



**MERAFE**  
R E S O U R C E S

**CONDENSED  
CONSOLIDATED  
UNAUDITED  
INTERIM FINANCIAL  
STATEMENTS**

for the six months ended 30 June 2021

# Contents

2021 half year in review	1
Commentary	2
Condensed consolidated statement of comprehensive income	4
Condensed Statement of changes in equity	5
Condensed consolidated statement of cash flows	5
Notes to the condensed consolidated financial statements	6
Administration	10

## Condensed Consolidated Unaudited Interim Financial Statements

### MERAPE RESOURCES LIMITED

(Incorporated in the Republic of South Africa)  
(Registration number: 1987/003452/06)  
JSE share code: MRF  
ISIN: ZAE000060000  
("Merape" 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, M Toman

\* Independent

### COMPANY SECRETARY

CorpStat Governance Services Proprietary Limited

### REGISTERED OFFICE

Building B, 2nd Floor  
Ballyoaks Office Park  
35 Ballyclare Drive  
Bryanston  
2191

### TRANSFER SECRETARIES

Link Market Services South Africa Proprietary Limited

### INVESTOR RELATIONS

Ditabe Chocho  
Tel: +27 11 783 4780  
Email: ditabe@meraferesources.co.za

### CEO COMMENTARY ON RESULTS

Merape achieved solid operational and financial results for the first half of 2021. Merape recorded a profit after tax of R576m compared to a loss of R961m in the prior comparative period. An upswing in ferrochrome demand contributed to increased volumes sold and higher CIF prices realised, which were to some extent offset by a stronger average ZAR:US\$ exchange rate. Despite the Lydenburg smelter being on care and maintenance, production volumes increased significantly due to current production being less affected by the COVID-19 restrictions coupled with improved plant efficiencies achieved at our smelters.

### PREPARATION OF THIS REPORT

The report was prepared by Busisiwe Nteyi CA(SA) (Financial Manager) under the supervision of Ditabe Chocho CA(SA) (Financial Director). These condensed consolidated unaudited interim financial statements of Merape for the six months ended 30 June 2021 have not been reviewed by the Company's independent auditor, Deloitte & Touche.

### ICONS USED IN THIS REPORT



— This icon refers to further reading



— This icon refers to more information available at [www.meraferesources.co.za](http://www.meraferesources.co.za)



— Positive performance or occurrence compared to prior year



— Negative performance or occurrence compared to prior year



— No change in performance compared to prior year

# 2021 half year in review

## KEY FEATURES



**No fatalities**

*(June 2020: No fatalities)*



**17% decrease in TRIFR<sup>1</sup> to**

**3.24**

*(December 2020: 3.91<sup>2</sup>)*



**66% increase in ferrochrome production to**

**199kt**

*(June 2020: 120kt)*



**60% increase in revenue to**

**R3 746 million**

*(June 2020: R2 338 million)*



**422% increase in EBITDA<sup>3</sup> to**

**R819 million**

*(June 2020: R157 million)*



**Headline earnings per share of**

**23.2 cents**

*(June 2020: 1.1 cents)*



**Basic earnings per share of**

**23 cents**

*(June 2020: Basic loss per share of 38.3 cents)*



**25% increase in net asset value to**

**R2 848 million**

*(December 2020: R2 277 million)*



**287% increase in net cashflow from operating activities to**

**R635 million**

*(June 2020: R164 million)*



**187% increase in cash to**

**R797 million**

*(December 2020: R278 million)*



**Interim dividend of**

**7 cents per share declared**

*(June 2020: Rnil)*

<sup>1</sup> Total recordable injury frequency rate

<sup>2</sup> Restated

<sup>3</sup> Earnings before interest, tax, depreciation and amortisation

# Commentary

## FINANCIAL REVIEW

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 2.3m 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 and beneficiation of chrome ore into ferrochrome in the Venture and as a result no segment report has been presented.

Merafe's attributable revenue from the Venture increased by 60% from the prior period to R3 746m (June 2020: R2 338m).

Ferrochrome revenue increased by 61% from the prior period to R3 229m (June 2020: R2 005m) primarily as a result of higher average realised prices and an increase of 39% in ferrochrome sales volumes to 210kt (June 2020: 151kt).

Chrome ore revenue increased by 55% from the prior period to R517m (June 2020: R333m), as a result of higher chrome prices as well as a 51% increase in sales volumes to 208kt (June 2020: 138kt).

Merafe's attributable share of the Venture's EBITDA for the six months ended 30 June 2021 is R839.2m (June 2020: R170.6m). The EBITDA includes Merafe's attributable share of standing charges of R31.1m (June 2020: R277.3m) and a foreign exchange loss of R47.1m (June 2020: foreign exchange gain of R90.2m). The reason behind the decrease in standing charges is because, in the current reporting period, there were no production stoppages due to COVID-19 lockdowns.

After accounting for corporate costs of R20.5m (June 2020: R13.2m), which include a cash settled share-based payment expense of R2.5m (June 2020: credit of R1.3m), Merafe's EBITDA was R818.8m (June 2020: R157.5m).

The profit for the six months ended 30 June 2021 amounted to R576.3m (June 2020: loss of R961.1m), after taking into account depreciation and amortisation of R12.9m (June 2020: R100.8m), a specific asset impairment loss of R5.8m (June 2020: R1 340m), net financing income of R2.8m (June 2020: R4.1m) and a net taxation expense of R227.2m (June 2020: taxation credit of R318.2m). While the June 2020 loss related to the impairment of the cash generating unit ("**CGU**"), the June 2021 impairment was specific to an asset that was written off. An impairment assessment was performed at June 2021 which resulted in no further CGU impairment adjustment for the period. The taxation expense includes a current income tax expense of R99.6m (June 2020: R4.5m) and a deferred tax charge of R127.6m (June 2020: R322.8m deferred tax credit) which arose primarily as a result of temporary differences on property, plant and equipment as well as those relating to provisions and accruals. There was no unredeemed capital expenditure at 30 June 2021 (June 2020: R9.2m) given that taxable profits exceeded capital expenditure. Depreciation was lower period on period primarily as a result of the impairment loss recognised in the last two financial years.

A profit of R719k (June 2020: loss of R162k), being Merafe's proportionate share in the profit from an associate of Unicorn Chrome (Pty) Ltd, was recorded for the period.

Sustaining capital expenditure increased by 84% to R176m (June 2020: R95.9m). The increase was to catch up on stay-in-business capital expenditure that was postponed due to cash preservation measures initiated in response to the COVID-19 pandemic and tough market conditions in 2020.

The R300m committed three-year revolving credit facility with ABSA was unutilised for the period.

As at 30 June 2021, Merafe had net cash and cash equivalents of R797.5m (December 2020: R277.6m) which consists of cash held by Merafe of R322.5m (December 2020: R151.9m) and R475m (December 2020: R125.7m) being Merafe's share of the cash balance in the Venture.

Trade and other receivables increased by 38% to R1 219.1m (December 2020: R880.9m). The increase is primarily as a result of the timing of sales.

Ferrochrome finished goods volumes of 79kt (June 2020: 99kt) on hand represent approximately two to three months of sales. The value of closing inventory was R1 424.9m (December 2020: R1 433.6m).

The board of directors ("**Board**") has declared an interim dividend of 7 cents per share (June 2020: Rnil).

## SAFETY

The safety of our employees remains our number one priority. For the first six months of 2021, the Venture was fatality free. Our total recordable injury frequency rate decreased by 17.14% to 3.24 (December 2020: 3.91\$).

A safety culture is encouraged as evidenced by a concerted effort by everyone to ensure not only their own safety but that of their co-workers as well. The SafeWork programme is another illustration of our focus on safety. The SafeWork programme framework is risk-based, focusing on eliminating fatalities and serious injuries by identifying the hazards that can result in fatal incidents and developing life-saving behaviours and protocols to target them. This programme was finalised and will be rolled out across all the Venture's operations. The dedicated task team that was established to identify any barriers to success have completed their tasks and these will now be used as part of SafeWork 2.0 programme to introduce improvements to our safety management systems.

## HEALTH

COVID-19 is still a risk that we deal with on a daily basis. Our operations continue to manage the spread of the virus through ensuring adherence to all approved COVID-19 protocols.

The implementation of antigen testing across all operations since January 2021 assisted greatly in curbing super spreader events by preventing asymptomatic positive people from entering the workplace. On average a total of 47 500 antigen tests were conducted in the first six months of 2021. To confirm the reliability of the antigen test, all COVID-19 positive results were followed up with a PCR test which demonstrated an effectiveness rate of 99%.

With the emergence of the Delta variant, we have seen a substantial increase in positive cases throughout South Africa and across our operations. 1 150 of our workforce tested positive in the first six months of 2021 compared to 694 positive cases during 2020. It is with great sadness that we report that from 1 January to 30 June 2021, we have lost 15 (December 2020: 5) of our colleagues due to COVID-19. The impact of the virus on our people only reinforces our determination to ensure the safety and health of our workers.

In partnership with Ndlovu laboratories, we have embarked on a vaccination campaign in support of the vaccination drive by government. We are confident that by providing this service to our employees and contractors it brings us one step closer to a safe and healthy working environment.

*§ 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.*

## OPERATIONAL REVIEW

Merafe's attributable ferrochrome production from the Venture for the six months ended 30 June 2021 increased by 66% to 199kt (June 2020:120kt). The increase was a result of production in the current period being less impacted by COVID-19 restrictions, while improved plant efficiencies in all our smelters were achieved.

The Lydenburg smelter remains on care and maintenance for the foreseeable future, however Rustenburg furnace 5 will resume operations in the third quarter of 2021.

The total cost of production per tonne decreased by 11.4%. The decrease was mainly due to increased production volumes and lower chrome ore costs, which were somewhat offset by double digit increases in Eskom electricity tariffs and higher cost of reductants.

The National Energy Regulator approved tariff increases of 15.6% effective 1 April 2021. These increases continue to add to cost pressures on the Venture's smelters and further reduce the cost competitiveness of the South African Ferrochrome industry.

Local procurement of reductants was challenging due to inadequate availability of coke and anthracite, which necessitated the Venture importing these reductants at a higher cost. The stronger ZAR against the US\$ did assist to cushion the impact.

## 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 2020.

## MARKET REVIEW

Growth in global stainless steel melt rates reached a decade high in the first half of 2021 ("H1 2021") as output increased 28%^ year-on-year ("YoY") to 30 million tons^. Strong growth has been observed in all producing regions, particularly in China, as output increased 26%^ to 17 million tons^. Indonesia also increased production significantly on the back of capacity increases and will become the second largest stainless steel producing country in the world, as annual output is expected to increase to 5.2 million tons^, up from 2.7 million tons^ in 2020. Strong demand coupled with significant raw material input cost increases have supported high stainless steel pricing in H1 2021.

Primary ferrochrome consumption globally increased 23%^ in H1 2021 YoY to 7.4 million tons^, while ferrochrome production increased 20%^ to 7.1 million tons^. Domestic ferrochrome production in China has been constrained due to power reform policy, leading to a 10%\* increase in

imports in the first 5 months of 2021. South African ferrochrome exports increased 37%\* year-to-date ("YTD") May 2021 to 1.7 million tons\*. Global ferrochrome stocks in weeks of consumption have almost halved YoY to 10.3 weeks^ at the end of H1 2021.

Chrome ore exports from South Africa increased 25%\* YTD May 2021 to 6 million tons\*. Higher ocean freight rates and a stronger ZAR:US\$ exchange rate negatively impacted South African chrome ore miners as port stocks in China remain unchanged at 3.65 million tons@ compared to a year before. The European ferrochrome benchmark for H1 2021 averaged 135.5 UScents per pound~, an increase of 26% from the H1 2020 average of 107.5 UScents per pound~.

## OUTLOOK

Global economic growth has been rapid to date. The sustainability of this growth depends on several factors including the success of the COVID-19 vaccine rollout programs. While in several parts of the world, the COVID-19 vaccination drive is starting to pay off and normality is gradually being restored, there are several parts of the world, including South Africa, where the COVID-19 pandemic is still wreaking havoc on communities and businesses. The recent unrest adds to the uncertainty faced by the country. The strong growth in stainless steel demand is a positive development and has been key to the buoyancy in the ferrochrome market. Our operations are ready to respond to this demand should it be sustained for the rest of the year. We however remain cautious in our approach to 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

10 August 2021

**Zanele Matlala**

Chief Executive Officer

^ CRU commodity market analysts  
@ Ferroalloy.net

\* TDM Trade data monitor

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

# Condensed consolidated unaudited interim financial statements

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended	
	30 June 2021 Unaudited R'000	30 June 2020 Unaudited R'000
Revenue	3 745 536	2 337 801
Foreign exchange (loss)/gain	(47 117)	90 240
Operating and other expenses	(2 879 611)	(2 270 570)
<b>EBITDA</b>	<b>818 808</b>	<b>157 471</b>
Depreciation and amortisation	(12 893)	(100 856)
Impairment	(5 824)	(1 340 000)
Share of profit/(loss) from associate	719	(162)
Net financing income	2 762	4 141
<b>Profit/(loss) before taxation</b>	<b>803 572</b>	<b>(1 279 406)</b>
Taxation	(227 245)	318 279
<b>Profit/(loss) and total comprehensive income/(loss) for the period</b>	<b>576 327</b>	<b>(961 127)</b>
Basic earnings/(loss) per share (cents)	<b>23.0</b>	(38.3)
Diluted earnings/(loss) per share (cents)	<b>23.0</b>	(38.3)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at	
	30 June 2021 Unaudited R'000	31 December 2020 Audited R'000
<b>ASSETS</b>		
Property, plant and equipment	498 530	338 619
Intangible asset	37 411	38 539
Long-term receivable	13 982	13 982
Investment in associate	2 870	2 151
Deferred tax asset	-	110 367
<b>Total non-current assets</b>	<b>552 793</b>	<b>503 658</b>
Inventories*	1 424 916	1 433 681
Current tax receivable	16	17 210
Trade and other receivables	1 219 137	880 916
Derivative	27 504	-
Cash and cash equivalents	797 457	277 629
<b>Total current assets</b>	<b>3 469 029</b>	<b>2 609 439</b>
<b>Total assets</b>	<b>4 021 822</b>	<b>3 113 094</b>
<b>EQUITY</b>		
Share capital	25 107	25 107
Share premium	1 269 575	1 269 575
Treasury shares	(5 807)	-
Retained earnings	1 558 707	982 380
<b>Total equity attributable to owners of the Company</b>	<b>2 847 582</b>	<b>2 277 062</b>
<b>LIABILITIES</b>		
Lease obligation	13 543	15 583
Share-based payment liability	2 922	1 483
Provision	183 405	175 361
Deferred tax liability	17 296	-
<b>Total non-current liabilities</b>	<b>217 166</b>	<b>192 427</b>
Lease obligation	3 556	3 534
Share-based payment liability	595	628
Provision	6 016	-
Trade and other payables	874 939	636 967
Derivative	-	2 476
Current tax liability	71 968	-
<b>Total current liabilities</b>	<b>957 074</b>	<b>643 605</b>
<b>Total liabilities</b>	<b>1 174 240</b>	<b>836 032</b>
<b>Total equity and liabilities</b>	<b>4 021 822</b>	<b>3 113 094</b>

\* Inventory of R17.4m (December 2020: R13.6m) was written down for the six months ended 30 June 2021.

## CONDENSED STATEMENT OF CHANGES IN EQUITY

	For the six months ended	
	30 June 2021 Unaudited R'000	30 June 2020 Unaudited R'000
<b>Issued share capital – ordinary shares</b>	<b>25 107</b>	25 107
Balance at beginning and end of the period	25 107	25 107
<b>Share premium – ordinary shares</b>	<b>1 269 575</b>	1 269 575
Balance at beginning and end of the period	1 269 575	1 269 575
<b>Treasury shares</b>	<b>(5 807)</b>	–
Shares repurchased	(5 807)	–
<b>Retained earnings</b>	<b>1 558 707</b>	1 024 278
Balance at beginning of the period	982 380	2 085 834
Total comprehensive income/(loss) for the period	576 327	(961 127)
Dividends paid	–	(100 428)
<b>Total equity at the end of the period</b>	<b>2 847 582</b>	2 318 960

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended	
	30 June 2021 Unaudited R'000	30 June 2020 Unaudited R'000
<b>Profit/(loss) before taxation</b>	<b>803 572</b>	(1 279 406)
Finance expense	981	835
Finance income	(3 743)	(4 976)
Depreciation, amortisation and impairment	18 717	1 440 858
Provision	14 346	5 567
Share-based payment expense/(credit)	2 538	(1 320)
Share grants exercised	(1 132)	(582)
Adjusted for working capital changes	(91 590)	12 079
Movement in long-term receivable	–	(434)
Profit on sale of property, plant and equipment	(53)	–
Share of profit from associate	(719)	–
Non-cash movement	6	3 803
Effect of exchange rate fluctuation	(70 686)	15 114
Embedded derivative expense	(29 980)	(31 646)
<b>Cash generated from operating activities</b>	<b>642 257</b>	159 891
Finance expense paid	(370)	(803)
Finance income received	3 233	4 710
Taxation paid	(10 421)	–
<b>Net cash from operating activities</b>	<b>634 699</b>	163 798
Acquisition of property, plant and equipment – sustaining	(175 999)	(95 883)
Acquisition of property, plant and equipment – expansionary	(1 787)	(6 172)
Proceeds on disposal of property, plant and equipment	53	–
Acquisition of Unicorn Chrome	–	(34 543)
<b>Net cash utilised in investing activities</b>	<b>(177 733)</b>	(136 598)
Payment for repurchase of shares	(5 775)	–
Costs incurred for the repurchase of shares	(32)	–
Dividends paid	–	(100 428)
Lease liability repaid	(2 017)	(2 501)
<b>Net cash utilised in financing activities</b>	<b>(7 824)</b>	(102 929)
Net increase/(decrease) in cash and cash equivalents	449 142	(75 729)
Cash and cash equivalents at the beginning of the period	277 629	354 181
Effect of foreign exchange rate changes on cash balances	70 686	(15 114)
<b>Cash and cash equivalents at 30 June</b>	<b>797 457</b>	263 338 <sup>1</sup>

<sup>1</sup> Closing balance of cash and cash equivalents is net of a bank overdraft of R1.7m.

# Notes to the condensed consolidated financial statements

## 1. BASIS OF PREPARATION

These condensed consolidated interim results for the six months ended 30 June 2021 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*, as well as 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.

### 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 of over R1 billion headroom, through its 20.5% share of the Venture, 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 twelve months.

### 1.2 Accounting policies

The accounting policies applied in the preparation of these interim results are in terms of 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 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.

In particular, 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 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 embedded derivative;
- Assumptions used in the assessment of expected credit losses on financial assets;
- Estimation of the tonnages extracted in determining the royalty provision; and
- Assumptions around joint control of the Venture.

## 2. DETERMINATION OF FAIR VALUES

A number 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 Embedded derivatives

The fair value of the embedded derivative is based on the latest available ferrochrome prices and closing foreign exchange rate. The embedded derivative at 30 June 2021 was R27.5m asset (Dec 2020: R2.47m liability) and is based on level 2 hierarchy per IFRS 13: *Fair Value Measurement*. The valuation is based on observable market inputs of prices and exchange rates.



The Merafe Resources 2020 Integrated Annual Report and the Merafe Resources 2020 annual financial statements are available on our website ([www.meraferesources.co.za](http://www.meraferesources.co.za)) and printed copies are available on request from the Company Secretary.

	For the six months ended	
	<b>30 June 2021 Unaudited R'000</b>	30 June 2020 Unaudited R'000
<b>3. HEADLINE EARNINGS PER SHARE (CENTS)</b>		
Profit/(loss), total comprehensive income/(loss) for the period	<b>576 327</b>	(961 127)
Headline earnings/(loss) adjustment:		
Impairment	<b>5 824</b>	1 340 000
Profit on sale of property, plant and equipment	<b>(53)</b>	–
Deferred tax effect	<b>(1 616)</b>	(351 875)
Headline earnings for the year	<b>580 482</b>	29 998
Headline earnings per share (cents)	<b>23.2</b>	1.1
Diluted headline earnings per share (cents)	<b>23.2</b>	1.1
Ordinary shares in issue	<b>2 510 704 248</b>	2 510 704 248
Weighted average number of shares for the period	<b>2 501 134 951</b>	2 510 704 248
Diluted weighted average number of shares for the period	<b>2 501 134 951</b>	2 510 704 248

	For the six months ended	
	<b>30 June 2021 Unaudited R'000</b>	30 June 2020 Unaudited R'000
<b>4. REVENUE</b>		
<b>Revenue from contracts with customers</b>		
Ferrochrome revenue	<b>3 228 506</b>	2 004 829
Chrome ore revenue	<b>517 030</b>	332 972
	<b>3 745 536</b>	2 337 801

	For the six months ended	
	<b>30 June 2021 Unaudited R'000</b>	30 June 2020 Unaudited R'000
<b>5. CAPITAL COMMITMENTS</b>		
Contracted but not provided for	<b>220 154</b>	97 628
Authorised but not contracted for	<b>358 282</b>	245 864
	<b>578 436</b>	343 492

# Notes to the 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
<b>Industrial Development Corporation of South Africa Limited (IDC)</b>	The IDC holds 21.8% 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.	The IDC received the non-executive directors' fees for Ms M Mosweu. IDC receives dividends declared by the Company.  At period end there are no amounts due to the IDC.
<b>Glencore (Nederland) B.V. (GN)</b>	GN holds 28.7% 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.
<b>Glencore Limited (Stamford) (GLS)</b>	GLS acts as the Venture's exclusive marketing agent to sell ferrochrome on its behalf and acts as distributor in the USA and Canada.	Commission expense on the sale of ferrochrome of R7m (June 2020: R5m).  Interest expense of R718k (June 2020: R4m).  Receivable at the end of the period R172m (Dec 2020: R117m) which is reduced as and when GLS receives funds from customers.
<b>Glencore International AG (GIAG)</b>	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 ad hoc basis.	Commission expense on sale of ferrochrome and chrome ore of R146m (June 2020: R90.1m).  Marketing fee expense of R902k (June 2020: R1m). Interest income of R2.7m (June 2020: R2m).  Purchase of raw materials of R143m (June 2020: Rnil).  Balance owing at the end of the period R27m (Dec 2020: R26m) payable on confirmation of final sales.
<b>African Carbon Manufacturers (Pty) Ltd (ACM)*</b>	ACM sells raw materials to the Venture.	Purchase of raw materials of Rnil (June 2020: R6m).  Balance owing at the end of the period of Rnil (Dec 2020: R2m) payable 30 days from statement date.
<b>African Fine Carbon (Pty) Ltd (AFC)*</b>	AFC sells raw materials to the Venture.	Purchase of raw materials of Rnil (June 2020: R9m).  Balance owing at the end of the period of Rnil (Dec 2020: R4m) payable 30 days from statement date.
<b>Chartech Technology (Pty) Ltd (Chartech)</b>	Chartech sells raw materials to the Venture.	Purchase of raw materials of R49m (June 2020: R9m).  Balance owing at the end of the period of R11m (Dec 2020: R4m) payable 30 days from statement date.
<b>Glencore Operations South Africa (Pty) Ltd (GOSA)</b>	GOSA is Merafe Ferrochrome and Mining (Pty) Ltd's partner in the Venture.	Employee costs of R62m (June 2020: R65m). Head-office costs of R13m (June 2020: R12m). Training costs of R3m (June 2020: R2m). Lion housing costs of R9m (June 2020: R9m). Shared services costs of R4m (June 2020: R4m).  Balance owing at the end of the period of R19m (Dec 2020: R11m) payable 10 days after month end.  GOSA received the non-executive directors' fees for Mr S Blankfield.

Name of related party	Description of relationship	Transactions and balance
<b>Access World (South Africa) Pty Ltd (Access)</b>	Access is a warehousing company that provides storage facilities of ferrochrome and chrome ore to the Venture.	Storage of ferrochrome and chrome ore of R4m (June 2020: R6m). Balance owing at the end of the period of R1m (Dec 2020: R2m) payable 30 days after statement date.
<b>Glencore Holdings South Africa (Pty) Ltd (GHSA)</b>	GHSA offers the Central Treasury Function for the Venture.	Interest expense of R1.3M. Cash deposits of R435m (Dec 2020: R79m).
<b>Impala Chrome (Pty) Ltd (Impala)</b>	Impala is an equity accounted investment by Unicorn Chrome (Pty) Ltd which provides logistics support to the Venture.	Logistics and marketing expense of R13m (June 2020: R7m). Fixed operational & maintenance expense of R2m (June 2020: R2m). Balance receivable at the end of the period of R27m (Dec 2020: R14m)
<b>Astron Energy (Pty) Ltd (Astron)</b>	Astron sells fuel to the Venture.	Purchases of R12m (June 2020: R10m). Payable of R3m at the end of the period (Dec 2020: R2m).
<b>Umsimbithi Mining (Pty) Ltd (Umsimbithi)</b>	Umsimbithi sells coal to the Venture	Purchases of R700k (June 2020: Rnil). No balances outstanding at the end of the period.
<b>Unicorn Chrome (Pty) Ltd (Unicorn)</b>	Unicorn is a jointly controlled chrome tailings processing operation by the Venture.	Receivables of R3.1m at the end of the period (Dec 2020: R3m).

\* African Carbon Manufacturers (Pty) Ltd and African Fine Carbon (Pty) Ltd are operating as divisions of Chartech Technology (Pty) Ltd.

## 7. TAXATION

The Group's annualised effective tax rate is 28% (June 2020: 25%) for the six months ended 30 June 2021.

## 8. EVENT DURING THE REPORTING PERIOD

In line with the general approval for the Company to acquire its own shares, from 4 January 2021, the Company started a share buyback program through which Merafe's shares were repurchased from the open market. After the end of the period, 11 577 378 shares were repurchased for a total consideration of R5.8 million will be cancelled. After the reporting period, steps have been taken to cancel the repurchased shares. In due course, the necessary SENS announcement will be published in accordance with JSE Listing Requirements once the Company has cumulatively repurchased 3% of the Company's issued share capital.

## 9. EVENTS AFTER THE REPORTING PERIOD

There have been no material events subsequent to 30 June 2021.

The riots and civil unrest that took place in South Africa, initially triggered on 7 July 2021, led to some disruption to our business. The unrest which was largely confined to the Gauteng and KwaZulu Natal provinces of the country led to some logistics disruptions. Further, a few of our suppliers declared force majeure. The impact of these disruptions, most of which have abated, has not been material on our business.

## 10. CHANGES TO THE BOARD

Following the resignation of Ms Belese Majova, an independent non-executive director, and Ms Mpho Mosweu, a non-executive director, in May 2021, Ms Nonhlanhla Mabusela-Aikhuere was appointed as an independent non executive director and chairperson of the Social, Ethics and Transformation Committee and member of the Audit and Risk Committee, with effect from 1 July 2021. Mr David McGluwa was appointed as a non-executive director and member of the Social, Ethics and Transformation Committee, with effect from 1 July 2021.

Mr Shaun Blankfield has tendered his resignation as a non-executive director of the Company, with effect from 6 August 2021. Mr Michael Toman was appointed as a non-executive director and member of the Remuneration and Nomination Committee, with effect from 6 August 2021. The Board thanks Mr Blankfield for his contributions to Merafe since 2015 and welcomes Mr Toman to Merafe and looks forward to his contributions to the Company.

## 11. DECLARATION OF AN ORDINARY DIVIDEND FOR THE SIX MONTHS ENDED 30 JUNE 2021

Notice is hereby given that a gross interim cash dividend of 7 cents per share (June 2020: Rnil 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 5.6 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 2 510 704 248.

The important dates pertaining to the dividend are as follows

Declaration date:	Tuesday, 10 August 2021
Last day for ordinary shares to trade cum ordinary dividend:	Tuesday, 31 August 2021
Ordinary shares commence trading ex-ordinary dividend:	Wednesday, 1 September 2021
Record date:	Friday, 3 September 2021
Payment date:	Monday, 6 September 2021

Shareholders will not be permitted to dematerialise or rematerialise their share certificates between Wednesday, 1 September 2021 and Friday, 3 September 2021, both days inclusive.

[www.merafereresources.co.za](http://www.merafereresources.co.za)



# Administration

## **MERAFA RESOURCES LIMITED**

Company registration number: 1987/003452/06

## **BUSINESS ADDRESS AND REGISTERED OFFICE**

Building B, 2nd Floor  
Ballyoaks Office Park  
35 Ballyclare Drive  
Bryanston  
2191  
Telephone: +27 11 783 4780  
www.meraferesources.co.za

## **COMPANY SECRETARY**

CorpStat Governance Services Proprietary Limited  
Hurlingham Office Park  
Ground Floor  
Suite 3, Block C  
59 Woodlands Avenue  
Hurlingham Manor  
Telephone: +27 11 326 0975 or +27 11 783 4780  
Email: w.somerville@mweb.co.za  
ewaldeck@corpstat.co.za

## **AUDITORS**

Deloitte & Touche  
5 Magwa Crescent  
Waterfall City  
Gauteng  
2090

## **ATTORNEYS**

Bowman Gilfillan Inc.  
165 West Street  
Sandton  
2196

PO Box 785812  
Sandton  
2146

## **BANKERS**

Absa Bank Limited  
180 Commissioner Street  
Johannesburg  
2001

Standard Bank of South Africa Limited  
30 Baker street  
Rosebank  
2001

## **TRANSFER SECRETARIES**

Link Market Services South Africa Proprietary Limited  
13th Floor, Hollard Building  
19 Ameshoff Street  
Braamfontein  
2001

PO Box 4844  
Johannesburg  
2000  
Telephone: +27 11 713 0800

## **SPONSOR**

One Capital Sponsor Services Proprietary Limited  
17 Fricker Road  
Illovo, 2196

PO Box 784573  
Sandton, 2146

## **DIRECTORATE**

A Mngomezulu\* (Chairman), M Vuso\*, K Tlale\*, J McLaughlan\*,  
N Mabusela-Aikhuere\*, D McGluwa, M Toman  
Z Matlala (Chief Executive Officer), D Chocho (Financial Director)

\* Independent

