



MERAFE
RESOURCES

ANNUAL RESULTS PRESENTATION

for the year ended
31 December 2021



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AGENDA



KEY FEATURES

1

MARKET REVIEW

2

OPERATIONAL REVIEW

3

FINANCIAL REVIEW

4

SHARE BUY-BACK AND DIVIDEND

5

OUTLOOK

6

KEY FEATURES



GLOBAL ECONOMIC RECOVERY LED TO IMPROVED PERFORMANCE



HEALTH AND SAFETY

- No fatalities
- TRIFR decreased by 29.9% (from December 2020)
- COVID-19:
 - 80% of the workforce vaccinated (either partially or fully)
 - COVID-19 protocols continue to be observed

OPERATIONAL

- Increased ferrochrome and chrome ore production
- Record smelting production achieved
- Electricity cost pressures
- Logistics challenges

MARKET

- Recovery in global economy
- Increase in stainless steel production
- Uplift in ferrochrome and chrome ore demand
- Prices improve

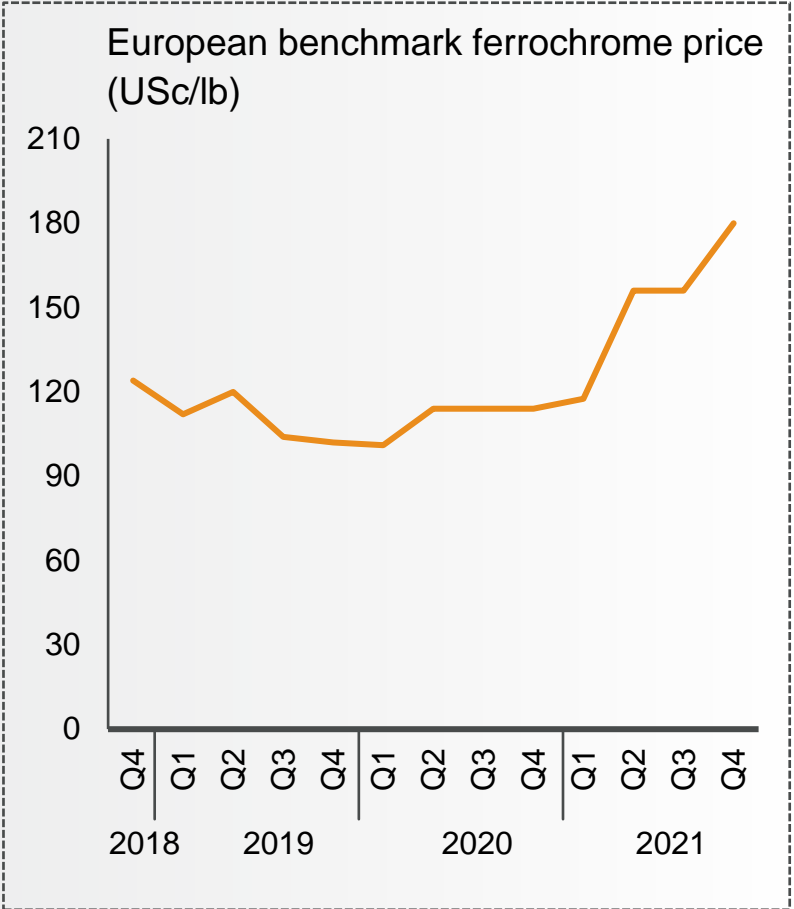
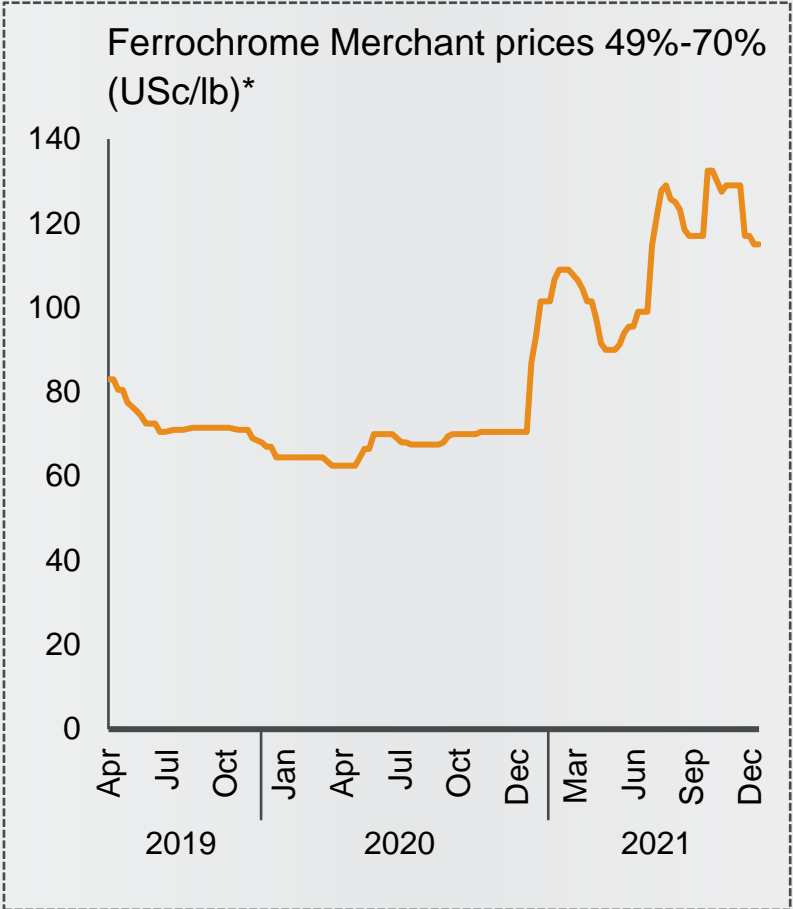
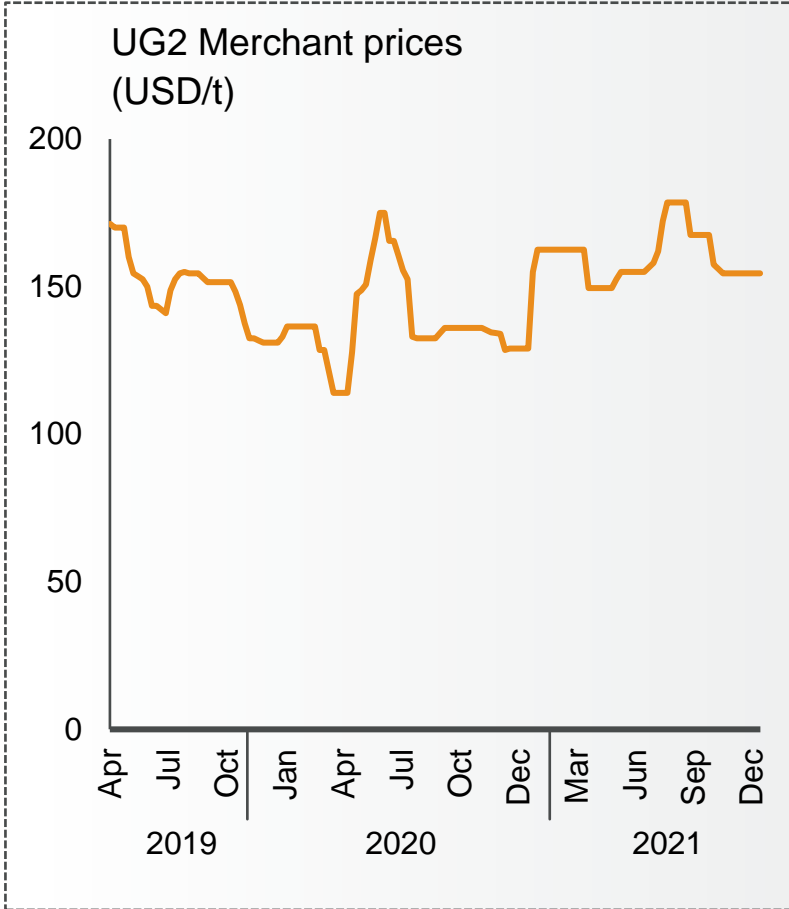
FINANCIAL

- Revenue up by 69% period on period
- Headline earnings per share of 67.0 cents
- Final ordinary cash dividend of 22 cents per share declared

MARKET REVIEW



2021 – A YEAR OF RECOVERY

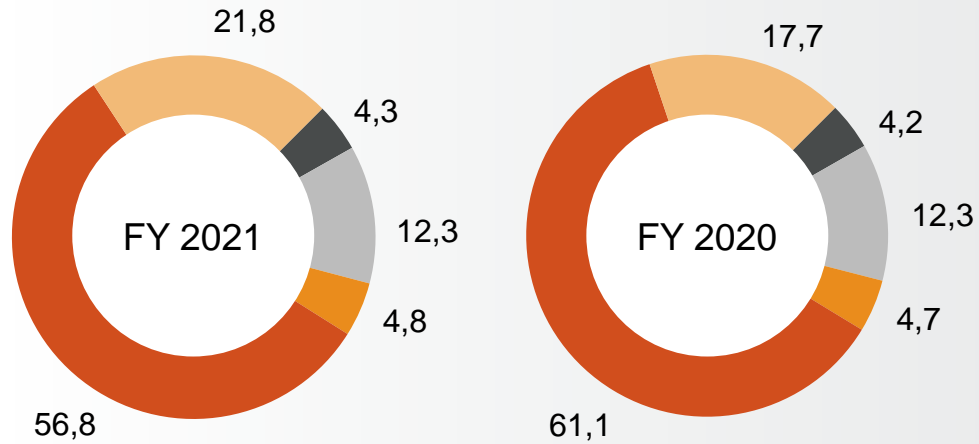


* - Series replaced by 48% - 63% from mid May 2021

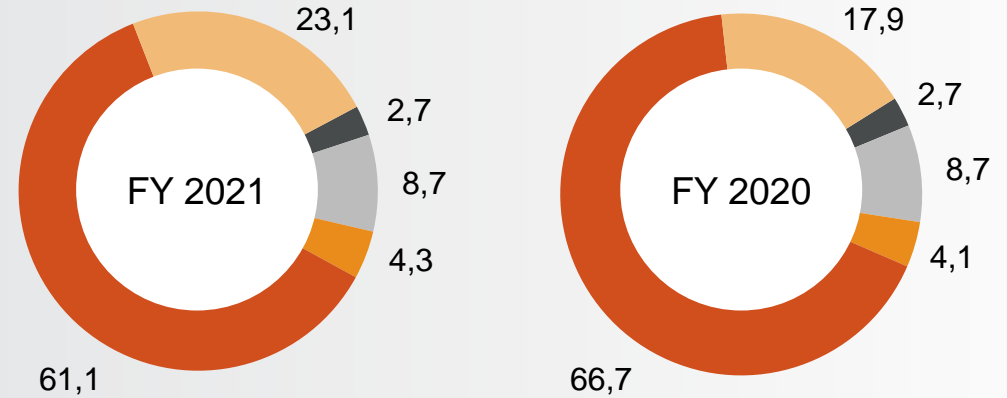
Source: CRU

IT'S ALL ABOUT CHINA

Global stainless steel production (%)



Global ferrochrome demand (%)



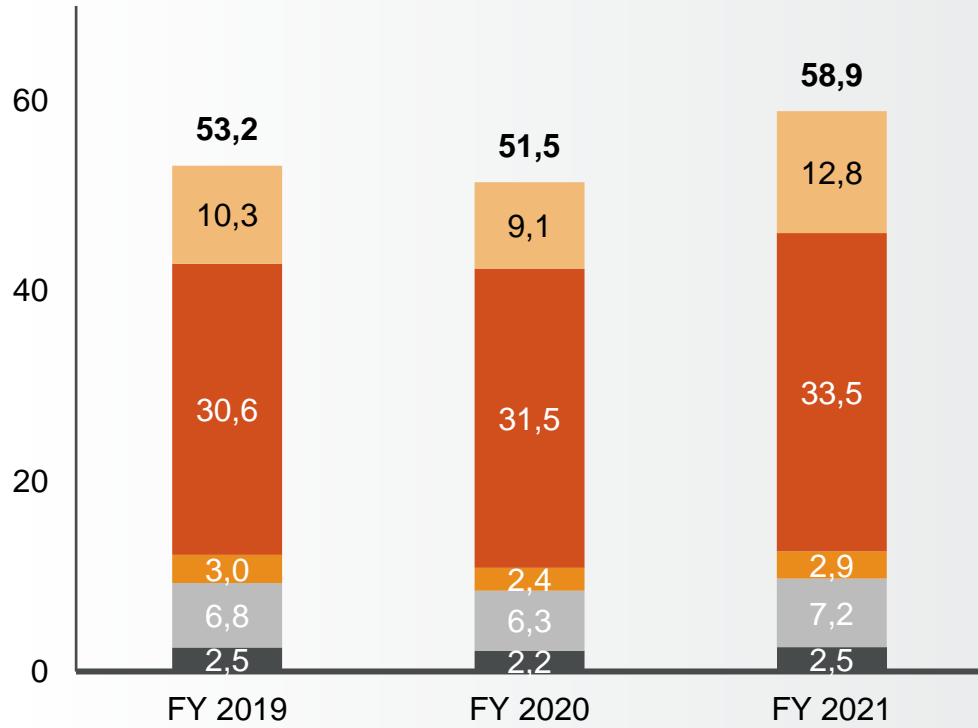
USA
 Western Europe
 Japan
 China
 Other

Source: CRU

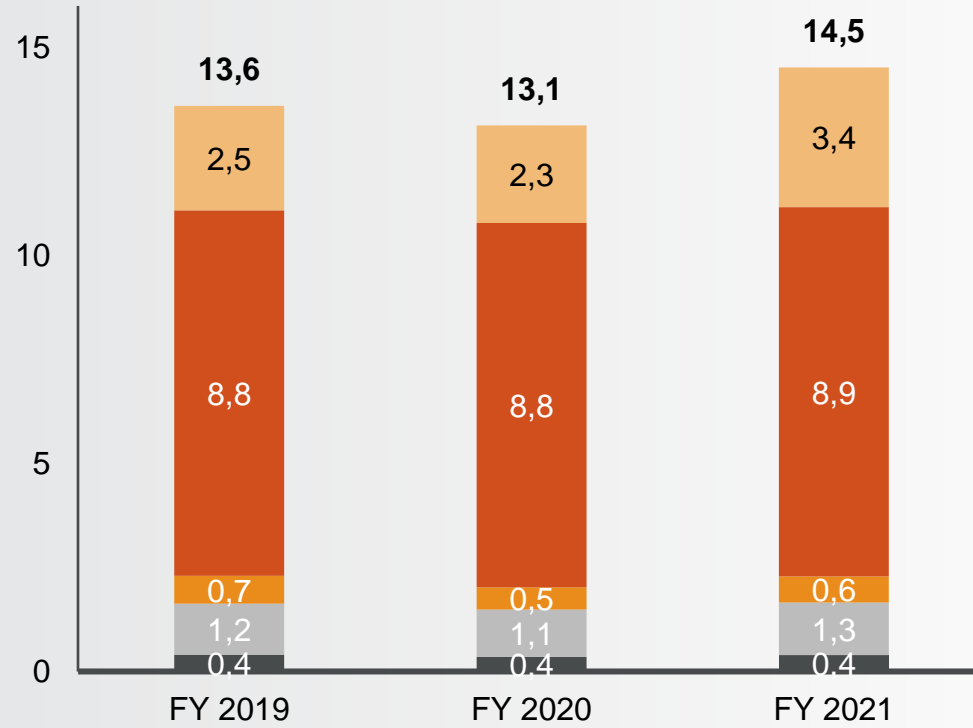
STAINLESS STEEL PRODUCTION AND FERROCHROME DEMAND REVIVED



Global stainless steel production (mt)



Global ferrochrome demand (mt)

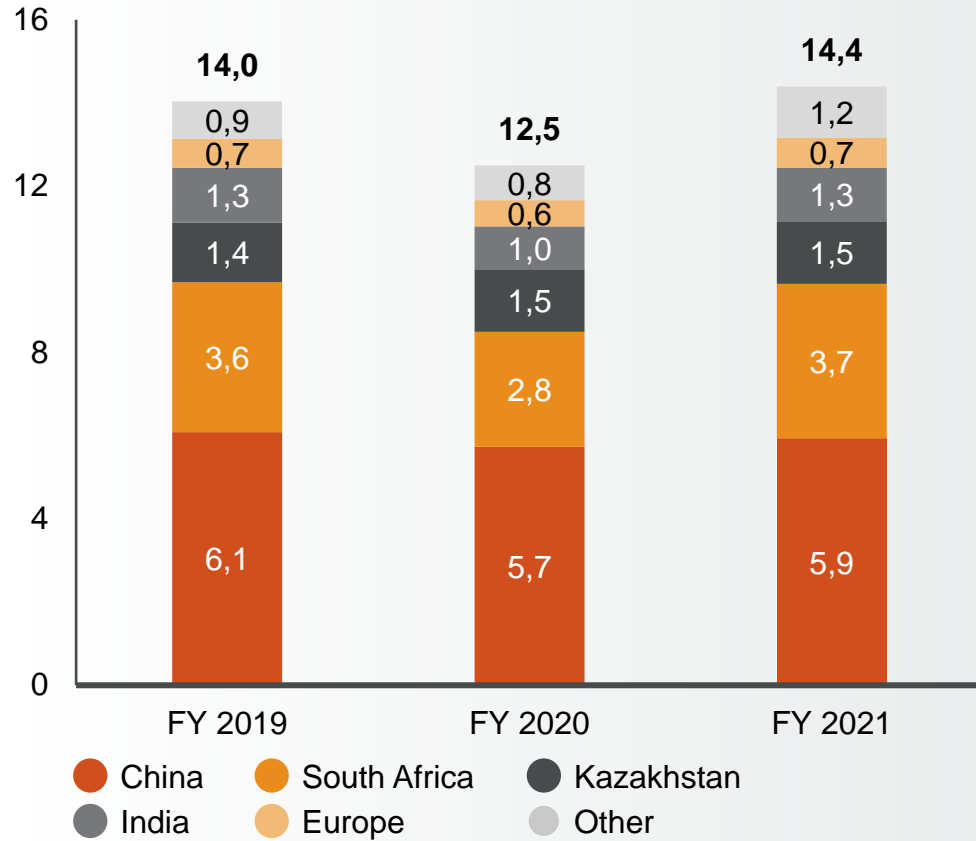


● USA ● Western Europe ● Japan ● China ● Other

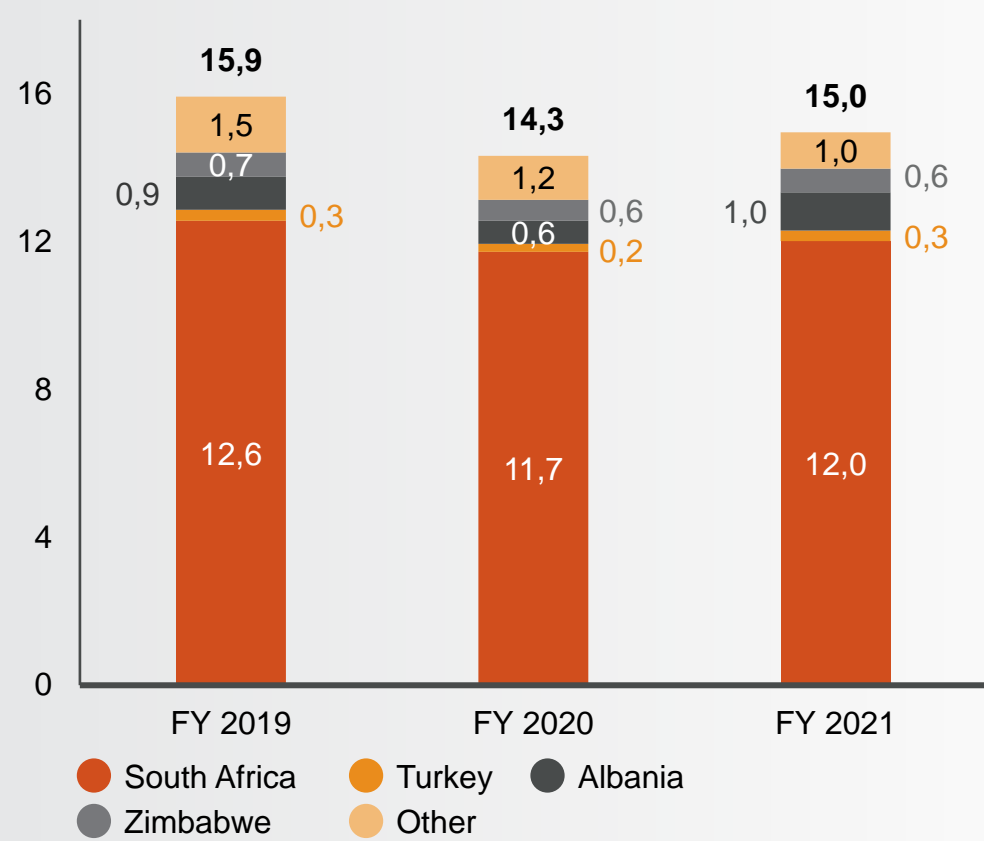
Source: CRU

DEMAND FOR FERROCHROME LEADS PRODUCTION; INCREASED ORE IMPORTS INTO CHINA

Global ferrochrome production (mt)



Chrome ore imports into China (mt)



Source: CRU

OPERATIONAL REVIEW



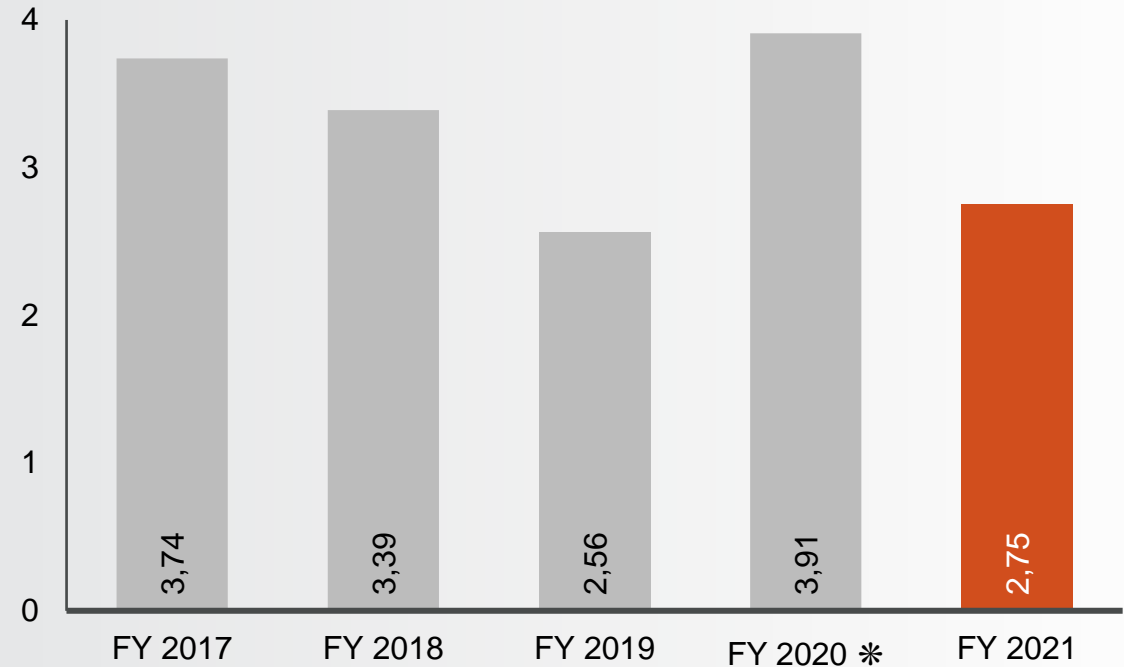
- COVID-19 remains a risk
- No production stoppages due to COVID-19
- COVID-19 protocols continue to be observed
- Antigen testing implemented across all operations to manage risk
- Vaccination rollout campaign started and progressing well with 80% of the workforce vaccinated
- Regrettably 26 employees succumbed to COVID-19 between 1 January 2021 and 31 December 2021
- Constant review of operations for learnings from COVID-19, including operational efficiencies
- Given the uncertainty, cash preservation still a focus area

HEALTH & SAFETY OF EMPLOYEES CENTRAL TO OPERATIONS



- No fatalities
- TRIFR decreased to 2.75 from 3.91* in December 2020
- 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)

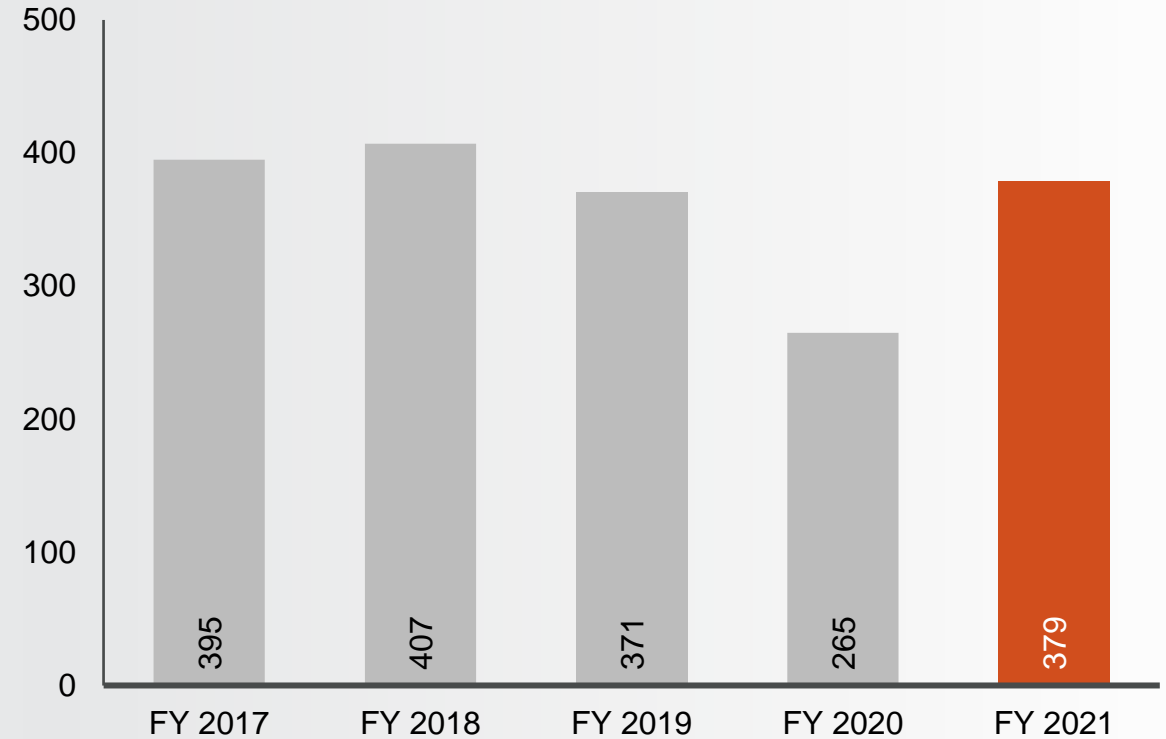


* There was a restatement of the December 2020 statistic from 3.89 to 3.91. The 2020 financial year data related to hours worked was corrected to align with reporting definitions. This impacted on the frequency rates.

PRODUCTION RAMPED UP

- Ferrochrome production increased to 379kt
 - Installed capacity utilisation of 79%
- Production efficiencies achieved at most smelting operations
- Production spurred by growth in stainless steel production
- Rustenburg smelter furnace 5 back in operation but Lydenburg smelter still under care and maintenance

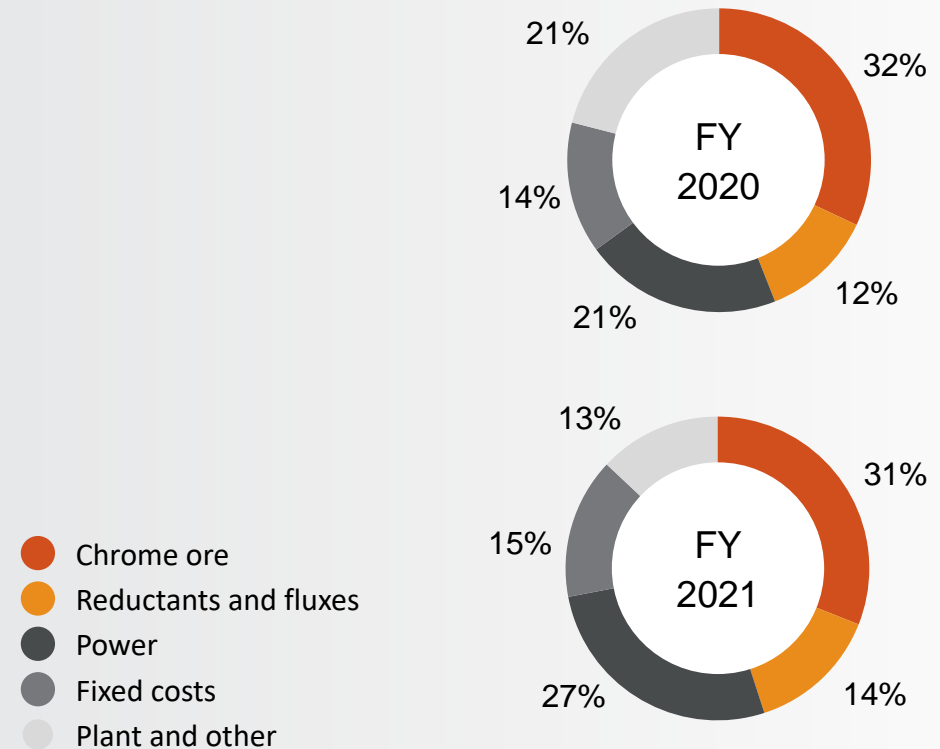
Ferrochrome production (kt)



COST MANAGEMENT CONTINUES

- Total production costs per tonne decreased by 5.2% (from December 2020), influenced by:
 - Higher production volumes
 - Lower chrome ore cost
 - Countered by
 - › Increase in electricity tariff
 - › Higher reductants costs
 - › Increased fuel and freight costs
 - › General price inflation

Breakdown of C3 production costs



PLATINUM GROUP METALS (PGMs) PLANT

- Investment in PGMs processing plant made in 2021
- Plant contributed to the Venture
- Plant has capacity to treat 21kt of the PGM-bearing material per month
- R32m spent to date and balance of approximately R23m to be spent in 2022, funded from the Venture's cash reserves
- PGMs concentrate to be sold to PGMs customers with smelting capacity

FINANCIAL REVIEW

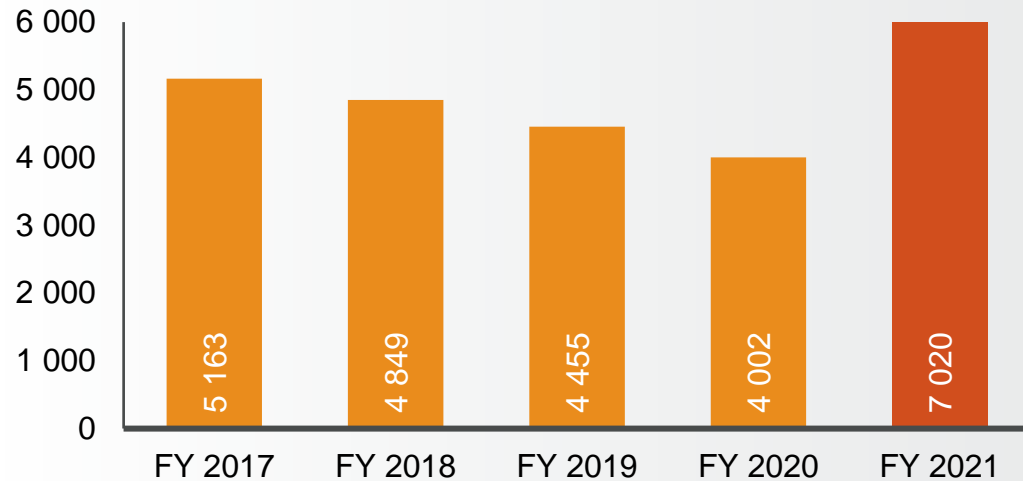


REVENUE

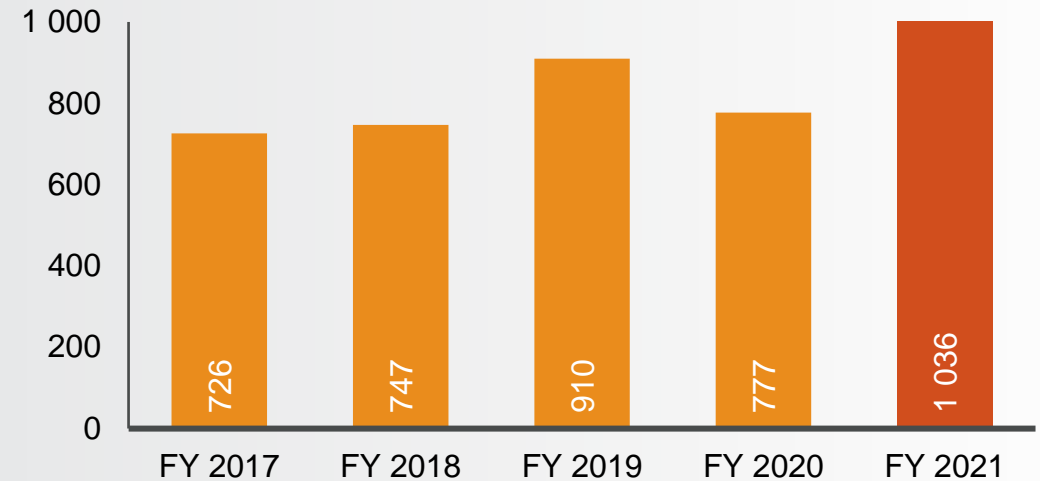
Increase in revenue year-on-year (YoY)

- Ferrochrome revenue increased by 75% YoY to R7.020 billion
- Chrome ore revenue increased by 33% YoY to R1.036 billion
- Higher demand led to higher sales volumes
- First PGMs concentrate sales in December 2021
- Market buoyancy led to higher ferrochrome and chrome ore prices
- Stronger average ZAR:US\$ exchange rate reduced revenue growth

Ferrochrome revenue (R'm)



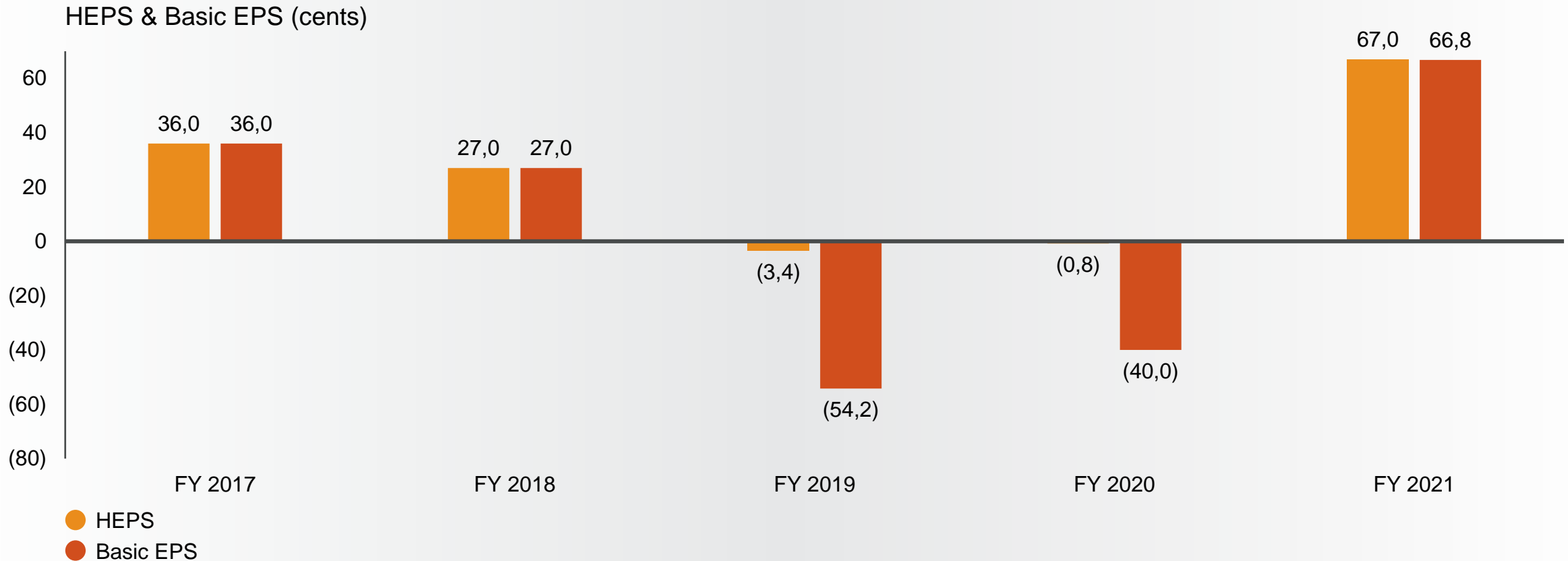
Chrome ore revenue (R'm)



EARNINGS



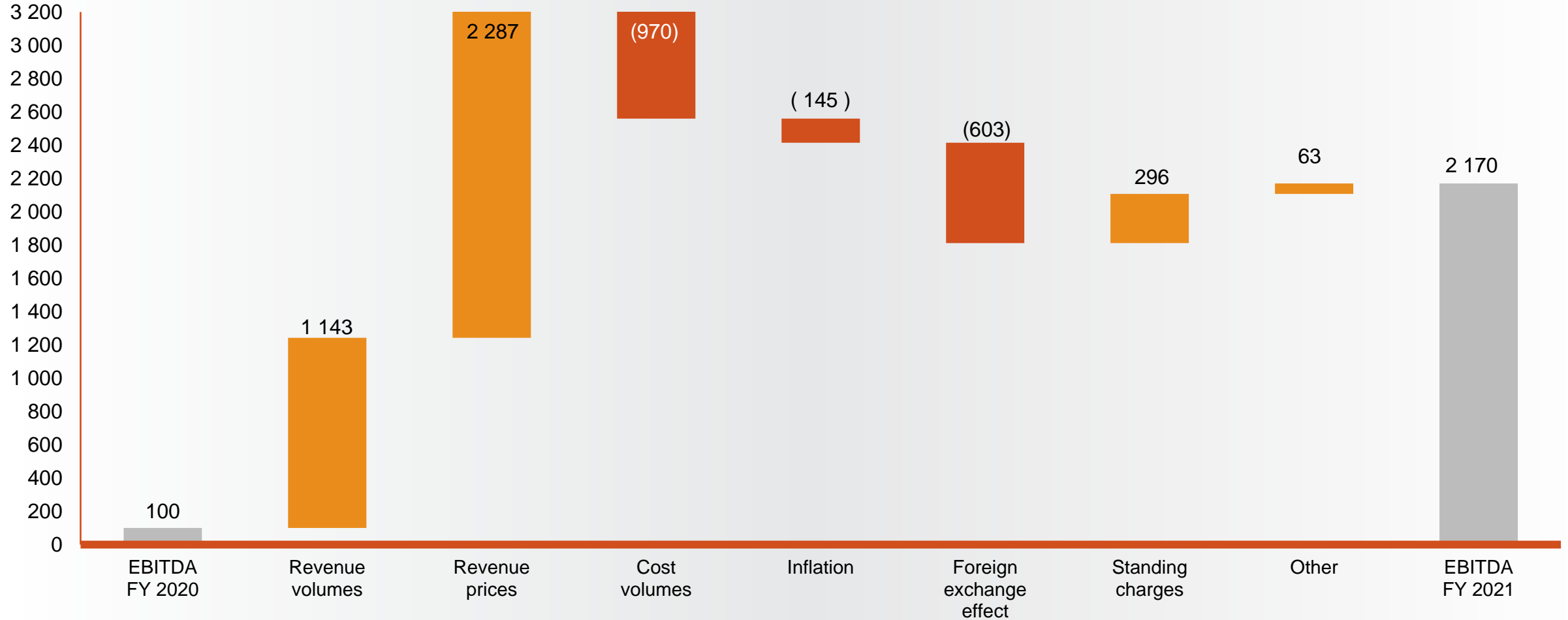
- Headline earnings per share of 67.0c for the year
- Key contributors to earnings were higher sales prices and volumes



EBITDA IMPROVEMENT



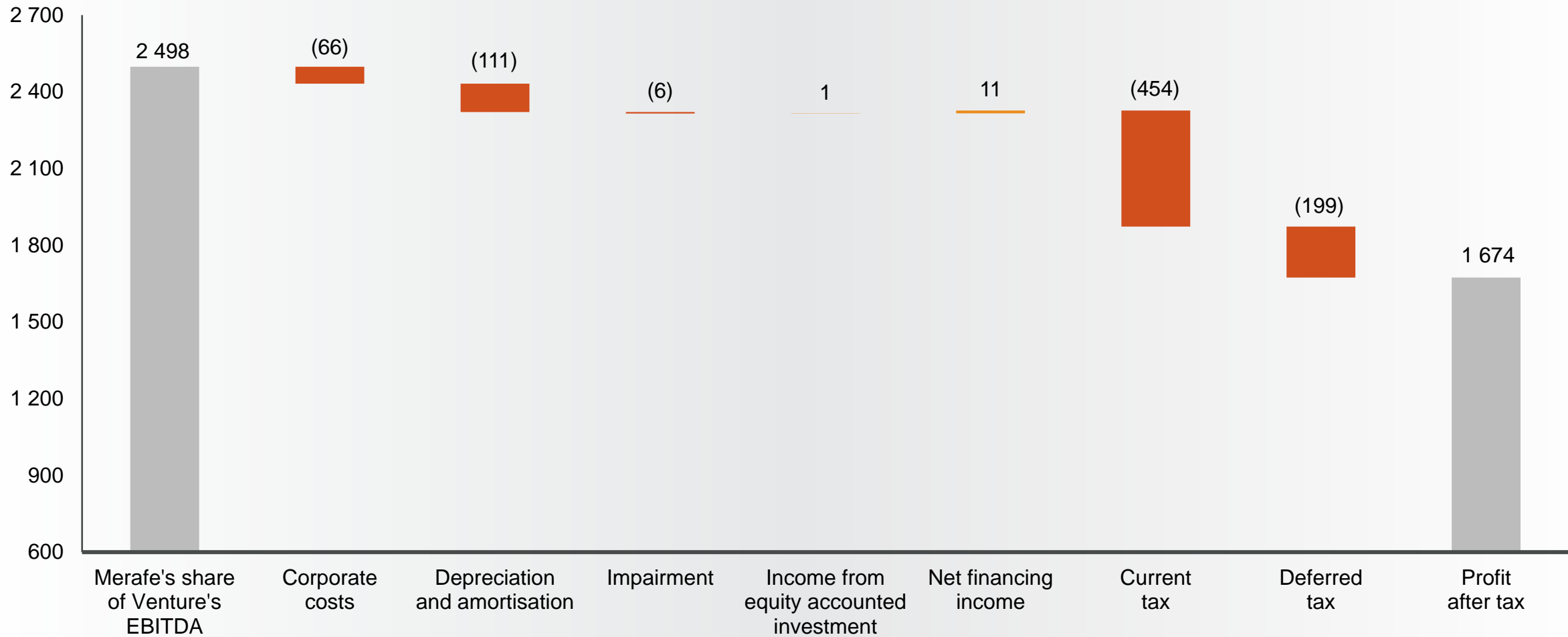
EBITDA from the Venture variance analysis: FY 2021 vs FY 2020 (%)



EBITDA RECONCILIATION TO PROFIT



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



FINANCIAL PERFORMANCE OVERVIEW



For the year ended	31 Dec 2021 R'm	31 Dec 2020 R'm
Ferrochrome revenue	7 020	4 002
Chrome ore revenue	1 036	777
Other revenue	4	1
Foreign exchange gain/(loss)	104	(60)
Operating expenses	(5 666)	(4 523)
Merafe's share of PSV EBITDA	2 498	198
Merafe's corporate costs	(66)	(30)
Merafe's EBITDA	2 432	168
Depreciation, amortisation and impairment	(117)	(1 519)
Net financing income	11	5
Income from equity accounted investment	1	1
Taxation	(653)	343
Earnings/(loss) after tax	1 674	(1 003)
Headline earnings/(loss) per share (cents)	67.0	(0.8)

Ferrochrome revenue

- Driven by higher prices and sales volumes

Chrome ore revenue

- Driven by higher prices and sales volumes

Foreign exchange gain

- A function of the R/\$ exchange rate

Operating expenses

- Production cost per tonne decreased by 5.2% (vs. 31 Dec '20): fixed costs dilution & lower cost of chrome ore key reasons
- Operating expenses were also affected by
 - Inflation
 - Above inflationary increases in reductants and power cost
 - Increase in freight costs
 - Increase in variable selling costs

Merafe corporate costs

- Increase in CSI cost, share-based payment expense, provisions

Depreciation, amortisation and impairment

- Lower depreciation due to prior year impairment
- Marginal impairment charge – specific to asset

Taxation

- Comprises current tax expense and a deferred tax charge

FINANCIAL POSITION INFLUENCED BY WORKING CAPITAL MOVEMENTS



As at	31 Dec 2021 R'm	31 Dec 2020 R'm
Total non-current assets	766	504
Current assets		
Inventories	1 652	1 434
Trade and other receivables	1 555	881
Current tax receivable	16	17
Cash and cash equivalents	972	278
Total current assets	4 179	2 609
Total assets	4 945	3 113
Total non-current liabilities	283	192
Total current liabilities	892	644

Non-current assets

Include property, plant and equipment, intangible assets

Inventories

Increase due to investment in raw materials to secure supply
Closing FeCr finished goods of 76kt represent 2-3 months sales

Trade and other receivables

Increase due to:

- Higher prices
- Higher sales in fourth quarter
- Weaker closing R/\$ exchange rate
- Timing of receipts

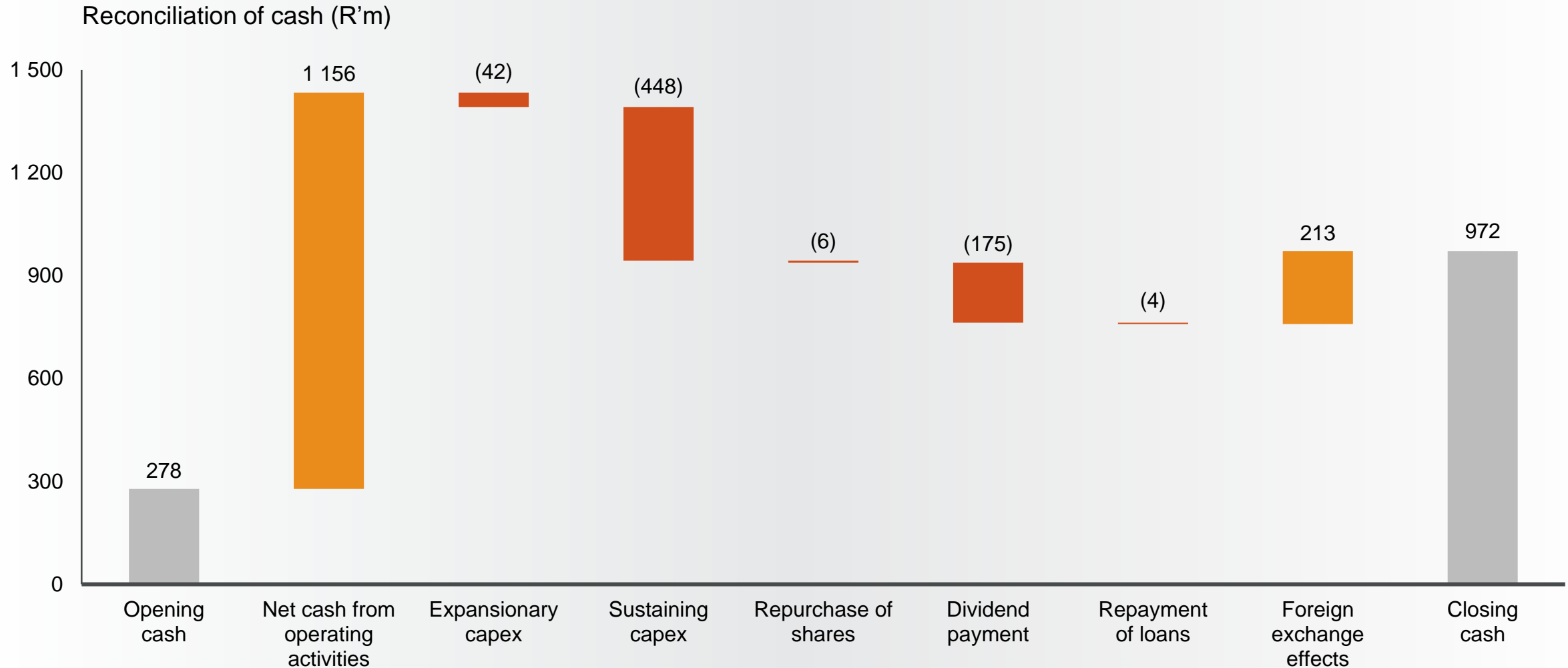
Cash and cash equivalents

Increase due to 2021 earnings

Total non-current liabilities

Include rehabilitation provision and deferred tax liability

RECONCILIATION OF CASH



SIGNIFICANT HEADROOM ON FACILITIES

	Venture (Merafe's share) ² R'm	Merafe head office R'm	Merafe total R'm
As at 31 December 2020			
Closing cash	489	483	972

	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
- ② Includes R189m cash ring-fenced for rehabilitation liabilities

SHARE BUY-BACK AND DIVIDEND



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
- 11 577 378 shares, representing 0.461% of the Company's issued shares, were repurchased in the open market and cancelled thereafter
- The share buy-back programme was suspended on 26 November 2021



DIVIDEND

- The Board has declared a final ordinary cash dividend of R550 million
- The final dividend amounts to 22 cents per share before dividend tax
- This brings the full year dividend to R725 million amounting to 29 cents per share before dividend tax
- The full year dividend works out to 43.2% of headline earnings



OUTLOOK



OUTLOOK

- The rapid economic recovery experienced in 2021 is expected to slow down in 2022
- Risks to our growth include COVID-19 developments
SA specific factors, such as Eskom, political developments and social unrests also contribute to risk and uncertainty
- Focus continues to be on:
 - Efficient operations
 - Cash preservation
 - Cost control
 - Efficient capital allocation
- Commitment to continually assess opportunities that can deliver shareholder value



THANK YOU

