Mineral Commodities Ltd
ACN: 008 478 653

APPENDIX 4E: PRELIMINARY FINAL REPORT

2020

RESULTS FOR ANNOUNCEMENT TO THE MARKET

This Preliminary Final Report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.3A

Current Reporting Period:	31 December 2020
Previous Corresponding Period:	31 December 2019

For and on behalf of the Directors

[redacted]

PETER TORRE
COMPANY SECRETARY
Dated: 26 February 2021

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue and Net Profit				USD $'000's
Revenue from ordinary activities	up	3%	to	63,548
Profit from ordinary activities after tax attributable to members	up	77%	to	13,874
Net profit for the period attributable to members	up	72%	to	13,443

DIVIDENDS

During the year, no dividends were paid by the Company. The declaration of a final dividend remains under consideration by the Board.

NET TANGIBLE ASSET BACKING

	31 Dec 2020 US$'000	31 Dec 2019 US$'000
Net assets	61,210	45,989
Less intangible assets	-	-
Net tangible assets of the Company	61,210	45,989

	Number of Shares	Number of Shares
Fully paid ordinary shares on issue at balance date	456,241,571	421,191,571
	US Cents	US Cents
Net tangible asset backing per issued ordinary share as at balance date	13.42	10.92

EARNINGS PER SHARE

Basic earnings per share	3.16	1.86
Diluted earnings per share	3.15	1.85

AUDIT DETAILS

This report is based on accounts which are in the process of being audited.

COMMENTARY ON RESULTS AND OTHER SIGNIFICANT INFORMATION

COMMENTARY

The Preliminary Final Report contains a review of operations and commentary on the results for the year ended 31 December 2020.

Competent Person Statement

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 Al Maynard & Associates Pty Ltd and has over 38 years of exploration and mining experience in a variety of mineral deposit styles. Mr Maynard has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves ("JORC Code (2004)"). This information was prepared and first disclosed under the JORC Code (2004). It has not been updated since to comply with the 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 a fulltime 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.

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
Group	10.24	3.43	1.55
- 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
Group	3	-	-
- South Africa	1	-	-
- Norway	2	-	-
- Australia	-	-	-

REVIEW OF OPERATIONS (continued)

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.

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.

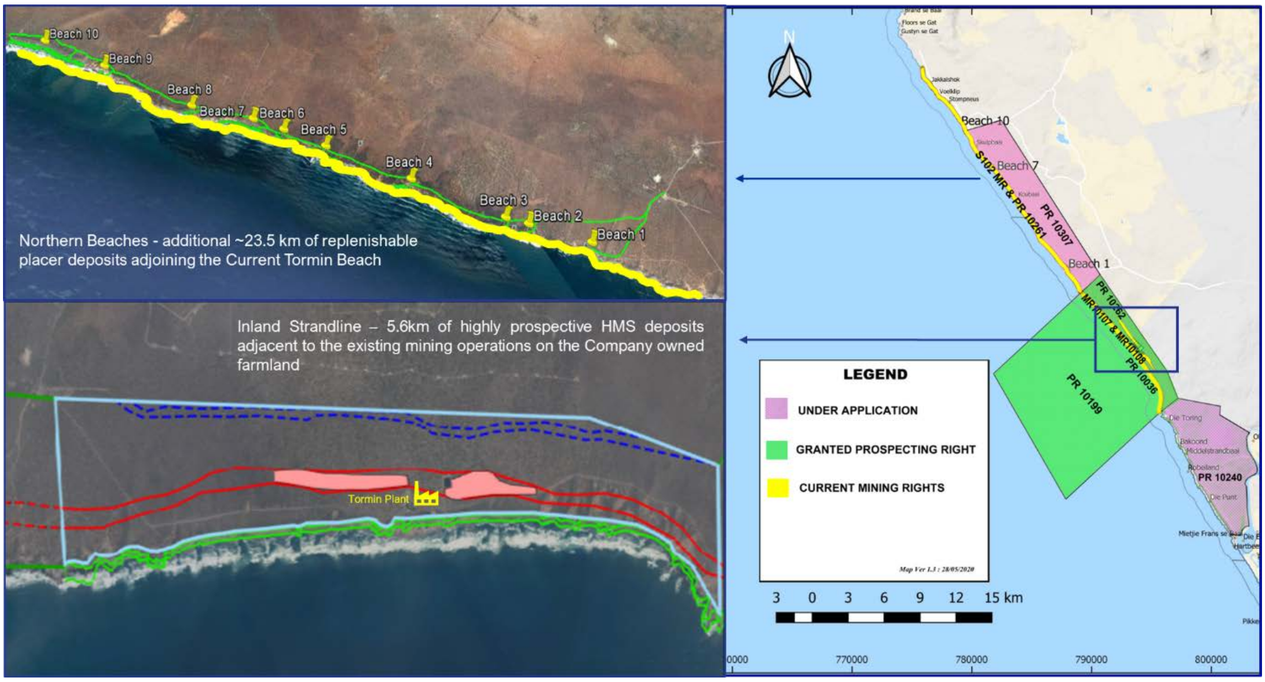
MRC seeks to prevent or mitigate any negative human rights impacts in connection with its operations or activities. MRC also provides safe and fair working conditions for all its employees and ensures that no child labour is employed, in line with minimum age laws. The Company expects the same standards 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' contribution to its operations; the BEE participants, the integrated support from local communities, employees and those directly or indirectly affected by a mutually dependent relationship.

REVIEW OF OPERATIONS (continued)



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 lower 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

REVIEW OF OPERATIONS (continued)

vehicles and stationary storage uses. The study included two alternative low CO_2 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 NPV7 US$1.0 billion, IRR 67% and the carbochlorination process NPV7 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 NPV7 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.

REVIEW OF OPERATIONS (continued)

Tormin Mineral Sands Operation (continued)

Safety, Environment, Community and Sustainability (continued)

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 318tphr 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.

REVIEW OF OPERATIONS (continued)

Tormin Mineral Sands Operation (continued)

Tormin Operational and Financial Performance (continued)

Processing and Production	Full Year to 31 December 2020	Full Year to 31 December 2019
Primary Beach Concentrator (PBC)		
Tonnes processed (dmt)	2,221,060	2,400,341
Heavy mineral concentrate (dmt)	548,484	567,939
% Heavy mineral	32.20%	36.55%
Garnet Stripping Plant/Secondary Concentrator Plant		
Tonnes processed (dmt)	542,990	589,473
Tonnes produced (dmt)		
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 31 December 2020	Full Year to 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) (1)	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.

REVIEW OF OPERATIONS (continued)

Tormin Mineral Sands Operation (continued)

Tormin Operational and Financial Performance (continued)

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 100 MW 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, leucoxene 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.

REVIEW OF OPERATIONS (continued)

Tormin Mineral Sands Operation (continued)

Permitting (continued)

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

REVIEW OF OPERATIONS (continued)

Tormin Mineral Sands Operation (continued)

Permitting (continued)

- Purchase of additional mining fleet, haulage, and dozing equipment to facilitate overburden and mining of the Inland Strand 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 2.5Mpta, 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.

REVIEW OF OPERATIONS (continued)

Tormin Mineral Sands Operation (continued)

Permitting (continued)

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

- 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

REVIEW OF OPERATIONS (continued)

Tormin Mineral Sands Operation (continued)

Tormin Resource and Prospecting Activities (continued)

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
Total	1.13	13.67	0.15	3.46	47.33	8.30	1.07	0.10	0.22

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
Total	3.02	23.24	0.7	3.57	50.77	8.43	1.03	0.17	0.51

- 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).

REVIEW OF OPERATIONS (continued)

Tormin Mineral Sands Operation (continued)

Tormin Resource and Prospecting Activities (continued)

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
Total	105.9	12.40	13.1	1.35	14.26	6.80	0.82	0.16	0.34	10.53

- Mineral assemblage reported as in situ percentage of THM content

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
Total	22.8	20.92	4.8	1.66	13.65	9.04	0.88	0.17	0.42	13.71

- 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:

REVIEW OF OPERATIONS (continued)

Skaland Graphite Operation (continued)

Skaland Safety, Environment and Community (continued)

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.

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

Mining	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.

REVIEW OF OPERATIONS (continued)

Skaland Graphite Operation (continued)

Operational and Financial Performance (continued)

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.

	31-Dec-20 Year to Date		31-Dec-19 Year to Date	
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
Total	1.76	22	0.392

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.

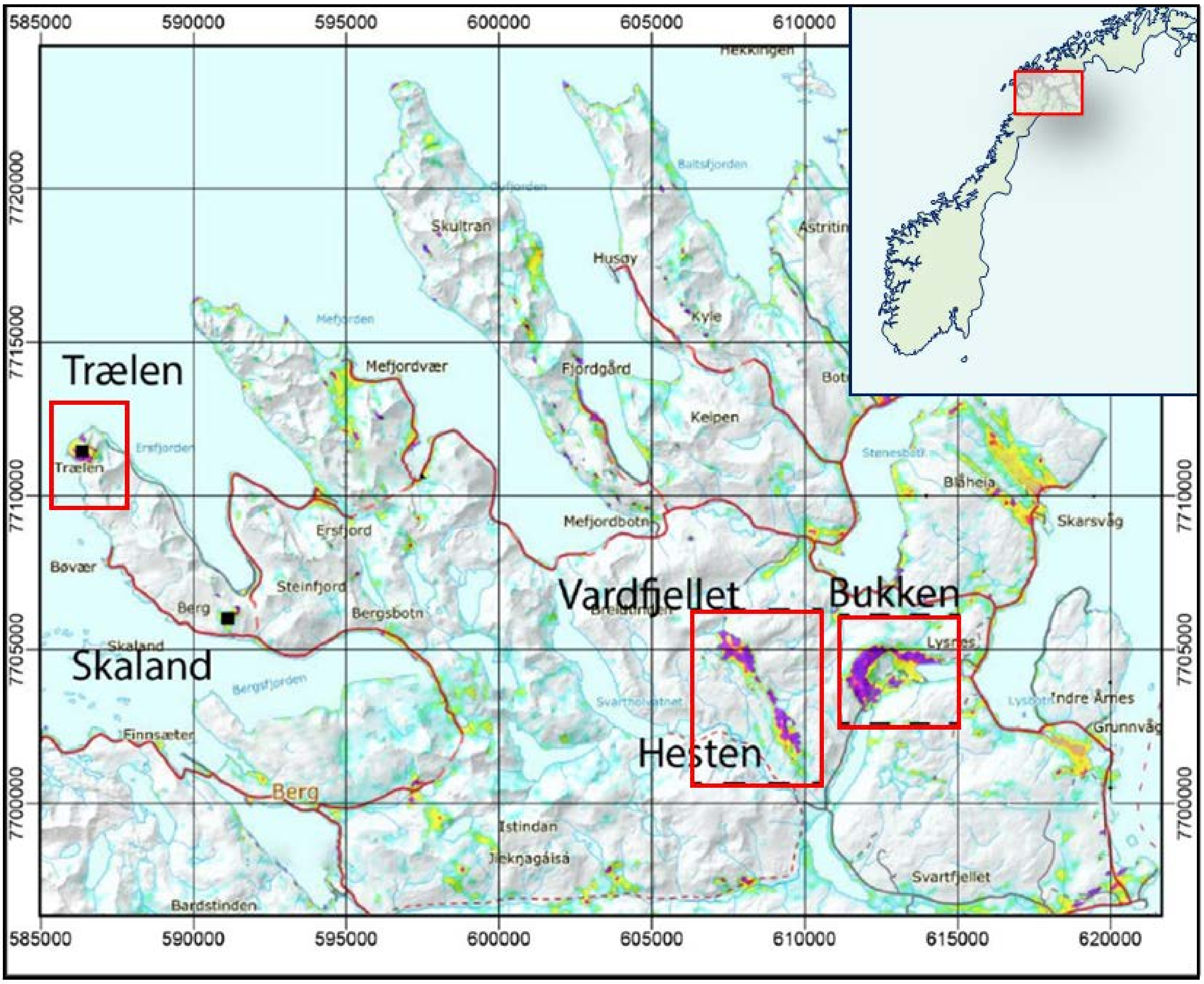
In July 2020, the Company also announced that it has entered into a landowner agreement to explore the south of Bukken Graphite Prospect, on the island of Senja, Norway. The tenement is located approximately 20km east of MRC's existing Skaland Graphite Operation. The agreement will provide MRC with exclusive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

REVIEW OF OPERATIONS (continued)

Skaland Graphite Operation (continued)

Permitting (continued)

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, underlaid by apparent resistivity (modified after NGU, 2019)

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.

REVIEW OF OPERATIONS (continued)

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
NPV (at a discount rate of 7%), pre-tax, real	*US$ millions*	*172*
Internal Rate of Return ("IRR") post-tax, real	%	30
IRR pre-tax, real	*%*	*36*
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

REVIEW OF OPERATIONS (continued)

Munglinup Graphite Project (continued)

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			
Total	7.99	12.2	**Total**	4.24	12.8

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.

REVIEW OF OPERATIONS (continued)

Downstream Graphite Projects (continued)

Mineral Resource and Reserve

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_2 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_7 of US$1.0 billion, IRR 67% for the caustic roast/acid leach process and a carbochlorination process NPV_7 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[1]	(%)	+/-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_7*	(US$M)	71	186	1,093	1,188
Pre-tax project IRR*	%	-	42%	72%	63%
Post-tax project NPV_7*	(US$M)	52	124	821	891
Post-tax project IRR*	%	66%	33%	67%	58%
Payback period[2]	(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

REVIEW OF OPERATIONS (continued)

Downstream Graphite Projects (continued)

Active Anode Materials Plant Pre-Feasibility Study (continued)

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.

REVIEW OF OPERATIONS (continued)

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 DMR 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.

REVIEW OF OPERATIONS (continued)

Consolidated Results and Financial Position (continued)

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.

Consolidated income statement

For the year ended 31 December 2020

	Notes	31 Dec 2020 $	31 Dec 2019 $
Revenue from continuing operations			
Sale of product	2.2	59,764,235	59,514,773
Other revenue	2.2	3,784,174	2,268,797
		63,548,409	61,783,570
Expenses			
Mining and processing costs	2.3	(43,391,211)	(44,593,585)
Other expenses from ordinary activities			
Administration expenditure		(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
Profit before income tax from continuing operations		15,630,375	11,867,343
Income tax expense	2.4(i)	(1,756,807)	(4,039,112)
Profit after income tax from continuing operations		13,873,568	7,828,231
Discontinued Operations			
Loss for the year from discontinued operations	6.4	(431,020)	-
Profit for the year		13,442,548	7,828,231
Profit (loss) is attributable to:			
Owners of Mineral Commodities Ltd		13,754,615	7,828,231
Non-controlling interest		(312,067)	-
		13,442,548	7,828,231
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	2.5 (i)	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

	31 Dec 2020 $	31 Dec 2019 $
Profit for the year	13,442,548	7,828,231
Other comprehensive income		
Exchange differences on translation of foreign operations	(3,625,531)	(313,397)
Other comprehensive loss for the year, net of tax	(3,625,531)	(313,397)
Total comprehensive income for the year	9,817,017	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)	-
	9,817,017	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 Dec 2020 $	31 Dec 2019 $
ASSETS			
Current assets			
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
Total Current Assets		29,012,521	38,840,570
Non-current assets			
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
Total Non-Current Assets		56,664,559	48,027,515
Total Assets		85,677,080	86,868,085
LIABILITIES			
Current liabilities			
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		779,669	661,266
Current tax liabilities		2,998,805	3,568,791
Total Current Liabilities		14,015,990	30,730,067
Non-current liabilities			
Provisions	3.5	1,103,000	253,968
Long term borrowings	5.1	3,548,749	4,115,217
Employee benefits		185,028	126,795
Deferred tax liabilities	2.4(ii)	5,614,512	5,653,489
Total Non-current Liabilities		10,451,289	10,149,469
Total Liabilities		24,467,279	40,879,536
NET ASSETS		61,209,801	45,988,549

Consolidated balance sheet (continued)
as at 31 December 2020

	Notes	31 Dec 2020 $	31 Dec 2019 $
Equity			
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
TOTAL EQUITY		61,209,801	45,988,549

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 $	31 Dec 2019 $
Cash flows from operating activities			
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)
Net cash inflow from operating activities	4.1(ii)	3,158,569	13,269,945
Cash flows from investing activities			
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)
Net cash outflow from investing activities		(6,405,365)	(9,950,627)
Cash flows from financing activities			
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)
Net cash inflow/(outflow) from financing activities		848,311	(7,366,595)
Net decrease in cash and cash equivalents		(2,398,485)	(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)
Cash and cash equivalents at end of financial year	4.1	5,643,139	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 equity	Reserves	Retained earnings	Totals	Non-controlling interest	Total equity
For the year ended 31 December 2020	$	$	$	$	$	$
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 for the year	-	(3,533,065)	-	(3,533,065)	(92,466)	(3,625,531)
Total comprehensive income for the year	-	(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 performance rights	327,316	(327,316)	-	-	-	-
Share based payments	-	152,058	-	152,058	-	152,058
Balance at the end of the year	69,774,435	(25,207,576)	16,201,091	60,767,950	441,851	61,209,801

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

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 review of operations and in the segment information in Note 2.1.

The preliminary final 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 26 February 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.

Notes to the consolidated financial statements (continued)

1. Basis of Preparation (continued)

1.4 Principles of consolidation

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

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

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

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

1.5 Foreign currency

(i) Functional and presentation currency

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

- Assets and liabilities for each balance sheet presented have been translated at the closing rate at the date of balance sheet;
- Results for the cash flow statement were translated at average daily exchange rates from 1 January 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.

Notes to the consolidated financial statements (continued)

1. Basis of Preparation (continued)

1.5 Foreign currency (continued)

(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 preliminary final 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

Notes to the consolidated financial statements (continued)

1. Basis of Preparation (continued)

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.

- 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-useasset. 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.

Notes to the consolidated financial statements (continued)

1. Basis of Preparation (continued)

1.8 Application of new and revised Australian Accounting Standards (continued)

- AASB 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.

Notes to the consolidated financial statements (continued)

2. Financial Performance (continued)

2.1 Segment information (continued)

(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	Xolobeni Project	Skaland Project	Australia exploration	Iran exploration	Corporate	Consolidation eliminations	Total
	$	$	$	$	$	$	$	$
Total segment revenue	58,622,038	-	4,997,593	-	-	56,156,403	-	119,776,034
Inter-segment revenue	(56,227,625)	-	-	-	-	-	-	(56,227,625)
Revenue from external customers	2,394,413	-	4,997,593	-	-	56,156,403	-	63,548,409
Adjusted EBITDA	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
Total segment assets	38,349,431	5,126,920	11,487,895	13,050,848	-	11,476,403	6,185,583	85,677,080
Total segment liabilities	14,516,254	5,064,080	4,775,489	11,968,374	-	(11,767,523)	(89,395)	24,467,279

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

Notes to the consolidated financial statements (continued)

2. Financial Performance (continued)

2.1 Segment information (continued)

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

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

	31 Dec 2020 $	31 Dec 2019 $
Adjusted EBITDA	21,332,236	16,483,385
Interest income	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 Dec 2020 $	31 Dec 2019 $
From continuing operations		
Sales revenue		
Sale of product	59,764,235	59,514,773
Other revenue		
Stockpile area maintenance fee	753,219	1,211,899
Other income	3,030,955	1,056,898
	3,784,174	2,268,797

Notes to the consolidated financial statements (continued)

2. Financial Performance (continued)

2.3 Expenses

	31 Dec 2020 $	31 Dec 2019 $
This note provides an analysis of expenses by nature.		
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

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.

Notes to the consolidated financial statements (continued)

2. Financial Performance (continued)

2.4 Taxation (continued)

(i) Income tax expense (continued)

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 Dec 2020 $	31 Dec 2019 $
Current tax	1,422,044	3,873,170
Deferred tax	43,023	607,977
Deferred tax on gain from a bargain purchase (1)	(594,021)	-
Adjustments for current tax of prior periods	885,761	(442,035)
	1,756,807	4,039,112
Income tax expense is attributable to:		
Profit from continuing operations	1,756,807	4,039,112
Aggregate income tax expense(2)	1,756,807	4,039,112
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
	43,023	607,977

(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.

Notes to the consolidated financial statements (continued)

2. Financial Performance (continued)

2.4 Taxation (continued)

(i) Income tax expense (continued)

Numerical reconciliation of income tax expense to prima facie tax expense

	31 Dec 2020 $	31 Dec 2019 $
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	4,943,189	3,322,656
Tax effect of:		
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	1,756,807	4,039,112

(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.

Notes to the consolidated financial statements (continued)

2. Financial Performance (continued)

2.4 Taxation (continued)

(ii) Deferred tax assets and liabilities (continued)

(a) Deferred tax assets

	31 Dec 2020 $	31 Dec 2019 $
Recognised deferred tax assets		
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
	4,508,353	1,287,089
Set-off against deferred tax liabilities	(4,508,353)	(1,287,089)
	-	-

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

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

Notes to the consolidated financial statements (continued)

2. Financial Performance (continued)

2.4 Taxation (continued)

(ii) Deferred tax assets and liabilities (continued)

(b) Deferred tax liabilities

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

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

Movements	Unrealised foreign exchange gain $	Property, plant and equipment $	Prepayments $	Trade and other payables $	Provisions $	Capital Raising Cost $	Exploration expenditure $	Development Expenditure $	Total $
At 1 January 2019	112,619	3,080,770	16,224	-	-	-	1,216,152	1,013,913	5,439,678
(charged) / credited - to profit or loss	(112,619)	916,851	55,760	-	3,500	-	869,688	(232,280)	1,500,900
At 31 December 2019	-	3,997,621	71,984	-	3,500	-	2,085,840	781,633	6,940,578

Notes to the consolidated financial statements (continued)

2. Financial Performance (continued)

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 US Cents	2019 US Cents
From continuing operations attributable to the ordinary equity holders of the Company	3.16	1.86
Total basic earnings per share attributable to the ordinary equity holders of the Company	3.06	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 US Cents	2019 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

Notes to the consolidated financial statements (continued)

2. Financial Performance (continued)

2.5 Earnings per share (continued)

(ii) Diluted earnings per share (continued)

Reconciliation of earnings used in the calculation of earnings per share

Basic earnings per share	2020 $	2019 $
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
Diluted earnings per share		
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 Number	2019 Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	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 (continued)

2. Financial Performance (continued)

2.5 Earnings per share (continued)

(ii) Diluted earnings per share (continued)

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 US Cents	$
Dividends recognised during the year		
2020		
Final 2019 ordinary	-	-
Interim 2020 ordinary	-	-
		-
2019		
Final 2018 ordinary	0.49	2,067,181
Interim 2019 ordinary	0.42	1,772,290
		3,839,471

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:

Notes to the consolidated financial statements (continued)

3. Capital Expenditure, Operating Assets and Rehabilitation Obligations (continued)

3.1 Exploration and evaluation assets (continued)

- 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 Dec 2020 $	31 Dec 2019 $
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)
As at 31 December		19,907,653	18,271,033

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.

Notes to the consolidated financial statements (continued)

3. Capital Expenditure, Operating Assets and Rehabilitation Obligations (continued)

3.2 Development expenditure (continued)

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

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

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

Significant judgement

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

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

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

	Note	31 Dec 2020 $	31 Dec 2019 $
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.

Notes to the consolidated financial statements (continued)

3. Capital Expenditure, Operating Assets and Rehabilitation Obligations (continued)

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.

Notes to the consolidated financial statements (continued)

3. Capital Expenditure, Operating Assets and Rehabilitation Obligations (continued)

3.3 Property, plant and equipment (continued)

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.

Notes to the consolidated financial statements (continued)

3. Capital Expenditure, Operating Assets and Rehabilitation Obligations (continued)

3.3 Property, plant and equipment (continued)

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

(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.

Notes to the consolidated financial statements (continued)

3. Capital Expenditure, Operating Assets and Rehabilitation Obligations (continued)

3.3 Property, plant and equipment (continued)

	Freehold land and buildings	Furniture, fittings and equipment	Plant and machinery	Mine vehicles	Decom-missioning asset	Right-of-use asset	Capex work in progress	Total
	$	$	$	$	$		$	$
Year ended 31 December 2019								
Cost at fair value								
As at 1 January 2019	501,160	755,431	22,327,467	125,336	247,834	-	4,287,854	28,245,082
AASB 16 adoption	-	-	-	-	-	4,239,261	(2,738,502)	1,500,759
Adjusted 1 January 2019	501,160	755,431	22,327,467	125,336	247,834	4,239,261	1,549,352	29,745,841
Acquisition of a subsidiary (note 6.3)	982,987	-	1,083,064	-	-	-	-	2,066,051
Additions	-	-	-	-	-	-	1,737,532	1,737,532
Disposals	-	(8,570)	-	-	-	-	-	(8,570)
Re-classifications	-	99,257	564,284	-	-	-	(663,541)	-
Exchange differences	47,807	(85,771)	650,194	3,102	6,134	104,917	683,140	1,409,523
As at 31 December 2019	1,531,954	760,347	24,625,009	128,438	253,968	4,344,178	3,306,483	34,950,377
Accumulated depreciation and amortisation								
As at 1 January 2019	(37,274)	(574,725)	(12,152,179)	(87,593)	(72,746)	-	-	(12,924,517)
AASB 16 adoption	-	-	-	-	-	(132,525)	-	(132,525)
Adjusted 1 January 2019	(37,274)	(574,725)	(12,152,179)	(87,593)	(72,746)	(132,525)	-	(13,057,042)
Depreciation and amortisation	(14,198)	(95,869)	(2,102,794)	(21,184)	(24,699)	(1,390,737)	-	(3,649,481)
Disposals	-	892	-	-	-	-	-	892
Exchange differences	(1,323)	(37)	(364,945)	(2,767)	(2,498)	(42,572)	-	(414,142)
As at 31 December 2019	(52,795)	(669,739)	(14,619,918)	(111,544)	(99,943)	(1,565,834)	-	(17,119,773)
Net book amount								
Cost at fair value	1,531,954	760,347	24,625,009	128,438	253,968	4,344,178	3,306,483	34,950,337
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

Notes to the consolidated financial statements (continued)

3. Capital Expenditure, Operating Assets and Rehabilitation Obligations (continued)

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

Notes to the consolidated financial statements (continued)

3. Capital Expenditure, Operating Assets and Rehabilitation Obligations (continued)

3.5 Rehabilitation provisions (continued)

changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision.

	31 Dec 2020 $	31 Dec 2019 $
Non-current		
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:

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 Dec 2020 $	31 Dec 2019 $
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.

Notes to the consolidated financial statements (continued)

4. Working Capital Management (continued)

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 Dec 2020 $	31 Dec 2019 $
Cash assets		
Cash at bank and in hand	5,643,139	8,092,614

(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 Dec 2020 $	31 Dec 2019 $
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
	3,158,569	13,269,945

(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.

Notes to the consolidated financial statements (continued)

4. Working Capital Management (continued)

4.1 Cash and cash equivalents (continued)

(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 Dec 2020 $	31 Dec 2019 $
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	(392,649)	365,619
Cash and cash equivalents	5,643,139	8,092,614
Gross debt – variable interest rates	(6,035,788)	(7,726,995)
Net debt	(392,649)	365,619

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

Notes to the consolidated financial statements (continued)

4. Working Capital Management (continued)

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

(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.

(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.

(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.

Notes to the consolidated financial statements (continued)

4. Working Capital Management (continued)

4.2 Trade and other receivables (continued)

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.

Notes to the consolidated financial statements (continued)

4. Working Capital Management (continued)

4.3 Inventories (continued)

	31 Dec 2020 $	31 Dec 2019 $
Current		
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
	8,241,583	21,943,331
Non-current		
Finished product at lower of cost and net realisable value (i)	2,745,855	-
	2,745,855	-

(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 Dec 2020 $	31 Dec 2019 $
Trade payables	4,271,444	2,062,482
Other payables and accruals	3,479,033	2,654,260
	7,750,477	4,716,742

(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.

Notes to the consolidated financial statements (continued)

4. Working Capital Management (continued)

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 Dec 2020 $	31 Dec 2019 $
Unearned revenue	-	72,375

(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 Dec 2020 $	31 Dec 2019 $
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.

Notes to the consolidated financial statements (continued)

4. 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.

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

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

(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.

Notes to the consolidated financial statements (continued)

5. Funding and Risk Management (continued)

5.1 Interest bearing loans and borrowings (continued)

(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.

Notes to the consolidated financial statements (continued)

5. Funding and Risk Management (continued)

5.1 Interest bearing loans and borrowings (continued)

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 Dec 2020 $	31 Dec 2019 $
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 Dec 2020 $	31 Dec 2019 $
Finance income		
Interest Income	18,457	128,103
Total finance income	18,457	128,103
Finance costs		
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)
Net finance income	15,205	158,755

Notes to the consolidated financial statements (continued)

5. Funding and Risk Management (continued)

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

	Number of shares	Number of shares	$	$
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

(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.

Notes to the consolidated financial statements (continued)

5. Funding and Risk Management (continued)

5.3 Equity (continued)

(b) Reserves

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

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

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 Dec 2020 $	31 Dec 2019 $
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

Notes to the consolidated financial statements (continued)

5. Funding and Risk Management (continued)

5.3 Equity (continued)

(d) Non-controlling interest

	31 Dec 2020 $	31 Dec 2019 $
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. 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.

Notes to the consolidated financial statements (continued)

6. Group structure (continued)

6.1 Consolidated entities (continued)

Equity method (continued)

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

Non-controlling interests

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

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

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

The Company, via its wholly owned subsidiary MRC Graphite (Norway) Pty Ltd ("MRCGN"), has a 90% interest in the issued capital in Skaland Graphite AS ("SKA"). Whilst the Group controls 90% of the share voting power, it has been determined that the Group effectively has 100% control due to its control over the relevant activities for accounting purposes, controls the management of SKA, and also controls the Board of SKA.

Notes to the consolidated financial statements (continued)

6. Group structure (continued)

6.1 Consolidated entities (continued)

(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.

		Ownership interest held by the Group		Ownership interest held by non-controlling interests	
Name of entity	Place of business / country of incorporation	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 (1)	Australia	100	-	-	-
MRC Anode Pty Ltd (1)	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 (Nertherlands) BV (2)	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.

Notes to the consolidated financial statements (continued)

6. Group structure (continued)

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

Notes to the consolidated financial statements (continued)

6. Group structure (continued)

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.

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 $	Final Fair value $
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)	-
Total net assets	8,713,747	10,099,795

Fair value of consideration paid:

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

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.

Notes to the consolidated financial statements (continued)

6. Group structure (continued)

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 Dec 2020 $	31 Dec 2019 $
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 Dec 2020 $	31 Dec 2019 $
Investing	-	(22,103)
Financing	-	187,363
Net cash inflow/(outflow)	-	165,260