



MERAFE
RESOURCES
LIMITED

UNAUDITED
CONDENSED
CONSOLIDATED
FINANCIAL
STATEMENTS AND
CASH DIVIDEND
DECLARATION
FOR THE SIX MONTHS ENDED
30 JUNE 2022

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND CASH DIVIDEND DECLARATION FOR THE SIX MONTHS ENDED 30 JUNE 2022

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Merafe Resources Limited

(Incorporated in the Republic of South Africa)
(Registration number: 1987/003452/06)
JSE share code: MRF
ISIN: ZAE000060000
("Merafe" or the "Company" or the "Group")

Sponsor

One Capital Sponsor Services Proprietary Limited

Executive Directors

Z Matlala (Chief Executive Officer), D Chocho (Financial Director)

Non-executive Directors

A Mngomezulu* (Chairman), M Vuso*, K Tlale*, J Mclaughlan*,
N Mabusela-Aikhuere*, D McGluwa, D Green

* Independent

Company Secretary

CorpStat Governance Services Proprietary Limited

Registered office

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Transfer secretaries

JSE Investor Services Proprietary Limited

Investor relations

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Preparation of this report

The report was prepared by Theodora Phakane CA(SA) (Financial Manager) under the supervision of Ditabe Chocho CA(SA) (Financial Director). These unaudited condensed consolidated financial statements of Merafe for the six months ended 30 June 2022 have not been reviewed by the Company's independent auditor, Deloitte & Touche.

CEO commentary on results

Merafe achieved a profit of R925 million for the six months ended 30 June 2022, as a result of higher realised ferrochrome prices and a weaker ZAR:US\$ exchange rate. Ferrochrome prices have since declined and cost pressures from inflation, higher reductant costs, chrome ore costs and electricity tariffs continue to mount.

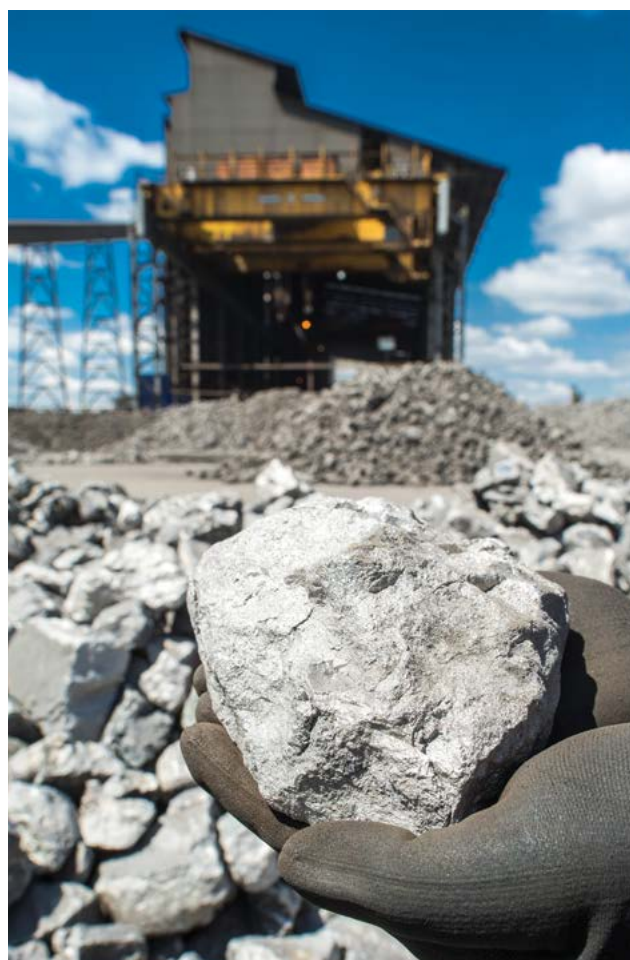
Icons used in this report



This icon refers to further reading














This icon refers to more information available at:
www.meraferesources.co.za



2022 HALF YEAR IN REVIEW

Key features

	No fatalities (June 2021: No fatalities)
	11% decrease in TRIFR ¹ to 2.49 (December 2021: 2.80 ²)
	2% increase in ferrochrome production to 203kt (June 2021: 199kt)
	15% increase in revenue to R4 291 million (June 2021: R3 746 million)
	68% increase in EBITDA ³ to R1 373 million (June 2021: R819 million)
	Headline earnings per share of 37.0 cents (June 2021: 23.2 cents)

	Basic earnings per share of 37.0 cents (June 2021: 23.0 cents)
	10% increase in net asset value to R4 145 million (December 2021: R3 770 million)
	18% increase in net cash flows from operating activities to R748 million (June 2021: R635 million)
	4% increase in cash to R1 015 million (December 2021: R972 million)
	Interim cash dividend declared of 12 cents per share (June 2021: 7 cents per share)

¹ Total recordable injury frequency rate

² Restated

³ Earnings before interest, tax, depreciation and amortisation

Icon reference



Positive performance or occurrence compared to prior period



No change in performance compared to prior period



Negative performance or occurrence compared to prior period

COMMENTARY

Financial review

The unaudited condensed consolidated financial results for the six months ended 30 June 2022 are presented below.

Rounding of figures may result in minor computational discrepancies of the tabulations.

Merafe's revenue and operating income are primarily generated from the Glencore-Merafe Chrome Venture ("**Venture**") which is one of the global market leaders in ferrochrome production, with a total installed capacity of 2.3 million tonnes of ferrochrome per annum. Merafe shares in 20.5% of the earnings before interest, taxation, depreciation and amortisation ("**EBITDA**") from the Venture. Merafe has one reportable segment being the mining of chrome ore and beneficiation of chrome ore into ferrochrome and associated minerals, as a result, no segment report has been presented.

Merafe's share of revenue from the Venture, which includes a management fee, increased by 15% from the prior period to R4 291 million (June 2021: R3 746 million).

Ferrochrome revenue increased by 12% from the prior period to R3 614 million (June 2021: R3 229 million) primarily as a result of a 26% increase in average net cost, insurance and freight (CIF) prices and a 6% weakening of the average ZAR:US\$ exchange rate over the period. Ferrochrome sales volumes decreased by 14% to 180kt (June 2021: 210kt). Chrome ore revenue increased by 22% from the prior period to R630 million (June 2021: R517 million), driven by a 39% average sales price increase for the period as well as the weaker ZAR:US\$ exchange rate. There was a 17% decrease in chrome ore sales volumes to 172kt (June 2021: 208kt). Platinum Group Metals ("**PGMs**") concentrate sold over the period, from the new processing plant that Merafe invested in (as reported in the announcement published on SENS on 14 January 2022), generated revenue of R46 million (June 2021: Rnil).

Merafe's portion of the Venture's EBITDA for the six months ended 30 June 2022 is R1 397.1 million (June 2021: R839.2 million). The EBITDA includes Merafe's attributable share of standing charges of R31.5 million (June 2021: R31.1 million) and a foreign exchange gain of R27.4 million (June 2021: R47.1 million loss). There was no write-down of inventory during the six months ended 30 June 2022 (June 2021: R17.4 million). The diesel rebate matter with the South African Revenue Service ("**SARS**") as disclosed in the Integrated Annual Report for the year ended 31 December 2021, continues. Accordingly, the disallowed amount (inclusive of interest payable to SARS and net of income tax) of R21.1 million (June 2021: R19.3 million) continues to be fully provided for at period end.

After accounting for corporate costs of R24.1 million (June 2021: R20.5 million), which include a cash settled share-based payment expense of R6.7 million (June 2021: R2.5 million), Merafe achieved EBITDA of R1 373.0 million (June 2021: R818.8 million). Corporate costs also include Corporate Social Investment expenses of R147 thousand (June 2021: R1.8 million) and a bonus provision of R5.8 million (June 2021: R5.1 million).

Earnings for the six months ended 30 June 2022 amounted to R925 million (June 2021: R576.3 million), after taking into account depreciation and amortisation of R105.5 million (June 2021: R12.9 million), net financing income of R10.3 million (June 2021: R2.8 million)

and taxation expense of R354.1 million (June 2021: R227.2 million). The increase in depreciation is due to depreciation on new assets including assets that are fully depreciable within a year. An impairment assessment on property, plant and equipment was performed at period end, resulting in no cash-generating unit impairment adjustments for the period. Additionally, there was no specific asset impairment loss for the period (June 2021: R5.8 million). Taxation includes a deferred tax expense of R47.6 million (June 2021: R127.6 million) which arose primarily as a result of temporary differences on property, plant and equipment as well as those relating to provisions and accruals. There is no unredeemed capital expenditure balance as at 30 June 2022 (June 2021: Rnil) as taxable profits exceeded capital expenditure.

A profit of R1.2 million (June 2021: R719 thousand), being Merafe's proportionate share of the profit from an associate of Unicorn Chrome (Pty) Ltd, was recorded for the period.

Sustaining capital expenditure decreased by 19% to R142.5 million (June 2021: R176 million) partly due to timing of spending as well as due to reduced catch-up spending. Expansionary capital includes R12 million (June 2021: Rnil) spent on the PGMs processing plant.

The unsecured credit facility with Absa of R300 million remained unutilised at period end.

As at 30 June 2022, Merafe had cash and cash equivalents of R1 015.3 million (December 2021: R972.1 million) which comprised cash held by Merafe of R555 million (December 2021: R483.2 million) and R460.3 million (December 2021: R488.9 million), being Merafe's share of the cash balance in the Venture. The Venture has set aside cash, ringfenced to fund its future environmental rehabilitation obligations. Merafe's share of this cash is R194.3 million (December 2021: R189.3 million) and is included in its share of the cash in the Venture of R460.3 million referred to above.

Trade and other receivables increased by 15% compared to the 31 December 2021 balance, primarily as a result of higher prices and a weaker closing ZAR:US\$ exchange rate. The ZAR:US\$ exchange rate closed at R16.33 as at 30 June 2022 (December 2021: R15.94).

Ferrochrome finished goods volumes of 99kt (June 2021: 79kt) on hand represent approximately three to four months of sales. The closing inventory value increased to R1 936.4 million (December 2021: R1 652.2 million) due to higher production costs as well as production exceeding sales volumes.

The board of directors ("**Board**") has declared an interim gross cash dividend of 12 cents per share (June 2021: 7 cents per share).

Safety

The Venture was fatality free for the year 2021 and remains fatality free for the first six months of 2022. Our total recordable injury frequency rate improved by 11% to 2.49 (December 2021: 2.80[§]).

We remain focused on the implementation of SafeWork 2.0 with focus on continuous improvement of our system and processes to ensure that we create a safe and healthy working environment. We encourage empowerment of our employees to enforce the stop-work process if a situation is unsafe. The safety of our employees remains our number one priority.

§ There was a restatement of the December 2021 statistic from 2.75 to 2.80. The 2021 financial year data related to incident classifications and hours worked was corrected to align with reporting definitions. This impacted on the frequency rates.

Health

COVID-19 is still a risk that we deal with daily. Our operations continue to manage the spread of the virus through ensuring adherence to all approved COVID-19 protocols and legal requirements. We continue with electronic screening and conduct antigen tests on all symptomatic employees.

On average a total of 9 748 antigen tests were conducted during the first six months of 2022, in total 71 211 tests have been conducted on site since we started carrying out the tests in January 2021. For the year to date 330 members of our workforce have tested positive compared to 2 873 positive cases for the full year in 2021. Since the beginning of COVID-19 we have had 3 487 positive cases in total.

We supplied vaccinations at our operations until the end of April 2022. In total, 21 520 vaccines were administered, of which 4 438 were given in 2022.

It is with great sadness that we report that in the first half of 2022 we lost two of our colleagues due to COVID-19.

Operational review

Merafe's attributable ferrochrome production from the Venture for the six months ended 30 June 2022 increased marginally by 2% from 199kt to 203kt compared to the six months ended 30 June 2021. Plant efficiencies were sustained for the period.

Total cost of production per tonne increased by 13.6% from December 2021. The increase was mainly due to general inflation, higher market ore prices, reductant prices and electricity tariffs.

Electricity tariffs increased by 9.61% which became effective from 1 April 2022. Reliability of electricity supply continues to be a risk for the business.

Reductant costs were impacted by higher market prices for coke and anthracite. Inadequate local supply of reductants continues to be a challenge.

Logistics costs also came under pressure due to an increase in road transportation as well as higher diesel prices. Freight rates were also higher.

Mineral Reserves, Mineral Resources and Mining Rights

There were no material changes to Mineral Reserves, Mineral Resources and mining rights of the participants in the Venture from those reported in the Integrated Annual Report for the year ended 31 December 2021.

Market Review

Global stainless-steel production decreased by 2.7%¹ for the six months ended 30 June 2022 ("H1 2022") compared to the six months ended 30 June 2021 ("H1 2021"), as Chinese melt rates slowed by 4.3%¹. This was partially offset by an increase in the Indonesian production. Increased power availability in China supported ferrochrome production growth of 20%² year-on-year ("YoY") during H1 2022 to 3.45mt². Ferrochrome production in South Africa remained flat during H1 2022 YoY at 1.93mt¹. Increased supply put pressure on prices at the end of H1 2022.

China imports of South African chrome ore decreased by 1.6%³ year-to-date ("YTD") May 2022 to 5.2mt³ as logistical constraints persisted in South Africa. Due to the high chrome ore consumption in China, port stocks decreased 40%² during H1 2022. This has resulted in 48%¹ higher pricing for chrome ore.

The average European benchmark ferrochrome price was US cents 198⁴ per pound in H1 2022, which represents an increase of 44.5%⁴ from the H1 2021 average price.

¹ CRU commodity market analysts

² FerroAlloyNet.com

³ TDM Trade data monitor

⁴ Fast Market (Metal Bulletin) – Ferrochrome lumpy Cr charge quarterly, basis 52% Cr (and high carbon), delivered Europe, \$c/lb Cr

Outlook

Just as the COVID-19 risk was abating, other global and local risks have emerged. Locally, floods have wreaked havoc, especially in the KwaZulu-Natal region, disrupting logistics channels and sadly resulting in the loss of life. Transnet's challenges, which have also impacted our industry, have included infrastructure theft and damage, lack of spares and insufficient rolling stock. In general, supply chain constraints remain a concern. Eskom's situation deteriorated further over the period following the utility's industrial strike action leading to power cuts escalating to stage 6. Internationally, the Russia/Ukraine conflict has not only resulted in the unfortunate loss of life, but led to global uncertainty, supply shortages, inflationary pressures and fueled recession concerns. These events have impacted our industry in one way or another and are likely to affect production inputs and chrome demand/supply dynamics going into the second half of 2022 ("H2 2022"). As a result, we expect a tougher H2 2022. We remain cautious in our approach to the remaining six months of the year and will continue to focus on efficient operations, cash preservation, cost control and efficient capital allocation.

In accordance with our strategy, we remain committed to maximising return to our shareholders in the near term and we will continue to assess opportunities to deliver shareholder value.

Abiel Mngomezulu

Independent non-executive Chairman
Sandton

23 August 2022

Zanele Matlala

Chief Executive Officer

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed consolidated statement of profit or loss and other comprehensive income

	For the six months ended	
	30 June 2022 Unaudited R'000	30 June 2021 Unaudited R'000
Revenue	4 291 261	3 745 536
Foreign exchange gain/(loss)	27 409	(47 117)
Other expenses	(2 945 683)	(2 879 611)
Earnings before interest, taxation, depreciation, amortisation and impairment	1 372 987	818 808
Depreciation and amortisation	(105 452)	(12 893)
Impairment	-	(5 824)
Results from operating activities	1 267 535	800 091
Finance income	11 101	3 743
Finance expense	(774)	(981)
Income from equity accounted investment	1 154	719
Profit before taxation	1 279 016	803 572
Taxation	(354 097)	(227 245)
Total comprehensive income for the period	924 919	576 327
Basic earnings per share (cents)	37.0	23.0
Diluted earnings per share (cents)	37.0	23.0

Condensed consolidated statement of financial position

	As at	
	30 June 2022 Unaudited R'000	31 December 2021 Audited R'000
ASSETS		
Property, plant and equipment	765 634	712 577
Intangible asset	32 850	34 060
Investment in associate	3 919	2 765
Deferred tax	3 635	3 394
Long-term receivable	13 444	13 444
Total non-current assets	819 482	766 240
Inventories	1 936 422	1 652 178
Trade and other receivables	1 787 196	1 554 620
Current tax receivable	-	16
Cash and cash equivalents	1 015 254	972 129
Total current assets	4 738 872	4 178 943
Total assets	5 558 354	4 945 183
EQUITY		
Share capital	1 288 876	1 288 876
Retained earnings	2 856 215	2 481 106
Total equity attributable to owners of the Company	4 145 091	3 769 982
LIABILITIES		
Lease obligation	11 090	10 919
Deferred tax	140 062	92 226
Provision	186 960	171 164
Share-based payment liability	7 865	8 490
Total non-current liabilities	345 977	282 799
Trade and other payables	1 012 098	862 594
Lease obligation	3 779	3 988
Current tax payable	27 845	5 565
Provision	17 328	18 997
Share-based payment liability	6 236	1 258
Total current liabilities	1 067 286	892 402
Total liabilities	1 413 263	1 175 201
Total equity and liabilities	5 558 354	4 945 183

Condensed statement of changes in equity

	For the six months ended	
	30 June 2022 Unaudited R'000	30 June 2021 Unaudited R'000
Issued share capital – ordinary shares	24 991	25 107
Shares repurchased and cancelled during the period	–	(116)
Balance at the end of the period (issued share capital)	24 991	24 991
Share premium – ordinary shares	1 263 885	1 269 575
Shares repurchased and cancelled during the period	–	(5 690)
Balance at the end of the period (share premium)	1 263 885	1 263 885
Retained earnings	2 856 215	1 558 707
Balance at beginning of the period	2 481 106	982 380
Total comprehensive income for the period	924 919	576 327
Dividends paid	(549 810)	–
Total equity at the end of the period	4 145 091	2 847 582

Condensed consolidated statement of cash flows

	For the six months ended	
	30 June 2022 Unaudited R'000	30 June 2021 Unaudited R'000
Profit before taxation	1 279 016	803 572
Finance expense	774	981
Finance income	(11 101)	(3 743)
Depreciation and amortisation	105 452	12 893
Impairment	–	5 824
Movement in provision	14 127	14 346
Share-based payment expense	6 677	2 538
Share grants exercised	(2 324)	(1 132)
Profit on sale of property, plant and equipment	–	(53)
Income from equity accounted investment	(1 154)	(719)
Non-cash movement	994	6
Effect of exchange rate fluctuation	(1 584)	(70 686)
Embedded derivative expense	58 940	(29 980)
Adjusted for working capital changes	(426 253)	(91 590)
Cash generated from operating activities	1 023 564	642 257
Interest paid	(2 034)	(370)
Interest received	11 050	3 233
Taxation paid	(284 206)	(10 421)
Net cash from operating activities	748 374	634 699
Sustaining capital expenditure	(142 505)	(175 999)
Expansionary capital expenditure	(12 757)	(1 787)
Proceeds on disposal of property, plant and equipment	–	53
Net cash utilised in investing activities	(155 262)	(177 733)
Payment for repurchase of shares	–	(5 775)
Costs incurred for the repurchase of shares	–	(32)
Dividends paid	(549 367)	–
Repayment of capital portion of lease liabilities	(2 205)	(2 017)
Net cash utilised in financing activities	(551 572)	(7 824)
Net increase in cash and cash equivalents	41 540	449 142
Cash and cash equivalents at the beginning of the period	972 130	277 629
Effect of foreign exchange rate changes on cash balances	1 584	70 686
Cash and cash equivalents at the end of 30 June	1 015 254	797 457

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

These unaudited condensed consolidated interim results for the six months ended 30 June 2022 have been prepared under the supervision of Ditabe Chocho CA(SA) (Financial Director), in accordance with and containing the information required by IAS 34: *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and the Financial Pronouncements as issued by Financial Reporting Standards Council, the requirements of the Companies Act of South Africa No. 71 of 2008 and the JSE Limited Listings Requirements.

The unaudited condensed consolidated financial statements are presented in South African Rands, and all values are rounded to the nearest thousand (R'000), except where otherwise indicated.

1.1 Going concern

In determining the appropriate basis of preparation of the interim results, the directors are required to consider whether the Group can continue to be in operational existence for the foreseeable future. The financial performance of the Group is dependent upon the wider economic environment in which the Group operates.

These interim results are prepared on a going concern basis. The Board has undertaken a rigorous assessment of whether the Group is a going concern in the light of current economic conditions taking into consideration available information about future risks and uncertainties. The projections for the Group have been prepared, covering its future performance, capital and liquidity including performing sensitivity analyses. The Group has the benefit of a healthy balance sheet and unutilised debt facilities that are available. The Group's forecasts and projections of its current and expected profitability, taking account of reasonably possible changes in production and performance, show that the Group will be able to operate within the level of its cash resources for at least the next 12 months.

The Board is satisfied that the Group is sufficiently liquid and solvent to be able to support the operations for the next 12 months.

1.2 Accounting policies

The accounting policies applied in the preparation of these interim results are in terms of the International Financial Reporting Standards ("IFRS") and are consistent with those applied in the previous consolidated annual financial statements. The Group did not early adopt any new, revised or amended accounting standards or interpretations.

1.3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the unaudited condensed consolidated interim results requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates are reviewed on an ongoing basis. Underlying assumptions are also reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the unaudited condensed consolidated interim results are as follows:

- Measurement of depreciation and impairment, useful lives and residual values of property, plant and equipment and intangible assets;
- Inputs used in the determination of the fair value of the share-based payment transactions;
- Lease classification and depreciation of right-of-use assets;
- Assumptions used in calculation of the life of the mines/smelters, estimation of the closure and restoration costs and inputs used in the calculation of the present value of the provision for closure, restoration costs and discount rate applied;
- Fair value measurement of trade receivable subject to provisional pricing;
- Assumptions used in the assessment of expected credit losses on financial assets;
- Estimation of the tonnages extracted in determining the royalty provision;
- Assumptions around joint control of the Venture;
- Impairment of financial assets – The Group determines whether any of the cash-generating units are impaired at each reporting date. This requires consideration of the current and future economic and trading environment and available valuation information, to ascertain if there are indications of impairment to those owned by the Group;
- Inventories – The Group determines whether there is obsolete inventory on an annual basis and adjustments to the net realisable value of inventory; and
- Financial risk management – The Group assesses credit risk, liquidity risk, cash and cash equivalents and trade and other receivables. There has been no material increase in either liquidity risk and own credit risk based on this assessment.

2. Determination of fair values

Several of the accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

Fair values have been determined for measurement and/or disclosure purposes based on the methods as indicated below.

2.1 Trade receivables subject to provisional pricing terms

Trade receivables includes R33.6 million of liabilities (December 2021: R25 million asset) subject to provisional pricing terms which are accordingly accounted for at fair value through profit and loss. Level 2 hierarchy per IFRS 13.

The fair value at the reporting date is based on the latest available ferrochrome prices and closing foreign exchange rate of R16.33.

	For the six months ended	
	30 June 2022 Unaudited R'000	30 June 2021 Unaudited R'000
3. Headline earnings per share		
Earnings for the period attributable to equity holders	924 919	576 327
Headline earnings adjustment:		
Impairment	-	5 824
Profit on sale of property, plant and equipment	-	(53)
Deferred tax effect	-	(1 616)
Headline earnings for the period	924 919	580 482
Headline earnings per share (cents)	37.0	23.2
Diluted headline earnings per share (cents)	37.0	23.2
Ordinary shares in issue	2 499 126 870	2 510 704 248
Weighted average number of shares for the period	2 499 126 870	2 501 134 951
Diluted weighted average number of shares for the period	2 499 126 870	2 501 134 951
4. Revenue		
Ferrochrome revenue	3 613 760	3 228 506
Chrome ore revenue	629 920	517 030
PGMs revenue	46 111	-
Revenue from contracts with customers	4 289 791	3 745 536
Other income	1 470	-
Revenue other than from contracts with customers	1 470	-
Total revenue	4 291 261	3 745 536
5. Capital commitments		
Contracted but not provided for	222 433	220 154
Authorised but not contracted for	555 140	358 282
	777 573	578 436

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

6. Related parties

6.1 Related party transactions and balances

During the current reporting period, management reviewed its related party relationships in accordance with IAS 24: *Related Party Disclosures*. The Glencore Plc Group is a related party taking into consideration the shareholding and related significant influence coupled with the substance of the relationship. Significant transactions and balances with all entities within the Glencore Plc Group are therefore disclosed together with the comparative figures.

All related party transactions relate to Merafe's attributable 20.5% interest in the Venture. There were no outstanding commitments at period end.

Name of related party	Description of relationship	Transactions and balance
Industrial Development Corporation of South Africa Limited ("IDC")	The IDC holds 21.9% of the issued share capital of the Company and has the ability to exercise significant influence over the Company as a result of its shareholding.	The IDC received non-executive directors' fees for Mr D McGluwa. IDC receives dividends declared by the Company. At period end there are no amounts due to the IDC.
Glencore (Nederland) B.V. ("GN")	GN holds 28.8% of the issued share capital of the Company and has the ability to exercise significant influence over the Company as a result of its shareholding.	At period end there are no amounts due to GN. GN receives dividends declared by the Company.
Glencore Limited (Stamford) ("GLS")	GLS acts as the Venture's exclusive marketing agent to sell ferrochrome on its behalf and acts as distributor in the USA and Canada.	Sales of ferrochrome of R261m (June 2021: R345m) Commission expense on the sale of ferrochrome of R7m (June 2021: R7m). Interest expense of R574 thousand (June 2021: R718 thousand). Balance receivable at the end of the period R192m (December 2021: R137m) which is reduced as and when GLS receives funds from customers.
Glencore International AG ("GIAG")	GIAG acts as the Venture's exclusive marketing agent to sell ferrochrome and chrome ore on its behalf. The Venture purchases various raw materials from GIAG on an ongoing basis. The Venture sells chrome ore to GIAG on an <i>ad hoc</i> basis.	Commission expense on sale of ferrochrome and chrome ore of R169m (June 2021: R146m). Interest income of R3m (June 2021: R2.7m). Marketing fee expense of R943 thousand (June 2021: R902 thousand). Purchase of raw materials of R76m (June 2021: R143m). Balance owing at the end of the period R62m (December 2021: R36m) payable on confirmation of final sales.
Chartech Technology (Pty) Ltd ("Chartech")	Chartech sells raw materials to the Venture.	Purchase of raw materials of R64m (June 2021: R49m). Balance owing at the end of the period of R11m (December 2021: R11m) payable 30 days from statement date.
Glencore Operations South Africa (Pty) Ltd ("GOSA")	GOSA is Merafe Ferrochrome and Mining (Pty) Ltd's partner in the Venture.	Lion housing costs of R10m (June 2021: R9m). Cost recovered from PGM tailings R2m (June 2021: Rnil) Employee costs of R68m (June 2021: R62m). Head-office costs of R15m (June 2021: R13m). Training costs of R4m (June 2021: R3m). Shared services costs of R5m (June 2021: R4m). Balance owing at the end of the period of R36m (December 2021: R14m) payable 10 days after month end. GOSA received the non-executive directors' fees for Mr D Green.
Glencore Property Management Company (Pty) Ltd ("GPMC")	GPMC provides rental property to the Venture.	Rental of CSI offices R185 thousand (June 2021: Rnil). Balance owing at the end of the period of R41 thousand (December 2021: R308 thousand) payable 30 days from statement date.
Access World South Africa (Pty) Ltd ("Access")	Access is a warehousing company that supplies storage facilities of Ferrochrome and Chrome ore to the Venture.	Storage of ferrochrome and chrome ore of R615 thousand (June 2021: R4m). Balance owing at the end of the period of R554 thousand (December 2021: R451 thousand) payable 30 days after statement date.

Name of related party	Description of relationship	Transactions and balance
Glencore Holdings South Africa (Pty) Ltd ("GHSA")	GHSA offers the Central Treasury Function for the Venture.	Interest income of R7.4m (June 2021: R1.3m). Cash deposits of R266m (December 2021: R299m).
Astron Energy (Pty) Ltd ("Astron")	Astron sells fuel to the Venture.	Purchase of fuel of R17m (June 2021: R12m). Balance owing at the end of the period of R3m (December 2021: R1m).
Umsimbithi Mining (Pty) Ltd ("Umsimbithi")	Umsimbithi sells coal to the Venture.	Purchase of coal of Rnil (June 2021: R700 thousand). No balances outstanding at the end of the period.
Impala Chrome (Pty) Ltd ("Impala")	Impala is an equity accounted investment by Unicorn Chrome (Pty) Ltd which provides logistics support to the Venture.	Logistics and marketing expense of R15m (June 2021: R13m). Fixed operational and maintenance expense of R1.9m (June 2021: R2m). Balance receivable at the end of the period of R3m (December 2021: R3m)
Unicorn Chrome (Pty) Ltd ("Unicorn")	Unicorn is a jointly-controlled chrome tailings processing operation by the Venture.	Balance receivable at the end of the period of Rnil (December 2021: Rnil).

7. Taxation

The Group's annualised effective tax rate is 27.7% (June 2021: 28%) for the six months ended 30 June 2022.

8. Inventories

During the reporting period, inventory of Rnil (December 2021: R17.4m) was written down.

9. Contingent liabilities

Merafe had no contingent liabilities as at 30 June 2022.

10. Events after the reporting period

The directors are not aware of any material events which occurred after the reporting period and up to the date of authorisation of this report that may require adjustment or disclosure in these interim financial statements.

11. Changes to the Board

There were no changes to the Board composition during the period.

12. Declaration of an ordinary cash dividend for the six months ended 30 June 2022

Notice is hereby given that a gross interim cash dividend of 12 cents per share (June 2021: 7 cents per share) has been declared payable, by the Board, to holders of ordinary shares.

The dividend will be paid out of income reserves.

The ordinary dividend will be subject to a local dividend tax rate of 20%. The net local ordinary dividend, to those shareholders who are not exempt from paying dividend tax, is therefore 9.60000 cents per share. Merafe's income tax number is 9550 008 602.

The number of ordinary shares issued at the date of the declaration is 2 499 126 870.

The important dates pertaining to the dividend are as follows:

Declaration date:	Tuesday, 23 August 2022
Last day for ordinary shares to trade <i>cum</i> ordinary dividend:	Tuesday, 13 September 2022
Ordinary shares commence trading <i>ex-ordinary</i> dividend:	Wednesday, 14 September 2022
Record date:	Friday, 16 September 2022
Payment date:	Monday, 19 September 2022

Shareholders will not be permitted to dematerialise or rematerialise their shares between Wednesday, 14 September 2022 and Friday, 16 September 2022, both days inclusive.

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ADMINISTRATION

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Z Matlala (Chief Executive Officer), D Chocho (Financial Director)

* *Independent*



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