BAUBA RESOURCES

CONDENSED CONSOLIDATED INTERIM RESULTS

for the six-month period ended 31 December 2019

VISION, STRATEGY AND HIGHLIGHTS

Bauba Resources Limited (Bauba or the group) is a mining and exploration company listed on the Johannesburg Stock Exchange (JSE) since September 2010. The group is fully compliant with the equity requirements of the Mining Charter.

VISION

We are Bauba, an expanding and diversifying mining company.

OUR STRATEGY

Our strategy is to reward shareholders, employees, communities and countries by discovering, acquiring and mining low-cost, high-return natural resources through efficient and responsible mining practices.

HIGHLIGHTS

Revenue
R201,228 million
(2018: R90,363 million)
↑ 122,7%

Investment in property, plant and equipment
R26,599 million
(2018: R42,235 million)
↓ 37,0%

Acquisition of 22%
interest in Nuco Chrome Bophuthatswana Proprietary Limited

Total comprehensive profit for the period of
R1,842 million
(2018: loss of R9,753 million)
↑ 118,9%

COMMENTARY

CHROME PRICING REVIEW

Bauba experienced a challenging six-month period ended 31 December 2019 driven by a weak chrome ore market. The CIF China price for 44% chrome concentrate (Cr_2O_3) moved from US\$160 per tonne (t) at the start of the financial period to US\$143/t at 31 December 2019 (according to FerroAlloyNet). During this period, the price peaked at US\$172/t. The CIF China price for 44% Cr_2O_3 decreased from an average of US\$189/t in the six-month period ended 31 December 2018 to US\$162/t for the current six-month period. After supply chain costs (which remained flat), and the movement in average US\$/ZAR exchange rates, our ZAR FCA Mine Gate revenue realised per tonne decreased by 23%. Furthermore, our revenue was impacted by a greater proportion of our sales tonnages being realised during the November and December 2019 months at an average of US\$150/t compared to US\$168/t for the months July 2019 to October 2019.

FINANCIAL AND OPERATIONAL REVIEW

Significant progress continues to be made in the development of Bauba's underground Moeijelijk Mine. For the current period, Bauba incurred R27,055 million in capital expenditure on the development of our trackless declines which have now been holed and are on track to achieve steady state production of 30,000t of stoped ore per month during the 2nd quarter of the 2020 calendar year. The timing of the achievement of steady state production may be negatively impacted by the three-week national lockdown emanating from the Covid-19 pandemic. The production ramp up to steady state is steep and this will significantly lower Bauba's operating costs per tonne and increase our revenues going forward, as proportionately more speciality grade concentrates will be produced from underground material than from lower grade development and opencast feed. Bauba's revenue increased by 122,7% from the prior period to R201,228 million despite the significantly weaker pricing environment. Bauba incurred higher operating costs given that the underground mine is not yet at steady state production. In addition, lower yield development tonnes processed through the wash plant, and significantly lower prices realised per tonne sold, led to Bauba's gross profit margin decreasing from 26,3% in the six-month period ended 31 December 2018 and 37,0% in the year ended 30 June 2019 to 19,1% in the current period.

These results however demonstrate Bauba's resilience and ability to operate profitably even in a very depressed market. The industry cost curve for primary production is currently reported to be between US\$160/t and US\$180/t for 42% chrome ore concentrate which averaged US\$145/t over the six-month period ended 31 December 2019. Although our cost base remains far from optimal until the underground operation achieves steady state production, Bauba was able to operate profitably below the industry cost curve.

OUTLOOK

Current market prices are below the industry's cost of supply driven by an oversupply of chrome ore, ferrochrome and excessive stainless steel stocks. The stainless steel market is weak, impacted last year by the "US China Trade Wars" and now in the current year by the coronavirus ("COVID-19").

On 23 March 2020, President Cyril Ramaphosa announced a 21-day lockdown of South Africa, due to the rapid rise of the COVID-19 pandemic, beginning midnight on Thursday, 26 March 2020. Bauba may cease all operations over this three-week period and re-commence on 17 April 2020. The impact on our stakeholders is being assessed and mitigating procedures being implemented to ensure minimal impact on the business in the medium- to long-term.

The market outlook is difficult to predict due to the uncertainties created by the impact of COVID-19, but the medium- to long-term fundamentals for chrome ore remain strong and prices must increase significantly for the market to stabilise over this period.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six-month period ended 31 December 2019

	Note	Unaudited 31 Dec 2019 R'000	Unaudited 31 Dec 2018 R'000	Audited 30 June 2019 R'000
Revenue		201 228	90 363	302 122
Cost of sales		(162 861)	(66 642)	(190 475)
Gross profit		38 367	23 721	111 647
Other income		132	71	71
Operating and administrative expenses		(35 060)	(36 381)	(67 834)
Finance income		498	2 818	3 939
Finance cost		(127)	–	(74)
Share of loss of associate		(108)	–	–
Profit/(loss) before tax		3 702	(9 771)	47 749
Income tax (expense)/credit		(1 860)	18	(14 718)
Profit/(loss) for the period		1 842	(9 753)	33 031
Other comprehensive income		–	–	–
Total comprehensive profit/(loss) for the period		1 842	(9 753)	33 031
Profit/(loss) attributable to:				
Equity holders of the parent		(23)	(9 666)	17 930
Non-controlling interest		1 865	(87)	15 101
Total comprehensive profit/(loss) attributable to:				
Equity holders of the parent		(23)	(9 666)	17 930
Non-controlling interest		1 865	(87)	15 101
Basic (loss)/earnings per share (cents)	15	(0,01)	(2,55)	4,73
Diluted (loss)/earnings per share (cents)	15	(0,01)	(2,54)	4,71
Headline (loss)/earnings per share (cents)	15	(0,01)	(2,55)	4,73
Diluted headline (loss)/earnings per share (cents)	15	(0,01)	(2,54)	4,71

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Note	Unaudited 31 Dec 2019 R'000	Unaudited 31 Dec 2018 R'000	Audited 30 June 2019 R'000
ASSETS				
Non-current assets		314 875	266 601	285 144
Intangible assets	5	142 773	143 266	145 315
Property, plant and equipment	6	162 210	123 335	139 829
Investment in associate	7	9 892	–	–
Current assets		100 517	95 936	130 754
Inventory	8	77 400	51 057	87 033
Trade and other receivables		6 339	3 734	10 899
Cash and cash equivalents		16 778	41 145	32 822
Total assets		415 392	362 537	415 898
EQUITY AND LIABILITIES				
Equity		324 251	276 822	321 019
Share capital and share premium		512 500	512 500	512 500
Reverse asset acquisition reserve		(282 988)	(282 988)	(282 988)
Share-based payment reserve		5 735	2 932	4 345
Retained earnings/(loss)		17 115	(10 458)	17 138
Non-controlling interest		71 889	54 836	70 024
Non-current liabilities		42 583	19 444	37 396
Environmental rehabilitation provision	9	6 281	–	6 650
Deferred tax		32 606	19 444	30 746
Lease liability	10	3 696	–	–
Current liabilities		48 558	66 271	57 483
Trade and other payables		33 430	6 286	32 610
Prepayment	11	–	53 455	13 364
Other financial liabilities	12	1 902	218	7 449
Environmental rehabilitation provision	9	–	5 192	–
Lease liability	10	1 585	–	–
Loan from shareholder	13	10 000	–	–
Current tax payable		1 641	1 120	4 060
Total equity and liabilities		415 392	362 537	415 898

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

for the six-month period ended 31 December 2019

	Unaudited 31 Dec 2019 R'000	Unaudited 31 Dec 2018 R'000	Audited 30 June 2019 R'000
Cash flow from operating activities			
Net cash effects from operating activities	18 140	10 485	4 627
Operating profit/(loss) before working capital changes	11 153	(1 780)	55 839
Working capital changes	9 406	14 441	(48 542)
Tax paid	(2 419)	(2 176)	(2 670)
Cash flow from investing activities			
Net cash effects from investing activities	(30 820)	(39 417)	(55 246)
Acquisition of investment in associate	(10 000)	–	–
Acquisition of property, plant and equipment	(21 318)	(42 235)	(59 185)
Finance income	498	2 818	3 939
Cash flow from financing activities			
Net cash effects from financing activities	(3 364)	–	13 364
Proceeds from prepayment	–	–	73 500
Repayment of prepayment	(13 364)	–	(60 136)
Loan from shareholder	10 000	–	–
Total cash movement for the period	(16 044)	(28 932)	(37 255)
Cash and cash equivalents at the beginning of the period	32 822	70 077	70 077
Cash and cash equivalents at the end of the period	16 778	41 145	32 822

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six-month period ended 31 December 2019

	Share capital and premium R'000	Reverse asset acquisition reserve R'000	Share-based payment reserve R'000	Retained earnings/ (loss) R'000	Non-controlling interest R'000	Total equity R'000
Balance as at 1 July 2018	512 500	(282 988)	1 294	(792)	54 923	284 937
Share-based payment reserve movement	–	–	1 638	–	–	1 638
Total comprehensive loss for the period	–	–	–	(9 666)	(87)	(9 753)
Balance as at 31 December 2018	512 500	(282 988)	2 932	(10 458)	54 836	276 822
Share-based payment reserve movement	–	–	1 413	–	–	1 413
Total comprehensive profit for the period	–	–	–	27 596	15 188	42 784
Balance as at 1 July 2019	512 500	(282 988)	4 345	17 138	70 024	321 019
Share-based payment reserve movement	–	–	1 390	–	–	1 390
Total comprehensive profit/(loss) for the period	–	–	–	(23)	1 865	1 842
Balance as at 31 December 2019	512 500	(282 988)	5 735	17 115	71 889	324 251

NOTES TO THE CONDENSED CONSOLIDATED RESULTS

for the six-month period ended 31 December 2019

1. BASIS OF PREPARATION

These condensed consolidated results have been prepared under the supervision of Jonathan Knowlden CA(SA), the financial director, in accordance with:

- IAS 34: *Interim Financial Reporting*;
- The framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- SAICA Financial Reporting Guides as issued by the Accounting Practices Committee;
- The Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council;
- The requirements of the Companies Act; and
- The Listings Requirements of the JSE Limited (JSE Listings Requirements).

The same accounting policies, presentation and measurement principles have been followed in the preparation of the condensed consolidated financial results for the period ended 31 December 2019 as were applied in the preparation of the group's annual financial statements for the year ended 30 June 2019, except for the adoption of IFRS 16. The group adopted IFRS 16, as issued by the IASB, which came into effect for financial years beginning on or after 1 January 2019.

In applying IFRS 16 for the first time, the group has used the following practical expedient permitted by the standard:

- The accounting for operating leases with a remaining lease term of less than 12 months as short-term leases and continuing to be recognised as an expense.

2. AUDITOR'S REVIEW

These condensed consolidated results for the period ended 31 December 2019 have not been reviewed or audited by the group's auditor.

3. BOARD

Mr Sholto Dolamo resigned from his position as an independent non-executive director on 5 December 2019. During the period under review, no other changes were made to the board.

4. CHANGES IN SHARE CAPITAL

There were no changes to the issued share capital during the period under review.

5. INTANGIBLE ASSETS

	Cost R'000	Accumulated amortisation and impairments R'000	Carrying value R'000
31 December 2019 (unaudited)			
Platinum mineral rights	30 555	(10 394)	20 161
Chrome mineral rights	156 907	(34 295)	122 612
Total mineral rights	187 462	(44 689)	142 773
31 December 2018 (unaudited)			
Platinum mineral rights	30 555	(10 394)	20 161
Chrome mineral rights	156 907	(33 802)	123 105
Total mineral rights	187 462	(44 196)	143 266
30 June 2019 (audited)			
Platinum mineral rights	30 555	(10 394)	20 161
Chrome mineral rights	156 907	(31 753)	125 154
Total mineral rights	187 462	(42 147)	145 315

	Opening balance R'000	Additions R'000	Amor-tisation R'000	Closing balance R'000
Reconciliation				
31 December 2019 (unaudited)				
Platinum mineral rights	20 161	–	–	20 161
Chrome mineral rights	125 154	–	(2 542)	122 612
Total mineral rights	145 315	–	(2 542)	142 773
31 December 2018 (unaudited)				
Platinum mineral rights	20 161	–	–	20 161
Chrome mineral rights	128 849	–	(5 744)	123 105
Total mineral rights	149 010	–	(5 744)	143 266
30 June 2019 (audited)				
Platinum mineral rights	20 161	–	–	20 161
Chrome mineral rights	128 849	–	(3 695)	125 154
Total mineral rights	149 010	–	(3 695)	145 315

6. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles R'000	Furniture and office equipment R'000	Mine infra-structure and equipment R'000	Total R'000
31 December 2019 (unaudited)				
Cost				
As at 1 July 2019	2 998	612	144 793	148 403
Additions	212	123	26 264	26 599
As at 31 December 2019	3 210	735	171 057	175 002
Accumulated depreciation				
As at 1 July 2019	1 677	269	6 628	8 574
Depreciation	231	103	3 884	4 218
As at 31 December 2019	1 908	372	10 512	12 792
Carrying value as at 31 December 2019	1 302	363	160 545	162 210
31 December 2018 (unaudited)				
Cost				
As at 1 July 2018	2 998	339	82 851	86 188
Additions	–	85	42 150	42 235
As at 31 December 2018	2 998	424	125 001	128 423
Accumulated depreciation				
As at 1 July 2018	1 217	131	1 885	3 233
Depreciation	230	59	1 566	1 855
As at 30 June 2018	1 447	190	3 451	5 088
Carrying value as at 30 June 2018	1 551	234	121 550	123 335
30 June 2019 (audited)				
Cost				
As at 1 July 2018	2 998	339	82 851	86 188
Additions	–	273	61 942	62 215
As at 30 June 2019	2 998	612	144 793	148 403
Accumulated depreciation				
As at 1 July 2018	1 217	131	1 885	3 233
Depreciation	460	138	4 743	5 341
As at 30 June 2019	1 677	269	6 628	8 574
Carrying value as at 30 June 2019	1 321	343	138 165	139 829

6. PROPERTY, PLANT AND EQUIPMENT continued

During the six-month period ended 31 December 2019 there were additions of R26,264 million (2018: R42,150 million) to the Mine infrastructure and equipment. The additions relate mainly to the development of the Moeijelijk underground mine of R28,703 million (2018: R7,408 million), additions to the wash plant of R2,303 million (2018: R13,154 million), acquisition of leased assets of R5,371 million (2018: Rnil) and decrease in the capitalisation of the pre-stripping costs in accordance with IFRIC 20 of R13,969 million (2018: R10,543 million increase).

None of the items of property, plant and equipment have been encumbered.

7. INVESTMENT IN ASSOCIATE

On 19 July 2019, Bauba entered into a Sale of Shares and Claims Agreement with Ms DC Butler to acquire her shares in Nuco Chrome Bophuthatswana Proprietary Limited for an aggregate purchase consideration of R60 million which represents 74% of the issued share capital of the company. Bauba initially obtained 22% of the issued share capital for a cash consideration of R10 million. Bauba has significant influence over this investment and it is accounted for using the equity method of accounting.

The carrying amount of the equity-accounted investment is as follows:

	Unaudited 31 Dec 2019 R'000	Unaudited 31 Dec 2018 R'000	Audited 30 June 2019 R'000
Balance at the beginning of the period	–	–	–
– acquisition of associate	10 000	–	–
– share of loss of associate	(108)		
Balance at the end of the period	9 892	–	–

8. INVENTORY

	Unaudited 31 Dec 2019 R'000	Unaudited 31 Dec 2018 R'000	Audited 30 June 2019 R'000
Chrome ore	74 843	51 057	84 174
Consumables	2 557	–	2 859
Balance at the end of the period	77 400	51 057	87 033

Inventory is based on direct and indirect costs incurred in the production of chrome ore. There was 100 243 tonnes of inventory (run-of-mine) held as at the reporting date (2018: 82 686 tonnes).

9. ENVIRONMENTAL REHABILITATION PROVISION

	Unaudited 31 Dec 2019 R'000	Unaudited 31 Dec 2018 R'000	Audited 30 June 2019 R'000
Balance at the beginning of the period	6 650	3 620	3 620
– provision recognised during the period	–	1 572	3 030
– provision reversed during the period	(369)	–	–
Balance at the end of the period	6 281	5 192	6 650
Due within one year or less	–	5 192	–
Due after more than one year	6 281	–	6 650

Environmental obligations are based on the group's environmental plans. Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance, based on current mining and rehabilitation plans, contracted mining rates and surveyor's measurements, that have occurred up to the reporting date.

10. LEASE LIABILITY

Property, plant and equipment includes leased assets that do not meet the definition of investment property:

	Unaudited 31 Dec 2019 R'000	Unaudited 31 Dec 2018 R'000	Audited 30 June 2019 R'000
Balance at the beginning of the period	–	–	–
– additions	5 371	–	–
– depreciation	(109)	–	–
Balance at the end of the period	5 262	–	–
Lease liability			
Maturity analysis – contractual undiscounted cash flows			
Less than one year	2 157	–	–
One to five years	4 182	–	–
More than five years	–	–	–
Total at the end of the period	6 339	–	–
Lease liability included in the statement of financial position	5 281	–	–
Current	1 585	–	–
Non-current	3 696	–	–

11. PREPAYMENT

	Unaudited 31 Dec 2019 R'000	Unaudited 31 Dec 2018 R'000	Audited 30 June 2019 R'000
Balance at the beginning of the period	13 364	–	–
Add: Prepayment advanced	–	73 500	73 500
Less: Repayment	(13 364)	(20 045)	(60 136)
Balance at the end of the period	–	53 455	13 364

Bauba successfully concluded an offtake agreement for the supply of 240 000 tonnes of chrome ore to be supplied over a 12-month period. In August 2018, Bauba received a prepayment of R73,500 million which represents a part-payment of the offtake agreement. This prepayment was repayable in equal monthly instalments of R6,682 million, with the final payment settled at the end of August 2019.

12. OTHER FINANCIAL LIABILITIES

	Unaudited 31 Dec 2019 R'000	Unaudited 31 Dec 2018 R'000	Audited 30 June 2019 R'000
Royalties payable	1 621	–	1 747
Revenue received in advance	–	–	5 421
Other	281	218	281
Balance at the end of the period	1 902	218	7 449
Current liabilities			
At amortised cost	1 902	218	7 449

13. LOAN FROM SHAREHOLDER

In October 2019, the group entered into a short-term loan agreement with a shareholder for an amount of R10 million. The loan amount is payable in full on 31 March 2020. Interest on the unsecured loan is payable on a monthly basis.

14. OPERATING SEGMENTS

	Chrome Projects R'000	Platinum Exploration R'000	Corporate R'000	Intragroup elimination R'000	Total R'000
31 December 2019 (unaudited)					
Revenue	201 228	–	9 575	(9 575)	201 228
Profit/(loss) before tax	4 057	–	(355)	–	3 702
Income tax expense	(1 860)	–	–	–	(1 860)
Profit/(loss) after tax	2 197	–	(355)	–	1 842
Finance income	21	–	787	(310)	498
Depreciation, amortisation and impairment	(6 709)	–	(51)	–	(6 760)
Total assets	390 706	20 161	20 059	(15 534)	415 392
Total liabilities	(104 849)	–	(1 826)	15 534	(91 141)

14. OPERATING SEGMENTS continued

	Chrome Projects R'000	Platinum Exploration R'000	Corporate R'000	Intragroup elimination R'000	Total R'000
31 December 2018 (unaudited)					
Revenue	90 363	–	4 859	(4 859)	90 363
Loss before tax	(5 808)	–	(3 963)	–	(9 771)
Income tax credit	18	–	–	–	18
Loss after tax	(5 790)	–	(3 963)	–	(9 753)
Finance income	1 454	–	1 746	(382)	2 818
Depreciation and amortisation	(7 564)	–	(35)	–	(7 599)
Total assets	301 906	20 161	78 057	(37 587)	362 537
Total liabilities	(121 526)	–	(1 776)	37 587	(85 715)
30 June 2019 (audited)					
Revenue	302 122	–	14 876	(14 876)	302 122
Profit/(loss) before tax	48 885	–	(1 136)	–	47 749
Income tax expense	(14 718)	–	–	–	(14 718)
Profit/(loss) after tax	34 167	–	(1 136)	–	33 031
Finance income	1 499	–	4 590	(2 150)	3 939
Depreciation and amortisation	(8 956)	–	(80)	–	(9 036)
Total assets	375 905	20 161	43 194	(23 362)	415 898
Total liabilities	(115 477)	–	(2 764)	23 362	(94 879)

The segmental analysis is based on the Moeijelijk chrome project, platinum exploration and corporate activities. All revenue was generated in South Africa, therefore no geographical segments are presented.

15. EARNINGS PER SHARE

	Unaudited 31 Dec 2019 R'000	Unaudited 31 Dec 2018 R'000	Audited 30 June 2019 R'000
Headline (loss)/earnings reconciliation:			
(Loss)/profit attributable to equity holders of the parent	(23)	(9 666)	17 930
Headline (loss)/earnings	(23)	(9 666)	17 930
Basic (loss)/earnings per share (cents)	(0,01)	(2,55)	4,73
Diluted (loss)/earnings per share (cents)	(0,01)	(2,54)	4,71
Headline (loss)/earnings per share (cents)	(0,01)	(2,55)	4,73
Diluted headline (loss)/earnings per share (cents)	(0,01)	(2,54)	4,71
Number of shares in issue at the end of the period ('000)	379 020	379 020	379 020
Reconciliation of weighted average number of shares to diluted weighted average number of shares:			
Weighted average number of shares ('000)	379 020	379 020	379 020
Dilutive effect of share options	323	1 994	1 448
Diluted weighted average number of shares ('000)	379 343	381 014	380 468

16. FAIR VALUE AND FINANCIAL INSTRUMENTS

The carrying value of all financial instruments approximates fair value. All financial instruments are measured at amortised cost.

17. GOING CONCERN

The cash flow forecast prepared by Bauba management, based on current available information, indicates that the group will be able to meet its commitments within the next 12 months as they fall due. The group has sufficient resources to continue as a going concern and has therefore concluded that it is appropriate to prepare the financial statements on a going concern basis.

18. SUBSEQUENT EVENTS

The directors are not aware of any significant matter or circumstance arising since the end of the financial period, not otherwise dealt with in these condensed consolidated results, which significantly affect the financial position of the group or the results of its operations to the date of this report.

27 March 2020
Johannesburg

CORPORATE INFORMATION

NATURE OF BUSINESS

Exploration and mining of mineral resources
Registration number
1986/004649/06
Country of incorporation
Republic of South Africa
Share code: BAU
ISIN code: ZAE000145686

DIRECTORS

Non-executive
Mr NPJ van der Hoven
Mr M Luyt*
Mr D Smith*
Dr NM Phosa
King TV Thulare (Alternate)
Ms T Makgala*

** Independent*

Executive
Mr NW van der Hoven
Mr JA Knowlden

COMPANY SECRETARY

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