MERAFE RESOURCES LIMITED

SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS AND CASH DIVIDEND DECLARATION

FOR THE YEAR ENDED 31 DECEMBER 2021

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CEO commentary on results

2021 has been a year of recovery for the Glencore Merafe Pooling and Sharing Venture ("**Venture**"), both from a financial and operational perspective. Improved economic activity contributed to robust demand for ferrochrome, which coupled with supply constraints resulted in a marked increase in prices. This activity also led to higher volumes sold, however, the impact on revenue was somewhat dampened by a stronger Rand:US$ exchange rate. Merafe achieved the highest profit after tax since the formation of the Venture in 2004. The Board of Directors of Merafe (the "**Board**") has declared a final cash dividend of R549.8 million on 22 March 2022 bringing the total dividends for the year to R724.7 million.

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**" or the "**Group**")

Sponsor

One Capital Sponsor Services (Pty) Ltd

Executive Directors

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

Non-executive Directors

A Mngomezulu (Chairperson)*, D McGluwa, M Vuso*, K Tlale*, N Mabusela-Aikhuere*, D Green, J Mclaughlan*
** Independent*

Company Secretary

CorpStat Governance Services (Pty) Ltd

Registered office

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Transfer secretaries

JSE Investor Services (Pty) Ltd

Investor relations

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Icons used in this report

This icon refers to further reading

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

2021 YEAR IN REVIEW

Key features

30% decrease in TRIFR[1] to
2.75
(2020: 3.91[2])

43% increase in ferrochrome production to
379kt
(2020: 265kt)

69% increase in revenue to
R8 063 million
(2020: R4 780 million)

Decrease in production cost per tonne by
5%
(2020: 8% increase)

Increase in EBITDA[3]
R2 432 million
(2020: R168 million)

[1] *Total recordable injury frequency rate*
[2] *Restated. The 2020 financial year data related to hours worked was corrected to align with reporting definitions. This impacted on the frequency rates*
[3] *Earnings before interest, taxation, depreciation and amortisation*

Headline earnings per share of
67 cents
(2020: loss of 0.8 cents)

Basic earnings per share of
66.8 cents
(2020: loss of 40.0 cents)

Net cash generated from operating activities increased to
R1 156 million
(2020: R495 million)

Net cash of
R972 million
(2020: R278 million)

Cash dividend declared
22 cents per share
(2020: Rnil)

Icon reference

- Positive performance or occurrence compared to prior year
- No change in performance compared to prior year
- Negative performance or occurrence compared to prior year

COMMENTARY

Financial review

The summarised consolidated financial results for the year ended 31 December 2021 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 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 of chrome ore and beneficiation of chrome ore into ferrochrome and associated minerals, as a result, no segment report has been presented.

Merafe's share of revenue from the Venture, which includes a management fee, increased by 69% from the prior year to R8 063 million (2020: R4 780 million). Ferrochrome revenue increased by 75% year-on-year to R7 020 million (2020: R4 002 million) primarily as a result of a 50% increase in average net cost, insurance and freight ("**CIF**") prices and a 29% increase in ferrochrome sales volumes to 394kt (2020: 305kt). Chrome ore revenue increased by 33% year-on-year to R1 036 million (2020: R777 million), driven by an 17% increase in sales volumes to 390kt (2020: 332kt) and a 27% average sales price increase for the year. Some product was produced and sold from the Platinum Group Metals ("**PGMs**") processing plant that Merafe invested in (as reported in the announcement published on SENS on 14 January 2022). This revenue was R2.6 million (2020: Rnil).

Merafe's portion of the Venture's EBITDA for the year ended 31 December 2021 is R2 498.1 million (2020: R197.8 million). The EBITDA includes Merafe's attributable share of standing charges of R108.7 million (2020: R474.2 million) and a foreign exchange gain of R104.3 million (2020: R59.7 million loss). There were no retrenchment costs in the year (2020: R97 million). The Company wrote down inventory by R24.4 million during the year (2020: R13.6 million).

After accounting for corporate costs of R66.0 million (2020: R29.9 million), which include a cash settled share-based payment expense of R8.9 million (2020: R0.7 million credit), Merafe achieved EBITDA of R2 432.1 million (2020: R167.9 million). Corporate costs include Corporate Social Investment expenses of R3.1 million (2020: R0.5 million), a bonus provision of R10.5 million (2020: R5.5 million) and a provision of R12.7 million (2020: Rnil) against previously claimed indirect taxes which may be disallowed and have to be expensed.

Earnings for the year ended 31 December 2021 amounted to R1 673.7 million (2020: loss of R1 003 million), after taking into account depreciation charge of R111.2 million (2020: R153.4 million), an impairment of assets of R5.8 million (2020: R1 365 million), net financing income of R11.1 million (2020: R4.8 million) and taxation expense of R653.1 million (2020: R342.7 million credit). While the 2020 financial year's impairment adjustment related to the cash generating unit ("**CGU**"), the current year's impairment loss was specific to an asset that was written off. An impairment assessment was performed at year end, resulting in no further CGU impairment adjustment for the period. Taxation includes a deferred tax expense of R199.2 million (2020: R344.2 million credit) 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 no unredeemed capital expenditure balance at 31 December 2021 (2020: R274.6 million) as taxable profits exceeded capital expenditure. Depreciation decreased year-on-year primarily as a result of an impairment loss processed in the prior year.

Sustaining capital expenditure increased by 34% to R448.1 million (2020: R333.7 million) due to catch-up spend necessitated by COVID-19-related spending restrictions in the prior year. Expansionary capital includes R32 million spent on the PGMs processing plant. Although the plant has commenced producing product, its development is planned for full completion in the 2022 financial year and will be financed from own cash reserves.

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

At 31 December 2021, Merafe had cash and cash equivalents of R972.1 million (2020: R277.6 million) which comprised cash held by Merafe of R483.2 million (2020: R151.9 million) and R488.9 million (2020: R125.7 million), being Merafe's share of the cash balance in the Venture. The Venture has set aside cash, ringfenced to fund its future environmental rehabilitation obligations. Merafe's share of this cash is R189.3 million and is included in its share of the cash in the Venture of R488.9 million referred to above.

Trade and other receivables increased by 76% compared to the previous year primarily as a result of higher prices, 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 R15.94 (2020: R14.65) as at 31 December 2021.

Ferrochrome finished goods volumes of 76kt (2020: 90kt) on hand at year end represent approximately two to three months of sales. The closing inventory value increased to R1 652.2 million (2020: R1 433.7 million) post the write down of inventory. The increase in the closing value of inventory was due to higher costs as well as an increase in our raw materials inventories volumes in an effort to secure supply.

Pursuant to a share repurchase programme, the Company acquired 11 577 378 ordinary shares in the open market between 19 January 2021 and 5 May 2021. The shares represent 0.46% of the Company's issued share capital immediately prior to the buy-back. The shares were acquired at an average price of 49 cents, with prices ranging from 43 cents to 60 cents. The total cost of R5.8 million, including transaction costs, was deducted from share capital. In line with the JSE Limited's approval, the shares bought back were delisted and cancelled on 18 August 2021. The share repurchase programme was suspended on 26 November 2021.

The Board has declared a final cash dividend of R549.8 million (2020: Rnil). This amounts to 22 cents (2020: nil cents) per share before dividend tax, and brings the total dividend for the year to R724.7 million (2020: Rnil).

Safety

The safety of our employees remains our number one priority. The Venture was fatality free for the year. Our total recordable injury frequency rate improved by 29.67% to 2.75 (December 2020: 3.91^).

A safety culture is encouraged as evidenced by a concerted effort by everyone to ensure not only their own safety but that of their co-workers as well. The SafeWork programme is another illustration of our focus on safety. The SafeWork programme framework is risk-based, focusing on eliminating fatalities and serious injuries by identifying the hazards that can result in fatal incidents and developing life-saving behaviours and protocols to target them. This programme was reviewed and a gap analysis against new requirements conducted during the last part of 2021, with actions to ensure continuous improvement of our safety programme in creating a safe working environment.

Health

COVID-19 is still a risk that we deal with on a daily basis. Our operations continue to manage the spread of the virus through ensuring adherence to all approved COVID-19 protocols.

The implementation of antigen testing across all operations since January 2021 assisted greatly in curbing super spreader events by preventing asymptomatic positive people from entering the workplace. On average a total of 68 784 antigen tests were conducted during 2021. To confirm the reliability of the antigen test, all COVID-19 positive results were followed up a Polymerase Chain Reaction test which demonstrated an effectiveness rate of 99%.

With the emergence of the Delta variant, we have seen a substantial increase in positive cases throughout South Africa and across our operations. This was followed with the identification of the Omicron variant and the emergence of the fourth wave in South Africa. 2 873 members of our workforce tested positive during 2021 compared to 694 positive cases during 2020. It is with great sadness that we report that during 2021 we have lost 26 (December 2020: 5) of our colleagues due to COVID-19.

^ *There was a restatement of the December 2020 statistic from 3.89 to 3.91. The 2020 financial year data related to hours worked was corrected to align with reporting definitions. This impacted the frequency rates.*

The impact of the virus on our people only reinforces our determination to ensure the safety and health of our workers.

In partnership with Ndlovu Laboratories, we have embarked on a vaccination campaign in support of the vaccination drive by government. As at 31 December 2021, 80% of our workforce had at least one dose.

Operational review

Merafe's attributable ferrochrome production volumes increased by 43% from 265kt to 379kt for the year ended 31 December 2021. The increase was mainly due to production being less affected by COVID-19 shutdowns coupled with improved plant efficiencies achieved at the Venture's smelters. New annual production records were achieved for total furnaces and total plant production at Wonderkop and Lion smelters.

Lydenburg smelter, Rustenburg furnace 6, Waterval mine and Boshoek mine remain on care and maintenance. Rustenburg furnace 5 was brought back into operation in the third quarter of the year. Total unit cost of production of ferrochrome decreased by 5.2% year-on-year, mainly as a result of fixed costs dilution due to higher volumes produced and lower cost of chrome ore. However, these were somewhat offset by the higher cost of electricity and reductants.

Reliability of supply and escalating cost of electricity remain key risks for our business. Electricity tariff increased by 15.06% effective 1 April 2021. The Eskom approved tariff increase is 9.61% effective from 1 April 2022.

To mitigate against these unsustainable electricity tariffs, the Venture is pursuing Negotiated Pricing Agreements with Eskom in terms of the Department of Mineral Resources and Energy Interim Framework for Long Negotiated Pricing Agreements.

The Venture is at the request for proposals stage regarding construction of renewable energy facilities and supply of green power.

The cost of reductants was impacted by increased market prices and shortage of local supply of anthracite and coke, necessitating imports which are more expensive.

New PGMs plant – Western Chrome mines

As earlier reported, Merafe and Glencore Operations South Africa have reached an agreement to contribute to the PGMs plant which is currently under construction at the Kroondal mine. The new PGM Plant's main operations will be the treatment of PGM-bearing material (i) derived from the mining operations at the JV's western chrome mines; (ii) available in applicable tailings facilities and dams; and (iii) from certain mining operations in the vicinity of the Kroondal Mine to which Glencore Operations South Africa and/or Merafe directly or indirectly have/has rights in relation to PGMs. The plant has the capacity to treat 21kt of PGM-bearing material per month. Merafe's portion of the estimated cost to complete construction of the plant in 2022 is R23m which will be paid for by the Venture.

Market review

Global ferrochrome demand outpaced supply during most of 2021 as stainless-steel production increased 14.5%[1] year-on-year to 59mt[1]. Chinese ferrochrome production (ca. 41%[1] of global production) was significantly impacted by power reform policy and energy shortages throughout most of the year. This supply shortage was exacerbated by a 14%[3] year-on-year decline in Chinese ferrochrome imports.

South African ferrochrome production increased 35%[1] year-on-year to 3.7mt[1], in line with pre-COVID-19 levels.

Despite a lifting of COVID-19 restrictions during 2021, chrome ore exports from South Africa remained flat year-on-year at 13.5mt[3] due to mine closures and logistical bottlenecks. Port inventories in China dropped 28% to 2.6mt[2] at the end of January 2022, from 3.6mt[2] a year earlier.

Logistics proved to be a challenge in 2021 and resulted in increased road usage due to rail challenges, high diesel prices as well as increased sea freight costs as a result of an imbalance in supply/demand of vessels.

The average European benchmark ferrochrome price was US cents 152[4] per pound in 2021, 37.6%[4] higher than the 2020 average of US cents 111 per pound.

Outlook

The strong growth in stainless steel production as well as developments in China have been key to the buoyancy in the ferrochrome market in 2021. The efficiencies achieved in our operations not only responded to this demand but assured us of the ability to operate at these levels sustainably. Our capital expenditure programme which is necessary to enable these performances was resumed in 2021 and will continue in 2022. There is expectation that global growth, while still positive, will slow down from the highs experienced in 2021. While the COVID-19 effects have been less damaging in recent periods, the pandemic remains a threat which we will continue to monitor. We accordingly remain cautious in our approach to the future and will continue to focus on efficient operations, cash preservation, cost control and efficient capital allocation. The PGMs plant and green energy initiatives are some of the important and exciting projects that will receive management's attention in 2022.

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
Independent non-executive Chairperson

Zanele Matlala
Chief Executive Officer

Sandton

22 March 2022

[1] *CRU commodity market analysts*
[2] *Ferroalloynet*
[3] *TDM Trade data monitor*
[4] *Fast Market (Metal Bulletin) – Ferrochrome lumpy Cr charge quarterly, basis 52% Cr (and high carbon), delivered Europe, $c/lb Cr*

SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

The following summarised financial statements has been extracted from the audited consolidated annual financial statements:

Summarised consolidated statement of comprehensive income

	For the year ended	
	31 December 2021 Audited R'000	31 December 2020 Audited R'000
Revenue	**8 062 656**	4 780 387
EBITDA	**2 432 060**	167 907
Depreciation and amortisation	**(111 185)**	(153 361)
Impairments	**(5 824)**	(1 365 962)
Net financing income	**11 070**	4 804
Income from equity accounted investment	**614**	860
Profit/(Loss) before taxation	**2 326 735**	(1 345 752)
Taxation	**(653 070)**	342 725
Profit/(loss) and total comprehensive income/(loss) for the year	**1 673 665**	(1 003 027)
Basic earnings/(loss) per share (cents)	**66.8**	(40.0)
Diluted earnings/(loss) per share (cents)	**66.8**	(40.0)

Summarised consolidated statement of cash flows

	For the year ended	
	31 December 2021 Audited R'000	31 December 2020 Audited R'000
Profit/(loss) before tax	**2 326 735**	(1 345 752)
Depreciation and amortisation	**111 185**	153 361
Impairment	**5 824**	1 365 962
Finance income	**(13 572)**	(6 517)
Finance expense	**2 502**	1 713
Share-based payment expense/(credit)	**8 868**	(649)
Share grants exercised	**(1 231)**	(582)
Fair value adjustment on provisionally priced revenue	**(27 807)**	(5 614)
Movement in rehabilitation provision	**18 547**	(163 686)
Movement in long-term receivable	**538**	2 630
Profit on sale of assets	**(116)**	(167)
Unicorn fair value adjustment	**–**	1 936
Income from equity accounted investment	**(614)**	(860)
Net realisable value inventory adjustment	**24 411**	13 583
Effect of exchange rate fluctuations	**(213 400)**	87 908
Other non-cash movements	**1 329**	(3 006)
Adjusted for working capital changes	**(665 655)**	390 521
Cash generated from operating activities	**1 577 544**	490 782
Interest paid	**(2 123)**	(1 617)
Interest received	**(11 615)**	6 156
Taxation paid	**(431 112)**	(15)
Net cash generated from operating activities	**1 155 924**	495 306
Proceeds from sale of property, plant and equipment	**366**	169
Sustaining capital expenditure	**(448 149)**	(333 676)
Expansionary capital expenditure	**(42 086)**	(9 310)
Acquisition of an interest in a joint operation	**–**	(33 124)
Net cash utilised in investing activities	**(489 869)**	(375 941)
Payment for repurchase of shares	**(5 774)**	–
Costs incurred for the repurchase of shares	**(32)**	–
Dividends paid	**(174 939)**	(100 428)
Repayment of capital portion of lease liabilities	**(4 210)**	(7 581)
Net cash utilised in financing activities	**(184 955)**	(108 009)
Total cash movement for the year	**481 100**	11 356
Cash and cash equivalents at 1 January	**277 629**	354 181
Effect of foreign exchange rate changes	**213 400**	(87 908)
Total cash at the end of the year	**972 129**	277 629

Summarised consolidated statement of financial position

	As at	
	31 December 2021 Audited R'000	31 December 2020 Audited R'000
ASSETS		
Property, plant and equipment	**712 577**	338 619
Intangible assets	**34 060**	38 539
Investment in associate	**2 765**	2 151
Long-term receivable	**13 444**	13 982
Deferred tax asset	**3 394**	110 367
Total non-current assets	**766 240**	503 658
Inventories	**1 652 178**	1 433 681
Current tax assets	**16**	17 210
Trade and other receivables	**1 554 620**	880 916
Cash and cash equivalents	**972 129**	277 629
Total current assets	**4 178 943**	2 609 436
Total assets	**4 945 183**	3 113 094
EQUITY		
Share capital	**1 288 876**	1 294 682
Retained earnings	**2 481 106**	982 380
Total equity attributable to owners of the company	**3 769 982**	2 277 062
LIABILITIES		
Lease obligation	**10 919**	15 583
Share-based payment liability	**8 490**	1 483
Provision	**171 164**	175 361
Deferred tax	**92 226**	–
Total non-current liabilities	**282 799**	192 427
Lease obligation	**3 988**	3 534
Trade and other payables	**862 594**	636 967
Derivative	**–**	2 476
Share-based payment liability	**1 258**	628
Current tax payable	**5 565**	–
Provision	**18 997**	–
Total current liabilities	**892 402**	643 605
Total liabilities	**1 175 201**	836 032
Total equity and liabilities	**4 945 183**	3 113 094

Statement of changes in equity

	For the year ended	
	31 December 2021 Audited R'000	31 December 2020 Audited R'000
Issued share capital – ordinary shares	**25 107**	25 107
Shares repurchased and cancelled during the year	**(116)**	–
Balance at the end of the year (issued share capital)	**24 991**	25 107
Share premium – ordinary shares	**1 269 575**	1 269 575
Shares repurchased and cancelled during the year	**(5 690)**	–
Balance at the end of the year (share premium)	**1 263 885**	1 269 575
Balance at beginning of the year	**982 380**	2 085 835
Total comprehensive income/(loss) for the year	**1 673 665**	(1 003 027)
Dividends paid	**(174 939)**	(100 428)
Balance at the end of the year (retained earnings)	**2 481 106**	982 380
Total equity for the end of the year	**3 769 982**	2 277 062

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

On 22 March 2022, the board of directors (the "**Board**") of Merafe Resources Limited (the "**Company**") approved the audited consolidated annual financial statements of the Merafe Group ("**Group**") and the Company for the year ended 31 December 2021.

The consolidated financial statements and these summarised consolidated financial statements have been prepared under the supervision of Ditabe Chocho CA(SA) (Financial Director). The summarised financial statements are prepared in accordance with the framework concepts and the measurement and recognition of IFRS, Interpretations Committee (IFRIC), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee (APC), the Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited Listing Requirements and the requirements of the Companies Act No. 71 of 2008, as amended.

The Board takes full responsibility for the preparation of the summarised consolidated financial statements, which is extracted from the audited consolidated financial statements 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, along with the audited consolidated annual financial statements are available for inspection at the Company's registered office and also available on Merafe's website at (http://www.meraferesources.co.za/stake-annual-results.php).

1.1 Accounting policies

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

1.2 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the summarised consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates are reviewed on an ongoing basis. Underlying assumptions are also reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the summarised consolidated financial statements are as follows:

- Measurement of depreciation and impairment, useful lives and residual values of property, plant and equipment and intangible assets;
- Inputs used in the determination of the fair value of the share-based payment transactions;
- Lease classification and depreciation of right-of-use assets;
- Assumptions used in calculation of the life of the mines/smelters, estimation of the closure and restoration costs and inputs used in the calculation of the present value of the provision for closure, restoration costs and discount rate applied;
- Fair value measurement of trade receivable subject to provisional pricing;
- Assumptions used in the assessment of expected credit losses on financial assets;
- 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;
- Inventories. The Group determines whether there is obsolete inventory on an annual basis and adjustments to the net realisable value of inventory; and
- Financial risk management. The Group assesses credit risk and the on-going impact of COVID-19, despite limited impact 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 based on this assessment.

The global environment, the risk of adverse impacts on our revenue, costs and capital spend by the Group, due to COVID-19, were all taken into account in determining the accounting estimates and judgements for the year.

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 Trade receivables subject to provisional pricing terms

Trade receivables includes R25m (2020: Rnil) of receivables subject to provisional pricing terms which are accordingly accounted for at fair value through profit and loss. Level 2 hierarchy per IFRS 13. The fair value at the reporting date is based on the latest available ferrochrome prices and closing foreign exchange rate of R15.94.

	For the year ended	
	31 December 2021 Audited R'000	31 December 2020 Audited R'000
3. Headline earnings/(loss)		
Earnings/(loss) for the year	**1 673 665**	(1 003 027)
Headline earnings/(loss) adjustment:		
Impairment	**5 824**	1 365 962
Profit on sale of assets	**(116)**	(167)
Deferred tax effect	**(1 598)**	(382 469)
Headline earnings/(loss) for the year	**1 677 775**	(19 701)
Headline earnings/(loss) per share (cents)	**67**	(0.8)
Diluted headline earnings/(loss) per share (cents)	**67**	(0.8)
Ordinary shares in issue	**2 499 126 870**	2 510 704 248
4. Capital commitments		
Contracted but not provided for	**99 012**	67 097
Authorised but not contracted for	**302 661**	177 087
	401 673	244 184
5. Revenue		
Ferrochrome sales	**7 020 413**	4 002 077
Chrome ore sales	**1 036 084**	777 092
PGMs concentrate sales	**2 645**	–
Revenue from contracts with customers	**8 059 142**	4 779 169
Management fees	**1 200**	1 218
Other income	**2 314**	–
Revenue other than from contracts with customers	**3 514**	1 218
Total revenue	**8 062 656**	4 780 387

6. Related parties

Related party transactions and balances

During the current financial year, 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 relate to Merafe's attributable 20.5% interest in the Venture. There are no outstanding commitments at year end.

Name of related party	Description of relationship	Transactions and balance
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 director fees for Ms M Mosweu and Mr D McGluwa. The IDC received dividends declared by Merafe Resources. At the reporting date 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.	At period end there are no amounts due to GN. GN received dividends declared by the Company.
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 R583m (2020: R315m). Commission expense R1m (2020: R8m). Interest expense R1m (2020: R4m). Receivable at the reporting date R137m (2020: R117m).
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 R316m (2020: R156m). Marketing fee expense R1.8m (2020: R2m). Interest income R5m (2020: R3m). Purchase of raw materials R295m (2020: Rnil). Balance owing at the reporting date R36m (2020: R26m) payable on confirmation of final sales.
African Carbon Manufacturers (Pty) Ltd **("ACM")***#	ACM sells raw materials to the Venture.	Purchase of raw materials Rnil (2020: R11m). Balance owing at the end of the reporting date Rnil (2020: R2m) payable 30 days from statement date.
African Fine Carbon (Pty) Ltd **("AFC")***#	AFC sells raw materials to the Venture.	Purchase of raw materials Rnil (2020: R20m). Balance owing at the reporting date Rnil (2020: R4m) payable 30 days from statement date.
African Carbon Producers (Pty) Ltd **("ACP")***#	ACP sells raw materials to the Venture.	Purchase of raw materials Rnil (2020: R1m). Balance owing at the reporting period Rnil (2020: R4m) payable 30 days from statement date.
Char Technology (Pty) Ltd **("Chartech")***#	Chartech sells raw materials to the Venture.	Purchase of raw materials R118m (2020: R22m). Balance owing at the reporting date R11m (2020: Rnil) payable 30 days from statement date.
Glencore Holdings South Africa (Pty) Ltd **("GHSA")**#	GHSA offers the Central Treasury Function for the Venture	Cash deposits of R300m (2020: R79m) and rehabilitation investment of R189m (2020: R39m).
Glencore Operations South Africa (Pty) Ltd **("GOSA")**#	GOSA is Merafe Ferrochrome and Mining (Pty) Ltd's partner in the Venture.	Employee costs R148m (2020: R148m). Head office costs R25m (2020: R23m). Training costs R6m (2020: R5m). Lion housing R18m (2020: R15m). Share service centre costs R9m (2020: R9m). Costs recovered from PGM tailings R3m (2020: Rnil). Balance owing at the end of the year R14m (2020: R11m) payable 10 days after month end. GOSA received the non-executive director fees for Mr S Blankfield, Mr M Toman and Mr D Green.

Name of related party	Description of relationship	Transactions and balance
Glencore Property Management Company Pty (Ltd) (**"GPMC"**)#	GPMC provides rental property to the Venture.	Rental of CSI offices R20K (2020: Rnil). Balance owing at the reporting period R0.3m (2020: Rnil) payable 30 days from statement date.
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 R5m (2020: R10m). Outstanding balance owing at the reporting date R0.45m (2020: R2m) payable 30 days after statement date.
Astron Energy (Pty) Ltd (**"Astron"**)#	Astron sells fuel to the Venture.	Purchases of R25m (2020: R10m). Payable of R1m (2020: R2m) at the reporting date.
Umsimbithi Mining (Pty) Ltd (**"Umsimbithi"**)#	Umsimbithi sells coal to the Venture.	Purchases of R0.7m (2020: Rnil).
Impala Chrome (Pty) Ltd (**"Impala"**)	Impala is an associate jointly controlled by the Venture.	Revenue from logistics, marketing and maintenance contracts R27m (2020: R20m). Receivable at the reporting date R3m (2020: R14m).
Unicorn Chrome (Pty) Ltd (**"Unicorn"**)	Unicorn is a jointly controlled operation by the Venture.	Receivables of Rnil (2020: R3m) at the reporting date and payables of Rnil (2020: Rnil) at the reporting date.

* *During the current year, ACM, AFC and ACP became divisions of Char Technology (Pty) Ltd.*

\# *Subsidiary of Glencore plc.*

7. Taxation

The Group's effective tax rate is 28.07% (2020: 25.5%) for the year ended 31 December 2021.

8. Impairment of property, plant and equipment

During the reporting period, an impairment raised against assets to the value of R5.8m is due to specific assets having nil economic value.

9. Inventories

During the reporting period, inventory was written down to its net realisable value due to low commodity prices at the reporting date. This resulted in a loss of R24m (2020: R14m).

10. Share capital

During the reporting period, the Company delisted and cancelled 11 577 378 ordinary shares repurchase from the open market. The cancellation was approved by the JSE Limited effective on 18 August 2021. The cancelled shares represent 0.46% of the issued share capital of the Company immediately prior cancellation. The shares repurchase programme was suspended by the Board on 26 November 2021.

11. Contingent liabilities

Merafe had no contingent liabilities as at 31 December 2021.

12. Events after the reporting period

As reported above, the Board has resolved to declare a final cash dividend of 22 cents (2020: nil) cents per share for the 2021 financial year on 22 March 2022. The total gross cash dividend for the year amounted to 29 cents per share.

On 23 February 2022, the Minister of Finance reduced the corporate income tax rate from 28% to 27%. The lower tax rate will take effect for tax years ending on or after 31 March 2023. The change in the corporate income tax rate is considered a non-adjusting event after the reporting period and is only applicable to the Group for the 2023 financial year. Current and deferred tax balances are reflected at 28% at 31 December 2021, as this is the rate that was substantively enacted. Current and deferred tax balances will be reflected at 28% and 27% at 31 December 2022 respectively. The Group did not consider it practical to estimate the quantitative impact of the change in the corporate income tax rate at the date when the financial statements were authorised for issue.

On 24 February 2022, Russia launched a full-scale invasion of Ukraine. At the date when the financial statements were authorised, the conflict was still ongoing and the impact is not expected to be operationally and financially disruptive, and is a non-adjusting subsequent event. We will continue to monitor the impacts, if any, on our business.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report is authorised that may require adjustment or disclosure in these annual financial statements.

13. Changes to the Board of Directors

The following non-executive changes took place since the publication of the interim results for the six months ended 30 June 2021 on SENS on Tuesday, 10 August 2021:

Name	Change	Effective date
Mr Michael Toman	Resigned	26 November 2021
Mr Daniel Green	Appointed	26 November 2021

14. Declaration of an ordinary cash dividend for the year ended 31 December 2021

Notice is hereby given that a gross final cash dividend of 22 cents per share (December 2020: Rnil cents per share) has been declared payable, by the Board, to holders of ordinary shares. The dividend will be paid out of income reserves.

The ordinary dividend will be subject to a local dividend tax rate of 20%. The net local ordinary dividend, to those shareholders who are not exempt from paying dividend tax, is therefore 17.60000 cents per share. Merafe's income tax number is 9550 008 602. The number of ordinary shares issued at the date of the declaration is 2 499 126 870.

The important dates pertaining to the dividend are as follows:

	2022
Declaration date:	Tuesday, 22 March
Last day for ordinary shares to trade *cum* ordinary dividend:	Tuesday, 5 April
Ordinary shares commence trading *ex*-ordinary dividend:	Wednesday, 6 April
Record date:	Friday, 8 April
Payment date:	Monday, 11 April

Shareholders will not be permitted to dematerialise or rematerialise their share certificates between Wednesday, 6 April 2022 and Friday, 8 April 2022, both days inclusive.

www.meraferesources.co.za

ADMINISTRATION

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Directorate

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N Mabusela-Aikhuere*, M Vuso*, K Tlale*, J Mclaughlan*,
Z Matlala (Chief Executive Officer), D Chocho (Financial Director)

** Independent*

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