

Merafe Resources Limited

(Registration number 1987/003452/06)

Consolidated and Separate Annual Financial Statements for the year ended 31 December 2023

Material Accounting Policies

1. Material accounting policies

Merafe Resources Limited (Company) is domiciled in the Republic of South Africa. The address of the Company's registered office is Building B, Second Floor, Ballyoaks Office Park, 35 Ballyclare Drive, Bryanston, 2191. The consolidated and separate annual financial statements as at the end of the year 31 December 2023 comprise the Company and its subsidiaries (together referred to as the Group and individually as Group entities). The Group is primarily involved in the mining and beneficiation of chrome ore into ferrochrome. Where reference is made to "Group", this should be interpreted as "consolidated". Further, where reference is made to the "Group" and "consolidated" in the accounting policies, it should be interpreted as also referring to the "Company" where the context requires, unless otherwise indicated.

The principal accounting policies applied in the preparation of these consolidated and separate annual financial statements are set out below.

The accounting policies set out below are in line with International Financial Reporting Standards (IFRS) and have been applied consistently to all periods presented in these consolidated and separate financial statements and have been applied consistently by the Group entities.

The Group has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regards to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy' information. The accounting policies applied in the preparation of these Group and Company financial statements are consistent in all material respects with those applied for the year ended 31 December 2022.

1.1 Basis of preparation

Statement of compliance

The consolidated and separate annual financial statements have been prepared in accordance with the requirements of IFRS, interpretations by the International Financial Reporting Interpretations Committee (IFRIC), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee (APC), the Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited Listings Requirements and the requirements of the Companies Act, No. 71 of 2008.

The consolidated and separate financial statements were authorised for issue by the Board on 15 March 2024.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following items in the statement of financial position which are measured at their fair values:

- Trade receivable subject to provisional pricing terms (refer to note 11); and
- Long-term receivable (refer to note 8).

Functional and presentation currency

The consolidated and separate annual financial statements are presented in South African Rand, which is the Company's functional currency.

All financial information presented in South African Rand has been rounded to the nearest thousand, unless otherwise indicated.

1.2 Significant accounting judgements and key sources of estimation uncertainty

The preparation of the consolidated and separate financial statements in conformity with IFRS 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.

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1.2 Significant accounting judgements and key sources of estimation uncertainty (continued)

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

Information about significant areas of estimations, uncertainty and significant judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 1.6, 1.7, 1.17, 3, 4 and 39: Measurement of depreciation and impairment, useful lives and residual values of property, plant and equipment and intangible assets;

Note 1.12 and 17: Inputs used in the determination of the fair value of the share-based payment transactions;

Note 1.14 and 3 : Lease classification and depreciation of right-of-use assets;

Note 1.10 and 16: 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;

Note 1.16 and 7: Recognition of deferred tax asset on assessable losses;

Note 1.20, 8 and 11: Fair value measurement of trade receivables subject to provisional pricing and long-term receivable;

Note 1.3: Assumptions around joint control of the Venture;

Note 1.17, 3 and 37: Impairment of non-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;

Note 9: Inventories. The Group determines whether there is obsolete inventory on an annual basis and adjustments to the net realisable value of inventory as required;

Note 29: Financial risk management. The Group assesses credit risk and 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; and

Note 31: Contingent liabilities. The Group exercises judgement in measuring and recognising the provisions and the exposure to contingent liabilities related to unresolved tax matters. Judgement, including those involving estimations, are necessary in assessing the likelihood that a pending tax dispute will be resolved, or a liability will arise, and to quantify the possible range of the tax exposure.

The global environment, the risk of adverse impacts on our revenue, costs and capital spent by the Group, were all taken into account in determining the accounting estimates and judgements for the year.

1.3 Basis of consolidation

Subsidiaries and controlled entities

Subsidiaries and controlled entities are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The results of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Transactions with the Glencore Merafe Pooling and Sharing Venture (Venture)

Glencore Operations South Africa Proprietary Limited (GOSA) and Merafe Ferrochrome and Mining Proprietary Limited (Merafe Ferrochrome) pooled and shared their ferrochrome assets on 1 July 2004 to form the Venture. The Venture's primary business is the production and sale of ferrochrome to the stainless steel industry. The Venture is the only operating asset of the Group and is strategic to the Group's activities. While Merafe Ferrochrome's assets form part of the Venture, Merafe Ferrochrome retains ownership of its assets and is closely involved in the Venture's operations through the Venture's executive committee, joint board and sub-committees. Merafe Ferrochrome receives 20.5% of the Venture's EBITDA and owns 20.5% of the working capital.

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1.3 Basis of consolidation (continued)

In the directors' view, the Venture is a joint operation as defined in IFRS 11: *Joint Arrangements* as Merafe Ferrochrome and GOSA are bound by a contractual arrangement which constitutes joint control. The Venture is not consolidated but Merafe Ferrochrome accounts for the assets, liabilities, revenues and expenses in relation to its interest in the joint operation in accordance with IFRS 11. The following significant judgements and assumptions were relevant in the joint control assessment:

- The ultimate operational decision-making responsibility in the Venture resides with the joint board. The chairman of the board, who is appointed by GOSA, has a casting vote at the joint board level on all decisions except for decisions relating to reserved matters. The reserved matters include, inter-alia, the managing of input costs relating to chrome production, operation of the various chrome-producing assets, disposal of assets forming part of the pooled operations, increasing the operational capacity of chrome-producing assets and acquiring or constructing new chrome-producing assets. These reserved matters, in directors' view, are likely to have the most significant impact on returns of the Venture and therefore would constitute its "relevant activities" as defined in IFRS 10: *Consolidated Financial Statements*. Contractually, decisions over the reserved matters require the unanimous consent of Merafe Ferrochrome and GOSA as those decisions cannot be made unilaterally.
- There is a significant disparity in holdings between Merafe Ferrochrome's interest in the Venture at 20.5% and GOSA's interest in the Venture at 79.5%. However, this does not influence the joint control conclusion as the benefits each party stands to gain from the arrangement was the determining factor in the joint control arrangement rather than other forms of arrangement. Furthermore, any dispute relating to the interpretation of the Pooling and Sharing Agreement (the Venture agreement) is to be settled by an arbitrator appointed by the Arbitration Foundation of South Africa (AFSA) and in the directors' view the AFSA provides for a neutral dispute resolution process and would not favour either GOSA or Merafe Ferrochrome.
- The lack of a legal form of the Venture results in Merafe Ferrochrome and GOSA having rights to the assets and obligations for the liabilities held in the Venture. This lack of legal separation between the Venture, GOSA and Merafe Ferrochrome is further supported by the fact that the South African Revenue Services assesses the Venture and directly taxes Merafe Ferrochrome and GOSA respectively for the income generated by the Venture.
- In terms of the Venture agreement, Merafe Ferrochrome and GOSA maintain legal ownership of their respective assets contributed to the Venture and upon winding up of the Venture, GOSA and Merafe Ferrochrome will also receive a portion of any new assets acquired by the parties post 1 July 2004 and to the extent that an asset relates to their existing assets, be required to acquire the other party's portion at fair value which indicates that the parties have rights to the assets of the Venture. The lack of a legal form of the Venture results in GOSA and Merafe Ferrochrome having rights to the assets and obligations for the liabilities held in the Venture and consequently the classification of a joint operation in terms of IFRS 11.
- GOSA and Merafe Ferrochrome are the shareholders of Unicorn Chrome. Unicorn Chrome is jointly controlled by GOSA and Merafe Ferrochrome in terms of the Venture Agreement.

Accounting for joint operations results in Merafe Ferrochrome recognising its assets that were contributed to the Venture and its portion of the assets held jointly in the Venture. Similarly, Merafe Ferrochrome recognises its liabilities, including its share of any liabilities incurred jointly. Merafe Ferrochrome recognises its revenue and share of the revenue from the Venture as well as its expenses and share of expenses relating to the Venture. The accounting that was adopted by Merafe since the formation of the Venture is consistent with the accounting for joint operations as required by IFRS 11.

Refer to note 32 for the items that represent the Group's share of the working capital and EBITDA of the Venture.

1.4 Investment in associate

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. It generally accompanies a shareholding of between 20% and 50% of the voting rights.

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1.4 Investment in associate (continued)

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. Losses in an associate in excess of the Group's interest in that associate, including any other unsecured receivables, are recognised only to the extent that the Group has incurred a legal or constructive obligation to make payments on behalf of the associate.

Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain on acquisition is recognised immediately in profit or loss.

Profits or losses on transactions between the Group and an associate are eliminated to the extent of the Group's interest therein. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group reduces its level of significant influence or loses significant influence, the Group proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal.

1.5 Foreign currency

The Group transacts in a number of foreign jurisdictions that have multiple quoted exchange rates for customer sales and other financial liabilities. Transactions in foreign currencies are translated to the functional currency of the Group entities at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to South African Rand (Rand) at the foreign exchange rate ruling at that date. The foreign exchange gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to Rand at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in profit or loss in the period in which they arise. Non-monetary items that are measured in terms of historical costs in a foreign currency are translated using the exchange rate at the date of the transaction.

1.6 Property, plant and equipment

Recognition and measurement

Mining assets including mine development costs

Mining assets, including mine development costs and mine plant facilities, are stated at cost less accumulated depreciation and accumulated impairment. Costs include pre-production expenditure incurred in the development of the mine and the present value of future decommissioning costs. Development costs incurred to develop new ore bodies, to define mineralisation in existing ore bodies and to establish or expand productive capacity are capitalised. Mine development costs in the ordinary course of maintaining production are expensed as incurred. Initial development and pre-production costs relating to a new ore body are capitalised until the ore body achieves commercial levels of production, at which time the asset is deemed to be available for use and is amortised as set out below.

Land, non-mining assets and corporate assets

Land is stated at cost and is not depreciated. Buildings and other non-mining property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate (where relevant) of the costs of dismantling and removing the items, restoring the site on which they are located and any other costs directly attributable to bringing the assets to a working condition for their intended use.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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1.6 Property, plant and equipment (continued)

Exploration and evaluation expenditure

Exploration and evaluation expenditure relates to costs incurred during the exploration and evaluation of potential mineral reserves and resources and includes costs such as exploratory drilling and sample testing and the costs of pre-feasibility studies. Exploration and evaluation expenditure for each area of interest, other than acquired from the purchase of another mining company, is recognised as an asset in work-in-progress provided that one of the following conditions are met:

- Such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- Exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future. Purchased exploration and evaluation assets are recognised as assets at fair value if purchased as part of a business combination.

An impairment review is performed, either individually or at the cash-generating unit level. To the extent that an impairment is recognised, the impairment loss is recognised in the financial year in which this is determined. Exploration and evaluation assets are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions outlined above is met. Expenditure is transferred to mine development assets or capital work in progress once the work completed to date supports the future development of the property and such development receives appropriate approvals.

Subsequent costs

Subsequent costs on property, plant and equipment are capitalised when the costs enhance the value or output up to the assets' original expectation and its costs can be measured reliably. Costs incurred on repairing and manufacturing are recognised in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, less its residual value.

Depreciation methods, estimated useful lives and residual values are reviewed at each financial year end and adjusted prospectively, if appropriate. Useful lives are assessed using internal experts. Residual values are assessed using market information on similar sales transactions.

Mining assets including mine development costs

Mining equipment, structures and plant and equipment are depreciated using the straight-line method over the estimated useful life. The useful life ranges between one and thirty years, depending on the nature of the asset.

Capital work in progress

Capital work in progress is not depreciated. The net carrying amounts of capital work in progress at each mine property are reviewed for impairment either individually or at the cash-generating unit level when events and changes in circumstances indicate that the carrying amount may not be recoverable. To the extent that these values exceed their recoverable amounts, an impairment loss is recognised in the financial year in which this is determined.

Land, non-mining assets and corporate assets

Non-mining equipment, structures and plant and equipment are depreciated using the straight-line method over the estimated useful life. The useful life ranges between one and thirty years depending upon the nature of the asset. Land is not depreciated.

Derecognition

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected to flow to the Group from their use. Gains or losses on derecognition of an item of property, plant and equipment are determined by the comparing of the proceeds from disposal, if applicable, with the carrying amount of the item and are recognised directly in profit or loss.

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1.7 Intangible assets

Mineral and surface rights recognition and measurement

Mineral and surface rights are stated at cost less accumulated amortisation and accumulated impairment losses. When there is little likelihood of a mineral right being exploited, or the value of mineral rights has diminished below cost, an impairment loss is recognised in profit or loss in the period that such determination is made.

Mineral and surface rights amortisation

Mineral rights that are being depleted are amortised over their estimated useful lives using the units of production method, based on proven and probable ore reserves. Mineral rights that have no commercial value are impaired in full. The amortisation methods, estimated remaining useful lives and residual values are reviewed at least annually.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

1.8 Financial instruments

Financial assets

On initial recognition financial assets are classified and measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets. Subsequent to initial recognition financial assets are not reclassified unless the Group changes its business model for managing its 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.

The Group classifies non-derivative financial assets into financial assets carried at amortised cost:

- Loans and receivables which include trade receivables and intercompany loans are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortised cost. Subsequent to initial recognition debt instruments are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.
- Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Cash and cash equivalents are classified and measured at amortised cost.
- No impairment has been recognised on other long-term receivables as the expected credit losses are considered immaterial.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Trade receivables subject to provisional pricing terms are recognised initially at fair value; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, these receivables are measured at fair value, and changes therein are accounted as described below under note 11.

Financial liabilities

All financial liabilities are recognised initially on the trade date, which is the date the Group becomes a party to the contractual provisions of the instrument. All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss (FVTPL).

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1.8 Financial instruments (continued)

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. On derecognition, the variance that arises between the carrying value of the financial liability and its proceeds, is recognised in profit or loss.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs.

Other financial liabilities comprise lease obligations and trade and other payables.

Note 27 presents the financial instruments held by the Group based on their specific classifications.

1.9 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the Group in which they are declared.

The cost of the ordinary shares that are repurchased and the related transaction costs are recognised directly in equity, net of any tax effects. Gain or loss is not recognised on the repurchase or cancellation of ordinary shares.

1.10 Provisions

Provision for closure and restoration costs

Long-term environmental obligations are based on the Group's environmental management plan, in compliance with current environmental and regulatory requirements.

A full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date. The related costs are capitalised to mining assets and are amortised over the useful lives of the related assets. Annual movements in the provision relating to the change in the net present value of the provision due to changes in estimated cash flows or discount rates are adjusted against the costs capitalised to mining assets. The changes relate to the closure costs as well as the unwinding of interest. Immaterial ongoing rehabilitation costs are expensed in profit or loss.

These estimates are reviewed at least annually and changes in the measurement of the provision that result from the subsequent changes in the estimated timing or amount of cash flows, or a change in discount rate, are added to, or deducted from, the cost of the related asset in the current period. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the statement of profit or loss. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy on 'Impairment of non-financial assets'. Annual movements in the provision relating to passage of time, i.e. unwinding of discount, are expensed as incurred.

Cost estimates are not reduced by the potential proceeds from the sale of assets or from plant clean-up at closure.

1.11 Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost is determined on the following basis:

- Finished goods on hand are valued using the weighted average cost and comprises material costs, labour costs and allocated production related overhead costs. Where the production process results in more than one product being produced, cost is allocated between the various products according to the ratio of contribution of these metals to gross sales revenue. Financing and storage costs related to inventory are expensed as incurred.

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1.11 Inventories (continued)

- Consumable stores and raw materials are valued at weighted average cost and include expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

1.12 Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus plans and accumulated leave if the Group has a present legal or constructive obligation to pay as a result of past services provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payment is available.

Defined contribution plans are funded through monthly contributions to the provident fund, which is governed by the Pension Fund Act of 1956. All employees of the Group belong to the provident fund. The Group's liability is limited to its annually determined contributions.

The Group and Company provide medical cover to current employees through various funds. The medical plans are funded through monthly contributions to the medical aid fund. The Group's and Company's liability is limited to its annually determined contributions.

Share-based payment transaction

The share incentive scheme allows qualifying directors and employees to be granted share grants. Share grants may be granted to all employees of the Company and any of its subsidiaries at the discretion of the directors, subject to the limitations imposed by the share grant scheme. The fair value of share grants are measured at grant date and spread over the period during which the employees become unconditionally entitled to the share grants. The fair value of the share grants are measured using the Monte Carlo model, taking into account the terms and conditions upon which the share grants were granted.

Share-based payment arrangements in which the Group received goods or services as consideration of its own equity instruments are settled in cash.

The fair value of the amount payable to employees in respect of cash settled share-based payment arrangements is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at fair value at each reporting date and at settlement date. Any changes in the fair value of the liability is recognised in profit or loss.

1.13 Revenue

Contracts with customers

The Group recognises revenue from customers on the sales of ferrochrome, chrome ore and PGMs concentrate sales. Revenue is derived principally from the sale of ferrochrome and chrome ore which are sold on Cost and Freight (CFR) or Cost, Insurance and Freight (CIF) Incoterms. Revenue is measured at the net of returns and allowances, trade discounts and volume rebates. Revenue is measured based on consideration specified in the contract with a customer and excludes amounts collected on behalf of third parties. The same recognition and presentation principles apply to revenues arising from physical settlement of forward sale contracts that do not meet the own use exemption.

Revenue from PGM concentrate is recognised when the buyer, pursuant to a sales contract, obtains control of the product at the agreed delivery point. Revenue is measured at the amount of consideration that the Group expects to be entitled to when the performance obligation is satisfied.

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1.13 Revenue (continued)

The revenue is recognised when the performance obligation related to the sale of goods to customers is recognised, which is when the product is delivered to the destination specified by the customer (which is typically the vessel on which it is shipped, the destination port or the customer's premises) and the buyer has gained control through their ability to direct the use of and obtain substantially all the benefits from the asset. For certain sales, the sales price is determined on a provisional basis at the date of sale as the final selling price is subject to movements in market prices up to the date of final pricing, normally ranging from 30 to 120 days after initial booking (provisionally priced sales).

Revenue on provisionally priced sales is recognised based on the estimated fair value of the total consideration receivable. The ferrochrome is provisionally invoiced to the distribution agents at a price that is linked to the ruling benchmark price when the risks and rewards pass to the distribution agents. The trade receivable is recognised at fair value and is included in the statement of financial position. Accordingly, the fair value of the final sales price adjustment is re-estimated continuously and changes in fair value are recognised as an adjustment to revenue once the distribution agent receives the final price via the sale to the stainless steel customer. In all cases, fair value is estimated by reference to forward market prices. Revenue from the sale of material by-products is included within revenue. Where a by-product is not regarded as significant, revenue may be credited against cost of goods sold.

The sale of goods is also done through distribution agreements noted below with the Glencore plc Group. Determining whether the Group is acting as an agent or principal is based on an evaluation of when control of the goods is taken by the Group, including inventory risk and responsibility for the delivery of goods or services.

Ferrochrome and chrome ore marketing arrangement with Glencore International AG (GIAG)

Glencore is acting as agent and the Group is acting as principal for ferrochrome and chrome ore sales.

Distribution arrangements with Glencore Limited, Glencore Canada Inc and Mitsui and Co Europe plc (the distribution agents).

The Group is acting as principal for the ferrochrome sales to the distribution agents when control of the goods passes from the Group to the distribution agents.

The distribution agents are acting as principal for subsequent sales to stainless steel customers and the performance obligation for revenue recognition is met when the product is delivered to the destination specified by the customer, which is typically the vessel on which it is shipped, the destination port or the customer's premises and the buyer has gained control through their ability to direct the use of, and obtain substantially all the benefits from the asset.

Management fees

Revenue from management fees is recognised at the fair value of the consideration received or receivable. Revenue is recognised in the accounting periods in which the services are rendered.

The Company charges its wholly-owned subsidiary Merafe Ferrochrome management fees for the recovery of costs from the subsidiary, and are recognised when the costs are recovered net of Value Added Taxation. This is when the performance obligations are considered met.

1.14 Leases

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

The Group recognises a right-of-use asset as property, plant and equipment and a lease liability at the lease commencement date except for short-term leases (defined as leases with a lease term of 12 months or less and leases of low value assets). The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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1.14 Leases (continued)

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;
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method.

1.15 Finance income and expenses

Finance income

Finance income comprises interest income on funds invested and interest on loan to associate. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses

Finance expenses comprise of commitment fees, interest on tax related items and interest on leases.

1.16 Tax

Tax expense comprises current tax and deferred tax. Tax expenses are recognised in profit or loss except to the extent that it relates to items recognised directly in equity, or in other comprehensive income, in which case it is recognised in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The current tax rate is 28%. On 23 February 2022, the Minister of Finance reduced the corporate income tax (CIT) rate from 28% to 27%. The lower CIT rate will take effect for tax years ending on or after 31 March 2023. From the current financial year, the applicable tax rate for deferred tax balances is 27%.

Deferred tax is not recognised for the following temporary differences:

- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- Differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted at the reporting date. 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 income taxes levied by the same tax authorities on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets, including deferred tax assets relating to the carry forward of unutilised tax losses and/or unutilised capital allowances are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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1.16 Tax (continued)

Dividend withholding tax

Dividend withholding tax is payable at a rate of 20% on dividends paid to shareholders. This tax is not attributable to the Company paying the dividend but is collected by the Company and paid to the South African Revenue Services on behalf of the shareholders.

1.17 Impairment of assets

Financial assets

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

Loss allowances on the loan to subsidiary are measured at an amount equal to lifetime of the ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group 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 Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which the customers operate, has less of an influence on credit risk. Management have considered recoverability of trade and other receivables and no significant ECLs are expected.

Although payment terms range between 30 and 120 days depending on the region of the customer, there have been no defaults on payments and shipments are subject to letters of credit providing security in the event of default. Management ensures strict controls over monitoring debtors aging. GIAG (agent for sales purposes) also provides credit risk cover on the debtors balances and assumes 60% credit on ferrochrome sales and 100% on chrome ore sales substantially reducing the risk of any ECLs.

Measurement of ECLs

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 the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write off

The Group considers an event of default has materialised and the financial asset is credit impaired when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay the Group. The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off.

Non-financial assets

The carrying amount of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset. The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable by comparing the recoverable amounts to these carrying values. If there are indications that impairment may have occurred, estimates are prepared of recoverable amounts. The recoverable amount of the cash generating unit (CGU) is considered to be the value in use (VIU). The VIU is determined based on expected future cash flows of property, plant and equipment and intangible assets which are inherently uncertain and could materially change over time. It is significantly affected by a number of factors including reserves and production estimates, together with economic factors such as the ferrochrome prices, discount rates and foreign currency exchange rates.

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1.17 Impairment of assets (continued)

An impairment loss is recognised if the carrying amount of the asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of the cash-generating unit is allocated to reduce the carrying amount of the asset in the unit on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and the reversal is recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss has been recognised. The impairment loss that is reversed is recognised in profit or loss.

1.18 Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. The Group has one reportable segment being the mining and beneficiation of chrome ore into ferrochrome and associated minerals. Internal management accounts are prepared monthly on the basis of one reportable segment which is reviewed monthly by the Financial Director and Chief Executive Officer.

Ferrochrome, chrome ore and associated minerals are the products produced by the Venture. Most of the products produced are used in the manufacturing of stainless steel. Refer to note 19 for geographical areas of ferrochrome and chrome ore sales and information on customers that individually comprise more than 10% of total ferrochrome and chrome ore sales.

1.19 Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the consolidated and separate financial statements in the period in which the dividends are approved by the Board. Dividends declared after the reporting period are disclosed in the notes to the financial statements and are not recognised in the current financial statements. The cash flows for dividends are included in financing activities. Dividend withholding tax is levied on dividend recipients and has no impact on the Group taxation charge as reflected in the statement of profit or loss and other comprehensive income.

1.20 Determination of fair values

A number of the Group accounting policies and disclosures require the determination of fair value, for financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods as indicated below. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. The carrying values of financial assets and liabilities as reflected in the statement of financial position are a reasonable approximation of their fair values, unless otherwise stated in the respective note. To maintain consistency and comparability in fair value measurements and related disclosures, a fair value hierarchy that categorises the inputs to the valuation techniques used to measure fair value is categorised into three levels. Level one inputs are defined as inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. Level two inputs are inputs other than quoted prices included within Level one that are observable for the asset or liability, either directly or indirectly. Lastly, Level three inputs are unobservable inputs for the asset or liability. Refer to note 28.

Long-term receivable

The fair value of long-term receivable is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Net trade receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Trade receivable subject to provisional pricing terms

The fair value of the receivable is based on the latest available ferrochrome prices and closing foreign exchange rate. Derivative instruments are carried at fair value for which the Group evaluates the quality and reliability of the assumptions and data used to measure fair value in the three hierarchy levels, Level one, two and three.

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1.20 Determination of fair values (continued)

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Share-based payment transactions

Employee share grants are valued using measurement inputs which include the share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on Government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value. Refer to note 17 for details regarding the assumptions used in the valuation model.

Investments in subsidiaries and loan to subsidiary

Investment in subsidiaries are measured at cost. The loan to the subsidiary is initially measured at fair value and subsequently at amortised cost. The fair value is determined based on the present value of cash flows, discounted at the Group interest rate for debt over the period based on the resources and reserves of the Group.

1.21 Mining royalty

The mining royalty requires the payment of a royalty for the benefit of the National Revenue Fund, in respect of the transfer of mineral resources. The mining royalty is payable on chrome ore in lumps, chips and fines as listed in schedule 2 of the Mineral and Petroleum Resources Royalty Act, No. 28 of 2008 (the MPRR Act).

Chrome ore in lumps, chips and fines is an unrefined mineral resource and therefore the mining royalty is payable on "gross sales" as defined and is calculated in accordance with the unrefined mineral resource formula as detailed in the MPRR Act.

Management is required to make certain judgements in determining the gross sale value of the extracted ore tonnages. Gross sales are calculated using third party sales prices.

The mining royalty is recognised in profit or loss and is included in operating and other expenses.

1.22 Other income

Dividend income

Dividends received by the Group are recognised at the fair value of the consideration received or receivable.

1.23 Earnings per share

The Group presents basic and diluted earnings per share. Basic earnings per share is calculated on the profits attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share is determined by adjusting the profits/losses attributable to shareholders, if applicable, and the weighted number of all potentially dilutive ordinary shares.

The calculation of headline earnings is in accordance to the SAICA revised IFRS Circular 01/2023. Headline earnings per share (HEPS) is calculated by adjusting the profits attributable to the ordinary shareholders of Merafe Resources for all separate identifiable remeasurements. The result is then divided by the weighted average number of ordinary shares in issue/outstanding during the period. Diluted headline earnings per share is calculated by dividing headline earnings by the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares which comprise grants granted to employees and future cash-settled share-based payments.

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1.24 Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount will be recovered principally through sale rather than use and the sale is considered to be highly probable within 12 months of classification as held for sale. Non-current assets (or disposal groups) held for sale are measured at the lower of the carrying amount and fair value less incremental, directly attributable, cost to sell (excluding taxation and finance charges) and are not depreciated.

1.25 Contingent liability

The Group applies judgement in assessing the potential outcome of uncertain legal and regulatory matters. The Group does not recognise contingent liabilities in the statement of financial position until future events indicate that it is probable that an outflow of resources will take place and a reliable estimate can be made, at which time a provision or a tax liability is recognised. The Group has disclosed contingent liabilities where economic outflows are considered possible but not probable.

The Group presently has an outstanding tax matter for which the timing of resolution and potential economic outflow are uncertain. Note 31 presents the matter assessed as having possible future economic outflows where no reliable measurement can be made, to the extent that disclosure does not prejudice the Group.

1.26 Business Combinations

Acquisitions of businesses (assets and liabilities acquired) are accounted for using the acquisition method. The cost of the acquisition is measured as the aggregate of the fair values at the acquisition date of assets given and liabilities incurred or assumed. Acquisition-related costs are recognised in profit or loss during the period incurred. At the acquisition date, the sum of the consideration transferred exceeds the Group's interest in the net fair value of the acquiree's identifiable net assets, this excess is recognised immediately in profit or loss as a bargain purchase gain.