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 28 FEBRUARY 2021

Commentary

Dear Shareholder

The Group and the rest of the mining industry were faced with numerous challenges during the past year. Despite all the challenges the Group faced, we still managed to make significant strategic headway.

The final phase of the chrome processing plant was commissioned during the latter part of the period, which resulted in the Group becoming a primary chrome concentrate producer. Management is in the process of improving the efficiencies of the chrome processing plant.

The Group’s revenue increased by 25% to R1,42 billion and generated cash from operating activities of R111.0m (2020: R223.2m).

The direct impact of the COVID-19 lockdown for five weeks over April 2020 and reduced capacity of 50% during May 2020, led to 120 000 tonnes reduction in underground mining production, with an approx. impact of R100m during the first quarter. Despite these challenging economic circumstances, we were still able to pay our employees full salaries for these two months. During the period following the lockdown, the Group incurred additional health and safety cost, as well as lower staff availability estimated at more than R50m.

The Group’s results for the year were further impacted by a significant increase in logistics cost, as well as a depressed chrome market price. The average inland logistics rate for the year was R580/t (FY2020: R436/t), with an approx. impact of R115m year on year. The average chrome market price for the year was USD141/t (FY2020: USD151/t), with an approx. impact of R130m year on year.

The impact of a significant drop in the chrome market price during quarter 3 on liquidity resulted in a temporary decrease in underground and chrome processing production levels during quarter 3 of the 2021 financial year. At year end, the chrome market price recovered USD175/t and currently trading at USD157/t. However, the increase in the chrome market price, has been offset by the significant increase in freight rates from an average of USD19/t for the year to the current rate of USD35/t.

Subsequent to year end, the Group secured a life of mine offtake agreement with a reputable PGM producer for its intermediate product produced by the chrome processing plant. In terms of the offtake agreement, the Group received an advance of approx. R57m for securing the supply of intermediate product. In addition, the Group disposed of its historical intermediate product for provisional amount of approx. R60m.

This will also result in additional cash inflows of approximately USD1m per month at steady state, as a result of realising the PGMs in the intermediate product under the offtake agreement.

As a consequence of the increase in inland logistics and freight rates, it became uneconomical for the Group to export lower grade chrome ore financed by and securitised to ABSA. As a result of this material not being exported ABSA has notified the Group of a breach of the facility on 26 May 2021. The Group is in discussion with ABSA to resolve the breach.

The auditors review conclusion is available for inspection at the Group’s registered address.

Condensed consolidated statement of financial position

	Note	Reviewed as at 28 Feb 2021 R'000	Audited as at 29 Feb 2020 R'000
ASSETS			
Non-current assets		1,147,610	1,214,615
Tangible assets	6	1,081,383	1,169,371
Other financial assets		34,712	34,115
Deferred taxation asset		15,533	100
Environmental rehabilitation obligation investments		15,982	11,029
Current assets		453,808	593,661
Trade and other receivables		109,761	122,714
Inventory		202,235	321,398
Cash and cash equivalents		1,786	9,448
Non-current assets held-for-sale		140,026	140,101
Total assets		1,601,418	1,808,276
EQUITY AND LIABILITIES			
Capital and reserves		185,049	437,727
Stated capital		388,512	388,512
Accumulated losses		(227,747)	(130,041)
Attributable to equity owners of the parent		160,765	258,471
Non-controlling interest		24,284	179,256
Non-current liabilities		422,262	326,648
Deferred taxation liability		1,616	73,426
Borrowings	7	114,304	105,259
Other financial liabilities	8	230,000	37,720
Finance lease liability		50,362	87,878
Environmental rehabilitation provision		25,980	22,365
Current liabilities		994,107	1,043,901
Trade and other payables		475,728	618,082
Structured finance facility		357,030	294,992
Borrowings	7	19,868	19,374
Finance lease liability		71,911	71,815
Other financial liabilities	8	34,026	4,537
Non-current liabilities held-for-sale		35,544	35,101
Total equity and liabilities		1,601,418	1,808,276

Condensed consolidated statement of comprehensive income

	Note	Reviewed as at 28 Feb 2021	Audited as at 29 Feb 2020
		R'000	R'000
Revenue	9	1,422,779	1,141,492
Cost of sales		(1,533,118)	(933,405)
Gross (loss)/profit		(110,339)	208,087
Depreciation and amortisation		(158,498)	(169,585)
Other income	10	99,489	16,541
Other expenses		(36,230)	(81,981)
Salaries		(38,778)	(50,975)
Professional fees		(25,563)	(13,768)
Maintenance expenses		(519)	(1,105)
Impairment	11	(9,165)	(4,814)
Income from discontinued operation		-	1,923
Investment income		9,850	3,521
Finance Charges		(70,042)	(35,861)
Loss before tax		(339,795)	(128,017)
Taxation		87,120	32,168
Loss for the year		(252,675)	(95,849)
Other comprehensive income		-	-
Total comprehensive loss for the year		(252,675)	(95,849)
Attributable to:			
Owners of the parent		(97,702)	(33,855)
Non-controlling interest		(154,973)	(61,995)
Basic loss per share (cents)		(3.84)	(1.33)
Diluted loss per share (cents)		(3.84)	(1.33)
Headline loss per share (cents)	12	(3.58)	(1.20)
Diluted headline loss per share (cents)	12	(3.58)	(1.20)

Condensed consolidated statement of cash flows

	Reviewed as at 28 Feb 2021 R'000	Audited as at 29 Feb 2020 R'000
Cash flows from operating activities		
Cash generated by operations and exploration activities	126,145	241,193
Operating profit before working capital changes	(168,871)	140,612
Working capital changes	295,016	100,581
Interest received	-	-
Finance cost	(15,121)	(17,972)
Tax paid	-	-
Net inflow from operating activities	111,024	223,221
Cash flows from investing activities		
Property, plant and equipment additions	(104,526)	(185,674)
Proceeds on disposal of property, plant and equipment	67,656	5,616
Increase in environmental rehabilitation obligation funds	(4,298)	(2,362)
Loans funded	(597)	(1,186)
Net cash outflows from investing activities	(41,765)	(183,606)
Cash flows from financing activities		
Finance lease payments	(100,242)	(70,675)
Loan from related party	28,126	-
Repayment of Borrowings	(10,961)	(5,103)
Settlement of other financial liabilities	(104)	-
Borrowings obtained	6,260	-
Drawdown on ABSA facility	-	-
Net cash outflow from financing activities	(76,921)	(75,778)
Net decrease in cash and cash equivalents	(7,662)	(36,163)
Cash and cash equivalents at beginning of year	9,448	45,611
Cash and cash equivalents at end of year	1,786	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 1 March 2019 as restated	388,512	(96,186)	241,251	533,577
Non-controlling interest share of loss for the year	-	-	(61,995)	(61,995)
Total comprehensive loss for the year	-	(33,855)	-	(33,855)
Balance at 29 February 2020	388,512	(130,041)	179,256	437,727
Non-controlling interest share of loss for the year			(154,973)	(154,973)
Total comprehensive loss for the year		(97,702)		(97,702)
Balance at 28 February 2021	388,512	(227,743)	24,283	(185,052)

1. Nature of business
Chrometco Limited ("Chrometco" or "the Group") is a mining and exploration Group, which focuses on Chrome mining and processing in South Africa.

2. The provisional condensed consolidated financial statements for the year ended 28 February 2021 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. The directors take full responsibility for the preparation of the provisional condensed consolidated annual financial statements.

3. Basis of preparation
The provisional condensed consolidated annual financial statements for the year ended 28 February 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.

4. Provisional
These provisional condensed consolidated financial statements for the year ended 28 February 2021, have been reviewed by the Group'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	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	83,088	47,636	3,799	134,523
Environmental obligation change in estimate	1,491	-	-	1,491
Disposals	(3,126)	(60,659)	(1,219)	(65,004)
Depreciation	(88,953)	(64,069)	(5,476)	(158,498)
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

7. Borrowings

Borrowings roll forward

	Reviewed as at 28 February 2021	Audited as at 29 February 2020
	R'000	R'000
Opening balance:	124,633	119,298
Interest incurred	14,239	10,438
Repayments	(10,961)	(5,103)
Loans obtained from related party	6,260	-
Closing Balance	134,172	124,633
- Non-current	114,304	105,259
- Current	19,868	19,374

8. Other financial liabilities

	Reviewed as at 28 February 2021 R'000	Audited as at 29 February 2020 R'000
Sail International Marketing Pte Ltd (i)	230,000	37,720
Sail Logistics (Pty) Ltd	825	825
Sail Mining CC	3,608	3,712
Phokathaba Platinum (Pty) Ltd	29,594	-
Total	264,026	42,257
Non-current liabilities	230,000	37,720
Current liabilities	34,026	4,537
Total	264,026	42,257

(i) 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

9. Revenue
Disaggregation of revenue:

	Reviewed as at 28 February 2021 R'000	Audited as at 29 February 2020 R'000
Export sales of chrome	1,370,384	1,137,943
Local sales of chrome	1,535	3,549
Local sales of intermediate product	50,860	-
	1,422,779	1,141,492

10. Foreign exchange gains/(losses)

	Reviewed as at 28 February 2021 R’000	Audited as at 29 February 2020 R’000
Realized gain/(loss)	16,062	(501)
Unrealized gain/(loss)	44,553	(54,663)
Total	60,615	(55,164)

During the prior financial year ended 29 February 2020, foreign exchange losses of R55.1m was recognised as part of Other expenses however, foreign exchange gains have been recognised as part of Other income in the current financial period.

11. Impairment

	Reviewed as at 28 February 2021 R’000	Audited as at 29 February 2020 R’000
Other financial assets	9,165	4,814

The impairment of other financial assets related to the write down of the Onicastar loan interest incurred during the year.

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

	Reviewed as at 28 February 2021 R'000	Audited as at 29 February 2020 R'000
Loss after taxation attributable to equity holders of the Group	(97,702)	(33,855)
Impairment, net of tax	6,599	3,466
Headline loss	(91,103)	(30,389)
Weighted average number shares in issue	2,542,429	2,542,429
Diluted weighted average number shares in issue	2,542,429	2,542,429
Headline loss per share (cents)	(3.58)	(1.20)
Diluted headline loss per share (cents)	(3.58)	(1.20)

12.1 Weighted average number of shares

	Reviewed as at 28 Feb 2021	Audited as at 29 Feb 2020
	R'000	R'000
Shares in issue at the beginning of the year	2,542,429	2,542,429
Weighted average shares issued during the year	-	-
Weighted average number of shares	2,542,429	2,542,429
Closing number of shares	2,542,429	2,542,429

13. Related party transactions

13.1 Related party transactions

	Reviewed as at 28 Feb 2021	Audited as at 29 Feb 2020
	R'000	R'000
Sales to Sail International Marketing Pte Ltd	1,224,979	1,137,943
Purchases from Phokathaba Platinum (Pty) Ltd	(33,022)	(25,505)

13.2 Related party balances

	Reviewed as at 29 Feb 2021	Audited as at 29 Feb 2020
	R'000	R'000
Loans receivable from related parties		
Onicastar (Pty) Ltd	25,783	25,783
Sail Holdings (Pty) Ltd	7,129	6,532
Phokathaba Platinum (Pty) Ltd	28	28
	32,940	32,343
Loans payable to related parties		
25 Sunninghill Office Park (Pty) Ltd	(8,930)	(8,409)
Sunninghill Offices 07 (Pty) Ltd	(2,902)	(3,326)
Calculated Property Investments (Pty) Ltd	(4,036)	(7,639)
Phokathaba Platinum (Pty) Ltd	(29,594)	-
	(45,462)	(19,374)
Accounts (payable to)/receivable from		
Sail International Marketing Pte Ltd	(127,702)	(256,260)
Phokathaba Platinum (Pty) Ltd	33,865	(43,304)
25 Sunninghill Office Park (Pty) Ltd	(1,600)	(339)
	(95,437)	(299,903)

Amounts owed to (included in Other financial liabilities):		
Sail International Marketing Pte Ltd	(230,000)	(37,720)
Sail Logistics (Pty) Ltd	(825)	(2,234)
Sail Mining CC	(3,607)	(3,711)
	(234,432)	(43,665)

The balance owing to Sail International Marketing Pte Ltd bears no interest and has no fixed terms of repayment. The balance of R230m has been subordinated in favour of other creditors of the Group.

14.Subsequent events

PGM offtake agreement
During the first quarter of 2022, the Group secured a life of mine offtake agreement with a reputable PGM producer for its intermediate product produced by the chrome processing plant.

In terms of the offtake agreement, the Group received an advance of approx. R57m for securing the supply of intermediate product. In addition, the Group disposed of its historical intermediate product for provisional amount of approx. R60m.

This will also result in additional cash inflows of approximately USD1m per month at steady state, as a result of realising the PGMs in the intermediate product under the offtake agreement.

ABSA Structured Trade Finance Facility – notice of breach
As a consequence of the increase in inland logistics and freight rates, it became uneconomical for the Group to export lower grade chrome ore financed by and securitised to ABSA. As a result of this material not being exported ABSA has notified the Group of a breach of the facility on 26 May 2021. The Group is in discussion with ABSA to resolve the breach.

15. Going concern

As at 28 February 2021, the Groups current liabilities exceed its current assets by R540.3m (2020: R450.2m). The Group incurred a loss for the year of R252.7m (2020: R95.8m). 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 from operating activities.

The direct impact of the COVID-19 lockdown for five weeks over April 2020 and reduced capacity of 50% during May 2020, led to a 120 000 tonne reduction in underground mining tonnes.

Over and above the impact of COVID-19, the temporary decrease in underground and chrome processing production levels during quarter 3 of the 2021 financial year added pressure on the Group’s liquidity position.

The significant increase in logistics cost has largely offset the increase in the chrome price between the low levels experienced towards the end of Dec 2020 of USD130/t and the current levels of USD160/t.

Management is confident that further improvement in efficiencies in chrome processing, above current capacities, will be realised in the foreseeable future.

Additionally, the offtake of intermediate product will result in additional cash inflows of approximately USD1m per month at steady state, as a result of realising the PGMs in the intermediate product.

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.

Although, the current chrome market price has increased since our interim results, a sustained period of below breakeven price added significant strain on the Group's liquidity. This shortfall needs to be recovered in the foreseeable future.

Additionally, the impact of the notice of breach of the ABSA facility on 26 May 2021, is still uncertain, but being resolved between the Group and ABSA.

At the current high logistics rates, the current chrome price of USD160/t CIF China, and at the current exchange rate below R14/USD it is below the Group's breakeven price. This together with the ABSA facility in breach causes a material uncertainty for the Group to meet its obligations as they fall due and its ability to continue as a going concern. The Group is in discussions with ABSA regarding this position.

Although the market outlook is difficult to predict due to the uncertainties created by the impact of COVID-19, the medium to long-term fundamentals for chrome ore remain strong and prices must increase significantly for the market to stabilise going forward.

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 (29 Feb 2020: R nil).

18. Changes to the Board
There have been no changes to the board for the period.

Signed on behalf of the Board of Directors

Marcel Naude CA(SA)
Chief Financial officer

Johannesburg
14 June 2021

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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