Merafe Resources Limited

Registration number 1987/003452/06

Audited Annual Financial Statements

for the year ended 31 December 2019

The following individuals were responsible for the preparation of the annual financial statements:

Masechaba Masemola CA(SA)
Financial Manager

Ditabe Chocho CA(SA)
Financial Director

These annual financial statements were published on 9 March 2020.

Merafe Resources Limited
(Reg. No. 1987/003452/06)

Audited Annual Financial Statements
for the year ended 31 December 2019

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Company secretary’s certificate
for the year ended 31 December 2019

I certify that, to the best of my knowledge and belief, Merafe Resources Limited (Merafe or the Company) has lodged with the Registrar of Companies all such returns as are required to be lodged by a public Company in terms of section 88(2)(e) of the Companies Act No 71 of 2008, and that all such returns appear to be true, correct and up to date.

CorpStat Governance Services
William Somerville
Company Secretary
6 March 2020

Merafe Resources Limited

Report of the Audit and Risk Committee

for the year ended 31 December 2019

Introduction

The Audit and Risk Committee (the Committee) presents its report for the financial year ended 31 December 2019. The Committee confirms that it has adopted formal terms of reference as its Audit and Risk Committee Charter (the Charter), and that it has discharged all of its responsibilities for the current financial year, in compliance with the Charter. The report has been prepared based on the requirements of the South African Companies Act, No 71 of 2008, as amended (Companies Act), King IV Report on Corporate Governance for South Africa, 2016, the JSE Limited Listings Requirements (Listings Requirements) and other applicable regulatory requirements.

Objectives

The overall objectives of the Committee are to:

- assesss the adequacy of the internal control, financial control and the accounting systems;
- review the Integrated Annual Report, summarised financial statements, interim financial statements and annual financial statements and recommend these to the Merafe board of directors (Board) for approval;
- nominate external auditors who in the opinion of the Committee are considered independent for appointment, determine and approve external audit fees, set the Company and its subsidiaries' (the Group) policy on non-audit services provided by external auditors and ensure that the appointment complies with legislation;
- monitor compliance with legal requirements;
- assess the performance of financial management;
- recommend budgets and plans to the Board;
- conduct periodic reviews and assessments of the business risks the Group faces;
- receive and deal with any concerns from within, outside the Company or on its own initiative in relation to accounting practices, internal audit of the Company or any related matter; and
- make submissions to the Board on any matter concerning the Company's accounting policies, financial control, records and reporting.

Composition of the Committee

The Committee consists of three independent non-executive directors, all of whom have the necessary qualifications and experience to execute their responsibilities, with two members forming a quorum:

Name	Designation	Appointment/Resignation	Attendance
Ms M Vuso (Chairman)	Independent non-executive director	-	4/4
Ms B Majova	Independent non-executive director	-	4/4
Ms HG Motau	Independent non-executive director	-	4/4
Mr A Mngomezulu	Independent non-executive director	Resigned 15 May 2019	3/4

In addition, Ms Z Matlala, Mr D Chocho, Mr A Mngomezulu and Deloitte & Touche are also permanent invitees to the meetings. Mr A Mngomezulu resigned from the Committee but remains a board member. At the date of this report there have been no other changes to the composition of the Committee. Members of the Committee are independent and are nominated annually by the Board for re-election at the Annual General Meeting. Independence of the long standing Committee members is assessed annually by the Remuneration and Nomination Committee of the Board. Additionally, every second year, the Committee performs a self-evaluation on their competence and performance via a structured checklist.

Report of the Audit and Risk Committee *(continued)*

for the year ended 31 December 2019

At least once a year, a session is held with the independent external auditors where management is not present to give feedback on the audit.

Meetings

The Committee held four meetings during the year and the quorum was met at all the meetings, refer to the composition of the committee for meeting attendance.

2019 Overview

The Committee is satisfied that an adequate system of internal controls is in place to mitigate significant risks faced by the Group to an acceptable level, and that these controls have been effective throughout the period under review. The system is designed to manage, rather than eliminate the risk of failure and to maximise opportunities to achieve business objectives. This can provide only reasonable, but not absolute assurance. In addition, the Committee reviewed the design and effectiveness of the financial control and accounting systems and is satisfied therewith.

As required by paragraph 3.84(g)(i) of the Listings Requirements, the Committee has satisfied itself that Mr D Chocho, the Financial Director during the current financial year has the appropriate experience and expertise to fulfil his responsibilities. The Committee also considered the appropriateness of the expertise, continued improvement and adequacy of the finance function. The Committee is satisfied that there were no material areas of concern that would render the internal financial controls ineffective.

The Committee has considered the key audit matter set out in the independent auditor's report and is satisfied that it is correctly presented. The key audit matter assessed relates to impairment of the Group's net assets. The Committee considered key assumptions and sensitivities underlying the valuation model. A discounted cash flow model which considered the business as one cash generating unit was used to estimate the recoverable amount. This represents the value in use. The assets have been valued at the lower of their carrying value and the recoverable amount. The independent auditors report is unmodified in this regard.

The review of the Integrated Annual Report together with the consolidated and separate financial statements is also the responsibility of the Committee. The Committee has evaluated the consolidated and separate financial statements of the Company for the year ended 31 December 2019 and based on the information provided to the Committee, considers that it complies, in all material respects, with the requirements of the various statutes and regulations governing disclosure and reporting.

The Committee considered the nature, risks and internal control environment at the Merafe head office and concluded that it was not necessary to have a dedicated internal audit function as they rely on the internal audit function at the Glencore Merafe Pooling and Sharing Venture (PSV) which reports to the Merafe head office on a quarterly basis. Internal audit assignments specific to the Merafe head office are considered on a periodic basis and are outsourced. The Committee has satisfied itself with the internal audit function at the PSV through the review of their scope of work, quarterly review of their reports and evaluation of their findings and are satisfied that there were no material areas of concern that would render the function ineffective.

The Committee has reviewed all legal and regulatory matters that could have a significant impact on the Group and is satisfied with the compliance thereof.

The Committee is satisfied that it has discharged its duties as set out in its terms of reference for the year under review.

Merafe Resources Limited

Report of the Audit and Risk Committee *(continued)*

for the year ended 31 December 2019

External audit

The Committee, having considered all relevant matters, satisfied itself through enquiry that auditor independence, objectivity and effectiveness were maintained in 2019. The Committee noted the change in the external audit partner from Mr Patrick Ndlovu to Mr Eugene Zungu and is satisfied with Mr Zungu's assessment that complies with the relevant provisions of the Companies Act and the Listings Requirements. The Committee has satisfied itself that the external auditor and lead partner are not included in the JSE's list of disqualified auditors and has considered the external auditors suitability assessment in terms of paragraph 3.84(g)(iii) and section 22.15(h) of the JSE Listing Requirements. The Committee also approved all non-audit related services in accordance with the policy. These services comprise of tax and transfer pricing reviews.

Deloitte and Touche have served as the Company's external auditors since 4 May 2017. The performance of the external auditors is reviewed by the Committee annually. The Committee also considered and is satisfied with the quality of the audit for the year under review.

JSE Pro-active monitoring

The Committee is committed to ensuring the quality of financial reporting and considered and reviewed:

- the JSE Limited's (JSE) 2018 report on proactive monitoring of annual financial statements and, if necessary, those of previous periods, and confirms that appropriate action has been taken to apply the necessary findings; and
- the findings noted in the Combined Findings of the JSE proactive monitoring of the financial statements for the period 2011 to 2018.

Having taken all of the above assessments into account, the Committee recommended the approval of the consolidated and separate financial statements as well as the Integrated Annual Report for the year ended 31 December 2019 by the Board.

Matsotso Vuso CA(SA)
Chairman – Audit and Risk Committee
6 March 2020

Merafe Resources Limited

Directors' report

for the year ended 31 December 2019

The directors present their report for the Group for the year ended 31 December 2019.

1. Nature of business

Merafe, through its wholly-owned subsidiary, Merafe Chrome and Alloys (Pty) Ltd (Merafe Chrome), holds 100% share capital of its ultimate subsidiary, Merafe Ferrochrome and Mining (Pty) Ltd (Merafe Ferrochrome) which through a pooling and sharing venture with Glencore Operations South Africa Proprietary Limited (GOSA), participates in chrome mining and the beneficiation of chrome ore into ferrochrome. The Glencore-Merafe Chrome Venture (Venture) operates five ferrochrome smelters (including pelletising and sintering plants), twenty-two ferrochrome furnaces, six chrome ore mines and five UG2 plants, situated in the North-West, Limpopo and Mpumalanga Provinces of South Africa. The Venture is one of the largest ferrochrome producers in the world with an installed capacity of 2.3million tonnes per annum. Merafe Ferrochrome's share of the earnings before interest, taxation, depreciation and amortisation (EBITDA) is 20.5%. Merafe Ferrochrome shares in the revenue, expenses and liabilities at 20.5%. The Venture comprises assets to which both Glencore and Merafe Ferrochrome have granted the right of use but own in different proportions.

Listed below are the operations to which Merafe Ferrochrome has granted the right of use to the Venture:

Ferrochrome Smelters		**Chrome mines**		**UG2 plants and pelletisers**	
Asset	***Merafe Ferrochrome's interest***	***Asset***	***Merafe Ferrochrome's interest***	***Asset***	***Merafe Ferrochrome's interest***
Wonderkop smelter (furnaces 5 and 6)	50%	Boshoek mine	100%	2 Impala Kanana UG2 plants	100%
Boshoek smelter	100%	Kroondal and Wonderkop mine	50%	3 Lonmin UG2 plants	20.5%
Lion I smelter	20.5%	Helena mine	20.5%	Bokamoso pelletising plant	20.5%
Lion II smelter	20.5%	Magareng mine	20.5%	Motswedi pelletising plant	100%
		Marikana	26%	Tswelopele pelletising plant	20.5%

2. Group financial results

The financial statements set out the financial results of the Group and Company and have been prepared using appropriate accounting policies, conforming to International Financial Reporting Standards and the requirements of the Companies Act of South Africa, supported by reasonable and prudent judgements where required.

Merafe Ferrochrome's share of EBITDA from the Venture is accounted for at 20.5%. In addition to Merafe Ferrochrome's share of EBITDA from the Venture, corporate expenses, interest on debt, depreciation and interest received are accounted for in order to determine earnings before taxation of the Group. Refer to Note 1.3.2, Basis of consolidation – Transactions with the Venture, for further information regarding the accounting policy for Merafe Ferrochrome's interest in the Venture.

3. Loans and borrowings

The Group had a net cash balance of R354m[1] at 31 December 2019 (31 December 2018: R281m[1]). The unsecured three year Revolving Credit Facility (RCF) to the value of R300m has been increased from R200m from the prior year and remains unutilised for the year. Refer to note 21.2 for the disclosure on the Group's facilities as well 9.2 for covenants noted.

4. Going concern

Although the Group made a loss after tax in the current year, a positive EBITDA of R392m was generated. The loss is largely due to significant impairment adjustments. The Group and Company maintains healthy cash balances as per note 20.1 with access to other banking facilities. The financial position of the Group and Company, credit and liquidity risk has been assessed in notes 21.1 and 21.2 respectively. Having considered the Group and Company's key risks, current financial position, assessment of solvency and liquidity, debt levels, facilities, impairment review as well as the Group and Company's financial budgets with their underlying business plans, the directors believe that the Group and Company have sufficient resources and expected cash flows to be able to continue as a going concern for the year ahead.

5. Dividend policy

The Company has a hybrid dividend policy that has features of a stable dividend policy and a residual dividend policy. The Company intends to pay a dividend of at least 30% of headline earnings at least once a year taking into account, *inter alia*, the annual financial performance, expansionary projects and economic circumstances prevailing at the time. In addition, in any given year, the directors may consider an additional distribution in the form of special dividends and share buy-backs dependent on the Company's financial position, future cash requirements, future earning prospects, availability of distributable reserves and other factors. Dividends are recognised when they are declared by the Board of the Company.

6. Ordinary cash dividends

No interim cash dividend was declared and paid in August 2019 (2018: R200m, 8 cents per share). A final cash dividend of R100m at 4 cents per share (2018: R151m, 6 cents per share) was declared by the Board on 6 March 2020. The Board is satisfied with the solvency and liquidity of the Group and that the capital remaining after the payment of the final dividend is sufficient to support the current operations and to facilitate future development of the business.

7. Share capital

The full details of the authorised and issued share capital of the Company are set out in note 7 to the annual financial statements. Merafe did not issue any shares for cash or effect any share repurchases under a general or specific authority in the current year.

[1] *Net cash/(debt) balance includes cash and cash equivalents, working capital loan and Merafe head-office debt.*

8. Directorate

Details of transactions with directors and key management are detailed in note 23.1.
The Board comprised of the following directors during the year under review:

Name	Designation	Appointment/Resignation
Mr C Molefe (Chairman)	Independent non-executive director	Retired 15 May 2019
Mr A Mngomezulu (Chairman)	Independent non-executive director	Appointed 15 May 2019
Ms M Vuso	Independent non-executive director	-
Ms HG Motau	Independent non-executive director	-
Ms B Majova	Independent non-executive director	-
Mr J Mclaughlan	Independent non-executive director	Appointed 1 May 2019
Ms M Mosweu	Non-executive director	-
Mr S Blankfield	Non-executive director	-
Ms Z Matlala	Executive Director	-
Mr D Chocho	Executive Director	-

Mr C Molefe retired on the 15 May 2019 as the Chairman of the Board and Mr A Mngomezulu was appointed as his replacement on the same day.

9. Major shareholders

The following shareholders were the registered holders of 5% or more of the issued ordinary shares in the Company at 31 December 2019:

- Glencore Netherlands B.V. – 28.68%;
- Industrial Development Corporation of South Africa Limited– 21.78%; and
- PSG Konsult – 6.64%.

The analysis of the ordinary shareholding is given on pages 84 – 86.

10. Directors' interests in Merafe Resources Limited

Refer to note 23.3 for the beneficial interests of directors in shares of the Company as well as note 23.1 for transactions with key management personnel and non-executive directors.

11. Details of investments in subsidiaries and structured entities

Refer to note 3 for details of investments in subsidiaries and structured entities.

12. Property, plant and equipment

There were no changes in the nature of property, plant and equipment or in the policy regarding their use during the year. During the current year the Group recognised an impairment loss of R1.846bn (2018: Rnil) against the assets, refer to note 30 and note 2.

13. Events after the reporting date

A final dividend of R100m at 4 cents per share (2018: R151m, 6 cents per share) was declared on 6 March 2020. No other material facts or circumstances occurred after the reporting date that may require adjustment or disclosure in these annual financial statements.

Post year end (as per the SENS announcement published on 20 January 2020), the Venture issued a Notice in terms of Sections 189 and 189A of the Labour Relations Act to the employees of the Rustenburg Smelter North West Province South Africa (Rustenburg Smelter). This decision was a result of deteriorating operating and market conditions across the South African Ferrochrome industry, including unsustainable electricity tariffs and interruptions, cross subsidies and real cost inflation. These factors have also led to the displacement of significant volumes of Ferrochrome production to lower-cost competitors overseas. Despite significant investment to make the operation more competitive, the Rustenburg Smelter has suffered material financial losses which are expected to continue for the foreseeable future. Prior to commencement of the Section 189A process, the Company engaged in extensive consultations with stakeholders, including employee representatives, local and regional government. This consultation process will continue to attempt to secure the future of the operation.

The Board of directors resolved on 24 January 2020 to simplify the structure of the Group through a restructure in terms of which the Company would directly hold a 100% interest in Merafe Ferrochrome. Both Merafe Chrome and Merafe Ferrochrome are 100% subsidiaries of the Company. There are no tax or other financial impacts that arise from this unbundling. This change was effected on 24 January 2020.

14. Special resolutions

The following special resolutions were passed by the shareholders at the 2019 Annual General Meeting:

- Approval of non-executive directors' fees;
- Loans or other financial assistance to related or inter-related companies;
- General authority to repurchase Company shares; and
- Approval of amendments to MOI.

15. Environmental and decommissioning provision

New legislation and financial provisioning regulations relating to asset retirement obligations were enacted i.e. The National Environmental Management Act (NEMA). The legislation which is effective from June 2021 will have an impact on the manner in which the environmental rehabilitation costs are determined. Current and prior year provisions of the Group are already inclusive of the impact of NEMA although it is not yet effective.

16. Mining rights and mining operations

The directors are satisfied that there are no foreseen material risks relating to the Resources and Reserves of the Venture and the ability of the Venture to conduct its mining operations. The abridged Mineral Resources and Reserves statement and the detailed Resources and Reserves statement have been signed off by a competent person in accordance with the South African Mineral Reporting Codes (SAMREC) and the Listings Requirements.

17. Restatement of Financial Statements

The JSE requires that information disseminated into the market be of the highest standard. In doing so, the Company has proactively restated comparative figures to improve disclosure and usefulness of the financial statements and to comply with International Financial Reporting Standards (IFRS).

The 2018 financial year has been restated with the change in the derivative financial liability disclosure. In addition to improve disclosure, the Group has also disaggregated the property, plant and equipment note which was inclusive of intangible assets to separately disclose these intangible assets. The inter-company loan of the Company was erronously classified as a non-current asset and has been reclassified as current assets as this is payable on demand with less than a years notice. Refer to note 31 for the impact of the restatement.

A third balance sheet for the Group and Company has been disclosed restating the 2017 financial position of the Group and Company.

Approval of the consolidated and separate financial statements of Merafe Resources Limited

The consolidated and separate financial statements of Merafe Resources Limited were approved by the Board on 6 March 2020 and signed by:

Abiel Mngomezulu
Chairman
6 March 2020

Zanele Matlala
Chief Executive Officer
6 March 2020

Deloitte & Touche
Registered Auditors
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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Merafe Resources Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Merafe Resources Limited ("the Group") set out on pages 15 to 84, which comprise the consolidated and separate statements of financial position as at 31 December 2019, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 31 December 2019, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018),* parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. There were no key audit matters identified for the separate financial statements.

National Executive: *LL Bam Chief Executive Officer *TMM Jordan Deputy Chief Executive Officer; Clients & Industries *MJ Jarvis Chief Operating Officer *AF Mackie Audit & Assurance *N Sing Risk Advisory DP Ndlovu Tax & Legal TP Pillay Consulting *JK Mazzocco Talent & Transformation MG Dicks Risk Independence & Legal *KL Hodson Financial Advisory *B Nyembe Responsible Business & Public Policy *TJ Brown Chairman of the Board

A full list of partners and directors is available on request * Partner and Registered Auditor

B-BBEE rating: Level 1 contribution in terms of the DTI Generic Scorecard as per the amended Codes of Good Practice

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

Key Audit Matters (continued)

Key Audit Matter	How the matter was addressed in the audit?
Impairment assessment of the Merafe Resources Limited Group net asset value (Group)	

As disclosed in Note 30 of the consolidated financial statements, the Merafe Resources Limited market capitalisation value as at 31 December 2019 is R2.159 billion which is less than its net asset value of R4.710 billion. This was an indicator that the Group net asset value may be impaired in accordance with the requirements of IAS 36 Impairments of Assets.
 	
The Glencore-Merafe chrome venture (Venture) is the only cash-generating unit of the Group. The Directors' performed an impairment assessment using the value in use method, where the Group net asset carrying value was compared to the value in use.
 	
The Directors have determined the value in use amount based on the cash flow forecasts of the Venture and the weighted average cost of capital of Merafe Resources Limited.
 	
The valuation is dependent on macro-economic factors, which include foreign currency exchange rates, commodity price forecasts as well as internal assumptions and estimates related to production levels, operating costs and customer demand. The assumptions with the most significant impact on the cash flow forecast were:
 	
• Forecasted ferrochrome production levels and forecasted sales value estimates;
• Forecasted ferrochrome commodity prices;
• Forecasted ZAR /US Dollar exchange rates;
• The discount rate, weighted average cost of capital (WACC) used to discount the future cash flows; and
 	
Significant judgement is required by the directors in determining the forecasted ZAR/US Dollar exchange rates and forecasted ferrochrome commodity prices.
 	
The impairment assessment of the Group was identified as a key audit matter due to the significance of the Directors' judgement involved in determining the value in use of the Venture, together with the sensitivity of the forecasted ZAR/US Dollar exchange rate and forecasted commodity prices in the value in use.
	In evaluating the impairment assessment of the Groups net asset value, we tested the value in use calculations prepared by directors, with a particular focus on the cash flow forecast (Including the Production input factors, Forecasted ZAR/US Dollar exchange rates), commodity prices and the discount rate applied. Our procedures included the following:
	
	• Assessed the design and implementation of the entity's key controls relating to the determination of the assumptions used in the determination of the cash flow forecasts;
	• Engaged our internal specialist in evaluating the reasonableness of forecasted sales volume estimates and forecasted production levels against strategies;
	• Engaged our internal specialists to assist with assessing the reasonability of the following key assumptions:
	  o Forecasted production levels;
	  o Discount rate (WACC) used;
	  o Forecasted ZAR/US Dollar exchange rates; and
	  o Forecasted ferrochrome and chrome ore commodity prices.
	• Re-computed the value in use amount based on inputs and assumptions adopted by the Directors; and
	• Performed sensitivity analyses on the forecasted ferrochrome commodity prices and forecasted ZAR/US Dollar exchange rates to evaluate the extent of impact on the value in use and the appropriateness of the directors' disclosures on the group financial statements.
	
	In aggregate, the assumptions applied appeared to be reasonable.
	
	The valuation yielded a negative headroom of R1.8 billion lower than the net asset value of the group. This resulted in the impairment of the property, plant and equipment balances by R1.8 billion.
	
	We considered the disclosures relating to impairment assessment to be appropriate.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Merafe Resources Limited Audited Annual Financial statements for the year ended 31 December 2019", which includes the Company Secretary's Certificate, the Audit and Risk Committee's Report and the Directors' Report, as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Integrated Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and / or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements. As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Merafe Resources Limited for 3 years.

Deloitte & Touche
Registered Auditor
Per: Eugene Msawenkosi Zungu
Partner
6 March 2020

Merafe Resources Limited

Statements of financial position

as at 31 December 2019

		Group			Company		
		2019	2018	2017	**2019**	2018	2017
	Note	**R'000**	R'000 Restated	R'000 Restated	**R'000**	R'000 Restated	R'000 Restated
Assets							
Non-current assets							
Property, plant and equipment	*2*	**1 435 080**	3 226 212	3 215 223	**606**	275	354
Intangible assets[1]	*2.1*	**49 268**	51 376	55 932	**-**	-	-
Investments in subsidiaries	*3*	**-**	-	-	**-**	-	-
Long term receivable	*13*	**16 612**	12 995	13 864	**-**	-	-
Deferred tax asset	*11*	**1 374**	17 945	17 726	**1 374**	17 945	17 726
Total non-current assets		**1 502 334**	3 308 528	3 302 745	**1 980**	18 220	18 080
Current assets							
Inventories	*4*	**2 008 799**	2 042 621	1 497 798	**-**	-	-
Current tax assets	*12*	**18 635**	26 368	-	**-**	-	-
Trade and other receivables[2]	*5*	**675 344**	968 998	883 249	**3 491**	5 464	890
Cash and cash equivalents	*20.1*	**354 181**	282 037	671 655	**390**	4 888	18 539
Loan to subsidiary[3]	*3.1*	**-**	-	-	**1 284 281**	1 759 108	1 533 128
Total current assets		**3 056 959**	3 320 024	3 052 702	**1 288 162**	1 769 460	1 552 557
Total assets		**4 559 293**	6 628 552	6 355 447	**1 290 142**	1 787 680	1 570 637
Equity and liabilities							
Equity							
Share capital	*6*	**25 107**	25 107	25 107	**25 107**	25 107	25 107
Share premium	*7*	**1 269 575**	1 269 575	1 269 575	**1 269 575**	1 269 575	1 269 575
Retained earnings/(loss)		**2 085 835**	3 598 296	3 340 843	**(16 103)**	14 627	27 136
Total equity attributable to owners of the Company		**3 380 517**	4 892 978	4 635 525	**1 278 579**	1 309 309	1 321 818
Non-current liabilities							
Lease obligation and borrowings	*9*	**19 972**	9 879	11 094	**-**	-	-
Share-based payment liability	*8*	**1 004**	3 518	5 379	**1 004**	3 518	5 379
Provisions	*10*	**337 716**	371 904	287 518	**-**	-	-
Deferred tax liability	*11*	**226 065**	751 103	780 485	**-**	-	-
Total non-current liabilities		**584 757**	1 136 404	1 084 476	**1 004**	3 518	5 379
Current liabilities							
Lease obligation and borrowings	*9*	**4 460**	1 233	1 044	**417**	-	-
Trade and other payables	*14*	**579 131**	544 731	550 556	**7 804**	471 596	240 064
Derivative[2]	*26*	**8 090**	48 767	72 272	**-**	-	-
Share-based payment liability	*8*	**2 338**	3 257	3 376	**2 338**	3 257	3 376
Bank overdraft	*20.1*	**-**	1 182	-	**-**	-	-
Current tax liability	*12*	**-**	-	8 198	**-**	-	-
Total current liabilities		**594 019**	599 170	635 446	**10 559**	474 853	243 440
Total liabilities		**1 178 776**	1 735 574	1 719 922	**11 563**	478 371	248 819
Total equity and liabilities		**4 559 293**	6 628 552	6 355 447	**1 290 142**	1 787 680	1 570 637

[1] Intangible assets has been separately disclosed from property, plant and equipment with a restatement of the 2018 financial year. [2] Trade and other receivables has been restated due to a prior period error in the 2018 financial year with separate disclosure of the derivative. [3]Loans to subsidiaries in the Company has been reclassified as current assets as the loans are repayable on demand with less than a years notice. Refer to note 31 for disclosure relating to the restatement.

Merafe Resources Limited

Statements of comprehensive income

for the year ended 31 December 2019

		Group		Company	
	Note	**2019 R'000**	2018 R'000	**2019 R'000**	2018 R'000
Revenue	*15*	**5 379 329**	5 606 324	**156 091**	433 920
Foreign exchange (losses)/gains		**(14 373)**	141 491	**-**	-
Operating and other expenses		**(4 973 070)**	(4 401 875)	**(19 444)**	(20 984)
Earnings before interest, taxation, depreciation and impairment	*16*	**391 886**	1 345 940	**136 647**	412 936
Depreciation and amortisation		**(467 261)**	(405 548)	**(232)**	(165)
Impairments		**(1 846 343)**	-	**-**	-
Results from operating activities		**(1 921 718)**	940 392	**136 416**	412 771
Finance expense	*17*	**(1 594)**	(14 512)	**(70)**	(85)
Finance income	*17*	**56 396**	18 595	**138**	549
(Loss)/profit before income tax		**(1 866 916)**	944 475	**136 484**	413 235
Income tax credit/(expense)	*18*	**505 097**	(261 059)	**(16 571)**	219
(Loss)/profit for the year		**(1 361 819)**	683 416	**119 912**	413 454
Total comprehensive (Loss)/income for the year		**(1 361 819)**	683 416	**119 912**	413 454
(Loss)/profit and total comprehensive income for the year attributable to:					
Owners of the Company		**(1 361 819)**	683 416	**119 912**	413 454
Earnings per share					
Basic (loss)/earnings per share (cents)	*19.1*	**(54.2)**	27.2	**-**	-
Diluted (loss)/earnings per share (cents)	*19.4*	**(54.2)**	27.2	**-**	-

** Less than one thousand.*

Merafe Resources Limited

Statements of changes in equity

for the year ended 31 December 2019

Group

	Issued share capital R'000	Share Premium R'000	Retained Earnings R'000	Total R'000
Balance at 1 January 2018	**25 107**	**1 269 575**	**3 340 843**	**4 635 525**
Total comprehensive income for the year	-	-	683 416	683 416
Dividends paid	-	-	(425 963)	(425 963)
Balance at 31 December 2018	**25 107**	**1 269 575**	**3 598 296**	**4 892 978**
Total comprehensive loss for the year	**-**	**-**	**(1 361 819)**	**(1 361 819)**
Dividends paid	**-**	**-**	**(150 642)**	**(150 642)**
Balance at 31 December 2019	**25 107**	**1 269 575**	**2 085 835**	**3 380 517**

Company

	Issued share capital R'000	Share Premium R'000	Retained Earnings R'000	Total R'000
Balance at 1 January 2018	**25 107**	**1 269 575**	**27 136**	**1 321 818**
Total comprehensive income for the year	-	-	413 454	413 454
Dividends paid	-	-	(425 963)	(425 963)
Balance at 31 December 2018	**25 107**	**1 269 575**	**14 627**	**1 309 309**
Total comprehensive income for the year	**-**	**-**	**119 912**	**119 912**
Dividends paid	**-**	**-**	**(150 642)**	**(150 642)**
Balance at 31 December 2019	**25 107**	**1 269 575**	**(16 103)**	**1 278 579**

Merafe Resources Limited

Statements of cash flows

for the year ended 31 December 2019

	Note	Group 2019 R'000	Group 2018 R'000	Company 2019 R'000	Company 2018 R'000
Cash flows from/(used in) operating activities					
Cash generated from/(used in) operating activities	*20*	**746 574**	787 627	**(328 601)**	637 914
Finance cost paid		**(1 524)**	(968)	**(70)**	(85)
Finance income received		**10 952**	17 253	**138**	549
Taxation received/(paid)	*12*	**5 040**	(325 417)	**-**	-
Net cash generated from/(used in) operating activities		**761 042**	478 495	**(328 533)**	638 378
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		**3 037**	-	**-**	-
Acquisition of property, plant and equipment					
- sustaining[a]		**(531 473)**	(412 074)	**(63)**	(86)
- expansionary[a]		**-**	(190)	**-**	-
Net cash utilised in investing activities		**(528 436)**	(412 264)	**(63)**	(86)
Cash flows from financing activities					
Dividends paid		**(150 642)**	(425 963)	**(150 642)**	(425 963)
Lease liability repaid		**(4 228)**	(1 026)	**-**	-
Decrease/(increase) in loans to/from subsidiaries		**-**	-	**474 739**	(225 980)
Net cash (utilised in)/generate from financing activities		**(154 870)**	(426 989)	**324 097**	(651 943)
Net increase/(decrease) in cash and cash equivalents		**77 736**	(360 758)	**(4 499)**	(13 651)
Cash and cash equivalents at 1 January		**280 855**	671 655	**4 889**	18 539
Effect of foreign exchange rate changes		**(4 410)**	(30 042)	**-**	-
Cash and cash equivalents at 31 December[1]	*20.1*	**354 181**	280 855	**390**	4 888

[a] *Relates to 20.5% of the Venture's total cash outflow. Note 2 details the property, plant and equipment owned by Merafe Ferrochrome.*

** Less than one thousand rand.*

[1] *Includes Bank overdraft*

Merafe Resources Limited

Significant accounting policies

for the year ended 31 December 2019

1. Accounting policies

1.1 Reporting entity

Merafe Resources Limited (Company) is domiciled in the Republic of South Africa. The address of the Company's registered office is Building B, Second Floor, Ballyoaks Office Park, 35 Ballyclare Drive, Bryanston, 2191. The consolidated annual financial statements as at and for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the Group and individually as Group entities). The Group is primarily involved in the mining and beneficiation of chrome ore into ferrochrome. Where reference is made to "Group", this should be interpreted as "consolidated". Further, where reference is made to the "Group" and "consolidated" in the accounting policies, it should be interpreted as also referring to the "Company" where the context requires, unless otherwise indicated.

1.2 Basis of preparation

1.2.1 Statement of compliance

The consolidated and separate annual financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee (APC), the Financial Pronouncements as issued by Financial Reporting Standards Council, the JSE Limited Listing Requirements and the requirements of the Companies Act 2008 of South Africa. The consolidated and separate financial statements were authorised for issue by the Board on 6 March 2020.

1.2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position which are measured at their fair values:

- Derivative financial instruments (refer to note 1.19); and
- Long term receivables (refer to note 13).

1.2.3 Functional and presentation currency

The consolidated and separate financial annual statements are presented in South African Rand, which is the Company's functional currency.

All financial information presented in South African Rand has been rounded to the nearest thousand, unless otherwise indicated.

1.2.4 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the consolidated and separate financial statements in conformity with IFRS 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.

1. Accounting policies *(continued)*

1.2 Basis of preparation *(continued)*

1.2.4 Critical accounting judgements and key sources of estimation uncertainty *(continued)*

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 and underlying assumptions are 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 financial statements are described in the following notes:

Note 1.5.3, 1.21, 2 and 30: Measurement of depreciation and impairment, useful lives and residual values of property, plant and equipment and intangible assets;
Note 1.11.3 and 8: Inputs used in the determination of the fair value of the share-based payment transactions;
Note 1.13, 2 and 9: Lease classification and depreciation of right of use assets;
Note 1.9 and 10: 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;
Note 1.15 and 11: Recognition of deferred tax asset on assessed losses;
Note 1.19.2: Fair value measurement of embedded derivative;
Note 1.21.1: Assumptions used in the assessment of expected credit losses on financial assets;
Note 1.20 and 10: Estimation of the tonnages extracted in determining the royalty provision; and
Note 1.3.2: Assumptions around joint control of the PSV.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated and separate financial statements and have been applied consistently by Group entities with the exception of IFRS 16, and IFRIC 23 as they were applied in the current year.

1.2.5 Standards and interpretations issued and not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2020 and have not been applied in preparing these consolidated and separate annual financial statements. The standards which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early. These standards will be adopted in the period that they become effective.

1. Accounting policies *(continued)*

1.2 Basis of preparation *(continued)*

1.2.5 Standards and interpretations issued and not yet effective *(continued)*

IFRS 10 and IAS 28 (amendments) ***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated annual financial statements in future periods should such transactions arise.

The requirement is not expected to have a material impact on the Group.

IAS 1 and IAS 8 (amendments) ***Definition of materiality***

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

The requirement is not expected to have a material impact on the Group.

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

The requirement is not expected to have a material impact on the Group.

Amendments to IFRS 3 Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Additional guidance is provided that helps to determine whether a substantive process has been acquired.

1. Accounting policies *(continued)*

1.2 Basis of preparation *(continued)*

1.2.5 Standards and interpretations issued and not yet effective *(continued)*

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

The requirement is not expected to have a material impact on the Group.

IFRS 17 *Insurance contracts*

IFRS 17 requires insurance liabilities to be measured at the current fulfilment value and provides more uniform measurement and presentation approach for all insurance contracts.

The requirement is not expected to have a material impact on the Group.

1.2.6 New and amended IFRS Standards that are effective for the current year

Impact of initial application of IFRS 16 Leases

The Group adopted IFRS 16 *Leases* from 1 January 2019 using the modified retrospective approach. As such, the 2018 comparatives have not been restated.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 10%. This was determined by obtaining interest rates from various external financing sources and making certain adjustments to reflect the terms of the lease and type of the asset leased.

The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

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

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

1. Accounting policies *(continued)*

1.2 Basis of preparation *(continued)*

1.2.6 New and amended IFRS Standards that are effective for the current year *(continued)*

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made by applying IAS 17 and Interpretation 4 in determining whether an arrangement contains a lease.

Impact on transition

On transition the Group recognised right-of-use assets and lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	Group 01-Jan-19	Company 01-Jan-19
	R'000	R'000
Right of use asset - property, plant and equipment	**16 822**	**500**
Net impact on total assets	**16 822**	**500**
Obligations under finance lease	**16 822**	**500**
Net impact on total liabilities	**16 822**	**500**
Retained earnings	**-**	**-**
Measurement of lease liability		
Operating lease commitment as at 31 December 2018	**5 557**	**960**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**(2 716)**	**(460)**
Add: finance lease liabilities recognised as at 31 December 2018	**14 405**	**-**
Less: short-term leases not recognised as a liability	**(28)**	**-**
Less: low-value leases not recognised as a liability	**(396)**	**-**
Lease liability recognised as at 1 January 2019	**16 822**	**500**
The amount comprises of:		
Current liabilities	**5 188**	**500**
Non-current liabilities	**11 634**	**-**

Impact of application of IFRIC 23 Uncertainty over income tax treatments

The Group adopted IFRIC 23 on 1 January 2019 with the interpretation applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 Income taxes.

1. Accounting policies *(continued)*

1.2 Basis of preparation *(continued)*

1.2.6 New and amended IFRS Standards that are effective for the current year *(continued)*

The interpretation requires the Group to determine whether uncertain tax positions are assessed separately or as a Group and whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings. The Group has made assessments with regard to IFRIC 23 and has determined that its tax position is consistent with the treatement used by the tax authority.

1.3. Basis of consolidation

1.3.1 Subsidiaries and controlled entities

Subsidiaries and controlled entities are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The results of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

1.3.2 Transactions with the Pooling and Sharing Venture ("Venture")

Glencore Operations South Africa (Pty) Ltd (GOSA) and Merafe Ferrochrome & Mining (Pty) Ltd pooled and shared their ferrochrome assets on 1 July 2004 to form the Venture. The Venture's primary business is the production and sale of ferrochrome to the stainless steel industry. The Venture is the only operating asset of the Group and is strategic to the Group's activities. While Merafe Ferrochrome's assets form part of the Venture, Merafe Ferrochrome retains ownership of its assets and is closely involved in the Venture's operations through the Venture's executive committee, joint board and sub-committees. Merafe Ferrochrome receives 20.5% of the Venture's earnings before interest, taxation, depreciation and amortisation (EBITDA) and owns 20.5% of the working capital.

In management's view, the Venture is a joint operation as defined in IFRS 11 Joint Arrangements as Merafe Ferrochrome and GOSA are bound by a contractual arrangement which constitutes joint control. The venture is not consolidated but Merafe Ferrochrome accounts for the assets, liabilities, revenues and expenses in relation to its interest in the joint operation in accordance to IFRS 11. The following significant judgements and assumptions were relevant in the joint control assessment:

a) The ultimate operational decision making responsibility in the Venture resides with the joint board. The chairman of the board, who is appointed by GOSA, has a casting vote at the joint board level on all decisions except for decisions relating to reserved matters. The reserved matters include, *inter-alia*, the managing of input costs relating to chrome production, operation of the various chrome producing assets, disposal of assets forming part of the pooled operations, increasing the operational capacity of chrome producing assets and acquiring or constructing new chrome producing assets. These reserved matters, in management's view, are likely to have the most significant impact on returns of the Venture and therefore would constitute its "relevant activities" as defined in IFRS 10 Consolidated Financial Statements. Contractually, decisions over the reserved matters require the unanimous consent of Merafe Ferrochrome and GOSA as those decisions cannot be made unilaterally.

b) There is a significant disparity in holdings between Merafe Ferrochrome's interest in the venture at 20.5% and GOSA's interest in the venture at 79.5%. However, this does not influence the joint

1. Accounting policies *(continued)*

1.3. Basis of consolidation *(continued)*

1.3.2 Transactions with the Venture *(continued)*

control conclusion as the benefits each party stands to gain from the arrangement was the determining factor in the joint control arrangement rather than other forms of arrangements. Furthermore, any dispute relating to the interpretation of the Pooling and Sharing Agreement (the Venture agreement) is to be settled by an arbitrator appointed by the Arbitration Foundation of South Africa (AFSA) and in management's view the AFSA provides for a neutral dispute resolution process and would not favour either GOSA or Merafe Ferrochrome.

c) The lack of legal form of the Venture results in Merafe Ferrochrome and GOSA having rights to the assets and obligations for the liabilities held in the Venture. This lack of legal separation between the Venture, Glencore and Merafe Ferrochrome is further supported by the fact that the South African Revenue Services assesses the Venture and directly taxes Merafe Ferrochrome and Glencore respectively for the income generated from the Venture.

d) In terms of the Venture agreement, Merafe Ferrochrome and GOSA maintain legal ownership of their respective assets contributed to the Venture and upon winding up of the Venture. GOSA and Merafe Ferrochrome will also receive a portion of any new assets acquired by the parties post 1 July 2004 and to the extent that an asset relates to their existing assets, be required to acquire the other party's portion at fair value which indicates that the parties have rights to the assets of the Venture. The lack of legal form of the Venture results in GOSA and Merafe Ferrochrome having rights to the assets and obligations for the liabilities held in the Venture and consequently joint operations classification in terms of IFRS 11.

Accounting for joint operations results in Merafe Ferrochrome recognising its assets that were contributed to the Venture and its portion of the assets held jointly in the Venture. Similarly Merafe Ferrochrome recognises its liabilities, including its share of any liabilities incurred jointly. Merafe Ferrochrome recognises its revenue and share of the revenue from the Venture as well as its expenses and share of expenses relating to the Venture. The accounting that was adopted by Merafe since the formation of the Venture is consistent with the accounting for joint operations as required by IFRS 11.

Refer to Related Parties note 23.4 for the items that represent the Group's share of the working capital and EBITDA of the Venture.

1.4 Foreign currency

The Group transacts in a number of foreign jurisdictions that have multiple quoted exchange rates for customer sales and other financial liabilities. Transactions in foreign currencies are translated to the functional currency of the Group entities at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to South African Rand (Rand) at the foreign exchange rate ruling at that date. The foreign exchange gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to Rand at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in profit or loss in the period in which they arise. Non-monetary items that are measured in terms of historical costs in a foreign currency are translated using the exchange rate at the date of the transaction.

1. Accounting policies *(continued)*

1.5 Property, plant and equipment

1.5.1 Recognition and measurement

1.5.1.1 Mining assets including mine development costs

Mining assets, including mine development costs and mine plant facilities, are stated at cost less accumulated depreciation and accumulated impairment. Costs include pre-production expenditure incurred in the development of the mine and the present value of future decommissioning costs. Development costs incurred to develop new ore bodies, to define mineralisation in existing ore bodies and to establish or expand productive capacity are capitalised. Mine development costs in the ordinary course of maintaining production are expensed as incurred. Initial development and pre-production costs relating to a new ore body are capitalised until the ore body achieves commercial levels of production, at which time the asset is deemed to be available for use and is amortised as set out below.

1.5.1.2 Land, non-mining assets and corporate assets

Land is stated at cost and is not depreciated. Buildings and other non-mining property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of self constructed assets includes the cost of materials, direct labour, the initial estimate (where relevant) of the costs of dismantling and removing the items, restoring the site on which they are located and any other costs directly attributable to bringing the assets to a working condition for their intended use.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

1.5.1.3 Exploration and evaluation expenditure

Exploration and evaluation expenditure relates to costs incurred during the exploration and evaluation of potential mineral reserves and resources and includes costs such as exploratory drilling and sample testing and the costs of pre-feasibility studies. Exploration and evaluation expenditure for each area of interest, other than acquired from the purchase of another mining company, is recognised as an asset in work-in-progress provided that one of the following conditions are met:

- Such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- Exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future. Purchased exploration and evaluation assets are recognised as assets at fair value if purchased as part of a business combination.

1. Accounting policies *(continued)*

1.5 Property, plant and equipment *(continued)*

1.5.1.3 *Exploration and evaluation expenditure (continued)*

An impairment review is performed, either individually or at the cash-generating unit level, when there are indications that the carrying amounts of the assets may exceed their recoverable amounts. To the extent that this occurs, an impairment loss is recognised in the financial year in which this is determined. Exploration and evaluation assets are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions outlined above is met. Expenditure is transferred to mine development assets or capital work in progress once the work completed to date supports the future development of the property and such development received appropriate approvals.

1.5.2 Subsequent costs

Subsequent costs on property, plant and equipment are capitalised when the costs enhance the value or output up to the assets original expectation and its costs can be measured reliably. Costs incurred on repairing and manufacturing are recognised in the statement of comprehensive income in the period in which they are incurred.

1.5.3 Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, less its residual value.

Depreciation methods, estimated useful lives and residual values are reviewed at each financial year end and adjusted prospectively, if appropriate. Useful lives are assessed using internal experts. Residual values are assessed using market information on similar sales transactions.

1.5.3.1 Mining assets including mine development costs

Mining equipment, structures and plant and equipment are depreciated using the straight-line method over the estimated useful life. The useful life ranges between one and thirty years, depending on the nature of the asset.

1.5.3.2 Capital work in progress

Capital work in progress is not depreciated. The net carrying amounts of capital work in progress at each mine property are reviewed for impairment either individually or at the cash-generating unit level when events and changes in circumstances indicate that the carrying amount may not be recoverable. To the extent that these values exceed their recoverable amounts, an impairment loss is recognised in the financial year in which this is determined.

1. Accounting policies *(continued)*

1.5 Property, plant and equipment *(continued)*

1.5.3.3 Land, non-mining assets and corporate assets

Non-mining equipment, structures and plant and equipment are depreciated using the straight-line method over the estimated useful life. The useful life ranges between one and thirty years depending upon the nature of the asset. Land is not depreciated.

1.5.4 Derecognition

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected to flow to the Group from their use. Gains or losses on derecognition of an item of property, plant and equipment are determined by the comparing of the proceeds from disposal, if applicable, with the carrying amount of the item and are recognised directly in profit or loss.

1.6 Intangible asset

1.6.1 Mineral and surface rights recognition and measurement

Mineral and surface rights are stated at cost less accumulated amortisation and accumulated impairment losses. When there is little likelihood of a mineral right being exploited, or the value of mineral rights has diminished below cost, an impairment loss is recognised in profit or loss in the period that such determination is made.

1.6.2 Mineral and surface rights amortisation

Mineral rights that are being depleted are amortised over their estimated useful lives using the units of production method, based on proven and probable ore reserves. Mineral rights that have no commercial value are impaired in full.

1.7 Financial instruments

1.7.1 Fnancial assets

On initial recognition financial assets are classified as measured at fair value through profit or loss, amortised cost, or fair value through other comprehenisve income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets. Subsequent to intial recognition financial assets are not reclassified unless the Group changes its business model for managing its financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model

The Group classifies non-derivative financial assets into the following category:

1. Accounting policies *(continued)*

1.7 Financial instruments *(continued)*

Amortised cost
Loans and receivables which include trade receivables and intercompany loans are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortised cost. Subsequent to initial recognition debt instruments are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Cash and cash equivalents are classified and measured at amortised cost.

1.7.2 Financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they originated. All other financial liabilities are recognised initially on the trade date, which is the date the Group becomes a party to the contractual provisions of the instrument. All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss (FVTPL).

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. On derecognition, the variance that arises between the carrying value of the financial liability and its proceeds, is recognised in profit and loss.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts and trade and other payables.

1.7.3 Derivative financial instruments

Embedded derivatives are separated from the host contract and accounted for separately if:
- the economic characteristics and risk of the host contract and the embedded derivative are not closely related;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted as described below under 1.19.2.

Refer to note 1.21 for the impairment of financial instruments.

1. Accounting policies *(continued)*

1.8 Share capital

Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

1.9 Provisions

Provision for closure and restoration costs
Long-term environmental obligations are based on the Group's environmental management plan, in compliance with current environmental and regulatory requirements.

A full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date. The related costs are capitalised to mining assets and are amortised over the useful lives of the related assets. Annual movements in the provision relating to the change in the net present value of the provision due to changes in estimated cash flows or discount rates are adjusted against the costs capitalised to mining assets. The changes relate to the closure costs as well as the unwinding of interest. Immaterial ongoing rehabilitation costs are expensed in profit or loss.

These estimates are reviewed at least annually and changes in the measurement of the provision that result from the subsequent changes in the estimated timing or amount of cash flows, or a change in discount rate, are added to, or deducted from, the cost of the related asset in the current period. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the statement of profit or loss. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy on 'Impairment of non-financial assets' above. Annual movements in the provision relating to passage of time, i.e. unwinding of discount, are expensed as incurred recognised as income.

Cost estimates are not reduced by the potential proceeds from the sale of assets or from plant clean-up at closure.

1.10 Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost is determined on the following basis:

- Finished goods on hand are valued using the weighted average cost and comprises material costs, labour costs and allocated production related overhead costs. Where the production process results in more than one product being produced, cost is allocated between the various products according to the ratio of contribution of these metals to gross sales revenue. Financing and storage costs related to inventory are expensed as incurred.
- Consumable stores and raw materials are valued at weighted average cost and include expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

1. Accounting policies *(continued)*

1.11 Employee benefits

1.11.1 Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus plans and accumulated leave if the Group has a present legal or constructive obligation to pay as a result of past services provided by the employee and the obligation can be estimated reliably.

1.11.2 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payment is available.

Defined contribution plans are funded through monthly contributions to the provident fund, which is governed by the Pension Fund Act of 1956. All employees of the Group belong to the provident fund. The Group's liability is limited to its annually determined contributions.

The Group and Company provide medical cover to current employees through various funds. The medical plans are funded through monthly contributions to the medical aid fund. The Group's and Company's liability is limited to its annually determined contributions.

1.11.3 Share-based payment transactions

The share incentive scheme allows qualifying directors and employees to be granted share grants. Share grants may be granted to all employees of the Company and any of its subsidiaries at the discretion of the directors, subject to the limitations imposed by the share grant scheme. The fair value of share grants are measured at grant date and spread over the period during which the employees become unconditionally entitled to the share grants. The fair value of the share grants are measured using the Monte Carlo model, taking into account the terms and conditions upon which the share grants were granted.

1. Accounting policies *(continued)*

1.11 Employee benefits *(continued)*

1.11.3 Share-based payment transactions *(continued)*

Share-based payment arrangements in which the Group received goods or services as consideration of its own equity instruments are settled in cash.

The fair value of the amount payable to employees in respect of cash settled share-based payment arrangements is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at fair value at each reporting date and at settlement date. Any changes in the fair value of the liability is recognised in profit or loss.

1.12 Revenue

1.12.1 Contracts with customers

The Group recognises revenue from customers on the sales of ferrochrome and chrome ore. Revenue is derived principally from the sale of these goods which are sold on Cost and Freight (CFR) or Cost, Insurance and Freight (CIF) Incoterms. Revenue is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is measured based on consideration specified in the contract with a customer and excludes amounts collected on behalf of third parties. The same recognition and presentation principles apply to revenues arising from physical settlement of forward sale contracts that do not meet the own use exemption.

The performance obligation related to the sale of goods to customers is recognised when the product is delivered to the destination specified by the customer, which is typically the vessel on which it is shipped, the destination port or the customer's premises and the buyer has gained control through their ability to direct the use of and obtain substantially all the benefits from the asset. The sales price is determined on a provisional basis at the date of sale as the final selling price is subject to movements in market prices up to the date of final pricing, normally ranging from 30 to 120 days after initial booking (provisionally priced sales).

Revenue on provisionally priced sales is recognised based on the estimated fair value of the total consideration receivable. The revenue adjustment mechanism embedded within provisionally priced sales arrangements has the character of a commodity derivative. The ferrochrome is provisionally invoiced to the distribution agents at a price that is linked to the ruling benchmark price when the risks and rewards pass to the distribution agents. The embedded derivative is recognised at fair value and is included in the statement of financial position Accordingly, the fair value of the final sales price adjustment is re-estimated continuously and changes in fair value are recognised as an adjustment to revenue once the distribution agent receives the final price via the sale to the stainless steel customer. In all cases, fair value is estimated by reference to forward market prices. Revenue from the sale of material by-products is included within revenue. Where a by-product is not regarded as significant, revenue may be credited against cost of goods sold.

1. Accounting policies *(continued)*

1.12 Revenue *(continued)*

1.12.1 Contracts with customers *(continued)*

The sale of goods is also done through distribution agreements noted below with the Glencore Group. Determining whether the Group is acting as an agent or principal is based on an evaluation of when control of the goods is taken by the Group, including inventory risk and responsibility for the delivery of goods or services.

Ferrochrome and chrome ore marketing arrangement with Glencore International AG
Glencore is acting as agent and the Group is acting as principal for ferrochrome and chrome ore sales.

Distribution arrangements with Glencore Limited, Glencore Canada Inc and Mitsui and Co Europe Plc (the distribution agents)

The Group is acting as principal for the ferrochrome sales to the distribution agents when control of the goods passes from the Group to the distribution agents.

The distribution agents are acting as principal for subsequent sales to stainless steel customers and the performance obligation for revenue recognition is met when the product is delivered to the destination specified by the customer, which is typically the vessel on which it is shipped, the destination port or the customer's premises and the buyer has gained control through their ability to direct the use of, and obtain substantially all the benefits from the asset .

1.12.2 Management fees

Revenue from management fees is recognised at the fair value of the consideration received or receivable. Revenue is recognised in the accounting periods in which the services are rendered.
Management fees recognised in the Company relate to a recovery of costs from the subsidiary, Merafe Ferrochrome, and are recognised when the costs are recovered net of Value Added Taxation. This is when the performance obligations are considered met.

1.12.3 Dividends

Dividends received by the Company are recognised at the fair value of the consideration received or receivable and performance obligation is considered met once the dividend is declared by the subsidiaries.

1.13 Leases

1.13.1 The Group assesses whether a contract is, or contains a lease at inception of a contract.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date except for short term leases (defined as leases with a lease term of 12 months or less and leases of low value assets). The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any

1. Accounting policies *(continued)*

1.13 Leases *(continued)*

initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

1.14 Finance income and expenses

1.14.1 Finance income

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

1. Accounting policies *(continued)*

1.14 Finance income and expenses *(continued)*

1.14.2 Finance expenses

Finance expenses comprise interest expense on borrowings, interest on tax related items, unwinding of the discount on the rehabilitation provision. Finance expenses for the Company include the fair value adjustment on the intercompany loan as per note 3 and note 17.

Borrowing costs directly related to the financing of a qualifying capital project under construction are capitalised to the project cost during construction, until such time as the related asset is substantially ready for its intended use, i.e. when it is capable of commercial production. Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available in the short term from money borrowed specifically to finance a project, the income generated from such short-term investments is also capitalised and deducted from the total capitalised borrowing costs. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average rate applicable to the relevant general borrowings of the Group during the period.

1.15 Income tax

Tax expense comprises current tax and deferred tax. Tax expenses are recognised in profit or loss except to the extent that it relates to items recognised directly in equity, or in other comprehensive income, in which case it is recognised in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The current tax rate is 28%.

Deferred tax is not recognised for the following temporary differences:
- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- Differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authorities on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets, including deferred tax assets relating to the carry forward of unutilised tax losses and/or unutilised capital allowances are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are

1. Accounting policies *(continued)*

1.15 Income tax *(continued)*

reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Dividend withholding tax
Dividend withholding tax is payable at a rate of 20% on dividends paid to shareholders. This tax is not attributable to the Company paying the dividend but is collected by the Company and paid to the South African Revenue Services on behalf of the shareholder.

Tax exposures
In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such a determination is made.

1.16 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. The Group has one reportable segment being the mining and beneficiation of chrome ore into ferrochrome. Internal management accounts are prepared monthly on the basis of one reportable segment which is reviewed monthly by the Financial Director and Chief Executive Officer.

Ferrochrome and chrome ore are the products produced by the Venture. Most of the products produced are used in the manufacturing of stainless steel. Refer to note 15 for geographical areas of ferrochrome and chrome ore sales and information on customers that individually comprise more than 10% of total ferrochrome and chrome ore sales.

1.17 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options and share grants granted to employees and a cash-settled share-based payment set out in note 19.5. Headline EPS is calculated by adjusting the earnings attributable to the ordinary shareholders of Merafe Resources for all separately identifiable remeasurements. The result is then divided by the weighted average number of ordinary shares in issue/outstanding during the period. Diluted headline EPS is calculated by dividing headline earnings by the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares which comprise grants granted to employees and future cash-settled share-based payments set out in note 19.5.

1. Accounting policies *(continued)*

1.18 Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the consolidated and separate financial statements in the period in which the dividends are approved by the Board of directors. Dividends declared after the reporting period are disclosed in the notes to the financial statements and are not recognised in the current financial statements. The cash flows for dividends are included in financing activities. Dividend witholding tax is levied on dividend recipients and has no impact on the Group taxation charge as reflected in the statement of comprehensive income.

1.19 Determination of fair values

A number of the Group accounting policies and disclosures require the determination of fair value, for financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods as indicated below. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. The carrying values of financial assets and liabilities as reflected in the statement of financial position are a reasonable approximation of their fair values, unless otherwise stated in the respective note. To maintain consistency and comparability in fair value measurements and related disclosures, a fair value hierarchy that categorises the inputs to the valuation techniques used to measure fair value is categorised into three levels. Level one inputs are defined as inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. Level two inputs are inputs other than quoted prices included within Level one that are observable for the asset or liability, either directly or indirectly. Lastly, level three inputs are unobservable inputs for the asset or liability. Refer to note 21.5.

1.19.1 *Net trade receivables*

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

1.19.2 *Embedded derivatives*

The fair value of the embedded derivative is based on the latest available ferrochrome prices and closing foreign exchange rate. Derivative instruments are carried at fair value for which the Group evaluates the quality and reliability of the assumptions and data used to measure fair value in the three hierarchy levels, Level 1, 2 and 3.

1.19.3 *Non-derivative financial liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

1.19.4 *Share-based payment transactions*

The fair value of employee share grants is measured using the Monte Carlo model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on

1. Accounting policies *(continued)*

1.19 Determination of fair values *(continued)*

1.19.4 Share-based payment transactions *(continued)*

historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on Government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value. Refer to note 8 for details regarding the assumptions used in the valuation model.

1.19.5 *Investment in subsidiaries and intercompany loans*

Investment in subsidiaries are measured at cost. Intercompany loans are initially measured at fair value and subsequently at amortised cost. The fair value is determined based on the present value of cash flows, discounted at the Group interest rate for debt over the period based on the resources and reserves of the Group.

1.20 Mining royalty

The mining royalty has been effective from 1 March 2010 and requires the payment of a royalty for the benefit of the National Revenue Fund, in respect of the transfer of mineral resources. The mining royalty is payable on chrome ore in lumps, chips and fines as listed in schedule 2 of the Mineral and Petroleum Resources Royalty Act (the Act).

Chrome ore in lumps, chips and fines is an unrefined mineral resource and therefore the mining royalty is payable on "gross sales" as defined and is calculated in accordance with the unrefined mineral resource formula as detailed in the Act.

Management is required to make certain judgements in determining the gross sales value of the extracted ore tonnages. Gross sales is calculated using third party sales prices.

The mining royalty is recognised in the statement of profit or loss and is included in operating and other expenses.

1.21 Impairments

1.21.1 *Financial assets*

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

Loss allowances on intercompany loans are measured at an amount equal to lifetime of the ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group does not recognise ECLs on its trade receivables as the Group has historically not experienced credit losses on trade receivables due to non-payment through the various economic cycles. Management is also of the view that there are sufficient procedures in place to prevent any future losses.

1. Accounting policies *(continued)*

1.21.1 *Financial assets (continued)*

Although payment terms range between 30 and 120 days depending on the region of the customer, there have been no defaults on payments and shipments are subject to letters of credit providing security in the event of default. Management ensures strict controls over monitoring debtors aging. Glencore International AG (agent for sales purposes) also provides credit risk cover on the debtors balances and assumes 60% credit on ferrochrome sales and 100% on chrome ore sales substantially reducing the risk of any expected credit losses.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write off
The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off.

Credit impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.
Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; and
- it is probable that the debtor will enter bankruptcy or other financial reorganisation.

1.21.2 *Non-financial assets*

The carrying amount of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset. The Group reviews and tests the carrying value of asset when events or changes in circumstances suggest that the carrying amount may not be recoverable by comparing the recoverable amounts to these carrying values. If there are indications

1. Accounting policies *(continued)*

1.21 Impairments *(continued)*

1.21.2 *Non-financial assets (continued)*

that impairment may have occurred, estimates are prepared of recoverable amounts. The recoverable amount of the cash generating unit (CGU) is considered to be the value in use (VIU). The VIU is determined based on expected future cash flows of property, plant and equipment which are inherently uncertain and could materially change over time. It is significantly affected by a number of factors including reserves and production estimates, together with economic factors such as the ferrochrome prices, discount rates and foreign currency exchange rates.

An impairment loss is recognised if the carrying amount of the asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of the cash-generating unit is allocated to reduce the carrying amount of the asset in the unit on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and the reversal is recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss has been recognised. The impairment loss that is reversed is recognised in profit or loss.

Merafe Resources Limited

Notes to the financial statements

for the year ended 31 December 2019

2. Property, plant and equipment

	At the beginning of year - 2019			Movements during the year - 2019						At the end of year - 2019		
	Cost	Accumulated depreciation and impairment	Carrying value	Additions	Disposals - cost	Disposals - accumulated depreciation	Depreciation	Impairment	Movement in CWIP	Cost	Accumulated depreciation and impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000	R'000		R'000	R'000	R'000	R'000
Group 2019												
Non- mining assets												
Smelters	**3 171 620**	**(940 522)**	**2 231 098**	**301 110**	**(133 624)**	**135 954**	**(329 499)**	**(1 259 640)**		**3 339 106**	**(2 393 707)**	**945 399**
Pelletising plant	**386 033**	**(123 252)**	**262 781**	**22 234**	**(18 473)**	**18 473**	**(32 205)**	**(194 007)**		**389 794**	**(330 991)**	**58 803**
Right-of-use asset	**-**	**-**	**-**	**36 159**	**-**	**-**	**(14 494)**	**-**		**36 159**	**(14 494)**	**21 665**
Corporate assets	**4 358**	**(3 182)**	**1 176**	**66**	**(28)**	**28**	**(437)**	**(433)**		**4 396**	**(4 024)**	**372**
Capital work in progress (CWIP)	**248 141**	**-**	**248 141**	**-**	**-**	**-**	**-**	**-**	**(42 106)**	**206 035**	**-**	**206 035**
Mining assets												
Mines	**835 183**	**(352 167)**	**483 016**	**203 668**	**(35 389)**	**35 389**	**(91 617)**	**(392 261)**		**1 003 462**	**(800 656)**	**202 806**
Total assets	**4 645 335**	**(1 419 123)**	**3 226 212**	**563 237**	**(187 514)**	**189 844**	**(468 252)**	**(1 846 341)**	**(42 106)**	**4 978 952**	**(3 543 872)**	**1 435 080**

Company 2019												
Right of use asset	**-**	**-**	**-**	**500**	**-**	**-**	**(100)**	**-**	**-**	**500**	**(100)**	**400**
Corporate assets	**1 521**	**(1 246)**	**275**	**63**	**(28)**	**28**	**(132)**	**-**	**-**	**1 555**	**(1 349)**	**206**
Total	**1 521**	**(1 246)**	**275**	**563**	**(28)**	**28**	**(232)**	**-**	**-**	**2 055**	**(1 449)**	**606**

Impairment assessment

As a result of an impairment indicator arising from Merafe's market capitalisation being lower than the net asset value at 31 December 2019, management performed an impairment assessment on the basis set out in note 1.21 and note 30. The recoverable amount was determined by using the value-in-use calculation via a discounted cash flow model. Based on the model the carrying value was higher than the recoverable amount therefore an impairment of R1.846bn was raised against the cash generating unit.

Depreciation

* R468m depreciation is recognised in the statement of comprehensive income. R3.8m relates to depreciation capitalised to inventory.

2. Property, plant and equipment *(continued)*

	At the beginning of the year – 2018 Restated**			Movements during the year – 2018 Restated **					At the end of the year – 2018 Restated **		
	Cost	Accumulated depreciation and impairment	Carrying value	Additions	Disposals – Cost	Disposals – Accumulated Depreciation	Depreciation	Movement in CWIP	Cost	Accumulated depreciation and impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Group 2018											
Non- mining assets											
Smelters	3 129 128	(862 224)	2 266 904	283 544	(241 052)	226 431	(304 729)	-	3 171 620	(940 522)	2 231 098
Pelletising plant	379 076	(104 843)	274 233	19 835	(12 878)	11 993	(30 402)	-	386 033	(123 252)	262 781
Corporate assets	3 549	(2 703)	846	936	(127)	127	(606)	-	4 358	(3 182)	1 176
Capital work in progress (CWIP)	169 630	-	169 630	-	-	-	-	78 511	248 141	-	248 141
Mining assets											
Mines	794 301	(290 692)	503 609	60 156	(19 274)	18 291	(79 766)	-	835 183	(352 167)	483 016
Total assets	4 475 684	(1 260 462)	3 215 222	364 471	(273 331)	256 842	(415 503)	78 511	4 645 335	(1 419 123)	3 226 212
Company 2018											
Corporate assets	1 562	(1 208)	354	86	(127)	127	(165)	-	1 521	(1 246)	275
Total	1 562	(1 208)	354	86	(127)	127	(165)	-	1 521	(1 246)	275

Change in accounting estimate

In 2017, management reassessed the remaining useful lives of the permanent structures and furnaces to zero. Depreciation has increased in the 2018 year as a result of the reassessments done. This has resulted in an acceleration of depreciation. The impact of depreciation was an increase of R38m in 2018.

Impairment assessment

As a result of an impairment indicator arising from Merafe's market capitalisation being lower than the net asset value at 31 December 2018, management performed an impairment assessment on the basis set out in note 1.20.2 and note 30. The recoverable amount was determined by using the value-in-use calculation via a discounted cash flow model. Based on the model the recoverable amount was higher than the carrying value therefore no impairment was necessary.

Depreciation

* R405m depreciation is recognised in the statement of comprehensive income. R14.5m relates to depreciation capitalised to inventory

** Refer to note 31 for disclosure on restatement

2.1 Intangible Assets

	At the beginning of year - 2019			Movements during the year - 2019					At the end of year - 2019		
	Cost	**Accumulated amortisation and impairment**	**Carrying value**	**Additions**	**Disposals - cost**	**Disposals - accumulated amortisation**	**Amortisation**	**Movement in CWIP**	**Cost**	**Accumulated amortisation and impairment**	**Carrying value**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Group 2019											
Mineral rights	**124 002**	**(72 626)**	**51 376**	**739**	**(739)**	**739**	**(2 847)**	**-**	**124 002**	**(74 734)**	**49 268**
Total	**124 002**	**(72 626)**	**51 376**	**739**	**(739)**	**739**	**(2 847)**	**-**	**124 002**	**(74 734)**	**49 268**

	At the beginning of year – 2018 Restated *			Movements during the year – 2018 Restated *					At the end of year – 2018 Restated *		
	Cost	Accumulated amortisation and impairment	Carrying value	Additions	Disposals - cost	Disposals - accumulated amortisation	Amortisation	Movement in CWIP	Cost	Accumulated amortisation and impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Group 2018											
Mineral rights	124 002	(68 069)	55 933	-	-	-	(4 557)	-	124 002	(72 626)	51 376
Total	124 002	(68 069)	55 933	-	-	-	(4 557)	-	124 002	(72 626)	51 376

* Refer to note 31 for disclosure on restatement

3. Investment in subsidiaries

	2019				2018		
	Issued share capital	**Percentage holding**	**Investment cost**		Issued share capital	Percentage holding	Investment cost
Investments in subsidiaries	**Number of shares**	**%**	**R**		Number of shares	%	R
Directly held							
Merafe Chrome	200	100	-*		200	100	-*
Indirectly held							
Merafe Ferrochrome	400	100	-*		400	100	-*

The Company's share in the losses of subsidiaries for the year ended 31 December 2019 amounted to R1.482bn (2018: R270m profit).

Controlled entities
Merafe Kroondal Rehabilitation Trust is consolidated as it is a controlled entity of the Company.

Refer to note 1.3 for further details on consolidation of the trust. There have been no significant changes in the nature and risks associated with this entity.
**Less than one thousand.*

3.1 Loans to subsidiaries

	Group		Company	
	2019	2018	**2019**	2018
	R'000	R'000	**R'000**	R'000
Loans to subsidiaries	-	-	**1 285 567**	1 759 108
Loss allowances	-	-	**(1 286)**	-
Total	-	-	**1 284 281**	1 759 108

In the current year, the above loans to Merafe Chrome & Alloys (Pty) Ltd were ceded to Merafe Ferrochrome and Mining (Pty) Ltd in an effort to simplify the Group structure. The above loans are unsecured, interest free, and have no fixed term of repayment. The loans are repaybale on demand with less than a year's notice. The loans are short term in nature. The wholly owned subsidiaries are incorporated in the Republic of South Africa. Loss allowances on intercompany loans are measured at an amount equal to lifetime of the ECLs at a probability of default of 0.1% as the loans are repayable on demand with the intention of the debtor to pay off the debt. Sufficient cash reserves and facilities are available in Merafe Ferrochrome.

		Group		Company	
		2019	2018	**2019**	2018
		R'000	R'000	**R'000**	R'000
4.	**Inventories**				
	Consumables stores	**92 692**	89 061	-	-
	Raw materials	**638 677**	731 209	-	-
	Work in progress	**20 702**	29 241	-	-
	Finished goods	**1 256 728**	1 193 110	-	-
		2 008 799	2 042 621	-	-

The cost of inventories recognised as an expense and included in cost of sales amounted to R4.0bn (2018: R3.6bn). No inventories were encumbered during the year. Inventory of R133m (2018: R8.3m) was written down for the year ended 31 December 2019 due to low commodity prices at year end.

		Group		Company	
		2019	2018	**2019**	2018
		R'000	R'000 Restated*	**R'000**	R'000
5.	**Trade and other receivables**				
	Trade receivables	**632 138**	817 598	**-**	-
	Pre-payments	**4 587**	12 500	**-**	17
	GOSA receivable[1]	**-**	37 708	**-**	-
	Other receivables[2]	**38 619**	101 192	**3 491**	5 447
		675 344	968 998	**3 491**	5 464

[1] *Related party balance. A payable in the current year due to sustaining capex spend on Group assets.*
[2] *This total consists mainly of VAT receivable*
* Refer to note 31 for disclosure on restatement

Trade receivables is net of R25m of the commodities weight loss allowances. The Group's exposure to credit and currency risks related to trade and other receivables are disclosed in note 21.1. No expected credit losses have been incurred.Trade receivables relating to local and foreign sales have an average payment term of between 30 and 120 days and are non-interest bearing.

	Group	
	2019	2018
	R'000	R'000
Trade receivables per sales region		
Africa	**32 151**	33 822
Asia	**429 734**	533 641
America	**99 800**	130 530
Europe	**70 453**	119 605
	632 138	817 598

5. Trade and other receivables *(continued)*

The commodity weight loss allowance is estimated using an estimated percentage of allowance per category of goods sold and by reference to past exposure experience.

The following table shows the movement in the allowances that have been recognised for trade receivables.

	2019	2018
Opening balance	**11 666**	14 244
Provision raised	**52 708**	38 330
Claims	**(25 216)**	(30 921)
Amounts released	**(13 383)**	(9 987)
Closing balance	**25 775**	11 666

	Group		**Company**	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
6. Share capital				
Authorised – 3 500 000 000 shares of 1 cent each	**35 000**	35 000	**35 000**	35 000
Issued – 2 510 704 248 ordinary shares of 1 cent each				
Issued share capital at beginning of year	**25 107**	25 107	**25 107**	25 107
Issued share capital at end of year	**25 107**	25 107	**25 107**	25 107

All ordinary shares have equal voting rights. There are no restrictions on the distribution of dividends or repayment of capital in terms of the Memorandum of Incorporation of the Company.

	Group		**Company**	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
7. Share premium				
Balance at beginning of year	**1 269 575**	1 269 575	**1 269 575**	1 269 575
Balance at end of year	**1 269 575**	1 269 575	**1 269 575**	1 269 575

8. Cash-settled share-based payment arrangements

	Group		Company	
	2019	2018	**2019**	2018
	R'000	R'000	**R'000**	R'000
Cash-settled share-based payment liability				
Balance at beginning of year	**6 775**	8 755	**6 775**	8 755
Share-based payment expense*	**155**	5 902	**155**	5 902
Share grants vested	**(3 588)**	(5 077)	**(3 588)**	(5 077)
Share grants forfeited*	**-**	(2 805)	**-**	(2 805)
Balance at the end of year	**3 342**	6 775	**3 342**	6 775
Current	**2 338**	3 257	**2 338**	3 257
Non-current	**1 004**	3 518	**1 004**	3 518

* *= the net Statement of Comprensive Income expense is R0.155 million (2018: R3.097 million).*

8.1 Share grants

The share incentive scheme was approved by shareholders on 13 April 2010. During 2010 to 2019, various share grants and share options were issued to directors and employees of the Company.

The purpose of the share incentive scheme is to serve as an incentive and reward to employees (including executive directors) of the Company and its subsidiaries for services rendered and to be rendered, aimed at promoting the continued growth of the Company by giving employees an opportunity to acquire shares in the Company and to serve as a retention mechanism for employees whose services are regarded by the Company to be crucial to the future growth and sustainability of the Company's business. Share options and share grants are granted by the Board on the recommendation of the Remuneration Committee.

The Monte Carlo option pricing model was used to determine the fair value of the share grants.

Since 2013, the only performance measure was Merafe's total shareholder return (TSR) over a three year period compared to the TSR of a selection of JSE listed small capitalisation mining and resource companies. In 2019, the Board introduced another performance condition for the share grants granted from 28 February 2019 onwards. This performance condition is based on growth in headline earnings per share (HEPS). Performance is now measured as follows: 50% based on TSR and 50% based on HEPS growth.

8. Cash-settled share-based payment arrangements *(continued)*

8.1 Share grants *(continued)*

If Merafe's TSR over the three year period places it in one of the top four positions, then 50% of the number of performance granted shares (TSR Portion) will vest in equal proportions on the 3rd, 4th and 5th anniversaries of their grant. If Merafe's TSR over the three year period places it in 6th position, then one third of the TSR Portion will vest in equal proportions on the 3rd, 4th and 5th anniversaries of their grant. If Merafe's performance over the three year period lies between any of the above points, then a prorated number of the TSR Portion will vest in equal proportions on the 3rd, 4th and 5th anniversaries of their grant. No share grants will vest for positions 7 and less.

Vesting of the other 50% of grant shares will be in accordance with the following policy as determined by the Board of directors:

- The performance shares allocated will be subject to performance against the growth in HEPS measure;
- If performance meets or exceeds target, i.e. CPI + 2% per annum over the performance period, 100% of shares will vest;
- If performance is at threshold, i.e. CPI + 1% per annum over the performance period, 50% of shares subject to this measure will vest;
- For performance below threshold, 0% of shares subject to this measure, will vest; and
- Linear vesting will take place between different performance milestones.

From inception of the new incentive scheme up until 29 June 2015, the Company's intention was to equity settle. The Board took a decision to cash settle, effective 29 June 2015, to avoid dilution of equity.

The following assumptions were used in the valuation model:

	2019		**2018**	
	2015 - 2019 share grants	2013 - 2014 share grants	2015 - 2018 share grants	2013 - 2014 share grants
Risk free rate	6.65%	n/a	8.68%	8.68%
Expected volatility*	40%	n/a	45%	45%
Expected dividend yield	5.47	n/a	8.32%	8.32%
Expected life (years)	0.25 – 4.25	n/a	0.2 – 4.7	0.25
Vesting periods (years)	3 – 5	n/a	3 - 5	5
Weighted average exercise price (Rands)	R1,42	n/a	0	0
Weighted average grant price (Rands)	0.77 – 1.67	n/a	0.77 – 1.67	1.08
Weighted average option value (Rands)	0.60	n/a	0.96 – 1.39	1.39
Performance conditions	Yes	n/a	Yes	Yes
Intrinsic value of shares	R9 815 787	R0	R12 815 920	R992 715

* *The expected volatility of 40% (2018: 45%) is based on historic volatility of the Merafe share price over the past five years.*

8. **Cash-settled share-based payment arrangements** *(continued)*

8.1 Share grants *(continued)*

The following share grants relating to employees and executive directors were outstanding at 31 December 2019:

Vesting date	Total	Share grant date
01-Apr-20	881 825	01-Apr-15
01-Apr-20	977 675	01-Apr-16
01-Apr-21	977 675	01-Apr-16
01-Apr-20	478 343	01-Apr-17
01-Apr-21	478 343	01-Apr-17
01-Apr-22	478 343	01-Apr-17
01-Apr-21	665 776	01-Apr-18
01-Apr-22	665 776	01-Apr-18
01-Apr-23	665 776	01-Apr-18
06-Aug-21	213 154	06-Aug-18
06-Aug-22	213 154	06-Aug-18
06-Aug-23	213 154	06-Aug-18
10-Sep-21	85 600	10-Sep-18
10-Sep-22	85 600	10-Sep-18
10-Sep-23	85 600	10-Sep-18
01-Apr-22	1 415 970	01-Apr-19
01-Apr-23	1 415 970	01-Apr-19
01-Apr-24	1 415 970	01-Apr-19
Total	11 413 707	

8. **Cash-settled share-based payment arrangements** *(continued)*

8.1 Share grants *(continued)*

The following share grants relating to executive directors were outstanding at 31 December 2019:

Vesting date	**Ms ZJ Matlala**	**Mr SD Chocho**
01-Apr-20	850 548	-
01-Apr-20	941 409	-
01-Apr-21	941 409	-
01-Apr-20	460 433	-
01-Apr-21	460 433	-
01-Apr-22	460 433	-
01-Apr-21	576 692	-
01-Apr-22	576 692	-
01-Apr-23	576 692	-
06-Aug-21	-	208 333
06-Aug-22	-	208 333
06-Aug-23	-	208 333
01-Apr-22	781 971	337 500
01-Apr-23	781 971	337 500
01-Apr-24	781 971	337 500
Total	8 190 654	1 637 499

The movement in the number of share grants can be summarised as follows:

	2019 Number of shares	2018 Number of shares
Opening balance	**9 675 093**	13 676 380
Granted during the year	**4 247 910**	3 376 548
Vested during the year	**(2 509 296)**	(3 378 190)
Forfeited during the year	**-**	(3 999 645)
Closing balance	**11 413 707**	9 675 093

		Group		Company	
		2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
9.	**Lease obligation and borrowings**				
9.1	Leases – property, plant and equipment	**24 432**	11 112	**417**	-
	Total	**24 432**	11 112	**417**	-
	Current portion of loans and borrowings	**(4 460)**	(1 233)	**(417)**	-
	– Leases – property, plant and equipment	**(4 460)**	(1 216)	**(417)**	-
	– ABSA/Standard Bank	**-**	(17)	**-**	-
	Non-current portion of lease obligation and borrowings	**19 972**	9 879	**-**	-

9.1 Leases – property, plant and equipment

These financial liabilities are secured by leases over plant and equipment which is included in note 2. The loans are repayable in monthly installments averaging R168k (2018: R215k) on all finance leases. Interest is payable at an average of 12.5% (2018: 13.3%) per annum. Contingent rent, special renewal terms and specific escalation clauses are not applicable to the leases. There are no restrictions that are imposed by the current lease arrangements.

In accordance with the agreement with the Venture, Merafe Ferrochrome receives 20.5% of the Venture's EBITDA whilst retaining ownership of its assets. The lease obligations in the Group's statement of financial position and the lease repayments represent 20.5% of the Venture's total obligations whereas the carrying values of assets that secure the finance leases, relate to the assets that are controlled by the Group and are reflected in the Group statement of financial position.

Lease liabilities:

	Minimum lease payments		**Present Value of minimum lease payments**	
	2019	2018	**2019**	2018
Not later than one year	**7 807**	2 631	**5 186**	1 233
Later than one year but not later than five years	**20 474**	9 142	**14 693**	5 278
Later than five years	**6 834**	7 470	**4 553**	4 601
	35 115	19 243	**24 432**	11 112
Less future finance charges	**(10 683)**	(8 131)	**-**	-
Present value of minimum future lease payments	**24 432**	11 112	**24 432**	11 112

9. Lease obligation and borrowings *(continued)*

9.2 Facility – ABSA

This is a R300m (2018: R200m) revolving credit facility and interest on the facility is calculated at 3 months JIBAR plus a margin of 240 basis points. At 31 December 2019, the facility was unutilised with zero balance. A commitment fee of 0.50% per annum is payable on the unused portion of the facility which is payable quarterly in arrears.

The financial covenants relating to the facility are as follows: the interest cover ratio for any measurement period should not be less than 4 times and the net debt to EBITDA ratio for any measurement period should not be more than 2.5 times. These covenants have been met.

	Group		Company	
	2019	2018	**2019**	2018
	R'000	R'000	**R'000**	R'000
10. Provisions				
Balance at beginning of year	**371 904**	287 518	-	-
Increase in other provisions	**17 671**	31 385	-	-
Movements in provision for closure and restoration costs	**(7 460)**	39 844	-	-
Unwinding of discount	**(44 399)**	13 157	-	-
Balance at end of year	**337 716**	371 904	-	-

The carrying value of provisions at the end of the year includes the following:

	Group		Company	
	2019	2018	**2019**	2018
	R'000	R'000	**R'000**	R'000
Provision for closure and restoration costs	**158 267**	210 457	-	-
Provision for uncertain obligation	**179 449**	161 447	-	-
	337 716	371 904	-	-

The provision for closure and restoration costs is for a liability for the rehabilitation of land involved in any prospecting or mining operations of the Group and to discharge any liability which may arise in terms of the Atmospheric Pollution Prevention Act of 1965, the Environment Conservation Act, No 73 of 1989, the Minerals Act, No 50 of 1991, the Water Act, No 54 of 1956 and any such other legislation that may be enacted in the future. The environmental obligations and corresponding liability remain the sole responsibility of the Venture.

Guarantees have been provided by the Venture to the Department of Mineral Resources in respect of the liability for closure and restoration costs. These guarantees are in the name of Glencore and relate to the Venture, and are disclosed in note 21.2. The guarantees are not recognised as liabilities in the financial statements.

10. Provisions *(continued)*

The estimated cost of rehabilitation is based on environmental plans in accordance with current technology, environmental and regulatory requirements and the measurements of an independent professional surveyor.

The measurement of the environmental rehabilitation and decommissioning provisions is a key area where management's judgement is required. The closure provisions are measured at the present value of the expected future cash flows required to perform the rehabilitation and decommissioning. This calculation requires the use of certain estimates and assumptions when determining the amount and timing of the future cash flows and the discount rate. The closure provisions are updated at each reporting date, for changes in the estimates of the amount or timing of future cash flows, inflationary changes in the expected cash flows, utilisation of prior year provisions and changes in the discount rate. The LoMP on which accounting estimates are based only includes proved and probable ore reserves as disclosed in Kumba's annual ore reserves and mineral resources statement.

The provision for uncertain obligation relates to royalty tax. The Company has obtained tax opinion that confirms that its determination of the annual royalty tax charge is correct. The opinion is consistent with management's assessment. Merafe has sought the advice of Senior Counsel of the Bar in South Africa in the 2020 financial year. Future treatment of the provision will depend on the outcome of this advice.

For purposes of calculating the provision on closure costs, management have assumed a long-term inflation rate of 5.5% (2018: 6%) and a risk free discount rate representitive of the future cashflows of 9.5% (2018: 8.59%). A 10% increase or decrease in the inflation rate would have a R21m effect on profit. A 10% increase in the discount rate would have a R30m increase in profit, a 10% decrease would have a R38m decrease in profit. The timing of the cash outflows relating to the provision is uncertain but is expected to range between two and thirty years.

For purposes of calculating the provision for uncertain obligation, management have assumed an interest rate payable of 10.25%. A 10% increase or decreased in the interest rate would have a R1.7m effect on profit.

		Group		Company	
		2019	2018	**2019**	2018
		R'000	R'000	**R'000**	R'000
11.	**Deferred tax (liabilities)/assets**				
	Recognised deferred tax (liabilities)/assets:				
	Property, plant and equipment	**(361 704)**	(902 944)	**(1)**	4
	Trade and other receivables	**9 386**	(661)	**-**	-
	Provisions and accruals	**120 908**	151 707	**1 375**	2 313
	Finance lease obligations	**6 719**	3 112	**-**	-
	Tax losses	**-**	15 628	**-**	15 628
		(224 691)	(733 158)	**1 374**	17 945
	Deferred tax assets	**1 374**	17 945	**1 374**	17 945
	Deferred tax liabilities	**(226 065)**	(751 103)	**-**	-
	Net balance	**(224 691)**	(733 158)	**1 374**	17 945

Deferred tax assets are reviewed at the end of each reporting period. Management is of the view that the deferred tax asset raised in prior years which arose from unused tax losses recognised in the Company is not recoverable. The Group and Company has made the annual assessment and it is not probable that future taxable profits will be available to be utilised against the deferred tax asset. The deferred tax asset has subsequenty been reversed in the current year.

Movement in temporary differences during the year

Group

	Balance 1 January 2018 R'000	Recognised in profit or loss in 2018 R'000	Balance 31 December 2018 R'000	**Recognised in profit or loss in 2019 R'000**	**Balance 31 December 2019 R'000**
Property, plant and equipment	(899 850)	(3 093)	(902 944)	**541 240**	**(361 704)**
Trade and other receivables	(960)	299	(661)	**10 046**	**9 385**
Provisions and accruals	119 880	31 826	151 707	**(30 799)**	**120 908**
Finance leases	3 399	(287)	3 112	**3 608**	**6 720**
Tax losses	14 772	856	15 628	**(15 628)**	-
	(762 759)	29 601	(733 158)	**508 467**	**(224 691)**

11. Deferred tax (liabilities)/assets *(continued)*

The Company had a tax loss of R56m at 31 December 2019 (2018: R53m). The tax loss does not have an expiry date and no further deferred tax assets have been raised.

Company

	Balance 1 January 2018 R'000	Recognised in profit or loss in 2018 R'000	Balance 31 December 2018 R'000	**Recognised in profit or loss in 2019 R'000**	**Balance 31 December 2019 R'000**
Property, plant and equipment	(4)	7	4	**(4)**	**-**
Provisions and accruals	2 958	(644)	2 313	**(939)**	**1 374**
Finance leases	-	-	-	**-**	**-**
Tax losses	14 772	856	15 628	**(15 628)**	**-**
	17 726	219	17 945	**(16 571)**	**1 374**

The deferred tax asset raised in prior years in the Company has been reversed in the current year as it is not probable that future taxable profits will be available to be utilised against the asset

	Group		**Company**	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
12. Current tax asset				
Balance at the beginning of the year	**26 368**	(8 198)	**-**	**-**
Current tax expense	**(517)**	(287 615)	**-**	**-**
Prior year overprovision	**(2 176)**	(3 045)	**-**	**-**
Provisional and top up tax payments	**22 670**	325 417	**-**	**-**
Refunds received from SARS	**(27 710)**	-		
Income tax adjustment	**-**	(191)	**-**	**-**
Current tax asset	**18 635**	26 368	**-**	**-**

	Group		**Company**	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
13. Long term receivable				
Lanxess	**16 612**	12 995	**-**	**-**
	16 612	12 995	**-**	**-**

In 2017 the Venture entered into an asset swop arrangement with Lanxess Chrome Mine (Pty) Ltd (Lanxess) through which the Venture's mineral rights were swopped for Lanxess'mineral rights. The debtor arises as payment for the Venture's mineral rights is through ore recovery and sale from mining in the rights area which is expected to be concluded in 2032. No expected credit losses were recognised for this receivable as the debtor is revalued at each reporting period based on the latest mining plans and probabilities and measured at its fair value.

		Group		Company	
		2019	2018	**2019**	2018
		R'000	R'000	**R'000**	R'000
14.	**Trade and other payables**				
	Trade payables	**428 509**	303 054	**445**	328
	Employee benefit accruals	**112 803**	106 106	**3 739**	7 957
	Other payables and accruals[1]	**27 468**	135 571	**3 620**	3 864
	Glencore receivable[2]	**10 351**	-	**-**	-
	Merafe Ferrochrome payable[3]	**-**	-	**-**	459 447
		579 131	544 731	**7 804**	471 596

[1] Includes VAT accruals.[2]Related party balance. [3]Due to the cession of the loans included in note 3.1, the Merafe Ferrochrome payable has been off-set against the debtor as per the agreement.

14. Trade and other payables *(continued)*

Trade payables are non–interest bearing and are normally settled on 30 to 45 day terms. Other payables are non–interest bearing and are normally settled on 30 day terms. An accrual is recognised for the employer's liability for annual leave and associated costs. The accrual for compensated absences is recognised when the employee renders the service and the accrual is updated on a monthly basis. Employee benefits include an accrual for bonuses in terms of the Group's bonus scheme. The Group's exposure to currency, credit and liquidity risk related to trade and other payables is disclosed in note 21.1.

		Group		Company	
		2019	2018	**2019**	2018
		R'000	R'000	**R'000**	R'000
15.	**Revenue**				
	Ferrochrome sales – customer sales	**4 454 820**	4 848 894	**-**	-
	Chrome ore sales – customer sales	**909 619**	746 921	**-**	-
	Dividend income received	**-**	-	**150 642**	425 963
	Other mining income – customer sales*	**12 490**	8 694	**-**	94
	Management fees/sundry income	**2 400**	1 815	**5 449**	7 863
		5 379 329	5 606 324	**156 091**	433 920

**Other mining income includes revenue on the sale of silica, slags & scrap*

15. Revenue *(continued)*

Geographical areas of ferrochrome sales from customers
The majority of customers are stainless steel mills located at the following revenue destinations:

	2019		2018	
	Revenue R'000	**% of revenue in relation to total ferrochrome revenue**	Revenue R'000	% of revenue in relation to total ferrochrome revenue
Revenue destination				
Africa and Middle East*	**138 553**	**3**	161 470	3
America**	**432 025**	**10**	503 865	10
Asia***	**3 146 283**	**70**	3 371 177	70
Europe****	**737 959**	**17**	812 382	17
Total	**4 454 820**	**100**	4 848 894	100

* *Includes South Africa and United Arab Emirates.* ** *Includes Brazil and USA*
*** *Includes China, India, Japan, South Korea and Taiwan.* **** *Includes Germany, Italy, Luxemburg, Malta, Spain, Switzerland.*

Geographical areas of chrome ore sales from customers

	2019		2018	
	Revenue R'000	**% of revenue in relation to total chrome revenue**	Revenue R'000	% of revenue in relation to total chrome revenue
Revenue destination				
South Africa	**98 309**	**11**	159 220	21
Asia, Australia, USA and Europe	**811 310**	**89**	587 701	79
Total	**909 619**	**100**	746 921	100

Sales to the following customers individually comprise more than 10% of total sales:

	2019		2018	
Ferrochrome	**Revenue R'000**	**% of revenue in relation to total ferrochrome revenue**	Revenue R'000	% of revenue in relation to total ferrochrome revenue
Customer A	**1 371 614**	**31**	543 142	11
Customer B	**882 024**	**20**	976 699	20
Total	**2 253 638**	**51**	1 519 841	31

		Group		Company	
		2019	2018	**2019**	2018
		R'000	R'000	**R'000**	R'000
16.	**Earnings before interest, taxation, depreciation and impairment (EBITDA)**				
	The following items have been taken into account in arriving at EBITDA:				
	Revenue	**5 379 329**	5 606 324	**156 091**	433 920
	Cost of goods sold	**(3 206 956)**	(2 624 363)	**-**	-
	Selling expenses	**(594 807)**	(548 233)	**-**	-
	Commissions	**(222 346)**	(234 477)	**-**	-
	Foreign exchange (loss)/gain	**(14 373)**	141 491	**-**	-
	Net realisable value adjustment of stock	**(133 248)**	(8 342)	**-**	-
	Marketing fees	**(1 778)**	(1 630)	**-**	-
	Corporate Social Investment	**(9 524)**	(9 728)	**(3 248)**	(3 294)
	Social labour plans	**(6 973)**	(899)	**-**	-
	Enterprise development	**(1 131)**	(1 715)	**-**	-
	Audit fees	**(1 335)**	(1 259)	**(98)**	-
	Embedded derivative recognised on sales contracts	**(40 677)**	(34 570)	**-**	-
	Consulting fees	**(6 563)**	(4 315)	**(5 016)**	(2 272)
	Movement in provision for closure and restoration	**47 389**	(53 352)	**-**	-
	Movement in provision relating to uncertain obligation	**(17 671)**	(31 034)	**-**	-
	Operating lease expense	**-**	(2 968)	**-**	-
	Profit on sale of assets	**17 087**			
	Other expenses	**-**	-	**(7 404)**	(7 780)
	Personnel expenses*	**(794 538)**	(844 989)	**(3 678)**	(7 638)
	– Salaries and wages	**(666 704)**	(669 228)	**(2 911)**	(2 785)
	– Defined contribution expense – provident fund	**(78 133)**	(72 959)	**(291)**	(363)
	– Defined contribution expense – medical aid	**(68 106)**	(64 231)	**(71)**	(58)
	– Cash/equity-settled share-based payment expense	**(156)**	(3 097)	**(156)**	(3 097)
	– Increase in accrual for leave pay	**(1 986)**	(2 261)	**(12)**	(28)
	– Increase in accrual for bonuses	**20 547**	(33 213)	**(237)**	(1 307)
	EBITDA	**391 886**	1 345 940	**136 647**	412 936

* *Includes remuneration relating to key management personnel (see note 23.2).*

JSE practice note 4/2019 requires the separate disclosure of EBITDA. The note above has been expanded from prior year to ensure appropriate disclosure has been adhered to. There were no changes to prior year numbers.

		Group		Company	
		2019	2018	**2019**	2018
		R'000	R'000	**R'000**	R'000
17.	**Net finance income/(expense) recognised in profit or loss**				
	Finance expense	**(1 594)**	(14 512)	**(70)**	(85)
	Finance expense on financial liabilities measured at amortised cost	**(1 594)**	(1 355)	**(70)**	(85)
	Unwinding of discount on rehabilitation provision	**-**	(13 158)	**-**	-
	Finance income	**56 397**	18 595	**138**	549
	Interest income on bank deposits	**11 998**	18 595	**138**	549
	Unwinding of discount on rehabilitation provision	**44 399**	-	**-**	-
	Net finance income	**54 803**	4 082	**68**	464
	Net finance income per financial instrument category				
	Interest income on bank deposits	**11 998**	18 595	**138**	549
	Financial liabilities measured at amortised cost				
	Interest expense on loans and borrowings	**(1 594)**	(1 355)	**(70)**	(85)
	Unwinding of discount on rehabilitation provision	**44 399**	(13 158)	**-**	-
		54 803	4 082	**68**	464

	Group		Company	
	2019	2018	**2019**	2018
	R'000	R'000	**R'000**	R'000
18. Income tax (expense)/credit				
Normal taxation	**505 097**	(261 059)	**(16 571)**	219
Current tax	**(2 693)**	(290 660)	**-**	-
– current year	**(517)**	(287 615)	**-**	-
– prior years' over provision	**(2 176)**	(3 045)	**-**	-
Deferred tax	**507 790**	29 601	**(16 571)**	219
Deferred taxation – current charge	**506 892**	29 601	**341**	340
Deferred taxation – prior year	**898**	-	**(16 912)**	(121)
Total taxation	**505 097**	(261 059)	**(16 571)**	219
(Loss)/profit before income tax	**(1 866 916)**	944 475	**136 485**	413 235
Taxation on profit before taxation at standard rate as a percentage	**28.0**	28.0	**28.0**	28.0
Disallowed expenditure	**-**	-	**-**	2.0[1]
Costs to produce exepmt income	**-**	-	**-**	0.4[1]
Exempt dividend income received	**-**	-	**(28.1)**	(29.4)[2]
Prior years' (over)/under overprovision	**0.1**	(0.3)	**-**	-
Derecognition of deferred tax asset	**(1.0)**	-	**12.4**	
Effective tax rate	**27.1**	27.7	**12.3**	1.0

[1] Includes cash-settled share-based payments, legal fees, consulting fees, other costs incurred to produce non-taxable income.
[2] Relates to inter-company income/dividends.

		2019 (cents)	2018 (cents)
19.	**(Loss)/earnings per share**		
19.1	Basic (loss)/earnings per share	**(54.2)**	27.2

The calculation of basic loss per share is based on a loss attributable to ordinary shareholders of R1.362bn (2018: R683m earnings) and a weighted average number of ordinary shares outstanding during the year of 2 510 704 248 (2018: 2 510 704 248).

19.2 Calculation of weighted average number of shares

	Number of shares	
	2019	2018
Issued ordinary shares at 1 January	**2 510 704 248**	2 510 704 248
Weighted average number of shares at 31 December	**2 510 704 248**	2 510 704 248

		2019 (cents)	2018 (cents)
19.3	Headline (loss)/earnings per share	**(1.8)**	27.2

The calculation of headline loss per share is based on a loss attributable to ordinary shareholders of R45m (2018: R683m earnings) and a weighted average number of shares outstanding during the year of 2 510 704 248 (31 December 2018: 2 510 704 248).

	2019 R'000	2018 R'000
Headline (loss)/earnings is calculated as follows:		
Total comprehensive income for the year	**(44 755)**	683 416
Headline earnings	**(44 755)**	683 416
Headline (loss)/earnings reconciliation		
(Loss)/earnings for the year	**(1 361 819)**	683 416
Headline loss adjustment:		
Impairment	**1 846 342**	-
Profit on sale of assets	**(17 087)**	-
Taxation effect	**4 785**	-
Deferred tax effect	**(516 976)**	-
Headline (loss)/earnings for the year	**(44 755)**	**683 416**

19. Earnings per share *(continued)*

		2019 (cents)	2018 (cents)
19.4	Diluted (loss)/earnings per share	**(54.2)**	27.2

The calculation of diluted loss per share is based on a loss attributable to ordinary shareholders of R1.362bn (2018: R683m earnings) and a weighted average number of shares outstanding during the year of 2 510 704 248 (31 December 2018: 2 510 704 248).

	Number of shares	
	2019	2018
Weighted average number of ordinary shares used in calculating basic earnings per share	**2 510 704 208**	2 510 704 208

		2019 (cents)	2018 (cents)
19.5	Diluted (loss)/headline earnings per share	**(1.8)**	27.2

The calculation of diluted headline loss per share is based on a loss attributable to ordinary shareholders of R45m (2018: R683m earnings) and a weighted average number of shares outstanding during the year of 2 510 704 248 (31 December 2018: 2 510 704 248).

		Group		**Company**	
	Note	**2019 R'000**	2018 R'000	**2019 R'000**	2018 R'000
20. Cash generated from/(used in) operating activities					
(Loss)/profit before tax		**(1 866 916)**	944 475	**136 484**	413 235
Adjustments for:					
Depreciation, amortisation and impairment		**2 313 604**	405 548	**232**	165
Finance income	*17*	**(56 397)**	(18 595)	**(138)**	(549)
Finance expense	*17*	**1 594**	14 512	**70**	85
Share based payment expense	*8*	**155**	3 097	**155**	3 097
Share grants exercised	*8*	**(3 588)**	(5 077)	**(3 588)**	(5 077)
Embedded derivative – fair value adjustment		**40 677**	34 570	**-**	-
Movement in long term receivable		**(3 617)**	-	**-**	-
Profit on sale of property, plant & equipment		**(17 087)**	-	**-**	-
Non-cash movement		**3 055**	-	**-**	-
Increase in provisions		**34 188**	84 386	**-**	-
Effect of exchange rate fluctuations on cash held during the year		**4 410**	30 042	**-**	-
		450 078	1 492 958	**133 216**	410 956

** Less than one thousand.*

		Group		Company	
		2019	2018	**2019**	2018
		R'000		**R'000**	R'000
20.	**Cash generated from/(used in) operating activities** *(continued)*				
	Decrease/(increase) in inventories	**37 657**	(531 193)	**-**	-
	Decrease/(increase) in trade and other receivables	**293 240**	(96 040)	**1 972**	(4 574)
	(Decrease)/increase in trade and other payables	**(34 401)**	(78 098)	**(463 789)**	231 532
	Cash generated from/(used in) operating activities	**746 574**	787 627	**(328 601)**	637 914

20.1	Cash and cash equivalents				
	Reconciliation of cash in the Group				
	Cash in the Venture	**142 627**	45 023	**-**	-
	Cash in Merafe Resources	**390**	4 888	**390**	4 888
	Cash in Merafe Ferrochrome	**204 886**	224 964*	**-**	-
	Cash in Kroondal Rehabilitation Trust**	**6 212**	5 931	**-**	-
	Cash in Merafe Chrome & Alloys	**66**	49	**-**	-
	Total	**354 181**	280 855	**390**	4 888

*Note: Cash at bank earns interest at a floating rate based on daily bank deposit rates. Call deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective call deposit rates. The Group's exposure to interest rate risk and sensitivity analysis for financial assets and financial liabilities are disclosed in Note 22. * This amount includes bank overdraft. ** The cash trust account is restricted in use for the rehabilitation of Venture's mines and smelters.*

20.2 Reconciliation of movements of liabilities to cash flows from net cash utilised in financing activities

	2019		2018	
Group R'000	Loans	Bank facility	Loans	Bank facility
Opening balance at 1 Jan	-	-	-	-
Increase in loans to subsidiaries	-	-	-	-
Loans repaid	-	**13 320**	-	(1 026)
Payment of lease liabilities	-	-	-	-
Dividends paid	-	**(150 642)**	-	(425 963)
Total changes from financing cash flows 31 December	-	**(137 322)**	-	(426 989)

	2019		2018	
Company R'000	Loans	Bank facility	Loans	Bank facility
Opening balance at 1 Jan	-	-	-	-
Increase in loans to subsidiaries	-	-	(225 980)	-
Loans repaid	**474 739**	-	-	-
Payment of lease liabilities	-	-	-	-
Dividends paid	-	**(150 642)**	-	(425 963)
Total changes from financing cash flows 31 December	**474 739**	**(150 642)**	(225 980)	(425 963)

21. Financial instruments

Principles of risk management

The Group has exposure to the following risks from its use of financial instruments:
* Credit risk;
* Liquidity risk; and
* Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established a Group Audit and Risk Committee, which is responsible for monitoring the Group's risk management policies. The Committee reports directly to the Board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit and Risk Committee is assisted in the oversight role at operations level by internal audit. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the result of which are reported to the Group Audit and Risk Committee.

The overall objective of the Venture's treasury department is to effectively manage credit risk, liquidity risk and market risks in accordance with the Group's strategy. Other responsibilities of the Venture's treasury department include management of the Group's cash resources, approval of counter-parties and relevant transaction limits and the monitoring of all significant treasury activities undertaken by the Group.

The Venture's treasury department prepares monthly treasury reports which monitor all significant treasury activities undertaken by the Venture. The report also benchmarks significant treasury activities and monitors key banking risks to ensure continued effectiveness.

The Group's significant financial instruments comprise financial assets and financial liabilities measured at amortised cost. The main purpose of these financial instruments is to finance the Group's acquisitions and ongoing operations.

21. Financial instruments *(continued)*

21.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter-party to a financial instrument fails to meet its contractual obligation.

Exposure to credit risk arises as a result of transactions in the Group's ordinary course of business and is applicable to all financial assets. Counter-parties are assessed both prior to, during and after conclusion of transactions to ensure exposure to credit risk is limited to an acceptable level.

Cash and cash equivalents

The Group limits its exposure to credit risk by investing only in liquid securities and only with approved banks and financial institutions. The Group's cash balances are in the form of short-term deposits in both local and foreign currency.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which the customers operate, has less of an influence on credit risk. Management have considered recoverability of trade and other receivables noted in note 1.21.1 and 5 and no significant expected credit losses are expected.

The Group sells the majority of its ferrochrome to a broad range of international customers in terms of the Venture agreement.

The marketing agent, Glencore, accepts 60% of the risk related to non-payment of credit sales of ferrochrome and 100% of the risk of non-payment of credit sales of chrome ore. In general, Glencore acts as a sales and marketing agent, on-selling purchases from the Group to a wide variety of customers. These sales are governed by various sales, marketing and distribution agreements. As these agreements have been in place for a number of years and the Group has not been exposed to significant unrecoverable amounts, the Group does not believe that these arrangements expose it to unacceptable credit risks.

Where concentrations of credit risk exist, management closely monitors the receivable and ensures appropriate controls are in place to ensure recovery. The Group does not have netting arrangements with any debtors.

***21. Financial instruments** (continued)*

21.1 Credit risk *(continued)*

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was: (refer note 21.4 and note 5)

	Group		Company	
	2019	2018	**2019**	2018
	R'000	R'000	**R'000**	R'000
Exposure to credit risk				
Loans to subsidiaries at amortised cost	**-**	-	**1 284 281**	1 759 108
Trade and other receivables at amortised cost	**632 138**	817 598	**3 491**	5 447
Long term- receivable at fair value	**16 612**	12 995	**-**	-
Cash and cash equivalents at amortised cost	**354 181**	248 797	**390**	4 888
	1 002 931	1 079 390	**1 288 162**	1 769 443

Liquidity risk is the risk that the Group will not be able to meet its financial obligations on time. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Venture's treasury department is responsible for management of liquidity risk, including funding, settlements, related processes and policies. The Group manages its liquidity risk on a concentrated basis, utilising various sources of finance to maintain flexibility while ensuring access to cost-effective funds when required. The operational, tax, capital and regulatory requirements and obligations of the Group are considered in the management of liquidity risk. In addition, management utilises both short and long term cash flow forecasts and other consolidated financial information to manage liquidity risk.

The Group uses activity-based costing to cost its products, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations, this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition, the Group maintained the following facilities at 31 December 2019:
The Company
* ABSA: R1m credit card facilities. Interest is payable at ABSA's prime lending rate. At year end the prime lending rate was 10%; and
* ABSA: R0.3m guarantee facility.

Merafe Ferrochrome
* ABSA R300m (2018: R200m) revolving credit facility and remained unused. Interest is charged at three months JIBAR plus 240 basis points. As at 31 December 2019 the 3 months JIBAR was at 7.15%.

21. Financial instruments (continued)

21.2 Liquidity risk

The Venture

- US$175m (ABSA, Standard Bank, Investec): US$23m committed, US$152m uncommitted foreign currency overdraft account. The interest charged at an effective interest rate of 3.29% is the Ventures charge in totality.
- Standard Bank debtors factoring facility: US$100m uncommitted. Interest is charged at US$ LIBOR plus a margin of 1.6%.

The following guarantee facilities (Merafe's portion) are in place:

	ABSA R'000	**Nedbank R'000**	**FNB R'000**	**Standard R'000**	**Total R'000**
31 December 2019					
Facility available	**13 244**	**22 868**	**66 084**	**7 906**	**110 102**
Eskom	**11 514**	**-**	**41 980**	**-**	**53 494**
DMR	**82**	**22 868**	**24 104**	**7 906**	**54 960**
Customs and excise	**314**	**-**	**-**	**-**	**314**
Town councils and water boards	**1 334**	**-**	**-**	**-**	**1 334**
Percentage utilised	**100%**	**100%**	**100%**	**100%**	**100%**

	ABSA R'000	**Nedbank R'000**	**FNB R'000**	**Standard R'000**	**Total R'000**
31 December 2018					
Facility available	13 244	21 593	66 084	15 278	116 200
Eskom	11 514	-	41 980	-	53 494
DMR	82	21 593	24 104	7 906	53 685
Customs and excise	314	-	-	-	314
Town councils and water boards	1 334	-	-	7 372	8 707
Percentage utilised	100%	100%	100%	100%	100%

Note: All of the above guarantees are in the name of Glencore and relate to the Venture.
The guarantees are not assessed for ECL's as per IFRS 9 as they are guaranteed by the individual banks and measured at fair value.

21. Financial Instruments *(continued)*

21.2 Liquidity risk *(continued)*

Company	**ABSA R'000**	**FNB R'000**	**Total R'000**
31 December 2019			
Facility available	**1 310**	**20**	**1 330**
DMR	**1 310**	**20**	**1 330**
Percentage utilised	**100%**	**100%**	**100%**

Company	**ABSA R'000**	**FNB R'000**	**Total R'000**
31 December 2018			
Facility available	1 310	20	1 330
DMR	1 310	20	1 330
Percentage utilised	100%	100%	100%

The following are the contractual maturities of financial liabilities including estimated interest payments and excluding the impact of netting arrangements.

Group 2019	**Year ended 31 December 2019 R'000**	**Year ended 31 December 2020 R'000**	**Year ended 31 December 2021 R'000**	**Year ended 31 December 2022 onwards R'000**	**Total R'000**
Non derivative					
Finance lease liabilities	**(7 062)**	**(6 004)**	**(5 313)**	**(16 736)**	**(35 115)**
Trade payables	**(428 509)**	**-**	**-**	**-**	**(428 509)**
Total	**(435 571)**	**(6 004)**	**(5 313)**	**(16 736)**	**(463 624)**

21. Financial instruments *(continued)*

21.2 Liquidity risk (continued)

Group 2018	Year ended 31 December 2018 R'000	Year ended 31 December 2019 R'000	Year ended 31 December 2020 R'000	Year ended 2021 and onwards R'000	Total R'000
Non derivative					
Finance lease liabilities	(2 613)	(2 642)	(2 573)	(11 397)	(19 225)
Trade payables	(303 054)	-	-	-	(303 054)
Total	(305 667)	(2 642)	(2 573)	(11 397)	(322 279)

21.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and ferrochrome prices, will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

Currency risk
Foreign currency

In the normal course of business, the Group enters into transactions denominated in foreign currencies (primarily US$). As a result, the Group was subject to transactions and translation exposure from fluctuations in foreign currency exchange rates.

	31 December 2019 US$ '000	31 December 2018 US$ '000
Exposure to currency risk		
The Group's exposure to foreign currency risk is as follows:		
Trade receivables	**46 888**	56 300
Derivative	**(579)**	-
Trade receivables sold	**(20 500)**	(20 507)
CFC account	**3 457**	82
Net exposure	**29 266**	35 875

	Average rate		**Reporting date spot rate**	
	2019	2018	**2019**	2018
The following exchange rates were applied during the year:				
Rand: United States Dollar	**14.50**	13.25	**14.04**	14.38

21. Financial instruments *(continued)*

21.3 Market Risk *(continued)*

Foreign currency sensitivity analysis
A 10 percent (strengthening)/weakening of the Rand against the US$ at 31 December 2019 would have (decreased)/increased equity and profit before tax by R29m. A 10 percent (strengthening)/weakening of the rand at 31 December 2018 against the US$ would have (decreased)/increased equity and profit before taxation by R63m. This analysis assumes that all other variables, in particular interest rates, remain constant. This sensitivity does not represent the statement of comprehensive income impact that would be expected from a movement in foreign currency exchange rates over the course of a period of time.

Interest rate risk profile
At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments were:

	2019		2018	
	Average interest rate %	**Carrying amount R'000**	Average interest rate %	Carrying amount R'000
Variable rate instruments				
Interest bearing borrowings				
– Finance leases – plant and equipment		**(24 432)**	13.3	(11 112)
Cash and cash equivalents				
– local currency	**7.3**	**305 642**	7.1*	281 995
– foreign currency	**3.4**	**48 540**	3.9	82
		329 750		270 925

* *Cash balances in local currency receive interest as follows:*
a The Venture: prime less 5.75%
b The Company and Merafe Ferrochrome
Call deposits: daily call deposits rates. At year end the call deposit rate was 7.25%
Current account balances
– favourable: 1%
– unfavourable: prime (at year end prime was 10.0%)
** Money market: The average rate was 7.8% (at year end was 7.8%).*

Sensitivity Analysis for interest rate risk

Cash and cash equivalents
A decrease of 50 basis points in interest rates will decrease equity and profit or loss by R1.7m (2018: R1.1m). An increase of 50 basis points would have the equal but opposite effect. This analysis assumes all other variables remain constant.

Interest bearing borrowings
A decrease of 50 basis points on the interest rates on the interest-bearing borrowings will increase equity and profit or loss by R28.7m (2018: R1.2m). An increase of 50 basis points would have the equal but opposite effect. This analysis assumes all other variables remain constant.

21. Financial instruments *(continued)*

21.4 Financial instruments

The following tables present the carrying values and fair values of the Group's financial instruments. Fair value is the price that would be expected to be received to sell an asset or paid to transfer a liability in a market at the measurement date under current market conditions. Where available, market values have been used to determine fair values. When market values are not available, fair values have been calculated by discounting expected cash flows at prevailing market interest and exchange rates. The estimated fair values have been determined using market information and appropriate valuation methodologies, but are not necessarily indicative of the amounts that the Group could realise in the normal course of business. Amortised costs approximates fair value.

The financial assets and liabilities are presented by class in the tables below at their carrying values.

2019 R'000	**Group**			**Company**		
Assets	**Amortised Cost**	**FVTPL**	**Total**	**Amortised Cost**	**FVTPL**	**Total**
Inter-company loan	**-**	**-**	**-**	**1 284 281**	**-**	**1 284 281**
Trade and other receivables	**664 993**	**-**	**664 993**	**3 491**	**-**	**3 491**
Long term receivable	**-**	**16 612**	**16 612**	**-**	**-**	**-**
Cash and cash equivalents	**354 181**	**-**	**354 181**	**390**	**-**	**390**
Liabilities						
Lease liability and borrowings	**24 432**	**-**	**24 432**	**417**	**-**	**417**
Derivative	**-**	**8 090**	**8 090**	**-**	**-**	**-**
Bank overdraft	**-**	**-**	**-**	**-**	**-**	**-**
Trade and other payables	**566 667**	**-**	**566 667**	**7 804**	**-**	**7 804**

2018 R'000 Restated	Group			Company		
Assets	Amortised Cost	FVTPL	Total	Amortised Cost	FVTPL	Total
Inter-company loan	-	-	-	1 759 108	-	1 759 108
Trade and other receivables	968 997	-	968 997	5 464	-	5 464
Long term receivable	-	12 995	12 995	-	-	-
Cash and cash equivalents	282 037	-	282 037	4 888	-	4 888
Liabilities						
Lease liability and borrowings	11 112	-	11 112	-	-	-
Derivative	-	48 767	48 767	-	-	-
Bank overdraft	1 182	-	1 182	-	-	-
Trade and other payables	544 731	-	544 731	471 596	-	471 596

21. Financial instruments (continued)

21.5 Fair value estimation

A number of the Group's accounting policies and disclosures require the measurement of fair values. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Refer to note 1.19.2 for the accounting policy and valuation of these financial instruments.

The Group's assets and liabilities that are measured at fair value. The classification into different levels is based on the extent that quoted prices are used in the calculation of fair value and the levels have been defined as follows:

- level 1: fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2: fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); or
- level 3: fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the fair value measurement hierarchy of the Group's assets and liabilities measured at fair value:

2019 R'000	**Group**			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial asset/liability				
Derivative	**-**	**8 090**	**-**	**8 090**

2018 R'000 Restated	Group			
	Level 1	Level 2	Level 3	Total
Financial asset/liability				
Derivative	-	48 767	-	48 767

22. Capital management

The Board's policy is to maintain a strong capital base in order to maintain investor, debt providers and the market confidence in the business.

The strong capital base should ensure that any organic or acquisitive growth in the business is sustainable and provides a cushion for the cyclical nature of the resources business.

The Board has actively pursued a policy of debt reduction and its objective is to maintain its net gearing level to a maximum of 25% versus total assets. This ratio is calculated taking into account interest bearing debt excluding cash balances divided by total assets. At 31 December 2019 year end, the gearing level was 0% (31 December 2018: 0.2%).

As the required gearing level has been achieved, the Board will focus on balancing the requirement to pay dividends, while at the same time ensuring that there is sufficient capital in the business to see the Company through the continued global economic uncertainty, to fund working capital, to fund capital expenditure requirements and to fund other growth opportunities in the business.

When analysing growth opportunities, the Board seeks to obtain a minimum internal rate of return of 20%.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

23. Related Parties

23.1 Related party transactions and balances

During the current financial year, management reviewed 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 year end.

23. Related Parties *(continued)*

23.1 Related party transactions and balances *(continued)*

Name of related party	Description of relationship	Transactions and balance
The Venture	In July 2004, Glencore and Merafe Ferrochrome pooled and shared ferrochrome assets to form the Venture	Refer note 23.4 for the amounts that are included in the audited consolidated financial statements of the Group.
Merafe Chrome and Alloys Proprietary Limited	Merafe Chrome is a wholly owned subsidiary of Merafe Resources Limited (Merafe Resources)	Dividends were paid to Merafe Resources by Merafe Chrome of R150m (2018: R425m). The loan account was ceded to Merafe Ferrochrome as per note 3. The balance owing to Merafe Resources is nil (2018: R1.75bn). The loan account is of a long-term nature, is interest free, unsecured and does not have fixed repayment terms.
Merafe Ferrochrome and Mining Proprietary Limited	Merafe Ferrochrome is a wholly–owned subsidiary of Merafe Chrome.	Merafe Resources charges Merafe Ferrochrome a management fee as per note 15. Dividends were paid to Merafe Chrome of R150m (2018: R425m). At year end a loan of R1.28bn (2018: R459m) is owing by Merafe Ferrochrome to Merafe as the loan by Merafe Chrome was ceded to Merafe Ferrochrome. The loan account is of a short-term nature, is interest free, unsecured and does not have fixed repayment terms.

23. Related parties *(continued)*

23.1 Related party transaction and balances *(continued)*

Name of related party	Description of relationship	Transactions and balance
Merafe Kroondal Rehabilitation Trust (SE)	The Trust, which was registered on 31 May 2006, was established to provide funds for the rehabilitation of land involved in any prospecting or mining operations of Merafe Ferrochrome of the Kroondal mine and to discharge any liability which might arise in terms of the Atmospheric Pollution Prevention Act of 1965, the Environment Conservation Act, No 50 of 1991, the Water Act, No 54 of 1956 and any such other legislation as may be enacted in the future. The environmental obligations and corresponding liability remain the sole responsibility of the Venture. The trust is a subsidiary of Merafe Resources and is consolidated.	A loan account is recognised with Merafe Resources of R108k (2018: R108k) which relates to the payment of audit fees. The loan account is of a long-term nature, is interest free, unsecured and does not have fixed repayment terms.
Industrial Development Corporation of South Africa Limited ("**IDC**")	The IDC holds 21.8% of the issued share capital of Merafe Resources Limited and has the ability to exercise significant influence over Merafe Resources Limited as a result of its shareholding.	The IDC received the non–executive directors' fees for Ms M Mosweu as disclosed in note 23.2. IDC received dividends declared by Merafe Resources. At year end there are no amounts due to the IDC.

23. Related Parties *(continued)*

23.1 Related party transactions and balances *(continued)*

Name of related party	Description of relationship	Transactions and balance
Mr C Molefe[1], Ms M Mosweu, Ms B Majova, Mr A Mngomezulu, Ms Z Matlala, Mr S Blankfield, Mr D Chocho, Ms M Vuso, Ms G Motau, Mr J Mclaughlan[2]	Directors of Merafe Resources Limited.	Refer to note 23.2 for transactions with directors.
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 R390m (2018: R468m) Commission expense R8m (2018: R12m) Interest expense R5m (2018: R5m) Receivable R83m at the end of the year R21m (2018: (R131m)) which is reduced as and when GLS receives funds from customers.
Glencore International AG	Glencore International AG acts as the Venture's exclusive marketing agent to sell ferrochrome and chrome ore on its behalf. The Venture purchases various raw materials from Glencore International AG on an ongoing basis. The Venture sells chrome ore to Glencore International AG on an ad hoc basis	Commission expense on sale of ferrochrome and chrome ore R212m (2018: R220m) Marketing fee expense R2m (2018: R2m) Interest income R2m (2018: (R0.5m) Purchase of raw materials R159m (2018: R227m) Balance owing at the end of the year R21m (2018: R42m) payable on confirmation of final sales
African Carbon Manufacturers (Pty) Ltd	African Carbon Manufacturers (Pty) Ltd sells raw materials to the Venture	Purchase of raw materials R21m (2018: R17m) Balance owing at the end of the year R2m (2018: R2m) payable 30 days from statement date.
African Fine Carbon (Pty) Ltd	African Fine Carbon (Pty) Ltd sells raw materials to the Venture	Purchase of raw materials R40m (2018: R37m). Balance owing at the end of the year R3m (2018: R5m) payable 30 days from statement date.
Chartech Technology (Pty) Ltd ("**Chartech**")	Chartech sells raw materials to the Venture	Purchase of raw materials R37m (2018: R34m). Balance owing at the end of the year R4m (2018: R4m) payable 30 days from statement date.

23. Related parties *(continued)*

23.1 Related party transaction and balances *(continued)*

Name of related party	Description of relationship	Transactions and balance
Glencore Operations South Africa (Pty) Ltd ("**GOSA**")	GOSA is Merafe Ferrochrome and Mining (Pty) Ltd's partner in the Venture.	Employee costs R144m (2018: R146m) Head-office costs R23m (2018: R19m) Training costs R5m (2018: R7m) Lion housing R15m (2018: R14m) Balance owing at the end of the year R11m (2018: R7m) payable 10 days after month end. GOSA received the non–executive directors' fees for Mr S Blankfield as disclosed in note 23.2. GOSA received dividends declared by Merafe Resources
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 R15m (2018: R12m) Outstanding balance owing at the end of the year R3m (2018: R1m) payable 30 days after statement date.

[1] Retired 15 May 2019
[2] Appointed 1 May 2019

23.2 Transactions with key management personnel and non-executive directors

	Group and Company	
	2019	2018
Directors' fees - Non-executive directors	**R'000**	R'000
C Molefe[1]	**(271)**	(838)
A Mngomezulu	**(681)**	(582)
BN Majova	**(541)**	(553)
M Mosweu	**(357)**	(303)
K Nondumo	**-**	(224)
S Blankfield[3]	**(364)**	(386)
M Vuso	**(516)**	(197)
J Mclaughlan[2]	**(274)**	-
G Motau[4]	**(435)**	-
	(3 439)	(3 083)

23. Related parties *(continued)*

23.2 Transactions with key management personnel and non-executive directors *(continued)*

The above fees relate to services rendered as directors. No other services were rendered.
[1] Retired on 15 May 2019
[2] Appointed 1 May 2019.
[3] Paid to GOSA
[4] Appointed 1 January 2019

	Group and Company	
	2019	2018
	R'000	R'000
Key management compensation		
Ms ZJ Matlala		
Salary	**(5 033)**	(4 587)
Bonus	**-**	(3 910)
Fringe benefits and leave pay	**(67)**	(162)
Provident fund contributions	**(461)**	(350)
Share grants vested	**(3 459)**	(3 366)
	(9 020)	(12 375)

	Group and Company	
	2019	2018
	R'000	R'000
Mr SD Chocho		
Salary	**(2 792)**	(883)
Bonus	**-**	(750)
Fringe benefits and leave pay	**(78)**	(31)
Provident fund contributions	**(366)**	(163)
	(3 236)	(1 827)

	Group and Company	
	2019	2018
	R'000	R'000
Ms K Bissessor*		
Salary	**-**	(1 594)
Bonus	**-**	-
Fringe benefits and leave pay	**-**	(135)
Provident fund contributions	**-**	(220)
Share grants vested	**-**	(902)
Options granted exercised	**-**	-
	-	(2 851)

23. Related parties *(continued)*

23.2 Transactions with key management personnel and non-executive directors *(continued)*

	2019	2018
	R'000	R'000
Total key management personnel remuneration	**(12 256)**	(17 069)
Short-term employee benefits	**(8 707)**	(12 801)
Share grants and options	**(3 549)**	(4 268)

23.3 Directors' interests in Merafe Resources Limited

As at 31 December 2019, the directors of the Company are beneficially interested (directly and indirectly) in 3 016 175 (31 December 2018: 2 813 480) shares in the Company. During the financial year no material contracts were entered into in which directors and prescribed officers of the Company had an interest and which significantly affected the Group.

Executive directors of the Company and their immediate families control 0.1% (31 December 2018: 0.1%) of the voting shares of the Company. In addition to their salaries, the Company also contributes to a provident fund (defined contribution plan) and medical aid fund on their behalf. Executive directors also participate in the Company's share incentive schemes (refer note 8).

	2019		2018	
	Direct	**Indirect**	Direct	Indirect
	Number of shares		Number of shares	
Ms Z Matlala	**2 695 000**	**-**	2 492 305	-
Ms B Majova	**-**	**62 610**	-	62 610
Mr D Chocho	**258 565**	**-**	258 565	-
	2 953 565	**62 610**	2 750 870	62 610

No additional Directors' interests have been noted post 31 December 2019 till the date of approval of this report, being 6 March 2020.

23. Related parties *(continued)*

23.4 Transactions with the Glencore–Merafe Chrome Venture

The Venture resulted in Glencore and Merafe Ferrochrome pooling and sharing their ferrochrome assets. The Venture's head-office is located at Portion 27, Farm Waterval 306 JQ, Rustenburg, 0302. While Merafe Ferrochrome's assets form part of the Venture, Merafe Ferrochrome retains ownership of its assets and is closely involved in the Venture's operations through the Chrome Executive Committee, Joint board and sub–Committees (Treasury, Transformation, Sustainable Development and Health and Safety) formed to oversee the combined operation of both companies. The Group receives 20.5% of the Venture's earnings before interest, tax, depreciation and amortisation (EBITDA) and owns 20.5% of the Venture's working capital.

Included in the consolidated financial statements are the following items that represent the working capital and EBITDA of the Venture in its totality.

	Year ended 31 December 2019 R'000	Year ended 31 December 2018 R'000
Inventories	**9 660 211**	9 842 153
Trade and other receivables	**3 242 964**	4 491 270
Net cash	**520 123**	63 239
Finance leases	**(110 527)**	(48 191)
Long-term provisions	**(772 035)**	(707 917)
Trade and other payables	**(2 127 573)**	(1 476 711)
Net working capital	**10 413 163**	12 163 843
Revenue	**26 156 502**	27 296 572
Foreign exchange (losses)/gains	**(70 114)**	690 200
Operating expenses	**(24 006 370)**	(21 111529)
EBITDA	**2 080 018**	6 875 243

24. Contingencies

To the best of our knowledge and belief, other than as set out elsewhere in this report, there are no contingencies in both the current and prior year which may materially affect the financial position of the Group.

25. Capital commitments

	Group		Company	
	2019	2018	**2019**	2018
	R'000	R'000	**R'000**	R'000
The Group's capital commitments at year end in respect of the Venture were:				
– contracted for but not provided for	**67 686**	47 335	**-**	–
– authorised but not contracted for	**129 048**	131 622	**-**	–
	196 734	178 957	**-**	–

26. Derivative financial liability

	Group		Company	
	2019	2018	**2019**	2018
	R'000	R'000	**R'000**	R'000
Embedded derivative	**8 090**	48 767	**-**	-
	8 090	48 767	**-**	-

Level 2 hierarchy per IFRS 13. The fair value of the embedded derivative is based on the latest available ferrochrome prices and closing foreign exchange rate of R13.98.

* Refer to note 32 for disclosure on restatement

27. Events after the reporting date

A final cash dividend of R100m (2018 : R151m) was declared on 6 March 2020. No other material facts or circumstances occurred after reporting date that may require adjustment or disclosure in these annual financial statements.

Post year end (as per the SENS announcement on 20 January 2020), the Venture issued a Notice in terms of Section 189A of the Labour Relations Act: Rustenburg Smelter North West Province South Africa ("Rustenburg Smelter"). This decision was a result of deteriorating operating and market conditions across the South African Ferrochrome industry, including unsustainable electricity tariffs and interruptions, cross subsidies and real cost inflation. These factors have also led to the displacement of significant volumes of Ferrochrome production to lower-cost competitors overseas. Despite significant investment to make the operation more competitive, the Rustenburg Smelter has suffered material financial losses which are expected to continue for the foreseeable future. Prior to commencement of the Section 189A process, the Company engaged in extensive consultations with stakeholders, including employee representatives, local and regional government. This consultation process will continue to attempt to secure the future of the operation

The Board of directors resolved to simplify the structure of the Group through a restructure in terms of which the Company would directly hold a 100% interest in Merafe Ferrochrome. Both Merafe Chrome and Merafe Ferrochrome are 100% subsidiaries of the Company. There are no tax or other financial impacts that arise from this unbundling. This change was effected on 24 January 2020.

28. Dividends

No interim dividend (2018: R200m) was declared on 5 August 2019.

29. Going Concern

Although the Group made a loss after tax in the current year, a positive EBITDA of R392m was generated. The loss is in large part due to significant impairment adjustments. Merafe Group and Company maintains healthy cash balances as per note 20.1 with access to other banking facilities. The financial position of the Group and Company, credit and liquidity risk has been assessed in notes 21.1 and 21.2. Having considered the Group and Company's key risks, current financial position, assessment of solvency and liquidity, debt levels, facilities, impairment review as well as the Group and Company's financial budgets with their underlying business plans, the directors believe that the Group and Company has sufficient resources and expected cash flows to be able to continue as a going concern for the year ahead. The facilities available and unused are referenced in note 9.2 and 21.2.

30. Impairment assessment

As per IAS 36, an entity shall assess at the end of each reporting period whether there is an indication that an asset may be impaired. If such an indication exists, the entity shall estimate the recoverable amount of the asset.

At 31 December 2019, Merafe's share price closed at 86c per share (2018: 142c per share) . Based on this share price, the market capitalisation was R2.159bn (2018: R3.567bn), less than the net asset value of R4.710bn (2018: R4.893bn) before the impairment loss. As per IAS36.12(d), if the carrying amount of net assets of an entity is higher than its market capitalisation, this is an impairment indicator. There was no impairment impact in the prior year due to the valuation of Merafe's 20.5% of the Venture exceeding the net asset value.

Since an impairment indicator was present at year end, management estimated the recoverable amount of the Group's assets. The value in use of the Group was used to calculate the recoverable amount. This calculation was based on the future cash flows expected to be derived from the Venture. The following key assumptions were used in the calculation of the value in use model (30 years):

Assumption	**Unit of measure**	**2019**	**2018**
Average exchange rate – real	USD/ZAR	14.50	14.03
Weighted average cost of capital – real	%	9.8%	10%
Ferrochrome prices – real	$c/lb	80.38 – 86.091b	88.58 – 99.1d
Chrome ore prices (CIF) – real	$/ton	187	210

Taking the above assumptions into account, the valuation of Merafe 20.5% interest in the Venture did not exceeds its net asset value and management has subsequently impaired the assets of the business by R1.846bn. The impairment was allocated against the cash generating unit's assets in proportion to the carrying amount of the assets.

30. Impairment assessment *(continued)*

Key sensitivity analysis for impairment

Change in weighted average cost of capital
A decrease/increase of 1% in the weighted average cost of capital will decrease/increase equity and profit before tax by R30m. This analysis assumes all other variables remain constant.

Change in exchange rate
A decrease/increase of 10% in the exchange rates will decrease/increase equity and profit before tax by R2bn. This analysis assumes all other variables remain constant.

Change in ferrochrome price
A decrease/increase of 10% in the exchange rates will decrease/increase equity and profit before tax by R2.2bn. This analysis assumes all other variables remain constant.

Sensitivities to the chrome price have not been included as the impairment model is not sensitive to this price.

31. Prior period error/restatement

The 2018 financial year has been restated with the change in the derivative financial liability disclosure. In the prior year, the derivative was initially incorrectly disclosed as part of trade receivables instead of being separately disclosed as required by IFRS. This has subsequently been corrected. The impact of the restatement was as an increase in current assets and an increase in current liabilities by an amount of R48,7m.

In an effort to improve disclosure, the Group has also disaggregated the property, plant and equipment note which was inclusive of intangible assets to separately disclose these intangible assets. There has been no change in the total non-current assets due to this disaggregation.

For comparitive purposes, 2017 numbers have also been included on the table below. There has been no impact in retained earnings but the change relates to a reclassification of certain balances. A third balance sheet for the Group and Company has not been disclosed below.

	Group		Group	
	As restated 2018 R'000	**As previously reported 2018 R'000**	As restated 2017 R'000	As previously reported 2017 R'000
Trade and other receivables	**968 998**	**920 231**	918 424	883 249
Derivative financial instrument	**(48 767)**	**-**	(35 175)	-
Property, plant and equipment	**3 226 212**	**3 277 588**	3 215 223	3 271 155
Intangible assets	**51 375**	**-**	55 932	-

31. Prior period error/restatement *(continued)*

The Company also restated its loans to subsidiaries from non-current assets to current assets. These loans are repayable on demand with less than a years notice. The impact of the restatement due to the error is an increase in current assets and a decrease in non-current assets.

	Company		Company	
	As restated 2018 R'000	**As previously reported 2018 R'000**	As restated 2017 R'000	As previously reported 2017 R'000
Investment in subsidiaries/loan to subsidiary	**-**	**1 759 108**	-	1 533 128
Loans to subsidiaries	**1 759 108**	**-**	1 533 128	-

Shareholder information

The following shareholder information was not audited.

1. Distribution of ordinary shareholders

	Number of shareholders	% of all members	Number of shares held	% of issued capital
Non - Public Shareholders	**6**	**0.11**	**1 270 010 162**	**50.6%**
Directors and Associates of the Company	4	0.07	3 016 175	0.1%
Glencore Netherlands B.V.	1	0.02	720 163 887	28.7%
Industrial Development Corporation of South Africa Limited	1	0.02	546 830 100	21.8%
Public Shareholders	**5 406**	**99.89**	**1 240 694 086**	**49.4%**
	5 412	**100**	**2 510 704 248**	**100**

2. Holders holding 5% or more of shares in issue

	Number of shares held	% issued share capital
Glencore Nederlands B.V.	720 163 887	28.68
Industrial Development Corporation of South Africa Limited	546 830 100	21.78
PGS Konsult	166 733 088	6.64

3. Shareholding spread

	Number of shareholders	% of all shareholders	Number of shares held	% of share capital
1 – 1000 shares	1 348	24.90	558 425	0.03
1 001 – 10 000 shares	2 065	38.16	10 017 989	0.40
10 001 – 100 000 shares	1 506	27.83	52 262 800	2.08
100 001 – 1 00 000 shares	386	7.13	119 105 651	4.74
1 000 001 shares	107	1.98	2 328 759 383	92.75
	5 412	100	2 510 704 248	100

4 Distribution of shareholders

	Number of shareholders	% of all shareholders	Number of shares held	% of share capital
Banks/Brokers	67	1.24	211 439 399	8.42
Close Corporations	66	1.22	9 843 345	0.39
Endowment Funds	7	0.13	2 305 001	0.09
Government	2	0.04	547 817 693	21.82
Individuals	4 798	88.65	153 482 031	6.13
Insurance Companies	11	0.20	5 890 613	0.23
Medical Schemes	2	0.04	2 367 057	0.09
Mutual Funds	51	0.94	644 334 357	25.66
Other Corporations	39	0.72	798 277	0.03
Private Companies	91	1.68	40 255 230	1.60
Public Companies	2	0.04	400 129	0.02
Retirement Funds	71	1.31	155 884 064	6.21
Strategic Investor	1	0.02	720 163 887	28.68
Trusts	204	3.77	15 723 165	0.63
	5 412	100	2 510 704 248	100

5. JSE share performance

	2019	2018
Market capitalisation as at 31 December	**2 159 205 653**	3 565 200 032
Share Price (cents)		
High	**153**	174
Low	**75**	126
Closing	**86**	142
Shares traded		
Volume of shares traded	**394 825 944**	381 111 231
Value of shares (ZAR)	**473 519 527**	598 533 387
Volume of shares traded as a percentage of weighted average of shares in issue	**15.73%**	15.18%
Shares in issue as at 31 December	**2 510 704 248**	2 510 704 248

6. Distribution of local and foreign beneficial shareholding

	% of issued capital	% of issued capital
South African	**63.65**	57.91
Foreign	**36.35**	42.09

SHAREHOLDERS' DIARY

Meetings

Annual General Meeting for the 2019 financial year will be held on 22 May 2020.

Reports

Interim reports for the six months to 30 June 2020 to be released on 11 August 2020.
Annual results for the twelve months to 31 December 2020 to be released and published in March 2021.