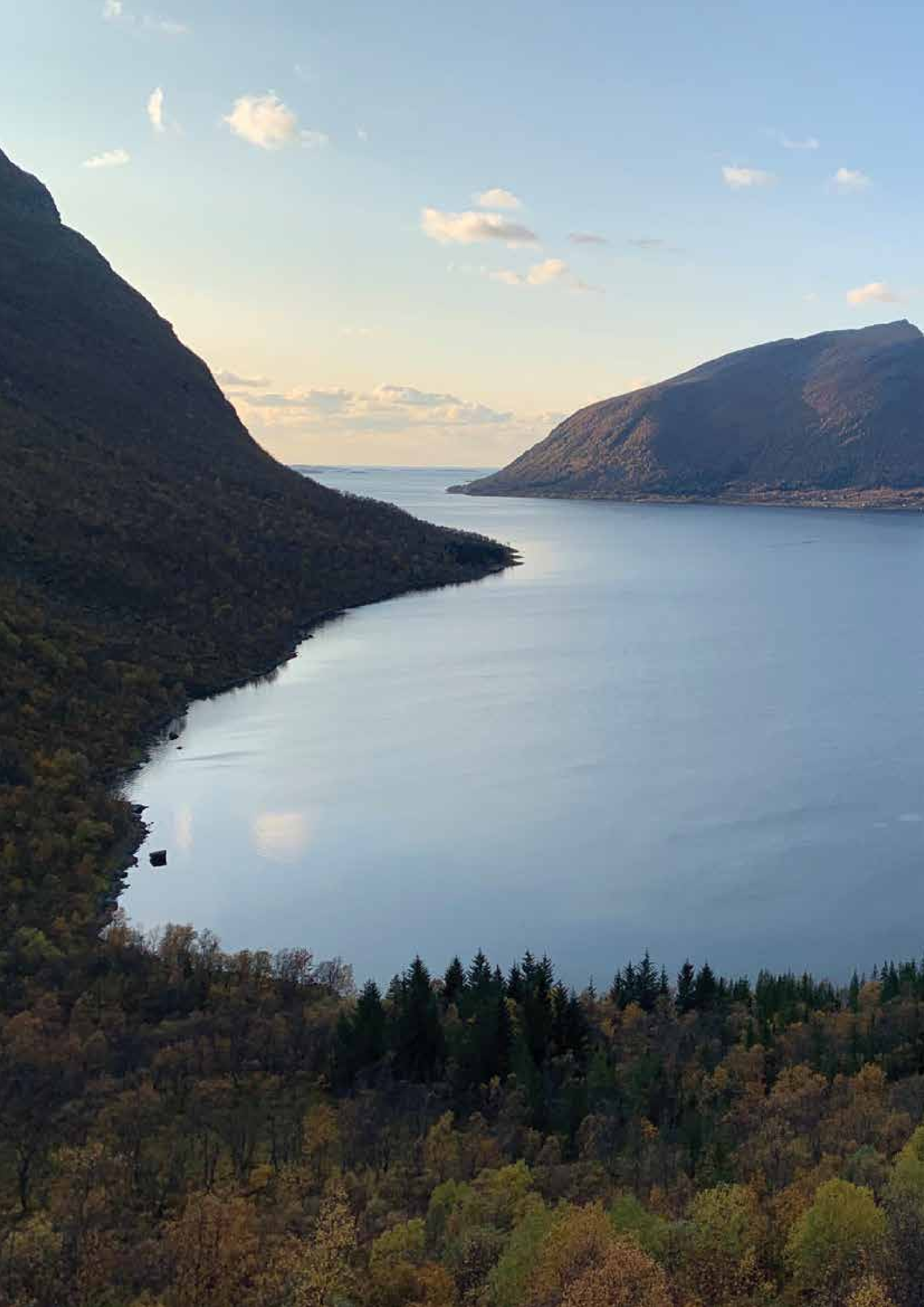
Mineral Commodities

ANNUAL REPORT 2019



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The consolidated financial statements are presented in United States dollars ("$"), unless otherwise stated, which is the Company's presentation currency.

Corporate directory

Director

Mark Victor Caruso	Executive Chairman and Chief Executive Officer
Joseph Anthony Caruso	Non-Executive Director
Peter Patrick Torre	Non-Executive Director and Company Secretary
David Lewis Baker	Independent Non-Executive Director
Debbie Ntombela	Independent Non-Executive Director
Russell Gordon Tipper	Independent Non-Executive Director

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Solicitors

Dominion Legal Pty Ltd
17 Lacey Street
Perth WA 6000

ENSafrica
150 West Street
Sandton
Johannesburg 2196
South Africa

Bankers

Westpac Banking Corporation
Level 3, Brookfield Place, Tower 2
123 St Georges Terrace
Perth WA 6000

Share registry

Link Market Services Limited
Level 12, QV1 Building
250 St Georges Terrace
Perth WA 6000

Stock exchange listing

The Company's shares are listed on the Australian Securities Exchange ("ASX") under ASX Code MRC

Website address

www.mineralcommodities.com

Competent person

Tormin – The information in this report which relates to Exploration Results, Mineral Resources or Ore Reserves for Tormin is based on information compiled by Mr Bahman Rashidi, who is a member of the Australian Institute of Mining and Metallurgy ("AusIMM") and the Australian Institute of Geoscientists ("AIG"). Mr Rashidi is the Exploration Manager and a full-time employee of the Company and has over 22 years of exploration and mining experience in a variety of mineral deposits and styles. Mr Rashidi has sufficient experience which is relevant to the style of mineralisation and types of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person in accordance with the JORC Code (2012). The information from Mr Bahman Rashidi was prepared under the JORC Code (2012). Mr Rashidi consents to inclusion in the report of the matters based on this information in the form and context in which it appears.

Xolobeni – The information, if any, in this report which relates to Exploration Results, Mineral Resources or Ore Reserves for Xolobeni is based on information compiled by Mr Allen Maynard, who is a member of the AIG, a Corporate Member of the AusIMM and independent consultant to the Company. Mr Maynard is the Director and Principal Geologist of Al Maynard & Associates Pty Ltd and has over 38 years of exploration and mining experience in a variety of mineral deposit styles. Mr Maynard has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves ("JORC Code (2004)"). This information was prepared and first disclosed under the JORC Code (2004). It has not been updated since to comply with the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code (2012)") on the basis that the information has not materially changed since it was last reported. Mr Maynard consents to inclusion in the report of the matters based on this information in the form and context in which it appears.

Skaland – The information if any, in this report that relates to Mineral Resources is based on information compiled by Mr Ché Osmond, who is a Chartered Geologist (CGeol) of the Geological Society of London and Fellow of the Geological Society ("FGS"), a Recognised Professional Organisation (RPO). Mr Osmond is Technical Director of Wardell Armstrong International ("WAI"), an independent consultant to Mineral Commodities Ltd. Mr Osmond has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined by the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("the JORC Code (2012)"). Mr Osmond consents to the inclusion in this report in the form and context in which it appears.

Munglinup – The information, if any, in this report which relates to Mineral Resources for Munglinup is based on information compiled by Mr Chris De Vitry, who is a member of the AusIMM and an independent consultant to the Company. Mr De Vitry is the Director and Principal Geologist of Manna Hill GeoConsulting Pty Ltd. Mr De Vitry has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking, to qualify as a Competent Person as defined by the JORC Code (2012). Mr De Vitry consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

The information, if any, in this report which relates to the Ore Reserve for Munglinup is based on information compiled by Mr Daniel Hastings, who is a member of the AusIMM. Mr Hastings is an employee of Hastings Bell Pty Ltd and a consultant to the Company. Mr Hastings has sufficient experience relevant to the type of deposit under consideration to qualify as a Competent Person as defined by the JORC Code (2012). Mr Hastings consents to the inclusion in the report of the matters based on the reviewed information in the form and context in which it appears.

Chairman’s report

Dear Shareholders,

At the time of writing this address, the world finds itself in very challenging times in the midst of the COVID-19 pandemic. We have all been affected either directly or indirectly, including your Company, Mineral Commodities Ltd (“MRC” or “the Company”). The Board is exercising full diligence throughout this period to ensure the risks to both its employees and the operations are mitigated in order to position the Company to benefit from the bright future of all of its operations.

We do however reflect on the 2019 financial year, and the many significant milestones that were achieved throughout.

The 2019 year provided MRC with record operational and processing performance while maintaining its socially responsible, culture-driven safety and environmental operating standards.

Significantly for the Tormin Mineral Sands Operation (“Tormin Operation”), the Company was granted a further 10-year extension to its mining rights and, subsequent to the end of the financial year in March 2020, received a positive appeal decision on the Integrated Environmental Authorisation (“IEA”) for expanded mining rights and downstream processing. The Company also progressively and successfully advanced its stated diversification into strategic battery minerals during the year through the completion of a Definitive Feasibility Study (“DFS”) on the Munglinup Graphite Project and the acquisition of Skaland Graphite AS.

The entrained commitment to developing a safe working environment and culture is evident. This financial year saw the three-month rolling Total Recordable Injury Frequency Rate start and finish the year at nil. Significantly, since the commencement of operations in late 2013, the Tormin Operation has incurred only one Lost Time Injury, in April 2017. The Company achieved a further milestone during the year, recording over 1.3 million man hours worked since this incident. In excess of 3.1 million man hours have been worked at the Tormin Operation since its commencement.

As earlier indicated, the global disruption caused by the COVID-19 pandemic will impact the Company’s operating business. The Company has taken steps to ensure the health and safety of all employees and other stakeholders at its respective workplaces, including the implementation of control measures and protocols intended to minimise the risks arising from COVID-19. The Company continues to monitor the advice of governments within its operating jurisdictions and update protocols and people accordingly. The financial and social impacts of COVID-19 are under constant review by our Executive Management and Board, with the view to sustaining our ongoing businesses for as long as this pandemic continues.

The Tormin Operation continued to generate positive cash flows, which were achieved through strong processing plant throughput and recoveries. This placed the Company in an enviable position of having fully funded 2019 business development activities, including exploration programs, project feasibility studies, returns to shareholders through dividends and the acquisition of Norwegian graphite producer, Skaland Graphite AS.

During 2020, the Company is expecting positive outcomes from completion of the necessary regulatory approvals at Munglinup, Section 102 Expanded Mining Right Environmental Authorisation (where all grounds under the appeals have been dismissed and in the case of one appellant, dealt with by slight variation to the IEA) and continuation of the integrated downstream value-adding strategy for Skaland and Munglinup graphite products. This is expected to lead to formal project development declarations and full design and construction commitments.

The Directors’ Report, which follows in the financial statements, contains a full account of the financial and operating performance of the Company for the 2019 year, in addition to its diversification initiatives and mineral resources.

For the 2019 year the Company has reported total revenue of US$61.8 million, EBITDA of US$16.5 million, NPBT of US$11.9 million and NPAT of US$7.8 million.

In addition, the Company generated cash flow from operations of US$13.3 million for the 2019 year. This operating cash generation funded capital expenditure of US$5.0 million for the year, payment for the acquisition of Skaland Graphite AS of US$4.5 million, the repayment of approximately US$3.3 million of debt and US$3.8 million in dividends paid during 2019.

Cash on hand at year end decreased to US$8.1 million, down from US$12.4 million cash on hand at the commencement of the year but reflects the cash paid for the acquisition of Skaland Graphite AS, which management believe will generate significant long term value for shareholders.

The declaration of an interim dividend in 2019 of 0.6 Australian cents per share was in line with 2018 returns to shareholders. The Directors have resolved to not declare a final dividend in respect of the year ended 31 December 2019 due to the current global uncertainty and potential impacts on cash flows.

While financial performance and shareholder returns are significant Board considerations, of primary importance to MRC and the Board is the safety of its workers and its responsibilities to the environment and the communities in which we work. During the year, the Company conducted an independent Environmental Performance Audit Report. Results of this Report averaged 81% compliance with the regulatory operating conditions of the Company's Environmental Authorisation and continued to show a commitment to responsible mining practices.

The Company continued its strong investment in, and commitment to, the social and economic upliftment of Historically Disadvantaged South Africans ("HDSA") and the ongoing support of its Black Economic Empowerment ("BEE") partners in the Tormin Operation and the Xolobeni Mineral Sands Project.

During the year, the Company spent over ZAR8.25 million on its HDSA Social Labour Plan, including through bursaries, scholarships, traineeships, apprenticeships, adult basic education programs, community-based enterprise and infrastructure support development and the sponsoring of full-time teachers at local schools.

The Company completed an internal and external refurbishment and fit-out of the Nuwerus High School hostels. The fit-out included roof repairs, replacement of external doors and windows, new flooring, kitchen and plumbing repairs and new bedroom cupboards. The hostels will accommodate 60 more learners from neighbouring settlements. The total value committed to this project was ZAR2.1 million.

Further to this, the Company's BEE preferential procurement expenditure in 2019 was ZAR254 million, exceeding all targets set under the South African Mining Charter.

The Company submitted and received approval for its future 2019 – 2023 Social Labour Plan from the Department of Mineral Resources, which underpins the Company's future commitment to local enterprise development, education and infrastructure projects. The total committed expenditure over five years is ZAR36.8 million.

Positive outcomes were advanced and achieved during the year in relation to the Company's ongoing permitting applications for renewal of mining, expanded mining and prospecting rights.

MRC considers the recent success in the granting of various mining and prospecting rights a significant turning point in the due process of permitting applications and approvals, which have historically encountered administrative delays.

MRC's mining rights (10107MR and 10108MR) were renewed at the Tormin Operation to allow the continuation of its existing mining operations for an additional 10 years. The renewal of existing Tormin Operation mining rights is a significant milestone that gives the Company security of tenure and is the cornerstone of the Company's expanded mining right strategy which, in conjunction with the granted Section 102 Expanded Mining Right Environmental Authorisation (where all grounds under the appeals have been dismissed and in the case of one appellant, dealt with by slight variation to the IEA), will enable MRC to increase production and pursue the goal of sustaining long-term mining operations and downstream processing at Tormin. This will enable MRC to continue to deliver economic benefits to its South African partners, the local community and shareholders.

The Company was granted Environmental Authorisation ("EA") for the Section 102 Expanded Mining Right in June 2019. As is often the case with applications of this nature, it was subsequently appealed, with all grounds under the appeals dismissed and in the case of one appellant, dealt with by slight variation to the IEA. The Section 102 Application and associated mining programs include a minimum 10 year mine life on expanded areas covered under the application, including the adjoining Northern Beaches and the Inland Strand areas located on the Company owned freehold farmland. On granting of the expanded right, the Company intends to adopt a phased development program with an initial increase in primary beach concentration capacity, followed by construction of a Magnetic Separation Plant ("MSP") that will produce final products from the Company's concentrates.

This includes an initial Phase 1, which will enable an increase in finished concentrate production to an annualised rate of circa 350,000 tonnes from the Northern Beaches and Inland Strand mining areas by mobilising one of the existing Primary Beach Concentrators ("PBC") to the Northern Beaches mining areas whilst maintaining the operation of one PBC unit to process the Inland Strand material with the additional front-end crushing circuit being installed.

Phase 2 includes the construction of a 3.5mtpa PBC circuit with a new 500tph front-end feed, crushing and thickener circuit that will enable the processing of any Inland Strand and Northern Beaches areas contemporaneously.

Phase 3 includes the construction of a 450,000 –500,000 tonnes MSP to produce final ilmenite, garnet and zircon products.

Each of the phases outlined above represent expected capacity only, with specific annual production guidance to be provided upon completion of the exploration programs and Tormin Expansion Pre-Feasibility Study.

In January 2020, the Company was granted prospecting rights over the Northern Beaches and Inland Strand application areas (WC 30/5/1/1/2/10261PR and WC 30/5/1/1/2/10262PR) and has commenced a resource definition program on both licences to prove up Measured and Indicated JORC 2012 compliant resources.

Tormin hosts one of the highest grade mineral sands resources in the world. The recent granting and registration of the Northern Beaches and Inland Strand prospecting areas gives the Company a 41.4km semi-continuous inland geological setting which continues to build a significant exploration landholding tenure in a world-class mineral sands geological setting. The Company has a high degree of confidence in the historical data and current test results that underpin its confidence in its operating future through successful exploration and development.

In addition, the Company received the appeal decision on the De Punt prospecting area (10240PR), which remitted the approval of the EA to the DMRE pending the provision of further studies. The Company also has a number of prospecting right applications covering extended tenure to the current granted prospecting right applications at various stages of assessment and appeal.

Resource replenishment at the Tormin mining areas continued during 2019. Since commencement of operations at Tormin, the Company has mined in excess of 11.71 million tonnes. The tonnage mined is more than the original declared resource tonnage (2.70 million tonnes), which is indicative of the significant replenishing nature of the deposit where resource blocks are mined more than once per year. The Company is currently assessing its options with regard to the most appropriate mining rate in consideration of resource replenishment rates and subsequent to the positive appeal decision of the Company's Section 102 Expanded Mining Right Environmental Authorisation application process.

The existing mining legislation was supplemented by the new Mining Charter 2018, which came into effect from September 2018. The changes include a provision for employee and community equity and/or equity-equivalent participation. Cognisant of this fact, the Company will embrace the new legislation and restructure its operating entity within South Africa accordingly.

During 2019, MRC continued to execute its jurisdictional and commodity diversification strategy.

During the year, the Company appointed Mondium, a joint venture between Monadelphous and Lycopodium, to undertake complete Value Engineering ("VE") within the DFS phase, Front-End Engineering Design ("FEED") and fast-track to the full design and construct phase of the Munglinup Graphite Project. The DFS was completed and announced to the market in January 2020.

The DFS demonstrated robust economic outcomes of a concentrate only production scenario and confirmed the Company's view that Munglinup will become a crucial asset in its overall strategy to supply natural graphite into key high-demand battery anode markets. The DFS further enhances the Company's ambitions to build a global, vertically integrated carbon business based on two global strategic operating production centres in Tier 1 jurisdictions, Australia and Norway, producing sustainable natural graphite concentrate as a crucial raw material for the production of precursor and active anode materials.

The Munglinup Graphite Project DFS demonstrated the project's potential as a robust, low capital and low operating cost operation, with a post-tax project NPV of US$111 million, IRR of 30% and average annual EBIT of US$31 million per annum generated over an expected minimum mine life of 14 years, producing an average annual production of 52,000 tonnes of graphite concentrate.

An Ore Reserve of 4.24 million tonnes at an average grade of 12.8% Total Graphitic Carbon ("TGC") was declared in the Munglinup DFS. The DFS also declared Mineral Resources of 7.99 million tonnes at an average grade of 12.2% TGC.

Munglinup's graphite concentrate product is well suited for purification and spheronisation for use as a battery anode material for the electric vehicle market and as an expandable graphite predominately for the fire retardant market.

The Munglinup Graphite Project was referred to the Department of Environment and Energy (Federal) ("DoEE") and the Environmental Protection Authority (State) ("EPA") in November 2018 for assessment. Additional studies required by the EPA are underway with completion expected in the June quarter of 2020.

Following the release of the positive DFS results and granting of the necessary approvals, the Company expects to acquire a further 39% joint venture interest in the Munglinup Graphite Project to bring its overall interest to 90%, and to then proceed to full project declaration shortly thereafter.

On 7 October 2019, the Company announced it had completed the purchase of Skaland Graphite AS for the total consideration of US$8.7 million, comprising an initial cash consideration at settlement of US$4.5 million and a further US$4.2 million to be paid over five years.

Skaland operates the Trælen Graphite Mine and Skaland Processing Facility in Norway, which is the largest flake graphite producer in Europe and the highest grade flake graphite mine in the world, with mill feed grade averaging approximately 28% carbon. The acquisition of Skaland has fast-tracked MRC to be the largest graphite miner in Europe, improving the Company’s understanding of traditional graphite markets. Skaland also offers excellent geostrategic positioning to capitalise on the fastest growing electric vehicle market globally.

The Skaland Graphite Operation is considered to have significant potential to expand the current production profile. As part of the conditions precedent to the purchase, the Company was granted operational and discharge permits that enable MRC to increase production from 11,000 to 16,000 tonnes per annum, subject to a maximum process plant tailings limit of 40,000 tonnes per annum.

Although Skaland has been in continuous operation since 2007, no JORC 2012 compliant Mineral Resource or Ore Reserve existed for the Trælen Deposit until MRC took ownership. On 12 March 2020, MRC announced the maiden JORC resource at the Skaland Graphite Operation for the underground Trælen Graphite Mine, estimated at 1.78 million tonnes at 22% TGC in the category of indicated and inferred for 397Kt of contained graphite using a 10% cut-off. This JORC 2012 resource becomes the foundation of the Company’s plans to build on its existing graphite concentrate business and also underwrites its strategy to become Europe’s first vertically integrated producer of natural graphite anode material.

Both the acquisition of Skaland and its resource drilling program were funded using existing cash reserves of the Company and operating cash flows generated from Skaland.

The Company has continued to progress its downstream graphite processing opportunities and studies, including purification and spheronisation of its graphite concentrate for use in battery anode material for the electric vehicle market, and expandable graphite for the fire retardant and insulation markets.

The Company’s purification development program is the cornerstone of the effective value-adding strategy, producing high grade coarser flakes (>99%) as well as battery anode grade (>99.95%) products. The Company partnered with CSIRO and Doral Fused Materials in an application for Australian Commonwealth Government funding under the Cooperative Research Centre Projects (“CRC-P”) program for a purification process that does not use toxic hydrofluoric acid. The application was successful and the project has identified a number of processing routes able to produce battery grades (>99.95% purity) as well as high quality expandable graphite (>99% purity). The project has a total budget of $2.61 million, with 31% contributed by the Commonwealth Government’s CRC-P program as cash funding, together with significant cash and in-kind contributions by the partners. The program will be advanced in 2020 with the objective of defining a single robust solution to take into pilot scale testing.

Small-scale spheronisation tests were completed on Skaland material late in the year, with planning for larger scale vendor testing for scale-up underway. This will allow for selection of a single vendor for micronisation and spheronisation. Ownership of Skaland allows this work to be conducted at scale without excessive costs for sample generation.

Micronisation, spheronisation and purification form the cornerstone of the Company’s value-adding strategy for graphite. The Company aims to focus on these key components in 2020 at increasing scale. Purification also allows for production of high quality expandable graphite from coarser flake, further contributing to the Company’s value-adding strategy.

The Company released the results of its graphene development work with the University of Adelaide in the September quarter 2019. The program successfully identified proprietary methods to produce few layer graphene with high yields as well as functionalised graphene. Whilst the results are promising, the primary focus in 2020 will be on micronisation, spheronisation and purification of graphite rather than graphene as the development timeframe and market opportunities for the latter are expected to be longer.

For Skaland, the process starts with increasing the quality of the concentrate produced, specifically increasing the recovery of coarse flakes in the concentrate and the grade of the fines in the concentrate. Testwork for these activities commenced under the due diligence investigations and were successfully completed at the end of 2019. The upgraded fines concentrate will be used for producing micronised and spheronised graphite at Skaland using low-cost hydroelectric power.

For Munglinup, the Company has also been focusing on the purification process within the CRC-P program as well as generating additional concentrate for downstream testwork. The Company is pleased by the potential for a common purification process for Skaland and Munglinup.

The Company continued to pursue exploration opportunities in Western Australia, aligned with the Company's long-term strategy of commodity diversification through exploration upside and targeting commodities crucial to battery technology.

The Company continued with its exploration programs within its portfolio of Western Australian projects.

At Paynes Find, lithium exploration continues with a view to proving up the lithium potential of the pegmatite field, despite earlier exploration indicating that the visible lithium mineralisation was confined to small pods of lepidolite-zinnwaldite minerals rather than spodumene. Positively, the Company has received Program of Work ("POW") approval to investigate the previously reported highly anomalous cesium (pollucite) grades associated within the fractional lithium-tantalum rich pegmatite. Accordingly, the Company intends to further define the lithium-tantalum potential through the excavation of exploration pits.

At the Doolgunna prospect, the near surface nuggety gold rich quartz lodes potential has been expanded with additional gold lodes identified. Application for large bulk sampling of these gold quartz lodes have been applied for and is subject to Native Title Party consent.

At the Harvey vanadium prospect, MRC has obtained a new POW and Disease Risk Area permit allowing for a planned RC drilling campaign to commence during 2020.

The Glen Florrie prospect was granted on 4 March 2020 and the Company intends to continue exploration and expansion of the historical channel-iron deposit resources identified and drilled in 2011 by the previous tenement holder.

On behalf of the Board, I thank all our dedicated employees, our BEE Partners and contractors of the Company for their efforts and commitment throughout the year. These efforts have delivered another successful result for the year and have continued to provide returns to the Company's shareholders.

I thank shareholders for their support and anticipate 2020 will deliver another solid financial performance for the Company. The Company is well positioned in 2020 to become a significant player in the world graphite market through its Tier 1 graphite assets and significantly benefit from the life of mine current permit extension and Section 102 expansion at Tormin. 2020 will see a continued successful delivery of our diversification and expansion strategy.

Mark V. Caruso
Chairman

Directors' report

Your Directors present their report on the consolidated entity (referred to hereafter as the "Group") consisting of Mineral Commodities Ltd (the "Company") and the entities it controlled at the end of, or during, the year ended 31 December 2019. The consolidated financial statements are presented in United States dollars ("$"), unless otherwise stated, which is the Company's presentation currency.

Directors

The following persons were Directors of the Company during the whole of the financial year and up to the date of this report:

Mark Victor Caruso

Joseph Anthony Caruso

Peter Patrick Torre

David Lewis Baker (appointed as Director 28 August 2019)

Debbie Ntombela (appointed as Director 28 August 2019)

Russell Gordon Tipper (appointed as Director 28 August 2019)

Guy Redvers Walker (ceased as Director 30 May 2019)

Colin Ross Hastings (ceased as Director 30 May 2019)

Principal activities

The principal activities of the Group during the year were:

- mineral sands mining and processing at the Group's Tormin Mineral Sands Operation ("Tormin" or the "Tormin Operation") in the Western Cape province of South Africa;
- graphite mining and processing at the Group's Skaland Graphite Operation ("Skaland" or the "Skaland Operation") in northern Norway on the island of Senja;
- undertaking exploration and evaluation for the future development of the Munglinup Graphite Project ("Munglinup" or the "Munglinup Project") in the Great Southern region of Western Australia; and
- investigations into other mineral resources, particularly through MRC Exploration Australia Pty Ltd, focused on several tenements within Western Australia.

Dividends

Unfranked and partially franked dividends paid or declared by the Company to members since the end of the previous financial year were:

	Australian Cents per share	Total amount A$	Date of Payment
Declared and paid during the year 2019			
Final 2018 ordinary	0.7	2,947,641	14 May 2019
Interim 2019 ordinary	0.6	2,527,149	14 October 2019
Total amount		5,474,790	

As the final 2018 ordinary dividend and the interim 2019 ordinary dividend were partially franked, there are income tax consequences for the owners of the Company relating to these dividends.

The Directors have deferred a decision on declaring a final dividend for the year ended 31 December 2019.

Review of operations

TORMIN MINERAL SANDS OPERATION

Mineral Commodities Ltd ("MRC" or "the Company") is pleased to provide an update for the Company's activities during the year ended 31 December 2019.

Tormin Operational and Financial Performance

The Company continued its strong operating performance during the year ended 31 December 2019. The following key production and sales metrics were achieved:

Garnet Stripping Plant/Secondary Concentrator Plant	Full Year to 31 December 2019	Full Year to 31 December 2018
Tonnes processed (dmt)	589,473	858,631
Tonnes produced (dmt)		
Garnet concentrate (net)	179,057	278,205
Ilmenite concentrate (net)	49,937	108,630
Zircon/rutile concentrate	9,939	16,996
% zircon in concentrate	66.74%	68.31%
% rutile in concentrate	15.36%	17.43%

In June, the Company moved to a budgeted reduction in working hours across mining and processing operations due to permitting delays which caused postponement to the higher grade expanded mining right areas covered under the S102 Expanded Mining Right Application. The Company also implemented voluntary severance packages to address excess labour capacity prior to implementing a new 5.5 day working roster system. With the reduction in operational working hours of Primary Beach Concentrator ("PBC") and Garnet Stripping Plant/Secondary Concentration Plant ("GSP/SCP") processing plants, a throughput realignment occurred to the adjusted Run of Mine ("ROM") production rate.

The optimisation of working hours and new site shift rostering ensured the resultant performance of mining and processing operations achieved real cost savings without compromising or impacting annualised production metrics significantly.

PBC ROM feed for the year was 2,400,341 tonnes at an average feed rate of 324tph and 90.31% plant utilisation, with the throughput in line with the previous year's 2,433,801 feed tonnes.

HMC production from the PBCs produced 567,939 tonnes, compared to the prior year's 678,938 tonnes, due to anticipated lower ROM grades. Mineral processing recoveries from the PBCs remained strong, with the plants recovering 92% zircon, 88% ilmenite, 88% garnet and 76% rutile.

GSP/SCP feed of 589,473 tonnes was below the prior year's 858,631 tonnes but reflected full utilisation of available Heavy Mineral Concentrates ("HMC") feedstocks. The prior year included 151,031 tonnes of garnet stockpile refeed. The GSP/SCP operated at 89% utilisation with an infeed throughput rate of 82 tonnes per hour to optimise product recoveries, which resulted in improved recovery for zircon, rutile and ilmenite in comparison to the previous year.

Finished concentrate production was impacted by expected lower mined Total Heavy Mineral ("THM") ore grades and reduced GSP/SCP feed. Total final concentrates produced were 238,933 tonnes for the year, which was below the prior year's 403,831 tonnes. In line with declining grades and reducing feed rates to optimise recoveries, the reduced final concentrate production for the year was circa 15% below budget expectations.

Sales (wmt)	Full Year to 31 December 2019	Full Year to 31 December 2018
Zircon/rutile concentrate	10,444	17,968
Ilmenite concentrate	216,616	106,750
Garnet concentrate	213,150	213,281

Sales revenue for the year was US$58.3 million for a total 440,210 wet metric tonnes sold, above the prior year's revenue of US$53.5 million for 337,999 wet metric tonnes sold.

The increase in revenue was largely due to the strategic sale of an additional 109,866 wet metric tonnes of inventoried ilmenite concentrate. The Company achieved higher average ilmenite prices than in the previous year due to the tightening supply conditions and significantly improved customer demand. This was partially offset by lower zircon and rutile sales resulting from lower production volumes.

Mining Production	Full Year to 31 December 2019	Full Year to 31 December 2018
Tonnes (dmt)	2,509,978	2,650,099
Grade	11.15%	17.35%
Garnet	7.53%	12.55%
Ilmenite	1.81%	3.14%
Zircon	0.42%	0.55%
Rutile	0.21%	0.38%
Leucoxene	1.18%	0.73%

Mining and processing operations at the Tormin Mineral Sands mine were optimised to manage the current ROM THM beach grade and replenishment cycle. Mining and processing production has remained in line with the prior year to offset declining grades.

ROM mining production in 2019 was over 10% above the December 2018 inferred resource, which is supportive of the replenishing nature of the deposit where resource blocks are mined more than once a year. Higher mined tonnes in 2019, in comparison to the Resource Tonnes in the December 2018 Resource statement, were partially offset by the lower THM grade achieved in 2019 (11.15%), in comparison to the inferred resource grade (14.16%) reported in the December 2018 Resource Statement.

The following table summarises Tormin's unit costs and revenues for the year to 31 December 2019:

Summary of Unit Costs & Revenues	Full Year to 31 December 2019	Full Year to 31 December 2018
Unit production cash costs per tonne of net final concentrate produced ($/dmt)	**84.40**	57.68
Unit cost of goods sold per tonne of final concentrate sold ($/wmt) (1)	**89.27**	110.08
Unit revenue per tonne of final concentrate sold ($/wmt)	**132.13**	156.95
Revenue to cost of goods sold ratio	**1.48**	1.43

(1) Cost of goods sold includes production cash costs, product handling, transport and selling costs, royalties, stock movements, and depreciation and amortisation. Excludes corporate and financing costs.

Unit production cash costs were impacted by the change in mined tonnes and grades, with the current year's US$84.40/t for 238,933 final concentrate tonnes produced higher than the prior period's US$57.68/t for 403,831 final concentrate tonnes produced. Production cash costs were 14% lower than in the prior period, but due to the lower net production of concentrate, as a function of the lower THM ore grade, unit costs were higher. Lower production cash costs in the current year reflect lower maintenance, equipment, labour and diesel costs. Maintenance and equipment hire costs were lower with the introduction of a new Articulated Dump Truck ("ADT") fleet and capital substitution of hired equipment. Labour and diesel cost savings reflect switching from a 24/7 operation to a new mining and processing operations schedule implemented from June 2019, incorporating an effective average 5.5 days per week working roster.

The total unit cost of goods sold of US$89.27/t for the year for 440,210 final concentrate tonnes sold improved on the prior year's US$110.08/t for 337,999 final concentrate tonnes sold. The improved performance is driven by increased relative volumes of bulk shipment products.

Unit revenue per tonne of final concentrate sold for the year reflects the reduction in the proportion of zircon and rutile sales during the current year, partially offset by improved ilmenite pricing and sales.

Improved revenue to cost of goods sold ratio for the year in comparison to the prior period reflects lower unit costs in 2019, partially offset by lower unit revenue.

Tormin Safety, Environment and Community

The ongoing commitment to developing a safe working environment and culture continues. Encouragingly, this financial year saw the three month rolling Total Recordable Injury Frequency Rate start and finish the year at nil. Significantly, since the commencement of operations in late 2013, the Company has incurred only one Lost Time Injury, in April 2017. The Company achieved a further milestone during the year by working over 1.3 million man hours since this LTI incident. In excess of 3.1 million man hours have been worked at the Tormin site since its commencement.

The Company continues to implement its Social Labor Plan ("SLP") programs. During the year, in excess of ZAR8.25 million was committed to these programs. Initiatives within the local Tormin community and workplace included bursaries, scholarships, traineeships, internships, apprenticeships and adult basic education programs. The Company's learnership programs have seen participants advance their careers through education in engineering and business management courses. Bursaries support Tormin staff and community participants in furthering their education with courses such as, but not limited to, IT engineering, mechanical engineering, safety management, business management, law, mathematics and community development. Tormin currently has interns at the mine site integrated with geology, laboratory, finance, survey and environmental departments, providing on-the-ground experience and training for the community.

The Company also supports community-based enterprise and infrastructure support development, sponsoring of full-time teachers at local schools, distribution of food parcels with non-perishable foodstuffs delivered to elderly persons across the eight wards of the Matzikama municipal region and sponsorships in the form of attire, equipment and transport to local sporting clubs.

The Company completed an internal and external refurbishment and fit-out of the Nuwerus High School Hostels. The fit-out included roof repairs, external doors and windows replacement, new flooring, kitchen and plumbing repairs and new bedroom cupboards. The hostels will accommodate 60 more learners from neighbouring settlements. The total value committed to this project was ZAR2.1 million.

The year ended successfully with the reported attendance of 224 high school learners participating in the Company-sponsored Maths & Science Spring School during October and November. In addition to this, the Company collaborated with the Matzikama Local Municipality on phase one of the Doornbay Slipway Project, targeting the challenge of poverty in the small fishing town of Doornbay.

Tormin Permitting

Positive outcomes were advanced and achieved during the year in relation to the Company's ongoing permitting applications for renewal of mining, expanded mining and prospecting rights. MRC's mining rights (10107MR and 10108MR) were renewed at the Tormin Mineral Sands Operation to allow the continuation of its existing mining operations for an additional 10 years. The renewal of existing Tormin mining rights is a significant milestone that gives the Company security of tenure and is the cornerstone of the Company's expanded mining right strategy which, in conjunction with the granted Section 102 Expanded Mining Right Environmental Authorisation (currently subject to appeal), enables MRC to increase production and pursue the goal of sustaining long-term mining operations and downstream processing at Tormin. This will enable MRC to continue to deliver economic benefits to our South African partners, the local community and shareholders.

The Company was granted Environmental Authorisation ("EA") for the S102 Expanded Mining Right in June 2019. As is often the case with applications of this nature, it was subsequently appealed. Due to the lower THM ore grades, the Company moved in June 2019 to a budgeted reduction in throughput across mining and processing operations. In conjunction with the budgeted reduction in mining, production through the PBC and GSP circuits were aligned to this new mining rate and the Company implemented voluntary severance packages to address excess labour capacity prior to implementing the new 5.5 day roster system.

The requisite responses to the appealing authority, the Department of Environmental Affairs ("DEA"), were submitted immediately. Notwithstanding the appeal response has gone beyond the 90 day prescribed statutory period, the Company foresees no major impediment in any of the appeal grounds presented and remains hopeful that the appeal will be dealt with in the March quarter 2020.

The S102 Expanded Mining Right Application and associated mining programs incorporate the adjoining Northern Beaches and the Inland Strand deposits located on the Company owned freehold farmland.

Ongoing engineering and design work is being finalised in anticipation of final permitting approvals and commencement in the June quarter 2020. The Company has adopted a phased approach to the S102 Expanded Mining Rights project development.

This includes an initial Phase 1 increase in finished concentrate production to annualised circa 350,000 tonnes from the Northern Beaches and Inland Strand mining areas by mobilising one of the existing PBCs to the Northern Beaches mining areas whilst maintaining the operation of one PBC unit to process the Inland Strand material with the additional front-end crushing circuit being installed.

Phase 2 includes the construction of a 3.5mtpa primary beach concentration circuit with a new 500tph front-end feed and crushing and thickener circuit that will allow the processing of Inland Strand and Northern Beaches deposits contemporaneously.

Phase 3 includes the construction of a 450,000 – 500,000 tonnes Magnetic Separation Plant ("MSP") to produce final ilmenite, garnet and zircon products.

Commencement of Phase 1, subject to permitting, should be in the June quarter 2020. The Phase 2 development is expected to commence construction in early 2021, allowing the completion and commissioning towards the end of 2021. The Phase 3 MSP construction is anticipated to be completed by 2022.

Prospecting right appeals were dismissed in the second half of 2019 by the DEA, relating to the prospecting rights covering Tormin Inland Strand (10262PR) ("Inland Strand") area on its Company-owned Geelwal Karoo farm and the Northern Beaches (10261PR) ("Northern Beaches").

The Northern Beaches incorporate ten beaches directly north and adjoining the current beach mining area at Tormin. The Northern Beaches prospecting area incorporates a semi-continuous tenement approximately 23km in length covering an area of 398 hectares of beach sands prospective for zircon, rutile, ilmenite, garnet, leucoxene and magnetite. Like the current beach mining area at Tormin, the Northern Beaches share similar placer style characteristics of deposition and replenishment.

The heavy minerals ("HM") in the beach sands are constantly replenished by the transport of new sediment from deeper waters, much of which has been derived from the erosion of mineralisation deposits accumulated in the elevated historic beach terraces onto the present beach. This replenishment occurs as a result of the naturally highly dynamic nature of sediment transport processes on beaches in this area. The beaches were previously explored and drilled by Trans Hex for diamonds and heavy mineral sands, and the occurrence of heavy mineral sands is well understood.

These marine strandlines are characterised by an extremely high concentration of HM in distinct layers. The THM content has been reported by Trans Hex in an internal non-JORC compliant resource report ("Tormin Feasibility Study Report dated June 1992") to be between 20% and 34% with a weighted average of 22% THM for 1.79Mt. Note that these grades have not been verified and are reported as Historical Foreign Estimates with Table 1 exemption under Listing Rule 5.10 "referring to historical or foreign estimate of mineralisation for areas adjacent to or near to the entity's mining tenements".

Figure 1 - Northern Beaches area

The Inland Strand incorporates an area approximately 12km in length covering 1741 hectares of coastal area immediately adjacent to the existing mining operations on the Company-owned farm Geelwal Karoo 262. The inland palaeo strandline has been identified by geophysics and supplemented by historical sampling (Figure 2). There is also substantial data reflecting the presence of multiple palaeo strandlines running parallel to the coastline and within the current Inland Strand prospecting tenure. This deposit has undergone historical exploration since the 1930s (Haughton 1931, Toerien & Groeneveld 1957, Abele 1989, Swart 1990, Barnes 1998), with exploration drilling work undertaken by Trans Hex between 1989 and 1991.

During 1999, Trans Hex conducted additional onshore drilling of strandlines and identified the inland raised beach deposits containing heavy minerals.

Figure 2 – Inland Strand

In January 2020, the Company was granted prospecting rights over the Northern Beaches and Inland Strand application areas (WC 30/5/1/1/2/10261PR and WC 30/5/1/1/2/10262PR) and anticipates commencing a resource definition program on both licences. These include the De Punt area (10240PR) approximately 12.4 kilometres in length and covering approximately 4,495 hectares. The Company also has under application additional significant prospecting areas to the North and South of the recently granted Tormin Inland Strand and Northern Beach prospecting rights.

This area was the subject of a previously granted environmental authorisation which was appealed and, under the instruction of the DEA, required further technical studies to be conducted. These have now progressed to a Basic Assessment Review ("BAR") inclusive of an Estuarine Biodiversity Impact Assessment due for final submission in March quarter 2020. Additionally, the Klipvley Karoo Kop area (10307PR) which is approximately 16km in length and covering approximately 3,970 hectares is undergoing final BAR submission to be finalised and submitted in the March quarter 2020.

The Company cumulatively holds a continuous inland prospecting tenure granted, or under application, of approximately 41.4km in length and covering approximately 6,634 hectares. This is in addition to the current granted Tormin Mining Right area and the Northern Beaches prospecting tenure.

The Company also received advice on the Appeal lodged with the DEA in June 2018 regarding its De Punt prospecting right ((WC)30/5/1/1/2/10240PR) and inland area covering 13km in length by up to 4km in width immediately south of the current Geelwal Farm owned by MSR, on which it conducts its processing operations. Advice was also received that the Klipvley Karoo Kop prospecting permit (WC 30/5/1/1/2/10240) appeal was dismissed and as such, the Company has submitted another application in this area.

Whilst the Company has a number of prospecting right applications in various stages of assessment and appeal, these prospecting rights applications are not core to, and will not affect, the planned expansion covered under the S102 Application.

MRC considers the recent success in the granting of various mining and prospecting rights as a significant turning point in the due process of permitting applications and approvals, which historically have encountered administrative delays. The existing mining legislation was supplemented by the New Mining Charter 2018, which came into effect from September 2018. The new changes include a provision for employee and community participation and equity. Cognisant of this fact, the Company will embrace the new legislation and restructure its operating entity within South Africa accordingly.

Tormin Resource and Prospecting Activities

The annual Tormin Mineral Resource review was completed in February 2020, with results as follows:

Category	Resource Million Tonnes	Total Heavy Mineral[1] (% in Resource)	Ilmenite (% in Resource)	Zircon (% in Resource)	Rutile (% in Resource)	Garnet (% in Resource)
Indicated Resource – Dec 2013	**2.70**	**49.40%**	**10.60%**	**3.40%**	**0.70%**	**25.30%**
Tonnes Mined – FY2014	1.07	53.83%	17.26%	4.76%	0.65%	31.16%
Inferred Resource – Dec 2014	**2.70**	**38.14%**	**10.05%**	**2.21%**	**0.46%**	**25.22%**
Tonnes Mined – FY2015	1.62	49.57%	16.15%	3.88%	0.60%	28.94%
Inferred Resource – Dec 2015	**2.70**	**28.01%**	**6.97%**	**1.56%**	**0.55%**	**18.54%**
Tonnes Mined – FY2016	1.81	45.97%	12.97%	2.78%	0.61%	29.21%
Inferred Resource – Dec 2016	**1.80**	**28.08%**	**6.15%**	**1.65%**	**0.53%**	**18.99%**
Tonnes Mined – FY2017	2.05	27.57%	5.81%	1.10%	0.50%	19.40%
Inferred Resource – Dec 2017	**1.80[2]**	**15.92%**	**2.72%**	**0.79%**	**0.43%**	**11.45%**
Tonnes Mined – FY2018	2.65	17.35%	3.14%	0.55%	0.38%	12.55%
Inferred Resource – Dec 2018	**2.27[2]**	**14.16%**	**2.30%**	**0.43%**	**0.19%**	**7.90%**
Tonnes Mined – FY2019	2.51	11.21%	1.81%	0.42%	0.21%	7.53%
Inferred Resource – Dec 2019	**2.40[3]**	**8.68%**	**1.03%**	**0.25%**	**0.10%**	**6.7%**

(1) Includes other valuable heavy minerals e.g. leucoxene and magnetite
(2) 5% Heavy Mineral ("HM") cut-off grade used
(3) 2% Heavy Mineral ("HM") cut-off grade used

Since commencement of operations at Tormin, the Company has mined in excess of 11.71 million tonnes. The tonnage mined is more than the original declared resource tonnage (2.70 million tonnes), which is indicative of the significant replenishment nature of the deposit where resource blocks are mined more than once per year.

Resource replenishment continues but at a rate slower than the mining rate. The Company is therefore unable to report a replenishment grade or quantity under the JORC Code (2012), however grade reconciliation and sample grading continues on a daily basis to correlate between the reported Mineral Resource and actual resource in terms of quantity, grade and replenishment.

The Company is confident that the grant, access and subsequent development of the additional identified Inland Strand and Northern Beaches mining will occur in the first quarter 2020, which will allow the current active Tormin beach mining area to satisfactorily replenish in the future.

SKALAND GRAPHITE OPERATION

Skaland Graphite AS Acquisition

On 7 October 2019, the Company announced it had completed the purchase of Skaland Graphite AS for the total consideration of US$8.7 million, comprising an initial cash consideration at settlement of US$4.5 million and a further US$4.2 million to be paid over five years.

Skaland operates the Trælen Graphite Mine and Skaland Processing Facility in Norway, which is the largest flake graphite producer in Europe and the highest grade flake graphite mine in the world, with mill feed grade averaging approximately 28% carbon. Skaland currently produces approximately 10,000 tonnes of graphite concentrate per annum and accounts for around 2% of global natural flake graphite production. The Skaland Graphite Operation is considered to have significant potential to expand the current production profile. As part of the conditions precedent to the purchase, the Company was granted operational and discharge permits that enable MRC to increase production from 11,000 to 16,000 tonnes per annum, subject to a maximum process plant tailings limit of 40,000 tonnes per annum.

MRC Graphite (Norway) Pty Ltd, a wholly owned subsidiary of the Company, acted as the sole contractual buyer of 100% of the issued capital of Skaland, noting that a 10% interest is to be transferred at fair value to the facilitator of the transaction, BSG Mining LLC, an unrelated party to the Company.

The acquisition of Skaland has fast-tracked MRC to be the largest graphite miner in Europe, improving the Company's understanding of traditional graphite markets. Skaland also offers excellent geostrategic positioning to capitalise on the fastest growing electric vehicle market globally.

The Company has already evaluated several opportunities to optimise the current process plant in its due diligence studies and thereafter that will improve the quality of the concentrate produced at Skaland. It will move to implement these initiatives and thereafter increase production. The Company is also progressing downstream processing, value adding initiatives and is intending to move to producing battery anode material in the near term. This work leverages off the research and development conducted for the Company's Munglinup project.

Norway is at the forefront of electric vehicle adoption and with world class infrastructure, provides an excellent environment to build a vertically integrated carbon supply business. The Company is in discussions with several parties on positioning Skaland as a provider of anode materials in Europe.

Skaland Operational and Financial Performance

The Company took control of Skaland Operations in October 2019. During the final quarter of 2019, concentrate production of 2,945t exceeded the quarterly budget of 2,732t by 7.7%. The plant treated 10,112t of ore, grading 28.4% C, relative to a 10,884t budget. Higher than budget run hours and recoveries offset lower throughput.

Processing	December 2019 Quarter Actuals	Year to Date 31 December 2019
Ore Processed	10,112	37,088
Throughput (tph)	6.9	7.8
Ore Grade (%C)	28.4	26.1
C Recovery (%)	93.3	91.7
Concentrate Grade (%)	90.7	91.2
Concentrate Produced (t)	2,945	9,780

Skaland produces a broad range of finished products including special grades to meet specific customer requirements. The coarser fractions are typically 95%-98%C, whilst the finest (powder) fraction is typically sub 90%. Previously identified optimisation initiatives, to improve the proportion of coarse flake in concentrate and improve the grade of the finer fractions in concentrate, are advancing on schedule.

	December 2019 Quarter		31 December 2019 Year to Date		31 December 2018 Year to Date	
Product Category (wmt)	**Sales**	**PSD %**	**Sales**	**PSD %**	**Sales**	**PSD %**
Flake/Medium	**776**	39%	**2,467**	34%	3,087	33%
Fine-Medium/Powder	**1,231**	61%	**4,808**	66%	6,226	67%
Total	**2,007**		**7,275**		9,313	

Sales revenue for the quarter was US$1.2 million for a total of 2,007 tonnes sold. This reflects transitioning customer relationships post-acquisition, which are anticipated to significantly improve in the March quarter 2020 as a result of Company initiated marketing activities. Also, low sales volumes in December, which is traditionally a slow month in key European markets, adversely affected quarterly sales of 2,007t. Total sales of 7,275t for 2019 reflect the change in ownership and the associated transition from an exclusive marketing arrangement – this adversely affected sales mid-year, prior to the closure of the transaction.

Importantly, Skaland remained profitable even after lower sales revenue for the quarter, compared to the prior year. Costs remained in line with prior performance and management expectations. Management believes operational improvements will generate improving profitability for the Skaland operation in the near term.

Summary of Unit Costs & Revenues	December 2019 Quarter	December 2019 Year to Date
Unit production cash costs per tonne of net final concentrate produced (US$/dmt)	$405.18	$417.41
Unit cost of goods sold per tonne of final concentrate sold (US$/wmt) (1)	$356.50	$476.28
Unit revenue per tonne of final concentrate sold (US$/wmt)	$582.48	$639.13

Note (1) – Cost of goods sold includes production cash costs, product handling, transport and selling costs, royalties, stock movements and depreciation and amortisation. Excludes corporate and financing costs.

Unit production cash costs for the December quarter are below YTD comparatives due to higher production in the current quarter in comparison to average YTD performance, partially offset by slightly higher production costs as Skaland transitioned to new ownership. Production in the December quarter 2019 is the highest quarterly production for the year.

Unit cost of goods sold for the December quarter 2019 was lower than the YTD comparative reflecting higher quarterly sales in the December quarter 2019, in comparison to the previous three quarters of 2019, and increasing inventory values.

Unit revenue per tonne of final concentrate sold for the quarter of US$582.48 compares to YTD US$639.13 with the weighted average price adjusted to enable the reduction of acquired stockpile inventory of Fine-Medium and Powder concentrates.

Skaland Safety, Environment and Community

MRC took control of the operation in October, and no Lost Time Injuries occurred in the operations subsequently. The Company conducted a safety audit of Skaland operations, which highlighted the workforce has a good knowledge base of safety requirements but safety systems need improvement to comply with Company standards. Improvement initiatives have subsequently commenced, including standardised safety performance reporting for the two operations.

Historically Skaland has maintained a solid safety performance, however the Company believes that operating within an internally recognised structured safety management system can only further enhance the Company's ongoing OH&S compliance.

There was one minor environmental incident involving the release of a small amount of tailings with no environmental impact. Processing operations were briefly suspended. Options for online monitoring of the tailings system is under consideration as part of the incident investigation. In addition, the Company is evaluating options for further improving tailings treatment, with the associated testwork expected to commence in March 2020. This program has the potential to support a further increase in Skaland's production in the future.

Skaland Permitting

The two permits required by Skaland Graphite AS to operate the mine and processing plant are the Operating Permit and the Discharge Permit. New permits were required (and granted) prior to the close of the acquisition to ensure that the operation was fully compliant with regulations and had the flexibility to increase future production to 16,000tpa of concentrate, subject to a tailings disposal constraint of 40,000tpa.

The Company requested an extension to the delivery of an Operations Plan required under the Operating Permit for the Traelen mine from 1 February 2020 to 31 May 2020. The extension is required to conduct the detailed resource modelling, geotechnical and hydrology evaluation activities required to support an effective Operations Plan. The extension was granted subsequent to 31 December 2019.

The Discharge Permit requires the Company to implement additional environmental monitoring and control activities. Planning for these activities has commenced.

MUNGLINUP GRAPHITE PROJECT

During the year, the Company appointed Mondium, a joint venture between Monadelphous and Lycopodium, to undertake complete Value Engineering ("VE") within the Definitive Feasibility Study ("DFS") phase, Front-End Engineering Design ("FEED") and fast-track to the full design and construct phase of the Munglinup Graphite Project. The DFS was completed and announced to the market. For more detailed information on the DFS outcomes we refer you to the ASX release "Robust DFS Allows MRC To Move To 90% Ownership Of Munglinup", released 8 January 2020.

Following the completion of the DFS, the Company intends to exercise its rights to increase its joint venture interest from 51% to 90% by:

- paying AU$800,000 to Gold Terrace; and
- issuing Gold Terrace with 30 million fully paid ordinary shares in MRC.

The key results of the DFS were:

- Post-tax - Net Present Value ("NPV") US$111M (AU$160M)
- Post-tax project - IRR 30%
- Capex - US$61M (AU$88M)
- Opex - US$491/tonne (FOB) (AU$720/tonne)
- Life of Mine average EBITDA - US$31M pa (AU$45M)
- Life of Mine net cash flow - US$240M (AU$352M)
- Payback period - 2.7 years
- Life of Mine - 14 years
- Life of Mine processing throughput - Yr 1-6 400ktpa — Yr 7-14 500ktpa
- Life of Mine average graphite concentrate production - 52ktpa
- Average concentrate grade - >95% TGC
- Ore Reserve - 4.24 million tonnes @ average grade 12.8% TGC

The DFS demonstrated robust economic outcomes of a concentrate only production scenario and confirmed the Company's view that Munglinup will become a crucial asset in its overall strategy to supply natural graphite into key high-demand battery anode markets. The DFS further enhances the Company's ambitions to build a global, vertically integrated carbon business based on two global strategic operating production centres in Tier 1 jurisdictions, Australia and Norway, producing sustainable natural graphite concentrate as a crucial raw material for the production of precursor and active anode materials.

The Munglinup Graphite Project was referred to the Department of Environment and Energy (Federal) ("DoEE") and the Environmental Protection Authority (State) ("EPA") in November 2018 for assessment. On 11 July 2019 the DoEE confirmed that the Federal assessment will be done under an accredited process by the EPA.

Additional studies required by the EPA were:

- Level 2 terrestrial fauna
- Level 2 SRE (short range endemic fauna) assessment
- Additional hydrology and hydrogeological assessment (including groundwater studies)
- Supplementary flora assessment
- Additional dieback assessment
- Ecological linkage assessment

A work program is underway with completion expected in June quarter 2020. The Federal-based DoEE and State-based EPA will then consider these studies in their assessments of the project.

The Company intends to implement a vertically integrated development strategy that will provide a broader range of higher value products, which diversifies the risks associated with supplying the traditional natural flake graphite market.

The Company will continue ongoing testwork and comprehensive market analysis as part of a determined integrated downstream value-adding strategy focused on the production of precursor and active anode materials for consumption in the growing lithium-ion battery sector. The Company will continue technical and economic study work, considering the production of purified, micronised, spheronised and coated Munglinup Concentrate to identify the optimal economic outcome from the deposit.

DOWNSTREAM GRAPHITE PROJECTS

MRC's downstream development strategy includes an incremental approach to value-adding at Skaland and an integrated approach for the Munglinup project.

For Skaland, the process starts with increasing the quality of the concentrate produced specifically increasing the recovery of coarse flakes in the concentrate and the grade of the fines in the concentrate. Testwork for these activities commenced under the due diligence investigations and was successfully completed at the end of 2019. Vendor proposals for equipment supply and engineering design are expected to be completed in the March quarter 2020.

The upgraded fines concentrate will be used for producing micronised and spheronised graphite at Skaland using low-cost hydroelectric power. Initial tests using vendor equipment have been completed and planning for additional testing is underway. It is necessary to select the correct equipment as the yields to the spheronised product are variable and impact on the characteristics of the spheronised graphite and the economics. The feed material for the testwork program is Skaland fines concentrate that is upgraded in a pilot plant in Australia.

Purification is the cornerstone of an effective value-adding strategy, producing high grade coarser flakes (>99%) as well as battery anode grade (>99.95%) products. Current practice is to purify graphite using hydrofluoric acid ("HF") - an aggressive acid that is toxic to the environment if not effectively neutralised. HF purification is used in China where most natural graphite is purified. It will be difficult to obtain approvals for HF purification in other jurisdictions, thus a more environmentally sustainable purification process is required. Consequently, the Company formed a partnership with the CSIRO and Doral Fused Materials to submit an application for government funding for the development of a more sustainable process under the Commonwealth Government CRC-P Round 7 funding program. The Company was notified that the application was successful in July 2019.

The project has a total budget of $2.61 million, with 31% contributed by the Commonwealth Government's CRC-P program as cash funding, together with significant cash and in-kind contributions by the partners. The program includes production of concentrate for use in the testwork program, evaluation of the performance of different reagents in removing impurities from the graphite, both individually and in series with other reagents, optimisation of reaction conditions and evaluation at PFS and DFS levels. It is a focused development program designed to deliver a commercial graphite purification process that does not use HF – examining a number of potential options.

The program commenced with the identification of impurities in Skaland concentrate to provide the baseline data for purification, Munglinup concentrate having been assessed previously by CSIRO outside the CRC program. Initial screening tests have been completed as well as first stage evaluation of a two multi-stage processes. Optimisation of the two stage processes is underway. External to the work at CSIRO, the program is evaluating an alternate purification route. The results from these tests are expected in the March quarter 2020, with the goal of selecting a preferred purification process for further development.

Outside its own purification process development, the Company has sent samples of unpurified spherical graphite (produced from upgraded Skaland concentrate) to potential customers for testing in their proprietary purification processes, with feedback expected in the March quarter 2020. This approach provides flexibility in fast-tracking purification.

For Munglinup, the Company has been focusing on the purification process within the CRC-P program as well as generating additional concentrate for downstream testwork. The Company is pleased by the potential for a common purification process for Skaland and Munglinup.

The Company has commenced electrochemical testing of coin-cells using purified Munglinup graphite flake that has been micronised. This is the first step in evaluating performance as a battery anode material. Additional testwork using spherical graphite and coated spherical graphite from purified Munglinup concentrate is underway with results expected early in 2020. A similar program will be developed for Skaland in the March quarter 2020 to assess the performance of concentrate purified by non-HF methods.

Leading up to the completion of the Skaland transaction, the Company engaged with numerous Norway-based industry and government groups to assist in the development and promotion of the Company's downstream strategy for Skaland concentrate. An early example of this engagement was the December announcement of an executed binding, non-exclusive MOU with FREYR Battery AS ("FREYR"). FREYR is a Norwegian-incorporated company developing a combined 2+32 GWh lithium-ion battery facility and a 600 MW onshore wind park in Rana and Nesna municipalities in Norway. MRC and FREYR have agreed to evaluate the manufacture and supply of sustainably sourced natural anode material from Skaland graphite concentrate for use in FREYR's battery cells.

Where possible and permitted, the Companies have agreed to share information on the manufacture and production of energy storage systems to enable MRC to meet FREYR's future demand requirements. MRC will also provide review and advice to FREYR on the raw material sector of the battery value chain.

AUSTRALIAN EXPLORATION

Lithium/Tantalum Prospect: Paynes Find

On 10 January 2019, the Company announced it had acquired a mining lease and had recently been granted exploration licences over known lithium-tantalum rich pegmatites, being the Mt Edon Felsic pegmatite suite and Wydgee Greenstone belt pegmatites located near Paynes Find, Western Australia.

This acquisition at Paynes Find complements MRC's strategic focus on battery minerals, which includes development of the Munglinup Graphite Project located near Esperance and the recent acquisition of Norwegian graphite producer, Skaland Graphite AS.

The Mt Edon pegmatite field hosts numerous lithium-cesium-tantalum pegmatites and is strategically located close to existing infrastructure making it an excellent exploration and mine development target. The mining lease area hosts historical lithium rich zones associated with the pegmatites, as well as historical mining for tantalum, beryl and microcline feldspar. Historical reported lithium grades of up to 2.2% Li_2O_5 have been found on the granted mining lease.

The northern Wydgee tenement has had no lithium exploration work done on it but is a known beryl bearing pegmatite that was previously exposed and mined for beryl.

The immediate exploration strategy for these Paynes Find tenements will be to identify albite-spodumene rich zones and verify the occurrence of anomalous lithium and tantalum within these targeted zones.

Site visits and field chip sampling of six selective pegmatites were undertaken on the Paynes Find, Mt Edon tenement during the year to determine the fractioned nature of the pegmatites for LCT minerals (Lithium-Cesium-Tantalum). Based on positive results (two out of ten rock chips anomalous for lithium and tantalum) in the second half of 2019, additional site visits and field chip sampling (ten new samples) of the pegmatites were undertaken on the Paynes Find, Mt Edon tenement. Two of the six main pegmatites (1.2km and 1.2km long along strike) were found to host fractioned pods of lithium, cesium and tantalum ("LCT") minerals. The visible lithium mineralisation consists of lepidolite zinnwaldite minerals and not spodumene. Four of the ten new rock chip samples were found to be anomalous for lithium, caesium and tantalum.

The Company received Programme of Work approval from the Department of Mines, Industry Regulation and Safety ("DMIRS") for tantalite exploration pits in Paynes Find to evaluate elluvial and alluvial potential along the valleys and drainage to confirm the historical non-JORC resources of 70,600t@190ppm Ta2O5 (Calderwood, 1979).

Exploration work is planned in the March quarter 2020.

The Yandeyarra Lithium prospecting applications were surrendered due to the inability to obtain access in a timely manner.

Copper/Gold Prospect: Doolgunna

Modelling and interpretation of the results from an 8,859m drill campaign during 2018 indicate a complex stockwork of gold lodes that are hosted within a broad, at least 320m wide, greenschist facies alteration system (the Revere Reef System) that is at least 5-6km long. Infill laboratory testing of drill samples during the first half of 2019 indicates that gold mineralised zones are continuous between drill holes and are not limited to just quartz reef lodes but are also within hydrothermally altered host rock e.g. siltstone and sandstone. The potential to develop the near surface ore bodies as a large open pitable resource is being investigated. Gold mineralisation has been intersected from surface to at least 130m below surface where RC drilling was abandoned due to high water inflows that compromised sampling integrity and recovery. Resource modelling results are very positive and encouraging, indicating a large, well developed mesothermal alteration zone in which the fluids during one of the episodic alteration events carried substantial gold bearing fluids. Width of the mineralised shear system is at least 320m wide along the Revere shear system and is still open at depth and width.

In addition to the Revere reef system two other well developed gold bearing shear zones have been identified: the Lucky Dog shear zone ~3km to the north and the King Reef system 1.6km to the south of the Revere Reef.

As the metalloid potential of these systems at depth (below zone of complete oxidisation) are currently unknown, a number of 300m deep diamond holes are planned to be drilled during June quarter 2020 to investigate the deeper copper-gold mineralisation potential of the systems.

The free gold mineralisation in the Revere System is extremely coarse and nuggety which is great for mine processing recoveries but can create low grade laboratory results during exploration due to the small drill sample size. A follow-up and larger bulk sampling campaign is therefore planned in and along the near surface mineralised gold quartz lodes intersected during drilling.

An application for two 45,000 tonne bulk sampling excess tonnage authorisations over tenements E51/1766 and P51/2787 were submitted to the Department of Mines, Industry Regulation and Safety on 18 June 2019. These applications are now on hold subject to Native Title Party consent.

Vanadium Prospect: Harvey

This Mining Lease (M70/888) has historical shallow prospecting and vacuum drilling work done on it that have produced magnetic concentrates with 1.53% to 1.65% V2O5 grades and silica levels of less than 0.5%.

MRC has obtained new POW and Vegetation Clearance permits to allow deeper exploration drilling. Access negotiations with the Department of Biodiversity, Conservation and Attractions ("DBCA") are ongoing.

A new Dieback Survey over the drill lines has been completed and an updated dieback management plan and environmental management documents were prepared and submitted to the DBCA on 11 October 2019.

Exploration drilling is expected to start in the second half of 2020.

XOLOBENI MINERAL SANDS PROJECT

The Xolobeni permitting process remains under a DMR mandated moratorium. The third visit to Xolobeni by the Mining Minister, Gwede Mantashe, occurred on 16 January 2019. The Minister inspected amongst other things the Kwanyana prospecting area of the proposed Xolobeni mining project. The Minister declared that an independent survey would be held to determine the future right of mining in the area.

The Company's Xolobeni Mineral Sands Project on the Eastern Cape of South Africa remains a world class mineral sands deposit with a JORC compliant resource of 346Mt at 5% THM.

Whilst the Company has entered into an agreement to divest its interest to its project BEE partners, which is currently under suspension due to the moratorium, it continues to consider that the Xolobeni Mineral Sands Project has compelling socio-economic benefits for the area and can be developed in conjunction with the eco-tourism and agricultural initiatives that are being put forward by various stakeholders.

IRAN

The Company is moving to divest its exploration interest in Iran during 2020.

CONSOLIDATED RESULTS AND FINANCIAL POSITION

Earnings Before Interest, Tax, Depreciation and Amortisation for the Group ("EBITDA") were $16.5 million (2018: $14.7 million), a 12% increase on the prior year. The higher overall sales volumes and revenue (including Skaland), in conjunction with lower corporate overheads, translated into the higher reported EBITDA for the 2019 year when compared to 2018 results.

Revenue for the year was $61.8 million (2018: $55.4 million), a 12% increase on the prior year. Higher sales revenue was due to the first year introduction of Skaland sales (US$1.2 million), and additional Tormin revenue (US$5.2 million). Higher Tormin revenue was due to a 103% (109,866 tonnes) increase in ilmenite concentrate volumes shipped during the current year, partially offset by a 41.87% (7,524 tonnes) decrease in zircon and rutile volumes shipped, lower garnet transport revenue due to 95,833 less garnet tonnes shipped and lower zircon and rutile pricing achieved in 2019.

Gross profit margins were generally maintained at Tormin, with the revenue to cost of goods sold ratio for the year of 1.48 (2018: 1.43), as the impacts of decreasing mine grades and production cash cost increases were mostly offset by improved processing plant performance and higher sales prices achieved for the Company's zircon, rutile and ilmenite concentrates.

Corporate administration and share incentive expenses for the year of $5.5 million (2018: $7.4 million) were incurred, with the decrease over the prior year a result of foreign exchange gain, corporate cost savings in lower travel costs and streamlining support services.

Net finance income for 2019 of $0.2 million (2018: $0.1 million net finance costs) were reported, reflecting interest income on cash held during 2019.

The profit before income tax expense ("NPBT") was $11.9 million (2018: $10.4 million), a 14% increase on the prior year, reflecting the improved sales performance at Tormin and lower administration costs in 2019.

The profit after expense ("NPAT") for 2019 was $7.8 million (2018: $8.8 million), an 11% decrease on the prior year. The main contributor towards the decreased NPAT when compared to 2018 results was the increase in the effective tax rate for the current year to 34% (2018: 15%), with the Group transitioning into a tax payable position in 2019, meaning past available capital losses that lowered the effective tax rate in the prior year have been fully utilised.

At 31 December 2019, the Company had $8.1 million in cash (2018: $12.4 million), with trade and other receivables of $9.5 million (2018: $6.0 million).

Net working capital as at 31 December 2019 was $8.1 million (2018: $13.4 million).

Borrowings as at 31 December 2019 were $7.7 million (2018: $5.1 million). The increased borrowings reflect additional debt of US$4.2 million obtained in the acquisition of Skaland Graphite AS, partially offset by $1.5 million in repayments against the facility previously provided to finance Tormin's garnet stripping plant and $1.0 million in repayments for six Articulated Dump Trucks acquired in 2018 for the Tormin operation.

Net assets of the Group as at 31 December 2019 were $46.0 million (2018: $42.1 million). The increase in reported net assets reflects Group profitability in 2019, offset by dividend distributions to shareholders.

Strong net cash inflow from operating activities for the year of $13.3 million (2018: $14.5 million) continued to fund the Company's significant investment program and dividend distributions.

Net cash investments in acquisitions, exploration, feasibility studies, mine development, property, plant and equipment during 2019 totalled $10.0 million (2018: $9.4 million).

The Company's dividend payment strategy to provide cash returns to shareholders continued, with a further $3.8 million (2018: $3.8 million) distributed in dividends during 2019. The Board of the Company was pleased to declare and pay during the year a 0.7 Australian cent per share final dividend in respect of the 2018 year, followed by an interim dividend for the half year ended 2019 of 0.6 Australian cent per ordinary share.

The Directors have deferred a decision on declaring a final dividend for the year ended 31 December 2019.

The current and expected future cash position and earnings of the Company are expected to continue to provide for the payment of future dividends as part of the Company's overall capital management strategy.

The Company continues to actively pursue business development opportunities in the industrial minerals, base metals and precious metals sectors, in accordance with the Company's strategy to diversify both in commodities and jurisdictions.

OUTLOOK

Tormin operations will continue to focus on optimising the mining and processing value chain to deliver results in line with 2019 figures. MRC's mining rights (10107MR and 10108MR) were renewed at the Tormin Mineral Sands Operation to allow the continuation of its existing mining operations for an additional 10 years. In addition, a concerted effort will continue to be made to secure the full granting of the Company's S102 Expanded Mining Right Application and its prospecting right applications.

Until such time that additional permitting is granted, allowing an expansion and access to the Inland Strand and Northern Beaches resources, the Company recognises it will need to continue to address issues surrounding mining a replenishing beach and the uncertainties relating to replenishment quantities and grade. Mitigation management includes the adjustment of mining rates to allow sufficient time for the active beach mining areas to replenish, which may result in the scaling back of operations at various periods throughout the year and increasing production from the amphibious excavator that will allow access to the previously unmined portions of the resource which sit within the perimeter of the lower tidal boundaries and surf zone.

Skaland's first full year of operations in 2020 will be focused on stabilising operations and improving safety standards, while investing in mining equipment substitution, additional development work to ensure continued ore supply and plant optimisation to improve grade and coarse/fine fraction product distribution.

After delivery of the Definitive Feasibility Study for the Munglinup Graphite Project on 8 January 2020, management continues to expedite the requisite studies and regulatory approvals to fast-track this project to development.

The advancement of the permitting process in South Africa for the expansion of the Tormin mining operation, acquisition and consolidation of Skaland, combined with the progress of the tier 1 jurisdiction Munglinup Graphite Project, sees the Company well positioned in 2020 to deliver on its stated expansion and diversification business development strategy.

Significant changes in the state of affairs

Details of the year's operational performance and the resulting financial impact is set out in the review of operations above.

No event or transaction has arisen in the interval between the end of the financial year and the date of this report of a material and unusual nature, other than what has been disclosed elsewhere in this financial report, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Company or the Group in future financial years unless otherwise disclosed in this Directors' Report.

Events since the end of the financial year

Other than disclosed in the review of operations above, there have been no other material matters arising subsequent to the end of the financial year.

Likely developments and expected results of operations

Likely developments in the operations of the Group that were not finalised at the date of this report are included in the review of operations above and as detailed in the Outlook section.

The Board continues to review other projects and opportunities in the interests of increasing shareholder value.

Environmental regulation

The Group is subject to various environmental regulations in respect to its exploration, development and production activities.

In the course of its normal mining and exploration activities, the Group adheres to all environmental regulations imposed upon it by the relevant regulatory authorities, particularly those regulations relating to ground disturbance and the protection of rare and endangered flora and fauna.

Greenhouse gas and energy data reporting requirements

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use in Australia. For the measurement period, the Directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

Schedule of mining and prospecting tenements

Mining and prospecting tenements currently held or under application by the Group are:

Country	Location	Right/Tenement Number/ Operating Licence	Type of Right/ Tenement/ Licence	Status	Registered Interest (Beneficial Interest)
South Africa	Tormin	162 & 163	Expansion	Granted – subject to appeal	
	Tormin	(WC)30/5/1/2/2/162 MR	Mining	Renewal Granted	100%
	Tormin	(WC)30/5/1/2/2/163 MR	Mining	Renewal Granted	100%
	Tormin	(WC)30/5/1/1/2/10036 PR	Prospecting	Granted – subject to renewal application	100%
	Tormin	(WC)30/5/1/1/2/10199 PR	Prospecting	Granted	100%
	Tormin	(WC)30/5/1/1/2/10240 PR	Prospecting	EA appeal upheld and decision to approve EA remitted to DMR	100%
	Tormin	(WC)30/5/1/1/2/10261 PR	Prospecting	Granted	100%
	Tormin	(WC) 30/5/1/1/2/10262 PR	Prospecting	Granted	100%
	Tormin	(WC) 30/5/1/1/2/10307 PR	Prospecting	Under Application	100%
	Tormin	(WC) 30/5/1/1/2/10308 PR	Prospecting	Under Application	100%
	Xolobeni - Kwanyana block	EC30/5/1/1/2/10025 PR	Prospecting	Subject to moratorium - converting to Mining Right	100%
	Xolobeni	EC30/5/1/1/2/10025 MR	Mining	Subject to moratorium - under Application	100%
Australia	Doolgunna	E51/1766	Exploration	Granted	0% (Option to earn-in to 90%)
	Doolgunna – Bone	E51/1770	Exploration	Granted	0% (Option to earn-in to 90%)
	Doolgunna – Lucky Dog	P51/2787	Exploration	Granted	0% (Option to earn-in to 90%)
	Doolgunna – Lucky Dog	P51/2788	Exploration	Granted	0% (Option to earn-in to 90%)
	Glen Florrie	ELA08/2963	Exploration	Under application	100% (90%)
	Harvey Vanadium	M70/888	Mining	Granted	0% (Option to earn-in up to 100%)
	Paynes Find	M59/714	Mining	In Transfer	0% (Option to earn-in to 90%)
	Paynes Find – Wydgee Pegmatites	E59/2326	Exploration	Granted	100% (90%)
	Munglinup	M74/245	Mining	Granted	51% (Option to acquire 90%)
	Munglinup	E74/505	Exploration	Granted	51% (Option to acquire 90%)
	Munglinup	E74/565	Exploration	Granted	100%
Norway	Trelle	Gnr./bnr.6/1,6/2 and 7/1 in Berg	Expropriation of Mining Rights in specified land parcels	Granted	100%

Information on Directors

Mark Victor Caruso	**Executive Chairman and Chief Executive Officer**	**Age 58**

Experience and expertise

Mr Mark Caruso has extensive experience in mining, earthmoving and civil engineering construction earthworks. He has been a Director of the Company since September 2000. He was previously Chairman of Allied Gold Mining PLC ("AGMP"), responsible for the delivery of the Gold Ridge Project in the Solomon Islands and the Simberi Gold Project in Papua New Guinea. After resigning from AGMP, he transitioned into the position of Executive Chairman of the Company in August 2012.

Other current directorships

Connexion Telematics Ltd

Former directorships in the last 3 years

Perpetual Resources Limited

Special responsibilities

Chairman of the Board
Chief Executive Officer

Interests in shares and options

79,514,228 ordinary shares in the Company – indirect holding [1]
15,784 ordinary shares in the Company – direct holding

Joseph Anthony Caruso	**Non-Executive Director**	**Age 74**

Experience and expertise

Mr Joseph Caruso was appointed as Non-Executive Director of the Company in September 2000. He is a Director of Zurich Bay Holdings Pty Ltd and Construction Manager of Simto Australia Pty Ltd, both of which are involved in mining, earthmoving and civil engineering construction earthworks. He has considerable experience in managing and administration of engineering, mining, raw materials production operations, earthmoving and related infrastructure utilities services resource contracts.

Other current directorships

None

Former directorships in the last 3 years

None

Special responsibilities

Member of the Remuneration and Nomination Committee

Interests in shares and performance rights

78,007,485 ordinary shares in the Company [1]

Peter Patrick Torre CA, AGIA, MAICD	**Non-Executive Director and Company Secretary**	**Age 48**

Experience and expertise

Mr Torre was appointed Company Secretary of the Company in July 2006, and as a Director of the Company on 1 April 2010. He is a Chartered Accountant, a Chartered Secretary and a member of the Australian Institute of Company Directors. He was previously a partner of an internationally affiliated firm of Chartered Accountants. Mr Torre is the Company Secretary of several ASX listed companies.

Other current directorships

Volt Power Group Limited
VEEM Ltd
Zenith Energy Ltd

Former directorships in the last 3 years

None

Special responsibilities

Company Secretary

Interests in shares and performance rights

1,625,000 ordinary shares in the Company

1 J A Caruso and M V Caruso are both directors of and have a relevant interest in Zurich Bay Holdings Pty Ltd, which holds 78,007,485 shares in the Company. Mr Mark Caruso also holds shares indirectly through Regional Management Pty Ltd and Property and Equity Nominees Pty Ltd.

David Lewis Baker — Independent Non-Executive Director (appointed 28 August 2019) — Age 63

Experience and expertise

Mr Baker is an investment banker and corporate lawyer with extensive experience in governance, leadership, asset financing, acquisitions and divestments. His governance and corporate leadership experience includes roles as the Chair, Non-Executive and Executive Director and Managing Director of two ASX listed companies and a major independent private school in Sydney. He has also held management roles in developing, financing, managing and operating resource projects in new technologies (magnesium, coal seam gas extraction) and emerging and remote mining jurisdictions (Philippines, Eritrea).

Other current directorships

None

Former directorships in the last 3 years

Strike Energy Limited

Special responsibilities

Chairman of the Audit, Compliance and Risk Committee and member of the Remuneration and Nomination Committee

Interests in shares and performance rights

Nil ordinary shares in the Company

Debbie Ntombela — Independent Non-Executive Director (appointed 28 August 2019) — Age 66

Experience and expertise

Ms Ntombela is a lawyer in South Africa with an in-depth knowledge of the mining sector, specifically regarding regulatory compliance from previously working at and with the Department of Mineral Resources and the mining industry in South Africa. She specialises in applications for prospecting rights, mining rights and mining permits and all related mining and exploration documentation. She is currently a Partner in the law firm Shepstone & Wylie in South Africa.

Other current directorships

None

Former directorships in the last 3 years

None

Special responsibilities

Member of the Audit, Compliance and Risk Committee and member of the Remuneration and Nomination Committee

Interests in shares and performance rights

Nil ordinary shares in the Company

Russell Gordon Tipper — Independent Non-Executive Director (appointed 28 August 2019) — Age 66

Experience and expertise

Mr Tipper is a mining engineer with considerable senior executive, mining and project level experience having held a number of senior executive positions with mining companies over the years, including group treasurer for a large miner for four years. He has delivered feasibility studies and project proposals for major mining and infrastructure projects such as the Hope Downs Iron Ore Project and the Karara Magnetite Project. Mr Tipper has also been instrumental in debt restructuring and capital raisings, along with providing leadership in the revision of work practices at mining operations.

Other current directorships

None

Former directorships in the last 3 years

None

Special responsibilities

Chairman of the Remuneration and Nomination Committee and member of the Audit, Compliance and Risk Committee

Interests in shares and performance rights

Nil ordinary shares in the Company

Guy Redvers Walker BCA, CA, CFA, CMInstD | **Non-Executive Director** (resigned 30 May 2019) | **Age 50**

Experience and expertise

Mr Walker is a highly accomplished director and senior investment management executive with over 22 years' financial markets experience. He currently and in the past has sat on the boards of listed mining companies including exploration, development and production companies. He has extensive experience in capital raising through both traditional banks and alternative lenders.

Other current directorships

Metals Exploration plc

Former directorships in the last 3 years

None

Special responsibilities

Chairman of the Audit, Compliance and Risk Committee and member of the Remuneration and Nomination Committee (resigned 30 May 2019)

Interests in shares and performance rights

1,200,000 ordinary shares in the Company at the time of resigning as a Director

Colin Ross Hastings BSc (Geology), MSc (Economic Geology), MAusIMM | **Age 69**

Independent Non-Executive Director (resigned 30 May 2019)

Experience and expertise

Mr Ross Hastings was appointed as a non-executive Director in April 2015. He is a geologist with over 32 years' experience in mining and exploration, project generation and project development, covering Australia and overseas. He has a strong geotechnical background with 10 years' experience in this field and has extensive experience in mining related disciplines and processes. From 1996 to 2014, Mr Hastings was involved with Allied Gold PLC's Simberi Gold Project where his roles included management of exploration and the feasibility and pre-development studies for mine construction. Mr Hastings then progressed to General Manager Resource Development and concluded his tenure at St Barbara subsequent to the merger between it and Allied Gold Mining PLC.

Other current directorships

None

Former directorships in the last 3 years

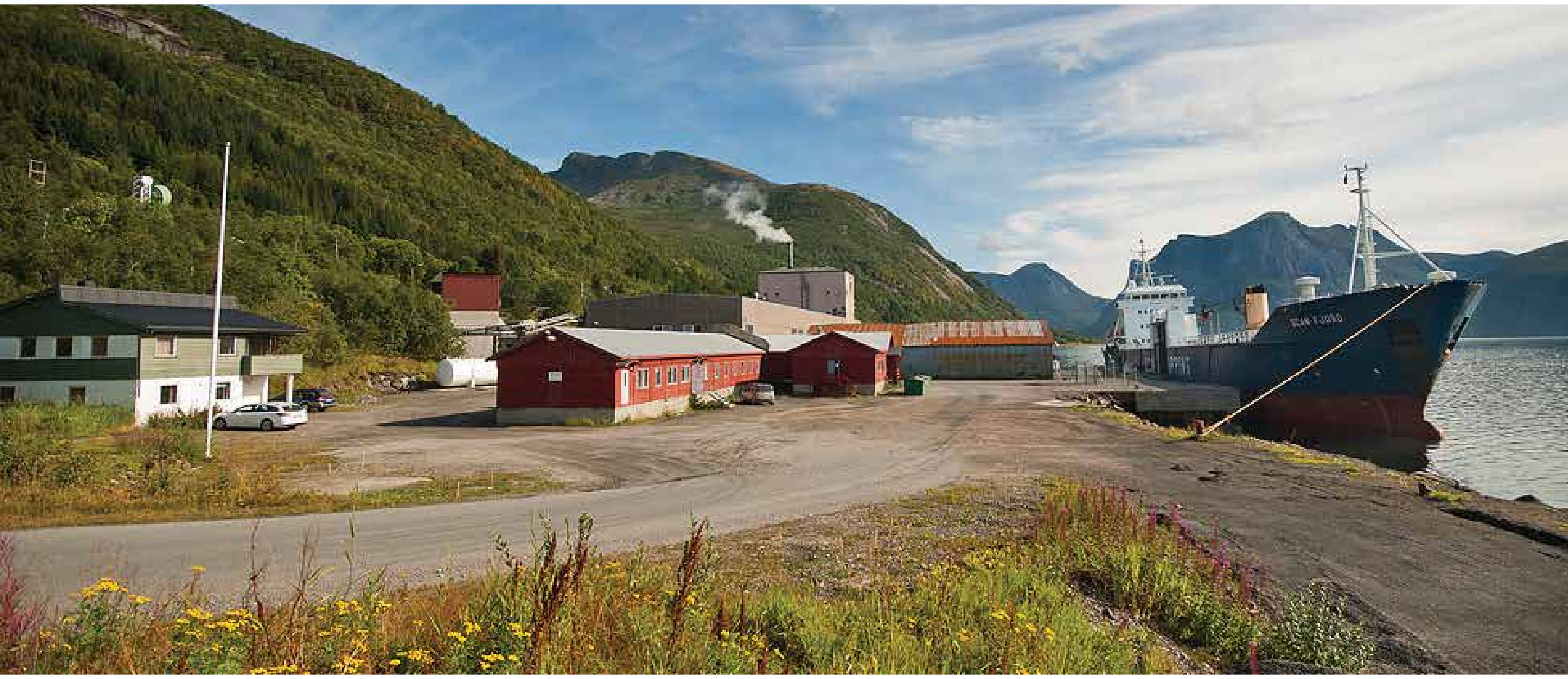
Perpetual Resources Limited

Special responsibilities

Chairman of the Remuneration and Nomination Committee and member of the Audit, Compliance and Risk Committee (resigned 30 May 2019)

Interests in shares and performance rights

1,150,000 ordinary shares in the Company at the time of resigning as a Director



Directors and Key Management Personnel Shareholdings

The relevant interest of each Director and key management personnel in the share capital of the Company, shown in the Register of Directors' and Key Management Personnel's Shareholding at the date of the Directors' Report is as follows:

		Balance as at 1 January 2019	Received as remuneration	Increase as a result of performance rights exercised	Purchased on market	Balance as at 31 December 2019
Mark Caruso	• Indirect	79,514,228	-	-	-	79,514,228
	• Direct	15,784	-	-	-	15,784
Joseph Caruso		78,007,485	-	-	-	78,007,485
Peter Torre		1,625,000	-	-	-	1,625,000
David Baker		-	-	-	-	-
Debbie Ntombela		-	-	-	-	-
Russell Tipper		-	-	-	-	-
Guy Walker[1]		1,200,000	-	-	-	1,200,000
Ross Hastings[1]		1,150,000	-	-	-	1,150,000
Adam Bick		-	-	-	-	-
Surinder Ghag		-	-	-	-	-
Bahman Rashidi		-	-	-	-	-
Fletcher Hancock		-	-	-	-	-

1 Mr Walker and Mr Hastings resigned as directors on 30 May 2019. Their balances as at 31 December 2019 reflect shareholdings at resignation date.

Meetings of Directors

The number of meetings of the Company's Board of Directors and each of the Board committees held during the year ended 31 December 2019, and the number of meetings attended by each Director were:

Name	Directors' Meetings		Meetings of committees			
			Audit, Compliance and Risk		Remuneration and Nomination	
	A	B	A	B	A	B
Mark Victor Caruso	10	10	1	1	1	1
Joseph Anthony Caruso	10	10	1	1	1	1
Peter Patrick Torre	10	10	4	4	1	1
David Lewis Baker	2	2	1	1	1	1
Debbie Ntombela	2	2	1	1	1	1
Russell Gordon Tipper	2	2	1	1	1	1
Guy Redvers Walker	5	5	2	2	3	3
Colin Ross Hastings	5	5	2	2	3	3

A being total of meetings eligible to attend
B being total of meetings actually attended

Other matters of Board business have been resolved by circular resolutions of Directors, which are a record of decisions made at a number of informal meetings of the Directors held to control, implement and monitor the Company's activities throughout the year.

Remuneration report (Audited)

This remuneration report sets out the remuneration information for the Company's non-executive Directors, executive Directors, other key management personnel and the key executives of the Group and the Company. The remuneration report is set out under the following main headings:

A. Principles used to determine the nature and amount of remuneration

B. Details of remuneration

C. Service agreements

D. Share-based compensation

E. Additional information

F. Other transactions with key management personnel

A. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the Company's operations, the Board reviews the remuneration packages of all key management personnel, if any, on an annual basis and makes recommendations. Remuneration packages are reviewed with due regard to performance and other relevant factors.

Remuneration packages may contain the following key elements:

(a) Directors' fees;

(b) Salary and consultancy; and

(c) Benefits, including the provision of a motor vehicle and superannuation.

Fees payable to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. The Board reviews Non-Executive Directors' fees and payments on an annual basis. The Non-Executive Directors fee pool was set at $500,000 on 30 May 2008 at the Annual General Meeting. Non-Executive Director fees are paid with an aggregate limit (currently $500,000) which is approved by the shareholders from time to time. Non-Executive Directors serve in accordance with a standard letter of appointment which sets out the remuneration arrangements.

Executives are offered a competitive base pay which is reviewed annually to ensure the pay is competitive with the market.

There were short term cash incentives provided to the Executive Chairman, Chief Financial Officer ("CFO"), Technical Services Manager ("TSM"), Exploration Manager ("EM") and Group Legal Counsel ("GLC"). Long-term incentives are provided to Directors and other key management personnel to incentivise them to deliver long-term shareholder returns.

These are determined based on what the Board views as reasonable based on market conditions. Any grant of securities to Directors of the Company must be approved by shareholders in a general meeting.

The Directors are not required to hold any shares in the Company under the constitution of the Company; however, to align Directors' interests with shareholders' interests, the Directors are encouraged to hold shares in the Company.

As at 31 December 2019, the short term cash bonus incentives are up to 25% of base pay calculated on Company performance and other key performance indicators. Directors' fees are fixed.

	2019	2018	2017	2016	2015
Profit /(loss) for the year after tax (USD)	7,828,231	8,823,231	9,932,930	3,777,834	10,576,785
Closing share price (AUD)	28.0 cents	17.0 cents	13.0 cents	13.0 cents	10.0 cents
Dividends paid (AUD)	5,474,790	5,431,140	6,884,012	4,049,416	-

VOTING AND COMMENTS MADE AT THE COMPANY'S 2019 ANNUAL GENERAL MEETING

The Company received more than 25% votes against the approval of the Remuneration Report, and as such recorded its second successive strike in accordance with the *Corporations Act 2001*. A Company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company ("Spill Resolution") if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote.

A Spill Resolution was put to vote at the 30 May 2019 annual general meeting and (with Key Management Personnel and their Closely Related Parties excluded pursuant to the Corporations Act) more than 50% of votes cast were in favour of the Spill Resolution. Consequently, the Company convened a Spill Meeting on 28 August 2019.

The Vacating Directors were Joseph Caruso, Peter Torre, Colin Hastings and Guy Walker. Peter Torre and Joseph Caruso remained in office until the Spill Meeting, whereas Colin Hastings and Guy Walker no longer remained in office due to retirement and non-election, respectively.

The Vacating Directors who remained in office ceased to hold office immediately before the end of the Spill Meeting but stood for re-election at the Spill Meeting.

The business of the Spill Meeting was to put to vote resolutions to appoint persons to offices vacated by the Vacating Directors.

The Directors note that the Government's stated intention of the "two strikes rule" was to empower shareholders to constrain remuneration arrangements that were clearly excessive. The Directors do not consider this to be the case for the Company.

At the General Meeting held 28 August 2019, Mr Joseph Caruso and Mr Peter Torre were re-elected as Directors of the Company and Ms Debbie Ntombela, Mr Russell Tipper and Mr David Baker were also elected to the Board.

B. DETAILS OF REMUNERATION

The key management personnel of the Group are:

- the Directors of the Company;
- Mr Tony Sheard, the Chief Financial Officer ("CFO") (resigned 5 June 2019);
- Mr Adam Bick, the Chief Financial Officer ("CFO") (appointed 5 June 2019);
- Mr Surinder Ghag, the Technical Services Manager ("TSM");
- Mr Bahman Rashidi, the Exploration Manager ("EM"); and
- Mr Fletcher Hancock, the Group Legal Counsel ("GLC").

The amounts disclosed are applicable for the Company.

Details of the remuneration of Directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of the Company are set out in the following tables. Non-cash benefits in the form of performance rights were provided to Directors during the 2016 financial year, to the previous CFO in the 2017 financial year and to the TSM and EM in the 2018 financial year. The current CFO received performance rights in the 2018 financial year in his previous role as Group Financial Controller with the Company. The following fees are applicable to Directors and key management personnel of the Company.

Name	Year	Cash salary (A$)	Cash bonus (A$)	Annual and long service leave (A$)	Post-employment benefits (A$)	Share-based payments (Options & Performance rights) (A$)	Totals (A$)	Percentage performance based(%)	Share based payments as a percentage of remuneration (%)
Directors									
Executive Chairman									
Mark Caruso[1]	2019	579,710	677,000	7,929	20,290	-	**1,284,929**	52.7	-
	2018	579,710	662,500	68,385	20,290	-	**1,330,885**	49.8	-
Joseph Caruso	2019	63,927	-	-	6,073	-	**70,000**	-	-
	2018	63,927	-	-	6,073	52,705	**122,705**	-	43.0
Peter Torre	2019	150,000	-	-	-	-	**150,000**	-	-
	2018	150,000	-	-	-	52,705	**202,705**	-	26.0
David Baker	2019	22,917	-	-	-	-	**22,917**	-	-
Debbie Ntombela	2019	22,500	-	-	-	-	**22,500**	-	-
Russell Tipper	2019	20,928	-	-	1,989	-	**22,917**	-	-
Guy Walker	2019	33,333	-	-	-	-	**33,333**	-	-
	2018	80,000	-	-	-	52,705	**132,705**	-	39.7
Ross Hastings	2019	14,840	-	-	1,410	-	**16,250**	-	-
	2018	84,036	-	-	6,941	52,705	**143,682**	-	36.7
Total Director Remuneration	**2019**	**908,155**	**677,000**	**7,929**	**29,762**	**-**	**1,622,846**	**41.7**	**-**
	2018	957,673	662,500	68,385	33,304	210,820	1,932,682	34.3	10.9
Other Key Management Personnel									
Tony Sheard (resigned 5 June 2019)	2019	105,628	-	-	13,840	-	**119,468**	-	-
	2018	248,762	51,313	8,122	26,238	202,073	**536,508**	9.6	37.7
Adam Bick (appointed 5 June 2019)	2019	126,898	49,771	11,715	12,055	45,266	**245,705**	20.3	18.4
Surinder Ghag	2019	237,758	59,750	336	22,125	83,914	**403,883**	14.8	20.8
	2018	221,407	55,574	7,490	20,572	26,142	**331,185**	16.8	7.9
Bahman Rashidi	2019	169,798	-	4,488	16,128	90,930	**281,344**	-	32.3
	2018	164,384	-	9,750	15,616	159,330	**349,080**	-	45.6
Fletcher Hancock	2019	203,196	33,000	-	19,304	61,582	**317,082**	10.4	19.4
	2018	121,471	29,142	-	11,540	-	**162,153**	18.0	-
Total Key Management Personnel Remuneration	**2019**	**1,751,433**	**819,521**	**24,468**	**113,214**	**281,692**	**2,990,328**	**27.4**	**9.4**
	2018	1,713,697	798,529	93,747	107,270	598,365	3,311,608	24.1	18.1

1. Mr Caruso received non-monetary benefits in addition to the remuneration above for personal insurance of A$74,747 (2018: A$72,962). Mr Caruso, as a working director, is not personally insured under the Group's insurance policies for accident, injury or death. The Company in 2018 also purchased Mr Caruso a A$116,544 Toyota Landcruiser motor vehicle for business and personal use. This motor vehicle has been financed by the Company.

Other short and long term benefits forming part of the service agreements are detailed below.

Cash bonus

The Executive Chairman was entitled to an annual bonus of 25% of the Base Remuneration, measured against the following criteria, 20% weighting for each:

1. Mine production against budget;
2. Positive progress towards the review of the Tormin Mining Rights, including Mining Rights for the Northern Beaches and Geelwal Karoo Inland Mining Area;
3. Conclude Skaland acquisition;
4. Achieving Budget Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") taking into account uncontrollable variables at the discretion of the Board; and
5. Munglinup project progress against agreed project plan and deliverables, including delivery of a Definitive Feasibility Study

Future bonuses of the Executive Chairman will be at the sole discretion of the Board.

The measurable objectives were chosen to ensure the Executive Chairman was incentivised to meet budgeted production and EBITDA, to secure further mining and prospecting tenure for the Company's Tormin operations and to progress the Company's strategy of diversifying from its mineral sands projects in South Africa.

The Chairman of the Remuneration and Nomination Committee assessed the performance of the Executive Chairman and reviewed his performance against the above set measurable objectives, taking into account other mitigating factors throughout the year. The Remuneration and Nomination Committee has reviewed the assessment and awarded 98% of the full bonus of 25% of the Base Remuneration.

In 2019, pursuant to the provisions of the Executive Chairman's executive service agreement, the Board used its discretion to award the Executive Chairman an additional one-off special bonus of A$530,000 (2018 A$550,000) in recognition of his performance in generating the uplift in the Company's share price during 2019, resulting in the increased market capitalisation and individual shareholder value created.

The CFO, Adam Bick, was entitled to an annual bonus of 25% of the Base Remuneration, measured against the following criteria:

1. Performance against scope of services set out in the employment contract at the sole discretion of the Executive Chairman -70%;
2. Board Reporting within set timing each month -10%; and
3. Achieving EBITDA against budget taking into account uncontrollable variables at the discretion of the Board -20%.

Future bonus of the CFO will be at the sole discretion of the Board.

The measurable objectives were chosen to ensure the CFO was incentivised to meet budgeted EBITDA; to ensure the CFO performed each of the tasks outlined in his employment contract which are typical of that for a CFO position, and timely reporting to the Board to ensure business decisions can be made on a timely and informed basis.

The Executive Chairman assessed the performance of the CFO against the above measurable objectives and awarded 93% of the full bonus of 25% of the Base Remuneration.

The Technical Services Manager, Surinder Ghag, was entitled to an annual bonus of 25% of the Base Remuneration, measured against the following criteria:

1. Tormin project progress against agreed project plan and deliverables -10%;
2. Tormin HMC expansion progress against agreed project plan and deliverables -25%;
3. Munglinup project progress against agreed project plan and deliverables -10%;
4. Skaland acquisition and project progress against agreed project plan and deliverables -20%
5. Graphite downstream project progress against agreed project plan and deliverables -15%
6. Achieving EBITDA against budget taking into account uncontrollable variables at the discretion of the Executive Chairman -20%.

Future bonus of the Technical Services Manager will be at the sole discretion of the Board.

The measurable objectives were chosen to ensure the Technical Services Manager was incentivised to meet budgeted production and EBITDA, to progress the Company's strategy of diversifying from its mineral sands projects in South Africa and to ensure the Technical Services Manager performed each of the tasks outlined in his employment contract which are typical of that for a Technical Services Manager position.

The Executive Chairman assessed the performance of the Technical Services Manager against the above measurable objectives and awarded 92% of the full bonus of 25% of the Base Remuneration for the year.

The Group Legal Counsel, Fletcher Hancock, was entitled to an annual bonus of 25% of the Base Remuneration, measured against the following criteria:

1. Legal project progress against agreed project plan and deliverables -80%;
2. Achieving EBITDA against budget taking into account uncontrollable variables at the discretion of the Executive Chairman -20%.

Future bonus of the Group Legal Counsel will be at the sole discretion of the Board.

The measurable objectives were chosen to ensure the Group Legal Counsel was incentivised to ensure legal and statutory compliance and EBITDA, and to ensure the Group Legal Counsel performed each of the tasks outlined in his employment contract which are typical of that for a Group Legal Counsel position.

The Executive Chairman assessed the performance of the Group Legal Counsel against the above measurable objectives and awarded 60% of the full bonus of 25% of the Base Remuneration on a pro rata basis for the year.

Relative proportions of fixed versus variable remuneration expense

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expenses in the previous table:

Name	Fixed Remuneration		At Risk - STI		At Risk - LTI	
	2019	2018	2019	2018	2019	2018
Directors						
Executive Chairman						
Mark Caruso	47%	50%	53%	50%	0%	0%
Non-Executive Directors						
Joseph Caruso	100%	57%	0%	0%	0%	43%
Peter Torre	100%	74%	0%	0%	0%	26%
David Baker	100%	-	0%	-	0%	-
Debbie Ntombela	100%	-	0%	-	0%	-
Russell Tipper	100%	-	0%	-	0%	-
Guy Walker	100%	60%	0%	0%	0%	40%
Ross Hastings	100%	63%	0%	0%	0%	37%
Other Key Management Personnel						
Tony Sheard (resigned 5 June 2019)	100%	52%	0%	10%	0%	38%
Adam Bick (appointed 5 June 2019)	62%	-	20%	-	18%	-
Surinder Ghag	64%	75%	15%	17%	21%	8%
Bahman Rashidi	68%	54%	0%	0%	32%	46%
Fletcher Hancock	71%	82%	10%	18%	19%	0%

C. SERVICE AGREEMENTS

Mark Caruso	
Commencement date	6 August 2012
Term	No fixed term
Total Remuneration package	A$600,000 per annum (inclusive of statutory superannuation), effective from 12 September 2014, and cash bonus as set out above
Termination benefits	12 months' base salary plus any payment in lieu of notice

Peter Torre	
Commencement date	1 November 2012
Term	No fixed term
Total Remuneration package	A$150,000 per annum
Termination benefits	12 months' base salary plus any payment in lieu of notice

Adam Bick	
Commencement date	5 June 2019
Term	No fixed term
Total Remuneration package	A$250,000 per annum (inclusive of statutory superannuation) and cash bonus as set out above
Termination benefits	Nil unless constructive redundancy in which case 12 months' salary

Surinder Ghag	
Commencement date	4 September 2017
Term	No fixed term
Total Remuneration package	A$300,000 per annum (inclusive of statutory superannuation) and cash bonus as set out above
Termination benefits	Nil unless constructive redundancy in which case 12 months' salary

Bahman Rashidi	
Commencement date	1 October 2017
Term	No fixed term
Total Remuneration package	A$200,000 per annum (inclusive of statutory superannuation)
Termination benefits	Nil unless constructive redundancy in which case 12 months' salary

Fletcher Hancock	
Commencement date	11 May 2018
Term	No fixed term
Total Remuneration package	A$230,000 per annum (inclusive of statutory superannuation)
Termination benefits	Nil unless constructive redundancy in which case 12 months' salary

There are no other service agreements.

Mineral Commodities reviewed salary benchmarking during 2019 of its key management personnel and other employees, provided by Cornerstone HR, to ensure that salaries remain competitive and the Company is able to both attract and retain talent.

D. SHARE BASED COMPENSATION

Employee Options

No options were granted as remuneration during the year ended 31 December 2019 or in the prior year. No options vested during the year or in the prior year.

Grant of Performance Rights

The issue of Performance Rights was approved by shareholders at a general meeting of the Company held on 25 May 2016. The Incentive Performance Rights Plan is designed to provide long-term incentives for senior managers and above (including directors) to deliver long-term shareholder returns. Performance Rights granted under the plan carry no dividend or voting rights.

The following performance rights were issued to the key management personnel during the year:

	Grant Date	Expiry Date	Barrier Price (A$) ^	No of Performance Rights
Fletcher Hancock	13 June 2019	13 June 2022	26 cents	1,000,000

^ Rights will convert to shares if the Company's share price exceeds the Barrier Price for thirty consecutive days.

Each performance right issued to Mr Hancock was valued at A$0.13, with 500,000 rights vesting on both 14 May 2020 and 14 May 2021 once the share price exceeds the Barrier Price for thirty consecutive days.

Details of performance rights over ordinary shares in the Company provided as remuneration to key management personnel are shown below:

	Balance as at 1 Jan 2019	Received as remuneration	Performance rights vested and exercised	Balance as at 31 December 2019	Performance rights vested and not exercised
Joseph Caruso	-	-	-	**-**	-
Peter Torre	-	-	-	**-**	-
Guy Walker	-	-	-	**-**	-
Ross Hastings	-	-	-	**-**	-
Tony Sheard (resigned 5 June 2019)	-	-	-	**-**	-
Adam Bick (appointed 5 June 2019)	1,000,000	-	-	**1,000,000**	500,000
Bahman Rashidi	1,000,000	-	-	**1,000,000**	666,666
Surinder Ghag	1,000,000	-	-	**1,000,000**	500,000
Fletcher Hancock	-	1,000,000	-	**1,000,000**	-
Total	**3,000,000**	**1,000,000**	**-**	**4,000,000**	**1,666,666**

E. OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Mine Site Construction Services ("MSCS"), a company associated with Mr Mark Caruso and Mr Joseph Caruso has provided the followings services to the Company during 2019:

- Provision of executive services.

  The amount paid by the Company to MSCS for the year ended 31 December 2019 was $208,657 (2018: $224,340), which reflects part of the remuneration paid to the Executive Chairman. This is considered to be an arm's length commercial consultancy contract at normal commercial rates.

- Provision of office space.

  The amount paid by the Company to MSCS for the year ended 31 December 2019 was $143,851 (2018: $148,625). This is considered to be an arm's length commercial rent. There is a formal sub lease in place.

- Provision of technical staff.

  The amount paid by the Company to MSCS for the year ended 31 December 2019 was $280,715 (2018: $236,880). The amounts payable have been in respect to the provision of technical staff at the Group's head office and at the Tormin project and have been reimbursed on an arm's length basis at normal commercial rates.

- Others

  The amount paid by the Company to MSCS for the year ended 31 December 2019 was $131,340 (2018: $337,253). The amounts payable have been in respect of telecommunication charges and miscellaneous payments made by MSCS on behalf of the Company. The amount paid in 2018 included the acquisition of a new vehicle for the Executive Chairman. The amounts have been reimbursed on an arm's length basis at normal commercial rates.

As at 31 December 2019, amount payable to MSCS is $53,463.

Ross Hastings, one of the Directors, has provided consulting services to one of the Company's projects during the year ended 31 December 2018. The amount paid by the Company to Ross Hastings for the year ended 31 December 2019 was $nil (2018: $8,209). The amounts payable have been reimbursed on an arm's length basis at normal commercial rates.

Hastings Bell Pty Ltd, a Company associated with Daniel Hastings, the son of Ross Hastings, has provided business development consultancy services to the Company during 2019. The amount paid by the Company to Hastings Bell Pty Ltd for the year ended 31 December 2019 was $157,352 (2018: $305,734). This is considered to be an arm's length commercial consultancy contract at normal commercial rates.

Shepstone and Wylie, a company associated with Debbie Ntombela, one of the Directors from 28 August 2019, has provided legal services to the Company during 2019. This amount paid by the Company to Shepstone and Wylie for the year ended 31 Dec 2019 was $11,292.

End of the audited remuneration report

Insurance of officers

During the financial year, the Group has paid an insurance premium to insure the Directors and secretaries of the Company and its controlled entities. The provision of details in respect to the terms and conditions of the policy are prohibited from disclosure under the terms of the policy.

Proceedings on behalf of the Group

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with advice received from the Audit, Compliance and Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit, Compliance and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year, the following fees were paid or payable for services provided by BDO Audit (WA) Pty Ltd and BDO Tax (WA) Pty Ltd, its related practices and related firms:

	31 December 2019 $	31 December 2018 $
Non-audit services		
Taxation, advisory and company secretarial (South African entities)		
BDO advisory	**5,564**	-
BDO Tax (WA) Pty Ltd	**-**	16,116
BDO Johannesburg South Africa	**1,034**	8,830
	6,598	**24,946**

Auditor

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 40 and forms part of this report.

This report has been made in accordance with a resolution of the directors.

Mark Caruso
Executive Chairman

Perth, Western Australia,
28 February 2020

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DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF MINERAL COMMODITIES LTD

As lead auditor of Mineral Commodities Ltd for the year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Mineral Commodities Ltd and the entities it controlled during the period.

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 28 February 2020

Financial statements

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Consolidated income statement

For the year ended 31 December 2019

	Notes	31 December 2019 $	31 December 2018 $
Revenue from continuing operations			
Sale of product	2.2	**59,514,773**	53,523,922
Other revenue	2.2	**2,268,797**	1,875,241
		61,783,570	55,399,163
Expenses			
Mining and processing costs	2.3(i)	**(44,593,585)**	(37,501,716)
Other expenses from ordinary activities			
Administration expenditure	2.3(ii)	**(5,219,587)**	(6,913,831)
Share based payment expenses	7.2	**(261,810)**	(441,253)
Financial income/(expenses)	5.2	**158,755**	(102,756)
Profit before income tax		**11,867,343**	10,439,607
Income tax expense	2.4(i)	**(4,039,112)**	(1,616,376)
Profit after income tax		**7,828,231**	8,823,231
Profit is attributable to:			
Owners of Mineral Commodities Ltd		**7,828,231**	8,823,231
Non-controlling interest		**-**	-
		7,828,231	8,823,231
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	2.5(i)	**1.86**	2.10
Diluted earnings per share	2.5(ii)	**1.85**	2.08

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income

For the year ended 31 December 2019

	Notes	31 December 2019 $	31 December 2018 $
Profit for the year		**7,828,231**	8,823,231
Other comprehensive income			
Exchange differences on translation of foreign operations	5.3(b)	**(313,397)**	(8,063,464)
Other comprehensive loss for the year, net of tax		**(313,397)**	(8,063,464)
Total comprehensive income for the year		**7,514,834**	759,767
Total comprehensive income for the year is attributable to:			
Owners of Mineral Commodities Ltd		**7,514,834**	759,767
Non-controlling interest		**-**	-
		7,514,834	759,767

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet

For the year ended 31 December 2019

	Notes	31 December 2019 $	31 December 2018 $
ASSETS			
Current assets			
Cash and cash equivalents	4.1	**8,092,614**	12,410,510
Trade and other receivables	4.2	**8,027,372**	5,166,481
Inventories	4.3	**21,943,331**	25,756,725
Other investments, including derivatives		**777,253**	753,796
Total Current Assets		**38,840,570**	44,087,512
Non-current assets			
Trade and other receivables	4.2	**1,513,268**	856,715
Exploration expenditure	3.1	**18,271,033**	15,369,068
Mine development expenditure	3.2	**10,412,610**	5,240,911
Property, plant and equipment	3.3	**17,830,604**	15,320,565
Total Non-Current Assets		**48,027,515**	36,787,259
Total Assets		**86,868,085**	80,874,771
LIABILITIES			
Current liabilities			
Trade and other payables	4.4	**4,716,742**	7,066,484
Unearned revenue	4.5	**72,375**	1,670,100
Contract liability	4.6	**18,099,115**	18,098,880
Borrowings	5.1	**3,611,778**	2,277,728
Employee benefits	7.1	**661,266**	355,057
Current tax liabilities		**3,568,791**	1,263,859
Total Current Liabilities		**30,730,067**	30,732,108
Non-current liabilities			
Provisions	3.5	**253,968**	247,834
Long term borrowings	5.1	**4,115,217**	2,788,682
Employee benefits	7.1	**126,795**	99,024
Deferred tax liabilities	2.4(ii)(b)	**5,653,489**	4,955,747
Total Non-current Liabilities		**10,149,469**	8,091,287
Total Liabilities		**40,879,536**	38,823,395
NET ASSETS		**45,988,549**	42,051,376
Equity			
Contributed equity	5.3(a)	**64,927,687**	64,919,201
Reserves	5.3(b)	**(21,499,253)**	(21,439,180)
Retained earnings/(accumulated losses)	5.3(c)	**2,446,476**	(1,542,284)
Parent entity interest		**45,874,910**	41,937,737
Non-controlling interest	5.3(d)	**113,639**	113,639
TOTAL EQUITY		**45,988,549**	42,051,376

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the year ended 31 December 2019

	Notes	31 Dec 2019 $	31 Dec 2018 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**57,407,422**	55,216,674
Payments to suppliers and employees		**(42,522,306)**	(40,585,762)
Income tax paid		**(1,615,171)**	(128,299)
Net cash inflow from operating activities	4.1(ii)	**13,269,945**	14,502,613
Cash flows from investing activities			
Payments for exploration expenditure		**(3,228,848)**	(4,612,163)
Payments for property, plant and equipment		**(1,737,532)**	(4,141,718)
Payments for investments		**-**	(174,812)
Acquisition of exploration assets		**-**	(676,765)
Proceeds from disposal of property, plant and equipment		**-**	9,467
Advance (to)/from third parties		**(398,056)**	91,180
Interest received		**128,103**	122,378
Payment for acquisition of business – Skaland Graphite AS		**(4,544,087)**	-
Payment for development expenditure		**(170,207)**	-
Net cash outflow from investing activities		**(9,950,627)**	(9,382,433)
Cash flows from financing activities			
Dividends paid to shareholders	2.6	**(3,839,471)**	(3,831,078)
Proceeds from borrowings		**-**	2,974,756
Repayment of borrowings		**(3,298,883)**	(2,114,387)
Interest paid on borrowings		**(228,241)**	(186,751)
Net cash outflow from financing activities		**(7,366,595)**	(3,157,460)
Net (decrease)/increase in cash and cash equivalents		**(4,047,277)**	1,962,720
Cash and cash equivalents at beginning of financial year		**12,410,510**	10,975,817
Effects of exchange rate changes on cash and cash equivalents		**(270,619)**	(528,027)
Cash and cash equivalents at end of financial year	4.1	**8,092,614**	12,410,510

The above statement of cash flows should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the year ended 31 December 2019

	Contributed equity $	Reserves $	Retained earnings/ (accumulated losses) $	Totals $	Non-controlling interest $	Total equity $
For the year ended 31 December 2019						
At 1 January 2019	**64,919,201**	**(21,439,180)**	**(1,542,284)**	**41,937,737**	**113,639**	**42,051,376**
Profit for the year	-	-	7,828,231	**7,828,231**	-	**7,828,231**
Other comprehensive income for the year	-	(313,397)	-	**(313,397)**	-	**(313,397)**
Total comprehensive income for the year	-	(313,397)	7,828,231	**7,514,834**	-	**7,514,834**
Transaction with owners in their capacity as owners:						
Conversion of unlisted performance rights	8,486	(8,486)	-	**-**	-	**-**
Share based payments	-	261,810	-	**261,810**	-	**261,810**
Dividends paid	-	-	(3,839,471)	**(3,839,471)**	-	**(3,839,471)**
Balance at the end of the year	**64,927,687**	**(21,499,253)**	**2,446,476**	**45,874,910**	**113,639**	**45,988,549**

	Contributed equity $	Reserves $	Accumulated losses $	Totals $	Non-controlling interest $	Total equity $
For the year ended 31 December 2018						
At 1 January 2018	**64,420,299**	**(13,116,794)**	**(5,488,768)**	**45,814,737**	**113,639**	**45,928,376**
Adjustment to opening retained earnings	-	-	(1,246,942)	**(1,246,942)**	-	**(1,246,942)**
Adjusted 1 January 2018	64,420,299	(13,116,794)	(6,735,710)	**44,567,795**	113,639	**44,681,434**
Profit for the year	-	-	8,823,231	**8,823,231**	-	**8,823,231**
Other comprehensive income for the year	-	(8,063,464)	-	**(8,063,464)**	-	**(8,063,464)**
Total comprehensive income for the year	-	(8,063,464)	8,823,231	**759,767**	-	**759,767**
Transaction with owners in their capacity as owners:						
Conversion of unlisted performance rights	498,902	(498,902)	-	**-**	-	**-**
Share based payments	-	441,253	-	**441,253**	-	**441,253**
Transfer to retained earnings on expiry of unlisted options	-	(201,273)	201,273	**-**	-	**-**
Dividends paid	-	-	(3,831,078)	**(3,831,078)**	-	**(3,831,078)**
Balance at the end of the year	**64,919,201**	**(21,439,180)**	**(1,542,284)**	**41,937,737**	**113,639**	**42,051,376**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

1. BASIS OF PREPARATION

This section provides information about the overall basis of preparation that is considered to be useful in understanding these financial statements. Accounting policies specific to the various components of the financial statements are located within the relevant section of the report.

1.1 Corporate information

Mineral Commodities Ltd (the "Company") is a company limited by shares, domiciled and incorporated in Australia. Its shares are publicly traded on the Australian Securities Exchange ("ASX"). The nature of the operations and principal activities of the Company and its controlled entities are described in the Directors' Report and in the segment information in Note 2.1.

The financial report of the Company for the year ended 31 December 2019 was authorised for issue in accordance with a resolution of directors with effect on 28 February 2020.

1.2 Basis of accounting

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the requirements of the *Corporations Act 2001*. Mineral Commodities Ltd is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the Group also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- financial assets and liabilities

(iii) Presentation currency

The consolidated financial statements are presented in United States dollars ("USD"), which is the Company's presentation currency.

1.3 Comparative Information

Certain comparatives have been reclassified to conform to current year presentation.

1.4 Principles of consolidation

The consolidated financial statements include the financial statements of the parent entity, Mineral Commodities Ltd, and its controlled entities (together referred to hereafter as the "Group"). A list of significant controlled entities is presented in Note 6.1.

Control is achieved when the Group is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Specifically, the Group controls an investee if, and only if, the Group has all of the following:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Non-controlling interests in the results and equity of the entities that are not controlled by the Group is shown separately in the Income Statement, Statement of Comprehensive Income, Balance Sheet and Statement of Changes in Equity respectively.

1.5 Foreign currency

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in United States dollars, which is the Company's presentation currency.

- assets and liabilities for each balance sheet presented have been translated at the closing rate at the date of balance sheet;
- results for the cash flow statement were translated at average daily exchange rates from 1 January 2019 to 31 December 2019; and
- exchange differences on translating income, expenses and movements in equity and reserves at annual average exchange rates and assets and liabilities at closing exchange rates from functional currency to presentation currency are taken to the foreign currency translation reserve in the equity section and under other comprehensive income/(expense) in the statement of comprehensive income.

(ii) Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non- monetary assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets, such as equities classified as available-for-sale financial assets, are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

1.6 Goods and Services Tax (GST) and Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of GST and VAT except where the GST and VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST and VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and where receivables and payables are stated with the amount of GST and VAT included. The net amount of GST and VAT recoverable from, or payable to, the taxation authority is included as part of receivables in the consolidated balance sheet. Cash flows are included in the statements of cash flows on a gross basis and the GST and VAT component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST and VAT recoverable from, or payable to, the relevant taxation authority.

1.7 Critical accounting estimates and judgements

The Group makes significant estimates and judgements concerning the future. The resulting accounting estimates may not equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are found in the following notes:

Note 2.2: Revenue recognition

Note 2.4: Recognition of deferred taxes

Note 3.1: Exploration and evaluation expenditure

Note 3.2: Development expenditure

Note 3.3: Property, plant and equipment

Note 3.5: Rehabilitation provisions

Note 6.3: Business combinations

1.8 Application of new and revised Australian Accounting Standards

A new standard became applicable for the current reporting period and the Group had to change its accounting policies and make adjustments as a result of adopting the following standard:

- AASB 16 Leases

The impact of the adoption of these standards and the new accounting policies are disclosed below.

AASB 16 Leases

AASB 16 supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases-Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Group adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying AASB 117 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption of AASB 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	1 Jan 19 $
Assets	
Mine development expenditure	(220,874)
Property, plant and equipment	1,368,235
Total assets	1,147,361
Liabilities	
Borrowings	1,147,361
Total liabilities	1,147,361

(a) Nature of the effect of adoption of AASB 16

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased asset was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under prepayments and trade and other payables, respectively.

Upon adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e. the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under AASB 117). The requirements of AASB 16 was applied to these leases from 1 January 2019.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of $4,106,736 (net) were recognised and presented separately in the property, plant and equipment note. This includes the lease assets recognised previously under finance leases of $2,959,375 that were reclassified from property, plant and equipment.
- Additional lease liabilities of $1,147,361 (included in Borrowings) were recognised.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	$
Operating lease commitments as at 31 December 2018	**1,177,186**
Less:	
Commitments relating to short-term leases	(29,826)
Commitments relating to leases of low-value assets	-
Add:	
Commitments relating to leases previously classified as finance leases	2,819,875
Payments in optional extension periods not recognised as at 31 December 2018	-
Lease liabilities as at 1 January 2019	**3,967,235**

(b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of AASB 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below $5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

The Group did not include the renewal period as part of the lease term for leases of property as renewal was not considered probable.

(c) Amounts recognised in the statement of financial position and profit or loss

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

Right-of-use assets 2019	$
Balance at 1 January	4,106,736
Additions	-
Depreciation charge for the year	(1,390,737)
FX	62,345
Balance as at 31 December	2,778,344

Lease liabilities 2019	$
Balance at 1 January	3,967,235
Additions	-
Interest expense	335,206
Payments	(1,943,841)
FX	52,736
Balance as at 31 December	2,411,336

The Group recognised rent and equipment hire expenses from short-term leases of $735,784 for the 12 months ended 31 December 2019.

2. FINANCIAL PERFORMANCE

This section highlights key financial performance of the Group for the reporting period including, where applicable, the accounting policies applied and the key estimates and judgements made.

2.1 Segment information

(i) Description of segments

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the board of directors that makes strategic decisions.

There is no goodwill attaching to any of the segments. There has been no impact on the measurement of the assets and liabilities reported for each segment.

The chief operating decision maker has identified five reportable segments to its business, being:

1. Mineral Sands mining and production (Tormin Mineral Sands project) – South Africa;
2. Mineral Sands exploration (Xolobeni Mineral Sands project) – South Africa;
3. Graphite mining and production (Skaland) – Norway;
4. Exploration activities - Australia;
5. Exploration activities - Iran; and
6. Corporate (management and administration of the Company's projects and marketing and sales of finished products) – Australia, South Africa, the United Kingdom and Iran.

(ii) *Segment results, segment assets and segment liabilities*

The segment information provided to the chief operating decision maker for the reportable segments for the year ended 31 December 2019 is as follows:

2019	Tormin project $	Xolobeni project $	Skaland project $	Australia exploration $	Iran exploration $	Corporate $	Consolidation eliminations $	Total $
Total segment revenue	60,682,271	-	1,213,862	-	-	59,588,825	-	**121,484,958**
Inter-segment revenue	(59,701,388)	-	-	-	-	-	-	**(59,701,388)**
Revenue from external customers	**980,883**	**-**	**1,213,862**	**-**	**-**	**59,588,825**	**-**	**61,783,570**
Adjusted EBITDA	**13,681,393**	**2,564**	**652,345**	**(131)**	**(484,064)**	**5,324,138**	**(2,692,860)**	**16,483,385**
Depreciation and amortisation	4,527,344	-	178,007	5,647	-	63,799	-	**4,774,797**
Impairment	-	-	-	-	-	-	-	**-**
Total segment assets	**35,916,396**	**5,347,669**	**11,243,874**	**11,143,193**	**501,361**	**23,712,904**	**(997,312)**	**86,868,085**
Total segment liabilities	**13,456,839**	**5,245,311**	**10,806,145**	**10,271,875**	**936,265**	**1,452,549**	**(1,289,448)**	**40,879,536**

2018	Tormin project $	Xolobeni project $	Skaland project	Australia exploration $	Iran exploration $	Corporate $	Consolidation eliminations $	Total $
Total segment revenue	54,756,765	-	-	-	-	55,299,993	-	**110,056,758**
Inter-segment revenue	(54,657,595)	-	-	-	-	-	-	**(54,657,595)**
Revenue from external customers	**99,170**	**-**	**-**	**-**	**-**	**55,299,993**	**-**	**55,399,163**
Adjusted EBITDA	**6,044,671**	**(3,972)**	**-**	**-**	**99,047**	**1,588,187**	**6,925,257**	**14,653,190**
Depreciation and amortisation	4,020,769	-	-	-	-	90,058	-	**4,110,827**
Impairment	-	-		-	-	-	-	**-**
Total segment assets	**29,926,020**	**5,204,416**	**-**	**8,304,561**	**854,943**	**32,810,759**	**3,774,072**	**80,874,771**
Total segment liabilities	**13,937,142**	**5,107,103**	**-**	**8,305,914**	**781,526**	**9,246,047**	**1,445,663**	**38,823,395**

(iii) Reconciliation of EBIT (segment result) to profit before tax

Adjusted EBITDA reconciles to operating profit before income tax as follows:

	31 December 2019 $	31 December 2018 $
Adjusted EBITDA	**16,483,385**	14,653,190
Interest income/(expense)	**158,755**	(102,756)
Depreciation and amortisation	**(4,774,797)**	(4,110,827)
Operating profit before income tax	**11,867,343**	10,439,607

2.2 Revenue

Accounting Policies

Revenue is recognised when the significant control of products has been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The timing of the transfer of control varies depending on the individual terms of the sales agreement. Generally for the Group, this is based on free-on-board ("FOB") sales where transfer of control passes at port of origin or cost, insurance and freight ("CIF") sales where control passes at port of destination. Sales revenue is recognised for FOB and CIF sales on bill of lading date. Sales revenue comprises gross revenue earned from the provision of product to customers. Sales are initially recognised at estimated sales value when the product is delivered. Adjustments are made for variations in metals price, assay, weight and moisture content between the time of delivery and the time of final settlement of sales proceeds.

The majority of the Group's revenue is derived from product sales with revenue recognised at a point in time when control of the goods has transferred to the customer.

Revenue from the sales of garnet product has two performance obligations, sale of product and transportation services, both of which are satisfied at a point in time. Revenue from the stockpiling of goods is deferred until final sale of product when control of product is finally transferred.

	31 December 2019 $	31 December 2018 $
From continuing operations		
Sales revenue		
Sale of product	**59,514,773**	53,523,922
Other revenue		
Stockpile area maintenance fee	**1,211,899**	1,776,071
Other income	**1,056,898**	99,170
	2,268,797	1,875,241

2.3 Expenses

	31 December 2019 $	31 December 2018 $
This note provides an analysis of expenses by nature.		
(i) Mining and processing costs		
Mining and processing costs include the following material expenditure items:		
Transport of product	**12,997,993**	13,638,210
Fuel	**5,574,168**	6,723,039
Wages and salaries	**6,648,477**	6,216,226
Repairs and maintenance	**3,544,891**	4,565,983
Depreciation and amortisation – mining and processing assets	**4,705,351**	4,020,769
(ii) Administration expenses		
Administration expenses include the following material expenditure items:		
Directors and key management personnel remuneration	**2,079,840**	2,476,421
Depreciation – corporate assets	**69,446**	90,058

2.4 Taxation

(i) Income tax expense

Accounting Policies

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit/loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Mineral Commodities Ltd is the head entity in the tax-consolidated group. The head entity and the controlled entities in the tax-consolidated group continue to account for their own current and deferred tax amounts. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

The Company and the other entities in the tax-consolidated group have entered into a tax funding agreement and a tax sharing agreement.

The following provides an analysis of the Group's income tax expense, shows what amounts are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Group's tax position.

	31 December 2019 $	31 December 2018 $
The components of income tax expense comprise:		
Current tax	**3,873,170**	1,373,645
Deferred tax	**607,977**	660,212
Adjustments for current tax of prior periods	**(442,035)**	(417,481)
	4,039,112	1,616,376
Income tax expense is attributable to:		
Profit from continuing operations	**4,039,112**	1,616,376
Aggregate income tax benefit	**4,039,112**	1,616,376
Deferred income tax expense included in income tax expense comprises:		
Decrease in deferred tax assets	**7,387**	798,802
Decrease/(increase) in deferred tax liabilities	**600,590**	(138,590)
	607,977	660,212

Numerical reconciliation of income tax expense to prima facie tax expense

	31 December 2019 $	31 December 2018 $
Profit from continuing operations before income tax expense	**11,867,343**	10,439,607
Prima facie tax payable on profit from ordinary activities before at a rate of 30% (2018: 30%)	**3,560,202**	3,131,882
Foreign tax rate differential	**(237,546)**	(49,803)
Tax at consolidated amount	**3,322,656**	3,082,079
Tax effect of:		
Entertainment	**7,984**	5,999
Foreign exchange	**953,385**	(1,319,065)
Donations	**3,811**	12,410
Amortisation of exploration and evaluation asset	**84,164**	92,076
Share based payment	**77,896**	132,376
AASB15 adjustment to opening retained earnings	**-**	528,700
Other non-assessable items	**124,922**	1,186
Utilisation of income tax losses/capital losses	**(93,671)**	(501,904)
Adjustment for current tax of prior period	**(442,035)**	(417,481)
Income tax expense	**4,039,112**	1,616,376

(ii) Deferred tax assets and liabilities

Accounting Policies

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Significant Judgement – deferred taxes recognised

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The Group has $6,411 (2018: $10,656) of tax losses carried forward. These losses relate to subsidiaries that have a history of losses, do not expire, and may not be used to offset taxable income. The Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. On this basis, the Group has determined that it can recognise deferred tax assets on the tax losses carried forward.

The Group operates in a number of tax jurisdictions. Transactions between jurisdictions are subject to transfer pricing requirements which can require modification as the Group's operations evolve.

(a) Deferred tax assets

	31 December 2019 $	31 December 2018 $
Recognised deferred tax assets		
Tax losses	**6,411**	10,656
Lease liability	**675,174**	-
Provisions/accrued expenditure	**534,659**	251,780
Unrealised foreign exchange loss	**2,352**	-
Business related expenditure and borrowing costs	**68,493**	221,495
	1,287,089	483,931
Set-off against deferred tax liabilities	**(1,287,089)**	(483,931)
	-	-

Movements	Tax losses $	Lease Liability $	Provisions/ accrued expenditure $	Unrealised foreign exchange loss $	Business related expenditure and borrowing costs $	Total $
At 1 January 2019	10,656	-	251,780	-	221,495	**483,931**
(charged) / credited						
- to profit or loss	(4,245)	675,174	282,879	2,352	(153,002)	**803,158**
At 31 December 2019	**6,411**	**675,174**	**534,659**	**2,352**	**68,493**	**1,287,089**

Movements	Tax losses $	Trade and other receivables $	Provisions/ accrued expenditure $	Business related expenditure and borrowing costs $	Total $
At 1 January 2018	7,274	6,450	175,029	39,690	**228,443**
(charged) / credited					
- to profit or loss	3,382	(6,450)	76,751	181,805	**255,488**
At 31 December 2018	**10,656**	**-**	**251,780**	**221,495**	**483,931**

(b) Deferred tax liabilities

	31 December 2019 $	31 December 2018 $
Unrealised foreign exchange gain	**-**	112,619
Property, plant and equipment	**4,779,254**	4,094,683
Prepayments	**71,984**	16,224
Provisions	**3,500**	-
Exploration expenditure	**2,085,840**	1,216,152
	6,940,578	5,439,678
Set-off against deferred tax assets	**(1,287,089)**	(483,931)
	5,653,489	4,955,747

Movements	Unrealised foreign exchange gain $	Property, plant and equipment $	Prepayments $	Provisions $	Exploration expenditure $	Total $
At 1 January 2019	112,619	4,094,683	16,224	-	1,216,152	**5,439,678**
(charged) / credited						
- to profit or loss	(112,619)	684,571	55,760	3,500	869,688	**1,500,900**
At 31 December 2019	**-**	**4,779,254**	**71,984**	**3,500**	**2,085,840**	**6,940,578**

Movements	Unrealised foreign exchange gain $	Property, plant and equipment $	Prepayments $	Exploration expenditure $	Total $
At 1 January 2018	692,237	3,610,792	30,417	-	4,333,446
(charged) / credited					
- to profit or loss	(579,618)	483,891	(14,193)	1,216,152	1,106,232
At 31 December 2018	**112,619**	**4,094,683**	**16,224**	**1,216,152**	**5,439,678**

2.5 Earnings per share

(i) Basic earnings per share

Accounting Policies

Basic earnings per share is determined by dividing the profit after income tax attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	2019 US Cents	2018 US Cents
From continuing operations attributable to the ordinary equity holders of the Company	**1.86**	2.10
Total basic earnings per share attributable to the ordinary equity holders of the Company	**1.86**	2.10

(ii) Diluted earnings per share

Accounting Policies

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share would arise from the exercise of options outstanding at the end of the financial year.

	2019 US Cents	2018 US Cents
From continuing operations attributable to the ordinary equity holders of the Company	**1.85**	2.08
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**1.85**	2.08

	2019 $	2018 $
(a) Reconciliation of earnings used in the calculation of earnings per share		
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company used in		
calculating basic earnings per share:		
From continuing operations	**7,828,231**	8,823,231
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company used in		
calculating diluted earnings per share:		
From continuing operations	**7,828,231**	8,823,231

	2019 Number	2018 Number
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**421,146,913**	419,708,741
Adjustment for calculation of diluted earnings per share:		
- Options	**-**	(1,947,802)
- Performance rights	**2,111,324**	6,078,434
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**423,258,237**	423,839,373

The table below details the number of performance rights that have been granted and are on issue as at 31 December 2019. These potential ordinary shares have been included in the determination of dilutive earnings per share as vesting conditions have been met.

Number	Type of Security	Exercise price	Expiry date
500,000	Performance Rights	AUD $nil	31 May 2020
500,000	Performance Rights	AUD $nil	31 May 2021
666,666	Performance Rights	AUD $nil	1 Oct 2021
500,000	Performance Rights	AUD $nil	30 Sept 2021

2.6 Dividends

Accounting policies

Dividends are recognised as a liability at the time the Directors resolve to pay or declare the dividend.

	Dividend per share US Cents	$
Dividends recognised during the year		
2019		
Final 2018 ordinary	0.49	**2,067,181**
Interim 2019 ordinary	0.42	**1,772,290**
		3,839,471
2018		
Final 2017 ordinary	0.49	2,048,898
Interim 2018 ordinary	0.43	1,782,180
		3,831,078

3. CAPITAL EXPENDITURE, OPERATING ASSETS AND REHABILITATION OBLIGATIONS

This section includes information about the assets used by the Group to generate profits and revenue, specifically information relating to its exploration and evaluation assets, mine development expenditures, property, plant and equipment, associated rehabilitation obligations, and commitments for capital expenditure not yet recognised as a liability.

3.1 Exploration and evaluation assets

Accounting Policies

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises direct costs and does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Exploration expenditure for each area of interest is carried forward as an asset provided the rights to tenure of the area of interest are current and one of the following conditions is met:

- The exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
- Exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interests is continuing.

Exploration expenditure is written off when it fails to meet at least one of the conditions outlined above or an area of interest is abandoned.

When a decision is made to develop an area of interest, all carried forward exploration expenditure in relation to the area of interest is transferred to development expenditure.

No amortisation is charged during the exploration and evaluation phase.

Please refer to note 3.4 for the Group's accounting policy on impairment of exploration and evaluation assets.

Significant judgement

The carrying value of exploration assets is reviewed on an area of interest basis. Exploration in Australia, excluding Munglinup, and Iran is in its infancy stages and are being carried forward on the basis that these areas have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interests is continuing.

Recoupment of the capitalised exploration and evaluation expenditure of the Xolobeni Mineral Sands area of interest in South Africa is dependent on either the successful development and commercial exploitation or the settlement of the proposed transaction, as announced to the Australian Securities Exchange ("ASX") in July 2016, to divest of the Company's interest in Transworld Energy and Resources (SA) Pty Ltd ("TEM"), which owns the Xolobeni Mineral Sands Project. The Xolobeni exploration asset is being carried forward on that basis.

The proposed transaction has not resulted in Xolobeni being classified as held for sale in accordance with AASB 5 as at 31 December 2019, as it is not highly probable that the transaction will complete due to required regulatory approvals, stage of negotiation of the consideration and involvement of a third party who holds shares in TEM.

	Note	31 December 2019 $	31 December 2018 $
As at 1 January		**15,369,068**	11,200,454
Acquisition of exploration asset		**26,082**	676,765
Expenditure during the year		**3,202,766**	4,612,164
Re-classification: transfer from property, plant and equipment	3.3	**-**	562,532
Exchange differences		**(326,883)**	(1,682,847)
As at 31 December		**18,271,033**	15,369,068

3.2 Development expenditure

Accounting Policies

Development expenditure

Development expenditure represents the accumulated exploration, evaluation, land and development expenditure incurred by or on behalf of the Group in relation to areas of interest in which mining of a mineral resource has commenced.

When further development expenditure is incurred in respect of a mine property after commencement of production, such expenditure is carried forward as part of the development expenditure only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production.

The estimated recoverable reserves and life of the mine and the remaining useful life of each class of asset are reassessed at least annually. Where there is a change in the reserves/resources amortisation rates are correspondingly adjusted. Refer to the table in note 3.3 for basis of amortisation rates used.

Refer to note 3.4 for the Group's accounting policy on impairment of development expenditure.

Significant judgement

Reserves and Resources

In order to calculate ore reserves and mineral resources, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. The Group estimates its ore reserves and mineral resources based on information compiled by Competent Persons (as defined in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as revised in 2012 (the JORC code).

As economic assumptions used to estimate reserves change and as additional geological data is generated during the course of operations, estimates of reserves and mineral resources may vary from period to period. Changes in reported reserves and mineral resources may affect the Group's financial results and financial position in a number of ways, including the following:

- Asset carrying values may be affected due to changes in estimated future cash flows;
- Depreciation and amortisation charges in profit or loss may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change; and
- Restoration and rehabilitation provision may be affected due to changes in the magnitude of future restoration and rehabilitation expenditure.

	31 December 2019 $	31 December 2018 $
As at 1 January	**5,240,911**	7,306,979
AASB 16 Adoption	**(220,874)**	-
	5,020,037	7,306,979
Acquisition of a subsidiary (note 6.3)	**6,032,998**	-
Additions	**170,207**	-
Amortisation expense	**(1,125,315)**	(1,138,527)
Exchange differences	**314,683**	(927,541)
	10,412,610	5,240,911

Carrying value assessment

MRC has made a S102 Expanded Mining Right Application for access to the Northern Beaches and the Inland Strand. The Company has received its Environmental Impact Assessment approval during the year, which is subject to Appeal.

During the year ended 31 December 2019, the Tormin mining rights were extended for an additional 10 year period.

Mining grades at Tormin have remained steady throughout 2019.

EBITDA and EBIT for 2019 are higher than 2018.

The Company has undertaken as assessment of impairment indicators and concluded that there are not indicators of impairment of the Tormin assets as at 31 December 2019.

3.3 Property, plant and equipment

Accounting Policies

Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Items of plant and equipment are initially recorded at cost and include any expenditure that is directly attributable to acquisition of the items. Subsequent costs are included in the assets carrying amount or recognised as a separate asset as appropriate. All other repairs and maintenance are charged to the profit for the year in which they are incurred.

De-commissioning assets relates to capitalised restoration costs expected to be incurred.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

Depreciation of property, plant and equipment

Depreciation and amortisation is provided to expense the cost of property, plant and equipment, and de-commissioning assets and development, over its estimated useful life on a straight line or units of usage (activity) basis.

The basis of depreciation and amortisation of each asset is reviewed annually and changes to the basis of depreciation and amortisation are made if the straight line or units of production basis is no longer considered to represent the expected pattern of consumption of economic benefits.

The reserves and life of each mine and the remaining useful life of each class of asset are reassessed at regular intervals and the depreciation and amortisation rates adjusted accordingly on a prospective basis. The estimated useful lives for the main categories of assets are as follows:

Fixed Asset Category	Estimated Useful Life
Mine properties and development	The shorter of applicable mine life or generally 10 years
Land	Not depreciated
Mine buildings	The shorter of applicable mine life or generally 10 years
Excavators and loaders working in significant salt exposed conditions	Generally 12,000 hours' operation
All other heavy earth moving vehicles	Generally 18,000 hours' operation
Light and other mobile vehicles	Generally 5 years
Mine specific machinery, plant and equipment	The shorter of applicable mine life or generally 10 years
Other machinery, plant and equipment	Generally 10 years
Computer hardware	Generally 4 years
Software acquisitions and development	Generally 3 years
Office leasehold fit-outs	Generally lease term, including extensions
Other office furniture and fittings	Generally 10 years

Note: For assets under a finance lease, if there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term or its useful life.

Note: "Generally" implies that if a specific asset's or class of assets' useful life is reasonably able to be determined as less than that stipulated above, then the applicable lower estimated useful life is to be used.

Disposal of assets

The gain or loss on disposal of assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal and is included in profit for the year of disposal.

Significant judgement

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life mine development assets which requires significant estimation and judgement. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

The estimated recoverable reserves and life of the mine and the remaining useful life of each class of asset is reassessed at least annually based upon latest resource information and replenishment rates. In circumstances where conversion of resources into reserves is expected, applicable resources are included in life of mine assessments and reassessments. In circumstances where there is reasonable evidence of natural replenishment of resources, the applicable natural replenishment resource estimates is included in the life of mine assessments and reassessments.

Where the lives of the assets are shorter than the mine life, their costs are amortised based on the useful life of the assets. Where there is a change in the estimated life of mine, amortisation rates are correspondingly adjusted which may change the depreciation and amortisation charges in the statement of profit or loss and other comprehensive income.

Year ended 31 December 2019	Freehold land and buildings $	Furniture, fittings and equipment $	Plant and machinery $	Mine vehicles $	Decommissioning asset $	Right-of-use asset	Capex work in progress $	Total $
Cost at fair value								
As at 1 January 2019	501,160	755,431	22,327,467	125,336	247,834	-	4,287,854	**28,245,082**
AASB 16 adoption	-	-	-	-	-	4,239,261	(2,738,502)	**1,500,759**
Adjusted 1 January 2019	501,160	755,431	22,327,467	125,336	247,834	4,239,261	1,549,352	**29,745,841**
Acquisition of a subsidiary (note 6.3)	982,987	-	1,083,064	-	-	-	-	**2,066,051**
Additions	-	-	-	-	-	-	1,737,532	**1,737,532**
Disposals	-	(8,570)	-	-	-	-	-	**(8,570)**
Re-classifications	-	99,257	564,284	-	-	-	(663,541)	**-**
Exchange differences	47,807	(85,771)	650,194	3,102	6,134	104,917	683,140	**1,409,523**
As at 31 December 2019	1,531,954	760,347	24,625,009	128,438	253,968	4,344,178	3,306,483	**34,950,377**
Accumulated depreciation and amortisation								
As at 1 January 2019	(37,274)	(574,725)	(12,152,179)	(87,593)	(72,746)	-	-	**(12,924,517)**
AASB 16 adoption	-	-	-	-	-	(132,525)	-	**(132,525)**
Adjusted 1 January 2019	(37,274)	(574,725)	(12,152,179)	(87,593)	(72,746)	(132,525)	-	**(13,057,042)**
Depreciation and amortisation	(14,198)	(95,869)	(2,102,794)	(21,184)	(24,699)	(1,390,737)	-	**(3,649,481)**
Disposals	-	892	-	-	-	-	-	**892**
Exchange differences	(1,323)	(37)	(364,945)	(2,767)	(2,498)	(42,572)	-	**(414,142)**
As at 31 December 2019	(52,795)	(669,739)	(14,619,918)	(111,544)	(99,943)	(1,565,834)	-	**(17,119,773)**
Net book amount								
Cost at fair value	1,531,954	760,347	24,625,009	128,438	253,968	4,344,178	3,306,483	**34,950,377**
Accumulated depreciation and amortisation	(52,795)	(669,739)	(14,619,918)	(111,544)	(99,943)	(1,565,834)	-	**(17,119,773)**
Net book amount	1,479,159	90,608	10,005,091	16,894	154,025	2,778,344	3,306,483	**17,830,604**

Year ended 31 December 2018	Freehold land and buildings $	Furniture, fittings and equipment $	Plant and machinery $	Mine vehicles $	Decommissioning asset $	Capex work in progress $	Total $
Cost at fair value							
As at 1 January 2018	592,731	697,395	26,158,995	145,713	169,145	1,101,875	**28,865,854**
Additions	-	-	-	-	111,583	4,141,718	**4,253,301**
Disposals	(9,467)	-	-	-	-	-	**(9,467)**
Re-classifications	-	146,943	(189,080)	-	-	(520,395)	**(562,532)**
Exchange differences	(82,104)	(88,907)	(3,642,448)	(20,377)	(32,894)	(435,344)	**(4,302,074)**
As at 31 December 2018	501,160	755,431	22,327,467	125,336	247,834	4,287,854	**28,245,082**
Accumulated depreciation and amortisation							
As at 1 January 2018	(26,771)	(527,764)	(11,144,047)	(71,979)	(67,658)	-	**(11,838,219)**
Depreciation and amortisation	(15,533)	(114,672)	(2,798,234)	(27,999)	(15,863)	-	**(2,972,300)**
Exchange differences	5,030	67,711	1,790,102	12,385	10,775	-	**1,886,002**
As at 31 December 2018	(37,274)	(574,725)	(12,152,179)	(87,593)	(72,746)	-	**(12,924,517)**
Net book amount							
Cost at fair value	501,160	755,431	22,327,467	125,336	247,834	4,287,854	**28,245,082**
Accumulated depreciation and amortisation	(37,274)	(574,725)	(12,152,179)	(87,593)	(72,746)	-	**(12,924,517)**
Net book amount	463,886	180,706	10,175,288	37,743	175,088	4,287,854	**15,320,565**

3.4 Impairment of non-current assets

Accounting Policies

The carrying amounts of the Group's exploration and evaluation assets, development expenditure and property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made.

Indicators of impairment – exploration and evaluation assets

The carrying amounts of the Group's exploration and evaluation assets are reviewed at each reporting date, to determine whether any of the following indicators of impairment exists:

(i) Tenure over the licence area has expired during the period or will expire in the near future, and is not expected to be renewed; or

(ii) Substantive expenditure on further exploration for, and evaluation of, mineral resources in the specific area is not budgeted or planned; or

(iii) Exploration for, and evaluation of, resources in the specific area have not led to the discovery of commercially viable quantities of resources, and the Group has decided to discontinue activities in the specific area; or

(iv) Sufficient data exists to indicate that although a development is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or from sale.

Impairment testing – other assets

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Refer note 3.2 – Carrying value assessment for further details of the assessment of Tormin assets.

3.5 Rehabilitation provisions

Accounting Policies

Provisions for environmental rehabilitation are recognised when the Group has a present legal or constructive obligation as a result of exploration, development and/or production activities undertaken and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

The estimated future obligations include the costs of removing facilities and restoring the affected areas and is the best estimate of the present value of the future expenditure required to settle the environmental rehabilitation at reporting date, based on current legal requirements. Any changes in the estimate are reflected in the present value of the environmental rehabilitation provision at the reporting date, with a corresponding change in the cost of the associated asset.

Significant judgement

A provision has been made for the present value of anticipated costs for future rehabilitation of land explored or mined. The Group's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Group recognises management's best estimate for assets retirement obligations and site rehabilitations in the period in which they are incurred. Actual costs incurred in the future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision.

	31 December 2019 $	31 December 2018 $
Non-current		
Environmental rehabilitation provision	**253,968**	247,834

3.6 Commitments for expenditure

The Group has the following commitments for expenditure for which no liabilities have been recorded in the financial statements as the goods or services have not been received, including non-cancellable operating lease rentals:

a) Capital commitments

Committed at the reporting date but not recognised as liabilities, payable:

Property, plant and equipment	**-**	-

b) Operating lease commitments

Accounting Policies

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

Non-cancellable operating leases contracted for but not capitalised in the accounts:

	31 December 2019 $	31 December 2018 $
Within one year	**36,098**	671,868
Later than one year but no later than five years	**8,898**	505,318
Greater than 5 years	**-**	-
	44,996	1,177,186

Operating lease commitments include contracted amounts for offices and plant and equipment under non-cancellable operating leases expiring within one to five years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

4. WORKING CAPITAL MANAGEMENT

This section provides information about the Group's working capital balances and management, including cash flow information.

4.1 Cash and cash equivalents

Accounting Policies

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

The carrying amounts of cash and cash equivalents represent fair value. Bank balances and deposits held at call earn interest at floating rates based upon market rates.

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

	31 December 2019 $	31 December 2018 $
Cash assets		
Cash at bank and in hand	**8,092,614**	12,410,510

(i) *Interest rate risk exposure*

The Group's exposure to interest rate risk is discussed in note 5.4(a)(ii).

(ii) *Reconciliation of profit after income tax to cash flow from operating activities*

	31 December 2019 $	31 December 2018 $
Profit for the year	**7,828,231**	8,823,231
Adjustments for:		
Depreciation and amortisation	**4,774,797**	4,110,827
Loss on disposal of asset	**-**	-
Impairment loss	**-**	-
Net finance costs	**(128,103)**	(122,378)
Share based payments	**261,810**	441,253
Net exchange differences	**176,978**	(853,165)
Change in operating assets and liabilities:		
(Increase) / decrease in trade debtors	**(2,770,383)**	(107,332)
(Increase) / decrease in prepayments	**(196,087)**	48,464
(Increase) / decrease in inventories	**5,495,330**	(529,471)
(Decrease) / Increase in trade payables and unearned revenue	**(4,634,030)**	3,251,928
(Decrease) / increase in income tax payable	**2,304,932**	(657,482)
Increase in provisions	**156,470**	96,738
	13,269,945	14,502,613

(iii) *Non-cash investing and financing activities*

There was no plant and equipment acquired by finance leases in 2019. Plant and equipment acquired by finance leases in 2018 of $2,849,774 was receipted by the Company and immediately repatriated to the supplier. These cash inflows and outflows have therefore been recognised in the 2018 cashflow statement.

(iv) *Net debt reconciliation*

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	31 December 2019 $	31 December 2018 $
Cash and cash equivalents	**8,092,614**	12,410,510
Borrowings – repayable within one year (including overdraft)	**(3,611,778)**	(2,277,728)
Borrowings – repayable after one year	**(4,115,217)**	(2,788,682)
Net debt	**365,619**	7,344,100
Cash and cash equivalents	**8,092,614**	12,410,510
Gross debt – variable interest rates	**(7,726,995)**	(5,066,410)
Net debt	**365,619**	7,344,100

	Other assets	Liabilities from financing activities				
	Cash $	Leases due within 1 year $	Leases due after 1 year $	Borrowings due within 1 year $	Borrowings due after 1 year $	Total $
Net debt as at 1 January 2018	10,975,817	(566,550)	(8,721)	(1,505,770)	(2,125,000)	**6,769,776**
Cash flows	1,849,687	(211,178)	(2,154,961)	5,770	1,500,000	**989,318**
Foreign exchange adjustments	(414,994)	-	-	-	-	**(414,994)**
Net debt as at 31 December 2018	12,410,510	(777,728)	(2,163,682)	(1,500,000)	(625,000)	**7,344,100**
AASB 16 adoption	-	(540,706)	(606,655)	-	-	**(1,147,361)**
Adjusted 1 January	12,410,510	(1,318,434)	(2,770,337)	(1,500,000)	(625,000)	**6,196,739**
Cash flows	(4,047,277)	(104,390)	1,703,097	875,000	625,000	**(948,570)**
Acquisitions	-	-	-	(1,563,954)	(3,047,977)	**(4,611,931)**
Foreign exchange adjustments	(270,619)	-	-	-	-	**(270,619)**
Net debt as at 31 December 2019	**8,092,614**	**(1,422,824)**	**(1,067,240)**	**(2,188,954)**	**(3,047,977)**	**365,619**

4.2 Trade and other receivables

Accounting Policies

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Loans and receivables are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method. They are included within current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

	31 December 2019 $	31 December 2018 $
Current		
Trade receivables	**2,627,977**	1,890,032
Less: Provision for impairment of receivables	**-**	-
	2,627,977	1,890,032
Other receivables (i)	**5,136,452**	3,222,371
Prepayments	**262,943**	54,078
	8,027,372	5,166,481
Non-current		
Security deposits (ii)	**469,764**	204,779
Advance to Blue Bantry (iii)	**998,599**	575,065
Other receivables	**44,905**	76,871
	1,513,268	856,715

(i) Includes $1,638,116 (2018: $1,374,248) of VAT refundable from the South African Revenue Service.

(ii) A secured deposit of $469,764 (2018: $204,779) with FirstRand Bank Limited held as security for a performance guarantee issued by the Bank in favour of the South African Department of Minerals and Energy in respect of Mineral Sands Resources (Pty) Ltd obligations under the Tormin Mining Rights.

(iii) An amount of ZAR 14 million (2018: ZAR 8.25 million) has been advanced to the BEE partner, Blue Bantry (refer note 8.2 for further details).

Impairment of receivables

No impairment of receivables has been recognised by the Group for the year ended 31 December 2019. Refer to Note 5.4(a)(iv) for impairment & credit losses of receivables.

Fair values and credit risk

Due to the short term nature of these receivables the carrying values represent their respective fair values as at 31 December 2019 and 2018. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables disclosed above. The non-current trade receivables have a fair value of $Nil as at 31 December 2019, compared to a carrying amount of $Nil (2018: fair value of $Nil and carrying amount of $Nil).

The fair values were calculated based on cash flows discounted using a current lending rate. Refer to note 5.4 for more information on the risk management policy of the Group and the credit quality of the entity's receivables.

Foreign exchange and interest rate risk

Information about the Group's exposure to foreign exchange and interest rate risk in relation to trade and other receivables is provided in note 5.4.

Recoverability of receivables

The group has amounts due from various counterparties as a result of its operations in a number of jurisdictions. The recoverability these amounts which include certain input taxes and rebates is subject to interpretation of legislation and judgement on the credit risk of the counterparty.

Rebate & Indirect Taxes

The Group is eligible to claim and recover various indirect taxes and rebates from various taxation authorities where it has operations. The estimation of the amounts to which the Group is entitled to receive and will ultimately recover requires interpretation of legislation, compliance with administrative obligations and judgement on the credit risk of the counterparty.

4.3 Inventories

Accounting Policies

Raw materials, stores, ore stockpiles, work in progress and finished stocks are physically measured or estimated and valued at the lower of cost and net realisable value. Net realisable value less costs to sell is assessed annually based on the amount estimated to be obtained from sale of the item of inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale.

Weighted average cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure and depreciation and amortisation relating to mining activities, the latter being allocated on the basis of normal operating capacity. As a result of mineral sands or graphite products being co-products from the same mineral separation process, costs are allocated to the various finished products on the basis of the relative sales value of the finished goods produced. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories of consumable supplies and spare parts expected to be used in production are valued at the lower of weighted average cost, which includes the cost of purchase as well as transportation and statutory charges, or net realisable value. Any provision for obsolescence is determined by reference to specific stock items identified.

	31 December 2019 $	31 December 2018 $
Raw materials at cost	**329,291**	355,364
Finished product at cost	**19,171,494**	23,202,679
Spare parts and consumables at cost	**2,442,546**	2,198,682
	21,943,331	25,756,725

The costs of individual items of inventory are determined using weighted average cost.

4.4 Trade and other payables

Accounting Policies

Trade and other payables are recognised originally at fair value and subsequently measured at amortised cost using the effective interest rate method. Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of each reporting period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

	31 December 2019 $	31 December 2018 $
Trade payables	**2,062,482**	5,310,043
Other payables and accruals	**2,654,260**	1,756,441
	4,716,742	7,066,484

(i) Fair values and credit risk

Due to the short term nature of these payables the carrying values represent their respective fair values as at 31 December 2019 and 2018.

(ii) Foreign exchange and interest rate risk

Information about the Group's exposure to foreign exchange and interest rate risk in relation to trade and other payables is provided in note 5.4.

4.5 Unearned revenue

Accounting Policies

Unearned revenue is recognised originally at fair value and subsequently measured at amortised cost using the effective interest rate method. Unearned revenue represents revenue that has been received by the Group for requested goods where control has not yet been transferred as the goods have not been substantially provided. Unearned revenue is recognised as revenue subsequent to this in accordance with the Group's revenue recognition policy (refer note 2.2). Unearned revenue is presented as current liabilities unless product delivery is not due within 12 months from the reporting date.

	31 December 2019 $	31 December 2018 $
Unearned revenue	**72,375**	1,670,100

(i) *Fair values and credit risk*

Due to the short term nature of unearned revenue, the carrying values represent their respective fair values as at 31 December 2019 and 2018.

(ii) *Foreign exchange and interest rate risk*

Information about the Group's exposure to foreign exchange and interest rate risk in relation to unearned revenue is provided in note 5.4.

4.6 Contract Liabilities

Accounting Policies

Contract liabilities are recognised originally at fair value and subsequently measured at amortised cost. Contract liabilities represent revenue that has been received by the Group per the Amended and Restated Garnet Offtake Agreement where control has not yet been transferred. Contract liabilities are recognised in accordance with the Group's revenue recognition policy (refer note 2.2).

	31 December 2019 $	31 December 2018 $
Contract liabilities	**18,099,115**	18,098,880

(i) *Fair values and credit risk*

Due to the nature of the contract liability, the carrying values represent their respective fair values as at 31 December 2019.

(ii) *Foreign exchange and interest rate risk*

Information about the Group's exposure to foreign exchange and interest rate risk in relation contract liabilities is provided in note 5.4.

5. FUNDING AND RISK MANAGEMENT

This section provides information relating to the management of capital, credit, liquidity and market risks and the policies for measuring and managing these risks.

5.1 Interest bearing loans and borrowings

Accounting Policies

All loans and borrowings are initially recognised at cost, being fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting periods.

Details of the contractual maturities can be found in Note 5.4.

	31 December 2019 $	31 December 2018 $
Current		
Long term borrowings – unsecured (6)	**1,442,444**	-
Amounts due under equipment acquisition agreements (1), (2), (4), (5)	**1,422,824**	735,382
Long term borrowings – secured (3)	**746,510**	1,542,346
	3,611,778	2,277,728
Non-current		
Long term borrowings – unsecured (6)	**2,877,396**	-
Long term borrowings – secured (3)	**170,581**	704,189
Amounts due under equipment acquisition agreements (1), (2), (4), (5)	**1,067,240**	2,084,493
	4,115,217	2,788,682

(1) The Group entered into Master Rental Agreements to acquire mobile mining equipment and generators. Under the terms of these agreements, there was an option to purchase which the Group exercised for the mobile mining equipment.

(2) The Group entered into Instalment Sales Agreements to acquire mobile mining equipment and other equipment. Under the terms of these agreements, the Group will become the owner of the mobile mining equipment on final payment under the agreements.

(3) The Group entered into a $4.5 million financing arrangement with GMA for its Garnet Stripping Plant ("GSP") expansion. Under the terms of the agreement, the borrowing is charged at Libor + 2% and repaid over three years from the repayment commencement date. The borrowing is secured by a special notarial bond over the GSP. Repayment commenced in June 2017. Repayments of US$0.125 million per month commenced in June 2017, with US$0.625 million principal owing at 31 December 2019.

(4) The Group entered into Commercial Loans and Chattel Mortgages for motor vehicles. Under the terms of these agreements, the Group will become the owner of the motor vehicles on final payment under the agreements.

(5) The Group entered into a Master Finance Lease to acquire mobile mining equipment. Under the terms of these agreements, the Group will become the owner of the mobile mining equipment on final payment under the agreements.

(6) The Group entered into a Loan Agreement with the previous owners as a part of the acquisition of Skaland Graphite AS. The interest rate is NIBOR +2% and is repaid quarterly.

(a) Lease liability commitments

Accounting Policies

Refer to Note 1.8(b) for accounting policy for leases.

Commitments in relation to minimum lease repayments under equipment acquisition agreements:

	31 December 2019 $	31 December 2018 $
Within one year	**1,612,614**	926,223
Later than one year but no later than five years	**1,130,946**	1,928,972
Greater than 5 years	**-**	-
Minimum lease payments	**2,743,560**	2,855,195
Less: Future Finance Charges	**(253,498)**	(443,479)
	2,490,062	2,411,716

Finance lease commitments include contracted amounts for various plant and equipment with a written down value of $2,706,338 (2018: $2,959,377) secured under finance leases expiring within one to five years. Under the terms of the leases, the Group will become the owner of the leased assets on the final payment under instalment sale agreements.

5.2 Net finance costs

Accounting Policies

Interest income is recognised as it accrues on a time proportion basis using the effective interest method.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

	31 December 2019 $	31 December 2018 $
Finance income		
Interest Income	**128,103**	122,378
Total finance income	**128,103**	122,378
Finance costs		
Interest paid to third parties	**228,241**	186,751
Net change in fair value of financial assets - derivatives	**(258,893)**	38,383
Total finance costs	**(30,652)**	225,134
Net finance income / (costs)	**158,755**	(102,756)

5.3 Equity

(a) Contributed equity

Accounting Policies

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(i) Share capital

	2019 Number of shares	2018 Number of shares	2019 $	2018 $
Ordinary shares				
Fully paid	**421,191,571**	421,091,571	**64,927,687**	64,919,201

(ii) Movements in ordinary share capital

Details	Number of shares	$
At 1 January 2019	421,091,571	**64,919,201**
Conversion of performance rights	100,000	**8,486**
At 31 December 2019	421,191,571	**64,927,687**
Transaction costs arising on share issue	-	**-**
At 31 December 2019	421,191,571	**64,927,687**

(iii) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(iv) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets in order to maintain sufficient funds necessary to continue its operations.

(b) Reserves

The following table shows a breakdown of the balance sheet line item 'other reserves' and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided in the table below.

	General reserve $	Financial asset revaluation reserve $	Foreign currency translation reserve $	Share based payment reserve $	Total $
At 1 January 2018	1,363,393	-	(15,108,264)	628,077	**(13,116,794)**
Share based payments	-	-	-	441,253	**441,253**
Transfer to retained earnings on expiry of unlisted options	-	-	-	(201,273)	**(201,273)**
Conversion of performance rights	-	-	-	(498,902)	**(498,902)**
Exchange differences on translation of foreign operations	-	-	(8,063,464)	-	**(8,063,464)**
At 1 January 2019	1,363,393	-	(23,171,728)	369,155	**(21,439,180)**
Share based payments	-	-	-	261,810	**261,810**
Conversion of performance rights	-	-	-	(8,486)	**(8,486)**
Exchange differences on translation of foreign operations	-	-	(313,397)	-	**(313,397)**
At 31 December 2019	**1,363,393**	**-**	**(23,485,125)**	**622,479**	**(21,499,253)**

Nature and purpose of reserves

General reserve

The General reserve arose from the issue of shares in MRC Resources Proprietary Limited to an entity outside the economic entity.

Financial asset revaluation reserve

The financial asset revaluation reserve arises from the revaluation at reporting date of available-for-sale financial assets.

Foreign currency translation reserve

The foreign currency translation reserve records the unrealised foreign currency differences arising from the translation of operations into the presentation currency of the Group.

Share based payment reserve

Records the amounts received in a prior year together with the amounts amortised for employee options in the current year from the issue of listed options and performance rights.

(c) Accumulated losses

	31 December 2019 $	31 December 2018 $
At 1 January	**(1,542,284)**	(5,488,768)
Profit for the year	**7,828,231**	8,823,231
Adjustment to accumulated losses per AASB 15 adoption	**-**	(1,246,942)
Dividend Distribution	**(3,839,471)**	(3,831,078)
Transfer from reserves on expiry of unlisted options	**-**	201,273
At 31 December	**2,446,476**	(1,542,284)

(d) Non-controlling interest

	31 December 2019 $	31 December 2018 $
At 1 January	**113,639**	113,639
Movement for the year	**-**	-
At 31 December	**113,639**	113,639

5.4 Financial risk management

Accounting Policies

The Group classifies its financial instruments on initial recognition. The classification depends on the purpose for which the financial instrument was acquired.

(i) Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade date; the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(ii) Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all unlisted securities, including recent arm's length transactions, reference to similar instruments and other pricing models.

The Group uses derivative financial instruments such as forward foreign currency contracts to hedge its risk associated with foreign currency fluctuations. Such derivatives are stated at fair value. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Changes in the fair value of forward foreign currency contracts are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(iii) Financial Liabilities

Financial liabilities are recognised initially at fair value and subsequently at amortised cost, comprising original debt less principal payments and amortisation of transaction costs.

(iv) Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in profit or loss. Impairment losses recognised on equity instruments classified as available for sale are not reversed through the income statement.

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit or loss information has been included where relevant to add further context.

The Group's activities expose it to a variety of financial risks, as detailed in the below table:

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange risk	Future commercial transactions Recognised financial assets and liabilities not denominated in USD	Cash flow forecasting Sensitivity analysis	Foreign currency forwards and foreign currency options
Market risk – interest rate risk	The Company's long-term borrowings are at fixed interest rates, therefore it is not exposed to changes in variable interest rates. The Company's long-term borrowings in Norway are at variable interest rates, subject to NIBOR interest rates.	N/A	N/A
Market risk – price risk	Investments in equity securities	Sensitivity analysis	N/A
Market risk – commodity price risk	Sale of products	Cash flow forecasting Sensitivity analysis	Monitoring the prevailing commodity prices and entering into longer term fixed price sales contracts
Credit risk	Cash and cash equivalents and trade and other receivables	Aging analysis Credit ratings	Credit limits, retention of title over product sold and letters of credit
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

The Group's risk management is predominantly controlled by the finance department ("Treasury") under policies approved by the Board of Directors. Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, commodity price risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Group manages foreign exchange risk through hedging the South African Rand and Australian dollar using foreign currency forwards and foreign currency options in line with its Treasury Policy. The mark-to-market position of the Group's hedged position as at 31 December 2019 was:

At 31 December 2019	Value of Hedges contracted US$	Mark-to-market value of hedges US$	Mark-to-market hedge position US$
South African Rand (ZAR)	2,500,000	2,559,378	59,378
Australian Dollars (AUD)	1,000,000	1,011,829	11,829
Total position	3,500,000	3,571,207	71,207

(a) Market risk

1. Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures.

As detailed in note 1.2(iii), items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in United States dollars, which is the Company's presentation currency.

Based on the financial instruments held at the reporting date, the sensitivity of the Group's profits after tax for the year and equity at the reporting date to movements in the United States Dollar to South African Rand ("ZAR"), United States Dollar to Australian Dollars ("AUD") and United States Dollar to Norwegian Kroner ("NOK") were:

	Impact on post tax profits		Impact on other components of equity	
	2019 US$	2018 US$	2019 US$	2018 US$
USD/AUD exchange rate – increase 10%	**279,218**	424,975	-	-
USD/AUD exchange rate – decrease 10%	**(279,218)**	(424,975)	-	-
USD/ZAR exchange rate – increase 10%	**211,901**	2,775,789	-	-
USD/ZAR exchange rate – decrease 10%	**(211,901)**	(2,775,789)	-	-
USD/NOK exchange rate – increase 10%	**(20,627)**	-	-	-
USD/NOK exchange rate – decrease 10%	**20,627**	-	-	-

2. Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's floating interest rate cash balance which is subject to movements in interest rates. The Board monitors its cash balance on an ongoing basis and liaises with its financiers regularly to mitigate cash flow interest rate risk. Interest is charged on the loans from the parent company to the South African subsidiaries at rates permitted by the South African Reserve Bank. This interest is eliminated on consolidation. Interest on loans in Skaland Graphite AS are variable and denominated in Norwegian Kroner ("NOK"). Based on the loans with variable interest rates the sensitivity of the Group's profits after tax for the year and equity at the reporting dates were:

Sensitivity

	Impact on post tax profits		Impact on other components of equity	
	2019 US$	2018 US$	2019 US$	2018 US$
Interest rate increase of 100 basis points	**(8,113)**	-	**-**	-
Interest rate decrease of 100 basis points	**8,113**	-	**-**	-

3. Price risk

The Group has an exposure to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet as at fair value through profit or loss ("FVTPL"). The Group's investment in equity securities at FVTPL is $706,046 (2018: $674,751), which is monitored by the Board of Directors. Any investment in equity securities would require approval by the Board of Directors.

	Impact on post tax profits		Impact on other components of equity	
	2019 US$	2018 US$	2019 US$	2018 US$
Price increase of 10%	**49,423**	47,233	**-**	-
Price decrease of 10%	**(49,423)**	(47,233)	**-**	-

The Group is also exposed to commodity price risk as a result of fluctuations in the market price of commodities, however the commodities that the Company produces and sells are not quoted on any recognised exchange.

4. Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures including outstanding receivables and investments in unlisted entities.

All cash balances held at banks are held at internationally recognised institutions. The Group has a strict code of credit and requires the majority of its customers to have letters of credit in place. The maximum exposure to credit risk at the reporting date to trade receivables is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The Group does not hold any collateral.

The Group has two types of financial assets that are subject to the expected credit loss model:

- trade receivables for sales of inventory, and
- debt investments carried at amortised cost.

Trade receivables

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2019 was determined as follows for both trade receivables and contract assets:

At 31 December 2019	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0%	0%	0%	0%	
Gross carrying amount – trade receivables	2,454,123	99,758	-	74,096	2,627,977
Loss allowance	-	-	-	-	-

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets at amortised cost

Other financial assets at amortised include loans to directors and employees of subsidiaries, deposits and other receivables.

5. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet obligations when due. At the end of the reporting period, the Group held cash and cash equivalents totalling $8,092,614 (2018: $12,410,510). Management monitors rolling forecasts of the Group's liquidity reserve (comprising cash and cash equivalents, note 4.1) on the basis of expected cash flows. This is carried out at the corporate level for all active companies of the Group in accordance with practice and limits set by the Group.

Financing arrangements

On 2 February 2016, the Company announced debt funding arrangements for its expansion initiatives relating to a GSP at its Tormin mine. Under the terms of the agreement, the borrowing is charged at Libor + 2% and repaid over three years from the repayment commencement date. The borrowings are secured by a special notarial bond over the GSP. Principal repayments of US$0.125 million per month plus interest charges against the facility commenced in June 2017.

On 4 October 2019, the Group acquired Skaland Graphite AS. As part of the consideration the Group agreed to pay an amount to Leonhard Nilsen & Sønner AS of NOK37,986,514 over 5 years, paid in quarterly instalments. The interest is charged at NIBOR +2%.

On 4 October 2019, the Group acquired Skaland Graphite AS. As part of the acquisition the Group consolidated the fair value of the loans from Innovation Norge. The borrowings at acquisition was NOK2,526,000. NOK1,000,000 is due in 2020, NOK1,500,000 is due in 2024 and NOK26,000 is due in 2020.

On 4 October 2019, the Group acquired Skaland Graphite AS. As part of the acquisition the Group consolidated the fair value of the loans from Flogas. The borrowings at acquisition was NOK26,000 and is due in 2020.

Maturity of financial assets

The Group manages liquidity risk by maintaining sufficient cash reserves and through the continuous monitoring of budgeted and actual cash flows. At the reporting date there is no significant liquidity risk. The table below analyses the Group's maturity of financial assets:

	< 6 months $	6 – 12 months $	1 – 5 years $	5+ years $	Total contractual cash flows $	Carrying amount $
31 December 2019						
Trade and other receivables	8,027,372	-	-	-	**8,027,372**	**8,027,372**
Trade and other receivables – non current	-	-	1,513,268	-	**1,513,268**	**1,513,268**
Derivatives – FVTPL						
Inflow	3,571,207	-	-	-	**3,571,207**	**71,207**
(Outflow)	(3,500,000)	-	-	-	**(3,500,000)**	**-**
Total financial assets	**8,098,579**	**-**	**1,513,268**	**-**	**9,611,847**	**9,611,847**

	< 6 months $	6 – 12 months $	1 – 5 years $	5+ years $	Total contractual cash flows $	Carrying amount $
31 December 2018						
Trade and other receivables	5,166,481	-	-	-	**5,166,481**	**5,166,481**
Trade and other receivables – non current	-	-	856,715	-	**856,715**	**856,715**
Derivatives – FVTPL						
Inflow	2,579,045	-	-	-	**2,579,045**	**79,045**
(Outflow)	(2,500,000)	-	-	-	**(2,500,000)**	**-**
Total financial assets	**5,245,526**	**-**	**856,715**	**-**	**6,102,241**	**6,102,241**

Maturity of financial liabilities

The Group manages liquidity risk by maintaining sufficient cash reserves and through the continuous monitoring of budgeted and actual cash flows. At the reporting date there is no significant liquidity risk. The table below analyses the Group's maturity of financial liabilities:

	< 6 months $	6 – 12 months $	1 – 5 years $	5+ years $	Total contractual cash flows $	Carrying amount $
31 December 2019						
Trade and other payables	4,716,742	-	-	-	**4,716,742**	**4,716,742**
Borrowings excluding finance leases	1,409,394	779,560	3,047,977	-	**5,236,931**	**5,236,931**
Lease liabilities	960,453	462,371	1,067,240	-	**2,490,064**	**2,490,064**
Total financial liabilities	**7,086,589**	**1,241,931**	**4,115,217**	**-**	**12,443,737**	**12,443,737**

	< 6 months $	6 – 12 months $	1 – 5 years $	5+ years $	Total contractual cash flows $	Carrying amount $
31 December 2018						
Trade and other payables	7,066,484	-	-	-	**7,066,484**	**7,066,484**
Borrowings excluding finance leases	776,052	773,520	707,564	-	**2,257,136**	**2,246,535**
Lease liabilities	465,597	460,626	1,928,972	-	**2,855,195**	**2,819,875**
Total financial liabilities	**8,308,133**	**1,234,146**	**2,636,536**	**-**	**12,178,815**	**12,132,894**

6. Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2019 and 31 December 2018:

	Level 1 $	Level 2 $	Level 3 $	Total $
31 December 2019				
Financial assets				
Derivatives – FVTPL	-	71,207	-	**71,207**
Listed equity securities – FVTPL	24,545	-	-	**24,545**
Unlisted equity securities - FVTPL	-	681,501	-	**681,501**
Total financial assets	24,545	752,708	-	**777,253**
Financial liabilities				
Borrowings	-	(7,726,995)	-	**(7,726,995)**
Total financial liabilities	-	(7,726,995)	-	**(7,726,995)**

	Level 1 $	Level 2 $	Level 3 $	Total $
31 December 2018				
Financial assets				
Derivatives – FVTPL	-	79,045	-	**79,045**
Listed equity securities – FVTPL	24,689	-	-	**24,689**
Unlisted equity securities - FVTPL	-	650,062	-	**650,062**
Total financial assets	24,689	729,107	-	**753,796**
Financial liabilities				
Borrowings	-	(5,066,410)	-	**(5,066,410)**
Total financial liabilities	-	(5,066,410)	-	**(5,066,410)**

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over–the–counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

6. GROUP STRUCTURE

6.1 Consolidated entities

Accounting Policies

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Associates

Associates are entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

Non-controlling interests

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

The Company, via its wholly owned subsidiary MRC Resources Proprietary Limited ("MRCR"), has a 50% interest in the issued capital in Mineral Sands Resources Proprietary Limited ("MSR"). Whilst the Group controls 50% of the share voting power, it has been determined that the Group effectively has 100% control due to its control over the relevant activities for accounting purposes, controls the management of MSR, and also controls the Board of MSR due to provisions set out in the Shareholders Agreement entered into between the shareholders of MSR.

Therefore these financial statements include 100% of the results of MSR. In addition to the holding of the issued capital, the Group also holds Class A and B preference shares in MSR which effectively provides for the repayment of the capital investment and deemed investment by the Company's Black Empowerment partner. Due to the terms attached to these A and B Preference Shares, they are categorised as an equity instrument. As the A preference shares and B preference shares would be redeemed out of distributable profits and net assets of MSR before all other ordinary shareholders, until such time as the net assets exceed the value of the unredeemed A and B preference shares, no value has been attributed to the non-controlling interest. Until that time, the non-controlling interest has no rights to the assets or results of the Company, and therefore has not been allocated any value in these financial statements.

The Company, via its wholly owned subsidiary MRC Graphite (Norway) Pty Ltd ("MRCGN"), has a 90% interest in the issued capital in Skaland Graphite AS ("SKA"). Whilst the Group controls 90% of the share voting power, it has been determined that the Group effectively has 100% control due to its control over the relevant activities for accounting purposes, controls the management of SKA, and also controls the Board of SKA. The Group considers that 100% of the economic benefits will flow to the Group on the basis that there has been no contribution from the non-controlling interest. Therefore these financial statements include 100% of the results of SKA.

(i) *Material subsidiaries*

The Group's principal subsidiaries at 31 December 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

		Ownership interest held by the Group		Ownership interest held by non-controlling interests	
Name of entity	**Place of business / country of incorporation**	**2019 %**	**2018 %**	**2019 %**	**2018 %**
Rexelle Pty Ltd	Australia	**100**	100	**-**	-
MRC Trading (Aust) Pty Ltd	Australia	**100**	100	**-**	-
MRC Cable Sands Pty Ltd	Australia	**100**	100	**-**	-
Blackhawk Oil and Gas Pty Ltd	Australia	**100**	100	**-**	-
Queensland Minex Pty Ltd	Australia	**100**	100	**-**	-
Q Smelt Pty Ltd	Australia	**90**	90	**10**	10
Mincom Waste Pty Ltd	Australia	**100**	100	**-**	-
MRC Graphite Pty Ltd	Australia	**100**	100	**-**	-
MRC Exploration Australia Pty Ltd	Australia	**100**	100	**-**	-
MRC Graphite (Norway) Pty Ltd (1)	Australia	**100**	-	**-**	-
Skeleton Coast Resources (Pty) Ltd	Namibia	**100**	100	**-**	-
Skaland Graphite AS (2)	Norway	**90**	-	**10**	-
MRC Resources Proprietary Limited	South Africa	**100**	100	**-**	-
Mineral Sands Resources Proprietary Limited	South Africa	**50**	50	**50**	50
Tormin Mineral Sands Proprietary Limited	South Africa	**50**	50	**50**	50
Nyati Titanium Eastern Cape Proprietary Limited	South Africa	**100**	100	**-**	-
MRC Metals Proprietary Limited	South Africa	**100**	100	**-**	-
Skeleton Coast Mining (Pty) Ltd	South Africa	**100**	-	**-**	-
Transworld Energy and Minerals Resources (SA) Proprietary Limited	South Africa	**56**	56	**44**	44
Madan Rahjo Kanyab Company (Private Joint Stock)	Iran	**100**	100	**-**	-
Zamin Afzar Ofogh Company (Private Joint Stock)	Iran	**90**	90	**10**	10
Mineral Commodities (UK) Ltd	United Kingdom	**100**	100	**-**	-

(1) MRC Graphite (Norway) Pty Ltd was incorporated on 15 May 2019
(2) Skaland Graphite AS was acquired on 4 October 2019

6.2 Parent entity financial information

The financial information for the parent entity, Mineral Commodities Ltd, has been prepared on the same basis as the consolidated financial statements, unless stated otherwise.

Accounting Policies

Interests in subsidiaries

Investments in subsidiaries are carried in the Company's financial report at cost less any impairment losses. Dividends and distributions are brought to account in profit when they are declared by the subsidiaries.

Investments in associates

Investments in associates are accounted for in the parent entity financial statements using the cost method.

The individual financial statements for the parent entity show the following aggregate numbers:

	31 December 2019 $	31 December 2018 $
Balance sheet		
Current assets	**9,937,240**	3,285,437
Non-current assets	**1,653,004**	60,958,480
Total assets	**11,590,244**	64,243,917
Current liabilities	**1,419,841**	49,620,117
Non-current liabilities	**146,583**	99,024
Total liabilities	**1,566,424**	49,719,141
Net assets	**10,023,820**	14,524,776
Shareholders' equity		
Issued capital	**44,401,322**	64,919,201
Reserves	**(34,981,725)**	(29,935,009)
Accumulated losses	**604,223**	(20,459,416)
Total equity	**10,023,820**	14,524,776
(Loss)/profit for the year	**(832,144)**	(2,164,488)

6.3 Business combinations during the period

On 4 October 2019 the Group acquired 100% of the voting equity instruments of Skaland Graphite AS, a company whose principal activity is mining and producing graphite. Post acquisition, 10% of the interest in Skaland is to be transferred to the facilitator of the transaction, BSG Mining LLC, an unrelated party to the Group, with the proportionate acquisition cost expected to be recouped by the Group. The purpose of the acquisition is to fast-track MRC to be the largest graphite miner in Europe, improving the Company's understanding of traditional graphite markets. Skaland also offers excellent geostrategic positioning to capitalise on the fastest growing electric vehicle market globally.

Details of the fair value of the identifiable assets and liabilities acquired, purchase consideration are as follows (note that fair value was not used as the measurement basis for assets and liabilities that require a different basis, which includes employee benefits):

	Fair value $
Cash	86,689
Trade and other receivables	127,603
Inventories	1,681,936
Other investments	12,919
Land & buildings	982,987
Plant & equipment	1,083,064
Mine development	6,032,998
Trade and other payables	(686,598)
Borrowings	(430,341)
Employee benefits	(177,510)
Total net assets	**8,713,747**

Fair value of consideration paid:

	$
Cash	4,544,086
Loan to Leonhard Nilsen & Sonner AS	4,169,661
Total consideration	**8,713,747**
Goodwill	-

No goodwill was recognised in the business combination nor a gain from a bargain purchase. No acquisition costs arose as a result of the transaction.

The fair values of land & building and plant & equipment are provisional and subject to third party expert valuation, to take place in 2020, and will be restated as per allowances in AASB 3 Business Combinations. The identifiable assets fair value assessment involved significant judgement. There were no acquisitions in the year ended 31 December 2018.

The revenue and profit contribution to the Group from the date of acquisition were $1,173,287 and $422,513 respectively.

7. PEOPLE

This section provides information in relation to the Group employee benefits, share-based payment schemes and related party transactions.

7.1 Employee Benefits

Accounting policies

Provision is made for the Group's liability for employee entitlements arising from services rendered by employees to reporting date. These benefits include annual and long service leave. Sick leave is non-vesting and has not been provided for.

Employee entitlements expected to be settled within one year have been measured at the amounts expected to be paid when the liabilities are settled and are recognised in other payables.

The contributions made to defined contribution superannuation funds by entities within the consolidated entity are charged against profits when due.

	31 December 2019 $	31 December 2018 $
Current		
Annual leave provision	**661,266**	355,057
Non-current		
Long service leave provision	**126,795**	99,024

7.2 Share based payments

Accounting policies

Equity-settled share-based compensation benefits are provided to certain senior employees.

Equity-settled transactions are awards of options over shares that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value at grant date. The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative change to profit or loss is calculated based on the grant date fair value of the award, and then amortised over the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

a) Employee Options

The issue of employee options was approved by shareholders at a general meeting of the Company held on 21 December 2012. The employee option plan ("the Plan") is designed to provide long-term incentives for senior managers and above (including directors) to deliver long-term shareholder returns. Options granted under the plan carry no dividend or voting rights. When exercisable each option is convertible into one ordinary share at the predetermined exercise price.

No options were granted under the Plan in 2019.

Set out below are summaries of options under the Plan that vested in the financial year ended 31 December 2018.

Grant date	Expiry date	Average Exercise price	Fair Value at grant date	Options at the start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Lapsed during the year	Balance at the end of the year	Vested at the end of the year
27 May 2015	30 May 2018	20 cents	4.90 cents	5,000,000	-	-	-	5,000,000	-	-
7 Sept 2015	31 March 2018	20 cents	5.40 cents	1,000,000	-	-	-	1,000,000	-	-
				6,000,000	-	-	-	6,000,000	-	-

The weighted average remaining contractual life of options outstanding at end of period is Nil years (2018: Nil years).

Fair value of options granted

The assessed fair value at grant date of options issued in the prior period was independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The total share based payment expense related to options for the year ended 31 December 2019 was $Nil (2018: $Nil).

b) Performance Rights

The issue of Performance Rights was approved by shareholders at a general meeting of the Company held on 25 May 2016. The Incentive Performance Rights Plan is designed to provide long-term incentives for senior managers and above (including directors) to deliver long-term shareholder returns. Performance Rights granted under the plan carry no dividend or voting rights.

On 16 August 2017, the Board approved the issue of 2,000,000 Performance Rights to the former CFO, Tony Sheard. These performance rights are exercisable on or before 31 May 2020 with 1,500,000 vesting upon the closing share price reaching $0.20 and remaining at or above $0.20 for a period of 5 consecutive trading days. The remaining 500,000 will vest 12 months from date of issue and upon the closing share price reaching $0.20 and remaining at or above $0.20 for a period of 5 consecutive trading days. These Performance Rights were fully exercised in 2018.

On 16 August 2017, the Board approved the issue of 500,000 Performance Rights to senior managers. These performance rights are exercisable on or before 31 May 2020, vesting on 31 May 2018 and upon the closing share price reaching $0.20 and remaining at or above $0.20 for a period of 5 consecutive trading days.

On 16 August 2017, the Board approved the issue of 450,000 Performance Rights to employees. These performance rights are exercisable on or before 31 May 2021, vesting at a rate of 150,000 per annum on 31 May 2018 to 2020 inclusive and upon the closing share price reaching $0.20 and remaining at or above $0.20 for a period of 5 consecutive trading days. 250,000 of these Performance Rights have been exercised and 100,000 have been forfeited.

On 22 May 2018, the Board approved the issue of 1,000,000 Performance Rights to Executives. These performance rights are exercisable on or before 31 May 2021, vesting at a rate of 333,333 per annum on 1 October 2018 to 2020 inclusive and upon the closing share price reaching $0.20 and remaining at or above $0.20 for a period of 30 consecutive trading days.

On 22 May 2018, the Board approved the issue of 1,000,000 Performance Rights to Executives. These performance rights are exercisable on or before 25 June 2020, with 500,000 vesting on 25 June 2019 and 500,000 vesting on 25 June 2020 and upon the closing share price reaching $0.20 and remaining at or above $0.20 for a period of 5 consecutive trading days.

On 25 September 2018, the Board approved the issue of 1,000,000 Performance Rights to Executives. These performance rights are exercisable on or before 30 September 2020, with 500,000 vesting on 11 October 2019 and 500,000 vesting on 11 October 2020 and upon the closing share price reaching $0.20 and remaining at or above $0.20 for a period of 5 consecutive trading days.

On 28 May 2019, the Board approved the issue of 1,000,000 Performance Rights to Executives. These performance rights are exercisable on or before 14 May 2022, with 500,000 vesting on 14 May 2020 and 500,000 vesting on 14 May 2021 and upon the 30 Day Volume Weighted Average Price (“VWAP”) being at or above $0.26.

On 28 May 2019, the Board approved the issue of 100,000 Performance Rights to employees. These performance rights are exercisable on or before 28 February 2023, with 33,333 vesting on 28 February 2020, 33,333 vesting on 28 February 2021 and 33,334 vesting on 28 February 2022 and upon the 30 Day VWAP being at or above $0.26. These Performance Rights were forfeited in 2019.

On 28 May 2019, the Board approved the issue of 150,000 Performance Rights to employees. These performance rights are exercisable on or before 28 February 2023, with 50,000 vesting on 28 February 2020, 50,000 vesting on 28 February 2021 and 50,000 vesting on 28 February 2022 and upon the 30 Day VWAP being at or above $0.26.

Set out below are summaries of all Performance Rights granted under the Plan and unexpired at 31 December 2019:

Grant date	Expiry date	Exercise price	Fair Value at grant date	Rights at the start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Lapsed during the year	Balance at the end of the year	Vested at the end of the year
16 Aug 2017	31 May 2020	Nil	11.8 cents	500,000	-	-	-	-	500,000	500,000
16 Aug 2017	31 May 2021	Nil	11.8 cents	300,000	-	100,000	100,000	-	100,000	-
22 May 2018	31 May 2021	Nil	28.0 cents	1,000,000	-	-	-	-	1,000,000	500,000
22 May 2018	1 Oct 2021	Nil	28.0 cents	1,000,000	-	-	-	-	1,000,000	666,666
25 Sept 2018	30 Sept 2021	Nil	13.6 cents	1,000,000	-	-	-	-	1,000,000	500,000
28 May 2019	14 May 2022	Nil	13.4 cents	-	1,000,000	-	-	-	1,000,000	-
28 May 2019	28 Feb 2023	Nil	13.2 cents	-	100,000	-	100,000	-	-	-
28 May 2019	28 Feb 2023	Nil	13.2 cents	-	150,000	-	-	-	150,000	-
				3,800,000	**1,250,000**	**100,000**	**200,000**	**-**	**4,750,000**	**2,166,666**

Set out below are summaries of all Performance Rights granted under the Plan and unexpired at 31 December 2018:

Grant date	Expiry date	Exercise price	Fair Value at grant date	Rights at the start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Lapsed during the year	Balance at the end of the year	Vested at the end of the year
25 May 2016	30 May 2019	Nil	11.3 cents	4,000,000	-	4,000,000	-	-	-	-
16 Aug 2017	31 May 2020	Nil	11.8 cents	2,000,000	-	2,000,000	-	-	-	-
16 Aug 2017	31 May 2020	Nil	11.8 cents	500,000	-	-	-	-	500,000	500,000
16 Aug 2017	31 May 2021	Nil	11.8 cents	450,000	-	150,000	-	-	300,000	-
22 May 2018	31 May 2021	Nil	28.0 cents	-	1,000,000	-	-	-	1,000,000	-
22 May 2018	1 Oct 2021	Nil	28.0 cents	-	1,000,000	-	-	-	1,000,000	333,333
25 Sept 2018	30 Sept 2021	Nil	13.6 cents	-	1,000,000	-	-	-	1,000,000	-
				6,950,000	**3,000,000**	**6,150,000**	**-**	**-**	**3,800,000**	**833,333**

Fair value of Performance Rights granted

The assessed fair value at grant date of the Performance Rights issued during the period ended 31 December 2019 was determined using a trinomial option pricing model that takes into account the performance conditions (e.g. share price reaching A$0.20 per share for five consecutive days), the term of the Performance Right, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the Performance Right. The total share based payment expense related to performance rights for the period ended 31 December 2019 was $261,810 (2018: $441,253).

The model inputs for Performance Rights granted during the period, as well as prior periods, included:

(a)	Number of Rights issued	2,000,000	500,000	450,000	1,000,000	1,000,000	1,000,000	1,000,000	100,000	150,000
(b)	Exercise price (AUD)	0 cents	0 cents	0 cents	0 cents	0 cents	0 cents	0 cents	0 cents	0 cents
(c)	Share price barrier (AUD)	20.0 cents	20.0 cents	20.0 cents	20.0 cents	20.0 cents	20.0 cents	26.0 cents	26.0 cents	26.0 cents
(d)	5 day VWAP of underlying security	13.5 cents	13.5 cents	13.5 cents	28.0 cents	28.0 cents	17.5 cents	-	-	-
(e)	30 day VWAP of underlying security	-	-	-	-	-	-	26.0 cents	26.0 cents	26.0 cents
(f)	Grant date	16 Aug 2017	16 Aug 2017	16 Aug 2017	22 May 2018	22 May 2018	25 Sept 2018	28 May 2019	28 May 2019	28 May 2019
(g)	Risk-free interest rate	1.98%	1.98%	1.98%	2.20%	2.20%	2.15%	1.12%	1.12%	1.12%
(h)	Expiry date	31 May 2020	31 May 2020	31 May 2021	31 May 2021	1 Oct 2021	30 Sept 2021	14 May 2022	14 May 2022	14 May 2022
(i)	Share price at grant date (AUD)	13.5 cents	13.5 cents	13.5 cents	28.0 cents	28.0 cents	17.5 cents	19.5 cents	19.5 cents	19.5 cents
(j)	Expected price volatility of the shares	90%	90%	90%	85%	85%	85%	85%	85%	85%
(k)	Expected dividend yield	8%	8%	8%	5.67%	5.67%	7.6%	6.67%	6.67%	6.67%

The expected price volatility is based on the historic volatility and the general trend in share prices of the companies in similar businesses and trading on the ASX over the past 12 months.

7.3 Related party transactions

(i) Parent entity

Transactions between the Company and other entities in the Group during the years ended 31 December 2019 and 31 December 2018 consisted of loans advanced and payments received and made on inter-company accounts. These transactions were made on normal commercial terms and conditions and at market rates.

(ii) Key management personnel disclosures

Compensation

The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	31 December 2019 $	31 December 2018 $
Short-term employee benefits	**1,805,174**	1,948,747
Post-employment benefits	**78,743**	80,217
Long-term benefits	**-**	-
Share-based payments	**195,923**	447,457
	2,079,840	2,476,421

Detailed remuneration disclosures are provided in the remuneration report in the Director's Report.

(iii) *Transactions with other related parties*

Mine Site Construction Services ("MSCS"), a company associated with Mr Mark Caruso and Mr Joseph Caruso has provided the following services to the Company during 2019:

- Provision of executive services

  The amount paid by the Company to MSCS for the year ended 31 December 2019 was $208,657 (2018: $224,340). This is considered to be an arm's length commercial consultancy contract at normal commercial rates. This amount is included in Mark Caruso's salary in the Remuneration Report.

- Provision of office space

  The amount paid by the Company to MSCS for the year ended 31 December 2019 was $143,851 (2018: $148,625). This is considered to be an arm's length commercial rent. There is a formal lease in place.

- Provision of technical staff

  The amount paid by the Company to MSCS for the year ended 31 December 2019 was $280,715 (2018: $236,880). The amounts payable have been in respect to the provision of technical staff at the Group's head office and at the Tormin project and have been reimbursed on an arm's length basis at normal commercial rates.

- Others

  The amount paid by the Company to MSCS for the year ended 31 December 2019 was $131,340 (2018: $337,253). The amounts payable have been in respect of telecommunication charges and miscellaneous payments made by MSCS on behalf of the Company. The amount paid in 2018 included the acquisition of a new vehicle for the Executive Chairman. The amounts have been reimbursed on an arm's length basis at normal commercial rates.

Ross Hastings, one of the Directors, has provided consulting services to one of the Company's projects during the year ended 31 December 2018. Mr Hastings ceased as a Director on 30 May 2019. The amount paid by the Company to Ross Hastings for the year ended 31 December 2019 was $Nil (2018: $8,209). The amounts payable have been reimbursed on an arm's length basis at normal commercial rates.

Hastings Bell Pty Ltd, a Company associated with Daniel Hastings, the son of Ross Hastings, has provided business development consultancy services to the Company during 2018. The amount paid by the Company to Hastings Bell Pty Ltd for the year ended 31 December 2019 was $157,352 (2018: $305,734). This is considered to be an arm's length commercial consultancy contract at normal commercial rates.

Shepstone and Wylie, a company associated with Debbie Ntombela, one of the Directors from 28 August 2019, has provided legal services to the Company during 2019. The amount paid by the Company to Shepstone and Wylie for the year ended 31 December 2019 was $11,292.

(iv) *Receivable from and payable to related parties*

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	31 December 2019 $	31 December 2018 $
MSCS	**53,463**	126,284

8. OTHER

This section provides information that is not directly related to the specific line items in the financial statements, including information about contingent assets and liabilities, other commitments, events after the end of the financial year, remuneration of auditors and changes to accounting policies and procedures.

8.1 Contingent assets and contingent liabilities

a) Contingent liabilities

Bank guarantees

FirstRand Bank Limited has issued a Bank Guarantee, in favour of the South African Department of Mineral Resources, in respect of MSR's obligations under the Tormin Mining Right for an amount of ZAR2,628,000 (US$187,551) (2018: ZAR2,628,000 (US$182,551)).

FirstRand Bank Limited has issued a Bank Guarantee, in favour of the South African Department of Mineral Resources, in respect of MSR's obligations under the De Punt Prospecting Right Application for an amount of ZAR320,000 (US$22,779) (2018: ZAR320,000 (US$22,228)).

FirstRand Bank Limited has issued a Bank Guarantee, in favour of the South African Department of Mineral Resources, in respect of MSR's obligations under the Tormin Mining Right for an amount of ZAR1,474,989 (US$104,994) (2018: ZAR1,474,989 (US$102,458)).

FirstRand Bank Limited has issued a Bank Guarantee, in favour of the South African Department of Mineral Resources, in respect of MSR's obligations under the Tormin Prospecting Rights for an amount of ZAR400,000 (US$28,473) (2018: ZAR400,000 (US$27,786)).

Guarantees

Guardrisk has issued a Guarantee, in favour of the South African Department of Mineral Resources, in respect of MSR's obligations under the expanded Tormin Mining Rights for an amount of ZAR15,200,000 (US$1,081,981) (2018: Nil).

Subordination of Shareholders Loan

With effect from 26 March 2015, MRC Resources Proprietary Limited ("MRCR") has subordinated ZAR90,000,000 (US$ 6,406,469) (2018: ZAR90,000,000 (US$ 6,251,746)) of its inter-company loan account to FirstRand Bank Limited for the due payment by MSR of all monies owed to FirstRand Bank Limited.

Suretyship

With effect from 26 March 2015, MRCR has provided a surety to FirstRand Bank Limited of ZAR45,000,000 (US$ 3,203,235) (2018: ZAR45,000,000 (US$3,125,873)) for the due payment by MSR of all monies owed to FirstRand Bank Limited.

With effect from 15 September 2016, MSR has provided a surety to FirstRand Bank Limited of ZAR4,614,788 (US$ 328,494) (2018: ZAR4,614,788 (US$320,561)) for the due payment by Z Square M.P. Empowerment Company (Pty) Ltd of all monies owed to FirstRand Bank Limited.

Others

In the first half of 2019 the Company received a letter of demand for up to ZAR32,268,000 (US$2,296,933) plus penalty interest of ZAR4,307,083 (US$306,591), total ZAR36,575,083, relating to DFR claimed from its mining activities over several years. The Company is of the view, based upon independent legal advice obtained, the Company has been compliant with the respective legislation and therefore the Company does not consider it had a present obligation with respect to this claim. Accordingly, no provision or liability in relation to the claim was recognised on the date of the letter of demand in the financial statements. The Company will be pursuing legal proceedings and is confident in defending the claim.

Other than those mentioned above, there have been no other changes to contingent assets or liabilities since 31 December 2019.

8.2 Other Commitments

Blue Bantry funding support

The Company, via MRCR, and Blue Bantry are both 50% shareholders in MSR, the entity which owns the Tormin Project.

The Company agreed to provide Blue Bantry access to an amount of funding to support the original Tormin Project objectives by advancing through a loan, certain benefits Blue Bantry would expect to receive from the Tormin Project. Blue Bantry will repay the ZAR14,000,000 loan from dividend distributions that it will receive in the future from MSR.

8.3 Events since the end of the financial year

There have been no material matters arising subsequent to the end of the financial year.

8.4 Remuneration of auditors

During the year, the following fees were paid or payable for services provided by BDO Audit (WA) Pty Ltd, BDO Tax (WA) Pty Ltd, and their related practices and related firms:

	31 December 2019 $	31 December 2018 $
Audit services		
Audit and review of financial reports		
BDO Audit (WA) Pty Ltd	**86,554**	57,391
BDO Johannesburg South Africa	**30,440**	14,319
	116,994	71,710
Non-audit services		
Taxation, advisory and company secretarial (South African entities)		
BDO advisory	**5,564**	-
BDO Tax (WA) Pty Ltd	**-**	16,116
BDO Johannesburg South Africa	**1,034**	8,830
	6,598	24,946

8.5 Accounting Policies

a) New standards and interpretations not yet adopted

The Group has not elected to apply any pronouncements before their effective date for the annual reporting period ended 31 December 2019.

A number of new standards, amendments to standards and interpretations are effective for annual period beginning on or after 1 January 2020, and have not been applied in preparing these consolidated financial statements. The most significant of these are:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting

No other standards, interpretations or amendments which have been issued are expected to have an impact on the Group.

Directors’ declaration

THE DIRECTORS OF THE COMPANY DECLARE THAT:

1. The financial statements, comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and accompanying notes, are in accordance with the *Corporations Act 2001* including;

   (a) complying with Australian Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   (b) give a true and fair view of the consolidated entity’s financial position as at 31 December 2019 and of its performance for the year ended on that date.

2. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

3. In the Directors’ opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors:

Mark Caruso
Executive Chairman

Dated at Perth, Western Australia
this 28th day of February 2020

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INDEPENDENT AUDITOR'S REPORT

To the members of Mineral Commodities Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Mineral Commodities Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated balance sheet as at 31 December 2019, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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 financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for the acquisition of Skaland Graphite AS

Key audit matter	*How the matter was addressed in our audit*
During the year ended 31 December 2019, the Group completed the acquisition of Skaland Graphite AS. As outlined in note 6.3 of the financial report the acquisition accounting remains provisional as permitted by Australian Accounting Standards. Accounting for the acquisition of a business can be complex and accounting standards required the Group to identify all assets and liabilities of the newly acquired business and estimate the fair value of each item. This is a key audit matter given the complexity of business combinations and significant judgement and estimation involved in assessing the fair value of assets and liabilities acquired.	Our procedures included, but were not limited to the following: • reviewing the share purchase agreement to understand the key terms and conditions and evaluating management's application of the relevant Australian Accounting Standards; • evaluating the Group's determination of the purchase consideration with reference to the underlying share purchase agreement and cash consideration paid; • agreeing and substantiating assets and liabilities recognised to supporting documentation; • evaluating the methodology and assumptions utilised to identify and determine the fair value of the assets and liabilities acquired; and • assessing the appropriateness of related disclosures in note 6.3 of the financial report.

Existence and Valuation of Inventory

Key audit matter	*How the matter was addressed in our audit*
Note 4.3 of the financial report discloses the carrying value of the Group’s inventory. Inventory was identified as a key audit matter due to the judgements by management in allocating costs to various products of the mining process and the significant balance of spares and consumables at the mine site.	Our procedures included, but were not limited to the following: • BDO network component auditors attending inventory counts at the Tormin mine site and counting a sample of inventory items and comparing the quantities/volumes counted to the quantities/volumes recorded; • BDO network component auditors observing for potential obsolete or damaged items; • obtaining and reviewing third party survey reports of stockpiled finished goods and compared to volumes recorded. This included assessing the competence and objectivity of the expert used and the adequacy of their work; • reviewing management’s inventory model which allocates mining costs to finished product and assessing the methodology and comparing to the accounting policy adopted by the Group; • obtaining third party confirmation for inventory held at external warehouses; • re-performing the calculation and reconciling inputs used in the inventory model to survey results, production reports, mining costs and sales contracts; • testing a sample of finished product to assess whether they were recorded at the lower of cost and net realisable value; and • assessing the adequacy of the related disclosures in Note 4.3 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the unaudited information contained in Directors' report for the year ended 31 December 2019, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 that we 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.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group 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 or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 31 to 38 of the directors' report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of Mineral Commodities Ltd, for the year ended 31 December 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO

Glyn O'Brien

Glyn O'Brien

Director

Perth, 28 February 2020


MSR

Statement of corporate governance

The Board of Directors (referred to hereafter as the "Board") of Mineral Commodities Ltd (referred to hereafter as the "Company" or "MRC") is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. The Statement of Corporate Governance was approved by the Board on 27 April 2020.

In accordance with the Australian Securities Exchange ("ASX") Corporate Governance Council's ("CGC") "Principles of Good Corporate Governance and Best Practice Recommendations", the Corporate Governance Statement must contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed together with the reasons for the departure.

The Company's corporate governance practices were in place throughout the year ended 31 December 2019 and are compliant, unless otherwise stated, with the Corporate Governance Council's principles and recommendations (3rd Edition), which are noted below.

Principle 1.	Lay solid foundations for management and oversight
Principle 2.	Structure the Board to add value
Principle 3.	Act ethically and responsibly
Principle 4.	Safeguard integrity in corporate reporting
Principle 5.	Make timely and balanced disclosure
Principle 6.	Respect the rights of security holders
Principle 7.	Recognise and manage risk
Principle 8.	Remunerate fairly and responsibly

A summary of the corporate governance policies and practices adopted by MRC is set out below.

Role of the Board of Directors

The Board of MRC is responsible for setting the Company's strategic direction and providing effective governance over MRC's affairs in conjunction with the overall supervision of the Company's business with the view of maximising shareholder value. The Board's key responsibilities are to:

(a) chart the direction, strategies and financial objectives for MRC and monitor the implementation of those policies, strategies and financial objectives;

(b) monitor compliance with regulatory requirements, ethical standards and external commitments;

(c) appoint, evaluate the performance of, determine the remuneration of, plan for the succession of and, where appropriate, remove the Chief Executive Officer ("CEO") if in place or similar person acting in the executive capacity; and

(d) ensure that the Board continues to have the mix of skills and experience necessary to conduct MRC's activities, and that appropriate directors are selected and appointed as required.

In accordance with MRC's Constitution, the Board delegates responsibility for the day–to–day management of MRC to the Executive Chairman and CEO (subject to any limits of such delegated authority as determined by the Board from time to time). Management as a whole is charged with reporting to the Board on the performance of the Company.

All directors have unrestricted access to the Company Secretary, all employees of the Group, and, subject to the law, access to all Company records and information held by Group employees and external advisers. The Board receives regular detailed financial and operational reports from senior management to enable it to carry out its duties.

Each director may, with the prior written approval of the Chairman, obtain independent professional advice to assist the director in the proper exercise of powers and discharge of duties as a director or as a member of a Board Committee. The Company will reimburse the director for the reasonable expense of obtaining that advice.

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. The role of the Company Secretary includes:

- Advising the Board and its Committees on governance matters;
- Monitoring that Board and Committee policy and procedures are followed;
- Coordinating, in unison with the Company, the timely completion and despatch of Board and Committee papers;
- Ensuring that the business at Board and Committee meetings is accurately captured in the minutes; and
- Helping to organise and facilitate the induction and professional development of directors.

Board structure and composition

The Board currently comprises six directors, three of which are independent non–executive directors. The three independent non-executive directors were appointed on 28 August 2019. Up until that point, the Board consisted of five directors, only one of which was considered to be an independent non-executive director. Details of each director's skill, expertise and background are contained within the directors' report included with the Company's annual financial statements.

Independence, in this context, is defined to mean a non–executive director who is free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of MRC. The definition of independence in ASX Recommendation 2.3 is taken into account for this purpose.

The Board will continue to assess its makeup and will ensure that it continues to have the mix of skills and experience necessary to conduct MRC's activities, and that appropriate directors are selected and appointed as required.

The following table sets out the mix of skills and diversity that the Board currently has:

	No of Directors
Expertise	
Senior Executive Experience	3
Governance	3
Financially Knowledgeable	3
Mining	4
Contracting	2
Technical (Geological/Engineering)	1
Mergers and Acquisitions	4
In-Country Experience	4
Resource Development	3
Competencies	
Strategic Leadership	6
Vision and Mission	6
Governance	6

Details of directors' shareholdings are disclosed in the directors' report and financial report. There are no retirement schemes other than the payment of statutory superannuation contributions.

Any equity-based compensation of directors is required to be approved in advance by shareholders.

Presently, the roles of Chairman and CEO have not been separated. The roles were separated up to 12 September 2014 at which time the CEO resigned and Mr Mark Caruso, the Chairman of the Company, was appointed to the role of CEO. The Remuneration and Nomination Committee and Board consider that Mr Caruso's experience in the industry and in managing mining operations position him well to manage the affairs of the Company. The Board will further assess its governance structure to mitigate any potential issues with the one person fulfilling the dual roles of Chairman and CEO, particularly in light of the appointment of the additional independent non-executive directors. The present Chairman of the Company is not considered to be an independent director. Notwithstanding this, all directors of the Company are, and were during the reporting period, independent in character and judgment.

The CEO is responsible for supervising the management of the business as designated by the Board.

The Company's non-executive directors may not hold office for a continuous period in excess of three years or past the third annual general meeting following their appointment, whichever is longer, without submitting for re–election. Directors are elected or re-elected, as the case may be, by shareholders in a general meeting. Directors may offer themselves for re-election. A director appointed by the directors (e.g. to fill a casual vacancy) will hold office only until the conclusion of the next annual general meeting of MRC but is eligible for re–election at that meeting.

The process for retirement by rotation and re-election of a director is set down in the Company's Constitution. If a retiring director nominates for re-election, the Board, through the Remuneration and Nomination Committee, will assess the performance of that director in their absence, and determine whether the Board will recommend that a shareholder vote in favour of the re-election, or otherwise.

Details of each director standing for re-election, including their biographical details, relevant qualifications, experience and the skills and other material directorships they bring to the Board are provided to shareholders to assess prior to voting on their re-election.

For new appointments, the Board, through the Remuneration and Nomination Committee, identifies candidates with the appropriate expertise and experience, having regard to the weighted list of required directors' competencies as maintained by the Company. The Board will appoint the most suitable candidate, but the shareholders at the next annual general meeting of the Company must ratify the appointment. Shareholders are provided with all material information in the Notice of Annual General Meeting relevant to a decision on whether or not to elect or re-elect a director.

The Board will ensure appropriate checks are undertaken prior to making any new Board appointments. These will include checks as to the person's character, experience, education, criminal record and bankruptcy history.

The key terms, conditions and requirements are set out in a standard letter of appointment. New directors will be provided with an induction program specifically tailored to the needs of individual appointees. The program includes meetings with major shareholders, one-on-one meetings with the members of the management team and visits to key sites.

Directors are also encouraged to participate in continual improvement programs and are expected to highlight areas of activity that could potentially be improved.

Under MRC's Constitution, voting requires a simple majority of the Board. The Chairman holds a casting vote.

The Company has procedures enabling any director or committee of the Board to seek external professional advice as considered necessary, at the Company's expense, subject to prior consultation with the Chairman. A copy of any advice sought by a director would be made available to all directors.

Board and management effectiveness

Responsibility for the overall direction and management of the Company, its corporate governance and the internal workings of the Company rests with the Board notwithstanding the delegation of certain functions to the Executive Chairman and CEO and management generally (such delegation effected at all times in accordance with the Company's Constitution and its corporate governance policies).

An evaluation procedure in relation to the Board, individual directors, Board Committees and Company executives has been adopted by the Board. An evaluation procedure did not take place during the year given there was significant change in the make up of the Board with the appointment of three independent non-executive directors. The evaluation of the Board as a whole is facilitated through the use of a questionnaire required to be completed by each Board Member, the results of which are to be summarised and discussed with the Chairman of the Board and tabled for discussion at a Board Meeting. Similarly, each individual director is required to self-assess his performance and to discuss the results with the Chairman. The same procedure is undertaken for the Audit, Compliance and Risk Committee and the Remuneration and Nomination Committee.

To ensure management, as well as Board, effectiveness, the Board, through the Remuneration and Nomination Committee, has direct responsibility for evaluating the performance of the CEO. A formal evaluation of the CEO was undertaken in respect to the 2019 financial year. The review was undertaken by the Chairman of the Remuneration and Nomination Committee and involved the review of the CEO's performance against set criteria and discussed with the CEO. The results of the review were then tabled at a meeting of the Remuneration and Nomination Committee and a summary provided to the Board of the Company.

Financial Reporting, Internal Control and Risk Management

The Board has overall responsibility for the Company's systems of internal control. These systems are designed to ensure effective and efficient operations, including financial reporting and compliance with laws and regulations, with a view to managing risk of failure to achieve business objectives. It must be recognised however, that internal control systems provide only reasonable and not absolute assurance against the risk of material loss.

The Board reviews the financial position of the Company on a monthly basis. For annual and half yearly financial statements, the CEO and the Chief Financial Officer ("CFO") are required to state in writing that the Company's financial reports:

- present a true and fair view, in all material respects, of the Company's financial condition and operational results in accordance with the relevant accounting standards; and
- are founded on a system of risk management and internal compliance and control and the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Management reports to the Board on the effectiveness of the Company's management of material business risk through the provision of regular risk reports to the Board via the Audit, Compliance and Risk Committee. Each reportable risk is discussed ensuring appropriate mitigation strategies are implemented by the Group. Management and the Board interact on a day to day basis and risk is continually considered across the financial, operational and organisational aspects of the Company's business. The Company considers the overall risk framework at each Audit Compliance and Risk Committee Meeting and will continue to monitor, assess and report its business risks.

The following are key risk areas that could have a material impact on the Company and its ability to achieve its objectives. These are not the only risks associated with the Company and there may be others from time to time that may also adversely affect future performance.

- Country Risk: The Company's current primary assets are located in South Africa and Norway. Potential changes in fiscal or regulatory regimes in South Africa and Norway may adversely affect the Company. The Company must also comply with local laws and administrative processes, which are subject to potential amendments from time to time. The Company adopts processes to mitigate these risks and continues to explore other opportunities in other jurisdictions to diversify its asset holdings.
- Business Continuance Risk: Various circumstances may arise which may lead to shut downs in operations, including plant failure, industrial action, in-country unrest, natural disasters, pandemics such as COVID-19 and continuance of licences. Management and the Board continually assess these risks and ensure all appropriate mitigating actions are put in place. This is underpinned by various policies currently in place, and in respect to licences, continued stakeholder engagement.
- Financial Risks: Like all mining entities, the Company faces risks relating to movement in interest rates, foreign exchange rates and access to funds. The Company maintains tight treasury controls and budget processes. Other financial risks are reported in the financial statements.
- Product Risk: The pricing of the Company's products are subject to many global factors. The Company actively markets its products itself in order to achieve the maximum possible value based on the prevailing market conditions. The Company is also assessing investment in downstream processing to add value to its concentrate products.
- Development Risk: The Company continues to assess other projects. A failure to develop a project or seek alternate projects could impact the long-term profitability and financial position of the Company. The Board continues to assess the progress of the Xolobeni Mineral Sands Project, will continue with its intention to develop the Munglinup Graphite Project and will continue to review other opportunities in order to extend the Company's operations beyond the existing assets.

The Company does not presently have an internal audit function. This is mitigated by the Board through the Audit, Compliance and Risk Committee implementing the matters set out above in respect to risk and management, and having a primary responsibility to ensure that:

- the Company presents and publishes accounts which present a true and fair view of its results and financial position;

- the accounting methods adopted are appropriate to the Company and consistently applied in accordance with relevant accounting standards and the applicable laws; and
- the appointment and performance of the external auditor is appropriately monitored to ensure independence and the serving of the interests of shareholders.

This requirement is assisted by the formal sign off from the CEO and CFO, as noted above.

Committees of the Board of Directors

The Board established two permanent Board committees in February 2013 to assist the Board in the performance of its functions:

(a) the Audit, Compliance and Risk Committee; and

(b) the Remuneration and Nomination Committee.

Each committee has a charter, which sets out the Committee's purpose and responsibilities. The Committees are described further below.

AUDIT, COMPLIANCE AND RISK COMMITTEE

The purpose of the Audit, Compliance and Risk Committee is to provide assistance to the Board in its review of:

(a) MRC's financial reporting, internal control structure and risk management systems;

(b) the internal and external audit functions; and

(c) MRC's compliance with legal and regulatory requirements in relation to the above.

The Audit, Compliance and Risk Committee has specific responsibilities in relation to MRC's financial reporting process; the assessment of accounting, financial and internal controls; the appointment of an external auditor; the assessment of the external audit; the independence of the external auditor; and setting the scope of the external audit.

The Company's external auditor is required to attend the Company's annual general meeting and make themselves available to answer questions from security holders relevant to the audit.

The Audit, Compliance and Risk Committee Charter provides that the Committee must comprise at least three non-executive directors that have diverse, complementary backgrounds, with two independent non-executive directors. The Charter also provides that the Chairman of the Audit, Compliance and Risk Committee must be an independent non-executive director.

The members of the Audit, Compliance and Risk Committee are: Mr Baker (Chairman), Mr Tipper, Ms Ntombela and Mr Joseph Caruso. Until 28 August 2019, the members of the Audit, Compliance and Risk Committee were Mr Walker (Chairman), Mr Hastings and Mr Torre. Given the independent status of Mr Walker changed throughout the 2017 period, the Committee did not have two independent directors or an independent Chairman until that point, however this did not affect the operations or performance of the Committee from that or any other period.

REMUNERATION AND NOMINATION COMMITTEE

The purpose of the Remuneration and Nomination Committee is to discharge the Board's responsibilities relating to the nomination and selection of directors and the compensation of the Company's executives and directors.

The key responsibilities of the Remuneration and Nomination Committee are to:

(a) ensure the establishment and maintenance of a formal and transparent procedure for the selection and appointment of new directors to the Board; and

(b) establish transparent and coherent remuneration policies and practices, which will enable MRC to attract, retain and motivate executives and directors who will create value for shareholders and to fairly and responsibly reward executives.

The Remuneration and Nomination Committee Charter provides that the Committee must comprise at least three non–executive directors, two of which must be independent non–executive directors. The Chairman of the Remuneration and Nomination Committee must be an independent non–executive director.

The members of the Remuneration and Nomination Committee are: Mr Tipper (Chairman), Mr Baker and Ms Ntombela. Until 28 August 2019, the members of the Remuneration and Nomination Committee were: Mr Hastings (Chairman), Mr Walker and Mr Joseph Caruso. With the change in Mr Walker's status during the year, the Committee did not have two independent directors until that point, however this did not affected the operations or performance of the Committee from that or any other period.

The remuneration policy, which sets out the terms and conditions for the CEO and other senior executives, is set out in the Remuneration Report included in the Directors' Report.

TIMELY AND BALANCED DISCLOSURE

The Company is committed to promoting investor confidence and ensuring that shareholders and the market have equal access to information and are provided with timely and balanced disclosure of all material matters concerning the Company. Additionally, The Company recognises its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act.

The Company's shareholders are responsible for voting on the appointment of directors. The Board informs shareholders of all major developments affecting the Company by:

- preparing half yearly and annual financial reports and making these available to all shareholders;
- preparing quarterly activity reports;
- advising the market of matters requiring disclosure under Australian Securities Exchange Continuous Disclosure Rules;
- maintaining a record of significant ASX announcements on the Company's website;
- submitting proposed major changes in the Company's affairs to a vote of shareholders, as required by the Corporations Act;
- reporting to shareholders at annual general meetings on the Company's activities during the year. All shareholders that are unable to attend these meetings are encouraged to communicate issues or ask questions by writing to the Company;
- security holders are given the option to receive communications from, and send communications to, the Company and its share registry electronically; and
- undertaking various presentations to discuss the Company's activities.

The Company has adopted a formal disclosure policy. The Board and management are aware of their responsibilities in respect of identifying material information and coordinating disclosure of that information where required by the ASX Listing Rules.

Ethical and responsible decision–making

CODE OF CONDUCT

The Board has created a framework for managing the Company including internal controls, business risk management processes and appropriate ethical standards. The Board recognises that its operations have direct and indirect social and environmental impacts.

The Board has adopted practices for maintaining confidence in the Company's integrity including promoting integrity, trust, fairness and honesty in the way employees and directors conduct themselves and MRC's business, avoiding conflicts of interest and not misusing Company resources. A formal Code of Conduct was adopted in February 2013.

SUSTAINABILITY

The Board is committed to supporting the sustainability of the natural environment, the people who rely on that environment and to ensuring the health and safety of our workforce and the communities in which we operate.

Our responsibility is to conduct business in a manner that uses best practices to minimise the effects of our operations on the environment, to actively promote the sustainability of local communities and to provide a safe workplace for all employees, contractors and visitors.

Our goal is to manage these impacts so we can better manage the risks and enhance our company's reputation in environmental sustainability.

DIVERSITY

The Company employs a broad mix of individuals reflecting its philosophy of hiring the best candidate for all positions at all levels irrespective of race, religion or gender. In terms of the composition of the Board and Board nominations, the Board considers the Australian Securities Exchange Corporate Governance Principles as part of the overall Board appointment process of determining the composition of the Board that is the most appropriate for the Group.

The Company has implemented a diversity policy. The objective of the policy is for the Company to embrace the diversity of skills, ideas and experiences of an individual and recognise that a workforce is made up of people with differences in age, gender, sexual orientation, disability, religion or national origin or social origin which contributes to MRC's success and organisational strength. It ensures all employees are treated with fairness and respect.

MRC is committed to embedding a corporate culture that embraces diversity through:

- recruitment on the basis of competence and performance and selection of candidates from a diverse pool of qualified candidates;
- maintaining selection criteria that do not indirectly disadvantage people from certain groups;
- providing equal employment opportunities through performance and flexible working practices;
- maintaining a safe working environment and supportive culture by taking action against inappropriate workplace and business behaviour that is deemed as unlawful (discrimination, harassment, bullying, vilification and victimisation);
- promoting diversity across all levels of the business;
- undertaking diversity initiatives and measuring their success;
- regularly surveying our work climate; and
- the Board establishing measurable objectives in achieving gender diversity.

The Company currently employs 206 staff, with 61 females, representing 29.61%. There is one female director. The Company has not yet set any measurable objectives however it has an extensive Social and Labour Plan ("SLP") in South Africa which addresses these diversity objectives.

The development of people is the fundamental principle; enshrined in the business strategy. The Company provides opportunities and resources for employees to be fully developed in job disciplines that form part of the occupational structures of the operating subsidiaries. These opportunities pervade throughout and are not limited to a specific department or level.

The Company ensures that the highest calibre of management is of great importance to sustain the business.

The Company will assist employees in achieving their potential by supporting and mentoring them in their development. At the same time, meticulous attention is given to the requirements of the legislation applicable thereto.

REGIONAL AND LOCAL ECONOMIC DEVELOPMENT/SOCIO-ECONOMIC DEVELOPMENT

The Company's wholly-owned subsidiary, Mineral Sands Resources (Pty) Ltd ("MSR"), is committed to contributing to the socio economic activities of the immediate community and the region. Although the primary objective is to mine heavy mineral sands from the Tormin Mineral Sands Operation for the international and local markets, the business is managed in a manner that embodies value-added compliance with all relevant legislative requirements and socio economic responsibilities.

MSR's management will always endeavour to offer job opportunities to the local community and the labour sending area from which labour is sourced, Xolobeni, by the creation of direct and indirect jobs wherever the required skills and experience are present or developed. MSR will continue to afford job opportunities to the members of the local community and the labour sending area where such individuals meet the necessary recruitment criteria.

The promotion of local and Xolobeni sustainable development is a core objective of MSR's SLP and, as such, may be used as a general indicator of the success of this SLP. This performance indicator should focus particularly on the prevalence of livelihood opportunities for local people and Xolobeni people after mine closure, compared with the situation before the commencement of the operation.

The Company's Skaland Operation has had an historical regional operational continuance for over 100 years. The social economic benefits of the mine are integral to the local community's sustainability, and as such, the Company is committed to investing in local employment and continuous training and upskilling to ensure ongoing balanced viability of the mine's future operations and the local community.

SECURITIES TRADING POLICY

A Securities Trading Policy has been adopted by the Board to set a standard of conduct, which demonstrates the Company's commitment to ensuring awareness of the insider trading laws, and that employees and directors comply with those laws.

The Securities Trading Policy imposes additional share trading restrictions on directors, the Company Secretary, executives and employees involved in monthly financial accounting processes ("specified persons").

Under the Securities Trading Policy, specified persons are only permitted to buy and sell securities if they do not possess non–public price sensitive information and trading occurs outside of specified restricted periods. These periods are the periods commencing on the first day of the month before the end of the half–year or full year period and ending on the next business day after the announcement of the results for that period. In addition, before a specified person can deal in the Company's securities they must obtain clearance from the appropriate officer, confirming that there is no reason why they cannot trade.

OTHER INFORMATION

The ASX guidelines also prescribe that the Company should maintain a dedicated corporate governance information section on its website. Such a dedicated information section is available on the Company's website.

MINERAL RESOURCE STATEMENT

MINING AND PROSPECTING RIGHTS

The Company holds the following mining and prospecting rights:

Country	Location	Right/Tenement Number/ Operating Licence	Type of Right/ Tenement/ Licence	Status	Registered Interest (Beneficial Interest)
South Africa	Tormin	162&163	Expansion	Granted – subject to appeal	
	Tormin	(WC)30/5/1/2/2/162 MR	Mining	Renewal Granted	100%
	Tormin	(WC)30/5/1/2/2/163 MR	Mining	Renewal Granted	100%
	Tormin	(WC)30/5/1/1/2/10036 PR	Prospecting	Granted – subject to renewal application	100%
	Tormin	(WC)30/5/1/1/2/10199 PR	Prospecting	Granted	100%
	Tormin	(WC)30/5/1/1/2/10240 PR	Prospecting	EA appeal upheld and decision to approve EA remitted to DMR	100%
	Tormin	(WC)30/5/1/1/2/10261 PR	Prospecting	Granted	100%
	Tormin	(WC) 30/5/1/1/2/10262 PR	Prospecting	Granted	100%
	Tormin	(WC)30/5/1/1/2/10307 PR	Prospecting	Under Application	100%
	Tormin	(WC)30/5/1/1/2/10308 PR	Prospecting	Under Application	100%
	Xolobeni - Kwanyana block	EC30/5/1/1/2/10025 PR	Prospecting	Subject to moratorium - Converting to Mining Right	100%
	Xolobeni	EC30/5/1/1/2/10025 MR	Mining	Subject to moratorium - Under Application	100%
Australia	Doolgunna	E51/1766	Exploration	Granted	0% (Option to earn-in to 90%)
	Doolgunna – Bone	E51/1770	Exploration	Granted	0% (Option to earn-in to 90%)
	Doolgunna – Lucky Dog	P51/2787	Exploration	Granted	0% (Option to earn-in to 90%)
	Doolgunna – Lucky Dog	P51/2788	Exploration	Granted	0% (Option to earn-in to 90%)
	Glen Florrie	E08/2963	Exploration	Granted (1)	100% (90%)
	Harvey Vanadium	M70/888	Mining	Granted	0% (Option to earn-in up to 100%)
Australia	Paynes Find	M59/714	Mining	In Transfer	0% (Option to earn-in to 90%)
	Paynes Find – Wydgee Pegmatites	E59/2326	Exploration	Granted	100% (90%)
	Munglinup	M74/245	Mining	Granted	51% (Option to acquire 90%)
	Munglinup	E74/505	Exploration	Granted	51% (Option to acquire 90%)
	Munglinup	E74/565	Exploration	Granted	100%
Norway	Trelle	Gnr./bnr.6/1,6/2 and 7/1 in Berg	Expropriation of Mining Rights on specified land parcels	Granted	100%

(1) Exploration Licence granted on 4 March 2020

MINERAL SANDS RESOURCES

The Company reviews its resources as at 31 December each year.

The Company considers any additional exploration or depletion of its resources that would have a bearing on the total resource reported.

The Xolobeni Mineral Sands Project is located in the Eastern Cape province of South Africa approximately 300km north of East London and 200km south of Durban.

No exploration or production activity has been carried out at the Xolobeni Minerals Sands Project during the year. The Company is not aware of any new information or data that materially affects the information presented herein and confirms that all material assumptions and technical parameters underpinning the estimates in relation to the Xolobeni Mineral Sands Project continue to apply and have not materially changed. There were no additional Resources added to Xolobeni during the year. As such, the mineral resources for Xolobeni as at 31 December 2019 remain consistent with 31 December 2018.

The Tormin Mineral Sands Operation is located on the west coast of South Africa, approximately 400km north of Cape Town.

The Company is mining a Heavy Mineral Sands ("HMS") deposit located in a dynamic and actively changing coastal beach environment. Due to the constant wave action and high tidal flooding of the mining areas, replenishment of HMS material is taking place in mined and disturbed areas.

Mining has now been ongoing for six years and a total of 11.71 million tonnes of material has been processed. The tonnage processed is more than the declared resource tonnage, which is indicative of the replenishing nature of the resource where resource blocks are mined more than once per year. As the mining rate is faster than the replenishment rate, the resource grade has been steadily diminishing over the past six years.

Updated Tormin Resource Table

Category	Resource Million Tonnes	Total Heavy Mineral(1) (% in Resource)	Ilmenite (% in HM)	Zircon (% in HM)	Rutile (% in HM)	Garnet (% in HM)
Indicated Resources – Dec 2013	2.70	49.40%	21.46%	6.88%	1.42%	51.21%
Tonnes Mined – 2014	1.07	53.83%	32.06%	8.84%	1.21%	57.89%
Inferred Resources – Dec 2014	2.70	38.14%	26.35%	5.79%	1.21%	66.12%
Tonnes Mined – 2015	1.62	49.57%	32.58%	7.83%	1.21%	58.38%
Inferred Resources – Dec 2015	2.70	28.01%	24.88%	5.57%	1.96%	66.19%
Tonnes Mined – 2016	1.81	45.97%	28.21%	6.05%	1.33%	63.54%
Inferred Resources – Dec 2016	1.80	28.08%	21.90%	5.88%	1.89%	67.63%
Tonnes Mined - 2017	2.05	27.57%	21.07%	3.99%	1.81%	70.37%
Inferred Resources – Dec 2017	1.80(2)	15.92%	17.09%	4.96%	2.70%	71.92%
Tonnes Mined - 2018	2.65	17.35%	18.10%	3.17%	2.19%	72.33%
Inferred Resources – Dec 2018	2.27	14.16%	16.24%	3.03%	1.34%	55.79%
Tonnes Mined – 2019	2.51	11.21%	16.14%	3.74%	1.87%	67.17%
Inferred Resources – Dec 2019	2.40(3)	8.68%	11.86%	2.88%	1.15%	77.18%

(1) Includes other valuable heavy minerals e.g. leucoxene and magnetite
(2) 5% Heavy Mineral ("HM") cut-off grade used
(3) 2% Heavy Mineral ("HM") cut-off grade used

A table that provides a summary of important assessment and reporting criteria used for the Tormin Mine, in accordance with the Table 1 checklist in The Australian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2012 Edition), was included in the Company's ASX release on 28 February 2020 entitled "MRC Annual Resource Update - Tormin Mine Mineral Resource Audit".

The December 2019 inferred resource is based on the reasonable prospect for the economic extraction of the material, as has occurred over the past six years. Note that individual minerals are reported as a percentage of the total heavy mineral concentration (HM assemblage).

The inferred resource is 2.4 million tonnes. Resource replenishment is occurring but at a rate that is slower than the mining rate. The Company is unable to report a replenishment grade or quantity under the 2012 JORC code.

The Company continues to conduct grade reconciliation and sample grading on a daily basis as part of the mining operation to correlate between stated resource and actual resource in terms of quantity, grade and replenishment.

The resource grade has diminished since the December 2018 reported resource. The nature of the resource replenishment is typical of modern day beach placer deposits found along the West Coast of South Africa and the southeastern Tamil Nadu coast of India.

The Tormin and Xolobeni Mineral Resources are based on mined material reconciliation as at 31 December 2019.

PROJECT	Category	Resource Million Tonnes	Total Heavy Mineral %	Ilmenite (% in HM)	Zircon (% in HM)	Rutile (% in HM)	Garnet (% in HM)
Tormin	**Inferred**	**2.4**	**8.68%**	**11.86%**	**2.88%**	**1.15%**	**77.18%**
Xolobeni	Measured	224	5.7%	54.5%			
	Indicated	104	4.1%	53.7%			
	Inferred	18	2.3%	69.6%			
Total Xolobeni		**346.0**	**5.0%**	**54.0%**			
Total MRC		**348.4**	**5.02%**	**53.7%**			

GRAPHITE RESOURCES AND RESERVES

Munglinup Graphite Project

The Munglinup Graphite Mineral Resource and Reserves were announced to the ASX on 8 January 2020, reported as part of the Definitive Feasibility Study for the Munglinup Graphite Project (JORC 2012 compliant) and an Addendum to that release announced on 17 January 2020.

The Mineral Resource Model was completed by Manna Hill Geoconsulting Pty Ltd in April 2019, with exploration drilling undertaken during 2018 and 2019. At a 5% cut-off, a total resource of 7.99 million tonnes @ 12.2% TGC (Total Graphitic Carbon) exists. Increasing the cut-off to 10% and 15% respectively results in 4 million tonnes @ 14.5% TGC and 1.42 million tonnes at 19% TGC.

The Ore Reserves were completed by Hastings Bell Pty Ltd during 2019, and are estimated at 4.24Mt @ 12.8% TGC, based on the Manna Hill Geoconsulting Resource Model. Also reported are in-pit resources (inferred resources that will be mined as part of the design but do not constitute part of the ore reserves) of 2.75 million tonnes @ 11.1% TGC.

A table which provides a summary of important assessment and reporting criteria used for the Munglinup Graphite Project, in accordance with the Table 1 checklist in The Australian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2012 Edition), was included in the Company's ASX release on 8 January 2020 and an Addendum to that release on 17 January 2020.

Mineral Resource[1]			Ore Reserve[2]		
Category	**Mt**	**TGC (%)**	**Category**	**Mt**	**TGC (%)**
Measured			**Proven**		
Indicated	4.49	13.1	Probable	4.24	12.8
Inferred	3.50	11.0			
Total	**7.99**	**12.2**	**Total**	**4.24**	**12.8**

Ore Reserve[3]			
Flake Size	**Sieve Size (µm)**	**Mass (%)**	**TGC Grade (%)**
Jumbo	300 – 500	6.5%	95%
Large	180 - 300	16.9%	95%
Medium	150 - 180	8.0%	95%
Small	75 - 150	29.8%	95%
Fine	< 75	38.8%	95%

In Pit Resources[4]		
Category	**Mt**	**TGC (%)**
Inferred	2.75	11.1

1. Mineral Resource estimated at a 5% TGC cut-off
2. Ore Reserve uses a variable cash flow cut-off grade
3 Ore Reserve flake size distributions are for recovered graphite product
4. In-Pit Resources comprise Inferred material inside the designed pit designs using a variable cash flow cut-off grade and do not constitute part of the Ore Reserves

Skaland Graphite Operation

On 4 October 2019, the Company completed acquisition of Skaland Graphite AS in Norway. No previous JORC Resource estimation has been undertaken for the Skaland or Trælen deposits. The Company has undertaken a re-evaluation of the mineral resources in the Trælen Graphite Mine by re-logging, re-sampling, and re-assaying of drilling core to build a 3D block model of the deposit.

The maiden Skaland JORC Resource was completed by Wardell Armstrong International and announced to the ASX on 12 March 2020 in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, ("JORC Code (2012)") and is estimated at 1.78 million tonnes at 22% TGC in the category of indicated and inferred for 397Kt of contained graphite using a 10% cut-off.

A table which provides a summary of important assessment and reporting criteria used for the Skaland Graphite Operation, in accordance with the Table 1 checklist in the JORC Code (2012), was included in the Company's ASX release on 12 March 2020.

Project	Category	Resource (Mt)	Grade (TGC%)	Contained Graphite (kT)
Skaland				
	Indicated	0.40	26%	106
	Inferred	1.37	21%	291
Total Skaland		**1.78**	**22%**	**397**
Munglinup				
	Indicated	4.49	13%	588
	Inferred	3.50	11%	385
Total Munglinup		**7.99**	**12%**	**973**
Total MRC		**9.77**	**14%**	**1,370**

Mineral Resource estimated at a 10% TGC cut-off.

MINERAL RESOURCE AND ORE RESERVE GOVERNANCE

Mineral Resources and where applicable, Ore Reserves, are estimated by suitably qualified MRC personnel in accordance with the JORC Code, using industry standard techniques.

All Mineral Resource estimates and supporting documentation are reviewed by external Competent Persons. Any amendments to the Mineral Resource Statement to be included in the Annual Report are reviewed by a suitably qualified Competent Person.

The Mineral Resource estimations previously reported under JORC 2004 for the Tormin Resource, are re-presented with updated disclosure of Table 1 from JORC Code (2012).

Shareholder information

Additional information required by the Australian Securities Exchange Ltd Listing Rules and not disclosed elsewhere in this report. This information is current as at 3 April 2020.

Twenty Largest Shareholders

Rank	Name	03 Apr 2020	%IC
1	AU MINING LIMITED	114,284,535	27.13
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	76,359,435	18.13
3	CITICORP NOMINEES PTY LIMITED	62,347,704	14.80
4	ZURICH BAY HOLDINGS PTY LTD	50,000,000	11.87
5	ZURICH BAY HOLDINGS PTY LTD	25,757,485	6.12
6	GOLD TERRACE PTY LTD	9,100,000	2.16
7	MRS KATHRYN ELIZABETH STRICKLAND	6,342,000	1.51
8	INTERNATIONAL MINING SERVICES PTE LTD	5,906,875	1.40
9	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	5,462,007	1.30
10	MR JONATHAN COLVILE	3,742,219	0.89
11	MR ANTHONY DAVID SHEARD	2,000,000	0.47
12	MR ROBERT CAMERON GALBRAITH	1,660,346	0.39
13	REGIONAL MANAGEMENT PTY LTD	1,546,540	0.37
14	INTERNATIONAL MINING SERVICES PTE. LTD	1,500,000	0.36
14	MR CHRISTOPHER VICTOR CARUSO	1,500,000	0.36
15	BNP PARIBAS NOMINEES PTY LTD	1,491,330	0.35
16	ZURICH BAY HOLDINGS PTY LTD	1,250,000	0.30
16	SPRING HARVEST PTE LTD	1,250,000	0.30
17	MR GRANT MENHENNETT	1,172,728	0.28
18	MRS KATALIN ILONA TORRE	1,000,000	0.24
18	MR WILLIAM DAVIDSON MEEK	1,000,000	0.24
18	MR GUY REDVERS WALKER	1,000,000	0.24
18	MR JOSEPH ANTHONY CARUSO	1,000,000	0.24
19	PROPERTY & EQUITY NOMINEES PTY LTD	960,214	0.23
20	MR KEVIN ANTHONY LEO & MRS LETICIA LEO	950,000	0.23
	Total	378,583,418	89.88
	Balance of register	42,608,153	10.12
	Grand total	421,191,571	100.00

Distribution of equity security holders

Range	Securities	%	No. of holders
100,001 and Over	405,478,525	96.27	115
10,001 to 100,000	13,172,690	3.13	367
5,001 to 10,000	1,383,995	0.33	174
1,001 to 5,000	1,121,493	0.27	337
1 to 1,000	34,868	0.01	132
Total	**421,191,571**	**100.00**	**1,125**

Marketable Parcels

Number of shareholders holding less than a marketable parcel of ordinary shares is 201.

Voting Rights

Every ordinary shareholder present in person or by proxy at meetings of shareholders shall have one vote for every share held.

Option and Performance Rights holders have the right to attend meetings but have no voting rights until the options or performance rights are exercised.

Substantial shareholders

The following shareholders are considered substantial shareholders:

• Au Mining Limited	114,284,535	27.13%
• Zurich Bay Holdings Pty Ltd	77,007,485	18.28%
• Tormin Holdings Limited	60,018,408	14.3%
• M&G Investment Management Limited	35,808,750	8.5%
• Mr & Mrs Anthony C Lowrie	26,904,733	6.4%

Restricted securities

There are no restricted securities.

Share buy backs

There is no current on market share buyback.

Mineral Commodities

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