

**Chrometco Limited**

(Incorporated in the Republic of South Africa)

(Registration number 2002/026265/06)

Share code: CMO

ISIN: ZAE007020249

("Chrometco" or "the Group")

**INTERIM UNREVIEWED CONDENSED CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED  
31 AUGUST 2020**

Commentary

Dear Shareholder

Although marred by the impact of Covid-19 on operations during the period, the Group managed to generate a positive cash flow from operating activities.

The Group's revenue decreased by 3% to R699.7 million and generated cash from operating activities of R87.1m (2019: R71.4m).

The Black Chrome Operations' production continued at steady state of normalised 90 000 tonnes per month throughout the period. The first phase of the chrome processing project was commissioned during November 2019 and the commissioning of the second phase is currently being finalised.

During October 2020, the integration of the two phases led to inefficiencies in production and the plant was switched off for three weeks to implement improvements. Since operations resumed in November 2020, the plant has yielded efficient output. Underground plant availability led to a drop in underground production during the latter part of October 2020, which only returned to normal levels since the beginning of December 2020.

The Group is planning on maintaining the current levels of underground production going forward and will focus on ramping up the processing project to steady state.

Impact of Covid-19

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 chrome processing 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 a month for 5 months of the year.

The Group was able to support its employees during the lockdown period, with all employees receiving a full salary. Although this added strain on the Group's reserves, it was deemed a necessity to ensure the future of the Group.

During May 2020, the underground operations effectively operated at 75% of normal production. From June 2020, the underground operations were 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. The price remained at this level until July 2020, when the price normalised around USD135 per ton. The price has since remained consistent at these levels. Additionally, the weakening of the Rand since February 2020 had a positive impact on revenue.

Condensed consolidated statement of financial position

		Unreviewed as at 31 Aug 2020	Unreviewed as at 31 Aug 2019	Audited as at 29 Feb 2020
		R'000	R'000	R'000
<b>ASSETS</b>				
Non-current assets		1,214,422	990,479	1,214,615
Tangible assets	6	1,147,785	943,043	1,169,371
Other financial assets		38,686	37,347	34,115
Deferred taxation asset		13,905	566	100
Environmental rehabilitation obligation investments		14,046	9,523	11,029
Current assets		622,153	584,301	593,661
Trade and other receivables		144,198	107,811	122,714
Inventory		323,053	172,899	321,398
Cash and cash equivalents		14,801	13,136	9,448
Non-current assets held-for-sale	7	140,101	290,455	140,101
Total assets		1,836,575	1,574,780	1,808,276
<b>EQUITY AND LIABILITIES</b>				
Capital and reserves		336,808	497,325	437,727
Stated capital		388,512	388,512	388,512
Accumulated losses		(193,947)	(111,354)	(130,041)
Attributable to equity owners of the parent		194,565	277,158	258,471
Non-controlling interest		142,243	220,167	179,256
Non-current liabilities		262,264	295,716	326,648
Deferred taxation liability		33,986	88,146	73,426
Borrowings	8	110,768	101,829	105,259
Other financial liabilities		39,978	38,106	37,720
Finance lease liability		54,158	44,226	87,878
Environmental rehabilitation provision		23,374	23,409	22,365
Current liabilities		1,237,503	781,739	1,043,901
Trade and other payables		658,318	316,768	618,082
Structured finance facility		421,368	296,613	294,992
Borrowings	8	32,361	25,778	19,374
Finance lease liability		85,833	98,620	71,815
Other financial liabilities		4,522	-	4,537
Non-current liabilities held-for-sale	7	35,101	43,960	35,101
Total equity and liabilities		1,836,575	1,574,780	1,808,276

Condensed consolidated statement of comprehensive income

		Unreviewed as at 31 Aug 2020	Unreviewed as at 31 Aug 2019	Audited as at 29 Feb 2020
		R'000	R'000	R'000
Revenue	10	699,739	719,213	1,141,492
Cost of sales		(693,367)	(635,502)	(933,405)
Gross profit		6,372	83,711	208,087
Depreciation and amortisation		(79,174)	(81,889)	(169,585)
Other income		7,102	21,633	16,541
Other expenses	11	(27,940)	(16,474)	(81,981)
Salaries		(21,852)	(19,618)	(50,975)
Professional fees		(16,302)	(5,448)	(13,768)
Maintenance expenses		(190)	(622)	(1,105)
Impairments		(2,056)	-	(4,814)
Income from discontinued operation		-	-	1,923
Investment income		1,422	943	3,521
Finance Charges		(21,544)	(19,421)	(35,861)
Loss before tax		(154,162)	(37,185)	(128,017)
Taxation		41,397	12,982	32,168
Loss for the year		(112,765)	(24,203)	(95,849)
Other comprehensive income		-	-	-
Total comprehensive loss for the year		(112,765)	(24,203)	(95,849)
<b>Attributable to:</b>				
Owners of the parent		(75,753)	(8,974)	(33,855)
Non-controlling interest		(37,015)	(15,229)	(61,995)
Basic loss per share (cents)		(2.98)	(0.35)	(1.33)
Diluted loss per share (cents)		(2.98)	(0.35)	(1.33)
Headline loss per share (cents)	12	(2.95)	(0.35)	(1.20)

Condensed consolidated statement of cash flows

	Unreviewed as at 31 Aug 2020	Unreviewed as at 31 Aug 2019 (Restated)	Audited as at 29 Feb 2020
	R'000	R'000	R'000
<i>Cash flows from operating activities</i>			
Cash generated by operations and exploration activities	93,238	71,408	241,193
Operating (loss)/profit before working capital changes	(6,780)	98,678	140,612
Working capital changes	100,018	(27,270)	100,581
Interest received	33	-	-
Finance cost	(6,164)	-	(17,972)
Tax paid	-	-	-
Net inflow from operating activities	87,107	71,408	223,221
<i>Cash flows from investing activities</i>			
Property, plant and equipment additions	(45,253)	(66,209)	(185,674)
Proceeds on disposal of property, plant and equipment	2,476	-	5,616
Increase in environmental rehabilitation obligation funds	(2,702)	(1,983)	(2,362)
Loans funded	(4,571)	(752)	(1,186)
Net cash outflows from investing activities	(50,050)	(68,944)	(183,606)
<i>Cash flows from financing activities</i>			
Finance lease payments	(43,123)	(32,324)	(70,675)
Repayment of Borrowings	(9,097)	(4,560)	(5,103)
Settlement of other financial liabilities	-	-	-
Borrowings obtained	20,516	1,945	-
Net cash outflow from financing activities	(31,704)	(34,939)	(75,778)
Net increase/(decrease) in cash and cash equivalents	5,353	(32,475)	(36,163)
Cash and cash equivalents at beginning of year	9,448	45,611	45,611
Cash and cash equivalents at end of year	14,801	13,136	9,448

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
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
Total comprehensive loss for the six months ended 31 August 2019	-	(8,974)	(15,229)	(24,203)
Balance at 31 August 2019	388,512	(105,160)	226,022	509,374
Non- controlling interest share of loss for the year	-	-	(46,766)	(46,766)
Total comprehensive loss for the year	-	(24,881)	-	(24,881)
Balance at 29 February 2020	388,512	(130,041)	179,256	437,727
Non- controlling interest share of loss for the year	-	-	(37,015)	(37,015)
Total comprehensive loss for the six months ended 31 August 2020	-	(75,753)	-	(75,753)
Balance at 31 August 2020	388,512	(205,794)	142,241	324,959

#### 1. Nature of business

The Group is a mining and exploration Group, which focuses on Chrome mining and processing in South Africa.

2. The unreviewed interim condensed consolidated financial statements for the six months ended 31 August 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 Chrometco's board of directors.

#### 3. Basis of preparation

The unreviewed interim condensed consolidated financial statements for the six months ended 31 August 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.

There were no new accounting standards which came into effect for the period ended 31 August 2020.

#### 4. Unreviewed and unaudited

These interim condensed consolidated financial statements for the six months ended 31 August 2020, are unreviewed and unaudited. 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 interim 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	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
Additions	52,078	8,672	551	61,301
Disposals	(1,874)	(1,810)	(29)	(3,713)
Depreciation	(43,214)	(33,117)	(2,843)	(79,174)
Cost	1,319,896	303,906	39,686	1,663,488
Accumulated depreciation	(326,888)	(165,626)	(23,189)	(515,703)
Carrying amount 31 August 2020	993,008	138,280	16,497	1,147,785

## 7. Non-current assets held-for- sale

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

	Unreviewed as at 31 August 2020 R'000	Unreviewed as at 31 Aug 2019 R'000	Audited as at 29 February 2020 R'000
<i>Assets included</i>			
Non-current assets	140,101	213,507	140,101
Net intangible assets	140,101	149,028	140,101
Intangible assets	145,163	149,028	145,163
Impairment	(5,062)	-	(5,062)
Non-mining property plant and equipment	-	141,427	-
<i>Liabilities included</i>			
Non-current liabilities	35,101	43,960	35,101
Deferred tax	29,965	29,339	29,965
Environmental rehabilitation obligation	5,078	14,033	5,078
Other	58	588	58

## 8. Borrowings



## Borrowings roll forward

	Unreviewed as at 31 Aug 2020	Unreviewed as at 31 Aug 2019	Audited as at 29 Feb 2020
	R' 000	R' 000	R' 000
Opening balance:	124,633	119,298	119,298
Interest incurred	7,105	10,924	10,438
Repayments	(9,097)	(4,560)	(5,103)
Loans obtained	20,488	1,945	-
Closing Balance	143,129	127,607	124,633
- Non-current	110,768	101,829	105,259
- Current	32,361	25,778	19,374

## 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 (R7.5 million) and as mobile mining vehicles (R8.7 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.

## 10. Revenue

### Disaggregation of revenue:

	Unreviewed as at 31 Aug 2020 R' 000	Unreviewed as at 31 Aug 2019 R' 000	Audited as at 29 Feb 2020 R' 000
Export sales	699,739	595,456	1,137,943
Local sales	-	123,767	3,549
Total sales	699,739	719,213	1,141,492

## 11. Other expenses

### Other expenses include:

	Unreviewed as at 31 Aug 2020 R' 000	Audited as at 29 Feb 2020 R' 000
Insurance	3,591	7,313
Utilities	367	-
Travel and accommodation	582	2,542
Community and local development	426	495
Commission and banking charges	2,881	5,345
Foreign exchange losses	17,304	55,164
Computer expenses	1,708	3,429
Other	1,081	7,693

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

	Unreviewed as at 31 Aug 2020 R' 000	Unreviewed as at 31 Aug 2019 R' 000	Audited as at 29 Feb 2020 R' 000
Loss after taxation attributable to equity holders of the Group	(75,753)	(8,974)	(33,855)
Impairment, net of tax	741	-	3,466
Headline loss	(75,012)	(8,974)	(30,389)
Weighted average number of shares in issue	2,542,429	2,542,429	2,542,429
Diluted weighted average number of shares in issue	2,542,429	2,542,429	2,542,429
Headline loss per share (cents)	(2.95)	(0.35)	(1.20)
Diluted headline loss per share (cents)	(2.95)	(0.35)	(1.20)

## 12.1 Weighted average number of shares

	Unreviewed as at 31 Aug 2020 R' 000	Unreviewed as at 31 Aug 2019 R' 000	Audited as at 29 Feb 2020 R' 000
Shares in issue at the beginning of the year	2,542,429	2,542,429	2,542,429
Weighted average shares issued during the year	-	-	-
Weighted average number of shares	2,542,429	2,542,429	2,542,429
Closing number of shares	2,542,429	2,542,429	2,542,429

## 13. Related party transactions

### 13.1 Related party transactions

	Unreviewed as at 31 Aug 2020 R' 000	Unreviewed as at 31 Aug 2019 R' 000	Audited as at 29 Feb 2020 R' 000
Sales/(Purchases from) to Phokathaba Platinum Pty Ltd	-	120,218	(25,505)
Sales to Sail International Marketing Pte Ltd	699,739	595,446	1,137,943

### 13.2 Related party balances

	Unreviewed as at 31 Aug 2020 R' 000	Unreviewed as at 31 Aug 2019 R' 000	Audited as at 29 Feb 2020 R' 000
Loans receivable from related parties			
Onicastar (Pty) Ltd	25,783	26,322	25,783
Sail Holdings (Pty) Ltd	11,132	8,089	6,532
Phokathaba Platinum (Pty) Ltd	-	28	28
Total	36,915	34,439	32,343
Loans payable to related parties			
25 Sunninghill Office Park (Pty) Ltd	(8,745)	(8,879)	(8,409)
Sunninghill Offices 07 (Pty) Ltd	(2,867)	(4,139)	(3,326)
Calculated Property Investments (Pty) Ltd	(459)	(12,760)	(7,639)
Total	(12,071)	(25,778)	(19,374)

These loans bear interest at prime interest rate

Accounts payable to Sail International Marketing Pte Ltd	(168,947)	(119,893)	(256,260)
Accounts payable to Phokathaba Platinum (Pty) Ltd	(31,399)	(69,613)	(43,304)
Accounts receivable from Phokathaba Platinum (Pty) Ltd	26,214	-	-
Accounts payable to 25 Sunninghill Office Park (Pty) Ltd	-	-	(339)
Total	(174,132)	(189,506)	(299,903)
Amounts owed to (included in Other financial liabilities)			
Sail International Marketing Pte Ltd	(39,978)	(33,570)	(37,720)
Sail Logistics (Pty) ltd	(825)	(825)	(2,234)
Sail Mining CC	(3,696)	(3,711)	(3,711)
Total	(44,499)	(38,106)	(43,665)

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 31 August 2020.

#### 14. Subsequent events

During October 2020, the integration of the two phases of the chrome processing project led to inefficiencies in production and the plant was switched off for three weeks to implement improvements. Since operations resumed in November 2020, the plant has yielded efficient output.

Underground plant availability led to a drop in underground production during the latter part of October 2020, which has returned to normal capacity since the beginning of December 2020. At the worse, it dropped to 50% of normal capacity and has since recovered to normal capacity.

This added strain on cash flows over this period.

On 16 November 2020, the Group managed to subordinate R230m of the payable to Sail International Marketing Pte Ltd ("SIM"). SIM agreed to the following subordination terms:

- Subordinated R230m for the benefit of other creditors of the Group
- Claims of such other creditors, both present and future, will rank preferent to the subordinated claim of SIM against the Group
- The subordination terms shall remain in force and effect for a period of 24 months

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

## 15. Going concern

As at 31 August 2020, the Groups current liabilities exceed its current assets by R615.3m (2019: R197.4m). The Group generated cash from operating activities of R87,1m (2019: R71.4m) and incurred a loss for the year of R112.7m (2019: R24.3m). To improve the liquidity position of the Group, the group managed to subordinate R230m of the total payable to Sail International Marketing Pte Ltd as indicated above. Further to the abovementioned point, the Group notes that the structured finance facility of R421m is supported by tonnages which are already on hand. Despite the impact of Covid-19 as well as the challenges which were faced, the Group has been able to generate a positive cash flow.

Although the underground production levels have recovered to normal capacity, the temporary decrease in underground and chrome processing production levels has added pressure on the Group's liquidity position.

The Group is planning on maintaining the current levels of underground production going forward and will focus on ramping up the processing project to steady state.

Based on historical chrome price movement, the chrome price drops and rises significantly throughout the year. This movement in the chrome price can result in periods when the chrome price is substantially below the Group's breakeven price.

Based on the current levels of production and a consistent chrome price, the Group will generate sufficient cash from its operations to meet its obligations as they fall due.

Should the Group go through another period of reduced production levels and/or experience a drop in the chrome price, it could cause a material uncertainty for the Group to meet its obligations as they fall due and its ability to continue as a going concern.

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.

## 16. 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 29 February 2020.

## 17. Dividends

No dividend has been declared or paid for the period (31 Aug 2019: R nil).

## 18. Changes to the Board

On 8 May 2020 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  
14 December 2020

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

#### CORPORATE INFORMATION

Designated Advisor:  
PSG Capital

Company Secretary:  
Acorim Secretarial and Governance

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