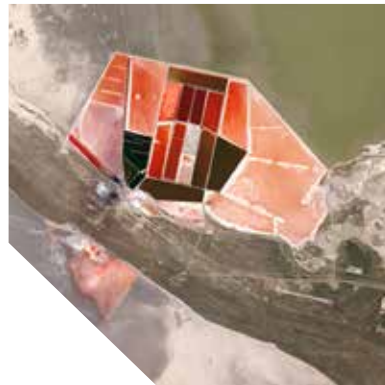


Botswana Ash (Pty) Ltd



INTEGRATED ANNUAL REPORT 2020



Botswana Ash (Pty) Ltd

Botswana Ash (Pty) Ltd

INTEGRATED ANNUAL REPORT 2020

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**

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About this Report

Our Integrated Annual Reporting Journey

Botswana Ash (Pty) Ltd (Botash) is proud to present its second Integrated Annual Report since embarking on the Integrated Annual Reporting journey in 2019. The consolidated Integrated Annual Report, which will continue to be published annually, forms the core of reporting documents for Botash. The Report aims to provide communication to the company's stakeholders regarding its strategy, governance, performance, and prospects, which demonstrates how value is created sustainably over the short, medium, and long term. Botash believes that the best and most transparent way of communicating the business story is through integrated reporting, to ensure that key stakeholders understand the context in which the company operates and the way in which it conducts business. We are also acutely aware of the need for the company to operate in an ethical and socially conscious manner, and for this ethos to be communicated to all stakeholders. Botash is confident that the report provides a concise and true overview of the company's current performance, as well as insight into the business strategy to support growth and maintain sustainability.

This Integrated Annual Report was prepared in line with global best practice using the Guiding Principles and Content Elements set out in the International Integrated Reporting Council's (IIRC) Framework, the King Code of Governance Principles (King IV), and legal reporting requirements outlined in Botswana's Companies Act. Botash also strives to adhere to the Global Reporting Initiative (GRI) Standard and has presented this report in accordance with the 'core' level of the GRI. These standards provide a framework by which the company can report on key risks and opportunities, how these factors guide company strategy, affect financial and non-financial performance, and the impact Botash has on the markets in which it operates.

The content of this report is relevant to all stakeholders, including staff, customers, shareholders, strategic partners, government, regulatory bodies, and members of the local communities in which Botash operates. It provides a comprehensive overview of material matters, and the impact these matters have on value creation. The Botash Board of Directors hold ultimate accountability for the accuracy, completeness, and integrity of this Integrated Annual Report. Having overseen the production of the report and applied its collective mind with recommendations from the Board committees, the Board confirms that the 2020 Integrated Annual Report addresses Botash's most significant and material issues and that it presents a balanced, accurate and representative view of the company and its strategy, its performance and progress made during the 2020 financial year, as well as its future ability to create and protect value.

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

Scope

The 2020 Integrated Annual Report covers the 12-month period from 01 January 2020 to 31 December 2020. That notwithstanding, this report may include some issues from the pre-reporting period and the post-reporting period which were deemed appropriate, relevant, and significant enough to warrant inclusion.

This report, which is aimed primarily at Botash's stakeholders, covers the operations in Botswana undertaken at Sua Pan. The report provides an integrated view of the company through examination of the six forms of capital (financial, human, intellectual, manufactured, social and natural capital) which are used to create and share sustainable value. The report highlights how each of the capitals are interconnected and interrelated and considers how Botash's activities affect and are affected by the six capitals within the triple context (economy, society, and environment).

It also details the material matters which were identified and addressed as raised by Botash's stakeholders during the reporting period. Botash considers as material those matters, opportunities, and challenges that are likely to affect the delivery of its strategic intent and ability to create value for all stakeholders in the short, medium, and long term.

Principles of stakeholder inclusiveness, sustainability, materiality, and completeness were considered in the assessment of which information to include in the 2020 Integrated Annual Report to provide accurate, reliable, accessible, transparent, and balanced information, enabling the reader to assess performance over the past year and the business's capacity to create value in the future.

Materiality

Botash considers aspects which impact on value creation in terms of the operating environment and the interests of key stakeholders as material. Engagement with stakeholders and understanding of their primary concerns are key in determining material issues, risks and opportunities that impact on Botash's performance and its ability to create value.

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



Strategic



Competitive



Financial



Regulatory



Environmental



Social

Material matters are prioritised according to their significance and potential impact on Botash's ability to achieve and deliver strategic objectives which create value for stakeholders. The Executive Management team manages this process with support from the Botswana Ash (Pty) Ltd Board of Directors. For a better understanding of this process with further context of the material issues and risks identified together with how they are being managed, please refer to page 28: STAKEHOLDER ENGAGEMENT AND MATERIAL ISSUES.

Material Issues

There are no material changes to the content of this report since 2019 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 agreements, 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 resource efficiency data reported in the 2019 IAR was incorrect. This data has been accurately reported in this report.

Our Values

Botash's vision is to be Africa's leading supplier of natural sodium and related products, with a primary focus on the Sub-Saharan region. This vision is supported by a mission that seeks to drive sustainable manufacturing and marketing of products for industrial and human consumption. Botash's values underpin the business vision and shape the company culture, which is customer focused and driven by excellence, integrity, accountability, and teamwork.

These values are supported by the business's ethics and codes of conduct, which outline the behaviours and policies that govern interactions with all stakeholders across the company's footprint. Botash's values serve as the guiding principles for the way it conducts business and steers the business towards sustainable performance, improved customer service delivery, and increased value creation for stakeholders.



Accountability



Customer Focus



Excellence



Integrity

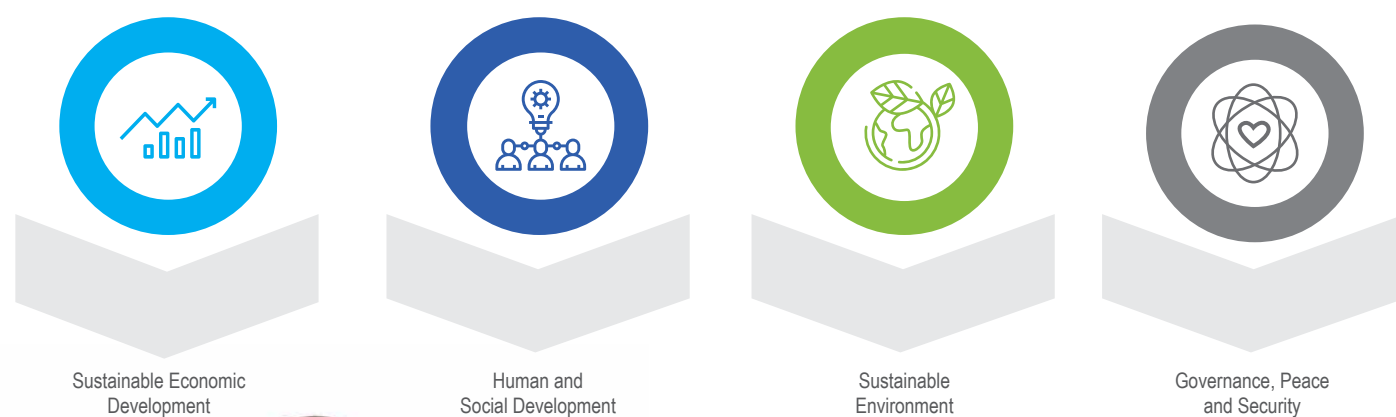


Team Work

OUR BUSINESS - OUR LEADERSHIP

Chairperson's Address

Botash continues to support the Government of the Republic of Botswana's (GRB) Vision 2036¹ to transform Botswana from an upper middle-income to a high-income country by 2036, thus creating prosperity for all. The significance and inter-connectedness of the four pillars, which underpin the Government's Vision 2036, became ever more significant during 2020 when Botswana, as well as the rest of the world, was faced with the Covid-19 global pandemic.



NL Sowazi
Botswana Ash (Pty) Ltd Chairperson

One of the key elements to achieving the Country's Vision 2036, is the recognition of the essential role that small and medium enterprises (SMEs) play. To that end, in 2020, Botash partnered with the Business Supplier Development Programme (SDP), under the United Nations Development Programme (UNDP), which is aimed at supporting and growing local SMEs in response to the constrained economic environment adversely impacted by Covid-19². SMEs employ a significant share of the working population in Botswana and play a central role in its economic growth strategies. Therefore, supporting SMEs and making them more competitive in the future can help the country achieve its development objectives by creating more jobs, strengthening and diversifying sectors, as well as developing business models that are effective.³ Botash is committed to the continual support of this programme and local SMEs.

Botash also supports and aligns its corporate strategy objectives to the country's medium-term plan articulated in the Eleventh National Development Plan (NDP 11)⁴, as well as the Government's Economic Recovery and Transformation Plan (ERTP). The ERTP, which was developed in direct response to the impacts of Covid-19 and was approved by Parliament in September 2020,⁵ aims to support the restoration of economic activity and incomes, to facilitate economic growth and accelerate economic transformation, and to build the resilience of the economy by diversifying the sources of growth (sector and export diversification), as well as promoting private sector activity (by supporting SME development) and creating jobs. Botash fully supports the fundamental changes required to transform Botswana as envisioned by the Government's socio-economic development and growth strategies.

¹ Vision 2036 – Achieving Prosperity for All. 2016. Government of Botswana.

² <https://www.bw.undp.org>

³ Promoting SME Competitiveness in Botswana. 2019. The International Trade Centre.

⁴ National Development Plan. Volume 11. 2017-2023. Government of Botswana.

⁵ Republic of Botswana. State of the Nation Address. November 2020. Gaborone.

Chairperson's Address continued

In recent years, responsible production and business practices that contribute to sustainable performance and economic growth have become topical, both nationally and globally. Accordingly, the Botswana Chamber of Mines adopted the Canada Mining Association's Toward Sustainable Mining Framework to anchor sustainable improvement and reporting of environmental and social practices in the mining industry. I am pleased to announce that 2020 saw the commencement of implementation of the 'Towards Sustainable Mining' initiative within Botash operations. Botash subscribes to the principles of responsible mining and extraction of minerals from the earth, while contributing positively to the upliftment of our local communities. Botash acknowledges the importance of our local communities in contributing to our social licence to operate, our brand awareness, and our ability to grow the business.

In 2020, we made significant progress in engaging and developing relationships with our local communities and look forward to continue to develop these and to positively impact and capacitate these communities for years to come.

The Government of Botswana signed up to the United Nations 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 operations and CSI initiatives, how it can drive several key sub-sectors and support sector diversification, as well as contribute to the sustainable economic development of Botswana and Sub-Saharan Africa (SSA). The company, through its operations, strong regional footprint, and an ever-developing product mix, contributes significantly to these National Strategy and objectives and will continue to do so into the future.

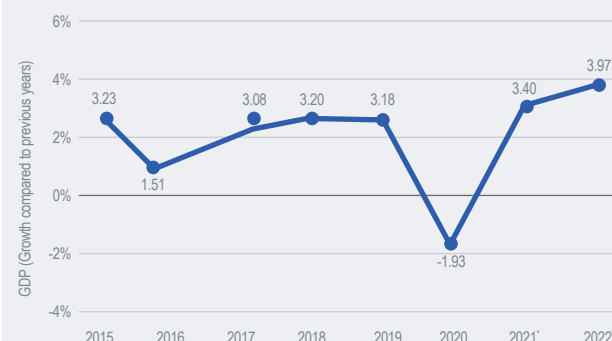
Operating Context

2020 was an unexpected and unprecedented year with the World Health Organisation (WHO) declaring the Covid-19 outbreak a public health emergency of international concern on 30 January 2020, and later as a global pandemic on 11 March 2020. Most countries around the world implemented various forms and degrees of regulations, restrictions, and 'lockdowns' (response measures) in a bid to balance the need to contain the spread of the virus and protect the health and safety of citizens against the potential negative impacts of the response measures on their economies. Border closures in the Southern African Development Community (SADC) region resulted in significant constraints to Botash operations resulting in supply chain disruptions, especially in getting our products to market as our business is largely export driven. These measures further hampered our ability to access the skilled labour which we require to perform essential maintenance on our plant, as well as delaying procurement of essential spares.

The ERTPs Key Aims:

Restore economic activity and incomes
Facilitate economic growth
Accelerate economic transformation
Promote private sector activity and create jobs

Sub-Saharan Africa: Growth Rate of Gross Domestic Product (GDP)



Botash, in support of the Government of the Republic of Botswana as a signatory to the United National Sustainable Development Goals (SDGs), contributes to 8 SDGs through our operations, community school, nature park and CSI initiatives.



OUR BUSINESS - OUR LEADERSHIP

Chairperson's Address continued

Salt Revenue Growth



4% Malawi



15% Zambia



35% Zimbabwe

“ Botash has positioned itself as a resilient, innovative, high performing, and environmentally and socially responsible organisation. ”

As a business, we were concerned that regional economic growth in 2020 was estimated to be the worst on record at -1.9%, leading to increases in unemployment and poverty. In 2021, the region's economy is expected to resume expansion at 3.4%, weaker than the 6% estimated for the rest of the world, amid a continued lack of access to vaccines and limited policy space to support the crisis response and recovery.⁶ Even against this poor economic backdrop, Botash realised growth in salt sales revenue in four countries illustrating the company's resilience during tough economic shocks. This is indicative of the potential growth the Company will realise in the coming years as the country, region, continent, and globe recover from the impacts of Covid-19.

Botswana responded swiftly to Covid-19 with the early closure of borders on the 24th March 2020, six (6) days before the first positive Covid-19 case was confirmed in the country, and thereafter continued with varying levels of restrictions in response to the pandemic.

Covid-19 exacerbated existing economic growth challenges in Botswana. Botswana's gross domestic product (GDP) contracted by an estimated 8.9% in 2020 (the largest on record), after having grown by 3.0% in 2019.⁶ The contraction reflects the impact that reduced demand, travel restrictions, and social distancing measures have had on output in key production and export sectors.⁸

Botash was not immune to these challenges and did experience a reduction in Soda Ash sales following the contraction of the Soda Ash market in South Africa. However, the market started recovering as industries opened up again following various mitigation and adaptation measures implemented by different countries in response to Covid-19.

The next priority for the GRB will be to unlock the country potential by creating more fiscal space and implementing transformative reforms. These include mobilising domestic revenue, strengthening social protection, promoting digitalisation, and improving transparency and governance. Botash, in line with, and driven by its Corporate Strategy, is implementing strategic initiatives and measures to support the GRB. Some examples include the growing and developing of local SMEs through our partnership with the UNDP as noted above, the commitment to and implementation of the TSM initiative, and the implementation and improvement of our IT systems to better track and manage operational efficiencies.

Strategic objectives and enablers

2020 has brought about significant challenges. Botash believes that with the solid foundation of our 2018-2022 Corporate Strategy, which was developed pre-Covid-19, the company has proven its resilience and its ability to perform during harsh economic conditions and withstand future economic shocks. In line with the implementation of the Corporate Strategy and its four (4) strategic pillars, as well as further strategic developments, Botash has positioned itself as a resilient, high performing, and environmentally and socially responsible organisation.

With the timely setting up of the Covid-19 response team and the immediate development of a comprehensive Covid-19 Response Framework, combined with improvement in usage of IT systems, Botash ensured, and will continue to ensure, unrelenting attention and focus on managing operational risk while driving growth and performance, under the ever-challenging, evolving and changing circumstances.

Through effective and efficient operations that deliver quality product to meet customer needs, Botash is contributing to both the growth of Botswana's economy, and the stability of the market. Botash bases the predicted sales of salt and Soda Ash, as well as the diversification of our product portfolio into sodium bicarbonate and sodium sulphate, on clear business cases and market potential against clear aggregated EBITDA growth targets of 15% year on year until 2025.

Building on the exceptional start to the diversification of the product offering, signalled by the 99% increase in sodium bicarbonate sales in 2020, we look forward to the first production tonnages of Potassium Sulphate (SOP) and Sodium Sulphate (Na_2SO_4), with successful completion of a feasibility study in 2021. Procurement and construction of the production facilities are anticipated in the period 2022 - 2023, with the start of production in the second quarter of 2024. This will herald further market sector expansion into detergents and agriculture.

The ongoing support of my fellow Board Members in overseeing governance responsibilities on behalf of our stakeholders, as well as providing the strategic inputs required for the ongoing development and growth of the business, was a critical enabler of our agility as a business and meeting our 2020 goals. I would like to extend my gratitude to them and to give special mention and thanks to the new 2020 appointed members of the Board, Mr. Steven Leon Louw, Mr. Opelo Tiro Motswagae and Ms. Lara Ann Grieve, who contributed fresh perspectives

⁶ Regional Economic Outlook for Sub-Saharan Africa. 2021. International Monetary Fund.

⁸ <https://www.afdb.org>

Chairperson's Address continued

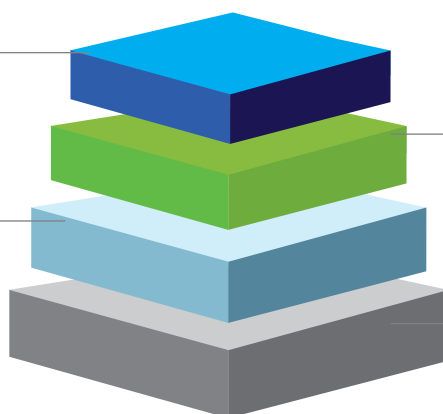
Strategic Pillars

Reliable and Predictable Production

Ensuring that manufacturing assets are able to deliver optimal product yields reliably.

Diversified Product Offering

As a way of minimising risk, new products and lines of business will be developed to diversify the company's revenue stream.



Defend and Grow Market Share

Driven by strong marketing and sales function, using market intelligence/research and a compelling business case as a basis for expansion into a new market or sector.

Community Impact

To build strong impactful relations with the community by committing to the company's sustainable agenda.

in one of the most challenging periods in the history of Botash. We are committed to continual improvement as a Board, as evidenced by our undertaking of a comprehensive Board effectiveness evaluation in early 2021. This will assist us to identify areas in which we can jointly make meaningful improvements as the governing body of the Company, all of which would be done in the best interests of the Company.

Our valued stakeholders all contribute to the success of Botash. Accordingly, on behalf of the Board, I would like to thank our shareholders, our people, regulators, customers, and our public and private partners for your support which enables Botash to look forward positively in meeting our strategic goals.

Botash is adopting a positive but cautious outlook on economic recovery as the implementation of vaccinations to curtail the spread of Covid-19 is accelerated in Botswana. This, combined with a continued focus on initiatives to enable growth and sustainability, provides Botash with confidence that we will achieve an upward performance trajectory in 2021 and beyond.

NL Sowazi
Botswana Ash (Pty) Ltd
Chairperson

OUR BUSINESS - OUR LEADERSHIP

Managing Director's Address

Looking back on 2020, it is essential to consider the Covid-19 pandemic and the impacts it had both locally and internationally, and the new reality Botash faces going forward. In this report, we make mention of some of the key challenges Botash faced which included border closures, lockdowns, alcohol sale bans, logistics challenges leading to slower turnaround times, health and safety risks, constraints in conducting essential annual plant maintenance, and changes in the demand of our flagship product, Soda Ash.

Our primary focus for 2020 was embracing our new reality to ensure employee wellbeing, operational management, business continuity and customer support.

Our growth and transformation continues to be guided by Botash's four strategic pillars, and while commendable progress was made towards implementing the strategy in 2020, Covid-19 hampered our achievements, particularly from an operational perspective.

Botash Covid-19 Response

To manage the risks posed by Covid-19, Botash responded efficiently and effectively with the introduction of a Covid-19 Risk Management Strategy to maintain operations, mitigate the negative impacts on employee wellbeing and business operations, conserve cash and protect revenue lines. To ensure business continuity, Botash formulated a Covid-19 response team and Response Framework, which guided the development and implementation of measures and protocols which ensured continued business growth for Botash in 2020. In addition to continued business growth, the effectiveness of our response efforts is further evidenced by the fact that we recorded zero positive Covid-19 cases in 2020. Positive cases were only recorded in the start of 2021.

Business Growth and Development

Covid-19 had a direct impact on Soda Ash as demand contracted significantly due to business interruptions during total lockdowns and as a result of bans/restrictions on alcohol sales in South Africa. The salt business, on the other hand, was not adversely affected. The product's aggregate positive performance was driven by food grade coarse salt which closed at 12% above budget, while fine salt sales improved by 5% year on year, though lagging budget by 8%. In addition to the existing product line, Botash increased Sodium Bicarbonate sales, sourced from a third-party provider, by 93% to 4 501 tonnes to respond to increased market demand.

Despite the economic uncertainties, Botash sales revenue grew by 33% in Botswana, which highlights Botash's alignment with the Economic Recovery and Transformation Plan (ERTP), a plan fundamental to the socio-economic recovery of the country. Botash continued to drive market penetration, recording revenue growth in Zambia, Zimbabwe, and Malawi.

The efficient management and response by Botash to the pandemic ensured that we recovered quickly and were able to achieve 85% of our pre-Covid revenue by June 2020 and went on to meet the target of increasing EBITDA by 15% year-on-year.

In addition to good management practices, the diversification of products, as well as the ability to continue operating despite the Covid-19 lockdowns resulted in the business maintaining turnover growth year on year, which stood at P1 029 billion in 2019 and P1 068 billion in 2020.

In order to maintain the trajectory of growth, Botash has invested in strategic expansion projects to expand the Soda Ash production capacity, sodium bicarbonate

“ The increased participation of local SMEs and employees enabled us to further develop the local supply chain and make a positive contribution to the growth and development of Botswana during this challenging time. ”



Kangangwani Phatshwane
Managing Director

Managing Director's Address continued



437

Employees



15%

of Workforce are Women



148

Employees Trained



P324 600

Increase in Female
Training Spend



To increase the number of
Women in Management

production, and bittern's beneficiation. Thus, in 2020, the bittern's beneficiation project continued and at the time of reporting was at the feasibility stage, with onsite pilot pond studies having been initiated in October 2020. Following the successful completion of the feasibility studies with respect to the Soda Ash Expansion and Sodium Bicarbonate Production project, and cognizant of the contracting Soda Ash market, a decision was taken to place the Soda Ash element of the expansion project on hold. However, Sodium Bicarbonate production progressed with the tendering process for Engineering Design completed in 2020. Meanwhile, trade in Sodium Bicarbonate continued in 2020 through sourcing from a third-party producer, and this allowed Botash an element of the portfolio diversification strategy towards improving our business resilience and sustainability in 2020.

Operational Efficiencies

Guided by the Covid-19 Risk Management Strategy, management was able to lower capital and operating expenditure to conserve cash whilst ensuring that customer service and the continuation of operations were not compromised. The annual planned shutdown was affected by Covid-19 lockdowns and border closures as Botash was unable to import specialized skills and experienced inordinate delays in the procurement of spare parts. Resultantly, some elements of our annual maintenance plan for 2020 were deferred while essential maintenance continued as planned.

Botash proactively increased participation of local artisans and suppliers by participating in the UNDP Business Supplier Development Programme (SDP) to support local SMEs. We employed 264 casual employees from local communities, and we increased local procurement spend by 9% from 56% in 2019 to 65% in 2020. This had a positive impact on local businesses, communities, and their livelihoods especially during the pandemic.

In addition to the constraints noted above, further challenges were experienced due to border regulations and lockdowns, negatively impacting on transport and logistics. This was exacerbated by significant and continuous rail service disruptions during 2020. As a result, we experienced increases in turnaround times but overall transport costs decreased due to a weaker Rand. Despite this highly challenging trading environment, Botash maintained continuity of supply of our products to our customers and monitored stock levels to ensure consumers were not affected. Botash also continued to engage regularly with rail service providers viz Transnet Freight Rail (TFR) and the Botswana Railways (BR) to find solutions to bottlenecks in the rail service and to mitigate against the potential negative impacts on future business performance.

Over and above this, Botash introduced a new Translution System to improve the management and control of products, including the transportation, weighing, and tracking of goods in transit. The system was implemented at the Natalspruit (NSP) depot and Sua Pan operations and has resulted in improved goods in transit accounting and tracking.

While 2020 was a challenging year for Botash, and for our communities and employees, customers, and stakeholders, I believe the measures we implemented in 2020 were successful in maintaining our operations, preserving jobs, and supporting local communities during the Covid-19 pandemic.

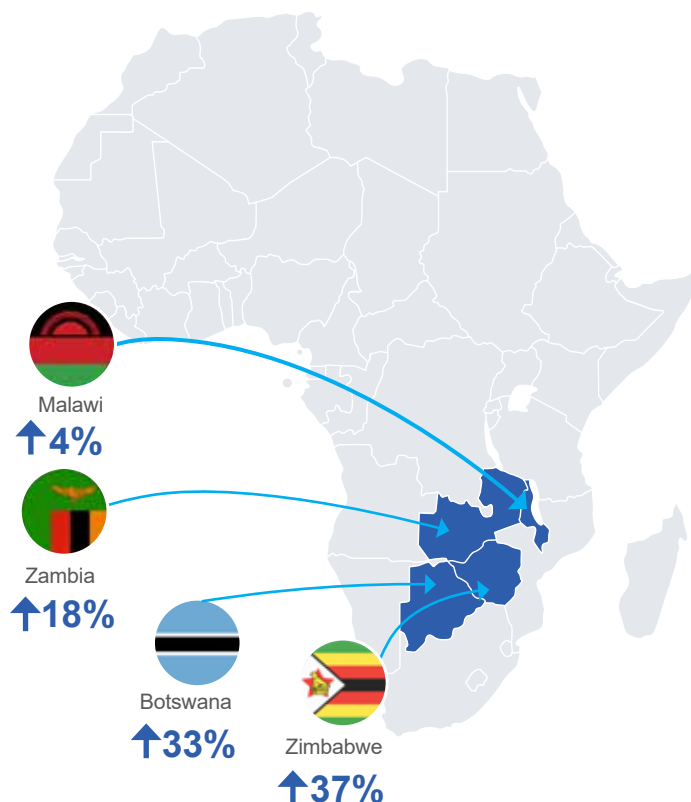
The measures we implemented, as well as our ability to embrace this new reality, has set a solid foundation for 2021, and I expect to see continued growth and development during the new year.

Whereas we do and may continue to face challenges related to Covid-19, Botash has proven that it can respond effectively and efficiently to ensure the sustainability of our operations.

OUR BUSINESS - OUR LEADERSHIP

Managing Director's Address continued

Regional Revenue Growth



While Botash did not lose any major customers in 2020, in recognition of the wide-spread impacts of Covid-19 whereby our customers' businesses and cashflow was negatively impacted, Botash provided extended credit terms to those customers in South Africa who requested assistance. As at the end of 2020, however, all the customers who benefitted from the assistance had since resumed normal credit terms and settled their accounts. With regards to Zimbabwean customers, Botash experienced some payment delays owing to foreign currency shortage, and this was mitigated by temporarily reviewing credit limits to ensure continuity of supply.

Shareholder Agreement Review

In 2020, our two shareholders, GRB and Chlor Alkali Holdings (Pty) (CAH) identified the need to revise the Shareholders' Agreement, and it is expected that a new agreement will be signed in 2021. Botash, together with its shareholders amended the treatment of royalties paid to the GRB, and as such Botash now aligns payment of royalties with the Mines and Minerals Act.

Our Employees

Our employees are an invaluable asset, essential to the success of our operations, and as such, the measures implemented to mitigate Covid-19 risks at our operations were critical. To augment measures implemented in the fight against Covid-19, and to assist with the implementation of the Covid-19 Risk Management Strategy, several formal training programmes were undertaken by 148 employees, increasing our annual spend on training to P1 010 294.

The training primarily focused on middle and upper management to ensure Botash was orientated towards business risk. The areas which were covered included risk management, internal audits, International Financial Reporting Standards, taxation, performance management and Incident Cause Analysis/Assessment Method (I-Cam) investigations. Health and Safety training was also provided to meet identified needs. Botash achieved a Total Recordable Injury Frequency Rate (TRIFR) of 0.48 and a zero Fatality Rate. While Botash strives for zero incidents, this level of performance ranks among the best in the industry. No major environment incidents were recorded during the year. Management conducted talent reviews as part of the company's talent management and succession planning strategy. These provided senior and middle managers with a platform to discuss the latter's development and career ambitions.

Community

In accordance with our strategic pillar of having a positive impact in our communities, and in addition to supporting local SMEs and creating jobs for our communities of interest, Botash and its employees identified the need to extend financial support to local communities during the pandemic. Botash employees contributed P225 264 which they invested in education-related initiatives. These included the provision of geysers and face shields to schools to assist with safety protocols and sanitation to curb the spread of Covid-19. Botash employees also continued the sponsorship to a refugee student who is undertaking a 3-year Nursing Programme in Botswana. In addition to this, Botash contributed in kind assistance to the value of P84 678 to nine (9) institutions including health care organisations, the Botswana Defence Force, and public facilities to assist with the prevention and control of Covid-19 transmissions in local communities, thus contributing to public health.

These initiatives were also aligned to Botash's implementation of the 'Towards Sustainable Mining' initiative in 2020. The role of local communities in our operations cannot be ignored and is therefore formally recognised through the Indigenous and Community Relations Protocol. This enables us to have meaningful and collaborative engagements with local communities. In 2020, Botash met its targets through contributions to and engagement with four (4) communities and ten (10) settlements.

In addition to the expenditure on Covid-19 response efforts, Botash contributed a further P18 434 870 in Corporate Social Responsibility, including ongoing support to Flamingo International School.

Over and above this, Botash supports biodiversity conservation through the management of the Sua Game Park which facilitates environmental (flora and fauna) preservation and provides public education on conservation.

K Phatshwane
Botswana Ash (Pty) Ltd
Managing Director

Board of Directors

Botswana Ash (Pty) Ltd – Board Members Portfolio as at 31 December 2020



**NKULULEKO LEONARD
SOWAZI (57)**

Chairman
Independent Non-Executive Director (NED)
Date of Appointment: 6 September 2019

- B.A and Masters degree - University of California, Los Angeles.

Nationality: RSA

- Chairman of Kagiso Tiso Holdings (KTH).
- Executive Chairman and co-founder of the Tiso Investment Holdings.
- Over 20 years senior executive experience in investment management and leadership, both listed and unlisted Boards.
- Currently a Director of JSE listed companies Grindrod Ltd, MTN Group Ltd, IQ Holdings, Bayport Financial Services and Tiso Blackstar Group SE (United Kingdom).
- Serves on a number of not-for-profit organisations and co-founder Trustee of the Tiso Foundation and Chairman of Housing for HIV. Foundation based in Washington D.C.



**MR. HARRY BIKIE PHEKO
(54)**

Independent Non-Executive Director (INED)
Date of Appointment: 12 August 2019

- MSc Operations Management and Manufacturing Systems
- B Eng. Mechanical Engineering
- International Executive Management Development Programme (IEDP) (London)

Nationality: BW

- Managing Director at Outsourced Engineering Services, and Director at New-Tech Investments (Pty) Ltd.
- Former Director (Botswana Water Sector Reforms Programme).
- Served as Technical and Operations Director in various organisations such as Water Utilities Corporation.
- Served as a lecturer (Mechanical Engineering) at the University of Botswana under the Faculty of Engineering.
- Professional registered Engineer.



**MR. OFENTSE DITSELE
(49)**

Independent Non-Executive Director (INED)
Date of Appointment: 12 August 2019

- MSc (Mining Engineering)
- BSc. (Mining Engineering)

Nationality: BW

- 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 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.

OUR BUSINESS - OUR LEADERSHIP

Board of Directors continued



MR SEBELE MOLALAPATA

(57)

Independent Non-Executive Director (INED)
Date of Appointment: 12 August 2019

- Bachelor of Engineering; Mining Engineering
- De Beers Management Development programme; Financial Valuation of Mining Projects, Project Management.

Nationality: BW

- Managing Consultant at Marung Development Services.
- Former 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 Ltd.
- Served on various Boards including Botswana Ash (Pty) Ltd, 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



MR. OPELO TIRO MOTSWAGAE

(40)

Independent Non-Executive Director (INED)
Date of Appointment: 01 November 2020

- Bachelors in Civil Eng. (Manchester);
- Master of Sciences; Strategy Management (University of Derby).

Nationality: BW

- Currently Executive Director at Ticano Group, a supply chain financing and investment advisory firm.
- Experienced in corporate management and strategy acquired through various roles in different industries such as engineering, mining, construction, project management and corporate banking.
- Worked at Stanbic Botswana as transactional banker taking care of multinational corporates, mining entities, oil and gas.
- Worked at Standard Chartered and at First National Bank managing trade finance, working capital strategy, and as a relationship executive.
- Worked as Engineering Consultant at Geoflux.



MR. KAGO GALEEME

MOSHASHANE (68)

Independent Non-Executive Director (INED)
Date of Appointment: 12 August 2019

- B Eng. In Mining Engineering;
- Msc in Mining Engineering.

Nationality: BW

- Currently retired.
- Worked as an Inspector at Department of Mines.
- Represented Government of Botswana at SADC Mining Sector meetings.
- Former board member of BCL, Tati Nickel and Debswana. Currently on second stint at Debswana.
- Worked as Secretary of Mineral Policy Committee.
- Studied in detail all the mineral agreements in place and those under negotiation and their implication and advised Mineral Policy Committee of the implications.

Board of Directors continued



**MR. VICTOR RAMALEPA
(43)**

Independent Non-Executive Director (INED)
Date of Appointment: 12 August 2019

- Bachelor of Law (LLB)

Nationality: BW

- 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.



**MR. GREGORY HIRSCHOWITZ
CA (SA) (43)**

Non-Executive Director (NED)
Date of Appointment: 3 May 2018

- B. Com and B.Acc (Wits)
- Registered Persons (Securities) CFA
- PLD (Harvard Business School (Alumni status))

Nationality: RSA

- Joined Bud Chemicals & Minerals as the Chief Executive Officer in mid-2018. Currently BudChem Group CEO.
- Completed his accounting articles at Investec Bank and joined Investec Principal Investments in 2001 as a private equity specialist where he concluded multiple transactions on the buy, sell and manage side during the course of 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.



**MRS. LARA ANN GRIEVE
CA(SA) (35)**

Non-Executive Director (NED)
Date of Appointment: 14 January 2020

- B. Bus.Sci (Finance) (UCT)
- PGDA (UCT)

Nationality: RSA

- Joined Bud Chemicals & Minerals at end of 2019 and currently serves as the Business Development Executive.
- Lara completed her accounting articles at Investec Bank and joined Investec Corporate Finance in mid-2011 as a corporate finance analyst where she advised on multiple M&A transactions including addressing any Johannesburg Stock Exchange (JSE) listing requirements.
- Joined a private equity business, Coast2Coast Capital, in 2014.
- Headed up the Business Development and Strategy at the Youth Employment Service in 2019.



**MR. STEVEN LEON LOUW
CA(SA) (48)**

Non-Executive Director (NED)
Date of Appointment: 01 June 2020

- B Com (Honors) University of Johannesburg

Nationality: RSA

- Chief Financial Officer of the Bud Chemicals and Minerals Group as of May 2020.
- Joined the Bud Group in November 2018 as the executive responsible for governance, risk, assurance, and compliance.
- Steven spent 21 years with a Big Four professional services firm (KPMG), 15 years as a partner.
- Steven fulfilled various roles including Chief Operating Officer for the rest of Africa region; audit and quality partner and head of technical for audit and accounting, before serving as the chief operating officer and risk partner on the South African firm's executive committee.
- He was also a Board member.

OUR BUSINESS - OUR LEADERSHIP

Executive Management Team

In addition to the Board and its sub-committees, the Executive Management of Botash leads the company and is headed by the Managing Director.



KANGANGWANI PHATSHWANE
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 a high social responsibility for the sustainability of the business. The Managing Director holds the statutory appointment for overall responsibility for safety, occupational health, and the environment.



KEENLORD DUBE
General Manager
(Maintenance and Projects)

Main roles and responsibility:

Responsible for formulation and execution of the Botash project portfolio to realise the business strategy as well as development of the Botash project management capacity and methodology to improve project delivery and governance. Mr Dube is responsible for management and improvement of engineering and maintenance capabilities to sustain high levels of safety, legal compliance, plant availability, reliability and integrity. This includes management of annual shutdowns. Mr Dube is also responsible for coordinating the implementation of Botash's sustainability initiatives and programs under the Towards Sustainable Mining Framework.



OTHUSITSE SEOKAMO
Process and Product Development
Manager

Main roles and responsibility:

Responsible for process engineering and product development functions. The role oversees design and performance of strategic projects, including research and development.



MOTSE MOKGOSI
Production Manager

Main roles and responsibility:

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

Strategic Appointments in 2020



WESTON MWAPE
Head of Sales and Marketing

Main roles and responsibility:

Mr. Mwaape reports directly to the Managing Director and is responsible for managing the overall marketing and sales function of the business. The role is also responsible for ensuring correct and effective projection of the Company image, values, and culture.



LESEGO MAKUBATE
Acting General Manager Corporate Services

Main roles and responsibility:

The responsibilities of this role include leading the finance function (including regulatory requirements) of Botswana Ash (Pty) Ltd together with providing strategic support to the MD. The role is also responsible for developing and overseeing the information & communication technology as well as materials management.



SABELO MATIKITI
Human Capital Manager

Main roles and responsibility:

Responsible for the formulation and execution of the HR strategy and initiatives aligned with the overall business strategy and employment legislation. Mr. Matikiti drives the critical functions of workforce planning, talent management, and employee engagement.



LESEGO MAKUBATE
Finance Manager

Main roles and responsibility:

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



WESTON MWAPE
Head of Sales and Marketing

Main roles and responsibility:

Responsible for the overall marketing and sales function of the business. Mr. Mwape is also responsible for the development and implementation of the Company's marketing strategy, ensuring correct and effective projection of the Company image, values, and culture.



ISHMAEL MOATSHE
Board Secretary

Main roles and responsibility:

Ishmael is the Company Secretary, responsible for governance and all secretarial duties per the Companies Act. He also leads the Legal and Administration section. His duties include compliance risk management, provision of legal advisory services to the Board and the Company, and he also facilitates representation of the company in legal matters. He also drafts and reviews company contracts. On the administration side, he is responsible for insurance, facilities management, cleaning, catering, accommodation, and licensing.

Resignations from Strategic Positions in 2020

VICTORIA TEBELE

General Manager Corporate Services

Our Structure

Our Shareholding Structure

Botswana Ash (Pty) Ltd is owned by two equal shareholders, namely the Government of the Republic of Botswana (GRB) and Chlor Alkali Holdings (Pty) Ltd, each of which holds 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

experience and expertise in the salt industry as they also own a salt refinery in Walvis Bay, Namibia. CAH is 100 % owned by Bud Chemicals & Minerals (Pty) Ltd (BudChem), formerly Synthetic Chemicals (SynChem).

BudChem is in turn wholly owned by the Bud Group (Pty) Ltd. Both CAH and the GRB are representative of a strong shareholder base with a track record of supporting and growing their companies.

Botswana Ash (Pty) Ltd structure as at 31 December 2020

50%

Chlor Alkali
Holdings (CAH)

50%

Government
of Botswana

OUR BUSINESS

Our Products and Services

Botswana Ash (Pty) Ltd is a minerals beneficiation and manufacturing company located on the Sua Pan in the north-eastern part of Botswana. Botash is the largest producer of natural sodium products in the region, currently producing variants of Soda Ash and salt which are distributed and sold to various countries across Southern Africa.

Botash's nominal soda ash production capacity is rated at approximately 300 000 tonnes per annum and approximately 650 000 tonnes per annum for salt, which includes variants of chemical-grade salt, food-grade coarse salt, and food-grade fine salt. Current total salt production lies below the rated capacity at approximately 400 000 tonnes per annum. Salt production is limited by market, however, there are plans in place to grow the salt market.

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



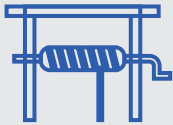
Organisational excellence on safety, health environment and positive impact on our communities



Botash processes natural deposits of alkali sodium chloride rich waters (also called brines) to produce Soda Ash and salt (chemical grade, food grade coarse, and fine). The company operates with all the required mining licences necessary for the extraction of minerals which are contained in a brine aquifer.

Process flow diagram of Production Process:

1



Well field

Wells sunk into pan surface to extract alkaline brine. Total area of wellfield ~400 km².

2



Solar Evaporation Ponds

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

3



Boiler Plant

Two coal fired 85t/h, 65 bar pressure, boilers produce process steam and generate 20MW 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



Crystallization

Sodium bicarbonate slurry is cooled, allowing sodium bicarbonate to crystallize 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.

9



Biterns Disposal Ponds

The biterns 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.

OUR BUSINESS

Our Products and Services continued

Salt is produced as a by-product from the production of T-brine (brine saturated in carbonates). It is deposited in 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, sterilization and milling stages.

In the production of sodium carbonate (Soda Ash) 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 Soda Ash by heating and is finally compacted into dense granules for ease of transportation and handling.

Botash's Soda Ash and salt products are produced and sold to several market segments in various sectors where they are used in a range of applications. These markets include South Africa, Zimbabwe, Zambia, Democratic Republic of Congo, Angola, Malawi and Tanzania, the largest of which is the South African (SA) market. Due to most of the customers being in SA, Soda Ash is exported to SA by rail and road and kept in three silos at a Botash depot in Natspruit. Once a sale is concluded with a SA customer, the required quantity of Soda Ash is extracted from the silos and delivered to the customer in SA. Some customers are supplied directly from Botash Sua Pan.

Market research conducted by Botash showed an existing and potentially growing market for Sodium Bicarbonate in Southern Africa and Botash's strategy is to add Sodium Bicarbonate to its product portfolio.

Salt

The salt is supplied in different forms, namely chemical-grade salt, and food-grade coarse and fine (or table) salt.

Salt Products

Chemical Grade Coarse Salt

98.75%
sodium chloride

Used primarily for the manufacturing of caustic soda and chloride and in turn polyvinyl chloride.

Coarse Salt (Food Grade Salt)

98.5%
sodium chloride

Sold in the regional markets of Botswana, South Africa, Malawi, Zimbabwe, Zambia and the Democratic Republic of Congo.

Fine Salt

99%
sodium chloride

Sold in the regional markets of Botswana, South Africa, Malawi, Zimbabwe, Zambia and the Democratic Republic of Congo. Fine salt has various industrial and domestic applications.



Soda Ash

Soda Ash is predominantly used in the glass industry.

Soda Ash Products

Glass Industry

77%
Soda Ash is used in the production of glass

Soda Ash lowers the melting temperature of pure silica (raw material for glass production), thus reducing energy requirements.

Chemical Industry

20%
Soda Ash sold to the chemical industry sector

Both dense and light Soda Ash are used in chemical reactions to produce inorganic or organic compounds that are used in a range of different applications, such as pulp and paper manufacturing.

Detergent Industry

2%
production sold to the detergent industry

Light Soda Ash used in powdered, paste and soap detergents where it acts as a builder, and can be used alone or in conjunction with Sodium Tripoly Phosphate or zeolites. Additionally, Soda Ash acts as a water softener and has a cleaning function

Other Uses

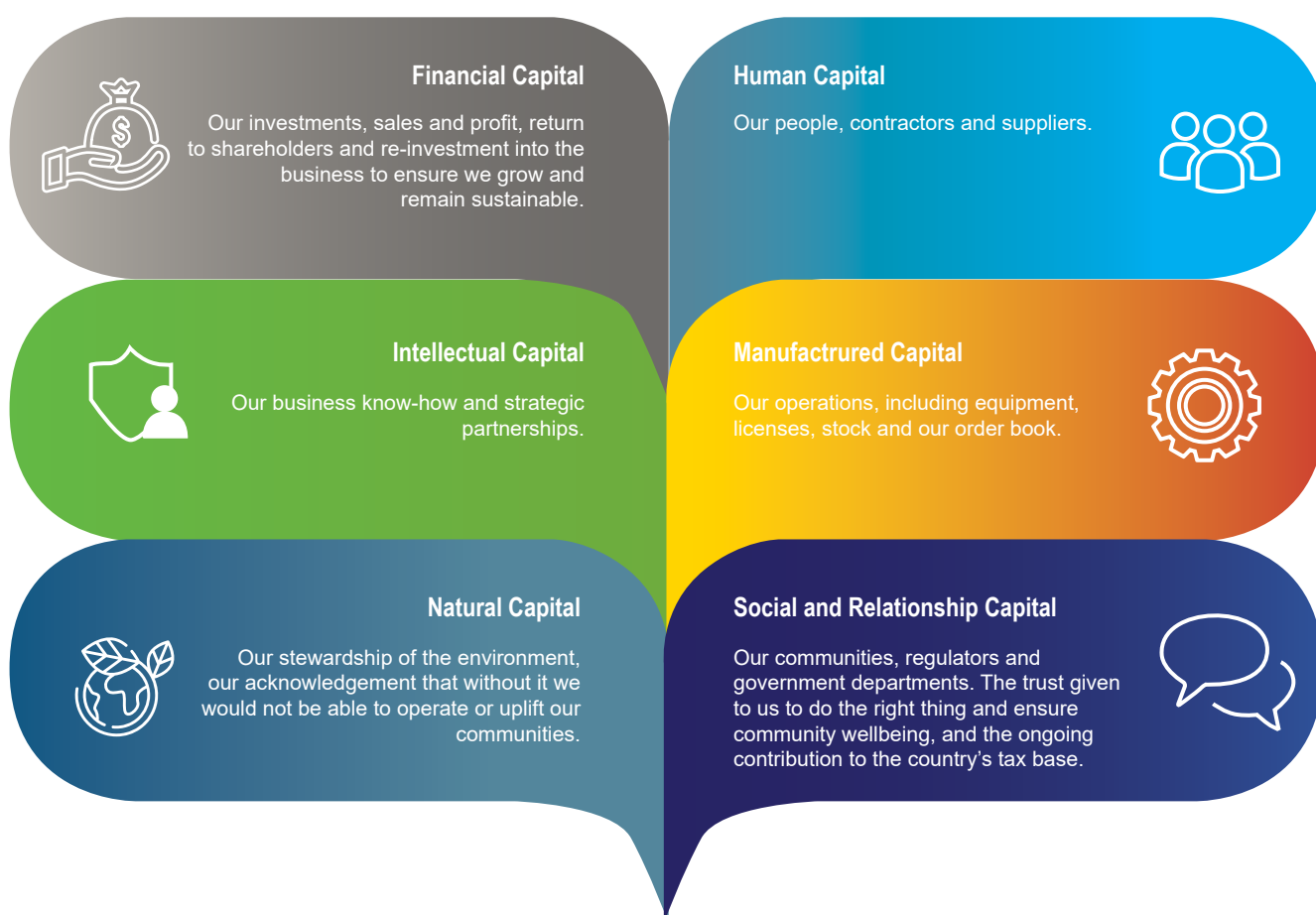
Soda Ash is also used in various other sectors

Mining: beneficiation and processing of ores and metals such as vanadium, cobalt and steel
Textile industry: cleaning agent, refining, bleaching and pH adjustment during drying process
Non-ferrous metallurgy: recycling of lead, zinc and aluminium
Water treatment: source of sodium to adjust pH
Production of dyes, corn syrups and food additive in ethanol manufacturing



How We Create Value

Botash's ability to leverage the six capitals directly influences its ability to drive business performance and deliver value. We understand that all the capitals are interrelated, and therefore, need to be considered together in striving for a successful and sustainable business. Botash, therefore, invests across the six capitals cognizant of their linkages and resultant impacts.



Through the growth and maintenance of a financially viable business, taxes paid by Botash contribute to economic development. The business's diversification agenda further allows it to strengthen government's ability to reduce dependence on diamonds. Local outreach to local communities includes the delivery of bespoke programmes, with focused investment in school development, sporting events and nature conservation enabling community upliftment.

The investment in the human and intellectual capitals contributes to financial capital through our skilled and diverse people who serve the business's customers, allowing it to compete effectively in its chosen markets. Our business is dependent on our people and our communities, and we therefore invest in our social capital, maintaining strong relationships with our employees, suppliers, customers, communities, and investors.

As a mining and manufacturing company, we are inherently reliant on our natural resource base both directly and indirectly across our value chain. We are conscious of the nature of our business activities and the impact they may have on the environment. Therefore, we continuously monitor, manage, and minimise any identified negative impacts on the natural environment. Investment in all the six capitals ultimately contributes to improved manufactured capital, which is the core of our business. Through our extensive assets and products which are distributed across a wide geographic footprint, we are able to continue to operate successfully and sustainably as Southern Africa's leading producer of natural sodium and related products.

Botash acknowledges the significance and inter-related nature of the six capitals, and how they contribute to our strategic intent to create value.

OUR BUSINESS

How We Create Value continued

Inputs

Financial Capital

- Turnover generated from operating activities of P1 067 936 351
- ROE 17% (Net income/Shareholder's equity)
- ROA 14% (Net income/Total assets)
- Profit Before Tax P206 868 673
- Net Assets Value of P7.5 per share

Natural Capital

- Mineral reserves with wellfield of approximately 400 km²
- Leased land on the Sua Pan.
- Water consumption of 918 068m³
- Electricity Consumption of 107 288 MWh
- Sua Pan Game Park contribution of P76 970
- Conservation Officer expenses of P325 469

Human Capital

- Total full-time employees: 437
- Temporary employees: 80
- Ten long-term contractors with 178 employees
- 15% female employees
- Commitment to creating a more gender diverse workforce with focus on recruiting from local communities

Intellectual Capital

- Botash systems and processes
- Training spend per full-time employee of P1 939
- Total contribution of P13 348 775 towards education

Manufactured Capital

- Operational infrastructure and associated equipment
- Mining rights and leases
- Two depots
- OPEX spend of P336 992 431
- CAPEX spend of P93 070 234
- P12 332 858 Investment in product diversification projects

Social Capital

- Donations toward sports and recreation of P2 417 347
- Funding provided to schools of P8 827 719
- Community and industry expenditure of P1 951 367
- Participant of the Towards Sustainable Mining (TSM) Program
- Values and codes of ethics
- Governance and corporate responsibilities
- Stakeholder engagements
- Contribution to Nata Conservation Trust P5 000

Botash Operations

Risks and opportunities



Our Activities

Botash is a minerals beneficiation and manufacturing company with activities focused on brine extraction, surface operations, processing, and selling of products to the market for industrial and human consumption.



Our Strategy

To meet customer needs through sustainable and efficient production of diversified sodium-based products.



Our Aim

- To be a cost-effective producer.
- Strive for growth in shareholder value.
- To maintain a highly competent and motivated workforce.
- Promote excellent health and safety practices.

Outlook

Outputs

Strategy and resource allocation



Production



Revenue



Emissions



Waste

Performance

Outcomes

Financial Capital

- Profit Before Tax of P206 868 673 and turnover of P1 067 936 351
- PAYE P25 530 397
- Income Tax P37 225 375
- Royalties P18 013 924
- WHT P6 135 497
- Dividends P40 000 000

Natural Capital

- Botash's Sua Pan Nature Park (area of 13km²) conserves biodiversity and serves to protect indigenous and endangered species.
- Financial provisions for environmental rehabilitation (mining closure cost provision) amounted to P66 941 000
- Carbon footprint of 76 713 tonnes CO₂
- Scrap Metals: 303 tonnes
- Used oil: 23 000L
- General Waste: 51 tonnes
- Sustainable Mining (TSM) Program
- Values and codes of ethics
- Governance and corporate responsibilities
- Stakeholder engagements

Human Capital

- Strong relationship with trade unions
- Rapid response to Covid-19: Covid response team and response framework
- Focus on gender diversity
- P1 010 294 spent on staff training and development

Intellectual Capital

- Total of 148 staff trained in 2020
- Improved systems to operate more efficiently
- Provision of eight apprenticeships
- Two Post Apprenticeship Appreciation Programme (PAAP)
- Two University sponsorships

Manufactured Capital

- Progressed in strategic product diversification projects
- Soda Ash production of 238 574 tonnes
- Coarse salt production 339 864 tonnes
- Fine salt production 78 515 tonnes
- Sodium bicarbonate sales of 4 501 tonnes

Social Capital

- Progressed in Towards Sustainable Mining initiatives
- Improved communication and relationships with local communities
- 290 pupils enrolled at Flamingo International School in 2020
- Essential supplies and hygiene products provided to communities in need
- Aligned with Mines and Minerals Act, agreement to start paying royalties in April 2020
- Donations and support provided to Sowa Gym, Botswana Chess Federation Championship sponsorship, Sua Flamingos Football Club, Botswana Chamber of Mines, Business Botswana and Kalahari Conservation Trust

How We Create Value continued

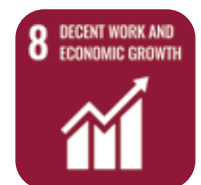
Investment in the six capitals results in positive short, medium, and long-term outcomes for Botash. We monitor and measure our success through the following performance indicators.

How we Measure Success

Short Term	Medium Term	Long Term
<ul style="list-style-type: none"> • Growth in production • Growth in customer numbers • Growth in sales 	<ul style="list-style-type: none"> • Growth in market share • Product diversification • Year on year EBITDA growth by 15% • Year on year reduction in total costs by 5% 	<ul style="list-style-type: none"> • Enhanced value for our shareholders • Enhanced value for our stakeholders • Measurable impact on our communities of interest



Botash, in support of the Government of the Republic of Botswana as a signatory to the United National Sustainable Development Goals (SDGs), contributes to 8 SDGs through our operations, community school, nature park and CSI initiatives.



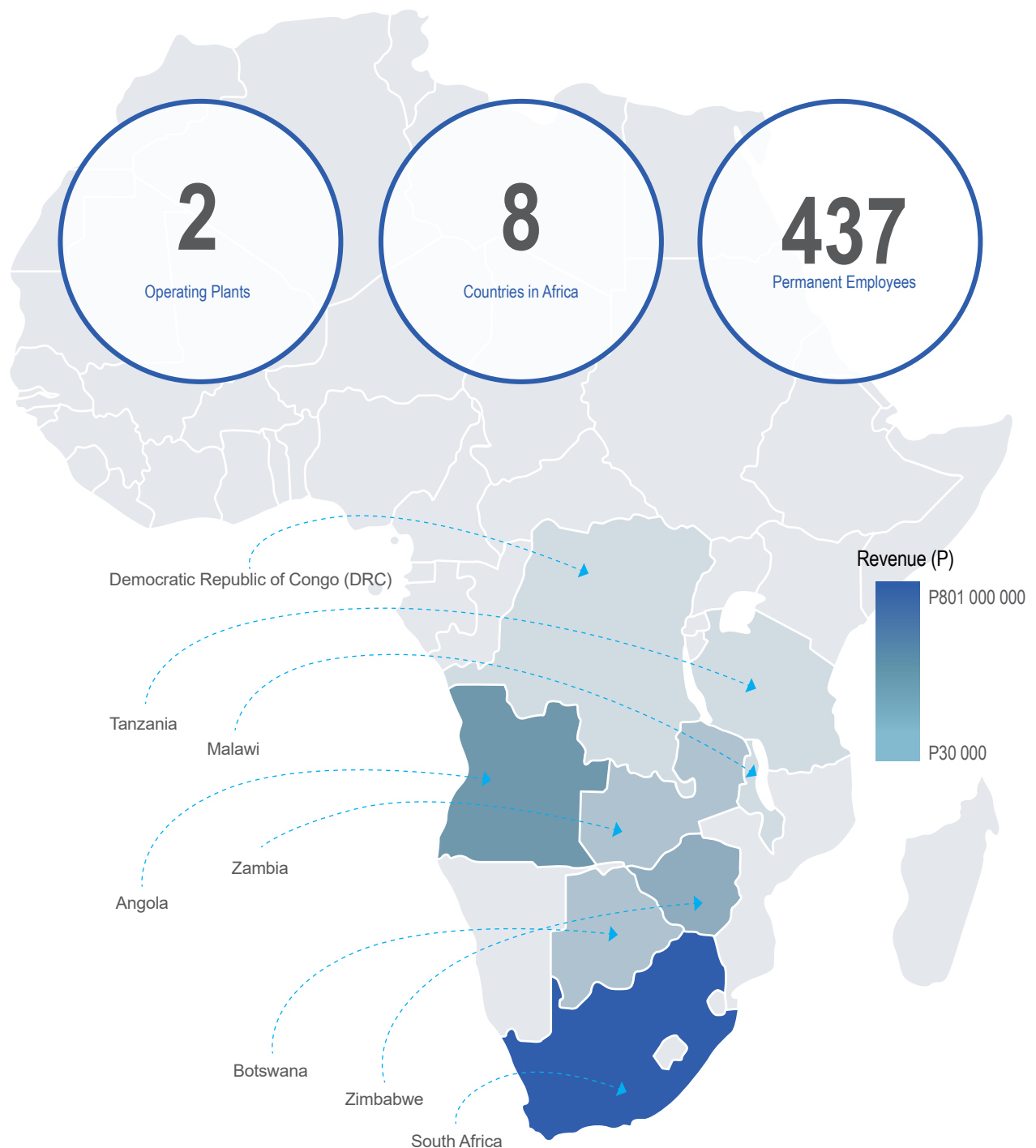
OUR BUSINESS

Our Footprint

Botswana Ash (Pty) Ltd remains a leading producer of Soda Ash and salt in Southern Africa.

We distribute our products to nine countries in the Southern African Region, as illustrated in our geographic representation of revenue share per country below. We have two operating plants with a total of 437 permanent employees. Our products are distributed via two depots, one of which is in Gauteng, South Africa while the other is located on the Sua Pan, Botswana.

Geographic Representation of Revenue Share per Country



2020 Milestones

Achievement of the growth and transformation ambitions are anchored to Botash's four strategic pillars. While progress was made in 2020 towards the implementation of the corporate strategy, it was hampered due to significant operational challenges occasioned by the Covid-19 pandemic

Four Strategic Pillars



Reliable and Predictable Production

- Coarse salt production increased by 11% from 2019 to 2020.
- Fine salt production increased by 7% from 2019 to 2020.
- Soda Ash production decreased by 9% from 2019 to 2020 due to contraction of the market due to Covid-19.
- P27.5m of maintenance undertaken on schedule and to budget.
- P17.5m of scheduled maintenance deferred to 2021 due to Covid-19 Pandemic.

Growth and Defence of Market Share

- The Botswana local salt sales revenue grew by 33%.
- The Zimbabwean market salt revenue grew by 37%.
- The Zambian salt sales grew by 4%.
- The drive to grow the salt market continues, with a focus on the DRC and Malawi.

Diversified Product Offering

- Sodium Bicarbonate project progressed and tendering for Engineering Design completed in 2020.
- The Bitterns Beneficiation project progressed to feasibility stage which is expected to be completed in October 2021.

Stakeholders and Community

- Commenced implementation of the Towards Sustainable Mining (TSM) initiative.
- In line with implementation of the TSM initiative, a Community Relationship Commitment was developed, and Communities of Interest were identified (including 10 settlements and 4 villages).
- Engagements with the identified communities were held in 2020 and are ongoing.
- Support provided to strategic suppliers to ensure continuity of services such as water, electricity, and rail infrastructure.



OUR BUSINESS

Financial Highlights

	2019	2020	
ROE (Net Income/ Shareholders Equity)	15%	17%	↑
ROA (Net Income/ Total Assets)	12%	14%	↑
Turnover	P1 029 116 427	P1 067 936 351	↑
PBT	P176 153 479	P206 868 673	↑
CAPEX Spend	P114 246 047	P93 070 234	↓
OPEX Spend	P393 027 732	P336 992 431	↓
NAV (Per Share)	6.59	7.25	↑
Total Sales (Tonnage)	614 096	625 661	↑
Number of Customers	310	345	↑
Local Procurement Spend	56%	65%	↑

Non-Financial Highlights

	2019	2020	
Number of Full-time Employees	464	437	↓
Number of Temporary Employees	46	80	↑
Number of products	2	3	↑
Staff Turnover Rate	9.9%	9.5%	↑
% Local Employment	98%	98%	→
% Female in the Workforce	15%	15%	→
Number of Strategic Partnerships	5	5	→
Number of Local SMEs	10	15	↑
Training Spend	P976 297	P1 010 1294	↑
CSI Spend	P26 683 700	P18 434 870	↓
Number of School Enrollments	286	290	↑

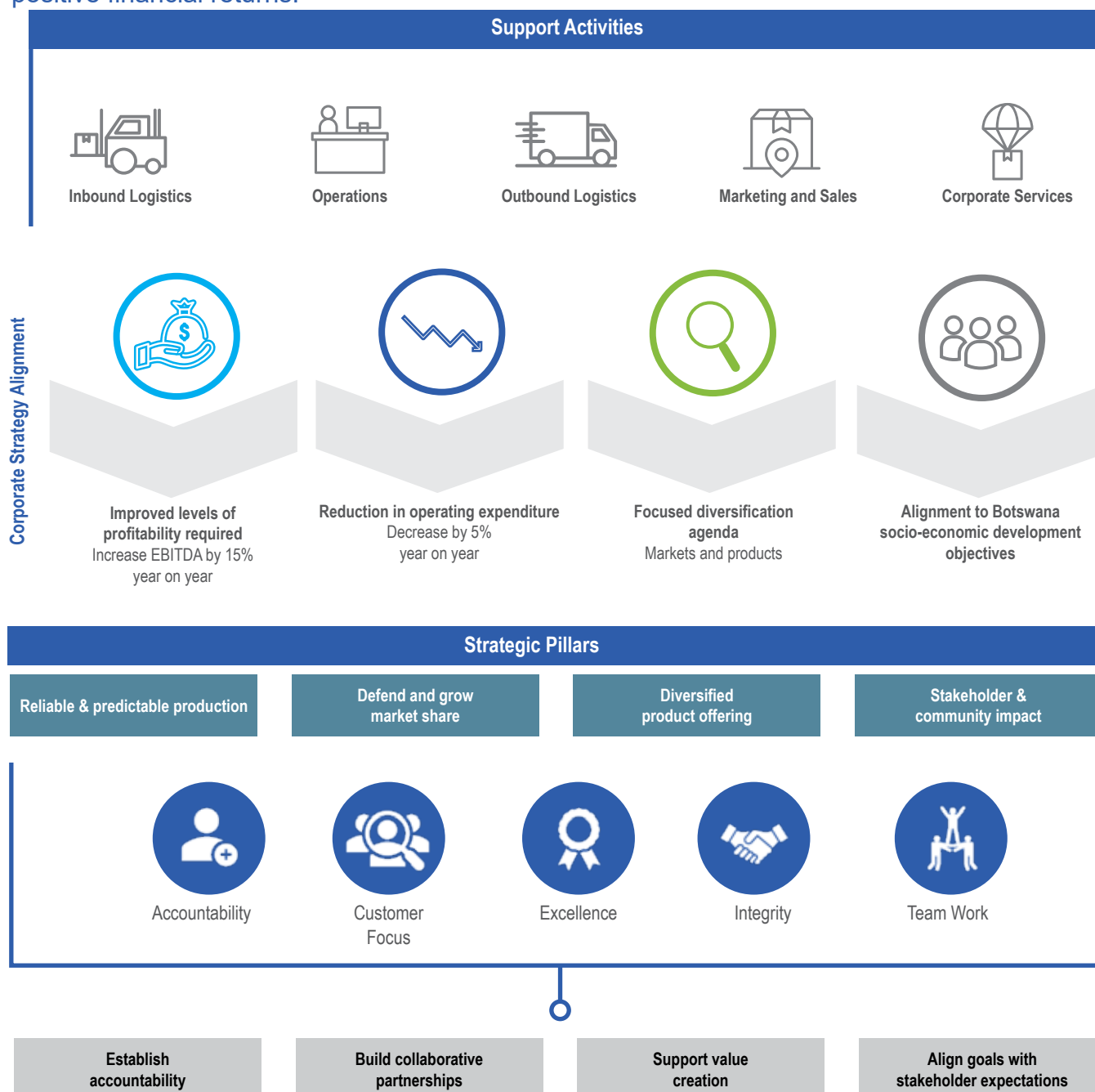
Botash contributed a further P18 434 870 in Corporate Social Responsibility, including on ongoing support to Flamingo International School.



STAKEHOLDER ENGAGEMENT AND MATERIAL ISSUES

Stakeholder Mapping Process

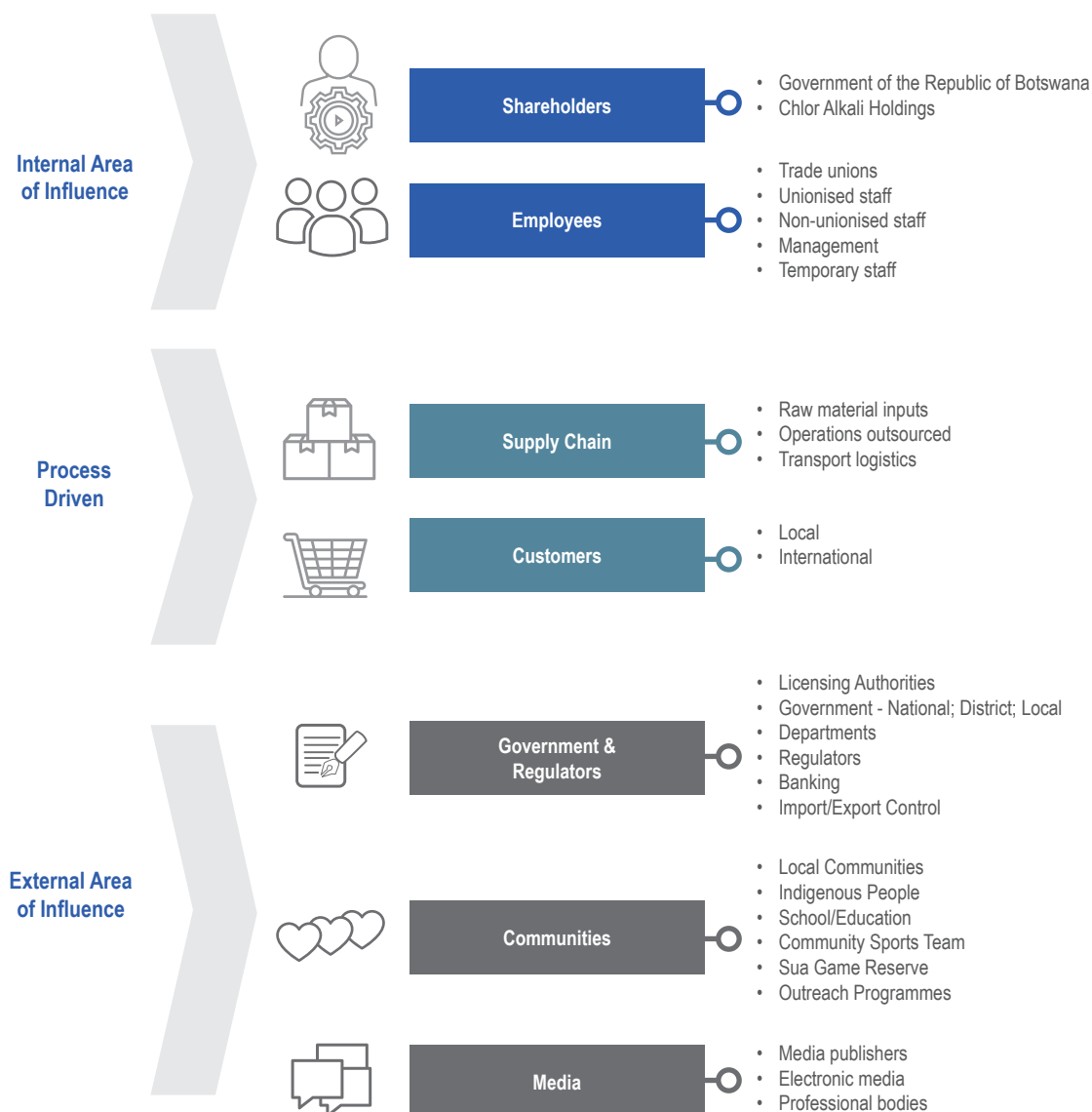
Our key stakeholders are intrinsically linked to our ability to deliver on our corporate strategy. Effective stakeholder mapping and engagement helps translate stakeholder needs into organisational goals, which form the basis of effective strategy development. Botash's corporate strategy in turn enables ongoing growth and development of the business and the delivery of positive financial returns.



Our Stakeholders Defined

In engaging with stakeholders, Botash is guided by its values and strategic intent. Through stakeholder engagement, it aims to establish accountability and collaborative partnerships, support value creation, and align company goals with stakeholder expectations.

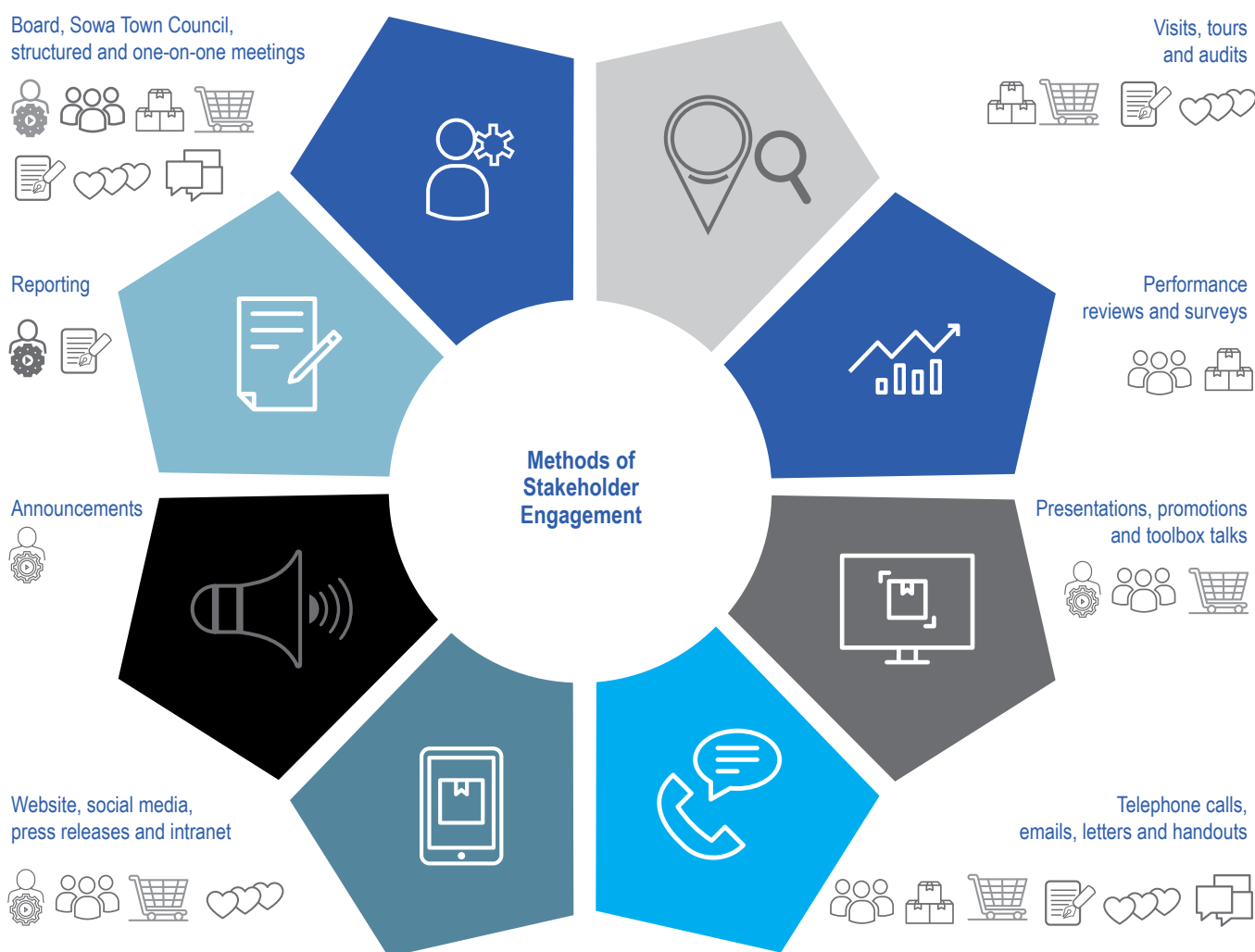
Botash has several stakeholders with whom it engages. The following have been identified as the key, most material stakeholders who are either impacted by Botash's operations or which, in a variety of ways, have an impact on its strategic goals and business performance.



STAKEHOLDER ENGAGEMENT AND MATERIAL ISSUES

Our Stakeholders Defined continued

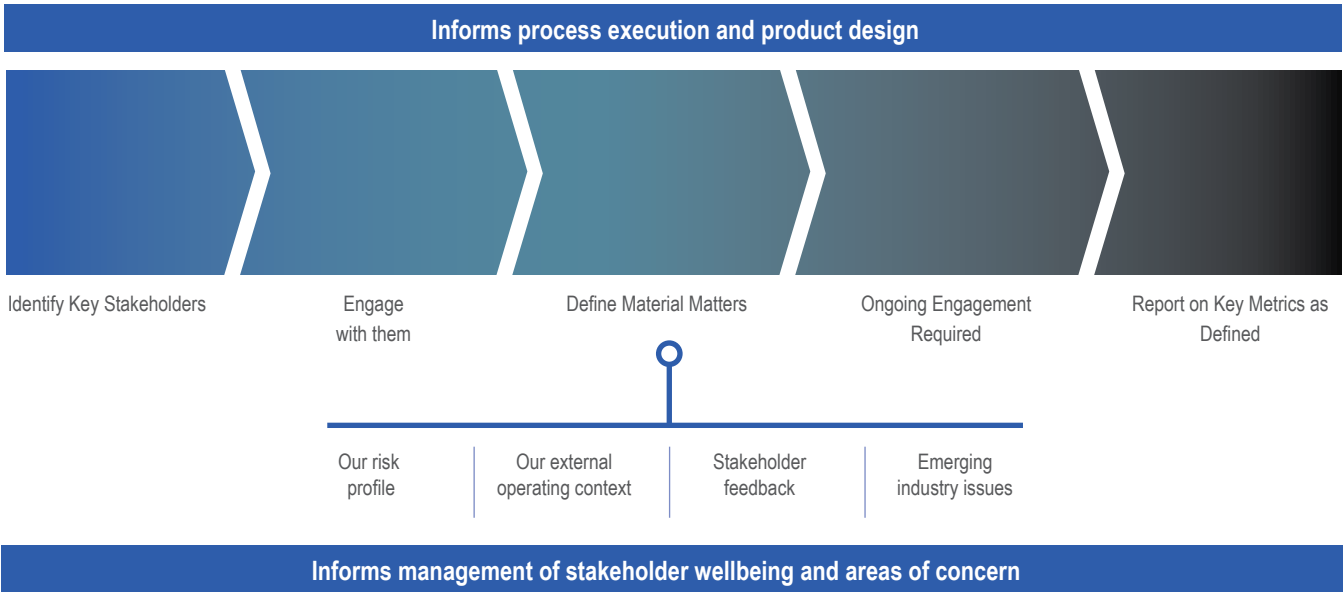
We conduct regular engagement with stakeholders to understand their concerns, to identify and prioritise material issues and potential risks, and to determine action plans to manage these issues and risks.



Material Issues Identification and Management Process

To determine material issues, we identify and prioritise those issues which have the potential to impact Botash's ability to meet its strategic objectives and to create value. In so doing, Botash also considers the potential of these issues to affect the company's prospects, performance, and governance. Once the material issues have been identified, ongoing engagement is required to monitor, review and report on them.

Materiality Mapping



This iterative process allows for the ongoing review and update of the risk register and training protocols and guides the design and development of new products required by the market. This is an invaluable part of the company's business management process, allowing it to ensure the strategy remains fit for purpose in ever-changing market dynamics. This is especially pertinent as Botash expands into new markets and continues with product diversification and process optimisation initiatives.



STAKEHOLDER ENGAGEMENT AND MATERIAL ISSUES

*Materiality Mapping continued***Material Stakeholder Issues**

Main concern raised	Stakeholder	How Botash responded
<ul style="list-style-type: none"> Review of Shareholders' Agreement required. Changes to composition of the Board. Strategy review required. 	Shareholders	<ul style="list-style-type: none"> Reviewed Shareholders' Agreement. Rotation of Board members initiated, with resignations and replacements as required. Strategy validation session held.
<ul style="list-style-type: none"> 2020 wage agreement implementation Impact of Covid-19 on staff. Importation of specialised international skills required during Covid-19. Staff training. Training and communication with temporary staff. Gender equality in the workplace. 	Employees	<ul style="list-style-type: none"> Parties enlisted assistance of statutory labour dispute structures to mediate. Wage agreement implemented. Formulated Covid-19 response team and developed Covid-19 response framework. Adapted maintenance strategy, utilising local labour for essential maintenance. Issue not resolved. Management still looking at ways of increasing female representation at management level.
<ul style="list-style-type: none"> Local supplier development. Security of supply of critical services. Turnaround times and delays in transportation systems. Contractors price increases. New housing lease agreement. 	Supply chain (Suppliers and Contractors)	<ul style="list-style-type: none"> Part of UNDP partnership supporting local suppliers. Assistance of Botswana Railways after rail derailment. Support in maintenance of rail, energy, water infrastructure. Integration of weighbridge system with SYSPRO accounting system and Natalspruit depot. Modification of loading and offloading facilities for side tipper trucks. Negotiations on cost sharing due to Covid-19 measures required. Submitted the rental dispute with Botswana Housing Corporation (BHC) for arbitration.
<ul style="list-style-type: none"> Delayed deliveries of salt and Soda Ash. Prepacked salt product not meeting the market demand. Chrome contamination risk. Extension of credit terms and payment structures requested. 	Customer	<ul style="list-style-type: none"> Translusion system implemented. Botswana Railways assisted to procure additional rolling stock. Prepack Plant transitioning to increased capacity. Ongoing negotiations with TFR on the chrome problem. Extended credit terms to manage impact of Covid-19 on some customers.

Materiality Mapping continued**Material Stakeholder Issues (continued)**

Main concern raised	Stakeholder	How Botash responded
<ul style="list-style-type: none"> • Covid-19 regulations. • Payment of royalties. • Payment of tax to SARS due to permanent establishment. 	Government and Regulators	<ul style="list-style-type: none"> • Engagement undertaken with the Ministry of Health and Wellness. • Formulated a Covid-19 response team. • Developed a Covid-19 response framework. • Aligned policy with Mines and Minerals Act. • Registering a branch in South Africa to facilitate voluntary disclosure for taxes relating to permanent establishment.
<ul style="list-style-type: none"> • Local communities job creation. • Water scarcity. • Access to the mine facilities for learning and business opportunities. • Signing of local talented players by the Sua Flamingo's soccer team. • Performance of the school is below the comparable IGCSE schools standards. • Schools support in response to impacts of Covid-19. • Overgrazing by wildebeests in Sua Pan Game Park. 	Community	<ul style="list-style-type: none"> • Local communities given priority for unskilled labour opportunities. • Sustainable water management through the Water Stewardship Protocol. • Planned open day for the community. • Signed up one player with the team. • Attraction of experienced senior staff, and level of leadership accountability at the school has been enhanced. • Employees provided face shields, geysers and toilet paper to schools in the community. • Donated 171 wildebeests to Elephants Sands, an eco-lodge.

NEW REALITY

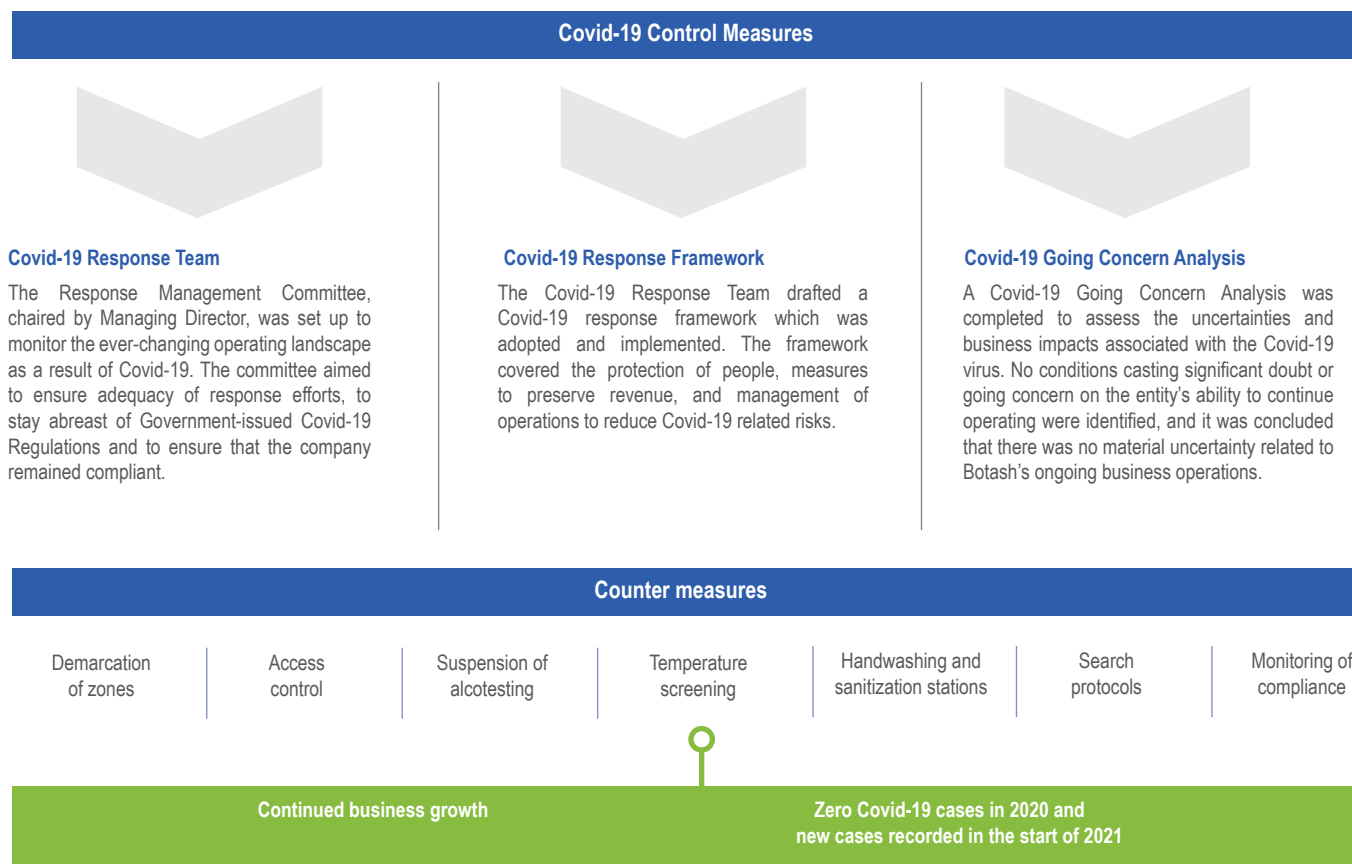
New Reality

As we reflect on Botash's performance in 2020, it is important that we take cognizance of the impact of the Covid-19 pandemic on the business. The global health emergency resulted in severe economic and social impacts, which were experienced from the start of 2020, and is likely to be an ongoing factor determining the world's socio-economic-political trajectory.

The Government of the Republic of Botswana (GRB) responded to Covid-19 by instituting lockdowns and restricting human movement on the 2nd April 2020 to curb the spread of the virus. This resulted in the closure of businesses and a reduction in cross border movements. However, Botash, was afforded essential service status by the Botswana government and was therefore, able to continue with operations.

As the rapid spread of Covid-19 became apparent, Botash responded quickly and developed a Covid-19 Risk Management Strategy whose purpose was to maintain operations and protect its workforce, mitigating the negative impacts of the pandemic on employee wellbeing and on its business operations. The company cooperated with the Ministry of Health and Wellness and adopted and implemented the Government of the Republic of Botswana and the World Health Organisation [WHO] Covid-19 guidelines, the Risk Management Strategy including the Covid-19 control measures and countermeasures as summarised in the diagram below.

Covid-19 Risk Management Strategy



New Reality continued

The Covid-19 risk management strategy and response framework were developed and implemented to provide a framework for Botash to identify, evaluate, and rank potential risks associated with Covid-19. The different aspects of the framework included the management of the risk of staff exposure, continuity of operations, the preservation of revenue, and conservation of cash and targeted capital projects in preparation for an economic upturn. Budgets were assessed, adjusted, and re-allocated to support essential operational requirements, as well as postponement of some capital expenditure to preserve available cash resources.

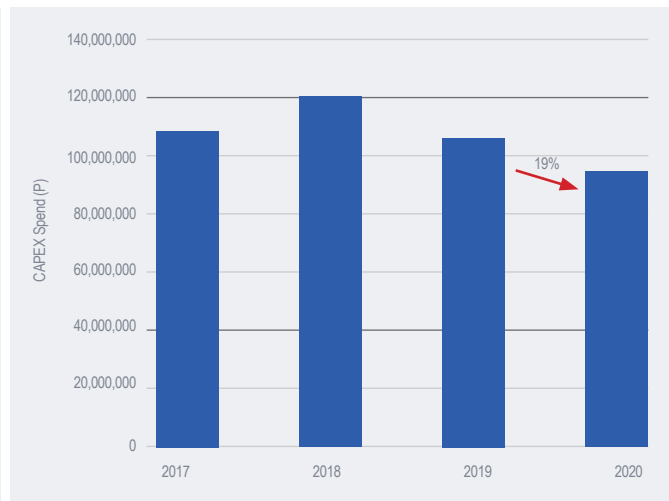
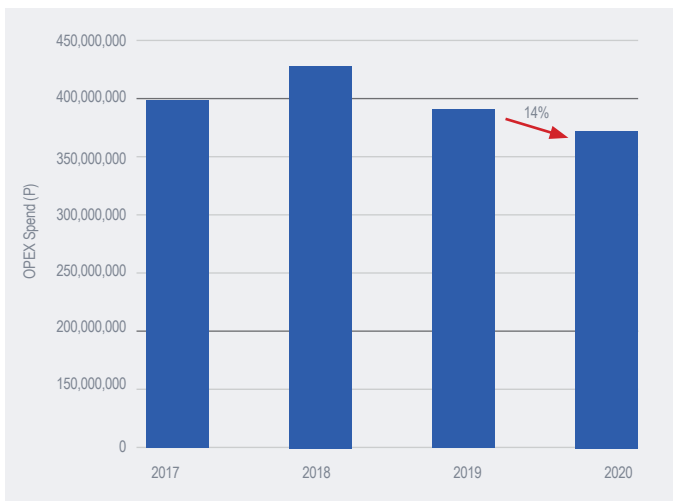
Covid-19 Response Framework

Protect employees and operating assets	Preserve revenue	Conserve cash	Prepare for upturn
Implement personal hygiene & physical distancing guidelines. Screen visitors to site.	Proactively contact customers to let them know what actions are being taken - maintain trust and loyalty.	Cost reduction - discretionary spend, travel, recruitment, training (except safety/ compliance related).	Maintain customer intimacy to obtain market information.
Monitor regional and national developments of the pandemic, purposefully communicate necessary changes.	Improve service to remaining revenue lines in the food-grade salt business.	Postpone capital expenditure.	Use period of low demand to correct ash stock imbalance between Sua Pan & Natspruit.
Prepare management protocols for a case at site e.g. physical zoning, use of masks, internal contacts, handover to health authorities.	Maintain weekly contact with customers on lockdown, loyalty and keep up to date with their plans.	Match debtors to creditors.	Swiftly execute mission critical CAPEX projects when demand normalizes.
Stabilize supply chains to support continued operations.	Be open to a new or accelerated revenue.	Critical milestones to trigger further actions.	
Draw contingency plans to protect continuity e.g. work permits, split non-shift workers, middle managers, Exco into 2 teams.			
Correct the Soda Ash stock deficit in RSA to enable continued production.			

Overall sales were impacted by lockdown. The year saw the Soda Ash market contract to 50% between April and May due to the ban on alcohol sales in South Africa and the resultant decrease in glass packaging requirements. The worst affected segments were flat glass which went on shut down for two months between April and May, and the chemical and vanadium segments, both of which shut down in April. Despite this, Botash was able to recover relatively quickly from the Covid-19 induced low sales by June 2020.

Management was able to lower capital and operating expenditure to conserve cash without undermining operations and customer service. This is evidenced by a decrease in CAPEX and OPEX spend when compared year on year.

NEW REALITY

New Reality continued

As a result of this strategic and swift response, the company managed to achieve 85% of its pre-Covid revenue by June 2020 and managed to exceed the targeted EBITDA growth of 15% year on year, with an increase in Profit Before Tax (PBT) from P176 153 479 in 2019 to P206 868 673 (17%) in 2020. Emphasis on cutting and deferring non-critical expenditure yielded positive results and offset the degree of impact that the economic and market instability could potentially have had on the overall 2020 financial performance.

Our alignment to this new reality is further underpinned by our focus on three pillars:

Employee
wellbeing

Operational
Management

Customer
Support



New Reality continued

Employee Wellbeing

Botash prioritised employee wellbeing and provided support to its people, both direct employees and contracted staff. This was achieved through implementation of appropriate social distancing protocols and health and safety measures. A review of security operational processes was carried out early in 2020 to mitigate the risk of compromising security controls, while ensuring adherence to these Covid-19 protocols.



Demarcation of zones	Access control	Alco Testing	Temperature screening	Handwashing and sanitization stations	Search protocols	Monitoring compliance
Demarcation of mine premises, movement register to provide an auditable trail for contact tracing.	Suspension of biometric system was to minimize direct contact.	Suspension of 100% alco testing, random testing with alcometer and disposable mouth pieces.	Temperature screening at the mine Gatehouse.	Mine entrance equipped with wash basin and sanitization stations for use upon entry and exit of premises.	Review of search protocol, random searches as an interim measure.	Deployment of human resources across all strategic areas monitoring of compliance.

The counter measures introduced proved to be effective as Botash closed the FY2020 with zero positive Covid-19 cases at its Sua Pan operations. Only two cases were recorded at the Botash-owned Natspruit depot, which is operated by the sister company, Botswana Ash South Africa (Pty) Ltd.

NEW REALITY

New Reality continued

Operational Management

Travel and cross-border restrictions implemented by both governments of the Republics of Botswana and South Africa (from which skills are often imported) affected the annual planned shutdown, creating difficulties with importation of skills and procurement of spare parts required to execute the planned maintenance works.

Essential Maintenance

Botash utilised the lockdown periods as a window to carry out essential maintenance with increased participation of local artisans, enabling continued operation of crucial plant processes. In line with its community impact initiatives, the company made a deliberate decision to ensure that all casual labour required for the maintenance shutdown were employed from the surrounding communities. As a result, Botash was able to meaningfully contribute to improving the livelihood of members of its surrounding communities.

Employment opportunities created through Botash's 2020 essential maintenance

Employment of

109

casual employees

from the villages of Moseitse, Dukwi and Nata, as well as from Sowa Town for the 2020 shutdown.

Reservation of an additional

10

slots for casuals

from the small settlement of Malelejwe, about 20km from the plant.

Local skilled labor during the Covid-19 lockdown resulting in

145

individuals being employed

from around the country, with no reliance on expatriate labor.

While certain aspects of the scheduled maintenance were deferred to 2021 due to lack of relevant skills locally, the necessary materials and spares were obtained from suppliers who were able to continue operations, and this in turn ensured continuation of Botash operations.

Support Services

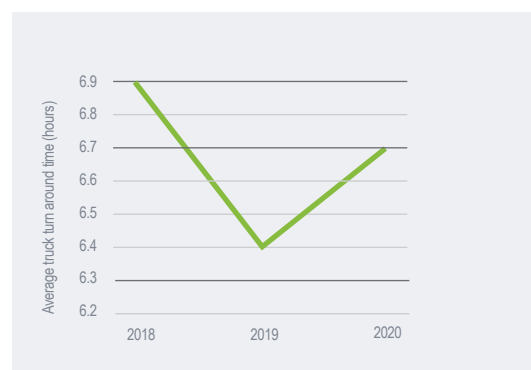
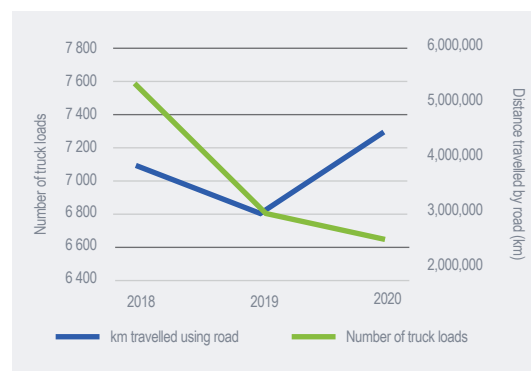
Due to lower levels of temporary and contracted staff on site, there was a significant decrease in demand for support services such as catering and cleaning at the lodge and contractors camp, resultantly adversely affecting the income of the service providers to whom these services have been outsourced. In response, Botash engaged with these stakeholders on revised contract terms to achieve continued business activity. Whilst some initiatives were able to be achieved such as ensuring timely payments to the service providers and affording them more ad-hoc work e.g., additional work of sanitisation and cleaning of Botash staff transport, not all initiatives or revision of contractual terms were implemented. Thus, negotiations are still underway to ensure that both parties (Botash and service providers) remain profitable in the midst of Covid-19 while protecting cashflows and deriving mutual commercial benefit from the contractual relationship.

Product Movement

Transportation of products from the plant to customers via rail and road was affected due to stricter border regulations and Government lockdowns. These protocols were a specific hindrance on road deliveries, which were re-introduced to alleviate the impact of rail inefficiencies. This was exemplified by a 56% increase in the distance travelled using road transportation, despite the number of truck loads decreasing by 5% between 2019 to 2020. As a result, the Soda Ash stock levels at Natalspruit were lower than the threshold stock of 18 000 tonnes throughout the year except in April and May.

Longer lead times resulting from new cross border protocols and controls were demonstrated by a 4% increase in the average truck turnaround times between 2019 to 2020.

Despite this, all efforts were made to ensure continuous supply of products to customers and no sales were lost due to inability to supply. The company continues to monitor stock levels ensuring adequate continuity of supply.



New Reality continued

Customer Support

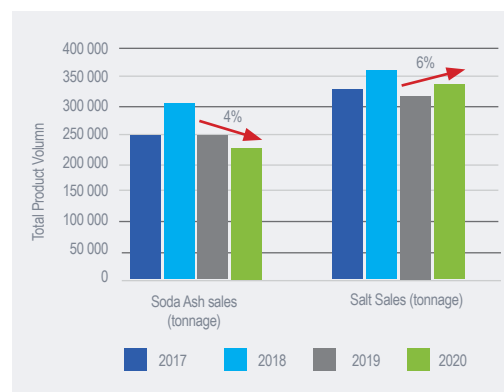
Some of Botash's South African customers requested assistance by way of extended credit terms due to the weakened South African economy as a result of Covid-19.

Accordingly, the company assisted by extending credit terms and most customers were able to pay within the newly agreed temporary timeframes. As at the time of reporting, however, all customers in the South African market had since reverted to their original credit terms and were able to settle their accounts as they fall due.

The South African economy is projected to rebound in 2021 as domestic and foreign demand recovers. Although high unemployment and persistent electricity shortages are likely to weigh on growth, as frail fiscal metrics and a ballooning public debt pose additional risks, economists see the economy expanding by 3.6 % in 2021.

Some of our major customers in Zimbabwe were classified as essential suppliers by the Government of Zimbabwe and were given preference when purchasing forex. However, delays in settlement of accounts were still experienced due to forex shortages. This was mitigated by temporary reviews of credit limits to ensure supply to these customers was not interrupted. These accounts continued to be paid, albeit late.

Most of the Botswana customers sell food grade salt and were consequently classified as essential suppliers. Resultantly, demand remained stable and is expected to remain as such in the foreseeable future.



Future Action Planning

Management has identified realistic and feasible plans for navigating the 'New Reality' business landscape going forward.

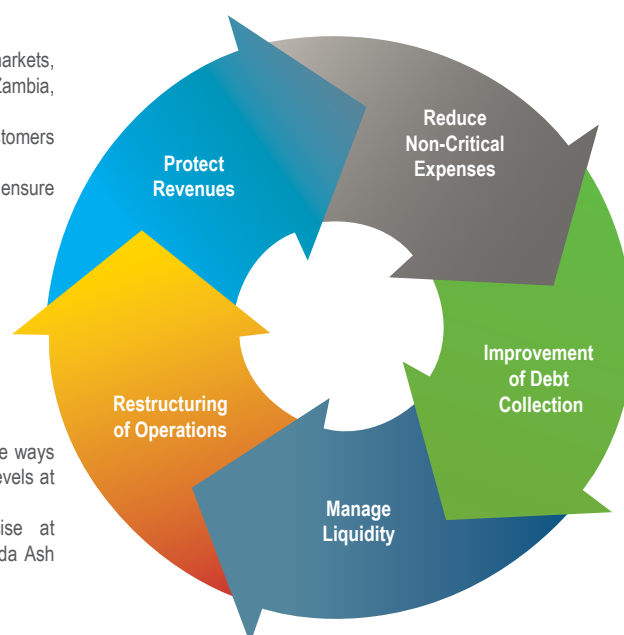
Management's plans for future actions

Protect Revenues

- Continued supply to customers in all markets, including South Africa, Botswana, Zambia, Zimbabwe, and Malawi.
- Improvement in engagement with customers to proactively understand their needs.
- Monitor logistics more closely to ensure continuity of supply to customers.

Restructuring of Operations

- Continued exploration of cost-effective ways of plant operation with optimal staff levels at Sua Pan in Botswana.
- Completion of restructuring exercise at the Natalspuit depot due to low Soda Ash demand and reduced volume.



Manage Liquidity

- Achievement of cash preservation strategy through deferring capital expenditures where possible and close monitoring of expenditure.
- Implementation of hedging strategies to reduce forex losses on repatriation of funds from South Africa.

Cut and Defer Non-Critical Expenditures

- Cost monitoring and review of expenditure by Budget holders. Thorough review of 2021 budgets to limit discretionary costs, delay non-critical expenditure, and freeze filling of some vacant positions until improvement of the economic situation.
- Projects re-prioritization after consideration of the project implications.

Manage Working Capital Balances

- Maximization of supplier credit terms and improvement of debtor's collection through close monitoring by executive management.

RELIABLE AND PREDICTABLE PRODUCTION

Reliable and Predictable Production

Shareholders' Agreement Review

During the FY2020, the GRB and CAH reached consensus on the need to revise the Shareholders' Agreement. The existing Agreement, initially between the GRB, First National Bank of Southern Africa Limited, Standard Bank of South Africa Limited, UAL Merchant Bank Limited, De Beers Holdings Limited, AECI Limited, and Anglo-American Corporation of South Africa, was signed in September 1996. Upon acquisition of its 50 % shareholding in 2010, CAH signed a Deed of Adherence to be bound by the terms of the said 1996 Agreement. The current shareholders are therefore, in agreement of the need to revise critical aspects, redefine their legal relationship and to ensure alignment with any legislative changes that may have taken place since. It is expected that the new agreement incorporating changes in the relationship between the parties will be signed in 2021.

Our Strategy

Four Strategic Pillars



Notable Amendments to the Shareholder Agreement

A change in the treatment of royalties to a monthly payment, in accordance with the Mines & Minerals Act (effective April 2020).

Changes in the composition of the Board, governance matters and inter alia were considered in the new agreement.



Revision of Shareholder agreement

Undertaking of direct agreements between Botash and suppliers/authorities as the company is now able to contract directly without the need for facilitation from the GRB. These include:

- Coal supply
- Power supply
- Water supply
- Rail supply
- Botswana Housing Corporation
- Ngwato Land Board for Land Rights

Given prevailing market conditions and the significant changes in the composition of the Board towards the end of 2019, a strategy validation session was held from 13th - 15th February 2020 to test and adapt the Botash strategy. This process included review of the strategic foundations, the assumptions made in refining the strategy, the objectives, measures, and initiatives used to drive strategic intent. Four key areas remain which serve as strategic pillars for the envisaged growth and transformation of Botash, namely:

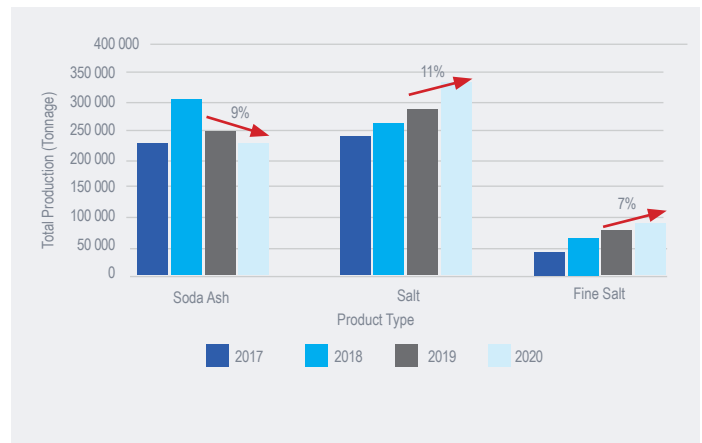
- Reliable and Predictable Production,
- Defend and Grow Market Share,
- Diversified Product Offering,
- Stakeholder and Community Impact

Reliable and Predictable Production continued

Production Outputs and Capacity

The production of Soda Ash decreased by 9 % from 2019 to 2020 due to contraction of the Soda Ash market and reduction in customer demand due to Covid-19. However, given the easing of lockdowns and lifting of the alcohol sales ban (and therefore increased demand for glass), industries are expected to perform better in the next financial year.

Production (tonnes) of coarse salt and fine salt continued to show consistent increases in production from 2019 through to 2020, with production increases of 11% and 7% respectively. Following increased market demand for salt products, Botash commenced with onboarding of additional resources and processes to transition the plant to increased capacity, with resultant increases in production outputs. The increased salt production demonstrates the company's ability to remain in line with meeting growing market demands. Additional resources have been provided to further increase production outputs, with increased out-turns predicted for future markets.



RELIABLE AND PREDICTABLE PRODUCTION

Reliable and Predictable Production continued

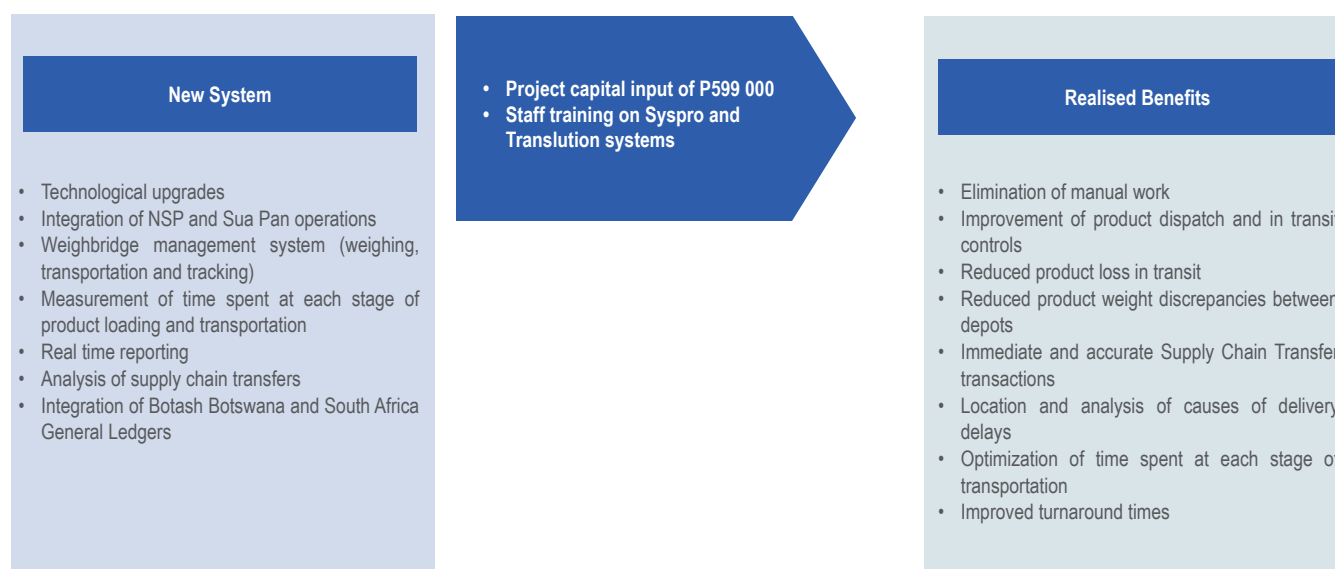
Operational and Process Efficiency

As discussed in 'New Reality', lockdowns and cross border controls resulted in increased average transportation turnaround times. Botash undertook a process review to identify bottlenecks and make improvements to adjust for variables in the logistics process to enhance truck transport turnaround times at site, reduce the occurrence of delayed deliveries, and minimise product loss in transit.

A new Translution System with upgraded technology was introduced to boost control of stock including weighing and accounting of goods in transit. The system was integrated across the Botash Natalspruit depot (NSP) and the Sua Pan operations. It enables optimization of the supply chain, and monitors discrepancies in product weights between Sua Pan dispatch and Natalspruit receiving. The project budget amounted to P599 000 and took a year to implement, with delays experienced due to the outbreak of Covid-19 and resultant shortage of skills.

Implementation of the new Translution system has strengthened product transfer, Goods in Transit management and reconciliation between source (Sua Pan) and destination (NSP), with demonstrated improvements in product accounting, tracking and financial reporting.

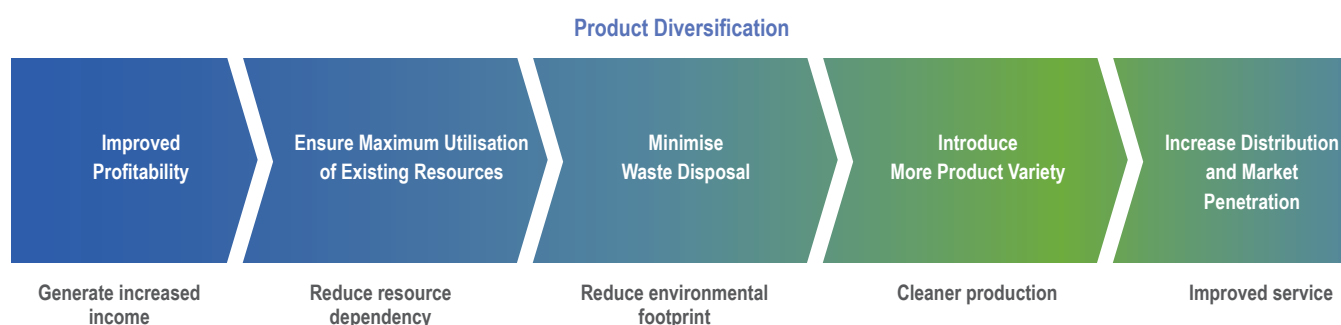
Implementation of Translution System



Reliable and Predictable Production continued

Product Diversification

Botash has invested in two main strategic product diversification projects for sodium bicarbonate and bittern's beneficiation to produce SOP, both of which are inherent in the brine from which Botash currently extracts Soda Ash and salt. These projects will positively impact the pillar on Diversified Product Offering, while promoting resource efficiency and movement towards a circular economy.



Project	Background	Progress
Bitterns Beneficiation	Bitterns are a waste stream arising from extraction of Soda Ash and sodium chloride (salt) from the feed brine which has been disposed of by Botash since operations started in 1991. However, bitterns contain commercially recoverable quantities of commodities such as sulphate of potash(SOP), sodium sulphate, bromine, salt and iodine. With established markets for these products within Southern Africa and abroad, Botash has taken the opportunity to conduct a feasibility study on the production of sulphate of potash (SOP) and sodium sulphate production facilities.	The tender for the feasibility study was awarded to K-Utec Corporation (Germany). Onsite pilot pond studies commenced in October 2020 and are scheduled to conclude in 2021. As at the time of reporting, preliminary process designs had already been completed in March 2021 with final design documents to be unveiled in October 2021. Offtake agreement discussions are currently underway, and Engineering Design, Procurement and Construction are anticipated for 2022-23, with production to start at the end of 2023.
Sodium Bicarbonate Plant	Sodium bicarbonate is formed when carbon dioxide reacts with brine during the carbonation stage of salt production. Market research indicates that there is an existing and growing market for this commodity within Southern Africa, owing mostly to sulphur emission legislation. Botash plans to leverage on this growth, with a project launched to build a plant to produce sodium bicarbonate.	Following successful completion of the feasibility study on Soda Ash Expansion and Sodium Bicarbonate Production, part of the project was put on hold because of contraction of the Soda Ash market. Only the Sodium Bicarbonate Production project progressed and tendering for Engineering Design completed in 2020.

RELIABLE AND PREDICTABLE PRODUCTION

Reliable and Predictable Production continued

Product Diversification (continued)

Following successful completion of the feasibility study on Soda Ash expansion and sodium bicarbonate production, part of the project (increasing Soda Ash production capacity) was put on hold due to the contraction of the Soda Ash market. However, production of sodium bicarbonate was progressed. Despite the reduced speed of execution due to lockdown and travel restrictions, sodium bicarbonate sales (tonnage) increased by 99% between 2019 and 2020 through third party production, demonstrating the immense potential of this project.

This approach has allowed Botash to demonstrate the feasibility of implementing a portfolio diversification strategy, thereby improving business resilience to economic shocks, and ensuring business sustainability.

The industries into which Botash supplies its products are sensitive to economic growth, which makes product diversification an imperative. Diversification of the product portfolio would herald Botash's entry into the agricultural sector and fertilizer market and a further expansion into the detergent industry. This introduction into new market segments or industries reduces the business' over-reliance on Soda Ash and salt as revenue streams and further reduces market risks.

Through the introduction of sodium bicarbonate production and the beneficiation of bitterns, Botash will contribute to a carbon zero future and a circular economy through the planned beneficiation of waste by-products stemming from existing processes into commercially viable products. By leveraging this value add, Botash attains a competitive edge through the further expansion of its product portfolio. It is envisaged that diversification into bromine, salt and iodine would also be possible to commercially viable quantities once these initiatives are implemented.

Sodium Bicarbonate (NaHCO₃)

Carbon Zero Future

Mineralizing carbon into sodium bicarbonate is commercially viable and contributes to a carbon zero future.

Carbon Emissions Legislation

Carbon capture during energy generation is driven by compliance with carbon emission legislation.

Product Demand Drivers

Market growth for NaHCO₃ will be driven by increasing demand for convenience food due to increasingly fast-paced lifestyles globally. NaHCO₃ is also used by the pharmaceutical industry as treatment against toxic substances in the body.

Potassium Sulphate (SOP) and Sodium Sulphate

Circular Economy

Through the beneficiation of products from waste streams, Botash is contributing towards a more circular economy. This reduces pressure on the environment while boosting brand equity and customer base growth.

By-Product of Waste

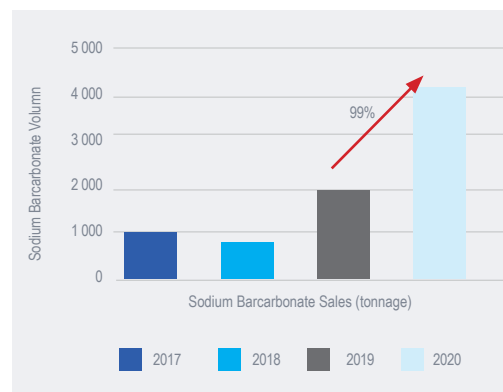
SOP and sodium sulphate will be extracted from the bittern waste stream at the Sua Pan operations.

Premium Products

SOP is a premium product that is commonly used in fertilizers, providing both potassium and sulphur to crops. Sodium sulphate is a major commodity product commonly used in the manufacture of detergents, paper pulping and production of alkaline sulphides.

Competitive Edge

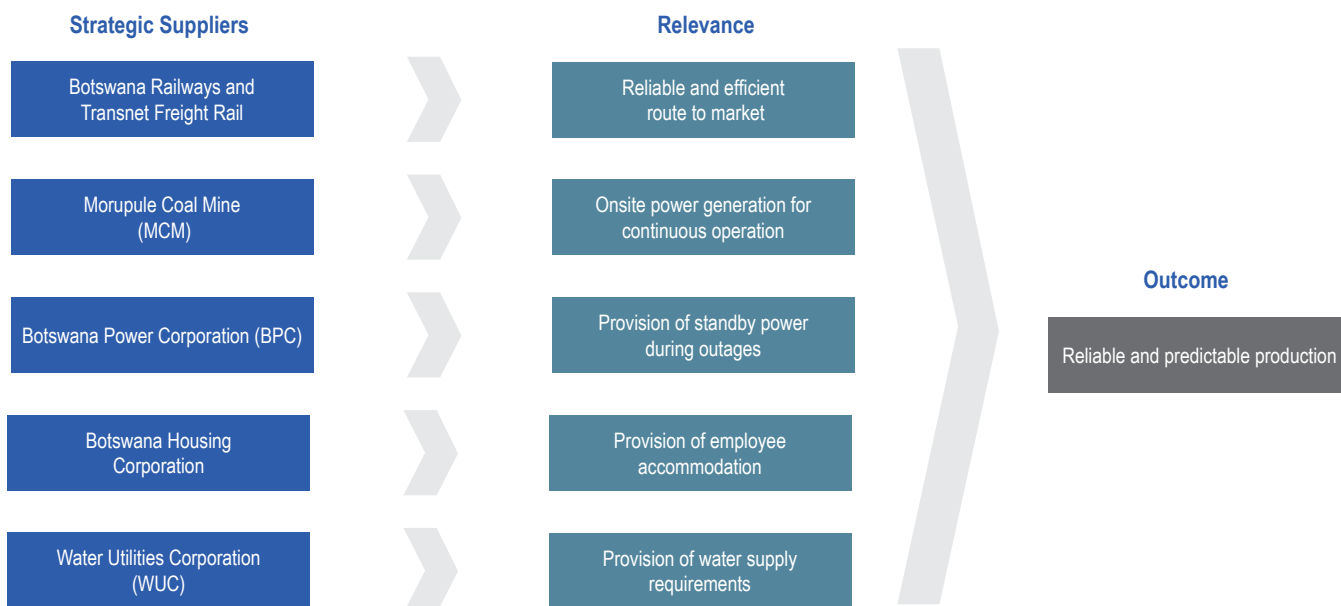
Beneficiation of waste streams holds exciting potential to provide a competitive edge against foreign competitors.



Reliable and Predictable Production continued

Strategic Partnerships

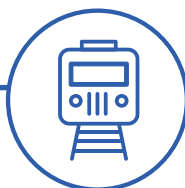
Botash maintains five key long-term strategic suppliers, providing support and resources to essential services where necessary, to ensure ongoing reliable and predictable production.



Botswana Railways and Transnet Freight Rail

Botash retains contracts for the sale of Soda Ash and salt to customers across the Southern African market. With the company's operations located in Sua Pan in the north eastern part of Botswana, reliable and efficient route to market is critical to ensure consistency of supply. To ensure that the company is strategically prepared to continuously supply its customers and reduce disruptions in the supply chain, Botash transfers Soda Ash to its depot in Natspruit to facilitate the distribution to its customers. Products are mainly moved via rail to South Africa and trucks are used as an alternative to augment the product moved by rail.

Benefits of Rail



Rail transport is cheaper than road and can move ~1500 tonnes of product in a single consignment, compared to trucks which can only move a maximum of 35 tonnes per consignment.

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 leading to longer turnaround times.

Dispatch and export paperwork for rail is done for the entire consignment of ~1500 tonnes whereas with trucks, each 35 tonnes of consignment requires paperwork, resulting in errors and increased workload.

The plants (both on the Sua Pan and the silos in Natspruit) **are configured for the rail system**, which presents logistical problems whenever rail transport is unavailable.

Rail transport is more environmentally and infrastructurally sustainable than road transport.

RELIABLE AND PREDICTABLE PRODUCTION

Reliable and Predictable Production continued

Due to lack of proximity to markets, logistics costs are significant, and Botswana Railways and Transnet Freight Rail (TFR) serve as strategic suppliers. Botswana Railways (BR) transports products to Mafikeng, whereafter Transnet Freight Rail takes over the destination. In the North, Botswana Railways delivers salt to different destinations within Zimbabwe through the National Railways of Zimbabwe (NRZ). BR also transports coal from Morupule Coal Mine for use at Botash's power plant to produce steam and electricity. The newly commissioned Kazungula bridge, a gateway to the Zambian market will ease transport of Botash products to that market.

Rail efficiency or inefficiency has a huge impact on the profitability of the company. The operational inefficiencies on the part of both BR and TFR have resulted in a gradual decline of Soda Ash moved on rail for the period 2018 to 2020. Similarly, chemical salt deliveries to Sasolburg were exclusively via rail (2018 and 2019) but dropped to 72% in 2020. Maintenance of rolling stock and rail infrastructure on the part of strategic partners is therefore, cardinal to ensuring that Botash fulfils contractual obligations to its customers.

On November 19, 2020, a derailment of train NSP057 occurred at Moseitse siding near Moseitse Village while transporting Soda Ash from Sua Pan to Natalspruit. The rake comprised of thirty-six (36) wagons, fifteen (15) of which derailed and overturned. Although the responsibility for the salvage and repair exercise fell on BR, Botash rendered its support. Casual labour was sourced from surrounding settlements, and they were provided with all the necessary resources to recover Soda Ash from the mangled wreckage, thereby preventing an environmental disaster. Resources included full personal protective equipment, tools such as wheelbarrows and shovels and equipment in the form of mobile crane and wagons. A by-pass way was constructed within four (4) days to keep the supply line open while a total of twenty-two (22) days were required for the rail tracks to be cleared and repaired before opening for service again. The total cost to Botash for the assistance rendered to BR in this regard amounted to P137 000.

Morupule Coal Mine (MCM)

Coal is a critical commodity as it is used for onsite power generation at Botash, which caters for the electricity demand for general use by the company as well as for plant operations (production). Morupule Coal Mine (MCM) is Botash's sole supplier of coal.

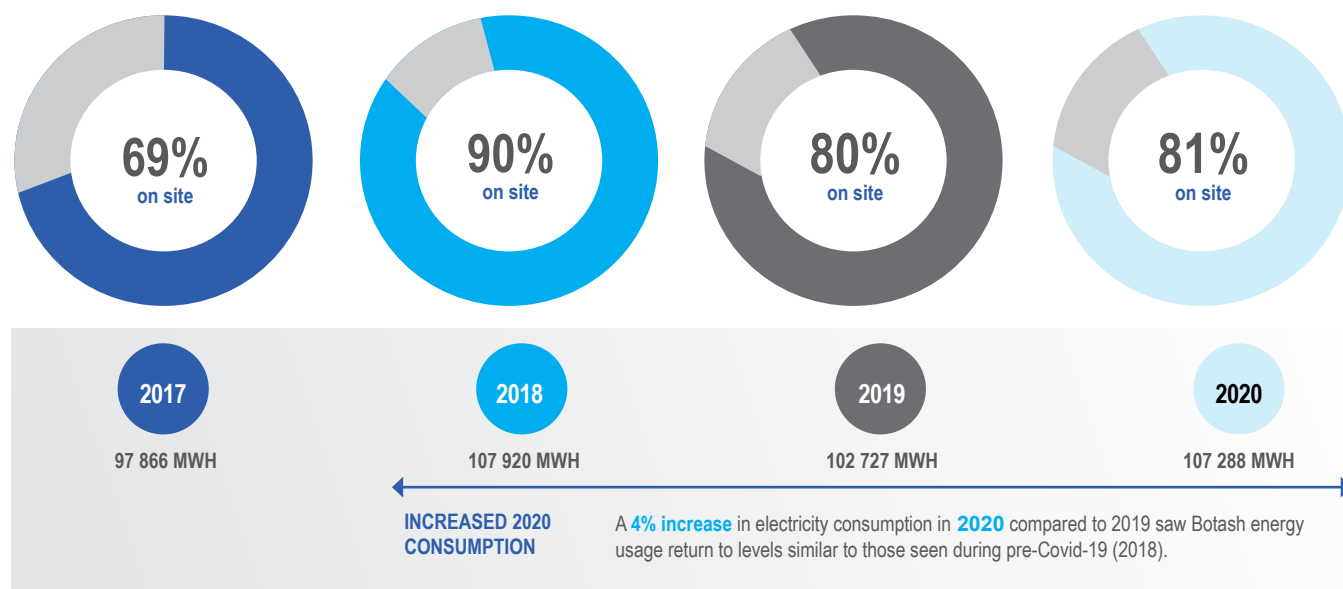
Botash's boiler plant, which uses coal to generate thermal and electrical energy, was designed based on burning coal from MCM, formerly Morupule Colliery, highlighting the longstanding relationship between Botash and the mine. Electricity is required in the process of steam generation, used in the production of both Salt and Soda Ash. Additionally, the combustion of coal produces Carbon Dioxide (CO₂), which is captured and used as a material input for the production of Soda Ash. MCM's existence is, therefore, critical in ensuring continuous operation of the company.

For several years, Botash has been working on improving the efficiency and operability of its fluidized bed boiler plant, and quality of coal has long been identified as a key factor in this pursuit. For this reason, in 2020, a technical team comprising of members from MCM promoting positive margins, and Botash was formed to collaborate in identifying quality improvement opportunities in the production of coal used at Botash operations.

Morupule Coal Mine (MCM) expansion: In close proximity to Sua Pan MCM will be increasing coal production capacity from the current 2.8 Mt to 3.8 Mt per annum as of 2021 by developing an open cast coal mine, the Motheo expansion project. MCM remains a preferred coal supplier due to its proximity. Easy access by rail ensures a cost-effective relationship

Power Generation Sua Pan

The main source of electricity supply for office and manufacturing facilities is Botash on site production. Only a small portion is sourced from the national power grid



Reliable and Predictable Production continued

Botswana Power Corporation (BPC)

Botash's own power generation provides 81% of the company's power requirements. However, Botash is also connected to the national power grid. The national grid provides standby power in case of interruptions experienced by Botash's own power generation. Over the years, with the aging infrastructure and unfavourable climatic conditions, the BPC supplied standby power has increasingly become unreliable. The costs of electricity supply by BPC have also risen substantially in recent years. This has heightened the need for Botash to be more self-reliant with regards to power generation and supply. In 2020, at the beginning of the rainy season, a storm caused a collapse of several BPC transmission pylons. The repair works went on for an extended period during which Botash had no back up power.

Botash's electricity consumption at Sua Pan increased by 4% to 107 288 MWh in 2020 compared to 2019, slightly below pre-Covid-19 levels (2018). Of this, 81% was from Botash's own onsite generation, and the balance thereof was met through BPC supply. BPC was, however, unable to meet peak power demand as they experienced delays in plant maintenance due to Covid-19 border restrictions limiting the procurement of spare parts which could not be locally sourced. BPC experienced a power generation loss of 200 MW in Q3 2020 reducing its generation capacity at Morupule Power Station to 31%, thereby limiting the amount available to Botash as standby.

This was further exacerbated by the loss of power supply due to the collapse of eight (8) BPC transmission pylons along the 11km 132KV line from Dukwi substation due to a storm and three (3) days of consecutive rainfall at the beginning of the rainy season on 6th of October 2020. The pylons were replaced with 15m wooden H-poles at 75m intervals. In total, 32 H-poles were installed.

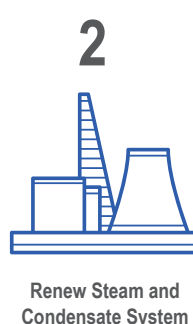
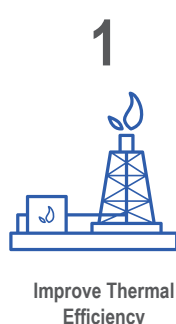
In addition, forty (40) wooden poles supplying 33KV from Botash mine to Dukwi switching station were also broken. The excessive rainfall resulted in access challenges to some areas for purposes of carrying out the requisite repairs, particularly at the area where the pylons had collapsed. Botash therefore, assisted with provision of access vehicles and other means. The repair works were undertaken for an extended period during which Botash did not have backup power. The total cost incurred by Botash in assisting BPC to restore power transmission and supply to Sowa Town and supply of backup power to Botash amounted to P353 825.

In recognition of the general power supply challenges and the impact on production, three (3) key initiatives are being investigated at Botash's own Power Plant, designed to promote energy reliability and efficiency in order to promote energy security.

Energy Security

Botash Power Plant

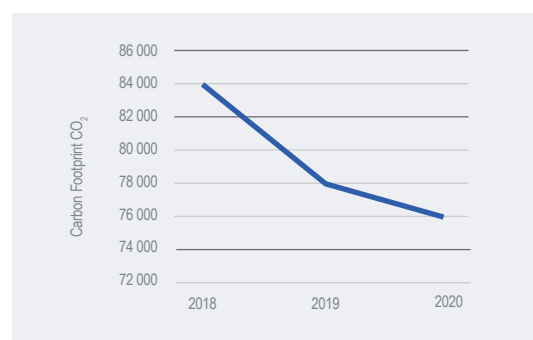
Key initiatives to promote energy reliability and efficiency through effective operation of the coal-fired power plant.



Botash's carbon footprint decreased by 2% from 2019 to 2020 from 78 513 to 76 713 tons of CO₂.

Botswana Housing Corporation (BHC)

The Botswana Housing Corporation is the sole provider of accommodation to Botash employees in Sowa Town. In 2005, Botash entered into a Memorandum of Agreement to lease accommodation units from BHC. The lease agreement, which effected in 1995 despite being signed in 2005, was set to lapse on 31 August 2020 and it accordingly required Botash to issue a notice of intention to renew by 28 February 2020. Despite Botash's timely notification of their intent to renew the lease, the parties were unable to reach an agreement on the new rentals. At the time of reporting, the parties had submitted their dispute to arbitration. As rentals are one of the Company's most significant fixed costs, the outcome of the dispute would have a material impact on these costs.



RELIABLE AND PREDICTABLE PRODUCTION

Reliable and Predictable Production continued

Water Utilities Corporation (WUC)

Water is a critical input in the production of both Soda Ash and salt. Botash operates a water wellfield which supplies two thirds of its water requirements, while the rest of the required water is supplied by the WUC. The water wellfields for both WUC and Botash are located in the Dukwi area.

WUC supplies Botash with potable water for domestic use and raw water for treatment into boiler feed water to produce steam. In 2020, WUC continued to struggle to consistently meet the needs of Botash.

Amidst the increasing needs for water supplied by WUC, the WUC infrastructure continued to suffer frequent breakdowns. Challenging access conditions to the corporation's wellfield, particularly in the rainy season when the black cotton soils in the area become difficult to traverse with normal 4x4 vehicles, further exacerbated the supply limitations. In rendering support to WUC, Botash hired two 60KV mobile generators to power two boreholes and provided fuel for the standby generators. As fuel provision from WUC was not consistent, Botash also provided fuel for the standby generators for the transfer pumps to Botash mine and Sowa Town. The total costs incurred for the support provided amounted to P124 346.

Water Usage (m ³)	2019	2020	Trend
Brackish Water	537 971	577 237	↑
Potable Water	341 209	340 831	↓
Total	879 180	918 068	↑

With a view to improving the water supply situation, Botash is working in collaboration with WUC on ongoing water studies and projects. These include:

- Post-Auditing of the Dukwi Wellfield Numerical Groundwater Model, in respect of which a tender had been floated as at the time of reporting, and
- Sowa Nata Water Supply Upgrading Design which encompasses Botash water requirements, whereby the awarding of the tender was awaiting a World Bank review and authorisation as at the time of reporting.

Botash has also developed a 3-tier water stewardship protocol to reduce the risk of disruption to business continuity by diversifying its sources of water supply. It is determined that the main constraints in accessing water are lack of rainwater harvesting infrastructure and poor-quality brackish water.

As the main consumer of water in Sua Pan, Botash is responsible for water stewardship within the Sua Pan area and engages with water consumers, the Water Appointment Board, WUC and the Department of Sanitation regarding water security concerns and any other related issues. Specifically, Botash communicates with internal water consumers through daily water reporting and to the Water Appointment Board through the annual water report. Botash also participated in developing the Botswana National Water Conservation and Demand Strategy through the Tripartite Water Resource Management Team comprising the Water Utilities Corporation and the Department of Sanitation. An important element of the water stewardship programme is reducing water usage. Water consumption in the plant increased by 4% from 879 180m³ in 2019 to 918 068m³ in 2020. This was due to high water usage at the filtration process due to operational challenges experienced in that area of the plant. There was also a high loss of seal water at the carbon dioxide compressors due to defective seals. Botash continues to deploy efficiency measures aimed at reducing the amount of water needed per tonne of Soda Ash produced.

Botash will continue to leverage its partnership with the Water Utilities Corporation to identify opportunities for alternative water sources, such as rainwater harvesting, pan flood water use and recycling. Botash is also participating in the development of the Botswana National Water Conservation & Demand Management Strategy.



Reliable and Predictable Production continued

Extending Supplier Base

Botash's business is dependent on a cross-section of suppliers who provide raw materials, inputs, and services essential for continued business operations and projects execution. Suppliers are strategic enablers for profitable activities ensuring Botash is able to produce quality products for its customers in a timely manner. Botash aims to:

- Develop and sustain strategic partnerships to ensure continuity of operations, and
- Maintain continuous engagement to ensure we meet procurement targets.

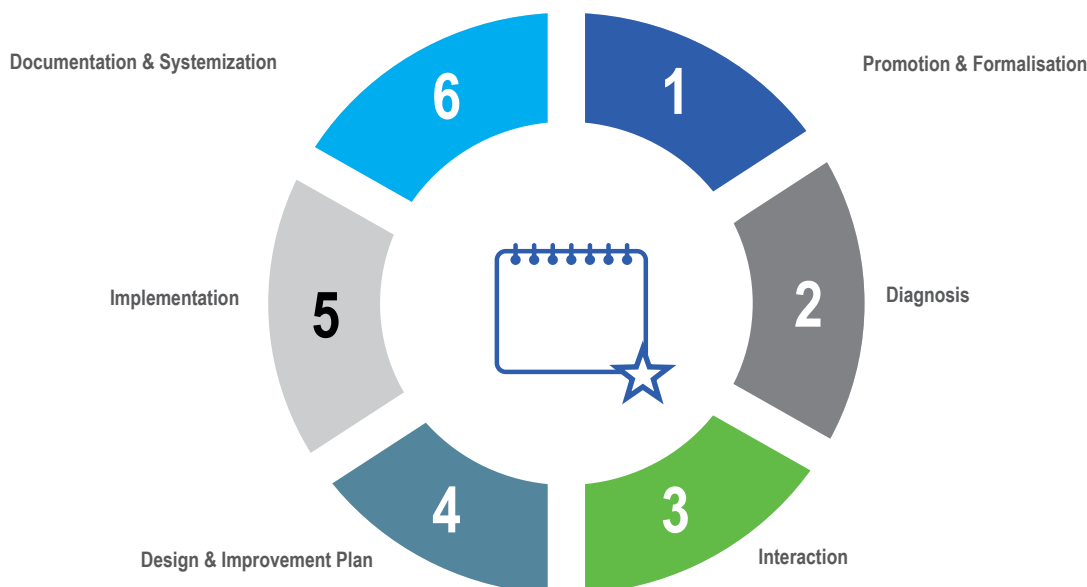
The lockdown restrictions due to Covid-19 reduced accessibility to materials and spares from foreign suppliers and increased reliance on local suppliers. Botash took a proactive stance to increase the base of local suppliers in 2020 by participating in the "Business Supplier Development Programme" (SDP), a United Nations Development Programme (UNDP) initiative which supports Small and Medium Enterprises (SMEs) in response to the constrained economic environment caused by Covid-19.⁹

As a participatory SDP buyer, Botash registered fifteen (15) local suppliers leading to the increase in local procurement spend from these suppliers by 10 % from 2019 to 2020. The main projects in which the suppliers supported Botash were construction projects for ablution and change room facilities at Makgadikgadi Lodge and Sowa Stadium, respectively, both enhancing community well-being and economic stimulus (allowing premier league games to be played at the stadium), as well as contributing to Botash's social license to operate.

Maintenance projects related to the fencing at the Sua Pan Airport, the repair of earth moving machinery cooling systems, as well as some maintenance activities at the Botash plant were other critical projects allocated to SDP suppliers.

UN SDP Development Programme

The SDP development programme to upskill SME suppliers comprises six phases. Developed by the UNDP, it is implemented with the assistance of Botash employees. It provides a unique upskilling opportunity for companies on the programme by improving their competitiveness and profitability, market access and improved products and services.



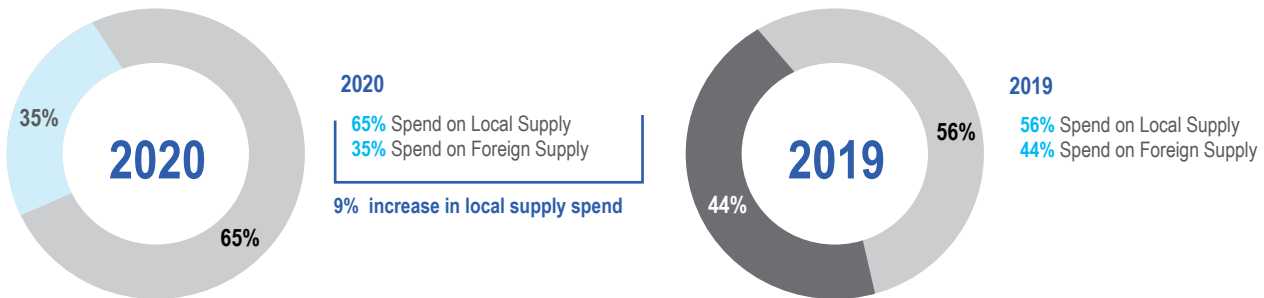
Botash invested P749,405 through purchases from local suppliers in the SDP local programme in 2020, and the company plans to increase the number of SME suppliers supported through this programme in the long-term. Long term development of local suppliers enables Botash to deliver on larger and more complex projects using local suppliers in the future. This investment in SDP suppliers is in turn reducing Botash's vulnerability to any potential restricted supply of skills and materials which may result from the remote location of the Sua Pan operations, as well as any disruptions to cross-border trade due to Covid-19, or any future restrictions imposed in response to similar global pandemics.

⁹ United Nations Development Programme, Botswana

RELIABLE AND PREDICTABLE PRODUCTION

Reliable and Predictable Production continued

Supplier Spend Trend



2020 Construction Projects Suppliers Supported

Sua Pan Airport

Fencing
 Makgadikgadi Lodge
 Construction of ablution blocks

Sowa Stadium

Construction of changing rooms
 Vehicle and plant repairs
 Sandblasting and painting services

Raw Materials Sourced Locally

Construction hardware
 Tyres, rubber, allied products
 Solar panels
 Polypropylene
 Plastic bags

Raw Materials Sourced Abroad

Caustic soda
 Sulphuric acid
 Mono ethanol amine (MEA)
 Other chemicals and spares



Reliable and Predictable Production continued

Chrome Contamination

A key quality control point in Botash's supply chain is the Natalspruit Depot in Gauteng, managed by Botash's sister company, Botswana Ash South Africa (Pty) Ltd. The Natalspruit Depot is built on land leased from TFR.

The NSP Depot is the key Soda Ash distribution point to the large glass manufacturing customer base in South Africa. In recent years, Transnet has leased out the land adjacent to the Botash premises for purposes of handling chrome. As a result of the proximity of the two operations, chrome particles are blown over to the Botash site, with a possibility that chrome could be transported into Botash premises and to customer's premises through various means such as on bodies of trucks entering the Botash site or through truck tyres having picked up the chrome from the topsoil surrounding the area.

Chrome-tainted Soda Ash undermines the integrity of the glass produced, thus adversely affecting customer demands for Botash's product which would jeopardise growth of sales in South Africa. In addition to this, Botash is faced with potential claims from customers spanning from loss of business to potential third-party end user claims due to the compromised glass.

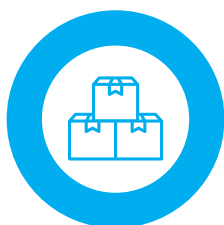
Botash is engaging with TFR to eliminate chrome contamination from the adjacent site leased to a third-party. As a permanent resolution of the problem, Botash implored Transnet to consider relocating the current tenant. Several short-term measures have been taken to mitigate against the risk in the meantime.

The temporary measures were found to be effective, pending ultimate resolution of the problem. These are however attracting higher supply chain costs to the glass industry.

Containing Chrome Contamination

Protecting Product Quality

Transnet has requested that temporary measures be implemented pending ultimate resolution of the chrome contamination. Botash has taken mitigation measures to avoid chrome contamination of Soda Ash at the Natalspruit depot



Direct Supply from Sua Pan

Direct product supply from our Sua Pan operation to our key South African glass-producing clients.



Warehouse Rental

Renting a warehouse distanced from the adjacent chrome facility.



Ground Clean-Up

Ongoing cleaning of the rail line and removal of contaminated topsoil.



Air Contamination

Curbing air contamination through the use of tarpaulins, sprinklers and a stacked container screen.

RELIABLE AND PREDICTABLE PRODUCTION

Reliable and Predictable Production continued

Business Continuity

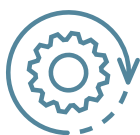
Botash implemented several measures to keep the business afloat and prevent job losses in the face of the Covid-19 pandemic.

Further to the above, Botash adopted a mixture of maintenance strategies in order to achieve reliable operation of the plant. Maintenance strategies adopted were a mixture of the following:



Reactive Maintenance

Allow assets to run to failure



Preventative Maintenance

Preventing problems before they occur



Predictive Maintenance

Predicting problems to increase reliability

As referred to previously, the annual planned maintenance was, in 2020, severely impacted by Covid-19. There were several factors which delayed implementation and had other adverse impacts.

Logistics challenges also slowed down the off take of Soda Ash and this led to a full warehouse from the end of June. Botash acted swiftly to utilise this as an opportunity to undertake major maintenance work. Botash focused on localization of skills, scaling down shutdown activities with essential maintenance tasks, and increasing participation from local artisans. This allowed for the continued operation of crucial plant processes.

The full impact of postponement of some of the planned works will be monitored closely to allow for empirically validated decisions on whether to adjust maintenance intervals for some activities.

Key Delay Factors

- Curtailed movement during the lockdown periods
- Difficulty with local procurement of materials and spares
- Predictive readmissions, risk stratification
- Difficulty in sourcing the requisite skills, inability to import skills
- Mandatory 14-day quarantine periods for travel
- Extreme social distancing requirements



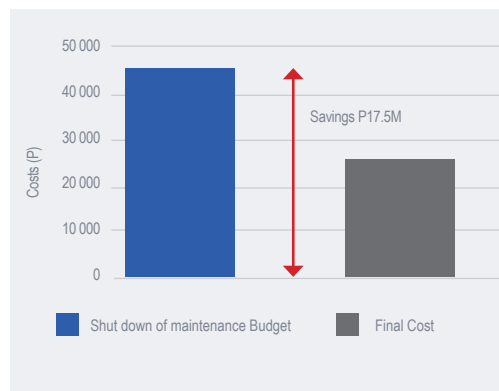
Reliable and Predictable Production continued

Through the execution of a scaled-down shutdown, Botash deferred P17.5m of the budgeted overall maintenance costs. The cost savings realised were due to scaling down of the shutdown, increased use of local resources and postponement of the shutdown works.

Going into the shutdown with a full warehouse afforded Botash the scheduling flexibility and allowed the option to use local labour to execute the same scope of works over a staggered period. This led to additional savings such as follows:

- Only ~P504 400 was incurred to hire local labour for the replacement of the 152 boiler in-bed tubes versus ~P3 486 000 required when using imported resources (~P1 934 000 was for onsite works plus an additional ~P1 552 000 for 28-day quarantine costs).
- Only ~P22 400 was incurred to install Anion Vessels using local labour versus ~P209 980 required when using imported resources.

However, these savings cannot be sustained in a normal production year due to the usually limited shutdown duration and the inability to meet all required skills locally.



Lessons Learnt



Increased use of local labour for future shutdowns could lead to significant reduction in labour costs.

This must be supported by deliberate skills development. Management will continue to engage with Government to solicit support and funding for the programme.



Productivity and cost baselines were independently established for several activities on which we relied on contractors and OEMs completely.

Inform negotiations with contractors going forward. Based on our experiences some contractor person hours and costs could be cut by up to 33% without changing scope.



Phasing the servicing of boilers considerably eased start-up challenges

This opportunity will continue to be explored to the extent that there is flexibility in the production schedule.



Capacity of local contractors was in some cases way below our standards and requirements.

The deliberate strategy to develop the capacity of contractors, which has seen us partner with the UNDP for the development of small to medium enterprises, may need to be expanded to encompass critical areas like fabrication and corrosion protection.



The 2020 shutdown was led primarily by Botash employees resulting in immense development and personal growth opportunities. Many firsts were scored in areas such as in-bed tube welding, integrative project management and supervision. We also had a better handle on safety.

Elevated levels of ownership and accountability as well as exemplary living of our values were witnessed and will be encouraged moving forward.

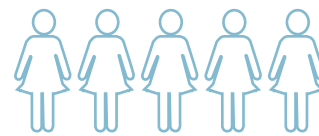
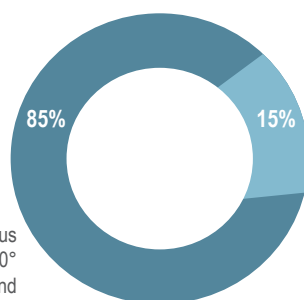
RELIABLE AND PREDICTABLE PRODUCTION

*Reliable and Predictable Production continued***Human Capital**

Botash strives to continually improve on diversifying its workforce, with a focus on gender and youth.

Botash Employee Demographic

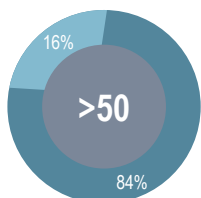
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**Diversity: Retention Strategy**

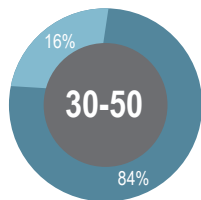
Botash continues to strengthen its retention strategies with focus on employee diversity and skills development based on 360° competency assessments, performance driven incentives and other relevant employee intrinsic benefits. The overall attrition rate at Botash during 2020 remained at an acceptable level at 9.5%, below the 12% benchmark rates for the manufacturing and chemical industries.

Gender Equality: Women In Management

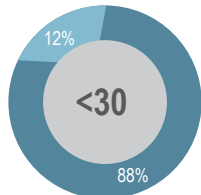
Of our 437 permanent employees, 15% are female and 85% are male and Botash has embraced the need to drive gender equality in relation to employment opportunities. We have taken a principled decision to increase the number of women in management and are in the process of setting targets in that regard.



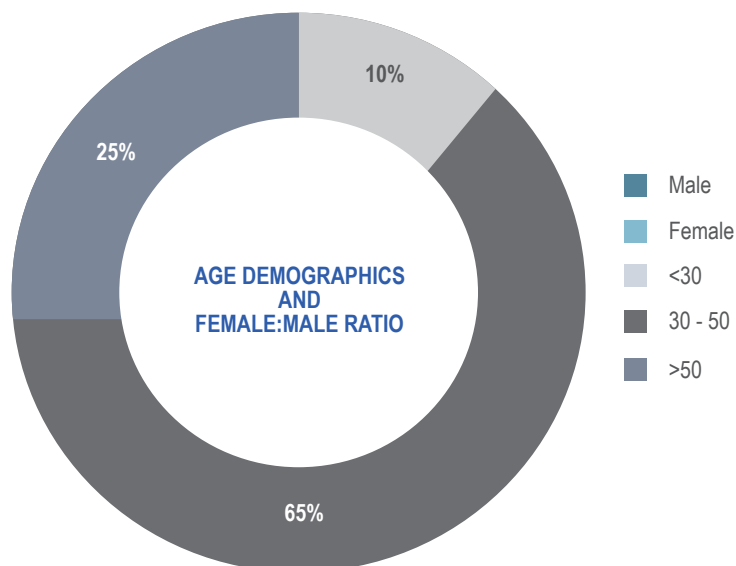
25% of employees are over 50 years of age



65% of employees are in the 30-50 years age group



10% of employees are younger than 30 years of age



Reliable and Predictable Production continued

Gender Diversity

Botash has taken a principled decision to increase the number of women employees with a specific focus on management positions and is embarking on the process of setting targets in this regard, aimed at increasing female representation across all age groups in the work force.

In other initiatives, Botash sponsored the Women's Affairs Exhibition to promote gender diversity as a foundation for increasing competitiveness in the private sector in Botswana, as acknowledged in the NDP11.

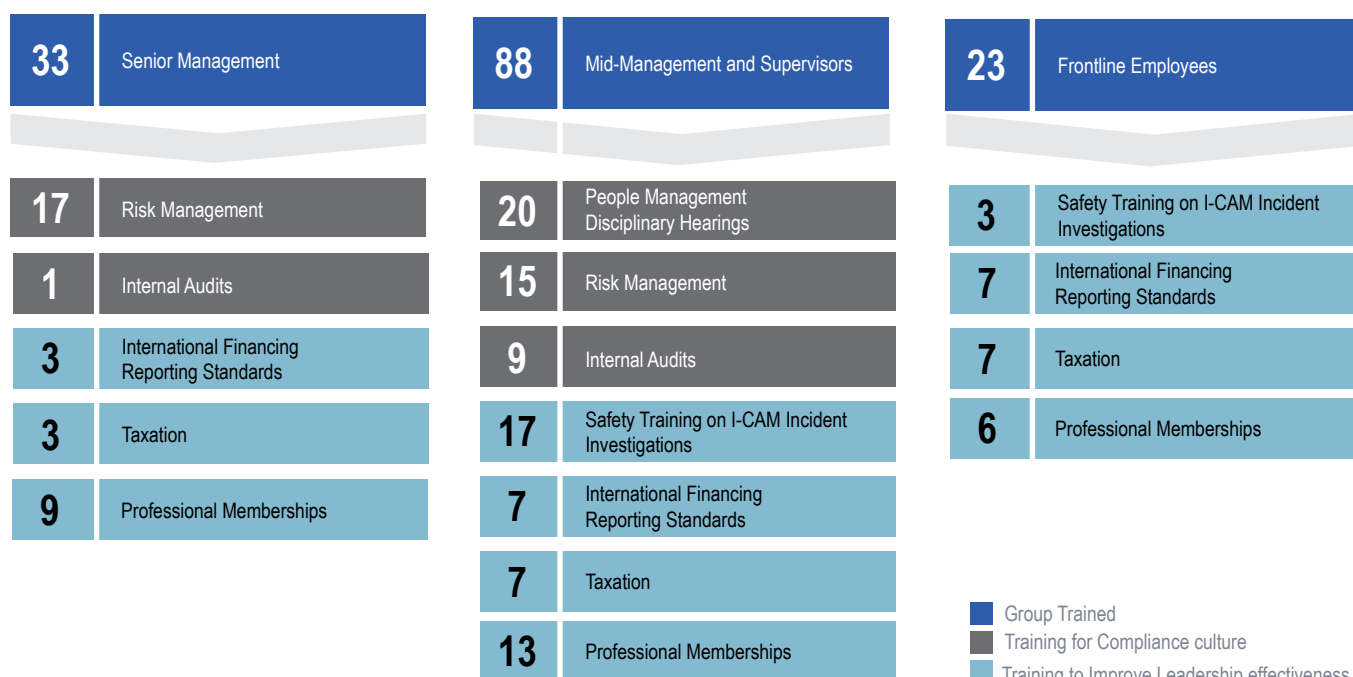
Training

The success of Botash is ultimately determined by the productivity of our people. We are only able to deliver on our business strategy and ensure reliable and predictable production through our motivated and productive workforce. We, therefore, value and respect our human capital as one of our most important assets and strive to maintain good relationships with employees as they are critical to our business strategy.

Our approach to employee relations is premised on the belief that each employee should be engaged with on a basis of mutual respect and trust. Due to the Covid-19 pandemic, face-to-face staff engagement was kept to a minimal in adherence to national protocols. However, management continued to update middle management on monthly business performance for onward cascading of the information to lower levels in smaller groups, and the Managing Director was also able to meet employees in smaller groups to provide briefs on the impact of Covid-19 on the business performance as well as the business strategy. Regular updates were provided on protracted wage negotiations caused by cash preservation initiatives. Due to concerted efforts to protect jobs, and in recognition of the value add of our people, the company managed to maintain pre-Covid-19 wages for all employees, and ultimately even increased wages in accordance with the agreements made with employees through their Union.

In further recognition of the value of our human capital, we have the necessary processes and mechanisms in place to ensure that our workforce is equipped with the right skills and knowledge required to achieve our strategic objectives. In addition to this, we believe that each employee should be provided with the opportunity to develop to their full potential, so that they are both motivated and productive in their work tasks. We, therefore, provide ongoing training and development for our employees. To that end, despite the adverse impacts of Covid-19, several formal training programmes were conducted during 2020, with a total training spend of P1 010 294. Focus was placed on middle and upper management training to ensure Botash was orientated towards business risk management in the face of the pandemic.

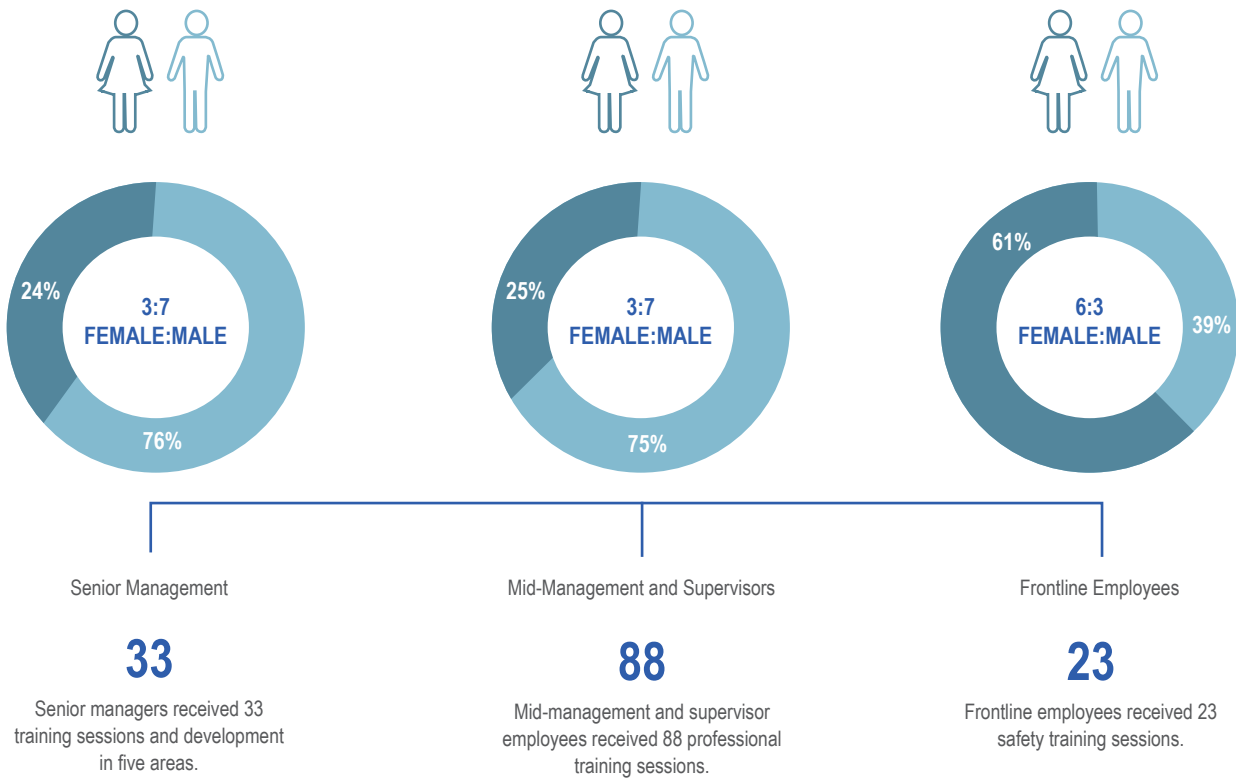
Gender Diversity Indicators	2017	2018	2019	2020
Full-time employees (FTEs)	457	445	464	437
% Female employees	14%	14%	15%	15%
Total training spend (P)	720 963	1 932 738	976 297	1 010 294
Training spend on female employees (P)	98 314	437 400	117 155	441 755



RELIABLE AND PREDICTABLE PRODUCTION

Reliable and Predictable Production continued

Female:Male Ratio in Training



Employee safety and well-being is also central to our approach to ensuring positive relations. In addition to provision of formal training, Botash provides Safety, Health and Environmental (SHE) Training on a more informal basis through Toolbox talks. SHE topics addressed in Toolbox Talks 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.

Toolbox Talk Topics

Safe HANDLING of hydro carbon	Prevent POLLUTION of water sources	Identifying ENVIRONMENTAL aspects & impacts	Segregation of WASTE at source	Save POWER for your country	Snake AWARENESS
HAZARDOUS SUBSTANCES: Know and act	Water CONSERVATION	PREVENT environmental spillages	Protect your environment avoid LITTERING	HEALTH & SAFETY incidents statistics	ESTABLISH & MAINTAIN adequate bund wall capacities



CREATING SHARED VALUE

Creating Shared Value

The success of Botash depends on creating shared value for all stakeholders. Our key stakeholders are intrinsically linked to our ability to deliver on our corporate strategy which enables ongoing growth and development of the business and the delivery of positive financial returns.

Botash conducts regular engagement with stakeholders to understand their concerns, to identify and prioritise material issues and potential risks, and to determine action plans to unlock shared value. Botash is responsive to stakeholders and leverages its strategic intent and ability to unlock opportunities which create mutually beneficial value into the future.

Building Strong Economies

It is important for Botash to contribute to the growth and development as well as economic stimulus within the countries and communities it operates in. Government and regulators facilitate access to markets and management of uncertainty around regulatory changes and political risk. Adherence to protocols ensures Botash manages these risks and grows the business in a framework that allows for long-term sustained value creation for Botash and society as a whole.

Botash remains accountable for its shareholders, the Government of Botswana and Chlor Alkali Holdings, who provide financial capital and in turn realise ongoing returns. Intent on creating shared value for our shareholders, Botash contributes to the growth of the economy of Botswana through payment of taxes, periodic payment of dividends as well as through the payment of royalties to the Government of Botswana.

Historically, the payment of dividends, tax and royalties were intertwined in that tax and royalties were subordinate to the payment of declared dividends and were deemed subsumed in the dividend paid, whenever declared. Based on the previous 1996 Agreement, dividends were shared in favour of GRB. In 2020, Botash engaged with the shareholders to amend the treatment of these royalties and in so doing aligned with the Mines and Minerals Act of the country. As of April 2020, through subsequent agreement with its shareholders, Botash pays monthly royalties to the Government of Botswana, whilst the arrangement regarding taxes was changed in 2017.

Botash is also vested in contributing to the economies in which it operates in compliance with local legislation. Changes in South African legislation in 2018 required that Botash contributes to the South African fiscus as per the Double Taxation Agreement (DTA) between South Africa and Botswana.



Creating Shared Value continued

Building Thriving Communities

Business benefits and positive societal impact must be mutually reinforcing. Investment in the sustainability of stakeholder and community relationships, as well as the environment and shared resources, translates directly into investment in the sustainability of the business.

Botash manages socio-economic impacts and community expectations towards shared value through our business operations, our community school and education sponsorships, sports development and our nature park. Our CSI initiatives aim to create thriving communities and make a positive impact on the lives of the people in Botswana into the future. Botash creates shared community value aligned with eight of the United Nations Sustainable Development Goals:



Botash, in support of the Government of the Republic of Botswana as a signatory to the United Nations Sustainable Development Goals (SDGs), contributes to 8 SDGs through our operations, community school, nature park and CSI initiatives.



Our approach encompasses the following main focus areas:



CREATING SHARED VALUE

Creating Shared Value continued

Protecting Communities

Building strong social support networks between our business and our community contributes to creating shared value. In response to restrictions on gathering for social activities imposed to contain the spread of Covid-19, Botash combined corporate-driven and individual employee volunteering efforts to amplify community outreach.

Employee community outreach projects during Covid-19 were focused on curtailing the spread of the pandemic by promoting hygiene and the well-being of communities of interest. As the business operates within the proximity of Botswana's Dukwi Refugee Camp, assistance is often also rendered to refugees.

Employees contributed P225 264 to three schools donating toiletries, geysers, face shields and paid school fees for a refugee student.

Staff Community Outreach



Nata Senior Secondary School

To promote hygiene, 2600 toilet rolls were donated monthly for a period of ten months to the school's boarding facilities to assist students.



Expenditure: P84 000



Nxakato Junior Secondary School

To promote hygiene, 16 x200L geysers were donated to the secondary school. These provided hot water for bathing, cleaning and washing purposes, allowing the sterilisation of surfaces and equipment.



Expenditure: P84 500



Flamingo International School

To assist with the reduction of exposure to Covid-19, face shields were donated to the school to be distributed to students. This further supplemented additional protocols instituted such as washing of hands and the maintenance of safe social distances between students.



Expenditure: P8 680



Sponsorship of refugee student

A female refugee student received sponsorship by Botash employees for a 3-year Nursing Programme at Serowe Health Institute. The total sponsorship for the 3-year programme is estimated at P140 423 all sponsored by Botash employees.



Expenditure: P46 060

Creating Shared Value continued

Enabling Essential Services

Botash engaged with various agencies to provide a wide range of essential services and equipment to safeguard public health during the pandemic at a total spend of P84 678.

Botash donated masks, infrared thermometers, Soda Ash to be used as disinfectant, and equipment for a Covid-19 public health isolation facility. These initiatives contributed to the protection of public health by managing the spread of Covid-19.

The company contributed P84 678 to 9 institutions including, health care organisations, schools, the defence force and public facilities to support the prevention and curbing of Covid-19 transmission within the community.

Company Community Outreach



Equipment for Isolation

Botash donated 201 sanitizers, heavy duty washing machines, and driers for use at the district's Covid-19 isolation center.



Infrared Thermometers

5 infrared thermometers were donated to Sowa Clinic, to be used to screen staff, suppliers, and patients prior to them entering the facility.



Expenditure: P49 842



Expenditure: P2 250



Soda Ash

Soda ash was provided for use as a disinfectant. Supplies were provided to Nata Veterinary office, Mosetse Brigade, Nxakato JSS, Sowa Council, Tshimologo Pre-School, Sowa Primary School and the Botswana Defence Force.



Masks

Botash donated 700 masks to various communities of interest.



Expenditure: P10 736



Expenditure: P21 850

CREATING SHARED VALUE

Creating Shared Value continued

Sustainable Mining

Botash is a signatory to the Towards Sustainable Mining (TSM) Initiative. TSM activities are geared towards building community relationships and shared resources which promote business sustainability and aligns with Botash management systems. TSM comprises of eight protocols, however, Botash has chosen to focus on three which are:



Community Relationships



Biodiversity Conservation



Water Stewardship

Community Relationships 2020 Milestones



Botash has committed to creating shared value in its business activities by adopting social, economic, and environmental practices that align with the priorities and values of the communities in the vicinity of the mine.



The Indigenous and Community Relations Protocol is an active programme through which Botash enters meaningful and collaborative engagement with local communities. A framework of activities is created through this programme, whereby Botash sets targets to be achieved within a set period. In 2020, Botash met and identified four (4) communities of interest and ten (10) indigenous communities within a 100 km radius of Sowa Town to build and maintain constructive relationships based on mutual respect and facilitate sustainability activities.



Botash has moved to establish collaborative relationships and partnerships with these communities and indigenous people to promote socio-economic development and to resolve community concerns and needs. These concerns and grievances were established through the following approach:

Four Communities of Interest



Sharing Value with 10 Settlements

10 settlements with unique histories, languages, cultural practices and spiritual beliefs

Tshwane; Malelejwe; Njuutshaa; Khweree; Tumbe; Mahatana; Semuwani; Tsiyahake; Kwadiba; Tshaathoka



Four Societal Impact Milestones



Developed the indigenous and community relationship policy



Identified communities of interest (10 Indigenous communities and 4 communities of interest)



Completed stakeholder engagement meetings with the four 4 villages



Received preliminary community needs which will be evaluated

Creating Shared Value continued

Community Relationships 2020 Milestones (continued)



Define Approach Through an internal workshop, Botash identified four steps in community engagement which would enable the measurement of impact on communities and the environment and would identify opportunities for mutually beneficial improvements.



Engage During six (6) community relationship meetings, four (4) main issues emerged which include mine access, labour, water management and sport development. These focus areas form the basis for ongoing engagement with the communities by Botash.



Community Meetings 2020

Two meetings were held with the leadership of Sowa Town and one with the village chiefs. A special meeting was held with Tutume Sub District Council.

Community	Attendees	Date
Sowa Town Leadership	9	August
Tutume Sub District	58	August
Village Chiefs	8	November
Dukwi Community	21	November
Mosetse Community	32	November
Nata Community	29	November

Issues Raised by Community

Issue	Concern	Action
Labour	Limited employment opportunities at Botash.	Local communities are given 1st priority on unskilled labour opportunities to relieve unemployment levels, particularly among the youth.
Mine Access	Limited interaction and access to the mine facilities for appreciation and learnings on business opportunities.	Plan an open day/community day for community to access the plant.
Water Management	Brackish water and water scarcity despite flash floods. Water, a scarce resource is shared between the communities and Botash (consuming more of the limited resource).	Develop a systematic water management plan through the Water Stewardship Protocol.
Sport Development	Sua Flamingoes Soccer Club should consider signing-on local talented players from the region.	Sua Flamingoes Soccer Club scouted regional teams for talent and signed one player with the team.

2021 Framework for Community Engagement



Develop an adjudication framework



Evaluate community submissions or proposals



Identify projects for implementation



Share the report with communities

CREATING SHARED VALUE

*Creating Shared Value continued***Biodiversity Conservation 2020 Milestones**

Botash recognises the significant impact that business activities have on the natural environment and therefore, places tremendous value on the protection and rehabilitation of the environment. This has led to the development of various systems and plans to manage this aspect.



Management systems developed for biodiversity aspects:
Game park operating procedure
Game park management plan



Biodiversity Conservation commitment developed



Three research Institutions
participated in expression of interest to develop Biodiversity Conservation Programme

Botash focuses its biodiversity mandate on the management of a game park facilitating conservation of biodiversity and educating local communities on the value of these systems and species. Sua Game Park was established to conserve biodiversity and protect indigenous, threatened, and endangered (e.g. rhino)] species that were at risk due to increased economic activity on the Sua Pan. In 2020, tracking devices were installed on rhinos in the park as part of these conservation efforts.

During 2020, Botash also donated 171 wildebeests to a neighbouring African Bush Safaris game farm to prevent overgrazing. The donation supports the TSM initiative, building effective relationships and supporting biodiversity conservation initiatives.

This conservation management exercise was also beneficial to the community of Sowa Town as fifteen local youths were employed for the course of the exercise. It is intended that the park will provide recreational and educational opportunities for surrounding communities, receiving school groups and tour groups on a regular basis.

The company contributed P407 439 for the conservation of biodiversity in 2020.

Company Initiative	Outcome	Expenditure (P)
Sua Pan Game Park: Conservation	Supporting Government's anti-poaching unit	76 970
Conservation Officer Expenses	Day to day park monitoring	325 469
Nata Conservation Trust: maintenance of fire breakers	Bird Conservation	5 000

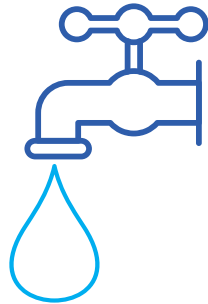


Creating Shared Value continued

Water Stewardship 2020 Milestones



Water is a scarce and valuable resource which Botash shares with communities surrounding the Sua Pan operations. As the main consumer of water on the Sua Pan, Botash takes responsibility for water stewardship with the surrounding communities and engaged them regarding water security concerns during 2020.



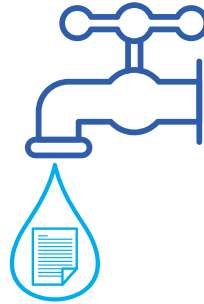
Operational Water Management

Water Stewardship team formed with the following in place: Potable and brackish water balance.

Water Monitoring Programme Efficiency measures for per tonne of Soda Ash produced.

Water Management plan underway includes: rainwater harvesting
use of pan flood water & recycling.

Water Study to cater for current, expansion projects and community needs.



Water Reporting

Daily Reporting system to water users.

Annual water report for Water Apportionment Board.



Water Resource Management

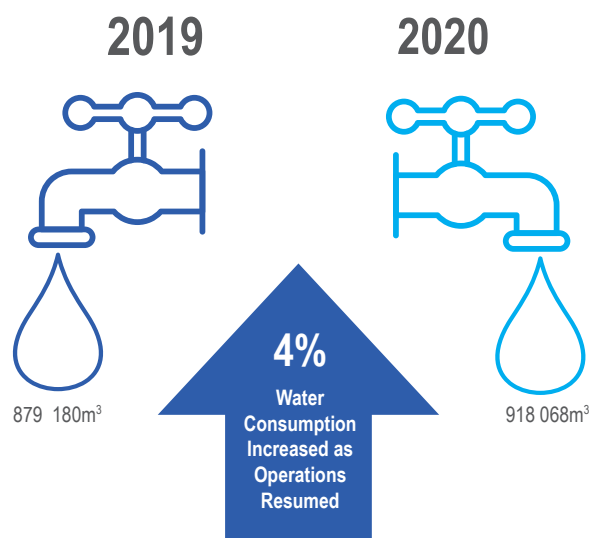
Tripartite Water Resource Management Team Botash, Water Utilities Corporation (WUC) & Department of Sanitation.

Participated in the development of **Botswana National Water Conservation & Demand Management Strategy**.

Plans to **derisk water supply** by updating the Water Resource Model for Dukwi Wellfield

Identify opportunities for **alternative water sources**.

In response to community concerns around the shared risk of water scarcity and water pollution, Botash developed the Water Stewardship programme and has made headway across three main areas: operational water management, water reporting and water resource management.



CREATING SHARED VALUE

Creating Shared Value continued

Community Support

Communities and non-governmental organisations represent aspects of our social capital which impact our corporate citizenship and social licence to operate. Botash continues to support the commercial, recreational, environmental, and educational needs of surrounding communities.

We promote the development of commercial relationships that are mutually beneficial to the growth and positioning of Botash in our targeted markets. Through investment into recreational and environmental facilities we uphold the well-being of our people, communities and the surrounding natural resources which contribute to positive reputational equity and societal impact for the company. The ongoing investment into the local Flamingo International School ensures that Botash is contributing to the education targets of the GRB and to Botash's employee retention strategy since the school plays an important role in retaining high performing employees.

Our communities are beneficiaries of our business success. Through our support to the community and NGOs, we aim to:

- Manage socio-economic impacts and community expectations based on shared value,
- Promote economic stability, and
- Establish collaborative relationships and partnerships.



The company contributed P18 209 606 in Corporate Social Responsibility Expenditure in 2020.



75%

Education



11%

Community & Industry



14%

Sports & Recreation



Creating Shared Value continued

Sport Development 2020 Milestones

Company Community Outreach



Sowa Gym

Botash operates a fully equipped gym at its own cost which is open to the Sowa Town Community. This contributes positively to public health as exercise is highly recommended to boost immune systems.



Chess Federation

Sponsorship was provided for the Botswana Chess Federation run Botash Open.



Expenditure: P68 500



Sua Flamingoes Football Club

Botash is the sole sponsor of the football club. Although the elite league was suspended due to Covid-19, preparations are ongoing for the 2021/2022 season, expected to resume around August 2021. A 5-year strategic plan for the club which focuses on identifying additional revenue streams to reduce over reliance on Botash sponsorship and establishing a robust grass root youth development programme has been developed and adopted.



Expenditure: P2 288 847



Expenditure: P60 000



Sua Flamingoes Football Club

One player from the community was signed on to the Sua Flamingo's Football club.

Expenditure: P288 847

CREATING SHARED VALUE

Creating Shared Value continued

Community Development 2020 Milestone

Company Community Outreach

**Botswana Chamber of Mines**

Funding was provided to the Chamber which runs a programme of providing training for artisans. Initially expended as a loan to BCM, the amount was written off/converted to a grant on recognition of financial challenges at BCM following loss of historical contributions from some of its key mining entity members.



Expenditure: P1 697 805

Subscription: P220 557

**Business Botswana**

Promotion of the voice of business in Botswana



Expenditure: P26 272

**Kalahari Conservation Trust**

Subscription towards promotion and support of policies for conservation of wildlife and its habitat.



Subscription: P4 500

**Sowa Town Council Stadium**

Donation provided to be allocated towards construction of changerooms at the stadium. This will assist in allowing premier league games to be hosted at the local stadium. This was financed from the recreation fund to which most employees make a contribution each month.



Expenditure: P924 050

Creating Shared Value continued

Education Development 2020 Milestone

Company Community Outreach



Flamingo International School

Botash is unlocking Botswana's human capital by investing into quality of education for our employees' children, those of Sowa Town community, as well as children from neighbouring communities at Flamingo International School. Providing a holistic, enriched, and competitive education that compares favourably with the best schools locally and regionally, the school plays a key role in attracting and retaining skilled staff.

Botash's CSI contribution covers operational costs and staff salaries. The school relies on Botash for financial support in addition to receiving support from the Parents Teachers Association. Botash started a four-year school fees initiative to bring the Flamingo International School prices closer to market prices, and as a result, infrastructure has continued to improve. However, parents have raised concerns regarding these increased expenses, and engagements continue to be made to find common ground.

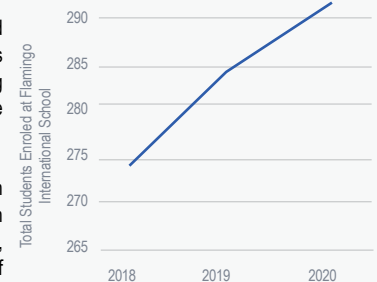


Expenditure: P8 827 719

Flamingo International School

Student numbers increased from 286 in 2019 to 290 pupils enrolled in 2020, highlighting the sustained growth of the school.

The outstanding performance in 2020 of the High School, with an overall credit pass rate of 95%, is attributed to the stable staff complement and the competent group of high school students.

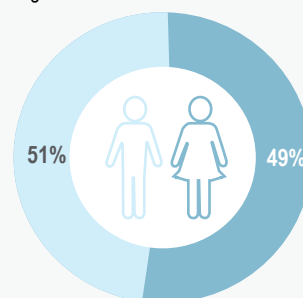


In keeping with the school's motto: Striving for Excellence in Education and Purpose: Empowering Young Minds, the Primary School Leaving Examination (PSLE) results were the highest in the Central District of Botswana with a 100% pass rate in every subject. These are exceptional results in light of restrictions imposed on the students which have challenged conventional forms of learning and resulted in reduction of contact between learners and teachers. Covid-19 also had adverse impact on requisite recreational activities such as sporting and cultural activities as a result of stringent Covid-19 regulations, thus affecting the learning-recreation balance which often breeds conducive environments for imparting knowledge.

To ensure sustained academic high performance, Botash has a strategy in place to drive the quality of teaching to international standards and is actively recruiting experienced senior staff. The level of leadership accountability has been enhanced. These measures are aimed at raising the quality of teaching to that of comparable IGCSE schools.

Of the two hundred and ninety (290) students enrolled at Flamingo International School in 2020, 190 were children of Botash employees, enjoying significantly subsidised fees. The gender distribution sat at almost an even split with 51% male students and 49% female students.

The academic year ended with a memorable highlight of a whole-school performance of 'Jerusalem' (the world-wide music/dance sensation), which was recorded and distributed to the community thereby promoting goodwill and entrenching the vital role Botash plays in creating shared societal value in the region.



Gender Distribution

The gender distribution sits at an almost even split between female and male students indicating a strong contribution to the Sustainable Development Goal (SDG 5) Gender Equality.

190
Students Subsidised
by Botash

Students numbers increased from 286 in 2019 to 290 pupils enrolled in 2020, highlighting the sustained growth of the school.

THE BOARD

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) maintaining an ethical environment.

The Executive Committee is headed by the Managing Director who in turn is answerable to 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, risk management, 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 significant footprint over Southern Africa.

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 balancing the view of Executive Director.

The Board's composition emphasizes Directors' independence to promote independent judgement and 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 cognizant of their fiduciary duties.

Composition & Structure

Botash Board membership comprised 11 Directors as at 31 December 2020 - six (6) Independent Non-Executive Directors (INEDs), four (4) Non-Executive Directors (NEDs), and one (1) Executive Director (EXD).

The EXD is the Managing Director of the Company who is directly employed by the Company and is an ex-officio member of the Board. One of the INEDs is directly employed by one of the shareholders, but does not have any beneficial ownership, hence he remains independent, whilst the three NEDs are employed by the other shareholder and have beneficial ownership, hence they are not regarded as independent.

In addition to the then existing Remuneration Committee, the Audit Committee and the Social and Ethics Committee, the Board established the Technical Committee to focus more closely on the technical aspects of the business of the company. The Remuneration Committee was also renamed in October 2020 to Human Resources Committee, in recognition of its vast mandate covering all human capital issues.

There were few changes to the Board during 2020 as follows:

- LA Grieve (NED) (appointed 14 January 2020)
- LJ Engelbrecht (NED) (resigned 1 June 2020)
- S Louw (NED) (appointed 01 June 2020)
- Dr. N. Moeti (INED) (resigned 28 August 2020)
- OT Motswagae (INED) (appointed 01 November 2020);

The Board continued

Composition & Structure

Director	Status	Number of Committees served by Board Member	Main Board	Audit Committee	Social & Ethics Committee	Remuneration Committee (Human Resources Committee as of October 2020)	Technical Committee (Committee effective as of March 2020)
N Sowazi	NED	2	✓ C			✓	✓
HB Pheko	INED	3	✓ DC	✓		✓ C	✓
G Hirschowitz	NED	3	✓	✓		✓	✓
K Phatshwane (MD)	EXD	0	✓				
O Ditsele	INED	2	✓	✓			✓
V Ramalepa	INED	1	✓		✓		
OT Motswagae	INED	0	✓				
S Molalapata	INED	2	✓	✓ C		✓	
KG Moshashane	INED	2	✓		✓ C		✓ C
SL Louw	NED	2	✓	✓	✓		
LA Grieve	NED	3	✓	✓	✓		✓

Summary	Total: 11	Total: 6	Total: 4	Total: 4	Total: 6
No. of Board members - EXD	1	0	0	0	0
No. of Board members - INED	6	3	2	2	3
No. of Board members - NED	4	3	2	2	3

C	Chairperson	EXD	Executive Director	NED	Non-Executive Director
DC	Deputy Chairperson	INED	Independent Non-Executive Director	✓	Committee membership as at 31 Dec 2020

Board Evaluation

In accordance with King IV requirements that stipulate that the evaluation of the Board, its committees and the individual directors should be performed every alternate year, Botash had, as at the time of reporting, carried out Board performance and effectiveness evaluations and to promote objectivity, the appraisal was facilitated by an independent governance facilitator. The last appraisal had been conducted in 2016, and appraisals could not be carried out prior to 2021 due to significant changes to the Board on annual basis on previous occasions. The evaluation was premised on principle 9 of the King IV Report.

The Board evaluation and self-assessment processes carried out were designed to review the effectiveness of the Board as a whole, that of the Chairperson and Committee Chairpersons, members of various Committees, as well as the individual directors. The 360 self-assessment exercise provided open and constructive two-way feedback to Board members that enabled the collective establishment of acceptable levels of performance across various principal governance areas. As at the time of reporting, an action plan to address areas of concern identified through the assessment was to be drawn up and implemented, and progress was to be reviewed in the 2023 assessment, although continuous monitoring through 2021 was to take place.

THE BOARD

The Board continued

Board Meetings

The Board meets at least quarterly. The Board has standing agenda items for each meeting and these include: receiving, considering and reviewing quarterly and yearly financial performance reports, (ii) approving budgets, (c) receiving the Managing Director's reports on all aspects of the business, (d) approving operating and capital expenditure and other budgets, (e) 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 employee health reports, (iii) approves training budgets (iv) reviews company risk logs, and other roles as shown at pages 74-75 below. The Committees meet at least twice a year.

Therefore, four (4) regular Board meetings and three (3) special Board sessions were held during 2020, and all Committees held their regular meetings.

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, the 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
- Provides 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 and the Botswana Code of Corporate Governance, 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 the 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 rules and procedures applicable to the conduct of the affairs of the Board. 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 Remuneration Committee (designated as Human Resources Committee effective October 2020), annually. The Managing Director leads the performance review of the Executive Management team, and reports on same to the Committee. The Board Chairman leads the appraisal of the Managing Director's performance, and reports on same to the Committee in which he sits as an ordinary Committee Member. In 2020, the Committee was chaired by the Deputy Chair, who reports on the performance of the MD and his Executive team to the Board.

The Board continued

Board Processes

Appointments to the Board

New Board appointments are made by the two shareholders, each with liberty to appoint up to six (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. As part of the review of the Shareholders Agreement, and cognizant of the size of the entity, it is expected that the number of directors will reduce to up to five (5) directors appointed by each 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 the Remunerations Committee/Human Resources Committee for key Company roles twice each year and the Committee 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 the 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 not currently involved in any material legal actions taken against it 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 namely Botswana Accountancy Oversight Authority (BAOA), which concerns itself with governance issues at entities of public interest, among others, which has itself 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 the major stakeholders. The Botswana Code of Corporate Governance also provides invaluable guidance on corporate governance matters.

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, and 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 the Environment, among others, while the private shareholder does so through its structures and processes which it extends to its associates such as Botash.

THE BOARD

The Board continued

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 level 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 – Finance (*Head of Finance with effect March 2021*) sit in and report to the Budchem Risk & Audit Committee.

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 Head of Finance sit on invitation on the Budchem Assurance, Risk and Compliance Committee.

Composition Of The Board Committees

	Board Sub-committee	Purpose	Composition	Quorum	Frequency of meeting
1	Audit Committee (AC)	<ul style="list-style-type: none"> 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. 	Six members (3 from each shareholder) NEDs (3), INEDs (3) Permanent attendees MD Management attendees Head of Finance Permanent invitees External auditors, Budchem Risk Assurance Executive	Minimum 2 from each shareholder required for a quorum	Meets at least twice a year
	2020 Highlights	• Achieved an unmodified audit report for the Financial year ended 31 December 2020.			
	Self-assessment	• AC undertook a self-assessment exercise in H1 2021.			
2	Remuneration Committee /Human Resources Committee (REMCO)	<ul style="list-style-type: none"> 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), INEDs (2) Permanent attendees MD Management attendees Head of Finance, Human Capital Manager	Minimum 1 from each shareholder required for a quorum	Meets at least twice a year
	2020 Highlights	• Achieved stable employee relations environment through maintenance of pre-Covid wages and further increments to cushion employees against inflation and to recognize 2019 performance, all within the challenging trading conditions due to Covid -19.			
	Self-assessment	• REMCO/HRC undertook a self-assessment in H1 2021.			

The Board continued

Composition Of The Board Committees (continued)

	Board Sub-committee	Purpose	Composition	Quorum	Frequency of meeting
3	Technical Committee (TechCom)	<ul style="list-style-type: none"> 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 minerals 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 6 members (3 from each shareholder) INEDs (3), NEDs (3) Permanent attendees MD Management attendees Head of Finance, GM Maintenance & Projects, Process & Product Development Manager	Minimum 2 from each shareholder required for a quorum	Meets at least twice a year
	2020 Highlights	• Achieved progress of new strategic (product diversification) projects in accordance with plans, despite challenges from Covid-19.			
	Self-assessment	• Techcom undertook self-assessment in H1 2021			
4	Social and Ethics Committee (SEC)	<ul style="list-style-type: none"> Responsible for the principles of 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 ethics code 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), NEDs (2) Permanent attendees MD Management attendees Head of Finance, Human Capital Manager	Minimum 1 from each shareholder required for a quorum	Meets at least twice a year
	2020 Highlights	• No notable 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 undertook a self-assessment exercise in H1 2021.			

THE BOARD

*The Board continued***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 committees at Budchem level as discussed below.

	Committee	Purpose	Composition	Quorum	Frequency of meeting
1	Executive Management Committee	<ul style="list-style-type: none"> 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. They are responsible for leading company processes and to oversee business activities to fulfil organizational goals, strategic planning development and overall decision making. They make sure 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. 	<ul style="list-style-type: none"> Headed by the Managing Director GM Maintenance and Projects Head of Finance Human Capital Manager Finance Manager Production Manager Process and Product Development Manager Sales & Marketing Manager 	Simple majority	Weekly Production meetings Executive Committee Meetings quarterly
	Management Tender Committee (EXCO & Senior Managers)	<ul style="list-style-type: none"> Ensures compliance with the Company's Purchasing Policy and other relevant procurement processes and procedures. Considers recommendations following tender evaluations and makes decision 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. 	Head of Finance and 2 Senior Managers Permanent invitee Materials (procurement) Manager	Simple majority	Weekly
2	Budchem Assurance, Risk & Compliance Committee	<ul style="list-style-type: none"> 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. 	Nominated reps from Budchem companies	Majority of members	Quarterly
3	Botash ICT Steercom	<ul style="list-style-type: none"> 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
4	Botash Strategic Projects Steercom	<ul style="list-style-type: none"> Deals with conceptualization, development, funding, 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

The Board continued

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	Technical Committee
N Sowazi	NED	7/7	1/2*	2/2		2/2
LJ Engelbrecht	NED	4/4	1/2			
G Hirschowitz	NED	6/7	1/2	1/2		1/2
N Moeti	INED	5/5	1/2*	1/2		
KG Moshashane	INED	7/7	1/2*		2/2	2/2
V Ramalepa	INED	7/7	1/2*		2/2	
HB Pheko	INED	7/7	2/2	1/2		2/2
O Ditsele	INED	6/7	2/2			2/2
S Molalapata	INED	7/7	2/2	2/2		
LA Grieve	NED	7/7	2/2		2/2	2/2
SL Louw	NED	3/3	1/1		1/1	1/1
OT Motswagae	INED	1/1	1/1*			
K Phatshwane	EXD	7/7	2/2*	2/2*	2/2*	2/2*

*non-member, attending on invitation

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, whereby SL Louw replaced LJ Engelbrecht in June 2020, and N Moeti resigned in August 2020 and was replaced by OT Motswagae in November 2020. Board attendance includes the ordinary four (4) quarterly meetings (March, May, August and October 2020), and three (3) special sessions in February (2-day session), April and in December 2020 as discussed above.

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
Committee Chairperson	P4 650 per meeting
Annual retainer – Directors	No annual retainers, including for Chairpersons

THE BOARD

The Board continued

Remuneration Policy

The broad terms of reference of the Remuneration/Human Resources Committee are outlined above. The Company aims 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 earnings per Director for the 2020 financial year are set out below:

Director	Status	Total 2020 Fees
N Moeti	INED	P112 400
V Ramalepa	INED	P121 800
KG Moshashane	INED	P124 800
HB Pheko	INED	P213 800
S Molalapata	INED	P139 850
O Ditsele**	INED	P112 400
OT Motswagae	INED	P12 500
NL Sowazi	NED	P224 800
Total		P1 062 350

After conducting research into trends in Non-Executive Director remuneration, Non-Executive Directors' fees are proposed by the Human Resources Committee [HRC], and the 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 2 August 2018 following a recommendation by the HRC. No other changes were made to the remuneration of Non-Executive Directors in 2019 and 2020, and the fees were approved to continue as they are in 2021 by the Shareholders through a unanimous resolution in lieu of an Annual General Meeting signed in April 2021.

The MD who is an ex-officio member of the Board and an Executive Director is paid his salary plus long term and other incentives in his capacity as an employee of the company. Directors G Hirschowitz, LA Grieve, SL Louw and LJ Engelbrecht were not paid any sitting fees as their remuneration for their contribution to the Board is subsumed within the Management Fees pursuant to the Agreement for Management Services entered into between the Company and Budchem (holding company for CAH) which directly employs them.

As part of the Shareholders Agreement review, consideration is being made to do away with the Management Services contract.

For the year 2020, the total Management Fees paid to Budchem (under which payment for work in the Board is subsumed) was as shown below:

Budchem Directors' remuneration as at 31 December 2020

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

Executive Directors	For Management Services	Performance Bonus
G Hirschowitz	P1 607 00	Nil
L Engelbrecht		
SL Louw		
LA Grieve		

The Board continued

Top three earners in Executive Management as at 31 December 2020

Executive Management	Position held
K. Phatshwane	Managing Director
K. Dube	General Manager – Maintenance & Projects
M. Mokgosi	Production Manager

Top three earners in Executive Management as at 31 December 2019

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 annual 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.
- While geared toward employees, the scheme is really a business initiative to strive for long-term growth.
- The Board sets 5-year Net Profit growth 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 targets are met, as pre-qualified by reaching EBITDA targets.
- Quarterly bonuses are paid to all employees except the Executive Management Team.
- 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.

Governance and Compliance Procurement Framework

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 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 in the form of coal used in own power generation, back-up electricity sourced from the national grid, water, logistics and transport solutions, cleaning services, catering services, among others. Considering how widespread our procurement and outsourcing 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.

THE BOARD

Remuneration Policy continued

This is achieved through the governance and procurement framework made up of 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
- Citizen empowerment and local sourcing
- Value for money on all procurement
- 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 (and now Head of Finance) is responsible for monitoring legal compliance and does so with the assistance of the legal unit of the Company. The GM Corporate Services/Head of Finance 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 Group and Botash by association;
- Relevant Group wide policies;
- The Botash Code of Ethical Conduct (as aligned to the Group one) and Whistleblowing Facility; and
- Commitment to Group 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 Company actively ensures compliance 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 and managed through the SEC and reported on regularly.
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.

Remuneration Policy continued

Compliance with King IV (continued)

King IV Reference	King IV Principle(s)	2019	Commentary
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.	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 enables stakeholders to make informed assessment of the organisation's performance, its short, medium and long-term prospects. This is the second integrated report for the 2020 financial year.
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, risk management 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. Independent judgment to ensure effective discharge of duties is promoted as the rest of the members would either be INED or NED. The EXD sits on committees by invitation.
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 the whole-some changes to the Board. No significant disruptions were experienced in 2020, and the evaluation was duly carried out as discussed.
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. Risk management is within the purview of the Audit Committee per the Committee Charter.
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. IT governance is within the purview of the Audit Committee per the Committee Charter.
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 [SEC]. One of the mandates of the Committee is to ensure compliance with applicable laws and principles of good corporate governance.

THE BOARD

*Remuneration Policy continued***Compliance with King IV (continued)**

King IV Reference	King IV Principle(s)	2019	Commentary
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/Human Resources Committee, reviews wages regularly to ensure fair, responsible and transparent remuneration. The Company has adopted attraction and retention strategies to ensure a 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. One of the directors is an employee of the Government, 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 relevant	Not relevant

LIST OF ABBREVIATIONS

List of Abbreviations

Botash	Botswana Ash (Pty) Ltd
BHC	Botswana Housing Corporation
BR	Botswana Railways
BudChem	Bud Chemicals & Minerals (Pty) Ltd
BWP	Botswana Pula
CEO	Chief Executive Officer
CAH	Chlor-Alkali Holdings
CAPEX	Capital Expenditure
CO ₂	Carbon Dioxide
CSI	Corporate Social Initiatives
DRC	Democratic Republic of Congo
DTA	Double Taxation Agreement
EBIDTA	Earnings Before Interest, Taxes, Depreciation, and Amortization
EXD	Executive Director
GRB	Government of the Republic of Botswana
GRI	Global Reporting Initiative
IIRC	International Integrated Reporting Council
INED	Independent Non-Executive Director
KCl	Potassium Chloride
LTIFR	Lost Time Injury Frequency Rate
MCM	Morupule Coal Mine
MD	Managing Director
MOP	Muriate of Potash or Potassium Chloride
MWh	Mega Watt Hour
NAV	Net Asset Value

NDP	National Development Plan
NED	Non-Executive Director
NSP	Natalspruit Depot
OPEX	Operational Expenditure
P	Pula
PAAP	Post-Apprenticeship Appreciation Programme
PBT	Profit Before Tax
ROE	Return on Equity
ROI	Return on Investment
RSA	Republic of South Africa
SAB	Soda Ash Botswana
SA	South Africa
SADC	Southern African Development Community
SARS	South African Revenue Service
SDG	Sustainable Development Goal
SDP	Business Supplier Development Programme
SHE	Safety, Health and Environment
SME	Small Medium Enterprise
SOP	Sulphate of Potash or Potassium Sulphate
SynChem	Synthetic Chemicals
TFR	Transnet Freight Rail
SSA	Sub Saharan Africa
TRIFR	Total Recordable Injury Frequency Rate
TSM	Towards Sustainable Mining
UNDP	United Nations Development Programme



Botash Annual Financial Statements 2020

Botswana Ash (Proprietary) Limited

(Registration Number BW00000722677)

Annual Financial Statements for the year ended 31 December 2020

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Botswana Ash (Proprietary) Limited

(Registration Number BW00000722677)

Annual Financial Statements for the year ended 31 December 2020

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 were as follows:

Directors

K Phatshwane #
N Sowazi-Chairman*
KG Moshashane
Dr Nkisan Moeti (Resigned 16 October 2020)
G Hirschowitz*
L Engelbrecht* (Resigned 01 June 2020)
V Ramalepa
HB Pheko
O Ditsele
S Molalapata
LA Grieve* (Appointed 14 January 2020)
SL Louw* (Appointed 01 June 2020)
OT Motswagae (Appointed 01 November 2020)

Executive

* Citizen of South Africa

Business Address

Botswana Ash (Pty) Ltd
Sua Pan
Botswana

Postal Address

Botswana Ash (Pty) 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

The shareholders of Botswana Ash (Proprietary) Limited are the Government of the Republic of Botswana and Chlor-Alkali Holdings Proprietary Limited, 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.

Botswana Ash (Proprietary) Limited

(Registration Number BW00000722677)

Annual Financial Statements for the year ended 31 December 2020

Directors' Report

The Directors have pleasure in presenting an overview of the activities and the financial results of Botswana Ash (Proprietary) Limited for the year ended 31 December 2020.

Review of Financial Results

	Financial year ended 31 December 2020	Financial year ended 31 December 2019
Soda ash sales - kt	254.8	266.6
Sodium Bicarbonate sales - kt	4.5	2.3
Salt sales - kt	366.4	345.3
Gross revenue - Pula millions:		
Soda Ash	718.2	716.4
Sodium Bicarbonate	25.5	13.2
Salt	308.8	282.8
Transportation	15.4	16.7
Other (losses)/income - Pula millions	-4	2.1
Profit after tax - Pula millions	165.9	131.6

Botswana Ash (Proprietary) Limited

(Registration Number BW00000722677)

Annual Financial Statements for the year ended 31 December 2020

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 statements of financial position as at 31 December 2020 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.

The directors are also responsible for such internal controls as the directors determine are 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 financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Approval of the annual financial statements

The annual financial statements of Botswana Ash (Proprietary) Limited, as set out on pages 2 to 51, were approved by the Board of Directors on 18 March 2021 and are signed on their behalf by:



N Sowazi - Chairman
Authorised Director



S Molalapata
Director

KPMG, Chartered Accountants
Audit
Plot 67977, Off Tlokweng Road,
Fairgrounds Office Park
PO Box 1519, Gaborone, Botswana
Telephone +267 391 2400
Fax +267 397 5281
Web <http://www.kpmg.com/>

Independent Auditor's Report

To the shareholders of Botswana Ash (Proprietary) Limited

Opinion

We have audited the financial statements of Botswana Ash (Proprietary) Limited (the company) set out on pages 13 to 51, which comprise the statement of financial position at 31 December 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, accounting policies and notes to the financial statements.

In our opinion, these financial statements give a true and fair view of the financial position of Botswana Ash (Proprietary) Limited at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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.

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
<p>The Company's core business is extraction and distribution of soda ash and common salt from alkaline brine deposits.</p> <p>Inventories comprise finished goods (soda ash and salt) as well as maintenance and consumable stores.</p> <p>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 soda and ash inventories involves judgements and estimated quantities processed through the production process.</p>	<ul style="list-style-type: none"> • 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 and payroll records. • We assessed the accuracy of the allocation of production overheads to soda ash and salt based on the utilisation of production facilities and our

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
<p>Management engages an external land surveyor on a quarterly basis to quantify the volumes of inventory on hand. The surveyor readings are the quantities used in the pricing calculation.</p> <p>Obsolete soda ash and salt inventories are identified by the quantity surveyors 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, if lower than cost in accordance with IAS 2 – Inventories. Net realisable value is determined based on estimated selling prices less estimated costs of completion and sale.</p> <p>The judgment in the valuation and the work effort in calculating the accuracy of soda ash and salt inventories resulted in it to be a key audit matter.</p>	<p>understanding of the production process.</p> <ul style="list-style-type: none"> • 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 land surveyors engaged by management by conducting background checks, reviewing their qualifications and experience and verifying their membership to professional bodies. • We quantified the quarterly survey variances and investigated the rationale for significant differences that were noted.

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
	<ul style="list-style-type: none"> • 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 writeoffs. • We assessed the reasonableness of the net realisable value of finished goods on a sample basis by comparing the estimated selling prices to recent sale transactions. • We assessed the adequacy of the disclosures in the financial statements in terms of IAS 2 - Inventories.

Valuation and accuracy of site restoration and decommissioning provisions Refer to the accounting policies relating to provisions in note 1.13 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
<p>At 31 December 2020, the Company's statement of financial position includes a provision of P66.9 million relating to the estimated cost of rehabilitation, decommissioning and restoration for areas effected by mining and manufacturing activities.</p> <p>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. Refer to the accounting policies relating to provisions in note 1.13 and note 16 Provisions for site rehabilitation and decommissioning included in the notes to the financial statements.</p> <p>The rehabilitation and decommissioning provision is reviewed and re-measured in line with changes in key assumptions by management on an annual basis.</p> <p>The following key assumptions are considered in the calculation and re-measurement of this provision:</p> <ul style="list-style-type: none"> Discount rates, long term inflation rates, size of area to be rehabilitated, period to rehabilitation and the expected 	<p>Our audit procedures performed included the following:</p> <ul style="list-style-type: none"> 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, long term inflation, size of area to be rehabilitated, period to rehabilitation and the expected cost of decommissioning materials and labour; With the assistance of our internal environmental specialist, we assessed and challenged assumptions and judgements used by management's year end

Valuation and accuracy of site restoration and decommissioning provisions Refer to the accounting policies relating to provisions in note 1.13 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
<p>cost of decommissioning materials and labour.</p> <p>Due to the inherent uncertainty and judgment in estimating discount rate, inflation rates, period to rehabilitation and estimated decommissioning costs, the valuation of the provision for site rehabilitation and decommissioning was considered a key audit matter.</p>	<p>assessment with reference to the use of their environmental expert in valuation of the provision in September 2020;</p> <ul style="list-style-type: none"> 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 IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Other information

The directors are responsible for the other information. The other information comprises the General Information, Directors' Report and Directors' Responsibility Statement, but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual Report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express 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 on the other information that we have obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 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 the 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 the directors, 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
Certified Auditors
Practising Member: A. Venter 20170221
2 April 2021
Gaborone

Botswana Ash (Proprietary) Limited

(Registration Number BW00000722677)

Financial Statements for the year ended 31 December 2020

Statement of Profit or Loss and Other Comprehensive Income

Figures in Pula thousands	Note	2020	2019
Revenue	4	1,067,937	1,029,116
Cost of sales		(514,249)	(516,023)
Direct material cost		(330,636)	(291,634)
Production overheads		(183,613)	(224,389)
Gross profit		553,688	513,093
Administration and other expenses		(349,121)	(347,112)
Non production overheads		(236,385)	(224,942)
Selling and distribution costs		(112,736)	(122,170)
Other (losses)/ income		(3,916)	2,177
Foreign exchange gain (net)		533	2,014
Other (losses)/income		(4,449)	163
Loss from disposal of a subsidiary		-	(7)
Finance income-bank deposit		10,285	12,040
Finance cost from lease liability		(4,066)	(4,037)
Profit before tax	5	206,870	176,154
Taxation	6	(40,937)	(44,600)
Profit after taxation		165,933	131,554
Other comprehensive income		-	-
Total comprehensive income for the year		165,933	131,554

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Statement of Financial Position as at 31 December 2020

Figures in Pula thousands

	Note	2020	2019
Assets			
Non-current assets		636,663	503,771
Property, plant and equipment	7	636,663	503,771
Current assets		680,637	611,839
Inventories	9	195,756	206,338
Trade and other receivables	10	152,614	132,079
Cash and cash equivalents	11	326,219	271,338
Current tax assets	6	6,048	2,084
Total Assets		1,317,300	1,115,610
Equity and reserves		952,644	866,711
Stated capital	12	131,500	131,500
Retained income		821,144	735,211
Non-current liabilities		205,568	109,964
Deferred income	13	458	483
Provision for site rehabilitation and decommissioning	16	66,941	65,061
Deferred tax liabilities	8	35,683	28,391
Lease liability	14	102,486	16,029
Current liabilities		159,088	138,935
Trade and other payables	15	125,719	122,415
Short - term portion of deferred income	13	26	26
Lease liability	14	33,343	16,494
Total current liabilities		159,088	138,935
Total liabilities		364,656	248,899
Total equity and liabilities		1,317,300	1,115,610

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Financial Statements for the year ended 31 December 2020

Statement of Changes in Equity

Figures in Pula thousands	Stated capital	Retained income	Total
Balance at 1 January 2019	131,500	683,657	815,157
<i>Total Comprehensive income</i>	-	131,554	131,554
Dividends declared and paid	-	(80,000)	(80,000)
Balance at 31 December 2019	131,500	735,211	866,711
Balance at 1 January 2020	131,500	735,211	866,711
<i>Total Comprehensive income</i>	-	165,933	165,933
Dividends declared and paid	-	(80,000)	(80,000)
Balance at 31 December 2020	131,500	821,144	952,644
Note	12		

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Financial Statements for the year ended 31 December 2020

Accounting Policies

Statement of Cash Flows

Figures in Pula thousands	Notes	2020	2019
Operating activities			
Operating cash flows for the year	17.1	285,077	241,806
Working capital changes	17.2	(4,367)	(22,626)
Operating profit from normal activities		280,710	219,180
Interest received		10,285	11,171
Taxation paid		(37,608)	(29,282)
<i>Cash flows generated from operating activities</i>		253,387	201,069
Investing activities			
Additions to plant and equipment		(98,570)	(113,454)
Proceeds on disposal of plant and equipment		199	1,748
<i>Cash flows utilised in investing activities</i>		(98,371)	(111,706)
Financing activities			
Dividends paid		(80,000)	(80,000)
Payment of lease liability		(19,603)	(24,843)
Cash flows utilised in financing activities		(99,603)	(104,843)
Cash and cash equivalents			
Effects of foreign currency translations		(533)	(2,014)
- Net movement for the year		55,413	(15,480)
- At the beginning of the year		271,338	288,832
- At the end of the year	11	326,219	271,338

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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. The financial statements have been prepared on the going concern basis in accordance with International Financial Reporting Standards (“IFRS”).

Statement of compliance

The financial statements have been prepared on the going concern basis in accordance with International Financial Reporting Standards (“IFRS”). These financial statements contain the financial statements of Botswana Ash (Proprietary) Limited for the year ended 31 December 2020. The annual financial statements have been authorised for issue by the directors on 18 March 2021. 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. There were no changes in the application of accounting policies from the prior year as all accounting policies have been applied consistently.

The annual 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. Refer to note 26 - Going concern.

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.

1.2 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. The 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.

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 judgement 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
Note 1.4	Evaluation of leases, recognition, depreciation rates applied and measurement.	Estimate and judgement

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Accounting Policies

Accounting policies continued...

1.3 Property, plant and equipment

The cost of an item of 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 property, plant and

equipment is recognised in profit or loss as incurred. Insurance spares are included as property, 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 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 is 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.

Subsequent costs are included in the asset's carrying amount or recognised as a 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 costs are recognised in profit or loss during the financial period in which they are incurred.

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 (engine) hours.

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

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Accounting Policies

Accounting policies continued...

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 (Natalepruit)	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 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 property, 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.

1.4 Leases

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 lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate.

The company determines its incremental borrowing rate by obtaining interest rates from Commercial Banks and makes certain adjustments to reflect the terms of the lease and the type of the asset leased.

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

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Accounting Policies

Accounting policies continued...

- 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:

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate.

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.

Right-of-use asset	Useful life is shorter of lease term or useful life of related asset
Buildings	7 - 50 years (limited to remaining mining lease period)
Plant and machinery	8 - 50 years (limited to remaining mining lease period)

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the company is reasonably certain to exercise, lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company presents right-of-use assets in 'Property, plant and equipment' and lease liabilities in 'lease liability' in the statement of financial position.

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. Cost related to mining activities are allocated to soda ash and salt inventories based on judgement and estimated quantities processed through the production process. 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.

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Accounting Policies

Accounting policies continued...

Cost of production of soda ash comprises 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 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, materials 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.

With respect to the soda ash and salt, obsolescence is identified based on indications of contamination and damage. Management ensure that soda ash and salt inventories are written down to their estimated net realisable value, if lower than cost, in accordance with IAS 2 - Inventories. Net realisable value is determined based on estimated selling price less estimated costs of completion and sale.

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 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.

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 Employment Act applicable in Botswana.

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Accounting Policies

Accounting policies continued...

1.8 Revenue from contracts with customers

Revenue is recognised on individual sales 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 remaining 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. Normal payments terms for the customers is 30 days from the invoice date unless a special dispensation is made.

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.

Customers have a right to reject goods that do not meet certain specifications and composition following quality inspection of the goods. The company has an obligation of replacing the defective goods confirmed through inspection within a reasonable time based on the terms of the contract with customers, or 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.

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Accounting Policies

Accounting policies continued...

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 over 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 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 gains 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 and proceeds from the sale of assets.

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.

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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 are 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.

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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.

The company subsequently measures trade receivables and amounts due from related party 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.

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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 uses the Probability of Default Approach to estimate impairment losses 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 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.

ECLs 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.

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Accounting Policies

Accounting policies continued...

Credit-impaired financial assets

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.

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 date proceeds are 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.

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Accounting Policies

Accounting policies continued...

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.

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.

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.

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Accounting Policies

Accounting policies continued...

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 or assets for the current and prior periods measured at the amount expected to be paid to or (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/or (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).

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.

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Accounting Policies

Accounting policies continued...

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 attorneys, 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.

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. A number of other new standards are also effective from 1 January 2020 but they did not have a material effect on the financial statements. Refer to note 3.

3. New Standards and Interpretations

3.1 Standards and Interpretations effective and adopted in the current year

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

Standard	Effective date: Years beginning on or after
• IFRS 16-Amendments to IFRS 16, Leases-Covid-19 related rent concessions	01 June 2020
• Amendments references to the Conceptual framework in IFRS standards	01 January 2020
• IAS 1, IAS 8- New materiality definition	01 January 2020
• IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16-Interest rate benchmark reform-Phase 2	01 January 2020

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Accounting Policies

New Standards and Interpretations continued...

3.2 Standards and interpretations not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the company has not early adopted the new standards or amended standards in preparing these consolidated financial statements.

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

- IFRS 16-Amendments to IFRS 16, Leases-Covid-19 related rent concessions
- IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16-Interest rate benchmark reform-Phase 2
- IAS 1, IAS 8- New materiality definition
- Amendments references to the Conceptual framework in IFRS standards
- IFRS 3- Reference to the Conceptual Framework
- IFRS 17, IFRS 14 , IFRS 9- Ammendments to IFRS 17 and IFRS 4, Insurance contract' deferral of IFRS 9
- IAS 37-Amendments regarding onerous contracts
- IFRS 16-Amendments to IFRS 16, Proceeds before intended use
- IAS 1- Classification of liabilities as current or non current
- Annual improvements to IFRS Standards 2018-2020

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4. Revenue

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

Timing of revenue recognition:

At a point in time:

• Salt	308,794	298,864
• Soda Ash	718,182	715,725
• Sodium bicarbonate	25,514	13,231

Over time:

• Transportation	15,447	1,296
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Total revenue	1,067,937	1,029,116
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5. Profit before taxation

Profit before taxation is stated after taking into account the following:

Amortisation of training grant	(25)	(26)
Auditor's remuneration - for services	(728)	(715)
Depreciation	(79,577)	(70,491)
Director's fees -		
- for services as directors	(1,062)	(504)
- for management services	(1,607)	(1,738)
Loss on disposal of plant and equipment	(4,743)	(1,748)
Rent paid for land		
- cash payments	(568)	(545)
- operating lease accrual	-	842
Salaries and wages	(142,333)	(129,821)
Defined contributions plans	(6,157)	(7,153)
Contributions to medical and other staff funds	(12,317)	(19,416)
Other staff costs	(4,214)	(18,778)
Unwinding of site rehabilitation and decommissioning provisions	(1,881)	(9,602)
Interest received - bank deposits	10,285	12,040
Net foreign exchange gain	533	2,014
Royalties (note 19)	(18,015)	-

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6. Taxation

Reconciliation of taxation

Current tax expense - normal company taxation	34,207	36,784
- Mining	14,441	10,246
- Manufacturing	17,050	23,889
- Other	2,716	2,649
- Prior year (over)/under provision	(562)	239
Deferred taxation movement	7,292	7,577
Taxation per profit or loss	40,937	44,600

Taxation refundable

Balance brought forward	(2,084)	(9,825)
Tax refund received	-	9,582
Company taxation per profit or loss	33,644	37,023
Self-assessment taxation payments made	(37,608)	(38,864)
Closing balance	(6,048)	(2,084)

Effective taxation reconciliation

Taxation per profit or loss is reconciled to accounting profit as follows:

Profit before taxation	206,870	176,154
Taxation on manufacturing process income	26,653	23,019
Taxation on mining process income	13,423	19,986
Taxation at statutory tax rate	40,076	43,005
Non-deductable expenses	703	513
Income taxed at a higher rate	720	843
Prior year (over)/under provision	(562)	239
Taxation per profit or loss	40,937	44,600

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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 and machinery (Sua Pan)	Motor Vehicles	Aircrafts	Office equipment	Computer equipment	Work in Progress	Right of use asset - land (Natalepruit)	Plant and equipment (Natalepruit)	Right of use asset BHC	Total
Reconciliation for the 2020 year													
Balance at 1 January 2020													
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	135	47,277	452	354,425	28,046	12,516	-	1,382	32,540	14,316	5,916	6,766	503,771
Movement for the year													
	(7)	8,966	(452)	25,598	(2,145)	(3,537)	-	2,308	(928)	(674)	(785)	104,548	132,892
Additions to right of use assets	-	-	-	-	-	-	-	-	-	-	-	119,267	119,267
Additions	-	-	-	-	-	-	-	-	98,570	-	-	-	98,570
Adjustment to opening balance cost	-	(2,079)	-	(11)	-	-	-	-	-	-	-	-	(2,090)
Adjustment to opening balance accumulated depreciation	-	2,079	(73)	(15)	-	-	-	-	-	60	-	21	2,072
Depreciation	(7)	(2,874)	(17)	(50,271)	(5,614)	(3,537)	-	(1,002)	-	(734)	(781)	(14,740)	(79,577)
Transfers from work in progress	-	11,840	-	80,879	3,469	-	-	3,310	(99,498)	-	-	-	-
Disposals cost	-	-	(454)	(18,970)	(9,552)	-	-	-	-	-	(39)	(16,945)	(45,960)
Disposal depreciation	-	-	92	13,986	9,552	-	-	-	-	-	35	16,945	40,610
Closing balance at 31 December 2020													
At cost	141	95,361	454	662,729	97,456	27,794	531	18,534	31,612	15,050	26,519	119,267	1,095,448
Accumulated depreciation and impairment	(13)	(39,118)	(454)	(282,706)	(71,555)	(18,815)	(531)	(14,844)	-	(1,408)	(21,387)	(7,954)	(458,785)
Net book value	128	56,243	-	380,023	25,901	8,979	-	3,690	31,612	13,642	5,132	111,313	636,663

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7. Property, plant and equipment continued...

Balances at year end and movements for the year

	Right of use asset land	Buildings	Right of use asset machinery	Plant and machinery (Sua Pan)	Motor Vehicles	Aircrafts	Office equipment	Computer equipment	Work in Progress	Right of use asset - land (Natalepruit)	Plant and equipment (Natalepruit)	Right of use asset BHC	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)	16,997	-	(19,577)	-	(354,736)
Net book value	-	45,803	-	312,054	32,836	15,351	21	2,165	15,543	-	6,981	-	432,208
Movement for the year													
	135	1,474	452	42,371	(4,790)	(2,835)	(21)	(783)	113,454	14,316	(1,065)	6,766	71,563
Additions to right of use assets on adoption of IFRS 16	141	-	454	-	-	-	-	-	(150)	15,050	-	16,945	32,590
Additions	-	-	-	-	-	-	-	-	-	-	-	-	113,454
Adjustment to opening balance cost	-	2,287	-	(2,277)	-	-	-	-	-	-	-	-	(140)
Adjustment to opening balance depreciation	-	152	-	697	238	444	-	14	(97,761)	-	(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	-	-	-	-	-	-	-	(1)
Disposals cost	-	(2,079)	-	(3,995)	(3,645)	-	-	-	-	-	-	-	(9,719)
Disposal depreciation	-	203	-	3,284	2,383	-	-	-	-	-	-	-	5,870
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	135	47,277	452	354,425	28,046	12,516	-	1,382	32,540	14,316	5,916	6,766	503,771

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8. Deferred tax liabilities

Reconciliation of deferred taxation

Opening balance at the beginning of the year	28,391	20,814
Movement per profit or loss	7,292	7,577
Closing balance at the end of the year	35,683	28,391

Analysis of deferred taxation

Accelerated capital allowances on plant and equipment	72,152	50,523
Prepayments	1,741	60
Unrealised foreign exchange gain	80	302
Prepaid revenue	(1,092)	(1,655)
Site restoration and decommissioning provisions	(11,951)	(11,723)
Lease liability -IFRS 16	(23,788)	(7,215)
Other accruals	(1,458)	(1,901)
Total deferred taxation	35,683	28,391

Deferred tax was calculated at a combined effective rate of 30.5% (2019: 32.43%) based on the split between manufacturing and non-manufacturing operations.

9. Inventories

Inventories comprise:

Soda ash	41,614	57,061
Salt	87,162	77,479
Maintenance stores	55,953	65,137
Consumable stores	11,027	6,661
Total inventories	195,756	206,338

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

	2020	2019
Opening balance at the beginning of the year	6,051	6,795
Movement per profit or loss	342	(744)
Closing balance at the end of the year	6,393	6,051

The allowance represents the cost of all components which have not moved for more than 10 years and 50% of the cost of components which have not moved for more than five years.

10. Trade and other receivables

Financial assets:

Trade receivables (gross)	95,387	99,505
Amounts due from related parties (note 22)	1,370	2,882
Other receivables (gross)	12,378	629

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Trade and other receivables continued...

Expected credit losses	(1,384)	(4,008)
- trade receivables	(33)	(959)
- amounts due from related parties	-	-
- other receivables	(1,351)	(3,049)

Total financial assets	107,751	99,008
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Non-financial instruments

VAT refundable	44,863	33,071
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Total trade and other receivables	152,614	132,079
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Expected Credit Losses

Opening balance	(4,008)	(14,207)
Change in estimate transferred to profit or loss	2,624	10,199
Closing balance	(1,384)	(4,008)

11. Cash and cash equivalents

Cash and cash equivalents comprise:

Cash		
Cash on hand	244	168
Balances with banks	325,975	271,170
Total cash	326,219	271,338

The directors have allocated and ring-fenced cash and cash equivalents to fund future site restoration and decommissioning expenses equal to the relevant provisions recognised in the statement of financial position. Refer to note 16.

12. Stated capital

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. The company paid dividend per share amounting to BWP0.61 per share for the current and the prior year.

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.

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13. Deferred income

Training grant capital

Opening balance at the beginning of the year	509	534
Amortisation transferred to profit or loss	(25)	(25)
Closing balance at end of year	484	509
Short-term portion transferred to current liabilities	(26)	(26)
Total deferred income	458	483

14. Lease liability

The company has entered into the following lease arrangements:

1) Residential properties

The lease runs for a period of five years and is subject to an annual escalation which is equivalent to CPI + 2%. The old lease expired on 31 August 2020. As the reporting date, no lease agreement was signed as the lease rentals were still being negotiated.

As at year end, the lease with BHC had expired. Management opted to exercise extension of the lease term for a further five years. The parties agreed on renewal of the lease, the lease term and other conditions except the rental to be paid which contradicted the original lease terms. The parties have agreed to arbitration to resolve the dispute. The right of use asset and liability has been determined using the previous lease agreement at the proposed rental. From September 2020 to year end, the company opted to pay a portion of the rental amount proposed by BHC pending the outcome of the arbitration, the difference being accrued on monthly basis.

2) Land leases

The Company has entered into land leases for building premises for use by the Sowa Community and operation of the South African Depot. The duration of the leases is tied to the length of the mining lease with an option to renew. The leases are subject to escalations between 0% and 10% on anniversary. Lease payments are renegotiated every five years to reflect market rentals.

3) Equipment leases

The duration of the leases range between three and five years. The leases are subject to escalations between 0% and 10% on anniversary.

4) Low value leases

The company leases IT equipment with contract terms of two years or less. These leases are short term and/or leases of low value items. The company has elected not to recognise right of use assets and lease liabilities for these leases. Refer to note 5 for amounts expensed in respect of these leases.

Information about the leases for which the company is a lessee is presented below:

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14. Lease liability continued...

Maturity analysis - contractual undiscounted cash flows

Within one year	33,343	17,838
Two to five years	96,068	3,893
More than five years	31,919	33,076
Total undiscounted lease liabilities at end of year	161,331	54,807
Less: Total finance cost allocated to future periods	(25,502)	(22,284)
Lease liability at end of year	135,829	32,523
Current portion	33,343	16,494
Non-current portion	102,486	16,029

Amounts recognised in Profit or loss

Finance cost on lease liability	4,066	4,037
Depreciation relating to right of use assets	15,497	10,921

Amounts recognised against lease liability

Total cash outflow for leases	19,603	24,843
Principal amount paid	15,536	20,806

15. Trade and other payables

Trade and other payables comprise:

Trade payables	56,569	46,251
Accruals and other payables	51,207	31,397
Amounts due to related companies (note 22)	2,628	19,498
Staff benefits	15,315	25,269
Total trade and other payables	125,719	122,415

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

16. Provision for site rehabilitation and decommissioning

Balance at beginning of year:	65,061	55,459
Unwinding of finance cost expensed	3,774	-
Change in estimate expensed	312	9,602
Change in estimate capitalised	(2,206)	-
Balance at end of year	66,941	65,061

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Provision for site rehabilitation and decommissioning continued...

The company's environmental commitments and obligations are based on the mining license. There is currently no legislation in Botswana regarding formal closure certificates, bonding requirements or any other specific requirements related to closure. As inline with best practice, the directors deemed it fit to provide for site restoration and rehabilitation. Environmental experts were involved in estimating the company's ultimate closure costs in 2039. The last environmental analysis to determine closure costs was performed in September 2020. 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 provision has been calculated using an average discount rate of 5.88% per annum and a long term inflation rate of 3.55% per annum for Botswana based costs while an average discount rate of 8.04% per annum and a long-term inflation rate range of 3.24% to 6.95% for South African based costs. In the prior year, a blended inflation rate of 6.55% per annum and a discount rate of 8.49% per annum was used. The provision is sensitive to changes in discount rates used. A 1% increase in discount rates would result in the provision decreasing to P56 million while a 1% decrease in discount rates would increase the provision to P80 million. This analysis assumes all other variables, in particular inflation rates and underlying costs, remain constant

17. Notes to the statement of cash flows

17.1 Operating cash flows for the year

Profit before taxation	206,870	176,154
<i>Adjusted for:</i>		
Interest received	(10,285)	(12,040)
Interest paid	4,066	4,037
Depreciation	79,576	70,491
Loss on disposal of plant and equipment	4,743	2,510
Amortisation of training grant	(25)	(26)
Loss on disposal of subsidiary	-	7
Movement in allowance for obsolete inventory	342	744
Movement in impairment allowance	(2,624)	(10,199)
Movement in site rehabilitation and decommissioning provisions	1,881	9,602
Effects of foreign currency translations	533	2,014
Operating cash flows for the year	285,077	241,806

17.2 Working capital changes

Movement in inventories	10,240	(2,821)
Movement in trade and other receivables	(17,911)	317
Movement in trade and other payables	3,304	(20,122)
Operating cash flows for the year	(4,367)	(22,626)

18. Capital commitments

Capital expenditure authorised by the board	271,965	193,694
Capital expenditure -approved but not yet committed	141,385	113,451
Open purchase orders (committed)	45,990	38,335

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

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19. Royalties

The Botswana Mines and Minerals Act Chapter 66:01 requires the company to pay royalties at the rate of 3% of sale value receivable at the mine gate. The royalties became due and payable effective from 1 April 2020. Refer to note 5 for the current year expense.

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.

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:

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Financial instruments continued...

- Credit evaluations are performed on all customers requiring credit over a certain amount. The assessment of the credit quality of a customer takes 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 not have any collateral to cover its credit risk associated with its financial assets.

Impairment of financial assets

The entity computed the Expected Credit Losses (ECL) using the simplified model by considering the company's: Exposure at Default (EAD), Probability of Default (PD) derived from credit migration or flow rates per risk category and Loss Given Defaults (LGD) to estimate the impairment losses for the year ended 31 December 2020.

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 management 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 judgement and grouped its receivables using the two risk classifications:

The primary risk classification criteria was determined as geographical location; Northern (DRC, Malawi, Zambia, Zimbabwe, Botswana and the rest of Africa) and Southern (customers served from the South Africa depot). The secondary risk classification criteria was determined as the type of customer based on the nature of operations; manufacturing, wholesalers, retailers.

The prior year model was improved to better reflect business operations of Botswana Ash. The assumption of a 100% loss for all the receivables that are 90 days past due (default) was replaced with a calculation of a loss given default per class of customers. The result is a reduction in expected credit losses (ECL) by 81%.

COVID Impact

Several mines had stopped operations due to COVID-19 and underwent care and maintenance for a short period of time from April 2020 to June 2020. The company was afforded essential services status by the Botswana Government and continued operating during this period. Similarly, its customers being large manufacturers were afforded similar status and continued operating in their respective countries. The company responded to the pandemic by making operational changes that emphasized monitoring and controlling of cash collections on a weekly basis through active engagement with its customers. The result has been a reduction in Probabilities of Default (PD) and overall expected credit losses with minimal reduction in exposure.

The provision computed below reflects the general or collective provision for each portfolio of receivable. Any specific provisions are excluded from the aging analysis. Due to significant changes to the business and operational environments no attempt was made to find correlations between historical defaults and macro-economic variables.

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Financial instruments continued...

Trade receivables 31 December 2020	Current	Between 1 and 30 days past due	Between 31 and 60 days past due	Between 61 and 90 days past due	More than 90 days past due	Total
Expected Credit Loss Allowance						
Coverage ratio						
Northern Manufacturing	0.03%	0.06%	0.00%	0.00%	0.00%	0.04%
Northern Wholesale	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Northern Retail	0.39%	0.57%	0.00%	0.00%	0.00%	0.50%
Southern	0.01%	0.01%	0.12%	0.39%	0.00%	0.01%
Average coverage ratio	0.02%	0.18%	0.12%	0.39%	0.00%	0.04%

The ageing of trade receivables as at 31 December 2020 was as follows:

Trade receivables 31 December 2020	Current	Between 1 and 30 days past due	Between 31 and 60 days past due	Between 61 and 90 days past due	More than 90 days past due	Total
Expected Credit Loss Allowance						
Northern Manufacturing	4,560	872	-	-	-	5,433
Northern Wholesale	-	-	-	-	-	-
Northern Retail	2,094	3,182	-	-	-	5,277
Southern	76,983	7,137	136	421	-	84,677
Total Gross Carrying Amount	83,638	11,192	136	421	-	95,387

The ECL per geography at 31 December 2020, was calculated as follows:

31 December 2020	Current	Between 1 and 30 days past due	Between 31 and 60 days past due	Between 61 and 90 days past due	More than 90 days past due	Total
Expected Credit Loss Allowance						
Northern Manufacturing	1	1	-	-	-	2
Northern Wholesale	-	-	-	-	-	-
Northern Retail	7	18	-	-	-	25
Southern	4	1	-	1	-	6
Total Expected Credit Loss Allowance	13	20	-	1	-	33

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Financial instruments continued...

The provision matrix set out below, indicates the computed expected loss ratios, based on historic defaults, applied in the calculation of ECL as at 1 January 2020:

Trade receivables 1 January 2020	Current	Between 1 and 30 days past due	Between 31 and 60 days past due	Between 61 and 90 days past due	More than 90 days past due	Total
Coverage ratio						
Northern Manufacturing	2.99%	3.76%	6.85%	0.00%	0.00%	3.40%
Northern Wholesale	0.04%	0.10%	0.00%	0.00%	0.00%	0.09%
Northern Retail	4.93%	2.68%	30.59%	0.00%	0.00%	3.11%
Southern	0.17%	2.07%	11.78%	0.00%	0.00%	0.47%
Average coverage ratio	0.47%	2.50%	17.06%	0.00%	0.00%	0.96%

The ageing of trade receivables as at 1 January 2020 was as follows:

01 January 2020	Current	Between 1 and 30 days past due	Between 31 and 60 days past due	Between 61 and 90 days past due	More than 90 days past due	Total
Expected Credit Loss Allowance						
Northern Manufacturing	4,921	4,279	134	-	-	9,334
Northern Wholesale	182	751	-	-	-	933
Northern Retail	2,061	2,733	288	135	3,227	8,443
Southern	70,551	9,766	477	-	-	80,794
Total Gross Carrying Amount	77,716	17,528	898	135	3,227	99,505

The ECL per geography at 1 January 2020, was calculated as follows:

	Current	Between 1 and 30 days past due	Between 31 and 60 days past due	Between 61 and 90 days past due	More than 90 days past due	Total
Expected Credit Loss Allowance						
Northern Manufacturing	147	161	9	-	-	317
Northern Wholesale	-	1	-	-	-	1
Northern Retail	102	73	88	-	-	263
Southern	120	202	56	-	-	379
Total Expected Credit Loss Allowance	369	437	153	-	-	959

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Financial instruments continued...

Exposure to credit risk

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

Trade receivables (gross)	95,387	99,505
Amounts due from related parties	1,370	2,882
Other receivables	12,378	629
	109,135	103,016
Less impairment allowance	(1,384)	(4,008)
	107,751	99,008
Cash and cash equivalents	325,975	271,170
Total exposure to credit risk	433,726	370,178

No receivables were written off during the current and prior year

Liquidity risk

The company is exposed to daily operational payments and payment of trade 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:

2020	Carrying amount	Contractual cash flows	6 months or less
Trade payables and other payables	110,404	110,404	110,404
2019	Carrying amount	Contractual cash flows	6 months or less
Trade payables and other payables	97,146	97,146	97,146

Exposure to 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.

2020	US Dollar	Euro	SA Rand	GBP
Trade receivables	5 433	0	81 654	-
Cash and cash equivalents	18 277	2	94 279	-
Trade payables	(404)	(477)	(9 680)	(50)
Net exposure	23 306	(475)	166 253	(50)

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Financial instruments continued...

2019	US Dollar	Euro	SA Rand	GBP
Trade receivables	13,852	-	69,911	-
Cash and cash equivalents	50,420	2	176,095	-
Trade payables	(2,020)	-	(21,162)	-
Net exposure	62,252	2	224,844	-

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 2020.

	Profit before taxation	
	2020	2019
USD	2 331	(6 225)
EUR	(47)	-
ZAR	16 625	(22 484)
Net increase/(decrease) in profit before taxation	18 908	(28 709)

The spot rates applied at year end are as follows:

	2020	2019
USD	P1.00/0.0905	P1.00/0.0967
EUR	P1.00/0.0756	P1.00/0.0862
ZAR	P1.00/1.3836	P1.00/1.3633
GBP	P1.00/0.0678	P1.00/0.0737

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Financial instruments continued...

Exposure to credit 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	2020	2019
Dollar call	4,918	8,994
Pula call	28,185	8,871
2 million USD investment	-	20,771
70 million Rand fixed deposit	-	51,868
81 million Rand fixed deposit	-	59,576
Money market account (BWP denominated)	30,649	29,447
USD Fixed deposit	147,227	-
	210,979	179,527

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:

	2020	2019
	%	%
Dollar call	-	4.90
Pula call	0.20	0.30
2 million USD investment	0.50	0.95
70 million Rand fixed deposit	-	2.20
81 million Rand fixed deposit	-	6.62
81 million Rand fixed deposit	-	7.10
Money market account (BWP denominated)	4.52	3.90
USD Fixed deposit	0.55	-

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:

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Financial instruments continued...		
Dollar call	25	45
Pula call	141	44
2 million USD investment	-	104
70 million Rand fixed deposit	-	259
81 million Rand fixed deposit	-	298
Money market account (BWP denominated)	153	147
USD Fixed deposit	736	-
Increase in profit before taxation	1,055	897

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 1: 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.

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22. Related party transactions

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

Identity of related party transaction	Nature of transaction	2020	2019
NCP Chlorchem Proprietary Limited	Chemical consumables and soda ash	-	2,594
NCP Chlorchem Proprietary Limited	Purchases	-	(121)
Botswana Government	Dividend paid	(40,000)	(40,000)
Chlor-Alkali Holdings Proprietary Limited	Dividend paid	(40,000)	(40,000)
Synchem Management Services Proprietary Limited	Management fees paid	(1,492)	(1,738)
Bud Chemicals and Minerals Proprietary Limited	IT services	(1,220)	11
Synchem Management Services Proprietary Limited	Costs paid on behalf of the company	-	908
Botswana Ash South Africa Proprietary Limited	Costs paid on behalf of the company	(17,651)	(19,198)
Botswana Ash South Africa Proprietary Limited	Commission paid	(20,409)	(16,931)
Botswana Ash South Africa Proprietary Limited	Soda ash sales	6,039	30,824
Cerebos Limited	Salt sales	776	1,191

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

Botswana Ash South Africa Proprietary Limited		
• Included in trade payables	(2,628)	(18,445)
• Included in trade receivables	1,370	1,736
Cerebos Limited	-	148
Botash Zambia Limited	-	998
Synchem Management Services Proprietary Limited	-	(1,053)

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Related party transactions continued...

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

Related party

Botswana Government

Chlor-Alkali Holdings Proprietary Limited

Chlor-Alkali Holdings Management Services Proprietary Limited

NCP Chlorchem Proprietary Limited

Bud Chemicals and Minerals Proprietary Limited

Botswana Ash South Africa Proprietary Limited

Cerebos Limited

CJP Chemicals Proprietary Limited

Synchem Management Services Proprietary Limited

Investec Equity Partners

Walvis Bay Salt Refiners Proprietary Limited

Relationship

Shareholder

Shareholder

Share common shareholder (Chlor Alkali Holdings (PTY) LTD)

Share common shareholder (Chlor Alkali Holdings (PTY) LTD)

Associate

Share common shareholder (Chlor Alkali Holdings (PTY) LTD) and Botswana Government

Share common shareholder (Chlor Alkali Holdings (PTY) LTD)

Subsidiary of Bud Chemicals (PTY) LTD

Subsidiary of Bud Chemicals (PTY) LTD

Ultimate shareholder of Bud Chemicals (Pty) LTD

Share common shareholder (Chlor Alkali Holdings (PTY) LTD)

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

The company does not have any collateral to cover its credit risk associated with balances due from related parties.

Key personnel remuneration:

Key personnel remuneration consists of short term and long term employee benefits paid to members of the executive management committee totaling P12,656 million (2019: P30,716 million). Pension contributions paid by the company on behalf of the members of the executive management committee during the year totalled P1 359 481 (2019: P1 263 587).

Directors fees for services as directors amounting to P1,062,000 were paid (2019: P504,000) and for management fees paid amounted to P1,607,000 (2019: P1,738,000).

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23. Contingent liabilities

Guarantees and letter of credits

The company had the following guarantees and letters of credit outstanding at the reporting date

First National Bank South Africa

In favour of SARS (R1 522 500; 2019: R1 522 500)	1,100	1,117
In favour of Customs & Exercise (R1 500 000; 2019: R1 500 000)	1,084	1,100
In favour of Customs & Exercise (R110 000; 2019: R110 000)	80	81
In favour of Customs & Exercise (R30 000; 2019: R30 000)	2	2
In favour of Customs & Exercise (R10 150; 2019: R10 150)	7	7
In favour of Customs & Exercise (R30 450; 2019: R30 450)	22	22
In favour of Customs & Exercise (R761 250; 2019: R550 195)	550	558
In favour of Customs & Exercise (R60 900; 2019: R60 900)	44	45
In favour of Transnet SOC Limited (R6 500 000 2019: R4 500 000)	4,698	4,768
Total contingent liabilities	7,607	7,720

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

24. Legal claims

The company is defending several minor claims from former employees and third parties. The directors believe that the defence against these actions will be successful.

25. Events after the reporting date

There were no material events that occurred subsequent to the reporting date and before the approval of the financial statements, which required adjustments to the amounts recognised or disclosed in the financial statements.

26. Going concern

The company made a net profit for the year ended 31 December 2020 of P165.933 million (2019: P131.554 million), and as of that date its current assets exceeded its current liabilities by P521.549 million (2019: P472.904 million) and its total assets exceeded its total liabilities by P952.644 million (2019: P866.711 million). COVID-19 pandemic and consequential lockdowns had minimal impact on the company to date, given the nature of its activities.

The directors have prepared their 2021 budget and cash flow forecast based on reasonable and supportable assumptions, it is expected that the company will have sufficient assets to settle its liabilities in the ordinary course of business.

Given the directors' evaluation that the company has sufficient resources to meet its obligations as they fall due, the financial statements have been prepared on the basis of accounting policies applicable to a going concern.

The basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities and commitment will occur in the ordinary course of business.

