MERAFE
RESOURCES

Summarised Consolidated Unaudited Interim Financial Statements

for the six months ended
30 June **2020**

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for the six months ended 30 June 2020

Contents

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 (Pty) Ltd

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 (Pty) Ltd

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

Transfer Secretaries
Link Market Services South Africa (Pty) Ltd

Investor Relations
Ditabe Chocho
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** Independent*

CEO commentary on results

The COVID-19 pandemic has destabilised the global health systems and disrupted economies. This pandemic coupled with an already fragile operating environment have resulted in a loss after tax for the first half of 2020. A slow-down in global economic activity has contributed to not only reduced volumes of commodities sold, but also to lower realised cost, insurance and freight (CIF) ferrochrome and chrome ore prices. Merafe recorded a loss after tax for the period ended 30 June 2020 against a profit after tax in the prior comparative period. This includes a significant impairment loss on property, plant and equipment. A weaker average Rand:US$ exchange rate provided some cushion to the loss. Due to the Company's key focus areas, especially over these challenging times, being working capital management and cash preservation, no interim dividend has been declared. In spite of current challenges, the board of directors ("**Board**") remains positive about future prospects of the business supported by industry fundamentals that are still in place.

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

Icons used in this Notice

This icon refers to further reading

This icon refers to more information available at www.meraferesources.co.za

2020 half year in review

KEY FEATURES

No fatality
(June 2019: 1 fatality)

39% increase in TRIFR[1] to 3.57
(December 2019: 2.56)

42% decrease in ferrochrome production to 120kt
(June 2019: 206kt)

16% decrease in revenue to R2 338 million
(June 2019: R2 789 million)

64% decrease in EBITDA[2] to R157 million
(June 2019: R435 million)

Headline earnings per share of 1.1 cents
(June 2019: headline earnings per share of 6.6 cents)

Basic loss per share of 38.3 cents
(June 2019: Basic earnings per share of 6.6 cents)

31% decrease in net asset value to R2 319 million
(December 2019: R3 381 million)

17% decrease in cashflow from operating activities to R164 million
(June 2019: R197 million)

26% decrease in net cash to R263 million[3]
(December 2019: R354 million)

No interim dividend declared
(June 2019: Rnil)

[1] Total recordable injury frequency rate
[2] Earnings before interest, tax, depreciation and amortisation
[3] Net cash includes cash and cash equivalents and bank overdraft

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 revenue from the Venture decreased by 16% from the prior period to R2 338 million (June 2019: R2 789 million).

Ferrochrome revenue decreased by 16% from the prior period to R2 005 million (June 2019: R2 391 million) primarily as a result of decrease in ferrochrome sales volumes to 151kt (June 2019: 189kt) and lower average realised prices.

Chrome ore revenue decreased by 16% from the prior period to R333 million (June 2019: R397 million), as a result of a 6% decrease in sales volumes to 138kt (June 2019: 147kt) as well as weaker chrome prices for the first half of the year.

Merafe's share of the Venture's EBITDA for the six months ended 30 June 2020 is R170.6 million (June 2019: R454.4 million). The EBITDA includes Merafe's attributable share of standing charges of R277.3 million (June 2019: R42.2 million) and a foreign exchange gain of R90.2 million (June 2019: foreign exchange loss of R6.4 million). The increase in standing charges is due to production stoppages in the Company's operations necessitated primarily by the COVID-19 nationwide lockdown regulations as well as a difficult operating environment.

After accounting for corporate costs of R13.2 million (June 2019: R19.4 million), which include a cash settled share-based payment credit of R1.3 million (June 2019: expense of R227k), Merafe's EBITDA was R157.5 million (June 2019: R435.1 million).

The loss for the six months ended 30 June 2020 amounted to R961.1 million (June 2019: profit of R165.2 million), after taking into account depreciation of R100.8 million (June 2019: R205.9 million), impairment of assets of R1 340 million (June 2019: Rnil), net financing income of R4.1 million (June 2019: R8.0 million) and a net taxation income of R318.2 million (June 2019: taxation expense of R72.0 million). The taxation income includes an income taxation expense of R4.5 million (June 2019: R90.2 million) and a deferred tax credit of R322.8 million (June 2019: R18.1 million) which arose primarily as a result of temporary differences on property, plant and equipment as well as those relating to provisions and accruals. The unredeemed capital expenditure balance at 30 June 2020 was R9.2 million (June 2019: Rnil) given that taxable profits did not exceed capital expenditure. Depreciation decreased year on year primarily as a result of the property, plant and equipment impaired in the prior year. The impairment loss was incurred after a detailed review of the models and assumptions used to determine the carrying amount as at 30 June 2020. The impairment loss is included in the consolidated statement of comprehensive income.

A loss of R162 000, being Merafe's proportionate share in the loss from an associate, was recorded for the period ended 30 June 2020. Reference is made to the Company's announcement published on SENS on Friday, 29 May 2020 in which the acquisition of a shareholding interest in Unicorn Chrome (Pty) Ltd was communicated.

Sustaining capital expenditure decreased by 21% to R95.9 million (June 2019: R121 million). The decrease was as a result of cash preservation measures initiated in response to the COVID-19 pandemic and tough market conditions.

The R300 million committed three-year revolving credit facility with ABSA was unutilised for the period ended 30 June 2020.

As at 30 June 2020, Merafe had net cash and cash equivalents of R263.3 million (December 2019: R354.1 million) which is inclusive of a bank overdraft of R1.7 million (December 2019: Rnil).The balance comprises cash held by Merafe of R64.7 million (December 2019: R211.5 million), R197.6 million (December 2019: R142.6 million) being Merafe's share of the cash balance in the Venture as well as R1 million being Merafe's share of cash at Unicorn Chrome.

Trade and other receivables increased by 46% to R988.9 million (December 2019: R675.3 million). The increase is primarily as a result of the timing of sales and payment receipts. The Rand:US$ exchange rate which closed at R17.35 as at 30 June 2020 (June 2019: R14.16) also increased the receivables balance.

Ferrochrome finished goods volumes of 99kt (June 2019: 145kt) on hand represent approximately three to four months of sales. The closing inventory value was R1 641.1 million (December 2019: R2 008.8 million).

The Board has not declared an interim dividend (June 2019: Rnil).

Safety

No fatalities were registered for the first six months of 2020 (June 2019: 1). The safety of our employees remains our number one priority. Our total recordable injury frequency rate (TRIFR) increased by 39.5% to 3.57 (December 2019: 2.56) primarily driven by the effects of the stop/start of operations as a result of market uncertainty and the COVID-19 pandemic. These incidents were

mainly due to a number of finger injuries and trip and slip incidents.

A continued effort is being made to ensure that the highest standard of safety is restored at all the Venture's operations.

Health

COVID-19 hit the South African shores in March 2020. All our operations immediately prepared to suppress the spread of the virus through the following: creating awareness, training, educational videos, as well as the provision of: face masks, personal thermometers and information to all employees and contractors. At each operation and office, the following were provided for: hand sanitisers, disinfectant schedules, information boards, social distancing demarcation, glass panes to protect people in high movement areas, screening of each individual who enters operations and thermal scanners to determine if any individual has signs of fever. The Venture closed all operations when the initial lockdown was implemented by the President. Once the lockdown levels were relaxed, the Venture started a staggered on boarding process.

In addition, we supplied medical equipment to community clinics around our operations, hand sanitisers, water tanks at schools (with constant replenishment), free WiFi around schools and hospitals to assist the community with health and education. Food parcels are coordinated with other mining houses and government provincial offices to ensure that the intervention in communities around our operations is appropriate and impactful. To strengthen the capacity for testing, the Venture donated a gold standard PCR machine and sample extraction unit to Ndlovu Laboratories increasing the capacity from 700 to 2000 a day. All operational Occupational Health practitioners were trained to take the samples which are then couriered to the laboratory for analysis.

Post 30 June 2020, regrettably four of our employees succumbed to COVID-19.

Operational review

Merafe's attributable ferrochrome production from the Venture for the six months ended 30 June 2020 decreased by 42% to 120kt (June 2019: 206kt). The decrease in production was as a result of the lockdown implemented to curb the spread of COVID-19, weaker demand and to a lesser extent load-curtailment. As previously announced on SENS on Friday, 8 May 2020, with the easing of lockdown restrictions from level 5 to the current level 2, the Venture resumed operations at Lion smelter, Eastern Chrome mines and UG2 plants.

Post the winter period, the Boshoek and Wonderkop smelters as well as Kroondal mine have resumed operations. Lydenburg smelter will remain on care and maintenance indefinitely.

The National Energy Regulator of South Africa ("NERSA") had approved an increase of 8.76% for Eskom direct standard tariff customers which became effective on 1 April 2020. The July 2020 court ruling that NERSA unlawfully included a R69 billion equity injection from the government in its calculation of Eskom's allowable revenue for 2019 to 2022 will result in further increased cost for our energy intensive business. These cost pressures threaten the sustainability of our smelting business as well as employment in our sector.

S189 of Labour Relations

As previously announced on SENS on Friday, 19 June 2020, the Venture has commenced a consultation process with employee representatives from recognised trade unions. All the smelters and mines will be impacted by the process. 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. These factors have also led to the displacement of significant volumes of ferrochrome production to lower-cost competitors overseas. Despite significant investments in an attempt to make the operations more competitive, the Venture has continued to come under substantial operational and financial pressures.

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 2019.

Market review

COVID-19 related government-imposed lockdowns in key global stainless steel producing regions during the first half of the year ("**H1 2020**"), resulted in production curtailment of stainless steel of 11%^ year-on-year. While Chinese stainless steel production in the first quarter of the year 2020 ("**Q1 2020**") plummeted to levels last seen in early 2016, it recovered strongly during the second quarter of the year 2020 ("**Q2 2020**"), backed by government infrastructure spending. As a result, Chinese stainless steel production is expected to end the H1 2020 down 8%^ compared to the first half of 2019. Non-Asian stainless steel production remained mostly stable during Q1 2020 due to the delayed onset of COVID-19. However, as national lockdowns took effect and demand rapidly reduced, the rest of world stainless production dropped quickly during Q2 2020, with European production down 18%^ and US production down 12%^ on H1 2020, year-on-year. Weak demand and inflated stainless steel stocks outside of China continue to weigh on global stainless steel pricing.

Global ferrochrome consumption fell 8%^ year-on-year during H1 2020 with global supply experiencing a more severe 20%^ drop during the same period. Production in South Africa was particularly impacted, falling 50%^ in Q2 2020, not only because of COVID-19 cutbacks, but also due to the ongoing cost pressure including unsustainably high electricity pricing.

Chrome ore exports from South Africa were down 16%* year to date (YTD) compared to 2019 as of May 2020, at 4.8 million tonnes*. Pricing remained subdued during Q1 2020 given an oversupply, with Q2 2020 seeing higher prices due to concerns relating to SA export volumes as a result of COVID-19 related supply interruptions. Reduced shipments ex South Africa caused Chinese chrome ore port stocks to fall from a peak of 4.3Mt @ during the period to 3.6Mt @ at the end of June.

The European benchmark ferrochrome price for H1 2020 averaged USD107.50 cents per pound~, down 7% from the June 2019 average of USD116 cents per pound~.

Outlook

While the impact of the COVID-19 pandemic remains a key concern, we have had to review our business to ensure that our operations continue with minimal unplanned disruptions and our growth strategy remains pursued. We will continue to closely monitor the impact of the COVID-19 pandemic as well as market developments and respond accordingly.

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	Zanele Matlala
Independent non-executive Chairman	Chief Executive Officer

Sandton

8 September 2020

^ *CRU commodity market analysts*
@ *Ferroalloynet*
* *Global Trade Atlas*
~ *Fast Market (Metal Bulletin) – Ferro-chrome index 50% Cr import, cif Shanghai, $/lb contained C*

Consolidated financial statements

Summarised consolidated statement of comprehensive income

	For the six months ended	
	30 June 2020 Unaudited R'000	30 June 2019 Unaudited R'000
Revenue	**2 337 801**	2 789 188
EBITDA	**157 471**	435 142
Depreciation and amortisation	**(100 856)**	(205 853)
Impairments	**(1 340 000)**	-
Share of loss from associate	**(162)**	-
Net financing income	**4 141**	7 997
(Loss)/profit before taxation	**(1 279 406)**	237 286
Taxation	**318 279**	(72 045)
(Loss)/profit and total comprehensive income for the period	**(961 127)**	165 241
Basic (loss)/earnings per share (cents)	**(38.3)**	6.6
Headline earnings per share (cents)	**1.1**	6.6
Ordinary shares in issue	**2 510 704 248**	2 510 704 248
Weighted average number of shares for the period	**2 510 704 248**	2 510 704 248
Diluted weighted average number of shares for the period	**2 510 704 248**	2 510 704 248

Summarised consolidated statement of financial position

	As at	
	30 June 2020 Unaudited R'000	31 December 2019 Audited R'000
Assets		
Property, plant and equipment	**140 142**	1 435 080
Intangible assets	**43 733**	49 268
Long term receivable	**17 169**	16 612
Investments in subsidiaries*	**–**	–
Investment in Impala Chrome	**2 733**	–
Deferred tax asset	**89 069**	1 374
Total non-current assets	**292 846**	1 502 334
Inventories**	**1 641 137**	2 008 799
Current tax assets	**14 076**	18 635
Trade and other receivables	**988 982**	675 344
Derivative asset	**23 556**	–
Cash and cash equivalents	**265 019**	354 181
Total current assets	**2 932 770**	3 056 959
Total assets	**3 225 616**	4 559 293
Equity		
Share capital	**25 107**	25 107
Share premium	**1 269 575**	1 269 575
Retained earnings	**1 024 278**	2 085 835
Total equity attributable to owners of the company	**2 318 960**	3 380 517
Liabilities		
Lease obligation and borrowings non-current	**17 759**	19 972
Share-based payment liability non-current	**835**	1 004
Provisions	**343 283**	337 716
Deferred tax liability	**–**	226 065
Total non-current liabilities	**361 877**	584 757
Lease obligation and borrowings current	**4 316**	4 460
Trade and other payables	**538 177**	579 131
Derivative liability	**–**	8 090
Share-based payment liability current	**605**	2 338
Bank overdraft	**1 681**	–
Total current liabilities	**544 779**	594 019
Total liabilities	**906 656**	1 178 776
Total equity and liabilities	**3 225 616**	4 559 293

* *Less than one thousand.*
** *Inventory of Rnil (December 2019: R133.2 million) was written down for the six months ended 30 June 2020.*

Statement of changes in equity

	For the six months ended	
	30 June 2020 Unaudited R'000	30 June 2019 Unaudited R'000
Issued share capital – ordinary shares	**25 107**	25 107
Balance at beginning and end of the period	**25 107**	25 107
Share premium – ordinary shares	**1 269 575**	1 269 575
Balance at beginning and end of the period	**1 269 575**	1 269 575
Retained earnings	**1 024 278**	3 612 895
Balance at beginning of the period	**2 085 834**	3 598 296
Total comprehensive (loss)/income for the period	**(961 127)**	165 241
Dividends paid	**(100 428)**	(150 642)
Total equity at the end of the period	**2 318 960**	**4 907 577**

Summarised consolidated statement of cash flow

	For the six months ended	
	30 June 2020 Unaudited R'000	30 June 2019 Unaudited R'000
(Loss)/profit before taxation	**(1 279 406)**	237 286
Finance expense	**835**	740
Finance income	**(4 976)**	(8 737)
Depreciation, amortisation and impairments	**1 440 858**	205 853
Provisions	**5 567**	14 311
Share grants exercised	**(582)**	(3 589)
Share-base payment (income)/expense	**(1 320)**	229
Adjusted for working capital changes	**12 079**	(258 579)
Movement in long-term receivables	**(434)**	–
Non-cash movement	**3 803**	–
Effect of exchange rate fluctuations on cash held during the year	**15 114**	–
Embedded derivative (income)/expense	**(31 646)**	27 951
Cash generated from operating activities	**159 891**	215 465
Interest paid	**(803)**	(394)
Interest received	**4 710**	5 079
Taxation paid	**–**	(22 800)
Net cash from operating activities	**163 798**	197 350
Acquisition of property, plant and equipment – sustaining	**(95 883)**	(121 053)
Acquisition of property, plant and equipment – expansionary	**(6 172)**	–
Investment	**(34 543)**	–
Net cash utilised in investing activities	**(136 598)**	(121 053)
Dividends paid	**(100 428)**	(150 642)
Lease obligations and borrowings (repaid)/raised during the period	**(2 501)**	3 246
Net cash utilised in financing activities	**(102 929)**	(147 396)
Net (decrease)/increase in cash and cash equivalents	**(75 729)**	(71 099)
Cash and cash equivalents at 1 January	**354 181**	280 855
Effect of foreign exchange rate changes	**(15 114)**	(5 160)
Cash and cash equivalents at 30 June	**263 338**[2]	204 596[1]

[1] *Closing balance of cash and cash equivalents is net of bank overdraft of R4.1 million.*
[2] *Closing balance of cash and cash equivalents is net of a bank overdraft of R1.7 million.*

Notes to the summarised consolidated financial statements

1. Basis of preparation

These summarised consolidated interim results for the six months ended 30 June 2020 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 requirements including performing sensitivity analyses. The Group has the benefit of an ungeared balance sheet and unutilised debt facilities with available headroom of just under R1 billion, through its 20.5% share of the Venture. The Group also has the R300 million debt facility directly with ABSA. 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.

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, except for the adoption of various revised and/or new standards. 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 summarised 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 summarised 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;
- 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 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 2020 was R23.6 million asset (December 2019: R8.1 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.

	For the six months ended	
	30 June 2020 Unaudited R'000	30 June 2019 Unaudited R'000
3. Headline earnings per share (cents)		
(Loss)/profit, total comprehensive income for the period	**(961 128)**	165 241
Headline loss adjustment:		
Impairment	**1 340 000**	–
Deferred tax effect	**(351 875)**	–
Headline earnings for the year	**26 998**	165 241
Headline earnings per share (cents)	**1.1**	6.6
Diluted headline earnings per share (cents)	**1.1**	6.6
4. Capital commitments	**343 492**	425 699
Contracted but not provided for	**97 628**	132 100
Authorised but not contracted for	**245 864**	293 599

5. Related parties

5.1 Related party transactions and balances

During the current reporting period, management performed a re-assessment 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 an arms-length basis and 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
Merafe Chrome and Alloys (Pty) Ltd ("Merafe Chrome")	Merafe Chrome is a wholly owned subsidiary of the Company	Dividends of Rnil (June 2019: Rnil) were declared to the Company by Merafe Chrome.
Merafe Ferrochrome and Mining (Pty) Ltd ("Merafe Ferrochrome")	Merafe Ferrochrome is a wholly owned subsidiary of the Company.	Dividends of Rnil (June 2019: Rnil) were declared to the Company by Merafe Ferrochrome. At period end, a loan of R1.18 billion (June 2019: R465.6 million) is owing by Merafe Ferrochrome to the Company. 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")	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 remain the sole responsibility of the Venture.	There is a loan of R108 000 (June 2019: 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. IDC received dividends declared by the Company. At period end there are no amounts due to the IDC.
Glencore (Nederland) B.V. ("GN")	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.	GN received dividends declared by the Company. At period end there are no amounts due to GN.
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.	Commission expense of R5 million (June 2019: R5 million). Interest expense of R4 million (June 2019: R3 million). Receivable at the end of June 2020 R125 million (December 2019: R83 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 of R90.1 million (June 2019: R109 million). Marketing fee expense of R1 million (June 2019: R1 million). Interest income of R2 million (June 2019: R0.5 million). Purchase of raw materials of Rnil (June 2019: R138 million). Balance owing at the end of the period R27 million (December 2019: R21 million) payable on confirmation of final sales.
African Carbon Manufacturers (Pty) Ltd	African Carbon Manufacturers (Pty) Ltd sells raw materials to the Venture.	Purchase of raw materials of R6 million (June 2019: R12 million). Balance owing at the end of the period of Rnil (December 2019: R4 million) payable 30 days from statement date.

Notes to the summarised consolidated financial statements
(continued)

Name of related party	Description of relationship	Transactions and balance
African Fine Carbon (Pty) Ltd	African Fine Carbon (Pty) Ltd sells raw materials to the Venture.	Purchase of raw materials of R9 million (June 2019: R26 million). Balance owing at the end of the period of R2 million (December 2019: R3 million) payable 30 days from statement date.
Chartech Technology (Pty) Ltd	Chartech Technology (Pty) Ltd sells raw materials to the Venture.	Purchase of raw materials of R9 million (June 2019: R20 million). Balance owing at the end of the period of R1 million (December 2019: R4 million) payable 30 days from statement date.
Glencore Operations South Africa (Pty) Ltd ("GOSA")	GOSA is Merafe Ferrochrome and Mining (Pty) Ltd's partner in the Venture.	Employee costs of R65 million (June 2019: R63 million). Head-office costs of R12 million (June 2019: R12 million). Training costs of R2 million (June 2019: R4 million). Lion housing costs of R9 million (June 2019: R8 million). Shared services costs of R4 million (June 2019: R5 million). Balance owing at the end of the period of R13 million (December 2019: R11 million) payable 10 days after month end. GOSA received the non-executive directors' fees for Mr S Blankfield.
Access world South Africa (Pty) Ltd	Access World South Africa (Pty) Ltd is a warehousing company that provides storage facilities of ferrochrome and chrome ore to the Venture.	Storage of ferrochrome and chrome ore of R6 million (June 2019: R5 million). Outstanding balance owing at the end of the period of R1 million (December 2019: R3 million) payable 30 days after statement date.
Impala Chrome (Pty) Ltd	Impala Chrome (Pty) Ltd is an equity accounted investment by Unicorn Chrome (Pty) Ltd which provides logistics support to the Venture.	Logistics and marketing expense of R7 million. Fixed operational and maintenance expense of R2 million. Balance receivable at the end of the period of R3 million.

6. Taxation

The Group's effective tax rate is 25% (June 2019: 30%) for the six months ended 30 June 2020.

7. Events after the reporting period

There have been no material events subsequent to 30 June 2020.

8. Contingent liabilities

There are no contingent liabilities as at 30 June 2020.

9. Review by independent auditors

These summarised consolidated unaudited interim financial statements of Merafe Resources Limited for the six months ended 30 June 2020 have not been reviewed by the Company's independent auditor, Deloitte & Touche.

www.meraferesources.co.za

Administration

Merafe Resources Limited

Company registration number: 1987/003452/06

Business address and registered office

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Company Secretary

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2001

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Directorate

A Mngomezulu* (Chairperson), NB Majova*, M Mosweu, M Vuso*, S Blankfield, G Motau*, J Mclaughlan*, Z Matlala (Chief Executive Officer), D Chocho (Financial Director)

** Independent*

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