

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 2021**

Commentary

Dear Shareholder

As communicated in the 2021 annual report, the Group has been under severe financial pressure due to the prevailing chrome market as well as the ongoing impact of Covid-19 on operations. This resulted in Sail Contracting being placed in provisional liquidation on 5 July 2021 and the flagship operation, Black Chrome Mine, being put into care and maintenance soon thereafter. Subsequently Sail Minerals has been placed into business rescue on 23 September 2021 and Sail Contracting has gone into final liquidation on 21 October 2021. At present all mining operations in the Group are on hold.

The Group is actively working on a recapitalisation and restructure plan and is in advanced discussions with various funders in this regard. Operations at Black Chrome Mine are envisaged to re-commence on a limited basis before the end of February 2022 with ramp up to full production planned to take place during the second to third quarter of the 2023 financial year.

Currently the Group has ongoing standing costs which are being funded through ad hoc revenue prior to the re-commencement of operations. The Group is confident that the current business plan, together with the funding initiatives, will return the business to profitability during the next twelve months with sufficient liquidity to continue operating as a going concern over this period.

During the six months to end of August 2021 Group revenue has decreased from the comparable period in 2020 by 43.6% to R394.9 million. Although the Group incurred a loss of R383.7 million (2020: R112.7 million), it generated cash from operating activities of R42.9 million.

The results for the reporting period have been negatively impacted by lower revenue due to the shut down of operations in July and the following once-off impairments to the value of R329.8 million:

- With Sail Contracting being placed in liquidation the Group has lost control over this subsidiary and hence it was derecognized from consolidation into the Group results. This resulted in a loan of R133.8 million owing by this entity as a related party being impaired as well as a provision for bad debts against trade receivables of R115.8 million being made.
- The value of the mining right of the Rooderand operation being held for sale has been impaired by R64.2 million, in line with the current offer for this asset.

- The R25.9 million loan owing by a related party, Onicastar (Pty) Ltd, has been impaired by R15.9 million, based on the realistic fair value to be received for this loan based on the contractual agreement.

Condensed consolidated statement of financial position

		Unreviewed as at 31 Aug 2021	Unreviewed as at 31 Aug 2020	Audited as at 28 Feb 2021
		R'000	R'000	R'000
ASSETS				
Non-current assets		911,015	1,214,422	1,147,610
Tangible assets	6	816,752	1,147,785	1,081,383
Other financial assets		18,002	38,686	34,712
Deferred taxation asset		62,592	13,905	15,533
Environmental rehabilitation obligation investments		13,669	14,046	15,982
Current assets		292,222	622,153	453,808
Trade and other receivables		80,986	144,198	109,761
Inventory		131,413	323,053	202,235
Cash and cash equivalents		4,035	14,801	1,786
Non-current assets held-for-sale	7	75,788	140,101	140,026
Total assets		1,203,237	1,836,575	1,601,418
EQUITY AND LIABILITIES				
Capital and reserves		(144,046)	336,808	185,049
Stated capital		388,512	388,512	388,512
Accumulated losses		(403,941)	(193,947)	(227,747)
Attributable to equity owners of the parent		(15,429)	194,565	160,765
Non-controlling interest		(128,617)	142,243	24,284
Non-current liabilities		132,750	262,264	422,262
Deferred taxation liability		-	33,986	1,616
Borrowings	8	85,757	110,768	114,304
Other financial liabilities		-	39,978	230,000
Lease liability	9	19,738	54,158	50,362
Environmental rehabilitation provision		27,255	23,374	25,980
Current liabilities		1,214,533	1,237,503	994,107
Trade and other payables		474,232	658,318	475,728
Structured finance facility		332,357	421,368	357,030
Borrowings	8	38,772	32,361	19,868
Lease liability	9	59,618	85,833	71,911
Other financial liabilities		273,770	4,522	34,026
Non-current liabilities held-for-sale	7	35,784	35,101	35,544
Total equity and liabilities		1,203,237	1,836,575	1,601,418

Condensed consolidated statement of comprehensive income

		Unreviewed as at 31 Aug 2021	Unreviewed as at 31 Aug 2020	Audited as at 28 Feb 2021
		R'000	R'000	R'000
Revenue	10	394,908	699,739	1,422,779
Cost of sales		(488,169)	(693,367)	(1,533,118)
Gross profit		(93,261)	6,372	(110,339)
Depreciation and amortisation		(60,313)	(79,174)	(158,498)
Other income	11	134,829	7,102	99,489
Other expenses	12	(139,614)	(27,940)	(36,230)
Salaries		(11,972)	(21,852)	(38,778)
Professional fees		(8,294)	(16,302)	(25,563)
Maintenance expenses		(220)	(190)	(519)
Impairments	13	(216,691)	(2,056)	(9,165)
Investment income		3,013	1,422	9,850
Finance Charges		(37,710)	(21,544)	(70,042)
Loss before tax		(430,533)	(154,162)	(339,795)
Taxation		46,770	41,397	87,120
Loss for the year		(383,763)	(112,765)	(252,675)
Other comprehensive income		-	-	-
Total comprehensive loss for the year		(383,763)	(112,765)	(252,675)
Attributable to:				
Owners of the parent		(176,308)	(75,753)	(97,702)
Non-controlling interest		(207,455)	(37,015)	(154,973)
Basic loss per share (cents)		(6.93)	(2.98)	(3.84)
Diluted loss per share (cents)		(6.93)	(2.98)	(3.84)
Headline and diluted headline loss per share (cents)	14	(2.02)	(2.95)	(3.58)

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Condensed consolidated statement of cash flows

	Unreviewed as at 31 Aug 2021	Unreviewed as at 31 Aug 2020	Audited as at 28 Feb 2021
	R'000	R'000	R'000
<i>Cash flows from operating activities</i>			
Cash generated by operations and exploration activities	42,915	93,238	126,145
Operating loss before working capital changes	(36,971)	(6,780)	(168,871)
Working capital changes	79,886	100,018	295,016
Interest received	-	33	-
Finance cost	(12,173)	(6,164)	(15,121)
Tax paid	-	-	-
Net inflow from operating activities	30,742	87,107	111,024
<i>Cash flows from investing activities</i>			
Property, plant and equipment additions	(6,313)	(45,253)	(104,526)
Proceeds on disposal of property, plant and equipment	2,530	2,476	67,656
Decrease / (increase) in environmental rehabilitation obligation funds	2,636	(2,702)	(4,298)
Loans repaid / (funded)	710	(4,571)	(597)
Net cash outflows from investing activities	(437)	(50,050)	(41,765)
<i>Cash flows from financing activities</i>			
Finance lease payments	(32,717)	(43,123)	(100,242)
Loans received	8,180		28,126
Repayment of borrowings	(3,448)	(9,097)	(10,961)
Settlement of other financial liabilities	-	-	(104)
Borrowings obtained	-	20,516	6,260
Net cash outflow from financing activities	(27,985)	(31,704)	(76,921)
Net increase/(decrease) in cash and cash equivalents	2,320	5,353	(7,622)
Cash and cash equivalents at beginning of year	1,786	9,448	9,448
Net cash movement on derecognition of subsidiary	(70)	-	-
Cash and cash equivalents at end of year	4,036	14,801	1,786

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 1 March 2020	388,512	(130,041)	179,256	437,727
Non-controlling interest share of loss for the six months	-	-	(37,015)	(37,015)
Total comprehensive loss for the six months	-	(75,753)	-	(75,753)
Balance at 31 August 2020	388,512	(205,794)	142,241	324,959
Non-controlling interest share of loss for the six months	-	-	(117,958)	(117,958)
Total comprehensive loss for the six months	-	(21,949)	-	(21,949)
Balance at 28 February 2021	388,512	(227,747)	24,284	185,049
Non-controlling interest share of loss for the six months	-	-	(207,455)	(207,455)
Total comprehensive loss for the six months	-	(176,308)	-	(176,308)
Derecognition of subsidiary	-	114	54,555	54,669
Balance at 31 August 2021	388,512	(403,941)	(128,616)	(144,045)

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 2021 have been prepared by the Group's financial reporting team, supervised by Chrometco's Interim Chief Financial Officer, Mr. Tjaart van der Walt 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 2021 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 Pronouncements as issued by the Financial Reporting Standards 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 2021.

4. Unreviewed and unaudited

These interim condensed consolidated financial statements for the six months ended 31 August 2021, are unreviewed and unaudited.

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	1,332,063	238,016	43,826	1,613,905
Accumulated depreciation	(354,045)	(150,573)	(27,904)	(532,522)
Carrying amount 28 February 2021	978,018	87,443	15,922	1,081,383
Additions	16,962	-	111	17,073
Disposals	(2,234)	(22,918)	(9)	(25,161)
Effect of modification to lease term - right-of-use asset	(7,657)	-	-	(7,657)
Derecognition of subsidiary	(182,831)	(2,330)	(3,111)	(188,272)
Depreciation	(36,225)	(21,569)	(2,818)	(60,613)
Cost	1,132,835	201,571	37,621	1,372,027
Accumulated depreciation	(366,803)	(160,945)	(27,527)	(555,275)
Carrying amount 31 August 2021	766,032	40,626	10,094	816,752

7. Non-current assets held-for- sale

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

	Unreviewed as at 31 August 2021 R'000	Unreviewed as at 31 Aug 2020 R'000	Audited as at 28 February 2021 R'000
<i>Assets included</i>			
Non-current assets	75,788	140,101	140,026
Net intangible assets	75,788	140,101	140,026
Intangible assets	145,088	145,163	145,088
Impairment	(69,300)	(5,062)	(5,062)
<i>Liabilities included</i>			
Non-current liabilities	35,784	35,101	35,444
Deferred tax	29,965	29,965	29,965
Environmental rehabilitation obligation	5,819	5,078	5,521
Other	-	58	58

8. Borrowings

Borrowings roll forward

	Unreviewed as at 31 Aug 2021	Unreviewed as at 31 Aug 2020	Audited as at 28 Feb 2021
	R' 000	R' 000	R' 000
Opening balance:	134,171	124,633	124,633
Interest incurred	6,566	7,105	14,239
Repayments	(3,627)	(9,097)	(10,961)
Loans obtained	-	20,488	6,260
Derecognition of subsidiary	(12,761)	-	-
Transferred to other financial assets	180	-	-
Closing Balance	124,529	143,129	134,172
- Non-current	85,757	110,768	114,304
- Current	38,772	32,361	19,868

9. Leases

The Group leases certain of its mining equipment and mining vehicles under finance leases.

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 1.01% to 13.34%.

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.

Assets which are subject to lease liabilities are held as collateral to the lessor. The total assets which are subject to lease have a cost of R184.6 million (28 February 2021: R234.6 million) and have a carrying value of R125.4 million (28 February 2021: R174.7 million).

10. Revenue

Disaggregation of revenue:

	Unreviewed as at 31 Aug 2021 R' 000	Unreviewed as at 31 Aug 2020 R' 000	Audited as at 28 Feb 2021 R' 000
Export sales	326,104	699,739	1,370,384
Local sales	68,804	-	52,395
Total sales	394,908	699,739	1,422,779

11. Other income

	Unreviewed as at 31 Aug 2021 R' 000	Unreviewed as at 31 Aug 2020 R' 000	Audited as at 28 Feb 2021 R' 000
Other income include:			
Foreign exchange gains	40,505	-	60,615
Debt waiver related party	92,743	-	-
Discounting of suppliers	-	-	17,359
Cost recovery - legal	-	-	11,328
UIF refunds	-	7,316	7,316
Other	1,580	(214)	2,871

12. Other expenses

	Unreviewed as at 31 Aug 2021 R' 000	Unreviewed as at 31 Aug 2020 R' 000	Audited as at 28 Feb 2021 R' 000
Other expenses include:			
Insurance	4,363	3,591	7,284
Travel and accommodation	620	582	1,412
Commission and bank charges	2,419	2,881	9,434
Foreign exchange losses	-	17,304	-
Computer expenses	1,161	1,708	3,403
Disposal and scrapping of assets	3,996	-	7,260
Write-off diesel levy claim	6,493	-	-
Provision bad debts	115,854	-	-
Other	4,709	1,874	7,437

13. Impairment

	Unreviewed as at 31 Aug 2021 R' 000	Unreviewed as at 31 Aug 2020 R' 000	Audited as at 28 Feb 2021 R' 000
Other financial assets	152,453	2,056	9,165
Non-current assets held for sale	64,238	-	-

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

	Unreviewed as at 31 Aug 2021 R' 000	Unreviewed as at 31 Aug 2020 R' 000	Audited as at 28 Feb 2021 R' 000
Loss after taxation attributable to equity holders of the Group	(176,308)	(75,753)	(97,702)
Impairment, net of tax and non-controlling interest	124,855	741	6,599
Headline loss	(51,453)	(75,012)	(91,103)
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)	(2.02)	(2.95)	(3.58)
Diluted headline loss per share (cents)	(2.02)	(2.95)	(3.58)

15. Derecognition of subsidiary

	Unreviewed as at 31 Aug 2021 R' 000	Unreviewed as at 31 Aug 2020 R' 000	Audited as at 28 Feb 2021 R' 000
Net liabilities	(56,415)	-	-
Net equity	54,669	-	-
Group net liability to Sail Contracting (Pty) Ltd	1,747	-	-

16. Related party transactions

16.1 Related party transactions

	Unreviewed as at 31 Aug 2021	Unreviewed as at 31 Aug 2020	Audited as at 28 Feb 2021
	R'000	R'000	R'000
Purchases from Phokathaba Platinum (Pty) Ltd	(17,781)	-	(33,022)
Sales to Sail International Marketing Pte Ltd	332,934	699,739	1,224,979

16.2 Related party balances

	Unreviewed as at 31 Aug 2021	Unreviewed as at 31 Aug 2020	Audited as at 28 Feb 2021
	R'000	R'000	R'000
Loans receivable from related parties			
Onicastar (Pty) Ltd	9,812	25,783	25,783
Sail Holdings (Pty) Ltd	7,302	11,132	7,129
Phokathaba Platinum (Pty) Ltd	-	-	28
Sunninghill Offices 07 (Pty) Ltd	179	-	-
Total	17,293	36,915	32,940
Loans payable to related parties			
25 Sunninghill Office Park (Pty) Ltd	-	(8,745)	(8,930)
Sunninghill Offices 07 (Pty) Ltd	-	(2,867)	(2,902)
Calculated Property Investments (Pty) Ltd	-	(459)	(4,036)
Phokathaba Platinum (Pty) Ltd	(31,144)	-	(29,594)
Total	(31,144)	(12,071)	(45,462)
Accounts payable to Sail International Marketing Pte Ltd	(44,652)	(168,947)	(127,702)
Accounts receivable / (payable) to Phokathaba Platinum (Pty) Ltd	30,283	(5,185)	33,865
Accounts payable to Sunninghill Office Park (Pty) Ltd	(1,619)	-	(1,600)
Accounts payable to Sail Contracting (Pty) Ltd	(247,852)	-	-
Accounts payable to Sail Holdings (Pty) Ltd	(834)	-	-

	Unreviewed as at 31 Aug 2021 R'000	Unreviewed as at 31 Aug 2020 R'000	Audited as at 28 Feb 2021 R'000
Accounts payable to Sail Logistics (Pty) Ltd	(1,409)	-	-
Total	(266,084)	(174,132)	(95,437)
Amounts owed to related parties			
Sail International Marketing Pte Ltd	(230,000)	(39,978)	(230,000)
Sail Logistics (Pty) ltd	(825)	(825)	(825)
Sail Mining CC	(3,586)	(3,696)	(3,607)
Total	(234,411)	(44,499)	(234,432)

The balance owing to Sail International Marketing Pte Ltd bears no interest and has no fixed terms of repayment within 12 months from 31 August 2021.

14. Subsequent events

Sail Contracting was placed in final liquidation on 22 October 2021, after being placed in provisional liquidation on 5 July 2021. Due to the Group having lost control of this subsidiary due to its liquidation status it has been derecognized from the Group consolidation in terms of IFRS 10 from 5 July 2021.

Sail Minerals have been placed in business rescue on 23 September 2021.

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 2021, the Group's current liabilities exceed its current assets by R922.3 million (28 February 2021: R540.3 million). The Group generated cash from operating activities of R42.9 million (2020: R93.2 million) and incurred a loss for the six months of R383.7 million (2020: R112.7 million).

The Group is actively working on a recapitalisation and restructure plan, with discussions with potential funders at an advanced stage. It is expected that operations at Black Chrome Mine will re-commence before the end of February 2022. Current standing costs are being funded through ad hoc revenue.

It is expected that the operational restructuring, together with the funding initiatives, will return the business to profitability during the next twelve months with sufficient liquidity to continue operating as a going concern.

There is however still a material uncertainty if the Group will be able to meet its obligations as they fall due and its ability to continue as a going concern, in the event that the abovementioned initiatives do not come to fruition.

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 28 February 2021.

17. Dividends

No dividend has been declared or paid for the period (31 Aug 2020: R nil).

18. Changes to the Board

On 23 September 2021 Marcel Naude resigned as an executive director and Chief Financial Officer of the company.

Signed on behalf of the Board of Directors

Tjaart van der Walt CA(SA)
Interim Chief Financial officer

Johannesburg
30 November 2021

Directors:
BL Sibiyah (Chairman), L McCann (CEO),
LJ Jordaan, NP Thomas
+ independent non-executive

CORPORATE INFORMATION

Designated Advisor:
PSG Capital

Company Secretary:
Acorim Secretarial and Governance

Registered Office
Unit 25 Sunninghill Office Park
4 Peltier Drive
Sunninghill
Gauteng
2196

Postal address
PO Box 1553
Kelvin
2054