

Annual Report  

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2020











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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

## Directors

|                       |  |
|-----------------------|--|
| David Lewis Baker     | Independent Non-Executive Director           |
| Peter Patrick Torre   | Non-Executive Director and Company Secretary |
| Debbie Ntombela       | Independent Non-Executive Director           |
| Russell Gordon Tipper | Independent Non-Executive Director           |
| Zamile David Qunya    | Non-Executive Director                       |

## Principal and registered office in Australia

Unit 2, 59 Belmont Avenue  
Belmont WA 6104  
Telephone: +61 (8) 6373 8900  
Facsimile: +61 (8) 6373 8999  
Email: [info@mncom.com.au](mailto:info@mncom.com.au)

## Auditors

BDO Audit (WA) Pty Ltd  
38 Station Street  
Subiaco WA 6008

## Solicitors

|   |   |  |
|---|---|--|
| Steinepreis Paganin<br>Level 4, The Read Buildings<br>16 Milligan Street<br>Perth WA 6000 | ENSafrica<br>150 West Street<br>Sandton Johannesburg 2196<br>South Africa | Advokatfirmaet Schjodt AS<br>Ruselokkveien 14<br>0201 Oslo<br>Norway |
|---|---|--|

## 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](http://www.mineralcommodities.com)



# Competent person

**Tormin** – The information in this report which relates to Exploration Results and Mineral Resources for Tormin, including Tormin Beaches, Northern Beaches and Inland Strand, 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 Group Exploration Manager and a fulltime employee of the Company. He 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 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (“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 Mineral Resources for Xolobeni is based on information compiled by Mr Allen Maynard, who is a Member of the Australian Institute of Geosciences (“AIG”), a Corporate Member of AusIMM and independent consultant to the Company. Mr Maynard is the Director and Principal Geologist of AI 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 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 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 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 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 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.

**Bukken, Hesten & Vardfjellet** – The information, if any, in this report that relates to Exploration Results, together with any related assessment and interpretation, has been approved for release by Mr Daniel Ball, who is a member of AusIMM. Mr Ball is a Senior Geologist and an employee of the Company. Mr Ball has sufficient experience which is relevant to the style of mineralisation and types of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person in accordance with the JORC Code (2012). Mr Ball consents to the inclusion of the information contained in the report of the matters based on the reviewed information in the form and context in which it appears.



# Chairman's review

Dear Shareholders,

I am pleased to provide our Annual Report for FY2020.

The COVID-19 pandemic continues to have a profound impact on our operational jurisdictions and indeed the entire world. It has generated unprecedented challenges for our business, as it has done for many other businesses and markets around the world. These included challenges for our people, community development, logistics and customers. Foremost for MRC was the wellbeing of the Company's employees and social impacts of the virus on our communities. Importantly, the Company is pleased to report that no employee lost employment or suffered a loss of any direct wages or salary due to the pandemic.

Despite the unpredictable nature of the pandemic, MRC's response has been resolute and clearly focused on our corporate responsibility to our people and the communities within which we operate. Our people accepted the challenge and adopted measures swiftly and effectively to keep themselves, immediate family, work family and community safe and well. This has meant that we have been able to keep our operations running safely and continuously throughout 2020, except for an 18 day mandatory lockdown in South Africa.

Safety, environmental management and ensuring the wellbeing of our people are central to our culture and are the fabric of our continued success. The safety and wellbeing of our people is core to our operational values and we will continue to strive for exceptional safety performance every day. MRC is proud of the diversity of its global workforce of over 300 employees and the culture of safety, socioeconomic upliftment and community that it has fostered.

MRC will move to Global Reporting Initiative ("GRI") reporting standards and integrate this reporting standard as its measurable sustainability performance. This process is well advanced with the formation of the Tormin Sustainability Committee in 2020, with Skaland to follow in 2021 in conjunction with the formation of a Group Sustainability Committee. MRC believes that to be sustainable, it must operate with resolute commitment to its employees, stakeholders and interested and affected parties in a socially and environmentally responsible manner that is consistent with industry best practice. The Group is committed to safe and sustainable business practices which bring value to its employees, customers and shareholders and result in a social dividend to local communities.

We continue to invest and plan for the future. Our 2021 budget seeks to accelerate the optimisation of our Skaland and Tormin operations.

Tormin is investing to enable processing of its Inland Strand material and establishing connection with the Eskom power grid to reduce energy costs and improve climate performance. Skaland is looking to stabilise and optimise production at 10Kt per annum and invest in technology to improve the product purity of its powder and fine medium products.

On the back of an extremely positive preliminary feasibility study of our vertically integrated downstream anode strategy, we will further strengthen the technical feasibility and commercial viability of that strategy to bring this very exciting venture to market as quickly as possible.





The Company aims to fast track anode production into the European battery market and has entered into an exclusive non-binding Memorandum of Understanding with Superior Graphite Co. to form a joint venture to purify natural flake graphite anode material for LiB battery manufacture at Superior's existing Sundsvall plant in Sweden. Superior has the world's largest continuous graphite thermal purification capacity, providing a faster route to vertical integration.

Our Board continues to bring a strong blend of experience and expertise to the table and remains focused on the prudent governance of the Company as demonstrated by the recent appointment of Zamide David Qunya (Madiba) as a Non-Executive Director of the Company. Madiba has been a director of the Company's South African subsidiary Mineral Sands Resources (Pty) Ltd, which owns the Tormin Mineral Sands Mine, since November 2014. Madiba is also a director and shareholder in Blue Bantry Investments, the Company's Black Economic Empowerment Partner in South Africa.

The Company acknowledges the contribution to the Board of foundation board members Mark and Joseph Caruso, who both stepped down from the Board in 2020. Joseph Caruso was a director of the Company for nearly two decades and made a significant contribution to the development of the Company's expansion from a junior exploration company to a cross-jurisdictional production company. Mark Caruso has historically been the driving force behind the Company, including the development of Tormin and acquisitions of the Munglinup and Skaland graphite prospects.

We announced the termination of Mark Caruso's position as the Company's Chief Executive Officer at the end of March, 2021. This development is regrettable given the substantial contribution made by Mark to the development of the Company. We are fortunate that my fellow Board member, Russell Tipper has been able to assume the role of acting CEO, whilst the Board undertakes a search for a replacement. Russell is a highly respected and experienced mining engineer with extensive senior leadership and operating experience.

While the challenges of the pandemic are likely to remain in 2021, I am confident that through disciplined management we will continue to grow and strengthen our business, creating value for our shareholders and making a positive social contribution to the jurisdictions in which we operate.

I would like to thank and congratulate our management and operational teams for their outstanding contribution to our Company during the year.

Thank you for your continued support of MRC.



**David Baker**  
Chairman





# Chief Executive Officer's Review

Dear Shareholders,

Against the backdrop of a difficult operating environment caused by the COVID-19 pandemic, the financial year has proved significant, not only in delivering strong financial results, but in unlocking the value of the Tormin, Skaland and Munglinup mining assets, delivering a jurisdictional and commodity diversification strategy for shareholders. Our 2020 financial results are outstanding in light of the difficult global economic environment and reflects the strong commitment of our global workforce to delivering fiscal discipline and strong returns to our shareholders.

## *Health, Safety and Environment*

The health and safety of employees continues to be at the forefront of MRC's operating practices. Importantly, the Company continues to operate with a no fatality track record across all of its operations since inception. Our management team remains resolute in its commitment to the health and safety of our workforce and we will continue to insist that any injury to an employee or contractor on an MRC site is not acceptable. Our health and safety policies, procedures and work environments are subjected to continuous improvement in this regard.

Despite COVID-19 challenges for the Group and its employees across its global operations, MRC minimised risks to both employees and operations by adopting appropriate testing and screening protocols, while adjusting operational procedures to be consistent with world health advice to limit infection. The global operations experienced minimal disruption due to infection, which is testament to the stringent and effective people management procedures put in place to handle the pandemic.

The Company is pleased to announce that there were no significant environmental incidents during the year. Given the sensitivities of the coastal operating environment at Tormin and the proximity of Skaland's operations to fjords, the Company considers this to be evidence of its commitment to self-imposed environmental and operational discipline.

The Company is committed to sustainable operating practices. Importantly, MRC will soon become one of the few global mining companies whose processing operations run on mostly renewable energy, with the anticipated connection to the 100MW Sere wind farm near Tormin and the existing use of hydro generated electrical power at Skaland. The Company will also look to move its Skaland operations to an electric-powered mining fleet in due course. In 2021, the Company plans to map its complete carbon footprint at its operations, which will be integrated into future Global Reporting Initiative ("GRI") reporting. This is an essential step in understanding the impact of our activities on the global environment.





## *People and Community*

The Company has a significant focus on the health of its workforce and also on its social responsibility. Despite the challenging economic circumstances that we faced during the year, our global staff complement did not change. We had minimal disruption due to infection, and pleasingly, those few staff that experienced COVID-19 have all made a full recovery and returned to work without issue.

The Company continued to implement its Social Labor Plan (“SLP”) programs in South Africa. During the year, in excess of ZAR7.5 million was committed to these programs, even though our endeavours in 2020 were somewhat hampered by the community impact of the COVID-19 pandemic. Further to this, the Company’s BEE preferential procurement expenditure in 2020 was ZAR229 million.

Whilst South Africa’s COVID-19 lockdown forced deferral of some projects, the Company remains on track with its 2019-2023 SLP before the Department of Mineral Resources and Energy, which underpins the Company’s commitment to local enterprise development, education and infrastructure projects and initiatives. The total committed expenditure over five years is ZAR36.8 million.

## *Operational Performance*

The Company’s 50% owned subsidiary, Mineral Sands Resources (Pty) Ltd (“MSR”), was granted its Section 102 Mining Right on 30 June 2020, amending (expanding) the footprint of mining at Tormin in the Western Cape province of South Africa. The Section 102 Mining Right allows access to the adjoining high-grade Northern Beaches and Inland Strand adjacent to the existing Tormin mining area on the MSR owned freehold farm, Geelwal Karoo 262.

This significant turning point, in realising the value of the world-class Tormin mineral sands operation, provides access to two very exciting mining areas that are pivotal to the growth of the Company and demonstrate the huge potential of this unique mineral sands precinct. Access to the Northern Beaches has doubled the Company’s placer beach mining area, allowing the Company to properly optimise and manage the ongoing replenishment rate of the existing Tormin and Northern Beaches resources.

The Company announced a JORC Code (2012) resource for the Northern Beaches of 3 million tonnes at 23.2% Total Heavy Minerals (“THM”). Work has also begun at the Inland Strand, including trial processing testwork on Inland Strand material, with production commencing in April 2021. In August 2020, the Company announced a high-grade maiden JORC Code (2012) resource at the Western Strandline of Tormin of 106 million tonnes at 12.4% THM, which included a subset of 22.8 million tonnes at 20.9% THM located within the expanded Section 102 Mining Right area (22% of the total estimated resource).

Mining and processing at Tormin performed exceptionally in 2020, given the challenging operating environment. Only 5% of available operating days during the year were lost to the 18 day mandatory lockdown in South Africa, largely explaining mining ore production 6% below, and plant production 3% below 2019 levels. However, total material moved in 2020 was 13% above 2019 levels, with over 460Kt of overburden material removed from the Inland Strand mining area, ready for first ore production in April 2021. This reflects the expanded capability of the mine in 2020 as we seek to unlock the full benefit of our recently granted Section 102 Mining Right.

The integration by MRC of the Skaland graphite operation continued in 2020, albeit impeded by COVID-19 travel restrictions. As identified in the Company’s Skaland acquisition due diligence, the Company inherited an operation that had generally been deprived of technical and financial capital. Skaland’s financial and operating performance was affected by this inherent underlying issue, which resulted in planned and unplanned maintenance in 2020 limiting production and sales revenue. Management is budgeting for a significantly improved operating performance from Skaland in 2021, as many of these legacy maintenance issues are being rectified.

On 12 March 2020, MRC announced the maiden JORC Code (2012) resource at the Skaland graphite operation for the Traelen underground graphite mine, estimated at 1.78 million tonnes at 22% Total Graphitic Carbon (“TGC”) in Indicated and Inferred categories for 397 thousand tonnes of contained graphite at a 10% cut-off. This JORC Code 2012 compliant resource is the foundation of the Company’s plans to build on its existing graphite concentrate business and underwrite its strategy to become Europe’s first vertically integrated natural graphite anode material producer.

Mondium, BatteryLimits and MRC completed the Definitive Feasibility Study (“DFS”) on a concentrate only production scenario at the Munglinup graphite project in December 2019, with outcomes released to the ASX on 8 January 2020. The DFS highlighted a post-tax NPV<sub>7</sub> of US\$111 million with an IRR of 30%, confirming the Company’s view that Munglinup will become a crucial asset in its overall ambition to supply natural graphite concentrate into the key high-demand battery anode market.



## CHIEF EXECUTIVE OFFICER'S REVIEW

The Company completed a Pre-Feasibility Study ("PFS") in September 2020 on its Active Anode Materials Plant ("AAMP") initiative for downstream value-adding. The PFS investigated two alternative low CO<sub>2</sub> emission, environmentally friendly methods of purification – a caustic roast/acid leach process and a carbochlorination process – neither of which use highly toxic hydrofluoric acid. The PFS produced two highly compelling economic outcomes; an integrated post-tax pre-finance NPV<sub>7</sub> of US\$1.0 billion, IRR 67% for the caustic roast/acid leach process and a carbochlorination process NPV<sub>7</sub> of US\$1.07 billion, IRR 58%. This outcome supports the development of a DFS on the AAMP in 2021. Discussions are continuing with potential customers on the evaluation of anode material from the Company's graphite assets, with Skaland in particular benefiting from being an operational asset in Europe.

The MOU signed with Superior in April 2021 will see MRC enter into an exclusivity period to complete formal due diligence on Superior's Sundsvall facility in Sweden. The proposed JV would use Superior's proprietary electro-thermal purification technology to purify MRC's natural flake graphite from Skaland at Superior's existing thermal purification facility at Sundsvall. The aim of the JV is to produce, market and supply up to ~15-20,000tpa Sustainable Graphite Anode Material to battery manufacturers in Europe, Scandinavia, United Kingdom and Australia.

### *Financial Performance*

The 2020 financial year has proved significant in unlocking the value of the Tormin, Skaland and Munglinup mining assets, delivering for shareholders the Company's jurisdictional and commodity diversification strategy.

The Company generated outstanding financial results for the year ended 31 December 2020, including total revenue of US\$63.5 million (up 3% on 2019), EBITDA of US\$21.3 million (up 29% on 2019) and NPAT of US\$13.4 million (up 77% on 2019). In light of the difficult global economic environment in 2020, with short term customer business closures, short term departure and destination port closures, global lockdowns and the business interruption through effectively managing the pandemic safely for our people, these results represent a significant outcome and provide confidence in the positive business trajectory of the Company.

Increased revenue in 2020 was due to the first full year of Skaland sales (2020 US\$4.9M, 2019 US\$1.3M), partially offset by Tormin revenue US\$2.1M below 2019 due to a decline in ilmenite and zircon/rutile shipments and a decrease in zircon and rutile pricing during the year, despite increased garnet revenue due to the GMA Settlement. The increased garnet revenue in 2020 results from the inclusion of 2020 opening inventory that was sold to GMA during the year of 206,124 additional tonnes, reflecting the December 2019 contract liability of prepaid tonnes delivered in prior periods and GMA taking ownership of these tonnes as part of the settlement.

The increased EBITDA reflects higher sales volumes and revenue, the fair value gain on Skaland's acquisition value of US\$1.3M and lower corporate costs.

The profit before income tax expense ("NPBT") was \$15.6 million (2019: \$11.9 million), a 32% increase on the prior year and in line with the EBITDA improvement. The profit after income tax from continuing operations ("NPAT") for 2020 was \$13.9 million (2019: \$7.8 million), a 77% increase on the prior year. The main contributors towards the increased NPAT, when compared to 2019 results, were the increase in profit before income tax and the decrease in the effective tax rate for 2020 to 11% (2019: 34%). The decrease in the effective tax rate in 2020 is due to the positive tax effect of foreign exchange movements during the year.

### *Balance Sheet Strength*

Net assets of the Group as at 31 December 2020 were \$61.2 million (2019: \$46.0 million). The increase in reported net assets reflects Group profitability in 2020 and a capital raising of AU\$6.58 million (before costs), through placement of 32.9 million new fully paid ordinary shares at AU\$0.20 per share, to sophisticated and professional investors.

Net working capital as at 31 December 2020 also improved to \$14.9 million (2019: \$8.1 million). The increase is due to 2020 profitability and the impact of a material positive garnet inventory adjustment in the first half of 2021.

At 31 December 2020, the Company had \$5.6 million in cash (2019: \$8.1 million), with trade and other receivables of \$15.7 million (2019: \$9.5 million). Trade and other receivables as at 31 December 2020 included US\$7.5 million received in the first week of January 2021 for December 2020 sales.

Borrowings as at 31 December 2020 were \$6.0 million (2019: \$7.7 million). The decreased borrowings reflect repayment of debt offset by some new lease liabilities and represent a significantly unlevered balance sheet.



*Our Forecast*

Tormin's expansion to install and commission processing equipment to mine the Inland Strand and move to downstream processing for the production of finished ilmenite and garnet products has been significantly advanced and will be accelerated in 2021. The Company's development program is expected to be implemented in the following phases:

- Phases 1A & B - Upgrades of Inland Strand Primary Concentration processing through the existing Primary Beach Concentration ("PBC/TSP") module 2, to enable capacity of 800,000tpa, to be completed in April 2021;
- Phase 1C - Increases PBC/TSP 2 throughput to enable capacity to grow from 0.8Mtpa to 1.25Mtpa by retrofitting additional spirals, to be completed in June 2021;
- Phase 2 - Includes increasing Inland Strand processing capacity (PBC 3) to enable capacity to grow from 1.25Mtpa to 2.5Mtpa, taking total PBC circuit capacity at Tormin Inland Strand and the Northern Beaches to 3.75Mtpa, to be completed subject to sufficient available Inland Strand reserves;
- Phase 3 - Construction of ilmenite and garnet dry Magnetic Separation Plant ("MSP"); producing finished garnet and ilmenite to be implemented subject to sufficient available Inland Strand reserves; and
- Construction of the Eskom electrical power connection, substituting higher cost diesel power, which is expected to be operational in 2022. This will initially power the GSP, PBC 2, the mining field unit and site administration and will be able to power any expanded PBC and MSP facilities.

The Company has advanced its previously stated medium-term expansion initiatives for the Skaland mine, which will see a staged optimisation of concentrate grades and increased production from the stated 10Ktpa to the permitted capacity of 16Ktpa. This expansion includes commencement and optimisation of the mine decline development; replacement and modernisation of existing mining equipment, including underground scaling, haulage, loading, blasting and drilling equipment; procurement and installation of the 4th stage floatation circuit that significantly improves the product grades (and therefore pricing) of the powder, fine medium and special grade product; and the commissioning of a proposed micronised fines circuit and ore sorting facility to help manage tailings discharge limits.

The Company is committed to unlocking the full potential of Tormin and Skaland and will continue exploration activities to further increase our suite of resources and reserves available for mining. Management will begin the process of seeking a further expansion of mining rights at Tormin, to encompass the Eastern Strandline at Tormin, and will commence initial exploration activities at the Bukken, Hesten and Vardfjellet graphite prospects in Norway, with hopes to expand graphite resources there.

I would like to thank all of our staff, suppliers and customers for their loyalty and support during the unprecedented challenges of 2020. Despite the difficult backdrop, we have achieved significant financial and operational success in 2020, which will underpin a prosperous 2021.

To all our shareholders, thank you for your continued support.



**Russell Tipper**

Acting Chief Executive Officer



# Directors' report

Your Directors present their report on the consolidated entity (referred to hereafter as "MRC" or 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 2020. 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, unless otherwise stated:

David Lewis Baker  
Mark Victor Caruso (resigned as Director 2 October 2020)  
Joseph Anthony Caruso (resigned as Director 2 December 2020)  
Peter Patrick Torre  
Russell Gordon Tipper  
Debbie Ntombela

## 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;
- undertaking evaluation for the future development of an Active Anode Materials Plant ("AAMP") to produce active anode material in Norway; and
- investigations into other mineral resources, particularly through MRC Exploration Australia Pty Ltd, focused on several tenements within Western Australia.

## Review of operations

The Company provides shareholders with an update of its activities during the year ended 31 December 2020. On the backdrop of a difficult operating environment caused by the COVID-19 pandemic, the financial year has proved significant not only in delivering solid financial results but in unlocking the value of the Tormin, Skaland and Munglinup mining assets, delivering for shareholders its jurisdictional and commodity diversification strategy.

Although the COVID-19 pandemic presented challenges for the Group and its employees across its global operations, MRC minimised risks to both employees and operations by adopting appropriate testing and screening while adjusting operational procedures to be consistent with world health advice to limit infection. Tormin operations were only suspended for 18 days due to the nationwide lockdown in South Africa during the 2020 financial year. Skaland operations were not directly impacted, however, travel restrictions affected the Company's ability to complete its business integration process.

Global markets retracted at the onset of the pandemic, but returned to normal in the second half of the year. COVID-19 and global border restrictions significantly impacted management's ability to travel. The situation abated towards the end of the year in South Africa and intensified in Norway with the northern hemisphere winter.

Foremost for MRC was the wellbeing of the Company's employees and social impacts of the virus on our communities. Importantly, the Company is pleased to report that no employee lost employment or suffered a loss of any direct wages or salary due to the pandemic. The financial and operational impacts of COVID-19 are proactively under constant review by Executive Management and the Board. The Company continues to monitor governments' advice within its operating jurisdictions and update protocols and people accordingly. There remains a significant degree of uncertainty in terms of how the COVID-19 pandemic will affect the progress of the Company's projects going forward.



The health and safety of employees continues to be at the forefront of MRC's operating practices. Importantly, the Company continues to operate with a no fatality track record across all of its operations since inception. The Company's historical safety record was impacted by three lost-time injuries in 2020. Tormin incurred one injury through a contractor-reported LTI. Skaland had two lost-time injuries in the processing plant area and were directly related to prolonged shutdown maintenance works. Both employees returned to work within three days of the incidents. The acquisition due diligence of Skaland identified a weakness in the historical monitoring and reporting of safe working practices, which presented during 2020 as the Company integrated Skaland into its global safety reporting standards. The importance of this may have been missing under previous health and safety guidelines. A full independent audit of Skaland's safety procedures was undertaken during the year, which identified a comprehensive register of risks covering all aspects of the Skaland operation and provided an excellent working platform to implement a structured change to the operating environment. The Group's safety performance is outlined below:

| Total recordable injury frequency (per million hours worked) |              |             |             |
|--|--------------|-------------|-------------|
| Year ended 31 December                                       | 2020         | 2019        | 2018        |
| <b>Group</b>   | <b>10.24</b> | <b>3.43</b> | <b>1.55</b> |
| - South Africa   | 8.55         | 4.36        | 1.77        |
| - Norway   | 33.88        | -           | -           |
| - Australia  | -            | -           | -           |

| Lost Time Injuries (LTI) incidents recorded |          |      |      |
|---|----------|------|------|
| Year ended 31 December                      | 2020     | 2019 | 2018 |
| <b>Group</b>                                | <b>3</b> | -    | -    |
| - South Africa                              | 1        | -    | -    |
| - Norway                                    | 2        | -    | -    |
| - Australia                                 | -        | -    | -    |

The Company recognises the growing pressure and competition for environmental resources such as land, water and air, which are amplified by the effects of climate change. The Company manages and operates its assets with a clear understanding that the performance and management of these environmental impacts are critical to its ongoing existence in the mining sector. The Company has comprehensive risk management policies and procedures that set the guidelines of achieving environmental compliance and is fully cognisant of the importance of a social operating licence and its effects on the communities in which we operate. The Company is pleased to announce that there were no significant environmental incidents during the year. Given the sensitivities of the coastal operating environment at Tormin and the proximity of Skaland's operations to fjords, the Company considers this testament to its commitment to self-imposed environmental, operational discipline.

Importantly, MRC will soon become one of the few global mining companies whose processing operations run on mostly renewable energy, with the anticipated connection to the 100MW Sere wind farm near Tormin and the existing use of hydro generated electrical power at Skaland. The Company will also look at moving its Skaland operations to an electric-powered mining fleet in due course. In 2021, the Company plans to completely carbon footprint map its operations, which will be integrated into future Global Reporting Initiative ("GRI") reporting. This is an essential step in understanding our impact on modern life and living standards for people around the world.

The importance of our operation not only rests in compliance with regulatory permits and licenses, but must include the currency of social values. A positive contribution to the environment and society, including putting our people's health and safety first, being environmentally responsible, respecting human rights, and supporting the communities in which we operate. To that end, the Company will move to GRI reporting standards and integrate this reporting standard as its measurable sustainability performance. This process is well advanced with the formation of the Tormin Sustainability Committee in 2020, and with Skaland to follow in 2021 in conjunction with the formation of a Group Sustainability Committee.



## DIRECTORS' REPORT

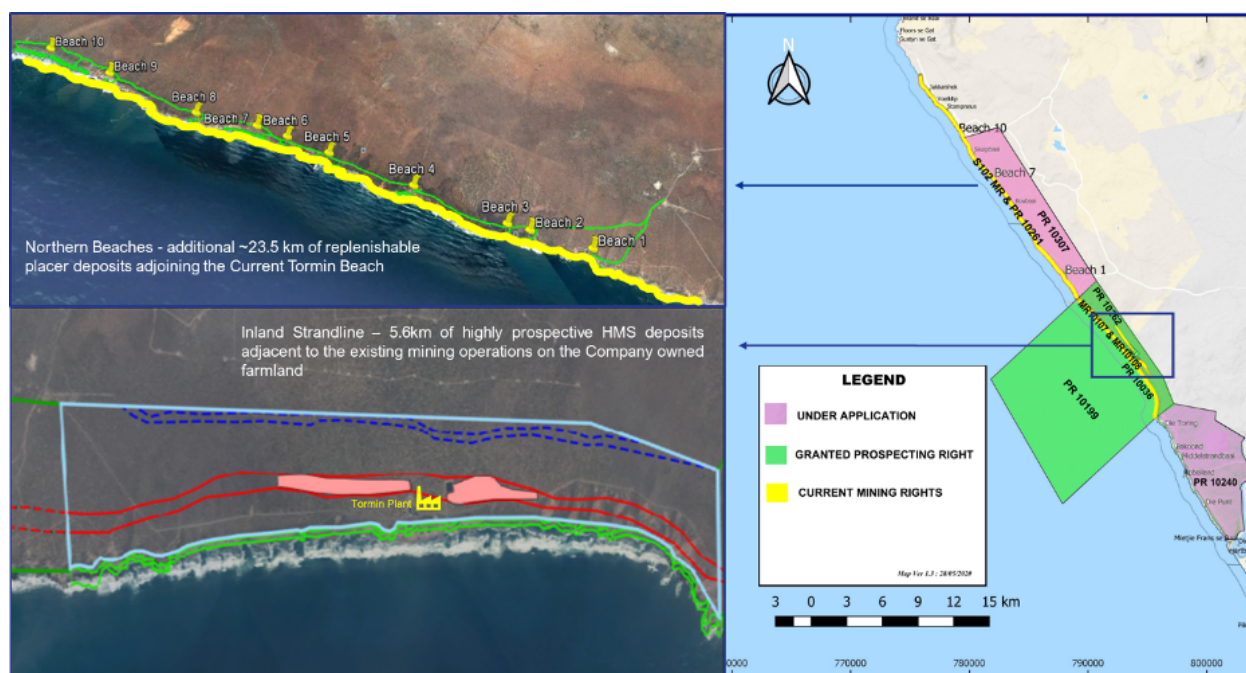
Mineral Commodities Ltd and its subsidiaries source a range of goods and services through a global supply chain. It is recognised that there is a potential for modern slavery to exist in the form of slavery, forced labour, debt bondage, human trafficking and child labour. All forms of modern slavery involve the deprivation of a person's liberty to exploit them for commercial or personal gain and amount to a violation of an individual's fundamental human rights. While there are currently no legal requirements for MRC to report its actions regarding modern slavery, the Company is committed to ensuring open, fair and transparent procurement, logistics and supply functions.

MRC seeks to prevent or mitigate any negative human rights impacts in connection with its operations or activities. MRC also provides safe and fair working conditions for all its employees and ensures that no child labour is employed, in line with minimum age laws. The Company expects the same standards from contractors, suppliers and stakeholders and requires that they hold the same standards throughout their procurement and supply chain processes.

The Company's 50% owned subsidiary, Mineral Sands Resources (Pty) Ltd ("MSR"), was granted its Section 102 Mining Right ("Section 102 Mining Right") amending (expanding) the footprint of mining at Tormin in the Western Cape province of South Africa on 30 June 2020. The Section 102 Mining Right allows access to the adjoining high-grade Northern Beaches and Inland Strand adjacent to the existing Tormin mining area on the MSR owned freehold farm, Geelwal Karoo 262, in the Western Cape province of South Africa.

This significant turning point in realising the value of the world-class Tormin Mineral Sands Operation provides access to two very exciting mining areas that are pivotal to the growth of the Company and demonstrate the huge potential of this unique mineral sands precinct. Access to the Northern Beaches has doubled the Company's placer beach mining area, allowing the Company to properly optimise and manage the ongoing replenishment rate of the existing Tormin and Northern Beaches resources.

The Company would like to recognise all stakeholders' contributions to its operations; the BEE participants, the integrated support from local communities, employees and those directly or indirectly affected by a mutually dependent relationship.



Mining and processing operations have immediately shifted to include the higher grade Northern Beaches with a JORC resource of 3 million tonnes at 23.2% Total Heavy Minerals ("THM"). Work has also begun at the Inland Strand including trial processing testwork on Inland Strand material, with production processing to commence in March 2021. In August 2020, the Company announced a high-grade maiden JORC Code (2012) resource at the Western Strandline of Tormin of 106 million tonnes at 12.4% THM, which included a subset of 22.8 million tonnes at 20.9% THM located within the expanded Section 102 Mining Right area of the Western Strandline (22% of the total estimated resource). Mining of the Inland Strand commenced in September by conventional open-pit mining, accessing mineralisation from near-surface. 460,461 tonnes of Inland Strand overburden were pre-stripped in 2020. The Section 102 Mining Right also provides approvals for the connection to grid energy and processing expansion that will materially improve throughput and the transition to higher-value finished ilmenite, garnet and rutile products as well as lowering operating costs.



The integration of the Skaland Graphite Operation continued in 2020 albeit impeded by COVID-19 travel restrictions. A key initiative was to lift the safety performance and implementation of systems and procedures across all operating departments in line with Group and international mining standards. The Company continued to mobilise further technical personnel, including the appointment of a new General Manager and Mining Superintendent with international experience in underground mining. There was a significant investment in new equipment and operational improvements in mining, while several processing engineering studies were commenced to optimise the grade of fines (-150 micron) concentrate production as well as increasing the production of coarse flake product. These are precursors to the Company's downstream anode business development strategy.

Planning for the future decline mining operation at Skaland continued, with comprehensive baseline studies and mine planning work completed to allow the down dip development to commence in December. The down dip development will allow access to additional Run of Mine ("ROM") ore, relatively consistent in grade and flake distribution to the currently mined up dip ore deposit.

On 12 March 2020, MRC announced the maiden JORC Code (2012) resource at the Skaland Graphite Operation for the underground Traelen Graphite Mine, estimated at 1.78 million tonnes at 22% Total Graphitic Carbon ("TGC") in Indicated and Inferred categories for 397kt of contained graphite at a 10% cut-off. This JORC 2012 compliant resource is the foundation of the Company's plans to build on its existing graphite concentrate business and underwrite its strategy to become Europe's first vertically integrated natural graphite anode material producer.

Consistent with the Company's objectives of expanding its exploration footprint for graphite in Norway, in the September 2020 quarter, the Company signed a landowner agreement over the Bukken Graphite Prospect, the largest known graphite anomaly in Norway. The tenement is located approximately 20km east of MRC's existing Skaland Graphite Operation. The agreement will provide MRC with exclusive exploration rights for 10 years.

Subsequent to year end, the Company also signed a landowner agreement over the Hesten and Vardfjellet graphite prospects, 15km from the existing Skaland Graphite Operation and 4km west of the Bukken prospect.

The Company completed a Pre-Feasibility Study ("PFS") in September 2020 on its Active Anode Materials Plant ("AAMP") initiative for downstream value-adding. The study investigated the optimal approach to producing active anode material for batteries in electric vehicles and stationary storage uses. The study included two alternative low CO<sub>2</sub> emission, environmentally friendly methods of purification – a caustic roast/acid leach process and a carbochlorination process – that do not use highly toxic hydrofluoric acid ("HF").

The purification processes are in development with support from the Australian government under the Cooperative Research Centres Project ("CRC-P"). The PFS produced two highly compelling economic outcomes; integrated post-tax pre-finance of caustic process NPV<sub>7</sub> US\$1.0 billion, IRR 67% and the carbochlorination process NPV<sub>7</sub> US\$1.07 billion, IRR 58%.

MRC released the Munglinup Graphite Project Definitive Feasibility Study ("DFS") on 8 January 2020. The DFS demonstrated robust economic outcomes as a concentrate-only production scenario; integrated post-tax pre-finance NPV<sub>7</sub> of US\$111 million, IRR 30% and a payback period of 2.7 years. The Munglinup Graphite Project delivered even more value when assessed in the context of the Company's AAMP PFS completed in September. MRC's view is that Munglinup will become a crucial asset in the Company's strategy to manufacture and supply natural graphite battery anode material to meet the fast-growing demand from the lithium-ion battery sector.

The DFS of the Munglinup Graphite Project and Skaland's maiden JORC Code (2012) compliant mineral resource estimate further enhance the Company's ambitions to build a global, vertically integrated carbon business based on two global strategic operating production centres in the Tier 1 mining jurisdictions of Australia and Norway. These operations will produce sustainable natural graphite concentrate as a crucial raw material for precursor and active anode material production for lithium-ion batteries.

## Tormin Mineral Sands Operation

### Safety, Environment, Community and Sustainability

The ongoing commitment to maintaining a safe working environment and culture continues. Tormin recorded its first LTI in 42 months in the December 2020 quarter. The LTI related to a trip and fall injury to a contractor who has fully recovered from the injury. The Company had worked over 1.6 million person-hours since the only other LTI incident at site. More than 3.2 million person-hours have been worked at Tormin since commencement. Tormin's safety performance is outlined below:

| Total recordable injury frequency (per million hours worked) |      |      |      |
|--|------|------|------|
| Year ended 31 December                                       | 2020 | 2019 | 2018 |
| South Africa   | 8.55 | 4.36 | 1.77 |

| Lost Time Injuries (LTI) incidents recorded |      |      |      |
|---|------|------|------|
| Year ended 31 December                      | 2020 | 2019 | 2018 |
| South Africa                                | 1    | -    | -    |

The impacts of COVID-19 were managed in accordance with jurisdictional government restrictions and Company introduced measures. The Company introduced measures to minimise risk to both employees and operations. The South African spread of COVID-19 was regionally focused, with the Company's operating municipality initially unaffected. Strict procedures were implemented, including COVID-19 temperature testing of all employees and prescriptive social distancing in the workplace and en-route to the workplace. Notwithstanding eleven employees tested positive for COVID-19 in 2020, all were isolated with the requisite contact tracing carried out immediately identifying and limiting the risk of further transmission. The Company is pleased to report that all infected employees have since returned a negative COVID-19 test and are back at work, having completed a period of isolation. The welfare of personnel and the pandemic's financial and social impacts are under constant review by Executive Management and the Board. The Company continues to monitor governments' advice and update people and procedures accordingly.

The Company continued to implement its Social Labor Plan ("SLP") programs. During the year, in excess of ZAR7.5 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 IT engineering, mechanical engineering, safety management, business management, law, mathematics and community development.

The Company also contributes to community-based enterprise and infrastructure support development, sponsoring full-time teachers at local schools, distributing 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 is committed to local enterprise development and the funding of Small, Medium Micro Enterprise development programs; however, the impact of the COVID-19 pandemic has meant these projects have largely been deferred to 2021.

Further to this, the Company's BEE preferential procurement expenditure in 2020 was ZAR229 million, exceeding all targets set under the South African Mining Charter.

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

Consistent with the Company's adoption of the GRI reporting standard, a Tormin Sustainability Committee was formed and set the basis of the first reporting period and objectives.



In the context of a global interruption caused by COVID-19, the Company continued its strong operating performance during the year ended 31 December 2020. The following key production and sales metrics were achieved:

### Tormin Operational and Financial Performance

| Mining Production             | Full Year to 31 December 2020 | Full Year to 31 December 2019 |
|-------------------------------|-------------------------------|-------------------------------|
| Material Mined – Tonnes (dmt) | 2,828,312                     | 2,509,978                     |
| Ore Mined – Tonnes (dmt)      | 2,367,851                     | 2,509,978                     |
| Waste Mined – Tonnes (dmt)    | 460,461                       | -                             |
| Grade                         | 9.89%                         | 9.97%                         |
| Garnet                        | 7.49%                         | 7.53%                         |
| Ilmenite                      | 1.72%                         | 1.81%                         |
| Zircon                        | 0.49%                         | 0.42%                         |
| Rutile                        | 0.18%                         | 0.21%                         |

During the period MRC optimised mining operations at Tormin to manage the THM beach grade and replenishment cycle. Total ore mined was 5.7% below 2019 due to the nationwide COVID-19 shutdown in South Africa in the second quarter of 2020, resulting in an 18-day suspension of mining operations.

Mining in 2020 reflects the introduction of mining at the Northern Beaches and Inland Strand as part of the Expanded Mining Rights granted on 30 June 2020. Production and grade from each area are included below.

| 31 December 2020         |                  |                |               |
|--------------------------|------------------|----------------|---------------|
| Mining Production        | Northern Beaches | Tormin Beaches | Inland Strand |
| Ore Mined – Tonnes (dmt) | 155,222          | 2,164,472      | 48,157        |
| Grade                    | 24.00%           | 8.63%          | 20.17%        |
| - Garnet                 | 16.03%           | 6.86%          | 7.74%         |
| - Ilmenite               | 6.00%            | 1.23%          | 10.01%        |
| - Zircon                 | 1.30%            | 0.40%          | 1.72%         |
| - Rutile                 | 0.67%            | 0.14%          | 0.70%         |

Mining production in 2020 represented 90% of the Tormin Beaches December 2019 Inferred Resource, with VHM grades in line with the resource model. Mining production from the Northern Beaches in 2020 represented 6.2% of the May 2020 announced resource, with total VHM grade 1.8% higher than the resource model. Mining production from the Inland Strand in 2020 represented 0.2% of the August 2020 announced resource available within the approved Section 102 Western Strandline, with total VHM grade 3.6% below the resource model.

The year's Primary Beach Concentrator ("PBC") ROM feed was 2,221,060 tonnes at an average feed rate of 318tph and 90.05% plant utilisation, with the throughput 7.5% below the previous year's 2,400,341 feed tonnes. The reduced feed was attributable to a COVID-19 related 18 day shutdown in South Africa during the second quarter and scheduled transport of PBC1 to the Northern Beaches later in the year.

## DIRECTORS' REPORT

| Processing and Production                                  | Full Year to 31 December 2020 | Full Year to 31 December 2019 |
|--|-------------------------------|-------------------------------|
| <b>Primary Beach Concentrator (PBC)</b>                    |                               |                               |
| Tonnes processed (dmt)                                     | 2,221,060                     | 2,400,341                     |
| Heavy mineral concentrate (dmt)                            | 548,484                       | 567,939                       |
| % Heavy mineral  | 32.20%                        | 36.55%                        |
| <b>Garnet Stripping Plant/Secondary Concentrator Plant</b> |                               |                               |
| Tonnes processed (dmt)                                     | 542,990                       | 589,473                       |
| <b>Tonnes produced (dmt)</b>                               |                               |                               |
| Garnet concentrate (net)                                   | 153,743                       | 179,057                       |
| Ilmenite concentrate (net)                                 | 67,460                        | 49,937                        |
| Zircon/rutile concentrate                                  | 10,090                        | 9,939                         |
| % Zircon in concentrate                                    | 67.61%                        | 66.74%                        |
| % Rutile in concentrate                                    | 15.95%                        | 15.36%                        |

Heavy Mineral Concentrate ("HMC") production from the PBCs produced 548,484 tonnes, 3.4% below the prior year's 567,939 tonnes, due to 7.5% lower PBC feed. Mineral processing recoveries from the PBCs remained strong, with the plants recovering 90% zircon, 90% ilmenite, 89% garnet and 83% rutile.

Garnet Separation Plant ("GSP")/Secondary Concentration Plant ("SCP") feed of 542,990 tonnes was 7.9% below the prior year's 589,473 tonnes. The GSP/SCP operated at 86% utilisation with an infeed throughput rate of 91 tonnes per hour to optimise product recoveries.

Finished concentrate production was impacted by expected lower mined THM ore grades and reduced GSP/SCP feed. Total final concentrates produced were 231,293 tonnes for the year, which were 3.2% below the prior year's 238,933 tonnes.

| Sales (wmt)               | Full Year to 31 December 2020 | Full Year to 31 December 2019 |
|---------------------------|-------------------------------|-------------------------------|
| Zircon/rutile concentrate | 9,072                         | 10,444                        |
| Ilmenite concentrate      | 109,249                       | 216,616                       |
| Garnet concentrate        | 387,121                       | 213,150                       |

Product sales revenue for the year was US\$54.9 million for a total 505,442 wet metric tonnes sold, below the prior year's revenue of US\$58.3 million for 440,210 wet metric tonnes sold. Wet metric tonnes sold in 2020 are 274,149 tonnes above production during the year, reflecting 119% of 2020 production. The increased sales reflect the GMA Settlement of garnet tonnes in the third quarter of 2020. The increased tonnes include 2020 opening inventory sold to GMA during the year and 206,124 additional tonnes, reflecting the December 2019 contract liability of prepaid tonnes delivered in prior periods and GMA taking ownership of these tonnes as part of the settlement.

The increase in revenue was mostly due to the GMA Settlement, offset by lower ilmenite sales tonnes and pricing in 2020. Weak demand conditions caused lower average ilmenite prices during the height of the COVID-19 pandemic in China, with market prices normalising by the end of 2020.

The following table summarises unit costs and unit revenues from Tormin for the year to 31 December 2020:

| Summary of Unit Costs & Revenues  | Full Year to<br>31 December 2020 | Full Year to<br>31 December 2019 |
|---|----------------------------------|----------------------------------|
| Unit production cash costs per tonne of net final concentrate produced (\$/dmt)     | 71.15                            | 84.40                            |
| Unit cost of goods sold per tonne of final concentrate sold (\$/wmt) <sup>(1)</sup> | 63.28                            | 89.27                            |
| Unit revenue per tonne of final concentrate sold (\$/wmt)                           | 108.43                           | 132.13                           |
| Revenue to Cost of Goods Sold Ratio   | 1.71                             | 1.48                             |

(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 year of US\$71.15/t for 231,293 final concentrate tonnes produced were lower than last year's US\$84.40/t for 238,933 final concentrate tonnes produced. Production cash costs in 2020 were 18% lower than in the prior period due to factors including the 13.9% depreciation of the rand and a 23.4% decrease in diesel price.

The total unit cost of goods sold of US\$63.28/t for the year for 505,442 final concentrate tonnes sold improved on the prior year's US\$89.27/t for 440,210 final concentrate tonnes sold. The improved performance came from lower production cash costs, increased relative volumes of bulk shipment products associated with the GMA Settlement and a material positive garnet inventory adjustment during the year. The inventory adjustment resulted from a detailed survey of garnet inventory, required as part of the dispute resolution process with the GMA Group. As agreed by the parties, calculating inventory was via an independent survey and final reconciliation at the end of the contract. The large quantity of production, ~1.9 million tonnes of garnet concentrate, produced under the GMA contract since its inception in 2014 and delays in GMA's contracted shipping schedules caused a large inventory build-up of stockpiles to contracted limits. This impacted on the Company's ability to survey stockpile basement levels and compounded inventory variances. As a result of the independent garnet inventory survey during the year, the Company identified 156kt of additional inventory tonnes compared to the 31 December 2019 survey. This increase in garnet inventory previously expensed through the income statement has been reversed back to the balance sheet as a one-off adjustment, resulting in a significant reduction in the cost of goods sold balance for the year.

Unit revenue per tonne of final concentrate sold for the year reflects the reduction in the proportion of zircon and rutile sales in terms of total sales during the current year and the decline in average ilmenite price resulting from the short-term impact of COVID-19 on product demand in China.

Improved revenue to cost of goods sold ratio to 1.71 for the year reflects lower unit costs in 2020, partially offset by lower unit revenue.

### Permitting

On 30 June 2020, MSR was granted approvals in respect to the Section 102 Mining Right to amend (expand) the footprint of mining at Tormin. The Section 102 Mining Right includes access to the adjoining high-grade Northern Beaches and Inland Strand adjacent to the existing Tormin mining area on the MSR owned freehold farm, Geelwal Karoo 262.

Contemporaneously, the Section 102 Mining Right also provides for expanded processing activities. With the security of resources and tenure, the Company can methodically expand both the Primary Concentration capacity to enable up to 3.5-4mtpa of processing capacity and can move from existing concentrate only production of ~230,000tpa to enable vertically integrated production of ~330,000tpa, including finished HM products, through the construction of a 150,000tpa ilmenite Magnetic Separation Plant ("MSP") and 250,000tpa garnet MSP. Through the MSPs' construction, the Company expects to open new markets, diversify its customer base, reduce concentration risk of sales to China, and extract greater value through improved margins. These upgrades represent expected capacity only and does not represent actual production guidance. Specific annual production guidance will be provided on a quarter and annual basis.

The Section 102 Mining Right also allows for the connection of Eskom grid power from the 100MW Sere wind farm, which is expected to reduce operating power costs by as much as 50% and provide up to 10 megawatts of power to support existing future processing requirements.

Mining operations shifted to include the higher grade Northern Beaches, where a high grade JORC compliant resource of 3 million tonnes at 23.2% THM in the Measured, Indicated and Inferred categories using a 2% cut-off was reported in February 2021.

Due to the constant replenishment profile of the Tormin Beaches ("Tormin Beaches"), the Tormin Beaches have generated in excess of 13.8Mt of mining production over the past seven years from the initial Indicated Resource of 2.7Mt at 49.4% THM. The Company expects that the Northern Beaches will sustain mining operations well beyond the resource of 3Mt at 23.2% THM.

The Northern Beaches incorporate ten beaches directly north of and adjoining the Tormin Beaches at Tormin. The areas unite semi-continuous tenements approximately 23.5km in length, covering an area of 398 hectares of beach sands prospective for zircon, rutile, ilmenite, garnet, leucosene and magnetite. Like the Tormin Beaches, this deposit is an HMS deposit located on an active placer beach strandline undergoing continuous erosion, deposition and replenishment from oceanic storm and wave activity. The heavy minerals in the beach are constantly replenished by the transport of new sediment from deeper waters, much of which has been derived from the erosion of deposits accumulated in the elevated historic beach terraces onto the present beach.



The Inland Strand areas granted under the Section 102 Mining Right include two areas approximately 5.6km in combined length, covering 75 hectares of high-grade mineralisation adjacent to the existing mining operations on the MSR owned farm, Geelwal Karoo 262.

During the second half of 2020, the Company announced a high-grade maiden JORC resource at the Western Strandline of Tormin of 106 million tonnes at 12.4% THM, which included as a subset 22.8 million tonnes at 20.9% THM located within the expanded Section 102 Mining Right area of the Western Strandline (22% of the total estimated resource). Mining of the Inland Strand commenced in September by conventional open-pit mining, accessing mineralisation from near surface.

During the September 2020 quarter MRC received notification that two applications have been lodged against the recent permitting of MSR's Section 102 Mining Right. The first application was brought under the appeal provisions of the Mineral and Petroleum Resources Development Act ("MPRDA") and disputes the ministerial decision to grant the Section 102 Mining Right and additionally seeks to suspend that decision pending the resolution of the appeal. The second application is brought to review and set aside the decision to issue MSR with the Integrated Environmental Authorisation ("IEA") in respect of the Section 102 Mining Right areas. These applications are limited in scope to the recently granted Section 102 Mining Right areas and do not affect the Company's pre-existing mining areas, which were recently renewed for a period of 10 years.

The approved Section 102 Mining Right remains on foot pending the determination of these applications.

The Company has applied for and been granted all permits in accordance with the relevant regulatory processes, including any appeal processes. The Company believes that the recent decisions of the regulatory authorities in relation to these matters will be upheld and any risk to suspension of its operations is minimal.

Appeals against the decision to grant an Environmental Authorisation ("EA") in terms of Section 24G of the National Environmental Management Act ("NEMA") have been dismissed. The appeals, premised on four grounds relating to a granted EA on the remaining extent of the Company's farm, Geelwal Karoo 262, were all dismissed by the relevant authority, the Minister of Forestry, Fisheries and the Environment.

The Company intends to adopt a phased development program to install and commission processing equipment to mine the Inland Strand and move to downstream processing for the production of finished ilmenite and garnet products. The Company's development program is expected to be implemented in the following phases.

#### Phase 1

##### Phase 1A & B

Upgrades of Inland Strand Primary Concentration processing through the existing PBC/Tailings Separation Plant ("TSP") module 2, to enable capacity of 800,000tpa. This phase is scheduled to be completed in March 2021 and incorporates:

- 225t mobile scrubbing plant and primary crushing circuit;
- Deslime cyclone and pumps retrofitted to PBC/TSP module 2;
- Installation of 18-metre thickener;
- Overland piping for disposal of tailings into the mining void;
- Initial Inland Strand concentrate processing rate of 0.8Mtpa; and



- Purchase of additional mining fleet, haulage and dozing equipment to facilitate overburden and mining of the Inland Strand to increase production requirements.

#### Phase 1C

Increases PBC/TSP 2 throughput to enable capacity from 0.8Mtpa to 1.25Mtpa by retrofitting additional spirals. This phase is targeted for completion by May 2021 and includes:

- Additional spirals retrofitted to PBC/TSP module 2 and modifications to increase throughput to increase capacity from 0.8Mtpa to 1.25Mtpa of Inland Strand ore, whilst maintaining recoveries.

#### Phase 2

Includes increasing Inland Strand processing capacity to increase capacity from 1.25Mtpa to 2.5Mtpa, taking total PBC circuit capacity at Tormin Inland Strand and the Northern Beaches to 3.75Mtpa.

This phase is scheduled to be completed by July 2021 and includes:

- An additional 225t scrubber circuit, the mobilisation of the Phase 1A & 1B scrubber unit from the existing processing area to a location directly adjacent to the Inland Strand mining area, optimising mining and processing costs;
- The installation of the Mobile Field Unit ("MFU"), comprising drive over bin, grizzly, scrubbers and screens;
- Constant Density tank to provide consistent feed to the PBC/TSPs;
- Relocation of PBC/TSP module 2 to the MFU to enable processing capacity of 1.25Mtpa of Inland Strand ore;
- Fabrication of PBC/TSP module 3 to process an additional 1.25Mtpa of Inland Strand ore taking total Inland Strand processing capacity to 2.5Mtpa; and
- Construction of a mobile track-mounted beach mining unit complete with overland piping booster pumps to eliminate and minimise conventional excavation/truck haul mining methods. Initially to be used at the Northern Beaches mining operations.

The final construction of the third PBC/TSP module will be subject to final mine planning and permitting spatial footprint constraints which may impact the timing of this phase.

#### Phase 3

Construction of ilmenite and garnet dry MSP, producing finished garnet and ilmenite by March 2022.

This phase is scheduled to be completed by March 2022 and includes the construction of:

- Ilmenite MSP with a finished ilmenite capacity of 150Ktpa;
- Garnet MSP with a finished garnet capacity of 250Ktpa;
- Supporting infrastructure, including administration and operations building, canteen, new heavy vehicle workshop, relocated logistics warehouse, sewage treatment facilities and new concentrate stockpile area; and
- Eskom 10MW grid connection of the Sere wind farm (targeted completion by end of 2021). The Eskom connection will deliver significant cost reductions in existing diesel power generation and continue to move the Company towards sustainable and renewable energy generation for its operations.

Current engineering estimates will be completed in the March 2021 quarter. Based on recent study work, the Company anticipates expansion programs will be completed at significantly lower cost than initially anticipated.

These upgrades represent expected capacity only and does not represent actual production guidance. Specific annual production guidance will be provided on a quarterly and annualised basis.

The Inland Strand Section 102 Mining Right areas are part of the Inland Strand Prospecting Right 10262, which incorporates an area approximately 12km in length, covering 1,741 hectares. Extensional drilling beyond the Section 102 Mining Right mining area boundary indicates that the Western Strandline extends the entire north to south length of the 12km prospecting area, confirming the strandline's exciting prospectivity. The Company will be stepping up its efforts to target additional resources that will further underpin the growth of its newly granted mining operations at the Inland Strand at Tormin.

For further details of the prospectivity of the wider Inland Strand prospecting area, refer to the Company's ASX Release – High Grade Mineralisation Continues at Tormin Inland Strand – 7 July 2020.

A 10,000 metre Step-Out and Infill Resource drilling program for the Western and Eastern Strandlines is underway and an airborne magnetic and radiometric survey over the Inland Strand Prospecting Permits has been completed.

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Significant anomalies and drilling targets were identified in the area. The De Punt prospect Environmental Authorisation was granted and subsequently appealed. The Company is confident of its responses to the relevant appeals and expects a favourable decision in the March 2021 quarter. Upon granting, MRC intends to immediately commence exploration drilling on the PR10240 De Punt prospect targeting the increase of existing mineral resources.

### Tormin Resource and Prospecting Activities

The annual Tormin Mineral Resource review for the Tormin Beaches was completed in February 2021, with results as follows:

| Category                             | Resource (Mt) | HM (%)       | Zircon (%)  | Garnet (%)   | Ilmenite (%) | Rutile (%)  |
|--------------------------------------|---------------|--------------|-------------|--------------|--------------|-------------|
| <b>Indicated Resource – Dec 2013</b> | <b>2.70</b>   | <b>49.40</b> | <b>3.40</b> | <b>25.30</b> | <b>10.60</b> | <b>0.70</b> |
| Tonnes Mined – FY2014                | 1.07          | 53.83        | 4.76        | 31.16        | 17.26        | 0.65        |
| <b>Inferred Resource – Dec 2014</b>  | <b>2.70</b>   | <b>38.14</b> | <b>2.21</b> | <b>25.22</b> | <b>10.05</b> | <b>0.46</b> |
| Tonnes Mined – FY2015                | 1.62          | 49.57        | 3.88        | 28.94        | 16.15        | 0.60        |
| <b>Inferred Resource – Dec 2015</b>  | <b>2.70</b>   | <b>28.01</b> | <b>1.56</b> | <b>18.54</b> | <b>6.97</b>  | <b>0.55</b> |
| Tonnes Mined – FY2016                | 1.81          | 45.97        | 2.78        | 29.21        | 12.97        | 0.61        |
| <b>Inferred Resource – Dec 2016</b>  | <b>1.80</b>   | <b>28.08</b> | <b>1.65</b> | <b>18.99</b> | <b>6.15</b>  | <b>0.53</b> |
| Tonnes Mined – FY2017                | 2.05          | 27.57        | 1.10        | 19.40        | 5.81         | 0.50        |
| <b>Inferred Resource – Dec 2017</b>  | <b>1.80</b>   | <b>15.92</b> | <b>0.79</b> | <b>11.45</b> | <b>2.72</b>  | <b>0.43</b> |
| Tonnes Mined – FY2018                | 2.65          | 17.35        | 0.55        | 12.55        | 3.14         | 0.38        |
| <b>Inferred Resource – Dec 2018</b>  | <b>2.27</b>   | <b>14.16</b> | <b>0.43</b> | <b>7.90</b>  | <b>2.30</b>  | <b>0.19</b> |
| Tonnes Mined – FY2019                | 2.51          | 11.21        | 0.42        | 7.53         | 1.81         | 0.21        |
| <b>Inferred Resource – Dec 2019</b>  | <b>2.40</b>   | <b>8.68</b>  | <b>0.25</b> | <b>6.7</b>   | <b>1.03</b>  | <b>0.10</b> |
| Tonnes Mined – FY2020                | 2.16          | 8.74         | 0.40        | 6.86         | 1.23         | 0.14        |
| <b>Resource – Dec 2020</b>           | <b>1.13</b>   | <b>8.27</b>  | <b>0.47</b> | <b>6.47</b>  | <b>1.13</b>  | <b>0.15</b> |

- HM includes other valuable heavy minerals eg leucoxene and magnetite
- 5% THM cut-off grade used for 2017 and 2018
- 2% THM cut-off grade used for 2019 and 2020
- Mineral Resource for December 2020 has been classified as Measured, Indicated and Inferred

The Company provided its current Tormin Beaches Annual Resource Update to the market on 26 February 2021, recognising a resource of 1.1 million tonnes at 13.67% THM (8.27% HM), based on a 2% heavy mineral cut-off grade. The Tormin Beaches deposit is an active placer beach sand deposit limited in extent on its eastern side by coastal cliffs and to depth by bedrock contact. The resource is open towards the ocean and surf zone on its western side, as well as along the coastline towards the north and south.

### Total Mineral Resources for the Tormin Beaches Deposit (2% THM cut-off grade) at 31 December 2020

| Category     | Tonnes (Mt) | THM (%)      | In Situ THM (Mt) | Zircon (%HM) | Garnet (%HM) | Ilmenite (%HM) | Rutile (%HM) | Anatase (%HM) | Magnetite (%HM) |
|--------------|-------------|--------------|------------------|--------------|--------------|----------------|--------------|---------------|-----------------|
| Measured     | 0.25        | 13.59        | 0.03             | 1.62         | 35.77        | 4.90           | 0.69         | 0.10          | 0.30            |
| Indicated    | 0.72        | 13.92        | 0.10             | 3.88         | 50.32        | 9.07           | 1.16         | 0.10          | 0.19            |
| Inferred     | 0.16        | 12.72        | 0.02             | 4.41         | 51.53        | 10.05          | 1.23         | 0.10          | 0.19            |
| <b>Total</b> | <b>1.13</b> | <b>13.67</b> | <b>0.15</b>      | <b>3.46</b>  | <b>47.33</b> | <b>8.30</b>    | <b>1.07</b>  | <b>0.10</b>   | <b>0.22</b>     |

Since commencement of operations at Tormin, the Company has mined in excess of 13.87 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.

The Company is confident that the development of the additional identified Inland Strand and Northern Beaches will allow the current active Tormin Beaches mining area to satisfactorily replenish in 2021.

On 19 May 2020, the Company announced its maiden high-grade resource at Tormin's Northern Beaches of 2.5 million tonnes at 23.5% THM in the category of Measured, Indicated and Inferred using a 2% cut-off.



The resource is based on drilling from only three (Beaches 5, 7 and 10) of the ten placer deposit style Northern Beaches adjoining the existing Tormin mine.

The Company completed resource drilling at Beaches 1, 2, 3, 4, 6, 8 and 9 as part of a follow-up programme outside of the Maiden Mineral Resource at the Northern Beaches (reported 19 May 2020) which are included in the updated Mineral Resource estimate released on 26 February 2021.

#### Total Mineral Resources for the Northern Beaches HM Deposit (2% cut-off grade) at 31 December 2020

| Category     | Tonnes (Mt) | THM (%)      | In Situ THM (Mt) | Zircon (%HM) | Garnet (%HM) | Ilmenite (%HM) | Rutile (%HM) | Anatase (%HM) | Magnetite (%HM) |
|--------------|-------------|--------------|------------------|--------------|--------------|----------------|--------------|---------------|-----------------|
| Measured     | 1.65        | 24.01        | 0.39             | 3.29         | 51.60        | 9.28           | 1.05         | 0.20          | 0.45            |
| Indicated    | 1.08        | 23.15        | 0.25             | 4.10         | 50.06        | 7.68           | 0.99         | 0.17          | 0.60            |
| Inferred     | 0.29        | 18.03        | 0.05             | 3.38         | 46.97        | 5.15           | 0.77         | 0.16          | 0.55            |
| <b>Total</b> | <b>3.02</b> | <b>23.24</b> | <b>0.7</b>       | <b>3.57</b>  | <b>50.77</b> | <b>8.43</b>    | <b>1.03</b>  | <b>0.17</b>   | <b>0.51</b>     |

- Mineral assemblage reported as in situ percentage of THM content

Total Mineral Resource for the Northern Beaches estimated 3 million tonnes at 23.2% THM in the category of Measured, Indicated and Inferred using a 2% cut-off. The updated Mineral Resources represent an overall increase of 23% of the total material tonnes and 20% of the contained in situ heavy minerals at the Northern Beaches.

The Mineral Resource table above demonstrates the high-grade nature of the deposit, with over 90% of the total resource reporting in the category of Measured and Indicated at 23.54% THM. The Measured Resource categorisation is also higher than any of the historical resource estimates at Tormin, which have only ever been reported as high as Indicated.

This represents yet another important milestone for the Company. The delivery of a JORC Code (2012) resource at the Northern Beaches effectively doubles the beach resource tonnes of this very high grade placer style beach system and its unique historical replenishment characteristics.

The Company mined 155,222 tonnes at 24.00% THM in 2020.

On 27 August 2020, the Company announced a high-grade maiden JORC resource at the Tormin Western Strandline of 106 million tonnes at 12.4% THM, which included as a subset 22.8 million tonnes at 20.9% THM, located within the expanded Section 102 Mining Right area of the Western Strandline (22% of the total estimated resource) that is immediately available for mining.

The Western Strandline spans the Section 102 Mining Right (WC 30/5/1/2/2/10108MR) and Prospecting Right (WC 30/5/1/1/2/10262PR).

The Mineral Resource was prepared in accordance with the JORC Code (2012) and independently peer reviewed by Wardell Armstrong International.

Mining in the Western Strandline commenced in September 2020 from the first pit in the southern part of the Western Strandline.

#### Total Mineral Resources for the Western Strandline Deposit (2% THM cut-off grade) at 31 December 2020

| Category     | Tonnes (Mt)  | THM (%)      | In Situ THM (Mt) | Zircon (%HM) | Garnet (%HM) | Ilmenite (%HM) | Rutile (%HM) | Anatase (%HM) | Magnetite (%HM) | Slimes (%)   |
|--------------|--------------|--------------|------------------|--------------|--------------|----------------|--------------|---------------|-----------------|--------------|
| Measured     | 9.7          | 19.13        | 1.8              | 2.45         | 14.90        | 15.02          | 1.15         | 0.23          | 0.66            | 13.40        |
| Indicated    | 33.1         | 16.20        | 5.3              | 1.08         | 12.62        | 4.90           | 0.68         | 0.12          | 0.27            | 10.11        |
| Inferred     | 62.6         | 9.29         | 5.8              | 1.25         | 15.57        | 5.84           | 0.84         | 0.18          | 0.29            | 10.30        |
| Stockpile    | 0.49         | 14.36        | 0.07             | 2.41         | 13.23        | 14.06          | 0.94         | 0.20          | 0.41            | 12.6         |
| <b>Total</b> | <b>105.9</b> | <b>12.40</b> | <b>13.1</b>      | <b>1.35</b>  | <b>14.26</b> | <b>6.80</b>    | <b>0.82</b>  | <b>0.16</b>   | <b>0.34</b>     | <b>10.53</b> |

- Mineral assemblage reported as in situ percentage of THM content

## DIRECTORS' REPORT

The Mineral Resource of the Western Strandline demonstrates the high-grade nature of the deposit, with over 40% of the total resource classified as Measured and Indicated.

The Section 102 updated Inland Strand resource area comprises two areas totalling approximately 5.5km in total length and covering 75 hectares, is located adjacent to the existing plant and is approved for immediate mining operation. The majority (85%) of the Mineral Resource within the Section 102 Mining Right is classified as Measured and Indicated.

### Total Mineral Resources for the Western Strandline Deposit inside Section 102 Mining Right Area (2% THM cut-off grade)

| Category     | Tonnes (Mt) | THM (%)      | In Situ THM (Mt) | Zircon (%HM) | Garnet (%HM) | Ilmenite (%HM) | Rutile (%HM) | Anatase (%HM) | Magnetite (%HM) | Slimes (%)   |
|--------------|-------------|--------------|------------------|--------------|--------------|----------------|--------------|---------------|-----------------|--------------|
| Measured     | 6.4         | 21.25        | 1.4              | 2.49         | 15.16        | 15.63          | 1.15         | 0.24          | 0.65            | 12.66        |
| Indicated    | 13.1        | 23.12        | 3.0              | 1.09         | 12.41        | 5.09           | 0.67         | 0.11          | 0.28            | 12.10        |
| Inferred     | 3.3         | 11.60        | 0.4              | 3.17         | 17.99        | 16.81          | 1.56         | 0.33          | 0.74            | 22.13        |
| <b>Total</b> | <b>22.8</b> | <b>20.92</b> | <b>4.8</b>       | <b>1.66</b>  | <b>13.65</b> | <b>9.04</b>    | <b>0.88</b>  | <b>0.17</b>   | <b>0.42</b>     | <b>13.71</b> |

- Mineral assemblage reported as in situ percentage of THM content

The Company is now completing finalisation of the JORC Code (2012) compliant, Proven and Probable ore reserves. Development at the Western Strandline has been expedited, with material from the Western Strandline already trial processed during the September quarter 2020, with full production expected to start from March 2021. The resource is transformative and demonstrates the true potential of what the Company believes is a world-class mineral sands discovery that will underpin the Company's mining operations' long-term sustainability.





## Skaland Graphite Operation

### Skaland Safety, Environment and Community

An extenuating circumstance of the safety performance at Skaland in 2020 is the inability of the General Manager and Executive Management to attend site due to COVID-19 travel restrictions and delayed employment of a new site safety officer who was ultimately deployed to site towards the end of 2020. This illustrates the challenges international mining companies face during the global COVID-19 pandemic. These issues severely impacted the Company's ability to mentor and bridge the cultural divide in the understanding of the importance of the adoption of world best practice safety standards.

Skaland had two lost-time injuries occur during 2020, the first since MRC's acquisition in 2019. The incidents occurred in the processing plant area and were directly related to prolonged shutdown maintenance works, which resulted from failures to the milling circuits. Both employees returned to work within three days of the incidents. Subsequent to these incidents, Skaland's 3-month rolling total recordable injury frequency rate returned to nil by the end of the financial year. The Company took clear and immediate action to undertake a second independent audit of all aspects of the operations and to develop a corrective Risk Register which provided the roadmap to actively manage safety risks to ensure that risks in the workplace were dealt with directly and expediently. Skaland's safety performance is outlined below:

| Total recordable injury frequency (per million hours worked) |       |      |      |
|--|-------|------|------|
| Year ended 31 December                                       | 2020  | 2019 | 2018 |
| Norway   | 33.88 | -    | -    |

| Lost Time Injuries (LTI) incidents recorded |      |      |      |
|---|------|------|------|
| Year ended 31 December                      | 2020 | 2019 | 2018 |
| Norway                                      | 2    | -    | -    |

The Company continues to strive for world best practice safety operating standards, including identifying risk in the workplace and enhancing the safety awareness of its employees.

There were no environmental non-compliance or incidents during the year. The Company has moved to investigate further risk mitigation in terms of currently permitted tailings disposal and reducing any detrimental environmental deposition into the surrounding fjord environment.

The Group's core objectives of sustainability reporting to GRI standards will move to implementation in 2021.

### Operational and Financial Performance

As identified in the Company's acquisition due diligence, the Company inherited an operation that had generally been deprived of technical and financial capital. Skaland's financial and operating performance was affected by this inherent underlying issue, which resulted in planned and unplanned maintenance in 2020, limiting production and sales revenue. Production shut down for several months in 2020. Extended repair times and parts delays increased costs driven by the extensive maintenance work required to rectify the significant plant maintenance deficit carried over from acquisition, including repairs to plant mills to bring them back into production.

COVID-19 has severely impacted integrating the Skaland operations effectively into the Company's planned operating regime. COVID-19 restricted deployment of senior international technical personnel, and key operational managers. This resulted in the Company re-assessing its recruitment strategy to access European-based mining personnel who have exemptions to work in Norway. The Company has advanced in securing key personnel and intends to deploy them in 2021.

## DIRECTORS' REPORT

The following key production and sales metrics have been achieved during the half-year:

| Mining Production  | Full Year to 31 December 2020 | Full Year to 31 December 2019 |
|--------------------|-------------------------------|-------------------------------|
| Tonnes Mined       | 28,893                        | 44,500                        |
| Waste Mined        | 10,765                        | 13,500                        |
| Ore Mined          | 18,128                        | 31,000                        |
| Ore Grade (%C)     | 28                            | 26                            |
| Development Metres | 223                           | 214                           |

Ore mined tonnes for the year were below historical performance due to a significant focus on development mining offsetting low development rates from the previous year. Sub-optimal mining equipment and considerable downtime due to ongoing maintenance also impacted mining production as management remedied the historical equipment maintenance deficit.

A planned process plant maintenance shutdown occurred in January to allow mining development and ore supply to regain synchronisation with ore demand from the plant, contributing to the high waste mined tonnes in the year.

Ore mined during the year of 18,128 tonnes reflects ROM feed to the processing plant for the year of 18,321 tonnes.

The plant has treated 18,321 tonnes of ore at 27.08% grade, compared to 29,030 tonnes at 28.05% grade in the budget. The below budget total tonnes treated in 2020 is largely related to lower than budgeted ore mined and extended plant shutdowns in January, March and July through to the end of October.

| Processing               | Full Year to 31 December 2020 | Full Year to 31 December 2019 |
|--------------------------|-------------------------------|-------------------------------|
| Ore Processed            | 18,321                        | 37,088                        |
| Throughput (tph)         | 7                             | 8                             |
| Ore Grade (%C)           | 27                            | 26                            |
| C Recovery (%)           | 91                            | 92                            |
| Concentrate Grade (%)    | 90                            | 91                            |
| Concentrate Produced (t) | 5,549                         | 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 generally is sub-90%. Optimisation initiatives successfully targeted pilot scale testing to improve the grades of the fines to 96%C-98%C to support the Company's downstream anode materials initiative, as well as increasing the production of coarse flake. Plant upgrades to increase the quality of fines are budgeted for completion in 2021, with increased coarse flake production considered as part of broader production expansion initiatives.

|                        | Full Year to 31 December 2020 |     | Full Year to 31 December 2019 |     |
|------------------------|-------------------------------|-----|-------------------------------|-----|
| Product Category (wmt) | Sales                         | %   | Sales                         | %   |
| Flake/Medium           | 3,152                         | 35% | 2,467                         | 34% |
| Fine-Medium/Powder     | 5,741                         | 65% | 4,808                         | 66% |
| Total                  | 8,893                         |     | 7,275                         |     |

The Company sold 8,893 tonnes of graphite concentrate during 2020, representing a 22.2% increase on 2019 of 7,275 tonnes, reflecting the continuity of market demand for Skaland's graphite products. Product sales revenue for the year was \$4.9 million for a total of 8,893 tonnes sold. Sales tonnes sold in 2020 was 160% of production, reflecting sales of a significant portion of the product inventory acquired in the Skaland acquisition in October 2019 that was in inventory at the start of the 2020 year.

As a result of several shutdowns of operations at Skaland during the year, the year-on-year unit cost ratios are not reported for 2020. The abnormal unit production cash costs and unit cost of goods sold for the year result from a primarily fixed operating cost base offset by low production and sales during the year because of the forced shutdowns.

## Permitting

In March 2020, the Company announced the maiden JORC Code (2012) resource at the Skaland Graphite Project for the underground Trælen Graphite Mine located on the island of Senja, Norway.

The Mineral Resource has been prepared in accordance with the 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. The Trælen mine delivered 19kt of ore to the processing plant in 2020 and deducted from the table resource.

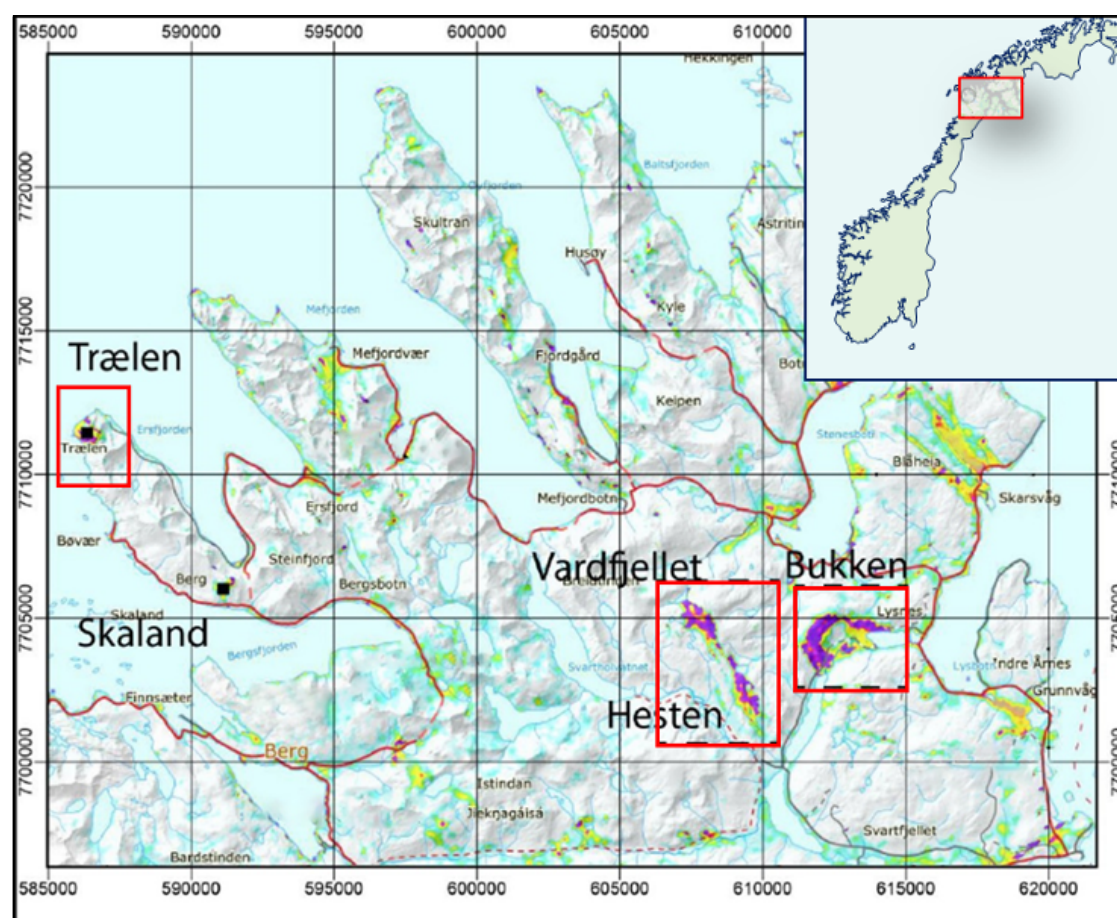
Total Mineral Resources for the Trælen Graphite Deposit (10% cut-off grade) at 31 December 2020

| Classification | Tonnes (Mt) | Total Graphitic Carbon (%) | Contained Graphite (Mt) |
|----------------|-------------|----------------------------|-------------------------|
| Indicated      | 0.38        | 26                         | 0.101                   |
| Inferred       | 1.37        | 21                         | 0.291                   |
| <b>Total</b>   | <b>1.76</b> | <b>22</b>                  | <b>0.392</b>            |

This maiden JORC Code (2012) resource at Skaland, the highest grade resource for any operating graphite mine in the world, will not only become the foundation of the Company's plans to build on its existing graphite concentrate business but also underwrites the strategy to become Europe's first vertically integrated producer of natural graphite anode material.

In July 2020, the Company also announced that it has entered into a landowner agreement to explore the south of Bukken Graphite Prospect, on the island of Senja, Norway. The tenement is located approximately 20km east of MRC's existing Skaland Graphite Operation. The agreement will provide MRC with exclusive exploration rights for 10 years.

In November 2020, the Company's mining plan for Skaland was approved by the Norwegian Directorate of Mining, marking the transition from a provisional Operating Permit for the mine.



Graphite occurrences in northern Senja, underlain by apparent resistivity (modified after NGU, 2019)



## DIRECTORS' REPORT

This landowner agreement provides the Company with an opportunity to explore one of Norway's most prospective graphite targets. The discovery of an economic graphite resource at Bukken, located only 20km from our processing infrastructure at Skaland, would further add to our strategy to make Skaland an integral part of Europe's plan to secure supply of critical raw battery materials.

Subsequent to year end, the Company also signed a landowner agreement over the Hesten and Vardfjellet graphite prospects, 15km from the existing Skaland Graphite Operation and only 4km west of the Bukken prospect.

### Munglinup Graphite Project

#### Key Investment Findings

Mondium, BatteryLimits and MRC completed the DFS on a concentrate only production scenario at the Munglinup Graphite Project in December 2019, with outcomes released to the ASX on 8 January 2020. The DFS confirms the Company's view that Munglinup will become a crucial asset in its overall ambition to supply natural graphite concentrate into the key high-demand battery anode market.

|  |                      |            |
|--|----------------------|------------|
| NPV (at a discount rate of 7%), post tax, real       | US\$ millions        | 111        |
| <i>NPV (at a discount rate of 7%), pre-tax, real</i> | <i>US\$ millions</i> | <i>172</i> |
| Internal Rate of Return ("IRR") post-tax, real       | %                    | 30         |
| <i>IRR pre-tax, real</i>                             | %                    | <i>36</i>  |
| Development Capex                                    | US\$ millions        | 61         |
| Capital Payback Period                               | Years                | 2.7        |
| LOM Operating Costs (FOB Fremantle)                  | US\$/t ore           | 491        |
| LOM Revenue  | US\$ millions        | 853        |
| LOM EBITDA   | US\$ millions        | 426        |
| LOM post-tax net cash flow                           | US\$ millions        | 240        |
| Average annual EBITDA                                | US\$ millions        | 31         |

#### Key Project Parameters

|                                       |        |       |
|---------------------------------------|--------|-------|
| LOM (Life of Mine)                    | Years  | 14    |
| Ore Reserve (Probable)                | Mt     | 4.24  |
| Process throughput (years 1-6)        | Ktpa   | 400   |
| Process throughput (year 7 onwards)   | Ktpa   | 500   |
| Average Feed Grade                    | % TGC  | 12.8  |
| Recovery rate of graphite concentrate | %      | 88    |
| Nominal concentrate grade             | % TGC  | >95   |
| Average annual concentrate production | Ktpa   | 52    |
| Average basket price                  | US\$/t | 1,144 |

## Mineral Resource and Reserve

Total Mineral Resource and Ore Reserve for the Munglinup Graphite Project (5% cut-off) at 31 December 2020

| Mineral Resource |             |                            | Ore Reserve  |             |                            |
|------------------|-------------|----------------------------|--------------|-------------|----------------------------|
| Category         | Tonnes (Mt) | Total Graphitic Carbon (%) | Category     | Tonnes (Mt) | Total Graphitic Carbon (%) |
| Measured         |             |                            | Proven       |             |                            |
| Indicated        | 4.49        | 13.1                       | Probable     | 4.24        | 12.8                       |
| Inferred         | 3.50        | 11.0                       |              |             |                            |
| <b>Total</b>     | <b>7.99</b> | <b>12.2</b>                | <b>Total</b> | <b>4.24</b> | <b>12.8</b>                |

| Ore Reserve |                 |          |               |
|-------------|-----------------|----------|---------------|
| 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 |             |                            |
|------------------|-------------|----------------------------|
| Category         | Tonnes (Mt) | Total Graphitic Carbon (%) |
| Inferred         | 2.75        | 11.1                       |

- Ore Reserve uses a variable cash flow cut-off grade
- Ore Reserve flake size distribution is for recovered graphite product
- 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

The Company intends to exercise its right 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.

Supplementary environmental studies requested by the Western Australian Environmental Protection Authority ("EPA") were submitted in July 2020. The feedback on the EPA Supplementary Reports and Studies was received on 4 September 2020. The editing and updating of the Reports and Studies to respond to the EPA feedback was submitted to the Department of Agriculture, Water and Environment ("DAWE") on 19 November 2020. The Company awaits DAWE's response, aiming to facilitate EPA approval for these documents so that the public environmental review process can commence. It is hoped this public consultation period will commence in early February 2021.

## Downstream Graphite Projects

The CRC-P for the development of an environmentally friendly purification process for graphite continues to progress, with CSIRO advancing on optimisation of its reagents and process conditions for the production of battery grade graphite concentrate (>99.95%) using a caustic roast/acid leach process. In 2020, semi-optimised conditions have been established, variability testing on different feed materials completed and scale-up of the process commenced. The CRC-P is supported by the Australian Commonwealth Government.

Outside the CSIRO component of the CRC-P, the Company has successfully produced battery grades using a carbochlorination process, with optimisation of conditions and process scale-up. The progress of two process routes provides flexibility in ensuring that a fit-for-purpose solution is developed. These purification processes have been incorporated into the Company's AAMP PFS.

The Company has also received the results of external evaluation of purification and coin cell tests on the performance of spherical graphite produced from Skaland concentrate as an anode material, reinforcing the Company's position that Skaland graphite has the potential to be a high quality anode material. Further coin cell testing of anode materials produced in the Company's downstream projects commenced with CSIRO after the end of the year.

## DIRECTORS' REPORT

The Company has also conducted test work with vendors on micronisation and spheronisation during the year. The availability of large quantities of concentrate from Skaland means the vendor testing can be done cost-effectively and at scale – thereby increasing the level of confidence in scale-up performance. The results of this testwork have also been included in the Company's AAMP PFS.

The Company is also evaluating the potential for on-site micronisation and spheronisation at Skaland to increase the product suite's basket price at Skaland, leveraging the site's access to low-cost renewable energy. Upgrades will complement this at the Skaland processing plant to increase the grade of its fine-medium and powder products. Testwork to support the enhancements are completed, and the plant upgrades' engineering design expected to be completed in early 2021. The micronisation plant will also support the development of spheronisation capacity at Skaland in 2021 to support the Company's downstream initiatives.

### Active Anode Materials Plant Pre-Feasibility Study

The Company completed a PFS on the production of active anode material during the September 2020 quarter. The PFS investigated two alternative low CO<sub>2</sub> emission, environmentally friendly methods of purification – a caustic roast/acid leach process and a carbochlorination process – that do not use highly toxic HF acid. The PFS produced two highly compelling economic outcomes; an integrated post-tax pre-finance NPV<sub>7</sub> of US\$1.0 billion, IRR 67% for the caustic roast/acid leach process and a carbochlorination process NPV<sub>7</sub> of US\$1.07 billion, IRR 58%.

The study adopted an integrated approach incorporating the following key components:

- Skaland Life of Mine ("LOM") Plan;
- Munglinup Graphite Project ("MGP") DFS; and
- Active Anode Materials Plant ("AAMP") metallurgy, process engineering design and cost estimation.

The PFS takes a modular approach to AAMP production of purified spherical graphite and fines, commencing with a single 20ktpa module to process Skaland concentrate in the first stage, before expansion through two additional modules to process Munglinup concentrate. The dedicated AAMP is expected to be built in Norway, powered by low cost, renewable energy in the fastest-growing battery manufacturing region globally.

The PFS outcomes are outlined below:

| Outcome                             | Unit          | Skaland | Munglinup | Downstream (Caustic) | Downstream (Carbo) |
|-------------------------------------|---------------|---------|-----------|----------------------|--------------------|
| Average Graphite Production         | (ktpa)        | 15      | 52        | 0                    | 0                  |
| Mine Life                           | (years)       | 15      | 14        | 17                   | 17                 |
| Operating Cost                      | (US\$/t sold) | 396     | 538       | 1,610                | 1,206              |
| Development Capex                   | (US\$M)       | 21      | 61        | 237                  | 306                |
| Accuracy level <sup>1</sup>         | (%)           | +/-20%  | +15%/-5%  | +/-25%               | +/-25%             |
| LOM Revenue                         | (US\$M)       | 262     | 867       | 4,679                | 4,679              |
| LOM Net Cashflow*                   | (US\$M)       | 90      | 264       | 1,666                | 1,835              |
| LOM EBITDA                          | (US\$M)       | 158     | 466       | 2,483                | 2,803              |
| Annual average EBITDA               | (US\$M)       | 8       | 33        | 172                  | 194                |
| Pre-tax project NPV <sub>7</sub> *  | (US\$M)       | 71      | 186       | 1,093                | 1,188              |
| Pre-tax project IRR*                | %             | -       | 42%       | 72%                  | 63%                |
| Post-tax project NPV <sub>7</sub> * | (US\$M)       | 52      | 124       | 821                  | 891                |
| Post-tax project IRR*               | %             | 66%     | 33%       | 67%                  | 58%                |
| Payback period <sup>2</sup>         | (years)       | NA      | 2.7       | 1.58                 | 1.84               |
| Average annual EBIT *               | (US\$M)       | 6       | 27        | 150                  | 166                |

\* Real, unlevered, discounted from anticipated Downstream Project construction commencement date of 1 July 2022

1- Development Capital Expenditure, Operating Cost Expenditure

2- Post construction



**Key Project Parameters**

| Parameter                            | Unit  | Skaland | Munglinup | Downstream |
|--------------------------------------|-------|---------|-----------|------------|
| Process throughput (initial)         | ktpa  | 37      | 400       | 8          |
| Process throughput (capacity)        | ktpa  | 67      | 500       | 57         |
| Average feed grade                   | % TGC | 24      | 13        | 95         |
| Recovery rate from graphite          | %     | 92      | 88        | 93         |
| Nominal grade                        | % TGC | 94.93   | 95.00     | 99.95      |
| Nominal production                   | ktpa  | 15      | 52        | 51         |
| • Coated Purified Spherical Graphite | ktpa  | -       | -         | 25.4       |
| • Unpurified Micronised Fines        | ktpa  | -       | -         | 5.9        |
| • Purified Micronised Fines          | ktpa  | -       | -         | 19.7       |

The CRC-P to develop an environmentally sustainable purification process for graphite supported the technical purification elements of the PFS, with the testwork now progressing to small-scale piloting. The PFS was further supported by micronisation and spheronisation testwork at a number of vendor facilities. The production of significant quantities of spherical graphite from this testwork will further support the development of a fit for purpose purification process.

Supporting activities for site selection in Norway have been impacted by COVID-19 travel restrictions.

After completing the AAMP PFS, the Company is continuing with scale-up test work to purify spherical graphite from Munglinup and Skaland using the chemical (caustic/acid leach) and carbo-chlorination processes described in the PFS, under the CRC-P.

The Company has also commenced coating and electrochemical coin cell testing of samples from Munglinup and Skaland, purified by a range of methods, to evaluate performance. Updates on the testwork are expected in the March 2021 quarter. This work will support a DFS on the AAMP in 2021. Discussions are continuing with potential customers on the evaluation of anode material from the Company's graphite assets, with Skaland, in particular, benefiting from being an operational asset in Europe. Early production of spherical graphite at Skaland is under evaluation.

**Australian Exploration****Vanadium: Harvey**

The dieback management plan and environmental management document were approved and Disease Risk Area Permit issued by the Department of Biodiversity, Conservation and Attractions on 10 February 2020. Exploration drilling is expected to commence in the March quarter 2021.

**Channel Iron: Glen Florrie**

The Company was granted Exploration Licence E08/2963 on 4 March 2020 and heritage agreement negotiations were commenced. A field visit for sampling and mapping was undertaken. A decision will be made on the continuing exploration of the tenement once results have been assessed.

**Gold: Doolgunna**

In Doolgunna, site rehabilitation has been completed and terms negotiated with the traditional owners regarding Native Title. In the December quarter 2020, the Company executed a heritage agreement with the Yugunga-Nya group. Gravity Recoverable Gold test works on the bulk samples in the Nargom laboratory were completed in the December 2020 quarter.

**Xolobeni Mineral Sands Project**

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 @ 5% THM.

The Xolobeni permitting process remains under a DMRE mandated moratorium. 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. The Company 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.

## Consolidated Results and Financial Position

Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") for the Group were \$21.3 million (2019: \$16.5 million), a 29% increase on the prior year. The higher overall sales volumes and revenue, in conjunction with a gain on bargain purchase and lower corporate overheads, translated into the higher reported EBITDA for the 2020 year when compared to 2019 results.

Revenue for the year was \$63.5 million (2019: \$61.8 million), a 3% increase on the prior year. Higher sales revenue was due to the first full year of Skaland sales (US\$3.8 million higher), offset by lower Tormin revenue (US\$2.1 million lower). Higher Skaland revenue was due to revenue recognised for the full 12 months of 2020, whereas revenue for 2019 was recognised for 3 months only since acquisition on 4 October 2019. Lower Tormin revenue was due to a 50% (107,367 tonnes) decrease in ilmenite concentrate tonnes shipped during the current year, a 13% (1,372 tonnes) decrease in zircon and rutile tonnes shipped and lower zircon and rutile pricing achieved in 2020, partially offset by higher garnet revenue due to the outcome of the GMA Settlement in the September quarter 2020. Garnet revenue recognised in 2020 includes 206,124 additional tonnes, reflecting the December 2019 contract liability of prepaid tonnes delivered to GMA in prior periods, as the settlement includes GMA taking ownership of these tonnes.

Gross profit margins were higher at Tormin, with the Revenue to Cost of Goods Sold Ratio for the year of 1.71 (2019: 1.48), due to lower unit costs, partially offset by lower unit revenue. Lower unit costs in 2020 are due to lower production cash costs, increased relative volumes of bulk shipment products driven by the GMA Settlement and a material positive garnet inventory adjustment during the year. Lower unit revenue in 2020 is due to the reduction in zircon and rutile sales as a proportion of total sales during the current year and the decline in average ilmenite pricing as a result of the short-term impact of the COVID-19 pandemic on product demand in China.

Corporate administration and share incentive expenses for the year of \$5.8 million (2019: \$5.5 million) were incurred, with the increase over the prior year due to increased investment in executive support staff, offset by lower travel costs due to the global COVID-19 pandemic.

The profit before income tax expense ("NPBT") was \$15.6 million (2019: \$11.9 million), a 32% increase on the prior year, reflecting the improved sales performance, gain on bargain purchase and lower mining and processing costs in 2020. The gain on bargain purchase reflects the gain on the fair value purchase of Skaland, with the valuation of Skaland assets exceeding the acquisition purchase price value by US\$1.3M.

The profit after income tax from continuing operations ("NPAT") for 2020 was \$13.9 million (2019: \$7.8 million), a 77% increase on the prior year. The main contributors towards the increased NPAT when compared to 2019 results were the increase in profit before income tax and the decrease in the effective tax rate for 2020 to 11% (2019: 34%). The decrease in the effective tax rate in 2020 is due to the positive tax effect of foreign exchange movements during the year.

At 31 December 2020, the Company had \$5.6 million in cash (2019: \$8.1 million), with trade and other receivables of \$15.7 million (2019: \$9.5 million). Trade and other receivables as at 31 December 2020 included US\$7.5 million received in the first week of January 2021 for December 2020 sales.

Net working capital as at 31 December 2020 was \$14.9 million (2019: \$8.1 million). The increase is due to 2020 profitability and the impact of a material positive garnet inventory adjustment in the first half of 2021. The adjustment came as a result of a detailed survey of garnet inventory, arising from the GMA Group settlement process. GMA Group has a large inventory build-up of stockpiles to contracted limits, which has impacted the Company's ability to survey stockpile basement levels and compounded inventory variances. As a result of the independent garnet inventory survey, the Company was able to identify 156kt of additional inventory tonnes in comparison to the 31 December 2019 survey. The main contributing factors were settlement of the stockpile areas and production during the period. This increase in garnet inventory previously expensed through the income statement has been reversed back to the balance sheet as inventory as a one-off adjustment.

Borrowings as at 31 December 2020 were \$6.0 million (2019: \$7.7 million). The decreased borrowings reflect repayment of debt offset by some new lease liabilities.

Net assets of the Group as at 31 December 2020 were \$61.2 million (2019: \$46.0 million). The increase in reported net assets reflects Group profitability in 2020 and a capital raising of AU\$6.58 million (before costs), through placement of 32.9 million new fully paid ordinary shares at AU\$0.20 per share, to sophisticated and professional investors.

Cash inflow from operating activities for the year of \$3.2 million (2019: \$13.3 million) remained positive but reflected lower receipts from customers in 2020 due to large ilmenite inventory stockpile sales in 2019 where those stockpiles were extinguished in 2019, lower non-mags sales and lower garnet receipts from the GMA Settlement in 2020, whereby GMA purchased 173,604 tonnes delivered in 2020 in comparison with 210,000 tonnes delivered in 2019.

Net cash investments in acquisitions, exploration, feasibility studies, mine development, property, plant and equipment during 2020 totalled \$6.4 million (2019: \$10.0 million).

The expected future cash position and earnings of the Company are expected to provide for the recommencement of payment of future dividends as part of the Company's overall capital management strategy. The Directors have deferred a decision on declaring a final dividend for the year ended 31 December 2020.

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

The focus at Tormin will be on continued optimisation of mining and processing operations and to deliver results that improve on 2020 figures with the full-year introduction of mining from the Northern Beaches and Inland Strand. MRC's S102 Expanded Mining Right was obtained on 30 June 2020, enabling mining expansion to the Northern Beaches and Inland Strand mining areas. A concerted effort will be made to optimise and expand production from these areas as quickly and efficiently as possible.

Skaland's 2021 operations will be focused on stabilising operations and improving safety standards. The Company plans to invest in mining equipment and additional development to ensure continued ore supply and plant optimisation to improve grade and coarse/fine fraction product distribution. The introduction of micronisation and spheronisation circuits will generate value-added products and improve unit revenue.

After delivering the DFS for the Munmlinup Graphite Project on 8 January 2020, management continues to expedite the requisite studies and regulatory approvals to fast-track project development.

The AAMP PFS has delivered compelling economic outcomes for producing active anode material for batteries in EVs and stationary uses. Management continues to expedite scale-up testwork to purify spherical graphite from Munmlinup and Skaland towards completing a DFS in 2021.

The expansion of the Tormin mining operation, consolidation of Skaland, continued progress of the tier 1 jurisdiction Munmlinup Graphite Project and Downstream initiatives see the Company well-positioned in 2021 to deliver on its stated expansion and diversification strategy.

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

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 significantly affect 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

The previous CEO, Mark Victor Caruso, on 25 March 2021 was given notice of termination of the agreement under which the services of Mr Caruso are provided. The Company's Chairman, Mr David Baker and Non-Executive Director, Mr Russell Tipper acting in the role of CEO, will supervise the Company's operations whilst the Board undertakes a search for a replacement CEO, commencing immediately.

Other than disclosed above and 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

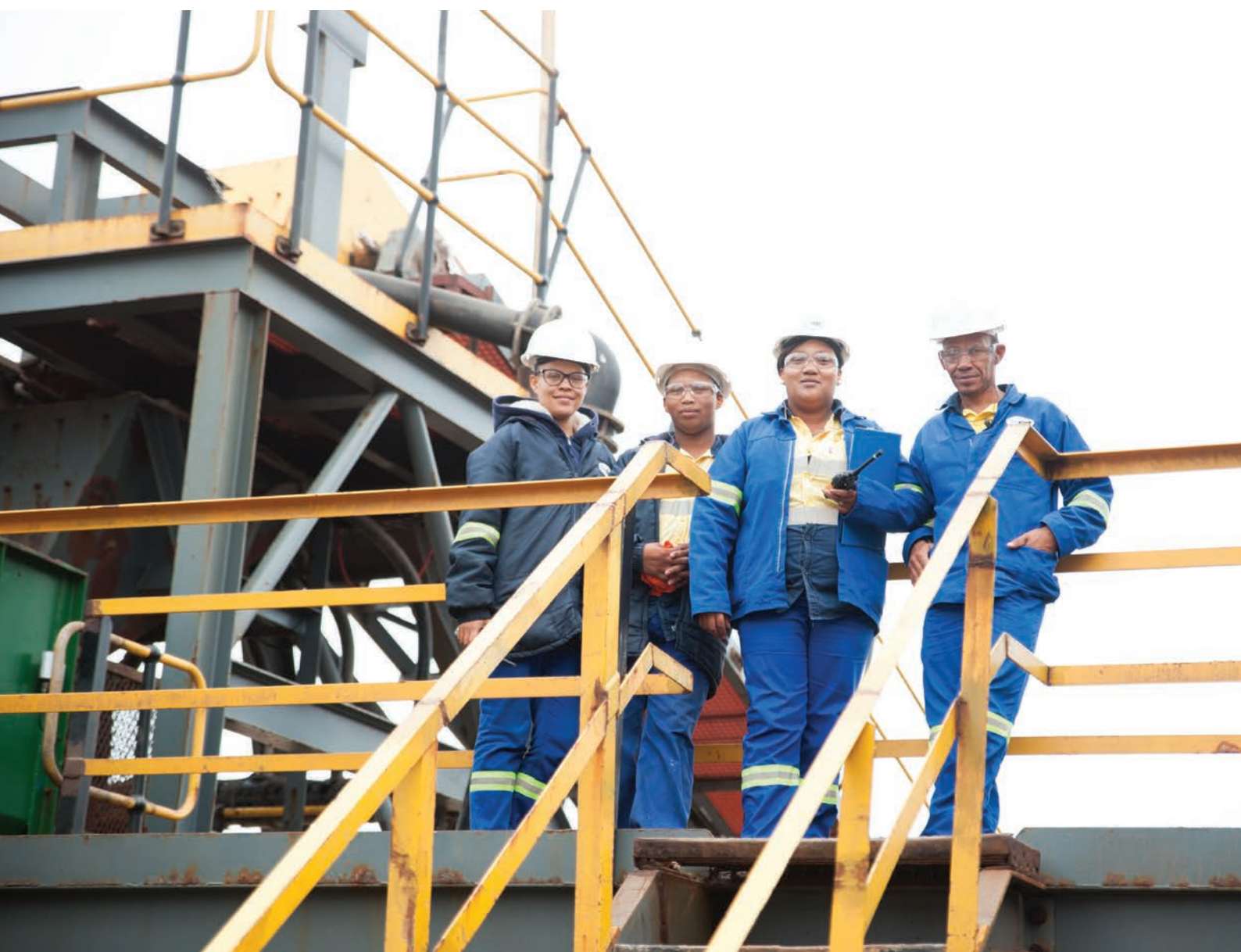
The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use in Australia. For the measurement period, the Directors have assessed that there are no current reporting requirements, 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              | Type of Right/Tenement | Status  | Registered Interest (Beneficial Interest) |
|--------------|---|------------------------------------|------------------------|---|---|
| South Africa | Tormin - Expansion                      | 162&163 EM                         | Mining                 | Granted   | 50%                                       |
|              | Tormin - Steenvas                       | (WC)30/5/1/2/2/162 MR (10108 MR)   | Mining                 | Granted   | 50%                                       |
|              | Tormin – North and South                | (WC)30/5/1/2/2/163 MR (10107 MR)   | Mining                 | Granted   | 50%                                       |
|              | Tormin – Surf Zone                      | (WC)30/5/1/1/2/10036 PR (10276 PR) | Prospecting            | Granted – subject to renewal application  | 50%                                       |
|              | Tormin - Offshore                       | (WC)30/5/1/1/2/10199 PR (10343 PR) | Prospecting            | Granted   | 50%                                       |
|              | Tormin – De Punt                        | (WC)30/5/1/1/2/10240 PR            | Prospecting            | EA granted subject to appeal  | 50%                                       |
|              | Tormin - Northern Beaches Graauw Duinen | (WC)30/5/1/1/2/10261 PR            | Prospecting            | Granted   | 50%                                       |
|              | Tormin – Geelwal Karoo                  | (WC)30/5/1/1/2/10262 PR            | Prospecting            | Granted   | 50%                                       |
|              | Tormin – Klipvley Karoo Kop             | (WC)30/5/1/1/2/10307 PR (10348 PR) | Prospecting            | Under application   | 50%                                       |
|              | Tormin – Geelwal Karoo & De Punt        | (WC)30/5/1/1/2/10308 PR (10349 PR) | Prospecting            | Under application   | 50%                                       |
| Australia    | Xolobeni - Kwanyana block               | EC30/5/1/1/2/10025 PR              | Prospecting            | Subject to moratorium - Converting to Mining Right<br><br>Subject to Regional Mining Development and Environmental Committee (REMDEC) appeal decision | 56%                                       |
|              | Xolobeni                                | EC30/5/1/1/2/10025 MR              | Mining                 | Subject to moratorium - Under Application   | 56%                                       |
|              | 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   | 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%)             |
|              |   |                                    |                        |   |   |

| Country               | Location           | Right/Tenement Number                 | Type of Right/Tenement                                   | Status                 | Registered Interest (Beneficial Interest) |
|-----------------------|--------------------|---------------------------------------|--|------------------------|---|
| Australia (continued) | 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                | Traelen            | Gnr./bnr.6/1,6/2 and 7/1 in Berg      | Expropriation of Mining Rights on specified land parcels | Granted                | 90%                                       |
|                       | Mount Bukken       | Zone: Gnr. 90/Bnr. 2                  | Exploration  | [Registration pending] | 90%                                       |
|                       | Vardfjellet/Hesten | GNR. 124/bnr. 1 (6.9km <sup>2</sup> ) | Exploration  | [Registration pending] | 90%                                       |





## Information on Directors

|                          |   |               |
|--------------------------|---|---------------|
| <b>David Lewis Baker</b> | <b>Independent Non-Executive Chairman<br/>(appointed 2 October 2020) &amp; Independent<br/>Non-Executive Director</b> | <b>Age 64</b> |
|--------------------------|---|---------------|

### **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). Mr Baker was appointed Chairman of the Company on 2 October 2020 following his appointment as an Independent Non-Executive Director of the Company.

### **Other current directorships**

None

### **Former directorships in the last 3 years**

None

### **Special responsibilities**

Chairman of the Board

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

### **Interests in shares and performance rights**

250,000 ordinary shares in the Company

|                           |  |               |
|---------------------------|--|---------------|
| <b>Mark Victor Caruso</b> | <b>Executive Chairman (resigned 2 October 2020) and<br/>Chief Executive Officer (terminated 25 March 2021)</b> | <b>Age 59</b> |
|---------------------------|--|---------------|

### **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. Mr Caruso resigned as Executive Chairman on 2 October 2020. Mr Caruso is also a Director of Zurich Bay Holdings.

### **Other current directorships**

None

### **Former directorships in the last 3 years**

Perpetual Resources Limited

Connexion Telematics Ltd

### **Special responsibilities**

Chairman of the Board (resigned 2 October 2020)

Chief Executive Officer (terminated 25 March 2021)

### **Interests in shares and performance rights**

79,514,228 ordinary shares in the Company – indirect holding<sup>1</sup>

15,784 ordinary shares in the Company – direct holding

<sup>1</sup> 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.

|                              |  |               |
|------------------------------|--|---------------|
| <b>Joseph Anthony Caruso</b> | <b>Non-Executive Director (resigned 2 December 2020)</b> | <b>Age 75</b> |
|------------------------------|--|---------------|

***Experience and expertise***

Mr Joseph Caruso was appointed as Non-Executive Director of the Company in September 2000. 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

***Special responsibilities***

Member of the Audit, Compliance and Risk Committee

***Former directorships in the last 3 years***

None

***Interests in shares and performance rights***

78,007,485 ordinary shares in the Company<sup>1</sup>

|   |   |               |
|---|---|---------------|
| <b>Peter Patrick Torre</b><br>CA, AGIA, MAICD | <b>Non-Executive Director and<br/>Company Secretary</b> | <b>Age 49</b> |
|---|---|---------------|

***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

Connexion Telematics Ltd

***Special responsibilities***

Company Secretary

***Interests in shares and performance rights***

1,625,000 ordinary shares in the Company

***Former directorships in the last 3 years***

Zenith Energy Ltd

<sup>1</sup> 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.

**Debbie Ntombela****Non-Executive Director****Age 67*****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. Ms Ntombela 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****Non-Executive Director  
Chief Executive Officer (appointed 25 March 2021)****Age 67*****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



## 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 Shareholding at the date of the Directors' Report is as follows:

|                  |            | Balance as at<br>1 January 2020 | Received as<br>remuneration | Increase as<br>a result of<br>performance<br>rights exercised | Purchased on<br>market | Balance as at<br>31 December<br>2020 |
|------------------|------------|---------------------------------|-----------------------------|---|------------------------|--------------------------------------|
| 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      |            | -                               | -                           | -   | 250,000                | 250,000                              |
| Debbie Ntombela  |            | -                               | -                           | -   | -                      | -                                    |
| Russell Tipper   |            | -                               | -                           | -   | -                      | -                                    |
| Adam Bick        |            | -                               | -                           | 1,000,000   | -                      | 1,000,000                            |
| Surinder Ghag    |            | -                               | -                           | -   | -                      | -                                    |
| Bahman Rashidi   |            | -                               | -                           | -   | -                      | -                                    |
| Fletcher Hancock |            | -                               | -                           | 500,000   | -                      | 500,000                              |

## 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 2020, and the number of meetings attended by each Director were:

| Name  | Directors' Meetings |          | Meetings of committees     |          |                             |          |
|---|---------------------|----------|----------------------------|----------|-----------------------------|----------|
|   |                     |          | Audit, Compliance and Risk |          | Remuneration and Nomination |          |
| <b>Number of meetings held</b>                      |                     |          |                            |          |                             |          |
| <b>A being total of meetings eligible to attend</b> | <b>A</b>            | <b>B</b> | <b>A</b>                   | <b>B</b> | <b>A</b>                    | <b>B</b> |
| <b>B being total of meetings actually attended</b>  |                     |          |                            |          |                             |          |
| David Lewis Baker                                   | 10                  | 10       | 4                          | 4        | 3                           | 3        |
| Mark Victor Caruso                                  | 7                   | 7        | -                          | -        | -                           | -        |
| Joseph Anthony Caruso                               | 9                   | 9        | 3                          | 3        | -                           | -        |
| Peter Patrick Torre                                 | 10                  | 10       | -                          | -        | -                           | -        |
| Debbie Ntombela                                     | 10                  | 9        | 4                          | 3        | 3                           | 3        |
| Russell Gordon Tipper                               | 10                  | 10       | 4                          | 4        | 3                           | 3        |

Other matters of Board business have been resolved by circular resolutions of Directors, which are records 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 Chief Executive Officer, Chief Financial Officer, Group Technical Services Manager, Exploration Manager, Group Legal Counsel and Chief Operating Officer of Graphite and Anode Materials (Europe). 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 2020, 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.

|   | 2020       | 2019       | 2018       | 2017       | 2016       |
|---|------------|------------|------------|------------|------------|
| Profit for the year after tax attributable to owners of Mineral Commodities Ltd (USD) | 13,754,615 | 7,828,231  | 8,823,231  | 9,932,930  | 3,777,834  |
| Closing share price (AUD)   | 37.0 cents | 28.0 cents | 17.0 cents | 13.0 cents | 13.0 cents |
| Dividends paid (AUD)  | -          | 5,474,790  | 5,431,140  | 6,884,012  | 4,049,416  |

### Voting and comments made at the Company's 2020 Annual General Meeting

The Company received more than 25% votes against the approval of the Remuneration Report, and as such recorded its first strike in accordance with the *Corporations Act 2001*.

At the General Meeting held 30 July 2020, Mr Joseph Caruso and Mr Peter Torre were re-elected as Directors of the Company and the Company was granted approval to issue up to 100 million shares to fund growth initiatives and manage working capital constraints resulting from impacts of the COVID-19 pandemic.

### B. DETAILS OF REMUNERATION

The key management personnel of the Group are:

- the Directors of the Company;
- Mr Mark Caruso, the Chief Executive Officer ("CEO"), (terminated 25 March 2021);
- Mr Adam Bick, the Chief Financial Officer ("CFO");
- Mr Surinder Ghag, the Group Technical Services Manager ("TSM");
- Mr Bahman Rashidi, the Group Exploration Manager ("EM"); and
- Mr Fletcher Hancock, the Group Legal Counsel ("GLC"); and
- Mr Christoph Frey, Chief Operating Officer of Graphite and Anode Materials (Europe) ("COO – GAM").

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 the CFO, TSM and EM in 2018, the GLC in 2019 and to the CFO and TSM in 2020. The following fees are applicable to Directors and key management personnel of the Company.





| Name   | Year        | Cash salary (\$) | Cash bonus (\$)  | Annual and long service leave (\$) | Post-employment benefits (\$) | Share-based payments (Options & Performance rights) (\$) | Totals (\$)            | Percentage performance based(%) | Share based payments as a percentage of remuneration (%) |
|--|-------------|------------------|------------------|------------------------------------|-------------------------------|--|------------------------|---------------------------------|--|
| <b>Directors</b>   |             |                  |                  |                                    |                               |  |                        |                                 |  |
| David Baker<br>(appointed as Chairman on 2 Oct 2020)   | 2020        | 80,000           | -                | -                                  | -                             | -  | 80,000                 | -                               | -  |
|  | 2019        | 22,917           | -                | -                                  | -                             | -  | 22,917                 | -                               | -  |
| Mark Caruso <sup>1</sup> (resigned as Executive Chairman on 2 Oct 2020 and terminated as CEO on 25 March 2021) | 2020        | 573,973          | 953,082*         | 24,757                             | 26,027                        | -  | 1,577,839 <sup>2</sup> | 60.4                            | -  |
|  | 2019        | 579,710          | 677,000          | 7,929                              | 20,290                        | -  | 1,284,929              | 52.7                            | -  |
| Joseph Caruso (resigned on 2 Dec 2020)   | 2020        | 58,600           | -                | -                                  | 5,567                         | -  | 64,167                 | -                               | -  |
|  | 2019        | 63,927           | -                | -                                  | 6,073                         | -  | 70,000                 | -                               | -  |
| Peter Torre  | 2020        | 150,000          | -                | -                                  | -                             | -  | 150,000                | -                               | -  |
|  | 2019        | 150,000          | -                | -                                  | -                             | -  | 150,000                | -                               | -  |
| Debbie Ntombela  | 2020        | 75,000           | -                | -                                  | -                             | -  | 75,000                 | -                               | -  |
|  | 2019        | 22,500           | -                | -                                  | -                             | -  | 22,500                 | -                               | -  |
| Russell Tipper   | 2020        | 73,059           | -                | -                                  | 6,941                         | -  | 80,000                 | -                               | -  |
|  | 2019        | 20,928           | -                | -                                  | 1,989                         | -  | 22,917                 | -                               | -  |
| Guy Walker (resigned 30 May 2019)  | 2019        | 33,333           | -                | -                                  | -                             | -  | 33,333                 | -                               | -  |
| Ross Hastings (resigned 30 May 2019)   | 2019        | 14,840           | -                | -                                  | 1,410                         | -  | 16,250                 | -                               | -  |
| <b>Total Director Remuneration</b>   | <b>2020</b> | <b>1,010,632</b> | <b>953,082</b>   | <b>24,757</b>                      | <b>38,535</b>                 | <b>-</b>   | <b>2,027,006</b>       | <b>47.0</b>                     | <b>-</b>   |
|  | 2019        | 908,155          | 677,000          | 7,929                              | 29,762                        | -  | 1,622,846              | 41.7                            | -  |
| <b>Other Key Management Personnel</b>  |             |                  |                  |                                    |                               |  |                        |                                 |  |
| Adam Bick (appointed 5 June 2019)  | 2020        | 228,311          | 57,813           | 18,041                             | 21,689                        | 50,360   | 376,214                | 15.4                            | 13.4   |
|  | 2019        | 126,898          | 49,771           | 11,715                             | 12,055                        | 45,266   | 245,705                | 20.3                            | 18.4   |
| Surinder Ghag  | 2020        | 273,973          | 60,750           | 5,750                              | 26,027                        | 43,911   | 410,411                | 14.8                            | 10.7   |
|  | 2019        | 237,758          | 59,750           | 336                                | 22,125                        | 83,914   | 403,883                | 14.8                            | 20.8   |
| Bahman Rashidi   | 2020        | 182,648          | 46,500           | 6,429                              | 17,352                        | 29,741   | 282,670                | 16.5                            | 10.5   |
|  | 2019        | 169,798          | -                | 4,488                              | 16,128                        | 90,930   | 281,344                | -                               | 32.3   |
| Fletcher Hancock   | 2020        | 210,046          | 53,475           | 5,590                              | 19,954                        | 59,897   | 348,962                | 15.3                            | 17.2   |
|  | 2019        | 203,196          | 33,000           | -                                  | 19,304                        | 61,582   | 317,082                | 10.4                            | 19.4   |
| Christoph Frey (appointed 1 Nov 2020)  | 2020        | 40,528           | -                | -                                  | -                             | -  | 40,528                 | -                               | -  |
| Tony Sheard (resigned 5 June 2019)   | 2019        | 105,628          | -                | -                                  | 13,840                        | -  | 119,468                | -                               | -  |
| <b>Total Key Management Personnel Remuneration</b>   | <b>2020</b> | <b>1,946,138</b> | <b>1,171,620</b> | <b>60,567</b>                      | <b>123,557</b>                | <b>183,909</b>   | <b>3,485,791</b>       | <b>33.6</b>                     | <b>5.3</b>   |
|  | 2019        | 1,751,433        | 819,521          | 24,468                             | 113,214                       | 281,692  | 2,990,328              | 27.4                            | 9.4  |

1 Mr Caruso received non-monetary benefits in addition to the remuneration above for personal insurance of A\$90,858 (2019: A\$74,747), Mr Caruso, as a working Director, was not personally insured under the Group's insurance policies for accident, injury or death.

2 The short term incentive of up to A\$150,000 is at the discretion of the Board and subject to the outcome of the enquiry into a potential related party matter.

## DIRECTORS' REPORT

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

### **Cash bonus**

The CEO, Mark Caruso, was entitled to an annual bonus of 25% of the Base Remuneration, measured against the following criteria:

1. Achieving budget EBITDA taking into account uncontrollable variables at the discretion of the Board – 20%;
2. Safety – Achieve zero harm – 10%;
3. Environment – Zero environmental contraventions – 5%;
4. Restructure of BEE relationship – 5%;
5. Permitting at Tormin operation – 20%;
6. Completion of Phase 1 development at Tormin operation – 15%;
7. JORC compliant Measured and Indicated Resource combined between Northern Beach and Inland Strand of 10Mt – 5%;
8. Complete process optimisation at Skaland operation – 15%;
9. JORC compliant Measured, Indicated and Inferred Resource of 1.7Mt – 5%

The measurable objectives were chosen to ensure the CEO 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 and reviewed the performance of the CEO 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 could award up to 100% of the full bonus of 25% of the Base Remuneration, subject to the outcome of the enquiry into a potential related party matter.

In 2020, pursuant to terms agreed with the Chief Executive Officer/Executive Chairman, the Board used its discretion under the provisions of the executive services agreement with the Executive Chairman to set a Long Term Incentive based on the VWAP of the Company's shares over a 12 month period. This has resulted in the award of \$803,032 for 2020 (2019: A\$530,000).

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 CEO -65%;
2. Board Reporting within set timing each month -15%; 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 CEO 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 Group 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 -35%;
2. Munglinup project progress against agreed project plan and deliverables -10%;
3. Skaland project progress against agreed project plan and deliverables -20%;
4. Graphite downstream project progress against agreed project plan and deliverables -15%;
5. Achieving EBITDA against budget taking into account uncontrollable variables at the discretion of the CEO -20%.

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

The measurable objectives were chosen to ensure the Group 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 Group Technical Services Manager performed each of the tasks outlined in his employment contract which are typical of that for Group Technical Services Manager position.

The CEO assessed the performance of the Group Technical Services Manager against the above measurable objectives and awarded 81% 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 CEO -20%.

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

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 CEO assessed the performance of the Group Legal Counsel against the above measurable objectives and awarded 93% of the full bonus of 25% of the Base Remuneration on a pro rata basis for the year.

The Chief Operating Officer of Graphite and Anode Materials (Europe), Christoph Frey, was entitled to an annual bonus of 25% of the Base Remuneration, measured against the following criteria:

1. Performance against scope of service set out in the employment contract at the sole discretion of the CEO -80%;
2. Achieving EBITDA against budget taking into account uncontrollable variables at the discretion of the CEO -20%.

Future bonus of the Chief Operating Officer of Graphite and Anode Materials (Europe) will be at the sole discretion of the CEO.

The measurable objectives were chosen to ensure the Chief Operating Officer of Graphite and Anode Materials (Europe) was incentivised to ensure legal and statutory compliance and EBITDA, and to ensure the Chief Operating Officer of Graphite and Anode Materials (Europe) performed each of the tasks outlined in his employment contract which are typical of that for a Chief Operating Officer of Graphite and Anode Materials (Europe) position.

The CEO will assess the performance of the Chief Operating Officer of Graphite and Anode Materials (Europe) against the above measurable objectives up to the full bonus of 25% of the Base Remuneration from 2021.



**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 expense in the previous table:

| Name   | Fixed Remuneration |      | At Risk - STI |      | At Risk - LTI |      |
|--|--------------------|------|---------------|------|---------------|------|
|  | 2020               | 2019 | 2020          | 2019 | 2020          | 2019 |
| <b>Directors</b>   |                    |      |               |      |               |      |
| Mark Caruso (resigned as Executive Chairman 2 October 2020 and terminated as CEO on 25 March 2021) | 40%                | 47%  | 60%           | 53%  | 0%            | 0%   |
| <b>Non-Executive Directors</b>   |                    |      |               |      |               |      |
| Joseph Caruso (resigned 2 December 2020)   | 100%               | 100% | 0%            | 0%   | 0%            | 0%   |
| Peter Torre  | 100%               | 100% | 0%            | 0%   | 0%            | 0%   |
| David Baker (appointed as Chairman on 2 October 2020)  | 100%               | 100% | 0%            | 0%   | 0%            | 0%   |
| Debbie Ntombela  | 100%               | 100% | 0%            | 0%   | 0%            | 0%   |
| Russell Tipper   | 100%               | 100% | 0%            | 0%   | 0%            | 0%   |
| Guy Walker (resigned 30 May 2019)  | -                  | 100% | -             | 0%   | -             | 0%   |
| Ross Hastings (resigned 30 May 2019)   | -                  | 100% | -             | 0%   | -             | 0%   |
| <b>Other Key Management Personnel</b>  |                    |      |               |      |               |      |
| Adam Bick  | 72%                | 62%  | 15%           | 20%  | 13%           | 18%  |
| Surinder Ghag  | 74%                | 64%  | 15%           | 15%  | 11%           | 21%  |
| Bahman Rashidi   | 73%                | 68%  | 16%           | 0%   | 11%           | 32%  |
| Fletcher Hancock   | 68%                | 71%  | 15%           | 10%  | 17%           | 19%  |
| Tony Sheard (Tony Sheard (resigned 5 June 2019)  | -                  | 100% | -             | 0%   | -             | 0%   |
| Christoph Frey (appointed 1 November 2020)   | 100%               | -    | 0%            | -    | 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) and cash bonus as set out above (Note: from the resignation of Mark Caruso as Executive Chairman on 2 October 2020, Mark Caruso's remuneration was unchanged but payable under an existing service and supply agreement with MSCS). |
| Termination benefits       | 12 months' base salary plus any payment in lieu of notice (Note: from the resignation detail referred to above, the relevant termination period was seven days written 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          | 1 October 2019   |
| 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) and cash bonus as set out above |
| Termination benefits       | Nil unless constructive redundancy in which case 12 months' salary                           |

**Christoph Frey**

|                            |                    |
|----------------------------|--------------------|
| Commencement date          | €150,000 per annum |
| Term                       | No fixed term      |
| Total Remuneration package | €150,000 per annum |
| Termination benefits       | Nil                |

There are no other service agreements.

## DIRECTORS' REPORT

MRC reviewed salary benchmarking during 2020 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

#### Grant of Performance Rights

The Company has implemented an Incentive Performance Rights Plan that 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 offered to the key management personnel during the year, but will be issued subsequent to the lodgement of the 31 December 2020 Financial Statements:

|               | Grant Date | Expiry Date | Barrier Price (A\$) ^ | No of Performance Rights |
|---------------|------------|-------------|-----------------------|--------------------------|
| Adam Bick     | 9 Nov 2020 | 25 Nov 2024 | 31.0 cents            | 400,000                  |
| Adam Bick     | 9 Nov 2020 | 25 Nov 2025 | -                     | 600,000                  |
| Surinder Ghag | 9 Nov 2020 | 25 Nov 2024 | 31.0 cents            | 400,000                  |
| Surinder Ghag | 9 Nov 2020 | 25 Nov 2025 | -                     | 600,000                  |

^ - Rights will convert to shares if the Company's share price exceeds the Barrier Price for thirty consecutive days. The Barrier Price was set at the time of initial discussions with each relevant Key Management Personnel.

400,000 performance rights issued to Mr Bick were valued at A\$0.307, vesting on 25 November 2022 and upon the share price exceeding the Barrier Price for thirty consecutive days. 600,000 performance rights issued to Mr Bick were valued at A\$0.335, vesting on 25 November 2023 and upon meeting non-market measures.

400,000 performance rights issued to Mr Ghag were valued at A\$0.307, vesting on 25 November 2022 and upon the share price exceeding the Barrier Price for thirty consecutive days. 600,000 performance rights issued to Mr Ghag were valued at A\$0.335, vesting on 25 November 2023 and upon meeting non-market measures.

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

|                  | Balance as at 1 January 2020 | Received as remuneration <sup>(1)</sup> | Performance rights vested and exercised | Balance as at 31 December 2020 | Performance rights vested and not exercised |
|------------------|------------------------------|---|---|--------------------------------|---|
| Adam Bick        | 1,000,000                    | 1,000,000                               | 1,000,000                               | 1,000,000                      | -   |
| Bahman Rashidi   | 1,000,000                    | -                                       | -                                       | 1,000,000                      | 1,000,000                                   |
| Surinder Ghag    | 1,000,000                    | 1,000,000                               | -                                       | 2,000,000                      | 1,000,000                                   |
| Fletcher Hancock | 1,000,000                    | -                                       | 500,000                                 | 500,000                        | -   |
| Christoph Frey   | -                            | -                                       | -                                       | -                              | -   |
| <b>Total</b>     | <b>4,000,000</b>             | <b>2,000,000</b>                        | <b>1,500,000</b>                        | <b>4,500,000</b>               | <b>2,000,000</b>                            |

(1) The performance rights were offered to the key management personnel during the year, but will be issued subsequent to the lodgement of the 31 December 2020 Financial Statements.



## 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 2020:

- Provision of executive services.

The amount paid or payable by the Company to MSCS for the year ended 31 December 2020 was \$258,900 (2019: \$208,657), which reflects services provided to the Company by the Chief Executive Officer. 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 2020 was \$141,682 (2019: \$143,851). 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 2020 was \$144,189 (2019: \$280,715). The amounts payable have been in respect to the provision of technical staff at the Groups' 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 2020 was \$102,896 (2019: \$131,340). The amounts payable have been in respect of telecommunication charges and miscellaneous payments made by MSCS on behalf of the Company. The amounts have been reimbursed on an arm's length basis at normal commercial rates.

As at 31 December 2020, amount payable to MSCS is \$82,994.

Hastings Bell Pty Ltd, a Company associated with Daniel Hastings, the son of Ross Hastings (a former Director), 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 2020 was \$Nil (2019: \$157,352). This is considered to be an arm's length commercial consultancy contract at normal commercial rates.

Shepstone & Wylie, a company associated with Debbie Ntombela, one of the Directors, has provided legal services to the Company during 2020. This amount paid by the Company to Shepstone and Wylie for the year ended 31 Dec 2020 was \$40,739 (2019: \$11,292).

As at 31 December 2020, amount payable to Shepstone & Wylie is \$15,877.

### ***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

## DIRECTORS' REPORT

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 2020<br>\$ | 31 December 2019<br>\$ |
|---|------------------------|------------------------|
| <b>Non-audit services</b>   |                        |                        |
| Taxation, advisory and company secretarial (South African entities) |                        |                        |
| BDO advisory  | -                      | 5,564                  |
| BDO Johannesburg South Africa                                       | -                      | 1,034                  |
|   | -                      | <b>6,598</b>           |

### 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 51 and forms part of this report.

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



**David Baker**

Chairman

Perth, Western Australia

31 March 2021

## 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 2020, 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, 31 March 2021



# FINANCIAL STATEMENTS

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## Consolidated income statement

For the year ended 31 December 2020

|   | Notes   | 31 December 2020<br>\$ | 31 December 2019<br>\$ |
|---|---------|------------------------|------------------------|
| <b>Revenue from continuing operations</b>   |         |                        |                        |
| Sale of product   | 2.2     | 59,764,235             | 59,514,773             |
| Other revenue   | 2.2     | 3,784,174              | 2,268,797              |
|   |         | <b>63,548,409</b>      | 61,783,570             |
| <b>Expenses</b>   |         |                        |                        |
| Mining and processing costs   | 2.3(i)  | (43,391,211)           | (44,593,585)           |
| Other expenses from ordinary activities   |         |                        |                        |
| Administration expenditure  | 2.3(ii) | (5,637,413)            | (5,219,587)            |
| Share based payment expenses  |         | (152,058)              | (261,810)              |
| Gain on bargain purchase  | 6.3     | 1,247,443              | -                      |
| Financial income  | 5.2     | 15,205                 | 158,755                |
| <b>Profit before income tax from continuing operations</b>  |         | <b>15,630,375</b>      | 11,867,343             |
| Income tax expense  | 2.4(i)  | (1,756,807)            | (4,039,112)            |
| <b>Profit after income tax from continuing operations</b>   |         | <b>13,873,568</b>      | 7,828,231              |
| <b>Discontinued Operations</b>  |         |                        |                        |
| Loss for the year from discontinued operations  | 6.4     | (431,020)              | -                      |
| <b>Profit for the year</b>  |         | <b>13,442,548</b>      | 7,828,231              |
| Profit (loss) is attributable to:   |         |                        |                        |
| Owners of Mineral Commodities Ltd   |         | 13,754,615             | 7,828,231              |
| Non-controlling interest  |         | (312,067)              | -                      |
|   |         | <b>13,442,548</b>      | 7,828,231              |
|   |         | <b>Cents</b>           | Cents                  |
| <b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:</b> |         |                        |                        |
| Basic earnings per share  | 2.5(i)  | 3.16                   | 1.86                   |
| Diluted earnings per share  | 2.5(ii) | 3.15                   | 1.85                   |

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 2020

|   | Notes | 31 December 2020<br>\$ | 31 December 2019<br>\$ |
|---|-------|------------------------|------------------------|
| <b>Profit for the year</b>                                  |       | <b>13,442,548</b>      | 7,828,231              |
| <b>Other comprehensive income</b>                           |       |                        |                        |
| Exchange differences on translation of foreign operations   |       | (3,625,531)            | (313,397)              |
| <b>Other comprehensive loss for the year, net of tax</b>    |       | <b>(3,625,531)</b>     | (313,397)              |
| <b>Total comprehensive income for the year</b>              |       | <b>9,817,017</b>       | 7,514,834              |
| Total comprehensive income for the year is attributable to: |       |                        |                        |
| Owners of Mineral Commodities Ltd                           |       | 9,909,483              | 7,514,834              |
| Non-controlling interest                                    |       | (92,466)               | -                      |
|   |       | <b>9,817,017</b>       | 7,514,834              |

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



## Consolidated balance sheet

as at 31 December 2020

|  | Notes   | 31 December 2020<br>\$ | 31 December 2019<br>\$ |
|--|---------|------------------------|------------------------|
| <b>ASSETS</b>                            |         |                        |                        |
| <b>Current assets</b>                    |         |                        |                        |
| Cash and cash equivalents                | 4.1     | 5,643,139              | 8,092,614              |
| Trade and other receivables              | 4.2     | 13,637,806             | 8,027,372              |
| Inventories                              | 4.3     | 8,241,583              | 21,943,331             |
| Other investments, including derivatives |         | 1,489,993              | 777,253                |
| <b>Total Current Assets</b>              |         | <b>29,012,521</b>      | <b>38,840,570</b>      |
| <b>Non-current assets</b>                |         |                        |                        |
| Trade and other receivables              | 4.2     | 2,079,619              | 1,513,268              |
| Inventories                              | 4.3     | 2,745,855              | -                      |
| Exploration expenditure                  | 3.1     | 19,907,653             | 18,271,033             |
| Mine development expenditure             | 3.2     | 3,873,209              | 10,412,610             |
| Property, plant and equipment            | 3.3     | 28,058,223             | 17,830,604             |
| <b>Total Non-Current Assets</b>          |         | <b>56,664,559</b>      | <b>48,027,515</b>      |
| <b>Total Assets</b>                      |         | <b>85,677,080</b>      | <b>86,868,085</b>      |
| <b>LIABILITIES</b>                       |         |                        |                        |
| <b>Current liabilities</b>               |         |                        |                        |
| Trade and other payables                 | 4.4     | 7,750,477              | 4,716,742              |
| Unearned revenue                         | 4.5     | -                      | 72,375                 |
| Contract liability                       | 4.6     | -                      | 18,099,115             |
| Borrowings                               | 5.1     | 2,487,039              | 3,611,778              |
| Employee benefits                        | 7.1     | 779,669                | 661,266                |
| Current tax liabilities                  |         | 2,998,805              | 3,568,791              |
| <b>Total Current Liabilities</b>         |         | <b>14,015,990</b>      | <b>30,730,067</b>      |
| <b>Non-current liabilities</b>           |         |                        |                        |
| Provisions                               | 3.5     | 1,103,000              | 253,968                |
| Long term borrowings                     | 5.1     | 3,548,749              | 4,115,217              |
| Employee benefits                        | 7.1     | 185,028                | 126,795                |
| Deferred tax liabilities                 | 2.4(ii) | 5,614,512              | 5,653,489              |
| <b>Total Non-current Liabilities</b>     |         | <b>10,451,289</b>      | <b>10,149,469</b>      |
| <b>Total Liabilities</b>                 |         | <b>24,467,279</b>      | <b>40,879,536</b>      |
| <b>NET ASSETS</b>                        |         | <b>61,209,801</b>      | <b>45,988,549</b>      |
| <b>Equity</b>                            |         |                        |                        |
| Contributed equity                       | 5.3(a)  | 69,774,435             | 64,927,687             |
| Reserves                                 | 5.3(b)  | (25,207,576)           | (21,499,253)           |
| Retained earnings                        | 5.3(c)  | 16,201,091             | 2,446,476              |
| Parent entity interest                   |         | 60,767,950             | 45,874,910             |
| Non-controlling interest                 | 5.3(d)  | 441,851                | 113,639                |
| <b>TOTAL EQUITY</b>                      |         | <b>61,209,801</b>      | <b>45,988,549</b>      |

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 2020

|   | Notes   | 31 Dec 2020<br>\$  | 31 Dec 2019<br>\$ |
|---|---------|--------------------|-------------------|
| <b>Cash flows from operating activities</b>                   |         |                    |                   |
| Receipts from customers (inclusive of goods and services tax) |         | 39,794,429         | 57,407,422        |
| Payments to suppliers and employees                           |         | (33,805,653)       | (42,522,306)      |
| Income tax paid   |         | (2,830,207)        | (1,615,171)       |
| <b>Net cash inflow from operating activities</b>              | 4.1(ii) | <b>3,158,569</b>   | 13,269,945        |
| <b>Cash flows from investing activities</b>                   |         |                    |                   |
| Net cash disposed in discontinued operation                   |         | (107,316)          | -                 |
| Payments for exploration expenditure                          |         | (1,394,420)        | (3,228,848)       |
| Payments for property, plant and equipment                    |         | (4,044,293)        | (1,737,532)       |
| Payments for development expenditure                          |         | (877,793)          | (170,207)         |
| Advance (to)/from third parties                               |         | -                  | (398,056)         |
| Interest received   |         | 18,457             | 128,103           |
| Payment for acquisition of business – Skaland Graphite AS     | 6.3     | -                  | (4,544,087)       |
| <b>Net cash outflow from investing activities</b>             |         | <b>(6,405,365)</b> | (9,950,627)       |
| <b>Cash flows from financing activities</b>                   |         |                    |                   |
| Dividends paid to shareholders                                | 2.6     | -                  | (3,839,471)       |
| Proceeds from issue of new shares (net of costs)              |         | 4,182,831          | -                 |
| Repayment of borrowings                                       |         | (2,906,898)        | (3,298,883)       |
| Interest paid on borrowings                                   |         | (427,622)          | (228,241)         |
| <b>Net cash inflow/(outflow) from financing activities</b>    |         | <b>848,311</b>     | (7,366,595)       |
| <b>Net decrease in cash and cash equivalents</b>              |         | <b>(2,398,485)</b> | (4,047,277)       |
| Cash and cash equivalents at beginning of financial year      |         | 8,092,614          | 12,410,510        |
| Effects of exchange rate changes on cash and cash equivalents |         | (50,990)           | (270,619)         |
| <b>Cash and cash equivalents at end of financial year</b>     | 4.1     | <b>5,643,139</b>   | 8,092,614         |

The above consolidated 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 2020

|  | Contributed<br>equity<br>\$ | Reserves<br>\$      | Retained<br>earnings<br>\$ | Totals<br>\$      | Non-controlling<br>interest<br>\$ | Total<br>equity<br>\$ |
|--|-----------------------------|---------------------|----------------------------|-------------------|-----------------------------------|-----------------------|
| <b>For the year ended 31 December 2020</b>           |                             |                     |                            |                   |                                   |                       |
| At 1 January 2020                                    | 64,927,687                  | (21,499,253)        | 2,446,476                  | 45,874,910        | 113,639                           | 45,988,549            |
| Profit for the year                                  | -                           | -                   | 13,754,615                 | 13,754,615        | (312,067)                         | 13,442,548            |
| Other comprehensive income<br>for the year           | -                           | (3,533,065)         | -                          | (3,533,065)       | (92,466)                          | (3,625,531)           |
| <b>Total comprehensive<br/>income for the year</b>   | -                           | (3,533,065)         | 13,754,615                 | 10,221,550        | (404,533)                         | 9,817,017             |
| Transaction with owners in their capacity as owners: |                             |                     |                            |                   |                                   |                       |
| Share Issue, net of costs                            | 4,519,432                   | -                   | -                          | 4,519,432         | -                                 | 4,519,432             |
| Acquisition of subsidiary                            | -                           | -                   | -                          | -                 | 732,745                           | 732,745               |
| Conversion of unlisted<br>performance rights         | 327,316                     | (327,316)           | -                          | -                 | -                                 | -                     |
| Share based payments                                 | -                           | 152,058             | -                          | 152,058           | -                                 | 152,058               |
| <b>Balance at the end of the year</b>                | <b>69,774,435</b>           | <b>(25,207,576)</b> | <b>16,201,091</b>          | <b>60,767,950</b> | <b>441,851</b>                    | <b>61,209,801</b>     |

|  | Contributed<br>equity<br>\$ | Reserves<br>\$      | Retained<br>earnings/<br>(accumulated<br>losses)<br>\$ | Totals<br>\$      | Non-controlling<br>interest<br>\$ | Total<br>equity<br>\$ |
|--|-----------------------------|---------------------|--|-------------------|-----------------------------------|-----------------------|
| <b>For the year ended 31 December 2019</b>           |                             |                     |  |                   |                                   |                       |
| 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<br>for the year           | -                           | (313,397)           | -  | (313,397)         | -                                 | (313,397)             |
| <b>Total comprehensive<br/>income for the year</b>   | -                           | (313,397)           | 7,828,231  | 7,514,834         | -                                 | 7,514,834             |
| Transaction with owners in their capacity as owners: |                             |                     |  |                   |                                   |                       |
| Conversion of unlisted<br>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)           |
| <b>Balance at the end of the year</b>                | <b>64,927,687</b>           | <b>(21,499,253)</b> | <b>2,446,476</b>                                       | <b>45,874,910</b> | <b>113,639</b>                    | <b>45,988,549</b>     |

The above consolidated 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.

### *Coronavirus (COVID-19) pandemic*

Judgement has been exercised in considering the impacts the coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respects to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the coronavirus (COVID-19) pandemic.

### 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 2020 was authorised for issue in accordance with a resolution of Directors with effect on 31 March 2021.

### 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 recognised at fair value.

#### (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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2020 to 31 December 2020; 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 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 4.2: Trade and other receivables
- Note 4.3: Inventories net realisable value
- Note 6.3: Business combinations
- Note 7.2: Share Based Payments

### 1.8 Application of new and revised Australian Accounting Standards

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to AASB 2018-6 *Amendments to AASs – Definition of a Business*  
The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements for the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- Amendments to AASB 2019-3 *Amendments to AASs – Interest Rate Benchmark Reform (Phase 1)*

Interbank offered rates (“IBOR”) are benchmark interest rates referenced in financial products worldwide. Due to IBOR’s widespread usage, it has been observed that the market-wide reform of such interest rate benchmarks, including its replacement with alternative benchmark rates, could have significant implications on financial reporting.

The first phase deals with urgent issues affecting financial reporting before the replacement of existing interest rate benchmarks. It introduces amendments to AASB 7 Financial Instruments: Disclosures, AASB 9 Financial Instruments and AASB 139 Financial Instruments: Recognition and Measurement, providing mandatory temporary relief enabling hedge accounting to continue during the period of uncertainty before existing interest rate benchmarks are replaced with alternative “nearly risk-free” benchmarks. These amendments apply retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated, nor can any hedge relationships be designated with the benefit of hindsight. These amendments had no impact on the consolidated financial statements for the Group.

- Amendments to AASB 2020-8 *Amendments to AASs – Interest Rate Benchmark Reform (Phase 2)*

The second phase of the project in addressing the financial reporting effects of IBOR reform has been completed recently. This phase focuses on issues that might affect financial reporting upon replacement of existing interest rate benchmarks, and amends the requirements in AASB 9, AASB 139, AASB 7, AASB 4 Insurance Contracts and AASB 16 Leases.

The objective of the amendments is to minimise financial reporting consequences of a change in benchmark interest rates that Australian Accounting Standards may otherwise require, such as the derecognition or remeasurement of financial instruments, and the discontinuation of hedge accounting.

Provided that the interest rate will be substantially similar before and after the replacement, the amendments:

- Require changes to future cash flows that are directly required by the IBOR reform to be treated as if they were changes to a floating interest rate. Applying this expedient would not affect the carrying amount of the financial instrument. It also relieves entities of the need to assess whether modification or derecognition accounting applies under AASB 9 and AASB 139.
- Require changes to lease payments that are directly required by the IBOR reform to be accounted for as a remeasurement of lease liability using the original discount rate with a corresponding adjustment to the right-of-use asset. This expedient exempts entities from remeasuring the lease liability using a new discount rate under AASB 16.

Entities would not have to discontinue hedge accounting due to IBOR reform, provided that the hedge continues to meet other hedge accounting criteria. These amendments had no impact on the consolidated financial statements for the Group.

- ASB 2020-4 *Amendments to AASs – COVID-19 Related Rent Concessions*

Due to the COVID-19 pandemic, many lessors have granted rent concessions to lessees that impact lease payments. Rent concessions granted by a lessor can take many forms, including any combination of:

- A rent payment holiday;
- A reduction in lease payments for a period of time;
- A deferral of payments to a later date; or
- Other arrangements providing rent relief.

A concession might also include a change to the lease term. From the lessee’s perspective, a change in lease payments that was contemplated in the original terms and conditions of the lease would not be accounted for as a lease modification. For example, it might be treated as a variable lease payment, with the effect of the rent concession recognised in profit or loss. In contrast, accounting for a lease modification generally requires a lessee to remeasure the lease liability by discounting the revised lease payments using a new discount rate. Concerns were raised that assessing whether COVID-19 rent concessions are lease modifications could be challenging, compounding the AASB 16 implementation work lessees have recently undertaken.

Consequently, AASB 16 was amended, allowing lessees to not account for rent concessions as lease modifications, provided certain conditions are met.



The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic, and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- There is no substantive change to other terms and conditions of the lease.

Once elected, the practical expedient is required to be applied consistently to all lease contracts with similar characteristics and in similar circumstances.

## 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 six 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 (discontinued – Note 6.4); and
6. Corporate (management and administration of the Company's projects and marketing and sales of finished products) – Australia, South Africa and Norway.

## (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 2020 is as follows:

| 2020                                   | Tormin Project<br>\$ | Xolobeni Project<br>\$ | Skaland Project<br>\$ | Australia<br>exploration<br>\$ | Iran<br>exploration<br>\$ | Corporate<br>\$     | Consolidation<br>eliminations<br>\$ | Total<br>\$       |
|--|----------------------|------------------------|-----------------------|--------------------------------|---------------------------|---------------------|-------------------------------------|-------------------|
| Total segment revenue                  | 58,622,038           | -                      | 4,997,593             | -                              | -                         | 56,156,403          | -                                   | 119,776,034       |
| Inter-segment revenue                  | (56,227,625)         | -                      | -                     | -                              | -                         | -                   | -                                   | (56,227,625)      |
| <b>Revenue from external customers</b> | <b>2,394,413</b>     | <b>-</b>               | <b>4,997,593</b>      | <b>-</b>                       | <b>-</b>                  | <b>56,156,403</b>   | <b>-</b>                            | <b>63,548,409</b> |
| <b>Adjusted EBITDA</b>                 | 8,687,081            | (31,390)               | (2,076,823)           | (114,333)                      | -                         | 4,628,887           | 10,238,814                          | 21,332,236        |
| Depreciation and amortisation          | 4,007,376            | -                      | 1,027,928             | 5,158                          | -                         | 676,604             | -                                   | 5,717,066         |
| <b>Total segment assets</b>            | <b>38,349,431</b>    | <b>5,126,920</b>       | <b>11,487,895</b>     | <b>13,050,848</b>              | <b>-</b>                  | <b>11,476,403</b>   | <b>6,185,583</b>                    | <b>85,677,080</b> |
| <b>Total segment liabilities</b>       | <b>14,516,254</b>    | <b>5,064,080</b>       | <b>4,775,489</b>      | <b>11,968,374</b>              | <b>-</b>                  | <b>(11,767,523)</b> | <b>(89,395)</b>                     | <b>24,467,279</b> |

| 2019                                   | Tormin Project<br>\$ | Xolobeni Project<br>\$ | Skaland Project<br>\$ | Australia<br>exploration<br>\$ | Iran<br>exploration<br>\$ | Corporate<br>\$   | Consolidation<br>eliminations<br>\$ | Total<br>\$       |
|--|----------------------|------------------------|-----------------------|--------------------------------|---------------------------|-------------------|-------------------------------------|-------------------|
| Total segment revenue                  | 60,682,271           | -                      | 1,213,862             | -                              | -                         | 59,588,825        | -                                   | 121,484,958       |
| Inter-segment revenue                  | (59,701,388)         | -                      | -                     | -                              | -                         | -                 | -                                   | (59,701,388)      |
| <b>Revenue from external customers</b> | <b>980,883</b>       | <b>-</b>               | <b>1,213,862</b>      | <b>-</b>                       | <b>-</b>                  | <b>59,588,825</b> | <b>-</b>                            | <b>61,783,570</b> |
| <b>Adjusted EBITDA</b>                 | 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         |
| <b>Total segment assets</b>            | <b>35,916,396</b>    | <b>5,347,669</b>       | <b>11,243,874</b>     | <b>11,143,193</b>              | <b>501,361</b>            | <b>23,712,904</b> | <b>(997,312)</b>                    | <b>86,868,085</b> |
| <b>Total segment liabilities</b>       | <b>13,456,839</b>    | <b>5,245,311</b>       | <b>10,806,145</b>     | <b>10,271,875</b>              | <b>936,265</b>            | <b>1,452,549</b>  | <b>(1,289,448)</b>                  | <b>40,879,536</b> |

(iii) *Reconciliation of EBITDA (segment result) to profit before tax*

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

|                                    | 31 December 2020<br>\$ | 31 December 2019<br>\$ |
|------------------------------------|------------------------|------------------------|
| Adjusted EBITDA                    | 21,332,236             | 16,483,385             |
| Interest income/(expense)          | 15,205                 | 158,755                |
| Depreciation and amortisation      | (5,717,066)            | (4,774,797)            |
| Operating profit before income tax | 15,630,375             | 11,867,343             |

**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 2020<br>\$ | 31 December 2019<br>\$ |
|-----------------------------------|------------------------|------------------------|
| <b>From continuing operations</b> |                        |                        |
| <i>Sales revenue</i>              |                        |                        |
| Sale of product                   | 59,764,235             | 59,514,773             |
| <i>Other revenue</i>              |                        |                        |
| Stockpile area maintenance fee    | 753,219                | 1,211,899              |
| Other income                      | 3,030,955              | 1,056,898              |
|                                   | 3,784,174              | 2,268,797              |

## 2.3 Expenses

|  | 31 December 2020<br>\$ | 31 December 2019<br>\$ |
|--|------------------------|------------------------|
|--|------------------------|------------------------|

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   | 8,215,337 | 12,997,993 |
| Fuel   | 4,361,101 | 5,574,168  |
| Wages and salaries   | 7,144,252 | 6,648,477  |
| Repairs and maintenance                                      | 4,266,034 | 3,544,891  |
| Depreciation and amortisation – mining and processing assets | 5,625,725 | 4,705,351  |

### (ii) Administration expenses

Administration expenses include the following material expenditure items:

|   |           |           |
|---|-----------|-----------|
| Directors and key management personnel remuneration | 3,485,791 | 2,990,328 |
| Depreciation – corporate assets                     | 91,341    | 69,446    |

## 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.



**The components of income tax expense comprise:**

|   | 31 December 2020<br>\$ | 31 December 2019<br>\$ |
|---|------------------------|------------------------|
| Current tax   | 1,422,044              | 3,873,170              |
| Deferred tax  | 43,023                 | 607,977                |
| Deferred tax on gain from a bargain purchase <sup>(1)</sup>           | (594,021)              | -                      |
| Adjustments for current tax of prior periods                          | 885,761                | (442,035)              |
|   | <b>1,756,807</b>       | <b>4,039,112</b>       |
| Income tax expense is attributable to:                                |                        |                        |
| Profit from continuing operations                                     | 1,756,807              | 4,039,112              |
| Aggregate income tax expense <sup>(2)</sup>                           | <b>1,756,807</b>       | <b>4,039,112</b>       |
| Deferred income tax expense included in income tax expense comprises: |                        |                        |
| Decrease in deferred tax assets                                       | 1,679,554              | 7,387                  |
| (Increase)/decrease in deferred tax liabilities                       | (1,636,531)            | 600,590                |
|   | <b>43,023</b>          | <b>607,977</b>         |

(1) The deferred tax impact has been included in the recognised gain from a bargain purchase recognised in the income statement. It is therefore not included in the income tax expenses in accordance with AASB 112 *Income Taxes*.

(2) The income tax expense for the financial year is the tax payable on the current period's taxable income based on the applicable income tax rate and tax law for each jurisdiction. This has resulted in an effective tax rate for the year ending 31 December 2020 of 11% (2019: 34%). The reduction in the effective tax rate in 2020 is due to the additional tax deduction for net foreign exchange losses on inter-company loans not recognised in the consolidated accounts, partially offset by permanent differences for credit losses, share based payments and fair value adjustments on the Skaland Graphite AS acquisition.

**Numerical reconciliation of income tax expense to prima facie tax expense**

|  | 31 December 2020<br>\$ | 31 December 2019<br>\$ |
|--|------------------------|------------------------|
| Profit from continuing operations before income tax expense                                    | 15,630,375             | 11,867,343             |
| Prima facie tax payable on profit from ordinary activities before at a rate of 30% (2019: 30%) | 4,689,113              | 3,560,202              |
| Foreign tax rate differential  | 254,076                | (237,546)              |
| Tax at consolidated amount   | <b>4,943,189</b>       | <b>3,322,656</b>       |
| <b>Tax effect of:</b>  |                        |                        |
| Entertainment  | 738                    | 7,984                  |
| Foreign exchange   | (4,647,916)            | 953,385                |
| Donations  | 3,524                  | 3,811                  |
| Amortisation of exploration and evaluation asset   | -                      | 84,164                 |
| Share based payment  | 45,617                 | 77,896                 |
| Depreciation on Skaland acquisition assets   | 177,127                | -                      |
| Gain from a bargain purchase   | (594,021)              | -                      |
| Other non-assessable items   | 230,145                | 124,922                |
| Utilisation of income tax losses/capital losses  | -                      | (93,671)               |
| Adjustment for current tax of prior period   | 885,761                | (442,035)              |
| Unrecognised deferred tax asset  | 712,643                | -                      |
| Income tax expense   | <b>1,756,807</b>       | <b>4,039,112</b>       |

(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 \$1,402,428 (2019: \$6,411) 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 2020   | 31 December 2019 |
|--|--------------------|------------------|
|  | \$                 | \$               |
| <i>Recognised deferred tax assets</i>            |                    |                  |
| Tax losses                                       | 1,402,428          | 6,411            |
| Trade and other receivables                      | 31,322             | -                |
| Lease liability                                  | 619,253            | 675,174          |
| Provisions/accrued expenditure                   | 475,030            | 534,659          |
| Unrealised foreign exchange loss                 | 2,710              | 2,352            |
| Property, plant and equipment                    | 1,977,539          | -                |
| Business related expenditure and borrowing costs | 71                 | 68,493           |
|  | <b>4,508,353</b>   | 1,287,089        |
| Set-off against deferred tax liabilities         | <b>(4,508,353)</b> | (1,287,089)      |
|  | <b>-</b>           | <b>-</b>         |

| Movements                  | Tax losses<br>\$ | Trade and other<br>receivables<br>\$ | Lease liability<br>\$ | Provisions/<br>accrued<br>expenditure<br>\$ | Unrealised<br>foreign<br>exchange<br>loss<br>\$ | Business related<br>expenditure and<br>borrowing costs<br>\$ | Property,<br>plant and<br>equipment<br>\$ | Total<br>\$      |
|----------------------------|------------------|--------------------------------------|-----------------------|---|---|--|---|------------------|
| At 1 January 2020          | 6,411            | -                                    | 675,174               | 534,659                                     | 2,352   | 68,493   | -   | <b>1,287,089</b> |
| (charged) / credited       |                  |                                      |                       |   |   |  |   |                  |
| - to profit or loss        | 1,396,017        | 31,322                               | (55,921)              | (59,629)                                    | 358   | (68,422)   | 1,977,539                                 | <b>3,221,264</b> |
| <b>At 31 December 2020</b> | <b>1,402,428</b> | <b>31,322</b>                        | <b>619,253</b>        | <b>475,030</b>                              | <b>2,710</b>                                    | <b>71</b>  | <b>1,977,539</b>                          | <b>4,508,353</b> |

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

## (b) Deferred tax liabilities

|  | 31 December 2020<br>\$ | 31 December 2019<br>\$ |
|--|------------------------|------------------------|
| <i>Recognised deferred tax liabilities</i> |                        |                        |
| Unrealised foreign exchange gain           | <b>91,411</b>          | -                      |
| Property, plant and equipment              | <b>7,018,886</b>       | 3,997,621              |
| Prepayments                                | <b>63,833</b>          | 71,984                 |
| Trade and other payables                   | <b>13,051</b>          | -                      |
| Provisions                                 | -                      | 3,500                  |
| Capital raising cost                       | <b>29,652</b>          | -                      |
| Development Expenditure                    | <b>656,968</b>         | 781,633                |
| Exploration Expenditure                    | <b>2,249,064</b>       | 2,085,840              |
|  | <b>10,122,865</b>      | 6,940,578              |
| Set-off against deferred tax assets        | <b>(4,508,353)</b>     | (1,287,089)            |
|  | <b>5,614,512</b>       | 5,653,489              |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| Movements                  | Unrealised foreign exchange gain<br>\$ | Property, plant and equipment<br>\$ | Pre-payments<br>\$ | Trade and other payables<br>\$ | Provisions<br>\$ | Capital Raising Cost<br>\$ | Exploration expenditure<br>\$ | Development Expenditure<br>\$ | Total<br>\$       |
|----------------------------|--|-------------------------------------|--------------------|--------------------------------|------------------|----------------------------|-------------------------------|-------------------------------|-------------------|
| At 1 January 2020          | -                                      | 3,997,621                           | 71,984             | -                              | 3,500            | -                          | 2,085,840                     | 781,633                       | <b>6,940,578</b>  |
| (charged) / credited       |  |                                     |                    |                                |                  |                            |                               |                               |                   |
| - to profit or loss        | 91,411                                 | 3,021,265                           | (8,151)            | 13,051                         | (3,500)          | 29,652                     | 163,224                       | (124,665)                     | <b>3,182,287</b>  |
| <b>At 31 December 2020</b> | <b>91,411</b>                          | <b>7,018,886</b>                    | <b>63,833</b>      | <b>13,051</b>                  | <b>-</b>         | <b>29,652</b>              | <b>2,249,064</b>              | <b>656,968</b>                | <b>10,122,865</b> |

| Movements                  | Unrealised foreign exchange gain<br>\$ | Property, plant and equipment<br>\$ | Pre-payments<br>\$ | Trade and other payables<br>\$ | Provisions<br>\$ | Capital Raising Cost<br>\$ | Exploration expenditure<br>\$ | Development Expenditure<br>\$ | Total<br>\$      |
|----------------------------|--|-------------------------------------|--------------------|--------------------------------|------------------|----------------------------|-------------------------------|-------------------------------|------------------|
| At 1 January 2019          | 112,619                                | 3,080,774                           | 16,224             | -                              | -                | -                          | 1,216,152                     | 1,013,913                     | <b>5,439,678</b> |
| (charged) / credited       |  |                                     |                    |                                |                  |                            |                               |                               |                  |
| - to profit or loss        | (112,619)                              | 916,851                             | 55,760             | -                              | 3,500            | -                          | 869,688                       | (232,280)                     | <b>1,500,900</b> |
| <b>At 31 December 2019</b> | <b>-</b>                               | <b>3,997,621</b>                    | <b>71,984</b>      | <b>-</b>                       | <b>3,500</b>     | <b>-</b>                   | <b>2,085,840</b>              | <b>781,633</b>                | <b>6,940,578</b> |

### 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.

|   | 2020<br>US Cents | 2019<br>US Cents |
|---|------------------|------------------|
| From continuing operations attributable to the ordinary equity holders of the Company     | <b>3.16</b>      | 1.86             |
| Total basic earnings per share attributable to the ordinary equity holders of the Company | <b>3.06</b>      | 1.86             |



(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.

|  | 2020<br>US Cents | 2019<br>US Cents |
|--|------------------|------------------|
| From continuing operations attributable to the ordinary equity holders of the Company  | 3.15             | 1.85             |
| Total diluted earnings per share attributable to the ordinary equity holders of the Company  | 3.05             | 1.85             |
|  |                  |                  |
|  | 2020<br>\$       | 2019<br>\$       |
| <b>Reconciliation of earnings used in the calculation of earnings per share</b>  |                  |                  |
| <i>Basic earnings per share</i>  |                  |                  |
| Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:                            |                  |                  |
| From continuing operations   | 13,873,568       | 7,828,231        |
| Discontinued operations  | (431,020)        | -                |
| Profit for the year  | 13,442,548       | 7,828,231        |
|  |                  |                  |
| <i>Diluted earnings per share</i>  |                  |                  |
| Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share:                          |                  |                  |
| From continuing operations   | 13,873,568       | 7,828,231        |
| Discontinued operations  | (431,020)        | -                |
| Profit for the year  | 13,442,548       | 7,828,231        |
|  |                  |                  |
|  | 2020<br>Number   | 2019<br>Number   |
| <b>Weighted average number of shares used as the denominator</b>   |                  |                  |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share                                 | 438,443,352      | 421,146,913      |
| Adjustment for calculation of diluted earnings per share:  |                  |                  |
| - Options  | -                | -                |
| - Performance rights   | 2,000,000        | 2,111,324        |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share | 440,443,352      | 423,258,237      |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The table below details the number of performance rights that have been granted and are on issue as at 31 December 2020 that have been included in the determination of dilutive earnings per share as vesting conditions have been met. The remaining 4,100,000 outstanding granted / offered performance rights as at 31 December 2020 are excluded from the determination of dilutive earnings as vesting conditions have not been met.

| Number  | Type of Security   | Exercise price | Expiry date  |
|---------|--------------------|----------------|--------------|
| 666,666 | Performance Rights | AUD \$nil      | 1 Oct 2021   |
| 500,000 | Performance Rights | AUD \$nil      | 30 Sept 2021 |
| 333,334 | 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<br>US Cents | \$               |
|---|--------------------------------|------------------|
| <b>Dividends recognised during the year</b> |                                |                  |
| <b>2020</b>                                 |                                |                  |
| Final 2019 ordinary                         | -                              | -                |
| Interim 2020 ordinary                       | -                              | -                |
| <b>2019</b>                                 |                                |                  |
| Final 2018 ordinary                         | 0.49                           | 2,067,181        |
| Interim 2019 ordinary                       | 0.42                           | 1,772,290        |
|   |                                | <u>3,839,471</u> |

The Directors have deferred a decision on declaring a final dividend for the year ended 31 December 2020.

### 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.

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, is in its infancy stages and is 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 2020, 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 2020<br>\$ | 31 December 2019<br>\$ |
|---|------|------------------------|------------------------|
| As at 1 January   |      | 18,271,033             | 15,369,068             |
| Acquisition of exploration asset                            |      | -                      | 26,082                 |
| Expenditure during the year                                 |      | 1,336,269              | 3,202,766              |
| Write-off discontinued projects                             | 6.4  | (431,020)              | -                      |
| Re-classification: transfer to mine development expenditure | 3.2  | (226,745)              | -                      |
| Exchange differences  |      | 958,116                | (326,883)              |
| <b>As at 31 December</b>                                    |      | <b>19,907,653</b>      | <b>18,271,033</b>      |

### **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).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

|  | Note | 31 December 2020<br>\$ | 31 December 2019<br>\$ |
|--|------|------------------------|------------------------|
| As at 1 January  |      | 10,412,610             | 5,240,911              |
| AASB 16 Adoption   |      | -                      | (220,874)              |
|  |      | 10,412,610             | 5,020,037              |
| Acquisition of a subsidiary                                      | 6.3  | (6,032,998)            | 6,032,998              |
| Additions  |      | 877,793                | 170,207                |
| Reclassification: transfer from exploration and evaluation asset | 3.1  | 226,745                | -                      |
| Reclassification: transfer from property, plant and equipment    | 3.3  | 89,201                 | -                      |
| Amortisation expense   |      | (1,275,741)            | (1,125,315)            |
| Exchange differences   |      | (424,401)              | 314,683                |
|  |      | 3,873,209              | 10,412,610             |

### Carrying value assessment

The Company has undertaken an assessment of impairment indicators and concluded that there are no indicators of impairment of the Tormin and Skaland assets as at 31 December 2020.

In the measurement period of the Skaland acquisition, the fair value of development expenditure was adjusted.

## 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 asset's 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 asset's 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 |
| Rights of use asset   | Lease term, generally 3 to 5 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 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 are 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 2020                      | Freehold land and buildings | Furniture, fittings and equipment | Plant and machinery | Mine vehicles | Decommissioning asset | Right-of-use asset | Capex work in progress | Total               |
|--|-----------------------------|-----------------------------------|---------------------|---------------|-----------------------|--------------------|------------------------|---------------------|
|  | \$                          | \$                                | \$                  | \$            | \$                    | \$                 | \$                     | \$                  |
| <b>Cost at fair value</b>                        |                             |                                   |                     |               |                       |                    |                        |                     |
| As at 1 January 2020                             | 1,531,954                   | 760,347                           | 24,625,009          | 128,438       | 253,968               | 4,344,178          | 3,306,483              | <b>34,950,377</b>   |
| Acquisition of a subsidiary <sup>(1)</sup>       | 3,338,143                   | -                                 | 5,134,582           | -             | -                     | -                  | -                      | <b>8,472,725</b>    |
| Additions  | -                           | -                                 | 4,031               | -             | 766,909               | 901,982            | 4,862,915              | <b>6,535,837</b>    |
| Disposals  | -                           | -                                 | (1,225,950)         | -             | -                     | -                  | -                      | <b>(1,225,950)</b>  |
| Re-classifications                               | -                           | 401,008                           | 1,446,414           | -             | -                     | -                  | (1,936,623)            | <b>(89,201)</b>     |
| Exchange differences                             | 8,363                       | 78,128                            | (891,717)           | (5,303)       | 82,124                | (90,444)           | 376,890                | <b>(441,959)</b>    |
| As at 31 December 2020                           | 4,878,460                   | 1,239,483                         | 29,092,369          | 123,135       | 1,103,001             | 5,155,716          | 6,609,665              | <b>48,201,829</b>   |
| <b>Accumulated depreciation and amortisation</b> |                             |                                   |                     |               |                       |                    |                        |                     |
| As at 1 January 2020                             | (52,795)                    | (669,739)                         | (14,619,918)        | (111,544)     | (99,943)              | (1,565,834)        | -                      | <b>(17,119,773)</b> |
| Depreciation and amortisation                    | (318,994)                   | (103,116)                         | (2,686,352)         | (10,020)      | (34,277)              | (1,288,566)        | -                      | <b>(4,441,325)</b>  |
| Disposals  | -                           | -                                 | 1,082,985           | -             | -                     | -                  | -                      | <b>1,082,985</b>    |
| Exchange differences                             | (31,673)                    | (36,163)                          | 455,844             | 3,368         | 160                   | (57,029)           | -                      | <b>334,507</b>      |
| As at 31 December 2020                           | (403,462)                   | (809,018)                         | (15,767,441)        | (118,196)     | (134,060)             | (2,911,429)        | -                      | <b>(20,143,606)</b> |
| <b>Net book amount</b>                           |                             |                                   |                     |               |                       |                    |                        |                     |
| Cost at fair value                               | 4,878,460                   | 1,239,483                         | 29,092,369          | 123,135       | 1,103,001             | 5,155,716          | 6,609,665              | <b>48,201,829</b>   |
| Accumulated depreciation and amortisation        | (403,462)                   | (809,018)                         | (15,767,441)        | (118,196)     | (134,060)             | (2,911,429)        | -                      | <b>(20,143,606)</b> |
| Net book amount                                  | 4,474,998                   | 430,465                           | 13,324,928          | 4,939         | 968,941               | 2,244,287          | 6,609,665              | <b>28,058,223</b>   |

(1) In 2019 the acquisition of Skaland Graphite AS was valued provisionally, subject to a fair value assessment. In December 2020, the fair value assessment on the Skaland Graphite AS acquisition was completed and the fair value of the land and buildings was adjusted in 2020 to reflect this assessment. Refer to Note 6.3 for more details.

| 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 \$     |
|--|--------------------------------|--------------------------------------|------------------------|------------------|--------------------------|-----------------------|---------------------------|--------------|
| <b>Cost at fair value</b>                        |                                |                                      |                        |                  |                          |                       |                           |              |
| 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   |
| <b>Accumulated depreciation and amortisation</b> |                                |                                      |                        |                  |                          |                       |                           |              |
| 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) |
| <b>Net book amount</b>                           |                                |                                      |                        |                  |                          |                       |                           |              |
| 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   |

### 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 and Skaland 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 2020<br>\$ | 31 December 2019<br>\$ |
|--|------------------------|------------------------|
| <b>Non-current</b>                     |                        |                        |
| Environmental rehabilitation provision | 1,103,000              | 253,968                |



### 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:

|                               | 31 December 2020<br>\$ | 31 December 2019<br>\$ |
|-------------------------------|------------------------|------------------------|
| Property, plant and equipment | 750,684                | -                      |

#### 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 2020<br>\$ | 31 December 2019<br>\$ |
|--|------------------------|------------------------|
| Within one year                                  | 775,000                | 36,098                 |
| Later than one year but no later than five years | -                      | 8,898                  |
| Greater than 5 years                             | -                      | -                      |
|  | 775,000                | 44,996                 |

Operating lease commitments includes 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 2020<br>\$ | 31 December 2019<br>\$ |
|--------------------------|------------------------|------------------------|
| <b>Cash assets</b>       |                        |                        |
| Cash at bank and in hand | 5,643,139              | 8,092,614              |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (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 2020<br>\$ | 31 December 2019<br>\$ |
|--|------------------------|------------------------|
| Profit for the year  | 13,442,548             | 7,828,231              |
| Adjustments for:   |                        |                        |
| Depreciation and amortisation                                | 5,717,066              | 4,774,797              |
| Credit losses  | 29,680                 | -                      |
| Loss on disposal of asset                                    | 431,020                | -                      |
| Gain from a bargain purchase                                 | (1,247,443)            | -                      |
| Net finance costs  | (18,457)               | (128,103)              |
| Share based payments   | 152,058                | 261,810                |
| Net exchange differences                                     | (5,335,302)            | 176,978                |
| Change in operating assets and liabilities:                  |                        |                        |
| (Increase) / decrease in trade debtors                       | (5,546,987)            | (2,770,383)            |
| (Increase) / decrease in prepayments                         | 11,349                 | (196,087)              |
| (Increase) / decrease in inventories                         | 10,955,893             | 5,495,330              |
| (Decrease) / Increase in trade payables and unearned revenue | (15,039,506)           | (4,634,030)            |
| (Decrease) / increase in income tax payable                  | (569,986)              | 2,304,932              |
| Increase in provisions                                       | 176,636                | 156,470                |
|  | <b>3,158,569</b>       | <b>13,269,945</b>      |

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

Plant and equipment acquired by leases in 2020 of \$1,691,248 were receipted by the Company and immediately repatriated to the supplier. These cash inflows and outflows have therefore been recognised in the consolidated statement of cashflows.

### (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 2020<br>\$ | 31 December 2019<br>\$ |
|--|------------------------|------------------------|
| Cash and cash equivalents                                    | 5,643,139              | 8,092,614              |
| Borrowings – repayable within one year (including overdraft) | (2,487,039)            | (3,611,778)            |
| Borrowings – repayable after one year                        | (3,548,749)            | (4,115,217)            |
| Net debt   | <b>(392,649)</b>       | <b>365,619</b>         |
| Cash and cash equivalents                                    | 5,643,139              | 8,092,614              |
| Gross debt – variable interest rates                         | (6,035,788)            | (7,726,995)            |
| Net debt   | <b>(392,649)</b>       | <b>365,619</b>         |

|  | Other assets     | Liabilities from financing activities |                         |                              |                             | Total              |
|--|------------------|---------------------------------------|-------------------------|------------------------------|-----------------------------|--------------------|
|  | Cash             | Leases due within 1 year              | Leases due after 1 year | Borrowings due within 1 year | Borrowings due after 1 year |                    |
|  | \$               | \$                                    | \$                      | \$                           | \$                          | \$                 |
| Net debt as at 1 January 2019          | 12,410,510       | (1,318,434)                           | (2,770,337)             | (1,500,000)                  | (625,000)                   | <b>6,196,739</b>   |
| Cash flows                             | (4,047,277)      | (104,390)                             | 1,703,097               | 875,000                      | 625,000                     | <b>(948,570)</b>   |
| Acquisitions                           | -                | -                                     | -                       | (1,563,954)                  | (3,047,977)                 | <b>(4,611,931)</b> |
| Foreign exchange adjustments           | (270,619)        | -                                     | -                       | -                            | -                           | <b>(270,619)</b>   |
| Net debt as at 31 December 2019        | 8,092,614        | (1,422,824)                           | (1,067,240)             | (2,188,954)                  | (3,047,977)                 | <b>365,619</b>     |
| Cash flows                             | (2,398,485)      | (154,567)                             | (92,398)                | 1,279,306                    | 658,866                     | <b>(707,278)</b>   |
| Foreign exchange adjustments           | (50,990)         | -                                     | -                       | -                            | -                           | <b>(50,990)</b>    |
| <b>Net debt as at 31 December 2020</b> | <b>5,643,139</b> | <b>(1,577,391)</b>                    | <b>(1,159,638)</b>      | <b>(909,648)</b>             | <b>(2,389,111)</b>          | <b>(392,649)</b>   |

## 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 2020  | 31 December 2019 |
|---|-------------------|------------------|
|   | \$                | \$               |
| <b>Current</b>                                |                   |                  |
| Trade receivables                             | 7,417,672         | 2,627,977        |
| Less: Provision for impairment of receivables | -                 | -                |
|   | <b>7,417,672</b>  | <b>2,627,977</b> |
| Other receivables (i)                         | 5,968,541         | 5,136,452        |
| Prepayments                                   | 251,593           | 262,943          |
|   | <b>13,637,806</b> | <b>8,027,372</b> |
| <b>Non-current</b>                            |                   |                  |
| Security deposits (ii)                        | 310,080           | 469,764          |
| Advance to Blue Bantry (iii)                  | 1,008,484         | 998,599          |
| Other receivables (iv)                        | 761,055           | 44,905           |
|   | <b>2,079,619</b>  | <b>1,513,268</b> |

- (i) Includes \$1,913,134 (2019: \$1,638,116) of VAT and \$3,529,103 (2019: \$2,774,689) of Diesel Fuel Rebate refundable from the South African Revenue Service.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- (ii) A secured deposit of \$310,080 (2019: \$469,764) for an insurance bond with Guardrisk held as security for a performance guarantee issued by Guardrisk 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 (2019: ZAR 14 million) has been advanced to the BEE partner, Blue Bantry (refer note 8.2 for further details).
- (iv) An amount of \$732,745 is due from non-controlling interest of Skaland Graphite AS as part of the acquisition in 2019.

### *Impairment of receivables*

No impairment of receivables has been recognised by the Group for the year ended 31 December 2020. 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 2020 and 2019. 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 and other receivables have a fair value of \$Nil as at 31 December 2020, compared to a carrying amount of \$Nil (2019: 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 of 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 2020<br>\$ | 31 December 2019<br>\$ |
|--|------------------------|------------------------|
| <b>Current</b>   |                        |                        |
| Raw materials at cost  | 821,699                | 329,291                |
| Finished product at lower of cost and net realisable value     | 4,985,268              | 19,171,494             |
| Spare parts and consumables at cost                            | 2,434,616              | 2,442,546              |
|  | <b>8,241,583</b>       | <b>21,943,331</b>      |
| <b>Non-current</b>   |                        |                        |
| Finished product at lower of cost and net realisable value (i) | 2,745,855              | -                      |
|  | <b>2,745,855</b>       | <b>-</b>               |

- (i) The non-current finished product represents garnet stockpile below the third-party stockpile at the Tormin mine site, which will be accessible once the third-party stockpile is removed from the site, expected to occur beyond one year from the reporting date.

The individual items of inventory are carried at lower of cost and net realisable value.

#### 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 2020<br>\$ | 31 December 2019<br>\$ |
|-----------------------------|------------------------|------------------------|
| Trade payables              | 4,271,444              | 2,062,482              |
| Other payables and accruals | 3,479,033              | 2,654,260              |
|                             | <b>7,750,477</b>       | <b>4,716,742</b>       |

- (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 2020 and 2019.

- (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 2020<br>\$ | 31 December 2019<br>\$ |
|------------------|------------------------|------------------------|
| Unearned revenue | -                      | 72,375                 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (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 2020 and 2019.

### (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 amount paid in advance by GMA Group towards garnet product. Title has not passed to the customer, therefore the Group recognised these payments as a Contract Liability.

|                      | 31 December 2020<br>\$ | 31 December 2019<br>\$ |
|----------------------|------------------------|------------------------|
| Contract liabilities | -                      | 18,099,115             |

The control of garnet was transferred to the GMA Group during the financial year ended 31 December 2020, per the Deed of Release and Indemnity signed in September 2020. Revenue was recognised in accordance with the Group's revenue recognition policy (refer Note 2.2) given the customer took product with the equivalent value of the liability as part of the settlement.



## 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 2020<br>\$ | 31 December 2019<br>\$ |
|--|------------------------|------------------------|
| <b>Current</b>   |                        |                        |
| Borrowings – unsecured <sup>(6)</sup>  | 789,583                | 1,442,444              |
| Amounts due under equipment acquisition agreements <sup>(1), (2), (4), (5)</sup> | 1,577,391              | 1,422,824              |
| Borrowings – secured <sup>(3), (7)</sup>   | 120,065                | 746,510                |
|  | <b>2,487,039</b>       | <b>3,611,778</b>       |
| <b>Non-current</b>   |                        |                        |
| Borrowings – unsecured <sup>(6)</sup>  | 2,368,749              | 2,877,396              |
| Amounts due under equipment acquisition agreements <sup>(1), (2), (4), (5)</sup> | 1,159,638              | 1,067,240              |
| Borrowings – secured <sup>(3), (7)</sup>   | 20,362                 | 170,581                |
|  | <b>3,548,749</b>       | <b>4,115,217</b>       |

- (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 Sale 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.
- (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 of the loan was completed in May 2020.
- (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.
- (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.
- (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.
- (7) The Group acquired two loans payable to Innovasjon Norge for the Acquisition of Skaland Graphite AS. The first loan was fully repayable in 2020 with an effective interest rate of 3.30%. The second loan is repayable in full by 2024. The loan has an effective rate of 4.01%.

**(a) Lease liability commitments***Accounting Policies**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).

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

|  | 31 December 2020<br>\$ | 31 December 2019<br>\$ |
|--|------------------------|------------------------|
| Within one year                                  | 1,722,329              | 1,612,614              |
| Later than one year but no later than five years | 1,245,040              | 1,130,946              |
| Greater than 5 years                             | -                      | -                      |
| Minimum lease payments                           | 2,967,369              | 2,743,560              |
| Less: Future Finance Charges                     | (230,340)              | (253,498)              |
|  | 2,737,029              | 2,490,062              |

Lease commitments include contracted amounts for various plant and equipment with a written down value of \$2,244,287 (2019: \$2,706,338) 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 2020<br>\$ | 31 December 2019<br>\$ |
|--|------------------------|------------------------|
| <b>Finance income</b>                                      |                        |                        |
| Interest Income  | 18,457                 | 128,103                |
| Total finance income                                       | 18,457                 | 128,103                |
| <b>Finance costs</b>                                       |                        |                        |
| Interest paid to third parties                             | 267,213                | 228,241                |
| Net change in fair value of financial assets - derivatives | (263,961)              | (258,893)              |
| Total finance costs  | 3,252                  | (30,652)               |
| <b>Net finance income</b>                                  | <b>15,205</b>          | <b>158,755</b>         |

## 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

|                 | 2020<br>Number of shares | 2019<br>Number of shares | 2020<br>\$ | 2019<br>\$ |
|-----------------|--------------------------|--------------------------|------------|------------|
| Ordinary shares |                          |                          |            |            |
| Fully paid      | 456,241,571              | 421,191,571              | 69,774,435 | 64,927,687 |

#### (ii) Movements in ordinary share capital

| Details                          | Number of shares | \$         |
|----------------------------------|------------------|------------|
| At 1 January 2020                | 421,191,571      | 64,927,687 |
| Share issued net of costs        | 32,900,000       | 4,519,432  |
| Conversion of performance rights | 2,150,000        | 327,316    |
| At 31 December 2020              | 456,241,571      | 69,774,435 |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (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<br>reserve<br>\$ | Financial<br>asset<br>revaluation<br>reserve<br>\$ | Foreign<br>currency<br>translation<br>reserve<br>\$ | Share<br>based<br>payment<br>reserve<br>\$ | Total<br>\$         |
|---|--------------------------|--|---|--|---------------------|
| At 1 January 2019   | 1,363,393                | -  | (23,171,728)  | 369,155                                    | <b>(21,439,180)</b> |
| Share based payments                                      | -                        | -  | -   | 261,810                                    | <b>261,810</b>      |
| Conversion of performance rights                          | -                        | -  | -   | (8,486)                                    | <b>(8,486)</b>      |
| Exchange differences on translation of foreign operations | -                        | -  | (313,397)   | -  | <b>(313,397)</b>    |
| At 1 January 2020   | 1,363,393                | -  | (23,485,125)  | 622,479                                    | <b>(21,499,253)</b> |
| Share based payments                                      | -                        | -  | -   | 152,058                                    | <b>152,058</b>      |
| Conversion of performance rights                          | -                        | -  | -   | (327,316)                                  | <b>(327,316)</b>    |
| Exchange differences on translation of foreign operations | -                        | -  | (3,533,065)   | -  | <b>(3,533,065)</b>  |
| At 31 December 2020                                       | <b>1,363,393</b>         | <b>-</b>   | <b>(27,018,190)</b>                                 | <b>447,221</b>                             | <b>(25,207,576)</b> |

### 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 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) Retained Earnings**

|                       | 31 December 2020<br>\$ | 31 December 2019<br>\$ |
|-----------------------|------------------------|------------------------|
| At 1 January          | 2,446,476              | (1,542,284)            |
| Profit for the year   | 13,754,615             | 7,828,231              |
| Dividend Distribution | -                      | (3,839,471)            |
| At 31 December        | 16,201,091             | 2,446,476              |

**(d) Non-controlling interest**

|                                    | 31 December 2020<br>\$ | 31 December 2019<br>\$ |
|------------------------------------|------------------------|------------------------|
| At 1 January                       | 113,639                | 113,639                |
| Acquisition of subsidiary (6.3)    | 871,350                | -                      |
| Gain from a bargain purchase (6.3) | (138,605)              | -                      |
| Comprehensive loss for the year    | (404,533)              | -                      |
| At 31 December                     | 441,851                | 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 being 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

| Risk                                   | Exposure arising from  | Measurement                                       | Management   |
|--|--|---|--|
| Market risk<br>– foreign exchange risk | Future commercial transactions<br><br>Recognised financial assets and liabilities not denominated in USD   | Cash flow forecasting<br><br>Sensitivity analysis | Foreign currency forwards and foreign currency options   |
| Market risk<br>– interest rate risk    | The Company's borrowings in South Africa are at fixed interest rates, therefore it is not exposed to changes in variable interest rates. The Company's borrowings in Norway are at variable interest rates, subject to NIBOR interest rates. The Company's derivatives in Australia are fixed interest rates, therefore it is not exposed to changes in variable interest rates. | N/A   | N/A  |
| Market risk<br>– price risk            | Investments in equity securities   | Sensitivity analysis                              | N/A  |
| Market risk<br>– commodity price risk  | Sale of products   | Cash flow forecasting<br><br>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<br><br>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 2020 was:

| At 31 December 2020      | Value of Hedges contracted<br>US\$ | Mark-to-market value of hedges<br>US\$ | Mark-to-market hedge position<br>US\$ |
|--------------------------|------------------------------------|--|---------------------------------------|
| South African Rand (ZAR) | 1,000,000                          | 1,127,269                              | 127,269                               |
| Australian Dollars (AUD) | 900,000                            | 1,001,526                              | 101,526                               |
| Total position           | 1,900,000                          | 2,128,795                              | 228,795                               |

### (a) Market risk

#### (i) 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:

*Sensitivity*

|                                      | Impact on post tax profit |              | Impact on other components of equity |              |
|--------------------------------------|---------------------------|--------------|--------------------------------------|--------------|
|                                      | 2020<br>US\$              | 2019<br>US\$ | 2020<br>US\$                         | 2019<br>US\$ |
| USD/AUD exchange rate – increase 10% | <b>464,010</b>            | 279,218      | -                                    | -            |
| USD/AUD exchange rate – decrease 10% | <b>(464,010)</b>          | (279,218)    | -                                    | -            |
| USD/ZAR exchange rate – increase 10% | <b>2,419,474</b>          | 211,901      | -                                    | -            |
| USD/ZAR exchange rate – decrease 10% | <b>(2,419,474)</b>        | (211,901)    | -                                    | -            |
| USD/NOK exchange rate – increase 10% | <b>547,489</b>            | (20,627)     | -                                    | -            |
| USD/NOK exchange rate – decrease 10% | <b>(547,489)</b>          | 20,627       | -                                    | -            |

*(ii) 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 to 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 profit |              | Impact on other components of equity |              |
|--|---------------------------|--------------|--------------------------------------|--------------|
|  | 2020<br>US\$              | 2019<br>US\$ | 2020<br>US\$                         | 2019<br>US\$ |
| Interest rate increase of 100 basis points | <b>(20,644)</b>           | (8,113)      | -                                    | -            |
| Interest rate decrease of 100 basis points | <b>20,644</b>             | 8,113        | -                                    | -            |

*(iii) 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 \$1,261,198 (2019: \$706,046), which is monitored by the Board of Directors. Any investment in equity securities would require approval by the Board of Directors.

*Sensitivity*

|                       | Impact on post tax profit |              | Impact on other components of equity |              |
|-----------------------|---------------------------|--------------|--------------------------------------|--------------|
|                       | 2020<br>US\$              | 2019<br>US\$ | 2020<br>US\$                         | 2019<br>US\$ |
| Price increase of 10% | <b>88,284</b>             | 49,423       | -                                    | -            |
| Price decrease of 10% | <b>(88,284)</b>           | (49,423)     | -                                    | -            |

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (iv) 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 2020 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 2020 was determined as follows for both trade receivables and contract assets:

| At 31 December 2020                       | 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 | 7,334,295 | -                          | 113                        | 83,264                     | 7,417,672 |
| 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 cost include loans to Directors and employees of subsidiaries, deposits and other receivables.

### (v) 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 \$5,643,139 (2019: \$8,092,614). 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 USD 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. NOK1,326,000 was paid in 2020, NOK1,200,000 is due in 2024.

On 4 October 2019, the Group acquired Skaland Graphite A.S. As part of the acquisition the Group consolidated the fair value of the loans from Flogas. The borrowings at acquisition were NOK26,000, which was fully paid 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<br>\$  | 6 – 12<br>months<br>\$ | 1 – 5 years<br>\$ | 5+ years<br>\$ | Total<br>contractual<br>cash flows<br>\$ | Carrying<br>amount<br>\$ |
|--|-------------------|------------------------|-------------------|----------------|--|--------------------------|
| <b>31 December 2020</b>                      |                   |                        |                   |                |  |                          |
| Trade and other receivables                  | 13,637,806        | -                      | -                 | -              | 13,637,806                               | 13,637,806               |
| Trade and other receivables<br>– non current | -                 | -                      | 2,079,619         | -              | 2,079,619                                | 2,079,619                |
| Derivatives – FVTPL                          |                   |                        |                   |                |  |                          |
| Inflow                                       | 2,128,795         | -                      | -                 | -              | 2,128,795                                | 228,795                  |
| (Outflow)                                    | (1,900,000)       | -                      | -                 | -              | (1,900,000)                              | -                        |
| Total financial assets                       | <b>13,866,601</b> | <b>-</b>               | <b>2,079,619</b>  | <b>-</b>       | <b>15,946,220</b>                        | <b>15,946,220</b>        |

|  | < 6 months<br>\$ | 6 – 12<br>months<br>\$ | 1 – 5 years<br>\$ | 5+ years<br>\$ | Total<br>contractual<br>cash flows<br>\$ | Carrying<br>amount<br>\$ |
|--|------------------|------------------------|-------------------|----------------|--|--------------------------|
| <b>31 December 2019</b>                      |                  |                        |                   |                |  |                          |
| Trade and other receivables                  | 8,027,372        | -                      | -                 | -              | 8,027,372                                | 8,027,372                |
| Trade and other receivables<br>– 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                       | <b>8,098,579</b> | <b>-</b>               | <b>1,513,268</b>  | <b>-</b>       | <b>9,611,847</b>                         | <b>9,611,847</b>         |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### *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:

|                                     | <12 months<br>\$  | 1 – 5 years<br>\$ | 5+ years<br>\$ | Total contractual<br>cash flows<br>\$ | Carrying<br>amount<br>\$ |
|-------------------------------------|-------------------|-------------------|----------------|---------------------------------------|--------------------------|
| <b>31 December 2020</b>             |                   |                   |                |                                       |                          |
| Trade and other payables            | 7,750,477         | -                 | -              | 7,750,477                             | 7,750,477                |
| Borrowings excluding finance leases | 909,648           | 2,389,111         | -              | 3,298,759                             | 3,298,759                |
| Lease liabilities                   | 1,577,391         | 1,159,638         | -              | 2,737,029                             | 2,737,029                |
| <b>Total financial assets</b>       | <b>10,237,516</b> | <b>3,548,749</b>  | <b>-</b>       | <b>13,786,265</b>                     | <b>13,786,265</b>        |
| <b>31 December 2019</b>             |                   |                   |                |                                       |                          |
| Trade and other payables            | 4,716,742         | -                 | -              | 4,716,742                             | 4,716,742                |
| Borrowings excluding finance leases | 2,188,954         | 3,047,977         | -              | 5,236,931                             | 5,236,931                |
| Lease liabilities                   | 1,422,824         | 1,067,240         | -              | 2,490,064                             | 2,490,064                |
| <b>Total financial assets</b>       | <b>8,328,520</b>  | <b>4,115,217</b>  | <b>-</b>       | <b>12,443,737</b>                     | <b>12,443,737</b>        |

### (vi) *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 2020 and 31 December 2019:

|                                    | Level 1<br>\$ | Level 2<br>\$    | Level 3<br>\$ | Total<br>\$      |
|------------------------------------|---------------|------------------|---------------|------------------|
| <b>31 December 2020</b>            |               |                  |               |                  |
| <i>Financial assets</i>            |               |                  |               |                  |
| Derivatives – FVTPL                | -             | 228,795          | -             | 228,795          |
| Listed equity securities – FVTPL   | 26,974        | -                | -             | 26,974           |
| Unlisted equity securities - FVTPL | -             | 1,234,224        | -             | 1,234,224        |
| <b>Total financial assets</b>      | <b>26,974</b> | <b>1,463,019</b> | <b>-</b>      | <b>1,489,993</b> |
| <b>31 December 2019</b>            |               |                  |               |                  |
| <i>Financial assets</i>            |               |                  |               |                  |
| Derivatives – FVTPL                | -             | 71,207           | -             | 71,207           |
| Listed equity securities – FVTPL   | 24,545        | -                | -             | 24,545           |
| Unlisted equity securities - FVTPL | -             | 681,501          | -             | 681,501          |
| <b>Total financial assets</b>      | <b>24,545</b> | <b>752,708</b>   | <b>-</b>      | <b>777,253</b>   |

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

(i) *Material subsidiaries*

The Group's principal subsidiaries at 31 December 2020 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.

| Name of entity  | Place of business / country of incorporation | Ownership interest held by the Group |        | Ownership interest held by non-controlling interests |        |
|---|--|--------------------------------------|--------|--|--------|
|   |  | 2020 %                               | 2019 % | 2020 %   | 2019 % |
| 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                                     | Australia                                    | 100                                  | 100    | -  | -      |
| MRC Downstream Pty Ltd <sup>(1)</sup>                             | Australia                                    | 100                                  | -      | -  | -      |
| MRC Anode Pty Ltd <sup>(1)</sup>                                  | Australia                                    | 100                                  | -      | -  | -      |
| Skeleton Coast Resources (Pty) Ltd                                | Namibia                                      | 100                                  | 100    | -  | -      |
| Skaland Graphite A.S.   | Norway                                       | 90                                   | 90     | 10   | 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                                  | 100    | -  | -      |
| Transworld Energy and Minerals Resources (SA) Proprietary Limited | South Africa                                 | 56                                   | 56     | 44   | 44     |
| Madan Rahjo Kanyab Company (Private Joint Stock)                  | Iran   | -                                    | 100    | -  | -      |
| Zamin Afzar Ofogh Company (Private Joint Stock)                   | Iran   | -                                    | 90     | -  | 10     |
| Mineral Commodities (UK) Ltd                                      | United Kingdom                               | 100                                  | 100    | -  | -      |
| Skaland Graphite (Netherlands) BV <sup>(2)</sup>                  | Netherlands                                  | 100                                  | -      | -  | -      |

(1) MRC Downstream Pty Ltd and MRC Anode Pty Ltd were incorporated on 22 June 2020.

(2) Skaland Graphite (Netherlands) BV was incorporated on 23 June 2020.



## 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.

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

|                                   | 31 December 2020<br>\$ | 31 December 2019<br>\$ |
|-----------------------------------|------------------------|------------------------|
| <b>Balance sheet</b>              |                        |                        |
| Current assets                    | 21,113,345             | 9,937,240              |
| Non-current assets                | 1,696,542              | 1,653,004              |
| <b>Total assets</b>               | <b>22,809,887</b>      | 11,590,244             |
| Current liabilities               | 2,036,388              | 1,419,841              |
| Non-current liabilities           | 185,028                | 146,583                |
| <b>Total liabilities</b>          | <b>2,221,416</b>       | 1,566,424              |
| <b>Net assets</b>                 | <b>20,588,471</b>      | 10,023,820             |
| <b>Shareholders' equity</b>       |                        |                        |
| Issued capital                    | 53,642,101             | 44,401,322             |
| Reserves                          | (33,560,068)           | (34,981,725)           |
| Accumulated losses                | 506,438                | 604,223                |
| <b>Total equity</b>               | <b>20,588,471</b>      | 10,023,820             |
| <b>Profit/(loss) for the year</b> | <b>4,374,781</b>       | (832,144)              |

## 6.3 Business combinations during the prior 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The accounting for this acquisition in the 31 December 2019 financial statements was provisional pending the finalisation of the fair values of the assets and liabilities acquired. Details of the provisional fair value and final fair values are as follows:

|                             | Provisional Fair value<br>\$ | Final Fair value<br>\$ |
|-----------------------------|------------------------------|------------------------|
| Cash                        | 86,689                       | 86,689                 |
| Trade and other receivables | 127,603                      | 23,198                 |
| Inventories                 | 1,681,936                    | 1,681,936              |
| Other investments           | 12,919                       | 12,919                 |
| Land & buildings            | 982,987                      | 4,321,130              |
| Plant & equipment           | 1,083,064                    | 6,217,646              |
| Mine development            | 6,032,998                    | -                      |
| Trade and other payables    | (686,598)                    | (1,219,361)            |
| Deferred tax liabilities    | -                            | (594,021)              |
| Borrowings                  | (430,341)                    | (430,341)              |
| Employee benefits           | (177,510)                    | -                      |
| <b>Total net assets</b>     | <b>8,713,747</b>             | <b>10,099,795</b>      |

### Fair value of consideration paid:

|  | Provisional<br>\$ | Final<br>\$       |
|--|-------------------|-------------------|
| Cash   | 4,544,086         | 4,544,086         |
| Loan to Leonhard Nilsen & Sonner AS  | 4,169,661         | 4,169,661         |
| <b>Sub total consideration</b>   | <b>8,713,747</b>  | <b>8,713,747</b>  |
| Gain from a bargain purchase   | -                 | 1,386,048         |
| <b>Total</b>   | <b>-</b>          | <b>10,099,795</b> |
| Gain from a bargain purchase – attributed to Owners of Mineral Commodities Ltd | -                 | 1,247,443         |
| Gain from a bargain purchase – attributed to Non-Controlling interest          | -                 | 138,605           |
| <b>Total</b>   | <b>-</b>          | <b>1,386,048</b>  |

In December 2020, the valuation of the Skaland Graphite AS asset was completed and the acquisition date fair value of the land and buildings and plant and equipment was \$9,787,560, an increase of \$1,688,511 over the provisional value. Adjustments were also made on the receivable and payable as a result of management finalising the review of assets and liabilities acquired in 2019. There was also a corresponding recognition of gain from a bargain purchase of US\$1,386,048 arising from the acquisition.

The revenue and loss contributions to the Group over 15 months from date of acquisition of 4 October 2019 to 31 December 2020 were \$6,023,345 and \$3,171,816 respectively.

## 6.4 Discontinued operations

On 11 March 2020, the Group divested its exploration interests in Iran. The Iran exploration division was classified as a discontinued operation and is no longer presented in the segment note. The consolidated results of the Iran exploration division for the period are presented below:

|   | 31 December 2020<br>\$ | 31 December 2019<br>\$ |
|---|------------------------|------------------------|
| Remeasurement to fair value less costs to sell        | (431,020)              | -                      |
| Profit/(loss) before tax from discontinued operations | (431,020)              | -                      |
| Tax (expense)/benefit:                                | -                      | -                      |
| Post-tax profit/(loss) of discontinued operations     | (431,020)              | -                      |

The net cash flows generated/(incurred) by the Iran exploration division is, as follows:

|                                  | 31 December 2020<br>\$ | 31 December 2019<br>\$ |
|----------------------------------|------------------------|------------------------|
| Investing                        | -                      | (22,103)               |
| Financing                        | -                      | 187,363                |
| <b>Net cash inflow/(outflow)</b> | -                      | 165,260                |

## 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 2020<br>\$ | 31 December 2019<br>\$ |
|------------------------------|------------------------|------------------------|
| <b>Current</b>               |                        |                        |
| Annual leave provision       | 779,669                | 661,266                |
| <b>Non-current</b>           |                        |                        |
| Long service leave provision | 185,028                | 126,795                |

## 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 2020 and 2019.

#### **b) Performance Rights**

The Company has implemented an Incentive Performance Rights Plan that 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 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. 350,000 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 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. These Performance Rights have all vested and been exercised.

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 1 October 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. These Performance Rights have all vested.

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 2021, 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. These Performance Rights have all vested.

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. 500,000 of these Performance Rights have vested and been exercised.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 February 2021 and 50,000 vesting on 28 February 2022 and upon the 30 Day VWAP being at or above \$0.26. 50,000 of these Performance Rights have vested and been exercised.

On 9 November 2020, the Board offered the issue of 1,400,000 Performance Rights to executives and employees. These performance rights are exercisable on or before 25 November 2024, with 1,400,000 vesting on 25 November 2022 and upon the 30 Day VWAP being at or above \$0.31 and service condition being achieved. The Barrier Price was set at the time of initial discussions with each relevant Key Management Personnel.

On 9 November 2020, the Board offered the issue of 2,100,000 Performance Rights to executives and employees. These performance rights are exercisable on or before 25 November 2025, with 2,100,000 vesting on 25 November 2023 and upon non-market measures and service conditions being achieved. The Barrier Price was set at the time of initial discussions with each relevant Key Management Personnel.

Set out below are summaries of all Performance Rights granted under the Plan and unexpired at 31 December 2020:

| 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                   | -                         | -                      | -                              | -                             |
| 16 Aug 2017  | 31 May 2021  | Nil            | 11.8 cents               | 100,000                         | -                       | 100,000                   | -                         | -                      | -                              | -                             |
| 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                      | 1,000,000                     |
| 25 Sept 2018 | 30 Sept 2021 | Nil            | 13.6 cents               | 1,000,000                       | -                       | -                         | -                         | -                      | 1,000,000                      | 1,000,000                     |
| 28 May 2019  | 14 May 2022  | Nil            | 13.4 cents               | 1,000,000                       | -                       | 500,000                   | -                         | -                      | 500,000                        | -                             |
| 28 May 2019  | 28 Feb 2023  | Nil            | 13.2 cents               | 150,000                         | -                       | 50,000                    | -                         | -                      | 100,000                        | -                             |
| 9 Nov 2020   | 25 Nov 2024  | Nil            | 30.7 cents               | -                               | 1,400,000               | -                         | -                         | -                      | 1,400,000                      | -                             |
| 9 Nov 2020   | 25 Nov 2025  | Nil            | 33.5 cents               | -                               | 2,100,000               | -                         | -                         | -                      | 2,100,000                      | -                             |
|              |              |                |                          | <b>4,750,000</b>                | <b>3,500,000</b>        | <b>2,150,000</b>          | <b>-</b>                  | <b>-</b>               | <b>6,100,000</b>               | <b>2,000,000</b>              |

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                        | -                             |
|              |              |                |                          | <b>3,800,000</b>                | <b>1,250,000</b>        | <b>100,000</b>            | <b>200,000</b>            | <b>-</b>               | <b>4,750,000</b>               | <b>2,166,666</b>              |

(1) The performance rights were offered during the year, but will be issued subsequent to the lodgement of the 31 December 2020 Financial Statements.



*Fair value of Performance Rights granted*

The assessed fair value at grant date of the Performance Rights offered during the period ended 31 December 2020 was determined using an option pricing model that takes into account the performance conditions (e.g. share price reaching A\$0.31 per share for thirty 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 and management's assessment of the vesting conditions being met. The total share based payment expense related to performance rights for the period ended 31 December 2020 was \$152,058 (2019: \$261,810).



The model inputs for Performance Rights granted/offered 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     | 1,400,000   | 2,100,000   |
| (b) Exercise price (AUD)                    | 0 cents     | 0 cents     | 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   | 20.0 cents  | 26.0 cents  | 26.0 cents  | 31.0 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  | 31.0 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 | 9 Nov 2020  | 9 Nov 2020  |
| (g) Risk-free interest rate                 | 1.98%       | 1.98%       | 1.98%       | 2.20%       | 2.20%       | 2.15%        | 1.12%       | 1.12%       | 1.12%       | 0.09%       | 0.09%       |
| (h) Expiry date                             | 31 May 2020 | 31 May 2020 | 31 May 2021 | 1 Oct 2021  | 1 Oct 2021  | 30 Sept 2021 | 14 May 2022 | 14 May 2022 | 14 May 2022 | 25 Nov 2024 | 25 Nov 2025 |
| (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  | 33.5 cents  | 33.5 cents  |
| (j) Expected price volatility of the shares | 90%         | 90%         | 90%         | 85%         | 85%         | 85%          | 85%         | 85%         | 85%         | 83%         | 80%         |
| (k) Expected dividend yield                 | 8%          | 8%          | 8%          | 5.67%       | 5.67%       | 7.6%         | 6.67%       | 6.67%       | 6.67%       | Nil         | Nil         |

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 vesting period.



### 7.3 Related party transactions

#### (i) Parent entity

Transactions between the Company and other entities in the Group during the years ended 31 December 2020 and 31 December 2019 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 2020<br>\$ | 31 December 2019<br>\$ |
|------------------------------|------------------------|------------------------|
| Short-term employee benefits | 3,178,325              | 2,595,422              |
| Post-employment benefits     | 123,557                | 113,214                |
| Share-based payments         | 183,909                | 281,692                |
|                              | <b>3,485,791</b>       | <b>2,990,328</b>       |

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 followings services to the Company during 2020:

- Provision of executive services

The amount paid or payable by the Company to MSCS for the year ended 31 December 2020 was \$258,900 (2019: \$208,657). 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 2020 was \$141,682 (2019: \$143,851). 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 2020 was \$144,189 (2019: \$280,715). 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 arms-length basis at normal commercial rates.

- Others

The amount paid by the Company to MSCS for the year ended 31 December 2020 was \$102,896 (2019: \$131,340). The amounts payable have been in respect of telecommunication charges and miscellaneous payments made by MSCS on behalf of the Company. The amounts have been reimbursed on an arms-length basis at normal commercial rates.

Hastings Bell Pty Ltd, a Company associated with Daniel Hastings, the son of Ross Hastings (a former Director), has previously 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 2020 was \$Nil (2019: \$157,352). This is considered to be an arm's length commercial consultancy contract at normal commercial rates.

Shepstone & Wylie, a company associated with Debbie Ntombela, one of the Directors, has provided legal services to the Company during 2020. This amount paid by the Company to Shepstone and Wylie for the year ended 31 Dec 2020 was \$40,739 (2019: \$11,292).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (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 2020<br>\$ | 31 December 2019<br>\$ |
|-------------------|------------------------|------------------------|
| MSCS              | 82,994                 | 53,463                 |
| Shepstone & Wylie | 15,877                 | -                      |

## 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

##### Guarantees

Guardrisk has issued a 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 ZAR4,102,989 (US\$280,004) (FirstRand Bank Limited: Dec 2019: ZAR4,102,989 (US\$292,545)).

Guardrisk has issued a 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\$21,838) (FirstRand Bank Limited: Dec 2019: ZAR320,000 (US\$22,779)).

Guardrisk has issued a 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\$27,298) (FirstRand Bank Limited: Dec 2019: ZAR400,000 (US\$28,473)).

Guardrisk has issued a 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 ZAR350,000 (US\$23,885) (FirstRand Bank Limited: Dec 2019: ZAR350,000 (US\$24,914)).

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\$1,037,309) (Dec 2019: ZAR15,200,000 (US\$1,081,981)).

##### Others

In the prior year, the Company received a letter of demand for up to ZAR32,268,000 (US\$2,202,098) (Dec 2019: US\$2,296,933) plus penalty interest of ZAR4,307,083 (US\$293,933) (Dec 2019: US\$306,591), total ZAR36,575,083, relating to diesel fuel rebates claimed from its mining activities over several years. The Company is of the view, based upon independent legal advice obtained, that 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. SARS has withheld payment for diesel fuel rebate and VAT claims in order to satisfy this purported cash debt, with the full amount now withheld. The Group maintains its position that there is no present refund obligation to SARS and that this amount has been withheld in error and therefore these amounts are recoverable. The Company is pursuing legal proceedings and is confident in its claim. There has been no change since 31 December 2020.

Other than those mentioned above, there have been no other changes to contingent assets or liabilities since 31 December 2020.

### 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

The previous CEO, Mark Victor Caruso, on 25 March 2021 was given notice of termination of the agreement under which the services of Mr Caruso are provided. The Company's Chairman, Mr David Baker and Non-Executive Director, Mr Russell Tipper acting in the role of CEO, will supervise the Company's operations whilst the Board undertakes a search for a replacement CEO, commencing immediately.

There have been no other 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 2020<br>\$ | 31 December 2019<br>\$ |
|--|------------------------|------------------------|
| <b>Audit services</b>  |                        |                        |
| <i>Audit and review of financial reports</i>                               |                        |                        |
| BDO Audit (WA) Pty Ltd   | 86,176                 | 86,554                 |
| BDO Johannesburg South Africa  | 22,555                 | 30,440                 |
|  | <b>108,731</b>         | 116,994                |
| <b>Non-audit services</b>  |                        |                        |
| <i>Taxation, advisory and company secretarial (South African entities)</i> |                        |                        |
| BDO advisory   | -                      | 5,564                  |
| BDO Johannesburg South Africa  | -                      | 1,034                  |
|  | <b>-</b>               | 6,598                  |

### 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 2020.

A number of new standards, amendments to standards and interpretations are effective for annual period beginning on or after 1 January 2021, and have not been applied in preparing these consolidated financial statements. The most significant of these are:

- AASB 2020-3 Amendment to AASB 9 – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Part of Annual Improvements 2018–2020 Cycle)
- AASB 2020-5 Amendments to AASBs – Insurance Contracts
- AASB 2020-3 Amendments to AASB 3 – Reference to the Conceptual Framework
- AASB 2020-3 Amendments to AASB 116 – Property, Plant and Equipment: Proceeds before Intended Use
- AASB 2020-3 Amendments to AASB 137 – Onerous Contracts – Cost of Fulfilling a Contract

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) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 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:



**David Baker**

Chairman

Dated at Perth, Western Australia  
this 31st day of March 2021







## 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 2020, the consolidated income statement, the consolidated statement of 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 2020 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 (including Independence Standards)* (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.

## Valuation of Mine Assets

| <i>Key audit matter</i>   | <i>How the matter was addressed in our audit</i>   |
|---|--|
| <p>Note 3.2 and 3.3 of the financial report discloses the carrying value of the Group's mine assets, including mine development expenditure and property, plant and equipment, respectively.</p> <p>Mine assets were identified as a key audit matter due to the quantum of the assets and the judgements by management in determining:</p> <ul style="list-style-type: none"> <li>• reserves and resources estimations, including life of mines;</li> <li>• estimation of useful lives of the assets; and</li> <li>• assessment of indicators of impairment at reporting date.</li> </ul> <p>In addition, Note 6.3 of the financial report discloses the finalisation of the fair value assessments relating to the prior period business combination of the Skaland mining operations. Significant estimates were adopted by management in determining the fair values of the acquired mine assets.</p> | <p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• evaluating the Group's amortisation and depreciation policies in accordance with Australian Accounting Standards and relevant accounting interpretations;</li> <li>• testing the mathematical accuracy and application of the amortisation and depreciation rates applied to the carrying values of all mine assets in commercial production and in use, by recalculating amortisation and depreciation for the year;</li> <li>• evaluating whether there were any indicators of impairment under the Australian Accounting Standards;</li> <li>• reviewing management's fair value assessment for the Skaland mine assets, including review of the independent external valuation obtained; and</li> <li>• assessing the adequacy of the related disclosures in Note 3.2, 3.3 and 6.3 of the financial report.</li> </ul> |

## Existence and Valuation of Inventory

| <i>Key audit matter</i>   | <i>How the matter was addressed in our audit</i>  |
|---|---|
| <p>Note 4.3 of the financial report discloses the carrying value of the Group's inventory.</p> <p>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 Tormin mine site.</p> | <p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• performing inventory sighting activities at the Tormin mine site and verifying a sample of inventory items and comparing the quantities/volumes counted to the quantities/volumes recorded;</li> <li>• observing for potential obsolete or damaged items;</li> <li>• obtaining and reviewing third party survey reports of stockpiled finished goods and comparing to volumes recorded. This included assessing the competence and objectivity of the expert used and the adequacy of their work;</li> <li>• 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;</li> <li>• re-performing the calculation and reconciling inputs used in the inventory model to survey results, production reports, mining costs and sales contracts;</li> <li>• testing a sample of finished product to assess whether they were recorded at the lower of cost and net realisable value; and</li> <li>• assessing the adequacy of the related disclosures in Note 4.3 of the financial report.</li> </ul> |



### **Other information**

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2020, but does not include the financial report and the auditor's report thereon.

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 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, 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.

### **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:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 32 to 40 of the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of Mineral Commodities Ltd, for the year ended 31 December 2020, 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**

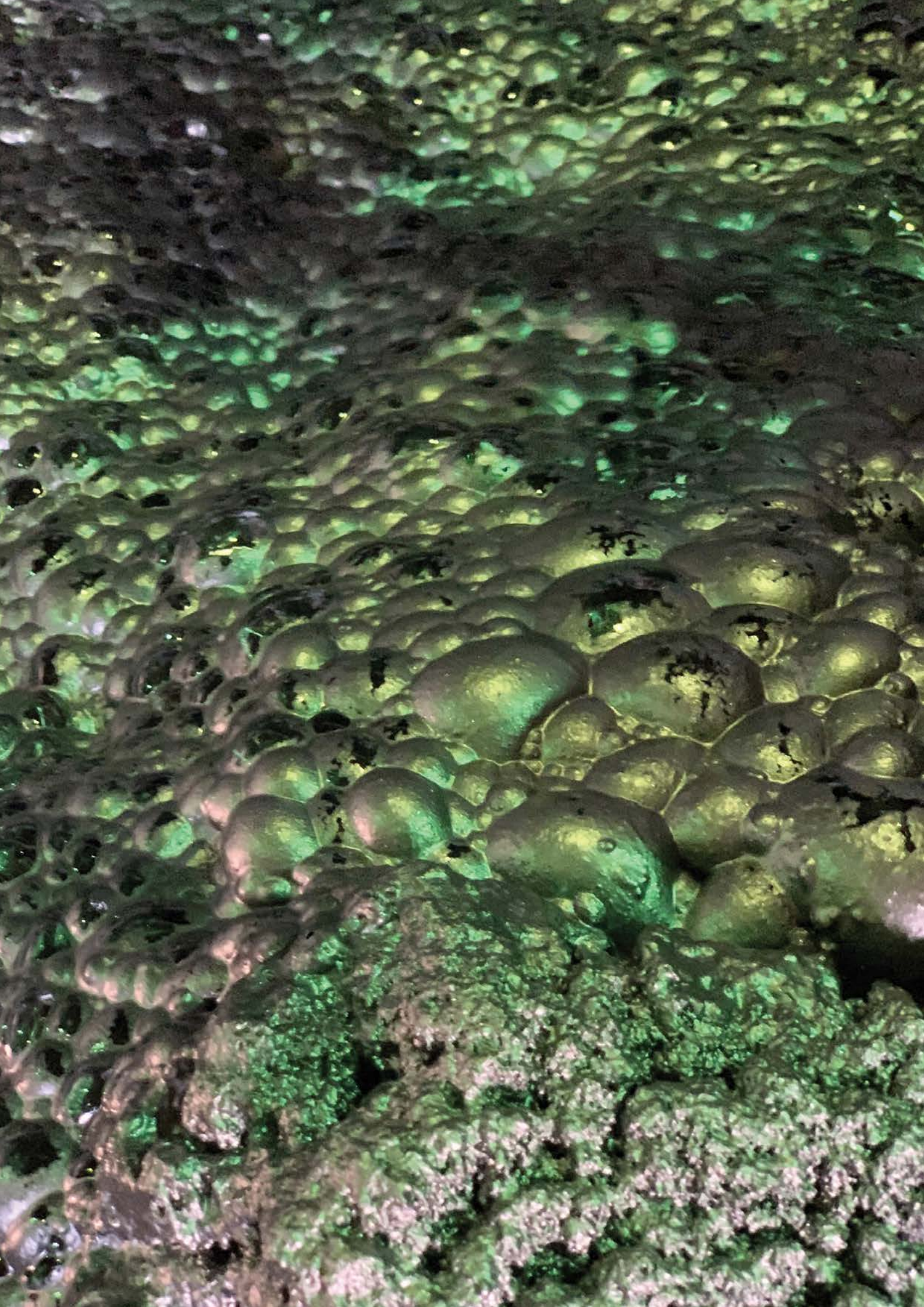
A handwritten signature in black ink, appearing to read 'Glyn O'Brien', is written over a faint, stylized 'BDO' logo.

**Glyn O'Brien**

Director

Perth, 31 March 2021







# 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 29 April 2021.

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 2020 and are compliant, unless otherwise stated, with the Corporate Governance Council’s principles and recommendations (4th Edition), which are noted below.

- Principle 1. Lay solid foundations for management and oversight
- Principle 2. Structure the Board to be effective and add value
- Principle 3. Instill a culture of acting lawfully, ethically and responsibly
- Principle 4. Safeguard the integrity of corporate reports
- 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 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 5 directors, three of which are independent non-executive directors. Details of each director's skill, expertise and background are contained within the directors' report included with the Company's annual financial statements and/or on the Company's website [www.mineralcommodities.com](http://www.mineralcommodities.com).

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 |
|--------------------------------------|-----------------|
| <b>Expertise</b>                     |                 |
| Senior Executive Experience          | 2               |
| Governance                           | 3               |
| Financially Knowledgeable            | 3               |
| Mining                               | 2               |
| Technical (Geological / Engineering) | 1               |
| Mergers and Acquisitions             | 3               |
| In-Country Experience                | 3               |
| Resource Development                 | 2               |
| <b>Competencies</b>                  |                 |
| Strategic Leadership                 | 5               |
| Vision and Mission                   | 5               |
| Governance                           | 5               |

Details of directors' shareholdings are disclosed in the directors' report and financial report. Mr Zamile David Qunya (Madiba), who was appointed as a Non-Executive Director on 16 April 2021, has no shareholdings in the Company. 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.

Up until October 2020, the roles of Chairman and CEO were not separated. The Remuneration and Nomination Committee and Board considered that Mr Caruso's experience in the industry and in managing mining operations position him well to manage the affairs of the Company. From October 2020 onwards, the Chair position of the Company was filled by an Independent Non-Executive Director, Mr David Baker, whilst Mr Mark Caruso retained the position of CEO up until his departure on 25 March 2021.



## STATEMENT OF CORPORATE GOVERNANCE

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 the Company'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 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 took place immediately following the year-end. 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 summarized 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/her 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. An evaluation of the CEO was undertaken in respect to the 2020 financial year to consider his performance against short term incentives. 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 regulation, with a view to managing risk of failure to achieve business objectives. It must be recognized 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 process, 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 Continuity 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 licenses. 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

## STATEMENT OF CORPORATE GOVERNANCE

- 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 has two permanent Board committees 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 the 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 to 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, and Ms Ntombela.

### 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.

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, copies of which are released to the ASX ahead of the presentations.

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.

The Board receives copies of all material announcements promptly after they have been made and in most instances require the prior consent of the Board ahead of release.

## 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 our 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.

### WHISTLE BLOWER POLICY

The Company is committed to maintaining a high standard of integrity, investor confidence and good corporate governance. The Company has a whistle blower policy, which is aimed at implementing these commitments including ensuring compliance with the Corporations Act and details the framework for receiving, investigating and addressing allegations of Reportable Conduct where that Reportable Conduct concerns the activities of the Company, or its current or former directors, officers, agents, employees and contractors.

The purpose of the policy is to:

- Encourage the reporting of matters that may cause harm to individuals or financial or non-financial loss to MRC or damage to its reputation;
- Enable the Company to deal with reports from Whistleblowers in a way that will protect the identity of the Whistleblower;
- Provide for the appropriate infrastructure; and
- Help to ensure the Company maintains the highest standards of ethical behavior and integrity.

## STATEMENT OF CORPORATE GOVERNANCE

### ANTI-BRIBERY AND CORRUPTION POLICY

The Company has an Anti-bribery and corruption policy, which assists with the Company's commitment to conducting its business and activities with integrity. A copy of the policy can be viewed on the Company's website under the Corporate Governance section.

### 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 that 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 does 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 280 staff, with 48 females, representing 17.14%. There is one female director. The Company has not yet set any measurable objectives however it has an extensive social and labour plan in South Africa that 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 Social & Labour Plan (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 and has a historical regional operational continuance for over 100 years. The social economic benefits of the mine are integral to the local community's sustainability, 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

The Company reviews its mineral resources and ore reserves 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 2020 Annual Resource and Ore Reserve Statement was included in the Company's ASX release on 26 February 2021.

### MINING AND PROSPECTING RIGHTS

The Company holds the following mining and prospecting rights:

| Country      | Location                                | Right/Tenement Number/<br>Operating Licence | Type of Right/<br>Tenement/<br>Licence | Status  | Registered<br>Interest<br>(Beneficial<br>Interest) |
|--------------|---|---|--|---|--|
| South Africa | Tormin - Expansion                      | 162&163 EM                                  | Mining                                 | Granted   | 50%  |
|              | Tormin - Steenvas                       | (WC)30/5/1/2/2/162 MR (10108 MR)            | Mining                                 | Granted   | 50%  |
|              | Tormin – North and South                | (WC)30/5/1/2/2/163 MR (10107 MR)            | Mining                                 | Granted   | 50%  |
|              | Tormin – Surf Zone                      | (WC)30/5/1/1/2/10036 PR (10276 PR)          | Prospecting                            | Granted – subject to renewal application  | 50%  |
|              | Tormin - Offshore                       | (WC)30/5/1/1/2/10199 PR (10343 PR)          | Prospecting                            | Granted   | 50%  |
|              | Tormin – De Punt                        | (WC)30/5/1/1/2/10240 PR                     | Prospecting                            | EA granted subject to appeal  | 50%  |
|              | Tormin - Northern Beaches Graauw Duinen | (WC)30/5/1/1/2/10261 PR                     | Prospecting                            | Granted   | 50%  |
|              | Tormin – Geelwal Karoo                  | (WC)30/5/1/1/2/10262 PR                     | Prospecting                            | Granted   | 50%  |
|              | Tormin – Klipvley Karoo Kop             | (WC)30/5/1/1/2/10307 PR (10348 PR)          | Prospecting                            | Under application   | 50%  |
|              | Tormin – Geeelwal Karoo & De Punt       | (WC)30/5/1/1/2/10308 PR (10349 PR)          | Prospecting                            | Under application   | 50%  |
|              | Xolobeni - Kwanyana block               | EC30/5/1/1/2/10025 PR                       | Prospecting                            | Subject to moratorium - Converting to Mining Right<br><br>Subject to Regional Mining Development and Environmental Committee (REMDEC) appeal decision | 56%  |
|              | Xolobeni                                | EC30/5/1/1/2/10025 MR                       | Mining                                 | Subject to moratorium - Under Application   | 56%  |

| Country   | Location              | Right/Tenement Number/<br>Operating Licence | Type of Right/<br>Tenement/<br>Licence                   | Status                 | Registered<br>Interest<br>(Beneficial<br>Interest) |
|-----------|-----------------------|---|--|------------------------|--|
| 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                | 100% (90%)   |
|           | Harvey Vanadium       | M70/888                                     | Mining   | Granted                | 0% (Option to earn-in up to 100%)                  |
|           | Paynes Find           | M59/714                                     | Mining   | Granted                | 100%   |
|           | 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    | Traelen               | Gnr./bnr.6/1,6/2 and 7/1 in Berg            | Expropriation of Mining Rights on specified land parcels | Granted                | 90%  |
|           | Mount Bukken          | Zone: Gnr. 90/Bnr. 2                        | Exploration  | [Registration pending] | 90%  |
|           | Vardfjellet/Hesten    | GNR. 124/bnr. 1                             | Exploration  | [Registration pending] | 90%  |

## MINERAL RESOURCES

As at 31 December 2020, Group Mineral Resources include:

- 456 million tonnes at 6.8% THM including 31.2 million tonnes of in situ heavy mineral across its Tormin Mineral Sands Operation and Xolobeni Mineral Sands Project.
- 9.75 million tonnes at 14% TGC and contained 1.36 million tonnes of graphite across its Munglinup Graphite Project and Skaland Graphite Operation.

This represents an increase of approximately 108 million tonnes of heavy mineral ore and a decrease of 0.02 million tonnes of graphite ore compared with the estimate at the same time last year. Mineral Resources are reported inclusive of Ore Reserves.

### MINERAL SANDS RESOURCES

**The Tormin Mineral Sands Operation** is located on the west coast of South Africa, approximately 360km north of Cape Town.

- **Tormin Beaches** is a high grade placer beach mineral sands deposit hosting naturally occurring zircon, ilmenite, rutile, magnetite and garnet. 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 seven years and a total of 13.87 million tonnes of material has been processed. The tonnage processed is more than the declared resource tonnage (2.7 million tonnes), 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 seven years.

The Company provided its Tormin Beaches Annual Resource Update to the market on 26 February 2021, recognising a resource of 1.1 million tonnes at 13.67% THM, based on a 2% heavy mineral cut-off grade based on the JORC Code (2012).

- **Northern Beaches** incorporate ten beaches directly north of and adjoining the Tormin Beaches. The areas unite semi-continuous tenements approximately 23.5 kilometres in length, covering an area of 398 hectares of beach sands prospective for zircon, rutile, ilmenite, garnet, leucoxene and magnetite. Like the Tormin Beaches, this deposit is located on an active placer beach strandline undergoing continuous erosion, deposition and replenishment from oceanic storm and wave activity. The heavy minerals in the beach are constantly replenished by the transport of new sediment from deeper waters, much of which has been derived from the erosion of deposits accumulated in the elevated historic beach terraces onto the present beach.

On 19 May 2020, the Company announced its maiden high-grade resource at Tormin's Northern Beaches of 2.5 million tonnes at 23.5% THM in the category of Measured, Indicated and Inferred using a 2% cut-off, based on drilling from only three (Beaches 5, 7 and 10). The Company completed resource drilling at Beaches 1, 2, 3, 4, 6, 8 and 9 as part of a follow-up programme outside of the Maiden Mineral Resource at the Northern Beaches that are included in the Annual Mineral Resource estimate released on 26 February 2021. Total Mineral Resource (JORC Code 2012) for the Northern Beaches is estimated 3 million tonnes at 23.2% THM in the category of Measured, Indicated and Inferred using a 2% cut-off.

The nature of the resource replenishment in Tormin Beaches and Northern Beaches is typical of modern day beach placer deposits found along the West Coast of South Africa and the southeastern Tamil Nadu coast of India.

- **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. A maiden JORC Code (2012) compliant resource of 106 million tonnes at 12.4% THM in the category of Measured, Indicated and Inferred using a 2% cut-off was reported on August 2020 for the Inland Strand Prospecting Right 10262 area, which included as a subset 22.8 million tonnes at 20.9% THM, located within the expanded Section 102 Mining Right area of the Western Strandline (22% of the total estimated resource) that is immediately available for mining. The Mineral Resource of the Western Strandline demonstrates the high-grade nature of the deposit, with over 40% of the total resource classified as Measured and Indicated.

**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.

Mineral resource is estimated at 346 million tonnes at 5% THM, with 54% ilmenite in THM2. The Xolobeni project is currently subject to a Department of Mineral Resources and Energy ("DMRE") mandated moratorium in South Africa. Any potential development timetable is unknown and subject to the outcome of this moratorium. Mining methods and mine optimisation studies need to be completed to determine the most effective mine life of Xolobeni. No exploration or production activity has been carried out at Xolobeni during the year. As such, the mineral resources for Xolobeni as at 31 December 2020 remain consistent with 31 December 2019.

## STATEMENT OF CORPORATE GOVERNANCE

Total Mineral Resources of Heavy Mineral Sand based on mined material reconciliation as at 31 December 2020.

| Project               | Category     | Resource<br>(Mt) | THM<br>(%)   | In Situ<br>THM<br>(Mt) | Zircon<br>(% HM) | Garnet<br>(% HM) | Ilmenite<br>(% HM) | Rutile<br>(% HM) | Anatase<br>(% HM) | Magnetite<br>(% HM) |
|-----------------------|--------------|------------------|--------------|------------------------|------------------|------------------|--------------------|------------------|-------------------|---------------------|
| Tormin<br>Beaches     | Measured     | 0.25             | 13.59        | 0.03                   | 1.62             | 35.77            | 4.90               | 0.69             | 0.10              | 0.30                |
|                       | Indicated    | 0.72             | 13.92        | 0.10                   | 3.88             | 50.32            | 9.07               | 1.16             | 0.10              | 0.19                |
|                       | Inferred     | 0.16             | 12.72        | 0.02                   | 4.41             | 51.53            | 10.05              | 1.23             | 0.10              | 0.19                |
|                       | <b>Total</b> | <b>1.1</b>       | <b>13.67</b> | <b>0.1</b>             | <b>3.46</b>      | <b>47.33</b>     | <b>8.30</b>        | <b>1.07</b>      | <b>0.10</b>       | <b>0.22</b>         |
| Northern<br>Beaches   | Measured     | 1.65             | 24.01        | 0.39                   | 3.29             | 51.60            | 9.28               | 1.05             | 0.20              | 0.45                |
|                       | Indicated    | 1.08             | 23.15        | 0.25                   | 4.10             | 50.06            | 7.68               | 0.99             | 0.17              | 0.60                |
|                       | Inferred     | 0.29             | 18.03        | 0.05                   | 3.38             | 46.97            | 5.15               | 0.77             | 0.16              | 0.55                |
|                       | <b>Total</b> | <b>3.0</b>       | <b>23.24</b> | <b>0.7</b>             | <b>3.57</b>      | <b>50.77</b>     | <b>8.43</b>        | <b>1.03</b>      | <b>0.17</b>       | <b>0.51</b>         |
| Western<br>Strandline | Measured     | 9.7              | 19.13        | 1.8                    | 2.45             | 14.90            | 15.02              | 1.15             | 0.23              | 0.66                |
|                       | Indicated    | 33.1             | 16.20        | 5.3                    | 1.08             | 12.62            | 4.90               | 0.68             | 0.12              | 0.27                |
|                       | Inferred     | 62.6             | 9.29         | 5.8                    | 1.25             | 15.57            | 5.84               | 0.84             | 0.18              | 0.29                |
|                       | Stockpile    | 0.49             | 14.36        | 0.07                   | 2.41             | 13.23            | 14.06              | 0.94             | 0.20              | 0.41                |
|                       | <b>Total</b> | <b>105.9</b>     | <b>12.40</b> | <b>13.1</b>            | <b>1.35</b>      | <b>14.26</b>     | <b>6.80</b>        | <b>0.82</b>      | <b>0.16</b>       | <b>0.34</b>         |
| Xolobeni              | Measured     | 224              | 5.7          | 12.76                  |                  |                  | 54.5               |                  |                   |                     |
|                       | Indicated    | 104              | 4.1          | 4.26                   |                  |                  | 53.7               |                  |                   |                     |
|                       | Inferred     | 18               | 2.3          | 0.41                   |                  |                  | 69.4               |                  |                   |                     |
|                       | <b>Total</b> | <b>346.0</b>     | <b>5.0</b>   | <b>17.3</b>            |                  |                  | <b>54.0</b>        |                  |                   |                     |
| <b>Grand Total</b>    |              | <b>456</b>       | <b>6.86</b>  | <b>31.2</b>            |                  |                  | <b>42.6</b>        |                  |                   |                     |

- Mineral assemblage reported as in situ percentage of THM content.
- Tonnes and grades numbers may not compute due to rounding.
- 2% THM cut-off grade used for Tormin Beaches, Northern Beaches and Western Strandline.
- 1% THM cut-off grade used for Xolobeni.



## GRAPHITE RESOURCES

**The Skaland Graphite Operation** is located on the Island of Senja in northern Norway. A maiden JORC Code (2012) compliant resource for the Trælen deposit of 1.78 million tonnes at 22% TGC in the categories of Indicated and Inferred for 397kt of contained graphite using a 10% cut-off was completed by Wardell Armstrong International, reported on 12 March 2020. The Trælen mine delivered 19kt of ore to the processing plant in 2020, which was deducted from the total resource.

**The Munглиnup Graphite Project** is located in the South Coast region of Western Australia, approximately 107 km west of Esperance. On 8 January 2020, a JORC Code (2012) compliant Mineral Resource of 7.99 million tonnes at 12.2% TGC in the category of Indicated and Inferred using a 5% cut-off was reported. The Mineral Resource of Munглиnup remain unchanged since the release in January 2020.

Total Mineral Resources of Graphite based on mined material reconciliation at 31 December 2020

| Project            | Category     | Resource (Mt) | Total Graphitic Carbon (%) | Contained Graphite (Mt) |
|--------------------|--------------|---------------|----------------------------|-------------------------|
| Skaland            | Indicated    | 0.38          | 26%                        | 0.10                    |
|                    | Inferred     | 1.37          | 21%                        | 0.29                    |
|                    | <b>Total</b> | <b>1.76</b>   | <b>22%</b>                 | <b>0.39</b>             |
| Munглиnup          | Indicated    | 4.49          | 13%                        | 0.58                    |
|                    | Inferred     | 3.50          | 11%                        | 0.38                    |
|                    | <b>Total</b> | <b>7.99</b>   | <b>12%</b>                 | <b>0.97</b>             |
| <b>Grand Total</b> |              | <b>9.75</b>   | <b>14%</b>                 | <b>1.36</b>             |

- Tonnes and grade numbers may not compute due to rounding.
- 10% THM cut-off grade used for Skaland.
- 5% THM cut-off grade used for Munглиnup.

## ORE RESERVES

As at 31 December 2020, Group Ore Reserves of graphite estimated to contain 4.24 million tonnes of 12.8% TGC were completed by Hastings Bell Pty Ltd. This represents no change compared with Company's ASX release on 8 January 2020 and an Addendum to that release on 17 January 2020. 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.

Total Ore Reserves of Graphite at 31 December 2020

| Project   | Category     | Tonnes (Mt) | Total Graphitic Carbon (%) |
|-----------|--------------|-------------|----------------------------|
| Munглиnup | Proven       |             |                            |
|           | Probable     | 4.24        | 12.8                       |
|           | <b>Total</b> | <b>4.24</b> | <b>12.8</b>                |

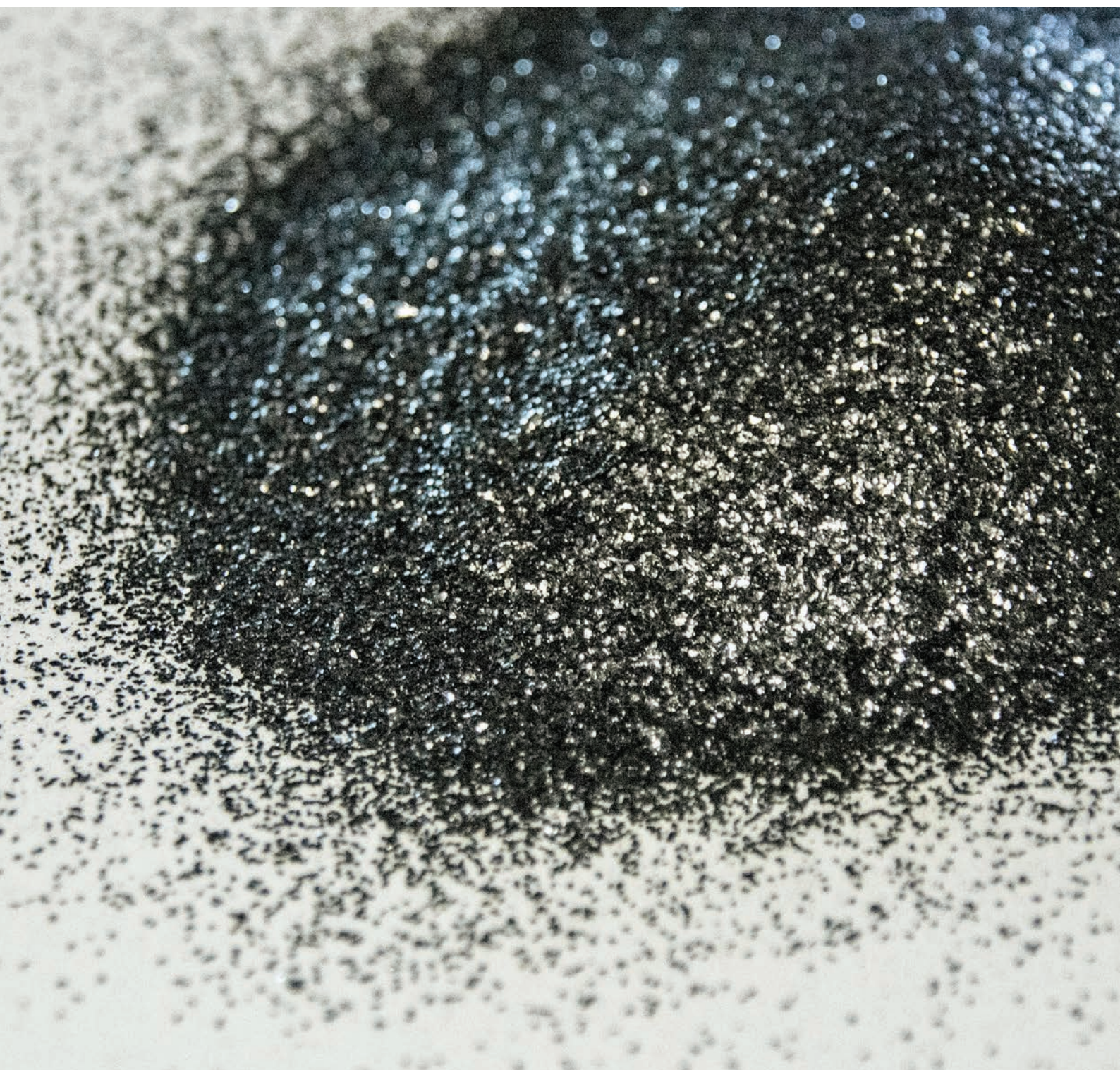
| Flake Size | Sieve Size (µm) | Mass (%) | Total Graphitic Carbon (%) |
|------------|-----------------|----------|----------------------------|
| Jumbo      | 300 – 500       | 6.5%     | 95%                        |
| Large      | 180 - 300       | 16.9%    | 95%                        |
| Medium     | 150 - 180       | 8.0%     | 95%                        |
| Small      | 75 - 150        | 29.8%    | 95%                        |
| Fine       | < 75            | 38.8%    | 95%                        |

- Ore Reserve uses a variable cash flow cut-off grade.
- Ore Reserve flake size distribution is for recovered graphite product.



### **MINERAL RESOURCE AND ORE RESERVE GOVERNANCE**

Mineral Resources and where applicable, Ore Reserves, are estimated by suitably qualified persons in accordance with the JORC Code and the ASX Listing Rules, 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 suitably qualified Competent Persons.





# 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 20 April 2021.

## Twenty Largest Shareholders

| Rank | Name                                      | 29 Mar 2021 | %IC    |
|------|---|-------------|--------|
| 1    | AU MINING LIMITED                         | 114,479,618 | 25.09  |
| 2    | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 108,207,454 | 23.72  |
| 3    | CITICORP NOMINEES PTY LIMITED             | 62,123,933  | 13.62  |
| 4    | SIMTO RESOURCES PTY LTD                   | 55,401,497  | 12.14  |
| 5    | ZURICH BAY HOLDINGS PTY LTD               | 20,605,988  | 4.52   |
| 6    | GOLD TERRACE PTY LTD                      | 9,100,000   | 1.99   |
| 7    | MRS KATHRYN ELIZABETH STRICKLAND          | 6,190,108   | 1.36   |
| 8    | BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD  | 3,907,882   | 0.86   |
| 9    | MR JONATHAN COLVILE                       | 3,299,219   | 0.72   |
| 10   | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 2,138,354   | 0.47   |
| 11   | BNP PARIBAS NOMINEES PTY LTD              | 2,089,663   | 0.46   |
| 12   | MR ANTHONY DAVID SHEARD                   | 2,000,000   | 0.44   |
| 13   | MERIT LEAD DEVELOPMENT LIMITED            | 1,856,875   | 0.41   |
| 14   | REGIONAL MANAGEMENT PTY LTD               | 1,546,540   | 0.34   |
| 15   | MR CHRISTOPHER VICTOR CARUSO              | 1,500,000   | 0.33   |
| 16   | MR JOSEPH ANTHONY CARUSO                  | 1,480,107   | 0.32   |
| 17   | SPRING HARVEST PTE LTD                    | 1,250,000   | 0.27   |
| 18   | MR RICHARD ARTHUR LOCKWOOD                | 1,231,438   | 0.27   |
| 19   | MR GRANT MENHENNETT                       | 1,172,728   | 0.26   |
| 20   | MR KEVIN ANTHONY LEO                      | 1,100,000   | 0.24   |
|      | Total                                     | 400,681,404 | 87.82  |
|      | Balance of register                       | 55,560,167  | 12.18  |
|      | Grand total                               | 456,241,571 | 100.00 |

## Distribution of equity security holders

| Range             | Securities         | %             | No. of holders |
|-------------------|--------------------|---------------|----------------|
| 100,001 and Over  | 434,668,098        | 95.27         | 123            |
| 10,001 to 100,000 | 17,893,051         | 3.92          | 524            |
| 5,001 to 10,000   | 2,077,125          | 0.46          | 255            |
| 1,001 to 5,000    | 1,564,336          | 0.34          | 474            |
| 1 to 1,000        | 38,961             | 0.01          | 155            |
| <b>Total</b>      | <b>456,241,571</b> | <b>100.00</b> | <b>1,531</b>   |

## Marketable Parcels

Number of shareholders holding less than a marketable parcel of ordinary shares is 250.

## 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 have lodged substantial shareholder notices on the ASX with information as per their most recent disclosures:

|                                     |             |                           |
|-------------------------------------|-------------|---------------------------|
| • Au Mining Limited                 | 114,479,618 | 25.2%                     |
| • Zurich Bay Holdings Pty Ltd       | 77,007,485  | 16.92%                    |
| • Tormin Holdings Limited           | 59,493,408  | 14.7% (at time of notice) |
| • M&G Investment Management Limited | 36,005,674  | 8.54% (at time of notice) |

## Restricted securities

There are no restricted securities.

## Share buy backs

There is no current on market share buyback.



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