

Chrometco Limited

(Incorporated in the Republic of South Africa)

(Registration number 2002/026265/06)

Share code: CMO

ISIN: ZAE007020249

("Chrometco" or "the Group")

UNREVIEWED CONDENSED CONSOLIDATED RESULTS FOR SIX MONTHS ENDED 31 AUGUST 2019**Condensed consolidated statement of financial position**

	Unreviewed as at 31 August 2019 R'000	Unreviewed as at 31 August 2018 R'000	Audited as at 28 Feb 2019 R'000
ASSETS			
Non-current assets	990,479	1,142,935	1,022,047
Tangible assets	6 930,152	1,017,277	975,051
Intangible assets	-	15,582	-
Goodwill	-	40,465	-
Other financial assets	37,347	39,056	35,421
Deferred taxation asset	566	21,155	3,524
Environmental rehabilitation obligation investments	9,523	9,400	8,051
Right of use asset	12,891	-	-
Current assets	584,301	327,300	418,324
Trade and other receivables	107,811	28,022	46,430
Inventory	172,899	134,385	112,776
Cash and cash equivalents	13,136	33,152	45,611
Non-current assets held-for-sale	7 290,455	131,742	213,507
Total assets	1,574,780	1,470,235	1,440,371
EQUITY AND LIABILITIES			
Capital and reserves	497,325	708,665	521,528
Stated capital	388,512	388,512	388,512
Accumulated losses	(111,354)	(12,180)	(102,280)
Attributable to equity owners of the parent	277,158	376,332	286,132
Non-controlling interest	220,167	332,333	235,396
Non-current liabilities	295,716	344,031	299,499
Deferred taxation liability	88,146	158,700	105,160
Borrowings	101,829	84,425	97,016
Other financial liabilities	38,106	60,675	42,666
Finance lease liability	44,226	27,763	32,287
Environmental rehabilitation provision	23,409	12,468	22,370
Current liabilities	781,739	417,539	619,344
Trade and other payables	316,768	326,529	395,586
Trade finance facility	8 296,613	-	97,634

liability				
Borrowings		25,778	-	22,282
Finance lease liability		98,620	61,320	59,814
Non-current liabilities held-for-sale	7	43,960	29,690	44,028
Total equity and liabilities		1,574,780	1,470,235	1,440,371

Condensed consolidated statement of comprehensive income

		Unreviewed as at 31 Aug 2019	Unreviewed as at 31 Aug 2018	Audited as at 28 Feb 2019
		R'000	R'000	R'000
Revenue	8	719,213	715,791	1,307,564
Cost of sales		(635,502)	(467,133)	(1,061,675)
Gross profit		83,711	248,658	245,889
Depreciation and amortisation		(81,889)	(100,632)	(167,772)
Other income		21,633	6,852	6,240
Other expenses		(16,474)	(47,059)	(84,206)
Salaries		(19,618)	(48,265)	(56,997)
Professional fees		(5,448)	(10,598)	(19,712)
Maintenance expenses		(622)	(1,408)	(1,224)
Impairments		-	(216)	(49,203)
Income from discontinued operation		-	-	3,774
Gain on bargain purchase		-	-	-
(Loss)/Profit before interest and tax		(18,707)	47,332	(123,211)
Investment income		943	3,321	1,274
Finance charges		(19,421)	(12,674)	(48,068)
(Loss)/Profit before tax		(37,185)	37,979	(170,005)
Taxation		12,982	(10,751)	16,334
(Loss)/Profit for the year		(24,203)	27,228	(153,671)
Other comprehensive income		-	-	-
Total comprehensive (loss)/profit for the year		(24,203)	27,228	(153,671)
Attributable to:				
Owners of the parent		(8,974)	1,653	(85,900)
Non-controlling interest		(15,229)	25,575	(67,771)
Basic (loss)/profit per share (cents)	9	(0.35)	0.09	(3.87)
Diluted (loss)/profit per share (cents)	9	(0.35)	0.09	(3.87)
Headline (loss)/profit per share (cents)	9	(0.35)	0.10	(1.86)

Condensed consolidated statement of cash flows

	Unreviewed as at 31 Aug 2019 R'000	Unreviewed as at 28 Aug 2018 R'000	Audited as at 28 Feb 2019 R'000
<i>Cash flows from operating activities</i>			
Cash utilised by operations and exploration activities	(120,037)	275,788	267,585
Operating profit before working capital changes	98,678	148,333	109,575
Working capital changes	(218,716)	127,455	158,010
Interest received	-	-	-
Finance cost	-	-	-
Tax paid	-	(5,617)	(3,709)
Net cash (outflow)/inflow from operating activities	(120,038)	270,171	263,876
<i>Cashflow from investing activities</i>			
Property, plant and equipment additions	(66,209)	(111,115)	(147,630)
Sale of property, plant and equipment	-	70	-
Increase in environmental rehabilitation obligation funds (Guard Risk)	(1,983)	(3,139)	(3,260)
Cash obtained as part of acquisitions	-	-	-
Loans funded	(752)	(28,639)	(2,957)
Net cash outflows from investing activities	(68,944)	(142,823)	(153,847)
<i>Cash flow from financing activities</i>			
Group loan repayment/(drawn)	-	7,622	-
Finance lease payments	(32,324)	(41,027)	(76,041)
Borrowings - settled on acquisition	-	-	-
Repayment of borrowings	(4,560)	(10,334)	(38,446)
Settlement of other financial liabilities	-	203	(34,972)
Borrowings obtained	1,945	-	25,058
Drawdown on trade finance facility	191,446	(82,079)	25,098
Net cash inflow/(outflow) from financing activities	156,507	(125,615)	(99,303)
Net (decrease)/increase in cash and cash equivalents	(32,475)	(1,733)	10,726
Cash and cash equivalents at beginning of year	45,611	34,885	34,885
Cash and cash equivalents at end of year	13,136	33,152	45,611

Condensed consolidated statement of changes in equity

	Stated capital R'000	(Accumulat ed loss)/ retained earnings R'000	Non- controllin g interest R'000	Total R'000
Balance at 28 February 2018	388,512	(49 607)	176,301	515,206
Non-controlling interest share of profits for the six months ended 31 August 2018	-	-	25,575	25,575
Total comprehensive profit for the six months ended 31 August 2018	-	1,653	-	1,653
Transaction with shareholders	-	35,774	130,456	166,230
Balance at 31 August 2018	388,512	(12 180)	332,332	708,664
Shares issued	-	-	-	-
Non-controlling interest share of loss for the year	-	-	(93,346)	(93,346)
Total comprehensive loss for the year	-	(87,553)	-	(87,553)
Transactions with shareholders:	-	(35,774)	36,762	988
Conversion of borrowings to loans	-	568	545	1,113
Transaction with shareholders: Gain on Acquisition	-	40,897	(40,897)	-
Transactions with a shareholder: change in share holding	-	(8,338)	-	(8,338)
Change in estimate	-	(8,338)	-	(8,338)
Balance at 28 February 2019	388,512	(102,380)	286,132	521,528
Total comprehensive loss for the six months ended 31 August 2019	-	(8,974)	(15,229)	(24,203)
Balance at 31 August 2019	388,512	277,158	220,167	497,325

1. Nature of business

The Group is a mining and exploration group, which focuses on Chrome mining in South Africa.

2. The interim condensed consolidated financial statements for the six months ended 31 August 2019 have been prepared by the Group's financial reporting team, supervised by Chrometco's Chief Financial Officer, Mr. Marcel Naude CA(SA) and approved by the Chrometco's board of directors.

3. Basis of preparation

The unreviewed interim condensed consolidated annual financial statements for the six months ended 31 August 2019 have been prepared in accordance with the framework concepts and the recognition and measurement criteria of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, contains as a minimum information required by IAS 34 - Interim Financial Reporting, the Financial Reporting Pronouncements as issued by the Financial Reporting Accountants Council, the JSE Limited Listings Requirements and the South African Companies Act, 71 of 2008, as amended.

The accounting policies and methods of computation applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements, except for the following new and revised accounting standards and amendments to standards became effective and had no significant impact on the Group's financial statements:

IFRS 16 Leases:

On 1 March 2019, the Group adopted IFRS 16, which replaces the provisions of IAS 17 Leases which relates to the recognition, classification and measurement of finance leases. The adoption of this standard has resulted in the recognition of two finance leases relating to Umnotho weSizwe Resources ÜWR" and the recognition of the head office rented office space as a finance lease.

The cumulative catch up approach has been used to transition from IAS 17 to IFRS 16. The standard is applied prospectively with the cumulative effect of initially applying the Standard recognised at the date of initial application. The lease liability is measured at the present value of the remaining lease payments and discounted using the incremental borrowing rate at the beginning of the current financial year.

The recognition of the additional finance leases resulted in a Lease Liability of R 12 million and a Right of use asset of R12 million on initial recognition with no impact on retained earnings. The Right of use asset is depreciated over the life of mine which is currently expected to be 11 years at the current rate of consumption of the measured reserve.

4. Provisional

The interim consolidated financial statements for the six months ended 31 August 2019, have are unreviewed and unaudited. The condensed consolidated financial statements presented in this SENS announcement do not include the information required pursuant to paragraph 16A(j) of IAS 34.

5. Going concern

The interim condensed consolidated financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

6. Tangible assets

	Mining assets	Mobile mining vehicles	Other	Total
Cost	926,618	279,820	35,557	1,241,995
Accumulated depreciation	(181,640)	(71,347)	(13,957)	(266,944)
Carrying amount 28 February 2019	744,978	208,473	21,600	975,051
Additions	95,213	17,867	3,203	116,283
Disposals	-	-	-	-
Asset Transfer	8,248	15,773	(23,981)	14,042
Change in accumulated depreciation of transferred assets	4,391	(14,042)	9,651	-
Depreciation	(51,981)	(30,741)	(1,152)	(84,234)
Transfer to assets held-for-sale	(76,948)	-	-	(76,948)
Cost	953,131	313,420	14,779	1,281,330
Accumulated depreciation	(229,230)	(116,130)	(5,818)	(351,178)
Carrying amount 31 August 2019	723,901	195,599	8,961	930,512

7. Non-current assets and liabilities held-for-sale

The group continues to actively explore options to dispose of the Rooderand operation. An offer of purchase was submitted to the owners and it is probable that a sale will be finalised within 12 months.

Plans to dispose of non-mining assets were finalised during the 2019 financial year. The sale of these assets is expected to occur within 12 months and hence these assets have been classified as held-for-sale in the financial statements. These assets are carried at the lower of carrying amount and fair value less costs to sell.

8. Trade finance facility

Due to the increase in the trade finance facility, it has been reclassified from cash and cash equivalents to be separately disclosed under current liabilities.

In the Statement of Cash Flows, the reclassification resulted in a reclassification of the trade finance facility from cash and equivalents to financing activities.

The following assets are included in the disposal group held-for-sale:

	Unreviewed as at 31 August 2019 R' 000	Unreviewed as at 31 August 2018 R' 000	Audited as at 28 Feb 2019 R' 000
<i>Assets included</i>			
Non-current assets	213,507	132,279	213,507
Net intangible assets	149,028	132,279	149,028
Intangible assets	149,028	126,723	157,766
Impairment	-	-	(8,738)
Non-mining property plant and equipment	141,427	5,556	64,479
<i>Liabilities included</i>			
Non-current liabilities	43,960	36,517	44,028
Deferred tax	29,339	27,643	29,339
Environmental rehabilitation obligation	14,033	8,874	14,033
Other	588	-	656

8. Revenue

Disaggregation of revenue:

	Unreviewed as at 31 August 2019 R' 000	Unreviewed as at 31 August 2018 R' 000	Audited as at 28 Feb 2019 R' 000
Export sales	595,456	706,111	1,262,609
Local sales	123,767	9,680	44,955
Total sales	719,213	715,791	1,307,564

9. Headline loss per share and diluted headline loss per share

	Unreviewed as at 31 August 2019 R' 000	Unreviewed as at 31 August 2018 R' 000	Audited as at 28 Feb 2019 R' 000
Loss after taxation attributable to equity holders of the Group	(8,974)	1,653	(85,900)
Impairment, net of tax	-	156	44,509
Other impairment	-	216	46,082
Tax thereon	-	(60)	(1,573)
Headline (loss)/profit	(8,974)	1,809	(41,391)
Weighted average number shares in issue	2,542,429	1,902,103	2,219,634
Diluted weighted average number shares in issue	2,542,429	1,902,103	2,219,634
Headline (loss)/profit per share (cents)	(0.35)	0.10	(1.86)

Diluted headline (loss)/profit per share (cents)	(0.35)	0.10	(3.87)
--	--------	------	--------

9.1 Weighted average number of shares

	Unreviewed as at 31 August 2019 R' 000	Unreviewed as at 31 August 2018 R' 000	Audited as at 28 Feb 2019 R' 000	
Shares in issue at the beginning of the year	2,542,429	1,172,429	1,172,429	
Weighted average shares issued during the year	2,542,429	1,902,103	1,047,205	2 0 5
Potential ordinary shares with dilutive effect	-	-	-	-
Diluted weighted average number of shares	2,542,429	1,902,103	2,219,634	
Closing number of shares	2,542,429	2,542,429	2,542,429	

10. Related party transactions

10.1 Related party transactions

	Unreviewed as at 31 August 2019 R' 000	Unreviewed as at 31 August 2018 R' 000	Audited as at 28 Feb 2019 R' 000
Sales to BBA Resources Pte Ltd	595,446	706,111	1,218,424
Sales to Phokathaba Platinum Pty Ltd	120,218	-	-

10.2 Related party balances

	Unreviewed as at 31 August 2019 R' 000	Unreviewed as at 31 August 2018 R' 000	Audited as at 28 Feb 2019 R' 000
Loan receivable from (included in other financial assets):			
Onicastar Pty Ltd	26,322	26,409	25,783
Sail Holdings Pty Ltd	8,089	6,298	6,532
Phokathaba Platinum Pty Ltd	28	-	-

	Unreviewed as at 31 August 2019 R'000	Unreviewed as at 31 August 2018 R'000	Audited as at 28 Feb 2019 R'000
Loan payable to:			
25 Sunninghill Office Park	(8,879)	-	(8,632)
Sunninghill Offices 07	(4,139)	-	(4,283)
Calculated Property Investments	(12,760)	-	(9,367)

These loans bear interest at prime interest rate and is repayable by 31 July 2020. Extension of the facility is subject to an annual review on 31 July 2020.

Accounts payable to BBA Resources Pte Ltd	(119,893)	(95,847)	(283,716)
Accounts receivable from Phokathaba Pty Ltd	69,613	-	-
Amounts owed to (included in Other financial liabilities):			
BBA Resources Pte Ltd	(33,570)	(55,209)	(37,250)
Sail Logistics Pty Ltd	(825)	(1,694)	(1,694)
Sail Mining CC	(3,711)	(3,771)	(3,721)

The balance owing to BBA Resources Pte Ltd bears no interest. While the loan has no fixed terms of repayment, it will not be repaid within 12 months from 31 August 2019. The amounts are repayable in cash and the carrying amount approximates the fair value.

14. Going concern

As at 31 August 2019, the Group's current liabilities exceeded its current assets by R197.4m (2019: R201.0m) and during the year ended the Group generated negative cash from operating activities of R120.0m (2019: R263.9m). The Group generated a loss after tax of R24.3m for the period.

Chrome is predominantly sold in US dollars, and while the majority of the Group's operational costs are denominated in rand, the Group's results and financial condition will be impacted if there is a material change in average chrome price and/or US dollar exchange rate.

The average chrome price of 42% UG2 Concentrate (CIF China) was USD159/t for the period, with the chrome market price volatility of a period low of USD140/t and a period high of USD185/t. The last transacted price was at USD140/t.

Based on the historical chrome price movement, the chrome price drops and rises significantly throughout the year. This movement in the chrome price

results in periods when the chrome price is substantially below the Group's breakeven price. The average chrome price for the period was below the Group's breakeven price. Should the current low chrome price remain at this level for an extended period, it causes a material uncertainty for the group to meet its obligations as they fall due.

Management are taking the following mitigating steps:

- Cost management drive, which have already generated cost savings on the Group's actual cost against its budget.
- Sale of low grade stockpiles.
- Renegotiation of the current run-of-mine sales agreement

15. Mineral Reserves and Mineral Resources

There have been no published changes to the Mineral Reserves and Mineral Resources, as disclosed in the Annual Financial Report dated 28 February 2019.

16. Dividends

No dividend has been declared or paid for the period (31 August 2018: R nil).

17. Changes to the Board

There have been no changes in directors in the six months ended 31 August 2019.

Signed on behalf of the Board of Directors

Marcel Naude CA(SA)
Chief Financial officer

Johannesburg

Directors:

BL Sibiya+ (Chairman), MC Naude (CFO), NP Thomas+,
LJ Jordaan+

+ independent non-executive

CORPORATE INFORMATION

Designated Advisor:
PSG Capital

Company Secretary:
Acorim Secretarial and Governance

Registered Office
Unit 25 Sunninghill Office Park
4 Peltier Drive
Sunninghill
Gauteng
2196

Postal address
PO Box 1553
Kelvin
2054