MERAFE
RESOURCES

SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS AND DIVIDEND DECLARATION

FOR THE YEAR ENDED
31 DECEMBER 2019

Contents

Summarised consolidated financial statements and dividend declaration

for the year ended 31 December 2019

Merafe Resources Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1987/003452/06)
JSE share code: MRF
ISIN: ZAE000060000
("**Merafe**" or the "**Company**")

Sponsor
One Capital Sponsor Services Proprietary Limited

Executive Directors
Z Matlala (Chief Executive Officer), D Chocho (Financial Director)

Non-Executive Directors
A Mngomezulu (Chairman)*, NB Majova*, M Vuso*, G Motau*, M Mosweu, S Blankfield, J Mclaughlan*

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/+27 83 462 3040
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** Independent*

CEO's commentary on results

With a challenging operational environment and uncertainty fuelled by year-long trade wars which have affected both the global demand for and pricing of our products, Merafe has produced an underwhelming set of financial results for the 2019 financial year. Industry dynamics led to market supply exceeding demand and resulted in lower realised CIF ferrochrome prices. The loss after tax is a deterioration from a profit in the prior year and arose mainly as a result of low commodity prices, an impairment loss on property, plant and equipment, impairment of inventory and an increase in standing charges. A total cash dividend of R100 million has been declared for the year ended 31 December 2019.

Preparation of this report

The following individuals were responsible for the preparation of this report:

- Masechaba Masemola CA(SA) Financial Manager
- Ditabe Chocho CA(SA) Financial Director

KEY FEATURES

24% improvement in TRIFR to **2.56**
(2018: 3.39)

9% decrease in ferrochrome production to **371kt**
(2018: 407kt)

4% decrease in revenue to **R5 379 million**
(2018: R5 606 million)

Increase in production cost per tonne managed to **12%**
(2018: 9%)

71% decrease in EBITDA to R392 million
(2018: R1 346 million)

Headline loss per share of **1.8 cents**
(2018: headline earnings per share of 27.2 cents)

Basic loss per share of **54.2 cents**
(2018: basic earnings per share of 27.2 cents)

Net cash generated from operating activities increased to **R761 million**
(2018: R478 million)

Net cash of **R354 million**
(2018: R281 million)

[1] Net cash includes cash and cash equivalents and bank overdraft.

72% decrease in total cash dividend to **R100 million**
(2018: R351 million)

Commentary

Financial review

The summarised consolidated financial results for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards.

Rounding of figures may result in minor computational discrepancies of the tabulations.

Merafe's revenue and operating income **are** primarily generated from the Glencore-Merafe Chrome Venture ("**the Venture**") which is one of the global market leaders in ferrochrome production, with a total installed capacity of 2.3 million 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 and, as a result, no segment report has been presented.

Merafe's share of revenue from the Venture decreased by 4% from the prior year to R5 379 million (2018: R5 606 million). Ferrochrome revenue decreased by 8% year on year to R4 455 million (2018: R4 849 million), primarily as a result of a 14% decrease in average net CIF prices and a 1% decrease in ferrochrome sales volumes to 368kt (2018: 372kt). Chrome ore revenue increased by 22% year on year to R910 million (2018: R747 million), driven by a 45% increase in sales volumes to 359 000 (2018: 248 000). This was partially offset by a 24% average sales price decrease for the year.

Merafe's portion of the Venture's EBITDA for the year ended 31 December 2019 is R428.1 million (2018: R1 390.3 million). The EBITDA includes Merafe's attributable share of standing charges of R203.3 million (2018: R131.5 million) and a foreign exchange loss of R14.4 million (2018: foreign exchange gain of R141.5 million). This figure also includes an impairment loss on inventory of R133.2 million (2018: R8.3 million) as well as a reversal of SARS disallowed diesel rebate of R11.0 million (2018: Rnil).

After accounting for corporate costs of R36.3 million (2018: R44.4 million), which include a cash settled share-based payment expense of R0.16 million (2018: R3.1 million), Merafe's EBITDA reached R391.9 million (2018: R1 345.9 million). Corporate costs include corporate social investment expenses of R3.2 million (2018: R3.3 million) following contributions to the Adopt-a-School Project. This project primarily relates to the Company's intervention in the development and upgrade of infrastructure, as well as social and academic skills of two schools within the areas we operate in.

Loss for the year ended 31 December 2019 amounted to R1 361.8 million (2018: profit of R683.4 million), after taking into account depreciation of R467.2 million (2018: R405.5 million), an impairment of assets of R1 846 million (2018: Rnil), net financing income of R54.8 million (2018: R4.0 million) and taxation credit of R505.1 million (2018: expense R261.1 million). Taxation includes deferred tax credit of R507.7 million (2018: R29.6 million) which arose primarily as a result of temporary differences on property, plant and equipment as well as those relating to provisions and accruals. There is a balance of R141.0 million (2018: Rnil) unredeemed capital expenditure balance at 31 December 2019 as taxable profits did not exceed capital expenditure. Depreciation increased year on year primarily as a result of capital expenditure for the year as well as the prior year.

Sustaining capital expenditure increased by 29% to R531 million (2018: R412 million). This is necessary stay-in-business spending, coupled with the Venture's ongoing efforts to improve safety, costs and efficiencies across all operations.

The unsecured, three-year revolving credit facility was increased to R300 million from R200 million and remained unutilised for the year.

At 31 December 2019, Merafe had cash and cash equivalents of R354.1 million (2018: R280.6 million) which comprised cash held by Merafe of R211.5 million (2018: R235.8 million) and R142.6 million (2018: R45.0 million), being Merafe's share of the cash balance in the Venture.

Trade and other receivables decreased by 31% compared to the previous year primarily as a result of lower sales. The Rand:US$ exchange rate closed at R13.98 (2018: R14.39) as at 31 December 2019.

Ferrochrome finished goods volumes of 131kt (2018: 128kt) on hand at year end represent approximately four to five months of sales. Although closing inventory volumes increased marginally (1.8%) from the volumes at the beginning of the year, the total value of inventory dropped by R64 million to R2 008 million as a result of the impairment loss recognised.

The Board declared a final cash dividend of R100 million (2018: R151 million), which is 4 cents per share (2018: 6 cents per share). As there was no interim dividend, this amount represents the full year dividend of R100 million (4 cents per share) compared to R351 million (14 cents per share) for the previous financial year.

Safety

As reported in our interim results for the half-year ended 30 June 2019, there was unfortunately a fatality at the Venture's Magareng mine as a result of a fall of ground incident.

We continue to place maximum focus on safety. We have a number of safety campaigns in our efforts to improve our safety performance. This is evidenced by the improved total recordable injury frequency rate ("**TRIFR**") of 2.56 compared to 3.39 for the year ended 31 December 2019.

Operational review

Ferrochrome production volumes decreased by 9% from 407kt in 2018 to 371kt in the current financial year. The contributing factors to the decrease were power supply disruptions, community unrest and scaled-down production levels in the fourth quarter of 2019 in response to weaker demand for ferrochrome.

Load curtailment by Eskom had an impact on production volumes and costs. This remains a key risk for our business and the broader ferro-alloy sector. In addition, electricity tariff increases are contributing to cost pressures in the business. The National Energy Regulator of South Africa approved a 13.87% tariff increase effective 1 April 2019 and an 8.1% tariff increase effective 1 April 2020. While the tariff increases are less than amounts Eskom had applied for, the above-inflation increases will have an impact on cost structures and margins.

Section 189 consultation

As announced on 20 January 2020, the Venture has commenced consultation processes in terms of Section 189 and 189A of the Labour Relations Act, No 66 of 1995 at the Rustenburg smelter. The consultation process is a result of deteriorating market and operating conditions across the South African ferrochrome industry, including unsustainable electricity tariff and power supply disruptions. These factors have also led to displacement of South African ferrochrome volumes.

The increasing and unrestricted exports of chrome ore from South Africa is also contributing to displacement of ferrochrome volumes from South Africa.

Market review

Global stainless steel production increased by 1.5%^ in 2019 to an estimated 51.9 million^ tonnes. Stainless steel production in China and Indonesia exceeded 30mt^, an all-time high and approximately 8%^ higher than the prior year, while European and North American production declined around 7%^ year on year. Although Chinese stainless steel producers remain competitive on a global scale, they face headwinds due to an increase in global trade restrictions.

Global ferrochrome production increased 3.2%^ to an estimated 14.1 million^ tonnes in 2019, this is lower than the growth of 8.1%^ in 2018. Ferrochrome production in China increased 13%^ year on year, linked to a 15.4%^ increase in chrome ore exports from South Africa. Despite the increase in Chinese ferrochrome demand, South African ferrochrome production declined 8.4%^ during 2019 to 3.6mt^, owing to lower prices and weak rest-of-world demand. These cutbacks were exacerbated by power shortages in H2 2019. The environment for ferrochrome producers in South Africa is expected to remain challenging, while further capacity additions are expected in China.

Chinese chrome ore imports from countries other than South Africa reduced by 1.6%^ during 2019, owing to weak market conditions. This has increased China's reliance on South African chrome ore imports from 76%^ to 79%^. Despite an increase in demand from Chinese ferrochrome smelters, chrome ore port stocks rose 20%* to approximately 3.5mt* by year end, owing to continued ore oversupply.

Outlook

Stainless steel production is expected to grow by 3.2% in 2020, however, both chrome and ferrochrome prices are expected to remain under pressure in the short term due to oversupply. The growth forecasted does not factor in the possible impact of COVID-19 (Coronavirus) and load shedding which is expected to last for 18 to 24 months.

We will continue to manage factors within our control. Cost management, efficient and safe operations, cash preservation and efficient capital allocation will continue to be management's key areas for 2020.

The financial position of our business, which is ungeared at year end remains strong and we are of the view that this positions us to withstand the difficult times ahead.

Abiel Mngomezulu
Independent Non-executive Chairman

Zanele Matlala
Chief Executive Officer

Sandton
9 March 2020

^ CRU commodity market analysts
** Ferroalloy Net*

Summarised consolidated financial statements

The following summarised financial statements were not audited, however, the information has been extracted from the audited consolidated annual financial statements.

Summarised consolidated statement of comprehensive income

	For the year ended	
	31 December 2019 Audited R'000	31 December 2018 Audited R'000
Revenue	**5 379 329**	5 606 324
EBITDA	**391 886**	1 345 940
Depreciation and amortisation	**(467 261)**	(405 548)
Impairments	**(1 846 343)**	–
Net financing income	**54 802**	4 082
(Loss)/profit before taxation	**(1 866 916)**	944 475
Taxation	**505 097**	(261 059)
(Loss)/profit and total comprehensive (loss)/income for the year	**(1 361 819)**	683 416
Basic (loss)/earnings per share (cents)	**(54.2)**	27.2
Headline (loss)/earnings per share (cents)	**(1.8)**	27.2
Ordinary shares in issue	**2 510 704 248**	2 510 704 248
Weighted average number of shares for the year	**2 510 704 248**	2 510 704 248
Diluted weighted average number of shares for the year	**2 510 704 248**	2 510 704 248

Summarised consolidated statement of financial position

	As at		
	31 December 2019 Audited R'000	31 December 2018 Audited R'000 (Restated)	31 December 2017^ Audited R'000 (Restated)
Assets			
Property, plant and equipment	**1 435 080**	3 226 212	3 215 223
Intangible assets*	**49 268**	51 376	55 932
Investments in subsidiaries**	**–**	–	–
Long-term receivable	**16 612**	12 995	13 864
Deferred tax asset	**1 374**	17 945	17 726
Total non-current assets	**1 502 334**	3 308 528	3 302 745
Inventories****	**2 008 799**	2 042 621	1 497 798
Current tax assets	**18 635**	26 368	–
Trade and other receivables***	**675 344**	968 998	883 249
Cash and cash equivalents	**354 181**	282 037	671 655
Total current assets	**3 056 959**	3 320 024	3 052 702
Total assets	**4 559 293**	6 628 552	6 355 447
Equity			
Share capital	**25 107**	25 107	25 107
Share premium	**1 269 575**	1 269 575	1 269 575
Retained earnings	**2 085 835**	3 598 296	3 340 843
Total equity attributable to owners of the Company	**3 380 517**	4 892 978	4 635 525
Liabilities			
Lease obligation and borrowings non-current	**19 972**	9 879	11 094
Share-based payment liability non-current	**1 004**	3 518	5 379
Provisions	**337 716**	371 904	287 518
Deferred tax liability	**226 065**	751 103	780 485
Total non-current liabilities	**584 757**	1 136 404	1 084 476
Lease obligation and borrowings current	**4 460**	1 233	1 044
Trade and other payables	**579 131**	544 731	550 556
Derivative***	**8 090**	48 767	72 272
Share-based payment liability current	**2 338**	3 257	3 376
Bank overdraft	**–**	1 182	–
Current tax liability	**–**	–	8 198
Total current liabilities	**594 019**	599 170	635 446
Total liabilities	**1 178 776**	1 735 574	1 719 922
Total equity and liabilities	**4 559 293**	6 628 552	6 355 447

* *Intangible assets is now separately disclosed from property, plant and equipment with a restatement of 2018 financial year.*
** *Less than one thousand.*
*** *Trade and other receivables has been restated due to a prior period error in the 2018 financial year. The derivative financial liability was previously netted off against the trade and other receivables balance and is now separately disclosed.*
**** *Inventory of R133.2 million (2018: R8.3 million) was written down for the year ended 31 December 2019.*
^ *In line with the restatement noted, a third balance sheet has been included for comparative purposes.*

Statement of changes in equity

	For the year ended	
	31 December 2019 Audited R'000	31 December 2018 Audited R'000
Issued share capital – ordinary shares	25 107	25 107
Balance at the beginning and end of the year	25 107	25 107
Share premium – ordinary shares	1 269 575	1 269 575
Balance at the beginning and end of the year	1 269 575	1 269 575
Retained earnings	2 085 835	3 598 296
Balance at beginning of the year	3 598 296	3 340 843
Total comprehensive (loss)/income for the year	(1 361 819)	683 416
Dividends paid	(150 642)	(425 963)
Total equity for the end of the year	3 380 517	4 892 978

Summarised consolidated statement of cash flow

	For the year ended	
	31 December 2019 Audited R'000	31 December 2018 Audited R'000
(Loss)/profit before tax	(1 866 916)	944 475
Depreciation, amortisation and impairment	2 313 604	405 548
Finance income	(56 397)	(18 595)
Finance expense	1 594	14 512
Share-based payment expense	156	3 097
Share grants exercised	(3 588)	(5 077)
Embedded derivative expense	40 677	34 570
Provisions	34 188	84 386
Movement in long-term receivable	(3 617)	–
Profit on sale of assets	(17 087)	–
Effect of exchange rate fluctuations on cash held during the year	4 410	30 042
Non-cash movement	3 054	–
Adjusted for working capital changes	296 496	(705 332)
Cash generated from operating activities	746 574	787 627
Interest paid	(1 524)	(968)
Interest received	10 952	17 253
Taxation received/(paid)	5 040	(325 417)
Net cash generated from operating activities	761 042	478 495
Proceeds from sale of property, plant and equipment	3 037	–
Sustaining capital expenditure	(531 473)	(412 074)
Expansionary capital expenditure	–	(190)
Net cash utilised in investing activities	(528 436)	(412 264)
Dividends paid	(150 642)	(425 963)
Loans raised/(repaid) during the year	(4 228)	(1 026)
Net cash utilised in financing activities	(154 870)	(426 989)
Net increase/(decrease) in cash and cash equivalents	77 736	(360 758)
Cash and cash equivalents at 1 January	280 855	671 656
Effect of foreign exchange rate changes	(4 410)	(30 042)
Cash and cash equivalents at 31 December	354 181	280 856

Notes to the summarised consolidated financial statements

1. Basis of preparation

On 6 March 2020, the Board of directors (the "**Board**") of Merafe Resources Limited (the "**Company**") approved the audited consolidated annual financial statements of the Merafe Group ("**Group**") and the Company for the year ended 31 December 2019.

These summarised consolidated financial statements have been prepared under the supervision of Ditabe Chocho CA(SA) (Financial Director), in accordance with the framework concepts, the measurement and recognition requirements of International Financial Reporting Standards ("**IFRS**"), the requirements of the Companies Act No 71 of 2008, as amended, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by Financial Reporting Standards Council and as a minimum contain the information required by IAS 34: *Interim Financial Reporting*.

The Board takes full responsibility for the preparation of the summarised consolidated financial statements, which are unaudited and unreviewed. The financial information has been extracted from the underlying audited consolidated annual financial statements.

The audited consolidated annual financial statements from which the summarised consolidated financial statements were derived have been audited by the Group's auditors, Deloitte & Touche. Their unmodified audit report,including a key audit matter relating to the impairment of the Group's net assets, along with the audited consolidated annual financial statements are available for inspection at the Company's registered office and also available on Merafe's website at (http://www.meraferesources.co.za/stake-annual-results.php).

1.1 Accounting policies

The accounting policies applied in the preparation of these summarised consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous audited consolidated annual financial statements, except for the adoption of various revised and/or new standards. For the impact of adoption of new standards, refer to note 1 of the accounting policies disclosures in the audited consolidated annual financial statements. The Group did not early adopt any new, revised or amended accounting standards or interpretations.

1.2 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the summarised consolidated financial statements 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 summarised consolidated financial statements 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;
- Recognition of deferred tax asset on assessed losses;
- 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 PSV.

These disclosures are included in the audited consolidated annual financial statements.

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 31 December 2019 was R8.1 million liability (2018: R48.7 million liability) and is based on level 2 hierarchy per IFRS 13. The valuation is based on observable market inputs of prices and exchange rates.

3. Prior period error

The 2018 financial year has been restated with the change in the derivative financial liability disclosure. In addition, in an effort to improve disclosure, Merafe has also disaggregated the property, plant and equipment note which was inclusive of intangible assets to separately disclose these intangible assets. Merafe has also restated its loans to subsidiaries from non-current assets to current assets.

	As restated 2018 R'000	As previously reported 2018 R'000	As restated 2017 R'000	As previously reported 2017 R'000
Trade and other receivables	968 998	920 231	918 242	883 249
Derivative financial instrument	(48 767)	–	(35 175)	–
Property, plant and equipment	3 226 212	3 277 588	3 215 233	3 271 155
Intangible assets	51 375	–	55 932	–
Investment in subsidiaries/loan to subsidiary	–	1 759 108	–	1 533 128
Loans to subsidiaries	1 759 108	–	1 533 128	–

	For the year ended	
	31 December 2019 Audited R'000	31 December 2018 Audited R'000
4. Headline (loss)/earnings		
(Loss)/earnings for the year	**(1 361 819)**	683 416
Headline loss adjustment:		
Impairment	**1 846 342**	–
Profit on sale of assets	**(17 087)**	–
Taxation effect	**4 784**	–
Deferred tax effect	**(516 976)**	–
Headline (loss)/earnings for the year	**(44 755)**	683 416
Headline (loss)/earnings per share (cents)	**(1.8)**	27.2
Diluted headline (loss)/earnings per share (cents)	**(1.8)**	27.2
5. Capital commitments	**196 734**	178 957
Contracted but not provided for	**67 686**	47 335
Authorised but not contracted for	**129 048**	131 622

6. Related parties

6.1 Related party transactions and balances

During the current financial year, management performed a reassessment of 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 were concluded on arm's-length basis and relate to Merafe's attributable 20.5% interest in the Venture. There are no outstanding commitments at year end.

Name of related party	Description of relationship	Transactions and balance#
The Venture	In July 2004, Glencore and Merafe Ferrochrome pooled and shared ferrochrome assets to form the Venture.	Refer note 23.4 for the amounts that are included in the audited consolidated financial statements of the Group.
Merafe Chrome and Alloys Proprietary Limited	Merafe Chrome is a wholly owned subsidiary of the Company.	Dividends were paid to Merafe Resources by Merafe Chrome of R150 million (2018: R425 million). The loan account was ceded to Merafe Ferrochrome as per note 3. The balance owing to Merafe Resources is Rnil (2018: R1.75 billion). The loan account is of a long-term nature, is interest free, unsecured and does not have fixed repayment terms.

Name of related party	Description of relationship	Transactions and balance[#]
Merafe Ferrochrome and Mining Proprietary Limited	Merafe Ferrochrome is a wholly–owned subsidiary of Merafe Chrome.	Merafe Resources charges Merafe Ferrochrome a management fee as per note 15. Dividends were paid to Merafe Chrome of R150 million (2018: R425 million). At year end a loan of R1.28 billion (2018: R459 million) is owing by Merafe Ferrochrome to Merafe as the loan by Merafe Chrome was ceded to Merafe Ferrochrome. The loan account is of a short-term nature, is interest free, unsecured and does not have fixed repayment terms.
Merafe Kroondal Rehabilitation Trust (SE)	The Trust, which was registered on 31 May 2006, was established to provide funds for the rehabilitation of land involved in any prospecting or mining operations of Merafe Ferrochrome of the Kroondal mine and to discharge any liability which might arise in terms of the Atmospheric Pollution Prevention Act of 1965, the Environment Conservation Act, No 50 of 1991, the Water Act, No 54 of 1956 and any such other legislation as may be enacted in the future. The environmental obligations and corresponding liability remains the sole responsibility of the Venture.	There is a loan account of R108 000 (2018: R108 000) with the Company which relates to the payment of audit fees. The loan account is of a long-term nature, is interest free, unsecured and does not have fixed repayment terms.
Industrial Development Corporation of South Africa Limited ("IDC")	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 as disclosed in note 23.2. IDC received dividends declared by Merafe Resources. At year end there are no amounts due to the IDC.
Mr C Molefe[1], Ms M Mosweu, Ms B Majova, Mr A Mngomezulu, Ms Z Matlala, Mr S Blankfield, Mr D Chocho, Ms M Vuso, Ms G Motau, Mr J Mclaughlan[2]	Directors of the Company. Refer to notes 1 and 2 below, for changes during 2019.	Refer to note 23.2 for transactions with directors.
Glencore Limited (Stamford) ("GLS")	GLS acts as the Venture's exclusive marketing agent to sell ferrochrome on its behalf, and acts as distributor in the USA and Canada.	Sale of ferrochrome R390 million (2018: R468 million) Commission expense R8 million (2018: R12 million) Interest expense R5 million (2018: R5 million) Receivable R83 million at the end of the year R21 million (2018: R131 million) which is reduced as and when GLS receives funds from customers.
Glencore International AG	Glencore International AG acts as the Venture's exclusive marketing agent to sell ferrochrome and chrome ore on its behalf. The Venture purchases various raw materials from Glencore International AG on an ongoing basis. The Venture sells chrome ore to Glencore International AG on an ad hoc basis.	Commission expense on sale of ferrochrome and chrome ore R212 million (2018: R220 million) Marketing fee expense R2 million (2018: R2 million) Interest income R2 million (2018: R0.5 million) Purchase of raw materials R159 million (2018: R227 million) Balance owing at the end of the year R21 million (2018: R42 million) payable on confirmation of final sales
African Carbon Manufacturers Proprietary Limited	African Carbon Manufacturers Proprietary Limited sells raw materials to the Venture.	Purchase of raw materials R21 million (2018: R17 million) Balance owing at the end of the year R2 million (2018: R2 million) payable 30 days from statement date.
African Fine Carbon Proprietary Limited	African Fine Carbon Proprietary Limited sells raw materials to the Venture.	Purchase of raw materials R40 million (2018: R37 million) Balance owing at the end of the year R3 million (2018: R5 million) payable 30 days from statement date.
Chartech Technology Proprietary Limited ("Chartech")	Chartech sells raw materials to the Venture.	Purchase of raw materials R37 million (2018: R34 million). Balance owing at the end of the year R4 million (2018: R4 million) payable 30 days from statement date.

Name of related party	Description of relationship	Transactions and balance[#]
Glencore Operations South Africa Proprietary Limited ("GOSA")	GOSA is Merafe Ferrochrome and Mining Proprietary Limited partner in the Venture.	Employee costs R144 million (2018: R146 million) Head-office costs R23 million (2018: R19 million) Training costs R5 million (2018: R7 million) Lion housing R15 million (2018: R14 million) Balance owing at the end of the year R11 million (2018: R7 million) payable 10 days after month end GOSA received the non-executive directors' fees for Mr S Blankfield as disclosed in note 23.2. GOSA received dividends declared by Merafe Resources.
Access world (South Africa) Proprietary Limited ("Access")	Access is a warehousing company that provides storage facilities of ferrochrome and chrome ore to the Venture.	Storage of ferrochrome and chrome ore R15 million (2018: R12 million) Outstanding balance owing at the end of the year R3 million (2018: R1 million) payable 30 days after statement date

[1] Retired 15 May 2019.
[2] Appointed 1 May 2019.
 # All reference to note numbers relates to reference in the consolidated financial statements of the Group.

7. Taxation

The Group's effective tax rate is 27.1% (2018: 27.7%) for the year ended 31 December 2019.

8. Events after the reporting period

Post year end, the Venture issued a notice in terms of section 189A of the LRA: Rustenburg Smelter NW Province South Africa ("**Rustenburg Smelter**"). This decision was a result of deteriorating operating and market conditions across the South African ferrochrome industry, including unsustainable electricity tariffs and interruptions, cross subsidies and real cost inflation.

The Board resolved to simplify the structure of the Group through a restructure in terms of which Merafe would directly hold a 100% interest in Merafe Ferrochrome and Mining Proprietary Limited. Both Merafe Chrome and Alloys Proprietary Limited and Merafe Ferrochrome and Mining Proprietary Limited are subsidiaries of the Company.

Other than the items reported above and the dividend declared, there have been no other material events subsequent to 31 December 2019.

9. Contingent liabilities

Merafe had no contingent liabilities as at 31 December 2019.

10. Declaration of an ordinary dividend for the year ended 31 December 2019

Notice is hereby given that on 6 March 2020 the Board declared a gross cash final ordinary dividend of R100 million (4 cents per share) 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 ordinary dividend, to those shareholders who are not exempt from paying dividend tax, is therefore 3.2 cents per share and 4 cents per share for shareholders exempt from paying dividend tax.

Merafe's income tax number is 9550 008 602. The number of ordinary shares issued at the date of this announcement is 2 510 704 248.

The important dates pertaining to the dividend are as follows:

Last day for ordinary shares to trade cum ordinary dividend:	Tuesday, 24 March 2020
Ordinary shares commence trading ex-ordinary dividend:	Wednesday, 25 March 2020
Record date:	Friday, 27 March 2020
Payment date:	Monday, 30 March 2020

Shares may not be dematerialised/rematerialised between Wednesday, 25 March 2020 and Friday, 27 March 2020, both days inclusive.

Where applicable, in terms of instructions received by the Company from certificated shareholders, the payment of the dividend will be made electronically to shareholders' bank accounts on payment date. In the absence of specific mandates, cheques will be posted to shareholders. Shareholders who have dematerialised their shares will have their accounts with their CSDP or broker credited on Monday, 30 March 2020.

www.meraferesources.co.za

Notes

Administration

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Company registration number: 1987/003452/06

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Directorate
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** Independent*

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