Botswana Ash (Pty) Ltd

Integrated Annual Report 2019

Contents

OUR VISION
Africa's leading supplier of natural sodium and related products

OUR MISSION
We manufacture and market natural sodium and **related products** for industrial and human consumption in the Sub-Saharan region **sustainably**

OUR STRATEGY is based on 4 strategic pillars

- Reliable and predictable production
- Defend and grow market share
- Diversified product offering
- Community Impact

ABOUT THIS REPORT

THE BEGINNING OF OUR INTEGRATED ANNUAL REPORTING JOURNEY

Botswana Ash (Pty) Ltd (Botash) is extremely proud to present our first ever Integrated Annual Report. Botash recognizes the importance of both financial and non-financial criteria in reporting on performance. They are mutually dependent, influence each other and contribute to the sustainability of the business. This is acknowledged through the publication of this report.

The new consolidated Integrated Annual Report is now the core reporting document for Botash and will be published annually.
This Integrated Annual Report was prepared in line with global best practice and followed the principles of the International Integrated Reporting Council framework (IIRC), the King Code of Governance Principles (King IV), and legal reporting requirements outlined in Botswana's Companies Act. In addition, Botash strives to adhere to the Global Reporting Initiative (GRI) Standard and has produced this report in accordance with the 'core' level of the GRI.

The standards used to guide Botash's annual integrated reporting align with global best practice and provide a framework by which the Company can report on our key risks and opportunities, and how these factors guide our strategy, affect our financial and non-financial performance, and the impact we have on the markets in which we operate. We have endeavoured to provide a balanced and transparent account of the Company's performance and the progress we have made during the 2019 financial year.

The content of this report is relevant to all our stakeholders, including our staff, customers, shareholders, strategic partners, government, regulatory bodies, and members of the communities in which we operate. The Board committees responsible for corporate accountability and risk management, combined assurance, and integrated reporting, have overseen the production of this report. They are satisfied with its accuracy, completeness, and integrity and the 2019 Integrated Annual Report is presented in accordance with the framework of the IIRC and approved by the Botswana Ash (Pty) Ltd Board of Directors.

All inquiries related to the contents of this report may be directed to marketing@botash.com and/or the company secretary, Ishmael Moatshe on imoatshe@botash.bw. This report is also available on our website www.botash.bw.

SCOPE

The 2019 Integrated Annual Report covers the 12-month period from 01 January 2019 to 31 December 2019.

The report examines the forms of capital used to create sustainable value and how we identified and addressed significant material matters raised by our stakeholders during the 12-month period. Botash considers as material, those matters, opportunities, and challenges that are likely to affect the delivery of our strategic intent and ability to create value for our stakeholders in the short, medium, and long term.

Botash applies principles of stakeholder inclusiveness, sustainability, materiality, and completeness when assessing which information to include in the Integrated Annual Report. The company also applies the principles of accuracy, balance, clarity, comparability, reliability, and timeliness when assessing information for inclusion in this report.

ABOUT THIS REPORT

MATERIALITY

We consider matters material that which impact on value creation in terms of our operating environment, the interests of our key stakeholders, and the identified priority risks and opportunities facing the business.

The material matters presented in this report were identified through a thorough and methodical stakeholder review and engagement process. The material matters reviewed qualify under one or more of the following categories:

- Strategic
- Financial
- Environmental
- Social
- Competitive, and
- Regulatory

Material matters are prioritised by significance and their potential risk to impact on Botash's ability to achieve and deliver on the Business's strategic objectives and create value for its stakeholders. The Executive Management team manages this process with support from the Botswana Ash (Pty) Ltd Board of Directors.

Since this is the first Integrated Annual Report, there are no material changes to the content of this report that require disclosure.

A NOTE ON DISCLOSURES

Botswana Ash (Pty) Ltd affirms the following terms with respect to its annual integrated reporting strategy:

- Disclosure of confidential data such as granular data on remuneration, yields, and margins is not undertaken where the information is deemed to be competitively sensitive.
- Individual customer contractual product pricing and margins are not disclosed as we deem this to be sensitive information.
- Infographics are used to report various metrics, while retaining proprietary information.
- Any official and direct enquiries are encouraged in relation to any aspect of the company's competitively sensitive operations that may not have been publicly disclosed.
- All monetary figures used in the report are in Botswana Pula (BWP).
- Botswana Ash (Pty) Ltd is a commercial entity whose liability is limited by shares.
- The Managing Director was officially appointed in May 2019, but with the appointment effective from January 2019.

OUR VALUES

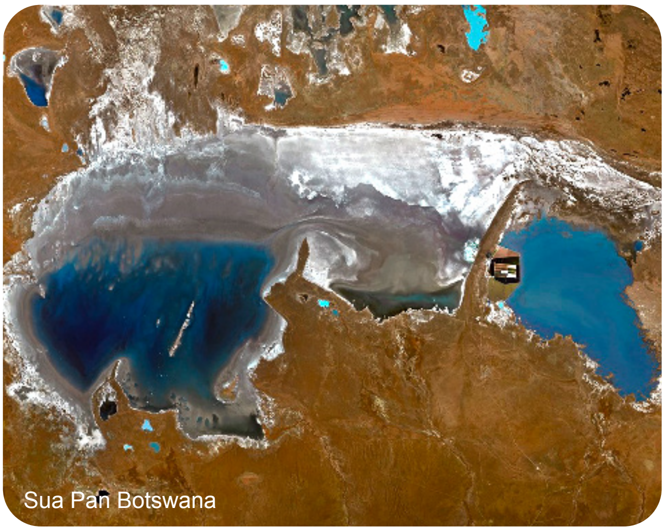
Our values define and underpin the Company's vision and shape its culture. They are also the guiding principles for the way we conduct business and for improving service to customers, delivering increasing value to stakeholders, and optimizing sustainable performance. Botash's code of conduct and ethics code outline the behaviours and policies that govern the Company's interactions with all its stakeholders across its footprint.

Our vision is to lead the market in the production of natural sodium and related products. This vision is supported by a mission that seeks to drive sustainable manufacture and marketing of products for industrial and human consumption with a primary focus on the Sub-Saharan region. Our values will drive a culture which is customer focused, driven by excellence, integrity, accountability, and teamwork.

OUR BUSINESS

Botswana Ash (Pty) Ltd (Botash) is owned by the Government of the Republic of Botswana and Chlor Alkali Holdings (Pty) Ltd (CAH), incorporated in the Republic of South Africa, at 50 % shareholding each. The company, commonly known as Botash, is located in Sua Pan in the north eastern part of Botswana.

Botash began its operations in April 1991, thus 2019 marked 28 years of the company's existence. Botash is the largest producer of natural sodium products in the region, producing soda ash and salt. In the past, all activities of the mine were undertaken at Sua Pan - from production through to marketing, sales, and administration. Today, Botash has increased its footprint with fully operational offices in South Africa through the presence of the sister company Botswana Ash South Africa (Pty) Ltd (Botash SA) which deals primarily with the sales and distribution of Botash products.


Sua Pan Botswana

Our vision for Botswana

We, at Botash support the Botswana Government's compelling vision of what our future will look like and in the process create broader prosperity for all. Botswana Vision 2036[1] aims to transform Botswana from an upper middle-income country to a high-income country by 2036. A stronger economy cannot be achieved without succeeding in all four of the Botswana Vision 2036 Pillars namely:

- Sustainable Economic Development
- Human and Social Development
- Sustainable Environment
- Governance, Peace and Security

CHAIRPERSON ADDRESS

In support of achieving Botswana Vision 2036, the Government of Botswana is developing a comprehensive National Transformation Strategy (NTS)[2] which will act as the single strategy reference document. The NTS will provide a framework for fully coordinated, articulated, and aligned sectoral and enterprise strategies in both the public and private sectors.

Botash fully supports the fundamental changes that will need to take place to transform Botswana. Acceptance of this Vision means acceptance of the bold and ambitious changes that will need to take place, hence our continual positioning to remain relevant, of scale, and competitive in all our markets.

Desired Economic Diversification

01 Generating national income from being competitive, productive and efficient, rather than from the consumption of our mineral good fortune;

02 Opening up our country to investors and visitors, in the process creating a vibrant economy and society integrated into the global economy;

03 Enabling Botswana to be independent, self-reliant entrepreneurial in spirit, rather than dependent upon the state.

04 Transforming the role of Government from control to facilitation.

In addition to the above, Botash also supports and aligns its corporate strategy objectives to the Eleventh National Development Plan (NDP 11)[3], which is the first medium term plan towards the implementation of the country's Vision 2036.

The NDP 11's theme is "*Inclusive Growth for the Realisation of Sustainable Employment Creation and Poverty Eradication*".

Botswana, as a United Nations Member State, also adopted the Sustainable Development Goals (SDGs) in 2015 and has set bold targets as its contribution to the achievement of these goals.

Botash has identified, through its supply of natural soda ash and salt to primary industries, how we drive a number of key sub-sectors and contribute to the sustainable economic development of Botswana, as well as the region. These include:

- Food safety through the container glass sector.
- Construction and shelter through building glass and polyvinyl chloride (PVC) pipes.
- Food fortification through salt carrying iodine for humans.
- Motor safety through the auto glass sector.
- Provision of safe drinking water through chlorine and related products.

Botash, through its operations, strong regional footprint, and a range of product variants, contributes significantly to the National Vision and objectives and will continue to do so at an increasing scale in the future as we implement our 2018-2022 Corporate Strategy.

Operating Context

Botswana has over the years experienced stable growth since independence, with sizable fiscal buffers and prudent policies playing a key role in shielding the economy, despite diamond market weakness and volatility in more recent years. More recently, however, the limitations of Botswana's diamond-led development model have become more apparent: growth is slower, inequality remains high and job creation is limited, providing a tough and challenging economic environment in which to operate.

Having achieved strong growth of 4.5 % in 2018, growth slowed down to 2.96 % in 2019, reflecting the effects of weakened global demand for diamonds alongside severe drought affecting the region.[4] In 2019, the country recorded a low inflation of 2.8% which is expected to remain stable over the next two years, at 2.1 % in 2020 and 2.6 % in 2021, according to the latest World Economic Outlook of the IMF (April 2020).[5]

Southern Africa is home to 209 million people, and its population has grown by approximately 2.4 % annually since 2010. This continued population growth is important for Botash and its export potential as it is indicative of a consistent growing future demand for soda ash, salt, and potentially other products. Salt is a basic commodity in all countries used daily in flavouring and preservation of food, and as an ingredient in household detergents and cosmetics. Soda ash is used in a number of industries such as:

- Glass Sector
- Chemicals Manufacturing Sector
- Metallurgical Applications and
- Paper Processing

The Southern African region contributes approximately 25.6 % to the continent's gross domestic product (GDP). In 2018, the five fastest growing economies in the region included two of Botash's operating countries, namely Botswana itself (4.2 %) and Zambia (4.0 %), which provides a positive market outlook. However, the five slowest growing economies in the region included Botash's main operating country South Africa (0.7 %).[6] The poor results of South Africa are of potential concern considering the large reliance Botash has on the South African market (78.5 % by revenue), however, with our market growth elsewhere in the interior and product diversification strategies this risk should be mitigated in the long term. Botash has also considered available and potential infrastructure to support its route to market initiatives within its broader strategy which emphasises growth through product diversification. To this end Zimbabwe, Malawi, and the Democratic Republic of Congo have been identified as promising growth markets.

Outlook

The global slowdown in demand and increased trade restrictions in light of the COVID - 19 pandemic is expected to have a profound impact on Botswana's economy, particularly on the diamond and tourism industry. Similar effects on the region will have follow on effects on Botash's ability to perform optimally due to the economic slowdown. According to the updated IMF forecasts from 14 April 2020, due to the outbreak of the COVID -19, Botswana's GDP is expected to contract by 5.4 % in 2020 and pick up to 6.8 % in 2021, subject to the post pandemic global economic recovery, conclusion of the normalization of the diamond market, and the beginning of copper production.

Regional integration is important for future trade. This integration will also assist Botash in diversifying its market to reduce reliance on South Africa, increase access to new markets and reduce the costs of getting products to market.

Strategic objectives, challenges, and enablers

In 2017, Botash developed a five year (2018-2022) corporate strategic plan that sought to deliver shareholder value through a commitment to 15 % annual compounded growth in earnings before interest tax, depreciation, and amortisation (EBITDA) as its primary ambitious strategic outcome. It was envisaged that the projected growth would be anchored by four pillars - growth in market share, reliable and predictable production, diversified product offering, and community impact. This intent is supported by delivery of results under these key strategic pillars:

Botash is proud of the progress made regarding the implementation of our corporate strategy (2018-2022). The corporate strategy underpins our strategic intent and seeks to drive stakeholder value by sustainably delivering high quality diversified products, and driving effective and efficient operations that meet customers needs. Achievement of the expected growth and transformation ambitions is anchored on a committed focus on delivery of great results across all the pillars of the strategy.

A detailed review was conducted by management from the 5th to 8th September 2019, where corporate performance was appraised against set objectives.

2019 saw significant progress in support of the implementation of our corporate strategy under the three key pillars. The maintenance shutdown which took place in June 2019, including refurbishment work on boilers, will contribute to reliable production. We retained two key accounts, Lanxess and Sasol, and our market share in Zimbabwe increased significantly (to 96 % from a low of 50 % in late 2017) contributing to the pillar of defending and growing market share, and in support of growing our product offering, the feasibility study for the soda ash unit expansion project and the production of sodium bicarbonate was completed. Approval for the feasibility study on the potash project was given by the Board in November 2019 allowing work to commence.

Botash remains the top producer of soda ash and salt in the Southern African region, however, competition in the market is increasing. Recent entrants to our markets are Ciner (a Turkish soda ash producer), Thanzi Salt from Mozambique & Ifresh Salt from India. Notwithstanding, we remain confident of our well-established position as a reputable soda ash and salt producer by maintaining a strong focus on understanding our customer needs, good relationships with regulatory authorities and other stakeholders, continued investment in our people, and the development and innovation of products.

We continued to experience challenges with transport and logistics, with significant and continuous rail services disruptions during 2019, resulting in increased road transport costs as well as a loss in sales. Botash continued to engage with Transnet Freight Rail (TFR), a South Africa rail operator and Botswana Railways (BR) to find solutions to the current issues and mitigate the negative impact these are having on our business performance.

2019 saw Botash adopt "Towards Sustainable Mining" (TSM) as its sustainability management framework supported by the Botswana Chamber of Mines. This important initiative requires Botash to commit to acting responsibly by adopting social, economic and environmental practices that align with the priorities and values of its communities of interest. Botash will be reporting on our performance against these guiding principles with a goal set of achieving a Level A or higher on all protocols by 2023. This will provide assurance to our stakeholders that Botash is effectively managing key social and environmental risks, and that it is adhering to best practice with regards to environmental management, safety, and community engagement.

The full extent of the impact of COVID - 19 on the regional economy, is still unknown. However, considering the progress Botash has made with the implementation of our Corporate Strategy, with specific focus on initiatives to enable growth and sustainability, Botash remains positive in our ability to ride out the COVID-19 storm.

To my fellow Board Members, I wish to thank you for your ongoing support in overseeing governance responsibilities on behalf of our stakeholders and guiding us through both the challenges and the successful milestones. I must also take this opportunity to give special mention and thanks to former Members of the Board, Messrs. Mojaphoko, Ebrahim, Kgosietsile, and Ms. Mokgwathi, who, after serving for more than two decades on the Botash Board, resigned in August 2019. Though I did not have the pleasure of serving with them as they left just a week before I joined the Board, I can safely say that their dedication and commitment have ensured that the business grows into a legacy they can be proud of, for the benefit of current and future generations, and they shall forever be remembered for their contributions.

In conclusion, and on behalf of the Botash Board, I wish to express my appreciation to our valued stakeholders who make Botash what it is and contribute to our unique culture and ensure the sustainability of our business. Thank you to our shareholders, people, regulators, customers, and our public and private partners for your ongoing support.

NL Sowazi
Botswana Ash (Pty) Ltd Chairperson

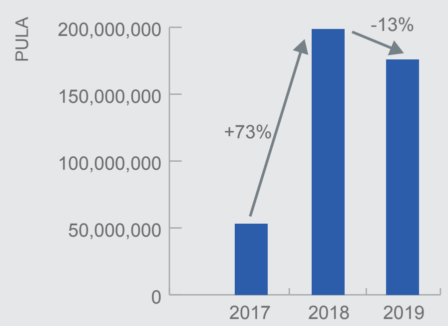
OUR BUSINESS

MANAGING DIRECTOR'S ADDRESS

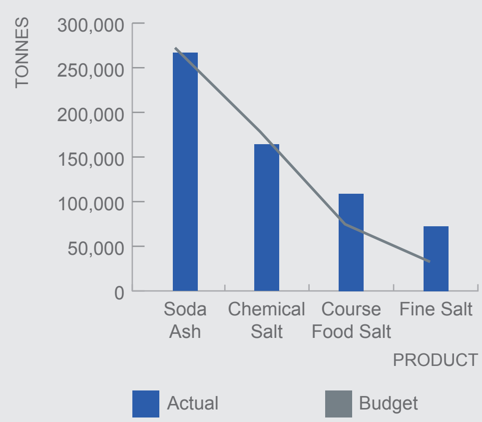
Economic growth in the SADC region was relatively slow during 2019, and against this backdrop, we delivered mixed results during tough economic times. However, Botswana Ash (Pty) Ltd (Botash) remains the leading producer and supplier of both soda ash and industrial salt in Southern Africa.

The performance of Botash during the 2019 financial year was credible considering the challenges faced. Profit Before tax (PBT) decreased from P198 670 134 in 2018 to P176 153 479 in 2019, a 13 % decrease in returns. However, Net Asset Value (NAV) increased from 6.37 in 2018 to 6.59 in 2019.

Botash PBT Change (P)



2019 Sales Summary 2019

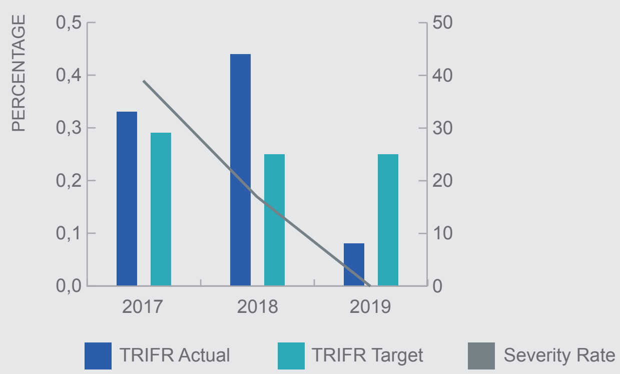


We did not meet our strategic target of increasing profitability by 15 % year on year even with a 7 % reduction in total operating costs. The main contributing factor was reduced soda ash demand in South Africa which saw soda ash sales contracting by 9 % compared to 2018. In addition, policy uncertainty in the Democratic Republic of Congo also adversely impacted on revenue growth as the cobalt processing sector stalled for several months. Contracting markets, particularly the soda ash market in South Africa is a matter of great concern, and this calls for us to work more cost effectively and efficiently to reduce our production costs. The future of the business will increasingly rely on improved efficiency to enable it to fare better in the market in the face of the ever-increasing competition and sluggish performance of South Africa's economy. The depreciation of the Rand against the Pula also impacted negatively on our revenue in Pula terms as our largest revenue share is Rand denominated.

The logistical challenges we faced in 2019 were also at their worst as we continued to experience poor performance by rail service providers. Costs associated with transporting soda ash to market increased thus eroding our margins as we had to rely heavily on road transport. Rail disruptions also resulted in the loss of chemical grade salt sales to South Africa. Lower production rates overall were also noted in 2019 due to several incidents of plant downtime, post the annual plant maintenance shutdown in June of 2019.

In 2019, Botash continued its improving trajectory on Health and Safety (H&S), surpassing our target in TRIFR (Total Recordable Incidents Frequency Rate) and achieving a significant reduction in severity rating. The H&S highlight in the 2019 year was the milestone safety record set on the 18th October 2019 of 365 days without a lost time injury. This is a significant improvement compared to last year's results. The record is testimony to our commitment and that of our stakeholders to safety in the workplace. Our achievements in the area of Health and Safety are also a direct reflection of the increased efforts we have placed on Health and Safety training, as well as engagement with our employees.

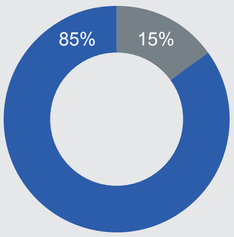
TRIFR and Severity Trends



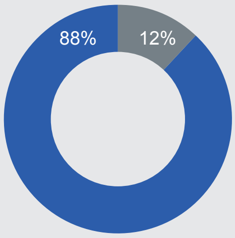
The time and budget allocated to the development and training of our staff complement, in addition to the benefits they receive as employees of Botash, reflects the value we place on our people and their contribution to ensuring that we are a business that resonates with our customers and wider stakeholders. In total, we directly employ 464 people of which 85 % are male employees and

15 % females. During 2019, we focused on upskilling our people in areas needed to deliver on our strategy, with a total of P 976 297 invested in training, and we continue to produce highly skilled and capable young individuals through our internship, graduate development, apprenticeship, and operator training programmes.

Employees by Gender (2019)



Employee Training Spend by Gender (2019)



Botash acknowledges the importance of our customers to the performance and long-term sustainability of the company, and therefore, encourages and values our customers continuous input. In addition to this, Botash retains a third party to conduct a Customer Satisfaction Survey whose results are summarised into a Customer Satisfaction Index (CSI) every two years with the latest one conducted in 2019. This allows us to assess and evaluate customer satisfaction and identify areas of improvement. The results from the 2019 Survey were positive with an improvement from 2017 as shown below. Botash will continue to invest in customer service improvements in accordance with the feedback received.

How satisfied is the client with Botash services and products?	Dissatisfied	Satisfied	Very Satisfied
2017	7.69 %	82.69 %	11.54 %
2019	2.27 %	88.64 %	29.55 %

Would the customer recommend Botash?	Would not recommend Botash	Would probably recommend Botash	Would definitely recommend Botash
2017	6.00 %	88.00 %	30.00 %
2019	2.27 %	88.64 %	40.91 %

By ensuring that we uphold high governance standards, including those that relate to environmental and social issues, we are able to contribute to sustainable development goals that protect labour rights and promote safe and secure working environments. Our policies support innovation and collaboration within Botash, as well as support an environment that is attractive to employees, both for staff retention as well as the attraction of new staff who possess skill sets we require to further grow the business and deliver on our strategic intent. The unwavering commitment to our values and principles amplifies our contribution to Sustainable Development Goals (SDGs) by creating an environment free from discrimination, inequality, and unethical behaviour.

Although the full extent of the impact of COVID - 19 on the economies of Southern Africa, and Botash is still unknown, the impact of COVID - 19 on our operations has certainly already been felt. National travel restrictions to fight the spread of COVID - 19 have(1) affected our supply chain of inbound supplies such as spares and raw materials, as well as the importation of requisite skills, (2) affected logistics due to border protocols that have caused delays and increased truck turnaround times and, (3) led to a contraction in the soda ash market as our customers in the glass industry were affected by the ban of alcohol sales in South Africa. Botash, however, remains positive and confident in our ability to overcome these challenges and have a successful year (in the context of changed realities) ahead.

Mr. Kangangwani Phatshwane
Managing Director

OUR BUSINESS

2019 MILESTONES

Reliable and predictable production

- Continued the power plant refurbishment programme to improve the soda ash run rate
- Increased fine salt production from **70 246 tonnes** in 2018 to **73 601 tonnes** in 2019, representing a **5 % increase**.
- Increased coarse salt production by **3 %** from 2018 levels in line with demand

Defend and grow market share

- Botash current and future products market study was initiated in November 2019
- Retained all key accounts that were due for renewal with major customers Sasol **(100 %)** and Lanxess **(80 %)** volumes
- Grew and/or maintained market share in the majority of countries we supply. Soda Ash market share in South Africa grew from **56 %** the prior year to **72 %**
- Implemented an operational effectiveness programme
  - Improved cash cost of soda ash production from **$141/tonne** in 2017 to **$113/tonne**
  - Route to market efficiencies improved with specific focus on Zimbabwe, Malawi, and Zambia

Diversified product offering

- Soda Ash Expansion and Sodium Bicarbonate production Feasibility Study completed
- Bitterns Beneficiation: this project which intends to process Botash bitterns (waste) into various beneficiation products such as potassium sulphate (potash), sodium sulphate and vacuum salt was approved to proceed to the next phase (Feasibility Study) at the November 2019 Botash Board sitting

Stakeholders and Community

- Commenced Implementation of the Towards Sustainable Mining Programme (TSM)

Plant Expansion Project

1955

The brine resource of the Sua Pan was established through a prospecting programme by the Royal Selection Trust in 1955

1980s

British Petroleum (BP) Chemicals Limited operates the technology testing pilot plant on the Sua Pan

1988

Started as Soda Ash Botswana (SAB) – shareholders Government of the Republic of Botswana, AECI, Anglo American Corporation and De Beers sign an agreement to build a soda ash and salt plant at Sua Pan.

Sowa Town was built at a cost of P100 million to house Botash's employees

1990

Sowa Town officially opened

1991

Plant commissioned

1995

SAB liquidated and restructured as Botswana Ash (Pty) Ltd (Botash). The Government of the Republic of Botswana (major shareholder with 50%), Anglo American (Pty) Ltd, AECI and De Beers held 42% and the 8% balance held by a bank consortium

1996

Sua Pan flooded leading to 7-months of production interruption

2010

Chlor Alkali Holdings (CAH) acquires 50% of Botash.

Current shareholding: Government of the Botswana (50%) and Chlor Alkali Holdings (CAH- A BudChem company) (50%)

2017

Sowa Game Park established

Developed a five year (2018-2022) corporate strategic plan

2019

Board of Directors approve the Bitterns Beneficiation Project Feasibility Study

OUR BUSINESS — OUR SHAREHOLDING STRUCTURE

Botswana Ash (Pty) Ltd is owned by two shareholders, namely the Government of the Republic of Botswana and Chlor Alkali Holdings (Pty) Ltd (CAH) - a Budchem company, each with a 50 % shareholding. Chlor Alkali Holdings (CAH) is a South African company which manufactures chemical products at operations in South Africa and Namibia. CAH brings some experience in the salt business as they also own a salt refinery in Walvis Bay, Namibia.

CAH is 100 % owned by Bud Chemicals & Minerals (Pty) Ltd (Budchem). Budchem, formerly Synthetic Chemicals (Synchem) is the Management Partner at Botash. Budchem is a Group of companies to which Botash is associated through Budchem's ownership of CAH. Budchem is in turn wholly owned by the Bud Group (Pty) Ltd.

Botswana Ash (Pty) Ltd Structure as at 31 December 2019

Botswana Ash (Pty) Ltd

Government of Botswana
50 %

Chlor Alkali Holdings (CAH)
50 %

OUR BUSINESS — OUR PRODUCTS AND SERVICES

Botswana Ash (Pty) Ltd is a natural sodium minerals beneficiation company located on the Sua Pan, Botswana. Botash is the largest producer of natural sodium products in the region, and currently produces variants of soda ash and salt. Botash's nameplate production capacity for soda ash is 300 000 tonnes per annum and for salt is approximately 650 000 tonnes per annum which includes the variants chemical grade, food grade coarse salt, and food grade fine salt. However, production of salt stands at approximately 420 000 tonnes per annum in line with market demand.

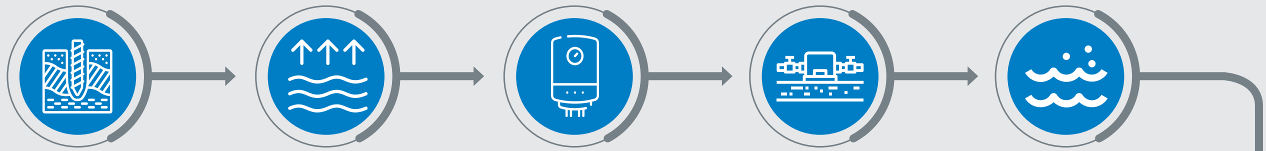
In the production of our products we strive for the following:

- To be a cost effective producer
- Strive for growth in stakeholder value
- Delight our customers with superior quality products & service
- A highly competent and motivated workforce
- Organisational excellence on safety, health environment and the community front of mind

The process flow diagram below shows the production process of salt and soda ash from brine. Salt is produced as a by-product from the production of T-brine. It is deposited in the solar ponds as the brine concentrates through solar evaporation. A salt washing plant upgrades the quality of harvested salt and separates the salt into fine and coarse products. Subsequently, fine salt goes through drying | sterilisation and milling stages.

In the production of soda-ash, sodium carbonate (soda ash) in the T-brine from the solar ponds is converted to relatively insoluble sodium bicarbonate by reacting it with carbon dioxide gas. The sodium bicarbonate crystals are then separated from the brine and purified. The purified bicarbonate is converted back to sodium carbonate (soda ash) by heating and is finally compacted into dense granules for ease of transportation and handling.

Process Flow Diagram of Production Process



1

Wellfield
Wells sunk into pan surface to extract alka-saline brine. Total area of wellfield ~ 400 km².

2

Solar Evaporation Ponds
Well brine is pumped into shallow ponds (20 cm deep) which provide large surface area (over 22 km²). Evaporation concentrates the brine and precipitates out salt.

3

Boiler Plant
Two coal fired 85 t/h, 65 bar pressure, boilers produce process steam and generate 20 MW of electricity.

4

Carbonators
Carbon dioxide is extracted from boiler flue gas and used to carbonate brine. Concentrated brine from solar ponds is pumped to large tanks where carbon dioxide reacts with brine to form sodium bicarbonate which is less soluble and easier to separate from the liquid.

5

Crystallisation
Sodium Bicarbonate slurry is cooled which allows sodium bicarbonate to crystallise out.

6

Filtration
Slurry leaving the crystallisers is fed to a thickener which raises the solids concentration from 6 % to 25 %. Thickened slurry is fed onto belt filters where sodium bicarbonate crystals are washed.

7

Calcining
Washed sodium bicarbonate cake is heated by steam, causing the sodium bicarbonate to be converted into sodium carbonate or light soda ash.

8

Compaction
Light soda ash is compacted in the "nip" to produce soda ash flakes, which are milled and screened to produce dense soda ash.

9

Bitterns Disposal Ponds
The bitterns are evaporated until dry, but the crystallised salt produced is not harvested and it builds up. These ponds are constructed on the pan surface so that no seepage can contaminate underground freshwater sources.

10

Salt
Crystallised salt is harvested and hauled to the salt plant where it is washed. The washed salt is screened into fine and coarse salt.

Description of Production Process

Botash's products, namely soda-ash and salt (chemical, coarse, and fine) are produced and sold to a number of different market segments in various sectors where they are used in a range of applications.

Salt Products

Chemical Grade Coarse Salt (50% of total coarse sales volume)
The chemical grade salt contains 98.75% sodium chloride. Chemical grade is used primarily for the manufacture of caustic soda and chloride [and in turn polyvinyl chloride]

Coarse Salt
Coarse salt produced by Botash contains 98.5% sodium chloride. Coarse salt is sold in the regional markets of Botswana, South Africa, Malawi, Zimbabwe, Zambia and the Democratic Republic of Congo.

Fine Salt
Fine salt (or table salt) contains 99% sodium chloride. Like coarse salt, fine salt is sold in the regional markets of Botswana, South Africa, Malawi, Zimbabwe, Zambia and the Democratic Republic of Congo. It has various industrial and domestic applications.

SODA-ASH and % production sold

> 60% sold to Glass Industry
Glass production is the largest application for dense soda ash. Soda ash is used as a fluxing agent as it lowers the melting temperature of the raw material pure silica, thus reducing energy requirements.

±20% sold to Chemical Industry
Botash sells around 20% of its Soda Ash to the chemical industry. Both dense and light soda ash are used in chemical reactions to produce inorganic or organic compounds that are in turn used in a range of different applications.

< 2% sold to Detergent Industry
Light soda ash is used in powdered, paste and soap detergents where it acts as a builder. Additionally, it acts as a water softener and has a cleaning function.

± 11% sold to Metallurgical Applications or Steel & Vanadium
Soda ash is used for vanadium ore beneficiation. In steelworks soda ash is used as a flux, and to reduce limestone and coke consumption in blast furnaces. It is also used to reduce the phosphorous and Sulphur content in cast iron which is used to produce high quality steel.

Other
This includes the use as a cleaning agent in the textile industry, recycling of lead from spent batteries, a source of sodium in water treatment processes, as well as for many processes in the mining industry.

OUR BUSINESS

HOW WE CREATE VALUE

The Six Capitals Model identifies six different capitals which are stocks of value that are affected or transformed by the activities and outputs of an organization as it seeks to create value over the time of operations.

At Botash, we acknowledge the significance of the six capitals, how the six capitals are inter-related, and how they contribute to the Company’s strategic intent to create value. Below is an illustration of how Botash provides input into the six capitals to create value for all our stakeholders.

Six Capital Value Creation

Financial

ROE	**15%**
ROA	**12%**
Annual Turnover	**P1 029 116 427**
PBT	**P176 153 479**
OPEX Spend	**P393 027 732**
CAPEX Spend	**P114 246 047**
NAV	**P6.59**

Social

No. of school children	**286**
% female school children	**54.9%**
% female employees	**15%**

Human

FTE	**464**
Long Term Contractors	**200**
No. of Staff Training Interventions	**10**

Natural

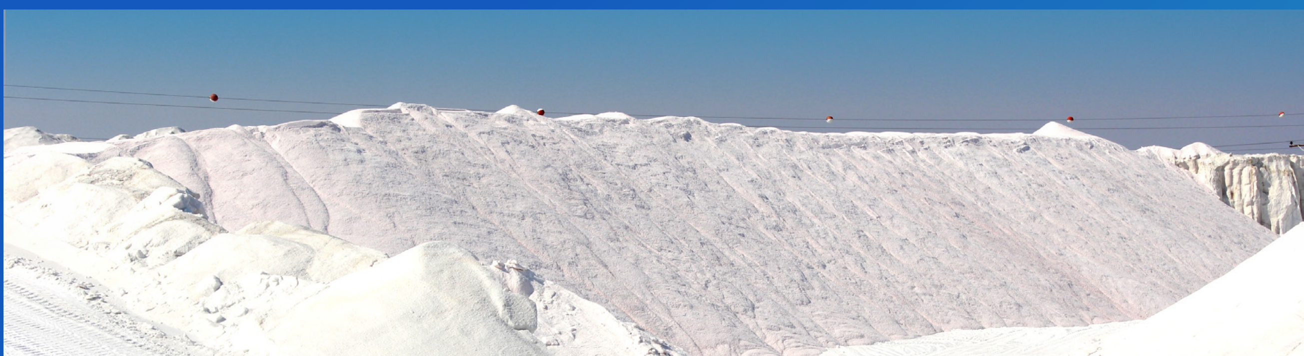
Energy	
Electricity	**↓13%**
Carbon Footprint	**103 381 (CO_2 eq tonnes)**
Water	
Brackish	**↓ 2%**
Potable	**↑ 2%**
Waste (tonnes)	
Scrap	**89,9**
General	**84**
Hazardous	**22,3**
Recycled	**89,9**

Manufactured

Soda Ash	**↓ 13%**
Coarse Salt	**↑ 3%**
Fine Salt	**↑ 5%**

Intellectual

Training spend per FTE	**P2 086**
Strategic Partnerships	**8**



We understand that all the Capitals are interrelated and need to be considered together in striving for a successful and sustainable business. Botash therefore, invests in our human and intellectual capitals as this contributes to financial capital. We also invest in our social capital as our business is dependent on our people and our communities, and in our natural capital as the sustainability of Botash is also reliant on our natural resource base. Investment in all of these capitals above will contribute to improved manufactured capital which is the core of our business and allow for continued success and future sustainability.

Performance Indicators		
How we measure success		
Short Term	Medium Term	Long Term
• Growth in customer numbers • Growth in production • Growth in sales	• Growth in market share • Year on year profitability growth by 15 % • Year on year reduction in total costs of 5 % • Product diversification	• Enhanced value for our shareholders • Enhanced value for our stakeholders • Measurable impact in our communities

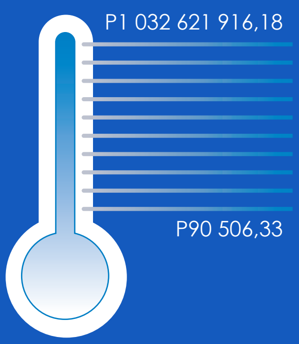
Botash, in support of the Government of the Republic of Botswana who are a signatory to the Sustainable Development Goals (SDGs), through our operations, our community school, our nature park and our CSI initiatives, creates value and contributes to the following SDGs:

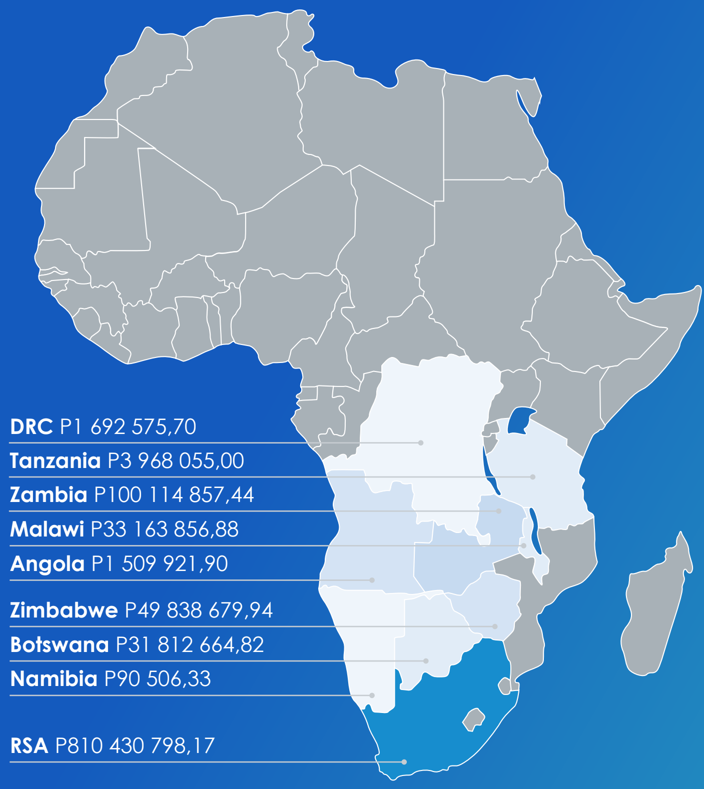
OUR BUSINESS — OUR FOOTPRINT

Botswana Ash (Pty) Ltd remains the leading producer of both soda ash and salt in Southern Africa.

We distribute our product throughout most of the Southern African Region, as illustrated below, and operate one distribution depot in Gauteng, South Africa.

Geographic Representation of our Sales Footprint and Revenue Share per Country 2019





OUR BUSINESS — FINANCIAL HIGHLIGHTS

The financial performance of Botash during 2019 was satisfactory considering numerous challenges the Company faced. We did not meet our target of increasing profitability by 15 % year on year. There were, however, notable achievements highlighting the continued success and growth of Botash in line with our corporate strategy.

Key Metrics

Despite a minor reduction in turnover and PBT, the NAV of Botash increased from 6.37 in 2018 to 6.59 in 2019 indicating an increase in the net value of the Company. Additional achievements include a reduction in both capital and operating expenditure, and market share was either increased, or at least maintained, in most of the countries where we supply our products.

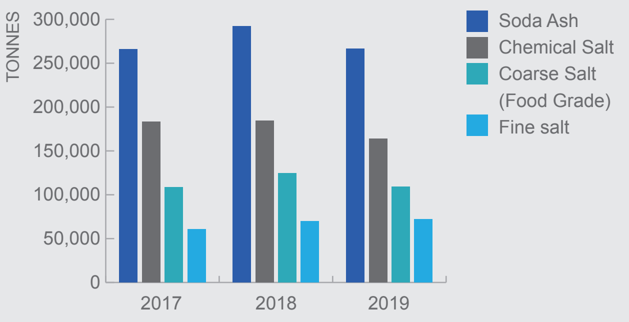
- OPEX spend decreased from P421 340 405 in 2018 to P393 027 732 in 2019 (7 % reduction);
- CAPEX spend was down from P120 240 712 in 2018 to P114 246 047 in 2019 (5 % reduction); and
- Increase in NAV from 6.37 in 2018 to 6.59 in 2019.

Metric	2018	2019	Performance
Return on Equity	19 %	15 %	↓
Return on Assets	16 %	12 %	↓
Turnover (P)	1 079 842 095	1 029 116 427	↓
Profit Before Tax (P)	198 670 134	176 153 479	↓
OPEX Spend (P)	421 340 405	393 027 732	↓
CAPEX Spend (P)	120 240 712	114 246 047	↓
Net Asset Value	6.37	6.59	↑

Actual Sales by Product

Soda ash sales (tonnage) achieved in 2019 were below budget and down from 2018, but slightly higher than the 2017 performance. Chemical salt sales in tonnage declined in 2019, with little variation in sales (tonnage) between 2017 and 2018. The 2019 chemical salt sales were affected by rail service disruptions. Coarse salt (food grade), although declined from 2018, showed an increase in sales from 2017. Fine salt which attracts the highest margins amongst salt variants, however, maintained a steady increase in sale volumes from 2017 through to 2019. The reduction in total sale volumes resulted in lower profitability levels than anticipated. This can be attributed to various factors including a reduction in demand for soda ash, interruptions in rail service, and reduction in operating rate due to poorer plant performance following the maintenance shutdown.

Sales Volumes (Tonnes) by Product Type



Revenue Share per Country

A breakdown of revenue per country further broken down by % contribution is shown below. Currently, South Africa yields the largest share of revenue at 78.5 % of total turnover. To de-risk our reliance on the South African market, Botash is currently focusing on, and has set clear targets as part of our corporate strategy, to grow the salt revenue stream elsewhere in Southern Africa. The short term to medium term focus has been placed on Zimbabwe, Malawi, and the Zambian Corridor, however, the intention is to grow overall market share within the whole Southern African region over the long term.

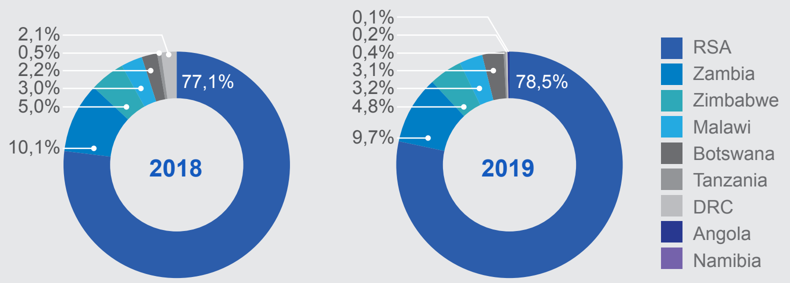
- Revenue from South Africa increased from 77 % in 2018 to 78.5 % in 2019, but still lower than 80.1 % in 2017;
- Botash saw a 1 % revenue increase from the local market (Botswana) up from only 0.5 % growth the year before;
- Botash entered a new market in 2019, Angola, and will continue to focus on driving growth in this country; and
- Botash also achieved sales in Namibia in 2019 after zero sales in 2018

Country	2017		2018		2019	
	Revenue (P)	% Share	Revenue (P)	% Share	Revenue (P)	% Share
RSA	762 140 531	80.1%	833 679 788	77.1%	806 925 309	78.5%
Zambia*	82 634 964	8.4%	108 661 483	10.1%	100 114 857	9.7%
Zimbabwe	56 150 067	5.7%	53 894 265	5.0%	49 838 680	4.8%
Malawi	29 694 086	3.0%	32 423 439	3.0%	33 163 857	3.2%
Botswana	16 485 386	1.7%	23 719 749	2.2%	31 812 665	3.1%
Tanzania	5 797 415	0.6%	5 168 205	0.5%	3 968 055	0.4%
DRC*	4 782 504	0.5%	22 295 166	2.1%	1 692 576	0.2%
Angola	0	0.0%	0	0.0%	1 509 922	0.1%
Namibia	89 468	0.0%	0	0.0%	90 506	0.0%
Total	**957 774 421**	**100.0%**	**1 079 842 095**	**100.0%**	**1 029 116 427**	**100.0%**

*Some product imported into Zambia is re-exported to the DRC - figures on the two countries ought to be read together as the Zambian Corridor.

Our emphasis on tightening expenditure has yielded positive results and offset the degree of impact the reduction in revenue could potentially have had on our overall 2019 financial performance. With the continued efforts to reduce costs, and in combination with projected increase in market share, Botash is optimistic of continued financial growth and business sustainability.

% Revenue Share per Country



OUR BUSINESS NON-FINANCIAL HIGHLIGHTS

In addition to financial value, we also strive to create non-financial value for our stakeholders. For our customers, we focus on providing access to a reliable supply of high-quality products at competitive prices. For our communities we work towards upliftment and improved wellbeing through our CSI initiatives, and for our employees, we endeavour to create an enabling working environment that delivers competitive remuneration and opportunities for learning and development.

KEY METRICS

Operational and Process Efficiency

In order to continue providing a reliable supply of high-quality products at competitive prices to our customers, Botash has implemented a number of initiatives to improve the overall operational and process efficiency of the plant to increase production. Some of these initiatives are medium term projects and thus only key milestones associated with these projects are disclosed below. The production and efficiency improvements expected from these investments and interventions will only be realized following completion the latest of which is expected in 2024.

- Upgraded carbonation cooling technology - this was a technology change from leak prone, maintenance intensive plate heat exchangers to welded shell and plate heat exchangers. This resulted in a reduction in process fluid losses and higher availabilities;
- Refurbishment of high-pressure sections of the two boilers undertaken during the 2019 maintenance shutdown;
- Scoping study completed to facilitate production of fertilizer grade potash on the Sua Pan;
- Feasibility study completed on the expansion of the existing soda ash unit;
- Bitterns Beneficiation project approved to proceed to the next phase (basic engineering) at the November 2019 Botash Board sitting
    - Will enable the plant to process bitterns (waste) into various beneficiation products such as potassium sulphate, sodium sulphate, bromine and iodine; and
- Feasibility study approved to produce sodium bicarbonate (SBC) for sale to our customer base.

The metrics and figure below illustrate production output (tonnes) for both coarse and fine salt which shows a relatively consistent increase in production from 2017 through to 2019 providing confidence in our ability to supply our customers as demand increases. The production of soda ash has, however, decreased slightly by 12 % from 2018 to 2019 due to a reduction in customer demand.

Product Volume in Tonnes

Stakeholders and Community

Botash places high value and importance on our stakeholders and communities. Botash has committed to the sustianability agenda and to building strong and impactful relationships with all our communities.

- Started the “Towards Sustainable Mining Programme” (TSM). As a participant of this programme, Botash will be required to report on protocols of the programme framework and its associated indicators from 2023. These protocols include:
    - Indigenous Community Relationships
    - Water Stewardship
    - Crisis Management and Communications Planning
    - Biodiversity Conservation Management
    - Safety and Health
- Corporate Social Responsibility (CSR) operating expenditure increased from P12 403 932 in 2018 to P12 859 447 in 2019
- Corporate Social Responsibility (CSR) capital expenditure increased from 2 521 569 in 2018 to 10 641 252 in 2019
- The 2019 Customer Satisfaction Survey produced a Customer Satisfaction Index (CSI) of 0.86. While this result was lower than 0.89 in 2017, there was a significant reduction in levels of customer dissatification [7.7 % to 2.3 %] and an increase in those willing to ‘definitely recommend’ Botash [30 % to 41 %]. Furthermore, the reduction in overall CSI was attributable to a number of small customers in the northern market who were first time participants.
- Botash maintained good relations with all our strategic suppliers
- Pupil numbers at Flamingo International School increased from 274 in 2018 to 286 in 2019

Indicators	2017	2018	2019	2020 Target
CSR operating Expenditure	13 366 931.01	12 403 932.00	12 859 447.00	2.4% of Revenue
CSR Capital Expenditure	7 307 639.40	2 521 569.00	10 641 252.00	Per approved request
Customer Satisfaction Index	0.89	-	0.86	- (CSI measured every 2 years – 2021 target 0.89)
No. of Strategic Partnerships	5	5	5	5
School Pupil Numbers	287	274	286	297

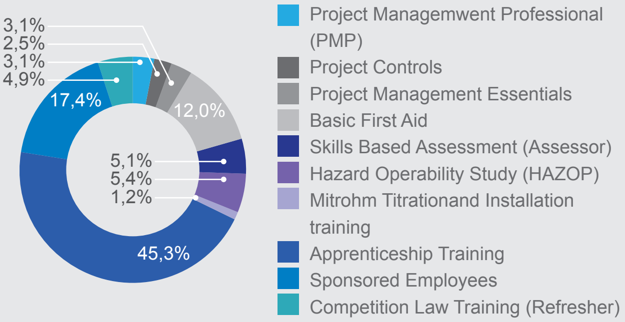
Our People

Our people are the company's most important resource and Botash acknowledges the importance of constant engagement and productive working environments to help our employees reach their fullest potential. We endeavour to create an enabling working environment that delivers competitive remuneration and opportunities for learning and development.

Indicators	2017	2018	2019
Full-time employees (FTEs)	457	445	464
% female employees	14 %	14 %	15 %
Training spend total (P)	720 963	1 932 738	976 297
Number of Training Interventions	9	12	10
Training spend female employees (P)	98 314	437 400	117 155 (12 %)
LTIFR	0.33	0.44	0.08

A number of formal training programmes were conducted during 2019 highlighting Botash's consistent investment in its people (Human Capital) to support ongoing learning and skill development, staff wellbeing, improved productivity, and thereby directly contributing to improved production and the financial performance of Botash.

Training 2019



Additional informal Safety, Health and Environmental (SHE) training is provided in the form of Toolbox Talks. These talks are normally based on the SHE topic of the month, which is shared at the beginning of each month. Toolbox talks are held at each operational section daily at the start of shift. SHE Topics for the month are identified using incident trends, inspections and audit results, areas of concern, new developments in the industry, and issues raised by employees at different forums.

SHE topics discussed in 2019 included:

- Electricity Conservation
- Hydrocarbon Handling
- Snake Awareness
- Product Life Cycle
- Waste Segregation
- Identifying Environmental Aspects and Impacts
- Prevention of Environmental Spillages
- Good Housekeeping
- Consequences of Oil Spills

A total of 17.4 % of total training spend was allocated to Health and Safety and this investment is reflected in the positive downward trend in our incident numbers. The severity rate for the 2019 year declined to 0 indicating that all incidents were minor in nature. There were no LTIs during 2019.

TRIFR and Severity Trends			
	2017	2018	2019
TRIFR			
TRIFR Actual	0.33	0.44	0.08
TRIFR Target	0.29	0.25	0.25
Severity Rate			
Severity Rate	39	17	0

Our Environment

Botash places significant value on the protection and conservation of the environment and its natural resources. Our business is built on natural sodium deposits of the Sua Pan and by investing in the conservation of natural resources through the ownership and maintenance of the Sua Pan Game Reserve, and investing in our processes to improve resource efficiency, we are directly investing in the sustainability of the business.

Botash's Sua Pan Game Reserve was established in 2017. The Game Park demonstrates management's commitment to conservation efforts while also educating the public about the environment and importance of conservation.

Resource Efficiency was improved during 2019

- Water consumption decreased in 2019 from 794 047m³ in 2018 to 787 845m³
- 100 % of scrap metal waste and 31.4% of all waste was recycled in 2019
- Electricity Consumption has also shown a decline from 2018, but slightly up from 2017
- Botash's carbon footprint decreased by 2 % from 2018 to 2019

Botash is the largest producer of natural sodium products in the Southern African region with fully operational offices in Botswana and South Africa. Manufacturing activities take place on the Sua Pan, Botswana. Botash distributes its products across the Southern African region.

Botswana, the region's fifth largest economy, has over the years experienced stable GDP growth and contributes approximately 3 % to the Southern African region's GDP.

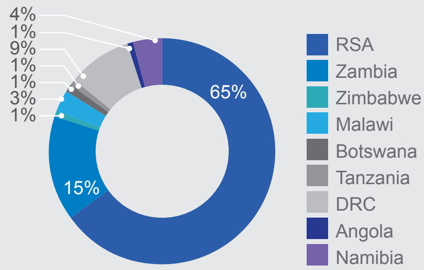
The greater Southern African economy was projected to grow at a slower rate at 2.2 % in 2019 and 2.8 % in 2020 (post COVID - 19 scenario). This has been further impacted by slow growth in South Africa, which contributes about two thirds of the region's GDP, with the second largest regional economy, Angola, growing by only 1.2 % in 2019 expecting to grow by 3.2 % in 2020.

Tapping into this regional demand curve, Botash can drive the export of its products, contributing further to Botswana's stronger macroeconomic indicators when compared to its peers in the region. With the share of the private sector in GDP above 70 percent in most of these countries, no regional integration would be sustainable without active private sector participation.

Growth Prospects

Botash's soda ash product goes into value chains which link into the food and beverages packaging, housing construction, and automotive sectors, whose growth is linked to GDP due to the necessary increase in consumption rates needed to stimulate demand for manufactured products. Demand for Botash's product is also dependant on regional demand with the increasing trend in population growth and urbanisation in these developing countries likely to result in increased demand on the food packaging, housing, and automobile sectors, three sectors to which Botash supplies its products. This increase in regional demand will result in increased export volumes and increased stimulus of GDP. As is evident from the pie chart, Botash dominates the soda ash market in South Africa. However, there remains room for growth due to Botash's proximity to the South African market, as well as any potentially new markets in the region.

South African Soda Ash import by country for year ended 2019

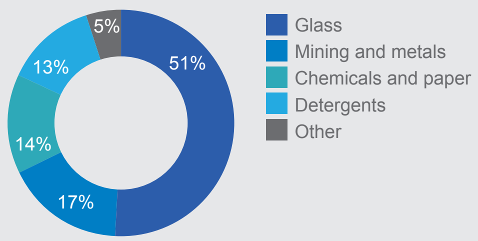


Source: UN Comtrade, SARS

The pie chart below illustrates South Africa's soda ash demand per sector. The glass industry accounts for the majority of soda ash usage at 51%, followed by mining and minerals at 17%, chemicals and paper at 14%, and detergents at 13%. Although Botash does not have a strong presence in the detergents sector, it supplies major producers in the glass industry as well as dominant players in the mining, chemicals and paper industries. Industries in which soda ash is utilised are sensitive to economic growth. Botash, as part of its corporate strategy, is embarking on a product diversification plan to diversify into products needed in other sectors like agriculture. This plan includes the production of fertilizer grade potash as well as sodium sulphate used in the detergent industry. With an estimated Compound Annual Growth Rate (CAGR) of 5.1 % in the fertiliser industry regionally, this diversification agenda will improve Botash's ability to respond to economic shocks and ensure its sustainability.

Southern Africa is home to 209 million people, and its population has grown by approximately 2.4 % annually since 2010. This sustained population growth is important to Botash and its future performance as it presents a consistent growing demand for its products, and hence increasing sales and financial performance.

South African Soda Ash market by sector for year ended 2019



Source: LHA Management Consultants – Market Study 2020

Access to Market

The Southern African region contributes about 25.6 % to the continent's gross domestic product (GDP), second after West Africa's 26.3 %. Despite its economic size, GDP growth has been sluggish, falling from 4 % in 2010 to 2.4 % in 2019, with projected growth of around 2.8 % in 2020.

The dominance of large economies such as South Africa puts pressure on neighbouring countries such as Botswana which suffer from the backwash effects of any poor regional growth dynamics. This reality requires rethinking the efforts toward regional integration. In 2018, the five fastest growing economies in the region included two of Botash's operating countries, namely Botswana (4.2 %) and Zambia (4.0 %). The five slowest growing economies in the region included South Africa (0.7 %), by far the largest source of Botash's revenue.[7]

South Africa is of significant concern, considering the large reliance Botash has on South Africa (78.5 % by revenue). South Africa's poor economic outlook will impact on Botash's performance. The deteriorating rail infrastructure and operations are already proving to be problematic and are likely to increase the cost of taking product to market. These constraints have, however, been considered by Botash in drawing up the 2018 - 2022 corporate strategy, allowing for the implementation of mitigation measures, which focus on ensuring ongoing market growth through product diversification, as well as the identification and deployment of alternative routes into South Africa. To reduce over-reliance on South Africa, Zimbabwe, Malawi, and the Zambian Corridor [which includes the DRC] have been identified as presenting growth potential.

The Southern African Development Community (SADC) has taken substantial steps toward sustainable and deeper regional integration but it is still quite a way off (47 %) from the desired target. Several advances can deepen integration in the region: with Southern Africa now a free trade zone, eliminating unnecessary non-tariff barriers should be the next step to foster integration. This will assist Botash in diversifying its market to reduce reliance on South Africa, increase access to markets, and reduce the costs of getting product to market. The use of special economic zones (SEZ) and innovation hubs should be encouraged to nurture nascent industries, promote diversification, and convert latent comparative advantage into competitive advantage.[8] SEZ's allow companies to produce and trade goods at a lower price which could reduce Botash's costs in line with its strategy. Botash is currently engaging with the Botswana Government on allocating Sowa Town SEZ status.

Response to COVID-19

The market analysis overview conducted in 2019 and the projected economic figures for 2020 are based on the figures and trends that are currently published and which were determined before the COVID - 19 pandemic. The global pandemic which was declared by the World Health Organisation on 11th March 2020 has, however, had a significant impact on the region and continues to do so. Economic and social impacts are expected to be immense, costing the region between $37 and $79 billion in estimated output losses in 2020, reducing productivity, weakening supply chains, increasing trade tensions, limiting job prospects, increasing poverty, and exacerbating political and regulatory uncertainty. With such formidable challenges, regional economic growth is expected to contract from 2.4 % in 2019 to between -2.1 and -5.1 % in 2020, sparking the region's first recession in 25 years.[9]

The full extent of the impact of COVID - 19 on the regional economy is still unknown. However, considering the progress Botash has made with the implementation of its corporate strategy, with specific focus on initiatives to enable growth and sustainability such as market growth, improved reliability of production, and product diversification, Botash remains positive in its ability to ride out the COVID - 19 storm.

OUR LEADERSHIP

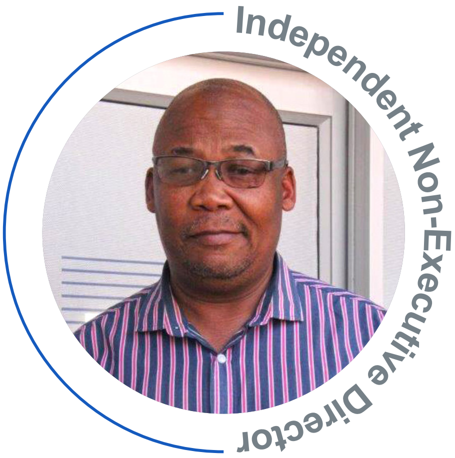
BOARD OF DIRECTORS

Mr. Nkululeko Leonard Sowazi (56)

- Non-Executive Director
- Date of appointment: 06 September 2019 (Chairman effective January 2020)
- Bachelor of Arts degree, United States International University
- Master’s degree in Urban and Regional Planning, University of California
- Chairman of Kagiso Tiso Holdings (KTH) a leading South African Investment holding company with significant interests in the media, financial services, and industrial sectors
- Executive Chairman and co-founder of the Tiso Investment Holdings, a diversified Pan African investment holding company with business interests in South Africa and Ghana.
- Nkululeko has over 20 years senior executive experience in investment management and leadership, both listed and unlisted boards with owner-managed teams
- Chairman of BudChem and currently a director of Grindrod Ltd, MTN Group Ltd, Bud Group, IQ Holdings, Bayport Financial Services and Tiso Blackstar Group SE (United Kingdom)
- Serves on the board of several not-for-profit organizations and Co-founder trustee of the Tiso Foundation and Chairman of Housing for HIV Foundation based in Washington D.C.
- Nationality: South Africa

Mr. Ian Forbes (71)

- Executive Director (Former Chairman)
- Date of appointment: 26 November 2016 (Chairman during FY 2019, resigned January 2020)
- Diploma in Metallurgy
- MBA
- He previously held various roles including: Production Manager at Ferroform Foundries; General Manager at Polyfoil Packaging; President of Plastibag Inc and Executive Director at Sappi Ltd.
- Ian served as CEO of Ferro SA for 12 years before attaining his current position as CEO of Bud Chemicals and Minerals upon its formation
- Nationality: South Africa

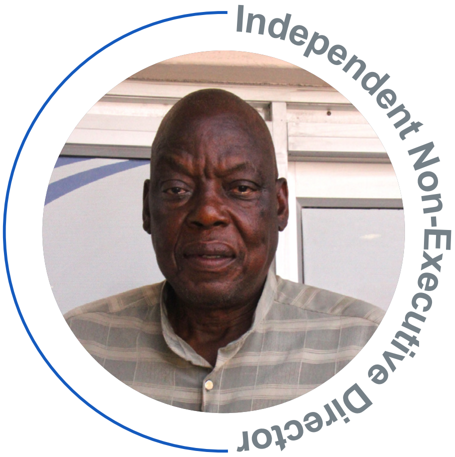


Mr. Harry Pheko (53)

- Independent Non-Executive Director (INED)
- MSc Operations Management and Manufacturing Systems
- B Eng. Mechanical Engineering
- Professional Registered Engineer
- Served as Technical and Operations Director at various organisations such as Water Utilities Corporation
- Served as a Lecturer at the University of Botswana under the Faculty of Engineering
- Nationality: Botswana

Dr. Nkisang Moeti (53)

- Independent Non-Executive Director (INED)
- Date of appointment: 12 April 2006
- Formerly Senior Lecturer at the University of Botswana under the Faculty of Business
- Member of the Senate and various committees at the University of Botswana, including University Statutory Review and Quality Assurance
- Renders advisory services to various organisations on strategic marketing, staff promotions, progressions and hiring
- Published articles in international journals on issues relating to marketing, management and customer service
- Served as Technical and Operations Director at various organisations such as Water Utilities Corporation
- Served as a Lecturer at the University of Botswana under the Faculty of Engineering
- Nationality: Botswana

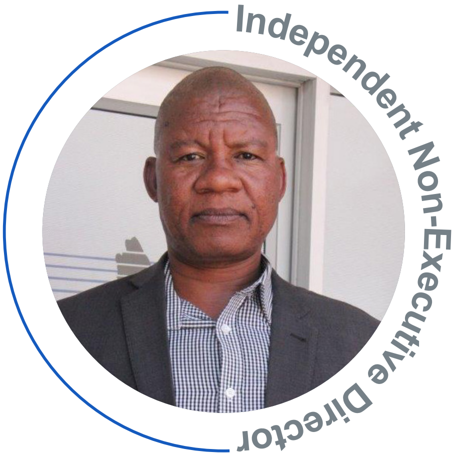


Mr. Kago Galeeme Moshashane (67)

- Independent Non-Executive Director (INED)
- Date of appointment: 12 August 2019
- B Eng. In Mining Engineering
- MSc in Mining Engineering
- Worked as an Inspector at Department of Mines
- Represented Government of Botswana at SADC Mining Sector Meetings
- Attended Technical Committee and Board meetings for Debswana, BCL and Botswana Ash (Pty) Ltd
- Worked as Secretary of the Mineral Policy Committee
- Studied in detail all the mineral agreements in place and those under negotiation and implication thereof and advised the Mineral Policy Committee of the implications
- Nationality: Botswana

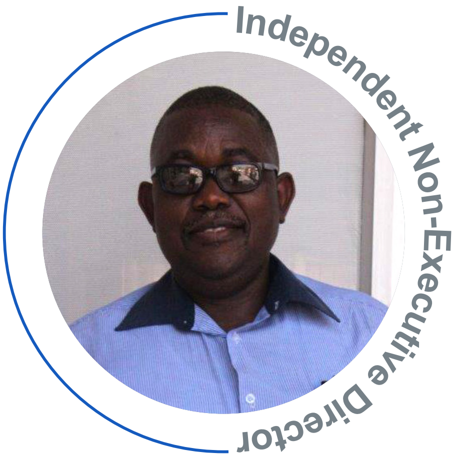
Mr. Victor Ramalepa (42)

- Independent Non-Executive Director (INED)
- Date of appointment: 12 August 2019
- Bachelor of Laws (LLB)
- Currently Managing Partner of Ramalepa Attorneys
- Serves on various Boards; Botswana Bureau of Standards Tender and Procurement Committee, Human Resources and Remuneration Committee and Kweneng Development Ventures
- Member of Botswana Law Society.
- Patron- Lady Mitchison Primary School through the Adopt-a-School Presidential initiative
- Nationality: Botswana



Mr. Ofentse Ditsele (48)

- Independent Non-Executive Director (INED)
- Date of appointment: 12 August 2019
- MSc (Mining Engineering)
- BSc (Mining Engineering)
- Serves as Director at Ministry of Minerals Resources, Green Technology and Energy Security; Mineral Affairs Division
- Held various positions at Department of Mines and various Government Departments
- Member of Mining, Metallurgy and Exploration (SME) of the United States of America and Institute of Directors Southern Africa (IoDSA)
- Serves on various Boards, such as Debswana's Technical Committee
- Mining and Minerals Beneficiation, Energy and Construction Sector-Specific Immigrants Selection Board
- Nationality: Botswana



Mr. Sebele Molalapata (56)

- Independent Non-Executive Director (INED)
- Date of appointment: 12 August 2019
- Certificate of Engineering; Mining Engineering
- Bachelor of Engineering; Mining Engineering
- Diploma in Business Management
- AEL Limited in-house training Diploma; Explosives Engineering
- De Beers Management Development programme; Financial Valuation of Mining Projects, Project Management
- General Manager at Mowana Copper mine and previously held the position of Mining Manager at Mowana Copper mine
- Held various positions at Majwe Mining Joint Venture, Tati Nickel Mining Company, Debswana Diamond Company and AECI Explosives Limited
- Serves on various Boards including Botswana Housing Corporation.
- Member of Canadian Institute of Mining and Metallurgical Engineers
- (CIMME) and Botswana Institute of Engineers (MBIE)
- Registered Engineer with the Engineers Registration Board
- Nationality: Botswana

Mr. Len Engelbrecht CA(SA) (39)

- Executive Director
- Date of appointment: 18 September 2018
- B Com (Potchefstroom)
- B Comm (Hons) (Potchefstroom)
- Len completed his articles at Moores Rowland International and qualified as a Chartered Accountant in 2005
- He moved into financial services at Absa Group Head Office in 2005 and gained financial, regulatory, and corporate finance experience. In 2007 he moved to Anglo American as Group CFO, and the Scaw Metals in 2009 and MD of 9 business units from 2011 to 2014
- In 2014 Len became CEO of Boxmore packaging, in which IEP (now BudGroup) was the main shareholder until exit in 2017, and Len then joined BudChem as Group CFO
- Len currently serves on the boards of BudChem, Botash, FFS, Wildman Outdoor & Mzanzi Wealth
- Nationality: South Africa

Ms. Lara Grieve CA(SA) (34)

- Executive Director
- Date of appointment: 14 January 2020
- B. Bus.Sci (Finance) (UCT)
- PGDA (UCT)
- Lara completed her articles at Investec Bank and joined Investec Corporate Finance in 2011 as a corporate finance analyst where she advised on M&A transactions, including addressing Johannesburg Stock Exchange (JSE) listing requirements
- Joined a private equity business, Coast2Coast Capital, in 2014 where she concluded various M&A transactions and later focused on corporate finance and equity capital markets
- Headed up the Business Development and Strategy at the Youth Employment Service at the start of 2019, where she led a team who created over 28 000 jobs in South Africa in a period of 10 months
- Joined Bud Chemicals & Minerals as the Business Development Executive at the end of 2019
- Nationality: South Africa

Mr. Greg Hirschowitz CA(SA) (42)

- Executive Director
- Date of appointment: 03 May 2018
- B. Com (Wits)
- B. Acc (Wits)
- Registered Persons (Securities)
- CFA
- PLD (Harvard Business School, Alumni status)
- Completed his accounting articles at Investec Bank and joined Investec Principal Investments (IPI) in 2001 as a private equity specialist where he concluded multiple transactions on the buy, sell and manage side during his 15 years in IPI.
- He was part of the management team that led the buyout of the private equity business at Investec Bank where after he served as a senior executive at IEP for 2.5 years.
- Joined Bud Chemicals & Minerals as the Chief Executive Officer in mid-2018. Currently BudChem Group CEO
- Nationality: South Africa

OUR LEADERSHIP

EXECUTIVE MANAGEMENT TEAM

Mr. Kangangwani Phatshwane

Designation: Managing Director

Main roles and responsibility: Accounts to the Board of Directors for the overall operation and performance of the company. The main responsibility of the managing director is to develop and execute the company's strategy and creation of shareholder value. Critical to this function is ensuring that Botash maintains high social responsibility for business sustainability. The managing director holds the statutory appointment for overall responsibility for safety, occupational health, and the environment.

Mr. Keenlord Dube

Designation: General Manager (Maintenance & Projects)

Main roles and responsibility: Responsible for formulation and execution of the Botash projects portfolio to realise the business strategy as well as development of the Botash project management capability and methodology to improve project delivery and governance. The role is responsible for managing the planning and execution of annual shutdowns and improvement of engineering and maintenance capabilities in order to sustain high levels of safety, legal compliance, plant availability, reliability and integrity. Also responsible for co-ordinating the implementation of Botash sustainability initiatives and programs under the Towards Sustainable Mining Framework.

Ms. Victoria Tebele

Designation: General Manager - Corporate Services

Main roles and responsibility: Responsible for a diverse portfolio of functions including Finance, Legal & Administration Services, Information and Communications Technology as well as Risk Management. This role is also accountable for the board reporting as well as developing and maintaining strong working relationships with stakeholders pertinent to the role.

Mr. Othusitse Seokamo

Designation: Process & Product Development Manager

Main roles and responsibility: Responsible for process re-engineering and product development functions. The role oversees design and performance of strategic projects, including research and development.

Mr. Motse Mokgosi

Designation: Production Manager

Main roles and responsibility: Responsible for overseeing production processes to ensure production reliability and efficiency. The role involves planning and organizing production schedules, assessing resource requirements, determining and ensuring quality control and safety standards.

Mr. Sabelo Matikiti

Designation: Human Capital Manager

Main roles and responsibility: Responsible for the formulation and execution of HR strategy and initiatives aligned with the overall business strategy and employment legislation. It drives the critical functions of Workforce Planning, Talent Management and Employee Engagement.

Ms. Lesego Makubate

Designation: Finance Manager

Main roles and responsibility: Responsible for developing and implementing the company's financial and investment strategies by overseeing Accounting, Financial Reporting, Budgeting, Cost Control, Taxation, Cashflow Management, and Audit functions.

OUR LEADERSHIP

NEW STRATEGIC APPOINTMENTS

The Managing Director Mr. Kangangwani Phatshwane was appointed in May 2019, but with the appointment effective from January 2019. Prior to his appointment, Mr. Phatshwane had been Acting Managing Director of Botash since November 2017.

Mr. Phatshwane is a Chartered Chemical Engineer with more than 24 years of hands on experience gained in the Nickel Industry, Government and Chemical Industry hence he brings an extensive knowledge base of the industry and an ability to lead in the African context characterised by low infrastructural development.

Prior to assuming the role of Acting Managing Director on November 2017, Mr. Phatshwane held different senior roles at Botash from Senior Process Engineer, Process Manager, Operations Manager and General Manager - Operations. He has ben with the Company for over 23 years, 16 of them as an executive.

Mr. Phatshwane possesses remarkable leadership skills, dedication to performance, and a depth of experience and an established track record of success achieved as both a functional manager, as well as during his tenure as Acting Managing Director. He achieved a profit increase of 180% (EBITDA) in 2018 compared to 2017 despite logistical challenges and the aftermath of disruptions brought about by flooding in 2017 that affected production and stock levels going into 2018. In addition, using his experience in the regional market, he reversed a 5-year market decline in Zimbabwe and Malawi while improving Botash's profitability simultaneously. These achievements are in addition to other interventions such as the extension of boiler life which assisted to stabilize the plant reliability resulting in a record soda ash unit operating rate of 99 % in 2018. Authentic and purposed driven, Mr. Phatshwane has brought a unique focus on performance which has improved leadership accountability and collaboration, positioning the company for increased levels of success. The Company maintained creditable performance in 2019, despite various challenges that besieged it such as a contraction in demand for the main product [soda ash] and logistical inefficiencies.

Mr. Phatshwane is a highly motivated leader dedicated to achieving results and has an unwavering commitment to serving customers and stakeholders diligently. As the Managing Director, he drives innovation and further advancements across Botash operations. In addition to A-grade engineering credentials he holds a Master of Business Leadership [Unisa] as well as GMP with alumnus status (Harvard).

THE BOARD

The Botswana Ash (Pty) Ltd Board of Directors (the Board) is the ultimate governing body in the Company. The leadership provided by the Board is intended to create value for our Shareholders and meaningful impact for all stakeholders.

The Board sets the strategic direction for the Company by engaging Management in vetting the strategy and overseeing execution of the strategy. It provides oversight aimed at ensuring Management: (i) maintains internal controls to assure effective and efficient operations, compliance with laws, regulations and policies; as well as (ii) maintain an ethical environment.

The Executive Committee is headed by the Managing Director who in turn is accountable to the Board sub-committees and the Board in accordance with their respective mandates to ensure the appropriate flow of information to the relevant oversight forums.

The Board comprises the appropriate balance of representation of the two shareholders, knowledge, skills, experience, diversity, and independence. In particular, the Board has a breadth of skills and experience in various but relevant disciplines in engineering including mining engineering, chemical engineering, and mechanical engineering, as well as skills in general commercial, marketing, financial, auditing, accounting, large-scale industrial operations management, investment management, leadership, manufacturing systems, legal, human resource and reward, as well as pan-African strategic engagement. The Directors, resident in South Africa and Botswana, have experience of doing business in other African countries. This is particularly important for the business considering it is largely an export business and has a footprint over Southern African.

The Independent Non-Executive Directors objectively contribute a wide range of industry skills, knowledge and experience to the Board. The presence of Independent Non-Executive Directors and Non-Executive Directors enhances accountability as they provide the necessary oversight to Executive Management as well as balance the view of Executive Directors. As at the end of the Financial Year 2019, the Company took a decision to change from an Executive Chairman to a Non-Executive Chairman. This change allows an environment where the Board in totality gets to thrive in its role of being the ultimate governing body and in providing guidance and dispassionate oversight over Executive Management.

The Board's composition emphasises Directors' independence to promote independent judgement and a diversity of views, in accordance with the Company's Board Charter. All Directors are expected to exercise their judgement independently, irrespective of their status, and in the best interest of the company while remaining cognisant of their fiduciary duties.

THE BOARD COMPOSITION AND STRUCTURE

Botash Board membership comprised 11 Directors as at 31 December 2019 - being six (6) Independent Non-Executive Directors (INEDs), one (1) Non-Executive Director (NED), four (4) Executive Directors (EXDs). The four (4) EXDs comprised of the Managing Director of the Company (directly employed by the Company and is ex-officio member of the Board), and three (3) Directors who, though not employed by the Company directly, are employed by one of the shareholders. The three (3) directors are EXDs in so far as the Shareholder they represent has entered into an agreement for provision of Management Services with the Company and resultantly the three (3) EXDs are involved in the day-to-day operations of the Company. There were changes to the Board during 2019 and subsequent to the year-end as follows:

- N Sowazi (NED) (Appointed 06 September 2019, Chairman from 22 January 2020)
- ID Forbes (EXD) (Chairman for FY 2019, and up to 22 January 2020)
- Dr. Nkisang Moeti (INED)
- K Phatshwane (EXD) (Appointed 07 May 2019)
- LJ Engelbrecht (EXD) (Resigned 01 June 2020)
- KG Moshashane (INED) (Appointed 12 August 2019)
- V Ramalepa (INED) (Appointed 12 August 2019)
- HB Pheko (INED) (Appointed 12 August 2019)
- O Ditsele (INED) (Appointed 12 August 2019)
- S Molalapata (INED) (Appointed 12 August 2019)
- N Mokgwathi (INED) (Resigned 12 August 2019)
- M Tshetlhane (INED) (Resigned 12 August 2019)
- GR Mojaphoko (INED) (Resigned 12 August 2019)
- MI Ebrahim (INED) (Resigned 12 August 2019)
- K Radebe (EXD) (Resigned 06 September 2019)
- NM Kgosietsile (INED) (Resigned 12 August 2019)
- LA Grieve (EXD) (Appointed 14 January 2020)
- G Hirschowitz (EXD)
- S Louw (EXD) (Appointed 01 June 2020)

Board and Committee composition as at 31 December 2018:

Director	Status	Number of Committees served by Board Member	Main Board	Audit Committee	Social & Ethics Committee	Remuneration Committee	Comments
ID Forbes	EXD	1	✓C			✓	
N Moeti	INED	1	✓			✓C	
GR Mojaphoko	INED	2	✓		✓C	✓	
K Radebe	EXD	2	✓	✓	✓		
MI Ebrahim	INED	2	✓	✓	✓		
DA Halstead-Cleak	EXD	1	✓			✓	Resigned 28.04.2018
J Herbst	EXD	1	✓	✓			Resigned 04.05.2018
N Mokgwathi	INED	2	✓	✓C			
NM Kgosietsile	INED	1	✓	✓			
G Hirschowitz	EXD	-	✓				
M Tshetlhane	INED	-	✓				
L Engelbrecht	EXD	-	✓				

Board and Committee composition as at 31 December 2019:

Director	Status	Number of Committees served by Board Member	Main Board	Audit Committee	Social & Ethics Committee	Remuneration Committee	Technical Committee (Committee effective as of March 2020)
ID Forbes	EXD		✓C			✓	
G Hirschowitz	EXD		✓	✓		✓	✓
L Engelbrecht	EXD		✓	✓	✓		✓
K Phatshwane (MD)	EX-O		✓				
N Sowazi	NED		✓CC	✓		✓	✓
N Moeti	INED		✓			✓CC	
O Ditsele	INED		✓				✓
V Ramalepa	INED		✓		✓		
HB Pheko	INED		✓CDC	✓			✓
S Molalapata	INED		✓	✓CC		✓	
KG Moshashane	INED		✓		✓CC		✓CC

Summary	Total: 11	Total: 5	Total: 4	Total: 5	Total: 6
No. of board members - EXEC	4	2	2	2	2
No. of board members - INED	6	2	2	2	3
No. of board members - NED	1	1		1	1

C Chairperson
EX-O Ex-officio member
CC Current Chairperson
EXD Executive Director
INED Independent Non-Executive Director
CDC Current Deputy Chairperson (effective February 2020)
NED Non-Executive Director
✓ Committee membership as at 31 Dec 2019

Board Evaluation

The last Board evaluation was performed in 2016. The next Board evaluation will be held at the end of the Financial Year 2020. Although King IV requirements stipulate that the evaluation of the Board, its committees and the individual directors should be performed every alternate year, Botash was not able to carry out evaluations in 2019 due to the significant changes to its Board composition during the year. To promote objectivity, the 2020 appraisal will be facilitated by an independent governance facilitator.

Notwithstanding the non-compliance, it is understood and accepted that the Board evaluation and self-assessment processes are designed to review the effectiveness of the Board and members of various Committees. The self-assessment exercise provides open and constructive two-way feedback to Board members that enables the collective establishment of acceptable levels of performance across various key governance areas.

Board Meetings

The Board meets at least quarterly. The Board has standing agenda items for each meeting and these include: (a) receiving, considering and reviewing quarterly and yearly financial performance reports, (b) receiving the managing director's reports on all aspects of the business, (c) approving operating and capital expenditure and other budgets, (d) approving final year end audited financial statements, among others. Through its committees, the Board (i) reviews wages and approves changes thereto, including inflationary adjustments, variable pay and allowances, (ii) reviews employees health reports, (iii) approves training budgets (iv) reviews company risk logs, and other roles as shown at page 47 to 52 below. The Committees meet at least twice a year. Therefore, 4 regular Board meetings were held during 2019, and all Committees held their regular meetings. Two special sessions of the Board were held at which focus was on the intended product diversification and plant expansion projects. Directors are fully briefed by the Company Secretary and provided with all necessary information sufficiently ahead of the scheduled Board and Committee meetings (two weeks before meetings), to enable effective discharge of their responsibilities.

Role of the Board

The business and affairs of the Company are managed subject to the direction of the Board, which has authority to exercise all powers and perform any of the functions of the Company. The Board ensures that the Company achieves its objectives ethically in accordance with principles of good corporate citizenship.

In addition, the Board:

- Acts as the focal point for, and custodian of corporate governance by managing its relationship with Management, Shareholders and other stakeholders in line with sound corporate governance principles;
- Oversees the governance of risk by ensuring that appropriate enterprise risk management frameworks are in place and functioning effectively;
- Manages the governance of enterprise information technology;
- Ensures compliance with applicable laws and adherence to non-binding rules, codes, standards and best practice;
- Monitors the implementation of long-term strategy by Management;
- Ensures that the Company is seen to be a responsible corporate citizen by having regard to not only the financial aspects of the business but also the impact that the business operations have on the natural environment and the community in which it operates; and
- Provide effective leadership on an ethical foundation by inter-alia, setting out a framework to ensure adherence to high ethical standards through establishment and promotion of a Code of Ethics, among others.

Board Charter

The Board Charter, which is aligned to King IV, sets out the following:

- The Board's responsibilities and functions, including safeguarding the Board's collective and individual members' independence;
- Role of the Board, as distinct from the roles of the Shareholders, the Chairman, individual Board members, the Company Secretary and other executives of the Company;
- Powers delegated to various Board Committees;
- Matters reserved for final decision-making or approval by the Board;
- Policies and practices of the Board in respect of matters such as corporate governance, financial management, resource allocations and capital investments, scope of delegation of authority, among others; and
- Process of holding Board meetings, declaration of conflicts of interest, Board meeting documentation, Directors induction and ongoing education, use of independent advisors, stakeholder relations etc.

Company Secretary

The Company Secretary plays a critical role in the corporate governance of Botash, acting as an advisor to the Board, and guiding individual Directors and Committees in areas such as corporate governance, updates on relevant legal and statutory amendments and the effective execution of Directors' responsibilities and fiduciary duties. The Company Secretary ensures that the Board and Committee Charters are kept up to date, and that Board and Committee meeting papers are circulated in good time. Also, he/she assists in eliciting responses, input and feedback for Board and its Committee meetings. The Company Secretary assists the Shareholders in ensuring that the correct procedures are followed in the appointment and induction of Directors.

Whenever deemed necessary, the Company Secretary reviews the protocols and procedures applicable to the conduct of Board

Affairs. If necessary, the services and guidance of various experts are procured to ensure that the Directors have adequate insight to discharge their responsibilities effectively. Furthermore, the Company Secretary assists in the process of self-assessment of the Board and its Committees.

For the reporting period, Ishmael Moatshe, who is qualified in terms of the Companies Act, was the Company Secretary, having been appointed as such on 30 October 2018.

Performance Appraisal of Executive Leadership and Management

Executive Management are appraised based on predetermined strategic objectives and achievement of specific Company performance targets that are approved by the Board, as recommended by the Remunerations Committee annually. The Managing Director leads the performance review of the Executive Management team, and reports on same to the Remunerations Committee. The Board Chairman leads the appraisal of the Managing Director's performance, and reports on same to the Remuneration Committee in which he and the Deputy Board Chair sit as ordinary Committee Members. The Remuneration Committee is chaired by another Director other than the Board Chair and his Deputy, and the Remunerations Chair reports on the performance of the MD and his Executive team to the Board.

BOARD PROCESSES

Appointments to the Board

New Board appointments are made by the two shareholders, each with liberty to appoint up to 6 Directors, considering the appropriate balance of skills, experience and diversity required to lead, control and best represent the Company in furtherance of the interests of the Shareholder. Each shareholder makes its own determination and necessary background checks on its nominated representatives and communicates same to the Company Secretary. All Board appointments are put to a Shareholders vote at the next Annual General Meeting for approval.

Succession planning

Botash promotes succession planning for all key positions. Succession plans are reviewed by REMCO for key Company roles twice each year and REMCO reports back to the Board at subsequent meetings. Board succession is the responsibility of each shareholder, in accordance with its own interest, which interest is subordinated to safeguarding the future of the business. Further, the Company has various programmes of identifying and developing a pipeline of talent of future leadership and equipping candidates with the necessary competencies to take over leadership in the future. Various programmes such as Leadership Development Programme and Executive Development Programme are undertaken by identified candidates and are sponsored by the Company.

Conflicts of interest

The Company Directors have a responsibility to avoid conflicts of interest with their duties to the Company, including situations that put or may be perceived to put, their personal interests in conflict with those of the Company. The Board Charter, in accordance with the Companies Act to which the Company always strives to comply, requires Directors to declare any actual or potential conflict of interest immediately when they become aware of such situations at subsequent meetings. Each Director is required to submit a 'declaration of interest' form, outlining other directorships and personal financial interests, including those of their related parties annually. The same is extended to all employees, including Executive Management. Where actual or potential conflicts are declared at Board or Committee meetings, affected Directors are excluded from discussions and any decisions on the subject matter of the declared conflict. This is an additional step taken by the Company in the management of conflicts of interest, as the Companies Act does not necessarily require a Director who has declared conflict to be excluded from the deliberations.

The Company is subjected to enquiries, examinations, requests for information, audits, investigations, legal and other proceedings by regulators, governmental and other public bodies in connection with (but not limited to) consumer protection measures, compliance with legislation and regulations, trading activities and other areas of banking and business activities in which the Company is or has been operating. Botash is neither currently involved in any material legal actions relating to anti-competitive behaviour, anti-trust nor monopoly practices.

The Company recognises that an effective and efficient governance framework provides a solid basis for transparent decision making which reflects the importance that it places on core values and ethics. The Company strives to operate within a clearly defined governance framework which provides for appropriate delegations of authority with clear lines of responsibilities while retaining effective control. It also provides clarity regarding roles and responsibilities.

The Company is committed to complying with all legislation, regulations, and licensing requirements relevant to the business and in every country where we have a footprint. While the Board has shown its support for the corporate governance principles of King IV, Botash has been identified as an entity of public interest as it is partly owned by the Government of the Republic of Botswana (GRB). In compliance to an oversight authority of the Government of the Republic of Botswana namely Botswana Accountancy Oversight Authority (BAOA), which concerns itself with governance issues but which has chosen to align with King III, Botash strives to find a balance between the two Codes of governance and to maximise achieving compliance with the preferred King IV while at the same time meeting the requirements of BAOA as one of its stakeholders.

Communication of critical issues

The process for communicating critical issues is through Management, who then escalate to the appropriate Board Committees, who will in turn communicate to the full Board through meetings and/or reports.

The two shareholders simultaneously monitor the Board's and the Company's activities, having regard to any relevant legislation and codes of best practice on matters relating to governance, social, economic and sustainable development, good corporate citizenship, ethics, labour and employment, consumer relations, stakeholder management, transformation, the environment, health and safety. GRB does so through its various regulatory bodies, such as BAOA which, as noted above, is concerned with governance, the Department of Mines which is concerned with Safety, Occupational Health and Environment, among others, while the private shareholder does so through its structures and processes which it extends to its associates such as Botash.

Governance and Risk Management Transformation

As noted above, Botash is an associate of the Bud Group, and it derives some benefit from the structures and processes of the group especially in relation to governance, risk, compliance, and financial issues. Thus, the Governance, Risk, Assurance and Compliance function of the Company is guided by a centralised unit at Budchem, an operating platform of the Bud Group, to ensure Botash leverages the strengths of the Bud Group in this area. Financial and Credit risk fall under the Finance Department. The Managing Director and General Manager - Corporate Services sit in and report to the Budchem Risk & Audit Committee. The Group Governance Structure that supports this business model is outlined below:

The company has a Risk and Compliance Steering Committee comprising Executive Management. The work of this committee feeds into the Audit Subcommittee of the Board. In parallel, to leverage on Budchem's assurance capacity, the Managing Director and GM - Corporate Services sit by invitation on the Budchem Assurance, Risk and Compliance Committee.

Composition of the Board Committees

1

Board Sub-committee	Purpose	Composition	Quorum	Frequency of meeting
Board Sub-committee Purpose Composition Quorum Frequency of meeting	• Safeguards assets and ensures the implementation of adequate systems, control processes and the preparation of accurate financial statements and reporting in compliance with all applicable legal requirements and accounting standards • Ensures corporate accountability and the management of associated risks, combined assurance and integrated reporting • Reviews Financial and Integrated Reports and recommends to the Board for approval • Recommends (to the Board) the appointment of external auditors and oversight of the external audit process and the results thereof • Approves annual internal and external audit plans, and external audit fees • Annually assesses the adequacy and skills of the internal audit, financial management and reporting functions • Deals with all issues related to enterprise wide risk in the Company	Four members (2 from each shareholder) **INEDs (2), EXDs (2)** **Permanent attendees** MD **Management attendees** GM - Corporate Services **Permanent invitees** External auditors, Budchem Risk Assurance Executive	Minimum 1 from each shareholder required for a quorum	Meets at least twice a year
2019 Highlights	• Achieved an unqualified audit report for the Financial year ended 31 December 2019			
Self-assessment	• AC did not undertake a self-assessment exercise for reasons stated above.			

2

Board Sub-committee	Purpose	Composition	Quorum	Frequency of meeting
Remuneration Committee (REMCO)	• Reviews the remuneration, attraction and retention policies of the Company • Ensures that policies for selecting, planning for succession and professional development of Executive Directors and senior management is appropriate • Ensures that directors and staff are fairly rewarded • Ensures that market-related reward strategies are adhered to • Establishes performance targets for the Company's incentive scheme • Responsible for mitigating human resources related risk • Reviews employee health statistics and related issues	Four members (2 from each shareholder) **INEDs (2), EXDs (1) NED 1** **Permanent attendees** MD **Management attendees** GM - Corporate Services, Human Capital Manager	Minimum 1 from each shareholder required for a quorum	Meets at least twice a year
2019 Highlights	• Approved a multi-year wage increment agreement for 2019/2020 and 2020/2021 which saved the business the hassle of returning to the negotiating table; • Achieved the substantive appointment of the Managing Director which had been pending since 2017.			
Self-assessment	• REMCO did not undertake a self-assessment exercise for reasons stated above.			

3

Board Sub-committee	Purpose	Composition	Quorum	Frequency of meeting
Technical Committee (TechCom)	• Overseeing and reviewing technical aspects of the Company's exploration programmes, project development lifecycle and construction, mining operations, including reviewing project milestones • Periodic consideration of technical issues, challenges and risks faced by the business' operations • Reviewing the resource and reserve estimates of the Company's mineral properties • Overseeing detailed technical aspects of projects construction, as well as receiving regular updates on progress • Monitor implementation of decisions made by the Board and submit reports of such implementation to the Board	Minimum 4 members (2 from each shareholder) **INEDs (2), EXDs (1) NED 1** **Permanent attendees** MD **Management attendees** GM - Corporate Services, GM - Maintenance & Projects, Process & Product Development Manager	Minimum 1 from each shareholder required for a quorum	Meets at least twice a year
2019 Highlights	• Came into existence subsequent to the reporting year.			
Self-assessment	**Came into existence subsequent to the reporting year.**			

4

Board Sub-committee	Purpose	Composition	Quorum	Frequency of meeting
Social and Ethics Committee (SEC)	• Responsible for governance, social ethics and codes of best practice • Oversight of and reporting on organizational ethics, sustainable development and stakeholder relationships • Responsible for establishing standards for good corporate citizenship, including the company's promotion of equality, prevention of unfair discrimination, reduction of corruption, maintaining records of sponsorship, donations and charitable giving. • Evaluating the culture of the business and highlighting areas where conflicts with defined ethical and corporate governance standards could arise. • Identifying violations of ethical conduct and making recommendations on correction; • Ensuring establishment of an Ethics Hotline and dealing with issues referred to it from the Hotline.	Minimum 4 members (2 from each shareholder) **INEDs (2), EXDs (2)** **Permanent attendees** MD **Management attendees** GM - Corporate Services	Minimum 1 from each shareholder required for a quorum	Meets at least twice a year
2019 Highlights	• No issues during the year bearing on ethics, which means the business of the Company was generally conducted in an ethical manner during the reporting period.			
Self-assessment	**SEC did not undertake a self-assessment exercise for reasons stated above.**			

Executive Management Committees

In addition to the Board and its sub-committees, Executive Management of Botash leads the Company and is headed by the Managing Director. Internally, Members of Executive Management belong to the Executive Committee (Exco), as well as some role-specific Steering Committees (Steercoms) as shown below. Some members of Senior Management also belong to a Management Tender Committee as outlined below. Further, the Managing Director also sits in the following committees at Budchem level.

1

Committee	Purpose	Composition	Quorum	Frequency of meeting
Executive Management Committee	• Develops the business strategy for ratification by the Board of Directors. • Determines and set company wide and any significant functional policies. • Monitors company-wide management systems through steering committees (Quality, SHE, Projects, Training). • Reviews the overall performance of the business and mandates functional heads to implement interventions • Responsible for leading company processes and overseeing business activities to fulfil organizational goals. • Ensuring that new technologies and concepts are properly integrated into company processes, and in a way that maximizes their business value while avoiding regulatory compliance risk or business risk	Headed by the Managing Director GM Maintenance and Projects GM Corporate Services Human Capital Manager Finance Manager Production Manager Process and Product Development Manager Sales & Marketing Manager	Simple majority	Weekly Production meetings Executive Committee Meetings quarterly

2

Committee	Purpose	Composition	Quorum	Frequency of meeting
Management Tender Committee **(EXCO & Senior Managers)**	• Ensures compliance with the Company's Purchasing Policy and other relevant procurement processes and procedures. • Considers recommendations following tender evaluations and makes decisions on award of tenders in accordance with the set thresholds. • Makes recommendations to the MD where appropriate • Ensures ethical conduct in the award of tenders and generally in the conduct of the Company's procurement processes.	GM Corporate Services and 2 Senior Managers **Permanent invitee** Materials (Procurement) Manager	Simple majority	Weekly

3

Committee	Purpose	Composition	Quorum	Frequency of meeting
Budchem Assurance, Risk & Compliance Committee **(Budchem GRAC)**	• Promotes a culture of risk management discipline, anticipation and compliance across the Group's footprint • Reviews and recommends to EXCO models and approaches to determining risk appetite at Group and country levels as a basis for obtaining EXCO approvals, and to monitor compliance with the same • Proactively manages potential capital, interest rate, foreign exchange, liquidity, credit, operational, and compliance risks and initiates actions to mitigate those risks • Reviews significant risk events and ensures that the control environment is adequate to prevent recurrence • Ensures the adequacy and effectiveness of policies, procedures and tools in all countries for the identification, assessment, monitoring, controlling and reporting of risks by reference to the Group's Enterprise Risk Management framework and that they conform to the minimum requirements laid down by the Group as well as external regulators.	Sub-Committee of the Budchem Board **Attendance by Invitation** **MD and Heads of Finance of Budchem Operating Companies and Associates**	Majority of members	Quarterly

4

Committee	Purpose	Composition	Quorum	Frequency of meeting
Botash ICT Steercom	• Deals with all issues that are related to information and telecommunication technology such as development and implementation of ICT projects, procurement of hardware, software, and systems, ICT security etc.	Nominated EXCO members **Permanent attendee** ICT Manager	Majority of members	Monthly

5

Committee	Purpose	Composition	Quorum	Frequency of meeting
Botash Strategic Projects Steercom	• Deals with conceptualization, development, funding, and monitoring of strategic projects • Makes necessary recommendations to EXCO for consideration and onward recommendation to the Board through the Technical Committee	Nominated EXCO members and Managers	Majority of members	Monthly

Attendance at Meetings

The attendance of Board members at various Board and Committee meetings during the year under review was as follows:

Director	Status	Main Board	Audit Committee	Remuneration Committee	Social & Ethics Committee
ID Forbes	EXD	4/4	2/2	5/5	-
LJ Engelbrecht	EXD	4/4	2/2	-	1/1
G Hirschowitz	EXD	3/4	1/2	4/5	2/3
K Radebe	EXD	3/3	1/2	-	2/2
N Moeti	INED	4/4		5/5	-
GR Mojaphoko	INED	2/3	1/2	2/3	2/2
NM Kgosietsile	INED	3/3	1/1	1/1	-
N Mokgwathi	INED	3/3	1/1	-	-
MI Ebrahim	INED	2/3	1/1	-	1/2
M Tshetlhane	INED	1/3	1/1	-	-
KG Moshashane	INED	1/1	1/1	-	1/1
V Ramalepa	INED	1/1	1/1	-	1/1
HB Pheko	INED	1/1	1/1	-	1/1
O Ditsele	INED	1/1	1/1	-	1/1
S Molalapata	INED	0/1	0/1	0/1	0/1
N Sowazi	EXD	1/1	1/1	0/1	1/1
K Phatshwane	EX-O	4/4	2/2	5/5	3/3

The above refers to the meetings held during the tenure of the member on the Board, bearing in mind the changes in memberships during the year under review.

Board fees are as follows:

Board Chairman	P18, 750 per meeting
Board Deputy Chairman	P18, 750 per meeting
Directors	P12, 500 per meeting
Other committees	P3,100 per meeting attended plus additional 50% thereof for Chair
Annual retainer - Chairman	No annual retainer
Annual retainer - Directors	No annual retainer

Remuneration Policy

The broad terms of reference of the Remuneration Committee are outlined above. A key principle of the Company is to remunerate Board Members and Company employees adequately, fairly and within industry norms. The Board Compensation & Benefits Policy is intended to ensure that Directors are adequately remunerated and compensated such that they are not in any way put out of pocket in furtherance of Company business. The earning per Director for the 2019 financial year is set out below:

Director	Status	Main Board	Audit Committee	Remuneration Committee	Social & Ethics Committee	Total
N Moeti	INED	P87,500*	-	P32,550*	-	P120,050.00
GR Mojaphoko	INED	P50,000*	-	P9,300*	P9,300	P68,600.00
N Mokgwathi	INED	P37,500	P4,650	-	-	P42,150.00
MI Ebrahim	INED	P25,000	P3,100	-	P3,100	P31,200.00
NM Kgosietsile	INED	P37,500	P3,100	P3,100	-	P43,700.00
M Tshetlhane**	INED	P12,500	-	-	-	P12,500.00
V Ramalepa	INED	P37,500*	P3,100	-	P3,100	P43,700.00
KG Moshashane	INED	P37,500*	P3,100	-	P4,650	P45,250.00
HB Pheko	INED	P25,000	P3,100	-	P3,100	P31,200.00
S Molalapata	INED	P12,500*	-	-	-	P12,500.00
O Ditsele**	INED	P25,000	P3,100	-	P3,100	P31,200.00
NL Sowazi	NED	P25,000	P3,100		P3,100	P31,200.00
Total		**P412,500**	**P26,350**	**P44,950**	**P29,450**	**P513,250.00**

** Fees are paid to the organisations they represent.
* Includes special sittings and/or assignments.

After conducting research into trends in Non-Executive Director remuneration, Non-Executive Directors' fees are proposed by the REMCO. Non-Executive Directors' fees are fixed for two years. Directors are remunerated through sitting fees for meetings attended. INEDs do not receive any fees which are related to the performance of the Company and do not participate in any share-based payments or incentives. The fee structure was approved on 02 August 2018 following a recommendation by REMCO. No other changes were made to the remuneration of Non-Executive Directors in 2019 and no changes are being made or proposed for 2020.

The MD who is an ex-officio member of the Board is paid his salary plus long term and other incentives in his capacity as an employee of the company. EXDs are not paid any sitting fees, however, remuneration for their contribution to the Board was subsumed within the Management Fees pursuant to the Agreement for Management Services referred to above. For the year 2019, Management Fees paid were as shown below, which was inclusive of all the EXDs' time on the Botash Board and all other services rendered pursuant to the Management Services agreement. For the 2020 financial year, however, the Management fees will be itemised and will clearly show the portion of the fees specific for Board members time.

Management Fees as at 31 December 2019

The Management Fees are approved by the Board. All amounts disclosed below are in Botswana Pula (BWP).

Executive Directors	For Management Services	Performance Bonus	WHT	Amount Paid
ID Forbes				
G Hirschowitz				
L Engelbrecht	P2,369,970.15	Nil	P236,997.03	P2,132,973.13
K Radebe				
N Sowazi				

Management Fees as at 31 December 2018

Executive Directors	For Management Services	Performance Bonus	WHT	Amount Paid
DA Halstead-Cleak J Herbst ID Forbes G Hirschowitz K Radebe L Engelbrecht	P2,175,528.00	Nil	P217,552.80	P1,957,975.20

Top three earners in Executive Management as at 31 December 2019

Executive Management	Position held
K. Phatshwane	Managing Director
K. Dube	General Manager - Maintenance & Projects
V. Tebele	General Manager - Corporate Services

Top three earners in Executive Management as at 31 December 2018

Executive Management	Position held
K. Phatshwane	Acting Managing Director
K. Dube	General Manager - Maintenance & Projects
V. Tebele	General Manager - Corporate Services

The following incentive scheme is offered by Botash:

	Long Term Incentive Plan	Quarterly Bonus Plans	Standard Annual Bonus Plan
Executive Management	✓		✓
Middle management		✓	✓
Staff		✓	✓

The key elements of the Long-Term Incentive Plan are:

- Long-term incentive plan (LTIP) is an incentive scheme that rewards Executive Management for reaching specific long-term goals that lead to increased shareholder value;
- The scheme is a business initiative designed to encourage a long-term orientation; and
- The Board sets 5-year growth on Net Profit targets and the incentive is earned through achievement of set growth targets.

The key elements of the Quarterly and Annual Bonus Plans are:

- Payable when quarterly production targets are met, as pre-qualified by reaching EBITDA targets;
- Quarterly bonuses are paid to all employees except the Executive Management Team; and
- Annual Bonuses are paid to all employees when there is a minimum growth of 5 % in EBITDA year on year.

These remuneration and incentive schemes are designed to ensure that executive leadership and senior management remuneration is driven by increase in shareholder value as well as delivery of the Company's strategic objectives. Surveys conducted by independent consultants indicate that basic salaries paid by the Company to staff are aligned to industry and market norms. In awarding annual increases to employees, consideration is given to an employee's performance as well as the impact of inflation in Botswana and South Africa in the case of Botash SA.

Procurement, Governance and Compliance

The Company continues to enhance its procurement governance framework as the Company's operations and sustainability are critically dependent on the sourcing of various plant spares and services some of which are core to the operations whilst others are peripheral yet critical. The core include support services to our plant maintenance works and supply of various inputs such as chemicals, fuel or energy in the form of coal used in own power generation and in the form of back-up electricity sourced from the national grid, water, logistics and transport solutions, cleaning services, catering services, among others. Considering how widespread our outsourced services are, there is need for good management of procurement related risks and increased requirements for control over our procurement processes to ensure that the business operates above board to avoid any liabilities in future that may result from the procurement process and utilization of the outsourced services.

This is achieved through the governance and procurement framework made up of the Management Tender Committee, (responsible for ensuring compliance and adherence), procurement policies, process management policies, resource allocations and system imbedded controls and review of processes which address the following:

- Sustainable and strategic sourcing
- Mineral beneficiation for citizen empowerment and growing the local economy
- Value for money
- Open and effective competition
- Ethical and fair dealing
- Accountability and reporting
- Equity

Legal Compliance

The Board is ultimately responsible for overseeing the Company's compliance with specific legislation, rules, codes and standards in terms of King IV. The Board has delegated responsibility to management for the implementation of an effective governance, risk, legal and compliance framework and processes, as envisaged by King IV. The GM - Corporate Services is responsible for monitoring legal compliance and does so with the assistance of the legal unit of the Company. The GM - Corporate Services regularly reports to the Managing Director on issues of legal compliance, and the MD in turn reports to the Board.

Governance and Compliance

Ultimately the Board is responsible for overseeing the Company's compliance with laws, rules, codes and standards in terms of King IV. The Board has delegated responsibility to Management for the implementation of an effective Corporate Governance Framework and processes, as envisaged by King IV.

Through Budchem's governance, risk, assurance and compliance function, Botash remains resolute in implementing and embedding the Compliance and Corporate Governance Frameworks premised on the following enablers:

- Corporate Governance Framework designed for the Bud Group and utilised by Botash by association;
- Relevant Botash policies;
- The Botash Code of Ethical Conduct and Whistleblowing Facility; and
- Commitment to our corporate strategy and brand promise.

The Budchem Group governance, risk, assurance, and compliance (GRAC) function commenced the preliminary phased rollout of the GRAC framework in 2019, focusing on the key compliance areas that the Framework aims to address. These areas include regulatory, legal and governance compliance. The reporting structure is the Budchem Assurance, Risk & Compliance Committee as discussed above.

Compliance with King IV

The Group is moving towards complying with the principles of King IV. The Board is satisfied with the progress made in applying the recommendations of King IV. Sixteen of the governance principles in King IV apply to our business and the following is a summary of our evaluation of where we have complied, or if not, our efforts to ensure full compliance:

King IV Reference	King IV Principle(s)	2019	Commentary
Principle 1	The Governing Body should lead ethically and effectively.	Compliant	A code of ethical conduct is in place. Our Board has committed itself to lead by example on ethical behaviour.
Principle 2	The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	Compliant	The Board's SEC is mandated to govern the ethics of the Company and has effectively done so.
Principle 3	The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	Compliant	The Board ensures that the business contributes positively to the community in which it operates and carries out its operations in a sustainable manner. All obligations to the environment and relating to health and safety are observed.
Principle 4	The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	Compliant	The Board ensures that the Company's strategy is advised by the objectives, risks and opportunities which objectives must be achieved sustainably within the business model in order to create value for the shareholders and all stakeholders.
Principle 5	The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.	Not compliant	In 2019, the Company decided to commence production of an Integrated Annual Report for the first time. Effort is being made to ensure that the report would enable stakeholders to make informed assessment of the organisation's performance, its short, medium and long-term prospects.
Principle 6	The governing body should serve as the focal point and custodian of the corporate governance in the organisation.	Compliant	The Board is the focal point and custodian of corporate governance and this forms a critical mandate of the SEC.
Principle 7	The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity, and independence for it to discharge its governance role and responsibilities objectively and effectively.	Compliant	The Board comprises of members who have skills and experience in the areas of mining engineering, chemical engineering, mechanical engineering, general commercial, marketing, financial, auditing, accounting, large-scale industrial operations management, investment management, leadership, manufacturing systems, legal, human resource and reward, as well as pan-African strategic engagement. The Directors, resident in South Africa and Botswana, and coming from different backgrounds, have experience of doing business in other African countries.
Principle 8	The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.	Compliant	The Board endeavours to ensure that Committees to which its duties are delegated are chaired by INEDs, to foster an environment of dispassionate discharge of roles. None of the committees is dominated by EXDs, and independent judgment to ensure effective discharge of duties is promoted.

Principle 9	The governing body should ensure that the evaluation of its own performance and that of its committees, its chair, and its individual members, support continued improvement in its performance and effectiveness.	Not compliant	The Board did not carry out an evaluation of its performance in 2018 when there was minimal changes to its composition. The 2019 evaluation could not be done due to wholesome changes to the Board. No disruptions are expected in 2020, and the evaluation is duly intended.
Principle 10	The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and effective exercise of authority and responsibilities.	Compliant	Documented delegation to Management is enforced, which allows for role clarity and effective exercise of delegated authority.
Principle 11	The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	Compliant	The Board views risk as any event that may prevent the Company from achieving its objectives. Risk is therefore accordingly governed in a way that supports the organisation in setting and achieving its strategic objectives.
Principle 12	The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	Compliant	The Board governs technology and information in a way that supports the organisation setting and achieving its strategic objectives.
Principle 13	The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that it supports the organisation being ethical and a good corporate citizen.	Compliant	The Board governs the ethics of the Company through the Social & Ethics Committee. One of the mandates of the Committee is to ensure compliance with applicable laws and principles of good corporate governance.
Principle 14	The governing body should ensure that the organisation remunerates fairly, responsibly, and transparently to promote the achievement of strategic objectives and positive outcomes in short, medium and long term.	Compliant	The Board, through the Remuneration Committee, reviews wages regularly to ensure fair, responsible and transparent remuneration. The Company has adopted attraction and retention strategies to ensure presence of workforce that is suitable to the achievement of the Company's strategic objectives.
Principle 15	The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.	Compliant	The Board ensures that the Company leverages on the expertise of the assurance services and functions of the Bud Group to ensure an effective internal control environment, and this supports the integrity of information to found informed decisions.
Principle 16	In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder–inclusive approach that balances the needs, interests, and expectations of material stakeholders in the best interests of the organisation over time.	Compliant	The Board's composition is constituted in a manner which readily fosters the achievement of a stakeholder-inclusive approach to execution of the Board's roles and responsibilities. Some of the directors are employees of the Government shareholders, some are citizens employed in various entities in the local private sector while some represent the private shareholder which is a foreign entity. This has seen to it that material stakeholders' needs, interests and expectations are left behind.
Principle 17	The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote good governance and the creation of value by the companies in which it invests.	Not Applicable	Not Applicable

STAKEHOLDER ENGAGEMENT AND MATERIAL ISSUES
STAKEHOLDER MAPPING PROCESS

Our key stakeholders are intrinsically linked to our ability to deliver on our corporate strategy, ensuring ongoing growth and development of the business, and the delivery of positive financial and social returns.

STAKEHOLDER ENGAGEMENT AND MATERIAL ISSUES

OUR KEY STAKEHOLDERS

Our Stakeholders Defined

Internal Areas of Influence

Shareholders
- Investors

Employees
- Trade Union
- Unionised Staff
- Management
- Temporary Staff

Process Driven

Supply Chain
- Raw material inputs
- Operations
- Transport Logistics

Customers
- Local
- International

External Areas of Influence

Government and Regulators
- Licensing Authorities
- Government Departments
- Regulators

Communities
- Local Communities
- School Project
- Nature Park
- Outreach Programmes
- Media

STAKEHOLDER ENGAGEMENT AND MATERIAL ISSUES

OUR KEY STAKEHOLDERS

Category	Stakeholder Defined	Why are these Stakeholders important to us	How do we engage with them
Shareholders	• Investors	We need to be accountable to our shareholders, who in turn need to realise ongoing returns, especially as the Botswana Government holds a significant stake in the business.	• Quarterly Board meetings [Shareholder Note] • Shareholder meetings (AGM) • Issued Board packs • Issued information packs
Employees	• Trade unions • Unionised staff • Non-unionised staff • Management • Temporary staff • Contractors	Our Employees and their representatives are key contributors to ensure we realise our strategic vision for the business. Their wellbeing and ongoing growth and development is important to us.	• Through use of the Intranet • Through email correspondences • Making use of toolbox talks • Through issued letters • Through breaking news • During departmental and sectional meetings • Through monthly management briefs • When attending negotiation and consultative committee meetings • Through hand outs and publications • At the MD's townhall meetings • During performance reviews
Supply Chain	• Raw material inputs • Operations • Transport logistics	Our Supply Chain is a strategic enabler, required to ensure we are able to produce the products required by our customers on time and to the standards required.	• Email correspondence • Telephonic engagements • Use of brochures and posters • Special meetings held • Contract agreements • Supplier visits and audits
Customers	• Local • International	Our customers drive innovation in the business and hold us accountable for the delivery of excellent quality products. Without them we would not be able to innovate, grow and thrive.	• Through exhibitions and product promotions • Email correspondence • Telephonic engagements • Posters and other information leaflets • Through issued letters and customer surveys • One on one meetings are also held • Scheduled customer visits • Third party quality audits
Government and Regulators	• Licensing Authorities • Government • Departments • Regulators	Governments and Regulators are key in facilitating access to market and management of risks. Adherence to protocols dictated for use by this stakeholder group ensures we manage these risks and grow the business in a framework that allows for long term sustained value creation not only to Botash but to society as a whole.	• Statutory Reporting • Email correspondence • One on one meetings • Continuous Professional Development (CPD) submission • Through telephonic engagement • Meetings with industry bodies • Annual audits
Communities	• Local Communities • School Project • Nature park • Outreach Programmes • Media	Our communities are the ultimate beneficiaries of our business success. Through growing and maintaining a financially viable business, our taxes enable us to contribute to local economic development. Our diversification agenda further allows us to strengthen government's ability to reduce dependence on diamonds. Local outreach to our communities includes the delivery of bespoke programmes, with focused investment in school development, sporting events and nature conservation enabling community upliftment.	• Community engagements • Guided tours • Brochures • CSI outreach programmes • Website • Media response • Community events • Stakeholder visits

STAKEHOLDER ENGAGEMENT AND MATERIAL ISSUES

OUR MATERIAL ISSUES IDENTIFICATION AND MANAGEMENT PROCESS

Informs Process Execution and Product Design

1. **Identify Key Stakeholders** →
2. **Engage with them** →
3. **Define Material Matters** →
4. **Ongoing Engagement Required** →
5. **Report on Key Metrics as Defined** →

Informs Management of Employee Wellbeing and Focused Marketing & Sales

This iterative process allows for the ongoing review and update of our risk register, training protocols, and design and development of new products required by the market. This is an invaluable part of our business management processes and allows us to ensure our Corporate Strategy remains fit for purpose in ever changing market dynamics, especially as we expand into new markets and continue with our diversification drive with respect to product development and process optimisation initiatives.

STAKEHOLDER ENGAGEMENT AND MATERIAL ISSUES

MATERIAL STAKEHOLDER ISSUES

Shareholders

- Increased use of Road Transport Logistics a Concern
- Overview of New MD Appointment Required
- Progress Report Required on Long Term Strategic Projects
- Anti Dumping Duties to be Discussed
- Chrome Contamination of Product a Concern
- Poor Service by Rail Operators a Concern

Employees

- Lack of Local Accommodation for Temporary Staff a Concern
- Improved Leadership Bench Strength Required
- Dispute on Calculation of Leave on a 12 Hour Shift to be Resolved
- Dispute on Interpretation of Employment Act of Overtime Pay on Rest Days to be Resolved
- Quality of Recruits at Management Level a Concern
- Ongoing Open Engagement with Unions Required

Supply Chain

- Increased Truck Standing Time Resulting in Slow Turn Around Times and Unnecessary Costs Being Incurred
- Existing Suppliers Need Lead Time to Respond to Demand Changes
- Inefficiencies of Rail Transport Logistics Concerning
- Inability to Offload Side Tippers at the Natalspruit Depot a Concern
- Lack of Local Accommodation for Contractors an Issue
- Increased Usage of Road Transport will Increase Costs

Customers

- Stock Level Concerns at Natalspruit due to Transport Disruptions an Issue
- Failure to Deliver Product on Time is Disrupting Customer Production Rates
- Service Provider has Limited Capacity to Provide Sufficient Wagons for Delivery of Product
- Product Quality Concerns Raised, due to Chrome Contamination and poor-quality packaging used
- Onerous KYC Requirements an Issue for Walk in Customers
- Difficulty in Making Forex Payments by Some Clients

Government and Regulators

- Use of Imported Labour Needs so be Limited
- Management of RAMSAR Siteto be Reported on and Other Responsible Resource Management Statistics
- License for packaging of Small Pre-Packed Product Required
- Payment of Royalties to be Finalised
- Impact of the Financial Intelligence Act on the Business to be Explained
- Implementation of Transfer Pricing Regulations to be Unpacked

Community

- Focused Localised Employment Required
- Criteria for Programme Sponsorships not Documented
- Low Secondary School Pass Rate a Concern
- Better Communication Required Around Staff and Company Outreach Programmes
- Concern Raised Around Lack of Facilities at the Sponsored School
- Concern Raised Around Cost of Education at the Sponsored School

CHANGING OPERATING LANDSCAPE
ENSURING CUSTOMER SATISFACTION

Botash has entered into contracts for the sale of soda ash and salt with customers in the South African market. However, the company's operations are located in Sua Pan in the north eastern part of Botswana. As a result, a reliable and efficient route to market is critical to ensure consistency of supply to customers. To ensure that the company is strategically positioned to consistently supply its customers, Botash transfers soda ash to its depot in Alrode, Johannesburg to facilitate the distribution thereof to its customers. The products are mainly moved on rail to South Africa. The manufacturing facility in Sua Pan is tailor made for rail transport since rail is the preferred mode of transport as it is cheaper and has the ability to move ~ 1500 tonnes of product in a single consignment compared to road trucks which are more expensive but can only move a maximum of 35 tonnes per consignment. Furthermore, loading of rail wagons is easier, faster, and more accurate for Botash due to an online weighbridge customised for rail.

As an alternative, road trucks are used to augment product moved by rail. The trucks are only weighed on dispatch at the gate house and resultantly, where there are discrepancies, trucks have to return to the bagging plant to correct the weights and this leads to longer turnaround times. Since the plants (both in Sua Pan and the depot in Alrode) are configured for rail, loading and offloading of road trucks attracts inefficiencies and extra costs in terms of clearing fees, handling costs. Environmentally, rail transport is better as only one locomotive loads an equivalent load of 50 trucks. The use of rail also decreases road traffic and reduces road maintenance requirements.

Botswana Railways [BR] transports products up to Mafikeng and then Transnet Freight Rail takes over to the destination. In the North, Botswana Railways in conjunction with National Railways of Zimbabwe delivers salt to different destinations within Zimbabwe. BR also transports coal from Morupule Coal Mine for usage at the production facility on the Sua Pan.

Botswana Railways and Transnet Freight Rail are, therefore, strategic suppliers in that logistics costs are significant costs for Botash, and rail efficiency or inefficiency has a huge impact on the profitability of the company.

Changes to Transport of Goods to Market

The Botash delivery model is designed on the premise that rail would be the main mode of transporting product to market. Recent interruptions caused by upgrades of the rail track between Krugersdorp and Swartruggens, public unrest, or locomotive failures are a cause for concern. These delays are resulting in clients not receiving product on time, low product stock levels at the depot, and increased transportation costs as products are diverted to road transport to ensure continuity of supply. Agreed train turnaround time is 8 days while the actual turnaround can be as long as 30 days. Ongoing engagement with our partners is expected to improve this situation.

Aging assets, primarily on rolling stock in use by TFR and BR, also results in loss and contamination of product during transit. The issue of product loss has led to additional high-level engagements with our strategic partners.

Considering countries of focus to possibly grow market share, Angola has recently rehabilitated or rebuilt railway lines with significant Chinese investment. Over the last decade, Zambia has also been focussing on developing its railway network with rail being the leading transportation mode for goods on international and local routes. Improvements to Zambia's railway network now connects it to Tanzania, Malawi, and Mozambique and opens exciting new opportunities for Botash.

Delays caused Transnet Freight Rail (TFR)

- Decommissioning of the signaling system around Krugersdorp
- Public Unrest at Koster and Magaliesburg causing suspension of services
- Extended waiting time in Waterval
- Locomotive Failures and shortages at Mafikeng causing delays
- Loading of road trucks causing delays
- Plant breakdown at Sasol Polymers 23 Nov -6 Dec, led to suspension of deliveries

Delays caused by Botswana Railways

- Locomotive Failure causing delays
- Flooding in December 2019
- Derailment at Mokgosi 15-22 December 2018 caused temporary closure of the line and split into 2019
- Derailments due to flooding - Metsimothabe, Isang
- Suspension of rail services due to heavy rain

It is envisaged that the business will need in the short term to rely on the use of road transport. As a result, the company decided to retain a number of road transporters on long term contracts to lower the cost and shorten the response time when rail disruptions occur. However, logistics of transporting product across borders by road is onerous with increased risks such as road accidents and contamination of product due to ingress of rainwater during the rainy season. This situation will also call for improved infrastructure at the Sua Pan and Alrode operations to allow efficient loading and offloading of road trucks respectively.

Ensuring Quality of Supply

The Alrode depot which is managed by the sister company Botash SA is built on land leased from Transnet. In recent times, Transnet leased an adjacent premise to an entity for the purposes of storing and handling chrome. As a result of the proximity of the two operations and poor handling standards by the chrome exporter, chromite has been spilt on the rail ballast and on roads and grounds around the Botash depot. The material is then picked by rail wagon flanges, road truck tyres and even wind onto the Botash site.

This situation has created a serious problem for Botash's glass customers as chrome-tainted soda ash undermines the integrity of the glass product. Botash has had to deliver product to the most sensitive of these customers directly from Sua Pan [without going through the depot]. This, however, comes at a higher cost, so the matter is being addressed at the highest levels between Transnet and Botash.

CHANGING OPERATING LANDSCAPE
IMPROVING GOVERNANCE PROTOCOLS

Responding to Shifting Regulatory Requirements

Financial Intelligence Act (Know Your Customer (KYC) Protocols Introduced)

The recently promulgated Financial Intelligence Act stipulates certain KYC protocols which Botash is obligated to ensure customers adhere to. These protocols have, however, created frustration for cash customers, especially those who travel from neighbouring countries, or who make use of third-party agents to pick up orders. These customers are often unaware of the requirements or would not have adequately prepared their third-party agents to provide the required documentation when picking up an order.

Botash is, however, committed to ensuring adherence to the Act and has taken steps to educate customers around these new requirements, thus contributing to Botswana's compliance to international best practice pertaining to the implementation of anti-money laundering protocols.

In this regard, all new customers must submit mandatory documentation to be registered on the Botash customer database. Without registration, orders cannot be processed, dispatched, or delivered.

KYC Requirements to be adhered to:

- Proof of identity
- Proof of address
- Proof of company registration
- Letter of credit

The Income Tax (Amendment Act) (Transfer pricing legislation introduced)

Amendments introduced to the Income Tax Act, 2018, include measures that introduced transfer pricing rules and have revised the general anti-avoidance provisions to exclude any reference to related-party transactions that are now specifically addressed under the transfer pricing provisions. The transfer pricing legislation took effect on 1 July 2019.

The transfer pricing legislation is premised on the arm's length principle and major features of transfer pricing regulations include the following requirements for taxpayers:

Classify income
Determine taxable income arising from a transaction with a related or connected person in a way consistent with the arm's length principle.

Document transactions
Prepare and keep transfer pricing documentation and furnish such documentation as and when required by the Commissioner General of the Botswana Unified Revenue Service (BURS).

Claim deductions
Furnish the Commissioner General with third-party invoices in support of all claims for deduction of the cost of acquisition of new or used assets.

In its operations, Botash buys and sells products and services to and from sister companies within the Budchem Group. It was, therefore, important for Botash to comply with the new legislation for all transactions with connected parties for the year ended 31 December 2019.

Botash management, with the assistance of Deloitte, prepared transfer pricing documentation to test the arm's length nature of Botash's intercompany transactions for the financial year ended 31 December 2019. The document was finalised and duly submitted to Botswana Unified Revenue Services with the 2019 tax return in line with the regulations.

Anti-Dumping Duties

Botash, the only producer of soda ash in the Southern African Customs Union (SACU) region, initiated [through Botswana's Ministry of Investment, Trade and Industry] a process which culminated in the awarding of 5-year anti-dumping duties by the South African International Trade and Administration Commission (ITAC), effective 20 December 2013 and expiring on 19 June 2019, on soda ash originating from and/or imported from the United States of America (USA) to South Africa.

Dumping, which is a form of international price discrimination, refers to the practice of a company selling the same product at a lower price in an export market than in its own domestic market. The concern was that some market players were unfairly selling similar products at prices lower than Botash's, thereby out competing

Botash and resulting in generally depressed market prices and reduced market share for Botash.

ITAC is responsible for trade remedies in South Africa. The Trade Remedies Unit of ITAC administers the trade remedies instruments through investigation of alleged dumping, subsidized imports, and a surge of imports into the SACU, in accordance with domestic legislation and consistent with the World Trade Organisation (WTO) Rules.

The original anti-dumping duties were as summarized below:

Company	Rate of Anti-Dumping Duty
TATA Chemicals	8 %
OCI	21 %
Other USA producers/suppliers	40 %

Since the imposition of the duties, the price of soda ash in the South African market has risen to a level that better reflects fairer trading prices than before. A sunset review was conducted from 2018 to 2020 in which Botash sought extension of the anti-dumping duties. The application was determined in Botash's favour and the anti-dumping duty on all soda ash product imported from, or originating in the United States of America, was pegged at 40 % effective 30 March 2020, and to run for a period of 5 years.

The process followed by ITAC is as summarized below:

Properly documented application submitted by the SACU member country concerned

→ Initiation of an investigation through the publication of a notice in the Government Gazette

→ Responses by exporters and importers and verification of information

→ Preliminary determination by the Commission

→ Final determination and recommendation to the Minister of Trade and Industry

→ Implementation of the final decision through publication in the Government Gazette

Adherence to Existing Licensing Obligations

Environmental Licenses

Botash currently complies with environmental requirements with the following core procedures in place and regularly audited both internally and externally by relevant authorities:

- **Waste Management Procedure** - ensures the business disposes its waste in a safe manner within the confines of the law;
- **Landfill Management Procedure** - provides guidance of the dumping of general waste at the landfill;
- **Environmental Management Plan** - outlines aspects, impacts and environmental requirements; and
- Implementing 'Towards Sustainable Mining' - guiding principles to direct the relationship between the mine and communities in its vicinity.

Limitations on Product Packaging

While Botash has historically sold its food grade salt in semi-bulk 50 kgs, it is currently integrating forward into pre-packs (500 g, 1 kg & 2 kg). Processes are currently underway to update the Botash licensing conditions to allow for supply of these smaller packaged products into the Botswana market as requested by our customer base. The Botswana food grade market is, however, very small at 4 000 tonnes per annum.

Statement on Royalties 2017 - 2020

Holders of mineral concessions are by law (Mines & Minerals Act section 66) expected to pay royalties to the Government of the Republic of Botswana (GRB). The law also outlines the formulas for computing due and payable royalties.

Upon conclusion of the Botash Shareholders Agreement between the GRB and the private shareholders at the inception of the company, GRB undertook to ensure payment of royalties and tax by Botash in a manner that fostered the growth and survival of the new company. In terms of the undertakings, both deferred tax and royalties were to be deemed paid upon declaration and payment of dividends, with the GRB getting a favourable 75 % share of the dividend paid. To ensure the treatment of tax was as agreed, a Tax Agreement was concluded between the Company and GRB.

In 2017, GRB gave mining entities an opportunity to opt out of their tax agreements and to revert to being taxed in accordance with ordinary tax laws. Botash was one of those that exercised this right in July 2017. The cessation of the Tax Agreement resulted in an assessment of the tax and royalties' payment history of the Company. Upon assessment, it was discovered that while the treatment of tax was ably dealt with in the Tax Agreement that followed the undertakings in the Shareholder Agreement, no similar agreement with regards to royalties was ever concluded. That notwithstanding, the parties had always operated under the belief that royalties were covered by the Tax Agreement, and therefore, duly subordinated to the payment of dividends. To resolve the issue, engagement was immediately entered into with the relevant authorities to reconcile the shareholder intentions against the omissions that had taken place.

To that end, in March 2020, the Minister of Mineral Resources, Green Technology & Energy Security, agreed to waive royalties which historically were believed to have been paid upon payment of a favourable share of the dividends to GRB.

Improved Security Measures

The Security function provides the foundation for Botash to effectively manage security threats, vulnerabilities, and risks to ensure the security of employees, information, and company assets. Botash Security comprises of six permanent company employees and twenty-one Security Guards outsourced to Security Systems.

The 'protection in-depth' concept is adopted in implementing security measures and this includes the following:

Risk Management

- Proactive management of high-risk events that could have a negative impact on the company;
- Assurance to the business that all potential security risks have been identified and mitigated against; and
- A positive risk attitude by staff towards security risk management.

Policies and Procedure - developing security policies and procedures as well as continuous monitoring of compliance.

Access Control & Time Attendance:

- Controlled access and efficient reporting capability;
- An auditable capability of access transactions and system changes; and
- Integration with other systems which improves efficiency.

CCTV

The primary objective of real time CCTV Surveillance is to deter those with malicious intent from theft and/ or vandalism of property. This is achieved by ensuring that unsafe and/ or insecure conditions, behaviors, and non-compliance to approved procedures are detected, reported, and acted upon. In this way surveillance supports the maintenance of a controlled environment and deters variance from the norm.

The objective of post event or delayed review of surveillance footage is to conduct a more detailed analysis of CCTV recordings which cannot be achieved in real time in the control room. This is normally triggered by an event or observation by a surveillance operator in the control room. Post event review also supports investigations and root cause analysis in all forms.

Investigations and Intelligence Gathering

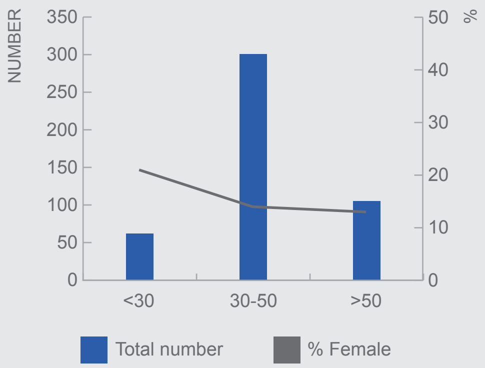
To the security function, investigations of incidents and proactive information gathering are important to mitigate against the number of security incidents occurring and to reduce financial losses to the business.

OUR PEOPLE

Employee Demographics and Staff Retention

Year-end turnover rate for staff stood at 9.9 %. Of staff permanently employed, 98 % are citizen employees.

Age Profile of Workforce



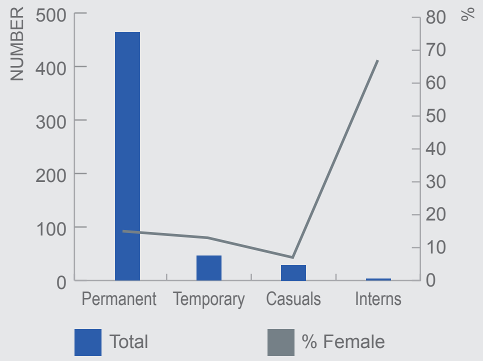
As part of its social responsibility, the Company reserves temporary and casual work for the local surrounding communities to the extent possible. During our annual shutdown we recruit 100 % of our casual and unskilled staff from the surrounding local communities. The largest limitation to employing more from the local communities is the general lack of the required skills in the area.

At Botash, we regard our people as our most valuable asset driving our competitive edge. We operate in a sector [mining] that exhibits high levels of competition for talent hence have developed a retention strategy aimed at attracting and retaining talent. The strategy has two (2) key components:

1. **Total Cost to Company Remuneration** - Botash has adopted the 'Total Cost' remuneration model which has been benchmarked with the market to leverage its capacity for talent acquisition and retention required to drive business outcomes.

2. **Performance-based Variable Pay** – Botash has developed both long term and short-term incentive pay structures aimed at leveraging performance at both individual, teams, and company levels. This is aimed at motivating employees to reach and maintain the levels of performance required to support continuous and sustainable improvements.

Type of Employment in Workforce



The company continuously reviews and strengthens its employee value proposition (EVP) to drive its talent management and employee engagement.

Union Engagement During the Year

There are three (3) forums sanctioned under the Collective Labour Agreement aimed at collective bargaining with the Union on substantive matters and general issues of mutual interest. These are:

- **Joint Negotiation and Consultative** Committee (JNCC) - during the year the JNCC met six times to discuss substantive issues on overtime pay and wage negotiations.
- **Management/Union Liaison meetings** - this forum was convened at the end of the year and its purpose was for Management to update the Union on general company performance, as well as discussing other general consultative matters affecting employees.
- **Human Capital (HC)/Union Liaison meetings** - this forum met 3 times in the year, and its purpose was to maintain open communication between the Union and HC, and any issues not resolved at this forum were elevated to the JNCC and or Management/Union Liaison forums.

There are outstanding issues between Management and the Union one of which is around the hybrid shift system [a relatively new system at Botash] and its application with respect to leave pay. The second relates to compensation for overtime on designated rest days. Botash management will continue to engage the Union on these matters to achieve an amicable solution.

Employee Benefits and Incentives

The company provides permanent employees with the following additional benefits and incentives:

- 100 % Medical Aid payment for lower categories (Band A1 - B4) and subsidised rates for other employee categories,
- Travel and accommodation expenses to seek medical services outside Sowa Town;
- Subsidised accommodation;
- All year round counselling services and an annual stress management session services.

Staff Wellbeing

Botash is committed to improving and maintaining employee wellness through the implementation of various wellness programmes. The main aim of the interventions is to mitigate against non-communicable diseases and other illnesses. This will further improve productivity, reduce absenteeism, reduce safety incidents and improve staff morale. The company regularly educates, empowers, and encourages employees to manage their own health and wellbeing through driving behaviour change as a critical component of the wellness programme.

Due to the lack of medical facilities in Sowa Town, the company has provided premises to the following medical service providers to enable access by employees. These service providers are:

- 2 General practitioners
- Physiotherapist;
- Optometrist; and
- Dental services.

The company hosts an annual wellness event as part of promoting employee wellbeing. The activities for the event include, among others, financial literacy, wellness presentations, sports, and games, etc.

Botash Wellness Programmes

Promotion of Healthy Living

- Gym Club
- Golf Club
- BOASA Soccer Club
- Sunday Times Soccer Club
- Peer education
- Branded T-shirts for different sporting activities supplied to employees & contractors during wellness events
- Branded Stress Balls
- Branded hats
- Subsidised gym membership for employees and their families
- Engagement of external gym instructors for aerobics

Promotion of Physical Wellbeing

- Wellness day
- Quarterly screening for non-communicable diseases (departmental screening)
- Commemoration of some international health days e.g. Aids Day
- Management of chronic conditions - Non-communicable Diseases)
- Aerobics competitions: Trips financed 100 % by the company
- Weekly distribution of condoms to employees and contractors

Promotion of Financial Wellbeing

Engagement of external stakeholders to address the following:

- Financial Literacy
- Investment & savings
- Retirement plan
- Budgeting

Weekly visit to the mine by commercial banks

- Bank on Wheels over 3 days at the end of the month

Staff Training and Development

Good quality education and training of staff is intrinsically linked to improved productivity, improved company performance, and increased GDP contribution. Our people are the company's most important resource. Botash invests time and financial resources in the upskilling and development of its people as a strategic imperative towards improved performance of the company, as well as the economic sustainability of Botswana.

In recognition of the importance of continuous personal growth and development of all our employees, the Learning and Development Function at Botash has entered into key strategic partnerships. These partnerships enable Botash to train and upskill employees who in turn gain skilled employment opportunities. The following are the company's Learning and Development strategic partnerships:

Engineering Skills Training Centre in Randfontein, South Africa

Purpose: To provide Apprenticeships/ Learnerships for trades required on the mine but are not offered by tertiary institutions in Botswana such as Rigging, Diesel Mechanics, and Measurement, Control & Instrumentation.

Orapa Training Centre, operated by Debswana Diamond Mining Company

Purpose: To provide Apprenticeship training in the areas of Maintenance - Electrical, Maintenance - Fitting, Heavy Plant, Fabrication and Welding.

University of Johannesburg (UJ)

Purpose: To provide a Leadership Development Programme.

In addition to the management of these strategic partnerships, which provide long term support to the development programmes for our staff, the Learning and Development Function plans, coordinates, and implements various on the job and formal training interventions.

On the job training in the period under review included:

- Plant Operator Training
- Coaching and Mentoring
- One-year Post Apprentice Appreciation Programme (on the job)
- Two-year Graduate/Internship Development Programme
- Job Rotation

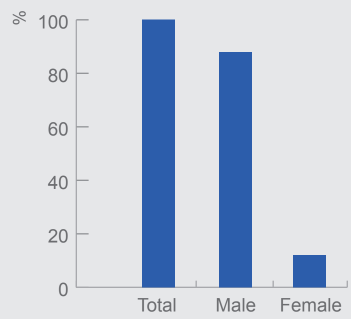
Training Quality Assurance

The Learning and Development Function held the following meetings:

- 6 Departmental Training Meetings
- 4 Partnership Meetings with Training Institutions
- 36 Toolbox Talks related to SHE matters
- 9 monthly safety meetings

The cost of training for the period under review was P 976 297, of which P 859 141 (88 %) was spent on male employees and P117 156 (12 %) was spent on female employees.

% Expenditure Male vs Female



Internships

Botash provides internship opportunities for graduates to give them an opportunity to acquire practical experience and prepare a pipeline of succession candidates. A total of P441,954 was invested in the internship programmes in 2019 as living allowance.

Formal Internal Programmes offered during the period 2019:

Programme	No. Attended	Male	Female
Plant Operator Training	9	7	2
Permit to Work in equipment	38	36	2
Performance Management System	61	54	7
TOTAL	**108**	**97**	**11**

OUR PEOPLE

As part of our Talent Management Strategy, the company has two sponsored employees on full time studies at the University of Cape Town and Botswana International University of Science and Technology (BIUST) studying BEng Electro-Mechanical Engineering and BEng Mechatronics, respectively.

Human Resource Development Council of Botswana (HRDC) Training Levy

There is a mandatory training levy calculated as 0.2 % of the company's turnover. The levy is payable monthly and recouped based on training conducted. The following amounts (BWP) were claimed during the period under review.

Q1	Q2	Q3	Q4	Total Claimed	2019 Target	2019 Stretch
0	0	397,060	1,721,167	2,118,227	1.5 million	1.8 million

SUPPLY CHAIN

Local procurement spend (2019)

BWP 472 478 817

Outsourced works - whether long or short term

- Cleaning services (long term)
- Catering services (long term)
- Security services (long term)
- Provision of medical care (partly outsourced - long term)
- Salt haulage (long term)
- Transportation of goods - outbound products to customers, inbound raw materials, and spares (long term)

Purchased materials

Raw materials

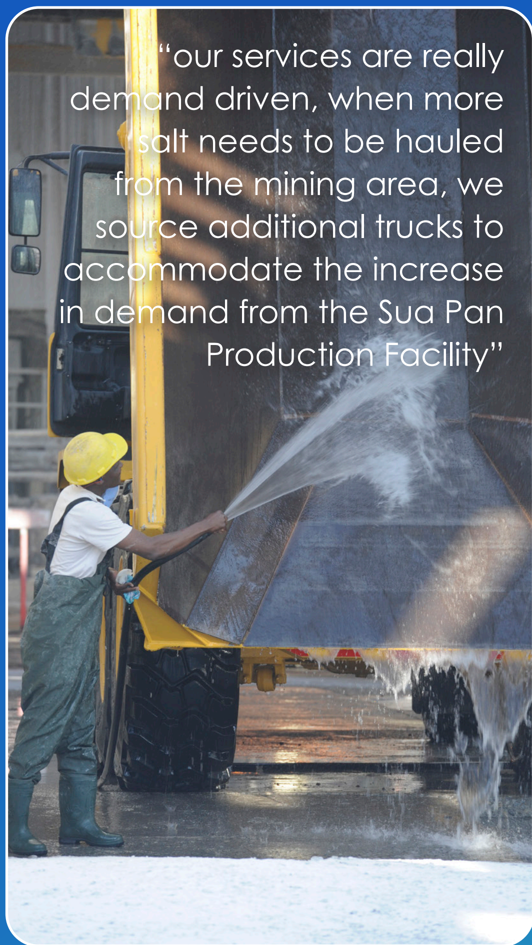
- Caustic Soda
- Sulphuric Acid
- Mono Ethanol Amine [MEA]
- Other Chemicals
- Coal
- Water

Others

- Requisite plant spares

Reasons for outsourcing

1. Business can focus on core activities and benefit from the expertise of contractors in their respective industries.
2. Business gets to support other industries and businesses such as SMMEs.
3. Business benefits from streamlining processes to improve efficiencies.



How procurement is done?

Through issuing of tenders and advertising same in the media, responses are received from bidders and evaluated against set requirements. The tender is then awarded to the deserving bidder. In the case of an original equipment manufacturer or a limited number of vendors an invitation to quote is made.

Challenges faced?

Lack of locally produced critical inputs such as chemicals and plant spares results in international procurement which attracts additional costs of transportation, duties, as well as increased lead times and logistical constraints.

With a fairly robust and broad-based expansion in non-mining activities, supported by higher public investment and accommodative monetary policy, Botswana's economy has recovered well from the recession in 2015. Inflation averaged 3 % between 2015 and 2018 and remained stable at about 3.1 % in 2019.

The medium-term outlook remains positive, with growth projected to rise to 4.2 % in 2020 and 5.1 % in 2021 [before COVID - 19]. Conducive conditions include accommodative monetary policy, initiatives to improve the business climate, and ongoing strategies laid out in the 11th National Development Plan to diversify both production and exports away from mining into other growth-enhancing and job-creating sectors. When implemented, these initiatives should accelerate growth over the medium term, strengthening the Government's ability to address socioeconomic challenges and improve human development outcomes.[10]

Botash's Contribution to Botswana GDP

The focus on diversification away from diamond mining operations sees the growth of Botash operations and specifically the diversification of Botash products as a key driver for stabilization of export income in the country. Although overall turnover figures for Botash decreased year on year, the overall contribution made to export income for the country increased by 1.4%.

Review of Financial Results	Financial year ended 31 December 2019	Financial year ended 31 December 2018
Botash Turnover – Pula	1 029 116 000	1 079 842 000
Botash Turnover – US$	87 877 080	92 183 510
Botswana GDP – US$ billion[11]	18.62	18.69
Botswana Exports – US$ billion[12]	5.20	5.95
Botash Turnover as % of GDP	0.47%	0.49%
Botash contribution to Exports	1.68%	1.54%

Contribution to Local Economic Stimulus

The tax to GDP ratio (total tax revenue as % of GDP) for Botswana in 2017 was 12.2, taxes on income and profits accounted for the principal share of total tax revenue.[13] Botash contributed P 44.6 million and P 39.1 million in taxes during 2018 and 2019 respectively assisting in local economic stimulus. In addition, a total spend of P472 478 817 on local procurement resulted in a direct cash injection into the local economy.

DEVELOPMENTAL IMPACTS DEFINED

SOCIAL IMPACT

Botash has a number of local communities who we engage on a regular basis and support through a number of various CSI upliftment initiatives. Botash has also identified a number of new communities we intend to work with on our upcoming 'Towards Sustainable Mining' initiative which will be rolled out in 2020. These communities include:

These communities include:

Community	Kilometres (km) from Botash's Sua Pan Operation
Tshwane	10
Kwadiba	50
Malelejwe	12
Sowa Town	20
Khweree	25
Semuwani	40
Tumbe	35
Tsiyahake	40
Tshaathoka	45
Njuutshaa	47
Dukwi	64
Nata	94
Mhatane	40

Social Impact Through CSI

Education

- Sponsorships – 2 x University and 8 x Apprenticeship
- Nata Secondary School Cultural Day Sponsorship
- Thabala Primary School Sponsored Walk
- Nshakashogwe Primary School 50th Celebration Sponsorship
- Staff Initiative – Dukwi Refugee Camp Student Sponsorship
- Staff Initiative – Donation of Sanitary Pads to Nxakato Junior Secondary School

Environmental Conservation

- Conservation Officer Expenses
- Sua Pan Game Reserve – Erection of the Electric Fence
- Nata Conservation Trust – Maintenance of Fire Breaks

Community and Enterprise Development

Botash currently supports and works with:

- Business Botswana
- Childline Botswana
- Gabz FM – Disaster Management Communication during Flooding
- Botswana Chamber of Mines

Labour

Botswana Mine Workers Association – Sponsorship Towards Labour Day Commemoration.

Sports and Recreation

- Supports the Sowa Golf Club and BotRec Club for access by employees
- Botswana Chess Federation Sponsorship
- Sua Flamingos FC Sponsorship
- Makgadikgadi Epic Tandem Sponsorship

Housing Development

Botash's predecessor, Soda Ash Botswana (SAB), started operations in 1991 to produce soda ash and salt. In order to accommodate employees, a village was constructed in what came to be known as Sowa Town, through Botswana Housing Corporation (BHC). BHC was engaged as the developer of the Town through funding from the Government of the Republic of Botswana (GRB). SAB leased 504 BHC houses over a twenty-five-year period (1989 to 2013).

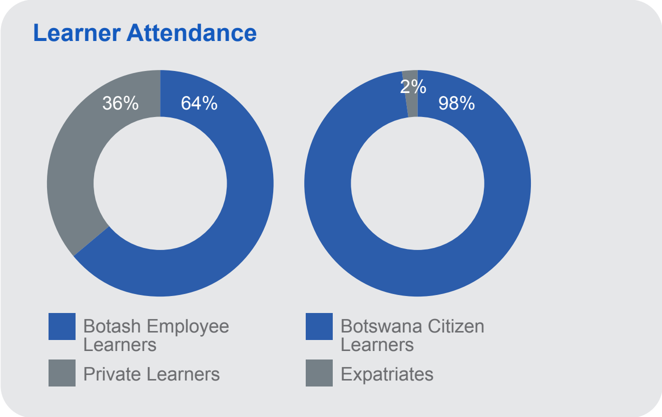
SAB was, however, liquidated in 1995 following operational challenges from poor market uptake of the soda ash product and dumping by competitors. The shareholders formed a new entity Botswana Ash (Pty) Limited (Botash) with some changes in ownership. GRB procured a new lease between Botash and BHC on the same terms and conditions as per the SAB original lease. Botash then took over the lease on the same terms and conditions. The lease agreement period was extended from 1995 to 2020 with a new 25-year period. As at the close of the year under review, the parties were negotiating the possible sale of the houses to Botash and/or a new lease.

The School

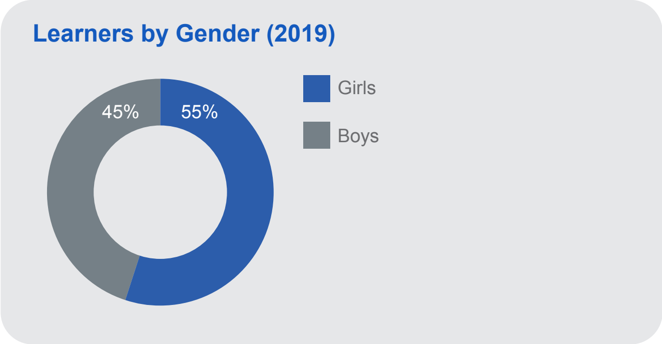
Flamingo International School, which is owned, funded, and managed by Botash provides access to quality education for the children of our employees, as well as children from Sowa Town and neighbouring communities.

In keeping with the schools Motto: **Striving for Excellence in Education and Purpose: Empowering Young Minds**, Flamingo International School strives to provide a holistic, enriched, and competitive education that compares favourably with the best schools locally and regionally.

Botash spent P7 911 800 into the Flamingo School in 2019, covering operational costs and staff salaries. The provision of an educational facility ensures children get access to quality education as part of our corporate social responsibility. Flamingo International School plays a key critical role in the attraction and retention of skilled staff for Botash operations. This is evident as 64 % of enrolled school pupils are children of Botash employees.



Flamingo International School has a total of 286 pupils attending both the Primary and the High School, with 55 % of these children being girls indicating a strong contribution to the Sustainable Development Goal (SDG 5) Gender Equality.



DEVELOPMENTAL IMPACTS DEFINED

ENVIRONMENTAL IMPACT

Mining Rehabilitation Fund

The Mines and Minerals Act Chapter 66:01 section 65(4) requires that; at the end of operations of a mine, a mining entity should take such measures as are required from time to time to maintain and restore the top soil of the affected areas and otherwise to restore the land substantially to the condition it was prior to the commencement of mining operations. In compliance with the Act, Botash makes provisions for mine restoration at the end of its life. The liability as at 31 December 2019 was BWP65,061,000. The amount is based on the mine rehabilitation plan of 2015, which plan will be reviewed in 2020.

Community Health Care Programmes

Botash employee's community outreach initiative is sponsoring a student through the Skills Share International Botswana Programme to undertake a 3 year Higher National Diploma in General Nursing at the Institute of Health Sciences - Serowe. The sponsorship commenced on the 3rd July 2019 and will run up to 31st May 2022. The initiative pays an allowance for living expenses. Funding for this initiative was donated by Botash employees.

Biodiversity Management

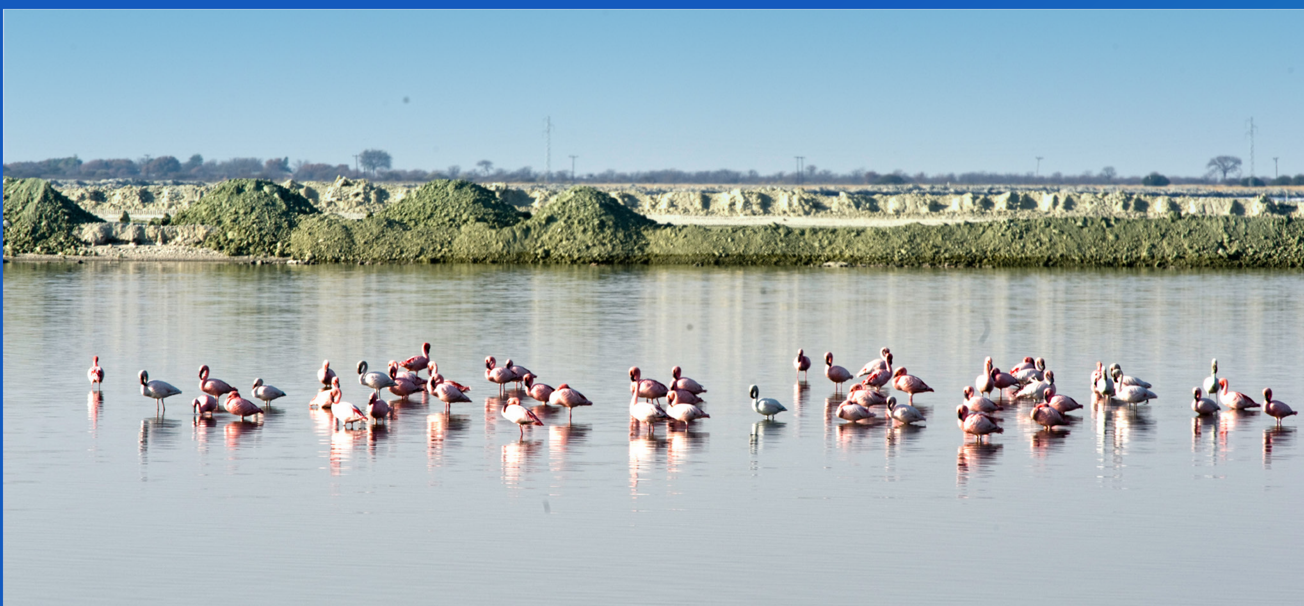
Cost of Management
P360 000 per annum

Biodiversity
Large Species 7
Number 139

Area Under Management
13Km²

Job Creation
2

One of the largest saltpans in the world, the Makgadikgadi Pan complex, which incorporates the Sua Pan in Botswana stretches out over 12,000 km2. The wetland area has been declared a Ramsar site which is a wetland designated to be of international importance under the Ramsar Convention. The Convention on Wetlands, known as the Ramsar Convention, is an intergovernmental environmental treaty established in 1971 by UNESCO, which came into force in 1975. The pans are the only viable breeding site for both greater and lesser flamingos in Southern Africa, and harbour a variety of other bird species, and therefore, of great conservation importance.



Water Footprint

In the production of soda ash and salt, water is a critical input. Water Utilities Corporation (WUC) as a strategic supplier provides Botash with both potable water for domestic purposes and raw water for treatment into boiler feed to produce steam.

WUC supplies approximately 30 % of Botash's water requirement while the remaining 70 % is supplied from own boreholes in the Dukwi Wellfield.

There is a concerted effort to ensure water efficiency initiatives are implemented across the business. This approach has seen a 0.78 % reduction in water consumption from 2018 to 2019 respectively. Botash continues to investigate further resource efficiency measures as a means of protecting and conserving our natural resources.

Energy Consumption

Botash generates its own electricity using coal from Morupule Coal Mine (MCM). For back-up purposes, Botash purchases power from Botswana Power Corporation (BPC). Botash would then draw from the national grid in cases where own generation is not possible. BPC power is both unreliable and very costly and would erode margins and/or negatively affect continuation of production if Botash was to entirely rely on it. To ensure consistency and reliability of power supply to the operations, coal is used for onsite power generation which caters for the entire electricity demand of the company both for administrative and for production purposes. The steam used for power generation is further used as process steam in the production of both salt and soda ash. Additionally, the combustion of coal produces Carbon Dioxide (CO2) some of which is captured and used in the production of soda ash. MCM is currently the local coal mine closest to the Botash operation, hence its continued operation is key to Botash's sustainability. Whilst there are other coal mines and more started operations in 2019, the distance from MCM to the Sua Pan places the cost of transport in favour of MCM. Thus, MCM's existence and its continued operation are critical for the survival of Botash as the sourcing of coal elsewhere would be more costly and would erode margins. The ease of transport of coal is facilitated by a railway line between the two entities.

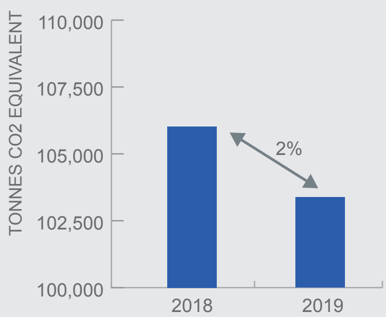
Year	Generated Electricity (MWh)	Imported Electricity (MWh)
2018	95 741	10 240
2017	67 323	30 543
2019	82 356	20 371

Carbon Footprint

Botash's carbon footprint decreased by 2 % from 2018 to 2019 despite an increase in the transport of products by road. This resulted in more diesel being burned for each tonne of product being hauled as road trucks carry a smaller load (~30 tonnes) relative to the fuel consumed, compared to a single locomotive that ferries ~1500 tonnes of product in a single trip. The marginal 2 % reduction in emissions observed can be linked to a 3 % reduction in overall electricity usage year on year.

Botash continues its engagement with both Transnet Freight Rail and Botswana Railways on how the rail transport system and infrastructure can be improved to reduce Botash's increasing reliance on road transport.

Total CO_2 Equivalent Emissions Year on Year



Tonnes CO2 Equivalent Emissions by Activity	Rail	Road	Electricity
2018	471	217	105 331
2019	331	535	102 515

Endnotes

1 Vision 2036 – Achieving Prosperity for All. 2016. Government of Botswana.
2 Vision 2036 – Achieving Prosperity for All. 2016. Government of Botswana.
3 National Development Plan. Volume 11. 2017-2023. Government of Botswana.
4 https://www.worldbank.org/en/country/botswana/overview
5 https://www.nordeatrade.com/fi/explore-new-market/botswana/economical-context
6 Southern Africa Economic Outlook. 2019. African Development Bank.
7 Southern Africa Economic Outlook. 2019. African Development Bank.
8 Southern Africa Economic Outlook. 2019. African Development Bank.
9 https://www.worldbank.org/en/region/afr/overview
10 https://www.afdb.org/en/countries/southern-africa/botswana/botswana-economic-outlook
11 https://wits.worldbank.org/CountryProfile/en/BWA
12 http://www.worldstopexports.com/botswanas-top-10-exports/
13 https://www.oecd.org/tax/tax-policy/brochure-revenue-statistics-africa.pdf

Botswana Ash (Proprietary) Limited

(Registration Number BW00000722677)

Annual Financial Statements

for the year ended 31 December 2019

Audited

Preparation of financial statements: These financial statements have been audited in compliance with the applicable requirements of the Companies Act of Botswana. Victoria T. Tebele, General Manager Corporate Services, was responsible for supervising the preparation of this set of financial statements.

Contents

* Page numbering has been updated from the one in the signed financial statements to align with the revised numbering in the Integrated Annual Report.

General Information

Incorporation and business activities

The company was incorporated in Botswana in terms of the Botswana Companies Act on 21 April 1995 as a private limited company. The company extracts and distributes soda ash and common salt from alkaline brine deposits present at Sua Pan in North Eastern Botswana.

The directors of the company during the financial year and to the date of this report were as follows:

Directors	ID Forbes (Chairman to 12 August 2019)
	Dr Nkisang Moeti
	N Mokgwathi (Resigned 12 August 2019)
	G Hirschowitz
	L J Engelbrecht
	N Sowazi (Chairman from 6 September 2019)
	KG Moshashane (Appointed 12 August 2019)
	V Ramalepa (Appointed 12 August 2019)
	HB Pheko (Appointed 12 August 2019)
	M Tshetlhane (Resigned 12 August 2019)
	O Ditsele (Appointed 12 August 2019)
	S Molalapata (Appointed 12 August 2019)
	K Phatshwane (Appointed 7 May 2019)
	GR Mojaphoko (Resigned 12 August 2019)
	MI Ebrahim (Resigned 12 August 2019)
	K Radebe (Resigned 6 September 2019)
	NM Kgosietsile (Resigned 12 August 2019)
Business Address	**Postal Address**
Botswana Ash (Proprietary) Ltd Sua Pan Botswana	Botswana Ash (Proprietary) Ltd Private Bag SOW 7 Sowa Town Botswana
Bankers	Barclays Bank of Botswana Limited, First National Bank of Botswana Limited, First National Bank of South Africa Limited
Auditors	KPMG Plot 67977, Off Tlokweng Road Fairgrounds Office Park Gaborone Botswana
Company Secretary	I Moatshe

General Information

The shareholders of Botswana Ash (Proprietary) Limited are the Government of the Republic of Botswana which holds 65,750 ordinary shares and Chlor-Alkali Holdings Proprietary Limited which also holds 65,750 ordinary shares. Chlor-Alkali Holdings Proprietary Limited is a company incorporated in South Africa. The holding company of Chlor- Alkali Holdings Proprietary Limited is Bud Chemicals and Minerals Proprietary Limited, incorporated in South Africa. The ultimate holding company is the Bud Group Proprietary Limited, incorporated in South Africa.

Directors' Report

The directors have pleasure in presenting an overview of the activities and financial results of Botswana Ash (Proprietary) Limited for the year ended 31 December 2019.

Review of Financial Results	**Financial year ended 31 December 2019**	**Financial year ended 31 December 2018**
Soda ash sales - kt	266.6	292.0
Sodium Bicarbonate sales - kt	2.3	1.1
Salt sales - kt	345.3	378.6
Gross revenue - Pula millions:		
Soda Ash	716.4	767.9
Sodium Bicarbonate	13.2	4.9
Salt	282.8	291.0
Transportation	16.7	16.0
Other income	2.1	23.8
Profit after tax - Pula millions	131.6	159.6

Directors' Responsibility Statement

The directors are responsible for the preparation of the annual financial statements that give a true and fair view of Botswana Ash (Proprietary) Limited, comprising the statement of financial position as at 31 December 2019 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and notes to the financial statements prepared in accordance with International Financial Reporting Standards. In addition, the directors are responsible for preparing the Directors Report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the company to continue as a going concern and have no reason to believe that the company will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the annual financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Approval of the annual financial statements

The financial statements of Botswana Ash (Proprietary) Limited, as set out on pages 11 to 52, were approved by the board of directors on 28 April 2020 and are signed on their behalf by:

N Sowazi-Chairman

S Molalapata-Director

Independent Auditor's Report

To the Shareholder of Botswana Ash (Proprietary) Limited

Opinion

We have audited the financial statements of Botswana Ash (Proprietary) Limited (the Company), which comprise the Statement of Financial Position as at 31 December 2019, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, Accounting Policies and Notes to the Financial Statements, as set out on pages 11 to 52*.

In our opinion, the financial statements give a true and fair view of the financial position of Botswana Ash (Proprietary) Limited as at 31 December 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

* Page numbering has been updated from the one in the signed financial statements to align with the revised numbering in the Integrated Annual Report.

Valuation and accuracy of soda ash and salt inventories

Refer to the accounting policies relating to inventories in note 1.5 and note 9 Inventories included in the notes to the financial statements.

Key audit matter	How the matter was addressed in our audit

The Company's core business is extraction and distribution of soda ash and common salt from alkaline brine deposits.
 	
Inventories comprise finished goods (soda ash and salt) as well as maintenance and consumable stores.
 	
The production cost of finished goods includes variable and fixed production overhead costs. Variable overhead costs are absorbed based on the actual utilisation of production facilities. Fixed production overhead costs are absorbed based on the normal utilisation of production facilities. The method in which the production costs are allocated between finished goods involves estimates and judgements based on the manufacturing process.
 	
Obsolete soda ash and salt inventories are identified on a regular basis with reference to the condition of the inventories. Furthermore, management ensure that soda ash and salt inventories are written down to their estimated net realisable value, based on estimated selling prices less estimated costs of completion, in accordance with IAS 2 – Inventory (IAS 2).
 	
As such, the valuation and accuracy of soda ash and salt inventories were considered a key audit matter.
	Our audit procedures performed included the following:
	
	• We evaluated the design, implementation and operating effectiveness of controls applied by management over the preparation and review of the fixed and variable overheads allocated to soda ash and salt, inventory movements and the allowances for obsolescence.
	
	• We tested the accuracy of the inputs into the variable and fixed production overheads, which are key inputs in the inventory costing process, by agreeing the inputs to supplier invoices, payroll records.
	
	• To assess the condition of inventories at year end which impacts the obsolescence allowances, we:
	  • Attended the year-end inventory counts and observed the procedures performed by the external quantity surveyors and inspected the soda ash and salt for indications of contamination and damage; and
	  • Evaluated the competence, capabilities, objectivity and independence of the external quantity surveyors engaged by management by conducting background checks, reviewing their qualifications and experience and verifying their membership to professional bodies.

	• We assessed for reasonableness the allocation of production overheads to soda ash and salt based on the utilisation of production facilities and our understanding of the production process. • We challenged the appropriateness of the inventory obsolescence policy by benchmarking with industry norms and performing a retrospective review of historical differences between the allowances for inventory obsolescence and actual write-offs. • We assessed the reasonableness of the net realisable value of finished goods on a sample basis by comparing the estimated selling prices to recent selling prices per acknowledged customer invoices and assessed the reasonableness of the related total cost of their sale on a sample basis to recent costs incurred • We assessed the adequacy of the disclosures of significant accounting assumptions and estimates used to determine the valuation of inventories in terms of IAS 2.

Valuation of the site restoration and decommissioning provisions

Refer to the accounting policies relating to provisions in note 1.12 and note 16 Provisions for site rehabilitation and decommissioning included in the notes to the financial statements.

Key audit matter	How the matter was addressed in our audit
At 31 December 2019, the Company's statement of financial position includes a provision of P65.06 million relating to the estimated cost of rehabilitation, decommissioning and restoration for areas effected by mining and manufacturing activities. Experienced environmental experts are engaged by the Company every five years in the determination of the estimated site rehabilitation and decommissioning cost which is used in determining this provision The rehabilitation and decommissioning provision is reviewed and re-measured in line with changes in key assumptions by management on an annual basis. The following key assumptions are considered in the calculation and re-measurement of this provision: Discount rates, inflation rates, size of area to be rehabilitated, period to rehabilitation and the expected cost of decommissioning materials and labour. Due to the inherent uncertainty in estimating discount rate, inflation rates, period to rehabilitation and estimated rehabilitation costs, the valuation of the provision for site rehabilitation and decommissioning was considered a key audit matter.	Our audit procedures performed included the following: • We evaluated the design and implementation of controls applied by management in determining the provision for site rehabilitation and decommissioning based on our understanding of the nature of the Company's business and applicable environmental laws and regulations. The process included review and re-measurement in line with changes in key assumptions like discount rates, inflation, size of area to be rehabilitated, period to rehabilitation and the expected cost of decommissioning materials and labour.; • We assessed and challenged assumptions and judgements used by management in the review and re- measurement of the provision for site rehabilitation and decommissioning from the last valuation conducted by the environmental expert in 2015. We achieved this through obtaining the updated calculations from management and assessing for reasonableness the key assumptions (discount rates, inflation, size of area to be rehabilitated, period to rehabilitation and the expected cost of decommissioning materials and labour) used in the revised calculation of the provision through comparing them with corroborating internal data and external data from relevant regional central banks; • We evaluated whether the accounting treatment applied, in determining the provision for site rehabilitation and decommissioning, and the related disclosures in the financial statements are in accordance with the applicable financial reporting framework.

Other information

The directors are responsible for the other information. The other information comprises the General Information, Directors' Report and Directors' Responsibility Statement. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Kpmg

KPMG

Certified Auditors

Practicing Member: A. G. Devlin 19960060

28 April 2020

Gaborone

Statement of Profit or Loss and Other Comprehensive Income

Figures in Pula thousands		2019	2018
Revenue	4	1,029,116	1,079,842
Cost of sales		(516,023)	(543,628)
Direct material cost		(291,634)	(337,109)
Production overheads		(224,389)	(206,519)
Gross profit		**513,093**	**536,214**
Administration and other expenses		(347,112)	(370,329)
Non production overheads		(224,942)	(248,057)
Selling and distribution costs		(122,170)	(122,272)
Other income		2,177	23,822
Foreign exchange gain/(loss)		2,014	(3,107)
Other income		163	26,929
Loss from disposal of a subsidiary	24	(7)	-
Finance income - bank deposits		12,040	8,963
Finance cost from lease liability		(4,037)	-
Profit before taxation	5	**176,154**	**198,670**
Taxation	6	(44,600)	(39,062)
Profit after taxation		**131,554**	**159,608**
Other comprehensive income		-	-
Total comprehensive income for the year		**131,554**	**159,608**

Statement of Financial Position

Figures in Pula thousands	Notes	2019	2018
Assets			
Non-current assets		**503,771**	**432,215**
Property, plant and equipment	7	503,771	432,208
Investment in subsidiary	24	-	7
Current assets		**611,839**	**623,627**
Inventories	9	206,338	202,773
Current tax assets	6	2,084	9,825
Trade and other receivables	10	132,079	122,197
Cash and cash equivalents	11	271,338	288,832
Total assets		**1,115,610**	**1,055,842**
Equity and reserves		**866,711**	**815,157**
Stated capital	12	131,500	131,500
Retained income		735,211	683,657
Non-current liabilities		**109,964**	**86,653**
Deferred income	13	483	508
Long term operating lease accrual		-	9,872
Provision for site rehabilitation and decommissioning	16	65,061	55,459
Deferred tax liabilities	8	28,391	20,814
Lease liability long term portion	14	16,029	-
Current liabilities		**138,935**	**154,032**
Trade and other payables	15	122,415	142,028
Short term portion of deferred income	13	26	26
Short term portion of operating lease accruals		-	11,978
Lease liability - short term portion	14	16,494	-
Total liabilities		**248,899**	**240,685**
Total equity and liabilities		**1,115,610**	**1,055,842**

Statement of Changes in Equity

Figures in Pula thousands	Stated capital	Retained income	Total
Balance at 1 January 2018	131,500	524,195	655,695
Adjustment on adoption of IFRS 9	-	(146)	(146)
Balance at 1 January 2018 restated	131,500	524,049	655,549
Total Comprehensive income	-	159,608	159,608
Balance at 31 December 2018	**131,500**	**683,657**	**815,157**
Balance at 1 January 2019	131,500	683,657	815,157
Total Comprehensive income	-	131,554	131,554
Dividends declared and paid	-	(80,000)	(80,000)
Balance at 31 December 2019	**131,500**	**735,211**	**866,711**
Note	**12**		

Botswana Ash (Pty) Ltd

Statement of Cashflow

Figures in Pula thousands	Notes	2019	2018
Operating activities			
Operating cash flows for the year	**17.1**	**239,792**	**236,625**
Working capital changes	**17.2**	(22,626)	(10,084)
Operating profit		**217,166**	**226,541**
Interest received		11,171	8,963
Taxation paid		(29,282)	(42,339)
Cash flows generated from operating activities		**199,055**	**193,165**
Investing activities			
Additions to plant and equipment	**7**	(113,454)	(120,241)
Proceeds on disposal of plant and equipment		1,748	221
Cash flows utilised in investing activities		**(111,706)**	**(120,020)**
Financing activities			
Repayment of lease liability	14	(24,843)	-
Dividends paid		(80,000)	
Cash flows utilised in financing activities		**(104,843)**	-
Cash and cash equivalents			
- Net movement for the year		(17,494)	73,145
- At the beginning of the year		288,832	215,687
- At the end of the year	**11**	**271,338**	**288,832**

Accounting Policies

1. Accounting policies

1.1 Basis of preparation

Botswana Ash (Proprietary) Limited, the "company" was incorporated in Botswana and is engaged in the extraction and distribution of soda ash and common salt from alkaline brine deposits present at Sua Pan in North Eastern Botswana. The head office is situated at Sua Pan, Botswana.

Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). The financial statements have been authorised for issue by the directors on 17 March 2020. No authority was given to anyone to amend the financial statements after the date of issue.

Basis of measurement and going concern

The financial statements have been prepared on the historical cost basis except as otherwise indicated in the accounting policies below. Other than the application of IFRS 16: Leases, there were no changes in the application of accounting policies from the prior year as all accounting policies have been applied consistently, Refer to note 2 included in the Accounting Policies for the adoption and implementation of IFRS 16: Leases.

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

Functional and presentation currency

These financial statements are presented in Botswana Pula, which is the company's functional currency. All financial information presented in Botswana Pula has been rounded to the nearest thousand, except as otherwise indicated.

Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities are included in the following notes:

Accounting Policies

Accounting policies continued...

Note reference	Detailed description	Estimate and/or judgement
Note 1.2	The evaluation of residual values and depreciation rates applied to property, plant and equipment items.	Estimate and judgement
Note 1.5	The method in which production costs are allocated between soda ash and salt.	Estimate and judgement
Note 1.12	The calculation and recognition of the site rehabilitation and decommissioning provisions.	Estimate and judgement
Note 1.14	Evaluating trade and other receivables and key assumptions in determining the historical loss rates.	Estimate and judgement

1.2 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- It is probable that future economic benefits associated with the item will flow to the company; and
- The cost of the item can be measured reliably.

Property, Plant and equipment is initially measured at cost.

Cost includes expenditure that is directly attributable to the acquisition of an asset that will be used for longer than one financial period (12 months) and is capital in nature (not held for trading or part of trading activities of the entity). The cost of self constructed assets includes the following: the cost of materials and direct labour; any other costs directly attributable to bringing the assets into a working condition for their intended use, when the company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing items and restoring the site on which they are located and capitalised borrowing costs. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of the day-to-day servicing of plant and equipment is recognised in profit or loss as incurred. Insurance spares are included as plant and equipment where they will be used over more than one period. These items are measured at cost and depreciated on an annual basis.

Work in progress - expenditure during the construction period incurred on projects under implementation are treated as pre operative expenses pending allocation to the assets, and are included under capital work in progress. Capital work in progress is stated at the amount incurred up to the reporting date if the following criteria are met:

- Future economic benefits from the use of this capital work in progress asset is probable; and
- The cost can be reliably measured Work in progress is not depreciated.

Work in progress is not depreciated.

Subsequent costs are included in the asset's carrying amount or recognised as an separate asset, as appropriate only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

Accounting Policies

Accounting policies continued...

Property, plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses.

Other than aircraft engines, property, plant and equipment are depreciated on the straight-line basis over their expected useful lives. Useful life is the estimated lifespan of a depreciable fixed asset, during which it can be expected to contribute to company operations) and to their estimated residual values (the amount the company expects to receive for an asset at the end of its service life, less any disposal costs). Aircraft engines are depreciated based on the number of flight (engines) hours.

The useful lives of items of Property, plant and equipment are as follows:

Item	Average useful life
Plant & equipment (Sua Pan)	7 - 50 years (limited to remaining mining lease period)
Motor vehicles	5 - 25 years (limited to remaining mining lease period)
Buildings	8 - 50 years (limited to remaining mining lease period)
Plant and equipment (Natalspruit)	6 - 40 years (limited to remaining mining lease period)
Aircraft	Flight hours (engines) and 10 - 19 years for other parts
Office equipment and furniture	5 years
Computer equipment and software	3 years
Right of use asset	Lease period

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectation differs from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss.

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

Repairs and maintenance

Repairs and maintenance expenses are recognised in profit or loss during the financial period in which these expenses are incurred. The cost of a major renovation is included in the carrying amount of the related asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the company. Major renovations are depreciated over the remaining useful life of the related asset, or until the next planned major renovation, whichever period is shorter.

1.3 Investment in subsidiary

The investments in subsidiaries are measured at cost less any impairment. The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred, and equity instruments issued by the company;
- any costs directly attributable to the purchase of the subsidiary; and
- Gain or loss on disposal or liquidation of an investment in a subsidiary is recognised in the profit or loss.

Accounting Policies

Accounting policies continued...

1.4 Leases (pre 1 January 2019)

Finance leases - Lessee

Finance leases are recognised as assets and liabilities in the statement of financial position as property, plant and equipment at amounts equal to the fair value of the leased property, plant and equipment or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in the calculating the present value of the minimum lease payments is the interest implicit in the lease.

The lease payments are apportioned between the finance cost and reduction of the outstanding liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Operating leases - Lessee

Operating leases are those leases which do not transfer significantly the risks and rewards of ownership. Operating lease rentals which do not have fixed escalation indices are recognised in profit or loss as they become due. Operating leases which have fixed escalation indices are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

As a lessor

Where the company is acting as a lessor, each of its leases is classified as either an operating or finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. Indicators of a finance lease include whether the lease is for the major part of the economic life of the asset, whether the lease transfers ownership of the asset to the lessee by the end of the lease term and whether at inception date of the lease, the present value of the minimum lease payments amount to substantially all of the fair value of the leased asset.

Leases where a significant portion of the risks and rewards incidental to ownership are retained by the lessor, are classified as operating leases.

When the company is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the company applies the exemption described above, then it classifies the sub-lease as an operating expense.

Rental income is classified as other income.

Refer to Note 2, Changes in accounting policies for details on the adoption and implementation of IFRS 16: Leases.

Accounting Policies

Accounting policies continued...

1.5 Inventory

Finished goods consist of soda ash and salt in saleable form and are valued at the lower of cost and net realisable value. The standard costing method (which approximates actual cost) is applied in the valuation of soda ash and salt inventory items.

The company's operations consist of mining and processing activities. Mining activities are related to both soda ash and salt production. Costs related to mining activities are allocated to soda ash and salt inventories based on estimated quantities which are based on historic product information. Production activities and cost centres are identified for soda ash and salt respectively based on process maps and includes the determination of resource consumption for each manufacturing process. The identified activities cover the process from the pumping of brine to the utilities plant.

Cost of production of soda ash comprises of direct materials consumed to produce power and steam, electricity purchased, an appropriate share of fixed production overheads based on normal utilisation of production facilities and transport costs to storage depots. Cost of production of salt comprises of direct materials consumed to produce power and steam, electricity purchased, chemicals added to the product, an appropriate share of fixed production overheads based on normal utilisation of producton facilities and transport costs to storage depots. Cost of production of soda ash and salt includes the variable overhead costs that are allocated based on the materials and consumables utilised in the production process.

Maintenance spares, materials and consumables are valued at the lower of cost and net realisable value using the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The cost of maintenance spares and consumables includes expenditure incurred in acquiring inventories and bringing items to their existing location and condition. Obsolete, redundant and slow moving inventories are identified on a regular basis with reference to ageing reports and are written down to their estimated net realisable values.

1.6 Stated capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are recognised in equity net of any tax effects.

1.7 Employee benefits

Short-term employee benefits

Short- term employee benefits are recognised as an expense in profit or loss as the related service is provided. A liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The obligation for employee entitlement to wages, salaries, and annual leave represent the amount which the company has a present obligation to pay as a result of employee services provided to the reporting date. Short-term benefit obligations are undiscounted. The expected cost of profit-sharing and bonus payments is recognised as an expense in profit or loss when there is a legal or constructive obligation to make such payments as a result of past performance.

The company established a defined contribution pension scheme in November 2001, managed by Alexander Forbes Financial Services Botswana (Proprietary) Limited for all citizen employees. A gratuity scheme is in place for expatriate employees in terms of their employment contracts. The majority of citizen employees, previously covered under the severance benefit scheme, were converted to the pension fund scheme.

Accounting Policies

Accounting policies continued...

The expected gratuity and pension contribution liabilities have been accrued, based on services rendered, at the reporting date. Obligations for contributions to the pension scheme are recognised as an expense in profit or loss as incurred. There are no post-retirement medical funding obligations.

Citizen employees who are not members of the pension scheme, are entitled to severance benefits as regulated by the Labour Act applicable in Botswana.

1.8 Revenue from contracts with customers

Revenue is recognised on individual sale of goods when control transfers to the customer. Control transfers to the customer upon satisfaction of the performance obligation within each individual contract. In determining when control transfers, five indicators of control are considered:

- The customer has the significant risks and rewards relating to ownership and has the ability to direct the use of, and obtain substantially all of the benefits from the good or service;
- The customer has a present obligation to pay in accordance with the terms of the contract stating when the obligation to pay arises;
- The customer has accepted the asset. Revenue may be subject to adjustment when product specifications do not conform to the terms specified in the contract. Specification and grade adjustments have been historically immaterial;
- The customer has legal title of the asset. The company usually retains legal title until payment is received for credit risk purposes only; and
- The customer has physical possession of the asset. This indicator may not be applicable when control of the asset is obtained prior to physical possession, which may be the case for stock in transit where the customer obtains control of the goods prior to physical possession.

Revenue is stated net of Value Added Tax, rebates and discounts.

The company produces and sells salt and soda ash to customers. The directors assessed that the provision of transportation service to certain customers represents a separate performance obligation from the sale of goods (salt and soda ash), and accordingly revenue is recognised for each of these performance obligations when control over the corresponding goods and services is transferred to the customer.

Revenue is measured based on the consideration to which the company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product or service to a customer.

Sale of goods - salt and soda ash

Control over the goods is transferred to the customer when the goods are delivered at the customer premises, delivered to a specific location or upon loading into a mode of transport depending on the terms of the contract. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the company when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. In instances where transportation costs are recognised as a separate performance obligation from the sale of goods for specific contracts, the transaction price is allocated to sale of goods and transportation performance obligations on a stand alone selling price basis.

Accounting Policies

Accounting policies continued...

Customers have a right of rejecting goods that do not meet certain specifications and composition following a quality inspection of the goods. The company has an obligation of replacing the defective goods confirmed through inspection within a reasonably short time based on the terms of the contract with customers or may issue a credit note to the customer. The company recognises a loss in profit or loss for replacement of goods or adjustment to revenue with regards to credit notes issued.

Sale of service - transportation of goods

Included in the transaction price for the sale of goods in respect of certain contracts is the transportation of goods on behalf of the related customers. The transportation service is considered to be a distinct service for these customers. A portion of the transaction price is therefore allocated to the transportation services based on the stand-alone selling price of those services.

Revenue relating to the transportation services is recognised at a point in time based on the period from when transport of the goods begins through to the point of delivery of the goods. The transportation services are normally rendered over a short period of time (three to five days) due to the nature of these services. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15: Revenue from contracts with customers.

1.9 Finance income and finance costs

Interest received is recognised in profit or loss as the interest accrues using the effective interest rate method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or the gross carrying amount of the financial asset or the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit- impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

1.10 Other income

Other income comprises gain or losses on foreign exchange transactions and non-turnover related income. Any gain or loss as a result from a foreign currency transaction is recognised in profit or loss. Non turnover related income includes proceeds from insurance claims, proceeds from sale of assets and liabilities.

1.11 Training grants

Under the terms of section 13 of the Heads of Agreement between the shareholders, the Government of Botswana used to make available to the company funds to cover the cost of on-site training facilities, educational bursaries and training course fees. This agreement expired on 31 March 2003. The component of the training grants relating to the construction of training facilities was capitalised as part of plant and equipment. The income is deferred and is amortised over the economic life of the training facilities.

Accounting Policies

Accounting policies continued...

1.12 Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an expense in profit or loss.

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production. The estimated cost arising from the need to decommission plant and rehabilitate the site, at its present value, is provided for and capitalised when the obligation to incur such costs arises. This cost is recognised in profit or loss over the life of the operation through the depreciation of the asset and the unwinding of the discount on the provision. An external consultant is used to estimate the cost to decommission the plant and rehabilitate the site. These estimates are updated every five years by an external consultant. The assumptions applied by the external consultant in estimating these costs are evaluated by management on an annual basis.

1.13 Dividend distributions

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the directors. Dividends declared after the reporting date are not recognised as a liability.

1.14 Financial instruments

Classification

The company classifies a financial asset on initial recognition as measured at: amortised cost; fair value through other comprehensive income (FVOCI) - debt instrument or equity instrument; or fair value through profit or loss (FVTPL).

The company classifies a financial liability as a financial liability at amortised cost or financial liability at fair value through profit or loss (FVTPL).

Recognition and measurement of financial instruments

The company initially recognises trade and other receivables when they originate. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

The financial asset (unless it is a trade receivable without a significant financing component) or a financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. Trade and other receivables without a significant financing component is initially measured at the transaction price.

The company does not reclassify financial assets subsequently unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Accounting Policies

Accounting policies continued...

Trade and other receivables

The company measures trade and other receivables at amortised cost if it meets both the following conditions and are not designated as at FVTPL:

- Hold to collect business model test - the asset held within a business model with an objective to hold the financial asset in order to collect contractual cash flows; and
- Solely payments of principal and interest (SPPI) contractual cash flow characteristics test - the contractual terms of the financial asset give rise to cash flows that are SPPI on the principal amount outstanding on a specific date.

The company subsequently measures trade and other receivables at amortised cost, using the effective interest method, less accumulated impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short- term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash and cash equivalents are measured at amortised cost which is deemed to be fair value due to its short term maturity plus any impairments recognised.

Trade and other payables and loans from related parties

The company initially recognises trade and other payables and loans from related parties as a financial liability at fair value. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest method.

Derecognition of financial instruments

The company derecognises a financial asset when the contractual rights to the cash flows from the asset expires, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control over the transferred asset. An interest in such a derecognised financial asset that is created or retained by the company is recognised as a separate asset or liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The company derecognises a financial liability when the contractual obligations are discharged or cancelled or expire.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Accounting Policies

Accounting policies continued...

Impairment of financial instruments

The company recognises a loss allowance for estimated credit losses (ECLs) on financial assets measured at amortised cost. The measurement of the loss allowance amount is equal to the lifetime ECLs. This model applies to financial assets measured at amortised cost and debt instruments measured at FVOCI.

The company's trade receivables do not contain a significant financing component in accordance with IFRS 15 Revenue from contracts with customers (so generally trade receivables have a majority of 12 months or less), 'lifetime expected credit losses' are required to be recognised because the maturities will typically be 12 months or less and the credit loss for 12-month and lifetime ECLs would be the same. The company changed its method of estimating impairment losses for the financial year ending December 2019, from the Loss Rate Approach to the Probability of Default Approach as an alternative contained in IFRS 9: Financial instruments. The simplified impairment model is based on the provision matrix underpinned by the debtors age analysis.

Impairment losses under the Probability of Default Approach are computed as a product of historical probability of default (PD), Loss given default (LGD), Exposure at Default (EAD) and adjusted for relevant forward looking macro economic fundamentals such as Gross domestic product (GDP) and Unemployment rates. Given the short- term nature of the trade receivables, management does not expect the macro-economic factors which are deemed to be medium to long-term in nature to impact the impairment of trade receivables and consequently we have ignored these factors in deriving the impairment model.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and includes forward-looking information.

Definition of default

The company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its
- creditors, including the company, in full (without taking into account any collateral held by the company).

Irrespective of the above analysis, the company considers that default has occurred when a financial asset is more than 90 days past due unless the company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

Accounting Policies

Accounting policies continued...

are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial assets.

At each reporting date, the company assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

The company presents the allowance for ECLs for financial assets measured at amortised cost as a deduction from the gross carrying amount of the asset in the statement of financial position.

The company will write off the gross carrying amount of a financial asset if the company has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

The company recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised in accordance with IFRS 9.

Derivative financial instruments

In accordance with its treasury policy, the company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that are entered into as economic hedges but do not qualify for hedge accounting are accounted for as trading instruments.

Derivatives are recognised initially at fair value and directly attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivative financial instruments are stated at fair value with any gain or loss on remeasurement to fair value recognised immediately in profit or loss. Derivative financial instruments comprise interest rate swaps.

Derivatives are derecognised when the hedging instrument expires or is sold, terminated or exercised.

Accounting Policies

Accounting policies continued...

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

1.15 Impairment of non-financial assets

The company assesses at reporting date whether there is any indication that an asset may be impaired. If any such indicators exist, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:

- Tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing their carrying amount with their recoverable amount. This impairment test is performed during the annual period and at the same time every year.
- Tests goodwill acquired in a business combination for impairment annually.
- If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash- generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets measured at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the 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 acquired are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment as defined by paragraph 5 of IFRS 8, Operating Segments, before aggregation.

Accounting Policies

Accounting policies continued...

An impairment loss is recognised for cash- generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- First, to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and
- Then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exist, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets measured at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

1.16 Financial guarantee contracts

Financial guarantee contracts are classified as insurance contracts as defined in IFRS 4 Insurance Contracts. A liability is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle such contracts and a reliable estimate can be made of the amount of the obligation. The amount recognised is the best estimate of the expenditure required to settle the contract at the reporting date.

1.17 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

Deferred tax is provided for using the statement of financial position liability method in respect of all temporary differences. Temporary differences are differences between the carrying amount of assets and liabilities for accounting purposes and the amounts used for tax purposes.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction, which affects neither accounting profit nor taxable profit/(tax loss).

Accounting Policies

Accounting policies continued...

Deferred tax assets are not recognised for temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future and on taxable temporary differences arising on the initial recognition of goodwill.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to tax levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

Tax expense

Current and deferred taxes are recognised as income or as an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- A transaction or event which is recognised, in the same or a different period, in other comprehensive income and equity; or
- A business combination.
- Current and deferred taxes are recognised in other comprehensive income if the tax relates to items that are recognised in the same or a different period, in other comprehensive income.

Current tax and deferred taxes are recognised directly in equity if the tax relates to items that are recognised, in the same or a different period, directly in equity.

Withholding tax of 7.50% is payable on the gross value of dividends declared and paid.

1.18 Foreign currency transactions

Transactions conducted in foreign currencies are translated to Pula at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Pula at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical costs in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in profit or loss.

1.19 Contingent liabilities

The company applies its judgment to the fact patterns and advice it receives from its attorney, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement is used to determine whether the obligation is recorded as a liability on the statements of financial position or disclosed as a contingent liability.

Accounting Policies

Accounting policies continued...

1.20 Internally generated intangible assets (development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- It is technically feasible to develop the product for it to be sold;
- Adequate resources are available to complete the development;
- There is an intention to complete and sell the product; and
- The Company is able to sell the product ;

Capitalised development costs are amortised over the periods the company expects to benefit from selling the products developed. Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the statement of comprehensive income as incurred.

2. Changes in accounting policy

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year other than as disclosed in this note. The company has initially applied: Leases: (IFRS 16) from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they did not have a material effect on the financial statements. Refer to note 3.

Refer to Accounting Policies note 1.4 - Leases for the accounting policy applicable to leases prior to 1 January 2019. Due to the transition method chosen by the company in applying the new standard, comparative information throughout these financial statements has not been restated to reflect the requirements of IFRS 16: Leases.

The effect of initially applying IFRS 16 is mainly attributed to the following:

- Right- of- use assets and corresponding lease liabilities are recognised in the statement of financial position for all arrangements where identified assets are controlled for a period of time in exchange for consideration. Any other payments that relate to the use of assets is expensed as incurred, applying the practical expedients per IFRS 16.
- Instead of applying lease smoothing, additional depreciation will be recognised for all right-of-use assets and the lease liability will be amortised using the effective interest method resulting in an interest expense.

IFRS 16 Leases (post 1 January 2019)

The company has adopted all of the requirements of IFRS 16 (IFRS 16) effective 1 January 2019 (initial application). IFRS 16 replaces 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 company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported in terms of IAS 17 and IFRIC 4: Determining whether an arrangement contains a lease. The company recognised the cumulative effect of initial application of IFRS 16, in terms of the modified retrospective approach, in retained earnings at 1 January 2019.

Accounting Policies

Changes in accounting policies continued...

As a lessee

The company recognises a right- of- use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of identified assets for a specific period. The commencement date is the date on which a lessor makes an underlying asset available for use to the lessee.

The right-of-use assets are initially measured at cost, which comprises the amount of initial measurement of the lease liability adjusted for:

- any lease payments made at or before the commencement date;
- plus any initial direct costs incurred by the lessee;
- plus an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets or restoring the site on which the asset is located;
- less any lease incentives.

Subsequent to initial measurement, the right-of-use assets are depreciated from the commencement date using the straight- line method over the shorter of the estimated useful lives of the right-of-use assets or the end of the lease term. These are as follows:

Right-of-use asset	Useful life is shorter of lease term or useful life of related asset
Buildings and premises	8 - 50 years (limited to remaining mining lease period)
Plant and equipment	6 - 40 years (limited to remaining mining lease period)

After the commencement date, the right- of- use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses adjusted for any re-measurement of the lease liability.

Impact of adopting IFRS 16 on the financial statements

The adoption of IFRS 16 resulted in the company recognising a number of leases for land, buildings and as well as equipment on 1 January 2019. These were previously treated as operating leases in terms of IAS 17. On 1 January 2019, the previously recognised equalisation of operating lease liabilities in terms of IAS 17 was derecognised from trade and other payables and there was no impact relating to deferred tax. On transition leases were recognised using the modified retrospective approach as follows:

- Option 1 - when measuring the right- of- use asset, set the right- of- use asset equal to the lease liability and thus the equalisation of operating lease liabilities in terms of IAS 17 is set off against the right-of-use asset.

Accounting Policies

Changes in accounting policies continued...

The following table summarises the impact of adopting IFRS 16 on the financial statements as at 1 January 2019:

	Pula
Operating lease commitment at 31 December 2018 excluding low value leases - (Non cancellable period)	81,902,917
Effect of discounting non cancellable lease commitments at an annual rate of 10% and 7.5%	(28,283,876)
Lease liability recognized on the statement of financial position as at 1 January 2019	53,619,041
Current Portion	21,075,965
Long-term Portion	32,543,075

The right of use asset recognised on 1 January 2019 was P32,590,000 which is equivalent to the lease liability recognised of P53,619,041 less straight- lining adjustment for operating leases of P21,029,041 as at 1 January 2019.

3. New Standards and Interpretations

3.1 Standards and Interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations although they did not have a significant impact on the financial statements.

Standard	Years beginning on or after
• IAS 28 Investments in Associates and Joint Ventures - Long term interest in Associates and Joint Ventures	01 January 2019
• IAS 23 Borrowing Costs - Annual Improvements to IFRS	01 January 2019
• IAS 19 Employee Benefits - Plan Amendments, Curtailment or Settlement (Amendments to IAS 19)	01 January 2019
• IFRS 3 Business Combinations - Clarifications that when an entity obtains control of a joint operation	01 January 2019
• IFRS 9 Financial Instruments - Prepayment Features with Negative Compensation	01 January 2019
• IFRS 11 Joint Arrangements - Clarifications that when an entity obtains control of a joint operation	01 January 2019
• IFRS 16 Leases - New standard issued	01 January 2019
• IAS 12 Income Taxes - Clarification on all income tax consequences of dividends	01 January 2019
• IFRIC 23 Uncertainty over Income Tax Treatments	01 January 2019
• Annual Improvements to IFRSs 2015 - 2017 Cycle	01 January 2019
• IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Disclosure Initiative: The amendments clarify and align the definition of ‘material’ and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards	01 January 2019

Accounting Policies

New Standards and Interpretations continued...

3.2 Standards and interpretations not yet effective

A number of new standards were effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the company has not early adopted the new standards or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the company's financial statements.

- IAS 1 - Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Materiality (Amendments to IAS 1 and IAS 8)

Notes to the Financial Statements

Figures in Pula thousands	2019	2018

4. Revenue

The company derives its revenue from the transfer of goods and services over time and at a point in time.

	2019	2018
Timing of revenue recognition:		
At a point in time:		
• Salt	282,794	291,014
• Soda ash	716,361	767,890
• Sodium bicarbonate	13,231	4,938
Over time:		
• Transportation	16,730	16,000
Total revenue	**1,029,116**	**1,079,842**

5. Profit before taxation

Profit before taxation is stated after taking into account the following:	2019	2018
Amortisation of training grant	(26)	(26)
Auditor's remuneration - for services	(715)	(874)
Depreciation	(70,491)	(54,861)
Director's fees -		
- for services as directors	(504)	(400)
- for management services	(1,738)	(1,598)
(Profit) Loss or on disposal of plant andequipment	(1,748)	221
Rent paid for housing		
- cash payments	-	(22,695)
- operating lease accrual	-	10,419
Rent paid for land		
- cash payments	(545)	(529)
- operating lease accrual	842	(167)
Salaries and wages	(129,821)	(118,707)
Contributions to pension, medical and other staff funds	(26,569)	(49,887)
Other staff costs	(18,778)	(16,964)
Unwinding of site rehabilitation and decommissioning provisions	(9,602)	(4,359)
Interest received - bank deposits	12,040	8,963
Foreign exchange gain/ (loss) - unrealised	2,014	(3,107)

Notes to the Financial Statements

Figures in Pula thousands	2019	2018
6. Taxation		
Reconciliation of taxation		
Normal tax current tax expense	36,784	41,462
- Mining	10,246	15,721
- Manufacturing	23,889	23,769
- Other	2,649	1,972
- Prior year under/(over) provision	239	(1,124)
Deferred tax current year	7,577	(1,276)
Taxation per profit or loss	**44,600**	**39,062**
Taxation refundable		
Balance brought forward	(9,825)	(7,824)
Tax refund received	9,582	-
Company taxation per profit or loss	37,023	40,338
Self-assessment taxation payments made	(38,864)	(42,339)
Closing balance	**(2,084)**	**(9,825)**
Effective taxation reconciliation		
Taxation per profit or loss is reconciled to accounting profit as follows:		
Profit before taxation	176,154	198,670
Taxation on manufacturing process income	23,019	25,201
Taxation on mining process income	19,986	13,716
Taxation at statutory tax rate	43,005	38,917
Non-deductible expenses	513	145
Income taxed at a higher rate	843	-
Prior year under/(over) provision rate	239	-
Taxation per profit or loss	**44,600**	**39,062**

Notes to the Financial Statements

Notes to the Financial Statements

Figures in Pula thousands

7. Property, plant and equipment

Balances at year end and movements for the year

	Right of use asset land	Buildings	Right of use asset machinery	Plant & Equipment (Sua Pan)	Motor Vehicles	Aircraft	Office equipment	Computer equipment	Work In Progress	Right of use asset- land (Natalspruit)	Plant and equipment (Natalspruit)	Right of use asset staff houses	Total
Reconciliation for the 2019 year													
Balance at 1 January 2019													
At cost	-	77,706	-	518,300	103,834	27,794	531	15,224	16,997	-	26,558	-	**786,944**
Accumulated depreciation and impairment	-	(31,903)	-	(206,246)	(70,998)	(12,443)	(510)	(13,059)	-	-	(19,577)	-	**(354,736)**
Net book value at 1 Jan 2019	**-**	**45,803**	**-**	**312,054**	**32,836**	**15,351**	**21**	**2,165**	**16,997**	**-**	**6,981**	**-**	**432,208**
Movement for the year	**135**	**1,474**	**452**	**42,371**	**(4,790)**	**(2,835)**	**(21)**	**(783)**	**15,543**	**14,316**	**(1,065)**	**6,766**	**71,563**
Additions to right of use assets on adoption of IFRS 16	141	-	454	-	-	-	-	-	-	15,050	-	16,945	**32,590**
Additions	-	-	-	-	-	-	-	-	113,454	-	-	-	**113,454**
Adjustment to opening balance Cost	-	2,287	-	(2,277)	-	-	-	-	(150)	-	-	-	**(140)**
Adjustment to opening balance Depreciation	-	152	-	697	238	444	-	14	-	-	(191)	-	**1,354**
Depreciation	(6)	(4,695)	(2)	(44,142)	(7,116)	(3,279)	(21)	(797)	-	(734)	(874)	(10,179)	**(71,845)**
Transfers from work in progress	-	5,606	-	88,804	3,350	-	-	-	(97,761)	-	-	-	**(1)**
Disposals cost	-	(2,079)	-	(3,995)	(3,645)	-	-	-	-	-	-	-	**(9,719)**
Disposal depreciation	-	203	-	3,284	2,383	-	-	-	-	-	-	-	**5,870**
Property, plant and equipment at the end of the year	**135**	**47,277**	**452**	**354,425**	**28,046**	**12,516**	**-**	**1,382**	**32,540**	**14,316**	**5,916**	**6,766**	**503,771**
Closing balance at 31 December 2019													
At cost	141	85,599	454	600,832	103,539	27,794	531	15,224	32,540	15,050	26,558	16,945	**925,207**
Accumulated depreciation and impairment	(6)	(38,322)	(2)	(246,407)	(75,493)	(15,278)	(531)	(13,842)	-	(734)	(20,642)	(10,179)	**(421,436)**
Net book value at 31 December 2019	**135**	**47,277**	**452**	**354,425**	**28,046**	**12,516**	**-**	**1,382**	**32,540**	**14,316**	**5,916**	**6,766**	**503,771**

Change in estimates

The company reassessed the useful lives of plant and equipment items in the current period, including a reassessment of the various components of mining assets, as required by IAS 16 Property, plant and equipment. This resulted in an increase in depreciation (included in production overheads) of P10,718,644 in the current year. The change in estimate was applied prospectively in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors.

The estimated impact on depreciation for the next four financial years is as follows:

Estimated depreciation ('000s)	**2020**	**2021**	**2022**	**2023**
	16,128	10,033	8,212	8,018
	16,128	**10,033**	**8,212**	**8,018**

Notes to the Financial Statements

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Figures in Pula thousands

Property, plant and equipment continued...

Reconciliation for the 2018 year	Right of use asset land	Buildings	Right of use asset machinery	Plant & Machinery (Sua Pan)	Motor vehicles	Aircraft	Office equipment	Computer equipment	Work in Progress	Right of use asset- land (Natalspruit)	Plant and equipment (Natalspruit)	Right of use asset staff houses	Total
Balance at 1 January 2018													
At cost	-	57,997	-	422,659	112,390	27,824	531	14,668	30,917	-	26,558	-	**693,544**
Accumulated depreciation and impairment	-	(26,678)	-	(181,425)	(77,962)	(9,912)	(467)	(11,501)	-	-	(18,771)	-	**(326,716)**
Net book value at 1 Jan 2018	**-**	**31,319**	**-**	**241,234**	**34,428**	**17,912**	**64**	**3,167**	**30,917**	**-**	**7,787**	**-**	**366,828**
Movement for the year	-	14,484	-	70,820	(1,592)	(2,561)	(43)	(1,002)	(13,920)	-	(806)	-	65,380
Adjustment to opening balance Cost	-	8,739	-	(21,253)	541	(30)	-	-	-	-	-	-	**(12,003)**
Adjustment to opening balance Depreciation	-	(248)	-	10,379	(668)	30	-	-		-	68	-	**9,561**
Additions	-	-	-	-	-	-	-	-	120,241	-	-	-	**120,241**
Depreciation	-	(4,977)	-	(35,200)	(7,206)	(2,561)	(43)	(1,558)	-	-	(874)	-	**(52,419)**
Transfers from work in progress	-	10,970	-	116,894	5,741	-	-	556	(134,161)	-	-	-	**-**
Disposal cost	-	-	-	-	(14,838)	-	-	-	-	-	-	-	**(14,838)**
Disposals depreciation	-	-	-		14,838	-	-	-	-	-	-	-	**14,838**
Closing balance at 31 December 2018		-											
At cost	-	77,706	-	518,300	103,834	27,794	531	15,224	16,997	-	26,558	-	**786,944**
Accumulated depreciation and impairment	-	(31,903)	-	(206,246)	(70,998)	(12,443)	(510)	(13,059)	-	-	(19,577)	-	**(354,736)**
Net book value at 31 December 2018	**-**	**45,803**	**-**	**312,054**	**32,836**	**15,351**	**21**	**2,165**	**16,997**	**-**	**6,981**	**-**	**432,208**

Notes to the Financial Statements

Figures in Pula thousands	2019	2018
8. Deferred tax		
Reconciliation of deferred taxation		
Opening balance at the beginning of the year	20,814	22,090
Movement per profit or loss	7,577	(1,276)
Closing balance at the end of the year	**28,391**	**20,814**
Analysis of deferred taxation		
Accelerated capital allowances on plant and equipment	50,523	39,577
Prepayments	60	81
Unrealised foreign exchange gain or (loss)	302	(466)
Prepaid revenue	(1,655)	(1,131)
Site restoration and decommissioning provisions	(11,723)	(8,319)
Lease liability/ operating lease accrual	(7,215)	(3,278)
Accruals and allowances	(1,901)	(5,650)
Total deferred taxation	**28,391**	**20,814**

Deferred tax was calculated at a combined effective rate of 32.43% (2018: 29.87%) based on the split between manufacturing and non-manufacturing operations.

9. Inventories

	2019	2018
Net Inventories comprise:		
Soda ash	57,061	58,178
Salt	77,479	74,410
Maintenance stores (net of provision)	65,137	67,837
Consumable stores	6,661	2,348
Total net inventories	**206,338**	**202,773**

A provision for obsolete/slow moving inventory on maintenance spares was recognised at the reporting date as follows:

	2019	2018
Opening balance at the beginning of the year	6,795	6,944
Movement per profit or loss	(744)	(149)
Closing balance at the end of the year	**6,051**	**6,795**

The provision represents the cost of all components which have not moved for more than ten years and 50% of the cost of components which have not moved for more than five years.

10. Trade and other receivables

	2019	2018
Financial assets:		
Trade receivables (gross)	99,505	77,733
Amounts due from related parties (note 22)	2,882	18,226
Other receivables (gross)	629	11,852

Notes to the Financial Statements

Figures in Pula thousands	2019	2018
Trade and other receivables continued...		
Impairment allowance	(4,008)	(14,207)
- trade receivables	(959)	(165)
- amounts due from related parties (note 22)	0	(10,941)
- other receivables	(3,049)	(3,101)
Total financial assets	**99,008**	**93,604**
Non-financial assets		
VAT refundable	33,071	28,593
Total trade and other receivables	**132,079**	**122,197**

11. Cash and cash equivalents

Cash and cash equivalents comprise:

	2019	2018
Cash on hand	168	214
Balances with banks	271,170	288,618
Total cash	**271,338**	**288,832**

12. Stated capital

	2019	2018
65 749 940 "A" class ordinary shares of no par value	65,750	65,750
65 749 940 "B" class ordinary shares of no par value	65,750	65,750
Total stated capital	**131,500**	**131,500**

The holder of class "A" shares was previously entitled to receive 75% of any dividend declared by the company. The holder of class "B" shares was entitled to receive the remaining 25% of any dividend declared. With effect from 01 July 2017 both class " A" and "B" shareholders are entitled to equal dividend distributions on dividends declared by the company.

Both "A" and "B" class shares carry equal voting rights, the right to appoint and remove directors, and in all other aspects are identical and rank pari passu.

Notes to the Financial Statements

Figures in Pula thousands	2019	2018
13. Deferred income		
Training grant capital		
Opening balance at the beginning of the year	534	560
Amortisation transferred to profit or loss	(25)	(26)
Closing balance at end of year	509	534
Short-term portion transferred to current liabilities	(26)	(26)
Total deferred income	**483**	**508**
14. Lease liability		
Maturity analysis - contractual undiscounted cash flows		
Within one year	17,838	-
Two to five years	3,893	-
More than five years	33,076	-
Total undiscounted lease liabilities at 31 December 2019	**54,807**	-
Less: Total finance cost allocated to future periods	22,284	-
Lease liability at 31 December 2019	**32,523**	-
Current portion	16,494	-
Non-current portion	16,029	-
Amounts recognised in Profit or loss		
Finance cost on lease liability	4,037	-
Depreciation relating to right of use assets	10,921	
Amounts recognised against lease liability		
Total cash outflow for leases	24,843	-
Principal amount paid	20,806	
15. Trade and other payables		
Trade and other payables comprise:		
Trade payables	46,251	73,529
Accruals and other payables	31,397	21,549
Amounts due to related companies (note 22)	19,498	2,281
Staff benefits	25,269	44,669
Total trade and other payables	**122,415**	**142,028**

The amounts due to related companies are interest free, unsecured and without any fixed repayment terms.

Notes to the Financial Statements

Figures in Pula thousands	2019	2018
16. Provision for site rehabilitation and decommissioning		
Balance at beginning of year:	55,459	51,100
Movement recognised in Profit or loss	9,602	4,359
Balance at end of year	**65,061**	**55,459**

The company's environmental commitments and obligations are based on the mining lease and other documents. There is currently no legislation in Botswana regarding formal closure certificates, bonding requirements or any other specific requirements related to closure. As is done elsewhere by related companies, the directors deemed it fit to provide for site restoration and rehabilitation. Environmental experts were involved in estimating the company's ultimate closure costs. The last environmental analysis to determine closure costs was performed in August 2015. This estimate is reviewed by independent expert consultants every 5 years. The assumptions applied in the independent expert's analysis are evaluated by management on an annual basis. The provisions have been calculated using a discount rate of 8.49% (2018: 8.41%) per annum and a long term inflation rate of 6.55% (2018: 6.13%) per annum.

17. Notes to the statement of cash flows

17.1 Operating cash flows for the year

	2019	2018
Profit before taxation	**176,154**	**198,670**
Adjusted for:		
Interest received	(12,040)	(8,963)
Interest paid	4,037	-
Depreciation	70,491	54,861
Loss /(profit) on disposal of plant and equipment	2,510	(221)
Amortisation of training grant	(26)	(26)
Loss on disposal of subsidiary	7	-
Movement in provision for obsolete inventory	(744)	(149)
Movement in receivables impairment allowance	(10,199)	(1,654)
Movement in site rehabilitation and decommissioning provisions	9,602	4,359
Movement in operating lease accrual	-	(10,252)
Operating cash flows for the year	**239,792**	**236,625**

17.2 Working capital changes

	2019	2018
Movement in inventories	(2,821)	(34,947)
Movement in trade and other receivables	317	28,760
Movement in trade and other payables	(20,122)	(3,897)
Operating cash flows for the year	**(22,626)**	**(10,084)**

18. Capital commitments

	2019	2018
Capital expenditure authorised but not yet spent	47,776	46,987

Capital expenditure authorised but not yet spent is to be funded from cash generated by current operations.

Notes to the Financial Statements

Figures in Pula thousands	2019	2018

Capital commitments continued...

19. Royalties

The company had a shareholders' agreement with the Government of Botswana upon which it was not liable to pay royalties at the statutory rate. These royalties were included in the profits attributable to the "A" class shareholders only and were not payable unless and only then to the extent that a dividend was not approved by the board of directors of the company. This agreement was replaced by the new tax dispensation which became effective on 1 July 2017 as described in the stated capital note- refer to note 12.

20. Financial instruments

Exposure to interest rate, foreign exchange, credit and liquidity risk occurs in the normal course of the company's business. The company has a treasury policy which sets out objectives for the maximisation of returns through efficient management of cash flows and specific foreign exchange exposure, to ensure funding requirements are met and to ensure all treasury assets and liabilities are fairly presented.

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

The Board of Directors oversees how management monitors compliance with the company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company.

Capital risk management

For capital risk management purposes, the current level of capital in the company is defined as the difference between the total assets and total liabilities of the company. The capital employed is managed on a basis that enables the company to continue operating as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The company monitors capital on the basis of the debt to equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including trade and other payables and bank overdrafts as disclosed in the statement of financial position) less cash and cash equivalents. Total capital is calculated as capital and reserves attributable to shareholders as disclosed in the statement of financial position.

Interest rate risk

The company invests with reputable financial institutions and is subject to normal market interest rate risk. Fluctuation in interest rates impact on the value of short- term cash investments, giving rise to price risk. Other than ensuring optimum money market rates for deposits, the company does not make use of financial instruments to manage this risk.

Financial instruments continued...

Credit risk

The company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the company is exposed to credit risk are trade and other receivable balances including amounts due from related parties and investments in cash and cash equivalents.

Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. The policy includes the following:

- Credit evaluations are performed on all customers requiring credit over a certain amount. The assessment of the credit quality of a customer take into account its financial position, past experience and other factors.
- Reputable financial institutions are used for investing and cash handling purposes. All money market instruments and cash equivalents are placed with financial institutions registered in Botswana and South Africa. Banks in Botswana are not rated but each of the banks concerned are subsidiaries of major South African or United Kingdom registered institutions.

Collateral

The company does have collateral over National Foods Operation debt of P3.3 million to cover its credit risk associated with its financial assets.

Impairment of financial assets

The entity changed its method of estimating impairment losses for the financial year ended 31 December 2019 from the Loss Rate Approach to the Probability of Default (PD) Approach as an alternative contained in IFRS 9. The change resulted from undue cost or effort of applying the Loss Rate Approach. The financial impact resulting from the change was not material.

The simplified impairment model is based on the provision matrix underpinned by the debtors age analysis. Impairments losses under the Probability of Default Approach are computed as a product of historical probability of default (PD), Loss given default (LGD), Exposure at Default (EAD) and adjusted for relevant forward looking macro-economic fundamentals such as GDP and Unemployment rates.

Given the short- term nature of the trade receivables, management does not expect the macro- economic factors which are deemed to be medium to long- term in nature to impact the impairment of trade receivables and consequently we have ignored these factors in deriving the impairment model. IFRS 9 requires that an impaired model is applied to customers with shared credit risk characteristics.

To achieve this objective, management applied judgment and grouped its trade receivables using a two tier approach. Customers are first grouped by geographical regions considering the fact that the company has customers from different jurisdictions with different risk profiles. There are three geographical regions identified based on common characteristics: Geography 1 consists of Botswana and South Africa, Geography 2: Zimbabwe, Geography 3: other e.g. Zambia, DRC and Malawi. Within the geographical region there is a subsection created based on customer type i.e wholesale customers, retail customers, manufacturing customers and others.

The expected credit losses computed under IFRS 9 are underpinned by the concept of credit risk. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the entity. The entity has used the debtors age analysis to model credit risk into PDs.

Notes to the Financial Statements

Figures in Pula thousands	2019	2018

Financial instruments continued...

Consistent with the IFRS 9 presumption, the entity considers debt that is 90 days past due to be in default. In calculating the overall PDs, the entity first computes the probability of debt moving from the previous aging bucket to the next on a month by month basis (e.g. PD of debt moving from current to 1-30 days past due; from 1-30 days past due to 31-60 days past due; from 31- 60 days past due to 61-90 days past due).

The PD for debt in the over 90 days past due bucket is 100% since 90 days past due is considered a default. The next step involves computing the probability of debt moving from current to over 90 days past due; from 1-30 days past due to over 90 days past due; 31-60 days past due to over 90 days past due; from 61-90 days past due to over 90 days past. This is essentially the probability of debt arriving at a default point which has been defined as over 90 days past due. This is achieved by computing joint probabilities (i.e. for debt in the current bucket to arrive at the default point of 90 days past due, it must pass through the intermediate buckets and consequently the probability of default for the current bucket is the product of probabilities from 1-30 days past due bucket through to over 90 days past due.

Summary of assumptions applied in the calculation of ECL:

The provision computed below reflects the general or collective provision for each portfolio of receivable. Any specific provisions are excluded from the age analysis. The impact of the change cannot be assessed for the foreseeable future as it is impractical to assess how the receivables in future years will look.

Trade receivables 31 December 2019	**0 days past due**	**Between 1 and 30 days past**	**Between 31 and 60 days past due**	**Between 61 and 90 days past due**	**More than 90 days past due**
Expected loss rate **Geography 1**					
Wholesalers	0 %	2 %	12 %	50 %	100 %
Retail	0 %	0 %	0 %	0 %	100 %
Manufacturing	0 %	0 %	0 %	0 %	100 %
Other	0 %	0 %	0 %	0 %	100 %
Geography 2					
Wholesalers	0 %	0 %	3 %	44 %	100 %
Retail	5 %	8 %	31 %	67 %	100 %
Manufacturing	3 %	4 %	7 %	26 %	100 %
Other	0 %	0 %	0 %	0 %	100 %
Geography 3					
Retail	0 %	0 %	0 %	0 %	100 %

Notes to the Financial Statements

Figures in Pula thousands	2019	2018

Financial instruments continued...

The ageing of trade receivables as at 31 December 2019 were as follows:

	0 days past due	Between 1 and 30 days past	Between 31 and 60 days past due	Between 61 and 90 days past due	More than 90 days past due	Total
Geography 1						
Wholesalers	70,551	9,766	477	-	-	80,794
Retail	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-
Other	-	-	-	-	-	-
Geography 2						
Wholesalers	182	751	-	-	-	933
Retail	2,061	2,733	288	135	3,227	8,443
Manufacturing	3,810	2,422	134	-	-	6,366
Other						-
Geography 3						
Retailers	1,111	1,857	-	-	-	2,969
Wholesalers	**-**	**-**	**-**	**-**	**-**	**-**
	77,716	**17,528**	**898**	**135**	**3,227**	**99,505**

The ECL per geography at 31 December 2019, was calculated as follows:

	0 days past due	Between 1 and 30 days past	Between 31 and 60 days past due	Between 61 and 90 days past due	More than 90 days past due	Total
Geography 1						
Wholesalers	120	202	56	-	-	**379**
Geography 2						
Wholesalers	0	1	0	-	-	**1**
Retail	102	73	88	-	-	**263**
Manufacturing	147	161	9	-	-	**317**
Geography 3				-	-	
Retail	0	0	0	-	-	**-**
	369	**437**	**153**	**-**	**-**	**959**

Notes to the Financial Statements

Figures in Pula thousands	2019	2018

Financial instruments continued...

The provision matrix set out below, indicates the computed expected loss ratios, based on historic defaults, applied in the calculation ofECL as at 1 January 2019:

Trade receivables 1 January 2019	0 days past due	Between 1 and 30 days past	Between 31 and 60 days past due	Between 61 and 90 days past due	More than 90 days past due
Geography 1					
Wholesalers	0 %	0 %	0 %	0 %	0 %
Retail	0 %	0 %	0 %	0 %	0 %
Manufacturing	0 %	0 %	2 %	4 %	85 %
Other	3 %	6 %	57 %	57 %	57 %
Geography 2					
Retail	3 %	15 %	38 %	69 %	84 %
Geography 3					
Wholesalers	0 %	0 %	0 %	0 %	0 %

The ageing of trade receivables as at 1 January 2019 were as follows:

	0 days past due	Between 1 and 30 days past	Between 31 and 60 days past due	Between 61 and 90 days past due	More than 90 days past due	Total
Geography 1						
Wholesalers	589	387	288	-	-	**1,264**
Retail	405	88	-	-	-	**493**
Manufacturing	68,025	531	-	-	3	**68,559**
Geography 2				-		
Retail	2,948	344	-	-	3	**3,295**
Geography 3				-		
Wholesalers	2,583	1,539	-	-	-	**4,122**
	74,550	**2,889**	**288**	-	**6**	**77,733**

The ECL per geography at 1 January 2019, was calculated as follows:

	0 days past due	Between 1 and 30 days past	Between 31 and 60 days past due	Between 61 and 90 days past due	More than 90 days past due	Total
Geography 1						
Manufacturing	18	1	-	-	3	22
Geography 2						
Retail	88	52	-	-	3	143
	106	**53**	**-**	**-**	**6**	**165**

Notes to the Financial Statements

Figures in Pula thousands	2019	2018

Financial instruments continued...

Exposure to Credit risk

The maximum exposure to credit risk at the reporting date is analysed as follows:

	2019	2018
Trade receivables (gross)	99,505	77,733
Amounts due from related parties (note 22)	2,882	18,226
Other receivables	629	11,852
	103,016	**107,811**
Less impairment allowance	(4,008)	(14,207)
	99,008	93,604
Cash and cash equivalents	271,170	288,618
Total exposure to credit risk	**370,178**	**382,222**

Liquidity risk

The company is exposed to daily operational payments and payment of trade and other payable balances. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The company sets limits on the minimum proportions of maturing funds available to meet such calls and unexpected levels of demand.

The following are the contractual maturities of financial liabilities, including estimated interest payments and the impact of netting agreements:

	Carrying amount	Contractual cash flows	6 months or less
2019			
Trade and other payables	97,146	97,146	97,146
2018			
Trade and other payables	97,359	97,359	97,359

Currency risk

The group is exposed to foreign currency risk for transactions which are denominated in a currency other than Pula. The group does not take cover on foreign currency as it regards the Pula as a stable currency.

2019	USD	EUR	ZAR	GBP
Trade and other receivables	13,852	-	69,911	-
Cash and cash equivalents	50,420	2	176,095	-
Trade and other payables	(2,020)	-	(21,162)	-
Net exposure	**62,252**	**2**	**224,844**	-

Notes to the Financial Statements

Figures in Pula thousands	2019	2018

Financial instruments continued...

2018	USD	EUR	ZAR	GBP
Trade and other receivables	6,958	-	87,049	-
Cash and cash equivalents	21,378	6	136,305	-
Trade and other payables	(4,562)	(3,080)	(10,204)	(990)
Net exposure	**23,774**	**(3,074)**	**213,150**	**(990)**

Sensitivity analysis

A 10 percent strengthening of the Botswana Pula against these currencies at the reporting date would have increased/ (decreased) profit before taxation by the amounts disclosed below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2018.

Profit before taxation

	2019	2018
USD	(6,225)	(2,161)
EUR	0	279
ZAR	(22,484)	(19,377)
GBP	-	90
Net decrease in profit before taxation	**(28,709)**	**(21,169)**

A 10 percent weakening of the Pula against these currencies at the reporting date would have had the equal but opposite effect on the profit before taxation to the amounts disclosed above, on the basis that all other variables remain constant.

The spot rates applied at year end are as follows:

	2019	2018
USD	P1.00/0.0967	P1.00/0.0957
EUR	P1.00/0.0862	P1.00/0.0836
ZAR	P1.00/1.3633	P1.00/1.3791
GBP	P1.00/0.0737	P1.00/0.0714

Notes to the Financial Statements

Figures in Pula thousands	2019	2018

Financial instruments continued...

Interest rate risk

Financial instruments that are sensitive to interest rate risk are cash and cash equivalents. Interest rates applicable to cash and cash equivalents fluctuate with movements in the Botswana, South African and Zambian prime interest rates and are comparable with rates currently available in the market. The variable interest rate financial instruments at the reporting date are summarised as follows:

Variable rate instruments	2019	2018
Rand call	-	136,284
Dollar call	8,994	21,338
Pula call	8,871	21,103
2 million USD fixed deposit	20,771	-
70 million Rand fixed deposit	51,868	-
81 million Rand fixed deposit	59,576	-
Money market account (BWP denominated)	29,447	67,909
	179,527	**246,634**

The company invests with reputable institutions and is subject to normal market interest rate risk. The average interest rates per annum applicable to the company's call deposits and money market funds during the reporting period were as follows:

	2019 %	2018 %
Rand call	4.90	5.40
Dollar call	0.30	0.30
Pula call	0.95	0.60
2 million USD fixed deposit	2.20	0.00
70 million Rand fixed deposit	6.62	0.00
81 million Rand fixed deposit	7.10	0.00
Kwacha call	0.00	14.00
Money market account (BWP denominated)	3.90	3.91

With average interest rates applicable to cash and cash equivalent balances as disclosed above, an increase of 50 basis points in interest rates during the reporting period would have increased profit before taxation as follows:

Notes to the Financial Statements

Figures in Pula thousands	2019	2018

Financial instruments continued...

Rand call	-	681
Dollar call	45	107
Pula call	44	106
2 million USD fixed deposit	104	-
70 million Rand fixed deposit	259	-
81 million Rand fixed deposit	298	-
Money market account (BWP denominated)	147	340
Increase in profit before taxation	**898**	**1,234**

A 50 basis points decrease in the average interest rates applicable to the cash and cash equivalent balances indicated above would have had the equal but opposite effect on the profit before taxation, on the basis that all other variables remain constant.

21. Fair values

The company measures fair values using the following fair value hierarchy that reflects the significance of the inputs in making the measurements:

Level I: Quoted unadjusted prices in active markets for identical assets or liabilities that the company can access at measurement date.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Company does not have any financial assets or liabilities measured at fair value through profit and loss at the current or previous reporting date.

22. Related party transactions

The company has entered into the following related party transactions during the year:

Notes to the Financial Statements

Figures in Pula thousands		2019	2018

Related party transactions continued...

Identity of related party transaction	Nature of transaction	2019	2018
NCP Chlorchem Proprietary Limited	Chemical consumables and soda ash sales	-	2,594
NCP Chlorchem Proprietary Limited	Purchases	-	(121)
Botswana Government	Dividend paid	(40,000)	-
Chlor-Alkali Holdings Proprietary Limited	Dividend paid	(40,000)	-
Synchem Management Services Proprietary Limited	Management fees paid	(1,738)	(1,639)
Bud Chemicals and Minerals Proprietary Limited	IT Services	11	-
Synchem Management Services Proprietary	Costs paid on behalf of the company	908	148
Bud Chemicals and Minerals Proprietary Limited	Management fees paid	-	915
Botswana Ash South Africa Proprietary Limited	Costs paid on behalf of the company	(19,198)	(18,999)
Botswana Ash South Africa Proprietary Limited	Commission paid	(16,931)	(19,249)
Botswana Ash South Africa Proprietary Limited	Soda ash sales	30,824	56,534
Walvis Bay Salt Refiners Proprietary Limited	Sales - other	-	996
Cerebos Limited	Soda ash sales	1,191	911
Botash Zambia Limited	Management fees paid	-	15

The following balances were receivable from/(payable to) related parties at the reporting date:

	2019	2018
Botswana Ash South Africa Proprietary Limited		
• Included in trade payables	(18,445)	(2,281)
• Included in trade receivables	1,736	6,179
Cerebos Limited	148	61
Walvis Bay Salt Refiners Proprietary Limited	-	996
Botash Zambia Limited	998	10,941
Synchem Management Services Proprietary Limited	(1,053)	49

Botash Zambia was liquidated on 30 August 2019. Transactions for the year 2019 included interest earned, bank charges and forex transactions. The amount owing from prior year of P10,941 million was impaired and only P998,000 was proven to be recoverable from the liquidation proceeds.

Notes to the Financial Statements

Figures in Pula thousands	2019	2018

Related party transactions continued...

The related parties are classified as related parties due to the following:

Related party	**Relationship**
Botswana Government	Shareholder
Chlor-Alkali Holdings Proprietary Limited	Shareholder
Chlor-Alkali Holdings Management Services Proprietary Limited	Share common shareholder (Chlor Alkali Holdings (PTY) LTD)
NCP Chlorchem Proprietary Limited	Share common shareholder (Chlor Alkali Holdings (PTY) LTD)
Bud Chemicals and Minerals Proprietary Limited	Associate
Botswana Ash South Africa Proprietary Limited	Share common shareholder (Chlor Alkali Holdings (PTY) LTD)
Botash Zambia Limited	Share common shareholder (Chlor Alkali Holdings (PTY) LTD)
Cerebos Limited	Share common shareholder (Chlor Alkali Holdings (PTY) LTD)
CJP Chemicals Proprietary Limited	Subsidiary of Bud Chemicals (PTY) LTD
Synchem Management Services Proprietary Limited	Subsidiary of Bud Chemicals (PTY) LTD
Investec Equity Partners	Indirect shareholder
Walvis Bay Salt Refiners Proprietary Limited	Share common shareholder (Chlor Alkali Holdings (PTY) LTD)

Related party transactions were conducted on mutually agreed terms and conditions.

Key personnel remuneration:

Key personnel remuneration consists of short term employee benefits paid to members of the executive management committee totalling P30,716 million (2018: P12.049 million). Pension contributions paid by the company on behalf of the members of the executive management committee during the year totalled P1,338,005 (2018: P1 263 587).

23. Contingent liabilities

Guarantees and letter of credits

The company had the following guarantees and letter of credits outstanding at the reporting date:

First National Bank South Africa

In favour of Customs and Excise (R0; 2018: R2 502 750) Revalued	-	1,815
In favour of Spoornet (R0; 2018: R2 000 000) Revalued	-	1,450
In favour of SARS (R1 522 500; 2018: R1 522 500)	1,117	1,104
In favour of Transnet SOC Limited (R6 500 000, 2018: R4 500 000)	4,768	3,263
In favour of Customs and Exercise (R30 000, 2018: R30 000)	22	22
In favour of Customs and Exercise (R110 000, 2018: R110 000)	81	81
In favour of Customs and Exercise (R10 150, 2018: R10 150)	7	7
In favour of Customs and Exercise (R30 450, 2018: R30 450	22	22
In favour of Customs and Exercise (R60 900, 2018: R60 900)	45	45
In favour of Customs and Exercise (R761 250, 2018: R761 250)	558	558
In favour of Customs and Exercise (R1 500 000, 2018: R1 500 000)	1,100	1,100

Notes to the Financial Statements

Figures in Pula thousands	2019	2018

Contingent liabilities continued...

	2019	2018
First National Bank Botswana		
In favour of Ciner ICVE DIS Group ($ 600 000, 2018: $945 700)	6,205	9,882
	13,926	19,350

These guarantees and letter of credits are minimum requirements from the respective suppliers. The company is not in breach of its payment terms for these supliers. On that basis, the above are recognised as contingent liabilities.

Legal claims

The company is defending an action submitted by a former employee for unfair dismissal. Although the claim is not admitted, if the defence against the action is unsuccessful, the claim could amount to P3 838 000. The matter is awaiting continuation of trial and based on the legal advice and evidence led so far, management believes that the defence against the action will be successful.

24. Investment in subsidiary

	Percentage holding			
	2019	**2018**	**2019**	**2018**
Botash Zambia Limited	0	100	0	7

The company had full voting rights through its holding of 100% of the issued ordinary shares in Botash Zambia Limited.

The subsidiary was incorporated in Zambia on 27 June 2015 under registration number 123761 as a private company limited by shares. Its principal business is the distribution of soda ash and common salt on behalf of Botswana Ash (Proprietary) Limited.

The company had a nominal value of K15 000 share capital divided into 500 shares at K10 per share fully paid up. The nominal value was increased from K5 000 to K 15 000 with effect from 17 July 2017.

The company ceased trading in November 2015 and was dormant until its liquidation in the current year. A loss on disposal of the investment of P7 550 was recognised in the current year Statement of Profit and loss and Other Comprehensive Income.

Notes to the Financial Statements

Figures in Pula thousands	2019	2018

25. Subsequent events and going concern

At the date of finalization of the annual financial statements, there were no material events that occurred subsequent to the date of the statement of financial position that require adjustment to or disclosure in the financial statements. However, at the end of the year 2019, first cases of the COVID-19 virus were reported in China which progressed to a global pandemic being declared by the World Health Organization. The virus reached the shores of Botswana with the first cases reported in March 2020, followed by a national lockdown in early April 2020. Against this backdrop, there is potentially adverse effect on the sales volumes of both salt and soda ash and the resultant revenues, as well as foreign exchange rates, specifically the ZAR as the global markets experience shocks and volatility. There is also potential adverse impact on the collectability of debtors as customers experience cash shortages from reduced business activities. The directors have performed a detailed assessment of the expected impact of COVID-19 on its operating activities, profitability and cash flows and believe that the company will have sufficient funds to continue to trade and meet its obligations in the normal course of business. The company continues to monitor the situation as it unfolds and has taken adequate steps to conserve cash to meet business requirements. The company also keeps track of the Botswana government initiatives to protect the economy and will participate as appropriate.

Africa's Supplier of Choice for Natural Sodium Products

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