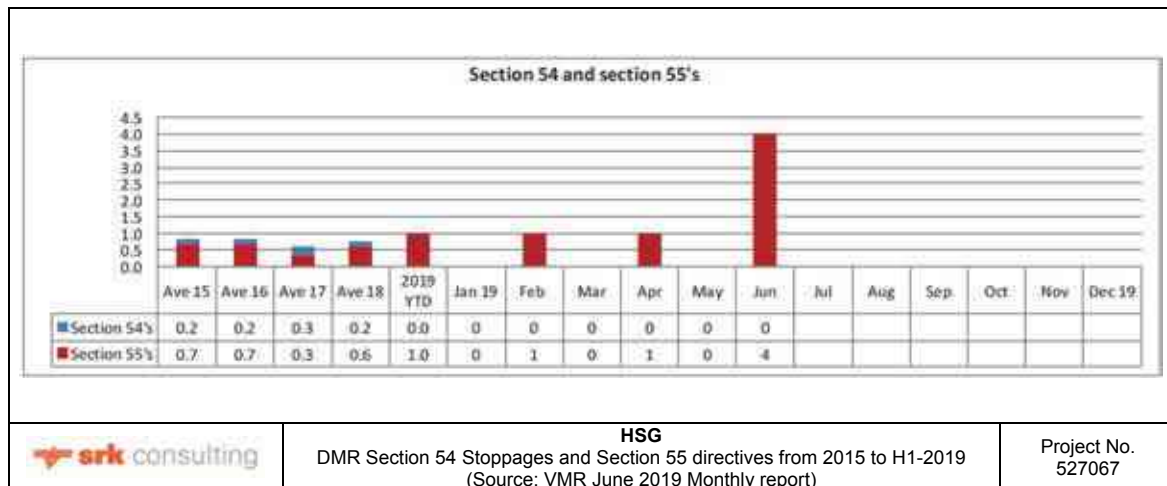
Figure 5.39 shows the DMR Section 54 stoppages and Section 55 directives for 2018, in comparison to prior years.

**SRK Comments**

- The incidence of section 54 stoppages in 2018 is in line with prior years;
- There have been no major incidents reported during the past two years; and

There have been no fines imposed by the DMR to date.





**Figure 6.13: Nicolor DMR Section 54 stoppages and Section 55 directives 2015 to H1-2019**

### 6.11.2 Occupational Hygiene/Health

Nicolor and Buffels have the required Occupational Health control systems in place (Table 6.14).

#### Occupational Health Performance to Date

##### Silica Dust exposure

The information presented in Table 6.15 is required as supplied quarterly to DMR.

##### SRK Comments

All measurement results are well below the milestone level of 0.05 mg/m<sup>3</sup>.

In terms of the dust exposure results, a target of zero silicosis cases is achievable.

##### Dust Management Plan

The current silicosis prevention programs include the following:

- Watering down; and
- Dust extraction systems.

##### Diesel Particulate Matter Exposure

DPM exposure is not relevant as the Nicolor and Buffels operations are on surface.

##### Thermal Exposure

Thermal exposure is not relevant as the Nicolor and Buffels operations are on surface.

##### Noise Exposure

Employees have to wear HPD in noisy zones, to reduce noise levels below 85 dB(A). The number of sample measurements taken in July, August and September 2018 is presented in Table 6.15.

##### SRK Comments

Employees have to wear HPD in noisy zones, to reduce noise levels below 85 dB(A).

In terms of the measurement results and HPD requirements, there should not be new cases Occupational NIHL.

##### Radiation

All working places are monitored on a quarterly basis. Radiation levels do not exceed the maximum permissible level of 20 mSv per annum.

Early diagnosed Silicosis cases have been on the decline since 2006. In terms of the measurement results at Nicolor Plant, there should be a further decline in Silicosis and NIHL cases.

**Table 6.14: Summary of occupational hygiene/health aspects at Nicolor and Buffels**

Aspect	Requirements	Status
Successes to date		The "All Occupational Diseases Frequency Rate" is decreasing year on year
Pollution sources Drilling, blasting, loading, hauling and crushing  The quartzite in the reef contains silica in crystalline form.	MHSA Section 11(1) requires: Hazards to health to which employees may be exposed to be identified and recorded; The risks to health to be identified and assessed; Control measures are required to eliminate or control any recorded risks at the source; and In so far as the risk remains, the following is required: Where possible personal protective equipment to be provided; and A programme to monitor the risk to which employees may be exposed has to be instituted.	The Occupational Hygiene Baseline Risk Assessment was implemented in March 2014 and is revised on a biennial basis.  Control measures for airborne pollutants are stipulated in the baseline risk assessment and include engineering control measures, administrative control measures as well as personal protective control measures.  A monitoring programme is implemented and stipulated in the mandatory CoP for personal exposure to airborne pollutants and this is compliant with regulatory requirements.  Statutory reporting is done on quarterly basis to the DMR.
Irrespirable atmospheres	MHSA Section 16.2(2) If the risk assessment in terms of Section 11 shows that there is a significant risk that employees may be exposed to irrespirable atmospheres at any area of the mine, the employer must ensure that no person goes into such area without a body-worn self-contained self-rescuer which complies with the SABS 1737 specifications	Nicolor plant is on surface.  Whenever employees are required to work in a tank/vessel or any confined space, a gas clearance must be conducted by a competent person to declare the area safe. No person will enter without permission from the competent person.
Occupational hygiene measurements	MHSA Section 12(1-3) The manager must engage the part-time or full time services of a person qualified in occupational hygiene techniques to measure exposure of health hazards at the mine	The mine has an appointed Occupational Hygienist.  Occupational hygiene measurements are taken according to the DMR's specifications
Mandatory reports to the Regional Principal Inspector (DMR)	MHSA Section 9.2(7) The employer must annually submit to the regional principal inspector of mines the following reports on occupational measurement results: 21.9(2)(a) – Airborne pollutants personal exposure; 21.9(2)(b) – Heat stress exposure; 21.9(2)(c) – Cold stress exposure; and 21.9(2)(d) – Personal noise exposure.	All statutory occupational hygiene reports are submitted on a quarterly basis – heat stress reports are submitted in the two hottest quarters (October to December and January to March), cold stress reports are submitted in the two coldest quarters (April to June and July to September).  The thermal stress (heat stress and cold stress) statutory report submission complies with the Mandatory CoP for Thermal Stress.
System of medical surveillance	MHSA Section 13(1-8) The manager must establish and maintain a system of medical surveillance of employees exposed to health hazards. A record of medical surveillance for each employee exposed to health hazards must be kept; The records are to be retained until the mine closes; The medical surveillance program should ensure that the baseline health of every employee entering the workforce is recorded, that their state of health is monitored throughout the duration of their employment. The program should diagnose early signs of ill health, which have to be treated and investigated; All diagnosed cases are thoroughly investigated to determine if the illnesses are work related or inherited cases before the cases are certified; and Certified cases are referred to the certification board for possible compensation	Medical surveillance is conducted by Laboransan – Occupational Health Centre.
Annual Medical report	MHSA Section 16(1)(2) Every occupational medical practitioner at a mine must compile an annual report covering employees at that mine, giving an analysis of the employees' health based on the employees' records of medical surveillance, without disclosing the names of the employees.	Medical surveillance is conducted by Laboransan – Occupational Health Centre.

**Table 6.15: Nicolor Plant Silica dust exposure**

Reporting area Measurement range	Number of Samples		
	July 2018	August 2018	September 2018
≤ 0.05 mg/m <sup>3</sup>	4	4	4
0.05 ≤ 0.1 mg/m <sup>3</sup>	0	0	0
≥ 0.1 mg/m <sup>3</sup>	0	0	0

**Table 6.16: Nicolor Plant Personal Noise Exposure**

Reporting area Measurement range	Number of Samples		
	July 2018	August 2018	September 2018
≤ 85 dB(A)	5	5	5
85 ≤ 95 dB(A)	0	0	2
95 ≤ 105 dB(A)	0	0	0
≥ 105 dB(A)	0	0	0

**SRK Comments****Silicosis**

Dust created from gold-bearing ore with an average crystalline silica content above 18% is a cause of the lung disease silicosis. Exposure to onset of the disease can take 10 to 20 years. The disease is irreversible, untreatable and it progresses despite ceasing exposure. The operations have an industry leading silica dust suppression and enhanced medical surveillance program in place in their quest towards zero harm. Although employee exposure to silica dust is being reduced, more initiatives are required to get all measurement results below the OEL. Early diagnosed cases have been on the decline since 2006. Short term fluctuations are difficult to explain in a disease with a 10 – 20 year lag period.

**Noise Induced Hearing Loss**

The operations have a comprehensive noise control program in place. Noise levels of all noise emitting equipment have been reduced to below the benchmark of 110 dB and all production employees have been issued with personal hearing protection devices and have to wear these devices in noise zones. Occupational exposure to noise appears to be controlled and NIHL cases should be on the decrease. However, the fluctuations can be ascribed to non-occupational and social noise.

**Radiation**

All working places are monitored on a quarterly basis. Radiation levels do not exceed the maximum permissible levels. No Radiation related illnesses were diagnosed in the review period.

**Occupational (Silicon) TB**

- Annual rates for the South African Gold Mines reflect a sustained improvement since 2004;
- Pulmonary Tuberculosis is caused by bacteria. The silica dust or any dust for that matter cannot cause Tuberculosis. Most employees contract Tuberculosis when they have low immune systems. Typical examples are employees who have underlying illnesses such as HIV Aids and silicosis. Therefore, all the diagnosed cases cannot be classified as an occupational related health disease; and
- All diagnosed occupational health disease cases are thoroughly investigated to determine if the illnesses are worked related, inherited or non-occupational illnesses before the cases are certified and compensated.

**6.11.3 Risks and Opportunities**

[18.05(5), 18.05(6)(a)] [SR5.7 (i)]

No risks were identified.

## 6.12 Environmental Studies, Permitting and Social Impact

### 6.12.1 Introduction and Regional Setting

[SR1.2(i) (ii)] [ESG2.1, ESG2.2, ESG3.1, ESG3.2, ESG4.1, ESG4.2]

The reader is referred to the discussion in Section 2.4.1.

### 6.12.2 Environmental Authorisations and Licenses

[SR1.5(i) (ii) (v), SR5.5(i) (ii)] [ESG2.3, ESG3.3, ESG4.3]

The reader is referred to the discussion in Section 3.3.1.

### 6.12.3 Environmental and Social Approvals

[SR1.2(ii), SR1.5(i) (ii) (v), SR5.5(i) (ii)] [ESG2.3, ESG3.3, ESG4.3]

The reader is referred to the discussion in Section 3.3.2.

### 6.12.4 Environmental and Social Management Approach

[SR5.5(iv), SR7.1(i)] [ESG2.5, ESG2.6, ESG2.7, ESG3.5, ESG3.6, ESG3.7, ESG4.5, ESG4.6, ESG4.7]

#### Environmental Approach

The plant currently does not have an EMS or any other form of management system. The EMS will ensure that HSG adheres to all licence conditions and approvals and that environmental performance is audited on a regular basis.

HSG confirmed it has commenced compiling a management system for Nicolor Plant, which included certain environmental tasks completed in 2018 as listed in Table 6.17.

**Table 6.17: Tasks to be completed for Nicolor**

Task	Period
WUL	Application lodged
AEL application (Section 22A)	Completed
Waste management plan	Completed
Environmental risk assessment report	Completed
Nicolor Licensing (remove Nicolor from Buffels EMP)	Application lodged
Preliminary closure plan	Completed
Veld Fire management plan	Completed

HSG has an OHSE Policy which SRK reviewed. The only environmental monitoring currently taking place on the site is for air quality (dust and monitoring of point source emissions) and cyanide concentrations within the float plant. Cyanide concentrations are monitored every five minutes.

It is HSG's intention to install PM<sub>2.5</sub> and PM<sub>10</sub> monitoring in support of the AEL licence.

Surface or groundwater monitoring is being undertaken at the Nicolor Plant.

Mr Cobus Martins was appointed in 2018 as the Environmental Manager for the Nicolor Plant. Joan Projects is contracted to assist with environmental management and audits at Nicolor.

Based on discussions with the environmental representatives at the site visit, each mine includes the costs for all technical monitoring and environmental studies in the yearly Opex budgets. This includes costs for these aspects at the Nicolor Plant.

#### Social Approach

During November 2006, the Buffels Rehabilitation Trust was established with the purpose of addressing rehabilitation requirements.

Buffels issued a Section 189A notice in term of the LRA on 14 May 2013, notifying stakeholders and employees that the mine will go into care and maintenance and be non-operational. Since August 2013, the mine has been in the decommissioning phase.

As far as could be deduced, Buffels has been engaging with community organisations regarding the donation of goods and infrastructure during the decommissioning phase of the mine. Buffels engaged relevant

stakeholders in terms of the handover of SLP projects, which included the agricultural farming project, economic enterprise development centre in Khuma and the prospecting textile hub linked thereto.

As part of the closure process, Buffels donated small items to Non-profit Organisations (NPO). A task team was formed to ensure that NPO donations were made in a fair and consistent manner. Buffels used existing local structures to engage the community in order to identify possible beneficiaries, which included the Department of Social Development and the Department of Local Government and Traditional Affairs. According to the Asset Donation List Report that was compiled by Buffels management in 2016, at least 25 organisations benefited from this process. With regards to houses, land and buildings, employees who were renting houses were offered first option to buy the houses they were residing in. As part of the closure process, a house and some furniture were also donated to Child Welfare South Africa Stilfontein during July 2014. The main office building was donated to the Department of Education. Other buildings such as training centre block C, No. 5, 6 and 7 Shaft Hostel, Buffalo Ridge Village and Old No. 2 Shaft medical station could not be donated since they had been severely vandalised by outsiders. As far as could be inferred, the mine manager, Johan Hennop is responsible for liaising with the community groups.

Due to risks associated with theft and vandalism as well as an increase in illegal miners, the rehabilitation process was initiated soon afterwards. The rehabilitation entailed the demolition of infrastructure, disposal of rubble and surface clean-up, which is largely complete by December 2018. This is evident in recent google images of the site.

According to the Rehabilitation Report to DMR in February 2017, HSG highlighted the key social risk as illegal mining activities and indicated that regular communication is taking place between security, the SAPS and Buffels, which is presented at the monthly Mines Crime Combating Forum. According to the April 2017 monthly report, the general security situation at the Nicolor Plant and Buffels during April 2017 was under control and no serious incidents were reported.

Thus far, Buffels has achieved its health and safety key performance indicators, meeting their targets to inflict zero harm to all employees and contractors including the environment. They have aligned with DMR milestones, kept the plant filled to maximum capacity and achieved their overall financial plans.

The 2015 mine closure plan for Buffels included a social risk assessment. The risks ranged from handover of services such as sewerage, water and roads to the local authorities, to the failure of employees to vacate hostels. Continued vandalism of infrastructure was highlighted as a risk and it was advised that a security management plan be developed. Community unrest was highlighted as a risk insofar the restoration of land capability was concerned.

The mine closure plan further made mention of heritage sites that needed management or conservation. It also recommended continuous consultation with all stakeholders so that their requirements can be taken into consideration in the closure planning. The 2015 Closure Performance Assessment Report reported 34% progress on closure, however, no indication is given in terms of progress made towards social related risks highlighted in the mine closure plan. Social closure aspects will be addressed with guidance from the SLPs for both Kopanang and Tau Lekoa.

Regular audits should be undertaken to ensure that HSG complies with relevant South African legislative requirements, as well as its internal corporate policies. These audits should be used as a means to identify any gaps or risks and areas of improvement. HSG should provide annual feedback in terms of the progress made towards achieving the objectives of the Mining Charter and the commitments in the SLP.

### 6.12.5 Environmental and Social Issues and Risks

[18.05(5), 18.05(6)(a)] [SR4.3(v) (viii), SR5.4(iii) (v), SR5.5(iii), SR5.7(i)] [ESG2.4, ESG2.5, ESG2.9, ESG3.4, ESG3.5, ESG3.9, ESG4.4, ESG4.5, ESG4.9]

#### Environmental Issues and Risks

Based on the review of available documentation, consultation with the environmental management and site visit observations, several environmental issues and risks were identified and are presented below:

- **The plant does not have an approved WUL and is abstracting water illegally from the borehole on site:** The plant is currently abstracting water illegally from a borehole and storing this water in dams on the property. HSG could face penalties, fines or reputational damage for the illegal abstraction and storage of water. HSG submitted a WUL application for the Nicolor Plant in December 2018, which included use

of borehole water that is presently not licensed. SRK understands that these activities are therefore deemed to be authorised, pending any conditions that may be attached to this licence; and

- **Poorly managed process/stormwater system resulting in contamination to the environment impacting on the adjacent water course.** HSG has identified that storm water channels used to direct water to catchment ponds have to be upgraded. SRK is aware that HSG had compiled a stormwater upgrading programme, although this was not issued to SRK by the end of 2018.

### Social Issues and Risks

Based on the review of available information, the following key social issues and risks were identified for Nicolor Plant:

- The 2014 EIA and EMP conducted for Buffels is silent on the social impacts and risks associated with mine closure. The risk associated with the continued safety of staff during the rehabilitation and closure phase has not been effectively addressed and management plans should be put in place to address adverse risks. It is noted that Buffels is represented at the Mines Crime Combating Forum, however greater measures should be employed to address the underlying issues of criminality. Local and provincial government departments should be engaged to address social issues relating to job losses due to the mine closure. This aspect poses a moderate risk to the project and is likely to occur;
- There is an overall lack in stakeholder communication and minimal engagement with government departments was noted. A formalised stakeholder engagement strategy should be developed that will allow Buffels to provide regular feedback to stakeholders regarding its decommissioning and rehabilitation commitments and progress. Even though stakeholders such as the DMR and DWS are engaged, further engagement with social development structures within the local and provincial government should be strengthened. This aspect poses a moderate risk to the project and is likely to occur;
- The social performance of Buffels in future will require a more proactive approach towards managing social risks such as theft and vandalism at its operations. Buffels should endeavour to establish task teams in liaison with the authorities, local government and communities to address social risks associated with the mine closure. This aspect poses a moderate risk to the project and is likely to occur; and
- Nicolor should align themselves with the requirements of Section 2(d) and (f) and comply with section 28(2) of the MPRDA. These principles require mining companies to improve on the socio-economic conditions of communities and to promote and advance the social and economic welfare of all South Africans.

### 6.12.6 Closure, Planning and Financial Provision

[18.05(6)(d)(e)] [SR1.7, SR5.2(ii)]

Although the Nicolor Plant has no separate environmental authorisations in place as it was included in the Buffels environmental authorisation, the liability for the plant is not included in the liability for the mining areas. As a result of ongoing rehabilitation practices since 2014/2015, the original liability of ZAR184 million for the Buffels area (excluding the Nicolor Plant) has been significantly reduced. Currently at Buffels, there is approximately ZAR8 million worth of work remaining to complete rehabilitation of the Buffels mining area. The approach that has been adopted to implement rehabilitation has been to draw on funds in the mine Trust Fund, with the DMR periodically releasing tranches of funding from the Trust Fund to Buffels. Buffels has maintained regular engagement with the DMR and has informed the DMR on a monthly basis of rehabilitation progress to facilitate the release of funds. While rehabilitation has been completed in a number of mining areas, a closure certificate will not be issued by the DMR until all closure obligations for the Buffels mine have been completed. Until the issuing of the closure certificate, Buffels remains liable for all ongoing post closure maintenance and monitoring and mitigation of residual and latent risks.

It has been reported to SRK that the liability for the Nicolor Plant has been estimated to be ZAR17 million, with a provision for this amount made in the form of a Trust Fund approved by the DMR (value of ZAR39.9 million). SRK is of the opinion that the quantum is in the correct order of magnitude, assuming that:

- There is not significant soil contamination associated with the plant footprint; and
- The WRDs to the west of the plant and the tailings dams to the south of the plant are not part of the Nicolor liability.

SRK understands that the WRDs and tailings dams are not Nicolor's liability.

Due to inadequate information, SRK cannot verify that the Nicolor Plant is compliant with legislation relating to provisioning for closure.

### 6.12.7 Risks and Opportunities

[18.05(5), 18.05(6)(a)] [SR5.7(i)]

It is SRK's experience that there is the potential that soil below a gold plant footprint may be contaminated with a range of salts and metals, with the presence of these contaminants viewed by the authorities as a non-compliance with legislative requirements, despite the risk that the actual concentrations represent. At closure, when soil contamination assessments are undertaken on the exposed soil, there is a risk that soil remedial measures not costed for in the provision may be required. As the authorities could view the contaminated soils as hazardous, it may require costly remedial measure, not currently included in the estimate.

### 6.13 Material Contracts

[SR5.6(ii)]

#### 6.13.1 Contract BFS0584: Uniref (Pty) Ltd – loading, feeding and transport of ore

Uniref (Pty) Ltd (**Uniref**) has been contracted on a non-exclusive basis to load, feed, stockpile and/or transport ore and screened waste rock from the low-grade #10 Dump to Nicolor's South Plant. The screening plant at the #10 Dump is owned and operated by Buffels. The effective date of the contract is 1 August 2018.

The contract makes provision for Uniref to provide the services described above on the following basis:

- Material transported per month 20 ktpm to 120 ktpm;
- Feed into feeding bin at screening plant 1 000 tpd to 3 000 tpd; and
- Feed of screened material into Nicolor Plant 700 tpd to 3 000 tpd.

The above tonnages are provided as a guideline only and are not binding on the Company.

The contract excludes standing time by the contractor irrespective of the cause thereof.

The contract also makes provision for ore to be sourced from Buffels surface sources. While these are defined in the contract, they are not included in the Mineral Resources and therefore are of no relevance to the CPR at this stage.

While the working hours are seen to flexible and subject to agreement from time to time, the working hours anticipated in the contract provide for a sixteen hour day, worked as two 8-hour shifts from 06h00 to 22h00, on a 5-day per week (Monday to Friday) basis.

The contractor is required to be self-sufficient in terms of fuel supply, so all quoted rates are on a wet-rate basis.

The contractor has to provide its own site facilities necessary to carry out the services, such as offices, ablutions, water, electricity and telephone/communications.

The contractor is required to implement the necessary dust monitoring and control processes in terms of the NEM-AQA.

The current rates for various activities anticipated in the contract for the 10# Dump effective from 1 August 2018 are set out in Table 6.18. Unit rates in the contract associated with the loading of other surface sources has not been considered.

**Table 6.18: Uniref Contract rates (10# Dump)**

Activity	Equipment used	Unit Rate (ZAR/t)
<b>Services at Screening Plant</b>		
Loading/feeding screening bin	FEL and Excavator	10.00
Loading trucks	FEL or excavator	7.00
Transport	Trucks	18.00
<b>Services around footprint</b>		
Loading trucks	FEL or excavator	7.00
Transport	Trucks	18.00



The rates in Table 6.18 are adjustable on the anniversary date of the contract according to Seifsa and Stats SA indices, with the percentage contribution of labour, housing, fuel, tyres, maintenance, etc applicable to the unit rates defined in the agreement.

The contractor has to provide 22 staff to provide the required services, made up as follows:

- Supervisors 2
- Operators 13
- Mechanic 2
- Truck drivers 4
- LDV drivers 1

#### 6.13.2 Contract TLS0494: Dynasty Minerals – toll-milling of slimes

The commencement date of this contract is 1 August 2018 and is valid for one year.

Dynasty Minerals (Pty) Ltd (**Dynasty**) removes gold-bearing material from a property in North West Province and delivers this to Nicolor for toll-milling. The gold-bearing material is expected to consist of 30 ktpm of slimes and depositions being not more than 500 mm and a gold grade of not less than 1.5 g/t Au.

The contract is on a non-exclusive basis, so that Nicolor is free to toll-treat other material, while Dynasty can toll-mill its material at any other metallurgical processing plant.

Gold recovered will be allocated 50/50 to Dynasty and Nicolor if the recovered grade is  $\leq 1.5$  g/t (dry). If the recovered grade exceeds 1.5 g/t (dry), 60% of the recovered gold will be allocated to Dynasty. If the recovered grade drops below 0.6 g/t, the percentage allocated to Dynasty reduces on a sliding scale.

The toll-milling fee to Dynasty is ZAR0.0/t (dry).

Mining royalties and taxes are payable by the respective parties to the agreement.

#### 6.13.3 Contract TLS0427: Programme for Community Development – slimes treatment

Programme for Community Development (Pty) Ltd (**Programme for Community Development**) extracts gold-bearing material from its operations in accordance with the mining right awarded to Programme for Community Development.

The commencement date for the agreement was 15 January 2017 and was valid for one year (the **Initial Period**). After expiry of the Initial Period and providing neither party terminated the agreement, the agreement would endure indefinitely. The agreement provides for Nicolor to treat 15 ktpm of material supplied by Programme for Community Development.

The contract is on a non-exclusive basis, so that Nicolor is free to toll-treat other material, while Programme for Community Development can toll-treat its material at any other metallurgical processing plant.

Gold recovered will be allocated 50/05 to Programme for Community Development and Nicolor.

The toll-treating fee to Programme for Community Development is ZAR0.0/t (dry).

Mining royalties and taxes are payable by the respective parties to the agreement.

#### 6.13.4 Contract KPS0286: Roc Holdings – toll-milling treatment

The commencement date of this contract is 14 May 2018 and is valid for one year.

Roc Holdings (Pty) Ltd (**Roc**) removes gold-bearing material from its operations in the East Rand area and delivers this to the West Plant for toll-milling. The gold-bearing material is expected to consist of 2.8 ktpm of ore and slimes being not more than 500 mm and a gold grade of not less than 5.0 g/t Au.

The contract is on a non-exclusive basis, so that West Gold Plant is free to toll-treat other material, while Roc can toll-treat its material at any other metallurgical processing plant.

Where the material delivered by Roc does not meet the size and minimum grade specifications, or is deemed to be contaminated which could result in preg-robbing any gold at the West Gold plant, HSG is entitled to screen and reject such material at a defined cost per tonne.

Roc will be entitled to 80% of the gold recovered, which will be reduced on a sliding scale where the delivered grade is less than 5 g/t. The West Gold Plant can reduce the agreed recovery factor on a sliding scale where the bottle roll tests are below 85%.

The toll-milling fee to Roc is ZAR600.0/t (dry) and is fixed until 13 May 2019. Should the agreement continue beyond that date, the parties must agree on the new fee.

Mining royalties and taxes are payable by the respective parties to the agreement.

#### 6.13.5 AngloGold to VMR SPV Services Agreement

Neither the Kopanang nor Tau Lekoa operations have dedicated TSFs on their respective sites. The SPV Services Agreement between AGA and HSG makes provision for tailings produced at the West Gold Plant (comprising ore received from Kopanang and Tau Lekoa mines and future reef projects) to be deposited at AGA's West Complex and West Extension TSFs.

SRK understands that all tailings from Nicolor (the Buffels South plant) will be disposed of on AGA's new mega TSF.

The ownership of and risk in the tailings sent to the TSFs pass automatically to AGA once the tailings have been deposited on the TSFs. SRK thus assumes that all operations, adherence to CoPs, regular audit/monitoring reports, rehabilitation, etc of the TSFs is AGA's sole responsibility and liability.

SRK has identified two risks associated with the tailings disposal third party agreement:

- AGA has the sole right to determine when the TSF has reached "full capacity" (per clause 11.1.4.4 of the SPV Services Agreement); and
- AGA has the right to refuse tailings from the West Plant where the tailings are derived from ores other than Kopanang, Tau Lekoa or other reef projects.

#### 6.14 Economic Analysis

[18.03(3), 18.03(4), 18.05(6)(c), 18.06] [SR5.6, SR5.8]

##### 6.14.1 Nicolor (South Plant) TEM

[18.30(3)]

The TEM for Nicolor is included as a separate tab in the BP2019 Excel file.

Any ore from toll arrangements or other sources has been excluded from the TEM for evaluation purposes, since there is no guarantee that the tonnes from these ore sources are sustainable for the LoM. Only #10 Dump material is therefore considered for evaluation purposes. A plant feed rate of 2.1 Mtpa has been assumed, as this allows the plant to operate at close to its design throughput capacity.

Key production and financial metrics from the Nicolor TEM are summarised in Table 6.19. SRK has reviewed the metrics in the Nicolor TEM to the extent of the information provided, revised these as appropriate, and is satisfied that the metrics as presented are reasonable for the LoM. To cater for a 30 June 2019 reporting date, SRK has removed the first six months of the 2019 budget and left the remaining months (July to December 2019) unchanged. The mill feed and recovered Au have been adjusted in the final year of the LoM plan to ensure the LoM totals match the Mineral Reserve statement.

The cost of treatment is recovered in full from Buffels.

**Table 6.19: Nicolor (South Plant) TEM Summary**

Item	Units	Totals	H2-2019	2020	2021	2022	2023
Material screened	(Mt)						
Plant feed (Buffels)	(Mt)	8.45	1.05	2.10	2.10	2.10	1.10
Plant feed grade	(g/t)	0.54	0.54	0.54	0.54	0.54	0.54
Recovered Au grade	(g/t)	0.44	0.44	0.44	0.44	0.44	0.44
Gold produced	(koz)	121	15	30	30	30	16
<b>Recovery of cost</b>	<b>(ZARm)</b>	<b>1 252</b>	<b>150</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>203</b>
Employment Costs	(ZARm)	313	35	70	70	70	70
Stores	(ZARm)	403	50	100	100	100	52
Electricity & Water	(ZARm)	346	43	86	86	86	45
Laboratory (assay)	(ZARm)	26	3	6	6	6	3
State Royalty	(ZARm)	0	0	0	0	0	0
Other costs	(ZARm)	89	10	20	20	20	20
<b>Operating Costs</b>	<b>(ZARm)</b>	<b>1 176</b>	<b>141</b>	<b>282</b>	<b>282</b>	<b>282</b>	<b>190</b>
	<b>(USDm)</b>	<b>83</b>	<b>10</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>14</b>
Operating Profit	(ZARm)	76	9	18	18	18	12
<b>Capital Costs</b>	<b>(ZARm)</b>	<b>76</b>	<b>9</b>	<b>18</b>	<b>18</b>	<b>18</b>	<b>12</b>
Undefined projects	(ZARm)	76	9	18	18	18	12
All-in sustainable cost (AISC)	(ZARm)	1 252	150	300	300	300	203
All-in sustainable cost (AISC)	(USDm)	89	11	21	21	21	14
<b>Unit Costs</b>							
Cash operating cost	(ZAR/t milled)	139	134	134	134	134	173
Cash operating cost	(USD/oz produced)	691	666	666	666	666	858
AISC cost	(ZAR/t milled)	148	143	143	143	143	184
AISC cost	(USD/t milled)	11	10	10	10	10	13
AISC cost	(USD/oz produced)	736	710	710	710	710	914
Tax payable	(ZARm)	0	0	0	0	0	0
<b>AISC profit / (loss)</b>	<b>(ZARm)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>(USDm)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**6.14.2 Buffels TEM**

The TEM for Buffels is included as a separate tab in the BP2019 Excel file.

The Opex for the Nicolor Plant is recovered in full in proportion of the volumes of ore treated from the different sources. Under the current situation, the full operating cost of Nicolor Plant is recovered from the Buffels operation.

Key production and financial metrics from the Buffels TEM are summarised in Table 6.20. SRK has reviewed the metrics in the Nicolor TEM to the extent of the information provided, revised these as appropriate, and is satisfied that the metrics as presented are reasonable for the LoM. To cater for a 30 June 2019 reporting date, SRK has removed the first six months of the 2019 budget and left the remaining months (July to December 2019) unchanged. The mill feed and recovered Au have been adjusted in the final year of the LoM plan to ensure the LoM totals match the Mineral Reserve statement.

**Table 6.20: Buffels TEM Summary**

Item	Units	Totals	H2-2019	2020	2021	2022	2023
Material screened	(Mt)	1.58	0.20	0.39	0.39	0.39	0.21
Plant feed	(Mt)	8.45	1.05	2.10	2.10	2.10	1.10
Plant feed grade	(g/t)	0.52	0.52	0.52	0.52	0.52	0.52
Recovered Au grade	(g/t)	0.44	0.44	0.44	0.44	0.44	0.44
Gold produced	(koz)	121	15	30	30	30	16
<b>Revenue</b>	<b>(ZARm)</b>	<b>2 065</b>	<b>257</b>	<b>513</b>	<b>513</b>	<b>513</b>	<b>269</b>
Employment Costs	(ZARm)	36	4	8	8	8	8
Stores	(ZARm)	10	1	2	2	2	1
Electricity & Water	(ZARm)	8	1	2	2	2	1
Surface Transport	(ZARm)	334	42	83	83	83	44
Contractors (loading/feeding screening bin)	(ZARm)	16	2	4	4	4	2
Plant treatment costs	(ZARm)	1 252	150	300	300	300	203
Gold royalty	(ZARm)	9	1	2	2	2	1
Margaret Water Company	(ZARm)	45	6	11	11	11	6
Laboratory (assay)	(ZARm)	9	1	2	2	2	1
State Royalty	(ZARm)	20	1	3	5	10	1
Other costs	(ZARm)	26	3	6	6	6	3
Admin costs	(ZARm)	2	0	1	1	1	0
<b>Operating Costs</b>	<b>(ZARm)</b>	<b>1 766</b>	<b>212</b>	<b>424</b>	<b>427</b>	<b>432</b>	<b>272</b>
	<b>(USDm)</b>	<b>125</b>	<b>15</b>	<b>30</b>	<b>30</b>	<b>31</b>	<b>19</b>
Operating Profit	(ZARm)	319	46	91	91	91	( 1)
<b>Capital Costs</b>	<b>(ZARm)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Undefined projects	(ZARm)	0	0	0	0	0	0
All-in sustainable cost (AISC)	(ZARm)	1 766	212	424	427	432	272
All-in sustainable cost (AISC)	(USDm)	125	15	30	30	31	19
<b>Unit Costs</b>							
Cash cost	(ZAR/t milled)	209	202	202	203	206	246
Cash cost	(USD/oz produced)	1 039	1 004	1 004	1 010	1 021	1 225
AISC cost	(ZAR/t milled)	209	202	202	203	206	246
AISC cost	(USD/t milled)	15	14	14	14	15	17
AISC cost	(USD/oz produced)	1 039	1 004	1 004	1 010	1 021	1 225
Tax payable	(ZARm)	0	0	0	0	0	0
<b>AISC profit / (loss)</b>	<b>(ZARm)</b>	<b>299</b>	<b>44</b>	<b>89</b>	<b>86</b>	<b>82</b>	<b>-2</b>
	<b>(USDm)</b>	<b>21</b>	<b>3</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>0</b>

**6.14.3 Sensitivity Analysis Buffels**

[18.30(5)]

The NPV of the post-tax cash flows at different discount rates in ZARm and USDm terms are set out in Table 6.21. The post-tax cash flows in Table 6.20 are converted from the ZAR values into USD terms at the exchange rate ruling at the Effective Date of this CPR. Derivation of the Company's real WACC of 9.5% is discussed in Section 4.17.1.

**Table 6.21: NPV sensitivity of Buffels post-tax cash flows at different discount rates**

Real Discount Rate	(ZARm)	(USDm)
0.0%	299	21.2
6.0%	272	19.3
8.0%	264	18.7
<b>9.5% (WACC)</b>	<b>258</b>	<b>18.3</b>
10.0%	256	18.2
11.0%	253	17.9
12.0%	249	17.7
14.0%	242	17.2

The twin sensitivity of the post-tax NPV<sub>9.5%</sub> for Buffels to changes in revenue and operating cost are set out in Table 6.22.

**Table 6.22: Twin-sensitivity of Buffels NPV<sub>9.5%</sub> to changes in revenue and operating cost**

		Revenue Sensitivity					
ZAR/kg		440 000	495 000	550 000	605 000	638 110	660 000
		-20.0%	-10.0%	0.0%	10.0%	16.0%	20.0%
Operating Cost Sensitivity	-20.0%	( 37)	136	297	456	552	612
	-10.0%	( 58)	115	278	437	532	593
	0.0%	( 79)	94	258	417	513	573
	10.0%	( 100)	72	238	398	493	554
	20.0%	( 121)	51	219	378	473	534

The post-tax NPV<sub>9.5%</sub> of the Buffels operation is estimated at ZAR258 million (USD18 million) excluding any upside that may be realised from toll treating operations of third-party ores or alternative surface sources. The operating margin of 15% is reasonable, but is dependent on keeping the plant running at capacity. If this is not achieved, in the absence of toll treating or additional ore sources, the operation becomes marginal and vulnerable to adverse movements in the gold price or costs.

The impact of the spot gold price at the Effective Date on the financial result for Buffels can be seen in Table 6.22.

#### 6.14.4 Risks and Opportunities

[18.05(5)] [SR5.7 (i)]

Key economic risks include:

- Stronger ZAR:USD exchange rate leading to a reduction in revenue;
- Lower USD gold price leading to lower revenue; and
- Higher inflation, particularly power and labour, leading to higher Opex and lower profitability.

The average operating margin is 15% over the LoM but is dependent on keeping the plant running at capacity.

The USD gold price shows approximately a 6% SD around the current spot price for the past five years but the ZAR:USD exchange rate has been more volatile. It is possible that variations in one or both may threaten the viability of the operation, particularly in this instance where the margin is low.

The processing of third-party ore or other ore sources can increase either the LoM or recovered gold, which will improve the NPV and operating margin.

## 7 RISKS AND OPPORTUNITIES

[18.05(5)] [SR5.7(i)]

### 7.1 Introduction

The following section presents a risk and opportunity assessment for the Gold Assets and attempts to identify and quantify the impact should such risk or opportunity materialise. The analysis is generally limited to a qualitative assessment only, so no direct financial impact is considered. Details relating to the individual risks and opportunities have been discussed in the various sections of this CPR above, so only a summary is provided here.

In addition to those identified above, the Gold Assets are subject to specific risks and opportunities, which independently may not have a material impact, but in combination may do so.

In accordance with Guidance Note 7 of the Listing Rules, SRK has further reviewed the specific risks identified below relative to likelihood (within a seven-year time frame) and consequence of risk, in order to derive an overall risk measure classified as low, medium and high. Classification of a risk as medium or high does not necessarily constitute a scenario which leads to project failure.

Certain of the risks identified comprise either generic risk elements which are adequately covered by the various twin-parameter sensitivity analyses, or which do not readily lend themselves to quantitative analysis or will only materialise outside the ten-year time frame.

### 7.2 Risk Assessment Methodology

In accordance with Guidance Note 7 of the Listing Rules, SRK has completed a risk assessment in respect of the Gold Assets which draws on issues highlighted in the risk sections by discipline. SRK notes that such assessments are necessarily subjective and qualitative. However, where quantification is possible the consequence rating has been classified from minor to major:

- **Major Risk:** the factor poses an immediate danger of a failure, which if not corrected, will have a material effect (>15%) on the operational/project cash flow and performance and could potentially lead to failure of the operation or project;
- **Moderate Risk:** the factor, if uncorrected, could have a significant effect (10% to 15%) on the operational/project cash flow and performance unless mitigated by some corrective action; and
- **Minor Risk:** the factor, if uncorrected, will have little or no effect (<10%) on operational/project cash flow and performance.

The likelihood of any specific risk materialising has been assessed within a seven-year time-frame as defined in the Listing Rules, as follows:

- **Likely:** will probably occur;
- **Possible:** may occur; and
- **Unlikely:** unlikely to occur.

The degree or consequence of a risk and its likelihood has been combined into a risk assessment matrix as set out in Table 7.1.

**Table 7.1: Risk Assessment Matrix**

Likelihood of Risk	Consequence of Risk		
	Minor	Moderate	Major
Likely	Medium	High	High
Possible	Low	Medium	High
Unlikely	Low	Low	Medium

### 7.3 Specific Risk Assessment

The specific risks for the Gold Assets have been identified and discussed in the various discipline sections above.

The assessment of the specific risks as considered applicable to the Gold Assets before mitigation are set out as follows:

- Kopanang Table 7.2;
- Tau Lekoa Table 7.3;
- Weltevreden Table 7.4;
- Nicolor Table 7.5; and
- West Plant Table 7.6.

Weltevreden is assessed separately from Tau Lekoa, as its risk profile is different being a development project.

The Company considers that its appetite for risk can tolerate the assessed risks with a Low to Medium inherent risk rating, without identifying specific mitigation measures to minimise these impacts.

SRK has reviewed HSG's mitigation measures for the risks with a High inherent risk rating, included in Table 7.2 to Table 7.6, and considers these consistent with industry practice for deep-level gold mines and both appropriate and realistic for the South African circumstances.



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Table 7.2: Kopanang Risk Assessment with mitigation for High risks

Hazard Risk	Likelihood	Consequence	Inherent Risk Rating	Company Mitigation Measures
<b>Mineral Resources Risks</b>				
Unexpected faults or dykes	Possible	Minor	Low	Nil
Grade estimation errors	Possible	Minor	Low	Nil
<b>Geotechnical Risks</b>				
Rock bursts	Likely	Major	High	<ul style="list-style-type: none"> <li>• Seismic network (Seismic monitoring system, needs to be expanded) <ul style="list-style-type: none"> <li>◦ Seismic regular auto warning system</li> <li>◦ Post major seismic event procedure</li> </ul> </li> <li>• Permanent support standards</li> <li>• Temporary support standards <ul style="list-style-type: none"> <li>◦ Fixed time blasting with re-entry time</li> <li>◦ Trigger Action Response Plan</li> </ul> </li> <li>• Entry examination and make safe procedure</li> <li>• Nets</li> <li>• Staffed rock engineering department with strata control officers</li> <li>• Seismologist contracted</li> </ul>
Rockfalls	Likely	Major	High	<ul style="list-style-type: none"> <li>• Post major seismic event procedure</li> <li>• Permanent support standards</li> <li>• Temporary support standards</li> <li>• Trigger Action Response Plan (TARP)</li> <li>• Entry examination and make safe procedure</li> <li>• Nets</li> <li>• Staffed rock engineering department with strata control officers</li> </ul>
<b>Hydrogeology and Hydrology Risks</b>				
Potential groundwater and surface water contamination during operation	Possible	Moderate	Medium	Nil
Re-use dirty water efficiently	Possible	Moderate	Medium	Nil
<b>Mining and Mineral Reserves Risks</b>				
The MCF of 68% in the LoM plan may not be achieved	Possible	Minor	Low	Nil
Failure to achieve stoping production targets	Possible	Moderate	Medium	Nil
<b>Metallurgy and Mineral Processing (West Gold Plant) Risks</b>				
Lower plant throughput	Possible	Moderate	Medium	Nil
Lower gold recovery	Possible	Minor	Low	Nil
Higher Opex	Possible	Minor	Low	Nil
Higher Capex	Possible	Minor	Low	Nil
<b>Occupational Health Risks</b>				
Employee exposure to accumulations of CO gas and radiation when opening worked out areas in the Top Mine.	Possible	Moderate	Medium	Nil
The mine may continue to face revenue loss implications for cases of occupational lung diseases in current and former employees.	Likely	Moderate	Medium	Nil

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Hazard Risk	Likelihood	Consequence	Inherent Risk Rating	Company Mitigation Measures
<b>Environmental Risks</b>				
Conditions in the current WUL are not achievable.	Likely	Moderate	Medium	Nil
Provision for closure is insufficient to cover the requisite rehabilitation costs.	Possible	Moderate	Medium	Nil
A limited EMS is currently in place.	Likely	Moderate	Medium	Nil
Limited understanding of the current groundwater baseline conditions.	Likely	Moderate	Medium	Nil
<b>Social Risks</b>				
Potential for unrest and strike action by communities regarding job opportunities, recruitment and downscaling.	Likely	Major	High	<ul style="list-style-type: none"> <li>Continuously update security and access control procedures</li> <li>Appointment of a Communities, SMME's Liaison Officer and LED Project Implementation Liaison Officer</li> <li>Consistent HR and employment policies</li> <li>Community liaison forums and established communication procedures with communities</li> </ul>
Potential protest action regarding the restructuring of the BEE agreements from communities.	Possible	Moderate	Medium	Nil
<b>Closure, Financial Provision Risks</b>				
High Capex and Opex water management required post closure.	Possible	Moderate	Medium	Nil
<b>Material Contracts Risk</b>				
Continued acceptance of tailings by AGA for LoM not guaranteed.	Unlikely	Moderate	Low	Nil
<b>Macro Economic Risks</b>				
Lower USD gold price	Possible	Moderate	Medium	Nil
Stronger ZAR:USD exchange rate	Possible	Moderate	Medium	Nil
High electricity and labour inflation	Possible	Moderate	Medium	Nil

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Table 7.3: Tau Lekoa Risk Assessment with mitigation for High risks

Hazard Risk	Likelihood	Consequence	Inherent Risk Rating	Company Mitigation Measures
<b>Mineral Resources Risks</b>				
Unexpected faults or dykes	Possible	Minor	Low	Nil
Grade estimation errors	Possible	Moderate	Medium	Nil
<b>Geotechnical Risks</b>				
Rock bursts	Likely	High	High	<ul style="list-style-type: none"> <li>• Seismic network (Seismic monitoring system, needs to be expanded) <ul style="list-style-type: none"> <li>◦ Seismic regular auto warning system</li> <li>◦ Post major seismic event procedure</li> </ul> </li> <li>• Permanent support standards</li> <li>• Temporary support standards <ul style="list-style-type: none"> <li>◦ Fixed time blasting with re-entry time</li> <li>◦ Trigger Action Response Plan</li> <li>◦ Entry examination and make safe procedure</li> </ul> </li> <li>• Nets</li> <li>• Staffed rock engineering department with strata control officers</li> <li>• Seismologist contracted</li> </ul>
Rockfalls	Likely	High	High	<ul style="list-style-type: none"> <li>• Post major seismic event procedure</li> <li>• Permanent support standards</li> <li>• Temporary support standards</li> <li>• Trigger Action Response Plan (TARP)</li> <li>• Entry examination and make safe procedure</li> <li>• Nets</li> <li>• Staffed rock engineering department with strata control officers</li> </ul>
<b>Hydrogeology and Hydrology Risks</b>				
Potential groundwater and surface water contamination during operation	Possible	Moderate	Medium	Nil
Re-use dirty water efficiently	Possible	Moderate	Medium	Nil
<b>Mining and Mineral Reserves Risk</b>				
Failure to achieve stoping production targets	Possible	Moderate	Medium	Nil
<b>Safety Risk</b>				
Seismic events and falls of ground (FoG)	Likely	Major	High	See mitigation under geotechnical risks
<b>Environmental Risks</b>				
Limited EMS is currently in place	Likely	Minor	Medium	Nil
WULA submitted for Tau Lekoa and Nicolour is not accepted	Possible	Minor	Low	Nil
Limited understanding of the current surface water baseline conditions.	Likely	Minor	Medium	Nil
Poorly managed stormwater system	Likely	Minor	Medium	Nil
<b>Social Risks</b>				
Potential for unrest and strike action by communities regarding job opportunities, recruitment and downscaling.	Likely	Major	High	<ul style="list-style-type: none"> <li>• Security and access control procedures</li> <li>• Appointment of a Communities, SMME's Liaison Officer and LED Project Implementation Liaison Officer</li> <li>• Consistent HR and employment policies</li> <li>• Community liaison forums and established communication procedures with communities</li> </ul>

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Hazard Risk	Likelihood	Consequence	Inherent Risk Rating	Company Mitigation Measures
Potential for public outcry, claims and reputational damage resulting from poor mine traffic management.	Possible	Minor	Low	Nil
Combined SLP for Tau Lekoa and Nicolor is not accepted.	Possible	Minor	Low	Nil
A Section 93 directive could be issued for not submitting a SLP annual report.	Possible	Minor	Low	Nil
<b>Material Contracts Risk</b>				
Continued acceptance of tailings by AGA for LoM not guaranteed	Unlikely	Moderate	Low	Nil
<b>Closure, Financial Provision Risks</b>				
High Capex and Opex water management required post closure	Possible	Moderate	Medium	Nil
<b>Macro Economic Risks</b>				
Lower USD gold price	Possible	Moderate	Medium	Nil
Stronger ZAR:USD exchange rate	Possible	Moderate	Medium	Nil
High electricity and labour inflation	Possible	Moderate	Medium	Nil

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Table 7.4: Weltevreden Risk Assessment with mitigation for High risks

Hazard Risk	Likelihood	Consequence	Inherent Risk Rating	Company Mitigation Measures
<b>Hydrogeology and Hydrology Risks</b>				
Potential increased runoff and siltation of Vaal River	Possible	Moderate	Medium	Nil
Potential groundwater and surface water contamination during operation	Possible	Moderate	Medium	Nil
<b>Mining and Mineral Reserves Risks</b>				
Failure to achieve stoping targets	Possible	Moderate	Medium	Nil
Failure to achieve production ramp-up	Possible	Moderate	Medium	Nil
Failure to achieve development targets	Possible	Moderate	Medium	Nil
<b>Metallurgy and Mineral Processing (West Gold Plant) Risks</b>				
Lower plant throughput	Unlikely	Minor	Low	Nil
Lower gold recovery	Possible	Moderate	Medium	Nil
Higher Opex	Possible	Minor	Low	Nil
Higher Capex	Possible	Minor	Low	Nil
<b>Environmental Risks</b>				
No environmental licences are in place.	Possible	Minor	Low	Nil
<b>Infrastructure and engineering Risks</b>				
Production losses due to failure of the main incoming transformer	Possible	Minor	Low	Nil
Failure of one radial underground power supply system resulting in delayed production on other levels	Possible	Moderate	Medium	Nil
<b>Closure, Financial Provision Risks</b>				
High Capex and Opex water management required post closure	Possible	Moderate	Medium	Nil
<b>Material Contracts Risk</b>				
Continued acceptance of tailings by AGA for LoM not guaranteed	Unlikely	Moderate	Low	Nil
<b>Techno Economic Risks</b>				
Lower USD gold price	Possible	Moderate	Medium	Nil
Stronger ZAR:USD exchange rate	Possible	Moderate	Medium	Nil
High power and labour inflation	Possible	Moderate	Medium	Nil

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Table 7.5: Nicolour Plant Risk Assessment with mitigation for High risks

Hazard Risk	Likelihood	Consequence	Inherent Risk Rating	Company Mitigation Measures
<b>Hydrogeology and Hydrology Risks</b>				
Potential increased runoff and siltation of Vaal River	Possible	Moderate	Medium	Nil
Potential groundwater and surface water contamination during operation	Possible	Moderate	Medium	Nil
<b>Metallurgy and Mineral Processing Risks</b>				
Lower plant throughput	Unlikely	Moderate	Low	Nil
Lower gold recovery	Possible	Minor	Low	Nil
Higher Opex	Possible	Minor	Low	Nil
<b>Environmental Risks</b>				
Poorly managed process/stormwater system	Likely	Major	Medium	This risk can be reduced to a Medium rating providing HSG implements its stormwater upgrade programme and WULA submitted for Tau Lekoa and Nicolour is not accepted
WULA submitted for Tau Lekoa and Nicolour is not accepted	Possible	Minor	Low	Nil
<b>Social Risks</b>				
Combined SLP for Tau Lekoa and Nicolour is not accepted.	Possible	Minor	Low	Nil
<b>Infrastructure and Engineering Risks</b>				
Lack of proper "As Built" drawings can result in unsafe operating procedures by operating and maintenance personnel.	Likely	Minor	Low	Nil
<b>Closure, Financial Provision Risks</b>				
Soil contamination below gold plant that has not been accounted for in financial provision	Possible	Minor	Low	Nil
<b>Material Contracts Risk</b>				
Continued acceptance of tailings by AGA for LOM not guaranteed	Unlikely	Moderate	Low	Nil
<b>Macro Economic Risks</b>				
Lower USD gold price	Possible	Moderate	Medium	Nil
Stronger ZAR:USD exchange rate	Possible	Moderate	Medium	Nil
High electricity and labour inflation	Possible	Moderate	Medium	Nil

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Table 7.6: West Plant Risk Assessment with mitigation for High risks

Hazard Risk	Likelihood	Consequence	Inherent Risk Rating	Company Mitigation Measures
<b>Hydrogeology and Hydrology Risks</b>				
Potential groundwater and surface water contamination during operation	Possible	Moderate	Medium	Nil
<b>Metallurgy and Mineral Processing Risks</b>				
Lower plant throughput	Unlikely	Moderate	Low	Nil
Lower gold recovery	Possible	Minor	Low	Nil
Higher Opex	Possible	Minor	Low	Nil
<b>Environmental Risks</b>				
Adverse water uses are retained in the revised WUL	Possible	Minor	Low	Nil
Lack of EMS results in non-adherence to licence conditions	Possible	Minor	Low	Nil
Directives and/or fines since water and dust monitoring is not carried out	Possible	Minor	Low	Nil
Provision for closure is insufficient to cover the requisite rehabilitation costs	Possible	Moderate	Medium	Nil
The performance audit report is not compiled	Possible	Minor	Medium	Nil
<b>Tenure Risks</b>				
Delays in concluding surface rights agreements disrupts production	Possible	Minor	Low	Nil
<b>Material Contracts Risk</b>				
Continued acceptance of tailings by AGA for LoM not guaranteed	Unlikely	Moderate	Low	Nil
<b>Macro Economic Risks</b>				
Lower USD gold price	Possible	Moderate	Medium	Nil
Stronger ZAR:USD exchange rate	Possible	Moderate	Medium	Nil
High electricity and labour inflation	Possible	Moderate	Medium	Nil

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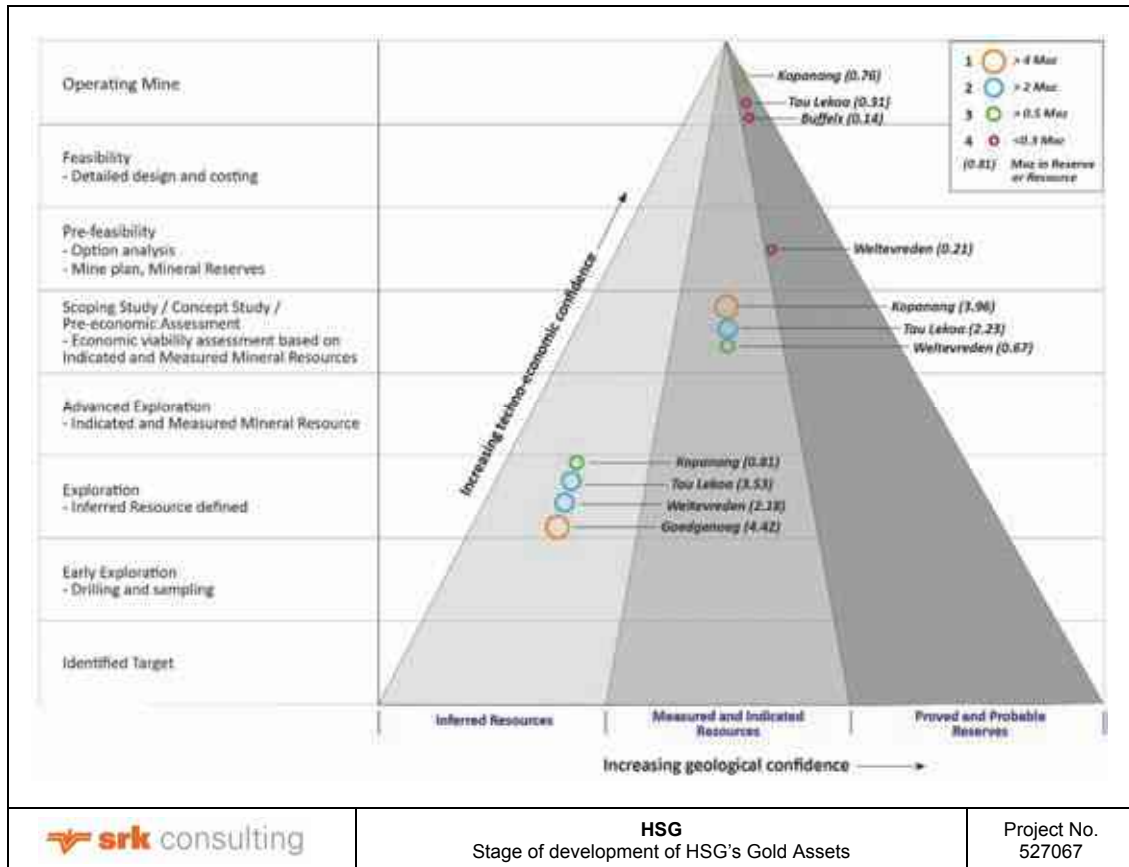
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## 7.4 Opportunities

Although the Measured and Indicated Resources shown in Figure 7.1 include the Proved and Probable Reserves, these together with the Inferred Resources indicate that there is significant upside potential to extend the LoM plans. Although there is no guarantee that all of the Inferred Resources can be upgraded to Indicated or Measured Resources, historical results within the South African gold fields show there is a good probability that this will occur.



**Figure 7.1: Stage of Development of the Gold Assets**

If the total Mineral Resource base of the Gold Assets is considered, the opportunity exists to establish at least a 20-year life of asset production profile as shown in Figure 7.2. The vast majority of the produced gold in this life of asset profile is sourced from Inferred Mineral Resources. HSG should consider a focused exploration and engineering study programme to be able to realise this potential.

### 7.4.1 VCR at Kopanang

The opportunity exists to exploit the VCR at Kopanang.

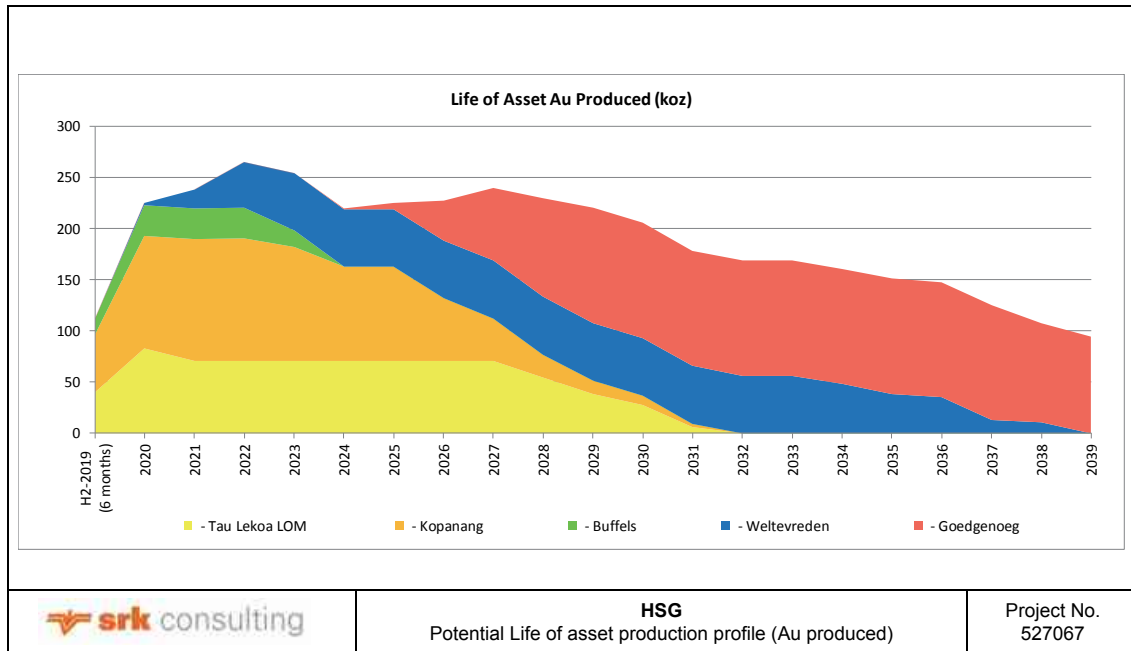
This is not included in any resource estimate at this stage.

There is limited access into the VCR. HSG plans further work to evaluate the practicalities and economics of exploiting this resource.

### 7.4.2 Toll-treating of third-party material

Third-party gold-bearing material has been treated by both Nicolor and West Plant in the past and represents an opportunity for HSG.

The certainty and sustainability of supply of this material cannot be guaranteed.



**Figure 7.2: Potential Life of asset production profile (Au produced)**

## 8 CONSOLIDATED FINANCIAL EVALUATION

### 8.1 Consolidated Historical Operating Statistics

The consolidated historical operating statistics for HSG are set out in Table 8.1 for the six months of 2015 to H1-2019. These exclude any of the results for Kopanang and West Plant prior to February 2018, the date when HSG took operational control of these assets.

**Table 8.1: Consolidated historical operating statistics (2015 to H1-2019)**

Item	Units	2015 (6 months)	2016	2017	2018	H1-2019
<b>Production</b>						
Ore milled	(kt)	750.9	1 851.3	2 075.1	3 054.8	1 714.7
Au produced (own production)	(koz)	43.5	81.3	89.1	140.9	97.9
Au produced (toll allocation)	(koz)		17.7	11.1	27.1	0.0
Au recovered grade	(g/t)	1.80	1.66	1.50	1.71	1.78
Au Revenue (own production)	(ZARm)	658.6	1 471.8	1 490.3	2 406.6	1 757.0
Au Revenue (toll allocation)	(ZARm)		342.3	183.2	429.2	0.0
Au Revenue (own production)	(USDm)	48.4	100.3	112.1	181.6	123.7
Av. Exchange rate	(ZAR:USD)	13.618	14.679	13.299	13.250	14.199
<b>Operating Costs</b>						
Employment	(ZARm)		846.4	930.7	1 777.1	
Stores	(ZARm)		274.0	297.3	534.2	
Electricity & Water	(ZARm)		201.4	208.5	425.5	To follow
Ore transport costs	(ZARm)		55.9	59.8	73.2	
Other direct costs	(ZARm)		108.2	63.0	136.0	
Royalties	(ZARm)		46.2	44.7	47.2	
Operating Cost (own production)	(ZARm)	690.0	1 532.2	1 603.9	2 993.1	1 913.7
Operating cost (toll allocation)	(ZARm)		323.8	172.7	396.2	0.0
Total Operating Cost	(ZARm)	690.0	1 856.0	1 776.6	3 389.2	1 913.7
Admin costs/reclamation	(ZARm)		13.9	10.7	25.7	6.4
AISC Cost (own production)	(ZARm)	730.8	1 680.9	1 810.8	3 309.5	2 075.5
AISC Cost (own production)	(USDm)	53.7	114.5	136.2	249.8	146.2
<b>Capital</b>						
Total capital	(ZARm)	40.8	134.8	196.2	290.7	161.8
<b>Unit costs (own production)</b>						
Direct cost	(ZAR/t milled)	919	828	773	980	1 116
Direct cost	(USD/oz produced)	1 234	1 284	1 353	1 603	1 382
AISC	(ZAR/t milled)	979	908	873	1 083	1 210
AISC	(USD/t milled)	72	62	66	82	85
AISC	(USD/oz produced)	1 235	1 408	1 528	1 772	1 493

Source: VMR December 2018 and June 2019 Monthly Reports; VMR AIC calculations 2019

### 8.2 Consolidated TEM

The consolidated TEM for the Gold Assets based on the declared Mineral Reserves is included as a separate tab in the BP2019 Excel file.

Any ore from toll arrangements or other sources has been excluded from the TEM for evaluation purposes, since there is no guarantee that the tonnes from these ore sources are sustainable for the LoM.

All ore from Kopanang, Tau Lekoa and Weltevreden is processed through the West Plant, while the #10 Dump material is processed through the Nicolor Plant.

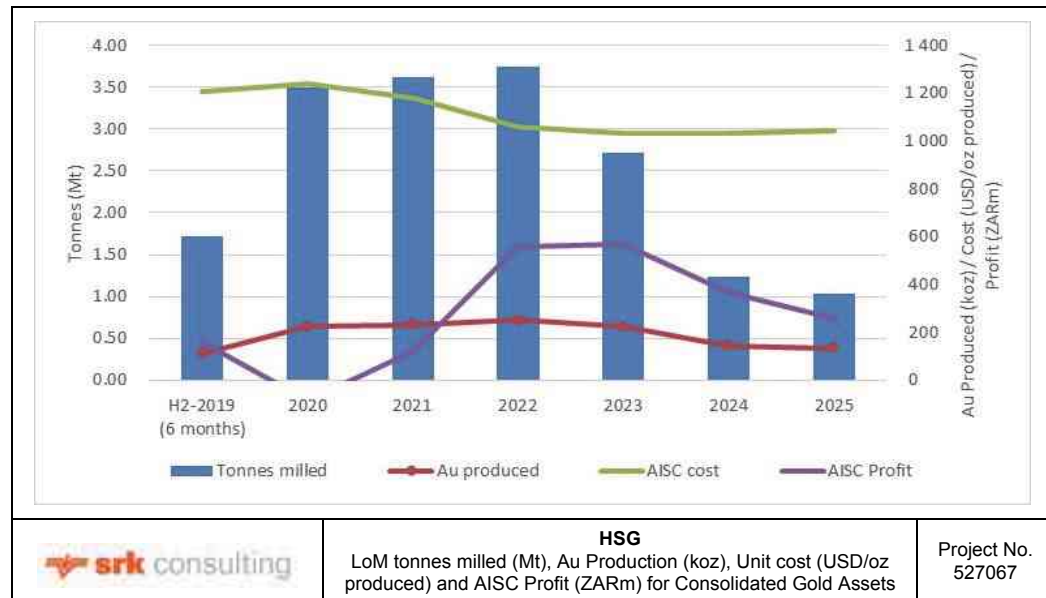
The AISC production costs from West Plant are allocated to Kopanang, Tau Lekoa and Weltevreden according to the proportions of the respective ore tonnages fed to the plant. The Nicolor Plant AISC cost is recovered in full from Buffels.

Key production and financial metrics from the Consolidated TEM for the Gold Assets are summarised in Table 8.2. SRK has reviewed the metrics in the Consolidated and component TEMs to the extent of the information provided, revised these as appropriate, and is satisfied that the metrics as presented are reasonable for the LoM. To cater for a 30 June 2019 reporting date, SRK has removed the first six months of the 2019 budget and left the remaining months (July to December 2019) unchanged. The mill feed and recovered Au for

Kopanang, Tau Lekoa and Buffels have been adjusted in the final year of the LoM plan to ensure the LoM totals match the Mineral Reserve statement.

The Company entered into a forward hedge contract in February 2019 for 60 koz of gold production during 2019 at an average price of ZAR618 026/kg. By the end of June 2019, 29.8 koz had been delivered into this contract. The Company entered into another contract for 39 koz during May/June for delivery before the end of 2019. The net gain to the Company from the 69.2 koz of forward gold sales still to be delivered has been taken into account in the consolidated group level results and amounts to ZAR147 million.

The Company is predicted to be cash flow positive for most years of the LoM (Figure 8.1), which is based only on Proved and Probable Mineral Reserves derived from the Measured and Indicated Resources.



**Figure 8.1: LoM tonnes milled, Gold Production, Unit cost and AISC profit for the consolidated Gold Assets**

Gold production peaks at 253 koz in 2022 and declines thereafter due to reducing annual production. The reduction in annual production reflects the extent of the declared Mineral Reserves, which are expected to be replaced each year as mining opens up new areas.

Unit cost of production averages ZAR967/t milled during the first four years, increasing thereafter as the annual production rate decreases.

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Table 8.2: Consolidated TEM for the Gold Assets

Item	Units	Totals	H2-2019 (6 months)	2020	2021	2022	2023	2024	2025
<b>Tonnes milled</b>	<b>(Mt)</b>	<b>17.58</b>	<b>1.71</b>	<b>3.50</b>	<b>3.63</b>	<b>3.75</b>	<b>2.72</b>	<b>1.23</b>	<b>1.03</b>
Tau Lekoa	(Mt)	2.24	0.28	0.62	0.56	0.44	0.34	0.00	0.00
Kopanang	(Mt)	4.82	0.38	0.75	0.76	0.76	0.74	0.72	0.71
Buffels	(Mt)	8.45	1.05	2.10	2.10	2.10	1.10	0.00	0.00
Weltevreden	(Mt)	2.07	0.00	0.03	0.20	0.45	0.55	0.51	0.32
<b>Gold Produced</b>	<b>(koz)</b>	<b>1 326</b>	<b>111</b>	<b>225</b>	<b>234</b>	<b>252</b>	<b>224</b>	<b>145</b>	<b>134</b>
Tau Lekoa	(koz)	287	40	83	66	58	41	0	0
Kopanang	(koz)	711	56	110	119	120	111	92	103
Buffels	(koz)	121	15	30	30	30	16	0	0
Weltevreden	(koz)	207	0	3	19	44	56	53	31
Recovered Au grade	(g/t)	2.35	2.02	2.00	2.00	2.09	2.56	3.66	4.05
Hedge contract gain/(loss)	(ZARm)	147	147						
<b>Total Revenue (incl. hedge)</b>	<b>(ZARm)</b>	<b>22 833</b>	<b>2 052</b>	<b>3 850</b>	<b>3 995</b>	<b>4 315</b>	<b>3 835</b>	<b>2 487</b>	<b>2 298</b>
Employment Costs	(ZARm)	9 081	866	1 731	1 585	1 584	1 418	955	943
Stores	(ZARm)	2 701	235	480	479	476	432	304	294
Electricity & Water	(ZARm)	2 078	175	340	354	374	357	251	229
Surface Transport	(ZARm)	617	57	116	126	138	100	45	34
Plant treatment costs	(ZARm)	2 861	318	539	552	566	465	221	199
AGA Royalty	(ZARm)	256	21	44	44	53	52	27	16
State Royalty	(ZARm)	207	9	19	24	54	42	22	36
Other costs	(ZARm)	1 414	149	286	271	236	221	122	121
Reversal - capital development	(ZARm)	(918)	(154)	(261)	(125)	(121)	(150)	(86)	(20)
<b>Operating Costs</b>	<b>(ZARm)</b>	<b>18 297</b>	<b>1 676</b>	<b>3 294</b>	<b>3 309</b>	<b>3 360</b>	<b>2 935</b>	<b>1 862</b>	<b>1 852</b>
Operating Profit	(USDm)	1 299	119	234	235	239	208	132	131
<b>Capital Costs</b>	<b>(ZARm)</b>	<b>2 530</b>	<b>215</b>	<b>642</b>	<b>566</b>	<b>400</b>	<b>331</b>	<b>250</b>	<b>126</b>
Tau Lekoa	(ZARm)	481	70	176	142	47	46	0	0
Kopanang	(ZARm)	966	80	202	196	190	143	109	47
Buffels	(ZARm)	0	0	0	0	0	0	0	0
Weltevreden	(ZARm)	1 083	65	263	229	163	143	142	79
All-in sustainable cost (AISC)	(ZARm)	20 827	1 891	3 935	3 875	3 760	3 267	2 112	1 978
All-in sustainable cost (AISC)	(USDm)	1 479	134	279	275	267	232	150	140
<b>Unit Costs</b>									
Cash operating cost	(ZAR/t milled)	1 041	981	941	913	896	1 078	1 510	1 794
Cash operating cost	(USD/oz produced)	979	1 068	1 039	1 006	946	929	909	979
AISC cost	(ZAR/t milled)	1 184	485	471	456	428	421	412	444
AISC cost	(USD/t milled)	84	1 107	1 124	1 069	1 003	1 199	1 713	1 916
AISC cost	(USD/oz produced)	1 115	1 205	1 241	1 178	1 058	1 034	1 032	1 045
Tax payable	(ZARm)	72	0	0	0	0	0	8	64
<b>AISC profit / (loss)</b>	<b>(ZARm)</b>	<b>1 934</b>	<b>161</b>	<b>(85)</b>	<b>120</b>	<b>556</b>	<b>569</b>	<b>366</b>	<b>256</b>
	<b>(USDm)</b>	<b>137</b>	<b>11</b>	<b>(6)</b>	<b>9</b>	<b>39</b>	<b>40</b>	<b>26</b>	<b>18</b>

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### 8.3 Sensitivity Analysis Consolidated TEM

The NPV of the post-tax cash flows at different discount rates in ZARm and USDm terms are set out in Table 8.3. The post-tax cash flows in Table 8.2 are converted from the ZAR values into USD terms at the exchange rate ruling at the Effective Date of this CPR. Derivation of the Company's real WACC of 9.5% is discussed in Section 4.17.1.

**Table 8.3: NPV sensitivity of consolidated post-tax cash flows at different discount rates**

Real Discount Rate	(ZARm)	(USDm)
0.0%	1 932	137.1
6.0%	1 549	110.0
8.0%	1 445	102.6
<b>9.5% (WACC)</b>	<b>1 374</b>	<b>97.5</b>
10.0%	1 351	95.9
11.0%	1 308	92.8
12.0%	1 266	89.9
14.0%	1 189	84.4

The overall NPV<sub>9.5%</sub> is ZAR1 374 million (USD97.5 million) excluding any upside that may be realised from toll treating operations of third-party ores or alternative surface sources. The average operating margin is 20% over the LoM. The company is exposed in the event that the gold price declines in ZAR terms. However, the Company has some ability to offset this exposure through the incorporation of Inferred Resources into the LoM. The twin sensitivity of the post-tax NPV<sub>9.5%</sub> to changes in revenue and operating cost per the Consolidated TEM for the Gold Assets is set out in Table 8.4. The impact of the spot gold price at the Effective Date on the financial result can be seen in Table 8.4.

**Table 8.4: Twin-sensitivity of consolidated NPV<sub>9.5%</sub> to changes in revenue and operating cost**

		Revenue Sensitivity					
	ZAR/kg	440 000	495 000	550 000	605 000	638 110	660 000
		-20.0%	-10.0%	0.0%	10.0%	16.0%	20.0%
Operating Cost Sensitivity	-20.0%	683	2 459	4 236	6 013	7 083	7 790
	-10.0%	( 748)	1 028	2 805	4 582	5 652	6 359
	0.0%	(2 179)	( 403)	1 374	3 151	4 220	4 928
	10.0%	(3 611)	(1 834)	( 57)	1 720	2 789	3 496
	20.0%	(5 042)	(3 265)	(1 488)	289	1 358	2 065

The twin sensitivity of the post-tax NPV<sub>9.5%</sub> to changes in Capex and operating cost per the Consolidated TEM for the Gold Assets is set out in Table 8.5.

**Table 8.5: Twin-sensitivity of consolidated NPV<sub>9.5%</sub> to changes in capital and operating cost**

		Capital Cost Sensitivity				
		-20.0%	-10.0%	0.0%	10.0%	20.0%
Operating Cost Sensitivity	-20.0%	4 644	4 440	4 236	4 032	3 828
	-10.0%	3 213	3 009	2 805	2 601	2 397
	0.0%	1 782	1 578	1 374	1 170	966
	10.0%	351	147	( 57)	( 261)	( 465)
	20.0%	(1 080)	(1 284)	(1 488)	(1 692)	(1 896)

Key economic risks include:

- Stronger ZAR:USD exchange rate leading to a reduction in revenue;
- Lower USD gold price leading to lower revenue; and
- Higher inflation, particularly power and labour, leading to higher Opex and lower profitability.

The average margin for the group is relatively low, leaving limited room to absorb sustained lower prices. It is possible that variations in either or both of the exchange rate and USD gold price could threaten the viability

of the company. There is limited recourse to mitigate the risk at source. Hedging is possible and forward cover can be taken out for the exchange rate. However, it is also possible that both the price and exchange rate can move favourably, improving the outlook for the company and facilitating further development.

Labour and power costs are likely to increase faster than inflation. Margins in the company are already low and this can adversely impact profitability although it is not expected to threaten the viability of the company. However, if combined with adverse price movements, it could jeopardise profitable operation.



## 9 CONCLUSIONS AND RECOMMENDATIONS

[SR7.1(ii)]

### 9.1 Geology and Mineral Resources

#### 9.1.1 Deposit Type

The Witwatersrand gold deposits are of the “Quartz Pebble Conglomerate Au-U type”. These are also referred to as “placer gold and uranium in ancient conglomerate”, or “palaeo-placer gold and uranium” deposits. The mineralised horizons, or reefs, are essentially oligomictic to polymictic, matrix- to pebble-supported conglomerate in which vein quartz pebbles predominate. The matrix, which essentially is quartzitic, accommodates the gold and uraninite largely as disseminated clastic particles.

The mode of the gold and uranium mineralisation has been widely debated over the last 126 years. However, the Modified Placer (the gold and associated minerals were deposited as detrital components within fluvial fans and braided stream systems, derived from a granite/greenstone hinterland provenance, but with limited hydrothermal re-distribution of gold occurred during diagenesis and low-grade greenschist facies metamorphism) is favoured.

A geological model is employed to delineate variations (either lateral or vertical) in characteristics of the VR and C Reef. The current geological model thus subdivides the VR and C Reef into homogeneous zones based on geological, sedimentological and grade characteristics.

#### 9.1.2 Mineralisation

The gold-bearing quartzitic and conglomerate bands of the Witwatersrand Supergroup are characterised by rounded pebbles set in a mineralogically complex matrix. The pebbles are predominantly vein quartz, but can include jasper, quartzite, shales and schist, and typically do not contain appreciable mineralisation. The VR and C Reef are examples of the reefs characterised by discontinuous layers of kerogen at their base. There is a strong association between the kerogen and gold, which is found on its surface, as well as filling cleats and open spaces between filaments. There are two main varieties of gold. One is (possibly) primary gold, occurring as rare inclusions in detrital grains of massive pyrite, or as detrital grains and nugget like particles in the matrix. The second is a younger generation, possibly the result of metamorphism and recrystallization virtually in situ, which seems to have replaced fine-grained matrix material.

#### 9.1.3 Mineral Resources

The Mineral Resource estimation is undertaken using an approach developed by the previous owners of the operation, which has been tested, validated, and modified over several years. On the VR, aside from the far western estimation domains, the style of estimation is predominantly interpolation of areas surrounded by dense chip sampling data. In the 460 W domain, some extrapolation of grades away from dense data is necessary. The estimation domains have been adopted based on sedimentology, channel thickness, grade and footwall stratigraphy. These have been shown to be relatively robust and change little from year to year. The C Reef domains are less robust but are also based on the vertical architecture of the conglomerate horizon. Because there is little mining and exploration undertaken on the C Reef, there is also little change from year to year in the estimation domains.

The estimation approach is relatively complex, and uses a combination of OK, SK and three parameter compound lognormal MK into progressively larger block sizes as the distance from the data increases. Kopanang undertake a range of validations on the estimates, and the reconciliations over time have shown the estimates to be relatively robust. SRK undertook independent validations of the estimates, and support the results as presented.

### 9.2 Geotechnical Aspects

The overall impression of both Tau Lekoa and Kopanang is that from a geotechnical perspective they are well run with the appropriate mitigation measures and strategies in place to contain both the rockfall and rockburst hazards.

The mining strategies for the business plan on both mines are comprehensive and provide viable strategic requirements for each of the mining areas and geotechnical ground control districts.

The potential of mining IBGs at Tau Lekoa has been realised with the appropriate risk mitigation factors in place. At Kopanang the potential of mining IBGs does exist. However, each of the IBGs needs to be assessed in a similar fashion to the IBG mining at Tau Lekoa mine before they can be put into the business plan.

The PFS mining layout for Weltevreden appears to be correct for this shallow depth of mining where barriers pillars and in panel pillar are appropriately designed. This design can be conservative due to the pillar strength factor assumed to be 0.3 of the uniaxial rock strength. This is adequate for a PFS level of study. However, an opportunity exists to optimise this result by using the rock mass rating and calculating a designed rock mass strength to be used as K.

All the aspects regarding ground control such as tunnel support and in stope support at Weltevreden have been assessed and the requirements have been incorporated into the mine design and support strategies in the PFS.

No geotechnical issues were identified for Weltevreden during this review.

### 9.3 Hydrogeology and Hydrology

A WUL is available for the entire VRO and this WUL will need to be divided into separate licenses for the different operations. HSG submitted an application in March 2019 to divide this WUL into a separate licence for Kopanang, which includes a challenge against the conditions relating to water quality within the tailings circuit. HSG has met with the Department of Water and Sanitation (**DWS**) to formalise the process. HSG is still awaiting feedback from the DWS.

The quality of groundwater at the VRO has been severely impacted by mine operations over the last 100 years. No baseline information is available.

The quality of groundwater at the VRO has been severely impacted by mine operations over the last 100 years. No baseline information is available.

It is evident that median groundwater quality is currently not fit for any use. The deposition of sulphite and SO<sub>4</sub> minerals as tailings on TSFs followed by the oxidation of this material by water and air result in Saline Rock Drainage (**SRD**). In the Vaal River the pH of the draining groundwater is buffered by the presence of carbonates in dolomite in the base rock of the TSFs. The CaCO<sub>3</sub> in dolomite neutralize the acid, but the salts are still mobilized to contribute to saline rock drainage.

There are numerous pollution control measures that are required to meet compliance of the WUL conditions. These items were identified in numerous audits and internal compliance audits. The following capital items are needed to meet the compliance for the carved-out assets:

- Separation of clean and dirty water at the shaft complexes;
- Remediation of pollution plumes which have been identified; and
- Treatment of any post closure decant.

### 9.4 Mining and Mineral Reserves

The mining methods applied at Kopanang and Tau Lekoa have been proven over many years of production operations at the mines. SRK believes the selected mining methods are appropriate for the characteristics of the narrow reefs mined.

The Mineral Reserves are derived only from the Measured and Indicated categories of Mineral Resources. This approach to the conversion of Mineral Resources to Reserves is consistent with the requirements of the SAMREC Code.

The applied modifying factors and planning parameters take cognizance of the historically achieved actuals.

#### 9.4.1 Kopanang

The actual Mine Call Factor (MCF) realised by the mine from January to June 2019 was 72%. The 68% applied in the LoM plan is based on what was historically achieved by AGA. The plant recovery is planned at 95% but currently 92% is achieved. SRK believes if the metallurgical process is run according to AGA standards the situation will improve.

### 9.4.2 Tau Lekoa

- The duration of the LoM plan based on the Measured and Indicated categories of Mineral Resources is less than five years; and
- SRK proposes that a study be conducted to mine the shaft pillar to extend the LoM. The level of confidence in the planning parameters should be improved to also minimise the risks associated with the mining of the pillar.

## 9.5 SRK audited Consolidated Mineral Resources and Mineral Reserves

SRK has verified the calculations of the cut-off grades for the respective assets and is satisfied with these thresholds. These calculations are premised on HSG's philosophy of attaining a 30% and 20% operating margin at Kopanang and Tau Lekoa Group respectively.

With respect to all the Gold Assets, the Mineral Reserves are derived only from the Measured and Indicated categories of Mineral Resources.

The consolidated SRK-audited Mineral Resources and Mineral Reserves for the Gold Assets, estimated and classified in accordance with the 2016 Edition of "The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (The SAMREC Code) at 30 June 2019, are set out in Table 9.1.

The Mineral Resources are quoted inclusive of the Mineral Reserves.

A Mineral Resource is not a Mineral Reserve, and there is no guarantee that all or part of it will be converted to a Mineral Reserve.

**Table 9.1: SRK-Audited Consolidated Mineral Resource and Mineral Reserve Statement for the Gold Assets at 30 June 2019 (100% gross basis)**

Mineral Resources				Mineral Reserves			
Category	Quantity (Mt)	Au Grade (g/t) <sup>2, 4</sup>	Contained Au (Moz) <sup>5</sup>	Category	Quantity (Mt)	Au Grade (g/t)	Contained Au (Moz)
Measured	8.52	9.41	2.58	Proved	3.21	4.76	0.49
Indicated	28.46	4.88	4.47	Probable	14.38	2.04	0.94
<b>Total (M &amp; I)</b>	<b>36.97</b>	<b>5.93</b>	<b>7.04</b>	<b>Total (Proved &amp; Probable)</b>	<b>17.59</b>	<b>2.54</b>	<b>1.43</b>
Inferred	56.96	5.97	10.93				
<b>Total (M&amp;I&amp;I)</b>	<b>93.94</b>	<b>5.95</b>	<b>17.98</b>				

Notes:

<sup>1</sup> All figures are rounded to reflect the relative accuracy of the estimate.

<sup>2</sup> Kopanang Mineral Resources are reported above a gold cut-off grade of 500 cm.g/t, which was derived using a gold price of ZAR700 000/kg of gold, an operating cost of ZAR2 293.8/t milled and Mine Call Factor - VR of 68% and C Reef of 60% and Plant Recovery Factor of 95%.

<sup>3</sup> Milling width is 161 cm for Kopanang

<sup>4</sup> Weltevreden Mineral Resources are reported above a gold cut-off grade of 387 cm.g/t, which was derived using a gold price of ZAR700 000/kg of gold, an operating cost of ZAR1 052/t milled and MCF of 84% and PRF of 94%. The rest of the Tau Lekoa Group Mineral Resources are reported at a gold cut-off grade of 400 cm.g/t using the same gold price as Weltevreden and an operating cost of ZAR 1 924/t milled, with 80% MCF and 94% PRF.

<sup>5</sup> troy oz = 31.1034768 g.

<sup>6</sup> Cut-off for Tau Lekoa Mineral Reserves is 488 cm.g/t at a gold price of ZAR550 000/kg.

<sup>7</sup> Trammings width is 177 cm and Milling width is 188 cm.

<sup>8</sup> In-situ cut-off for Weltevreden Mineral Reserves is 429 cm.g/t at a gold price of ZAR 550 000/kg, applied over a mine design and schedule for a 7 Year LoM at 40 ktpm from steady state mining.

<sup>9</sup> No cut-off was applied to Buffels 10 Shaft Rock Dump as entire dump is planned to be mined.

<sup>10</sup> Average grade of Buffels 10 Shaft Rock Dump based on two and half years mine grade determined from RoM grade.

<sup>11</sup> Production rate is 175 ktpm and feed grade of 0.49 g/t is based on a screening plant yield of 55% and screening plant waste grade of 0.044 g/t for Buffels Reserves.

<sup>12</sup> M & I – Measured and Indicated Resources.

<sup>13</sup> M&I&I – Measured, Indicated and Inferred Resources.

## 9.6 Ventilation and Cooling

Kopanang and Tau Lekoa have sufficient ventilation and refrigeration capacity to maintain current production levels during the next 5 years.

## 9.7 Metallurgy Mineral processing

### 9.7.1 Nicolor Gold Plant

LoM throughput is planned at 2.1 Mtpa, which is within the rated capacity of 2.2 Mtpa. There is accordingly limited catch up capacity, should throughput not be achieved in any period.

Planned throughput is seen to be in line with the best achieved in recent years. It should be noted that the planned tonnage will be derived solely from the #10 Dump material for the LoM. The availability of third-party material is uncertain and erratic, and has therefore been excluded for evaluation purposes.

There are no capital projects planned at the Nicolor Gold Plant. The LoM Plan allows for sustaining Capex at 7.5% of Opex. This equates to approximately ZAR20 million per year, which is considered to be reasonable.

It is informative to note that water costs contribute 8% to total processing costs, compared to 0.2% at West Gold Plant. This is principally due to the need to purchase water for the operation of the Nicolor Plant, as the tailings disposal contract with MWS does not allow for the return of tailings transfer water to Nicolor.

### 9.7.2 West Gold Plant

Current plant capacity is estimated at 160 ktpm. It was reported that in order to achieve the rated milling capacity of 180 ktpm, it will be necessary to recommission the secondary ball mill which is not currently in operation.

Planned throughput is seen to be highly variable but generally below rated milling capacity of 2.2 Mtpa once the secondary ball mill is recommissioned.

Planned gold production is seen to be highly variable in line with the variable feed tonnage.

Investigations undertaken by SRK a number of years ago, concluded that the practice of allocating gold in proportion to the measured gold received from each feed source, would favour Kopanang at the expense of Tau Lekoa. It is understood that similar accounting discrepancies are presently being experienced at West Gold Plant. Further investigation is accordingly recommended.

There are no capital projects planned at the West Gold Plant. The LoM Plan allows for sustaining Capex at 7.5% of Opex. This equates to approximately ZAR16 million per year, which is considered to be reasonable.

### 9.7.3 Weltevreden

The main gold reef at Weltevreden is the VCR. The metallurgy of this deposit is likely to be very similar to Tau Lekoa. HSG commissioned a programme of comparative leach testwork at Mintek and indications are that the leach characteristics of the Weltevreden Domain 5 sample were similar to the Tau Lekoa Geozone 5 sample. Further investigation would be required to predict recovery with greater confidence, but results of this single sample indicate a recovery of 95% for Weltevreden Domain 5.

Weltevreden ore will be processed in the existing West Gold plant and no specific Capex is anticipated.

Opex is likely to be very similar to that achieved on Tau Lekoa and Kopanang ore in the West Gold Plant.

## 9.8 Capital and Operating Costs

The Capex for the operations are considered reasonable and consist mostly of ORD and Sustaining Capital provisions. The capital indicated for Goedgenoeg is not currently supported by a study document and has not been reviewed.

## 9.9 Tailings Disposal

Tailings disposal from West Plant will utilise AGA's existing TSFs as discussed in section 6.13. SRK understands that all tailings from Nicolor (the Buffels South plant) will be disposed of on AGA's new mega TSF.

The ownership of and risk in the tailings sent to the TSFs pass automatically to AGA once the tailings have been deposited on the TSFs. SRK thus assumes that all operations, adherence to CoPs, regular audit/monitoring reports, rehabilitation, etc of the TSFs is AGA's sole responsibility and liability.

AGA has the right to refuse tailings from the West Plant where the tailings are derived from ores other than Kopanang, Tau Lekoa or other reef projects.

With HSG's seven-year LoM, the risk that AGA would no longer be able to receive tailings from West Plant is low.

### 9.10 Infrastructure and Engineering

Generally, the electrical, communications and control infrastructure for the Gold Assets has enough capacity to supply the requirements for the LoMs of the respective operations. It is recommended that continuous monitoring of power consumption at Nicolor Plant be carried out, and reference be made to the NMD rules to determine if it is necessary to apply for an increase in NMD, should the consumed power be continuously above the agreed NMD. The medium voltage reticulation single line diagram should be updated to the "As Built" status as soon as possible, to ensure safe operation of electrical equipment.

The general infrastructure on surface and underground of the existing operations and the Weltevreden Project is adequate to support the LoM plan.

### 9.11 Human Resources

Although Union rivalry has been observed elsewhere in the South African mining industry, SRK does not regard this as a significant risk factor to the operations as industrial relations are well managed at the Company. The relationship between the various trade unions and management appear to be cordial and not hostile. There is a well-defined dispute resolution mechanism in place at the HSG operations.

The operations at HSG are adequately staffed to deliver on the LoM plan.

Both the Kopanang and Tau Lekoa operations exceed the targets set for employment equity and women in mining plans.

HIV and AIDS does not present a material risk factor to the operations of HSG and the achievability of the LoM plan.

Although the internal company policies and procedures governing the management of HR at the HSG operations were not evaluated in detail, SRK considers that HSG is generally compliant with its policies and relevant legislation. The HR department is adequately staffed to support the operations of HSG.

Non-compliances that present material risk factors to the operations and the business are addressed as they occur in an expeditious manner. The controls in the HR function are in place and effective.

The SRK review has not identified material HR related risks factors that will impact the LoM plans negatively.

### 9.12 Occupational Health and Safety

#### 9.12.1 Safety

- In terms of the of the safety statistics from 2002 to 2016, the all injury frequency rate reduced from 53.55 to 12.45, a 77% improvement and the number of fatal injuries from 20 to 1, a 95% improvement and commendable achievement;
- In spite of a sustained effort by the mines to reduce injuries, the Gold and Platinum industry experienced a significant increase in stoppages during the past three years. The increased stoppages impact on revenue at a time when the industry cannot afford it. Application of Section 54's by inspectors is questionable. Mines are forced to get questionable Section 54's turned over, by taking the DMR to court. A recent court ruling in favour of Kopanang is an indication that Section 54's are in many instances improperly applied by the DMR; and
- In terms of emergency preparedness, the mines are well placed to handle emergencies.

#### 9.12.2 Occupational Health

- The mines have an industry leading silica dust suppression program in place. The decline in the number of diagnosed silicosis cases is proof that employee exposure to silica dust is decreasing. A target of zero diagnosed cases should be achievable; and
- In spite of extensive noise control initiatives, the expectation would be that the number NIHL cases would be on the decrease. Although the number of diagnosed cases have reduced in the past ten years, there have been fluctuations since 2014. Non-occupational or social exposure to noise may be a probable cause. Unfortunately, noise exposure (occupational or non-occupational) remains a liability to the company.

## 9.13 Environmental, Social Impact and Permitting

### 9.13.1 Kopanang

Kopanang and associated West Gold Plant is well run from an environmental perspective. The mine has an approved EMPR. WUL and AEL licences are in existence as part of the previous VRO operations but need to be transferred to KGM. A WUL application for Kopanang and West Gold Plant was submitted to DWS on 12 March 2019. An AEL application for West Gold Plant was submitted on 14 December 2018. In addition to this, a section 22A application in terms of the NEM:AQA was submitted on 28 March 2019. A provisional AEL has since been received but feedback from DWS on the WUL is still pending.

There are currently no land claims over the farms within the Mining Right Area.

No pre-directives or directives have been issued to the mine but any of the environmental authorities to date. The mine has an appointed Environmental Control Officer and is currently implementing a limited management system to ensure that it can meet its permit obligations. It is imperative that the mine demonstrates good environmental performance especially regarding water management and dust control to avoid DMR censure, directives and/or fines for non-compliance with EMP commitments.

Kopanang has developed a SLP (2018-2022), which was approved by the DMR on 11 July 2018.

### 9.13.2 Tau Lekoa

The surface infrastructure areas at the Tau Lekoa require general housekeeping and maintenance. The stormwater system is currently blocked with litter and other debris and it is evident that this has not been maintained. Evidence of alien invasive was also present on the site. The mine has an approved EMPR and a COR from the NNR. However, a WUL application has been lodged with the DWS. SRK understands that Tau Lekoa's water activities are therefore deemed to be authorised, pending any conditions that may be attached to the WUL once issued. Groundwater and surface water monitoring is taking place. No WML or AEL is required for the Tau Lekoa Mining Operation. There are currently no land claims over the farms within the Mining Right Area. No pre-directives or directives have been issued to the mine by any of the Environmental authorities to date. The mine needs to put in place the necessary management structures and systems to ensure that it can meet its permits obligations – an Environmental Control Officer (**ECO**) has been appointed for the mine. Joan Projects is contracted to assist with environmental management at Tau Lekoa.

It is imperative that the mine demonstrates good environmental performance especially regarding water management and dust control to avoid DMR censure, directives and/or fines for non-compliance with EMP commitments.

Tau Lekoa has submitted a SLP which covers the mining rights for Weltevreden (NW30/5/1/2/2/17MR) and Jonkerskraal (FS30/5/1/2/2/03 MR) for 2016 to 2020. The SLP forms part of requirements of the MPRDA. The SLP requires compliance with all relevant skills development legislation, including the Skills Development Act (No. 97 of 1998), Skills Development Levies Act (No. 9 of 1999), EEA and the LRA. The SLP for Tau Lekoa was approved on 18 February 2019 and a SLP Annual Report was submitted to the DMR on 12 March 2019.

### 9.13.3 Weltevreden

This project currently consists of a partial decline with no surface infrastructure or mining activities taking place. The Weltevreden Project forms part of the Tau Lekoa Mining Right and therefore when construction and operation commences, the Tau Lekoa environmental authorisation will need to be assessed to determine if any amendments are required to consider the Weltevreden expansion. It is anticipated that the environmental management will form part of the management conducted for Tau Lekoa.

### 9.13.4 Nicolor Plant

The Nicolor plant is currently being rehabilitated and based on the areas viewed during the site visit, rehabilitation is proceeding very well. Nicolor Plant has no environmental authorisations in place. However, the EMP, as part of the Section 102 Application, is scheduled to be submitted by the end of May 2019. The AEL and WUL applications were submitted in March 2019. The AEL application was denied and the mine was requested to submit a Section 22A application instead. Two provisional AEL's have since been received, one for the plant and another for the assay laboratory. The process/stormwater system is being upgraded and maintenance improved.



There are currently no land claims over the property.

No pre-directives or directives have been issued to the plant by any of the environmental authorities to date. The plant needs to put in place the necessary management structures and systems to ensure that it can meet its permits obligations – an ECO has been appointed for the plant and Joan Projects is contracted to assist with environmental management and auditing at Nicolor. It is imperative that the plant demonstrates good environmental performance especially regarding water management and dust control to avoid DMR censure, directives and/or fines for non-compliance with EMP commitments.

HSG advised SRK that it is not required to submit a revised SLP for Buffels and/or Nicolor to the Regional Manager, pending completion of the closure process for Buffels.

### 9.14 Mine Closure and Liabilities

The level of accuracy of the closure liabilities is variable for the different operations, however, SRK is of the opinion that the estimates are in the correct order of magnitude. Insufficient evidence has been provided that the provisions for closure are in place to ensure legal compliance for all the operations. SRK recommends that a standardised approach be undertaken to estimating the liability and the required provision are made to the DMR.

The potential liability for post closure water management has not yet been determined at the mining operations as the strategy has not yet been determined. SRK recommends that the operations participate in the regional strategy for post closure water management and the potential liability for this be estimated and provision made as both the Capex and Opex could be significant.

### 9.15 Economic Analysis

The Company is predicted to generate a positive operating profit in each year of the LoM, which is based only on Proved and Probable Mineral Reserves derived from the Measured and Indicated Resources, the base case macroeconomic assumptions and the other relevant modifying factors. The TEM supports the declaration of a Mineral Reserve.

The Company entered into a forward hedge contract in February 2019 for 60 koz of gold production, of 29.8 koz had been delivered by end June 2019. The Company entered into another contract for 39 koz during May/June for delivery before the end of 2019. The net gain to the Company from the 69.2 koz of forward gold sales still to be delivered has been taken into account in the consolidated group level results and amounts to ZAR147 million.

Any ore from toll arrangements or other sources has been excluded from the TEM for evaluation purposes, since there is no guarantee that the tonnes from these ore sources are sustainable for the LoM.

All ore from Kopanang, Tau Lekoa and Weltevreden is processed through the West Plant, while the #10 Dump material is processed through the Nicolor Plant.

The AISC production costs from West Plant are allocated to Kopanang, Tau Lekoa and Weltevreden according to the proportions of the respective ore tonnages fed to the plant. The Nicolor Plant AISC cost is recovered in full from Buffels.

The NPV of the constant post-tax cash flows at different discount rates in ZARm and USDm terms are set out in Table 9.2. The post-tax cash flows in Table 8.2 are converted from the ZAR values into USD terms at the exchange rate ruling at the Effective Date of this CPR.

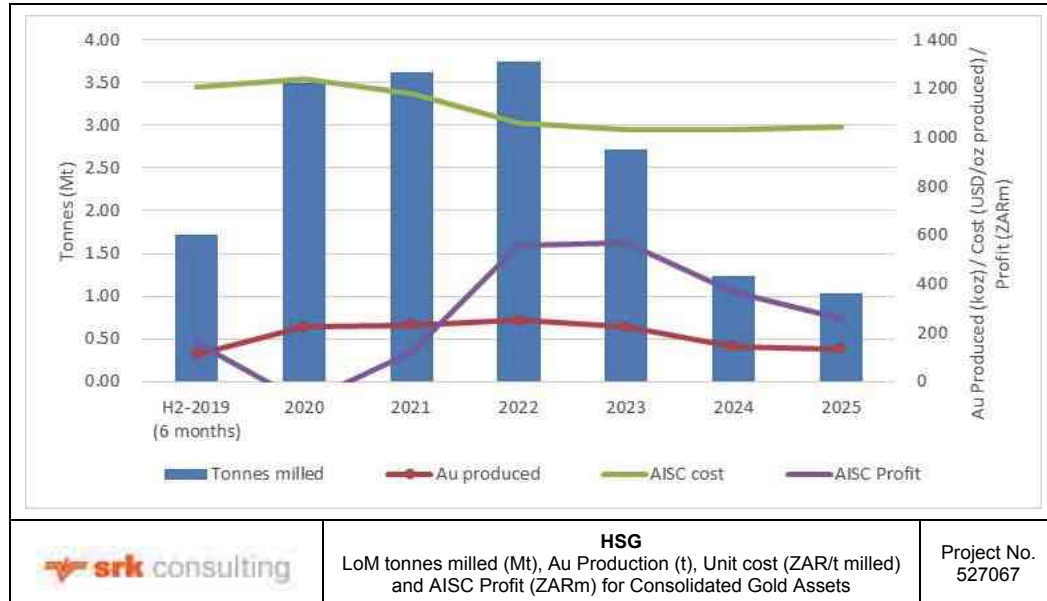
**Table 9.2: NPV sensitivity of consolidated post-tax cash flows at different discount rates**

Real Discount Rate	(ZARm)	(USDm)
0.0%	1 932	137.1
6.0%	1 549	110.0
8.0%	1 445	102.6
<b>9.5% (WACC)</b>	<b>1 374</b>	<b>97.5</b>
10.0%	1 351	95.9
11.0%	1 308	92.8
12.0%	1 266	89.9
14.0%	1 189	84.4



Gold production peaks at 253 koz in 2022 (Figure 9.1) and declines thereafter due to reducing annual production. The reduction in annual production reflects the extent of the declared Mineral Reserves, which are expected to be replaced each year as mining opens up new areas.

Unit cost of production averages ZAR967/t milled during the first four years (Figure 9.1), increasing thereafter as the annual production rate decreases.



**Figure 9.1: LoM tonnes milled, Gold Production, Unit cost and AISC profit for the consolidated Gold Assets**

The twin sensitivity of the post-tax NPV<sub>9.5%</sub> to changes in revenue and operating cost per the Consolidated TEM for the Gold Assets is set out in Table 9.3. The impact of the spot gold price at the Effective Date on the financial result can be seen in Table 9.3.

**Table 9.3: Twin-sensitivity of consolidated NPV<sub>9.5%</sub> to changes in revenue and operating cost**

		Revenue Sensitivity						
		ZAR/kg	440 000	495 000	550 000	603 700	605 000	660 000
			-20.0%	-10.0%	0.0%	9.8%	10.0%	20.0%
Operating Cost Sensitivity	-20.0%	683	2 459	4 236	6 013	7 083	7 790	
	-10.0%	( 748)	1 028	2 805	4 582	5 652	6 359	
	0.0%	(2 179)	( 403)	1 374	3 151	4 220	4 928	
	10.0%	(3 611)	(1 834)	( 57)	1 720	2 789	3 496	
	20.0%	(5 042)	(3 265)	(1 488)	289	1 358	2 065	

Key economic risks include:

- Stronger ZAR:USD exchange rate leading to a reduction in revenue;
- Lower USD gold price leading to lower revenue; and
- Higher inflation, particularly power and labour, leading to higher Opex and lower profitability.

The average margin over the LoM for HSG is 19%, which is relatively low, leaving limited room to absorb sustained lower prices. It is possible that variations in either or both of the exchange rate and USD gold price could threaten the viability of the company. There is limited recourse to mitigate the risk at source. Hedging is possible and forward cover can be taken out for the exchange rate. However, it is also possible that both the price and exchange rate can move favourably, improving the outlook for the company and facilitating further development.

Labour and power costs are likely to increase faster than inflation. Margins in the company are already low and this can adversely impact profitability although it is not expected to threaten the viability of the company. However, if combined with adverse price movements, it could jeopardise profitable operation.

The overall NPV<sub>9.5%</sub> is ZAR1 413 million (USD98 million) excluding any upside that may be realised from toll treating operations of third-party ores or alternative surface sources. The company is exposed in the event that the gold price declines in ZAR terms. However, the Company has some ability to offset this exposure through the incorporation of Inferred Resources into the LoM.

## 9.16 Risk and Opportunities

### 9.16.1 Environmental and Social

#### Kopanang

Based on available information reviewed, the following risks are relevant to Kopanang:

- Onerous conditions in the existing VMR WUL which needs to be amended and transferred to the Kopanang operations. The WUL application has been submitted to the DWS;
- Limited EMS system in place to manage environmental risk;
- Limited understanding of the groundwater and surface water baseline;
- Instances of community unrest have already been noted at the operations, therefore, there is potential unrest and strike action from employees and communities as a result of labour processes associated with downscaling and unmet labour union expectations; and
- Due to Kopanang being a loss-making operation, there is potential protest action due to discontent regarding the restructuring of the BEE agreements and lack of dividends from BEE shares.

While the above risks have been identified, Kopanang has an appointed ECO who is managing environmental risk on site. The WUL application has been submitted to the DWS. The new WUL will contain conditions which are specific to Kopanang and less onerous to comply with. HSG has started the process of compiling an EMS for Kopanang. HSG is saving all monitoring results and other environmental documentation on the server. The ECO understands the importance of conducting groundwater and surface water baseline surveys and these have commenced.

Kopanang should review their existing policies and procedures and confirm whether it sufficiently addresses the key community concerns of recruitment and the procurement of supplies and services. Since the external recruitment provider, TEBA, is required to comply with Kopanang Recruitment Policy, their adherence to Kopanang policies and procedures should be audited and improved where possible.

Currently, there is no evidence of any other stakeholder engagement taking place with local communities. Kopanang should fill the vacancies in their Sustainable Development Department and assign clear roles and responsibilities for managing social related risks. In order to develop a strong organisation culture, Kopanang should ensure that roles, responsibilities, and authority be defined for persons responsible for the management of social risks. Key social responsibilities should be well defined and communicated to the relevant personnel and to the rest of the staff. Kopanang should ensure that sufficient budget and support is provided to achieve effective and continuous social performance. For projects posing potentially significant adverse impacts or where technically complex issues are involved, Kopanang may be required to involve external experts to assist in the risks and impacts identification process.

Although there is a grievance register available at the security gate, Kopanang should strengthen the grievance mechanism to ensure that community complaints are placed on a social risk register, in order to allow for the monitoring and tracking of these risks. Linked to this, Kopanang could develop social management programmes that, in sum, will describe mitigation and performance improvement measures and actions that address the identified social risks and impacts of the project.

Going forward, Kopanang's social performance will depend on the effective management of the high level of expectations between the authorities, local government and communities. The mine therefore needs to continue ensuring that it has the requisite human and financial resources to honour its social commitments in terms of the Mining Charter and SLP, to monitor and proactively address its social risks and to maintain healthy relations with stakeholders across all levels.

The establishment of a BEE shareholding mechanism as well as engagement with community forums and commitment towards LED projects should, however, assist in establishing good relations with the affected communities.

#### **Tau Lekoa**

Key risks include:

- Limited EMS system in place to manage environmental risk; and
- Poorly managed surface water system.

Since an ECO has recently been appointed, the aspects such as the clogged stormwater system and evidence of alien invasive species as well as general housekeeping issues will be managed. An EMS will also assist with managing environmental impact and risk and will ensure that regular audits are done in order to identify risks before they have a significant impact on the environment. Tau Lekoa has submitted its WUL application which will reduce the risk of being issued with a directive and potentially being instructed to cease operations. Given that, an ECO has recently been appointed, surface water baseline monitoring can be conducted regularly. Given that, an ECO has recently been appointed, surface water baseline monitoring can be conducted regularly.

From reviewed documents it appears as though Tau Lekoa has several leases signed on Goedgenoeg 433IP, which expired in 2009 and 2010. There is therefore uncertainty of security of tenure as many lease agreements have lapsed. There is a risk that Tau Lekoa would be unable to access existing infrastructure should the lease agreements lapse.

As noted from personal correspondence on 24 August 2018, there is potential for unrest and strike action due to inadequate information about job opportunities and recruitment disseminated to communities. Communities have already protested about recruitment opportunities, as well as the sourcing of products and services and continue to highlight these concerns at the Kanana Community Unemployment Development Forum.

Poor traffic management has been highlighted as a concern, however, Tau Lekoa ore is no longer taken to Nicolor but the West Gold Plant. This significantly reduces the distance travelled and the alternative route ensures that the trucks travel around the periphery of Orkney as opposed to through the town. This risk needs to be continuously managed as there is potential for public outcry, claims and reputational damage resulting from poor mine traffic management on public roads.

Tau Lekoa should review their existing policies and procedures and confirm whether they sufficiently address the key community concerns of recruitment and the procurement of supplies and services. Since the external recruitment provider, TEBA, is required to comply with the Tau Lekoa Recruitment Policy, its adherence to Tau Lekoa policies and procedures should be audited and improved where possible.

Currently, there is little evidence of any other stakeholder engagement taking place with local communities. Tau Lekoa should fill the vacancies in their Sustainable Development Department and assign clear roles and responsibilities for managing social related risks. In order to develop a strong organisation culture, Tau Lekoa should ensure that roles, responsibilities, and authority be defined for persons responsible for the management of social risks. Key social responsibilities should be well defined and communicated to the relevant personnel and to the rest of the staff. Tau Lekoa should ensure that sufficient budget and support is provided to achieve effective and continuous social performance. For projects posing potentially significant adverse impacts or where technically complex issues are involved, Tau Lekoa may be required to involve external experts to assist in the risks and impacts identification process.

Although there is a grievance register available at the security gate, Tau Lekoa should strengthen the grievance mechanism to ensure that community complaints are placed on a social risk register, in order to allow for the monitoring and tracking of these risks. Linked to this, Tau Lekoa could develop social management programmes that will describe mitigation and performance improvement measures and actions that address the identified social risks and impacts of the project.

Going forward, Tau Lekoa's social performance will depend on the effective management of the high level of expectations between the authorities, local government and communities. The mine therefore needs to keep ensuring that it has the requisite human and financial resources to honour its social commitments in terms of the Mining Charter and SLP, to monitor and proactively address its social risks and to maintain healthy relations with stakeholders across all levels.

**Weltevreden**

It is anticipated that when this project becomes operational, there will be minimal environmental surface impact as the ore will be accessed by existing underground workings at Tau Lekoa.

**Nicolor Plant**

Based on the review of available information, the following key social issues and risks were identified for Nicolor Plant:

- No WUL in place;
- Limited EMS system in place to manage environmental risk;
- Poorly managed surface water system;
- No ECO has been appointed for the mine; and
- According to section 28(2) of the MPRDA, "the holder of a mining right or mining permit, or the manager of any processing plant operating separately from a mine..." must submit an SLP. As far as what could be determined, Nicolor does not have an approved SLP. HSG, however, advised SRK that it is nevertheless not required to submit a revised SLP for Buffels and/or Nicolor to the Regional Manager, pending completion of the closure process for Buffels.

Now that an ECO—has been appointed for the plant, the poorly managed aspects such as the process/stormwater systems well as general housekeeping issues will be managed. An EMS will also assist with managing environmental impact and risk and will ensure that regular audits are done in order to identify risks before they have a significant impact on the environment. Nicolor has submitted its WULA and has received its provisional AELs which will reduce the risk of being issued with a directive and potentially been instructed to cease operations. Rehabilitation on Buffels is proceeding well with a few final surface structures which need to be removed and the area beneath these rehabilitated. It is suggested that HSG engage with DMR in order to identify if there are any gaps which need to be filled with regards to the requirements for closure in order to prevent any delays in issuing the closure certificate.

The 2014 EIA and EMP conducted for Buffels is silent on the social impacts and risks associated with mine closure. The risk associated with illegal mining and the continued safety of staff during the rehabilitation and closure phase has not been effectively addressed and management plans should be put in place to address adverse risks. It is noted that Buffels is represented at the Mines Crime Combating Forum. However, greater measures should be employed to address the underlying issues of criminality. Local and provincial government departments should be engaged to address social issues relating to job losses due to the mine closure. This aspect poses a moderate risk to the project and is likely to occur.

There is an overall lack in stakeholder communication and minimal engagement with government departments was noted. A formalised stakeholder engagement strategy should be developed that will allow Buffels to provide regular feedback to stakeholders regarding its decommissioning and rehabilitation commitments and progress. Even though stakeholders such as the DMR and DWS are engaged, further engagement with social development structures within the local and provincial government should be strengthened. This aspect poses a moderate risk to the project and is likely to occur.

Going forward, the social performance of Buffels will require a more proactive approach towards managing social risks such as theft and vandalism at its operations. Buffels should endeavour to establish task teams in liaison with the authorities, local government and communities to address social risks associated with the mine closure. This aspect poses a moderate risk to the project and is likely to occur.

Nicolor should align themselves with the requirements of Section 2(d) and (f) and comply with section 28(2) of the MPRDA. These principles require mining companies to improve on the socio-economic conditions of communities and to promote and advance the social and economic welfare of all South Africans.

**9.16.2 Economic Risks**

Key economic risks include:

- Stronger ZAR:USD exchange rate leading to a reduction in revenue;
- Lower USD gold price leading to lower revenue; and
- Higher inflation, particularly power and labour, leading to higher Opex and lower profitability.

The average operating margin for the company is relatively low leaving limited room to absorb sustained lower prices. It is possible that variations in either of or both the exchange rate and USD gold price could threaten the viability of the company. There is limited recourse to mitigate the risk at source. Hedging is possible and forward cover can be taken out for the exchange rate. However, it is also possible that both the price and exchange rate can move favourably improving the outlook for the company and facilitating further development.

Labour and power costs are likely to increase faster than inflation. Margins in the company are already low and this can adversely impact profitability although it is not expected to threaten the viability of the company. However, if combined with adverse price movements, it could jeopardise profitable operation.

### 9.16.3 Key Risks

SRK in conjunction with HSG management completed an assessment of the specific risks identified for the various operations and projects in relation to their likelihood of occurrence within a seven-year period and consequence in accordance with Guidance Note 7 of the Listing Rules.

All risks that were assessed to have a High inherent rating before mitigation per the risk assessment matrix Guidance Note 7 are summarised by discipline in Table 9.4. Many of these risks apply equally across a number of the assets, so evaluating these per discipline avoids duplication.

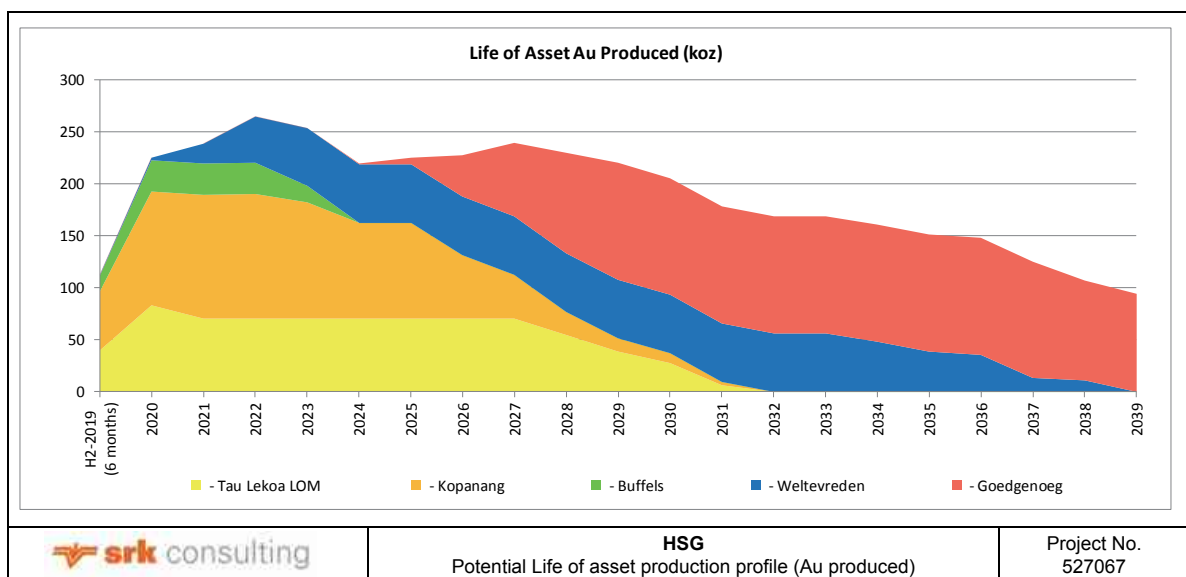
SRK has reviewed the Company's mitigation measures for these High risks and believes these are appropriate for operations in a South African context.

### 9.16.4 Opportunities

The Measured and Indicated Resources together with the Inferred Resources indicate that there is significant upside potential to extend the LoM plans. Although there is no guarantee that all of the Inferred Resources can be upgraded to Indicated or Measured Resources, historical results within the South African gold fields show there is a good probability that this will occur.

If the total SRK-audited Mineral Resource base of the Gold Assets is considered, the opportunity exists to establish at least a 20-year life of asset production profile, as shown diagrammatically in Figure 9.2. There are many assumptions inherent in generating such a projection, which would have to be validated by suitable engineering studies. The vast majority of the produced gold in this life of asset profile is sourced from Inferred Mineral Resources.

HSG should consider a focused exploration and engineering study programme to be able to realise this potential.



**Figure 9.2: Potential Life of asset production profile (Au produced)**

The opportunity exists to exploit the VCR at Kopanang. HSG should explore the practicalities and economics of exploiting this resource.

Third-party gold-bearing material has been treated by both Nicolor and West Plant in the past, but the supply has been irregular and is not guaranteed. HSG should revisit the existing contracts to improve security of supply of third-party material.

**Table 9.4: Key Risks and Company Mitigation Measures**

Hazard Risk	Likelihood	Consequence	Inherent Risk Rating	Company Mitigation Measures
<b>Geotechnical Risks</b>				
Occurrence of rock bursts	Likely	Major	High	<ul style="list-style-type: none"> <li>Seismic network (Seismic monitoring system, needs to be expanded)               <ul style="list-style-type: none"> <li>Seismic regular auto warning system</li> <li>Post major seismic event procedure</li> </ul> </li> <li>Permanent support standards</li> <li>Temporary support standards               <ul style="list-style-type: none"> <li>Fixed time blasting with re-entry time</li> <li>Trigger Action Response Plan</li> <li>Entry examination and make safe procedure</li> </ul> </li> <li>Nets</li> <li>Staffed rock engineering department with strata control officers</li> <li>Seismologist contracted</li> </ul>
Occurrence of rockfalls	Likely	Major	High	<ul style="list-style-type: none"> <li>Post major seismic event procedure</li> <li>Permanent support standards</li> <li>Temporary support standards</li> <li>Trigger Action Response Plan (TARP)</li> <li>Entry examination and make safe procedure</li> <li>Nets</li> <li>Staffed rock engineering department with strata control officers</li> </ul>
<b>Safety Risks</b>				
Seismic events and falls of ground (FOG)	Likely	Major	High	See mitigation under geotechnical risks
<b>Social Risks</b>				
Potential for unrest and strike action by communities regarding job opportunities, recruitment and downscaling.	Likely	Major	High	<ul style="list-style-type: none"> <li>Security and access control procedures</li> <li>Appointment of a Communities, SMME's Liaison Officer and LED Project Implementation Liaison Officer</li> <li>Consistent HR and employment policies</li> <li>Community liaison forums and established communication procedures with communities</li> </ul>




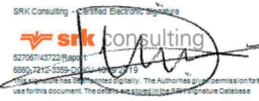


## 10 DATE AND SIGNATURE PAGE


[SR9.1 (i) (ii)]

This CPR documents the Mineral Resource and Mineral Reserve statements on gold assets of HSG located in the North West and Free State Provinces of the Republic of South Africa as prepared by HSG, reviewed by SRK, and is effective as of December 31, 2018. A list of CPs is shown in Table 10.1.

**Table 10.1: List of CPs**

Author	Role	Qualifications and Affiliations	Date signed	Signature
John Roger Dixon	Corporate Consultant (Mining) CP (Overall CP)	PrEng, BSc (Mining) Hons, FSAIMM, CRIRSCO	8 November 2019	 SRK Consulting - Certified Electronic Signature 527067/43723/Report 8101-9672-6652-WERT-17/09/2019 This signature has been printed digitally. The Author has given permission for its use for this document. The details are stored in the SRK Signature Database.
Joseph Mainama	Associate Partner and Principal Mining Engineer CP (Gold Assets Mineral Reserves)	PrEng, BSc Eng. (Min), MBL, PBL, MSAIMM, MMMA	8 November 2019	 SRK Consulting - Certified Electronic Signature 527067/43723/Report 8101-9672-6652-WERT-17/09/2019 This signature has been printed digitally. The Author has given permission for its use for this document. The details are stored in the SRK Signature Database.
Mark Wanless	Partner and Principal Geologist CP (Mineral Resources - (Kopanang and Buffels))	PrSciNat, BSc (Hons), FGSSA	8 November 2019	 SRK Consulting - Certified Electronic Signature 527067/43723/Report 8101-9672-6652-WERT-17/09/2019 This signature has been printed digitally. The Author has given permission for its use for this document. The details are stored in the SRK Signature Database.
Ivan Doku	Principal Geologist CP (Mineral Resources - Tau Lekoa, Jonkerskraal, Weltevreden and Goedgenoeg)	PrSciNat, MSc Eng. GDE, MGSSA	8 November 2019	 SRK Consulting - Certified Electronic Signature 527067/43723/Report 8101-9672-6652-WERT-17/09/2019 This signature has been printed digitally. The Author has given permission for its use for this document. The details are stored in the SRK Signature Database.

**Reviewed by:**

  
527067/43723/Report  
8101-9672-6652-WERT-17/09/2019  
This signature has been printed digitally. The Author has given permission for its use for this document. The details are stored in the SRK Signature Database.

Marcin Wertz PrEng, BSc (Eng), FSAIMM, MMCC  
Partner & Principal Mining Engineer

Report Date: 8 November 2019  
Effective Date: 30 June 2019

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## **APPENDICES**

## **APPENDIX 1: CERTIFICATES OF CPs**

## CERTIFICATE OF COMPETENT PERSON

As the co-author and co-signatory of the report entitled "Competent Person's Report on Heaven-Sent's Gold Assets for Listing on the Hong Kong Stock Exchange", I hereby state:

1. My name is John Roger Dixon and I am a Corporate Consultant (Mining) with SRK Consulting (South Africa) (Pty) Ltd, with address SRK House, 265 Oxford Road, Illovo, Johannesburg 2196, South Africa.
2. I am a mining engineer and am registered as a professional engineer (PrEng) (Reg. No. 20000060) through the Engineering Council of South Africa (**ECSA**). I am an Honorary Life Fellow of the Southern African Institute of Mining and Metallurgy.
3. I have a BSc(Hons) degree in mining from the Royal School of Mines in London and an Executive Development Programme in Business Management from the University of the Witwatersrand.
4. I have 47 years' global experience in the mining industry, which includes over 30 years in senior management roles at both operations and head offices of large South African gold mining companies. I have been a consulting engineer with SRK since 2004, specialising in reserve and resource reporting to stock exchanges. I work extensively in mine valuation, due diligence studies and engineering studies. I played a leading role in developing the reporting standards of SAMREC and the global Committee for Mineral Reserves International Reporting Standards (**CRIRSCO**).
5. I am a 'Competent Person' as defined in the SAMREC Code.
6. I have reviewed the mine planning processes employed at the Gold Assets and have satisfied myself that the parameters and assumptions used in the mine design process and the modifying factors used to convert Mineral Resources to Mineral Reserves are reasonable and in line with industry practice.  
  
I have reviewed the entire CPR and queried various aspects with the contributing authors of and co-signatories to this CPR, to satisfy myself that the opinions expressed in the CPR are both factual and reasonable.
7. I conducted site visits to Tau Lekoa on 20<sup>th</sup> August 2018 and to Kopanang, Nicolor Plant and the Buffels 10# waste rock dump on 21<sup>st</sup> August 2018.
8. I have assumed overall responsibility for the CPR.
9. I am not aware of any material fact or material change with respect to the subject matter of the CPR that is not reflected in the CPR, the omission of which would make the CPR misleading.
10. I declare that this CPR appropriately reflects my view.
11. I am independent of Heaven-Sent SA Gold Group Co. Ltd (the Company).
12. I have read the SAMREC Code (2016) and confirm the CPR has been prepared in accordance with the guidelines of the SAMREC Code.
13. I do not have, nor do I expect to receive, a direct or indirect interest in the Gold Assets or the Company.
14. At the effective date of the CPR, to the best of my knowledge, information and belief, the CPR contains all scientific and technical information that is required to be disclosed to make the report not misleading.

Dated at 8 November 2019 at Johannesburg, South Africa



**JR DIXON PrEng**



## CERTIFICATE OF COMPETENT PERSON

As the co-author and co-signatory of the report entitled "Competent Person's Report on Heaven-Sent's Gold Assets for Listing on the Hong Kong Stock Exchange", I hereby state:

1. My name is Mark Wanless and I am a Principal Resource Geologist and Partner with SRK Consulting (South Africa) (Pty) Ltd, with address SRK House, 265 Oxford Road, Illovo, Johannesburg 2196, South Africa.
2. I am a resource geologist and am registered as a professional natural scientist (PrSciNat) (Reg. No. 400178/05) through the South African Council of Natural Scientific Professionals (**SACNASP**). I am a Fellow of the Geological Society of South Africa and a Member of the Geostatistical Association of South Africa.
3. I have a BSc(Hons) degree in geology from the University of Cape Town (1985).
4. I have 20 years' experience of the geology and resource estimation of Witwatersrand gold operations in South Africa, specialising in resource estimation for a range of commodities including gold, platinum group elements, base metals, iron, manganese and mineral sands. I work extensively in due diligence audits, resource estimation process audits, and reviews and formulation of quality assurance and control systems for exploration and operating mines.
5. I am a 'Competent Person' as defined in the SAMREC Code.
6. For Kopanang, I independently analysed the analytical QAQC for the chip sampling data, validated the integrity of the chip sampling data used in the estimate, validated the geostatistical method and parameters, including independently generating semi-variograms, and domain definition. I independently reported the Mineral Resources from the model and confirmed the Mineral Resource statement. For Buffels 10# waste rock dump, I validated the go-belt sampling data, and calculated the volume weighted mean grades. I independently calculated the dump volume using the latest aerial survey data, and calculated the grade of the dump using the sampling and screening volumes.
7. I am familiar with the Kopanang mine, having done several independent reviews of its Mineral Resources during the past few years, which included underground visits.  
For this CPR, I visited the Mineral Resources Management (MRM) department at Kopanang mine on 21 August 2018, inspected the analytical laboratory at the Nicolor Plant and inspected the Buffels 10# waste rock dump.
8. I am responsible for the reporting of the geological and resource estimation descriptions and the Mineral Resources for the Kopanang mine and the Buffels 10# waste rock dump.
9. I am not aware of any material fact or material change with respect to the subject matter of the CPR that is not reflected in the CPR, the omission of which would make the CPR misleading.
10. I declare that this CPR appropriately reflects my view.
11. I am independent of Heaven-Sent SA Gold Group Co. Ltd (the Company).
12. I have read the SAMREC Code (2016) and confirm the CPR has been prepared in accordance with the guidelines of the SAMREC Code.
13. I do not have, nor do I expect to receive, a direct or indirect interest in the Gold Assets or the Company.
14. At the effective date of the CPR, to the best of my knowledge, information and belief, the CPR contains all scientific and technical information that is required to be disclosed to make the report not misleading.

Dated at 8 November 2019 at Johannesburg, South Africa



**M WANLESS PrSciNat**

## CERTIFICATE OF COMPETENT PERSON

As the co-author and co-signatory of the report entitled "Competent Person's Report on Heaven-Sent's Gold Assets for Listing on the Hong Kong Stock Exchange", I hereby state:

1. My name is Joseph Mainama and I am a Principal Mining Engineer and Associate Partner with SRK Consulting (South Africa) (Pty) Ltd, with address SRK House, 265 Oxford Road, Illovo, Johannesburg 2196, South Africa.
2. I am a mining engineer and am registered as a professional engineer (PrEng) (Reg. No.20080413) through the Engineering Council of South Africa (**ECSA**). I am a Member of the Southern African Institute of Mining and Metallurgy, a Member of the Association of Mine Managers of South Africa.
3. I have a BSc(Eng) degree in mining from the University of the Witwatersrand and a MBL degree from the University of South Africa.
4. I have been involved in the field of mining engineering for 22 years, with 13 years spent in operations and projects at large South African diamond, gold and platinum mining companies. I have spent eight years in consulting, specialising in due diligence reviews of mining operations and projects, resource and reserve audits and mine optimisation studies.
5. I am a 'Competent Person' as defined in the SAMREC Code.
6. I have reviewed the mine planning processes employed at the Gold Assets and have satisfied myself that the parameters and assumptions used in the mine design process and the modifying factors used to convert Mineral Resources to Mineral Reserves are reasonable and in line with industry practice.  
  
I have reviewed the techno-economic parameters and cost structures used in the cash flow models, to confirm they are in line with historic trends, reasonable and appropriate for evaluation purposes.  
  
I have reviewed the results from the cash flow models for the Gold Assets, to confirm that a positive return is generated and that the declaration of Mineral Reserves is possible.
7. I conducted underground visits to the Tau Lekoa and Kopanang mines on 21 and 22 August respectively.
8. I am responsible for the reporting of the mining descriptions and Mineral Reserves for the Gold Assets as set out in this CPR.  
  
I compiled the human resources statistics and descriptions for the Gold Assets as set out in this CPR.
9. I am not aware of any material fact or material change with respect to the subject matter of the CPR that is not reflected in the CPR, the omission of which would make the CPR misleading.
10. I declare that this CPR appropriately reflects my view.
11. I am independent of Heaven-Sent SA Gold Group Co. Ltd (the Company).
12. I have read the SAMREC Code (2016) and confirm the CPR has been prepared in accordance with the guidelines of the SAMREC Code.
13. I do not have, nor do I expect to receive, a direct or indirect interest in the Gold Assets or the Company.
14. At the effective date of the CPR, to the best of my knowledge, information and belief, the CPR contains all scientific and technical information that is required to be disclosed to make the report not misleading.

Dated at 8 November 2019 at Johannesburg, South Africa



SRK Consulting – Certified Electronic Signature  
527067/103725  
5485-0000-4485  
This signature has been electronically signed by the signatory. The audit file (not attached) will be the evidence of the signature.

**J MAINAMA PrEng**

## CERTIFICATE OF COMPETENT PERSON

As the co-author and co-signatory of the report entitled "Competent Person's Report on Heaven-Sent's Gold Assets for Listing on the Hong Kong Stock Exchange", I hereby state:

1. My name is Ivan Doku and I am a Principal Resource Geologist with SRK Consulting (South Africa) (Pty) Ltd, with address SRK House, 265 Oxford Road, Illovo, Johannesburg 2196, South Africa.
2. I am a geologist and am registered as a professional natural scientist (PrSciNat) (Reg. No. 400513/14) through the South African Council of Natural Scientific Professionals (SACNASP). I am a Member of the Southern African Institute of Mining and Metallurgy and the Geological Society of South Africa.
3. I have a BSc Eng(Geological) degree from the University of Science Technology in Ghana and a Graduate Diploma in Engineering and MSc(Eng) in mining from the University of the Witwatersrand.
4. I spent five years working in the field of hydrogeology and five years as mine/resource geologist on deep level gold mines in South Africa. I have spent the past six years with SRK specialising in geological modelling, resource estimation, due diligence audits and quality assurance and control management.
5. I am a 'Competent Person' as defined in the SAMREC Code.
6. I independently analysed the analytical QAQC for the sampling data, validated the integrity of the sampling data used in the estimate, updated geostatistical domains, generated variogram models for all the domains using regularised data. I compiled the Mineral Resource estimate for the Tau Lekoa Group of properties and reported the Mineral Resource Statement for each of the properties.
7. I conducted a site visit to the Weltevreden drilling core yard and an underground visit at Tau Lekoa mine on 13 and 14 June 2018 respectively.
8. I am responsible for the reporting of the geological and resource estimation descriptions and the Mineral Resources for the Tau Lekoa mine and the Weltevreden gold project.
9. I am not aware of any material fact or material change with respect to the subject matter of the CPR that is not reflected in the CPR, the omission of which would make the CPR misleading.
10. I declare that this CPR appropriately reflects my view.
11. I am independent of Heaven-Sent SA Gold Group Co. Ltd (the Company).
12. I have read the SAMREC Code (2016) and confirm the CPR has been prepared in accordance with the guidelines of the SAMREC Code.
13. I do not have, nor do I expect to receive, a direct or indirect interest in the Gold Assets or the Company.
14. At the effective date of the CPR, to the best of my knowledge, information and belief, the CPR contains all scientific and technical information that is required to be disclosed to make the report not misleading.

Dated at 8 November 2019 at Johannesburg, South Africa



**I DOKU PrSciNat**

**APPENDIX 2: COMPLIANCE WITH CHAPTER 18 – MINERAL  
COMPANIES OF THE RULES GOVERNING THE  
LISTING OF SECURITIES ON THE HONG KONG  
STOCK EXCHANGE**

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Chapter 18		Note the section in the CPR where this is located or note why it is not relevant to the project			
		KOPANANG	TAU LEKOA GROUP	NICOLOR PLANT/BUFFELS	
CONDITIONS FOR LISTING OF NEW APPLICANT MINERAL COMPANIES					
18.02	In addition to satisfying the requirements of Chapter 8, a Mineral Company which has applied for listing must also satisfy the requirements of this Chapter.	1.5.2	1.5.2	1.5.2	
	A Mineral Company must:				
	establish to the Exchange's satisfaction that it has the right to participate actively in the exploration for and/or extraction of Natural Resources, either:				
(1)	(a) through control over a majority (by value) of the assets in which it has invested together with adequate rights over the exploration for and/or extraction of Natural Resources; or Note: 'control over a majority' means an interest greater than 50%.	ES1 1.1 1.4 3.2 3.3.1	ES1 1.1 1.4 3.2 3.3.1	ES1 1.1 1.4 3.2 3.3.1  ES1 1.1 1.4 3.2 3.3.1	
	(b) through adequate rights (arising under arrangements acceptable to the Exchange), which give it sufficient influence in decisions over the exploration for and/or extraction of the Natural Resources;				
	establish to the Exchange's satisfaction that it has at least a portfolio of:				
(2)	(a) Indicated Resources; or	ES15 4.5.5	ES15 5.5.6	ES15 6.4.5	
	(b) Contingent Resources, identifiable under a Reporting Standard and substantiated in a Competent Person's Report. This portfolio must be meaningful and of sufficient substance to justify a listing;	Not applicable to the CPR reporting Mineral resources under the SAMREC Code			
	if it has commenced production, provide an estimate of cash operating costs including the costs associated with:				
18.03	(a) workforce employment;	ES24 ES30 4.8.10 4.9.5 4.11.12 4.17	ES24 ES30 5.8.2 5.8.3 5.9.3 5.11.1 5.11.2 5.17	ES24 ES30 5.8.2 5.8.3 5.9.3 5.11.1 5.11.2 5.17  ES24 ES30 5.8.2 6.6.7 6.7.5 6.9.5 6.14	
	(b) consumables;				
	(c) fuel, electricity, water and other services;				
	(d) on and off-site administration;				
	(e) environmental protection and monitoring.				
	(f) transportation of workforce.				
	(g) product marketing and transport.				
	(h) non-income taxes, royalties and other governmental charges; and contingency allowances; Note: A Mineral Company must • set out the components of cash operating costs separately by category; • explain the reason for any departure from the list of items to be included • under cash operating costs; and • discuss any material cost items that should be highlighted to investors.				
(i)					

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Chapter 18				Note the section in the CPR where this is located or note why it is not relevant to the project		
				KOPANANG	TAU LEKOA GROUP	NICOLOR PLANT/BUFFELS
				Not applicable to the CPR		
18.04	(4)	(a)	general, administrative and operating costs;	4.17	5.17	6.14
		(b)	property holding costs; and			
		(c)	the cost of any proposed exploration and/or development; and Note: Capital expenditures do not need to be included in working capital requirements. Where they are financed out of borrowings, relevant interest and loan repayments must be included.			
	(5)	ensure that its working capital statement in the listing document under Listing Rule 8.21A states it has available sufficient working capital for 125% of the group's present requirements, that is for at least 12 months from the date of its listing document.		Not applicable to the CPR		
If a Mineral Company is unable to satisfy either the profit test in rule 8.05(1), the market capitalisation/revenue/cash flow test in rule 8.05(2), or the market capitalisation/revenue test in rule 8.05(3), it may still apply to be listed if it can establish to the Exchange's satisfaction that its directors and senior managers, taken together, have sufficient experience relevant to the exploration and/or extraction activity that the Mineral Company is pursuing. Individuals relied on must have a minimum of five years relevant industry experience. Details of the relevant experience must be disclosed in the listing document of the new applicant. Note: A Mineral Company relying on this rule must demonstrate that its primary activity is the exploration for and/or extraction of Natural Resources.						
CONTENTS OF LISTING DOCUMENTS FOR NEW APPLICANTS						
18.05	In addition to the information set out in Appendix 1A, a Mineral Company must include in its listing document:					
	(1)	a Competent Person's Report;		ES1 1.1 1.2	ES1 1.1 1.2	ES1 1.1 1.2
	(2)	a statement that no material changes have occurred since the effective date of the Competent Person's Report. Where there are material changes, these must be prominently disclosed;		ES7 1.6.4	ES7 1.6.4	ES7 1.6.4
	(3)	the nature and extent of its prospecting, exploration, exploitation, land use and mining rights and a description of the properties to which those rights attach, including the duration and other principal terms and conditions of the concessions and any necessary licences and consents. Details of material rights to be obtained must also be disclosed;		ES3 ES4 3	ES3 ES4 3	ES3 ES4 3
	(4)	a statement of any legal claims or proceedings that may have an influence on its rights to explore or mine;		ES5 1.6.4	ES5 1.6.4	ES5 1.6.4
			ES31 7 4.7.7 4.5.8 4.6.4 4.7.6 4.8.13 4.11.13 4.12.1 4.13.9 4.14.3 4.15.9 4.16.1 4.17.5	ES31 7 5.5.9 5.6.4 5.7.3 5.8.6 5.11.3 5.13.7 5.14.1 5.14.2 5.15.3 5.16.1 5.17.5	ES31 7 6.4.7 6.5.3 6.6.11 6.8.1 6.9.6 6.10.1 6.11.3 6.12.7 6.14.4	
(5)	disclosure of specific risks and general risks. Companies should have regard to Guidance Note 7 on suggested risk analysis; and					
(6)	if relevant and material to the Mineral Company's business operations, information on the following:					

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		KOPANANG	TAU LEKOA GROUP	NICOLOR PLANT/BUFFELS	
	(a)	project risks arising from environmental, social, and health and safety issues;	4.14.3 4.15.9	5.14.1 5.14.2 5.15.1 5.15.2 5.15.3	6.11.3 6.12.7
	(b)	any non-governmental organisation impact on sustainability of mineral and/or exploration projects;			
	(c)	compliance with host country laws, regulations and permits, and payments made to host country governments in respect of tax, royalties and other significant payments on a country by country basis;	3.1.5 3.1.6 3.3.1 3.3.2 4.2.3 4.17	3.1.5 3.1.6 3.3.1 3.3.2 5.2.3 5.17	3.1.5 3.1.6 3.3.1 3.3.2 6.6.2 6.9.5 6.14
	(d)	sufficient funding plans for remediation, rehabilitation and, closure and removal of facilities in a sustainable manner;	1.6.6 4.15.8	1.6.6 5.15.1 5.15.2	1.6.6 6.12.6
	(e)	environmental liabilities of its projects or properties;			
	(f)	its historical experience of dealing with host country laws and practices, including management of differences between national and local practice;		Not applicable to the CPR	
	(g)	its historical experience of dealing with concerns of local governments and communities on the sites of its mines, exploration properties, and relevant management arrangements; and		Not applicable to the CPR	
	(h)	any claims that may exist over the land on which exploration or mining activity is being carried out, including any ancestral or native claims.	1.6.5 1.6.7	1.6.5 1.6.7	1.6.5 1.6.7
ADDITIONAL DISCLOSURE REQUIREMENTS THAT APPLY TO CERTAIN NEW APPLICANT MINERAL COMPANIES					
18.06	If a Mineral Company has begun production, it must disclose an estimate of the operating cash cost per appropriate unit for the minerals and/or Petroleum produced.	ES24 ES29 4.12.12 4.17	ES24 ES29 5.11.1 5.11.2 5.17	ES24 ES29 6.7.5 6.9.5 6.14	
18.07	If a Mineral Company has not yet begun production, it must disclose its plans to proceed to production with indicative dates and costs. These plans must be supported by at least a Scoping Study, substantiated by the opinion of a Competent Person. If exploration rights or rights to extract Resources and/or Reserves have not yet been obtained, relevant risks to obtaining these rights must be prominently disclosed.				
18.08	If a Mineral Company is involved in the exploration for or extraction of Resources, it must prominently disclose to investors that its Resources may not ultimately be extracted at a profit.	1.8.5 1.8.6 4.5.3	1.8.5 1.8.6 5.5.4	1.8.5 1.8.6 6.4.3	
RELEVANT NOTIFIABLE TRANSACTIONS INVOLVING THE ACQUISITION OR DISPOSAL OF MINERAL OR PETROLEUM ASSETS					
18.09	A Mineral Company proposing to acquire or dispose of assets which are solely or mainly Mineral or Petroleum Assets as part of a Relevant Notifiable Transaction must:	Not applicable to the CPR			
	(1) comply with Chapter 14 and Chapter 14A, if relevant;	Not applicable to the CPR			
	(2) produce a Competent Person's Report, which must form part of the relevant circular, on the Resources and/or Reserves being acquired or disposed of as part of the Relevant Notifiable Transaction; Note: The Exchange may dispense with the requirement for a Competent Person's Report on disposals where shareholders have sufficient information on the assets being disposed of.	Not applicable to the CPR			
	(3) in the case of a major (or above) acquisition, produce a Valuation Report, which must form part of the relevant circular, on the Mineral or Petroleum Assets being acquired as part of the Relevant Notifiable Transaction; and	Not applicable to the CPR			

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Chapter 18		Note the section in the CPR where this is located or note why it is not relevant to the project		
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(4)	comply with the requirements of rules 18.05(2) to 18.05(6) in respect of the assets being acquired. Note: Material liabilities that remain with the issuer on a disposal must also be discussed.	Not applicable to the CPR		
REQUIREMENTS THAT APPLY TO LISTED ISSUERS				
18.10	A listed issuer proposing to acquire assets which are solely or mainly Mineral or Petroleum Assets as part of a Relevant Notifiable Transaction must comply with rule 18.09.	Not applicable to the CPR		
18.11	On completion of a Relevant Notifiable Transaction involving the acquisition of Mineral or Petroleum Assets, unless the Exchange decides otherwise, a listed issuer will be treated as a Mineral Company.	Not applicable to the CPR		
REQUIREMENTS THAT APPLY TO MINERAL COMPANIES AND LISTED ISSUERS				
18.12	The Exchange may dispense with the requirement to produce a new Competent Person's Report or a Valuation Report under rules 18.05(1), 18.09(2) or 18.09(3), if the issuer has available a previously published Competent Person's Report or Valuation Report (or equivalent) which complies with rules 18.18 to 18.34 (where applicable), provided the report is no more than six months old. The issuer must provide this document and a no material change statement in the listing document or circular for the Relevant Notifiable Transaction.			
18.13	An issuer must obtain the prior written consent of a Competent Person(s) or Competent Evaluator for their material to be included in the form and context in which it appears in a listing document or circular for the Relevant Notifiable Transaction, whether or not such person or firm is retained by the listing applicant or the issuer.			
CONTINUING OBLIGATIONS				
DISCLOSURE IN REPORTS				
18.14	A Mineral Company must include in its interim (half-yearly) and annual reports details of its exploration, development and mining production activities and a summary of expenditure incurred on these activities during the period under review, if there has been no exploration, development or production activity, that fact must be stated.	Not applicable to the CPR		
PUBLICATION OF RESOURCES AND RESERVES				
18.15	A listed issuer that publicly discloses details of Resources and/or Reserves must give an update of those Resources and/or Reserves once a year in its annual report, in accordance with the reporting standard under which they were previously disclosed or a Reporting Standard.	Not applicable to the CPR		
18.16	A Mineral Company must include an update of its Resources and/or Reserves in its annual report in accordance with the Reporting Standard under which they were previously disclosed.	Not applicable to the CPR		
18.17	Annual updates of Resources and/or Reserves must comply with rule 18.18. Note: Annual updates are not required to be supported by a Competent Person's Report and may take the form of a no material change statement.	Not applicable to the CPR		
STATEMENTS ON RESOURCES AND/OR RESERVES				
PRESENTATION OF DATA				
18.18	Any data presented on Resources and/or Reserves by a Mineral Company in a listing document, Competent Person's Report, Valuation Report or annual report, must be presented in tables in a manner readily understandable to a non-technical person. All assumptions must be clearly disclosed and statements should include an estimate of volume, tonnage and grades.	ES15 4.5.5 4.8.11	ES15 5.5.6 5.8.4	ES15 6.4.5 6.6.9
BASIS OF EVIDENCE				
18.19	All statements referring to Resources and/or Reserves:			

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Chapter 18		Note the section in the CPR where this is located or note why it is not relevant to the project		
		KOPANANG	TAU LEKOA GROUP	NICOLOR PLANT/BUFFELS
(1)	In any new applicant listing document or circular relating to a Relevant Notifiable Transaction, must be substantiated in a Competent Person's Report which must form part of the document; and	This document		
(2)	In all other cases, must at least be substantiated by the issuer's internal experts.	Not applicable to the CPR		
PETROLEUM COMPETENT PERSONS' REPORTS				
18.20	A Competent Person's Report for Mineral Companies involved in the exploration for and/or extraction of Petroleum Resources and Reserves must include the information set out in Appendix 25.	Not applicable to the CPR		
COMPETENT PERSON				
A Competent Person must:				
(1)	have a minimum of five years experience relevant to the style of mineralization and type of deposit under consideration or to the type of Petroleum exploration, reserve estimate (as appropriate), and to the activity which the Mineral Company is undertaking;	ES9 1.5.3 1.10	ES9 1.5.3 1.10	ES9 1.5.3 1.10
(2)	be professionally qualified, and be a member in good standing of a relevant Recognised Professional Organisation, in a jurisdiction where, in the Exchange's opinion, the statutory securities regulator has satisfactory arrangements (either by way of the IOSCO Multilateral MOU or other bi-lateral agreement acceptable to the Exchange) with the Securities and Futures Commission of Hong Kong for mutual assistance and exchange of information for enforcing and securing compliance with the laws and regulations of that jurisdiction and Hong Kong; and			
(3)	take overall responsibility for the Competent Person's Report.			
A Competent Person must be independent of the issuer, its directors, senior management and advisers. Specifically, the Competent Person retained must:				
(1)	have no economic or beneficial interest (present or contingent) in any of the assets being reported on;	ES9 1.5.3 1.10	ES9 1.5.3 1.10	ES9 1.5.3 1.10
(2)	not be remunerated with a fee dependent on the findings of the Competent Person's Report;			
(3)	in the case of an individual, not be an officer, employee or proposed officer of the issuer or any group, holding or associated company of the issuer; and			
(4)	in the case of a firm, not be a group, holding or associated company of the issuer. Any of the firm's partners or officers must not be officers or proposed officers of any group, holding or associated company of the issuer.			
ADDITIONAL REQUIREMENTS OF COMPETENT EVALUATORS				
In addition to the requirements set out in rules 18.21(2) and 18.22, a Competent Evaluator must:		Not applicable as no valuation is included in the CPR		
(1)	have at least ten years relevant and recent general mining or Petroleum experience (as appropriate);	Not applicable as no valuation is included in the CPR		
(2)	have at least five years relevant and recent experience in the assessment and/or valuation of Mineral or Petroleum Assets or securities (as appropriate); and	Not applicable as no valuation is included in the CPR		
(3)	hold all necessary licences. Note: A Competent Person's Report or Valuation Report may be performed by the same Competent Person provided he or she is also a Competent Evaluator.	Not applicable as no valuation is included in the CPR		
SCOPE OF COMPETENT PERSONS' REPORTS AND VALUATION REPORTS				
18.24	A Competent Person's Report or Valuation Report must comply with a Reporting Standard as modified by this Chapter, and must:			

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Chapter 18		Note the section in the CPR where this is located or note why it is not relevant to the project		
		KOPANANG	TAU LEKOA GROUP	NICOLOR PLANT/BUFFELS
		Cover Page	Cover Page	Cover Page
(1)	be addressed to the Mineral Company or listed issuer;			
(2)	have an effective date (being the date when the contents of the Competent Person's Report or Valuation Report are valid) less than six months before the date of publishing the listing document or circular relating to a Relevant Notifiable Transaction required under the Listing Rules; and	ES6 1.6	ES6 1.6	ES6 1.6
(3)	set out what Reporting Standard has been used in preparing the Competent Person's Report or Valuation Report and explain any departure from the relevant Reporting Standard.	ES8 1.5.1	ES8 1.5.1	ES8 1.5.1
SCOPE OF COMPETENT PERSONS' REPORTS AND VALUATION REPORTS				
DISCLAIMERS AND INDEMNITIES				
18.25	A Competent Person's Report or Valuation Report may contain disclaimers of sections or topics outside their scope of expertise in which the Competent Person or Competent Evaluator relied upon other experts' opinions, but must not contain any disclaimers of the report in its entirety.	1.5.2 1.8.2	1.5.2 1.8.2	1.5.2 1.8.2
18.26	The Competent Person or Competent Evaluator must prominently disclose in the Competent Person's Report or Valuation Report the nature and details of all indemnities provided by the issuer. Indemnities for reliance placed on information provided by issuers and third party experts (for information outside the Competent Person's or Competent Evaluator's expertise) are generally acceptable. Indemnities for fraud and gross negligence are generally unacceptable.	1.9	1.9	1.9
OBLIGATIONS OF SPONSOR				
18.27	Any sponsor appointed to or by a new applicant Mineral Company under Chapter 3A must ensure that any Competent Person or Competent Evaluator meets the requirements of this Chapter.			
REPORTING STANDARD				
MINERAL REPORTING STANDARD				
18.28	In addition to satisfying the requirements of Chapter 13 (as modified by this Chapter), a Mineral Company exploring for and/or extracting mineral Resources and Reserves must also satisfy rules 18.29 and 18.30.	1.5.1	1.5.1	1.5.1
18.29	A Mineral Company must disclose information on mineral Resources, Reserves and/or exploration results either:			
	Under:			
	(1) (a) the JORC Code; (b) NI 43-101; or (c) the SAMREC Code, as modified by this Chapter; or	Not used – reporting in terms of SAMREC Code		
(2)	under other codes acceptable to the Exchange as communicated to the market from time to time, provided the Exchange is satisfied that they give a comparable standard of disclosure and sufficient assessment of the underlying assets. Note: The Exchange may allow presentation of Reserves under other reporting standards provided reconciliation to a Reporting Standard is provided. A Reporting Standard applied to specific assets must be used consistently.	Not used – reporting in terms of SAMREC Code		
		ES8 1.5.1	ES8 1.5.1	ES8 1.5.1
A Mineral Company must ensure that:				
18.30	(1) any estimates of Mineral Reserves disclosed are supported, at a minimum, by a Prefeasibility Study;	Operating Mine	Tau Leka operating mine Wellvreden – prefeasibility study	Existing operations

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Chapter 18		Note the section in the CPR where this is located or note why it is not relevant to the project			
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(2)	estimates of Mineral Reserves and Mineral Resources are disclosed separately;	4.5.5 4.8.11	5.5.6 5.8.4	6.4.5 6.6.9	
(3)	Indicated Resources and Measured Resources are only included in economic analyses if the basis on which they are considered to be economically extractable is explained and they are appropriately discounted for the probabilities of their conversion to mineral Reserves. All assumptions must be clearly disclosed. Valuations for Inferred Resources are not permitted;	4.17.2	5.17.1 5.17.2	6.14.1	
(4)	for commodity prices used in Pre-feasibility Studies, Feasibility Studies and valuations of Indicated Resources, Measured Resources and Reserves:	1.6.1 4.5.5 4.8.11	1.6.1 5.5.6 5.8.4	1.6.1 6.4.5 6.6.9	
	(a) the methods to determine those commodity prices, all material assumptions and the basis on which those prices represent reasonable views of future prices are explained clearly; and	1.6.1	1.6.1	1.6.1	
	(b) if a contract for future prices of mineral Reserves exists, the contract price is used; and		Not used for the CPR		
(5)	for forecast valuations of Reserves and profit forecasts, sensitivity analyses to higher and lower prices are supplied. All assumptions must be clearly disclosed.	4.17.4	5.17.3 5.17.4	6.14.3	
PETROLEUM REPORTING STANDARD					
18.31	In addition to satisfying the requirements of Chapter 13 (as modified by this Chapter), a Mineral Company exploring for and/or extracting Petroleum Resources and Reserves must also satisfy rules 18.32 and 18.33.		Not applicable to the CPR		
18.32	A Mineral Company must disclose information on Petroleum Resources and Reserves either:		Not applicable to the CPR		
	(1) under PRMS as modified by this Chapter; or		Not applicable to the CPR		
	(2) under other codes acceptable to the Exchange if it is satisfied that they give a comparable standard of disclosure and sufficient assessment of the underlying assets. Note: A Reporting Standard applied to specific assets must be used consistently.		Not applicable to the CPR		
18.33	A Mineral Company must ensure that:		Not applicable to the CPR		
	(1) where estimates of Reserves are disclosed, the method and reason for choice of estimation are disclosed (i.e. deterministic or probabilistic methods, as defined in PRMS). Where the probabilistic method is used, the underlying confidence levels applied must be stated;		Not applicable to the CPR		
	(2) if the NPVs attributable to Proved Reserves and Proved plus Probable Reserves are disclosed, they are presented on a post-tax basis at varying discount rates (including a reflection of the weighted average cost of capital or minimum acceptable rate of return that applies to the entity at the time of evaluation) or a fixed discount rate of 10%;		Not applicable to the CPR		
	(3) Proved Reserves and Proved plus Probable Reserves are analysed separately and principal assumptions (including prices, costs, exchange rates and effective date) and the basis of the methodology are clearly stated;		Not applicable to the CPR		
	(4) if the NPVs attributable to Reserves are disclosed, they are presented using a forecast price as a base case or using a constant price as a base case. The bases for the forecast case must be disclosed. The constant price is defined as the unweighted arithmetic average of the closing price on the first day of each month within the 12 months before the end of the reporting period, unless prices are defined by contractual arrangements. The basis on which the forecast price is considered reasonable must be disclosed and Mineral Companies must comply with rule 18.30(5); Note: In the forecast case under PRMS, the economic evaluation underlying the investment decision is based on the entity's reasonable forecast of future conditions, including costs and prices, which will exist during the life of the project.		Not applicable to the CPR		
(5)	If estimated volumes of Contingent Resources or Prospective Resources are disclosed, relevant risk factors are clearly stated; Note: Under PRMS, wherever the volume of a Contingent Resource is stated, risk is expressed as the chance that the accumulation will be commercially developed and graduate to the reserves class. Wherever the volume of a Prospective Resource is stated, risk is expressed as the chance that a potential accumulation will result in a significant discovery of Petroleum.		Not applicable to the CPR		

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		KOPANANG	TAU LEKOA GROUP	NICOLOR PLANT/BUFFELS
	(6)	economic values are not attached to Possible Reserves, Contingent Resources or Prospective Resources; and	Not applicable to the CPR	
	(7)	where an estimate of future net revenue is disclosed, whether calculated without discount or using a discount rate, it is prominently disclosed that the estimated values disclosed do not represent fair market value.	Not applicable to the CPR	
MINERAL OR PETROLEUM ASSET VALUATION REPORTS				
18.34	A Mineral Company must ensure that:			
	(1)	any valuation of its Mineral or Petroleum Assets is prepared under the VALMIN Code, SAMVAL Code, CIMVAL or such other code approved by the Exchange from time to time;	Not applicable to the CPR	
	(2)	the Competent Evaluator states clearly the basis of valuation, relevant assumptions and the reason why a particular method of valuation is considered most appropriate, having regard to the nature of the valuation and the development status of the Mineral or Petroleum Asset;	Not applicable to the CPR	
	(3)	if more than one valuation method is used and different valuations result, the Competent Evaluator comments on how the valuations compare and on the reason for selecting the value adopted; and	Not applicable to the CPR	
	(4)	in preparing any valuation a Competent Evaluator meets the requirements set out in rule 18.23.	Not applicable to the CPR	

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**APPENDIX 3: COMPLIANCE WITH TABLE 1 OF SAMREC CODE  
(2016)**

## APPENDIX III

## COMPETENT PERSON'S REPORT

SAMREC TABLE 1				Note the section in the CPR where this is located or note why it is not relevant to the project ("if not, why not").	Note the section in the CPR where this is located or note why it is not relevant to the project ("if not, why not").
	Exploration Results	Mineral Resources	Mineral Reserves		
Section 1: Project Outline					
1.1	(i)	Brief description of the scope of project (i.e. whether in preliminary sampling, advanced exploration, scoping, pre-feasibility, or feasibility phase, LoM plan for an ongoing mining operation or closure).		1.1	1.1
	(ii)	Describe (noting any conditions that may affect possible prospecting/mining activities) topography, elevation, drainage, fauna and flora, the means and ease of access to the property, the proximity of the property to a population centre, and the nature of transport, the climate, known associated climatic risks and the length of the operating season and to the extent relevant to the mineral project, the sufficiency of surface rights for mining operations including the availability and sources of power, water, mining personnel, potential tailings storage areas, potential waste disposal areas, heap leach pad areas, and potential processing plant sites.		2.3 4.10 4.11.2 4.13	2.3 4.10 5.11.1 5.11.2 5.13
	(iii)	Specify the details of the personal inspection on the property by each CP or, if applicable, the reason why a personal inspection has not been completed.		1.11	1.11
1.2	(i)	Description of location and map (country, province, and closest town/city, coordinate systems and ranges, etc.).		2.1.1 2.4.2 3.3.2 4.1 4.15.1	2.1.2 2.4.2 3.3.2 5.1 5.15.1
	(ii)	Country Profile: describe information pertaining to the project host country that is pertinent to the project, including relevant applicable legislation, environmental and social context etc. Assess, at a high level, relevant technical, environmental, social, economic, political and other key risks.		2.4.1 2.4.2 3.3.1 3.3.2	2.4.1 2.4.2 3.3.1 3.3.2
	(iii)	Provide a general topocadastral map.	Provide a Topo-cadastral map in sufficient detail to support the assessment of eventual economics. State the known associated climatic risks.		
1.3	(i)	Discuss details of relevant adjacent properties if adjacent or nearby properties have an important bearing on the report, then their location and common mineralized structures should be included on the maps. Reference all information used from other sources.		2.2	2.2
1.4	(i)	State historical background to the project and adjacent areas concerned, including known results of previous exploration and mining activities (type, amount, quantity and development work), previous ownership and changes thereto.		4.2.1 4.2.2	5.2.1 5.2.2
	(ii)	Present details of previous successes or failures with reasons why the project may now be considered potentially economic.		4.2.3	5.2.1 5.2.2
	(iii)	Discuss known or existing historical Mineral Resource estimates and performance statistics on actual production for past and current operations.		4.2.3	5.2.3 5.2.4
1.5	(iv)	Discuss known or existing historical Mineral Reserve estimates and performance statistics on actual production for past and current operations.		4.2.3	5.2.3 5.2.4
	Legal Aspects and Permitting		Confirm the legal tenure to the satisfaction of the CP, including a description of the following:		

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	Exploration Results	Mineral Resources	Mineral Reserves		
Section 1: Project Outline					
				KOPANANG	TAU LEKOA GROUP
					NICOLOR PLANT/BUFFELS
		(i)	Discuss the nature of the issuer's rights (e.g. prospecting and/or mining) and the right to use the surface of the properties to which these rights relate. Disclose the date of expiry and other relevant details.	3.3.1 3.2	3.3.1 3.2
		(ii)	Present the principal terms and conditions of all existing agreements, and details of those still to be obtained, (such as, but not limited to, concessions, partnerships, joint ventures, access rights, leases, historical and cultural sites, wilderness or national park and environmental settings, royalties, consents, permission, permits or authorisations).	3.2 3.3.1	3.2 3.3.1
		(iii)	Present the security of the tenure held at the time of reporting or that is reasonably expected to be granted in the future along with any known impediments to obtaining the right to operate in the area. State details of applications that have been made.	3.2	3.2
		(iv)	Provide a statement of any legal proceedings for example, land claims, that may have an influence on the rights to prospect or mine for minerals, or an appropriate negative statement.	1.6.5 1.6.7 3.2 3.3.1	1.6.5 1.6.7 3.2 3.3.1
		(v)	Provide a statement relating to governmental/statutory requirements and permits as may be required, have been applied for, approved or can be reasonably be expected to be obtained.	3.3.1	3.3.1
1.6	Royalties	(i)	Describe the royalties that are payable in respect of each property.	3.1.5 3.1.6	3.1.5 3.1.6
1.7	Liabilities	(i)	Describe any liabilities, including rehabilitation guarantees that are pertinent to the project. Provide a description of the rehabilitation liability, including, but not limited to, legislative requirements, assumptions and limitations.	1.6.6 4.15.8	1.6.6 5.15.1 5.15.2
Section 2: Geological Setting, Deposit, Mineralisation					
		(i)	Describe the regional geology.	4.3.1	4.3.1
		(ii)	Describe the project geology including deposit type, geological setting and style of mineralisation.	4.3.2	5.3.1
		(iii)	Discuss the geological model or concepts being applied in the investigation and on the basis of which the exploration program is planned. Describe the inferences made from this model.	4.3.2	5.3.1
		(iv)	Discuss data density, distribution and reliability and whether the quality and quantity of information are sufficient to support statements, made or inferred, concerning the Exploration Target or Mineralisation.	4.3.2	5.3.1
		(v)	Discuss the significant minerals present in the deposit, their frequency, size and other characteristics. Includes minor and gangue minerals where these will have an effect on the processing steps. Indicate the variability of each important mineral within the deposit.	4.3.3	5.3.2
		(vi)	Describe the significant mineralised zones encountered on the property, including a summary of the surrounding rock types, relevant geological controls, and the length, width, depth, and continuity of the mineralisation, together with a description of the type, character, and distribution of the mineralisation.	4.3.4	5.3.3
		(vii)	Confirm that reliable geological models and / or maps and cross sections that support interpretations exist.	4.3.4	5.3.3
2.1	Geological Setting, Deposit, Mineralisation				

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	Exploration Results	Mineral Resources	Mineral Reserves			
Section 1: Project Outline						
Section 3: Exploration and Drilling, Sampling Techniques and Data						
3.1	Exploration	(i)	Describe the data acquisition or exploration techniques and the nature, level of detail, and confidence in the geological data used (i.e. geological observations, remote sensing results, stratigraphy, lithology, structure, alteration, mineralisation, hydrology, geophysical, geochemical, petrography, mineralogy, geochronology, bulk density, potential deleterious or contaminating substances, geotechnical and rock characteristics, moisture content, bulk samples etc.). Confirm that data sets include all relevant metadata, such as unique sample number, sample mass, collection date, spatial location etc.	4.4.1 4.4.8 4.6 4.7	5.4.1 5.4.7 5.5.1 5.7	6.3.6 6.5
		(ii)	Identify and comment on the primary data elements (observation and measurements) used for the project and describe the management and verification of these data or the database. This should describe the following relevant processes: acquisition (capture or transfer), validation, integration, control, storage, retrieval and backup processes. It is assumed that data are stored digitally but hand-printed tables with well organized data and information may also constitute a database.	1.7 4.4	1.7 5.4	1.7 6.3
		(iii)	Acknowledge and appraise data from other parties and reference all data and information used from other sources.	4.4.3	5.4.1 5.4.3	
		(iv)	Clearly distinguish between data / information from the property under discussion and that derived from surrounding properties.	4.4.2	5.4.3	
		(v)	Describe the survey methods, techniques and expected accuracies of data. Specify the grid system used.			
		(vi)	Discuss whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the estimation procedure(s) and classifications applied.	4.4.1 4.4.2	5.4.1 5.5.1	
		(vii)	Present representative models and / or maps and cross sections or other two or three dimensional illustrations of results, showing location of samples, accurate drill-hole collar positions, down-hole surveys, exploration pits, underground workings, relevant geological data, etc.	4.3.4 4.5.1	5.3.3 5.4.2 5.5.1	
		(viii)	Report the relationships between mineralisation widths and intercept lengths are particularly important, the geometry of the mineralisation with respect to the drill hole angle. If it is not known and only the down-hole lengths are reported, confirm it with a clear statement to this effect (e.g. 'down-hole length, true width not known').			
		(i)	Present the type of drilling undertaken (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.).	4.4.3	5.4.2	6.3.1
		(ii)	Describe whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, technical studies, mining studies and metallurgical studies.	4.4.3	5.4.2	6.3.1
3.2	Drilling Techniques	(iii)	Describe whether logging is qualitative or quantitative in nature; indicate if core photography, (or costean, channel, etc.) was undertaken.	4.4.3	5.4.2	6.3.1
		(iv)	Present the total length and percentage of the relevant intersections logged.	4.4.3	5.4.2	6.3.1
		(v)	Results of any downhole surveys of the drill hole to be discussed.			

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Exploration Results	Mineral Resources	Mineral Reserves				
Section 1: Project Outline				KOPANANG	TAU LEKOA GROUP	NICOLOR PLANT/BUFFELS
3.3	Sample method, collection, capture and storage	(i)	Describe the nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling.	4.4.4	5.4.3	6.3.2
		(ii)	Describe the sampling processes, including sub-sampling stages to maximize representivity of samples. This should include whether sample sizes are appropriate to the grain size of the material being sampled. Indicate whether sample compositing has been applied.	4.4.4	5.4.3	6.3.2
		(iii)	Appropriately describe each data set (e.g. geology, grade, density, quality, diamond breakage, geo-metallurgical characteristics etc.), sample type, sample-size selection and collection methods.	4.4.4 4.4.8	5.4.3 5.4.7	6.3.2 6.3.6
		(iv)	Report the geometry of the mineralisation with respect to the drill-hole angle. State whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. State if the intersection angle is not known and only the downhole lengths are reported.	4.4.4	5.4.3	6.3.2
		(v)	Describe retention policy and storage of physical samples (e.g. core, sample reject, etc.).	4.4.4	5.4.3	6.3.2
		(vi)	Describe the method of recording and assessing core and chip sample recoveries and results assessed, measures taken to maximise sample recovery and ensure representative nature of the samples and whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.	4.4.4	5.4.3	6.3.2
3.4	Sample Preparation and Analysis	(vii)	If a drill-core sample is taken, state whether it was split or sawn and whether quarter, half or full core was submitted for analysis. If a non-core sample, state whether the sample was riffled, tube sampled, rotary split etc. and whether it was sampled wet or dry.	4.4.4	5.4.3	6.3.2
		(i)	Identify the laboratory(s) and state the accreditation status and Registration Number of the laboratory or provide a statement that the laboratories are not accredited.	4.4.5	5.4.4	6.3.3
		(ii)	Identify the analytical method. Discuss the nature, quality and appropriateness of the assaying and laboratory processes and procedures used and whether the technique is considered partial or total.	4.4.5	5.4.4	6.3.3
		(iii)	Describe the process and method used for sample preparation, sub-sampling and size reduction, and likelihood of inadequate or non representative samples (i.e. improper size reduction, contamination, screen sizes, granulometry, mass balance, etc.).	4.4.5	5.4.4	6.3.3
3.5	Sampling Governance	(i)	Discuss the governance of the sampling campaign and process, to ensure quality and representivity of samples and data, such as sample recovery, high grading, selective losses or contamination, core/hole diameter, internal and external QA/QC, and any other factors that may have resulted in or identified sample bias.	4.4.6 4.4.7	5.4.5 5.4.6	6.3.4 6.3.5
		(ii)	Describe the measures taken to ensure sample security and the Chain of Custody.	4.4.6	5.4.5	6.3.4 6.3.5
		(iii)	Describe the validation procedures used to ensure the integrity of the data, e.g. transcription, input or other errors, between its initial collection and its future use for modelling (e.g. geology, grade, density, etc.).	4.4.6 4.4.7 4.4.8	5.4.5 5.4.6 5.4.7	6.3.4 5.4.6 6.3.6

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	Exploration Results	Mineral Resources	Mineral Reserves				
Section 1: Project Outline							
		(iv)	Describe the audit process and frequency (including dates of these audits) and disclose any material risks identified.	4.4.6 4.5.8	5.4.5 5.5.9	6.3.4 6.4.7	
3.6	Quality Control/Quality Assurance	(i)	Demonstrate that adequate field sampling process verification techniques (QA/QC) have been applied, e.g. the level of duplicates, blanks, reference material standards, process audits, analysis, etc. If indirect methods of measurement were used (e.g. geophysical methods), these should be described, with attention given to the confidence of interpretation.	4.4.7	5.4.6	6.3.5	
		(i)	Describe the method of bulk density determination with reference to the frequency of measurements, the size, nature and representativeness of the samples.	4.4.8	5.4.7	6.3.7	
3.7	Bulk Density	(ii)	If target tonnage ranges are reported state the preliminary estimates or basis of assumptions made for bulk density.	4.4.9	5.4.8	6.3.6	
		(iii)	Discuss the representivity of bulk density samples of the material for which a grade range is reported.	4.4.9	5.4.8	6.3.6	
		(iv)	Discuss the adequacy of the methods of bulk density determination for bulk material with special reference to accounting for void spaces (vugs, porosity etc.), moisture and differences between rock and alteration zones within the deposit.	4.4.9	5.4.8	6.3.6	
		(i)	Indicate the location of individual samples (including map).	Not applicable			
3.8	Bulk-Sampling and/or trial-mining	(ii)	Describe the size of samples, spacing/density of samples recovered and whether sample sizes and distribution are appropriate to the grain size of the material being sampled.	Not applicable			
		(iii)	Describe the method of mining and treatment.	Not applicable			
		(iv)	Indicate the degree to which the samples are representative of the various types and styles of mineralisation and the mineral deposit as a whole.	Not applicable			
Section 4: Estimation and Reporting of Exploration Results and Mineral Resources							
		(i)	Describe the geological model, construction technique and assumptions that forms the basis for the Exploration Results or Mineral Resource estimate. Discuss the sufficiency of data density to assure continuity of mineralisation and geology and provide an adequate basis for the estimation and classification procedures applied.	4.5.1	5.5.1	6.4.1	
		(ii)	Describe the nature, detail and reliability of geological information with which lithological, structural, mineralogical, alteration or other geological, geotechnical and geo-metallurgical characteristics were recorded.	4.5.1 4.6	5.5.1 5.6	6.4.1	
4.1	Geological model and interpretation	(iii)	Describe any obvious geological, mining, metallurgical, environmental, social, infrastructural, legal and economic factors that could have a significant effect on the prospects of any possible exploration target or deposit.	4.5.1	5.5.1	6.4.1	

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Exploration Results		Mineral Resources	Mineral Reserves		
Section 1: Project Outline					
				KOPANANG	TAU LEKOA GROUP
				NICOLOR PLANT/BUFFELS	
4.2	(iv)		Discuss all known geological data that could materially influence the estimated quantity and quality of the Mineral Resource.	1.6.4 4.5.3 4.5.5	1.6.4 4.5.4 5.5.4
	(v)		Discuss whether consideration was given to alternative interpretations or models and their possible effect (or potential risk) if any, on the Mineral Resource estimate.		
	(vi)		Discuss geological discounts (e.g. magnitude, per reef, domain, etc.), applied in the model, whether applied to mineralized and / or un-mineralized material (e.g. potholes, faults, dykes, etc.).	4.5.5	5.5.6
	(i)	Describe in detail the estimation techniques and assumptions used to determine the grade and tonnage ranges.		4.5.2	5.5.2
	(ii)		Discuss the nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values (cutting or capping), compositing (including by length and/or density), domain, sample spacing, estimation unit size (block size), selective mining units, interpolation parameters and maximum distance of extrapolation from data points.	4.5.2 4.5.3	5.5.2 5.5.4
	(iii)		Describe assumptions and justification of correlations made between variables.	4.5.2	5.5.2
4.3	(iv)		Provide details of any relevant specialized computer program (software) used, with the version number, together with the estimation parameters used.	4.5.2 4.5.3	5.5.2 5.5.4
	(v)		State the processes of checking and validation, the comparison of model information to sample data and use of reconciliation data, and whether the Mineral Resource estimate takes account of such information.	4.5.2 4.5.7	5.5.3 5.5.8
	(vi)		Describe the assumptions made regarding the estimation of any co-products, by-products or deleterious elements.	4.5.2 4.5.7	5.5.3
	(i)		Disclose and discuss the geological parameters. These would include (but not be limited to) volume / tonnage, grade and value / quality estimates, cut-off grades, strip ratios, upper- and lower- screen sizes.	4.5.3	5.5.4
	(ii)		Disclose and discuss the engineering parameters. These would include mining method, dilution, processing, geotechnical, geohydraulic and metallurgical parameters.	4.5.3 4.6 4.7 4.8.2 4.9 4.11	5.5.4 5.6 5.7 5.8.2 5.8.3 5.11
	(iii)		Disclose and discuss the infrastructure including, but not limited to, power, water, site-access.	4.11.2	5.11.1 5.11.2
	(iv)		Disclose and discuss the legal, governmental, permitting, statutory parameters.	4.15.5	5.5.4 5.15.1 5.15.2

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	Exploration Results	Mineral Resources	Mineral Reserves					
Section 1: Project Outline								
4.4	Classification Criteria	(v)		Disclose and discuss the environmental and social (or community) parameters.		4.15.7	5.15.1 5.15.2	6.12.
		(vi)		Disclose and discuss the marketing parameters.		1.6.2	1.6.2	1.6.2
		(vii)		Disclose and discuss the economic assumptions and parameters. These factors will include, but not limited to, commodity prices and potential capital and operating costs.		4.8.10 4.9.5 4.11.12	5.5.4 5.8.2 5.11.1 5.11.2	6.4.3 6.6.7 6.7.5 6.12.5
		(viii)		Discuss any material risks.		1.6.4 4.5.8 4.15.7	1.6.4 5.5.9 5.9.3 5.15.1 5.15.2	1.6.4 6.4.7 6.9.5
		(ix)		Discuss the parameters used to support the concept of "eventual".		4.5.3	5.5.4	6.4.3
4.4	Classification Criteria	(i)		Describe criteria and methods used as the basis for the classification of the Mineral Resources into varying confidence categories.		4.5.4	5.5.5	6.4.4
		(i)		Discuss the reported low and high-grades and widths together with their spatial location to avoid misleading the reporting of Exploration Results, Mineral Resources or Mineral Reserves.		4.5.5		
4.5	Reporting	(ii)		Discuss whether the reported grades are regional averages or if they are selected individual samples taken from the property under discussion.		4.5.5	5.5.6	6.4.5
		(iii)	State assumptions regarding mining methods, infrastructure, metallurgy, environmental and social parameters. State and discuss where no mining related assumptions have been made.		4.8.6	5.8.2	6.6.8	
		(iv)	State the specific quantities and grades / qualities which are being reported in ranges and/or widths, and explain the basis of the reporting.		4.5.5	5.5.6	6.4.5	

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	Exploration Results	Mineral Resources	Mineral Reserves		
Section 1: Project Outline					
	(v)	Present the detail for example open pit, underground, residue stockpile, remnants, tailings, and existing pillars or other sources in the Mineral Resource statement.		4.5.5	5.5.6
	(vi)	Present a reconciliation with any previous Mineral Resource estimates. Where appropriate, report and comment on any historic trends (e.g. global bias).		4.5.7	5.5.8
	(vii)	Present the defined reference point for the tonnages and grades reported as Mineral Resources. State the reference point if the point is where the run of mine material is delivered to the processing plant. It is important that, in all situations where the reference point is different, such as for a saleable product, a clarifying statement is included to ensure that the reader is fully informed as to what is being reported.		4.5.5	5.5.6
	(viii)	If the CP is relying on a report, opinion, or statement of another expert who is not a CP, disclose the date, title, and author of the report, opinion, or statement, the qualifications of the other expert and why it is reasonable for the CP to rely on the other expert, any significant risks and any steps the CP took to verify the information provided.		4.5.8	5.5.9
	(ix)	State the basis of equivalent metal formulae, if applied.		4.5.5	5.5.6
Section 5: Technical Studies					
5.1	(i)	Technical Studies are not applicable to Exploration Results.	State the level of study – whether prefeasibility, feasibility or ongoing LoM.	4.8.3 4.8.4 4.8.6	5.8.2 5.8.3
	(ii)		Provide a summary table of the Modifying Factors used to convert the Mineral Resource to Mineral Reserve for Pre-feasibility, Feasibility or on-going LoM studies.	4.8.3 4.8.4	5.8.2 5.8.3
			State the level of study – whether prefeasibility, feasibility or ongoing LoM. The Code requires that a study to at least a Pre-Feasibility level has been undertaken to convert Mineral Resource to Mineral Reserve. Such studies will have been carried out and will include a mine plan or production schedule that is technically achievable and economically viable, and that all Modifying Factors have been considered.	6.6 6.6.4 6.6.8	6.6 6.6.8
			Provide a summary table of the Modifying Factors used to convert the Mineral Resource to Mineral Reserve for Pre-feasibility, Feasibility or on-going LoM studies.	6.6 6.6.8	6.6 6.6.8

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	Exploration Results	Mineral Resources	Mineral Reserves			
Section 1: Project Outline						
5.2	Mining Design	(i)	State assumptions regarding mining methods and parameters when estimating Mineral Resources or explain where no mining assumptions have been made.			
		(ii)	State and justify all modifying factors and assumptions made regarding mining methods, minimum mining dimensions (or pit shell) and internal and, if applicable, external) mining dilution and mining losses used for the techno-economic study and signed-off, such as mining method, mine design criteria, infrastructure, capacities, production schedule, mining efficiencies, grade control, geotechnical and hydrological considerations, closure plans, and personnel requirements.	4.7 4.8.3	5.8.2 5.8.3 5.15.1 5.15.2	6.6.2
		(iii)	State what mineral resource models have been used in the study.			
		(iv)	Technical Studies are not applicable to Exploration Results.	4.8.6	5.8.2 5.8.3	6.6.8 6.6.9
		(v)		4.8.2	5.8.2 5.8.3	6.6.2 6.6.5
		(vi)				
		(vii)		4.6.2 4.7 4.8.2 4.8.7	5.6 5.6.2 5.8.2 5.8.3	6.5 6.6.2 6.6.5 6.11
		(viii)		4.6.2 4.7 4.8.7 4.11.8 4.8.9 4.14 4.13	5.6 5.6.2 5.8.2 5.11.1 5.11.2 5.13 5.14	6.5 6.6.5 6.6.6
		(ix)		State the optimisation methods used in planning, list of constraints (practicality, plant, access, exposed Mineral Reserves, stripped Mineral Reserves, bottlenecks, draw control).	4.8.2	5.8.2 5.8.3
	5.3	Metallurgical and Testwork	Technical Studies are not applicable to Exploration Results.	Discuss the source of the sample and the techniques to obtain the sample, laboratory and metallurgical testing techniques.	4.9.1	5.9.1

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## APPENDIX III

## COMPETENT PERSON'S REPORT

SAMREC TABLE 1				Note the section in the CPR where this is located or note why it is not relevant to the project ("if not, why not").	Note the section in the CPR where this is located or note why it is not relevant to the project ("if not, why not").
	Exploration Results	Mineral Resources	Mineral Reserves		
Section 1: Project Outline					
		(ii)		Explain the basis for assumptions or predictions regarding metallurgical amenability and any preliminary mineralogical test work already carried out.	4.9.1  5.9.1 5.13  6.7.2
			Discuss the possible processing methods and any processing factors that could have a material effect on the likelihood of eventual economic extraction. Discuss the appropriateness of the processing methods to the style of mineralisation.	Describe and justify the processing method(s) to be used, equipment, plant capacity, efficiencies, and personnel requirements.	1.6.4 4.9.2 4.13  1.6.4 5.9.2  1.6.4 6.7.5 6.10
		(iv)		Discuss the nature, amount and representativeness of metallurgical test work undertaken and the recovery factors used. A detailed flow sheet / diagram and a mass balance should exist, especially for multi-product operations from which the saleable materials are priced for different chemical and physical characteristics.	4.9.2  5.9.1 5.9.2  6.7.2 6.7.4
		(v)		State what assumptions or allowances have been made for deleterious elements and the existence of any bulk-sample or pilot-scale test work and the degree to which such samples are representative of the ore body as a whole.	4.9.1  5.9.1  6.7
		(vi)		State whether the metallurgical process is well-tested technology or novel in nature.	4.9.7  5.9.1  6.7
		(i)	Comment regarding the current state of infrastructure or the ease with which the infrastructure can be provided or accessed.		2.3.2 4.11  2.3.2 5.11  2.3.2 6.9
5.4	Infrastructure	Technical Studies are not applicable to Exploration Results.		2.3.2 4.10 4.11.2 4.11.10 4.11.11 4.13  2.3.2 5.10 5.11 5.11.1 5.11.2 6.12	2.3.2 4.10 5.10 6.9.1 6.9.4 6.12

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## APPENDIX III

## COMPETENT PERSON'S REPORT

SAMREC TABLE 1				Note the section in the CPR where this is located or note why it is not relevant to the project ("if not, why not").	Note the section in the CPR where this is located or note why it is not relevant to the project ("if not, why not").
	Exploration Results	Mineral Resources	Mineral Reserves		
Section 1: Project Outline				KOPANANG	TAU LEKOA GROUP
					NICOLOR PLANT/BUFFELS
5.5		(iii)	Statement showing that all necessary logistics have been considered.	4.11.10 4.11.11 4.12 4.15.7	5.11.1 5.11.2 5.12 5.15.1 5.15.2
	Environmental and Social	(i)	Confirm that the company holding the tenement has addressed the host country environmental legal compliance requirements and any mandatory and/or voluntary standards or guidelines to which it subscribes.	2.4.1 2.4.2 3.3.1 3.3.2	2.4.1 2.4.2 3.3.1 3.3.2
		(ii)	Identify the necessary permits that will be required and their status and where not yet obtained, confirm that there is a reasonable basis to believe that all permits required for the project will be obtained.	3.3.1 3.3.2	3.3.1 3.3.2
		(iii)	Identify and discuss any sensitive areas that may affect the project as well as any other environmental factors including I&AP and/or studies that could have a material effect on the likelihood of eventual economic extraction. Discuss possible means of mitigation.	1.6.4 2.4.1 3.3.1 4.15.7	1.6.4 2.4.1 3.3.1 5.15.1 5.15.2 3.3.1
		(iv)	Identify any legislated social management programmes that may be required and discuss the content and status of these.	4.15.5	5.15.1 5.15.2
		(v)	Outline and quantify the material socio-economic and cultural impacts that need to be mitigated, and their mitigation measures and where appropriate the associated costs.	4.15.7	5.15.1 5.15.2
5.6	(i)		Describe the valuable and potentially valuable product(s) including suitability of products, co-products and by products to market.	1.6.2 4.17	1.6.2 5.17
	(ii)		Describe product to be sold, customer specifications, testing, and acceptance requirements. Discuss whether there exists a ready market for the product and whether contracts for the sale of the product are in place or expected to be readily obtained. Present price and volume forecasts and the basis for the forecast.	1.6.2 4.16 4.17	1.6.2 5.16 5.17
	(iii)	Technical Studies are not applicable to Exploration Results.	State and describe all economic criteria that have been used for the study such as capital and operating costs, exchange rates, revenue / price curves, royalties, cut-off grades, reserve pay limits.	1.6.2 5.5.4 5.8.2 4.8.10 4.9.5 4.11.12 4.17	1.6.2 6.4.2 6.6.7 6.7.5 6.9.5 5.11.1 5.11.2 5.17
	(iv)		Summary description, source and confidence of method used to estimate the commodity price/value profiles used for cut-off grade calculation, economic analysis and project valuation, including applicable taxes, inflation indices, discount rate and exchange rates.	1.6.2 4.5.3 4.17	1.6.2 6.4.2 5.5.4 5.17

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## APPENDIX III

## COMPETENT PERSON'S REPORT

SAMREC TABLE 1				Note the section in the CPR where this is located or note why it is not relevant to the project ("if not, why not").	Note the section in the CPR where this is located or note why it is not relevant to the project ("if not, why not").		
	Exploration Results	Mineral Resources	Mineral Reserves				
Section 1: Project Outline							
5.7	Risk Analysis	(i)	(v)	Present the details of the point of reference for the tonnages and grades reported as Mineral Reserves (e.g. material delivered to the processing facility or saleable product(s)). It is important that, in any situation where the reference point is different, a clarifying statement is included to ensure that the reader is fully informed as to what is being reported.	1.6.2 4.17	1.6.2 5.17	1.6.2 6.14
			(vi)	Justify assumptions made concerning production cost including transportation, treatment, penalties, exchange rates, marketing and other costs. Provide details of allowances that are made for the content of deleterious elements and the cost of penalties.	1.6.2 4.17	1.6.2 5.17	1.6.2 6.14
			(vii)	Provide details of allowances made for royalties payable, both to Government and private.	1.6.2 3.1.6 4.17	1.6.2 3.1.6 4.17	1.6.2 3.1.6 4.17
			(viii)	State type, extent and condition of plant and equipment that is significant to the existing operation(s).	1.6.2 4.17	1.6.2 5.17	1.6.2 6.14
			(ix)	Provide details of all environmental, social and labour costs considered.	1.6.2 4.17	1.6.2 5.17	1.6.2 6.14
5.8	Economic Analysis	(i)	(i)	Report an assessment of technical, environmental, social, economic, political and other key risks to the project. Describe actions that will be taken to mitigate and/or manage the identified risks.	4.5.8 4.6.4 4.7.6 4.8.13 4.9.6 4.11.13 4.12.1 4.13.9 4.14.3 4.15.7 4.15.9 4.16.1 4.17.1 7	5.6.4 5.7.3 5.5.9 5.8.3 5.8.6 5.11.3 5.13.8 5.14.1 5.15.1 5.15.2 5.15.3 5.7.13 7	6.4.7 6.5.3 6.6.11 6.10.1 6.9.6 6.10.1 6.11.3 6.12.5 6.12.7 6.14.4 7
				At the relevant level (Scoping Study, Pre-feasibility, Feasibility or on-going LoM), provide an economic analysis for the project that includes:	4.17	5.17	6.14
				Cash Flow forecast on an annual basis using Mineral Reserves or an annual production schedule for the life of the project.	4.17	5.17	6.14
				A discussion of net present value (NPV), internal rate of return (IRR) and payback period of capital.	4.17	5.17	6.14
				Sensitivity or other analysis using variants in commodity price, grade, capital and operating costs, or other significant parameters, as appropriate and discuss the impact of the results.	4.17	5.17	6.14

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## APPENDIX III

## COMPETENT PERSON'S REPORT

SAMREC TABLE 1				Note the section in the CPR where this is located or note why it is not relevant to the project ("if not, why not").	Note the section in the CPR where this is located or note why it is not relevant to the project ("if not, why not").
	Exploration Results	Mineral Resources	Mineral Reserves		
Section 1: Project Outline					
Section 6: Estimation and Reporting of Mineral Reserves					
6.1	Estimation and modelling techniques	(i)	Describe the Mineral Resource estimate used as a basis for the conversion to a Mineral Reserve.	4.5.5	5.5.6
		(ii)	Report the Mineral Reserve Statement with sufficient detail indicating if the mining is open pit or underground plus the source and type of mineralisation, domain or ore body, surface dumps, stockpiles and all other sources.	4.8.11	5.8.4
		(iii)	Provide a reconciliation reporting historic reliability of the performance parameters, assumptions and modifying factors including a comparison with the previous Reserve quantity and qualities, if available. Where appropriate, report and comment on any historic trends (e.g. global bias).	4.8.6 4.8.12	5.8.2 5.8.3 5.8.5
6.2	Classification Criteria	(i)	Describe and justify criteria and methods used as the basis for the classification of the Mineral Reserves into varying confidence categories, based on the Mineral Resource category, and including consideration of the confidence in all the modifying factors.	4.8.6 4.8.11	5.8.2 5.8.3
6.3	Reporting	(i)	Discuss the proportion of Probable Mineral Reserves, which have been derived from Measured Mineral Resources (if any), including the reason(s) therefore.	4.8.11	5.8.4
		(ii)	Present details of for example open pit, underground, residue stockpile, remnants, tailings, and existing pillars or other sources in respect of the Mineral Reserve statement.	4.8.11	5.8.4
		(iii)	Present the details of the defined reference point for the Mineral Reserves. State where the reference point is the point where the run of mine material is delivered to the processing plant. It is important that, in all situations where the reference point is different, such as for a saleable product, a clarifying statement is included to ensure that the reader is fully informed as to what is being reported. State clearly whether the tonnages and grades reported for Mineral Reserves are in respect of material delivered to the plant or after recovery.		
	(iv)	Present a reconciliation with the previous Mineral Reserve estimates. Where appropriate, report and comment on any historic trends (e.g. global bias).	4.8.12	5.8.5	6.6.10
	(v)	Only Measured and Indicated Mineral Resources can be considered for inclusion in the Mineral Reserve.			
	(vi)	State whether the Mineral Resources are inclusive or exclusive of Mineral Reserves.		4.5.5	5.5.6
					6.4.5

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## APPENDIX III

## COMPETENT PERSON'S REPORT

SAMREC TABLE 1				Note the section in the CPR where this is located or note why it is not relevant to the project ("if not, why not").	Note the section in the CPR where this is located or note why it is not relevant to the project ("if not, why not").			
		Exploration Results	Mineral Resources	Mineral Reserves				
Section 1: Project Outline								
Section 7: Audits and Reviews								
7.1	Audits and Reviews	(i)	State type of review/audit (e.g. independent, external), area (e.g. laboratory, drilling, data, environmental compliance etc.), date and name of the reviewer(s) together with their recognized professional qualifications.		KOPANANG	TAU LEKOA GROUP	NICOLOR PLANT/BUFFELS	
		(ii)	Disclose the conclusions of relevant audits or reviews. Note where significant deficiencies and remedial actions are required.		9	9		3.3.2 5.15.1 5.15.2  9
Section 8: Other Relevant Information								
8.1		(i)	Discuss all other relevant and material information not discussed elsewhere.					
Section 9: Qualification of CP(s) and other key technical staff. Date and Signature Page								
9.1		(i)	State the full name, registration number and name of the professional body or RPO, for all the CP(s). State the relevant experience of the CP(s) and other key technical staff who prepared and are responsible for the Public Report.		1.10	1.10		1.10
		(ii)	State the CP's relationship to the issuer of the report.		1.10	1.10		1.10
		(iii)	Provide the Certificate of the CP (Appendix 2), including the date of sign-off and the effective date, in the Public Report.		1.6 10 Appendix 1	1.6 10 Appendix 1		1.6 10 Appendix 1

## **APPENDIX 4: SAMESG GUIDELINES CHAPTER REFERENCES**

## APPENDIX III

## COMPETENT PERSON'S REPORT

SAMREC TABLE 1 (applicable sections only)					ADDITIONAL ESG GUIDELINES			Note the section in the CPR where this is located or note why it is not relevant to the project ("if not, why not").					
		Exploration Results	Mineral Resources	Mineral Reserves	Section 1: Project Outline			SAMESG Content guidance (Exploration)	SAMESG Content guidance (Resources)	SAMESG Content guidance (Reserves)	KOPANANG	TAU LEKOA GROUP	NICOLOR
1.2	Location	(ii)	County Profile: describe information pertaining to the project host country that is pertinent to the project including relevant applicable legislation, environmental and social context etc. Assess, at a high level, relevant technical, environmental, social, economic, political and other key risks.	A general topocadastral map.	Topo-cadastral map in sufficient detail to support the assessment of eventual economics. Known associated climate risks should be stated.	Detailed topo-cadastral map. Where applicable aerial surveys should be checked with ground controls and surveys, particularly in areas of rugged terrain, dense vegetation or high altitude.	Provide a high level analysis of the ESG context within which the project is located and give an appropriate analysis of the material aspects and impacts that may need consideration. Include issues that are likely to remain material despite the implementation of proposed mitigation measures.	Describe the location of any sensitive areas within and around the project area including within the prospecting right area and within the zone of influence of the site.	2.4.1 2.4.2 3.3.1 3.3.2	2.4.1 2.4.2 3.3.1 3.3.2	2.4.1 2.4.2 3.3.1 3.3.2	2.4.1 2.4.2 3.3.1 3.3.2	
					(iii)	Provide a map which identifies the locality of sensitive receptors within the prospecting right area and at least the zone of influence of the site. All surface water features to be included on maps.							2.1 2.4.1
		1.5	Legal Aspects and Permitting	(ii)	The legal tenure should be verified to the satisfaction of the CP, including a description of:  The principal terms and conditions of all existing agreements, and details of those still to be obtained, (such as, but not limited to, concessions, partnerships, joint ventures, access rights, leases, historical and cultural sites, wilderness or national park and environmental settings, royalties, consents, permission, permits or authorisations).	A statement of any legal proceedings for example; land claims, that may have an influence on the rights to prospect or mine for minerals, or an appropriate negative statement.	Provide a description of any recognised claims received during the reporting period.	Provide a description of any penalties, fines and damages which are due and payable by the target in response to an order of court, decision by a mediator or a decision by an arbitrator whether or not subject to an appeal process.	Provide a description of any pending administrative enforcement action such as, but not limited to directives or compliance notices instituted against the project target, including a notice received by the project target of an authority's intention to issue a directive or compliance notice, by any authority concerned with the regulation of ESG issues whether or not such pre-compliance notice or compliance notice has been suspended pending corrective action.	3.3.1 3.2	3.3.1 3.2	3.3.1 3.2	3.3.1 3.2
(iv)	1.6.5 1.6.7 3.2 3.3.1												

## APPENDIX III

## COMPETENT PERSON'S REPORT

SAMREC TABLE 1 (applicable sections only)					ADDITIONAL ESG GUIDELINES			Note the section in the CPR where this is located or note why it is not relevant to the project ("if not, why not").					
					Exploration Results	Mineral Resources	Mineral Reserves	SAMESG Content guidance (Exploration)	SAMESG Content guidance (Resources)	SAMESG Content guidance (Reserves)	KOPANANG	TAU LEKOA GROUP	NICOLOR
					Section 1: Project Outline								
					Provide a description of any known future financial liabilities that arise by virtue of recognised claims, penalties, fines, damages and administrative enforcement action that will become due and payable in future including the due date for payment.								
		(v)	A statement should be provided to the effect that such governmental/statutory requirements and permits as may be required have been applied for, approved or can be reasonably be expected to be obtained.		Motivate whether there is a reasonable basis to believe that all ESG permits, authorisations and licences can be obtained.								
1.6	Royalties and Liabilities	(i)	Describe the royalties that are payable in respect of each property and any liabilities, including (but not limited to) rehabilitation guarantees that are pertinent to the project.		Describe any known rehabilitation activities, liability and compliance costs.	Describe the project target's current closure, social obligations, rehabilitation activities, material remaining liability and compliance costs.							
		(ii)	Provide a description of the methodology used in the determination of the rehabilitation liability, including, but not limited to, legislative requirements, assumptions and limitations.			Provide a description of mechanisms in place to address unplanned closure.							
						Describe the bonding obligations in place to ensure that these liabilities can be funded on a qualitative and quantitative basis.							
					Section 4: Estimation and Reporting of Exploration Results and Mineral Resources								
		(iv)	Disclose and discuss the legal, governmental, permitting, statutory parameters.			Provide a high level description of organisational structure, systems, policies, procedures and management plans, and governance procedures in place to manage ESG issues.							
4.3	RPEEE	(v)	Disclose and discuss the environmental and social (or community) parameters.			Provide a high level analysis of the environmental context within which the project is located and give an appropriate analysis of the material aspects and impacts that may need consideration. Include issues that are likely to remain material despite the implementation of proposed mitigation measures.							
		(viii)	Discuss any material risks.			Describe at a high level, the risks associated with any obvious ESG factors that could have a material modification to the planned resource estimation programme.							
					Section 5: Technical Studies								

## APPENDIX III

## COMPETENT PERSON'S REPORT

SAMREC TABLE 1 (applicable sections only)					ADDITIONAL ESG GUIDELINES			Note the section in the CPR where this is located or note why it is not relevant to the project ("if not, why not").			
		Exploration Results	Mineral Resources	Mineral Reserves	SAMESG Content guidance (Exploration)	SAMESG Content guidance (Resources)	SAMESG Content guidance (Reserves)	KOPANANG	TAU LEKOA GROUP	NICOLOR	
Environmental and Social	(i)	TECHNICAL STUDIES ARE NOT APPLICABLE TO EXPLORATION RESULTS	Confirm that the company holding the tenant has addressed the host country environmental legal compliance requirements and any mandatory and/or voluntary standards or guidelines to which it subscribes.	Identify the necessary permits that will be required and their status and where not yet obtained make, confirm that there is a reasonable basis to believe that all permits required for the project will be obtained.	TECHNICAL STUDIES ARE NOT APPLICABLE TO EXPLORATION RESULTS	Provide a description of organisational structure, systems, policies, procedures and management plans, and governance procedures in place to manage ESG issues. Give an appropriate analysis of the material aspects and impacts that may need consideration including how existing activities may exacerbate or mitigate existing aspects and impacts.			2.4.1 2.4.2 3.3.1 3.3.2	2.4.1 2.4.2 3.3.1 3.3.2	2.4.1 2.4.2 3.3.1 3.3.2
						Outline the applicable ESG legal compliance requirements and any mandatory and/or voluntary standards or guidelines to which the project subscribes.			3.3.1 3.3.2	3.3.1 3.3.2	3.3.1 3.3.2
						Identify the ESG permits, authorisations and licences that have been issued to the project target as well as those permits, authorisations and licences that have been identified as required but not yet applied for or issued.					
	(iii)	Identify and discuss any sensitive areas that may affect the project as well as any other environmental factors that could I&AP and/or studies that could have a material effect on the likelihood of eventual economic extraction. Discuss possible means of mitigation.	TECHNICAL STUDIES ARE NOT APPLICABLE TO EXPLORATION RESULTS	Provide a high level analysis of the environmental context within which the project is located and give an appropriate analysis of the material aspects and impacts that may need consideration. Include issues that are likely to remain material despite the implementation of proposed mitigation measures.			1.6.4 2.4.1 3.3.1 4.15.7	1.6.4 2.4.1 5.15.1 5.15.2 3.3.1	1.6.4 2.4.1 5.15.1 5.15.2 3.3.1 6.12.6		
				Describe, assess and prioritise the risks associated with any obvious environmental factors that could have a material modification to the planned resource estimation programme.		Describe, assess and prioritise the risks associated with any obvious environmental factors that could have a material modification to the planned mining programme.					
	(iv)	Identify any legislated social management programmes that may be required and content and status of these.	Provide an appropriate analysis of the external social and political context within which the project is located.			4.15.5	5.15.1 5.15.2	6.12.4			
	(v)	Outline and quantify the material socio-economic and cultural impacts that need to be mitigated, and their mitigation measures and	Describe and prioritise current social and political risks, and potential risks that take into account how activities may exacerbate or mitigate existing risks.			4.15.7	5.15.1 5.15.2	6.12.5			

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SAMREC TABLE 1 (applicable sections only)					ADDITIONAL ESG GUIDELINES			Note the section in the CPR where this is located or note why it is not relevant to the project ("if not, why not").		
					SAMESG Content guidance (Exploration)	SAMESG Content guidance (Resources)	SAMESG Content guidance (Reserves)	KOPANANG	TAU LEKOA GROUP	NICOLOR
Section 1: Project Outline										
				where appropriate the associated costs.		Report on any social and political issues that may have a material effect on the planned resource programme. Include issues that are likely to remain material despite the implementation of proposed mitigation measures.	Report on any social and political issues that may have a material effect on the planned reserve programme. Include issues that are likely to remain material despite the implementation of proposed mitigation measures.			
						Describe, assess and prioritise the risks associated with any obvious internal social factors and/or specific contextual details that could have a material effect on the planned resources programme.	Describe and assess the risks associated with any obvious internal social factors and/or specific contextual details that could have a material effect on the planned reserves programme.			
5.6	Market Studies and Economic criteria	(ix)		All environmental, social and labour costs should be considered.		Consideration should include the cost of any technical studies necessary to determination such environmental, social, and labour costs.		4.17	5.17	6.14
5.7	Risk Analysis	(i)		Assess the technical, environmental, social, economic, political and other key risks to the project. Describe actions that will be taken to mitigate and/or manage the identified risks.		Provide a description of the existence of a risk assessment process which has been undertaken to identify material ESG issues. Describe programmes in place to continuously update and monitor identified material ESG issues.		4.15.7 4.15.9 7.2	5.15.1 5.15.2 5.15.3 7.2	6.12.5 6.12.7 7.2
Section 7: Audits and Reviews										
7.1	Audits and Reviews	(i)		State type of review/audit (e.g. independent, external), area (e.g. laboratory, drilling, data, environmental compliance, etc.), date and name of the reviewer(s) together with their recognised professional qualifications.		Provide a description of legal compliance audits undertaken during the period including a summary of material findings and management plans to address these findings.	Provide a description of ESG management system conformance audits undertaken during the reporting period including a summary of material findings and management plans to address these findings.	3.3.2 4.15.5 4.15.6	3.3.2 5.15.1 5.15.2	3.3.2 6.12.4

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## APPENDIX IV      SUMMARY OF THE ARTICLES OF ASSOCIATION

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*This appendix contains a summary of the Articles of Association of the Company. The principal objective is to provide prospective investors with an overview of the Articles of Association. As the information set out below is in summary form, it does not contain all of the information that may be important to prospective investors. As stated in Appendix VI to this prospectus, a copy the Articles of Association is available for inspection. The Articles of Association were adopted by the Company on October 31, 2019. The following is a summary of certain provisions of the Articles of Association. The powers conferred or permitted by the Articles of Association are subject to the provisions of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and other ordinances, subsidiary legislation and the Listing Rules.*

### ALTERATION OF CAPITAL

The Company may from time to time by ordinary resolution alter its share capital in any one or more of the ways set out in section 170 of the Companies Ordinance, including but not limited to:

- (a) increasing its share capital by allotting and issuing new shares in accordance with the Companies Ordinance;
- (b) increasing its share capital without allotting and issuing new shares, if the funds or other assets for the increase are provided by the members of the Company;
- (c) capitalising its profits, with or without allotting and issuing new shares;
- (d) allotting and issuing bonus shares with or without increasing its share capital;
- (e) converting all or any of its share into a larger or smaller number of existing shares;
- (f) dividing its shares into several classes and attaching thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions, provided always that where the Company issues shares which do not carry voting rights, the words “non-voting” shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words “restricted voting” or “limited voting”;
- (g) cancelling shares:
  - (i) that, at the date of the passing of the resolution for cancellation, have not been taken or agreed to be taken by any person; or
  - (ii) that have been forfeited; or

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## **APPENDIX IV      SUMMARY OF THE ARTICLES OF ASSOCIATION**

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- (h) making provision for the issue and allotment of shares which do not carry any voting rights.

The Company may by special resolution reduce its share capital in any manner and with, and subject to, and incident authorised, and consent required by law.

### **PURCHASE OF OWN SHARES AND FINANCIAL ASSISTANCE FOR PURCHASE BY OTHERS**

The Company may exercise any powers conferred or permitted by the Companies Ordinance or any other ordinance from time to time to purchase or otherwise acquire its own shares (including any redeemable shares), or to give, directly or indirectly, by means of a loan, guarantee, the provision of security or otherwise, financial assistance for the purpose of or in connection with a purchase or other acquisition made or to be made by any person of any shares in the Company and should the Company purchase or otherwise acquire its own shares, neither the Company nor the Directors shall be required to select the shares to be purchased or otherwise acquired rateably or in any other particular manner as between the holders of shares of the same class or as between them and the holders of shares of any other class or in accordance with the rights as to dividends or capital conferred by any class of shares provided always that any such purchase or other acquisition or financial assistance shall only be made or given in accordance with any relevant rules or regulations issued by the Stock Exchange, the Hong Kong Securities and Futures Commission or the relevant regulator or authorities from time to time in force. For the purpose of this Article, “shares” includes shares, warrants and any other securities convertible into shares which are issued from time to time by the Company.

### **VARIATION OF RIGHTS**

Subject to the provisions of the Companies Ordinance, if at any time the capital of the Company is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied, either while the Company is a going concern or during or in contemplation of a winding-up, either with the consent in writing of the holders of seventy-five per cent (75%) of the total voting rights of holders of shares in that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class, but not otherwise. To every such separate meeting the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, except that:

- (a) the necessary quorum at such meeting (other than an adjourned meeting) shall be no less than two (2) persons together holding or representing by proxy one-third (1/3) in the total voting rights of the issued shares of the class in question;
- (b) at any adjourned meeting two persons holding shares of that class or by proxy (whatever the number of shares held by them);

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## **APPENDIX IV      SUMMARY OF THE ARTICLES OF ASSOCIATION**

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- (c) the holders of the shares of the class shall, on a poll, have one vote in respect of every share of the class held by them respectively; and
- (d) any holder of shares of the class present in person or by proxy may demand a poll.

### **TRANSFER OF SHARES**

The instrument of transfer of any share shall be in writing and in any usual form or in any other form which the Directors approve including the standard form of transfer as prescribed by the Stock Exchange and shall be executed by or on behalf of the transferor and by or on behalf of the transferee. If the transferor or transferee is a Clearing House or its nominee, the instrument of transfer shall be executed by hand or by machine imprinted signature(s) or by such other manner of execution as the Directors may approve from time to time. The transferor shall be deemed to remain the holder of the share(s) concerned until the name of the transferee is entered in the register in respect thereof. Nothing in the Articles of Association shall preclude the Directors from recognising a renunciation of the allotment or provisional allotment of any share by the allottee in favour of some other person.

The Directors may, in their absolute discretion, refuse to register the transfer of a share which is not fully paid. They may also refuse to register a transfer of a share unless the instrument of transfer:

- (a) is lodged, duly stamped, at the Office or at such other place as the Directors may appoint and is accompanied by the certificate for the share to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and a fee as permitted under the rules prescribed by the Stock Exchange;
- (b) is in respect of only one class of share;
- (c) is in favour of not more than four transferees;
- (d) the shares concerned are free of any lien in favour of the Company; and
- (e) such other conditions as the Directors may from time to time impose for the purpose of guarding against losses arising from forgery are satisfied.

If the Directors refuse to register a transfer of a share, they shall within two (2) months after the date on which the transfer was lodged with the Company send to the transferee notice of the refusal in accordance with the Companies Ordinance. If the Directors refuse to register a transfer of a share, the transferee or transferor may request a statement of the reasons for the refusal. If such a request is made, the Company shall, within 28 days after receiving the request: (a) send the person who made the request a statement of reasons; or (b) register the transfer.

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No transfer may be made to an infant or to a person of unsound mind or under other legal disability.

### **GENERAL MEETINGS**

The Company shall, in respect of each financial year of the Company, hold a general meeting as its annual general meeting in accordance with the requirements of the Companies Ordinance in addition to any other meetings in that year, and shall specify the meeting as such in the notices calling it. Subject to such requirements, the Directors shall determine the date, time and place at which each annual general meeting shall be held. All general meetings other than annual general meetings shall be called extraordinary general meetings.

The Directors may, if they thought fit, convene a general meeting at two or more places using technology that enables members attending the meeting to exercise their right to listen, speak and vote at the meeting.

The Directors may, whenever they think fit, convene an extraordinary general meeting, and extraordinary general meetings shall also be convened on such requisition, or in default, may be convened by such requisitionists, as provided by the Companies Ordinance. If at any time there are not within Hong Kong sufficient Directors capable of acting to form a quorum, any Director or any two or more members of the Company representing at least ten per cent of the total voting rights of all members having a right to vote at general meetings, may convene an extraordinary general meeting in the same manner as nearly as possible, as that in which meetings may be convened by the Directors.

### **NOTICE OF GENERAL MEETINGS**

Subject to the provision 578 of the Companies Ordinance, an annual general meeting shall be called by notice in writing of at least twenty-one (21) clear days (or such longer period as may be required by the Listing Rules), and an extraordinary general meeting shall be called by notice in writing of at least fourteen (14) clear days (or such longer period as may be required by the Listing Rules), shall be given in the manner mentioned in the Articles of Association to all members, to the Directors and to the Auditors.

The notice shall specify the place, the day and the time of meeting (and if the meeting is to be held in 2 or more places, the principal place of the meeting and the other place or places of the meeting) and, in the case of special business the general nature of such business, and in the case of an annual general meeting shall specify the meeting as such.

If a resolution (whether or not a special resolution) is intended to be moved at the meeting, the notice must include notice of the resolution, and include or be accompanied by a statement containing any information or explanation that is reasonably necessary to indicate the purpose of the resolution. Notice of a general meeting shall be given to such persons as are, under the Articles of Association, entitled to receive such notices from the Company.

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For notice of a general meeting, there shall appear on every such notice with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him and that a proxy need not be a member of the Company.

Subject to the provisions of the Companies Ordinance, a meeting of the Company shall, notwithstanding that it is called by shorter notice than that specified in the Articles of Association, be deemed to have been duly called if it so agreed:

- (a) in the case of an annual general meeting, by all the members entitled to attend and vote thereat; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent of the total voting rights at the meeting of all the members.

The accidental omission to give notice of a meeting or a resolution intended to be moved at a general meeting to, or the non-receipt of notice of a meeting or a resolution intended to be moved at a general meeting by, any person entitled to receive notice shall not invalidate any resolution(s) passed or the proceedings at that meeting. In cases where instruments of proxy are sent out with notices, the accidental omission to send such instrument of proxy to, or the non-receipt of such instrument of proxy by, any person entitled to receive notice shall not invalidate any resolution(s) passed the proceedings at that meeting.

### **VOTING**

Subject to the rules prescribed by the Stock Exchange from time to time, any vote of shareholders at a general meeting shall be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. For the purposes of the Articles of Association, procedural and administrative matters are those that (a) are not on the agenda of the general meeting or in any supplementary circular that may be issued by the Company to its members; and (b) relate to the chairman's duties to maintain the orderly conduct of the meeting and/or allow the business of the meeting to be properly and effectively dealt with, whilst allowing all members a reasonable opportunity to express their views.

On any resolution where a vote is not required under the Companies Ordinance, the Listing Rules or the Articles of Association to be held on a poll, a poll may be demanded before or on the declaration of the result of the show of hands:

- (a) by the chairman of the meeting;
- (b) by not less than five members having the right to vote at the meeting;

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- (c) by a member or members present in person or by proxy, or a duly authorized representative of a corporation which is a member, representing not less than five per cent (5%) of the total voting rights of all the members having the right to vote at the meeting; or
- (d) by a member or members holding shares conferring a right to vote at the meeting on which an aggregate sum has been paid up equal to not less than five per cent (5%) of the total sum paid up on all the shares conferring that right.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

### **VOTES OF MEMBERS**

Subject to any rights or restrictions attached to any shares, on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative at any general meeting shall have one vote only, and on a poll every member shall have one vote for every fully paid-up share of which he is the holder. If a member appoints more than one proxy, none of the proxies so appointed shall be entitled to vote on the resolution on a show of hands.

### **CORPORATIONS ACTING BY REPRESENTATIVES**

Without prejudice to the generality of the Articles of Association if a Clearing House (or its nominee) is a member of the Company, it (or, as the case may be, its nominee) may authorise such person or persons as it thinks fit to act as its proxy or proxies or its representative or representatives at any meeting of the Company or at any meeting of any class of member of the Company provided that, if more than one person is so authorised, the instrument of proxy or authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person so authorised under the provisions of the Articles of Association will be deemed to have been duly authorised without the need of producing any documents of title, notarised authorisation and/or further evidence to substantiate that it is so authorised and shall be entitled to exercise the same powers on behalf of the Clearing House (or its nominee) which he represents as that Clearing House (or its nominee) could exercise as if such person were an individual member of the Company, and where a show of hands is allowed, each such person shall be entitled to a separate vote notwithstanding any contrary provision as provided in the Articles of Association.

### **DIRECTORS**

A Director shall not require a share qualification. A Director who is not a member of the Company shall nevertheless be entitled to attend and speak at all general meeting of the Company.

**BORROWING POWER OF DIRECTORS**

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The Directors may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit and, in particular by the issue of debentures, debenture stock, bonds or other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

**APPOINTMENT AND RETIREMENT OF DIRECTORS**

The Company may by ordinary resolution elect any person to be a Director.

Subject to any express terms to the contrary in the relevant resolution for appointing any Director under the Articles of Association, any Director so elected by the Company shall be elected for a term of not more than approximately three years expiring at the conclusion of the annual general meeting of the Company held in the third year following the year of his appointment.

Without prejudice to the power of the Company in general meeting in accordance with any of the provisions of the Articles of Association to appoint any person to be a Director, the Board may, at any time, and from time to time, appoint any person to be a Director, either to fill a casual vacancy or by way of addition to their number. Any Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company, and shall then be eligible for reappointment.

Subject to the Articles of Association, at each annual general meeting, one-third of the Directors (including the managing Director(s)) or, if their number is not three or a multiple of three, the number which is nearest to and is at least one-third, shall retire from office by rotation. A retiring Director shall be eligible for re-election.

No person other than a Director retiring at the meeting shall be appointed or reappointed a Director at any general meeting unless:

- (a) he is recommended by the Directors; or
- (b) any of the following occurs:
  - (i) a notice executed by a member qualified to vote on the appointment or reappointment has been given to the Company of the intention to propose that person for appointment or reappointment, stating the particulars which would, if he were appointed or reappointed, be required to be included in the Company's register of Directors, together with notice executed by that person of his willingness to be appointed or reappointed;



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- (ii) the minimum length of the period during which the notices referred to in (i) are given is at least seven (7) days; or
- (iii) the period for lodgement of the notices referred to in (i) will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of such meeting.

Any Director who holds the position as an executive Director shall not be subject to the retirement-rotation requirement of the Articles of Association, but for the avoidance of doubt, the provisions of the Articles of Association shall not prejudice the power of shareholders in general meeting to remove any such Director.

### **DISQUALIFICATION AND REMOVAL OF DIRECTORS**

The Company may, at any general meeting convened and held in accordance with the Companies Ordinance, by ordinary resolution, remove a Director (including a managing Director or executive Director) at any time before the expiration of his period of office (but such removal shall be without prejudice to any claim to damages for breach of any contract of service between the Director and the Company) provided that the notice of such meeting convened for the purpose of removing a Director shall contain a statement of the intention so to do and be served on such Director twenty-eight (28) days before the meeting and on the members, at least fourteen (14) days before the meeting. At such meeting such Director shall be entitled to be heard on the motion of his removal and, subject to the Articles of Association, the Company may, by ordinary resolution, appoint another person instead of him. A person so appointed shall be subject to retirement at the same time as if he had become a Director on the day on which the Director in whose place he is appointed was last appointed or reappointed a Director.

### **FEES OF DIRECTORS**

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Directors may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in the Company except in the case of sums paid in respect of Directors' fees.

The Directors may also be paid all reasonable travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of the Directors or of committees of the Directors or general meetings or separate meetings of the holders of any class of shares or otherwise in connection with the discharge of their duties as Directors.

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Any Director who performs services which the Directors consider go beyond the ordinary duties of a Director may be paid such special remuneration (whether by way of bonus, commission, participation in profits or otherwise) as the Directors, or a committee of the Directors, may determine. In particular, the remuneration of a managing Director, joint managing Director, deputy managing Director or other executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors, or a committee of the Directors, and may be by way of salary, bonus, commission, participation in profits or otherwise and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors, or a committee of the Directors may from time to time decide. Such remuneration shall be in addition to his remuneration as a Director.

### **DIRECTORS' INTERESTS**

A Director (including his connected entities) who is in any way, whether directly or indirectly, interested in a transaction, arrangement or contract or proposed transaction, arrangement or contract with the Company shall declare the nature and extent of his interest or his connected entities' interest at a meeting of the Directors at which the question of entering into the transaction, arrangement or contract is first taken into consideration, if he knows his interest then exists, or in any other case as soon as reasonably practicable, and in any event at the first meeting of Directors after he knows that he is or has become so interested.

Such declaration shall be made in accordance with section 536 of the Companies Ordinance, the Articles of Association and any requirements prescribed by the Company for the declarations of interests of Directors in force from time to time. A general notice given to the Directors by a Director to the effect that he is interested as a member, Director, officer, employee or otherwise in a specified company or firm (with such notice specifying the nature and extent of the Director's interest), and is to be regarded as interested in any transaction, contract or arrangement or dealing which may, after the date of the notice be entered into or made with that company or firm, shall be deemed to be a sufficient declaration of interest in relation to any transaction, contract, arrangement or proposed transaction, arrangement or contract or dealing so entered into or made, provided that no such notice shall be effective unless either it is given at a meeting of the Directors or it is in writing and sent to the Company, and the Director takes reasonable steps to ensure that it is brought up and read at the next meeting of the Directors after it is given.

A Director may:

- (a) hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director, for such period and on such terms (as to remuneration or otherwise) as the Directors may determine and such extra remuneration shall be in addition to any remuneration provided for by or pursuant to any other Article;

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- (b) act by himself or his firm in a professional capacity for the Company (otherwise than as auditor), and he or his firm shall be entitled to remuneration for professional services as if he were not a Director;
- (c) continue to be or become a Director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as a shareholder or otherwise, and subject to the Companies Ordinance, no such Director shall be accountable to the Company for any remuneration or other benefit received by him as a Director or officer of, or from his interest in, such other company. The Directors may exercise the voting powers conferred by the shares in any other company held or owned by the Company, or exercisable by them as Directors of such other company in such manner in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of them Directors, managing Directors, joint managing Directors, deputy managing Directors, executive Directors, managers or other officers of such company) and any Director may vote in favour of the exercise of such voting rights in the manner aforesaid notwithstanding that he may be, or is about to be appointed a Director, managing Director, joint managing Director, deputy managing Director, executive Director, manager or other officer of such a company, and that as such he is or may become interested in the exercise of such voting rights in manner aforesaid.

Subject to the Companies Ordinance and the Articles of Association, no Director or intended Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such transaction, arrangement or contract, or any transaction, arrangement or contract entered into by or on behalf of the Company in which any Director (including his connected entities) is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such transaction, arrangement or contract by reason of such Director holding that office or of the fiduciary relation thereby established, provided that such Director shall disclose the nature and extent of his (including his connected entities) interest in any transaction, arrangement or contract in which he is interested as required by and subject to the provisions of the Companies Ordinance.

A Director shall not vote (or be counted in the quorum at a meeting) in respect of any resolution concerning his own appointment (including fixing or varying its terms), or the termination of his own appointment, as the holder of any office or place of profit with the Company or any other company in which the Company is interested but, where proposals are under consideration concerning the appointment (including fixing or varying its terms), or the termination of the appointment, of two or more Directors to offices or place of profit with the Company or any other company in which the Company is interested, those proposals may be divided and a separate resolution may be put in relation to each Director and in that case each of the Directors concerned (if not otherwise debarred from voting under this Article) shall be entitled to vote (and be counted in the quorum) in respect of each resolution unless it concerns his own appointment or the termination of his own appointment.

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Subject to the Listing Rules and save as otherwise provided by the Articles of Association, a Director and his alternate shall not vote (nor shall be counted in the quorum) on any resolution approving any transaction, contract or arrangement in which he or any of his close associates (and if required by the Listing Rules, his other associate(s)) is materially interested, but this prohibition shall not apply to any of the following matters:

- (a) any transaction, contract or arrangement for the giving by the Company to such Director or his close associate(s) (and if required by the Listing Rules, his other associate(s)) any security or indemnity in respect of money lent y him or any of them or obligations undertaken by him or any of them at the request of or for the benefit of, the Company or any of its subsidiaries;
- (b) any transaction, contract or arrangement for the giving by the Company of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) (and if required by the Listing Rules, his other associate(s)) has himself/themselves assumed responsibility in whole or part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (c) any transaction, contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase or exchange where the Director or his close associate(s) (and if required by the Listing Rules, his other associate(s)) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (d) any proposal concerning any other company in which the Director or his close associates is interested only, whether directly or indirectly, as an officer or executive or shareholder or in which he or any of his close associates is beneficially interested in shares of that company, provided that he and any of his close associates are not in aggregate beneficially interested in five per cent (5%) or more of the issued shares of any class of such company (or of any third company through which his interest or that of his close associates is derived) or of the voting rights;
- (e) any proposal or arrangement concerning the adoption, modification or operation of any employee's share scheme, share incentive scheme or share option scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of, the employees of the Company or its subsidiaries under which the Director or his close associate(s) may benefit;
- (f) any proposal or arrangement concerning the benefit of the employees of the Company or any of its subsidiaries, including but without being limited to the adoption, modification or operation of any pension fund, or retirement, death or disability benefit scheme, which relates to both Directors, his close associates and employees of the Company or any of its subsidiaries and does not accord to any Director or his close associate(s) as such any privilege or advantage not generally accorded to the employees to whom the arrangement relates;

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- (g) any transaction, contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities of the Company; or
- (h) any contract, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of any Director, his close associate(s), officer or employee pursuant to the Articles of Association.

A Director shall not be counted in the quorum present at a meeting in relation to a resolution on which he is not entitled to vote.

### **PROCEDURE FOR DECLARING DIVIDENDS**

The Company may by ordinary resolution declare dividends but no dividend shall exceed the amount recommended by the Directors. No dividend shall be payable except out of the profits or other distributable reserves of the Company available for distribution.

The Directors may pay interim dividends if it appears to them that they are justified by the profits of the Company available for distribution. If the share capital is divided into different classes, the Directors may pay interim dividends on shares which confer deferred or non-preferred rights with regard to dividend as well as on shares which confer preferential rights with regard to dividend, and provided that the Directors act bona fide they shall not incur any liability to the holders of shares conferring preferred rights for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferred rights. The Directors may also resolve to pay at half-yearly or other suitable intervals to be settled by them any dividend which may be payable at a fixed rate if they are of the opinion that the reserves of the Company justify the payment.

### **CALCULATION OF DIVIDENDS**

Except as otherwise provided by the Articles of Association or the rights attached to shares or the terms of issue thereof, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid. If any share is issued on terms that it ranks for dividend as from a particular date, it shall rank for dividend accordingly. In any other case (and except as aforesaid), dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For the purpose of this Article, an amount paid up on a share in advance of a call shall be treated, in relation to any dividend declared after the payment but before the call, as not paid up on the share.

**DEDUCTIONS FROM DISTRIBUTIONS IN RESPECT OF SUMS OWED TO THE COMPANY**

The Company may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise in relation to the shares of the Company.

**SCRIP DIVIDENDS/NON-CASH DISTRIBUTION**

Whenever the Directors or the Company have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve either:

- (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted shall be of the same class or classes as the class or classes already held by the members entitled thereto, provided that these members will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment. In such case, the following provisions shall apply:
  - (i) the basis of any such allotment shall be determined by the Directors;
  - (ii) the Directors, after determining the basis of allotment, shall give not less than two weeks' notice in writing to the members of the right of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective; or
- (b) that members entitled to such dividend shall be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit. In such cases, the following provisions shall apply:
  - (i) the basis of any such allotment shall be determined by the Directors;
  - (ii) the Directors, after determining the basis of allotment, shall give not less than two weeks' notice in writing to the members of the right of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective.

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The shares allotted pursuant to the provisions above shall rank *pari passu* in all respects with the shares then in issue save only as regards participation:

- (a) in the relevant dividend (or the right to receive or to elect to receive an allotment of shares in lieu thereof as aforesaid); or
- (b) in any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneously with the payment or declaration of the relevant dividend.

### **UNCLAIMED DISTRIBUTIONS**

Any dividend unclaimed for one year after having become payable may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. Any dividend which has remained unclaimed for six years after having become payable shall, if the Directors so resolve, be forfeited and cease to remain owing by the Company.

### **INDEMNITY**

Subject to the provisions of the Companies Ordinance, but without prejudice to any indemnity to which a Director may otherwise be entitled every Director, former Director, responsible person, officer or auditor of the Company shall be indemnified out of the assets of the Company against any liability, loss or expenditure incurred by him in defending any proceedings, whether civil or criminal, which relate to anything done or omitted to be done or alleged to have been done or omitted to be done by him as a Director, former Director, responsible person, officer or auditor of the Company.

The paragraph above shall not apply to:

- (a) any liability of the Director, former Director, responsible person, officer or auditor to pay:
  - (i) a fine imposed in criminal proceedings; or
  - (ii) a sum payable by way of a penalty in respect of non compliance with any requirement of a regulatory nature; or
- (b) any liability incurred by the Director, former Director, responsible person, officer or auditor:
  - (i) in defending criminal proceedings in which the Director, former Director, responsible person, officer or auditor is convicted;
  - (ii) in defending civil proceedings brought by the Company, or an associated company of the Company, in which judgment is given against the Director, former Director, responsible person, officer or auditor;



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- (iii) in defending civil proceedings brought on behalf of the Company by a member of the Company or of an associated company of the Company, in which judgment is given against the Director, former Director, responsible person, officer or auditor;
- (iv) in defending civil proceedings brought on behalf of an associated company of the Company by a member of the associated company or by a member of an associated company of the associated company, in which judgment is given against the Director, former Director, responsible person, officer or auditor; or
- (v) in connection with an application for relief under section 903 or 904 of the Companies Ordinance in which the Court refuses to grant the Director, former Director, responsible person, officer or auditor relief.

### **WINDING UP**

The Directors shall have power in the name and on behalf of the Company to present a petition to the Court for the Company to be wound up.

If the Company is wound up, the liquidator may, with the sanction of a special resolution and any other sanction required by law, divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he may with the like sanction determine, but no member shall be compelled to accept any assets upon which there is a liability.

### **UNTRACED MEMBERS**

Without prejudice to the rights of the Company, the Company may cease sending such cheques for dividend entitlement or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions or after the first occasion on which a cheque or warrant is returned undelivered.

The Company shall be entitled to sell in such manner as the Directors think fit any share held by a member, or any share to which a person is entitled by transmission, if:

- (a) all cheques or warrants, being not less than three in total number, in respect of the shares in question sent during the relevant period in the manner authorised by the articles of the Company have remained uncashed or unclaimed;
- (b) so far as it is aware at the end of the relevant period, the Company has not at any time during the relevant period received any indication of the existence of the shareholder who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law;



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## **APPENDIX IV      SUMMARY OF THE ARTICLES OF ASSOCIATION**

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- (c) the Company has caused an advertisement in English in one English language newspaper and in Chinese in one Chinese language daily newspaper and by notice to the Stock Exchange (if shares of the class concerned are listed on that exchange) gives notice of its intention to sell such shares;
- (d) the Company has not during the further period of three months after the date of the advertisement and prior to the sale of the shares received any communication from the member or person concerned.

For the purpose of the foregoing, “relevant period” means the period commencing 12 years before the date of publication of the advertisement referred to in paragraph (c) above and ending at the expiry of the period referred to in that paragraph.

The manner, timing and terms of any sale of shares pursuant to this Article (including, but not limited to, the price or prices at which the same is made) shall be such as the Directors determine, based upon advice from such bankers, brokers or other persons consulted by them for the purpose as the Directors consider appropriate, to be reasonably practicable having regard to all the circumstances, including the number of shares to be disposed of and the requirement that the disposal be made without delay, and the Directors shall not be liable to any person for any of the consequences of reliance on such advice.

To give effect to the sale of any share pursuant to the paragraph above the Company may appoint any person to execute an instrument of transfer of the share, and the instrument shall be as effective as if it had been executed by the registered holder of or person entitled by transmission to, the share. The purchaser shall not be bound to see to the application of the proceeds of sale, nor shall his title to the share be affected by any irregularity in or invalidity of the proceedings relating to the sale. The Company shall be indebted to the member or other person entitled to the share for an amount equal to the net proceeds of the sale, but no trust or duty to account shall arise and no interest shall be payable in respect of the proceeds of sale. Any sale under the above paragraphs shall include any additional shares which during the relevant period or during any period ending on the date when all the requirements of paragraphs (a) to (d) above have been satisfied have been issued in respect of those held at the beginning of such relevant period and shall be valid and effective notwithstanding that the member holding the shares sold is dead, bankrupt or otherwise under any legal disability or incapacity.

**A FURTHER INFORMATION ABOUT OUR COMPANY****1. Incorporation**

Our Company was incorporated in Hong Kong under the Companies Ordinance as a private company with limited liability on March 24, 2015. Our Company's registered office address is at Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong and we have a principal place of business in South Africa at Office 302, Level 3, 30 Melrose Boulevard, Melrose Arch, Melrose North, Johannesburg 2196, South Africa.

As our Company is incorporated in Hong Kong, we are subject to the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance. We are also regulated by our Articles of Association, a summary of which is set out in Appendix IV to this prospectus.

**2. Changes in share capital of our Company**

As of the date of incorporation of our Company, one Share at the subscription price of HK\$1.00 was issued and allotted to Sunshine HK. The following alterations in the share capital of our Company have taken place since the date of incorporation up to the date of this prospectus.

- On November 28, 2017, 7,209,144 Shares were issued and allotted to Sunshine HK, in consideration of HK\$720.9 million.
- On August 23, 2018, 412,363 Shares were issued and allotted to Sunshine HK in consideration of approximately US\$14.3 million, and 422,456 Shares were issued and allotted to ZDH Husheng Fund L.P in consideration of approximately US\$14.7 million.
- On March 12, 2019, the total number of the Company's issued Shares increased from 8,043,964 to 241,318,920 by subdividing every existing Share into 30 Shares pursuant to a written resolution of the Shareholders passed on March 12, 2019.
- Assuming the Global Offering becomes unconditional and the issue of Shares is made pursuant thereto (assuming that the Over-allotment Option is not exercised), the share capital of our Company immediately following the completion of the Global Offering will comprise 321,758,920 Shares.

Save as disclosed in this prospectus, there has been no alteration in the share capital of our Company since its incorporation.

### 3. Changes in share capital of our subsidiaries

Our Company's subsidiaries are referred to in the accountants' report on our Group, the text of which is set out in Appendix I to this prospectus.

The following alterations in the share capital or registered capital (as the case may be) of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

<b>Name of Subsidiary</b>	<b>Date of Alteration</b>	<b>Alteration of Share Capital</b>
VMR Group . . .	August 8, 2017	203 ordinary no par value shares were allotted and issued to the Company
	October 18, 2017	211 ordinary shares no par value were allotted and issued to the Company
	February 13, 2018	72 ordinary no par value shares were allotted and issued to the Company
	April 24, 2018	148 ordinary no par value shares were allotted and issued to the Company
	May 29, 2018	112 ordinary no par value shares were allotted and issued to the Company
	August 15, 2018	108 ordinary no par value shares were allotted and issued to the Company
	September 10, 2018	192 ordinary no par value shares were allotted and issued to the Company
Kopanang Pty . .	October 6, 2017	Incorporated under the laws of South Africa with an authorized share capital of 5,000 ordinary no par value shares One ordinary no par value share was allotted and issued to Wilke Ettienne Pierre
	November 7, 2017	One ordinary no par value share was transferred to VMR Group by Wilke Ettienne Pierre
	December 31, 2018	739 ordinary no par value shares were allotted and issued to VMR Group 260 ordinary shares with no par value were allotted and issued to Kopanang SPV

Name of Subsidiary	Date of Alteration	Alteration of Share Capital
VMR 04 . . . . .	May 25, 2018	77 ordinary shares with a par value of ZAR1.00 each were allotted and issued to VMR Group
	June 4, 2018	22 ordinary shares with a par value of ZAR1.00 each were allotted and issued to Lesego HK
	December 18, 2018	22 ordinary shares with a par value of ZAR1.00 each were repurchased from Lesego HK
Plant SPV . . . . .	June 28, 2019	Incorporated under the laws of South Africa with an authorized share capital of 100 ordinary no par value shares
	June 28, 2019	100 ordinary no par value shares were allotted and issued to Kopanang Pty
	August 2, 2019	100 ordinary no par value shares were transferred to VMR Group by Kopanang Pty

Save as disclosed above, no alteration in the share capital of our subsidiaries has taken place within two years immediately preceding the date of this prospectus.

#### 4. Summary of the material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) a sale of shares agreement dated January 31, 2018 entered into between Industrial Development Corporation of South Africa Limited and Village Main Reef Gold Investments 04 Proprietary Limited, pursuant to which Industrial Development Corporation of South Africa Limited agreed to sell to Village Main Reef Gold Investments 04 Proprietary Limited, which agreed to purchase and accept the cession from Industrial Development Corporation of South Africa Limited of all ordinary shares held or beneficially owned by Industrial Development Corporation of South Africa Limited in Lesego Platinum Mining Proprietary Limited for a consideration of ZAR148,734,102;
- (b) a capital increase agreement dated May 20, 2018 entered into between Heaven-Sent Sunshine Investment Company Limited and the Company, pursuant to which Heaven-Sent Sunshine Investment Company Limited agreed to increase the capital of the Company for an amount of US\$14.3 million;

- (c) a subscription agreement dated May 25, 2018 entered into between Village Main Reef Group Proprietary Limited and Village Main Reef Gold Investments 04 Proprietary Limited, pursuant to which Village Main Reef Group Proprietary Limited agreed to subscribe for 77 ordinary shares of Village Main Reef Gold Investments 04 Proprietary Limited for a consideration of ZAR77;
- (d) a subscription agreement dated May 31, 2018 entered into between ZDH Husheng Fund L.P., Heaven-Sent Sunshine Investment Company Limited and the Company, pursuant to which ZDH Husheng Fund L.P. agreed to subscribe for the newly issued shares of the Company representing 5.25% of the issued shares of the Company for a consideration of US\$14,650,000;
- (e) a share repurchase agreement dated December 18, 2018 entered into between Village Main Reef Gold Investments 04 Proprietary Limited and Lesego Platinum Mining Proprietary Limited, pursuant to which Village Main Reef Gold Investments 04 Proprietary Limited agreed to sell and cede to Lesego Platinum Mining Proprietary Limited, which agreed to repurchase and accept the cession from Village Main Reef Gold Investments 04 Proprietary Limited of 255,622,657 ordinary shares of Lesego Platinum Mining Proprietary Limited for a consideration of ZAR707,628,766;
- (f) a share repurchase agreement dated December 18, 2018 entered into between Lesego Platinum (HK) Company Limited and Village Main Reef Gold Investments 04 Proprietary Limited, pursuant to which Lesego Platinum (HK) Company Limited agreed to sell and cede to Village Main Reef Gold Investments 04 Proprietary Limited, which agreed to repurchase and accept the cession from Lesego Platinum (HK) Company Limited of 22 ordinary shares of Village Main Reef Gold Investments 04 Proprietary Limited for a consideration of ZAR154,440,960;
- (g) a subscription and loan agreement dated December 20, 2018 entered into between K2018589229 (South Africa) Proprietary Limited and Kopanang Gold Mining Company Proprietary Limited, pursuant to which, among other things, K2018589229 (South Africa) Proprietary Limited agreed to subscribe for, and Kopanang Gold Mining Company Proprietary Limited agreed to allot and issue, 260 ordinary shares of Kopanang Gold Mining Company Proprietary Limited for a subscription price of ZAR114,638,393, which amount should be paid by way of a set-off against a loan owing by Kopanang Gold Mining Company Proprietary Limited to K2018589229 (South Africa) Proprietary Limited in the amount of ZAR114,638,393;
- (h) a preference share subscription agreement dated December 20, 2018 entered into between Village Main Reef Group Proprietary Limited and K2018589229 (South Africa) Proprietary Limited, pursuant to which Village Main Reef Group Proprietary Limited agreed to subscribe for 114,638,393 cumulative, redeemable preference shares of K2018589229 (South Africa) Proprietary Limited, which agreed to allot and issue such shares for a consideration settled by cession and assignment from Village Main Reef Group Proprietary Limited to K2018589229 (South Africa) Proprietary Limited of a loan amount of ZAR114,638,393 owing by Kopanang Gold Mining Company Proprietary Limited to Village Main Reef Group Proprietary Limited;

- (i) a call option agreement dated December 20, 2018 entered into between K2018589229 (South Africa) Proprietary Limited and Village Main Reef Group Proprietary Limited, pursuant to which K2018589229 (South Africa) Proprietary Limited agreed to grant Village Main Reef Group Proprietary Limited the right to require the sale by K2018589229 (South Africa) Proprietary Limited of all and any shares held by or on behalf of K2018589229 (South Africa) Proprietary Limited in Kopanang Gold Mining Company Proprietary Limited to Village Main Reef Group Proprietary Limited or its nominee;
- (j) a shareholders' agreement in respect of Kopanang Gold Mining Company Proprietary Limited dated December 20, 2018 entered into between K2018589229 (South Africa) Proprietary Limited, Village Main Reef Group Proprietary Limited and Kopanang Gold Mining Company Proprietary Limited, regarding, among others, the relationship of the shareholders of Kopanang Gold Mining Company Proprietary Limited amongst themselves and their relationship with Kopanang Gold Mining Company Proprietary Limited;
- (k) a preference share subscription agreement dated March 12, 2019 entered into between Village Main Reef Group Proprietary Limited and Village Main Reef Empowerment Company Proprietary Limited, pursuant to which Village Main Reef Group Proprietary Limited agreed to subscribe for 228,364,324,260 cumulative, redeemable preference shares of Village Main Reef Empowerment Company Proprietary Limited, which agreed to allot and issue such shares, for a consideration settled by cession and assignment from Village Main Reef Group Proprietary Limited to Village Main Reef Empowerment Company Proprietary Limited of a loan amount of ZAR228,364,324.26 owing by Village Main Reef Proprietary Limited to Village Main Reef Group Proprietary Limited;
- (l) a call option agreement dated March 12, 2019 entered into between Village Main Reef Empowerment Company Proprietary Limited and Village Main Reef Group Proprietary Limited, pursuant to which Village Main Reef Empowerment Company Proprietary Limited agreed to grant Village Main Reef Group Proprietary Limited the right to require the sale by Village Main Reef Empowerment Company Proprietary Limited of all and any shares held by or on behalf of Village Main Reef Empowerment Company Proprietary Limited in Village Main Reef Proprietary Limited to Village Main Reef Group Proprietary Limited or its nominee;
- (m) a share purchase agreement dated March 12, 2019 entered into between Village Main Reef Empowerment Company Proprietary Limited, Landmark Resources Proprietary Limited and Village Main Reef Proprietary Limited, pursuant to which, among others, Landmark Resources Proprietary Limited agreed to sell to Village Main Reef Empowerment Company Proprietary Limited, which agreed to purchase, 16,520,902 ordinary shares of Village Main Reef Proprietary Limited for a purchase price of ZAR26;

- (n) a shareholders' agreement in respect of Village Main Reef Proprietary Limited dated March 12, 2019 entered into between Village Main Reef Empowerment Company Proprietary Limited, Village Main Reef Group Proprietary Limited and Village Main Reef Proprietary Limited regarding, among others, the relationship of the shareholders of Village Main Reef Proprietary Limited amongst themselves and their relationship with Village Main Reef Proprietary Limited;
- (o) a subscription and shareholders agreement in respect of Nicolor Empowerment Company Proprietary Limited dated August 22, 2019 entered into between Nicolor Empowerment Company Proprietary Limited, Landmark Resources Proprietary Limited, Village Main Reef Group Proprietary Limited and Anthony James Nieuwenhuys in order to regulate the relationship between shareholders of Nicolor Empowerment Company Proprietary Limited and their relationship with Nicolor Empowerment Company Proprietary Limited, and pursuant to which, among other things, (1) Anthony James Nieuwenhuys agreed to subscribe for 200 ordinary shares of Nicolor Empowerment Company Proprietary Limited for a consideration of ZAR20, and (2) Landmark Resources Proprietary Limited agreed to subscribe for 800 ordinary shares of Nicolor Empowerment Company Proprietary Limited for a consideration of ZAR80;
- (p) a subscription and shareholders agreement in respect of West Gold Plant Proprietary Limited dated August 22, 2019 entered into between West Gold Plant Proprietary Limited, Village Main Reef Group Proprietary Limited, Nicolor Empowerment Company Proprietary Limited and Anthony James Nieuwenhuys in order to regulate the relationship between shareholders of West Gold Plant Proprietary Limited and their relationship with West Gold Plant Proprietary Limited, and pursuant to which, among other things, (1) Anthony James Nieuwenhuys agreed to subscribe for 50 ordinary shares of West Gold Plant Proprietary Limited for a consideration of ZAR50, and (2) Village Main Reef Group Proprietary Limited agreed to subscribe for 100 ordinary shares of West Gold Plant Proprietary Limited for a consideration of ZAR100;



- (q) a call option agreement dated August 22, 2019 entered into between Village Main Reef Group Proprietary Limited and Nicolor Empowerment Company Proprietary Limited, pursuant to which Nicolor Empowerment Company Proprietary Limited agreed to grant Village Main Reef Group Proprietary Limited the right to require the sale by Nicolor Empowerment Company Proprietary Limited of all and any shares held by or on behalf of Nicolor Empowerment Company Proprietary Limited in West Gold Plant Proprietary Limited to Village Main Reef Group Proprietary Limited or its nominee;
- (r) a preference share subscription agreement dated August 23, 2019 entered into between Village Main Reef Group Proprietary Limited and Nicolor Empowerment Company Proprietary Limited, pursuant to which, among other things, Village Main Reef Group Proprietary Limited agreed to subscribe for 75 million cumulative, redeemable preference shares of Nicolor Empowerment Company Proprietary Limited for a consideration of ZAR75 million;
- (s) a subscription and loan agreement dated August 23, 2019 entered into between West Gold Plant Proprietary Limited, Village Main Reef Group Proprietary Limited and Nicolor Empowerment Company Proprietary Limited, pursuant to which, among other things, (1) Nicolor Empowerment Company Proprietary Limited agreed to subscribe for 250 ordinary shares in West Gold Plant Proprietary Limited for a consideration of ZAR75 million, which shall be settled in the manners as agreed therein, and (2) Village Main Reef Group Proprietary Limited agreed to subscribe for 500 ordinary shares in West Gold Plant Proprietary Limited for a consideration of ZAR210 million, which shall be settled in the manners as agreed therein;
- (t) a share purchase agreement dated August 23, 2019 entered into between West Gold Plant Proprietary Limited, Village Main Reef Gold Investments 03 Proprietary Limited, Village Main Reef Proprietary Limited and Village Main Reef Group Proprietary Limited, pursuant to which, among other things, West Gold Plant Proprietary Limited agreed to purchase 120 ordinary shares of Nicolor Proprietary Limited from Village Main Reef Gold Investments 03 Proprietary Limited for a consideration of ZAR300 million;
- (u) the cornerstone investment agreement dated November 5, 2019 entered into among our Company, Pengxin International Group Limited (鵬欣國際集團有限公司), CLSA Capital Markets Limited (中信里昂證券資本市場有限公司), CLSA Limited (中信里昂證券有限公司) and CCB International Capital Limited (建銀國際金融有限公司), details of which are included in the section headed “Cornerstone Investors” in this prospectus;
- (v) the cornerstone investment agreement dated November 1, 2019 entered into among our Company, Zhaojin International Mining (Hong Kong) Company Limited (招金國際礦業(香港)有限公司), CLSA Capital Markets Limited (中信里昂證券資本市場有限公司) and CLSA Limited (中信里昂證券有限公司), details of which are included in the section headed “Cornerstone Investors” in this prospectus;



- (w) the cornerstone investment agreement dated October 31, 2019, entered into among our Company, Zijin Global Fund, CLSA Capital Markets Limited (中信里昂證券資本市場有限公司), CLSA Limited (中信里昂證券有限公司) and CCB International Capital Limited (建銀國際金融有限公司), details of which are included in the section headed “Cornerstone Investors” in this prospectus; and
- (x) the Hong Kong Underwriting Agreement.

#### **5. Resolutions of our Shareholders dated October 31, 2019**

Written resolutions of our Shareholders were passed on October 31, 2019, pursuant to which, among others:

- (a) other things, conditional upon all the conditions set out in the paragraph headed “Structure of the Global Offering – Conditions of the Global Offering” of the Prospectus being fulfilled and pursuant to the terms set out therein:
  - (1) the Global Offering (including the Over-allotment Option) was approved, and the proposed allotment and issue of the Offer Shares under the Global Offering were approved, and the Directors were authorized to determine the Offer Price for, and to allot and issue the Offer Shares;
  - (2) a general and unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require Shares to be allotted and issued or dealt with subject to the requirement that the total number of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than by way of the Global Offering, rights issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by the Company from time to time or allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association on a specific authority granted by our Shareholders in general meeting, shall not exceed 20% of the total number of the Shares in issue immediately following the Global Offering (excluding any Shares which may be issued under the Over-allotment Option);

- (3) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to repurchase its own Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of the Shares in issue immediately following the completion of the Global Offering, (excluding any Shares which may be issued under the Over-allotment Option);
- (4) the general unconditional mandate as mentioned in paragraph (2) above was extended by the addition to the total number of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the total number of the Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (3) above (up to 10% of the total number of the Shares in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued under the Over-allotment Option);
- (b) our Company conditionally approved and adopted the Articles of Association.

Each of the general mandates referred to in paragraphs (a)(2), (a)(3) and (a)(4) above will remain in effect until whichever is the earliest of:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association;  
or
- the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

**B PURCHASE BY THE COMPANY OF ITS OWN SECURITIES**

This section includes information required by the Stock Exchange to be included in this prospectus concerning the purchase by us of our own securities.

**1. Provisions of the Listing Rules**

The Listing Rules permit companies whose primary listing is on the Stock Exchange to purchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

***(a) Shareholders' approval***

The Listing Rules provide that all purchases of securities on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval in relation to specific transactions.

***(b) Source of funds***

Purchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the applicable laws and regulations of Hong Kong. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

***(c) Shares to be repurchased***

The Shares which are proposed to be repurchased must be fully paid up.

***(d) Status of repurchased shares***

The listing of all purchased securities (whether on the Stock Exchange or, otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed.

***(e) Connected parties***

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a “connected person,” that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their respective associates (as defined in the Listing Rules) and a connected person shall not knowingly sell his securities to the company.

**2. Reasons for repurchases**


Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

**3. General**

- (a) None of our Directors, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any Shares to our Company.
- (b) Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of Hong Kong.
- (c) If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.
- (d) No connected person (as defined in the Listing Rules) has notified our Company that he/she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

**C INTELLECTUAL PROPERTY RIGHTS OF OUR GROUP****1. Trademarks**

As of the Latest Practicable Date, the Group has applied for registration of the following trademarks:

<u>No.</u>	<u>Trademark</u>	<u>Place of Application</u>	<u>Class</u>	<u>Application No.</u>	<u>Application Date</u>	<u>Applicant</u>
1 . .	VILLAGE MAIN REEF	South Africa	14, 35	2018/37927 – 2018/37928	December 18, 2018	VMR Group
2 . .		South Africa	14, 35	2018/37929 – 2018/37930	December 18, 2018	VMR Group

**2. Domain names**

As of the Latest Practicable Date, the Group had registered and maintained the following domain names which we believe are material to our business:

<u>No.</u>	<u>Domain Name</u>	<u>Registered Owner</u>	<u>Date of Registration (dd/mm/yyyy)</u>	<u>Date of Expiration (dd/mm/yyyy)</u>
1 . .	heavensentgold.com	Our Company	01/04/2019	01/04/2020
2 . .	www.villagemainreef.co.za	VMR	30/09/2009	30/09/2020
3 . .	www.hscsa.co.za	VMR	06/05/2016	06/05/2020

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our Group's business.

**D FURTHER INFORMATION ABOUT THE DIRECTORS, MANAGEMENT, STAFF AND SUBSTANTIAL SHAREHOLDERS****1. Particulars of Directors' service contracts and letters of appointment****(a) *Executive Director***

Our executive Director has entered into a service contract with our Company pursuant to which he agreed to act as the executive Director for an initial term until the annual general meeting of our Company held in the third year following the year of his appointment. Either party has the right to give not less than one months' written notice to terminate the agreement. Details of the Company's remuneration policy is described in section headed "Directors and Senior Management — Directors' and Senior Management's Remuneration."

**(b) *Non-executive Directors and Independent non-executive Directors***

Each of our non-executive Directors and independent non-executive Directors has entered into an appointment letter with our Company. The term of office of our non-executive Directors and independent non-executive Directors is until the annual general meeting of our Company held in the third year following the year of their appointments.

**2. Remuneration of Directors**

- (a) Mr. Sheng Zhang was the sole Director of the Company for the years ended December 31, 2016, 2017 and 2018. No remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) was paid to Mr. Sheng Zhang by the Company during the aforesaid period.
- (b) Under the arrangements currently in force, our Directors will be entitled to receive remuneration and benefits in kind which, for the year ending December 31, 2019, is expected to be approximately HK\$0.5 million in aggregate (excluding discretionary bonus).
- (c) Save as disclosed in this prospectus, none of our Directors has or is proposed to have a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

### 3. Disclosure of interests

#### (a) *Interests of the Directors and chief executives*

Immediately following completion of the Global Offering (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), the interests or short positions of the Directors and chief executives of our Company in the shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules once the Shares are listed will be as follows:

Name of Director/ Chief Executive	Name of Group Member/ Associated Corporation	Capacity/Nature of Interest	Number and Classes of Securities	Approximate Percentage of Shareholding Interest
Yue Bao . . . . .	HSC	Beneficial owner	20,813,469	0.47%
Quanyou Zhang . . .	HSC	Beneficial owner	1,789,247	0.04%

#### (b) *Interests of the Substantial Shareholders*

Save as disclosed in the section headed “Substantial Shareholders” in this prospectus, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering have an interest or short position in the Shares or the underlying Shares which are required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or directly or indirectly, be interested in 10% or more of any class of Shares carrying the rights to vote in all circumstances at the general meetings of our Company.

### 4. Disclaimers

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;

- (b) none of the Directors or the experts named in the section headed “— 9. Qualifications of experts” has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (c) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of the Company within the two years ended on the date of this prospectus;
- (d) none of the Directors or the experts named in the section headed “— 9. Qualifications of experts” is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (e) neither our Controlling Shareholders nor our Directors are interested in any business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with the business of our Group;
- (f) taking no account of any Shares which may be taken up under the Global Offering and allotted and issued pursuant to the exercise of the Over-Allotment Option, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the Global Offering, have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, in 10% or more of any class of Shares carrying rights to vote in all circumstances at general meetings of any member of the Group; and
- (g) none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange once the Shares are listed thereon.



**E OTHER INFORMATION****1. Estate duty**

We believe no material liability for estate duty under the laws of Hong Kong would be likely to fall upon any member of our Group. In addition, we have been advised that no material liability for estate duty is likely to fall on us or any of our subsidiaries in South Africa.

**2. Litigation**

Save as disclosed in this prospectus, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company that would have a material adverse effect on our Company's results of operations or financial condition.

**3. Preliminary expenses and preliminary listing expenses**

The preliminary expenses of our Company were approximately US\$1,250, which was recorded as amount due to Shanghai Lvhe. In April 2019, Shanghai Lvhe waived the our repayment obligation of the outstanding balance of US\$1,250.

The preliminary listing expenses (including the underwriting commissions) of the Global Offering are estimated to be approximately US\$13.1 million (assuming an Offer Price of HK\$15.30 per Share, being the mid-point of the indicative offer price range stated in this prospectus) and are payable by our Company.

**4. Agency fees or commissions**

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries.

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries.

**5. Sole Sponsor**

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned herein and any Shares falling to be issued pursuant to the Global Offering and the exercise of the Over-allotment Option. All necessary arrangements have been made to enable such Shares to be admitted into CCASS. The Sole Sponsor is independent of our Company in accordance with Rule 3A.07 of the Listing Rules.

The Sole Sponsor's fee in relation to the Listing is US\$0.8 million.

**6. No material adverse change**

Our Directors believe that there has been no material adverse change in the financial or trading position since December 31, 2018 (being the date on which the latest audited combined financial statements of the Group were made up).

**7. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**8. Miscellaneous**

(a) Save as disclosed in this prospectus:

- (i) within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (iii) our Company has no outstanding convertible debt securities or debentures.

(b) Our Company has no founder shares, management shares or deferred shares in the capital of the Company.

- (c) None of the experts named in the section headed “— 9. Qualifications of experts”:
- (i) is interested beneficially or non-beneficially in any shares in any member of our Group; or
  - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group save in connection with the Underwriting Agreements.
- (d) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.
- (e) There is no arrangement under which future dividends are waived or agreed to be waived.
- (f) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.
- (g) None of the equity and debt securities of any company within our Group is listed or dealt in on any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

## 9. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
CLSA Capital Markets Limited . . . . .	A licensed corporation under the SFO to engage in Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities
Commerce & Finance Law Offices . . . . .	PRC legal advisers
ENSafrica . . . . .	South African legal advisers
Ernst & Young . . . . .	Certified Public Accountants
Frost & Sullivan International Limited . . .	Independent industry consultant
SRK Consulting (South Africa) (Pty) Ltd. . . . .	Competent person (within the meaning of Chapter 18 of the Listing Rules)
Werksmans Attorneys . . . . .	South African legal advisers

**10. Consents of experts**

Each of the experts listed in the section headed “— 9. Qualifications of experts” has given and has not withdrawn their respective consents to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it appears.

As of the Latest Practicable Date and save as disclosed in the preceding paragraph, none of the experts named in the section headed “— 9. Qualifications of experts” had any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

**11. Promoter**

Our Company has no promoter for the purpose of the Listing Rules.

**12. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

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**APPENDIX VI      DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES  
AND AVAILABLE FOR INSPECTION**

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**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the section headed “Appendix V — Statutory and General Information — E. Other Information — 10. Consents of experts” to this prospectus; and
- (c) copies of the material contracts referred to in the section headed “Appendix V — Statutory and General Information — A. Further Information about our Company — 4. Summary of the material contracts” to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Kirkland & Ellis at 26th Floor, Gloucester Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

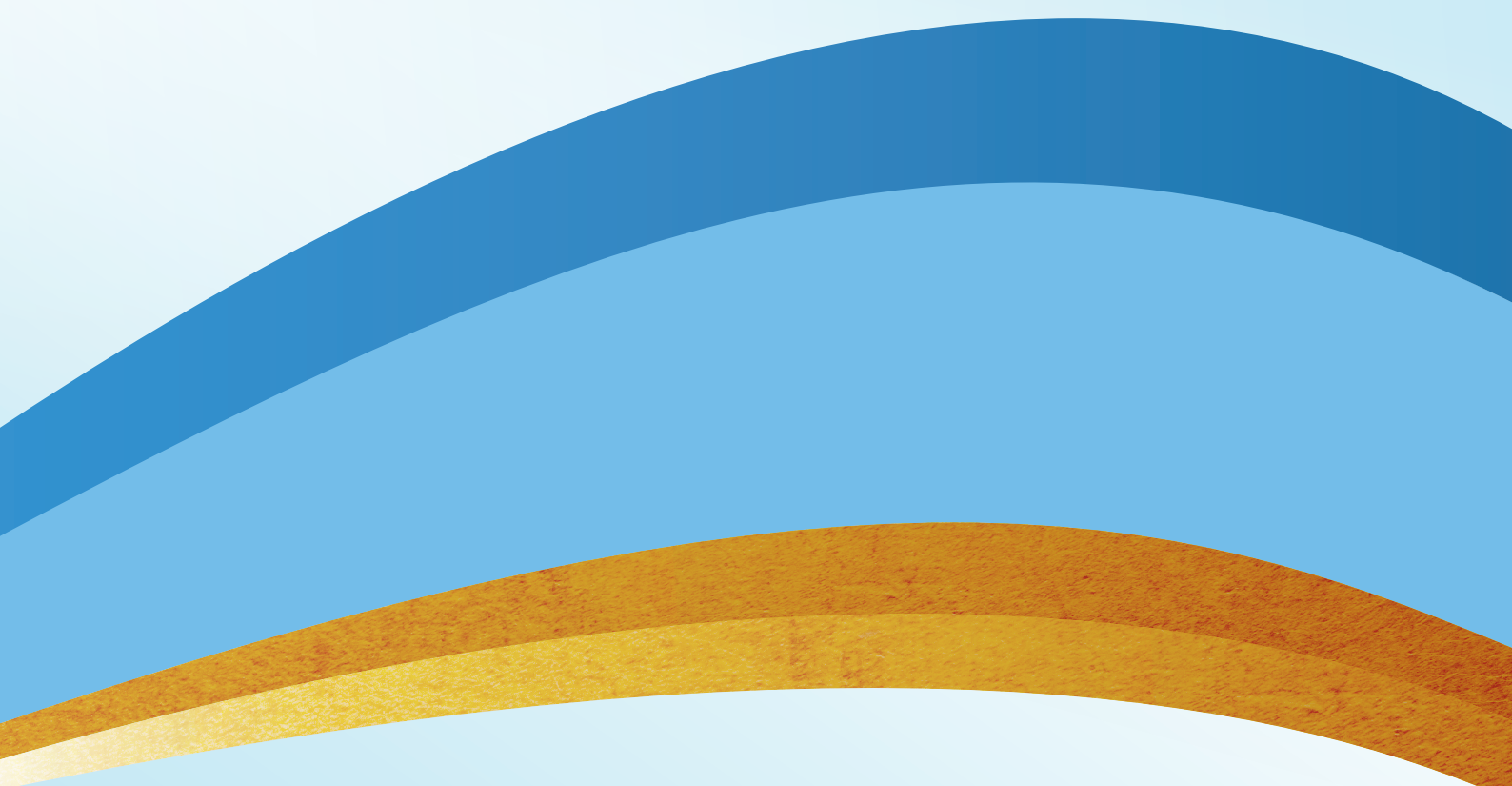
- (a) the Articles of Association;
- (b) the Accountants’ Report prepared by Ernst & Young, the text of which are set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Company for the three financial years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2019;
- (d) the letter received from Ernst & Young on unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (e) the material contracts referred to in the section headed “Appendix V — Statutory and General Information — A. Further Information about Our Company — 4. Summary of the material contracts” to this prospectus;
- (f) the service contracts and letters of appointment with Directors, referred to in the section headed “Appendix V — Statutory and General Information — D. Further Information about the Directors, Management, Staff and Substantial Shareholders — 1. Particulars of Directors’ service contracts and letters of appointment” to this prospectus;

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<b>APPENDIX VI</b>	<b>DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION</b>
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- (g) the written consents referred to in the section headed “Appendix V — Statutory and General Information — E. Other Information — 10. Consents of experts” to this prospectus;
- (h) the PRC legal opinion issued by Commerce & Finance Law Offices, our PRC legal advisers, as to PRC laws and regulations;
- (i) the Competent Person’s Report prepared by the Competent Person, the text of which are set out in Appendix III to this prospectus;
- (j) the South African legal opinion issued by ENSafrica, our South African legal advisers, in respect to the fatality accidents of our South African subsidiaries;
- (k) the South African legal opinion issued by Werksmans Attorneys, our South African legal advisers, in respect to our South African subsidiaries; and
- (l) the industry report issued by Frost & Sullivan, the summary of which is set forth in the section headed “Industry Overview” in this prospectus.



Heaven-Sent Gold Group Company Limited  
硅谷天堂黃金集團有限公司