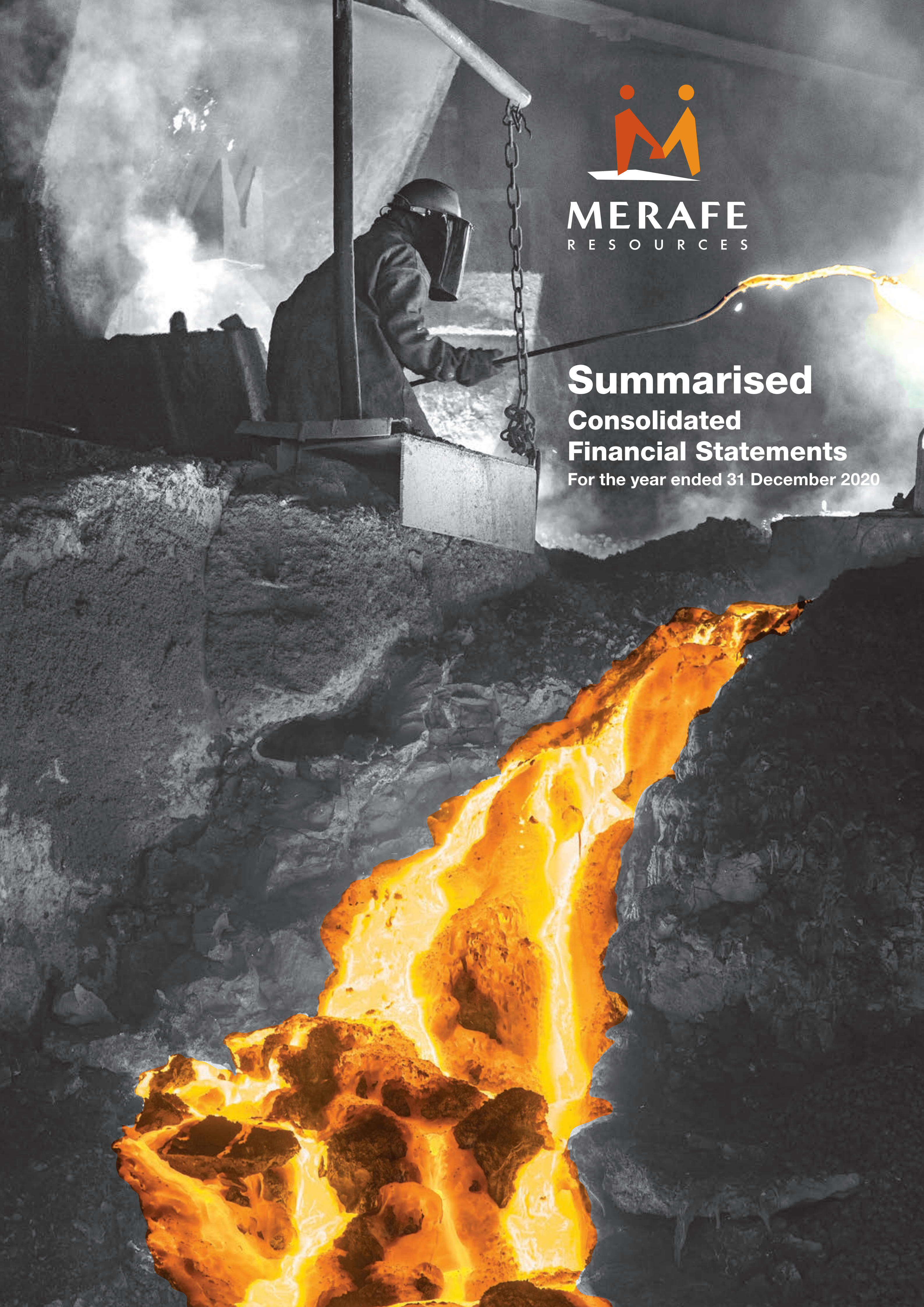

MERAFE
RESOURCES

Summarised
Consolidated Financial Statements
For the year ended 31 December 2020

Contents

Summarised consolidated financial statements

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*, K Tlale*, 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
Tel:+27 11 783 4780/+27 83 462 3040
Email: ditabe@meraferesources.co.za

** 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 2020 financial year mainly due to a significant impairment loss on property, plant and equipment in the first half of the year. 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 with a weaker Rand:US$ exchange rate that provided some cushion to the loss. Due to this, the board of directors ("**Board**") has resolved not to declare a dividend for the year ended 31 December 2020.

ICONS USED IN THIS REPORT

— This icon refers to further reading

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

— Positive performance or occurrence compared to prior year

— Negative performance or occurrence compared to prior year

— No change in performance to prior year

2020 year in review

KEY FEATURES

52% increase in TRIFR to
3.89
(2019: 2.56)

29% decrease in ferrochrome production to **265kt**
(2019: 371kt)

11% decrease in revenue to
R4 780 million
(2019: R5 379 million)

Increase in production cost per tonne managed to **8%**
(2019: 12% increase)

56% decrease in EBITDA to
R168 million
(2019: R379 million)*

76% decrease in headline loss per share to **0.8 cents**
(2019: 3.4 cents)*

26% decrease in basic loss per share to **40.0 cents**
(2019: 54.2 cents)

Net cash generated from operating activities decreased to
R495 million
(2019: R699 million)*

Net cash of
R278 million
(2019: R354 million)

No dividend declared
(2019: 4 cents per share)

* Restated – Merafe has restated certain financial figures in the financial results for the year ended 31 December 2019 due to an error in the treatment of the rehabilitation provision adjustment. A detailed assessment and impact of the restatements are contained in note 6 of these summarised consolidated financial statements.

Commentary

FINANCIAL REVIEW

The summarised consolidated financial results for the year ended 31 December 2020 are presented below.

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

Merafe's revenue and operating income is 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 2.3 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, which includes a management fee, decreased by 11% from the prior year to R4 780 million (2019: R5 379 million). Ferrochrome revenue decreased by 10% year-on-year to R4 002 million (2019: R4 455 million) primarily as a result of an 8% decrease in average net CIF prices and a 17% decrease in ferrochrome sales volumes to 305kt (2019: 368kt). Chrome ore revenue decreased by 15% year-on-year to R777 million (2019: R910 million), driven by an 8% decrease in sales volumes to 332kt (2019: 359kt) and a 15% average sales price decrease for the year.

Merafe's portion of the Venture's EBITDA for the year ended 31 December 2020 is R197.8 million (2019: R472.5 million). The EBITDA includes Merafe's attributable share of standing charges of R474.2 million (2019: R203.3 million), retrenchment costs of R97 million (2019: Rnil) and a foreign exchange loss of R59.7 million (2019: R14.4 million). The Company wrote down inventory by R13.6 million during the year (2019: R133.2 million). Merafe also reversed the disallowed diesel rebate of R0.3 million (2019: R11.0 million) by the South African Revenue Services. Arising from tax and legal opinions obtained, Merafe recognised a credit of R179 million relating to a reversal of a mining royalty tax provision.

After accounting for corporate costs of R29.9 million (2019: R36.3 million), which include a cash settled share-based payment income of R0.7 million (2019: R0.2 million expense), Merafe achieved EBITDA of R167.9 million (2019: R379.3 million). Corporate costs include Corporate Social Investment expenses of R0.5 million (2019: R3.2 million).

The loss for the year ended 31 December 2020 amounted to R1 003.0 million (2019: loss of R1 361.8 million), after taking into account depreciation of R153.4 million (2019: R467.2 million), an impairment of assets of R1 365 million (2019: R1 789.3 million) as the carrying amount of the net assets of an entity was higher than its market capitalisation thus an impairment indicator, net financing income of R4.8 million (2019: R10.4 million) and taxation credit of R342.7 million (2019: R505.1 million). Taxation includes deferred tax credit of R344.2 million (2019: R507.8 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 R274.6 million (2019: R141.0 million) unredeemed capital expenditure balance at 31 December 2020 as taxable profits did not exceed capital expenditure. Depreciation decreased year-on-year primarily as a result of impairments processed in the prior year.

Sustaining capital expenditure decreased by 33% to R333.7 million (2019: R469.6 million) due to cash preservation initiatives embarked on.

The unsecured, credit facility with ABSA of R300 million remained unutilised for the year.

At 31 December 2020, Merafe had cash and cash equivalents of R277.6 million (2019: R354.2 million) which comprised cash held by Merafe of R151.9 million (2019: R211.5 million) and R125.7 million (2019: R142.7 million), being Merafe's share of the cash balance in the Venture.

Trade and other receivables increased by 30% compared to the previous year primarily as a result of a weaker closing Rand:US$ exchange rate and higher volumes sold in the last quarter of the year. The Rand:US$ exchange rate closed at R14.65 (2019: R13.98) as at 31 December 2020.

Ferrochrome finished goods volumes of 90kt (2019: 131kt) on hand at year end represent approximately three to four months of sales. The closing inventory value reduced to R1 433.7 million (2019: R2 008.8 million) post the write down of inventory to its net realisable value with an amount of R13.6 million (2019: R133 million).

The Board has decided not to declare a dividend for the current year (2019: R100 million: 4 cents per share).

SAFETY

The safety of our employees remains our number one priority. Regrettably, a fatality occurred at our Magareng mine on 20 October 2020. Our total recordable injury frequency rate ("**TRIFR**") increased by 52% to 3.89 (2019: 2.56). Factors that contributed to the regression of our safety statistics were directly related to the COVID-19 pandemic, Section 189 of the Labour Relations Act consultation process ("**Process**") at all our operations and uncertainty of the viability of our operations due to market conditions.

A continued effort is being made to ensure that the highest standard of safety is restored at all the Venture's operations. A dedicated task team was established and is visiting the operations to identify any barriers to success and ensure action plans are implemented.

HEALTH

COVID-19 hit South Africa in March 2020. All our operations immediately prepared to suppress the spread of the virus by taking the following measures: 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 initiatives were implemented: hand sanitisers, disinfectant schedules, information boards, social distancing demarcation, glass panels to protect people in high movement areas, screening of each individual who enters operations, and thermal scanners to determine if an individual has signs of fever.

Polymerase Chain Reaction ("PCR") equipment was donated to Ndlovu laboratories to increase the testing capabilities of the region. Occupational health practitioners were trained to take samples and ensure that they are sent to the laboratories for analysis. A software application was developed whereby all employees had to complete screening on a daily basis. If any issue of concern was identified, the clock card would be blocked and the employee referred to his general practitioner or operational clinic for additional monitoring and assistance.

During the second wave, additional measures were included at the operations where all employees had to have an antigen test on return to work. This practice assisted in identifying potential COVID-19 cases and was followed up by a full PCR test if the antigen test was positive.

During 2020, we sadly lost five of our employees and contractors due to the COVID-19 pandemic. Regrettably during 2021 to date, this number has increased to 15.

OPERATIONAL REVIEW

Attributable ferrochrome production volumes decreased by 29% to 265kt (2019: 371kt) in the current financial year. The drastic reduction in production was as a result of the national lockdown implemented to curb the spread of COVID-19, weaker demand and to a lesser extent electricity supply load curtailment.

The significant reduction was mainly in the second and third quarters of the financial year. During this period, the Venture only operated the Lion smelter, Eastern Chrome mines and the UG2 Chrome Recovery Plants due to subdued demand and winter shut-downs for maintenance.

After winter, the Venture resumed production at all other operations except for the Lydenburg smelter and Rustenburg furnace 5, which have been placed under care and maintenance.

SECTION 189 CONSULTATION

The Process which commenced in the second quarter of 2020 across all operations, has been concluded. It has resulted in 976 employees being retrenched at a cost of R474.2 million.

The Process was triggered by deteriorating operating and market conditions across the South African ferrochrome industry, including unsustainable electricity tariffs and interruptions, cross subsidies and real cost inflation.

ELECTRICITY

Electricity supply and pricing remain key risks for our business and the broader ferro alloy sectors. The electricity tariff increased by 8.8% effective 1 April 2020. For 2021, the National Electricity Regulator of South Africa ("**NERSA**") has agreed to increase the tariff by 15.6%, following Eskom's High Court victory, where it challenged the inclusion of the government bailout of R69 billion in the calculation determining tariff increases. These increases add to cost pressures of the Venture's smelters and further reduce the cost competitiveness of the South African ferrochrome industry.

MARKET REVIEW

South African ferrochrome production decreased by 25%^ year-on-year in 2020. Production was most heavily impacted in the second quarter due to COVID-19 related shut downs, while higher winter power tariffs and other cost pressures resulted in sustained lower production levels for the remainder of the year. Global ferrochrome production decreased 11.2% year-on-year^ to 12.5 million tonnes^ in 2020.

Global stainless steel production was also heavily impacted by COVID-19 during the first and second quarter of 2020 and quarterly production reduced by 12%^. Although production recovered in the third quarter of 2020 and hit a record volume of 14.2 million tonnes^ during the fourth quarter of 2020, full year production declined by 5.0%^. Global ferrochrome demand decreased by 5%^ year-on-year. South African chrome ore exports decreased by 8.7%* year-on-year to 13.5 million tonnes*.

Despite a recovery in demand, ferrochrome and chrome ore remained in surplus during the second half of 2020 and prices were subdued over the period. Market prices have notably improved in early 2021 due to ferrochrome supply restrictions in China and further increases in global chrome unit demand.

The average European Benchmark ferrochrome price was US cents 111 per pound in 2020, 1.1% higher than the 2019 average.

OUTLOOK

The recovery of stainless steel production and ferrochrome demand will depend on developments on the COVID-19 pandemic. The availability of vaccines and their distribution would be supportive of global economic recovery. Although there was negative growth of 5.0%^ in 2020, global stainless steel production is expected to recover with growth of 12.5%^ projected in 2021.

The supply restrictions in China, as well as the expected increase in demand could have a positive impact on ferrochrome prices.

We will continue to manage factors within our control by continuing to focus on cost management, efficient and safe operations, cash preservation and efficient capital allocation. This is even more critical due to the ongoing uncertain future impact of COVID-19 and its impact on the markets going forward. Our balance sheet remains strong and ungeared which positions us to withstand the challenging times ahead.

The auditors did not report on the projected forecasts and outlook contained in this announcement.

Abiel Mngomezulu
Independent non-executive Chairman

Zanele Matlala
Chief Executive Officer

Sandton

8 March 2021

^ CRU commodity market analysts.
** Global trade atlas.*

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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended	
	31 December 2020 audited R'000	31 December 2019 audited Restated* R'000
Revenue	**4 780 387**	5 379 329
EBITDA	**167 907**	379 257
Depreciation and amortisation	**(153 361)**	(467 261)
Impairments of property, plant and equipment and intangible assets	**(1 365 962)**	(1 789 316)
Net financing income*	**4 804**	10 404
Income from equity-accounted investments	**860**	–
Loss before taxation	**(1 345 752)**	(1 866 916)
Taxation	**342 725**	505 097
Loss and total comprehensive loss for the year	**(1 003 027)**	(1 361 819)
Basic loss per share (cents)	**(40.0)**	(54.2)
Diluted loss per share (cents)	**(40.0)**	(54.2)
Headline loss per share (cents)	**(0.8)**	(3.4)
Ordinary shares in issue	**2 510 704 248**	2 510 704 248

** The 2019 consolidated financial statements have been restated. The unwinding of the discount on the rehabilitation provision has been restated due to an error in accounting for the change in estimate, out of finance income in the prior year into operating and other expenses and the impairment expense. Refer to note 6 on the prior year restatement on* **page 7.**

SUMMARISED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended	
	31 December 2020 audited R'000	31 December 2019 audited Restated* R'000
Loss before tax	**(1 345 752)**	(1 866 916)
Depreciation and amortisation	**153 361**	467 261
Impairment	**1 365 962**	1 789 316
Finance income	**(6 517)**	(11 998)
Finance expense	**1 713**	1 594
Share-based payment (income)/expense	**(649)**	155
Share grants exercised	**(582)**	(3 588)
Embedded derivative expense	**(5 614)**	40 677
Provisions	**(163 686)**	46 816
Movement in long-term receivable	**2 630**	(3 617)
Profit on sale of property, plant and equipment	**(167)**	(17 087)
Unicorn fair value adjustment	**1 936**	–
Income from equity-accounted investment	**(860)**	–
Net realisable value inventory adjustment	**13 583**	133 000
Effect of exchange rate fluctuations on cash held during the year	**87 908**	4 410
Non-cash movement	**(3 006)**	3 055
Working capital changes adjustment	**390 521**	101 667
Cash generated from operating activities	**490 782**	684 745
Interest paid	**(1 617)**	(1 524)
Interest received	**6 156**	10 952
Taxation (paid)/received	**(15)**	5 040
Net cash generated from operating activities	**495 306**	699 213
Proceeds from sale of property, plant and equipment	**169**	3 037
Sustaining capital expenditure	**(333 676)**	(469 644)
Expansionary capital expenditure	**(9 310)**	–
Investment purchase	**(33 124)**	–
Net cash utilised in investing activities	**(375 941)**	(466 607)
Dividends paid	**(100 428)**	(150 642)
Lease liabilities repaid	**(7 581)**	(4 228)
Net cash utilised in financing activities	**(108 009)**	(154 870)
Net increase in cash and cash equivalents	**11 356**	77 736
Cash and cash equivalents at 1 January	**354 181**	280 855
Effect of foreign exchange rate changes	**(87 908)**	(4 410)
Cash and cash equivalents at 31 December	**277 629**	354 181

** The 2019 financial statements have been restated. The unwinding of the discount on the rehabilitation provision has been restated due to an error in accounting for the change in estimate, out of finance income in the prior year into operating and other expenses and the impairment expense. This has also impacted the change in estimate in the rehabilitation provision with a non-cash impact out of sustaining capital expenditure. In addition, the non-cash movement of inventory net realisable value write down has been restated in the cashflow statement. Refer to note 6 on the prior year restatement on* **page 7.**

SUMMARISED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at	
	31 December 2020 audited R'000	31 December 2019 audited R'000
ASSETS		
Property, plant and equipment	**338 619**	1 435 080
Intangible assets	**38 539**	49 268
Investment in associate	**2 151**	–
Long-term receivable	**13 982**	16 612
Deferred tax asset	**110 367**	1 374
Total non-current assets	**503 658**	1 502 334
Inventories	**1 433 681**	2 008 799
Current tax assets	**17 210**	18 635
Trade and other receivables	**880 916**	675 344
Cash and cash equivalents	**277 629**	354 181
Total current assets	**2 609 436**	3 056 959
Total assets	**3 113 094**	4 559 293
EQUITY		
Share capital	**25 107**	25 107
Share premium	**1 269 575**	1 269 575
Retained earnings	**982 380**	2 085 835
Total equity attributable to owners of the company	**2 277 062**	3 380 517
LIABILITIES		
Lease obligation and borrowings non-current	**15 583**	19 972
Share-based payment liability non-current	**1 483**	1 004
Provisions	**175 361**	337 716
Deferred tax liability	**–**	226 065
Total non-current liabilities	**192 427**	584 757
Lease obligation and borrowings current	**3 534**	4 460
Trade and other payables	**636 967**	579 131
Derivative	**2 476**	8 090
Share-based payment liability current	**628**	2 338
Total current liabilities	**643 605**	594 019
Total liabilities	**836 032**	1 178 776
Total equity and liabilities	**3 113 094**	4 559 293

STATEMENTS OF CHANGES IN EQUITY

	For the year ended	
	31 December 2020 audited R'000	31 December 2019 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	**982 380**	2 085 835
Balance at the beginning of the year	**2 085 835**	3 598 296
Total comprehensive loss for the year	**(1 003 027)**	(1 361 819)
Dividends paid	**(100 428)**	(150 642)
Total equity for the end of the year	**2 277 062**	3 380 517

Notes to the summarised consolidated financial statements

1. BASIS OF PREPARATION

On 5 March 2021, the Board approved the audited consolidated annual financial statements of the Merafe Group ("**Group**") and the Company for the year ended 31 December 2020.

The full set of consolidated financial statements from which these summarised consolidated financial statements have been derived, 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 is extracted from the audited information but is not itself audited. The financial information has been correctly 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. The adoption of various revised and/or new standards did not have a material impact to the Group, refer to note 2 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 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;
- 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.
- Impairment of financial assets. The Group determines whether any of the cash-generating units are impaired at each reporting date. This requires consideration of the current and future economic and trading environment and available valuation information, to ascertain if there are indications of impairment to those owned by the Group.
- Inventory. The Group determines whether there is obsolete inventory on an annual basis and adjustments to the net realisable value of inventory.
- Financial risk management. Credit risk and the impact of COVID-19 on liquidity risk, cash and cash equivalents and trade and other receivables. There has been no material increase in either liquidity risk and own credit risk.

The global environment, the risk of adverse impacts on our revenue, costs and capital spend by the Group, due to COVID-19, as well as the effects of the ramp-up period after the lockdown on production, were all taken into account in determining the accounting estimates and judgements for the year. Not all of the estimates and judgements included in the financial statements were impacted by COVID-19.

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 2020 was R2.5 million liability (2019: R8.1 million) 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 year ended	
	31 December 2020 audited R'000	31 December 2019 audited Restated* R'000
3. HEADLINE LOSS RECONCILIATION		
Loss for the year	**(1 003 027)**	(1 361 819)
Adjusted for:		
Impairment	**1 365 962**	1 789 316
Deferred tax effect	**(382 469)**	(501 008)
Profit on sale of property, plant and equipment	**(167)**	(17 087)
Income tax effect	**–**	4 784
Headline loss for the year	**(19 701)**	(85 814)
Headline loss per share (cents)	**(0.8)**	(3.4)
Diluted headline loss per share (cents)	**(0.8)**	(3.4)

** The 2019 financial statements have been restated. The unwinding of the discount on the rehabilitation provision has been restated due to an error in accounting for the change in estimate, out of finance income in the prior year into operating and other expenses and the impairment expense. Refer to note 6 on the prior year restatement below.*

	For the year ended	
	31 December 2020 audited R'000	31 December 2019 audited R'000
4. CAPITAL COMMITMENTS	**244 184**	196 734
Contracted but not provided for	**67 097**	67 686
Authorised but not contracted for	**177 087**	129 048

	For the year ended	
	31 December 2020 audited R'000	31 December 2019 audited R'000
5. REVENUE		
Revenue from contracts with customers	**4 779 169**	5 376 929
Revenue other than from contracts with customers	**1 218**	2 400
Total revenue	**4 780 387**	5 379 329

6. PRIOR YEAR RESTATEMENT

The Group has corrected an error identified in the prior year financial statements. The Group has reclassified the unwinding of the discount on the rehabilitation provision out of finance income into the impairment on property, plant and equipment as well as operating and other expenses due to an error in the accounting for the change in estimate on the rehabilitation provision. As a result, there has been no change in the total loss and comprehensive loss for the prior year, in the statement of financial position, the basic loss per share nor diluted loss per share but has impacted the headline loss per share. The impact of the restatement was as an increase of the operating and other expenses by R12.6 million, a decrease of the impairment expense by R57.0 million as well as a decrease of net finance income by R44.4 million. The net realisable value adjustment of inventory has also been restated in the cash flows from operating activities with R133 million and a non-cash movement of the change in estimate of R61 million out of net cash utilised in investing activities.

	For the year ended	
	As restated 31 December 2019 R'000	As previously reported 31 December 2019 R'000
Summarised consolidated statement of profit or loss and other comprehensive income		
EBITDA	**379 257**	391 886
Impairment	**(1 789 316)**	(1 846 343)
Net financing income	**10 404**	54 802
Headline loss for the year	**(85 814)**	(44 755)
Headline loss per share (cents per share)	**(3.40)**	(1.80)
Summarised consolidated statement of cash flows		
Net realisable value inventory adjustment	**133 000**	–
Net cash generated from operating activities	**699 213**	761 042
Net cash utilised in investing activities	**(466 607)**	(528 436)

7. RELATED PARTIES

7.1 Related party transactions and balances

On an annual basis management reviews its related party relationships in accordance with IAS 24: *Related Party Disclosures.* The Glencore plc group was identified as a related party taking into consideration the shareholding and related significant influence coupled with the substance of the relationship. Significant transactions and balances with all entities within the Glencore plc group are therefore disclosed together with the comparative figures.

All related party transactions relate to Merafe's attributable 20.5% interest in the Venture. Income and receivable amounts are shown in brackets. There are no outstanding commitments at the reporting date.

Name of related party	Description of relationship	Transactions and balance
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 R315 million (2019: R390 million). Commission expense R8 million (2019: R8 million). Interest expense R4 million (2019: R5 million). Receivable at the reporting date R117 million (2019: R83 million).
Glencore International AG ("GIAG")	GIAG acts as the Venture's exclusive marketing agent to sell ferrochrome and chrome ore on its behalf. The Venture purchases various raw materials from GIAG on an ongoing basis. The Venture sells chrome ore to GIAG on an ad hoc basis.	Commission expense on sale of ferrochrome and chrome ore R156 million (2019: R212 million). Marketing fee expense R2 million (2019: R2 million). Interest income R3 million (2019: (R2 million). Purchase of raw materials Rnil (2019: R159 million). Balance owing at the reporting date R26 million (2019: R21 million).
African Carbon Manufacturers (Pty) Ltd ("ACM")	ACM sells raw materials to the Venture.	Purchase of raw materials R11 million (2019: R21 million). Balance owing at the reporting date R2 million (2019: R2 million) payable 30 days from statement date.
African Fine Carbon (Pty) Ltd ("AFC")	AFC sells raw materials to the Venture.	Purchase of raw materials R20 million (2019: R40 million). Balance owing at the reporting date R4 million (2019: R3 million) payable 30 days from statement date.

Name of related party	Description of relationship	Transactions and balance
Chartech Technology (Pty) Ltd ("Chartech")	Chartech sells raw materials to the Venture.	Purchase of raw materials R22 million (2019: R40 million).
African Carbon Producers (Pty) Ltd ("ACP")	ACP sells raw materials to the Venture.	Purchase of raw materials R1 million (2019: R1 million). Balance owing at the reporting period R4 million (2019: R4 million) payable 30 days from statement date.
Glencore Holdings SA (Pty) Ltd ("GHSA")	GHSA offers the Central Treasury Function for the Venture.	Cash deposits of R79 million.
Glencore Operations South Africa (Pty) Ltd ("GOSA")	GOSA is Merafe Ferrochrome's partner in the Venture.	Employee costs R148 million (2019: R144 million). Head office costs R23 million (2019: R23 million). Training costs R5 million (2019: R5 million). Lion housing R15 million (2019: R15 million). Balance owing at the end of the year R11 million (2019: R11 million) payable 10 days after month end.
Access world (South Africa) Pty Ltd ("Access")	Access is a warehousing company that provides storage facilities of ferrochrome and chrome ore to the Venture.	Storage of ferrochrome and chrome ore R10 million (2019: R15 million). Outstanding balance owing at the reporting date R2 million (2019: R3 million) payable 30 days after statement date.
Impala Chrome (Pty) Ltd ("Impala")	Impala is an associate jointly controlled by the Venture.	Revenue from logistics and maintenance contracts R20 million. Receivable at the reporting date R14 million.
Astron Energy (Pty) Ltd ("Astron")	Astron sells fuel to the Venture.	Purchases of R10 million. Payable of R2 million at the reporting date.
Unicorn Chrome (Pty) Ltd ("Unicorn")	Unicorn is a jointly controlled operation by the Venture.	Receivables of R3 million at the reporting date and payables of Rnil at the reporting date.

8. TAXATION

The Group's effective tax rate is 25.5% (2019: 27.1%) for the year ended 31 December 2020.

9. EVENTS AFTER THE REPORTING PERIOD

As reported above, the Board has resolved not to declare a final dividend (2019: R100 million, 4 cents per share) for the 2020 financial year.

At the last annual general meeting ("**AGM**") held on 22 May 2020, shareholders gave the Company or any of its subsidiaries a general authority in terms of section 48 of the Companies Act of South Africa and the JSE Listings Requirements, by way of a special resolution, for the acquisition of its own shares. As this general authority remains valid only until the next AGM is held on or about 18 May 2021, the shareholders will be asked at that meeting to consider a special resolution to renew this general authority until the 2022 AGM. In accordance with this general authority, from 4 January 2021, the Company started a share repurchase programme through which Merafe's shares were to be repurchased from the open market and cancelled thereafter. A price ceiling has been set for the repurchases. As at 28 February 2021, 0.418% of the Company issued shares had been bought back. In due course, the necessary SENS announcement will be published in accordance with the JSE Listings Requirements.

There have been no other material events subsequent to 31 December 2020.

10. CONTINGENT LIABILITIES

Merafe had no contingent liabilities as at 31 December 2020.

11. CHANGES TO THE BOARD OF DIRECTORS

Ms Grathel Motau resigned as an independent non-executive director effective 31 October 2020.

Mr Katlego Tlale was appointed as an independent non-executive director of the Company effective 1 December 2020.

Ms Belese Majova, an independent non-executive director, and Ms Mpho Mosweu, a non-executive director, will be retiring as members of the Board at the Merafe AGM to be held on 18 May 2021, and will not be offering themselves for re-election.

12. OPERATING SEGMENTS

Merafe's revenue and operating income is primarily generated from 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 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.

www.meraferesources.co.za

Notes

Administration

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S Blankfield, K Tlale*, J Mclaughlan* Z Matlala (Chief Executive Officer),
D Chocho (Financial Director)

** Independent*