MERAFE RESOURCES

SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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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

Building B, 2nd Floor
Ballyoaks Office Park
35 Ballyclare Drive
Bryanston
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Transfer secretaries

JSE Investor Services (Pty) Ltd

Investor relations

Ditabe Chocho
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CEO commentary on results

2022 has been characterised by a number of uncertainties. The Russia/Ukraine conflict contributed to the rise in global inflation and supply chain constraints. Cost pressures continue to mount, and this resulted in the Glencore-Merafe Chrome Venture's ("**Venture**") unit production costs rising by an unprecedented 30% year-on-year. Despite the challenges, Merafe recorded profit after tax of R1 410 million driven by higher commodity prices and a weaker exchange rate.

The board of directors of Merafe (the "**Board**") has declared a final cash dividend of R325 million bringing the total dividends for the year to R625 million (2021: R725 million).

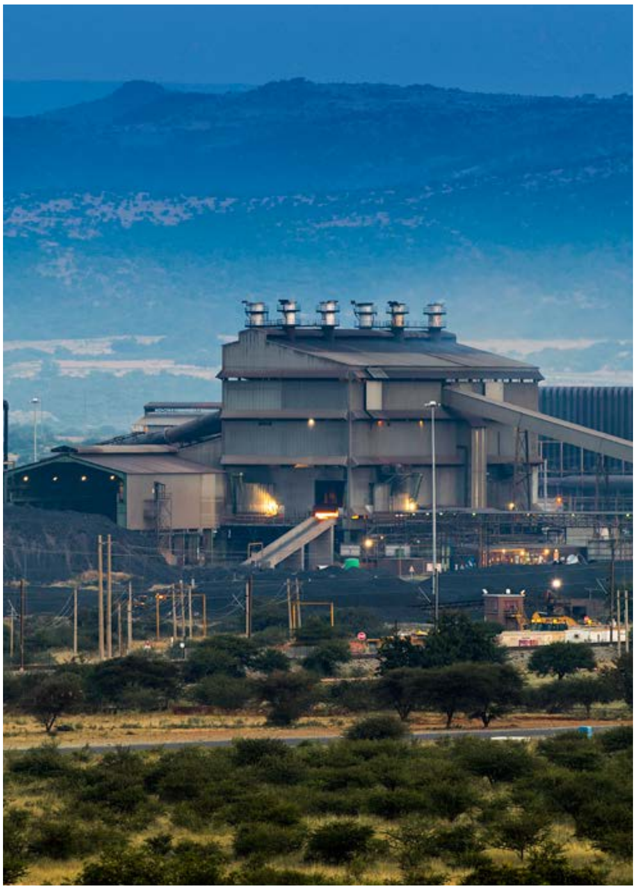
Icons used in this report

Further reading

More information available at: www.meraferesources.co.za

Positive performance or occurrence compared to prior year

Negative performance or occurrence compared to prior year



2022 YEAR IN REVIEW

Key features

14% decrease in TRIFR[1] to
2.40
(2021: 2.80[2])

1% increase in ferrochrome production to
384kt
(2021: 379kt)

2% decrease in revenue to
R7 939 million
(2021: R8 063 million)

Increase in production cost per tonne by
30%
(2021: 5% decrease)

12% decrease in EBITDA[3] to
R2 141 million
(2021: R2 432 million)

Headline earnings per share of
56.4 cents
(2021: 67.0 cents)

Basic earnings per share of
56.4 cents
(2021: 66.8 cents)

Net cash generated from operating activities increased to
R1 698 million
(2021: R1 156 million)

Cash balance of
R1 269 million
(2021: R972 million)

Final cash dividend of
13 cents per share
(2021: 22 cents per share)

1 *Total recordable injury frequency rate*
2 *There was a restatement of the 2021 statistic from 2.75 to 2.80. The 2021 financial year data related to incident classifications and hours worked was corrected to align with reporting definitions. This impacted on the frequency rates*
3 *Earnings before interest, taxation, depreciation and amortisation*

Icon reference

Positive performance or occurrence compared to prior year

Negative performance or occurrence compared to prior year

Financial review

The summarised consolidated financial results for the year ended 31 December 2022 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**")[1] from the Venture. Merafe has one reportable segment being the mining 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, decreased by 2% from the prior year to R7 939 million (2021: R8 063 million). Ferrochrome revenue decreased by 3% year-on-year to R6 795 million (2021: R7 020 million) primarily as a result of an 11% decrease in ferrochrome sales volumes to 350kt (2021: 394kt). This impact was cushioned by a 3% increase in average net cost, insurance and freight ("**CIF**") prices at 111 USc/lb (2021: 108 USc/lb) as well as a weaker average ZAR:US$ exchange of R16.37 (2021: R14.78) representing a 10% change. Chrome ore revenue increased by 0.4% year-on-year to R1 040 million (2021: R1 036 million), driven by similar factors as for ferrochrome. Chrome ore sales volumes decreased by 32% to 265kt (2021: 390kt) with this impact offset by a 36% average increase in sales prices for the year. Platinum Group Metals ("**PGMs**") revenue increased to R100 million (2021: R2.6 million). Although the average basket price of PGMs decreased by 9% to 2 007 US$/oz (2021: 2 216 US$/oz), higher volumes sold of 3 055oz (2021: 75oz) as well as a weaker average ZAR:US$ exchange rate more than made up for the revenue impact.

Merafe's portion of the Venture's EBITDA for the year ended 31 December 2022 is R2 228 million (2021: R2 498 million). The EBITDA includes Merafe's attributable share of standing charges of R108 million (2021: R109 million) and a net foreign exchange gain of R68 million (2021: R104 million). The R1 million (2021: R24 million) write down of inventory during the year was negligible. The ongoing diesel rebate matter with SARS has been fully provided for.

After accounting for corporate costs of R65 million (2021: R66 million), which include a cash settled share-based payment expense of R13 million (2021: R9 million), Merafe achieved EBITDA of R2 141 million (2021: R2 432 million). Corporate costs include Corporate Social Investment expenses of R3 million (2021: R3 million) and a bonus provision of R12 million (2021: R11 million).

Profit for the year ended 31 December 2022 amounted to R1 410 million (2021: R1 674 million), after taking into account a depreciation charge of R219 million (2021: R111 million), an impairment of a specific asset of R0.2 million (2021: R6 million), net financing income of R25 million (2021: R11 million) and taxation expense of R539 million (2021: R653 million). An impairment assessment was performed at year end, resulting in no further cash generating unit impairment ("**CGU**") adjustment for the year. Taxation includes a deferred tax expense of R36 million (2021: R199 million) which arose primarily as a result of temporary differences on property, plant and equipment as well as those relating to receivables, provisions and accruals. There is no unredeemed capital expenditure balance at 31 December 2022 (2021: Rnil) as taxable profits exceeded capital expenditure. Depreciation increased year-on-year primarily as a result of capital expenditure.

Sustaining capital expenditure increased by 4% to R466 million (2021: R448 million) due to catch-up spend necessitated by COVID-19 related spending restrictions in the prior two years. Expansionary capital includes R15 million (2021: R32 million) spent on the Kroondal PGMs processing plant, the development of which is now complete.

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

At 31 December 2022, Merafe had cash and cash equivalents of R1 269 million (2021: R972 million) which comprised cash held by Merafe of R617 million (2021: R483 million) and R652 million (2021: R489 million), being Merafe's share of the cash balance in the Venture. The cash held by the Venture for rehabilitation is not restricted cash but has been set aside to fund future environmental rehabilitation obligations. Merafe's share of this cash is R301 million (2021: R189 million) and is included in its share of the cash in the Venture of R652 million (2021: R489 million) referred to above.

Our rehabilitation obligation is assessed periodically by an independent expert. For the year under review, the liability was assessed to be higher due to higher closure costs. As a result, the ringfenced cash was increased to match the increased liability. The ringfenced cash caters for both the mines and smelters closure costs. The cash is assessed annually against our obligations to determine if any adjustment is warranted.

Trade and other receivables decreased by 44% compared to the previous year primarily as a result of lower sales volumes over the last quarter of the year.

Ferrochrome finished goods volumes of 109kt (2021: 76kt) on hand at year end represent approximately three to four months of sales. The closing inventory value increased to R2 373 million (2021: R1 652 million). The increase in the closing value of inventory was due to low chrome and ferrochrome volume sales due to softer market conditions.

Boshoek mine which is under care and maintenance is in the process of being sold and has been classified as an asset held for sale at reporting date.

The Board has declared a final cash dividend of R325 million (2021: R550 million). This amounts to 13 cents (2021: 22 cents) per share before dividend tax and brings the total dividend for the year to R625 million (2021: R725 million).

Safety

The Venture was fatality free for the year 2022 and remains so for the first two months of 2023. Our total recordable injury frequency rate improved by 14.29% to 2.40 (December 2021: 2.80[§]).

The safety of our employees is our number one priority and we therefore remain focused on the implementation of SafeWork 2.0 with the aim of continual improvement and the effective implementation of the fatal hazard protocols and safety standards.

Health

COVID-19 continues to be a risk that we need to manage from a health perspective in the workplace and where controls must be implemented to manage the potential spread of the virus. The COVID-19 procedures have now been embedded at our operations as standard operating procedures.

On average a total of 10 023 antigen tests were conducted during 2022, in total 71 506 tests have been conducted on site since we started carrying out tests in January 2021. For the reporting period, 390 members of our workforce tested positive compared to 2 873 positive cases for the full year in 2021. Since the beginning of COVID-19 we have had 4 100 positive cases in total.

We supplied vaccinations at our operations until the end of April 2022. In total, 21 520 vaccines were administered, of which 4 438 were given in 2022.

As previously reported in our interim results, it is with great sadness that we lost two of our colleagues due to COVID-19 in 2022.

[1] *Refers to a non-IFRS measure*

[§] *There was a restatement of the 2021 statistic from 2.75 to 2.80. The 2021 financial year data related to incident classifications and hours worked was corrected to align with reporting definitions. This impacted on the frequency rates*

Environmental, Social and Governance

Environmental, Social and Governance (ESG) compliance remains one of our important pillars in terms of how we conduct business. Our Health, Safety, Environmental & Community and Human Rights Standards as introduced in 2021 and rolled out during 2022 enable us to be a responsible producer. We are a member of the International Council on Mining and Metals ("**ICMM**") and we subscribe to the Mining Principles, comprising ten sustainable development principles and eight position statements that include specific commitments on issues ranging from biodiversity to water management, public reporting on performance and obtaining independent assurance that members meet the ICMM commitments.

The Venture's decarbonisation objectives are aligned with those of Glencore plc. Our portfolio profile provides the flexibility to decarbonise our footprint with a target of achieving a 50% reduction in our total CO_2e emissions by 2035. Some of our strategic elements towards achieving our target include managing our operational footprint as well as taking advantage of opportunities to reduce our scope 3 emissions.

The Company has considered the JSE Sustainability Disclosure Guidance issued in June 2022 and will incorporate disclosure enhancements emanating therefrom in our 2022 Integrated Annual Report.

Operational review

Merafe's attributable ferrochrome production increased marginally by 1% from 379kt to 384kt for the year ended 31 December 2022. This was despite the electricity supply challenges experienced particularly in the second half of the year.

Lydenburg smelter, Rustenburg furnace 6 and Waterval mine remain under care and maintenance.

Total unit cost of ferrochrome production rose by 30%. The increase was mainly driven by general inflation, higher market ore prices, reductant prices and electricity tariffs. Reductant costs were impacted by higher market cost of coke and anthracite. Inadequate local supply of reductants continues to be a challenge and as a result the Venture had to import at higher prices.

Electricity tariffs increased by 9.61% with effect from 1 April 2022. The National Energy Regulator of South Africa has approved a tariff increase of 18.65% with effect from 1 April 2023. The hike will certainly add more cost pressures. Reliability of electricity supply remains a serious concern. The Venture's operations were impacted by the curtailments stage 3 and stage 4 and had to reduce load. The Venture continues to pursue the Negotiated Pricing Agreement with Eskom to mitigate against the unsustainable high energy costs. In addition, the Venture is evaluating proposals for construction of renewable energy facilities.

Massive logistic challenges continue to plague the industry, contributing to increased logistic costs. The increased reliance on road transportation, combined with higher diesel cost has pushed this cost component higher.

Market review

Global ferrochrome supply increased by 6.7%[1] year-on-year led by production growth in China. The increase in supply outweighed demand in stainless steel which contracted 3.5%[1] year-on-year to 56.7Mt[1]. Stainless melt rates in China decreased by 1.6%[1] to 32.9Mt[1] as the zero COVID-19 policy affected production while high energy costs and weak demand stifled output in Europe as production decreased by 10.5%[1].

High chrome ore consumption coupled with logistical constraints out of South Africa resulted in a significant drawdown of Chinese port stocks. Chrome ore pricing increased by 44%[2] year-on-year.

The average European ferrochrome benchmark price was US cents 181[3] per pound in 2022, which represents an increase of 19%[3] from the 2021 average price.

[1] *CRU commodity market analysts*

[2] *Ferroalloynet*

[3] *Fast Market (Metal Bulletin) - Ferrochrome lumpy Cr charge quarterly, basis 52% Cr (and high carbon), delivered Europe, $c/lb Cr*

Outlook

Disruption and volatility have long characterised markets and the last two years were no exception. First there was COVID-19 which was followed by the Russia/Ukraine conflict. This led to inflationary concerns and contributed to supply chain challenges which were already prevalent in the aftermath of COVID-19 lockdown relaxations. Energy insecurity and global recession concerns now present risks that businesses and nations across the world have to deal with.

Given this operating environment, 2023 is likely to be a challenging year. There is expectation that global recession will affect commodity prices negatively. On the positive side, the reopening of China after their zero COVID-19 policy suggests that there might be compensating increased economic activity from that region. Forecast growth in stainless steel demand, underpinned by growth in Asia and Europe, is positive for the ferrochrome industry.

We expect the efficiencies achieved in our operations to be sustained. Our production profile will be influenced by several factors including Eskom's inability to meet the country's electricity demand and rolling electricity outages as well as our stock holding levels. Our capital expenditure program will be focused on sustaining capital.

Overall, and once again, we remain cautious in our approach to the future and will continue to focus on efficient operations, cash preservation, cost control and optimal capital allocation. The Eastern Chrome Mines' PGMs plant and green energy initiatives are some of the important projects that will receive management's attention in 2023.

We are committed to creating shared value for our stakeholders.

Abiel Mngomezulu	Zanele Matlala
Independent Non-executive Chairperson	*Chief Executive Officer*

Sandton
17 March 2023

SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

This summarised report is extracted from audited information, but is not itself audited. The full set of audited consolidated financial statements from which these summarised consolidated financial statements have been derived, were prepared under the supervision of Ditabe Chocho CA(SA), Financial Director, as set out more fully in note 1 on page 7 of these financial results.

Summarised consolidated statement of financial position	Notes	As at 31 December 2022 Audited R'000	As at 31 December 2021 Audited R'000
Assets			
Property, plant and equipment		**1 074 971**	712 577
Intangible assets		**29 626**	34 060
Investment in associate		**6 709**	2 765
Deferred tax		**6 210**	3 394
Long-term receivable		**38 663**	13 444
Other long-term receivable		**14 229**	–
Total non-current assets		**1 170 408**	766 240
Inventories		**2 372 540**	1 652 178
Trade and other receivables		**868 122**	1 554 620
Current tax receivable		**–**	16
Cash and cash equivalents		**1 268 599**	972 129
		4 509 261	4 178 943
Non-current asset held for sale	10	**963**	–
Total assets		**5 680 632**	4 945 183
Equity			
Share capital		**1 288 876**	1 288 876
Retained income		**3 041 413**	2 481 106
Total equity attributable to owners of the company		**4 330 289**	3 769 982
Liabilities			
Lease obligation		**9 059**	10 919
Deferred tax		**131 020**	92 226
Provision		**265 350**	171 164
Share-based payment liability		**12 518**	8 490
Total non-current liabilities		**417 947**	282 799
Trade and other payables		**840 039**	862 594
Lease obligation		**3 884**	3 988
Current tax payable		**52 073**	5 565
Provision		**4 345**	18 997
Share-based payment liability		**7 794**	1 258
		908 135	892 402
Liabilities directly associated with the assets held for sale		**24 261**	–
Total liabilities		**1 350 343**	1 175 201
Total equity and liabilities		**5 680 632**	4 945 183

Summarised consolidated statement of profit or loss and other comprehensive income

	Notes	For the year ended 31 December 2022 Audited R'000	31 December 2021 Audited R'000
Revenue	5	7 939 061	8 062 656
Foreign exchange gain		68 310	104 305
Other expenses		(5 866 720)	(5 734 901)
Earnings before interest, taxation, depreciation, amortisation and impairment		2 140 651	2 432 060
Depreciation and amortisation		(219 473)	(111 185)
Impairment		(236)	(5 824)
Income from equity accounted investment		3 944	–
Results from operating activities		1 924 886	2 315 051
Finance income		26 078	13 572
Finance expense		(1 487)	(2 502)
Income from equity accounted investment		–	614
Profit before taxation		1 949 477	2 326 735
Taxation		(539 467)	(653 070)
Total comprehensive income for the year		1 410 010	1 673 665
Basic earnings per share (cents)		56.4	66.8
Diluted earnings per share (cents)		56.4	66.8

Summarised consolidated statement of changes in equity

	For the year ended 31 December 2022 Audited R'000	31 December 2021 Audited R'000
Issued share capital – ordinary shares	24 991	25 107
Shares repurchased and cancelled during the year	–	(116)
Balance at the end of the year (issued share capital)	24 991	24 991
Share premium – ordinary shares	1 263 885	1 269 575
Shares repurchased and cancelled during the year	–	(5 690)
Balance at the end of the year (share premium)	1 263 885	1 263 885
Balance at beginning of the year	2 481 106	982 380
Total comprehensive income for the year	1 410 010	1 673 665
Dividends paid	(849 703)	(174 939)
Balance at the end of the year (retained earnings)	3 041 413	2 481 106
Total equity for the end of the year	4 330 289	3 769 982

Summarised consolidated statement of cash flows

	For the year ended	
	31 December 2022 Audited R'000	31 December 2021 Audited R'000
Profit before tax	**1 949 477**	2 326 735
Depreciation and amortisation	**219 473**	111 185
Effect of exchange rate fluctuations	**49 623**	(213 400)
Income from equity accounted investment	**(3 944)**	(614)
Finance income	**(26 078)**	(13 572)
Finance expense	**1 487**	2 502
Impairment	**236**	5 824
Movement in rehabilitation provision	**11 478**	18 547
Other non-cash movement	**4 223**	1 329
Profit on sale of property, plant and equipment	**(650)**	(116)
Fair value adjustment on provisionally priced revenue	**63 933**	(27 807)
Movement in long-term receivable	**(25 219)**	538
Share grants vested	**(2 284)**	(1 232)
Share-based payment expense	**12 848**	8 869
Net realisable value inventory adjustment	**1 288**	24 411
Changes in working capital:		
Inventories	**(721 650)**	(242 908)
Trade and other receivables	**622 565**	(648 374)
Trade and other payables	**(22 555)**	225 627
Cash generated from operating activities	**2 134 251**	1 577 544
Interest received	**23 666**	11 615
Interest paid	**(3 358)**	(2 123)
Taxation paid	**(456 863)**	(431 112)
Net cash generated from operating activities	**1 697 696**	1 155 924
Acquisition of property, plant and equipment - sustaining	**(466 396)**	(448 149)
Acquisition of property, plant and equipment - expansionary	**(17 841)**	(42 086)
Proceeds from the sale of property, plant and equipment	**697**	366
Movement in other long-term receivable	**(14 229)**	–
Net cash utilised in investing activities	**(497 769)**	(489 869)
Payment for repurchase of shares	**–**	(5 774)
Costs incurred for the repurchase of shares	**–**	(32)
Repayment of capital portion on lease liabilities	**(4 131)**	(4 210)
Dividends paid	**(849 703)**	(174 939)
Net cash utilised in financing activities	**(853 834)**	(184 955)
Total cash movement for the year	**346 093**	481 100
Cash at the beginning of the year	**972 129**	277 629
Effect of exchange rate movement on cash balances	**(49 623)**	213 400
Total cash at the end of the year	**1 268 599**	972 129

1. Basis of preparation

On 17 March 2023, the board of directors (the "**Board**") of Merafe Resources Limited (the "**Company**") approved the audited consolidated annual financial statements of the Group for the year ended 31 December 2022.

The consolidated annual financial statements and the summarised consolidated financial statements have been prepared under the supervision of Ditabe Chocho CA(SA) (Financial Director).

The summarised consolidated financial statements were prepared in accordance with and containing the information required by IAS 34: Interim Financial Reporting, the framework concepts and the measurement and recognition requirements of the International Financial Reporting Standards ("**IFRS**"), interpretations by the International Financial Reporting 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 Johannesburg Stock Exchange (JSE) Limited Listings 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. This summarised report is extracted from 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 the key audit matter addressed therein, 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.

The auditor's report does not necessarily cover all of the information contained in this announcement/ financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

Any reference to future financial performance included in these summarised consolidated financial statements, have not been audited or reported on by the Company's auditors.

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 Significant 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 and lease classification and depreciation of right of use assets;
- Assumptions used in calculation of the life of the mines/smelters, estimation of the closure and restoration costs and inputs used in the calculation of the present value of the provision for closure, restoration costs and discount rate applied;
- Recognition of deferred tax asset on assessable losses;
- Fair value measurement of trade receivable subject to provisional pricing;
- Assumptions around joint control of the Venture;
- Impairment of non-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 as required;
- Financial risk management. The Group assesses credit risk and the 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; and
- Contingent liabilities. The Group exercises judgement in measuring and recognising the provisions and the exposure to contingent liabilities related to pending litigation. Judgements, including those involving estimations, are necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement.

The global environment, the risk of adverse impacts on our revenue, costs and capital spend by the Group, 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 of R233 million (2021: R239 million) are subjected to provisional pricing terms 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 ZAR:US$ exchange rate of R17.

2.2 Long-term receivable

The Venture has an asset swap arrangement for mineral rights, where a receivable of R39 million (2021: R13 million) arises through ore recovery and sale from mining in the rights area. Level 3 hierarchy per IFRS 13. The fair value at the reporting date is based on the latest chrome ore prices and average ZAR:US$ exchange rate of R15.67.

3. Headline earnings

	For the year ended	
	31 December 2022 Audited R'000	31 December 2021 Audited R'000
Earnings for the year	**1 410 010**	1 673 665
Headline earnings adjustment:		
Impairment of property, plant and equipment	**236**	5 824
Profit on sale of property, plant and equipment	**(650)**	(116)
Tax effect	**112**	(1 598)
Headline earnings for the year	**1 409 708**	1 677 775
Headline earnings per share (cents)	**56.4**	67.0
Diluted headline earnings per share (cents)	**56.4**	67.0
Ordinary shares in issue	**2 499 126 870**	2 499 126 870
Weighted average number of shares for the year	**2 499 126 870**	2 506 187 798
Diluted weighted average number of shares for the year	**2 499 126 870**	2 506 187 798

4. Capital commitments

Contracted but not provided for	**155 209**	99 012
Authorised but not contracted for	**234 597**	302 661
	389 806	401 673

5. Revenue

Ferrochrome sales	**6 794 982**	7 020 413
Chrome ore sales	**1 039 975**	1 036 084
PGMs concentrate sales	**99 953**	2 645
Revenue from contracts with customers	**7 934 910**	8 059 142
Management fees	**1 200**	1 200
Other income	**2 951**	2 314
Revenue other than from contracts with customers	**4 151**	3 514
Total revenue	**7 939 061**	8 062 656

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 21.9% 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's fees for 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 28.8% 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.	At reporting date there are no amounts due to GN. GN received dividends declared by the Company
Glencore AG ("**GAG**")	The Venture purchases various raw materials from GAG on an ongoing basis. The Venture sells chrome ore to GAG on an *ad hoc* basis.	Sale of chrome ore R2m (2021: Rnil). Purchases of raw materials R63m (2021: Rnil).
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 R542m (2021: R583m). Commission expense R17m (2021: R13m). Interest expense R2m (2021: R1m). Receivable at the reporting date R160m (2021: R137m).
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 R314m (2021: R316m). Marketing fee expense R2m (2021: R2m). Interest income R8m (2021: R5m). Purchase of raw materials R332m (2021: R295m). Balance owing at the reporting date R29m (2021: R36m) payable on confirmation of final sales.
Char Technology (Pty) Ltd ("**Chartech**")	Chartech sells raw materials to the Venture.	Purchase of raw materials R134m (2021: R118m). Balance owing at the reporting date R17m (2021: R11m) payable 30 days from statement date.
Glencore Holdings SA (Pty) Ltd ("**GHSA**")	GHSA offers the Central Treasury Function for the Venture.	Cash deposits of R351m (2021: R300m) and rehabilitation investment of R301m (2021: R189m).
Glencore Operations South Africa (Pty) Ltd ("**GOSA**")	GOSA is Merafe Ferrochrome and Mining (Pty) Ltd's partner in the Venture.	Employee costs R165m (2021: R148m). Head office costs R28m (2021: R25m). Training costs R8m (2021: R6m). Lion housing R20m (2021: R18m). Shared service centre costs R10m (2021: R9m). Costs recovered from PGM tailings R3m (2021: R3m). Balance owing at the end of the year R18m (2021: R14m) payable 10 days after month end. GOSA received the non-executive director's fees for Mr D Green. At the reporting date a loan of R122m (2021: R59m) is owing by Merafe Ferrochrome.
Glencore Property Management Company (Pty) Ltd ("**GPMC**")	GPMC provides rental property to the Venture.	Rental of CSI offices R0.4m (2021: R0.02m). Balance owing at the reporting date R0.04m (2021: R0.3m).
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 R1m (2021: R5m). Outstanding balance owing at the reporting date Rnil (2021: R0.45m) payable 30 days after statement date.
Astron Energy (Pty) Ltd ("**Astron**")	Astron sells fuel to the Venture.	Purchases of R39m (2021: R25m). Payable of R3m (2021: R1m) at the reporting date.

Name of related party	Description of relationship	Transactions and balance
Impala Chrome (Pty) Ltd ("**Impala**")	Impala is an associate jointly controlled by the Venture.	Revenue from logistics, marketing and maintenance contracts R32m (2021: R27m). Receivable at the reporting date R3.5m (2021: R3m).
Unicorn Chrome (Pty) Ltd ("**Unicorn**")	Unicorn is a jointly controlled operation by the Venture.	Receivable at the reporting date Rnil (2021: Rnil) and payables at the reporting date Rnil (2021: Rnil).

7. Taxation

The Group's effective tax rate is 27.67% (2021: 28.07%) for the year ended 31 December 2022.

8. Impairment of property, plant and equipment

During the reporting period, an impairment was raised against assets to the value of R0.2 million (2021: R6 million) 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, which resulted in a loss of R1 million (2021: R24 million).

10. Asset held for sale

On 16 August 2022, the Group decided to dispose of the mineral rights and land that form part of Boshoek mine. The liability directly associated with the asset held for sale is the environmental rehabilitation obligation. The Group considered that the sale of Boshoek mine meets the criteria to be classified as held for sale at 31 December 2022 as the transaction is expected to be effective within the next 12 months. No impairment loss has been recognised as the mineral right and land have been measured at their carrying amount.

11. Change in provision

During the current period management performed a reassessment of the environmental rehabilitation provision which resulted in a change in estimate of R92 million asset (2021: R4 million liability). The increase in the environmental rehabilitation provision was capitalised to property, plant and equipment.

12. Share capital

There were no changes to share capital during the reporting period.

13. Contingent liabilities

The Group is subject to direct and indirect tax in the South African jurisdiction. As a result, significant judgment is required in determining the Group's provision for income taxes. The Group's subsidiary undertakes various cross-border transactions within the Venture, subject to the Group's transfer pricing policies.

On 16 August 2022, the tax authority issued a letter of findings against the Group's operating entity, Merafe Ferrochrome. The matter relates to transfer pricing audit findings which the Group is contesting with the South African Revenue Service. At 31 December 2022, the tax matter was ongoing. The matter has been disclosed as a contingent liability as its outcome remains uncertain, including whether any tax exposure exists, the quantum of which cannot be reliably estimated. Accordingly, no adjustment for any effects on the Group has been made in the consolidated financial statements.

14. Events after the reporting period

As reported above, 17 March 2023, the Board resolved to declare a final cash dividend of 13 cents (2021: 22 cents) per share for the 2022 financial year. The total gross cash dividend for the year amounted to 25 cents (2021: 29 cents) per share.

The directors of Merafe are not aware of any material events which occurred after the reporting period and up to the date of authorisation of this report that may require adjustment or disclosure in these annual financial statements.

15. Changes to the Board of Directors

There were no changes to the Board composition during the period.

16. Declaration of an ordinary cash dividend for the year ended 31 December 2022

Notice is hereby given that a gross final cash dividend of 13 cents (December 2021: 22 cents) per share has been declared payable, by the Board on 17 March 2023, 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 10.40000 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:

	2023
Last day for ordinary shares to trade *cum* ordinary dividend:	Tuesday, 11 April
Ordinary shares commence trading *ex*-ordinary dividend:	Wednesday, 12 April
Record date:	Friday, 14 April
Payment date:	Monday, 17 April

Shareholders will not be permitted to dematerialise or rematerialise their ordinary shares between Wednesday, 12 April 2023 and Friday, 14 April 2023, both days inclusive.

ADMINISTRATION

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** Independent*

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