Chrometco Limited
(Incorporated in the Republic of South Africa)
(Registration number 2002/026265/06)
Share code: CMO
ISIN: ZAE007020249
("**Chrometco**" or "**the Group**")

PROVISIONAL REVIEWED CONDENSED CONSOLIDATED RESULTS FOR YEAR ENDED 29 FEBRUARY 2020

Commentary

Dear Shareholder

Although marred by the low chrome price during the latter part of the year, the Group's results indicate significant improvement in this year's results compared to the prior year.

The Group's revenue decreased by 11% to R1.14 billion and generated cash from operating activities of R241.2m (2019: R279.7m). This was mainly due to the lower average chrome price during the latter part of the year.

Additionally, Black Chrome Operations' production continued at steady state of 90 000 tonnes per month throughout the year. The first phase of the beneficiation project was commissioned during November 2019 and is busy ramping up to steady state.

The Group is planning on maintaining the current levels of production in the period to come.

The reviewed auditors report is available for inspection at the Group's registered address.

Condensed consolidated statement of financial position

	Note	Reviewed as at 29 Feb 2020 R'000	Audited as at 28 Feb 2019 R'000 Restated
ASSETS			
Non-current assets		1,214,615	1,022,047
Tangible assets	6	1,169,371	975,051
Other financial assets		34,115	35,421
Deferred taxation asset		100	3,524
Environmental rehabilitation obligation investments		11,029	8,051
Current assets		649,295	418,324
Trade and other receivables		178,348	46,430
Inventory		321,398	112,776
Cash and cash equivalents		9,448	45,611
Non-current assets held-for-sale	7	140,101	213,507
Total assets		1,863,910	1,440,371
EQUITY AND LIABILITIES			
Capital and reserves		444,409	536,625
Stated capital		388,512	388,512
Accumulated losses		(126,633)	(94,680)
Attributable to equity owners of the parent		261,879	293,832
Non-controlling interest		182,530	242,793
Non-current liabilities		319,966	304,761
Deferred taxation liability		66,744	110,422
Borrowings	8	105,259	97,016
Other financial liabilities		37,720	42,666
Finance lease liability		87,878	32,287
Environmental rehabilitation provision		22,365	22,370
Current liabilities		1,099,535	598,985
Trade and other payables		673,716	375,227
Structured finance facility		294,992	97,634
Borrowings	8	19,374	22,282
Finance lease liability		71,815	59,814
Other financial liabilities		4,537	-
Non-current liabilities held-for-sale	7	35,101	44,028
Total equity and liabilities		1,863,910	1,440,371

Condensed consolidated statement of comprehensive income

		Reviewed as at 29 Feb 2020	Audited as at 29 Feb 2019 Restated
		R'000	R'000
Revenue	10	1,141,492	1,327,923
Cost of sales		(933,405)	(1,061,675)
Gross profit		208,087	266,248
Depreciation and amortisation		(161,106)	(167,772)
Other income		16,541	6,240
Other expenses	11	(90,460)	(84,206)
Salaries		(50,975)	(56,997)
Professional fees		(13,768)	(19,712)
Maintenance expenses		(1,105)	(1,224)
Impairments		(4,814)	(49,203)
Income from discontinued operation		1,923	3,774
Investment income		3,521	1,274
Finance Charges		(35,861)	(48,068)
Loss before tax		(128,017)	(149,646)
Taxation		38,849	11,072
Loss for the year		(89,168)	(138,574)
Other comprehensive income		-	-
Total comprehensive loss for the year		(89,168)	(138,574)
Attributable to:			
Owners of the parent		(30,447)	(78,200)
Non-controlling interest		(58,721)	(60,374)
Basic loss per share (cents)		(1.20)	(3.52)
Diluted loss per share (cents)		(1.20)	(3.52)
Headline loss per share (cents)	12	(1.12)	(1.52)

Condensed consolidated statement of cash flows

	Reviewed as at 29 Feb 2020 R'000	Audited as at 28 Feb 2019 R'000 Restated
Cash flows from operating activities		
Cash generated by operations and exploration activities	241,193	279,674
Operating profit before working capital changes	140,612	129,934
Working capital changes	100,581	149,740
Interest received	-	-
Finance cost	(17,972)	-
Tax paid	-	(3,709)
Net inflow from operating activities	223,221	275,965
Cash flows from investing activities		
Property, plant and equipment additions	(185,674)	(147,630)
Proceeds on disposal of property, plant and equipment	5,616	-
Increase in environmental rehabilitation obligation funds	(2,362)	(3,260)
Loans funded	(1,186)	(2,957)
Net cash outflows from investing activities	(183,606)	(153,847)
Cash flows from financing activities		
Finance lease payments	(70,675)	(76,041)
Repayment of Borrowings	(5,103)	(38,446)
Settlement of other financial liabilities	-	(34,972)
Borrowings obtained	-	25,058
Drawdown on ABSA facility	-	13,008
Net cash outflow from financing activities	(75,778)	(111,392)
Net decrease in cash and cash equivalents	(36,163)	10,726
Cash and cash equivalents at beginning of year	45,611	34,885
Cash and cash equivalents at end of year	9,448	45,611

Condensed consolidated statement of changes in equity

	Stated Capital	(Accumulated loss)/ retained earnings	Non-Controlling Interest	Total
	R'000	R'000	R'000	R'000
Opening balance at 1 March 2018	388,512	(49,607)	176,301	515,206
Non-controlling interest share of loss for the year (restated)	-	-	(60,374)	(60,374)
Total comprehensive loss for the year (restated)	-	(78,200)	-	(78,200)
Transaction with shareholders: Conversion of borrowings to loans	-	-	167,218	167,218
Transactions with a shareholder: change in share holding	-	40,897	(40,897)	-
Transactions with a shareholder: change in estimate	-	(8,338)	-	(8,338)
Transactions with a shareholder: Gain on acquisition	-	568	545	1,113
Balance at 28 February 2019 (restated)	388,512	(94,680)	242,793	536,625
Change in accounting policy	-	(1,506)	(1,542)	(3,048)
Balance at 1 March 2019 as restated	388,512	(96,186)	241,251	533,577
Non-controlling interest share of loss for the year	-	-	(58,721)	(58,721)
Total comprehensive loss for the year	-	(30,447)	-	(30,447)
Balance at 29 February 2020	388,512	(126,633)	182,530	444,409

1. Nature of business
The Group is a mining and exploration Group, which focuses on Chrome mining and beneficiation in South Africa.

2. The provisional condensed consolidated financial statements for the year ended 29 February 2020 have been prepared by the Group's financial reporting team, supervised by Chrometco's Chief Financial Officer, Mr. Marcel Naude CA(SA) and approved by the Chrometco's board of directors.

3. Basis of preparation
The provisional condensed consolidated annual financial statements for the year ended 29 February 2020 have been prepared in accordance with the framework concepts and the recognition and measurement criteria of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, contains as a minimum information required by IAS 34 – Interim Financial Reporting, the Financial Reporting Pronouncements as issued by the Financial Reporting Accountants Council, the JSE Limited Listings Requirements and the South African Companies Act, 71 of 2008, as amended.

The accounting policies and methods of computation applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements, except for the following new and revised accounting standards and amendments to standards became effective during the period:

IFRS 16 Leases (New standard):
The Group applied IFRS 16 from 01 March 2019, the standard became effective for years beginning on or after 01 January 2019.
The Group applied IFRS 16 using the modified retrospective approach, whereby the comparative information presented for 2019 is not restated. Instead, cumulative adjustments to retained earnings have been recognised in retained earnings as at 01 March 2019.

On transition to IFRS 16, the Group recognised an additional R11,201,452 of right-of-use assets included in Property, plant and equipment, with a cost of R15,065,687 and accumulated depreciation of R3,864,235 and R16,464,066 of lease liabilities, recognising the difference in retained earnings. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 01 March2019. The weighted average rate applied is 10.75%

4. Provisional
These provisional condensed consolidated financial statements for the year ended 29 February 2020, have been reviewed by the Groups's auditor, Moore Cape Town Inc., who expressed an unmodified review conclusion. The condensed consolidated financial statements presented in this SENS announcement do not include the information required pursuant to paragraph 16A(j) of IAS 34.

5. Going concern
The provisional condensed consolidated financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

6. Tangible assets

	Mining Assets	Mobile Mining Vehicles	Other	Total
Cost	926,618	279,820	35,557	1,241,995
Accumulated depreciation	(181,640)	(71,347)	(13,957)	(266,944)
Carrying amount 28 February 2019	744,978	208,473	21,600	975,051
Additions	286,023	17,224	3,627	306,874
Disposals	(5,596)	-	(20)	(5,616)
Change in estimate relating to environmental rehabilitation provision	(1,832)	-	-	(1,832)
Depreciation	(102,034)	(61,162)	(6,389)	(169,585)
Transfer from assets held-for-sale	64,479	-	-	64,479
Cost	1,269,692	297,044	39,164	1,605,900
Accumulated depreciation	(283,674)	(132,509)	(20,346)	(436,529)
Carrying amount 29 February 2020	986,018	164,535	18,818	1,169,371

7. Non-current assets held-for-sale

The Group continues to actively explore options to dispose of the Rooderand operation. An offer of purchase was submitted to the owners and it is probable that a sale will be finalised within 12 months. There was no impairment of the assets in the current year. In 2019 R5 million was recognised to write down the Rooderand operation to the lower of its carrying amount and its fair value less costs to sell.

The Group's plan to dispose of the non-mining assets was not finalised during the current year as expected. Management still intends to dispose of the assets, but it is not highly probable anymore that the sale will be concluded within the next 12 months. The assets have therefore been transferred to property, plant and equipment at year end.

The following assets are included in the disposal Group held-for-sale:

	Reviewed as at 29 February 2020 R'000	Audited as at 28 February 2019 R'000
Assets included		
Non-current assets	140,101	213,507
Net intangible assets	140,101	149,028
Intangible assets	145,163	154,090
Impairment	(5,062)	(5,062)
Non-mining property plant and equipment	-	64,479
Liabilities included		
Non-current liabilities	35,101	44,028
Deferred tax	29,965	29,339
Environmental rehabilitation obligation	5,078	14,033
Other	58	656

8. Borrowings

Borrowings roll forward

	Reviewed as at 29 February 2020 R'000	Audited as at 28 February 2019 R'000
Opening balance:	119,298	331,364
Interest incurred	10,438	11,207
Repayments	(5,103)	(38,446)
Loans obtained	-	25,058
Loan settlement upon acquisition of Sail Resources	-	(80,332)
Loan acquired as part of transactions with shareholders	-	27,731
Change in estimate	-	9,934
Transaction with IDC shareholder	-	(167,218)
Closing Balance	124,633	119,298
- Non-current	105,259	97,016
- Current	19,374	22,282

9. Leases

The Group leases certain of its mining equipment and Volvo mining vehicles under finance leases. The assets leased in the current period have been capitalised as mining assets (R18.1 million) and as mobile mining vehicles (R69.4 million).

The average terms are for the majority of the useful life of the assets, the Volvo mining vehicles is expected to have a residual value of R34.5 million at the end of the useful life.

The interest rate underlying all obligations under finance leases are fixed at the beginning of the respective contracts dates and range from prime rate plus 0.5% to 13.25%.

There are no contingent payables on these leases. The lease contracts do not allow for the resale or subleasing of the assets while there are amounts outstanding on the lease agreement. There are no restrictions on the use of the leased assets.

Details pertaining to leasing arrangements, where the Group is lessee are presented below:

The Group adopted IFRS 16 for the first time in the current financial period. Comparative figures have been accounted for in accordance with IAS 17 and accordingly, any assets recognised under finance leases in accordance with IAS 17 for the comparative have been recognised as part of property, plant and equipment. The information presented in this note for right-of-use assets therefore only includes the current period.

Net carrying amounts of right-of-use asset (Buildings): R11,2 million

10. Revenue
Disaggregation of revenue:

	Reviewed as at 29 February 2020	Audited as at 28 February 2019
	R'000	R'000
		Restated
Export sales	1,137,943	1,282,543
Local sales	3,549	45,380
	1,141,492	1,327,923

11. Other expenses	Reviewed as at 29 February 2020	Audited as at 28 February 2019
Other expenses include:	R’000	R’000
Legal fees	-	5,171
Insurance	7,313	5,386
Medical expenses	-	20
Travel and accommodation	2,542	2,267
Change in estimate adjustment	-	1,596
Community and local development	495	2,389
Commission	5,345	3,183
Foreign exchange losses	55,164	53,247
SAGE fees	-	3,564
Computer expenses	3,429	1,518
Other	16,172	5,865

12. Headline loss per share and diluted headline loss per share

	Reviewed as at 29 February 2020 R'000	Audited as at 28 February 2019 R'000 Restated
Loss after taxation attributable to equity holders of the Group	(30,447)	(78,200)
Impairment, net of tax	1,963	44,509
Headline loss	(28,484)	(33,691)
Weighted average number shares in issue	2,542,429	2,219,634
Diluted weighted average number shares in issue	2,542,429	2,219,634
Headline loss per share (cents)	(1.12)	(1.52)
Diluted headline loss per share (cents)	(1.12)	(1.52)

12.1 Weighted average number of shares

	Reviewed as at 29 Feb 2020	Audited as at 28 Feb 2019
	000	000
Shares in issue at the beginning of the year	2,542,429	1,172,429
Weighted average shares issued during the year	-	1,047,205
Weighted average number of shares	2,542,429	2,219,634
Closing number of shares	2,542,429	2,542,429

13. Related party transactions

13.1 Related party transactions

	Reviewed as at 29 Feb 2020	Audited as at 28 Feb 2019
	R’000	R’000
Sales to Sail International Marketing Pte Ltd	1,137,943	1,282,543

13.2 Related party balances

	Reviewed as at 28 Feb 2020 R'000	Audited as at 28 Feb 2019 R'000
Accounts payable to Sail International Marketing Pte Ltd	(256,260)	(306,712)
Accounts payable to Phokathaba Platinum (Pty) Ltd	(43,304)	-
Sail Holdings (Pty) Ltd	6,532	6,532
Amounts owed to (included in Other financial liabilities):		
Sail International Marketing Pte Ltd	(37,720)	(37,250)
Sail Logistics (Pty) Ltd	(2,234)	(1,694)
Sail Mining CC	(3,711)	(3,721)
Calculated Property Investments (Pty) Ltd	(7,639)	(9,367)
Sunninghill Office 07 (Pty) Ltd	(3,325)	(4,283)
25 Sunninghill Office Park (Pty) Ltd	(8,409)	(8,632)

The balance owing to Sail International Marketing Pte Ltd, previously known as BBA Resources Pte Ltd, bears no interest and has no fixed terms of repayment within 12 months from 28 February 2020.

14. Prior period error

In the prior year financial statements revenue was understated due to a calculation error on consolidation. This error has been corrected in the comparative figures of the 2020 financial statements, impacting on revenue, tax, retained earnings, non-controlling interest and trade payables.

The correction of the error resulted in adjustments as follows:

	Previously disclosed 28 February 2019	Adjustment	Restated 28 February 2019
Statement of Financial Position	R'000	R'000	R'000
Decrease in accumulated loss	(102,380)	7,699	(94,681)
Increase in non-controlling interest	235,396	7,397	242,793
Decrease in trade payables (Sail International Marketing)	395,586	(20,359)	375,227
Increase in deferred tax	105,160	5,262	110,442
Statement of Comprehensive income			
Increase in revenue	1,307,564	20,359	1,327,923
Decrease in taxation	16,334	(5,262)	11,072
Decrease in loss for the year	(153,671)	15,097	(138,574)

15.Comparative figures

In the prior year, the ABSA facility was used similar to a bank overdraft facility and was therefor classified as cash and cash equivalents. In the current year the Group started using the ABSA facility as a rolling facility resulting in settlement of the of deals when a customer settles their account. As the facility becomes available again, drawdowns are made on sales invoices.

The facility no longer forms an integral part of the entity’s cash management as the balance of a banking arrangement does not often fluctuate from being negative to positive as required by IAS 7. The Group accordingly didn’t disclose the structured finance facility as cash and cash equivalents in the current year.

The comparative figures in the cash flow statement was restated taking the above change into account.

16.Subsequent events

On 30 January 2020, the World Health Organisation declared the Corona virus (COVID-19) a global health emergency. The South African national lockdown became effective at midnight on 26 March 2020 and lasted until 30 April 2020, before we could continue operations.

During this period, the beneficiation operations continued production at reduced levels, by processing ore stockpiles. The impact of COVID-19 on the Group was mainly attributable to the supply of chrome from Black Chrome Mine's (BCM) underground operations. Underground production at BCM was in care and maintenance for the entire five-week April lockdown period. To make up for the lost production the following measures were implemented:

- the December break replaces 10 days of the first lockdown; and
- the production lost during the second lockdown period will be made up by working back one full weekend every month for the remaining 7 months of the year.

During May 2020, the underground operations effectively operated at 75% of normal production. From June 2020, the underground operations are back at full capacity. Opencast operated at full capacity from 01 May 2020.

The five-week lockdown resulted in a shortfall in supply of chrome due to a significant decrease in chrome production in South Africa and the resulting decrease in exports of chrome to China. The shortfall in supply caused the price of 42% UG2 Concentrate CIF to increase from USD114 per ton on 10 April 2020 to USD167.5 per ton on 31 May 2020. Additionally, the weak rand has further increased sales in Rand terms.

As the plant continued operations during the April lockdown period to a certain extent, Chrometco Limited was not hit as hard as the rest of the industry. This is due to the Group being able to feed the stockpiles to the plant and is therefore not reliant on the mine.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

17. Going concern

As at 29 February 2020, the Groups current liabilities exceed its current assets by R450.2m (2019: R180.7m). Of the trade payables, R256m (2019: R306m) is payable to BBA Resources Pte Ltd, a related party, and the terms of payment are currently under negotiation in order to improve the liquidity position of the Group. The Group generated cash from operating activities of R241.2m (2019: R279.7m) and incurred a loss for the year of R89.2m (2019: R153.7m). The operations turned profitable during May 2020 due to the increase in chrome prices and the weakening of the Rand and consequently the first quarter EBITDA broke even in May 2020, making up for the lockdown losses.

With underground production levels at BCM back to 100% from 01 June 2020, together with the increased Rand Chrome market prices, the directors believe that the Group will generate sufficient cash from operations to continue as a going concern for the next 12 months. The directors are not aware of any material changes that may adversely impact the Group.

The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Group. The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

18. Mineral Reserves and Mineral Resources

There have been no published changes to the Mineral Reserves and Mineral Resources, as disclosed in the Annual Financial Report dated 28 February 2019.

19. Dividends

No dividend has been declared or paid for the period (28 Feb 2019: R nil).

20. Changes to the Board

During the year, Lee McCann was appointed as an executive director and Chief Executive Officer of the company.

Signed on behalf of the Board of Directors

Marcel Naude CA(SA)
Chief Financial officer

Johannesburg
16 July 2020

Directors:
BL Sibiya+ (Chairman), L McCann (CEO), MC Naude (CFO),
LJ Jordaan+, NP Thomas+
+ independent non-executive

CORPORATE INFORMATION

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Acorim Secretarial and Governance

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