



MERAFE
RESOURCES

Annual Results presentation

for the year ended
31 December 2020

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Agenda



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Key features

- COVID-19 - a running theme for the year

HEALTH AND SAFETY

- 1 fatality
- TRIFR deteriorated by 52% (from December 2019)
- COVID-19 protocols introduced:
 - Screening and testing
 - Social distancing
 - Remote working
 - Sanitation

OPERATIONAL

- Lower ferrochrome and chrome ore production impacted by COVID-19
- Costs under pressures especially from electricity tariffs
- S189 consultation process started and completed
- Some operations placed under care and maintenance

MARKET

- Global economic slowdown
- Stainless steel production lower
- Ferrochrome and chrome ore demand under pressure
- Depressed prices
- Logistics challenges

FINANCIAL

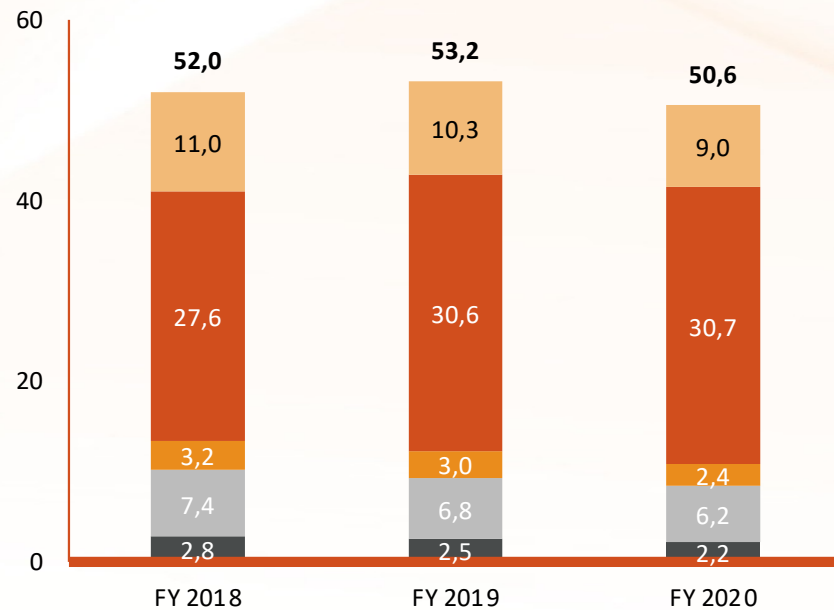
- Revenue down by 11% year-on-year
- PPE impairment loss of R1.3 billion
- Headline loss per share of 0.8 cents
- No final dividend declared
- Share buy-back programme initiated



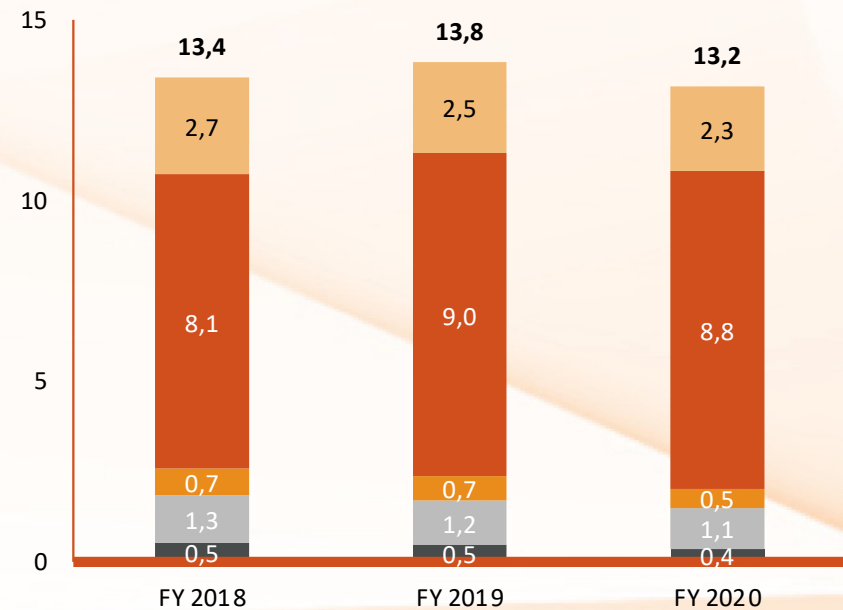
Market review

Decline in stainless steel production and ferrochrome demand

Global stainless steel production (mt)



Global ferrochrome demand (mt)

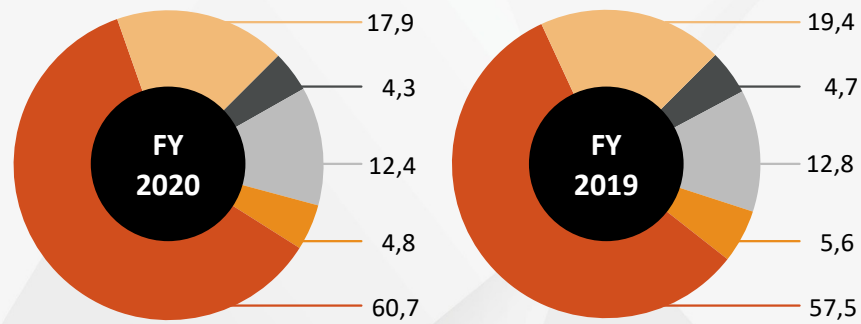


● USA ● Western Europe ● Japan ● China ● Other

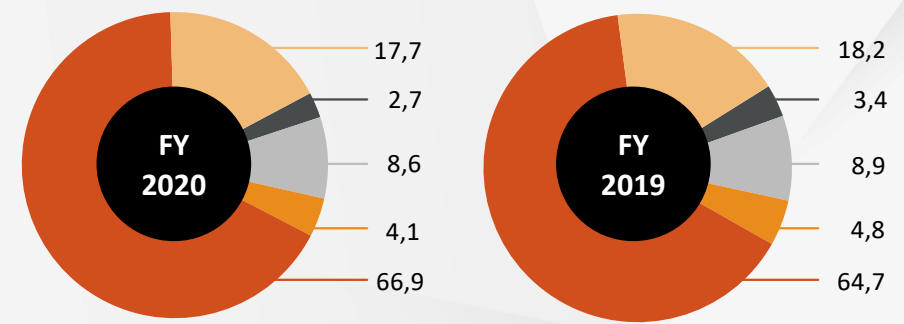
Source for all charts: CRU

China remains a dominant force

Global stainless steel production (%)



Global ferrochrome demand (%)

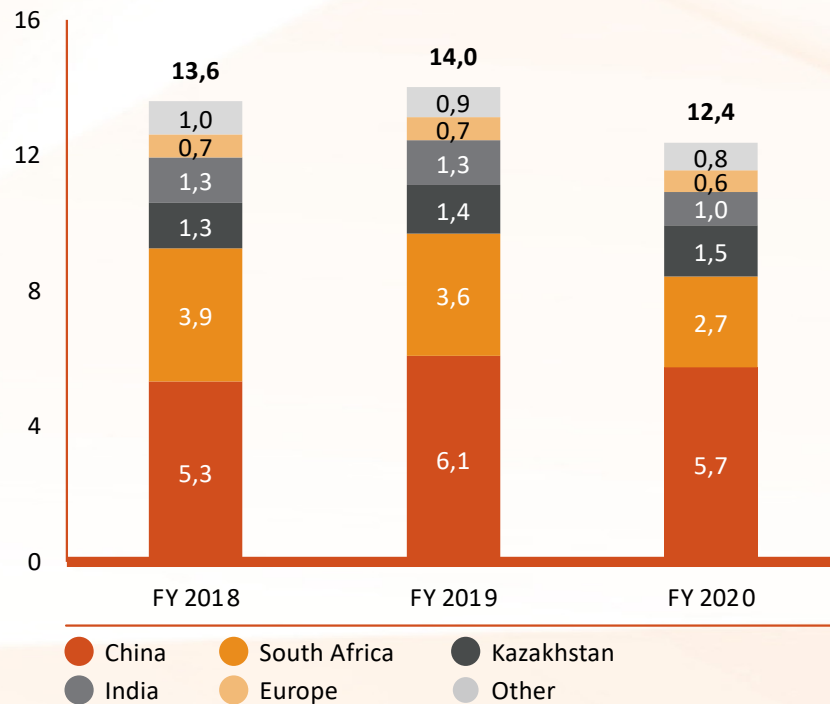


USA
 Western Europe
 Japan
 China
 Other

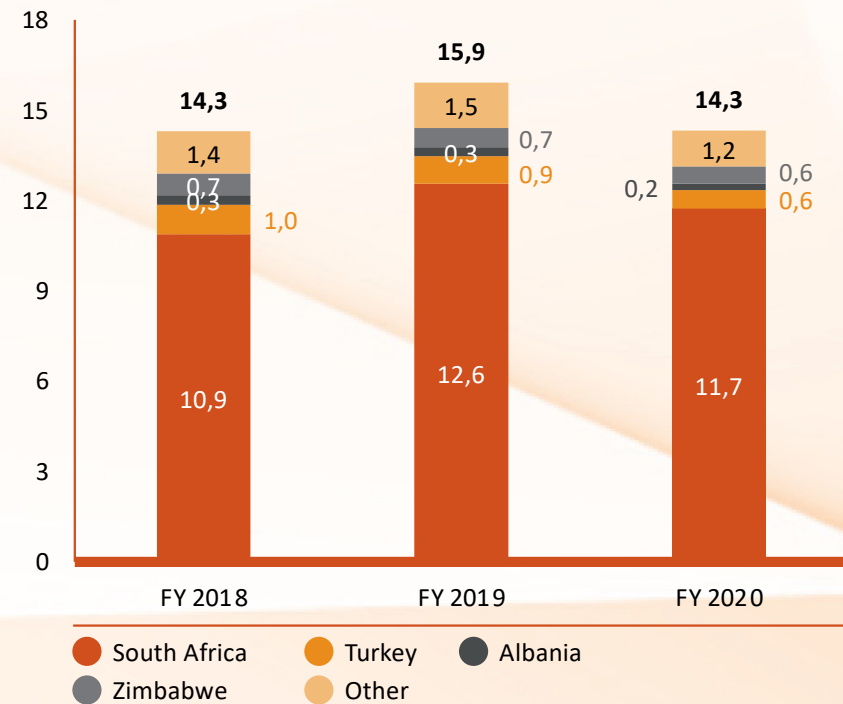
Source for all charts: CRU

Ferrochrome production responds to demand; Ore imports into China also decreased

Global ferrochrome production (mt)



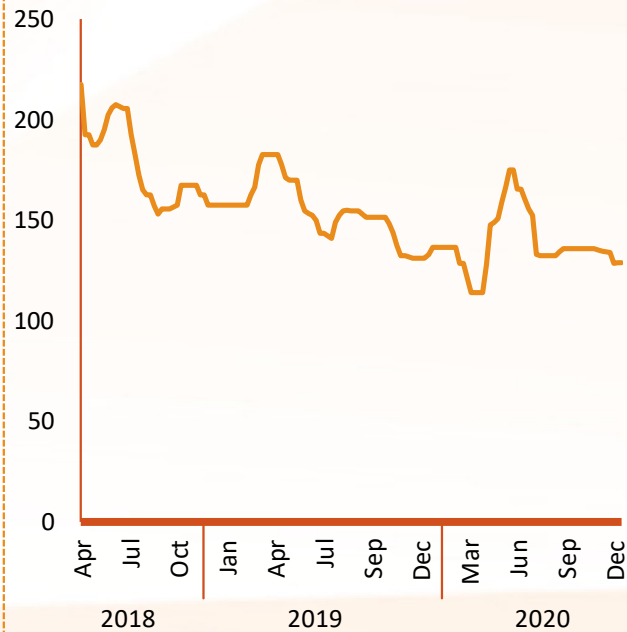
Chrome ore imports into China (mt)



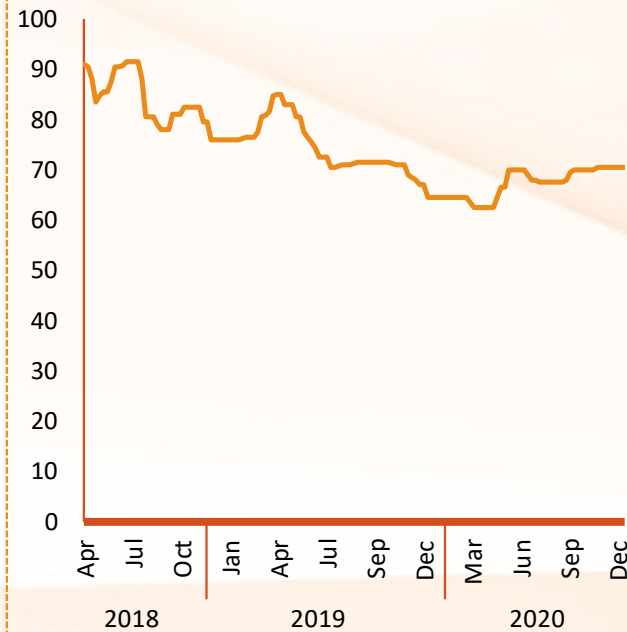
Source for all charts: CRU

2020 prices under pressure

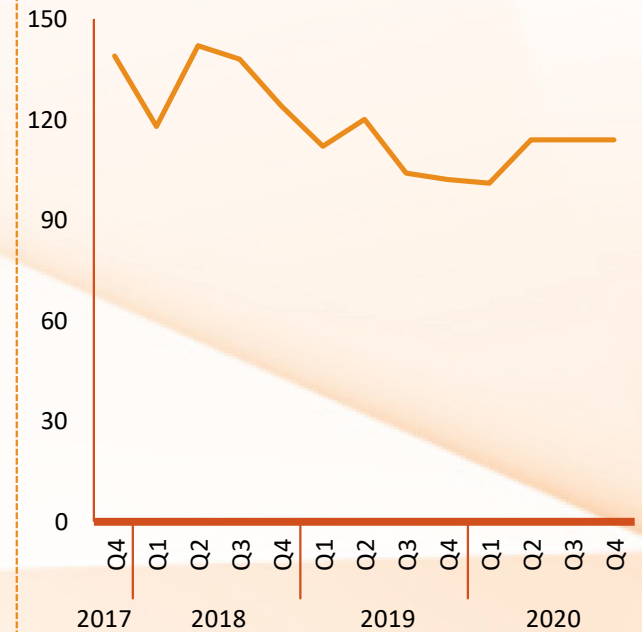
**UG2 Merchant prices
(USD/t)**



**Ferrochrome Merchant prices 49% - 70%
(USc/lb)**



**European benchmark ferrochrome price
(USc/lb)**



Source for all charts: CRU



Operational review

- COVID-19 impact
- Health and safety
- Production
- Cost control

COVID-19 impact

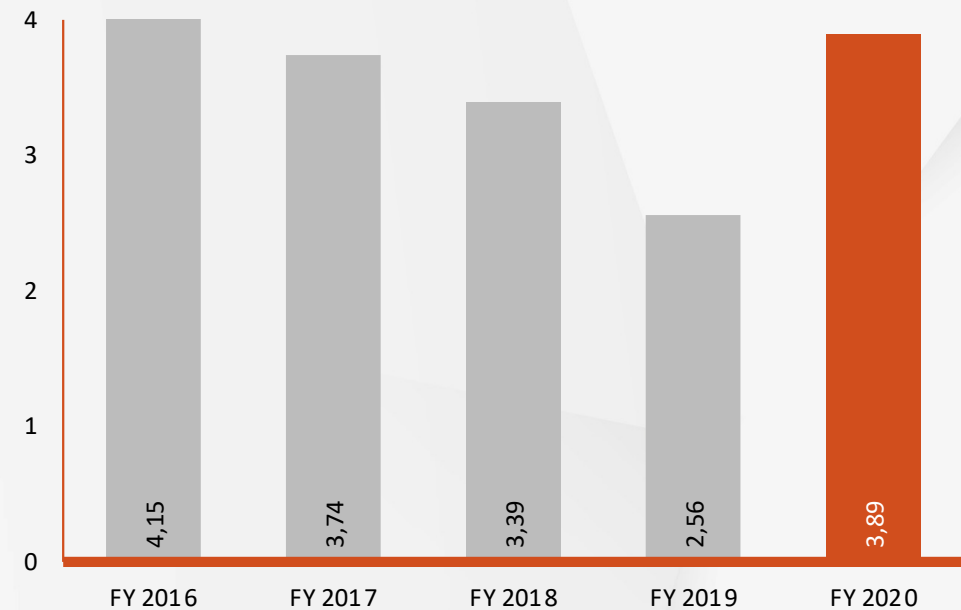


- Slowdown in global economy: negative growth in demand for SS, FeCr and Cr
- PSV operations scaled down: full year production at 55% of installed capacity
- Increased standing charges
- Investment in health protocols
- Cash preservation a key focus area
- Inventory destocking
- Constant review of operations for improvements, including cost efficiencies
- Regrettably 15 employees succumbed to COVID-19

Employees' health and safety our prime focus

- Regrettably one fatality in 2020
- TRIFR deteriorated to 3.89 from 2.56 in December 2019
- Safety of our employees remains a critical focus area with the goal of achieving zero harm
- Safety campaigns and programs were run through the period

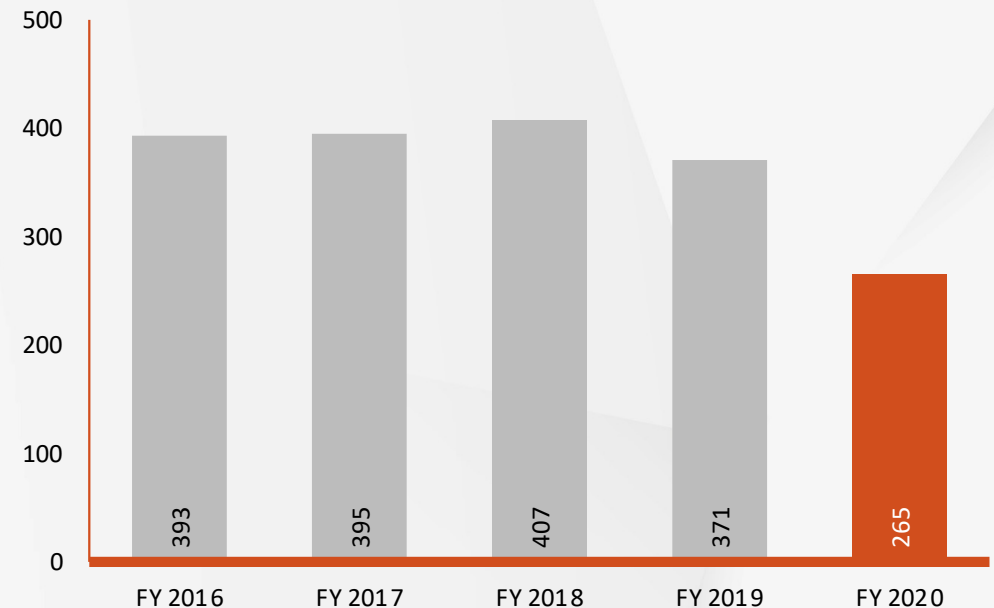
Total Recordable Injury Frequency Rate (TRIFR)



Production cutbacks

- Ferrochrome production reduced to 265kt
 - Installed capacity utilisation of 55%
- Response to South Africa's nationwide lockdown to assist contain the spread of COVID-19
- Cutbacks also influenced by Eskom tariffs and market conditions
- Lydenburg smelter and Rustenburg furnace 5 under care and maintenance
- S189 of the Labour Relations Act consultation process completed, resulting in terminations

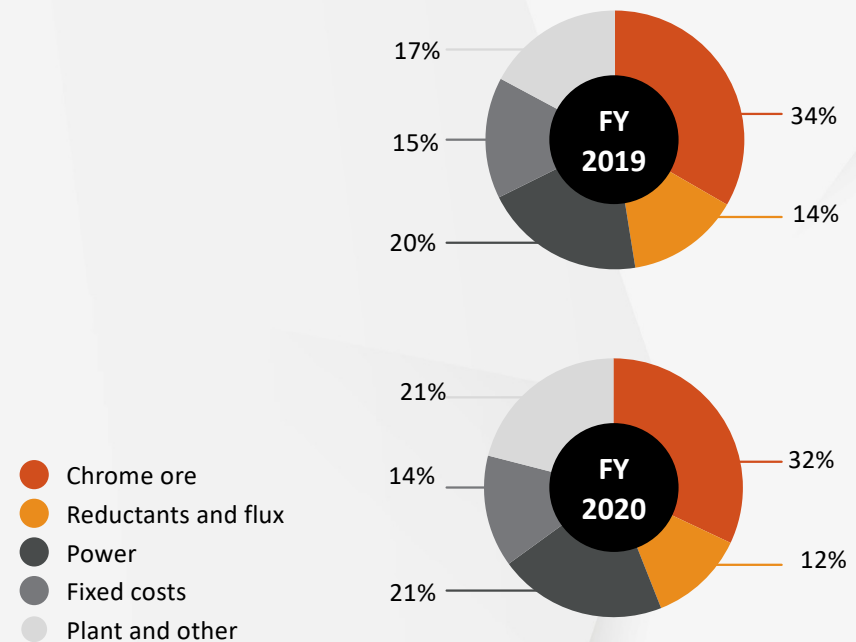
Ferrochrome production (kt)



Cost control guards competitiveness

- Total production costs per ton increased by 8.4% (from December 2019), influenced by:
 - Inflation
 - Increase in electricity prices, effective 1 April 2020
 - Increases in ore price
 - Lower production volumes
- Costs increases were countered by lower oil and reductants prices

Breakdown of C3 production costs





Financial review

- Restatement
- Revenue
- Earnings
- EBITDA
- Financial overview

Restatement



The 2019 financial results have been restated with no impact on the reported loss

Details are provided in the annual financial statements

Revenue

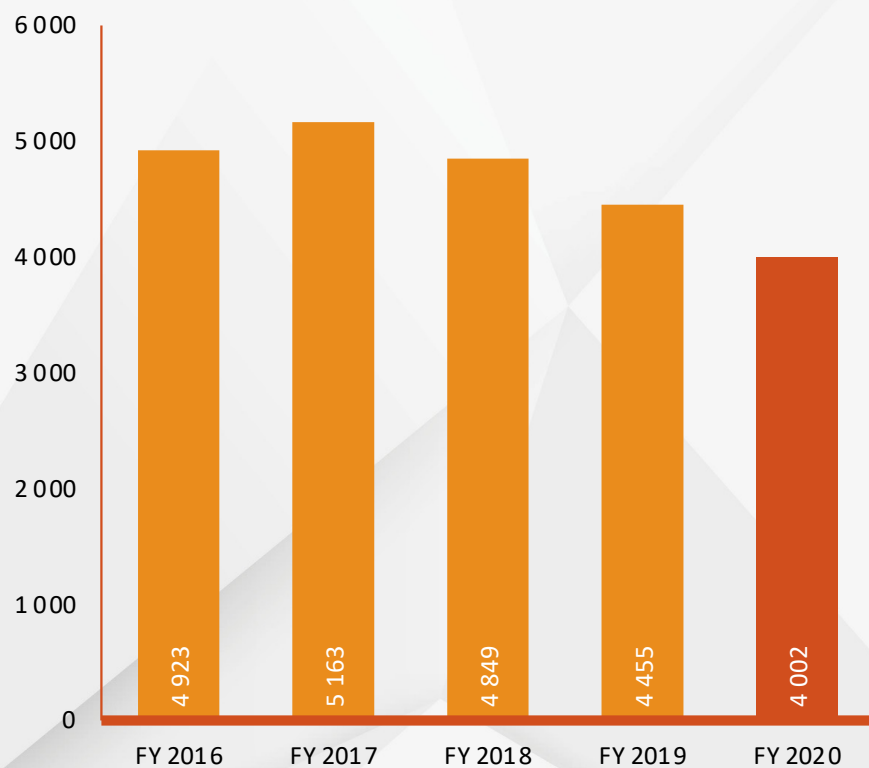


Year-on-year (YoY) decrease in total revenue by 11%

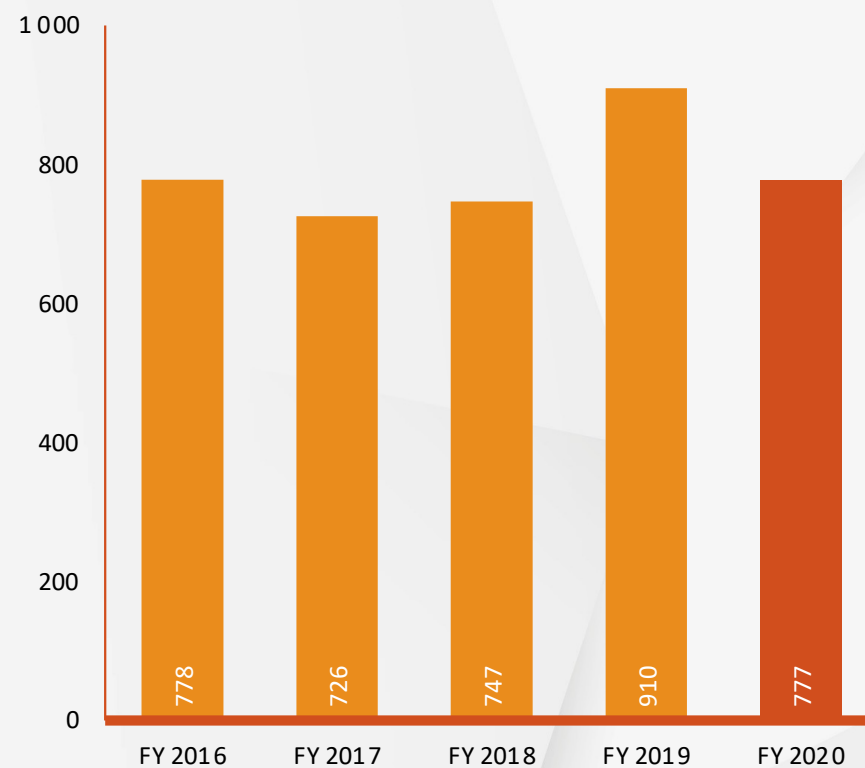
- Ferrochrome revenue decreased by 10% YoY to R4.002
- Chrome ore revenue decreased by 15% YoY to R777 million
- Sales volumes markedly impacted by the COVID-19 lockdowns and weaker demand
- Lower ferrochrome and chrome ore prices
- Cushioned by a weaker average ZAR/US\$ exchange rate

Revenue

Ferrochrome revenue (R'm)



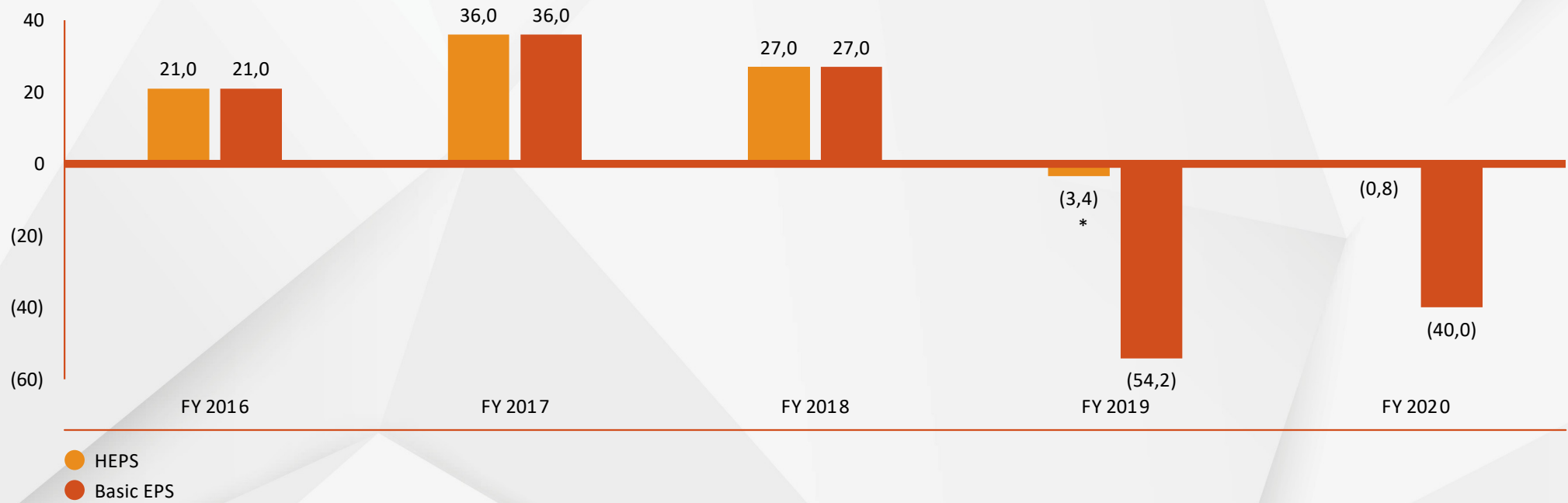
Chrome ore revenue (R'm)



Losses

- Headline loss per share of 0.8c for the year
- Key contributors to the loss were sales prices and volumes

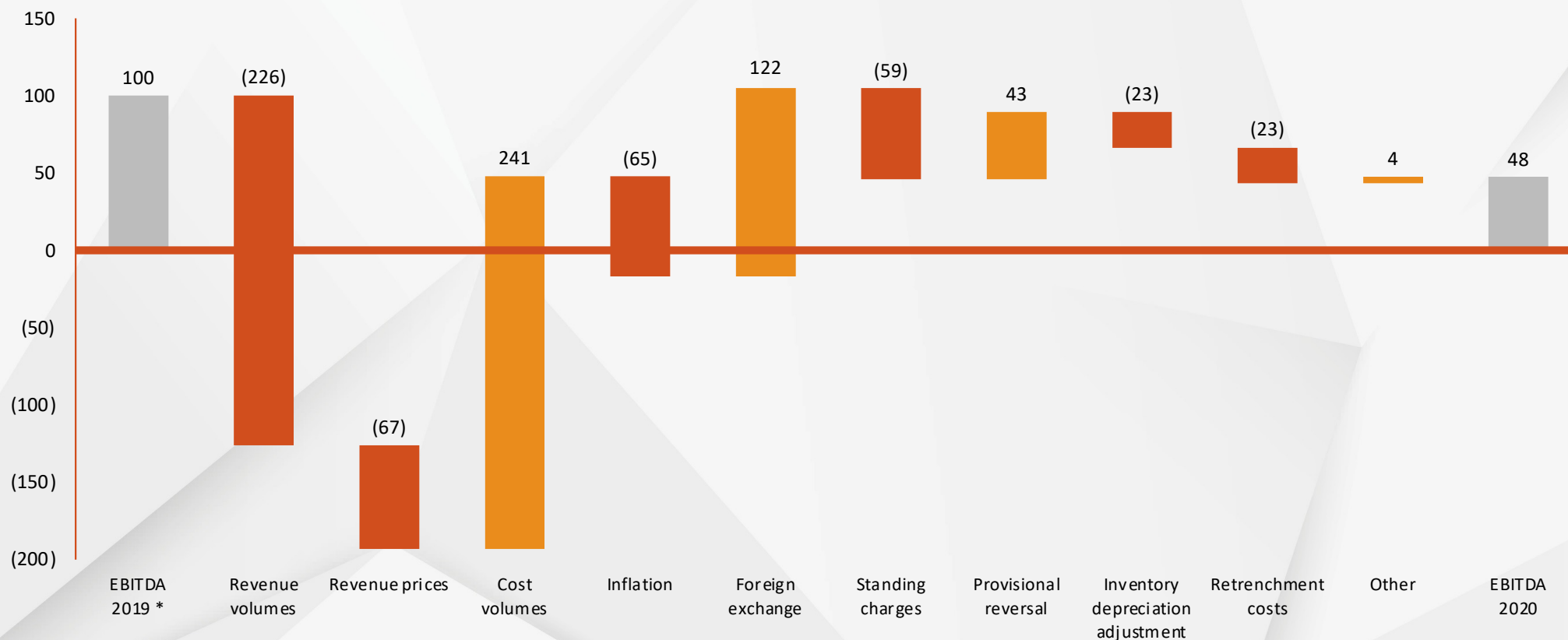
HEPS (cents)



* Restated

EBITDA under pressure

Reconciliation of EBITDA from the Venture: 2020 vs 2019 (%)

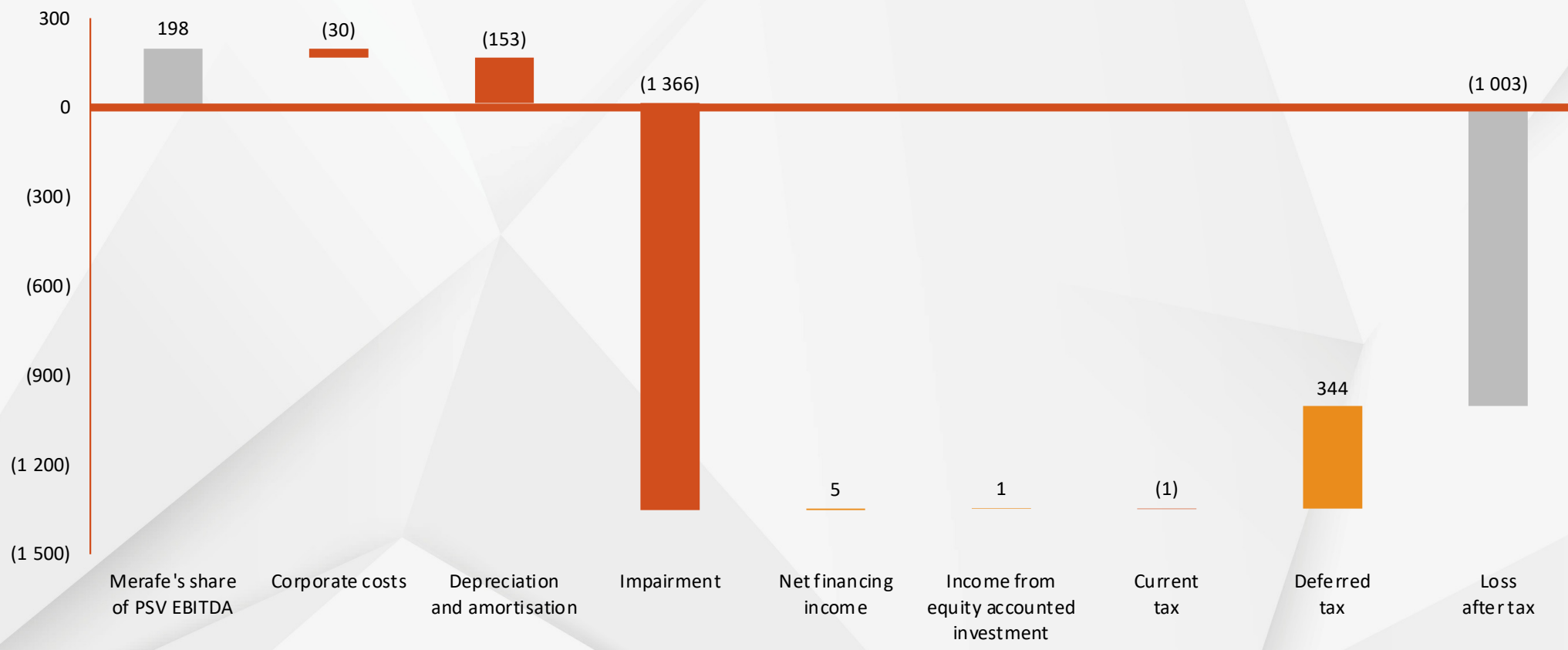


* Restated

EBITDA reconciliation to loss



Merafe's EBITDA reconciliation to loss after tax (R'm)



Financial performance overview



	For the year ended	
	31 Dec 2020 R'm	Restated 31 Dec 2019 R'm
Ferrochrome revenue	4 002	4 455
Chrome ore revenue	777	910
Other revenue	1	15
Foreign exchange loss	(60)	(14)
Operating expense	(4 523)	(4 949)
Merafe's share of PSV EBITDA	198	416
Merafe's corporate costs	(30)	(36)
Merafe's EBITDA	168	379
Depreciation and impairment	(1 519)	(2 256)
Net financing income	5	10
Share of loss in associate	1	-
Taxation	343	505
Loss after tax	(1 003)	(1 362)
Headline loss per share (cents)	(0.8)	(3.4)

Ferrochrome revenue

- Driven by lower prices and sales volumes

Chrome ore revenue

- Driven by lower prices and sales volumes

Foreign exchange loss

- A function of the R/\$ exchange rate

Operating expenses

- Production cost per tonne increase by 8.4% (vs. 31 Dec '19): lower volumes produced, higher labour & power costs
- Higher standing charges
- Retrenchment costs
- Inventory adjustment due to impaired assets

Merafe corporate costs

- Reduction in operating expense

Depreciation and impairment

- Lower depreciation due to prior year impairment
- Current year's property, plant & equipment impairment charge of R1.34 billion

Taxation

- Deferred tax credit as a result of timing differences

Financial position influenced by working capital movements



	As at	
	31 Dec 2020 R'm	31 Dec 2019 R'm
Total non-current assets	504	1 502
Current assets		
Inventories	1 434	2 009
Current tax asset	17	19
Trade and other receivables	881	675
Cash and cash equivalents	278	354
Total current assets	2 609	3 057
Total assets	3 113	4 559
Total non-current liabilities	192	585
Total current liabilities	644	594

Non-current assets

Include property, plant and equipment, intangible assets and deferred tax asset

Inventories

Decrease due to:

- Inventory drawdown for sales. Closing FeCr finished goods of 90kt represent 3-4 months sales

Trade and other receivables

Increase due to:

- Sales in fourth quarter
- Timing of payments

Cash and cash equivalents

Decrease due to:

- Final 2019 dividend payment
- Acquisition of Unicorn Chrome

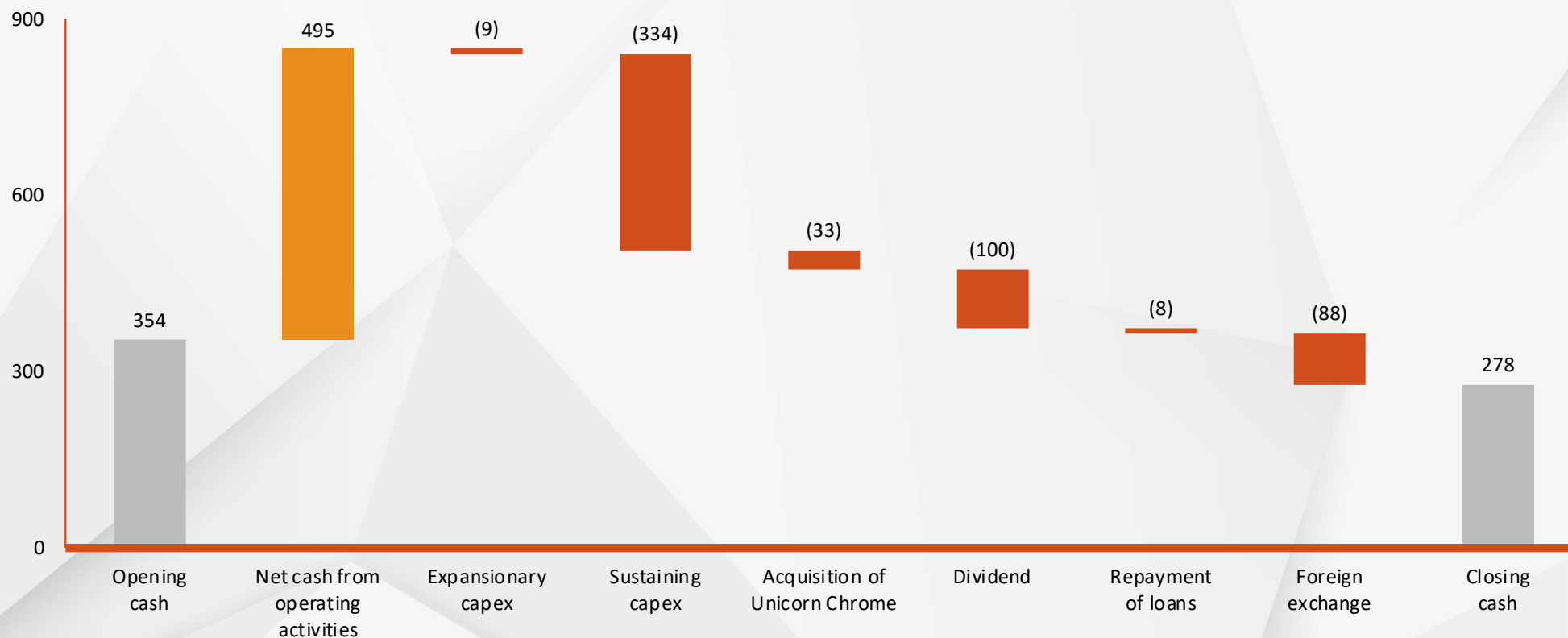
Total non-current liabilities

Include reversal of a provision from prior years

Reconciliation of cash



Reconciliation of cash (R'm)



Significant headroom on facilities



	Venture (Merafe's share) R'm	Merafe head office R'm	Merafe total R'm
As at 31 December 2020			
Closing cash	126	152	278

	Venture facilities R'm	Interest bearing debt ¹ R'm	Total (R'm)
As at 31 December 2020			
Total facilities in place	Unspecified	300	300
Total facilities utilised	-	-	-
Headroom	Unspecified	300	300

① Committed unsecured three-year revolving credit facility with ABSA



Dividend & Share buy-back

Dividend

- The Board has decided not to declare a final ordinary dividend considering market uncertainty



Share buy-back

- A share repurchase programme was initiated on 4 January 2021, in accordance with the JSE Listings Requirements
- Buy-back within the general authority approved by shareholders
- As at 28 February 2021, 0.418% of the Company's issued shares had been repurchased
- Ceiling price for the repurchases has been set





Outlook

Outlook

- Economic recovery dependent on COVID-19 trajectory
- Vaccine rollout is expected to boost confidence and lead to economic recovery
- There are signs of a recovery which is expected to be slow
- Focus continues to be on:
 - Efficient operations
 - Cash preservation
 - Cost control
 - Efficient capital allocation
- The Board remains positive about prospects of the business





Thank you