MERAFE
RESOURCES

INTEGRATED ANNUAL REPORT 2018

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FORWARD LOOKING STATEMENTS

Certain statements in this report constitute 'forward looking statements'. Such statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performances, objectives or achievements of the Merafe Group (as well as the industry in which it operates) to be materially different from future results, performances, objectives or achievements expressed or implied by these forward looking statements.

The performance of the Merafe Group is subject to the effect of changes in commodity prices, currency fluctuations, uncertainty around the cost and supply of electricity, the risks involved in mining and smelting operations and the operating procedures and performance of the Venture. The Company undertakes no obligation to update publicly or to release any revisions to these forward looking statements to reflect events or circumstances after the date of publication of these pages or to reflect the occurrence of unanticipated events.

GLOSSARY

A glossary of terms and definitions forms part of our 2018 online Integrated Annual Report available on our website www.meraferesources.co.za.

ICONS USED IN THIS REPORT

This icon refers to further reading

This icon refers to more information available at www.meraferesources.co.za

This report has been produced in accordance with the Global Reporting Initiative (GRI) Guidelines

We would welcome your feedback on our reporting for 2018 and any suggestions you have in terms of what you would like to see incorporated in our report for 2019.

Please contact our Financial Director, Ditabe Chocho at ditabe@meraferesources.co.za.

ABOUT THIS REPORT

We are pleased to present to you the Integrated Annual Report for the Merafe Group, which includes Merafe Resources Limited (Merafe), a company listed on the JSE, Merafe Ferrochrome and Mining Proprietary Limited (Merafe Ferrochrome) and its subsidiaries for the year ended 31 December 2018 (in this report referred to as "Merafe", the "Merafe Group" or the "Company"). The scope of this report also includes the Glencore-Merafe Chrome Venture (the Venture). There has been no significant change in our size, structure or products since our previous Integrated Annual Report and there are no specific limitations on the scope or boundary of this report.

As we did last year, the 2018 summarised financial and sustainability information and the Annual General Meeting Notice, will be sent to shareholders and the 2018 Integrated Annual Report will be available on our website, (www.meraferesources.co.za). Printed copies of the Integrated Annual Report will be available on request from the Company Secretary.

We welcome the opportunity that an integrated approach to reporting offers us to break down reporting silos and provide a broader explanation of our performance, underpinned by a strategic focus, connectivity of information, a future orientation and an inclusive and responsible approach to stakeholders.

We use the capitals model (natural, human, social, manufactured and financial capital) for our reporting, as recommended in the International Integrated Reporting Committee's Integrated Reporting Framework, and by the King IV Report on Corporate Governance for South Africa, 2016 ("King IV").

We depend on a variety of resources and relationships for our success. The extent to which we are depleting these or building them up has an important impact on the availability of the resources at our disposal and the relationships that support our long-term viability.

The capitals model, by seeing these resources and relationships in terms of 'capital', provides us with a basis for understanding sustainability in terms of the economic concept of wealth creation or 'capital' and encourages us to consider how wider environmental and social issues can affect our long-term profitability.

In addition to following the recommendations contained in King IV, the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC Code) and the JSE Limited Listings Requirements, we are guided by the Global Reporting Initiative's (GRI) G4 Guidelines and our internally developed policies and procedures, in terms of measuring our progress towards sustainability.

Deloitte & Touche Inc. audits our annual financial statements.

Our annual financial statements are in compliance with International Financial Reporting Standards (IFRS), SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee and financial pronouncements as issued by the Financial Reporting Standards Council, and are drawn up in accordance with the Companies Act, No 71 of 2008. A copy of our annual financial statements is available on our website.

An independent auditor's report is published in the annual financial statements. Our annual financial statements form part of our online Integrated Annual Report for 2018. They are also available from our Company Secretary in either electronic or printed format.

The data and information relating to the Venture is subject to the annual internal and external reviews, audits and processes (set out on page 59 of this report) to ensure that the information relating to the Venture in this report is accurate and reliable.

The Board of Merafe acknowledges its responsibility for overseeing the integrity and completeness of this Integrated Annual Report, and has applied its collective mind to its preparation and presentation. As a collective, the Board of Merafe believes that it has appropriately and diligently considered matters material to stakeholders and that the report accurately reflects the performance and strategy of the Merafe Group.

ABOUT THE CAPITALS MODEL

The capitals model (natural, human, social, manufactured and financial capital) we have adopted provides a basis for understanding sustainability in terms of the economic concept of wealth creation or 'capital'.

A sustainable organisation will maintain and, where possible, enhance these stocks of capital assets, rather than deplete or degrade them. The model allows the business to broaden its understanding of financial sustainability by allowing the business to consider how the wider environmental and social issues can affect long-term profitability.

ORGANISATIONAL OVERVIEW

Our business

We are listed on the JSE in the General Mining sector under the share code MRF. Our business is the 20.5% participation through our wholly owned subsidiary, Merafe Ferrochrome, in the earnings before interest, tax, depreciation and amortisation (EBITDA) of the Glencore-Merafe Chrome Venture (the Venture), in which Glencore Operations South Africa Proprietary Limited (Glencore) has a 79.5% participation.

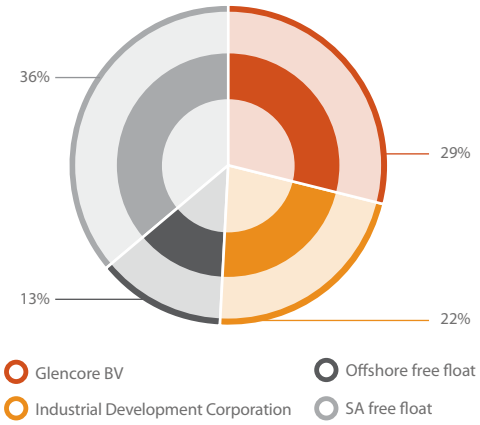
Our major shareholders are Glencore (Netherlands) B.V. (Glencore BV) and the Industrial Development Corporation Limited (Industrial Development Corporation). (See page 63 for more detailed shareholder information.)

The Merafe Group and Glencore (formerly Xstrata) formed the Venture in July 2004 when we pooled our chrome operations to create the largest ferrochrome producer in the world. Glencore's merger with Xstrata took place in May 2013.

Stakeholder relationships

We believe our commitment and achievements in terms of empowerment, sustainability and good governance have allowed us to establish sound relationships with our stakeholders. A diagram setting out the stakeholders that Merafe and the Venture have identified, together with the issues we have identified that could have a material impact on our stakeholders, can be found on page 4.

Our shareholders



For more information on the assets we pooled, of which we have retained ownership, and the additional assets we have invested in since participating in the Venture, see the tables on pages 21 and 60.

Empowerment at 31 December 2018

88%
of our **Board members** are black

85%
of all our **employees** are black

50%
of our Board members are **female**

57%
of all our employees are **female**

Governance and sustainability

Our commitment to good governance and sustainability is reflected in our inclusion in the JSE Socially Responsible Investment (SRI) Index since its inception in 2003. Since 2014 the SRI Index assessment was applied to the top 100 companies on the JSE by market capitalisation and therefore excluded small capitalisation companies. However, Merafe continues to apply the principles of King IV and the SRI Index reporting criteria in its business.

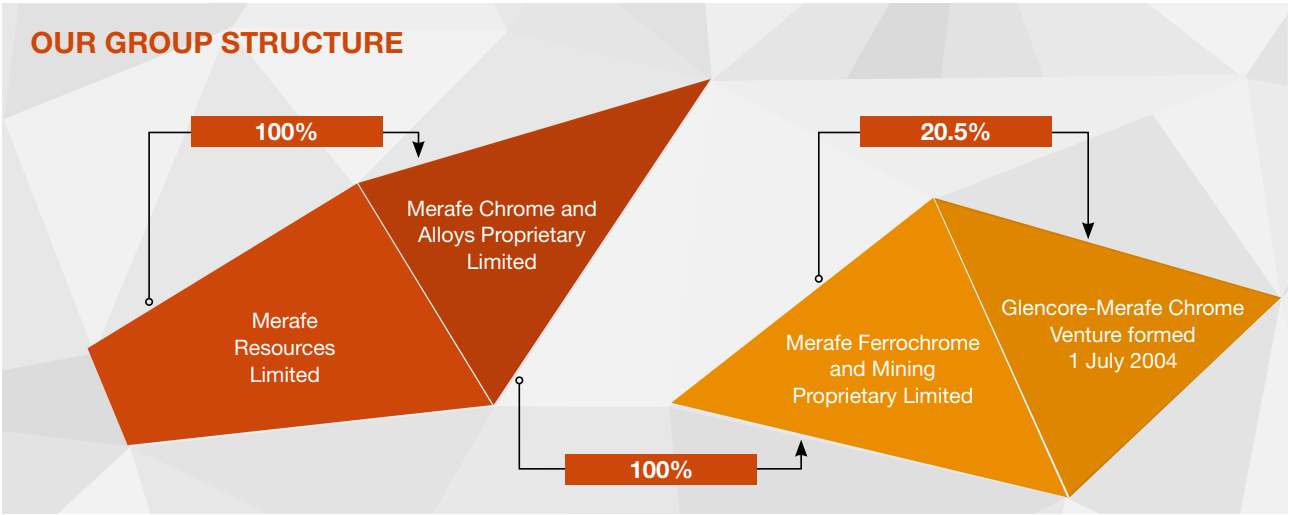
Our material issues

Our material issues and our materiality determination process are set out on pages 8 and 9.

OUR APPROACH TO RISK

We recognise that risk is inevitable in business and that it goes hand in hand with opportunity. We have established a risk management system that allows us to pursue business opportunities and grow shareholder value, monitor risk in our investments and develop and protect our people, the environment in which the Venture operates and our reputation. Our approach to risk management is discussed in the Transparency and accountability section of this report on page 58.

OUR GROUP STRUCTURE



2018 year in review

KEY FEATURES

- Revenue of **R5.6 billion** *(2017: R5.9 billion)*
- EBITDA of **R1.35 billion** *(2017: R1.7 billion)*
- Net profit of **R683 million** *(2017: R914 million)*
- Fatalities: **1** *(2017: 1 fatality)*
- Total dividend for 2018 of **R351 million** *(2017: R301 million)*
- Headline earnings of **27.2c per share** *(2017: 36.4c)*
- Ferrochrome sales volumes of **372kt** *(2017: 375kt)*
- Ferrochrome production of **407kt** *(2017: 395kt)*
- TRIFR of **3.39** *(2017: 3.74)*
- Average European benchmark ferrochrome price of **131 USc/lb** *(2017: 142 USc/lb)*

Successes

Revenue, EBITDA and net profit
Record production volumes
Nil debt at Merafe level
Improved TRIFR
Three-year wage agreements concluded
Record dividends declared

Challenges

Electricity pricing and availability
Commodity prices/demand volatility
Community issues
Operating expenses
Safety

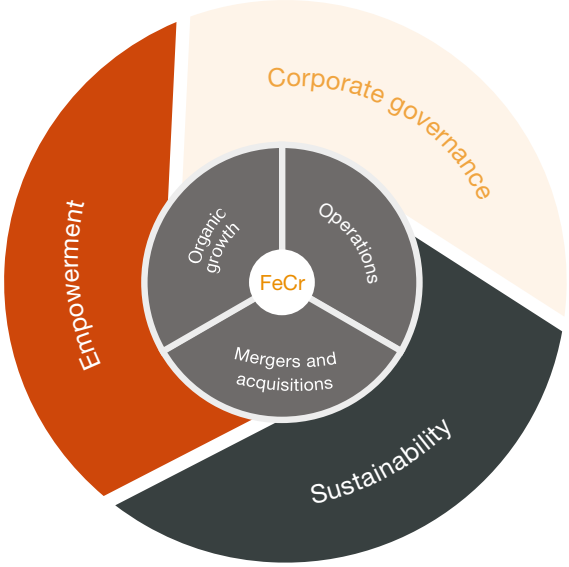
OUR BUSINESS MODEL AND STRATEGY

Ferrochrome

The aim of our business model and strategy is to ensure that our ferrochrome interests are profitable and sustainable and that they add value to all our stakeholders. We achieve this by:

- extracting chrome ore from the Venture's mines and beneficiating it in our smelters in a safe and cost-efficient manner;
- investing in projects such as the Bokamoso and Tswelopele pelletising and sintering plants and the Lion ferrochrome plant Phases I and II that improve the energy and cost efficiency of the Venture's ferrochrome operations;
- employing the Venture's proprietary Premus technology to ensure that it is the lowest-cost producer of ferrochrome in South Africa and, despite rising energy costs in South Africa, remains in the lowest quartile of the global ferrochrome production cost curve;
- using the flexibility provided by the Venture's variety of technologies to meet changing operating circumstances and customer requirements; and
- focusing on reducing costs at the operations and head office.

The Company may also consider acquisitions outside of ferrochrome on an opportunistic basis.



STAKEHOLDERS

In this report we have identified material issues and risks that could impact the stakeholders of Merafe and the Venture. These issues and risks were identified during engagements that Merafe and the Venture had with their stakeholders. We provide an overview of our stakeholders' issues on this page and a table setting out our stakeholders, our methods of engaging with them and the issues arising from these engagements form part of our online report and can be found on our online report under stakeholders. The material issues are set out on pages 8 and 9 of this report and our approach to risk can be found on page 58.

MERAFE RESOURCES

PROVIDERS OF DEBT	GOVERNMENT AND REGULATORS	MERAFE EMPLOYEES	OUR PARTNERS IN THE GLENCORE-MERAFE CHROME VENTURE	SUPPLIERS	SHAREHOLDERS AND INVESTORS
Impact of Rand/US Dollar exchange rate on cash flow	Job creation	Health and safety	Sustainability	HDSA procurement requirements	Potential for future returns
Impact of ferrochrome prices on cash flow	Regulatory compliance	Remuneration, incentives and benefits	Accountability and transparency	Contract terms	Impact of Rand/US Dollar exchange rate on cash flow
Risk management	Tax compliance	Career opportunities	Risk management	Payment terms	Impact of ferrochrome prices on cash flow
Ability to repay borrowings	Employment equity	Training and skills development	Financial stability	**ASSURANCE PROVIDERS**	Project progress and funding
Compliance with covenants	Empowerment credentials		Empowerment credentials	Regulatory compliance	Sustainability
Operational performance	Health and safety		Alignment of interests	Governance	Impact of industrial action
				Internal controls	Safety record
				Transparency	Good governance

THE VENTURE

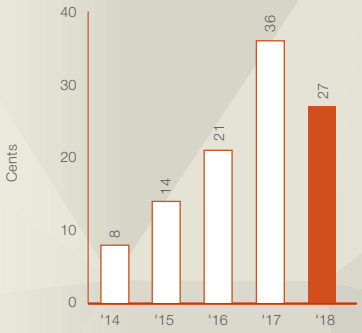
CUSTOMERS	GOVERNMENT AND REGULATORS	VENTURE EMPLOYEES	COMMUNITIES	SUPPLIERS	TRADE UNIONS
Pricing	Job creation	Health and safety	Infrastructure development	Contract terms	Training and skills development
Product availability	Training and development	Career opportunities	Job creation	Payment terms	Consultation on future operational changes
Quality of product	Black empowerment credentials	Training and skills development	Enterprise development	HDSA procurement requirements	Employment equity
Contract terms and delivery	Employment equity	Consultation on future operational changes	Local employment opportunities	**ASSURANCE PROVIDERS**	Housing benefits
Reliability of supply	Environment	Employment equity	Portable skills development	Regulatory compliance	Workers' rights
	Regulatory compliance	Housing benefits	Local procurement	Governance	Remuneration, incentives and benefits
	Compliance with Mining Charter	Workers' rights	Stakeholder responsiveness	Internal controls	Health and safety
	Mining rights	Remuneration, incentives and benefits	Corporate social investment	Transparency	
	Health and safety		Environment		

Five-year historical review of key indicators

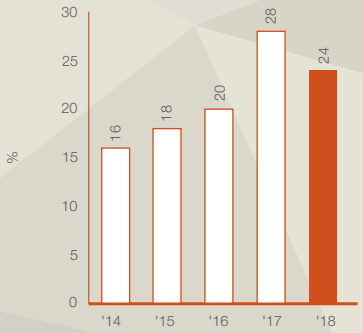
Safety statistics

	2018	2017	2016	2015	2014
Fatalities	1	1	1	0	2
Total recordable injury frequency rate (TRIFR)	3.39	3.74	4.15	4.17	4.63

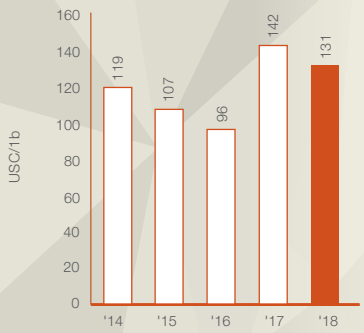
Headline earnings per share



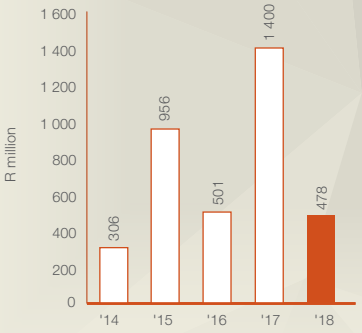
EBITDA margin on revenue



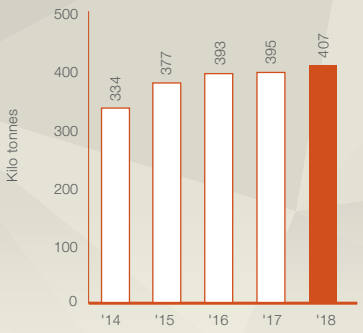
Average European benchmark ferrochrome price



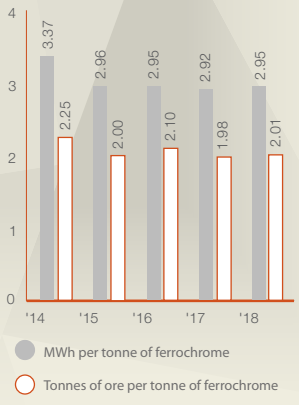
Cash generated from operating activities



Attributable production tonnes



Power and ore consumption efficiencies



OUR OPERATING CONTEXT

THE GLOBAL POSITION OF FERROCHROME

Elements influencing the global demand for and pricing of ferrochrome:

- Global economic conditions
- Exchange rates
- Stainless steel demand
- Growth of Chinese ferrochrome industry
- Chrome ore exports

90%

of the ferrochrome produced is used in stainless steel and specialty steels

Stainless steel production grew from 48.5 million tonnes in 2017 to 51.4 million tonnes in 2018

OUR COMPETITIVE ADVANTAGE

- Lowest-cost producer in South Africa
- Flexibility provided by variety of cost-efficient technologies
- Savings in energy consumption per tonne of alloy produced as a result of major investments in energy efficiency (Lion Complex and two pelletising and sintering plants)
- Lion II achieves further energy efficiencies
- Significant chrome ore reserves and access to UG2

Ferrochrome production and its role in stainless steel

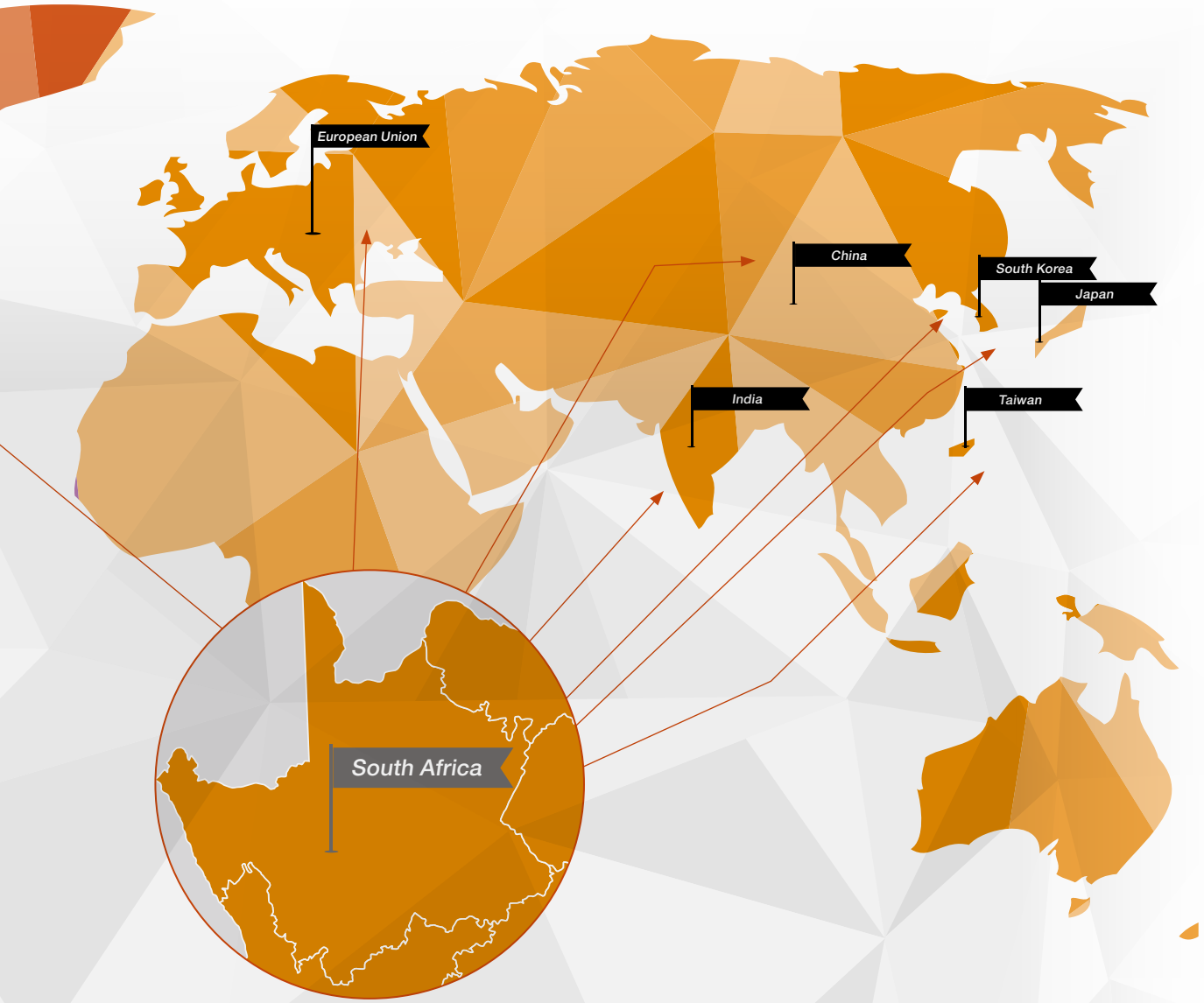
Produced by high-temperature reduction (smelting) of chromite, ferrochrome contains iron, chrome, minor amounts of carbon and silicon, and impurities such as sulphur, phosphorous and titanium.

Chrome is a metallurgical marvel. It brings critical properties to the metals with which it is alloyed. Add it to carbon steel in the form of ferrochrome and the steel becomes 'stainless' – corrosion resistant, mechanically strong, heat resistant, hard wearing, shiny and glamorous. Stainless steel is used almost everywhere in modern life from nuclear reactors to exhaust pipes, architecture, kitchenware and a host of other applications.

Specialty steels produced for applications such as tools, injection moulds, camshafts, etc also derive the high mechanical strength, hardness and heat-resistance required from their chrome content.

Key statistics for 2018

- Global ferrochrome production increased from 12.6 million tonnes in 2017 to approximately 13.4 million tonnes in 2018.
- Ferrochrome demand increased from 12.2 million tonnes in 2017 to 13.1 million in 2018.
- South Africa produced approximately 3.9 million tonnes of ferrochrome in 2018.
- China imported approximately 14.3 million tonnes of chrome ore in 2018, with South Africa accounting for 10.9 million tonnes of imports into China.



SOUTH AFRICAN CHROME INDUSTRY

Facts

Approximately **3.9mt** of the world's ferrochrome production of 13.4mt was supplied by South Africa in 2018

Over **72%** of the world's chrome reserves are in South Africa

Provides over **200 000** direct and indirect jobs

Challenges faced by South African ferrochrome producers

- Increasing production costs
  - electricity
  - labour
- Socio-political challenges
- Legislative uncertainty
- Commodity prices and demand
- Chrome ore exports
- Electricity supply

For more information on ferrochrome production, consumption stainless steel production and chrome ore imports, see the CEO's strategic review on page 10 and the tables on pages 11 to 13.

MATERIAL ISSUES

The directors' statement regarding the materiality determination process

As the Board of Merafe we acknowledge our responsibility to ensure the integrity of the Integrated Annual Report, including the determination of material issues. We acknowledge that we have applied our collective mind in determining the material issues for Merafe and have used the materiality process described below.

We believe that this process is suitably designed to identify our material issues. The material issues disclosed in this section accurately reflect the outcome of this process and have taken into consideration our business model, operating context, stakeholder concerns and strategic plan.

Issue	Possible impact	Our response
Global economic environment	The global economic environment can have a positive or negative impact on the demand for the ferrochrome and chrome ore the Venture produces. When it is doing well then demand increases and prices tend to follow suit. The volatility of the Rand/US Dollar exchange rate also affects our profitability. This financial year, for instance, the appreciation in the value of the Rand against the US Dollar impacted our profitability. All our stakeholders are affected by our ability to be profitable and sustainable.	We cannot influence the Rand/US Dollar exchange rate or the global economy, and market demand dictates the price of ferrochrome. Both Merafe and the Venture can, however, take action to contain costs and remain profitable. The Venture's investment in increasing the energy efficiency of its operations and reducing the cost of the reductants makes it the lowest-cost producer in South Africa.
Exposure to one commodity	Diversification into other commodities would provide us with a buffer against the cyclical nature of ferrochrome which can and has negatively impacted our profitability in certain years. This issue could impact our shareholders, management and employees.	In August 2014, the Board announced its strategy to focus mainly on ferrochrome and chrome in the medium term and this was the main focus from 2015 to 2018. The Board, by participating in the Venture, ensures that the competitive advantages enjoyed by the Venture as set out on page 6 mitigate this risk of exposure to one commodity. The Company also considers acquisitions outside of ferrochrome on an opportunistic basis.
Venture in which we do not have a majority stake	By not being in control of our own destiny, we could be negatively impacted by such a partnership. Decisions taken in the best interest of the Venture, may on the other hand, negatively impact Merafe. Both shareholders and employees stand to be affected by this issue.	Contractual provisions and partnering with a world-class operator and global ferrochrome leader, are all helpful in bolstering our overall sustainability. We continually strive to ensure the interests of both partners in the Venture are aligned and to maintain strong relationships between both management teams based on mutual respect.
Empowerment credentials	These credentials are important to maintain a competitive advantage and they also affect the empowerment status of the Venture.	In 2015 Glencore BV acquired the shares of Royal Bafokeng Holdings in the Company. This continues to be a focus even though there is more clarity on the "once empowered always empowered" principle. See the Chairperson's report on page 40 for more details as well as the report of the CEO on pages 10 to 13.
Safety, health and wellbeing of Merafe's employees and the Venture's employees and contractors	Maintaining a safe and healthy environment is one of the cornerstones of our success. Employee morale is affected by how we manage this issue. Significant reputational damage is also a key factor. This issue could impact employees, contractors and their families; the Department of Mineral Resources (DMR) – Mine Health and Safety Inspectorate; trade unions; and investors.	The Venture invests in safety training and efforts to transform its safety culture into one where every employee takes responsibility for their safety and that of their fellow employees. See pages 30 to 32 of this report.
Industrial action in the mining industry and in particular in the operations of the Venture	Loss of production impacts on profitability. We also need to consider increased costs and the possible damage to property. The safety of the Venture's employees is also at risk; intimidation of employees by strikers and a breakdown in the relationship with Venture employees are all important factors affecting not only Venture employees but families, communities, the DMR and shareholders.	Communication and mutual understanding and respect are fostered daily with employees to enhance the working relationship. We also invest time and effort in establishing an understanding with the trade unions. The Venture also abides by the collective agreements in place and negotiates with the unions with the aim of reaching an agreement on annual wage increases. See pages 33 and 34 of this report.

MATERIALITY DETERMINATION PROCESS

- The Board sets and approves three-year strategic plans for the Company. On an annual basis the Board reviews and adjusts the strategic plan where necessary.
- The Board, through the Audit and Risk Committee and Board strategic workshops, annually considers the risks (see page 58 of this report) the Company may face and a risk matrix listing the risks and their importance is updated quarterly. There are approximately four Board and separate Board committee meetings during a year and further separate executive, management and Board strategy sessions to set a new strategic plan and/or assess the current plan in operation.
- Key to our process is consultation with stakeholders (see page 4 of this report). Stakeholder feedback is then discussed at management, executive and Board strategic meetings and incorporated into the strategic plan and risk register.
- The executive and management of Merafe participate in the Venture (including participation in executive and Board meetings of the Venture), which assists with the assessment and consideration of the Venture's material issues (see page 48 of this report).
- During the integrated reporting process, the Board and its committees assess the report to ensure that our reporting is aligned in terms of strategy, key risks and issues material to both Merafe and its stakeholders.

Issue	Possible impact	Our response
Our social licence to operate	Dissatisfied communities embarking on action to remove the Venture's social licence to operate would create an unsustainable working environment as well as cause significant reputational damage. Communities, investors, DMR, employees and local municipalities would all be affected.	Community social issues are addressed regularly with goodwill, commitment and leadership. By addressing social issues, the South African mining industry can achieve a more sustainable environment for itself and the communities in which it operates. See pages 36 to 38 of this report.
Chrome ore exports to China	Ferrochrome sales to China are impacted by the export of unbeneficiated chrome ore from South Africa, which is facilitating the growth of a ferrochrome industry in China (see page 12 of this report). Profitability would be negatively impacted and shareholders, Merafe management, Merafe employees, Venture partners, Venture employees and communities, as well as government stakeholders (for example SARS) would feel the effects of this issue.	The strategy of being the lowest-cost producer mitigates this risk. The Venture further believes that market forces over the medium term will reduce this risk.
Power prices and the availability of electricity	Loss of sales is highly likely if increased costs make our product prices uncompetitive. A further possible impact is a loss of production because of electricity shortages. Should the Venture be unable to secure electricity supply for new projects, it would be unable to grow its operations. This issue could impact shareholders, Merafe management and employees as well as Venture management, employees, communities and customers.	The Venture's continued development and application of energy-efficient technology allows it to maintain its position as South Africa's lowest-cost producer of ferrochrome and therefore the most competitive South African producer. The Venture regularly engages with Eskom and is represented on the Energy Intensive User Group (see page 23 of this report).
Climate change	Climate change can impact business continuity and profitability; health and safety and environmental aspects. The Venture's operations give rise to a significant quantity of indirect and direct greenhouse gas (GHG) emissions and are also exposed to the potential impacts of climate change resulting from GHGs.	The Venture continually engages with legislators, researchers and industry bodies to track and evaluate the situation and develop an improved awareness of and preparation for the risks associated with climate change. The Venture continues to take steps to reduce its carbon footprint. These include the development of energy-efficient technology and research into the use of alternative sources of energy. See pages 22 to 26 of this report.
Water	Water is an important input in our operations. All stakeholders are impacted by this issue.	With regard to water we ensure that we have adequate supply and storage facilities. We have access to different water schemes, we reuse a large proportion of water and we have access to underground water. In 2017, the Venture embarked, as part of its water conservation and water demand management strategy, to implement compressive model base water balance at all our sites. All of the mines and two of the smelters were completed during 2017 and the rest of the smelters will be completed during 2018. The water reticulation is comprehensively mapped and assimilated into the model to ensure all water streams are covered. The models also have a predictive function which simulates any process changes to assess the impact on the whole water reticulation. See page 25 of this report.

CHIEF EXECUTIVE OFFICER'S STRATEGIC REVIEW

ZANELE MATLALA
Chief Executive Officer

The focus of the Company in 2018 continued to be on safety, ferrochrome production, maximising cash flows from the Venture, reducing costs and distributing cash to shareholders.

Introduction

I am pleased to report that despite a challenging operational environment, Merafe produced a pleasing set of financial results.

The uncertainty created by geopolitical events such as Brexit and trade wars resulted in lower ferrochrome prices and volatile Rand:US Dollar exchange rates. Realised ferrochrome prices were relatively stable but decreased by 7% compared to prior year. The average Rand:US Dollar exchange rate was marginally stronger at R13.25 compared to R13.30 for the prior year.

Financial review

Profit after tax decreased by 25% mainly as a result of lower revenue and higher cost of sales. Revenue was impacted by lower ferrochrome sales volumes, lower average net CIF ferrochrome price and a marginally stronger average Rand:US Dollar exchange rate.

The balance sheet remained strong with net cash balance of R247 million after paying dividends of R426 million.

I refer you to the Financial Capital section of this report on pages 14 and 17 as well as our Financial Statements which are on our website for more detailed information.

Safety

Disappointingly, during the year under review, there was a fatality at the Venture's Thorncliff mine. Mr Ntandazo Dlela was fatally injured on 27 August 2018. Post year end, regrettably a fall of ground incident occured at Magareng mine. This resulted in the death of Mr Magashane Mafolo on 14 February 2019. Our sincere condolences are extended to their families, friends and colleagues.

The safety of all our employees remains a critical focus area and for this reason we are pleased with the downward trend in the Total Recordable Injury Frequency Rate which reduced from 3.74 to 3.39.

Operational review

Production volumes rose to a new record of 407kt which is equivalent to 85% of installed capacity. Once again, a number of production records were achieved during 2018 at the Lion and Wonderkop smelters as well as an annual pellet production record at the Bokamoso pelletising and sintering plant.

Wage negotiations were concluded successfully culminating in 3-year agreements for the Western and Eastern smelters as well as Western Mines.

Despite the challenges faced by Eskom, there were no major supply constraints during 2018. However, post year end Eskom has had to resort to load shedding due to reduced availability arising from unplanned breakdowns of several generating units.

Electricity supply and pricing remain key risks which we monitor closely. The NERSA approved tariff of 5,23% became effective on 1 April 2018. The approved tariff increase which is effective 1 April 2019 is 4.4%.

Market review

In 2018 global stainless steel production is estimated to have increased by 6.1%^ year on year, on par with 2017's production growth, despite increasing macroeconomic uncertainty in key producing regions.

Asia continued to be the major source of growth. Indonesian production reached 2.3mil^ tons in 2018 and was the primary driver of global growth, largely as a result of stainless steel mills commissioned during 2017 recording their first full year of production. India's year on year production growth rate is estimated to have reached 9.2%^ in 2018, a significant increase from the growth rate seen in 2017. Total annual production in China is estimated to have reached 26.6mil^ tons in 2018, with all time high production having occurred during Q4. China's full year melt accounted for an estimated 51.7%^ of global output.

Production in the rest of the world mostly held firm year on year. Total US production is estimated to have increased by 1.3%^ from 2017, while Europe's production is estimated to have remained largely flat year on year.

Growth in stainless steel melt rates translated into healthy demand for ferrochrome throughout most of the year. During Q1 and Q2 of 2018, power supply issues coupled with environmental inspections intermittently disrupted Chinese ferrochrome production, particularly in Inner Mongolia. During these periods, China's role as swing producer of ferrochrome was reinforced, as spot prices increased due to lower availability of domestically produced Chinese ferrochrome.

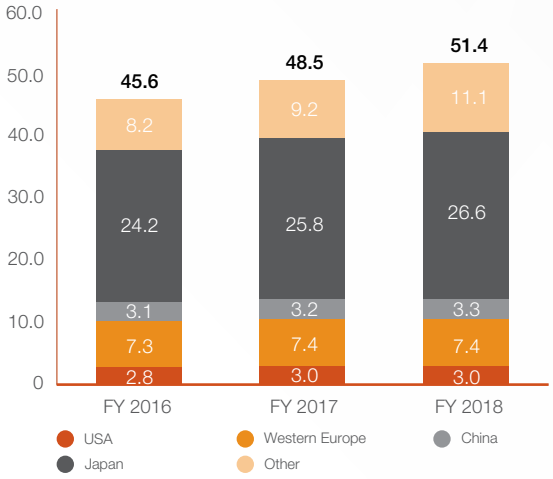
Global ferrochrome production in 2018 is estimated to have reached 13.4mil^ tons, matching the stainless steel growth rate of 6.1%^ year on year. China's domestic production is estimated to have increased by 8.5%^ year on year, exceeding South Africa's growth of 5.3%^.

^ CRU commodity market analysts

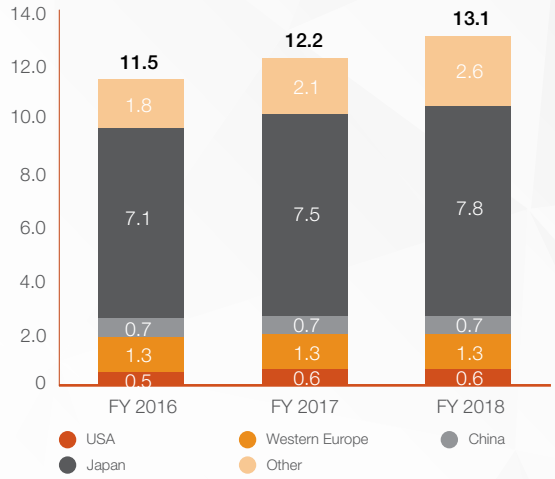
See the table on page 12 for details of China's chrome ore imports.

KEY MARKET INDICATOR'S

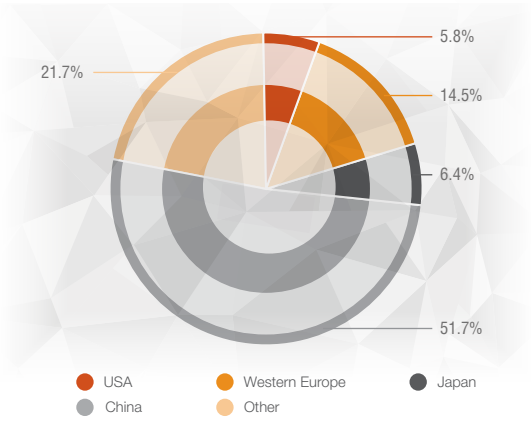
Global stainless steel production (mt)



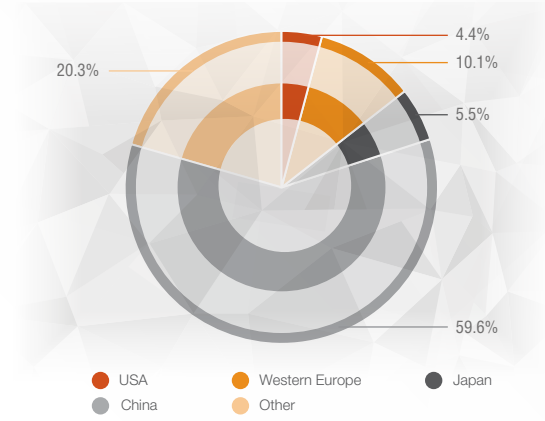
Global ferrochrome demand (mt)



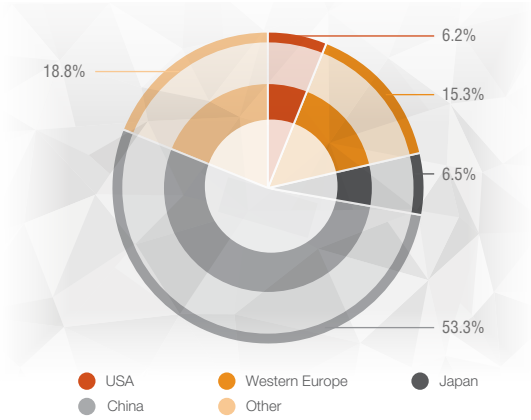
Global stainless steel production – 2018



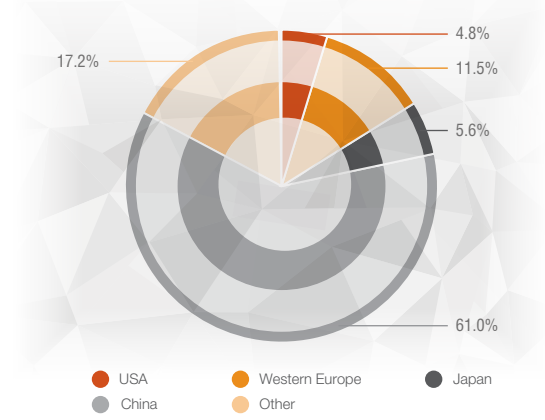
Global ferrochrome demand – 2018



Global stainless steel production – 2017



Global ferrochrome demand – 2017



Source: CRU

Source: CRU

Chief Executive Officer's strategic review (continued)

As a result of ferrochrome production growth in China, demand for South African chrome ore increased further in 2018. According to official customs statistics, China imported a total of 14.3mil* tons of chrome ore during the year, 3.1%* more than in 2017. The share of imported South African ore increased to 76.1%*, up from 72.3%* a year earlier, realising an 8.5%* growth rate year on year.

Strategic review

The focus of the Company in 2018 continued to be on safety, ferrochrome production and maximising cash flow from the Venture.

As such we managed to return cash to shareholders by declaring and paying record dividends.

We remain mindful that operating a long-term business like ours requires us to demonstrate to all our stakeholders that we are aware of the material issues which may impact the business in the future and that these are taken into account in our strategic planning processes. In this regard I refer you to pages 8 and 9 of this report (material issues section as well as the sections on Natural, Human and Social Capital).

While the focus of the Company remains on safety, ferrochrome production and maximizing cash flows from the Venture, the Company will also consider acquisitions outside of ferrochrome on an opportunistic basis.

Outlook

Global GDP and stainless steel production are both forecast to grow in 2019 with Indonesia's contribution to the stainless steel industry continuing to become more meaningful. This will underpin projected growth in demand for ferrochrome. The Venture's past and continued investment in the efficiency of its operations enables it to take advantage of expansion in the market. Locally, Eskom remains a key risk factor for the Venture in 2019.

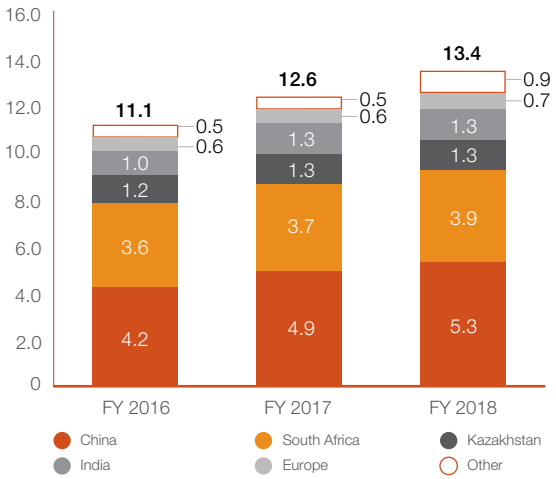
In accordance with our strategy, we remain committed to maximising return to our shareholders in the near term in the form of dividends and will continue to assess opportunities to deliver shareholder value.

I would like to thank the Company's staff and executives, its Board as well as our partners in the Venture, Glencore, for their hard work and commitment during 2018 which resulted in another good year for the Company.

Zanele Matlala
Chief Executive Officer

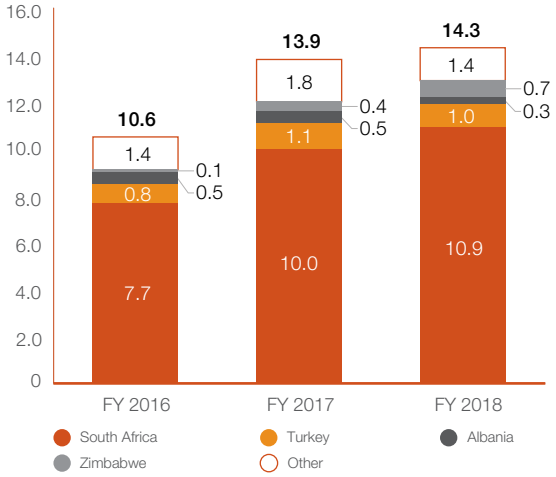
6 March 2019

Global Ferrochrome Production (mt)



Source: CRU

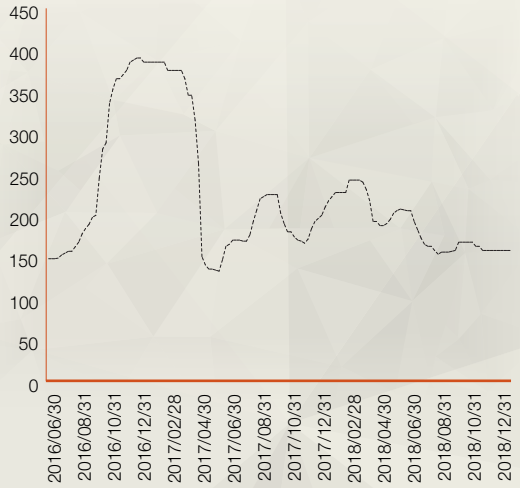
Chrome Ore Imports into China (mt)



Source: CRU

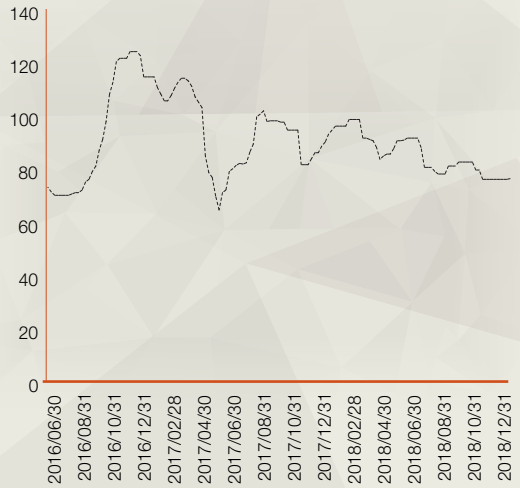
** GTA Global Trade International Services*

UG2 42% (USD/t)



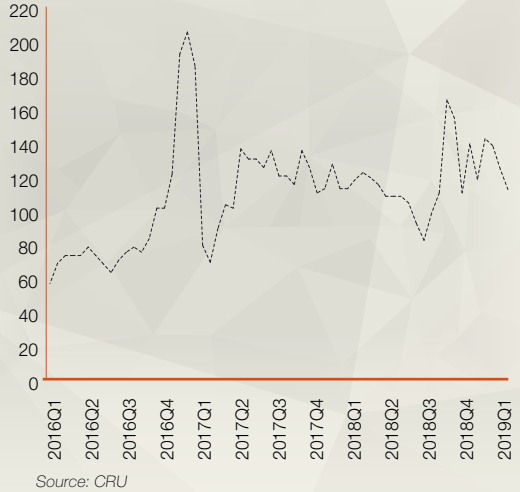
Source: CRU

Ferrochrome 50% (USc/lb)



Source: CRU

European benchmark ferrochrome price (USc/lb)



Source: CRU

PERFORMANCE

FINANCIAL CAPITAL

MATERIAL ISSUES

- Global economic environment
- Ferrochrome demand and prices
- Energy supply and prices
- Rand:US Dollar exchange rate
- Costs

Financial capital makes it possible for other types of capital to be owned and traded. Financial capital is also representative of how successful we have been at achieving the sustainable development of our natural, human, social and manufactured capital.

Sustainable organisations need a clear understanding of how financial value is created, in particular, dependence on other forms of capital. We enhance our financial capital by:

- the effective management of risk;
- corporate governance structures;
- ensuring the equitable use of wealth created; and
- assessing the wider economic impact of our activities on society.

KEY POINTS – 2018

Revenue
R5.6 billion
(2017: R5.9 billion)

EBITDA
R1.35 billion
(2017: R1.7 billion)

Net profit
R683 million
(2017: R914 million)

Net cash balance of
R281 million
(2017: R600 million)

Dividends declared of
R351 million
(2017: R301 million)

Our annual financial statements form part of our online Integrated Annual Report for 2018. They are also available from our Company Secretary.

DITABE CHOCHO
Financial Director

Merafe's revenue and operating income is primarily generated from the Glencore Merafe Chrome Venture (Venture) which is one of the global market leaders in ferrochrome production, with a total installed capacity of 2.3mt of ferrochrome per annum. Merafe shares in 20.5% of the earnings before interest, taxation, depreciation and amortisation (EBITDA) from the Venture.

Overview

As outlined in the CEO's report, the year was complicated by a number of factors that impacted our business at a macro level. These include trade wars primarily between the USA and China as well as the flight of capital from emerging markets to developed zones. The impact of these issues has generally been negative on the global economy and resulted in softer GDP growth particularly in markets we sell to. We refer you to Material Issues on page 8 of this report for a review of matters of a financial nature that impact the business and our responses to these.

Merafe's basic earnings from operations decreased from R914.1 million in 2017 to R683 million in 2018. This represents basic earnings per share of 27.2 cents (2017: 36.4 cents). The business had no discontinued operations or non-recurring events and therefore basic earnings equal headline earnings. Earnings were mostly adversely impacted by lower volumes of products sold and lower realised ferrochrome prices.

Financial performance

Revenue

Revenue for the year decreased by 5% to R5 606 million (2017: R5 889 million). A breakdown of revenue is presented below.

Ferrochrome – Both a softer achieved ferrochrome price as well as marginally lower volumes of ferrochrome sold of 372kt (2017: 375kt) impacted revenue negatively. The average ferrochrome CIF price reduced by 7% to US92 c/lb (2017: US99 c/lb). Ferrochrome revenue closed lower at R4 849 million (2017: R5 163 million).

Chrome – Lower tonnages of chrome ore sold of 248kt (2017: 322kt) weighed on revenue. However, higher product pricing more than countered this impact. This resulted in higher revenue of R747 million (2017: R726 million).

Total operating expenses

Operating expenses increased to R4 347 million (2017: R4 111 million). Key contributors to this increase were:

- reductants and fluxes due to the scarcity of supply in the local market. Materials such as coke had to be imported to prevent production interruptions. This resulted in higher costs as we experienced above inflation increases;
- the increased cost of electricity due to Eskom's tariff adjustments;
- increased transportation costs both for inland as well as ocean freight; and
- higher staff costs in line with annual increases which include settlements reached with unions.

Foreign exchange gain

The volatility of the Rand against the US Dollar has resulted in a foreign exchange gain of R141.5 million compared to a loss of R73.4 million in 2017.

EBITDA

All the factors cited above have resulted in Merafe's share of the Venture's EBITDA for the year being R1 390 million (2017: R1 705 million). Merafe's EBITDA is after accounting for its corporate costs which were higher at R44.4 million (2017: 40.4 million). Merafe's EBITDA was R1 346 million (2017: R1 665 million).

Depreciation

Depreciation for the year increased owing to capital expenditure made as well as a review of assets at year end. This review included a reassessment of the useful lives of permanent structures and furnances and resulted in accelerated depreciation at our smelters. Depreciation of R405.5 million (2017: R368.2 million) was expensed to the income statement with R14.5 million (2017: R7.4 million) of depreciation capitalised to inventory.

Net financing costs

Finance costs of R14.5 million were lower (2017: R28 million) due to the ABSA/Standard Bank debt being fully settled in 2017. The bulk of the current interest charge relates to the unwinding of the discount on the rehabilitation provision. Finance income increased to R18.6 million (2017: R8.6 million) due to higher cash balances held.

Taxation

The taxation expense includes deferred tax credit of R29.6 million (2017: R47.4 million), which arose as a result of temporary differences on property, plant and equipment, the embedded derivative and provisions. There is no unredeemed capital expenditure balance at 31 December 2018, given that taxable profits exceeded capital expenditure.

Financial position

The financial position was affected by working capital increases, particularly relating to inventory and trade and other receivables. Finished goods on hand at year end increased to approximately four to five months of sales due to lower sales of volumes produced. This has tied up cash and contributed to reduced cash balances at year end. The debtors discounting facility was fully settled, resulting in the business being ungeared at year end. Provisions increased from R287.5 million to R420.7 million mainly due to a reassessment of the closure and restoration costs of all smelters performed during the year. As a result of this reassessment, the provision for closure and restoration was increased to R210.4 million (Dec 2017: R157.1 million).

Cash position

The closing cash and cash equivalents balance was R281 million (2017: R671.7 million). This comprises Merafe's share of cash in the Venture of R45 million (2017: R207.7 million) and Merafe's own cash of R235.8 million (2017: R464 million).

The reduction in the closing cash balance is mainly because of:

- an outflow of cash from operating activities due to an increase in inventory by R530.3 million year on year;
- an outflow in cash from investing activities due to: sustaining capital expenditure of R412 million (2017: R403 million) and full settlement of the outstanding R72.3 million of the debtors discounting facility; and
- dividends of R426 million paid in the year. This amount includes a final 2017 dividend of R226 million and an interim dividend for 2018 of R200 million.

Debt position

Merafe has no interest bearing debt. The R200 million revolving credit facility with ABSA, whilst still in place, has not been utilised. This facility provides the Company with immediate access to funding if the need arises.

Financial capital (continued)

Dividend

Subject to meeting the solvency and liquidity requirements of the Companies Act No 71 of 2008, Merafe's dividend policy is to declare a dividend of at least 30% of HEPS. In the event that there is excess cash, and subject to sufficient cash reserves being retained for sustaining and working capital needs, an additional dividend may be declared.

To this end, a cash interim dividend of 8 cents per share ("cps") was declared on 6 August 2018 (7 August 2017: 3 cps). On 11 March 2019, a gross cash final ordinary dividend of 6 cps (5 March 2017: 9 cps) was declared by the Company.

Outlook

With no major expansionary projects planned for 2019 and an ungeared balance sheet, Merafe is well positioned not only to withstand any market vagaries but to also take advantage of any growth opportunities that may arise.

Summarised consolidated statement of comprehensive income

	For the year ended	
	31 December 2018 Audited R'000	31 December 2017 Audited R'000
Revenue	5 606 324	5 888 945
EBITDA	1 345 940	1 665 259
Depreciation	(405 548)	(368 212)
Net Financing income/(expense)	4 082	(19 325)
Profit before taxation	944 475	1 277 722
Taxation	(261 059)	(363 604)
Profit and total comprehensive income for the year	683 416	914 118
Basic earnings per share (cents)	27.2	36.4
Diluted earnings per share (cents)	27.2	36.4
Ordinary shares in issue	2 510 704 248	2 510 704 248
Weighted average number of shares for the year	2 510 704 248	2 510 704 248
Diluted weighted average number of shares for the year	2 510 704 248	2 510 704 248

Summarised consolidated statement of cash flow

	For the year ended	
	31 December 2018 Audited R'000	31 December 2017 Audited R'000
Profit before tax	944 475	1 277 722
Depreciation	405 548	368 212
Finance income	(18 595)	(8 633)
Finance expense	14 512	27 958
Share-based payment expense	3 097	5 588
Share grants exercised	(5 077)	(11 053)
Embedded derivative expense	34 570	155 852
Provisions	84 386	135 771
Effect of exchange rate fluctuations on cash held during the year	30 042	47 175
Adjusted for working capital changes	(705 332)	(219 666)
Cash generated from operating activities	787 627	1 778 926
Interest paid	(968)	(21 125)
Interest received	17 253	8 514
Taxation paid	(325 417)	(366 441)
Net cash from operating activities	478 495	1 399 874
Sustaining capital expenditure	(412 074)	(402 973)
Expansionary capital expenditure	(190)	(823)
Net cash utilised in investing activities	(412 264)	(403 796)
Dividends paid	(425 963)	(175 749)
Loans repaid during the year	(1 026)	(364 803)
Net cash utilised in financing activities	(426 989)	(540 552)
Net (decrease)/increase in cash and cash equivalents	(360 758)	455 526
Cash and cash equivalents at 1 January	671 655	263 304
Effect of foreign exchange rate changes	(30 042)	(47 175)
Cash and cash equivalents at 31 December	280 855	671 655

Summarised consolidated statement of financial position

	As at	
	31 December 2018 Audited R'000	31 December 2017 Audited R'000 (Restated)
Assets		
Property, plant and equipment	3 277 588	3 271 155
Investment in subsidiaries**	–	–
Long term receivable	12 995	13 864
Deferred tax asset	17 945	17 726
Total non-current assets	3 308 528	3 302 745
Inventories***	2 042 621	1 497 798
Current tax asset	26 368	–
Trade and other receivables	920 231	883 249
Cash and cash equivalents	282 037	671 655
Total current assets	3 271 257	3 052 702
Total assets	6 579 785	6 355 447
Equity	–	–
Share capital	25 107	25 107
Share premium	1 269 575	1 269 575
Retained earnings	3 598 296	3 340 843
Total equity attributable to equity holders	4 892 978	4 635 525
Liabilities		
Loans and borrowings non-current	9 879	11 094
Share-based payment liability	3 518	5 379
Provisions	371 904	287 518
Deferred tax liability	751 103	780 485
Total non-current liabilities	1 136 404	1 084 476
Loans and borrowings current	1 233	1 044
Trade and other payables	544 731	550 556
Working capital loan*	–	72 272
Share-based payment liability	3 257	3 376
Bank overdraft	1 182	–
Current tax liability	–	8 198
Total current liabilities	550 403	635 446
Total liabilities	1 686 807	1 719 922
Total equity and liabilities	6 579 785	6 355 447

* *The working capital loan was reclassified from trade and other receivables to a current liability in the 2017 year. This was also a prior period error.*
** *Less than one thousand.*
*** *Inventory of R8.3 million (2017: Rnil) was written down in the 2018 financial year.*

Summarised statement of changes in equity

	For the year ended	
	31 December 2018 Audited R'000	31 December 2017 Audited R'000
Issued share capital – ordinary shares	25 107	25 107
Balance at the beginning and end of the year	25 107	25 107
Share premium – ordinary shares	1 269 575	1 269 575
Balance at beginning and end of the year	1 269 575	1 269 575
Retained earnings	3 598 296	3 340 843
Balance at beginning of the year	3 340 843	2 602 474
Total comprehensive income for the year	683 416	914 118
Dividends paid	(425 963)	(175 749)
Total equity for the end of the year	4 892 978	4 635 525

MANUFACTURED CAPITAL

MATERIAL ISSUES

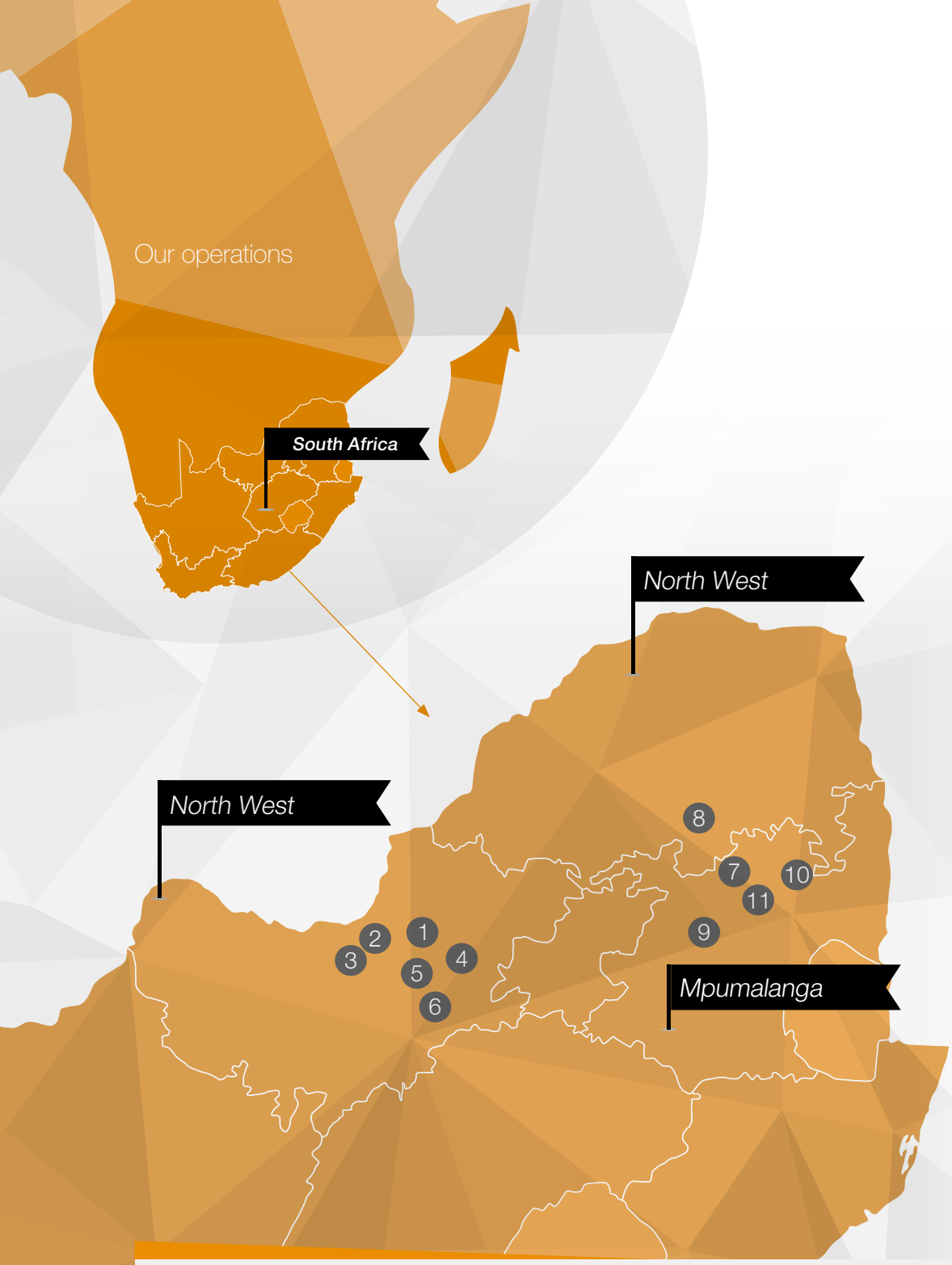
- Health and safety
- Project execution
- Pricing and the availability of electricity
- Raw material availability
- Business continuity and profitability
- Investing in new technology to increase energy efficiency
- Industrial action
- Community issues

Manufactured capital in the mining context relates to the mining and smelting process and how it is conducted, and the assets, which are being mined and beneficiated. It is important to an organisation's sustainability because its efficient use allows an organisation to be flexible and innovative and increases the speed at which it delivers.

We enhance our manufactured capital by:

- employing our infrastructure, technologies and processes to use our resources most efficiently; and
- devising technology and management systems that reduce our waste and emissions.

Our operations



Glencore-Merafe Chrome Venture operations

1. Rustenburg ferrochrome plant and Tswelopele pelletising and sinter plant
2. Boshoek ferrochrome plant and Motswedi pelletising and sinter plant
3. Boshoek mine
4. Wonderkop ferrochrome plant and Bokamoso pelletising and sinter plant
5. Waterval (east and west) and Marikana mines
6. Kroondal mine
7. Thorncliffe mine
8. Lion ferrochrome plant
9. Lydenburg ferrochrome plant
10. Helena mine
11. Magareng mine

KEY POINTS – 2018

Merafe attributable ferrochrome production
407kt
(2017: 395kt)

Mined chrome ore production up by **2.4%**

Cost management

1 fatality
(2017: 1)

No industrial action

Improved TRIFR performance of
3.39
(2017: 3.74)

Manufactured capital (continued)

Overview

Attributable ferrochrome production increased to a new record high of 407kt during 2018, which is equivalent to installed capacity utilisation of 85%.

A number of annual production records were achieved during 2018, including all time high production levels for the Lion Smelter and the Wonderkop Smelter.

An annual production record was also achieved by the Bokamoso Sinter Plant at the Wonderkop Smelter.

The production performance did not only result in higher volumes, but also resulted in excellent cost performances. The increase in total unit production cost year on year was contained to 9%, despite the significant increase in the reductant consumption price of 23% and the electricity price increase of 5.2%.

Safety

The Venture continues to place maximum focus on safety. Unfortunately, despite this effort, we are sad to report that there was a fatal accident in the operations of the Venture during 2018 as referred to more fully in the report of the CEO on page 10 and the report of the Chairperson on page 40.

A number of safety campaigns have been undertaken since the onset of the Venture in 2004 as part of the ongoing efforts to improve on the safety performance. This was indeed achieved as evident in the graph below where the total recordable injury frequency rate (TRIFR) reduced to levels around 4 over the past few years. See pages 30 to 32 of this report for a summary of the Venture's approach and performance in respect of safety and health for 2018.

Ref. YTD	2016	2017	2018
FFR	0.04	0.04	**0.03**
LTIFR	1.21	1.04	**1.26**
TRIFR	4.15	3.74	**3.39**
DISR	111.49	145.62	**116.43**

Eskom

Our furnaces are fully dependent on a reliable and cost effective supply of electricity from Eskom. Following a period where Eskom anticipated excess generation capacity and was trying to promote incremental electricity consumption, the situation has weakened to a point currently where the Utility has been forced to implement load curtailment again.

Lower electricity sales, higher costs of primary energy and large over-expenditures on their new build programme placed enormous pressure on Eskom's financial situation. The Regulator allowed a 5.2% tariff increase on 1 April 2018 for the 2018/19 financial year. NERSA has, however, meanwhile approved an increase of 4.4% in 2019/20 (held for a four year period) under the Regulatory Clearance Account. In addition, Eskom has applied for a 15% increase in tariffs for each of the next three years under MYPD4. For further discussion on Eskom and pricing rates I refer you to the CEO's strategic review on pages 10 and 12 of this report.

The benefits to the Venture of investing into energy efficient projects like Lion phases 1&2, Bokamoso and Tswelopele has shown to be extremely significant and the benefits compared to other ferrochrome producers will increase with future electricity price increases.

Chrome ore production

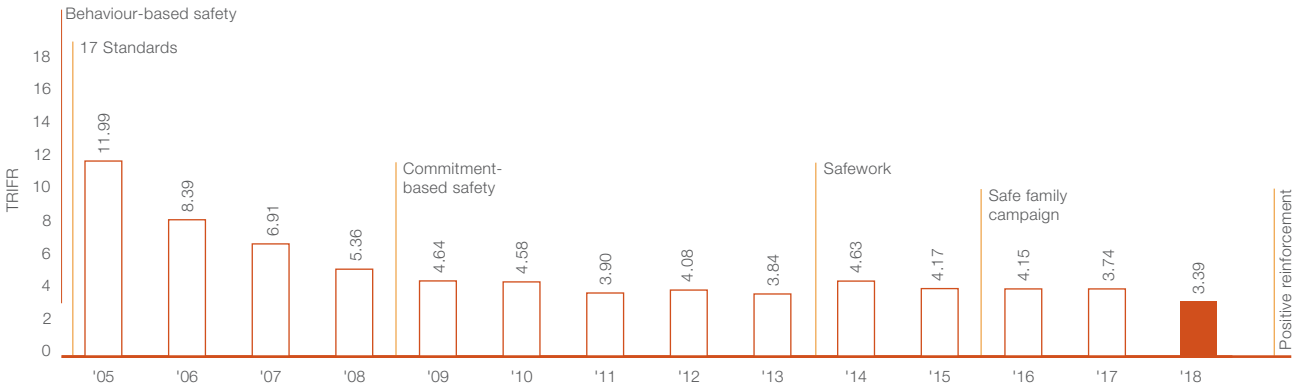
The Chrome mines (including UG2) produced a new record annual total with saleable chrome ore production at 2.4% more than the previous period.

Higher volumes (15.3%) at the UG2 Operations were mainly due to better recoveries achieved and more feed received from external PGM concentrators.

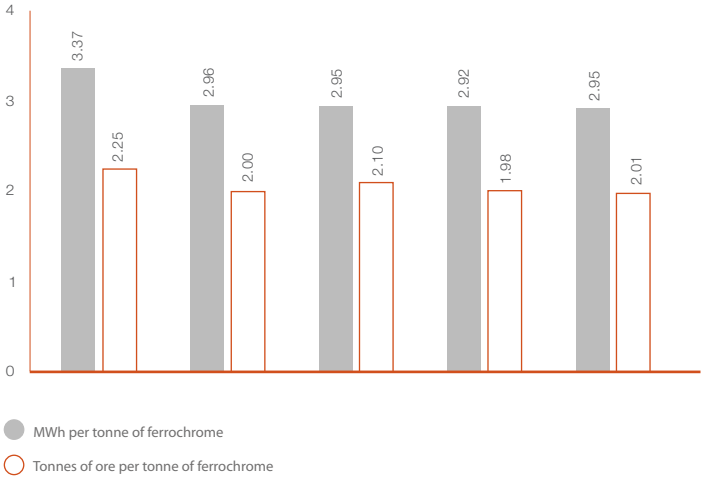
Chrome produced at the Mines in 2018 was 4.7% less than the previous year due to section 54 stoppage (one fatality), Eskom power failures and Plant breakdowns.

From the Resources and Reserves Statement on pages 27 to 29 of this report it is clear that the Venture has more than sufficient ore available at the current rate of mining. If inferred reserves set out in the Mineral Resources and Reserves Statement are excluded, the total life of mine is still calculated at more than 30 years.

TRIFR 2004 – 2017



Power and ore consumption efficiencies



The Glencore-Merafe Chrome Venture's operations

Ferrochrome plants	Capacity	Technology	Mines
Western Limb (North West province)			
Wonderkop	**553 000** tpa FeCr	Bokamoso pelletising and sintering plant using Outotec technology	Kroondal, Waterval and Marikana
	6 furnaces	Conventional semi-enclosed furnaces	
Rustenburg	**430 000** tpa FeCr	Tswelopele pelletising and sintering plant using Outotec technology	Kroondal, Waterval and Marikana
	6 furnaces	Conventional semi-enclosed furnaces	
Boshoek	**240 000** tpa FeCr	Motswedi pelletising and sintering plant using Outotec technology	Waterval, Kroondal and Boshoek
	2 furnaces	Enclosed furnaces	
Eastern Limb (Mpumalanga and Limpopo provinces)			
Lydenburg	**396 000** tpa FeCr	Premus – kilns	Thorncliffe, Helena and Magareng
	4 furnaces	Three enclosed furnaces and one semi-enclosed furnace	
Lion Phase I	**360 000** tpa FeCr	Premus – kilns	Thorncliffe, Helena and Magareng
	2 furnaces	Enclosed furnaces	
Lion Phase II	**360 000** tpa FeCr	Premus – kilns	Thorncliffe, Helena and Magareng
	2 furnaces	Enclosed furnaces	

The Venture has access to various UG2 plants, in the Western Limb including EPL, Kanana, KI, K2, K4 and Rowland, and Mototolo in the Eastern Limb.

NATURAL CAPITAL

MATERIAL ISSUES

Energy
- Pricing and the availability of electricity supply
- Business continuity and profitability
- Investing in new technology to increase energy efficiency

Climate change
- Environmental aspects of climate change
- The Venture's production of significant quantities of indirect and direct greenhouse gas emissions (GHG)
- Investing in new technologies to reduce emissions

Health and safety
- Safety of employees
- Health of employees
- Training
- Remuneration

Water
- Use and availability

Waste
- Incidents and compliance

Natural capital includes the natural resources and processes needed by an organisation to produce its products.

This includes renewable (timber and water) and non-renewable (fossil fuels and minerals and metals) resources and processes such as energy consumption, waste creation, emissions, etc. Without access to the natural capital contained in our mineral reserves and resources our business would not exist.

We maintain and enhance natural capital by:
- reducing our dependence on fossil fuels;
- eliminating waste by reusing or recycling it whenever possible;
- protecting biodiversity and ecosystems;
- wherever possible, using renewable resources from well-managed and restorative ecosystems; and
- managing resources and reserves efficiently.

Natural capital: climate change and energy

KEY POINTS – 2018

The CO_2e generated per tonne of ferrochrome produced was

5.48tCO_2e

(2017: 5.58tCO_2e)

The energy use per tonne of ferrochrome produced was

14.84Gj

(2017: 15.35Gj)

Stakeholder impact

The Venture's stakeholders benefit from its energy efficiencies, which have made it one of the lowest-cost ferrochrome producers in the world and the lowest-cost producer in South Africa.

Managing climate change and carbon emissions

The Venture focuses on understanding the current and future impact of climate change on its operations. Climate change risks are included in each operation's risk assessment. It measures and interprets energy and greenhouse gas (GHG) data to identify areas of opportunity. The Venture continuously researches and identifies potential energy and GHG reduction opportunities and evaluates the feasibility of implementing these opportunities. It also actively participates in discussions on climate change legislation via various industry organisations.

The Venture's efforts to continually evaluate and better its energy efficiency are in line with the societal demand to reduce the emissions of GHGs. It uses the Greenhouse Gas Protocol as an accounting and reporting standard for our emissions, which uses the factor of 1.009kgCO_2 kWh. This protocol was developed in partnership with the World Resources Institute and the World Business Council for Sustainable Development. It divides GHG emissions into different types, categorising them as either direct or indirect emissions.

A representative of the Venture served on the council of the Energy Intensive User Group (EIUG) during 2018. The Venture, which chairs the Ferro Alloys Producers Association (FAPA) environmental forum, represents the ferroalloys industry at Business Unity of South Africa (BUSA). The Venture's representatives play a leading role in these forums and they comment on climate change and carbon tax legislation. The Venture also engages with government via these forums to ensure that the potential impact that the proposed legislation will have on our industry and Company is understood.

During 2018, the Venture again played an important role in the engagement process, which took place between business and the National Treasury on the draft carbon tax paper. It also continued engaging with all members of FAPA to gain a common understanding of GHG emission factors for our sector and the calculation of the GHG emission footprint.

Climate change performance is included in the health, safety, environment and community performance indicators that the Venture uses as part of its performance appraisals.

The Glencore Alloys Group Environmental Manager is responsible for climate change-related issues in the Venture.

The Venture's focus for 2019

The Venture will continue with its engagement processes and with identifying and further evaluating potential GHG mitigation projects.

While the Venture has not set any specific climate change targets for 2019, it will in future use the targets set as part of the Department of Environmental Affairs' ("DEA") carbon budgeting process to guide its target setting processes.

Understanding the Venture's carbon footprint

The Venture generates GHG emissions from its smelting processes and from its energy use. The use of fossil fuels in the form of diesel and petrol in vehicles contributes directly to the creation of GHGs, and the electricity supplied from coal-fired power stations contributes indirectly to the creation of GHGs.

The Venture and Merafe are committed to minimising GHG emissions and improving our energy efficiency, and recognise the magnitude and importance of this challenge. The Venture also actively engages in public policy, specifically through collaboration with the DEA on a carbon budgeting process aimed at estimating the country's annual carbon emission.

The risks associated with climate change

Climate change remains a key longer-term risk for the Venture. The potential risks are complex in that they include operational risks such as business continuity, health and safety, environmental aspects and regulatory aspects. Risks are both physical and financial, for example should the Venture's operations be damaged by flooding and extreme storms this could cause business interruptions. The reduced availability of water could also interrupt its business and could have health impacts.

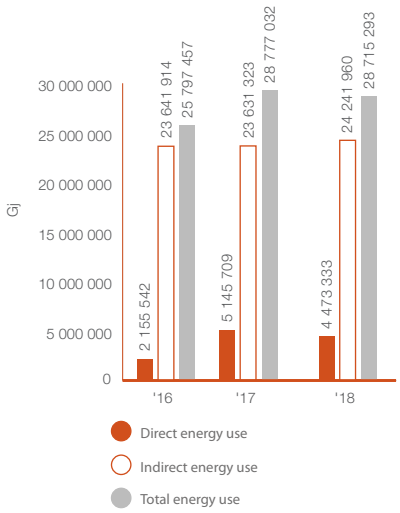
See the Stakeholder engagement section on our website for more information on our stakeholder impact and engagement with government, our investors and business partners.

Natural capital (continued)

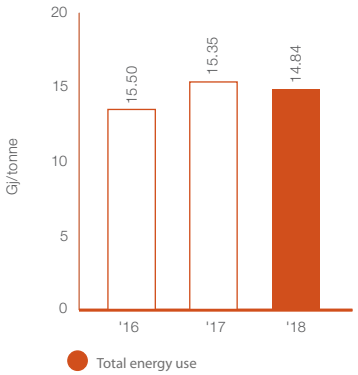
The Venture's energy consumption

Total energy consumption in the Venture's operations in 2018 was similar to 2017. The energy use per tonne of ferrochrome produced decreased from 15.35Gj/tonne to 14.84Gj/tonne.

The Venture's energy usage



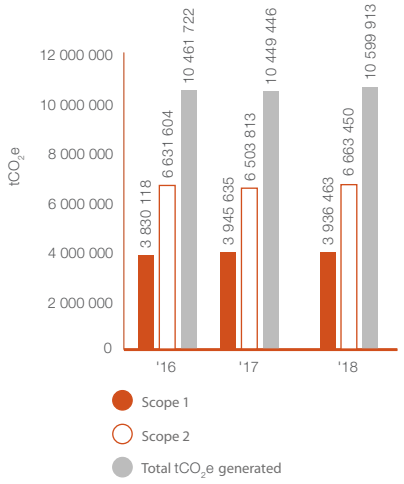
Energy use per tonne of ferrochrome produced



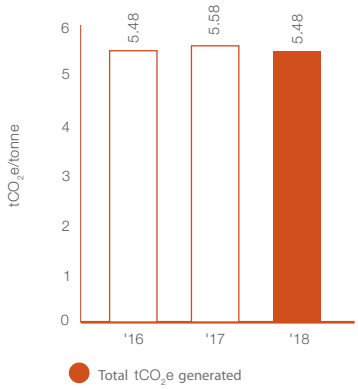
The Venture's emissions

The Venture's total Scope 1 (direct) and Scope 2 (indirect) emissions in 2018 remained at similar levels as 2017 (10.5 million tonnes). The CO_2e generated per tonne of ferrochrome produced decreased slightly in 2018.

GHG emissions



CO_2e generated per tonne of ferrochrome produced



The energy consumption and emissions performance of the Company in any year is dependent on the production performance in that year of the most energy-efficient plants in the Venture.

Natural capital: environment

KEY POINTS – 2018

The Venture's total water usage marginally increased

Water conservation plans in place at all operations of the Venture

There were **no high-potential environmental risk incidents** in the Venture

The Venture had no environmental fines, penalties or prosecutions

Environment includes the natural resources and processes needed by an organisation to produce its products.

MATERIAL ISSUES

- Water
- Gas emissions
- Waste
- Biodeversity and land use

As Merafe's corporate office has a limited impact on the environment this section of our report focuses on the Venture's environmental approach, impact and performance. We rely on the Venture's effective environmental policies and procedures to ensure our investment is managed responsibly.

An integrated approach to environmental responsibilities

The Venture's long-term success depends on prioritising environmental issues and integrating environmental responsibility into its strategic planning, management systems and day-to-day operations. Management accountability is central to Glencore's integrated approach, which reviews its environmental risks and opportunities annually as part of its business strategy and planning process. Each site has a comprehensive environmental management system in place. The system provides access to aspects and the impact of all activities, from pre-feasibility to the operational phase, including closure and rehabilitation. The Venture's objective is to ensure environmental legal compliance, optimise its monitoring and measurement practices and to minimise and manage any waste and emission generation in an environmentally responsible manner. Environmental responsibilities are clearly included into legal appointments and job descriptions.

Water

Water is a finite and precious natural resource essential to the sustainability of the communities in which the Venture works. It is also necessary for its mining and metallurgical processes.

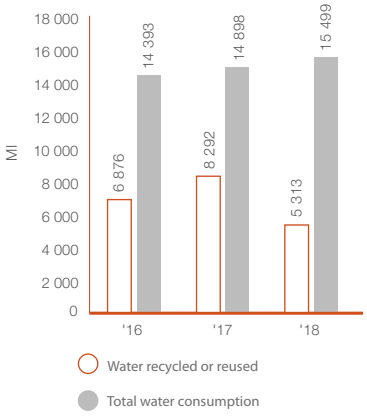
Water use and availability

The Venture's operations work with the Department of Water and Sanitation ("DWS"), local communities, local authorities, the farming community and other industry users to ensure the sustainability of water resources and equitable access to water resources for stakeholders.

The availability of water is a key consideration when the Venture plans the expansion or construction of an operation. It uses the results of the environmental and social impact assessments ("ESIAs") it undertakes to guide its decision-making and to ensure it has the least possible impact on local water resources during the various phases of its projects.

All the Venture's operations have water conservation plans. They have previously set water intensity targets and have measures in place to help them be as water efficient as possible. In addition, its operations are identifying possible water reduction projects.

The Venture's water usage



The water use in the Venture marginally increased in 2018 due to higher production levels.

Natural capital (continued)

Waste management and effluent and biodiversity management

The mineral waste produced by the Venture in 2018 was 4.3 million tonnes.

Mineral waste

Category	2018 tonnes	2017 tonnes	2016 tonnes	2015 tonnes
Mineral waste – produced	4 364 269	4 289 911	4 177 546	4 108 799
Non-mineral waste – disposed	15 041	14 396	9 279	10 803
Non-mineral waste – recycled	10 056	11 386	7 575	7 858

Incidents and compliance

It is always the Venture's aim to have no environmental incidents at its operations. It monitors, reports, investigates and remediates any incidents that occur and applies lessons learnt to prevent similar incidents in the future. Its operations are required to report any environmental high potential risk incidents ("HPRIs"), including near-misses, that could have resulted in a category 4 or 5 incident, even when the actual impact was less significant. Environmental incidents recorded at the Venture's operations also include incidents that occur as the result of contractor activity.

The Venture has had no environmental fines, penalties or prosecutions at its operations for the past nine years. The Venture achieved its goal of no category 4 or 5 incidents recorded in its operations in 2018 and no category 4 or 5 incidents have been recorded in the Venture's operations for the past nine years.

Environmental incidents

	2018	2017	2016
Category 1 – negligible (causing negligible, reversible environmental impact, requiring very minor or no remediation)	52	50	61
Category 2 – minor (causing minor, reversible environmental impact, requiring minor remediation)	7	16	14
Category 3 – significant (causing moderate, reversible environmental impact with short-term effect, requiring significant remediation)	2	0	0
Category 4 – major (causing serious environmental impact, with medium-term effect, requiring significant remediation)	0	0	0
Category 5 – disastrous (causing disastrous environmental impact, with long-term effect, requiring major remediation)	0	0	0

NO_x and SO_x performance

The Venture's emissions

Category	2018 tonnes	2017 tonnes	2016 tonnes
NO_x (oxides of nitrogen)			
Stack emissions (total mass)	1 032*	363	349
SO_x (oxides of sulphur)			
Stack emissions (total mass)	4 273	3 458	3 796
Total particulates			
Stack emissions (total mass)	2 218	1 204	1 484

The emission data is based on quarterly emission data which is used to calcualte emission factors and then applied to the year.

** The nature of the operations at the Ventures semi closed furnaces means that dilution air enters the air pollution control equipment. NO_x is formed as a secondary emission through the air pollution control equipment due to the presence of nitrogen in the air. Small process changes in terms of gas volume and temperature can result in step changes in NO_x emissions. Despite the variance from 2017 to 2018, emissions at the Venture do not exceed any ambient standards for NO_x.*

Product stewardship

The Venture monitors and addresses the impacts and risks associated with the use of its products throughout their life cycles, including during stages outside of its control, such as use, recovery, recycling and disposal.

It works with national and international industry associations, its customers and suppliers to understand the environmental health and safety risks of its products and to find ways to mitigate these risks.

In terms of Registration, Evaluation and Authorisation and Restriction of Chemicals ("REACH"), all the products that the Venture exports to countries in the European Union have been pre-registered, with the relevant pre-registration certificates and numbers available. The Venture is also actively involved in REACH.

No products produced by the Venture, or their packaging materials, were reclaimed during 2018.

To ensure the quality of its products, the Venture aligns its systems with the requirements of ISO 9001:2008 and some of its smelters are certified. Its laboratories are ISO 17025 accredited, which ensures that the methods and equipment it uses are accurate.

For further information on land use, see the Resources and Reserves Statement in our online Integrated Annual Report for 2018.

PERFORMANCE

ABRIDGED MINERAL RESOURCES AND MINERAL RESERVES STATEMENT

Introduction

The purpose of this report is to document the Mineral Resources and Mineral Reserves of Merafe Resources (Merafe) in accordance with the requirements of the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves, 2016 (SAMREC). All Merafe's operations are part of a pooling and sharing venture with Glencore Operations South Africa Proprietary Limited (the Glencore-Merafe Chrome Venture (the Venture)). Merafe has a 20.5% attributable beneficial interest in the Mineral Resources and Mineral Reserves of the Venture. The estimates in this document are as at 31 December 2018. To arrive at a Mineral Resources and Mineral Reserves estimate for 31 December 2018, the budgeted production for July 2018 to December 2018 has been subtracted from the total estimates. The Mineral Resource and Mineral Reserve information in the tables on the following pages is based on information compiled by a Competent Person (as defined by the SAMREC Code).

Type of mining and mining activities

The Venture has chrome mining operations along the Western and Eastern Limbs of the Bushveld Complex. The operations along the Western Limb of the Bushveld Complex comprise the Waterval, Kroondal and Boshoek Mines. The LG6 Package at both Waterval and Kroondal mines is mined underground using trackless mining methods on a bord-and-pillar layout. Boshoek Mine is 20km northwest of Rustenburg. The MG1, LG5 and LG6 chromitite layers are the mineable open pit layers in the Boshoek area. Boshoek Mine has been put on care and maintenance. The Townlands Extension 9 Prospecting Right area is an exploration project and exploration activities have been put on hold with the Venture applying for a Retention Permit. The eastern mining complex of the Venture consists of Thorncliffe, Magareng and Helena mines which are situated along the southern portion of the Eastern Limb of the Bushveld Complex. Adjacent to these farms, the Venture has applied for a renewal of the Prospecting Right on the farms Richmond and St George. This application has been granted and executed during 2018. In addition, an application has been submitted to incorporate Richmond and St George into the eastern mines Mining Right. The MG1 Chromitite Layer is being mined at the eastern mining complex using underground trackless mining methods on a bord-and-pillar mining layout.

Comparison of Mineral Resource and Mineral Reserve estimates with previous year's estimates

The annual Mineral Resource and Mineral Reserve estimates are compared with the previous year's statement and reconciled each year after the estimates have been finalised. Changes in the year on year tonnage and grade estimates are mainly due to mining depletion and changes in the Mineral Resource and Mineral Reserve tonnages and grades due to additional geological information. The biggest movement in the year on year Mineral Resource estimate is the disposal of portions of the Klipfontein/Waterval and the Kroondal Gemini resource blocks in favour of Lanxess Chrome Mining (Pty) Ltd ("LCM"). The Venture will be compensated for these resources as and when LCM mine the resources. The disposed resource blocks amount to 8.098mt.

Material risk factors

There are no foreseen material risk factors that could affect the validity of the current Mineral Resource and Mineral Reserve statement. All the legislative requirements have been met with respect to the rights to mining and prospecting for which the Mineral Resources and Mineral Reserves have been reported. All the operating mines are mining under new order, executed Mining Rights. The Prospecting Rights of all the prospecting areas have been converted to new order Prospecting Rights.

For the complete Mineral Resources and Mineral Reserves statement including definitions of the categorisation of mineral resources and reserves as per the SAMREC Code 2009, descriptions and exploration activities, geological settings of the reserves (including maps and diagrams), legal entitlement, methods and assumptions, material risk factors and a summary of environmental funding and management, see Appendix 1 to this report and our online Integrated Annual Report for 2018.

See page 60 of the report for the Directors' report and for the statement on mining rights and mining operations.

Natural capital: Mineral Resources and Mineral Reserves statement
(continued)

Chrome Mineral Resource statement

Name of operation	Attributable portion	Mining method	Commodity	Measured Mineral Resources 31.12.18	Measured Mineral Resources 31.12.17	Indicated Mineral Resources 31.12.18	Indicated Mineral Resources 31.12.17	Measured and Indicated Resources 31.12.18	Measured and Indicated Resources 31.12.17	Inferred Mineral Resources 31.12.18	Inferred Mineral Resources 31.12.17	Competent Person
Bushveld Complex – Western Limb												
Western Chrome Mines – LG6 Chromitite Package and MG1 Chromitite Layer												
Waterval	20.5%	UG	Ore (Mt)	16.231	16.044	1.02	0.98	17.26	17.03	0.7	0.6	MM/DR
			Cr_2O_3 (%)	41.31	41.30	42.6	42.6	41.4	41.4	43	43	
Marikana West	20.5%	UG	Ore (Mt)	2.947	2.827	1.69	1.60	4.64	4.43	–	–	MM/DR
			Cr_2O_3 (%)	42.44	42.44	42.6	42.6	42.5	42.5	–	–	
Kroondal	20.5%	UG/OC	Ore (Mt)	8.590	8.803	1.57	1.57	10.16	10.37	–	–	MM/DR
			Cr_2O_3 (%)	42.84	42.70	41.6	41.6	42.6	42.5	–	–	
Kroondal Gemini	20.5%	UG/OC	Ore (Mt)	10.037	10.649	4.96	4.42	15.00	15.07	–	–	MM/DR
			Cr_2O_3 (%)	42.56	42.59	41.4	41.6	42.2	42.3	–	–	
Marikana East	20.5%	UG	Ore (Mt)	4.193	4.196	0.79	0.78	4.98	4.98	–	–	MM/DR
			Cr_2O_3 (%)	42.25	42.25	41.8	41.8	42.2	42.2	–	–	
Klipfontein/Waterval	20.5%	UG	Ore (Mt)	9.952	11.729	16.92	16.98	26.87	28.71	106.9	115.0	MM/DR
			Cr_2O_3 (%)	42.10	42.12	42.0	42.0	42.0	42.0	42	42	
Boshoek	20.5%	UG/OC	Ore (Mt)	–	–	17.09	17.09	17.09	17.09	–	-	MM/DR
			Cr_2O_3 (%)	–	–	40.5	40.5	40.5	40.5	–	–	
Townlands Extension 9	20.5%	UG	Ore (Mt)	–	–	12.94	12.94	12.94	12.94	–	–	MM/DR
			Cr_2O_3 (%)	–	–	41.4	41.4	41.4	41.4	–	–	
Total – LG6 and MG1			Ore (Mt)	51.951	54.248	57.00	56.38	108.95	110.63	107.6	115.6	MM/DR
			Cr_2O_3 (%)	42.10	42.09	41.4	41.4	41.7	41.7	42	42	
Western Chrome Mines – Tailings												
Kroondal Dam	20.5%	Tailings	(Mt)	–	–	–	–	–	–	1.3	1.0	MM
			Cr_2O_3 (%)	–	–	–	–	–	–	17	17	
Waterval East Dam	20.5%	Tailings	(Mt)	–	–	–	–	–		0.9	–	MM
			Cr_2O_3 (%)	–	–	–	–	–	–	19	–	
Waterval West Dam	20.5%	Tailings	(Mt)	–	–	–	–	–	–	0.3	–	MM
			Cr_2O_3 (%)	–	–	–	–	–	–	15	–	
Total Tailings			(Mt)	–	–	–	–	–	–	2.6	1.0	
			Cr_2O_3 (%)	–	–	–	–	–	–	17	17	
Bushveld Complex – Eastern Limb												
Eastern Chrome Mines – MG1 Chromitite Layer												
Thorncliffe mine	20.5%	UG/OC	Ore (Mt)	36.445	36.406	14.40	15.27	50.85	51.67	0.2	0.3	SV/DR
			Cr_2O_3 (%)	40.44	40.61	41.2	41.3	40.6	40.8	42	41	
Helena	20.5%	UG/OC	Ore (Mt)	23.667	23.309	13.58	14.53	37.25	37.84	9.1	9.1	SV/DR
			Cr_2O_3 (%)	39.75	39.84	38.4	39.0	39.3	39.5	38	39	
De Grooteboom	20.5%	UG/OC	Ore (Mt)	1.038	1.036	0.50	0.50	1.54	1.54	–	–	SV/DR
			Cr_2O_3 (%)	40.23	40.23	40.3	40.3	40.3	40.3	–	–	
Richmond	20.5%	UG	Ore (Mt)	0.595	0.613	12.26	12.28	12.86	12.89	13.9	13.9	SV/DR
			Cr_2O_3 (%)	41.32	41.33	41.1	41.1	41.1	41.1	41	41	
St George	20.5%	UG	Ore (Mt)	–	–	4.92	3.20	4.92	3.20	6.1	7.2	SV/DR
			Cr_2O_3 (%)	–	–	39.6	39.4	39.6	39.4	40	40	
Total –– MG1			Ore (Mt)	61.743	61.364	45.67	45.78	107.41	107.14	29.3	30.5	
			Cr_2O_3 (%)	40.18	40.32	40.2	40.4	40.2	40.3	40	40	
Eastern Chrome Mines – MG2 Chromitite Layer												
Thorncliffe	20.5%	UG/OC	Ore (Mt)	–	–	–	–	–	–	41.8	41.8	SV/DR
			Cr_2O_3 (%)	–	–	–	–	–	–	38	38	
Helena	20.5%	UG/OC	Ore (Mt)	–	–	–	–	–	–	85.4	85.4	SV/DR
			Cr_2O_3 (%)	–	–	–	–	–	–	38	38	
Total – MG2			Ore (Mt)	–	–	–	–	–	–	127.2	127.2	
			Cr_2O_3 (%)	–	–	–	–	–	–	38	38	
Total – MG1 & MG2			Ore (Mt)	61.743	61.364	45.67	45.78	107.41	107.14	156.5	157.7	
			Cr_2O_3 (%)	40.18	40.32	40.2	40.4	40.2	40.3	38	38	
Eastern Chrome Mines – Tailings												
Thorncliffe Dam	20.5%	Tailings	(Mt)	–	–	–	–	–	–	3.9	–	SV
			Cr_2O_3 (%)	–	–	–	–	–	–	20	–	
Helena Paste	20.5%	Tailings	(Mt)	–	–	–	–	–	–	0.3	–	SV
			Cr_2O_3 (%)	–	–	–	–	–	–	17	–	
Total Tailings			(Mt)	–	–	–	–	–	–	4.2	–	
			Cr_2O_3 (%)	–	–	–	–	–	–	19	–	

Notes:
Tonnages are quoted as million metric dry tonnes. Grades are quoted as $\%Cr_2O_3$. The measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce Mineral Reserves. No cut-off grades are applied to the chromitite layers currently being mined because of the exceptional regional grade consistency and continuity. The Mineral Resources are estimated as chromitite tonnages and grades to reflect the grades of the various individual chromitite layers. Both the LG6 and MG1 Chromitite layers which the Venture is currently mining, are discrete solid Chromitite Layers.

Competent Persons:
PJG – Pieter-Jan Gräbe, Glencore Operations SA (SACNASP). Overall responsibility for Mineral Resources. SV – Solly Vaid, Glencore Operations, Eastern Chrome Mines (PLATO). Responsible for Mineral Resources. MM – Mogomotsi Maputle, Glencore Operations, Western Chrome Mines (SACNASP). Responsible for Mineral Resources. DR –Dean Richards, Obsidian Consulting Services (SACNASP). Responsible for geostatistical analysis of data, Mineral Resource classification and construction of tonnage and grade block models and reporting of tonnage and grades from block models.

Chrome Mineral Reserve statement

Name of operation	Attributable portion	Mining method	Commodity	Proved Mineral Reserves 31.12.18	Proved Mineral Reserves 31.12.17	Probable Mineral Reserves 31.12.18	Probable Mineral Reserves 31.12.17	Total Mineral Reserves 31.12.18	Total Mineral Reserves 31.12.17	Competent Person
Bushveld Complex – Western Limb **Western Chrome Mines – LG6 Chromitite Package and MG1 Chromitite Layer**										
Waterval	20.5%	UG	Ore (Mt) Cr_2O_3 (%)	**8.802** **31.12**	8.548 31.36	**0.95** **26.2**	0.89 26.8	**9.75** **30.6**	9.44 30.9	MM/DR
Marikana West	20.5%	UG	Ore (Mt) Cr_2O_3 (%)	**0.146** **29.49**	0.150 29.88	**–** **–**	– –	**.015** **29.5**	0.15 29.9	MM/DR
Kroondal	20.5%	UG/OC	Ore (Mt) Cr_2O_3 (%)	**1.901** **29.59**	2.199 29.38	**1.38** **28.6**	1.36 28.8	**3.28** **29.2**	3.56 29.2	MM/DR
Kroondal Gemini	20.5%	UG/OC	Ore (Mt) Cr_2O_3 (%)	**5.625** **31.23**	6.036 31.57	**4.73** **28.8**	4.05 28.9	**10.35** **30.1**	10.08 30.5	MM/DR
Marikana East	20.5%	UG	Ore (Mt) Cr_2O_3 (%)	**0.423** **28.63**	0.725 28.58	**–** **–**	0.15 28.5	**0.42** **28.6**	0.87 28.6	MM/DR
Klipfontein/Waterval	20.5%	UG	Ore (Mt) Cr_2O_3 (%)	**0.521** **28.70**	0.820 28.65	**0.30** **28.5**	0.34 28.7	**0.82** **28.6**	1.16 28.7	MM/DR
Boshoek	20.5%	UG/OC	Ore (Mt) Cr_2O_3 (%)	**–** **–**	– –	**0.58** **26.1**	0.58 26.1	**0.58** **26.1**	0.58 26.1	MM/DR
Total			Ore (Mt) Cr_2O_3 (%)	**17.418** **30.84**	18.477 30.95	**7.94** **28.2**	7.37 28.4	**25.36** **30.0**	25.84 30.2	MM/DR
Bushveld Complex – Eastern Limb **Eastern Chrome Mines – MG1 Chromitite Layer**										
Thorncliffe	20.5%	UG/OC	Ore (Mt) Cr_2O_3 (%)	**19.719** **33.31**	24.093 35.13	**10.03** **34.2**	9.09 35.9	**29.74** **33.6**	33.18 35.3	SV/DR
Helena	20.5%	UG/OC	Ore (Mt) Cr_2O_3 (%)	**3.241** **32.55**	2.957 33.92	**–** **–**	– –	**3.24** **32.6**	2.96 33.9	SV/DR
Total – MG1			Ore (Mt) Cr_2O_3 (%)	**22.961** **33.20**	27.050 35.00	**10.03** **34.2**	9.09 35.9	**32.99** **33.5**	36.14 35.2	

Notes:
Tonnages are quoted as million metric dry tonnes. Grades are quoted as %Cr_2O_3. No cut-off grades are applied to the chromitite layers currently being mined due to the exceptional regional grade consistency and continuity. A minimum mining cut of 1.8m is applied to the Mineral Reserve tonnage to accommodate the mechanised mining equipment employed by the underground mining operations. External waste is included to make up the minimum cut where applicable. The chromitite layers are mined mainly underground using trackless mechanised mining methods on a bord-and-pillar mine layout design.

Competent Persons:
PJG – Pieter-Jan Gräbe, Glencore Operations SA (SACNASP). Overall responsibility for Mineral Reserves. SV – Solly Vaid, Glencore Operations, Eastern Chrome Mines (PLATO). Responsible for Mineral Reserves. MM – Mogomotsi Maputle, Glencore Operations, Western Chrome Mines (SACNASP). Responsible for Mineral Reserves. DR – Dean Richards, Obsidian Consulting Services (SACNASP). Responsible for geostatistical analysis of data, Mineral Resource classification and construction of tonnage and grade block models and reporting of tonnage and grades from block models.

Statement by Competent Person

This summary has been reviewed and the relevant data extracted and compiled by Pieter-Jan Gräbe (PJG). PJG is the Lead Competent Person, registered with the South African Council for Natural Scientific Professions (SACNASP, Private Bag X450, Silverton, 0127), Reg. No. 400177/87 and holds a BSc Hons degree in Geology as well as a NHD in Metalliferous Mining. PJG is a geologist with 33 years' experience in mineral exploration and mining geology, directly linked to the mining industry and currently a full time employee of Glencore Operations South Africa. PJG consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

Pieter-Jan Gräbe
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See Appendix 1 to this report and our online Integrated Annual Report for 2018 for the complete Mineral Resources and Mineral Reserves statement.

For Merafe ownership of specific mines contributed to the Venture see page 60 of this report.

HUMAN CAPITAL

MATERIAL ISSUES

- The safety and health of our employees and our contractors
- The training and development of our employees and our contractors
- Fair remuneration

Human capital includes health, safety knowledge, skills, intellectual outputs, motivation and the capacity for relationships of individuals. Organisations depend on individuals to function.

We need a healthy, motivated and skilled workforce. Intellectual capital and knowledge management is also recognised as a key intangible creator of wealth. Damaging human capital by abuse of human rights or labour rights or compromising health and safety has financial and reputational costs.

The Venture enhances its human capital by:

- giving employees and community members access to training, development and lifelong learning, and capturing and sharing knowledge;
- ensuring adequate safety arrangements are in place; and
- incentives and remuneration.

Stakeholder impact and engagement with stakeholders

The stakeholders most affected by the ability of Merafe and the Venture to keep our employees safe and healthy are their families and dependants.

The Venture believes in the possibility of a zero harm operation. We believe that all occupational diseases and injuries can be prevented and that therefore, we must all take responsibility to avoid occupational diseases and injuries.

Human capital: safety

KEY POINTS – 2018

One fatality
(2017: one fatality)

Total recordable injury frequency rate (TRIFR)
3.39
(2017: 3.74)

Lost-time injury frequency rate (LTIFR)
1.26
(2017: 1.04)

Disabling injury severity rate (DISR)
116.43
(2017: 145.62)

The Venture had no safety penalties or prosecutions

The Venture's policies and approach to safety management

The Venture's operations maintain stringent safety and risk management systems, which it aligns with the international standards: OHSAS 18001 and ISO 31000. Glencore collates best practice from each of its assets and from externally recognised leaders in safety management and shares this knowledge across the Glencore Group. Through Glencore, all the operations of the Venture are members of the International Council of Minerals and Mining.

The Venture takes a proactive and preventive approach towards safety, aiming to instill a positive safety culture in which everyone fully integrates its safety values into their working lives. It has updated its approach to safety by updating its risk management framework. Glencore's fatal hazard protocols and high potential risk incident reporting processes have been rolled out in the Venture.

Glencore's Sustainable Development Director is responsible for safety, health and wellness.

Safety programme overview

Objective	Supporting actions
Zero fatalities	We reviewed and strengthened our incident investigation process to include 24-hour notification of senior management and the Glencore corporate sustainability team for fatal incidents and launched a mandatory on-site fatality investigation process following any fatal incident. The Venture's senior management must then report to the Glencore Board HSEC Committee on fatalities and the subsequent independent investigations in person. Any lessons learned that could further improve general fatality prevention are shared across the Group. We ensure independent third-party assistance is on site within 72 hours of a fatal incident. We developed SAFEALLOYS, a Group initiative to foster a safety culture based on behaviours and consequences at all levels. We rolled out fatal hazard protocols and life-saving behaviours (part of the SAFEALLOYS programme) across the Group.
Reduction of TRIFR	The Venture focused on reducing the TRIFR. The supporting actions resulted in the TRIFR reducing from 4.58 (2010 baseline) to 3.39 in 2018.

The Glencore Fatal Hazard Protocols and Life Saving Behaviours, which provide a set of tools which initially are focused on the fatal risks, are being rolled out in the Venture as part of SAFEALLOYS. The life-saving behaviours are aimed at strengthening the focus in the Venture on behaviours and consequences rather than a rules-based culture. The fatal risk categories that Glencore has identified as being most hazardous and responsible for the majority of its fatalities include: energy isolation, working at heights, mobile equipment, ground/strata failure, confined space and electrical safety. Over and above this, the Venture highlights specifically people vehicle interaction as a key danger area.

In 2018 there were 97 (2017: 104) recorded injuries in a workforce of 17 056 (including contractors). As was the case in 2016, in-depth analysis by the Venture revealed that no one single factoral cause stood out in 2018, but that 'at risk behaviour' remains a major problem. As safety is the number one priority in the Venture, a number of campaigns were rolled out and re-emphasised including 'SAFEALLOYS', 'Life Saving Behaviours' and 'Safework coaching'.

The Venture implemented the Fatal Hazard Protocols in 2015.

Accountability

Safety in the Venture is always the direct responsibility of Glencore's senior management, who provide the leadership, systems and processes for the prevention of incidents and the elimination of fatalities in the Venture. The formal management structure documents responsibility for safety from the Glencore Board down to each individual Venture employee and contractor.

The Venture puts considerable effort into embedding a safety culture in its operations. Its leaders are aware that they are expected to put safety before production or other considerations and to personally endorse safety initiatives and engage with employees at all levels to discuss safety issues and priorities.

It concludes health and safety agreements with the trade unions.

The sustainable development policies in place in the Venture are aligned with the Glencore Group Sustainable Development Standards. They set out its commitment to zero injuries and fatalities.

The role of training

The Venture's investment in safety training is detailed on page 35 in the Human capital section of this report. It continues to use virtual reality training, combined with easy-to-read written instructions, on all its different procedures. The training is designed to ensure that employees cannot complete their training on a procedure until they have shown they fully understand it. Training, as can be seen from the detail on page 35 of this report, was a major focus during the year. Focus for 2018 was again on supervisory development training, ensuring that all supervisors understood their legal responsibility, life saving behaviours, fatal hazard protocols and critical controls.

Human capital: health and wellness

Human capital includes health, knowledge, skills, intellectual outputs, motivation and the capacity for relationships of individuals.

KEY POINTS – 2018

Nil noise-induced hearing loss cases
(2017: two)

Employees who test positive for HIV are encouraged to register for treatment

Employees receive **HIV and Aids** counseling, care and support free of charge

Health programmes at the Venture aim to eliminate occupational illness

Organisations depend on individuals to function. They need a healthy, motivated and skilled workforce. Intellectual capital and knowledge management is also recognised as a key intangible creator of wealth. Damaging human capital by abuse of human rights or labour rights or compromising health and safety has direct, as well as reputational costs.

We enhance our human capital by providing healthcare and training and education in health matters.

Our policy and approach

A business needs a healthy workforce that is able to work at its full potential. The health programmes provided by the Venture, aim to eliminate and address occupational illnesses, public health issues and the overall wellbeing of its employees and contractors.

Typically, occupational illnesses such as noise induced hearing loss ("NIHL") are only diagnosed some time after the event that caused them. As a result, the occupational illnesses currently occurring in the Venture's operations are usually the result of historic mining and smelting practices.

The Venture has identified NIHL as a major occupational health risk for its employees and has employed a full time Audiologist to counteract this risk. Any of its workers exposed to the internationally accepted noise level limit of 85 decibels or above were issued with personalised noise clippers hearing protection. The equipment it provides includes variphones/noise clippers, which are custom-made for comfort and are 100% leak tight. Employees are trained in the use, maintenance and storage and care of this equipment. Any employees or contractors at risk of being exposed to noise that could damage their hearing are personally monitored and regularly tested as part of our hearing conservation programmes.

Wherever possible the Venture reduces the noise from the equipment it uses in its operations to levels below the internationally recommended standards using design modifications, exclusive zones and 'buy quiet' programmes for new or upgraded equipment. The Venture's operations have reduced machinery noise to less than 110 decibels. There were no noise induced hearing losses or occupational disease cases in 2018.

All the Venture's operations undergo an annual risk assessment of their baseline risks on ISOmetrix.net and legal audits are conducted by an external legal company accompanied by subject matter specialists every three years.

HIV and Aids

HIV and Aids is a human rights issue, which Merafe and the Venture address through their policies and programmes. To ensure these policies are accessible to the Venture's employees and contractors, they are available in all the languages spoken by its employees.

Employees can choose to receive HIV and Aids counseling, care and support. Any HIV-positive employees of the Venture can receive treatment they need free of charge, together with the support and education that will make it possible for them to maintain their antiretroviral treatment programme through the membership of a medical aid.

All the Venture's occupational health nurses have been trained in the management of HIV and TB and the impact of HIV and TB. All employees who visit its occupational health clinics are screened for TB. Those whose screening tests indicate they may have TB are referred to healthcare facilities for TB investigation and treatment. The Venture's wellness programme has been incorporated into the annual/periodic medicals conducted at each operation. Medical records remain on site and are only seen by the Occupational Medical Practitioner and the nurses.

All Venture employees who are HIV positive are encouraged to receive antiretroviral treatment.

The Venture's HIV and Aids policies commit to:

- providing employees and contractors with the knowledge they need to protect themselves and their families from HIV and Aids through workplace education programmes that explain clearly how HIV can be contracted, what can be done to prevent contracting and transferring HIV, and what should be done to enhance the quality and length of life of those who are HIV-positive;
- encouraging employees and contractors to know their HIV status and providing counselling and testing facilities for them;
- running HIV and Aids campaigns that involve employees at every level of the organisation;
- ensuring that every employee attends an HIV and Aids education session during working hours, followed by an individual wellness counselling session with a healthcare provider;
- ensuring that testing for HIV is voluntary and that employees are only tested for HIV and Aids after giving their informed consent;
- guaranteeing the confidentiality of employees' medical information;
- providing pre- and post-test counselling for employees or contractors wishing to be tested for HIV and Aids;
- forming public-private partnerships with local, provincial and national government structures in joint projects to fight HIV and Aids in the communities in which the Venture operates; and
- facilitating the training of peer educators and establishing and training home-based care workers through the Venture's corporate social investment programme.

Human capital: our employees

Organisations depend on individuals to function. They need a healthy, motivated and skilled workforce.

KEY POINTS – 2018

No protected or unprotected **strikes**

The Venture has recognition agreements in place

Approximately **73%** of the Venture's workforce is unionised

MATERIAL ISSUES

- Industrial action in the mining industry and the Venture
- Meeting our employment equity and human resource development targets and exceeding the Mining Charter scorecard targets
- Employee work satisfaction
- Maximising local employment in the Venture
- Retaining skilled employees and securing the next generation of skilled employees
- Remuneration

Intellectual capital and knowledge management is also recognised as a key intangible creator of wealth. Damaging human capital by abuse of human rights or labour rights or compromising health and safety has financial and reputational costs.

We enhance our human capital by:

- giving employees and community members access to training, development and lifelong learning and capturing and sharing knowledge;
- respecting human rights;
- paying fair remuneration to our employees and our business partners; and
- creating satisfying work opportunities.

Our approach to our employees

Glencore's Code of Conduct, which is applied in the Venture, recognises and upholds the rights of employees to a safe workplace, collective representation, just compensation, job security and opportunities for development, all of which are based on the core belief that our people are fundamental to our success.

Glencore's Human Resources Director is responsible for labour relations in the Venture.

Both Merafe and the Venture are committed to providing a workplace based on:

- mutual respect;
- fairness;
- integrity;
- non-discrimination;
- equal opportunity at all levels; and
- open and two-way engagement with our employees and their representatives.

More on our approach to our employees, and adherence to international employment standards can be found on our online Integrated Annual Report for 2017 under Human capital: our employees.

Labour relations

While Merafe's (as apposed to the Venture's) employees are not unionised, we consult with them in advance of any significant changes to our business.

Engagement and resolving disputes amicably plays a very important role in labour relations. The Venture undertakes to consult with its employees and their recognised representatives in advance of significant operational changes in an effort to reach consensus about any necessary business actions.

Collective bargaining and freedom of association are considered a fundamental right for the Venture's employees. Collective agreements, particularly around terms and conditions of employment and company benefits, are negotiated between the parties with due regard to the relevant legislation. The Venture seeks to reach agreement with the unions on annual wage increases for implementation in July each year.

The Venture is committed to treating all its employees with dignity and in a manner that is culturally sensitive. Unfair discrimination on the basis of race, gender, religion, political or sexual orientation, national extraction or social origin is not tolerated.

Disciplinary and grievance policies and procedures are in place at Merafe and the Venture.

Industrial action at the Venture in 2018

There were no protected or unprotected strikes during 2018.

In 2018, the Venture signed a three-year wage agreement for the western mines. In 2018, the Venture signed three-year wage agreements with the western smelters and eastern smelters.

Union membership

The Venture has recognition agreements with NUM, NUMSA and Solidarity and approximately 73% of its workforce is unionised.

See our online Integrated Annual Report for 2018 for more information on the Venture's employee relations, engagement, remuneration, benefits and labour relations.

Human capital: our employees (continued)

KEY POINTS – 2018

16%
of the Venture's workforce in 2018 was female

Merafe had a total workforce of
7 employees and the Venture
7 482 employees
at 31 December 2018

Key focus of the Venture is on
retention strategies
with specific reference to senior management HDSAs

The total workforce of the Venture by employment type*

Category	2018	2017	2016
Full time employees	6 800	6 651	6 505
Temporary/fixed term employees	499	431	285
External contractors	8 641	8 315	7 591
Total	15 940	15 245	14 381

** The numbers are the 2018 average numbers. The number of full time employees and fixed term employees at 31 December 2018 was 7 482.*

Maximising local employment

Hiring policies

When hiring employees we give preference, where possible, to members of the local community and, in some instances, we offer training opportunities to community members to develop the skills they need to become our employees.

Diversity and equal opportunity

Management and site employment equity committees monitor employment equity in the Venture's operations every month and report the results to the Venture, which in turn reports to Glencore and Merafe.

We base our employment equity policies on providing equal opportunities to all potential and existing employees.

Employee challenges

- Maximising local employment in the Venture;
- Achieving employment equity that is supported by everyone in the workplace;
- Making careers in mining more accessible to women in the Venture;
- Engaging with the Venture's employees and the trade union through open communication channels to achieve labour peace; and
- Providing a workplace that is free of discrimination.

Venture workforce by employment and gender type at 31 December 2018

Permanent and fixed term	Male	Female	Total
Senior management	91	12	103
Middle management	136	58	194
Supervisors, administrators, technicians	1 044	419	1 463
Operational, maintenance, production	5 005	717	5 722
Grand total	6 276	1 206	7 482

See the table on page 48 of this report for detail of the structure of the Venture's Joint Board and top management of the Venture where executives of Glencore and Merafe are members.

Diversity in the Venture

The term diversity used in this section of the report is based on the Mining Charter Scorecard's definition of historically disadvantaged South Africans ("HDSAs"), which includes African males and females, coloured males and females, Indian males and females and white females. Ongoing transformation is a priority and is discussed at all levels. The Venture is again focusing on its retention strategies with specific reference to senior management HDSAs.

Venture employment equity	% Mining Charter target 2018	% achieved 2018	% achieved 2017
Senior management	40	47	42
Middle management	40	65	64
Junior management	40	59	58
Core skills	40	94	94

Diversity in Merafe

Mining Charter	% Mining Charter target 2018	% achieved 2018	% achieved 2017
Top management (includes Board)	40	87	87
Senior management (Exco)	40	100	100
Middle management	40	100	67

There are no junior managers employed by Merafe.

Merafe achieved a Level 5 B-BBEE status under the Codes of Good Practice in 2018. A copy of the certificate is on the Company website together with an explanation and reasons for the rating.

Human capital: training and development

KEY POINTS – 2018

- The Venture invested **R144 million** in training *(2017: R115 million)*
- An average of **R9 057** was invested in training for each member of the Venture's workforce (employees and contractors) *(2017: R7 478)*
- **1 032 429** Venture total training hours *(2017: 826 094)*
- **R47 million** invested in artisan and apprentice training *(2017: R40 million)*
- Over **R7 million** invested in bursaries and scholarships *(2017: R6.1 million)*
- **67** average training hours per permanent employee *(2017: 64)*
- **539 814** training hours on contractors *(2017: 407 297)*
- **62** average training hours per external contractor employee *(2017: 49)*

The Venture provides full time adult education and training (AET) for its employees and portable skills training that equips employees for careers beyond the Venture

Development and training

Both Merafe and the Venture are committed to meeting their human resource development targets and retaining and developing their skilled employees.

The Venture provides:

- development and training opportunities for HDSAs that will help them to further their careers;
- career development opportunities that allow it to develop and retain high potential employees;
- training that addresses risk-tolerant or ingrained behaviours that impact negatively on our operations; and
- training in its Code of Conduct and Sustainable Development Standards and HSEC Standards and Protocols.

It continually evaluates its training methods and the best way to communicate with the various age groups and cultures in its workforce.

Training hours

	2018	2017
Total training hours	1 032 430	826 095
Total training hours for permanent employees	492 616	454 798
Average training hours per permanent employee	67	64
Total training hours for contractors	539 814	407 297
Average training hours per contractor	62	49
Number of health issues training sessions	13 941	12 588
Number of safety issues training sessions	25 368	19 398
Number of human rights issues training sessions	16 550	15 043
Number of environmental training sessions	16 352	12 520
Community health training	142	76
Community environmental training	185	76
Community human rights training	194	97

Development of staff was a key focus in 2018 across all sites. Increased focus on computer-based training made training more efficient and structured.

Leadership development

The Venture invites senior managers whom it has identified as having leadership potential to participate in leadership programmes at universities. The Venture also provides them with additional training, support and career development opportunities. In all, 87.5% of senior management level employees who participated in a senior leadership programme were HDSA; 72% (2017: 60%) of middle management level employees who participated in development programmes in 2018 were HDSA; and 81% (2017: 71%) of junior leaders who attended a programme to enhance their supervisory skills were HDSA.

SOCIAL CAPITAL AND STAKEHOLDER RESPONSIVENESS

MATERIAL ISSUES

- Our social licence to operate
- Uncertainty of the socio-political environment

Social capital is any value added to the activities and economic outputs of an organisation by human relationships, partnerships and cooperation.

Organisations rely on social relationships and interactions to achieve their objectives. Externally, social structures help create a climate of consent or a licence to operate, in which trade and the wider functions of society are possible. Organisations also rely on wider socio-political structures to create a stable society in which to operate, e.g. government and public services, effective legal systems, trade unions and other organisations.

To enhance social capital we:

- contribute to open, transparent and fair governance;
- source materials ethically and treat suppliers, customers and citizens fairly;
- respect and comply with local, national and international law;
- pay our taxes;
- invest in the social infrastructure;
- provide communication;
- minimise any negative social impacts of our operations and maximise the positive impacts they can have; and
- support the development of the communities in which the Venture operates.

Socio-economic development

Both Merafe and the Venture are committed to working with local authorities, community representatives, inter-governmental and non-governmental organisations and other interested parties, to develop and support community investment projects.

Both the Venture and Merafe focus on sustainable projects, with their focus being on education, infrastructure and health issues in the communities in which the Venture operates.

KEY POINTS – 2018

The Venture spent **R49.9 million** on corporate social investment and enterprise development
(2017: R27.1 million)

64% of the Venture's expenditure on capital goods was on BEE spend
(2017: 64%)

84% of the Venture's expenditure on services was on BEE spend
(2017: 86%)

77% of the Venture's consumable expenditure was on BEE spend
(2017: 74%)

Corporate social investment ("CSI")

The Venture, which contributes to various CSI projects, spent R49.9 million (2017: R27.1 million) on CSI projects and enterprise development in 2018. The amount budgeted for these projects is R213 million (2017: R134.6 million) over a five-year cycle of which to date R100.7 million (2017: R50.8 million) has now been spent. They include community health programmes, a crop and hydroponics project, community centres, crèches, youth programmes and school nutritional programmes. They also include infrastructure programmes including the construction of housing and school rebuilds. The Venture as part of its five year programme, has also contributed to the establishment of catering enterprises, food banks and business support centres. During 2018 the Venture also supported a number of health and community projects and programmes. These included Ratanang Orphanage Centre, the Lydenburg Rusoord old age home and a number of school and community nutritional and health programmes.

As previously reported, Merafe has been supporting both the Meriti Secondary School (Meriti) and Boitekong Secondary School (Boitekong) since 2012 with the implementation of a variety of infrastructure, curriculum and social welfare projects, through Adopt-a-School Foundation. Both schools are located in the Bojanala district in the North West Province.

Adopt-a-School Foundation is currently in the process of completing the Physical Science and Life Science laboratories, as well as the resourcing, educator development and learner support programmes in both schools.

An important aspect and goal of the projects is to promote active learning and cultivate a positive attitude towards Physical Science and Life Science. Specifically the laboratories aim to, provide educational support to learners to assist them in achieving curriculum coverage; permit learners to learn abstract concepts through concrete experiences and thus increase the understanding of those ideas; mentor learners and assist them to comprehend the subjects and skills by way of classroom-based support; enable learners to personally experience the joy of discovering principles and relationships to afford them the opportunity of applying and understanding abstract life and physical science concepts; and ultimately improved learner performance in the subject.

At Boitekong, the projects completed by the end of 2018 include the construction of an ablution facility; sanitation and hygiene programmes; construction of six (6) classrooms; renovation of the Physical Science and Life Science laboratory; educator development and classroom-based support for Physical Science and Life Science; Physical Science and Life Science laboratory equipment and accessories and laboratory management training. The future needs of Boitekong include the construction of a school hall; perimeter fencing; strategic planning, leadership and governance programmes; a grade 12 Mathematics programme; and grade 12 Mathematics supplementary lessons. The Company has shortlisted and prioritised projects from the above to focus on in 2019.

For Meriti the projects completed at the end of 2018 include the construction of an ablution facility; construction of five (5) classrooms; construction of a feeding scheme kitchen; erection of palisade fencing; erection of walkway covers; erection of shelter for feeding scheme kitchen; renovation of the Physical Science laboratory; construction of the Life Science laboratory; educator development and classroom-based support for Physical Science and Life Science; Physical Science and Life Science laboratory equipment and accessories; as well as laboratory management training. The future needs of Meriti include the construction of a library; revamping the sports fields and construction of a combi-court; strategic planning, leadership and governance programmes; grade 12 Mathematics programmes; and grade 12 Mathematic supplementary lessons. Merafe will again shortlist and focus on specific projects in these areas in 2019.

The Merafe spend in 2018 on CSI projects was R3.3 million. A budget of R6 million has been approved for projects commencing in 2019. The Merafe CSI budget is based on 1% net profit after tax. As mentioned earlier, this is in addition and does not include the CSI and Enterprise Development spend in the Venture where Merafe contributes 20.5% of such spend.

Enterprise development

Small, medium and micro enterprises ("SMMEs") play a key role in job creation in South Africa and our investment in their development is an important part of the contribution both Merafe and the Venture make to the socio-economic capacity of communities. It also increases our ability to procure from black-owned enterprises. The Venture has enterprise development commitments in terms of the Mining Charter Scorecard. The Venture spent R13.5 million (2017: R2.3 million) on enterprise development in 2018.

Job creation and skills development

The Venture recognises that its commitment to employing local people whenever possible is to the advantage of both itself and the local communities. Direct employment at the Venture's operations, indirect employment through contractors and its use of local suppliers provides an income for thousands of families.

Our commitment to employing local people includes providing training opportunities that enable community members to meet the Venture's competency requirements.

See page 4 of this report for a review of stakeholder engagement.

See page 35 of this report for further information on the range of skills training the Venture provides and its investment in this training.

Social capital and stakeholder responsiveness (continued)

Procurement

In terms of the discretionary procurement targets set in the Mining Charter Scorecard, the Venture performed well as can be seen in the table below:

	Total procurement spend R	Non-discretionary spend R	Discretionary spend R	BEE spend R	Impact %
Capital	1 770 623 857.44	1 131 535.56	1 769 492 321.88	1 134 819 041.31	64.13
Services	10 638 933 480.66	6 352 929 321.94	4 286 004 158.72	3 586 402 095.40	83.68
Consumables	4 684 491 874.74	1 254.00	4 684 490 620.74	3 622 855 505.55	77.34
Total	17 094 049 212.84	6 354 062 111.50	10 739 987 101.34	8 344 076 642.26	
Multinational capital spend	49 606 032.28				
Total procurement spend (including MNC)	17 143 655 245.12				

Public health and HIV and Aids

The Venture favours a united approach to public health, whereby we collaborate with government, international organisations and NGOs to make the most impact at community level. The public-private partnerships formed by the Venture provide communities access to prevention, treatment and care for HIV and Aids as well as other communicable and associated diseases. The Venture supports the government's HIV counselling and treatment ("HCT") campaign by providing funding and testing sites. It has also funded health clinics and hospices in the communities in which it operates, including an HIV and Aids clinic in Lydenburg in Mpumalanga province. There is also a health clinic at the Lion ferrochrome plant in Limpopo province.

Respecting the rights of communities

Neither Merafe nor the Venture tolerates any form of discrimination and our policies clearly state that we do not tolerate any form of discrimination and that all our employees and stakeholders are to be treated with dignity and in a manner that is culturally appropriate, irrespective of gender, background or race.

Human rights and ethics

Merafe subscribes to the fundamental principles of human rights as enshrined in our country's Constitution and Bill of Rights. Our policies and practices have been aligned with both to ensure that all our employees and stakeholders are treated with dignity and in a manner that is culturally appropriate, irrespective of gender background or race. Further, Glencore is a signatory to and has accepted the Voluntary Principles of Security and Human Rights.

Ethics

The Merafe Code of Ethics governs the way we do business and the way our directors and employees engage with our stakeholders. The Code, which is binding on our directors, employees and contractors, provides guidelines for behaviour which is above reproach.

Stakeholder responsiveness

Merafe and the Venture address material issues we have identified that could impact negatively or positively on our key stakeholders. These stakeholders include national, provincial and local government in their roles as regulators and partners; the trade unions in their role as representatives of the Venture's employees who are from local communities; and our investors and business partners who are affected by all aspects of our business. The impact of our most material issues in regard to human, natural and social and manufactured capital on our stakeholders, together with our responsiveness on these issues, is outlined in this report.

While Merafe has direct relationships with certain key stakeholders in connection with community matters, we also have indirect relationships through our partnership with Glencore in the Venture. As managers of the Venture's day-to-day operations, Glencore takes responsibility for engaging with the Venture's stakeholders. All the Venture's operations and projects are expected to review the stakeholder engagement plans every year. The Venture's operations held formal community stakeholder meetings during the year.

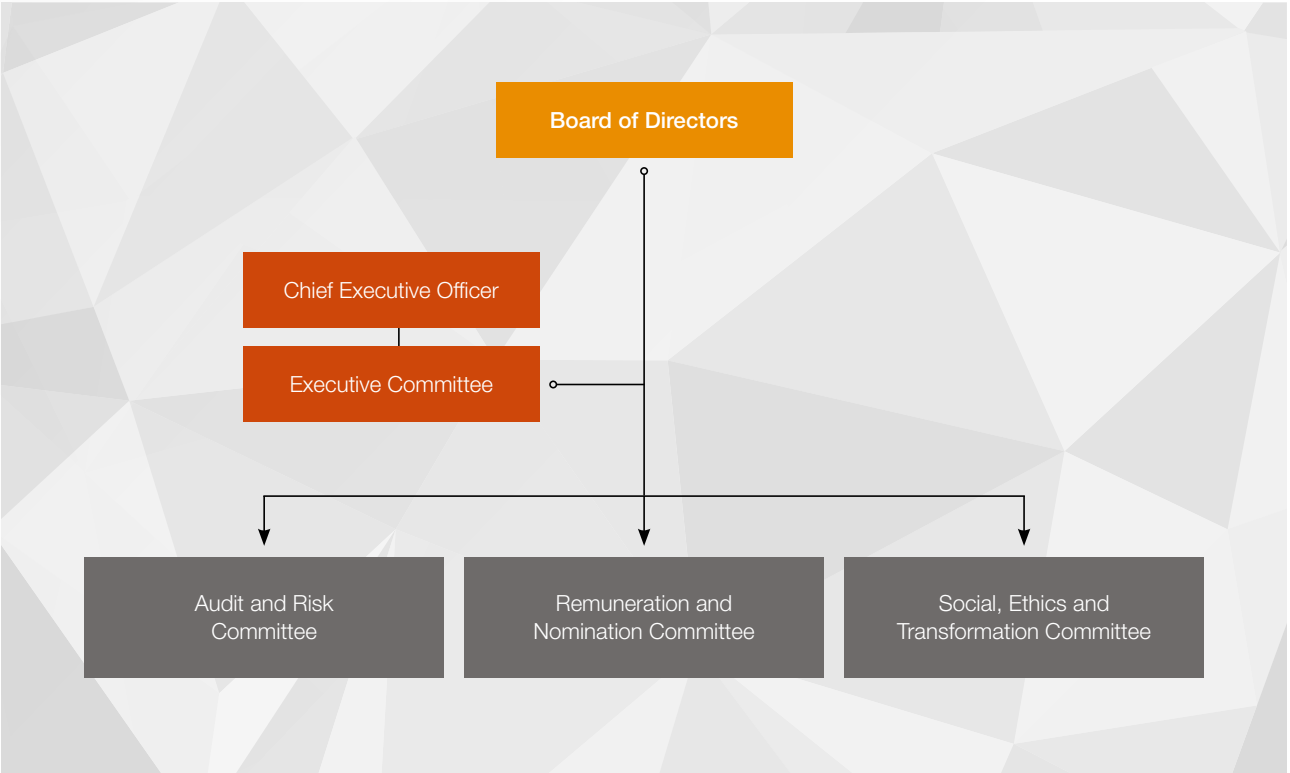
In 2015 the Venture focused on identifying issues material to communities and stakeholders that will assist with preparing its social and labour plans for the five-year period from 2015 to 2020.

See the stakeholder engagement table on our website for details of the Venture's engagement and Merafe's engagement during 2018.

See our online Integrated Annual Report for 2018 for information on the Venture's approach to human rights and ethics and the externally developed principles, charters and initiatives to which Merafe and the Venture subscribe.

TRANSPARENCY AND ACCOUNTABILITY

GOVERNANCE STRUCTURE



Chairperson's report

CHRIS MOLEFE
Chairperson

We support and agree with King IV which states that the governing body of an organisation should be transparent in the manner in which it exercises its governance role and responsibilities, that it must govern in a way that supports an ethical culture and further that the governing body must try to ensure that the organisation is seen as a responsible corporate citizen.

Overview

I am pleased to report that despite the challenging business environment the Company once again, produced a solid set of results in 2018.

South Africa has had another eventful year. In previous commentaries I mentioned the necessity for ethical leadership in high profile organisations in both the public and private sectors. We hope that a combination of the appointment of a new president together with new ministerial appointments and the evidence emanating from the various commissions of enquiry followed by action and accountability will herald in an era of better governance and accountability in government and public enterprises. The corruption in government and the public sector has had a profound and negative impact on our business and our industry.

South Africa requires ethical leadership and a period of stability. The country urgently needs to get back to investment grade to attract investment and funding. This is a necessity if we wish to grow the economy and address the key challenges of unemployment and income disparity.

In our 2017 report I stressed the need for certainty and clarity around the MPRDA and the Mining Charter. The new incumbent, Minister Gwede Mantashe introduced the amended Mining Charter late last year. The key points are dealt with elsewhere in this report but this is a step forward and at least government, labour and industry have again started engaging in a more positive manner.

On the global front, our Chief Executive Officer mentions in her report on page 10, issues that impacted the performance of the Company in 2018. These included trade wars primarily between the USA and China. The flight of capital from emerging markets to developed zones has generally been negative for the resources sector as it led to both volatility in pricing and exchange rate fluctuations.

Despite an ever changing world and business environment, we are again reminded to remain focused on making our business a success so that we are able to provide a positive contribution to our stakeholders and the broader society.

Financial performance

As I mentioned in the introduction, Merafe produced another fine set of results in 2018 and was again able to pay a dividend for the year under review.

The financial performance of the Company has been addressed in the Chief Executive Officer's report on page 10 and the Financial Capital section of this report on page 14. The Chief Executive Officer has also provided comment on the strategy of the Company going forward and the benefit the Company has gained from its focus on ferrochrome, maximising cash flows from the Venture and the fact that it has minimal debt.

Safety

Safety remains the number one priority of Merafe and the Venture. It is with deep regret that we report a fatality at the Venture's Thorncliff Mine on 27 August 2018. Our condolences are extended to the family, friends and colleagues of Mr Ntandazo Diela who sustained fatal injuries. This unfortunate event occurred despite the considerable effort that the Venture has placed into embedding a safety culture into its operations. In this regard see the safety section on page 31 of this report for further details, as well as the Manufactured capital section on page 18.

Strategy

We continue to take a long-term view of our business. In terms of achieving our strategic objectives, our ferrochrome interests were profitable and the Company has again benefited from its investment in the Lion ferrochrome plant and other projects as previously reported. This investment in the Lion ferrochrome plant has improved the Venture's sustainability by increasing its cost efficiency and production capacity. As reported last year we will continue to assess opportunities outside ferrochrome where this makes commercial sense. In this regard see the report of the Chief Executive Officer on page 10.

The Board, together with our Venture partners, continues to consider the impact of losing our key empowerment shareholder in 2015. We remain committed to ensuring the long-term sustainability of both Merafe and the Venture and complying with legislation and the challenges brought about by amendments to the Mining Charter and to the BBBEE Codes of Good Practice.

Our approach to sustainability and assurance

The directors have followed the materiality determination processes described in this report and have applied the results of these processes to formulate the material issues in this report. Merafe relies on the Venture and Glencore to obtain quantitative data with regard to sustainability indicators. I would refer you to the Sustainability review and assurance summary on page 59 of this report for information on Merafe and the Venture's assurance and review processes.

Our commitment to good governance and sustainability has always been reflected in our inclusion in the JSE Socially Responsible Investment ("SRI") Index since its inception in 2003 with the Company often being a top 10 performer. Since 2015, however, the SRI Index assessment by the JSE was only performed on the Top 100 companies on the JSE by market capitalisation and Merafe was therefore not assessed. We continue to believe that all companies listed on the JSE need to again be subjected to this assessment and not only the top 100.

On an annual basis the Board does a gap analysis of how the Company performed in terms of King IV as well as the steps taken to address issues where the Company was non compliant. We are pleased to report (while acknowledging that this is a work in progress) that the Company in most material respects is compliant with King IV. Where we have fallen short, we have provided an explanation as well as the areas we will focus on in 2019. For more details on our reporting on King IV, I refer you to the Governance section on
pages 44 and 45 and for the full report and compliance analysis to our 2018 online Integrated Annual Report.

We agree with the assertion in King IV that good governance has its foundation in effective and ethical leadership and transparency and that integrated thinking and reporting on economic, social and environmental dimensions is key to this. Board decisions need to be made in an integrated manner, understanding the impact on these dimensions as well as the impact on value creation in the short, medium and longer term.

Stakeholder inclusivity and responsiveness is key to the process. We are pleased to note that we have been reporting in an integrated manner and in terms of the Capitals – as recommended by King IV – for some years now.

The Board

As Chairperson of our unitary Board, I am responsible for the overall effectiveness of the Board and its committees and for ensuring that we provide Merafe with effective leadership, uphold ethical standards, and are responsible, accountable, fair and transparent. I am also responsible for ensuring that we implement strategies aimed at achieving our economic, social and environmental performance objectives.

There is a clear separation between my responsibilities and those of the Chief Executive Officer, which is documented in our Board Charter. Our Chief Executive Officer is expected to focus on our business and ensure it is run effectively and in accordance with the strategic decisions of the Board.

We interact at our Annual General Meetings and at presentations made by our executive management team when our interim and annual results are released. This year we again increased our focus on stakeholder relationships and in particular our relationships with our shareholders and our Venture partner. The Board has delegated the responsibility for engagement with our shareholders and potential investors to the Chief Executive Officer and the Financial Director.

The Board is satisfied that it has discharged its responsibilities as set out in the Board Charter.

I again convey thanks to our non-executive and executive directors for their contribution to the Merafe Board's deliberations and decision-making during 2018. During the year we welcomed back Mr Ditabe Chocho as Financial Director who replaced Ms Kajal Bissessor. I extend my thanks and that of the Board to Ms Bissessor, for her significant contribution to the Company over the years and wish her well in her new endeavour. I have also had the pleasure of welcoming Ms Matsotso Vuso to our board in 2018 and Ms Grathel Motau who joined us on 1 January 2019.

I have been at the helm of the Company soon after its inception and have taken the decision to stand down at the 2019 Annual General Meeting. It has been a privilege to play a part in the Company's history and to oversee its emergence from a start up project requiring substantial debt to being a partner in the leading global ferrochrome player with no debt at the Merafe level. My thanks are extended to the management teams and non executives (both past and present) for the professional manner in which they have always conducted themselves which has made my task easier.

Merafe team and Glencore

On behalf of the Board, I would like to thank the Merafe team and our partner, Glencore, for their hard work during 2018, which resulted in the Company producing once again an excellent financial and operational performance. While the overall safety performance was good, any fatality is unacceptable and the Venture will continue to do all it can to ensure that 2019 is a fatality free year.

Future outlook

I am again pleased to report that Merafe is well positioned for the year ahead with a strong balance sheet and no debt at Merafe level. The Venture is also well positioned as a result of it being the lowest-cost producer in South Africa and the Company is now receiving the benefit of its capital investments over the years in new and more efficient technology often in difficult times. We believe the Venture and Merafe will reap the benefits of this commitment to having invested in energy-efficient technology for many years to come.

Chris Molefe
Chairperson

6 March 2019

Governance

Directorate at 31 December 2018

Chris Molefe

Belese Majova

Abiel Mngomezulu

Mpho Mosweu

Matsotso Vuso

Shaun Blankfield

Non-executive directors

Chris Molefe (70)
Chairperson
(Independent)
BCom, Postgraduate Diploma in Property Development

Chris, who joined the Merafe Board in 2003, has extensive experience in mining and resources, merchant banking and transformation strategy development. He gained this experience while working for Mobil Oil, Union Carbide, Chase Manhattan Bank, Transnet and Royal Bafokeng Resources Holdings, where he held the position of Chief Executive Officer. He is currently Chairperson of Tjate Platinum Group and is also a non-executive director of Jubilee Platinum plc. Chris is a member of the Remuneration and Nomination Committee, the Social, Ethics and Transformation Committee, an invitee to the Audit and Risk Committee and Chairperson of the Board.

Belese Majova (44)
(Independent)
BCompt, MBA, Certified Ethics Officer

Belese joined the Merafe Board in January 2009 as an independent non-executive director. She is currently Chief Executive of Zeleb Holdings, a company with interests in a number of sectors including business management consultancy; property development and property management as well as commercial farming. She also serves on other boards both in the private and public sectors. Belese is Chairperson of the Social, Ethics and Transformation Committee and is a member of the Audit and Risk Committee.

Abiel Mngomezulu (65)
(Independent)
BSc (Hons), MSc Engineering (Mining)

Abiel joined the Merafe Board as an independent non-executive director in September 2010. He was previously the President and Chief Executive Officer of Mintek, a state-owned enterprise responsible for mineral extraction technologies and beneficiation. Abiel also served on several boards of state-owned institutions involved in the mining sector. He is currently an advisor to the Alexander Proudfoot Group and as well as a director at Tshikululu Social Investments. Abiel is a member of the Audit and Risk Committee and chairperson of the Remuneration Committee.

Mpho Mosweu (43)
(Non-independent)
CA(SA), MBL

Mpho Mosweu joined our Board in March 2011. She is Head of Workout and Restructuring at the IDC. She currently serves on various boards and audit and risk committees. She has extensive commercial and governance experience. Mpho is a member of the Social, Ethics and Transformation Committee.

Matsotso Vuso (46)
(Independent)
CA(SA)

Matsotso joined our Board in 2018. She is the founder of Nyamezela Group of Companies, a multi-disciplinary group of companies with solutions spread across manufacturing of smart electricity meters, energy management, business advisory services, consulting and contracting engineering. She has extensive experience in statutory and IT assurance, financial investments analysis and financial restructurings. She also serves on other boards as an independent director. Matsotso is the Chairperson of the Audit and Risk Committee.

Shaun Blankfield (36)
(Non-independent)
CA(SA)

Shaun is the Head of Mergers and Acquisitions for Glencore Coal based in Australia. Shaun is a qualified Chartered Accountant and served articles with Deloitte South Africa. Shaun joined Glencore in South Africa before assuming the role in Australia. Previously, he worked as a manager in the Corporate Finance and Accounting Advisory Services team at Deloitte, Sydney in Australia. Shaun is a member of the Remuneration and Nomination Committee.

The Board at 11 March 2019 comprised Chris Molefe, Belese Majova, Abiel Mngomezulu, Mpho Mosweu, Matsotso Vuso, Shaun Blankfield, Zanele Matlala, Ditabe Chocho and Grathel Motau.

Zanele Matlala

Executive directors

Zanele Matlala (55)
Chief Executive Officer
BCom, BCompt (Hons), CA(SA)

Zanele joined the Merafe Board in 2005 as an independent non-executive director. She was appointed Merafe's Chief Financial Officer on 1 October 2010 and Chief Executive Officer on 1 June 2012. She is a non-executive director of Dipula Income Fund, Stefanutti Stocks Holdings Limited, RAC Limited and Royal Bafokeng Platinum Limited. Zanele is a member of the Social, Ethics and Transformation Committee and an invitee to the Audit and Risk Committee and the Remuneration and Nomination Committee.

Ditabe Chocho

Ditabe Chocho (48)
Financial Director
CA(SA), MSc Financial Management

Ditabe is a qualified South African Chartered Accountant and he has extensive experience in financial and investment management gained during his tenure at various companies including Zico Capital (Pty) Ltd, Aflease Gold, Uranium One Limited ,Transnet SOC and Fraser Alexander (Pty) Ltd. He also served as Chief Financial Officer of MultiChoice Africa (Pty) Ltd ("MultiChoice") and subsequently served as Chief Financial Officer and Chief Operating Officer of DSTV Online, a division of MultiChoice in 2012. Ditabe joined Merafe on 1 August 2018 having previously been the Company's Chief Financial Officer in 2013 and 2014. Ditabe is a member of the Social, Ethics and Transformation Committee and an invitee to the Audit and Risk Committee and the Remuneration Committee.

Grathel Motau

Post 31 December 2018 non-executive appointment

Grathel Motau (44)*
(Independent)
BCompt, BCompt (Hon) CA(SA) MPhil Development Finance

Grathel joined the Merafe Board on 1 January 2019. She was previously an Audit Partner at KPMG's Energy and Natural Resources. She has also held roles at various organisations including Blue IQ Investments, Industrial Development Corporation and National Treasury. She serves as a non-executive director of Afrocentric Group and Metair Investments Limited. She is an Audit Committee member of the Auditor General of South Africa and Non-Executive Credit Committee Member of the FirstRand Wholesale Credit Committee. Grathel is a member of the Audit and Risk Committee.

**Appointed 1 January 2019*

Company Secretary

CorpStat Governance Services
William Somerville (62)
FCIS, ACMA, Dip Corporate Law

Appointed as Company Secretary on 1 October 2014

Note regarding the Company Secretary
The Company Secretary fulfils no executive management function and is not a director and provides services on an outsourced basis. Accordingly, the Board is satisfied that the Company Secretary maintains an arm's length relationship with the executive team, the Board and the individual directors.

BOARD STATISTICS AS AT 31 DECEMBER 2018

50%
of our Board members are **female**, all of whom are **black**

88%
of our **Board members** are **black**

67%
of our **non-executive** Board members are **independent**

50%
of our **Board members** are **independent**

75%
of our Board members are **non-executive directors** who **do not receive share options** or incentives

Our approach to governance

Introduction

Merafe is committed to high standards of corporate governance and it endorses the four governance outcomes set out in King IV, namely an ethical culture, good performance, effective control and legitimacy.

King IV register

The register set out below provides an overview of Merafe's application of the principles contained in King IV. The register should be read in conjunction with the 2018 Merafe Integrated Annual Report.

Leadership	
Principle 1 The governing body should lead ethically and effectively.	The Merafe Board (the "Board") leads ethically and effectively. Disclosure of interests is a standard agenda item at Board and committee meetings and there is an annual declaration by all directors. Further, there is a Code of Ethics in place which applies to all directors and all employees. It is displayed on Merafe's website. There is also a Director Induction and Training Programme, which is reviewed annually. Further, various aspects of Principle 1 are covered in Merafe's Board Charter and other key documents. The Code of Ethics and the Board Charter are on Merafe's website and form part of the 2018 online Integrated Annual Report. The Company has a policy to guide directors on dealing in Company securities and no director or employee may buy or sell the Company's shares during a closed period.
Organisational ethics	
Principle 2 The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	The ethical tone at Merafe is set by the Board and applies throughout the organisation. Although Merafe's Code of Ethics applies to all directors and employees, it has not yet been extended to suppliers. This will be a focus area in 2019. There is a Whistle Blowing Line and reports are provided to the Social, Ethics and Transformation Committee and the Audit and Risk Committee on a confidential basis. In respect of any ethical breaches discovered by staff and the external auditors, the relevant laws and regulations are applied. More information on Merafe and the Venture's Whistle Blowing Policy is on our website.
Responsible corporate citizen	
Principle 3 The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	The Board's approach to being a responsible corporate citizen is supported by various policies and the work done by the Social, Ethics and Transformation Committee. Various safety, health, environmental and community aspects are covered by the above committee with inputs from the Venture as set out in this report.
Strategy and performance	
Principle 4 The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	The Board recognises that all these elements are inseparable, and Merafe follows the six capitals approach as described in this report. This integrated approach is taken by the Board at its meetings, strategy sessions and committee meetings. All budgets and strategic plans (medium and longer term) are approved by the Board. Risks and opportunities are covered in strategy sessions and meetings of the Audit and Risk Committee and the Board in an integrated manner.
Reporting	
Principle 5 The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.	The Board is responsible for the integrity of the information contained in this report and other reports including the annual financial statements and interim and year end results presentations. It is assisted in this regard by the Board Committees which review and recommend their respective reports to the Board in accordance with their terms of reference. Reports are provided in printed and online form. The approved reporting framework is set out on page 1 of this report. Matters material to Merafe are reflected in this report at pages 8 and 9.
Primary role of the board	
Principle 6 The governing body should serve as the focal point and custodian of corporate governance in the organisation.	The Board is the focal point and custodian of corporate governance in the Company. Various key policies supporting the strategy are in place. The Board has an annual strategy session and performance is measured against agreed targets. The Board oversees the implementation and execution of the strategy by management. The Board has a Board Charter, a copy of which is on our website, and which is reviewed annually against best practices. It measured and discharged its duties against the Board Charter in 2018.
Composition of the board	
Principle 7 The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	Assisted by the Remuneration and Nomination Committee, the Board reviews its knowledge, skills, experience, diversity and independence annually, or as circumstances change. The Company has a Diversity Policy and has set targets in this regard. The Board comprises a majority of non-executive members, most of whom are independent. The King IV recommendations for director independence, board composition, chair, induction and training, managing conflicts and nomination and appointments of directors are met. Merafe will appoint the Chairperson of the Remuneration Committee as the Lead Independent Director during 2019.
Committees of the board	
Principle 8 The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.	Merafe has three standing Board Committees (as described in this report on pages 46 and 47), to which specific duties and responsibilities have been delegated. They operate under written terms of reference which are reviewed annually and are on our website. The composition of the Board and Committees are in line with King IV, the Companies Act and the JSE Listings Requirements, as applicable.

Board performance evaluation	
Principle 9 The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.	The performance and effectiveness of the Board and its committees are reviewed at least every two years in line with King IV. This process comprises a self-evaluation questionnaire and is co-ordinated and reported on by the Company Secretary. Areas for improvement are documented and actioned. Formal performance reviews of individual directors and the Board Chairperson were done in respect of the 2018 financial year.
Appointment and delegation to management	
Principle 10 The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.	The Board Charter sets out matters reserved for the Board and is reviewed annually. In addition, there is a Corporate Approvals Framework (approved by the Board and reviewed annually) which sets out matters delegated to management and those reserved for the Board. The Board appoints the CEO and the incumbent is accountable to the Board for leading the implementation of strategy, policy and running the day to day business of the Company. The King IV recommendations for the CEO in respect of appointment, roles and responsibilities, succession planning and performance evaluation are complied with. As regards to the Company Secretary, we refer to you to our reporting of 3.84 (h) of the JSE Listings Requirements on page 49.
Risk governance	
Principle 11 The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives.	The Board governs and is responsible for risk. It is assisted by the Audit and Risk Committee, which evaluates risk and guides the Board. Merafe has a Risk Management Policy and Framework, a detailed Risk Register and also a Tax Risk Register. Risk matters are a standard agenda item at every Audit and Risk Committee and Board meeting. In this regard we refer you to pages 8 and 9 (Material issues) and 58 (Approach to Risk management) of this report. Opportunities flowing from risk assessments form part of the overall approach to risk governance. Emerging risk trends are identified and monitored regularly.
Technology and information governance	
Principle 12 The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	IT governance is a standard agenda item at meetings of the Audit and Risk Committee. Merafe has a very small head office but is reliant on technology. Various IT related policies are in place and due to the small head office, integration of IT and business occurs. Merafe (as opposed to the Venture) has limited investment in technology but is aware of its importance and also the need to protect information.
Compliance governance	
Principle 13 The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	The Board governs compliance, which is monitored by a combination of management controls, compliance via the Venture, external audit, sponsors and the Company Secretary. There is no dedicated in-house compliance function nor is one required, given Merafe's size and structure. Merafe relies on processes within the Venture. Compliance is a standard agenda item for the Audit and Risk Committee, which reports to the Board.
Remuneration governance	
Principle 14 The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	The Board takes responsibility for remuneration governance. It is assisted by the Remuneration and Nomination Committee, which oversees that the organisation remunerates fairly, responsibly and transparently so as to promote the delivery of strategic objectives and the creation of value in a sustainable manner. It makes recommendations to the Board in this regard. The Remuneration Report is set out on pages 50 to 57 of this report.
Assurance	
Principle 15 The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.	Merafe follows a combined assurance model, with assurance being provided by management, Merafe's external auditors, the Venture's internal audit function and the external auditors. Oversight on assurance is provided by the Audit and Risk Committee who report to the Board. For more information please see page 46 of this report. Merafe has no Internal Audit function, as this is not justified taking account of the size, complexity and risk profile of the Company. In this regard, management annually provides a memorandum to the Audit and Risk Committee on its views of the Merafe internal control environment. Special ad hoc internal audits by an external firm are considered on a case by case basis. Merafe also receives a statement from an Independent Competent Person on the Mineral Resources and Mineral Reserves as well as other assurance as set out on page 59 of this report.
Stakeholders	
Principle 16 In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	The Board has identified its key stakeholders and material issues and risks that could impact the stakeholders of Merafe and the Venture, as set out on pages 4, 8 and 9 of this report. The methods of engaging with stakeholders and issues arising from these engagements are set out in a table referred to in the 2018 integrated online report There is ongoing engagement with shareholders via various mechanisms, including interim and year end reports, the Integrated Annual Report, presentations, quarterly reports, shareholder meetings and the AGM. A stakeholder framework and policy are under consideration by the Board and will be an area of focus in 2019.

We recognise that King IV is a journey and the Board will be spending further time in 2019 analysing our practices to support the various principles and outcomes in terms of King IV.

Our approach to governance (continued)

The structure and roles and responsibilities of the Merafe Board and committees

Board and Board committees	Roles and responsibilities	Members/invitees	Attendance
			Board meetings
Merafe Board	The Chairperson is responsible for ensuring that: • the Board provides effective leadership; • the Board maintains ethical standards; • Merafe develops and implements strategies aimed at achieving its sustainability; and • the Board and its committees are effective. The Board is responsible for: • governance of the Merafe Group on behalf of its shareholders; • its own governance; • strategy, strategic decision-making and risk tolerance; • assessment of performance; • engaging with stakeholders; • Merafe's approach to its social responsibility, safety, health, the environment, ethics and risk; and • information technology governance. **Key issues in 2018 included:** Safety, Merafe strategy, stakeholder engagement, Merafe sustainability, appointment of CFO, Venture performance and sustainability, IT governance and risk management, approval of annual financial statements and Integrated Annual Report, approval of interim results and considering the payment of dividends: Board and committee effectiveness review; review and approval of various charters, policies and mandates; and committees' terms of reference, King IV analysis, review of effectiveness of internal controls, review of compliance and consideration of investment opportunities.	Chris Molefe (Chairperson) Belese Majova Abiel Mngomezulu Mpho Mosweu Karabo Nondumo[1] Zanele Matlala (CEO) Kajal Bissessor[2] Shaun Blankfield Ditabe Chocho[3] Matsotso Vuso[4] *1. Resigned 8 May 2018* *2. Resigned 31 August 2018* *3. Appointed 1 August 2018* *4. Appointed 30 July 2018*	6/6 6/6 6/6 3/6 2/3 6/6 5/5 6/6 1/1 2/2
			Committee meetings
Audit and Risk Committee	All members of this committee are independent non-executive directors (as required by the Companies Act). The committee: • monitors the adequacy of financial controls and reporting; reviews the audit plans of the external auditors and adherence to these plans; considers and determines the principles for approving the use of the external auditors for non-audit services; ensures that financial reporting complies with IFRS, the Companies Act and tax legislation; reviews and makes recommendations on all financial matters; • oversees Merafe's integrated reporting as well as the assurance function; and • assists the Board in the identification of all material risk and sustainability issues to which the Company is exposed. It ensures that the requisite risk management culture, policies, practices, systems and resources are in place and are functioning effectively. **Key issues in 2018 included:** Review work of external auditors, assess independence of external auditors, appointment of CFO, review risk register, monitor compliance with statutory requirements, assess adequacy of internal controls and compliance, funding, monitor and consider all tax returns and matters related to SARS, risk management workshop, oversee forex and interest rate hedging policies: IT governance implementation, assess formal tax strategy and policy document, reviewed and approved Integrated Annual Report and assurance process, recommend annual financial statements and reviewed interim results; Integrated Annual Report for approval by Board, assessment of CFO, committee self assessment and review terms of reference, review internal audit function, King IV analysis and compliance.	Matsotso Vuso[1] (Chairperson) Karabo Nondumo[2] Abiel Mngomezulu Belese Majova Zanele Matlala* Kajal Bissessor*[3] Chris Molefe* Ditabe Chocho*[4] ** Invitee* *1. Appointed 30 July 2018* *2. Resigned 8 May 2018* *3. Resigned 31 August 2018* *4. Appointed 1 August 2018*	2/2 1/1 4/4 4/4 4/4 3/3 4/4 1/1

Board and Board committees	Roles and responsibilities	Members/invitees	Attendance
			Committee meetings
Remuneration and Nomination Committee	The committee: • makes recommendations to the Board for its consideration and final approval regarding remuneration strategy and policy; • assists the Board in ensuring that directors and executives are remunerated fairly and responsibly; • ensures the disclosure of directors and other executive remuneration is accurate, complete and transparent; • assists the Board with ensuring that remuneration policies which are adopted to promote the achievement of strategic business objectives and encourage individual performance and monitoring remuneration policies; • makes recommendations on non-executive directors' fees; and • develops policy around the appointment of directors, investigates potential Board members for necessary skills and competence and makes appropriate recommendations to the Board. **Key issues in 2018 included:** Considered composition of all committees, appointment of CFO, appointment of non-executive directors, attending benchmarking exercise of directors' executive remuneration, recommended approval of remuneration policy to Board, approved CEO's (individual) and business performance KPIs, evaluated Executive Committee's individual and business performance against objectives, reviewed executive contracts, review of Remuneration Policy and approval of the Board Diversity Policy, King IV analysis and compliance.	Abiel Mgomezulu[A] Chris Molefe[B] Shaun Blankfield Zanele Matlala* Kajal Bissessor*[1] Ditabe Chocho*[2] *Note:* *[A] Chairperson of Remuneration Committee* *[B] Chairperson of Nomination Committee* *[1] Resigned 31 August 2018* *[2] Appointed 1 August 2018* ** Invitee*	5/5 5/5 4/5 5/5 3/3 2/2
Social, Ethics and Transformation Committee	The roles, responsibilities and key issues for the Social, Ethics and Transformation Committee are set out in the Social, Ethics and Transformation Committee report on page 49. **Key issues in 2018** The key issues are set out in the Social, Ethics and Transformation Committee report on page 49.	Belese Majova (Chairperson) Chris Molefe Mpho Mosweu Zanele Matlala Kajal Bissessor[1] Jurg Zaayman[2] Ditabe Chocho[3] *[1] Resigned 31 August 2018* *[2] Resigned 31 July 2018* *[3] Appointed 1 August 2018*	3/3 3/3 1/3 3/3 2/2 1/1 1/1

Our approach to governance (continued)

The structure and roles and responsibilities of the Venture's Joint Board

Management structure	Roles and responsibilities	Members
Executive Committee of the Venture	The Executive Committee consists of the heads of all the Venture's divisions and the Managing Director of the Venture. The committee meets at least once a month, recommends policies and strategies and is responsible for the implementation of strategy and carrying out the Board's mandates and directives. It deals with all executive management business and is responsible for all material matters that are not the responsibility of the Board. It also assists with the execution of Merafe's compliance and disclosure obligations.	Merafe is represented by Zanele Matlala and Ditabe Chocho.
The Joint Board of the Venture	The Joint Board meets quarterly with the aim of ensuring proper governance of the activities of the Venture. Members of Merafe's management team also attend and participate in the Venture's monthly Executive Committee and sustainable development meetings and quarterly Audit Committee and Treasury meetings.	The Joint Board consists of two representatives from Glencore and two representatives from Merafe (Zanele Matlala and Ditabe Chocho). Currently, Glencore appoints the Chairperson of the Joint Board.

Reporting in terms of Section 3.84 of the JSE Listings Requirements on Board governance processes

Requirement	Principle	Merafe's approach and compliance
3.84(a)	There must be a policy evidencing a clear balance of power and authority at Board level to ensure that no one director has unfettered powers.	Our Board Charter clearly demonstrates that there is a clear balance of power and authority at Board level and that no one director has unfettered powers.
3.84(b)	Issuers must have a CEO and a Chairperson and these positions must not be held by the same person. The Chairperson must either be an independent director or the issuer must appoint a lead independent director as defined in the King Code.	The CEO and Chairperson positions in Merafe are held by different people and Merafe's Chairperson is an independent non-executive director as defined in King IV. We refer you to pages 42 and 43 of this report. Chris Molefe has chaired the Merafe Board since May 2003. In accordance with King IV, the Board conducted an in-depth review of both his performance and independence. It concluded that his independence has not been affected or impaired by his length of service and that Merafe would continue to benefit from his performance as Chairperson if he were to continue in this role.
3.84(c)	All issuers must in accordance with the King Code appoint an (i) Audit Committee, (ii) a committee responsible for remuneration and (iii) a Social and Ethics Committee. The composition of such committees must comply with the Companies Act and should be considered in accordance with King IV and each committee must consist of three members. The composition of such committees, a brief description of their mandates, the number of meetings held and any other relevant information must be disclosed in the annual report.	Merafe has combined its Audit and Risk Committee. Its membership is set out on page 46 of this report. The committee currently has three members, all of whom are independent non-executive directors, as set out in the King Code. The Chairperson of the Board is invited to attend committee meetings. As previously indicated Merafe has appointed a combined Remuneration and Nomination Committee. The committee has five members, four of whom are independent non-executive directors. The Chairperson of the Board is a member of the Remuneration Committee, but is Chairperson of the Nomination Committee. Merafe has a Social, Ethics and Transformation Committee. It comprises five members, with the majority being non-executive directors. The composition of the Committees, the mandates, activities and meetings held are set out on pages 46 to 49 of this Integrated Annual Report. During 2018, our Chief Executive Officer and Financial Director were permanent invitees to the Audit and Risk Committee.
3.84(d)	A brief CV of each director standing for election or re-election must accompany relevant notice of meeting.	Brief *curricula vitae* of our directors can be found on pages 42 and 43 of this report.
3.84(e)	Capacity of directors in relation to executive, non-executive and independent must be categorised and disclosed in the relevant documentation.	The *curricula vitae* mentioned at 3.84(d) also contain information as to whether a director is independent, non-executive or executive. The composition of our committees is in accordance with the requirements of the Companies Act and King IV.
3.84(f)	Issuers must have a full time executive financial director.	Merafe has a full time Financial Director who does not hold any other position, nor does he have any other commitments that could be considered as full or part time employment.

See our website for our Board Charter, Code of Ethics and the Board Diversity Policy. See the annual financial statements, which form part of our online Integrated Annual Report for 2018 for the Audit and Risk Committee's report as well as page 62 of this report. For a more detailed overview of the responsibilities of the Board and the committees, see the terms of reference of the Board and committees on our website, which form part of our online Integrated Annual Report for 2018.

Requirement	Principle	Merafe's approach and compliance
3.84(g)	The audit committee must consider on an annual basis, and satisfy itself of the appropriateness of the expertise and experience of the financial director and report thereon in the annual report and compliance with paragraphs 3.84 (g)(ii) and 3.84 (g)(iii).	Our Audit and Risk Committee annually considers and satisfies itself of the appropriateness of the expertise and experience of the Financial Director and has reported in its Audit and Risk Committee report that it is satisfied with the appropriateness of the expertise and experience of the Financial Director. The Audit and Risk Committee also ensures compliance in terms of paragraphs 3.84(g)(ii) and 3.84(g)(iii) relating to proper and appropriate financial reporting proceedings being in place and operating and the appointment and suitability of the audit firm and partner.
3.84(h)	The provision deals with the competence, qualifications and experience of the Company Secretary and the Board of Directors' responsibility in relation thereto.	The Remuneration and Nomination Committee as well as the Board assessed the competence, qualifications and experience of the Company Secretary (CorpStat Governance Services, represented by William Somerville and Elise Waldeck) against various criteria and a rating scale, and they have agreed that the firm is sufficiently qualified, competent and experienced to hold the position of Company Secretary. The Board made their assessment in a closed Board meeting.
3.84(i)	The provision deals with a gender diversity policy.	Merafe's Diversity Policy prescribes that at least 30% of the Board shall be female. At 31 December 2018, four of the eight directors were female (50%) and post year end (55%). The Remuneration and Nomination Committee undertakes when nominating and recommending directors to the Board, to take into account the principles and aims of the Diversity Policy of the Company.
3.84(j)	The provision deals with a race diversity policy.	Merafe's Diversity Policy prescribes targets for the racial composition of the Company, namely that the majority of the Board should be black. Seven of the eight directors are black (88%). The Remuneration and Nomination Committee undertakes when nominating and recommending directors to the Board, to take into account the principles and aims of the Diversity Policy of the Company.
3.84(k)	The provision deals with the remuneration policy and implementation report.	The Remuneration Policy and Implementation report are set out on pages 51 to 57 of this report.

Social, Ethics and Transformation Committee report

The Social, Ethics and Transformation Committee (the "Committee") was established by the Board of Directors on 21 February 2012, in accordance with the requirements of the Companies Act of 2008 (the "Act"), section 72(4) and Regulation 43(2).

The Committee has an independent role. Its members include three non-executive directors, two of whom are independent and two executive directors. Independent non-executive director, Belese Majova, chairs the Committee.

The Committee assists the Board in monitoring the Group's activities in terms of legislation, regulation and codes of best practice relating to:

- ethics;
- stakeholder engagement, including employees, customers, communities and the environment; and
- strategic empowerment and compliance with transformation codes and is responsible for:
  - monitoring the Company's activities relating to social and economic development, good corporate citizenship, the environment and health and public safety;
  - ensuring appropriate short- and long-term targets are set by management;
  - monitoring progress on strategic empowerment and performance against targets;
  - monitoring changes in the application and interpretation of empowerment charters and codes; and
  - monitoring functions required in terms of the Act and its regulations.

To meet its responsibilities, the Committee receives reports on the progress that both Merafe and the Venture have made in terms of the issues covered by its terms of reference. A senior representative of the Venture attends specific committee meetings where the focus is on the Venture.

In addition to the above, the Committee:

- reviewed and updated the Company's Code of Ethics, the Board Charter, the Committee's terms of reference, and CSI policy;
- reviewed and assessed legislation applicable to Merafe, the Venture and the Committee;
- assessed the Company's compliance with King IV. The Company complies with King IV principles, save as otherwise noted and explained in this Integrated Annual Report;
- assessed Merafe's and the Venture's transformation performance with specific reference to the Mining Charter and the B-BBEE Codes of Good Practice;
- continually assessed Merafe's corporate social investment; in this regard, the Committee continued to oversee and support the projects as set out on page 37 of this report; and
- assessed the Venture's corporate and social investments which Merafe contributes to as set out on pages 37 and 38 of this report.

The focus of the Committee in 2019 will be in the fields of education and health in areas in the vicinity of the operations and the school projects. The Committee will also focus on King IV compliance aiming at continual improvement, as well as Merafe's transformation performance with reference to the Mining Charter and the B-BBEE Codes of Good Practice.

The members of the Committee believe that Merafe is substantively addressing the issues it is required to monitor in terms of the Act and that it has discharged its responsibilities as set out in its terms of reference.

Belese Majova
Chairperson

6 March 2019

Remuneration report

This remuneration report is in accordance with King IV requirements. A glossary of terms used in this report is contained in our online Integrated Annual Report of 2018 which is on our website. If unable to access the online report please note the following key references used: "Policy" means the Remuneration Policy of the Company; the "Company" or "Merafe" means Merafe Resources Limited and its subsidiaries; the "Committee" means the Remuneration and Nomination Committee of the Company; the "Board" means the Board of directors of the Company; "executive directors and non-executive directors" means executive and/or non-executive directors of the Company; the "CEO" means the Chief Executive Officer of the Company; and "FD" means the Financial Director of the Company.

Statement of voting at Annual General Meeting

The AGM of the Company was held on 8 May 2018 and the requisite ordinary resolutions of a non-binding advisory nature endorsing the Policy and the remuneration implementation report were passed. The Policy resolution (resolution 6.1) was passed by a 74% majority, with 83.70% of the Company's shares being voted. The implementation report resolution (resolution 6.2) was passed by a 87.88% majority, with 83.68% of the Company shares being voted.

Subsequently, in 2018, the Company invited shareholders to engage on the Remuneration Report and the Company engaged with shareholders who responded. Changes were implemented in respect of its remuneration approach and Policy in order to respond ro shareholder concerns and align more fully to King IV and market practices. The Company commits to engage further with shareholders in respect of its Policy and approach should the need arise after the 2019 AGM.

Background statement

Remuneration philosophy, strategy and policy

Remuneration philosophy

The Company's guiding philosophy is to employ high-calibre, high-performing employees who subscribe to the values and culture of our Company. We recognise that our employees are integral to the achievement of our corporate objectives and they are accordingly remunerated for their contribution and the value they deliver.

Our Company is committed to fair, responsible and transparent remuneration across the business in respect of all employees on all levels. Both the fixed and variable elements of remuneration aim to support Company performance and value creation in the short, medium and long term, as well as to support the achievement of strategic objectives within the Company's risk appetite.

This policy is applicable to all employees of the Company.

Our remuneration strategy and policy are regularly reviewed by the Committee to ensure that they are appropriate and relevant in the support of sustainable business performance and in promoting an ethical culture and responsible corporate citizenship.

Remuneration strategy

Our remuneration strategy is designed to be aligned with our business strategy and the execution thereof to promote positive outcomes. Since we strive to attract, retain, motivate and reward employees for executing our business strategy, their remuneration must clearly be market-related and independent third parties are used by the Committee for the purpose of benchmarking to the appropriate segment. The general principle of our remuneration strategy is to structure executive and employee remuneration to include:

- a guaranteed annual package and benefits;
- an annual variable performance bonus; and
- ownership of shares through the long-term incentive scheme which is based on performance with the aim of creating a strong alignment to shareholder goals.

The remuneration strategy and policy are communicated to all employees during the year, together with our expectations around their contribution to the success of our organisation.

Remuneration policy

The key principles of the remuneration policy are that:

- the policies are governed by the Committee which regularly reviews them to ensure that they are relevant and support Company strategy;
- guaranteed remuneration is targeted at the median to lower quartile of the relevant market against which pay is benchmarked, in order to attract and retain high-calibre and high performing employees;
- it is Company policy that all employees are members of medical and retirement funds and have group life and disability cover;
- annual salary adjustments are governed by factors such as the consumer price index (CPI), retention strategies, the producer price index (PPI), industry performance, projected growth, contractual arrangements, affordability, and industry average increase surveys, which will be taken into consideration in setting the recommended increase. The Committee will approve or set the overall increase percentage that will be applied on a Company wide basis. Salary adjustments are at the discretion of the Board;
- variable pay is an important component of remuneration at Merafe and both annual and long term performance-based schemes which support our business strategy are in place;
- the short-term incentive scheme performance measures are assessed by the Committee and these measures are determined by taking into account corporate, individual, financial and non-financial criteria. The measures are applicable to the time period to which the scheme relates;
- the long-term incentive scheme measures are based on total shareholder return and a financial measure, appropriately weighted, as determined by the Committee from time to time, aligned to business requirements;
- executive remuneration is aligned to shareholder value creation through the long-term incentive scheme;
- where necessary, both short-term and long-term incentive schemes are benchmarked against the appropriate database by the Committee; and
- the over-riding principle governing payments for non-executive directors is that they will be made in the context of good governance and aligned to the relevant market.

Remuneration and Nomination Committee

Responsibility for the reward strategy rests with the Company's Board of Directors ("Board") who in turn appoint the Committee. The Committee comprises at least three members, the majority of whom are independent non-executive directors and is governed by formal Terms of Reference.

The Terms of Reference *inter alia* clearly deal with matters such as (1) composition of the Committee; (2) roles and responsibilities; (3) delegated authority; (4) tenure and rotation of the Committee members; (5) reporting requirement and compliance; (6) access to information and resources; (7) meeting procedures to be followed; and (8) arrangements for the evaluation of the Committee's performance.

The primary role of the Committee is to ensure that the Company's directors and senior executives are fairly rewarded for their individual contributions to the Company's overall performance. The Committee also aims to ensure that remuneration is appropriate to attract, retain and motivate the right calibre of directors and senior executives, who will strive to achieve the overall goals of the Company. The Committee must demonstrate to all stakeholders that the remuneration of senior executives is set by a committee of Board members who:

- have no personal interest in the outcome of their decisions;
- give due regard to the interest of the shareholders and the financial and commercial health of the Company;
- take cognizance of market related remuneration, incentive bonuses and share incentive schemes as well as market trends; and
- play an active role in succession planning activities, notably for the Chief Executive Officer and executive management.

The Committee is responsible for making recommendations to the Board on remuneration policy for directors and, to the extent it deems necessary, makes comparisons between remuneration packages currently available to the Company's own executive directors and those available to directors of other companies of a similar size in the comparable industry. Comparisons are also made with other companies in South Africa and, if relevant, internationally.

See our online Integrated Annual Report for 2018, under remuneration report for our Remuneration Policy which is also attached as Appendix 2 to this report.

The Committee also takes into account a number of principles, being *inter alia*:

- industry standards and comparisons with businesses in the same industry;
- expertise and qualifications of individuals;
- the risks associated with companies in the mining sector;
- the importance of the individual to the Company and his/her contribution;
- retention measures and motivation for the executive not to leave the Company;
- restraint of trade provisions; and
- nature of the position (role expectations, work load, etc.).

Remuneration policy

Statement of fair, responsible and transparent remuneration

The Board approves a policy that articulates and gives effect to its direction on fair, responsible and transparent remuneration.

The Policy for the remuneration of executive directors and other senior management is set taking appropriate account of remuneration and employment conditions of the industry, the Venture and the Company's specific circumstances.

Key principles

The Policy is governed by the Committee which regularly reviews the Policy to ensure that it is relevant and supports the Company strategy. To this end, guaranteed remuneration is targeted at the median to lower quartile of the relevant market data (against which we benchmark) to retain and attract high-calibre and high-performing executive directors and employees.

The Policy dictates that all full time employees are members of medical and retirement funds and have group life and disability cover.

Variable pay is an important component of the Policy and both annual and long-term performance-based schemes which support our business strategy are in place.

The short-term incentive scheme performance measures are assessed by the Committee and these measures are determined by taking into account corporate, individual, financial and non-financial criteria. The measures are applicable to the time period to which the scheme relates.

The long-term incentive scheme measures are based on Total Shareholder Return (TSR) and growth in headline earnings per share.

Executive director remuneration is aligned to shareholder value creation through the long-term scheme.

Where necessary, both short-term and long-term incentive schemes are benchmarked against the appropriate databases by the Committee.

Annual salary adjustments are governed by factors such as the consumer price index ("CPI"), retention strategies, the producer price index ("PPI"), industry performance, projected growth, contractual arrangements and affordability, and industry average increase surveys, which are taken into consideration in setting the recommended increase. The Committee will approve or set the overall increase percentage that will be applied on a company-wide basis. Salary adjustments are at the discretion of the Board.

Executive pay mix

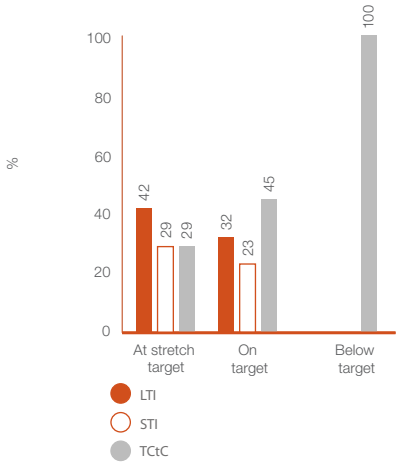
Executive pay mix is defined as the balance targeted between the major components of executive remuneration, namely:

- Guaranteed pay – based on Total Guaranteed Cost of Employment ("TCtC")
- Variable pay for performance
  - Short term incentives in the form of annual cash incentives ("STI"); and
  - The expected value from long term incentives ("LTI").

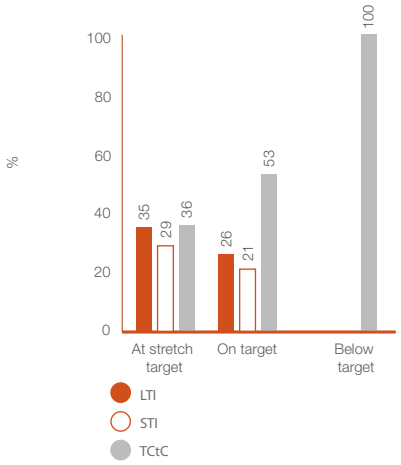
Note: Expected value is defined as the present value of the future reward outcome of an offer, given the targeted future performance of the Company and of its share price. It should not be confused with the term "fair value" which is used when establishing the accounting cost for reflection in a Company's financial statements. Neither should it be confused with the term "face value" which is used to define the current value of the underlying share at the time of an offer.

The Company's targeted pay mix aims to align the incentives of employees with the interests of shareholders. It is recognised that through acquisitions and business combinations over time, there will always be some deviation from the targeted pay mix structure across the Company. However the balance between TCtC, STI and LTI for executive directors are shown for illustrative purposes in the schematic below, at various performance levels.

Target reward mix for Chief Executive Officer



Target reward mix for Financial Director



Guaranteed pay

Merafe aims to establish and maintain an integrated pay line with pay levels that ensure that it is able to remain competitive, while managing costs.

Executive remuneration in respect of guaranteed pay is expressed in terms of TCtC.

An employee's TCtC consists of the following elements:

- Basic salary;
- Car and other cash allowances and/or perquisites;
- Employer contributions to the medical aid;
- Employer contributions to the retirement funding; and
- Employer contributions to risk benefits.

Salaries are reviewed annually and are targeted at the median to lower quartile of the relevant market. The Company conducts benchmarking exercises at least every second year against the top management reward surveys conducted by the large consultancies. The benchmark used is the median to lower quartile total guaranteed cost of employment for similar positions in similarly sized listed companies.

The Committee has regard principally to companies in the RSA market which are of similar size, complexity and scope to the Company. The Committee also takes into account business performance, salary practices prevailing for other employees in the Company and, when setting individual salaries, the individual's performance and experience in the role.

Remuneration report (continued)

Although salaries are reviewed annually, the Board reserves the right not to grant increases should circumstances so dictate. In addition, benefits offered are also reviewed on an annual basis to ensure that employees' needs are addressed fairly, schemes are cost effective, well governed and competitive.

Short term incentives

Merafe's annual incentives are aimed at rewarding a combination of both business and individual performance in order to support a company-wide performance culture. The bonus pool is determined as a percentage of Net Profit after Tax and the scheme is therefore self-funding. Financial and non-financial criteria as well as individual performance determine the bonus pool's distribution to individuals. Incentive awards are at the discretion of the Board after due consideration of Company and individual performance.

The Committee follows a less mechanistic approach in determining the bonus awards in order to reward outstanding performance more appropriately and to ensure that undue windfalls are mediated. As indicated above, the incentive scheme performance measures are assessed by the Committee and these measures are determined by taking into account the Company's financial and non-financial criteria as well as individual performance.

All STI awards are based on performance against inter alia, the following measures:

- Company measures: These include but are not limited to profitability, growth of business, cost management, sustainability and safety; and
- Individual measures: For the Chief Executive Officer and Financial Director, these include but are not limited to stakeholder engagement, talent management, leadership and reporting.

Targets are set by the Board on an annual basis as determined by Company strategy, business plan and operating conditions. Targets are set to ensure that performance is measured appropriately in accordance with a five-point rating scale. In addition, the Board will apply appropriate weights to measures in order to focus behaviour and performance, related to the strategic focus for the performance period.

Although measures and targets are determined at the start of the performance period, the Board may revise these measures and targets should prevailing business conditions indicate this to be necessary or in response to any other changes in the operating environment. All such changes, which represent the discretionary aspect of the policy, will be disclosed on an annual basis.

As indicated above, individual performance is primarily assessed from a predetermined criteria of key performance areas or value drivers. The selection of these is informed by the Company's business plan.

These metrics are assessed against a five point scale as follows:

Rating	Description	Definition
1	Poor	Indicates poor performance. All or most threshold targets not met.
2	Needs improvement	Performance against target is fair, however, performance against key measures is below threshold or target.
3	Satisfactory	Performance on target in respect of most or all measures.
4	Good	Performance exceeds target on most or all measures. Have reached stretched target on a number of key measures.
5	Outstanding/ excellent	Significant outperformance. All stretched targets met or exceeded.

The total STI pool available is capped at 3% of Net Profit after Tax. No bonuses are payable where the Net Profit after Tax in any financial year is less than R125 million. These parameters are revised by the Board on an annual basis for relevance and appropriateness.

In addition, the percentage for STI is capped for the various categories of employees as set out below:

Position	Maximum % of TCtC
Chief Executive Officer	100
Financial Director	80
Senior management	60
Management	50
Administrative staff	30

The total pool for incentives that become available for distribution will not be exceeded at any time.

STI potential is benchmarked between the median and 75th percentile of the relevant market, which is deemed appropriate when considered along with the guaranteed pay benchmarked at between the median and 25th percentile of the market.

The final incentive calculation is undertaken by aggregating the bonus claims of all participants and comparing this with the bonus pool derived from company performance.

Long term incentives

Background

The purpose of the share incentive scheme is to serve as an incentive and reward to employees of the Company and its subsidiaries for services rendered and to be rendered, aimed at promoting the continued growth of the Company by giving employees an opportunity to acquire shares in the Company and serve as a retention mechanism for employees whose services are regarded by the Company to be crucial to the future growth and sustainability of the Company's business.

The share incentive scheme further seeks to align employee interests with those of shareholders and to support a culture of ownership, with a focus on Company performance and sustainable growth.

Long term incentives, in the form of a share incentive scheme, have been in existence in the Company since 1999. The current share scheme was approved on 13 April 2010, under which both share options and share grants may be issued.

Eligibility and participation

All employees of the Company are eligible for share allocations in respect of the share incentive scheme rules, subject to Board approval and the prevailing implementation policy.

Shares to be allocated

Under the rules of the share incentive plan, the following shares may be offered:

- Share options which will be granted at the offer price
- Share grants being full value shares.

Vesting rules and settlement

Generally share options vest one third per year on the 3rd, 4th and 5th anniversaries and are settled by physical delivery of shares against receipt of payment of the option price. The options lapse after seven (7) years if not exercised, while employed within the group.

Share grants are granted by the Board on the recommendation of the Committee. They vest one third per year on the 3rd, 4th and 5th anniversaries and are settled by physical delivery of shares. Alternatively, the Company has the right to settle in cash the value of shares granted.

Equity settlement will take the form of repurchasing of shares on the open market for the benefit of the employee whose shares have vested. The Company reserves the right to issue new shares for purposes of settlement.

Participation and termination rules

In the event of an employee leaving the Group for a reason approved by the directors, such as retirement or disability, all shares granted will vest. All approved terminations will be disclosed on an annual basis.

In the event of either a no fault termination or an employee's death, shares granted will vest within three months. In addition, in the event of retirement at the earliest date allowed by the retirement fund, all share grants shall vest.

In the event of either a no fault termination or an employee's death, the employee or his/her estate has 12 and 24 months respectively to exercise share options granted to that employee. In the event of retirement at the earliest date allowed by the retirement fund, the employee will have one year to exercise their share options allocated.

In the event of voluntary termination (i.e resignation) or a fault termination, (i.e. those that leave as a result of resignation, dismissal or poor performance), any right to any shares and all allocations will lapse immediately upon termination. No further claims may be laid to such lapsed shares, whether full value or shares options.

In the event of a change in contract of employment, e.g. lateral moves or promotions, the participant will remain entitled to previous share allocations, subject to vesting periods, vesting schedules and prevailing performance conditions and criteria as set out during the initial share allocation.

In the event of a reconstruction or takeover, share allocations will vest on a pro-rata basis subject to the Committee evaluating the applicable performance conditions and determining the number of shares per participant.

Performance vs retention shares

During 2013 a decision was made by the Committee to vary the balance between performance and retention oriented grants or options and also to simplify the performance criteria that determine vesting of the performance grants.

The balance between performance oriented share grants and the retention oriented share grants for the CEO was weighted 70% in favour of the performance oriented share grants.

For executive directors and senior managers these percentages were (respectively) 60% and 50%. All other participants received only retention oriented share grants.

In response to shareholder requirements for more share grants to be subject to performance conditions as opposed to retention shares, the allocation policy was revised in 2018 as follows:

Revised LTI allocation policy

	Merafe LTI offer policy current		
	LTI (expected value) % of TCtC	Targeted offer value % of TCtC	Balance performance/ retention
Chief Executive Officer	70	50	70/30
Financial Director	50	35	60/40
Senior management	40	30	50/50
Management	30	25	0/100
Administration	20	15	0/100

	Merafe LTI offer policy proposed		
	LTI (expected value) % of TCtC	Targeted offer value % of TCtC	Balance performance/ retention
Chief Executive Officer	70	60	100/0
Financial Director	50	45	100/0
Senior management	40	40	100/0
Management	30	35	100/0
Administration	20	25	100/0

All future share allocations will be performance based. In order to balance back to the reward mix and expected outcomes, the targeted value of the share allocation as a percentage of TCtC was increased as per the table above.

Performance criteria

The performance criteria for all existing performance oriented share grants will remain in place, but future grants will be governed by two metrics: (1) Comparison of Merafe's TSR over a three year period with that of a selection of JSE listed, small cap mining and resources companies, and (2) Growth in Headline Earnings per share (CPI + a specified percentage as determined by the Board) over a three year period. The two measures will weigh 50/50 or as determined by the Board from time to time. Measures will be applied per performance share allocation and will remain in force for the duration of the performance period. Performance measures and targets are approved for and applicable to a specific performance period. No retesting of performance conditions is allowed.

The Committee will assess performance against target once the applicable performance period is completed and approve the vesting of performance shares to the extent that targets are met.

Performance measure I: Total Shareholder Return

The comparator group for Total Shareholder Return ("TSR") is made up as follows:

TSR Comparator Group

Company	Ticker
Royal Bafokeng Platinum Ltd	RBP
Harmony Gold Mining Ltd	HAR
Lonmin plc	LON
Hulamin	HLM
Pan African Resources plc	PAN
Merafe Resources Ltd	MRF
Tharisa plc	THA
MC Mining Ltd	MCZ
DRDGOLD Ltd	DRD
Eastern Platinum Ltd	EPS
Wesizwe Platinum Ltd	WEZ
ArcelorMittal Ltd	ACL

Assuming that a group of 12 (11 + Merafe) companies are adopted as the comparator group of companies, vesting of the performance based share grants will be in accordance with the following policy:

- 50% of performance shares allocated will be subject to performance against the TSR measure;
- If Merafe's TSR over the three year period places it in one of the top four positions, then the full number of performance granted shares subject to this measure will vest in equal proportions on the 3rd, 4th, and 5th anniversaries of their grant;
- If Merafe's performance over the three year period places it in 5th position, then two thirds of the number of performance granted shares will vest in equal proportions on the 3rd, 4th, and 5th anniversaries of their grant;
- If Merafe's TSR over the three year period places it in 6th position, then one third of the number of performance granted shares will vest in equal proportions on the 3rd, 4th, and 5th anniversaries of their grant; and
- If Merafe's TSR over the three year period places it below 6th position, then none of the performance shares will vest.

The table below provides details of the revised vesting schedule for performance shares subject to the TSR measure:

Revised vesting schedule TSR

Vesting schedule over three years – Total Shareholder Return

Merafe TSR position/ ranking relative to peers	Vesting quantity % of allocation* Current	Vesting quantity % of allocation* Proposed
Position 1 – 4	100%	100%
Position 5	66.6%	66.6%
Position 6	33.3%	33.3%
Position 7 – 10	Linear vesting 0% to 33%	0%
Position lower than 10	0%	0%

** Vesting over three years in equal portion.*

Remuneration report (continued)

Performance measure II: Growth in Headline Earnings per share (HEPS)
Assuming that the performance targets below are set by the Board as illustrated in the table below, vesting of the performance based share grants will be in accordance with the following policy:

- 50% of performance shares allocated will be subject to performance against the growth in HEPS measure;
- If performance meets or exceeds target, i.e. CPI + 2% over the performance period, 100% of shares will vest;
- If performance is at threshold, i.e. CPI + 1% over the performance period, 50% of shares subject to this measure will vest;
- For performance below threshold, 0% of shares subject to this measure, will vest; and
- Linear vesting will take place between different performance milestones.

Vesting schedule for Growth in HEPS measure
Vesting schedule over three years – Growth in HEPS

HEPS target	Vesting quantity % of allocation* Proposed
On target CPI + 2%	100%
Threshold CPI + 1%	50%
Below threshold	0%

** Vesting over three years in equal portion.*

LTI offer policy

The following principles will govern the LTI offer policy:

- Share options will only be given at the discretion of the Board as and when circumstances dictate and only to executive management that have direct line of sight in terms of Company performance;
- Full value shares, with performance conditions, will be granted to all employees on an annual basis subject to ongoing satisfactory individual performance, the expected value of which will be in accordance with the Company's reward strategy – pay mix;
- Full value shares may be offered to new appointees as an attraction measure, the value of which will be determined and approved by the Committee, and will be subject to a minimum of three years vesting period;
- Share grants will be in favour of performance based shares, with all shares granted subject to performance measures over a three year period;
- Share grants will be offered to employees with only performance and no retention shares;
- The value of the share grant will be calculated as a percentage of the current TCtC guaranteed package;
- No offer shall be made which together with any other scheme shares would exceed 5% of total issued share capital of the Company;
- The maximum aggregate number of shares granted or options allocated to a single participant, shall be limited to 1% of the total issued share capital of the Company;
- Prior to vesting, no participant will qualify to receive any dividends declared;
- The Company will communicate to participants, at least on an annual basis, in terms of shares granted, vesting and/or any changes in rules or conditions of participation; and
- All share grants and options will be disclosed over its lifetime in the annual Remuneration Report.

Contracts of employment

Senior and executive management are subject to the Company's standard terms and conditions of employment where notice periods are between three and six months. In line with the recommendations set out in the King reports, Company policy prevents any senior or executive manager from being compensated for loss of office.

None of the senior or executive management have extended employment contracts or special termination benefits or balloon payments.

In the event of a change of control of the Company (as defined in the Companies Act) where the Company no longer requires an executive to fulfil their specific role post the change of control, the Company shall pay to the executive 12 months remuneration on the last day of the notice period and after completion of handover of duties.

Retention measures

The Committee reserves the right to apply retention measures should circumstances indicate. Retention measures may include cash or equity awards and will be appropriately disclosed on an annual basis.

Clawbacks

Any remuneration previously paid to executive directors, that is subsequently found to have been as a result of criminal or otherwise illegal activities, must be repaid to the Company.

In the event of restatement of the Company's results (other than a restatement caused by a change in accounting policy, standards or interpretation) which results in lower performance-based remuneration had it been calculated on the restated results, the Committee shall review such performance-based remuneration, determine the amount to be recovered from the executive and take steps to recover the amount.

Non-executive directors' fees

The remuneration of non-executive directors is provided in the context of good governance, and is primarily based upon a methodology which takes into account expertise, contribution by the director and attendance. Standard duties of non-executive directors include preparation for and attendance at Board meetings, AGMs and results presentations. If required, the directors may be requested to perform work outside of their standard duties and for this they will be remunerated based upon the time spent and their level of expertise. Independent benchmark advice is sought as to levels of remuneration for non-executive directors and the policy is that non-executive directors will be remunerated at the median to lower quartile of listed companies of similar size, in order to ensure that appropriately qualified and experienced directors are appointed. Non-executive directors' fees will be tabled for approval by the shareholders of the Company on an annual basis. The fees paid to different roles such as chairman may vary from the fees paid to other non-executive directors. The remuneration of non-executive directors will be split between 40% in relation to fees for attendance at meetings and 60% in relation to fees for retention. Attendance at meetings will include scheduled Board meetings and special Board meetings. Retention fees will include inter alia attendance at site visits, round robin resolutions/decisions and strategy sessions.

Non-executive directors do not participate in any share-based incentive scheme or any other incentive scheme that the Company may implement to avoid any potential conflict of interest.

Review

This policy was approved by the Company in March 2019 and will be reviewed annually against current legislation and practice for approval by shareholders during the Annual General Meeting.

Implementation report for 2018

The implementation of the Policy approved by shareholders at the Annual General Meeting in May 2018 is set out below:

Executive pay

	2018 R'000	2017 R'000
ZJ Matlala		
Salary	**4 587**	4 310
Bonus	**3 910**	4 422
Fringe benefits and leave pay	**162**	133
Provident contributions	**350**	350
Share grants vested	**3 366***	4 574
Share options vested	**–**	1 911
Total	**12 375**	15 700

	2018 R'000	2017 R'000
K Bissessor#		
Salary	1 594	1 927
Bonus	–	1 796
Fringe benefits and leave pay	135	143
Provident contributions	220	292
Share grants vested	902*	650
Share options vested	–	3 090
Total	**2 851**	7 898

	2018 R'000	2017 R'000
D Chocho#		
Salary	883	–
Bonus	750	–
Fringe benefits and leave pay	31	–
Provident contributions	163	–
Share grants vested	–	–
Share options vested	–	–
Total	**1 827**	–

** See the 2018 online Integrated Annual Report for additional information regarding the calculation of the value of the options exercised.*

 # K Bissessor resigned on 31 August 2018 and D Chocho was appointed on 1 August 2018.

Note: In 2018, salary increases of 6.1% applied to ZJ Matlatla and 8.1% to K Bissessor. In 2019, a 6.5% salary increase was agreed for executives.

Short-term incentives

The executive directors were assessed by the Committee according to the table set out below which was then used as a basis for awarding bonuses for 2018.

Key factors	Key measurement items
Profitability	EBITDA compared to budget and previous year
Growth of business	Grow assets and revenue
Cost management	Effective cost management at Venture and Merafe level
Sustainability	BEE rating to amended scorecard, Corporate Social Investment, Environmental incidents
Safety	Total Recordable Injury Frequency Rate, Fatalities
Stakeholder engagement	Stakeholder engagement programme including interactions with SARS, partners, shareholders, employees, etc
Talent management	Succession planning, managing employees, training, mentoring
Reporting	Interim and annual reporting and engagement with stakeholders
Total rating	

As per the Policy, the Committee applied a less mechanistic and more holistic approach which has resulted in the following bonus allocation:

	2018 % allocation of cost to Company	2017 % allocation of cost to Company
Chief Executive Officer	75	90
Financial Director	60	72

Long-term incentives

Long-term incentives – 2018 (refer to website for full section)

The award of long term incentives for 2018 under the Company's share option and grant schemes are set out below:

Share grants and options that vested in 2018 were as follows:

Chief Executive Officer

Share grants

Number of shares	Rand value
2 236 876	3 366 364

Share options

Number of shares	Rand value
–	–

Financial Director

Share grants

Number of shares	Rand value
605 119	902 088

Share options

Number of shares	Rand value
–	–

Note: All the Financial Director shares relate to Kajal Bissessor who forfeited all unvested shares upon her resignation in 2018.

Long-term incentives – 2017

The award of long term incentives for 2017 under the Company's share option and grant schemes are set out below:

Share grants and options that vested in 2017 were as follows:

Chief Executive Officer

Share grants

Number of shares	Rand value
3 058 861	4 574 486

Share options

Number of shares	Rand value
5 309 546	1 911 436

Financial Director

Share grants

Number of shares	Rand value
373 536	650 049

Share options

Number of shares	Rand value
3 000 000	3 090 000

Note: Performance conditions for share options and share grants that vested in 2017 and 2018 were met. The Company ranked not lower than position 4 relative to its peers on the TSR measure.

Remuneration report (continued)

Performance conditions

The performance conditions relating to share awards made prior to 2013 are capacity growth, assets under management, JSE SRI Index, JSE Small Capitalisation Index and Mining Index. The performance conditions relating to share awards made post 2013 is a single performance metric that requires Merafe's TSR to be in a position amongst a group of companies over a three-year period.

Share grant allocations were implemented based on the VWAP of the previous day's trading as follows:

	2018			2017		
	% allocation of cost to Company	Number of shares	Vesting period	% allocation of cost to Company	Number of shares	Vesting period
Chief Executive Officer	50%	1 730 076	1 April 2021 1 April 2022 1 April 2023	50%	1 381 299	1 April 2020 1 April 2021 1 April 2022
Financial Director	35%	624 999	1 April 2021 1 April 2022 1 April 2023	35%	490 995	1 April 2020 1 April 2021 1 April 2022

Note: As per the policy, 70% and 60% of the grants are subject to performance conditions for the CEO and FD respectively, for both the 2017 and 2018 years. The 2018 allocation relates to the current Financial Director. The previous Financial Director forfeited all outstanding grants upon her resignation in 2018.

Non-executive directors' fees

Non-executive directors' fees approved for 2018.

The fees for non-executive directors set out below are the fees approved by share holders at the 2018 AGM:

	2018					
R'000	Fees per annum 2018	Retainer 60%	Monthly retainer fees	Retainer per quarter	Fees per attandance 40%	Fees per attendance per meeting
Board Chairperson	574 554	344 733	28 728	86 183	229 821	57 455
Member	281 537	168 922	14 077	42 231	112 615	28 154
Audit and Risk Committee Chairperson	203 182	121 909	10 159	30 477	81 273	20 318
Audit and Risk Committee member	127 410	76 446	6 371	19 112	50 964	12 741
Remuneration and Nomination Committee Chairperson	109 830	65 898	5 492	16 475	43 932	10 983
Remuneration and Nomination Committee Member	67 040	40 224	3 352	10 056	26 816	6 704
Social, Ethics and Transformation Committee Chairperson	109 830	65 898	5 492	16 475	43 932	10 983
Social, Ethics and Transformation Committee Member	67 040	40 224	3 352	10 056	26 816	6 704

Non-executive directors fees paid for 2018	2018 R'000	2017 R'000
C Molefe	838	651
A Mngomezulu	582	467
BN Majova	553	442
M Mosweu	303	289
K Nondumo*	224	430
S Blankfield	386	322
M Vuso	197	–
Total	3 083	2 601

** Resigned during 2018.*

See the 2018 integrated online report and the annual financial statements for additional and supporting information.

Non-executive directors' fees proposed for 2019

The 2019 proposed fees in accordance with the policy are set out below. A 6.5% increase is proposed from the previous year. This increase takes into account of the 2018 benchmarking exercise and inflation.

		2019				
	Fees per annum 2018	Retainer 60%	Monthly retainer fees	Retainer per quarter	Fees per attendance 40%	Fees per attendance per meeting
Board Chairperson	611 900	367 140	30 595	91 785	244 760	61 190
Member	299 837	179 902	14 992	44 976	119 935	29 984
Audit and Risk Committee Chairperson	216 388	129 833	10 819	32 458	86 555	21 639
Audit and Risk Committee member	135 692	81 415	6 785	20 354	54 277	13 569
Remuneration and Nomination Committee Chairperson	116 969	70 181	5 848	17 545	46 788	11 697
Remuneration and Nomination Committee Member	71 398	42 839	3 570	10 710	28 559	7 140
Social, Ethics and Transformation Committee Chairperson	116 969	70 182	5 848	17 545	46 788	11 697
Social, Ethics and Transformation Committee Member	71 398	42 839	3 570	10 710	28 559	7 140

Areas of focus for 2019

Key activities for the Committee in 2019 will be, inter alia, the approval of the remuneration and bonuses for executive directors and senior management. The Committee will also assess fees to be paid to non-executive directors. Focus will be placed on the key principles of King IV and the Company's commitment to these principles. In addition, the Company will, if required, engage with shareholders to discuss issues of mutual concern.

Compliance statement

The Board and the Committee are committed to maintaining high standards of corporate governance and to support and apply the principles of good governance advocated by the South African Institute of Directors (IoDSA) and King IV.

The Board and the Committee are of the view that the objectives stated in the Policy have been achieved for the period under review. The Board and the Committee are also satisfied that they have fulfilled their responsibilities in accordance with their terms of reference with regard to remuneration within the Company.

Approach to risk management

The Merafe Board is responsible for our governance of risk and for setting levels of risk tolerance. It has tasked the Audit and Risk Committee with assisting the Board in carrying out its risk responsibilities. The process of risk management has been delegated to management and the Audit and Risk Committee, acting on behalf of the Board, ensures that there is ongoing assessment and monitoring of our risks. The Merafe Executive Committee is accountable to the Board for designing, implementing and monitoring Merafe's risk management processes and senior managers are responsible for effectively managing risks within their respective areas of responsibility.

Merafe's risk management policy and framework (available on our website) describes our risk management philosophy, approach and process and guides the implementation of our risk management process in a uniform manner across the Company.

Certain risks are inherent in a mining business and these need to be managed effectively. The Venture's risk management system allows it to pursue business opportunities and grow shareholder value, while at the same time developing and protecting its people, assets, environment and reputation. Its processes are defined within a risk framework that is well understood across its operations.

Both Merafe and the Venture undertake comprehensive quarterly risk reviews, the results of which are included in their annual business plans and regularly reviewed.

The Board will continue in 2019 to focus on the principal risks set out hereunder as well as attempting to identify any further emerging risks in a fast changing environment.

Principal risks

Our principal risks, which include risks related to the Venture, are the following:

- The possible negative impact on our earnings of commodity price volatility, currency exchange rate fluctuations and the health of the global economy. The preventative actions the Venture takes to reduce the impact, which include managing production levels, scaling down mining and smelting activities during downturns in global demand and maintaining its position as the lowest-cost ferrochrome producer in South Africa, are described in the Principal risks and uncertainties table.
- Socio-political climate in South Africa, which includes industrial unrest and the risk of the Venture not winning broad support for its activities from local communities. Both of these possibilities could result in disruptions affecting our profitability. To reduce these risks the Venture's stakeholder engagement and responsiveness efforts play a critical role. In addition, Merafe and the Venture invest in social and labour plan commitments, which include local economic development, healthcare and education projects. We also invest in corporate social responsibility initiatives.
- Investors' negative perceptions of the South African mining industry impact on investors' appetite for investment in South African mining stocks. Merafe focuses on maintaining relationships with our existing investors and building new relationships. To achieve this our team regularly makes presentations and has discussions with investors and potential investors. We also keep investors informed through our reporting and our website.
- Inability to obtain debt finance due to a downgrading of Merafe's credit status could adversely affect our financial position. To counteract this risk we maintain a strong balance sheet, low gearing and a good reputation and relationship with our bankers and have tangible assets to secure financing.
- Non-compliance with and changes to laws, regulations, taxes and mining rights can result in extensive disruption to the Venture's operations, loss of revenue and fines. The loss of mining rights could affect our business. The Venture and Merafe maintain extensive, transparent and open relationships with regulators and local, regional and national government bodies. We keep abreast of all changes to legislation and closely monitor compliance with it.
- Empowerment credentials: in this regard see our commentary in Material issues section on page 8 of this report and the Chairperson's report on page 40 of this report.
- Operational risks include a number of factors that are out of our control including the availability of raw materials, water and power, unusual ground conditions and the impact of climate change. To combat the impact of these risks, the Venture has a comprehensive programme in place to identify, understand and manage the risks that could affect our business and our operations. The risk registers of both Merafe and the Venture are regularly updated.
- Chrome ore exports to China could undermine the South African ferrochrome industry. The ferrochrome industry engaged with government to develop a solution that will support government's beneficiation and job creation strategies and ensure the sustainability of South Africa's ferrochrome industry. Any change in circumstances for China, which include increased chrome ore prices, freight rate increases and environmental issues covered, also reduce the risk of China undermining our industry.
- Cost control is a key factor in the Venture's competitiveness and profitability. The Venture prides itself on being a low-cost producer and cost control is a key management performance measurement. The Venture's development of cost-efficient proprietary technology plays a significant part in its cost reduction. We are also engaging with government regarding carbon taxes and electricity costs.
- Lack of energy supplies could impact on the Venture's ability to operate. The Venture has an ongoing programme to assess and monitor energy-related risks, including scenario analyses. We also manage the risk by implementing energy-efficiency plans and assessing the risks associated with energy supply at the design phase of our projects.
- Emissions and climate change regulations could have an adverse impact on our ability to maintain profitability and water scarcity has also become an issue that could in future affect the Venture's ability to operate. The Venture continually engages with government and key policymakers to advocate a rational approach to carbon taxes and it has reduced the carbon emissions attributable to the electricity it purchases by improving the energy efficiency of its operations and investigating the use of renewable energy sources. The Venture has also successfully reduced its water consumption per tonne of product produced.
- The Venture's operations are subject to extensive health, safety and environmental ("HSE") regulations and legislation and community expectations; HIV and Aids and associated disease remain the major healthcare challenges for our industry and if the Venture's employees suffer from symptoms associated with HIV and Aids it could have a negative impact on its production levels and our profitability. The Venture gives these issues priority and significant resources are committed to providing a safe and healthy workplace, keeping our impact on the environment to a minimum and addressing the impact of HIV and Aids on our employees and the communities in the vicinity of our operations.
- Loss of key and skilled employees, particularly to competitors, could result in financial loss and reputational damage. The policy of both Merafe and the Venture is to invest in future key contributors and to implement adequate notice periods.

See our online Integrated Annual Report for 2018 for our principal risks, uncertainties and opportunities table.

See our online Integrated Annual Report for 2018 for more information on the Venture's risk processes, including its information technology governance.

Sustainability review and assurance

Merafe and the Venture

Merafe relies on the Venture and Glencore to obtain quantitative data with regard to sustainability indicators of the Venture as set out in this report.

The Venture, via the Glencore Sustainability Database, undergoes a process of internal and independent assurance reviews of their key sustainability indicators.

The sustainability data and information falls under the Sustainability and Human Resources Development departments of both the Venture and Glencore. The information set out in this report is signed off by the Venture and Glencore.

The Venture's sustainability data and information was subjected to various internal and external reviews and audits during 2018. See our online Integrated Annual Report for 2018 under Sustainability review and assurance for a schedule detailing the Venture's internal and external reviews and audits.

With regard to the above internal and external audits and reviews, the Venture and Glencore have confirmed to the Board of Merafe that there are no material issues arising therefrom which would impact on the reliability, accuracy and completeness of the Venture's information set out in this report.

Deloitte was again appointed by Glencore to conduct an independent third-party assurance on key sustainability data of the Venture relating to 2018. The assurance took place and the Venture and Glencore have confirmed that no material issues arose therefrom.

As a result of the internal and external reviews and audits as outlined (together with the signing off of the data by the Venture and Glencore), the Merafe Board is satisfied that the information set out in this report in respect of the Venture's data is reliable, accurate and complete.

The Venture's Mineral Resources and Mineral Reserves Statement to 31 December 2018 is signed off by a Competent Person as defined by the SAMREC Code, a summary of which is on pages 27 to 29 of this report. The full report is on our online Integrated Annual Report and on our website and attached as Appendix 1.

For the 2014 annual report independent assurers were engaged to provide independent assurance on the directors' statement that they had followed the materiality determination process described in identifying the material issues in the Integrated Annual Report.

Since then, the Board has followed the same materiality determination process as set out on page 7 of this report. Deloitte were engaged as Auditors of the Company as set out on the inside front cover of this report.

In respect of the Remuneration Policy of the Company and remuneration of the Company's Board and executives, the Remuneration Committee appointed independent advisors to assist the Committee in ensuring that the policy was in line with best practice and that remuneration was properly benchmarked. For more details in this regard see the Remuneration Report on pages 50 to 57 of this report.

See our online Integrated Annual Report for 2018 under Sustainability review and assurance for a schedule detailing the Venture's internal and external reviews and audits.

Directors' report for the year ended 31 December 2018

Nature of business

The Company, through its wholly owned ultimate subsidiary, Merafe Ferrochrome and Mining Proprietary Limited (Merafe Ferrochrome) and through a pooling and sharing venture with Glencore Operations South Africa Proprietary Limited (Glencore), participates in chrome mining and the beneficiation of chrome ore into ferrochrome. The Glencore-Merafe Chrome Venture (Venture) operates five ferrochrome smelters, 22 ferrochrome furnaces and eight mines, situated in the North-West, Limpopo and Mpumalanga provinces of South Africa. Merafe Ferrochrome's share of the earnings before interest, taxation, depreciation and amortisation (EBITDA) is 20.5%. The Venture comprises assets to which both Glencore and Merafe Ferrochrome have granted the right of use.

Listed below are the assets to which Merafe Ferrochrome has granted the right of use to the Venture:

Ferrochrome smelters		Chrome mines		UG2 plants and pelletisers	
Asset	Merafe Ferrochrome's interest	Asset	Merafe Ferrochrome's interest	Asset	Merafe Ferrochrome's interest
Wonderkop smelter (furnaces five and six)	50%	Boshoek Mine	100%	Impala Kanana UG2 plant	100%
Boshoek smelter	100%	Kroondal and Wonderkop Mine	20.5%	Lonmin UG2 plants	20.5%
Lion I smelter	20.5%	Helena Mine	20.5%	Mototolo UG2 plant	20.5%
Lion II smelter	20.5%	Magareng Mine	20.5%	Bokamoso pelletising plant	20.5%
				Motswedi pelletising plant	100%
				Tswelopele pelletising plant	20.5%

Group financial results

The financial statements set out the financial results of the Group and Company and have been prepared using appropriate accounting policies, conforming to International Financial Reporting Standards, supported by reasonable and prudent judgements where required.

Merafe Ferrochrome's share of EBITDA from the Venture is accounted for at 20.5%. In addition to Merafe Ferrochrome's share of EBITDA from the Venture, corporate expenses, interest on debt, depreciation and interest received are accounted for in order to determine earnings before taxation of the Group. Refer to note 1.3.2 of the annual financial statements – Basis of consolidation – Transactions with the Venture, for further information regarding the accounting policy for Merafe Ferrochrome's interest in the Venture.

Loans and borrowings

The Group had a net cash balance of R281 million[1] at 31 December 2018 (31 December 2017: net cash balance of R600 million[1]) The unsecured three year Revolving Credit Facility (RCF) to the value of R200 million remained unutilised for the year. Refer to note 21.2 for the disclosure on the Group's facilities.

Mining rights and mining operations

The directors are satisfied that there are no foreseen material risks relating to the Resources and Reserves of the Venture and the ability of the Venture to conduct its mining operations. See the Abridged Mineral Resources and Reserves Statement on pages 27 to 29 and the detailed Resources and Reserves Statement in our online Integrated Annual Report for 2018.

Going concern

The directors believe that the Company has sufficient resources and expected cash flows to continue as a going concern for the year ahead.

Dividend policy

The Company has a hybrid dividend policy that has features of a stable dividend policy and a residual dividend policy. The Company intends to pay a stable dividend of a minimum of 30% headline earnings at least once a year, taking into account the annual financial performance, expansionary projects and economic circumstances prevailing at the time.

In addition, in any given year, the directors may consider an additional distribution in the form of special dividends and/or share buy-backs dependent on the Company's financial position, future cash requirements, future earning prospects, availability of distributable reserves and other factors. Dividends are recognised when they are declared by the Board of the Company.

Ordinary dividends

An interim dividend of R200 million was declared and paid during the 2018 year. A final dividend of R151 million was declared for the year ended 31 December 2018 (total dividend for 2018 of R351 million).

Share capital

The full details of the authorised and issued share capital of the Company are set out in note 7 to the annual financial statements. Merafe did not issue any shares for cash or effect any share repurchases under a general or specific authority.

Directorate

At 31 December 2018 the Board consisted of the following directors: Chris Molefe (Chairperson), Belese Majova, Abiel Mngomezulu, Mpho Mosweu, Matsotso Vuso, Shaun Blankfield, Zanele Matlala, Ditabe Chocho.

On 1 January 2019, Grathel Motau joined the Board.

During the period under review, no contracts were entered into in which directors and officers of the Company had an interest and which could affect the business of the Group.

Non-executive directors are remunerated periodically for their contribution to the Board. Executive directors do not receive Board fees in addition to their remuneration. Refer to note 22.1 of the annual financial statements for a detailed report on directors' remuneration prepared in accordance with the JSE Limited Listings Requirements and Companies Act.

Service contracts of directors and prescribed officers

Merafe has not entered into any contract other than the normal employment service contracts with executive directors and other prescribed officers.

[1] *Net cash (debt) balance includes cash and cash equivalents, working capital loan and Merafe head office debt.*

See page 21 of this report for a table on the Venture's plants, technology and mines and page 27 for further information on the reserves and resources of the Venture.

See our online Integrated Annual Report for 2018 for our annual financial statements.

Significant agreements

Pooling and Sharing Venture Agreement and addendums to the agreement

The Venture Agreement, which was signed in July 2004, governs the pooling and sharing Venture between Merafe Ferrochrome and Glencore Operations South Africa Proprietary Limited. The respective assets of the two companies are pooled to form the world's largest ferrochrome producer. This agreement sets out the terms and conditions under which the Venture will operate.

Major shareholders

The following shareholders were the registered holders of 5% or more of the issued ordinary shares in the Company at 31 December 2018:

- Glencore BV – 28.68%;
- The Industrial Development Corporation – 21.78%; and
- PSG Konsult – 5.85%

Directors' interests in Merafe Resources Limited

According to information available after reasonable enquiry, the interests of the directors and their families in the shares of the Company at 31 December 2018 are set out in note 23.1 and 23.3 of the annual financial statements and were as follows:

	2018		2017	
	Direct beneficial	Indirect beneficial	Direct beneficial	Indirect beneficial
ZJ Matlala	2 492 305	–	2 012 305	–
B Majova	–	62 610	–	62 610
K Bissessor*			700 000	–
D Chocho	258 565	–	–	–
Total	2 750 870	62 610	2 712 305	62 610

** K Bissessor resigned and D Chocho was appointed effective 31 August 2018 and 1 August 2018 respectively.*

There have been no changes to the directors' interests since the end of the financial year and the date of this report and the release of the annual financial statements.

Details of investments in subsidiaries and structured entities

Refer to note 3 of the annual financial statements for details of investments in subsidiaries and structured entities.

Property, plant and equipment

There were no changes in the nature of property, plant and equipment or in the policy regarding their use during the year. In the prior year, management reassesed the useful lives of the permanent structures and furnaces to zero. Depreciation has increased in the current year as a result of the reassesments of the useful lives of the permanent structures and furnaces. This has resulted in an acceleration of depreciation mainly due to the Lion smelter of R38 million (2017: R30 million) on those assets.

Events after the reporting date

On 14 Febuary 2019 a fatality occured at the Marikana mine. Please see page 10 (Chief Executive Officer's strategic review) of this report for further information.

A final dividend of R151 million (2017: R226 million) was declared on 11 March 2019.

No other material facts or circumstances occurred after the reporting date that may require adjustment or disclosure in these annual financial statements.

Special resolutions

The following special resolutions were passed by the shareholders at the 2018 Annual General Meeting:

- Approval of non-executive directors' fees;
- Loans or other financial assistance to related or inter-related companies; and
- General authority to repurchase Company shares.

Environmental and decommissioning provision

New legislation and financial provisioning regulations relating to asset retirement obligations were enacted, i.e. The National Environmental Management Act ("NEMA"). The legislation effective February 2019 will have an impact on the manner in which the environment rehabilitation costs should be determined. Therefore, this has had a significant impact on the provision for the year.

Management had completed the assessments of closure costs for all mines in 2017 and has completed the assessment of closure costs for all smelters in 2018. The increase in the environmental and decommissioning provision of R53 million was a result in the revision of the closure costs as well as the remaining life of mines and useful lives of the smelters.

Restatement of financial statements

Merafe received a letter from the JSE on the pro-active monitoring review of the Merafe Resources Limited 2017 consolidated and seperate annual financial statements on 3 December 2018. The JSE had enquired about the disclosure of the working capital loan (liability) in the 2017 financial statements, which was treated differently in the 2016 financial statements. In the 2017 financial year, Merafe had referred to the change of the working capital loan disclosure out of trade receivables to a liability as a reclassification instead of an error which is not in compliance with IAS 8 *Accounting Policies, Changes in Accounting Estimates*. The JSE thus raised a finding on the inadequate disclosure of the reclassification of the working capital loan.

In the 2018 financial statements, the 2017 financial year has been restated with the change in the working capital loan disclosure. Appropriate deficiency disclosure has been noted in note 32.

Approval of the consolidated and separate annual financial statements of Merafe Resources Limited

The consolidated and separate financial statements of Merafe Resources Limited were approved by the Board on 6 March 2019 and signed by:

Chris Molefe
Chairperson

Zanele Matlala
Chief Executive Officer

6 March 2019

Report of the Audit and Risk Committee

Introduction

The Audit and Risk Committee ("the Committee") presents its report for the financial year ended 31 December 2018. The Committee reports that it has adopted formal terms of reference as its Audit and Risk Committee Charter (the Charter), and that it has discharged all of its responsibilities for the current financial year, in compliance with the Charter.

Objectives and scope

The overall objectives of the Committee are:

- Assess the adequacy of the internal control system, financial control systems and the accounting systems;
- Review the Integrated Annual Report, summarised financial statements, interim financial statements and annual financial statements;
- Nominate external auditors for appointment, approve external audit fees and set the Groups policy on non-audit services provided by external auditors;
- Monitor compliance with legal requirements;
- Assess the performance of financial management;
- Recommend budgets and plans; and
- Conduct periodic review and assessment of the business risks the Group faces.

Composition of the Committee

The Committee consists of at least three independent non-executive directors, all of who have the necessary qualifications and experience to execute their repsonsibilities, with three members forming a quorum:

- Ms M Vuso (Chairman) — Appointed 30 July 2018
- Ms K Nondumo (Chairman) — Resigned 8 May 2018
- Ms B Majova
- Mr A Mngomezulu
- Ms HG Motau — Appointed 1 January 2019

In addition, Ms Z Matlala, Mr D Chocho and Deloitte & Touche Inc. are also permanent invitees to the meetings. At the date of this report there has been no additional changes to the composition of the members of the Board were noted.

Meetings

The Committee held four meetings during the year and the quorum was met at all the meetings.

2018 in overview

The Committee is satisfied that adequate system of internal controls is in place to mitigate significant risks faced by Merafe Resources Limited and its subsidiaries to an acceptable level, and that these controls have been effective throughout the period under review. The system is designed to manage, rather than eliminate the risk of failure and to maximise opportunities to achieve business objectives. This can provide only reasonable, but not absolute assurance. In addition, the Committee reviewed the financial control systems, the accounting systems and is satisfied with the design and effectiveness of the systems.

As required by the JSE Limited Listings Requirements 3.84(g), the Audit and Risk Committee has satisfied itself that Mr D Chocho, the Financial Director during the current financial year has the appropriate experience and expertise to fulfil the responsibilities of the finance function.

The Committee has considered the key audit matters set out in the independent auditor's report and is comfortable that they are correctly presented.

The review of the Integrated Annual Report together with the consolidated and separate financial statements are also the responsibility of the Committee. The Committee has evaluated the Integrated Annual Report and consolidated and separate financial statements of Merafe Resources Limited for the year ended 31 December 2018 and based on the information provided to the Committee, considers that it complies, in all material respects, with the requirements of the various acts and regulation governing disclosure and reporting.

The Committee considered the nature, risks and internal control environment at the Merafe head office and concluded that it was not necessary to have a dedicated internal audit function. Specific internal audit assignments are considered on a periodic basis and outsourced. The recommendations that resulted from the audit in 2017 have largely been addressed and were continuously monitored in the 2018 financial year.

The Committee is satisfied that it has discharged its duties as set out in its terms of reference for the year under review.

External audit

The Committee, having considered all relevant matters, satisfied itself through enquiry that auditor independence, objectivity and effectiveness were maintained in 2018. The Committee is further satisfied that Mr Patrick Ndlovu complies with the relevant provisions of the Companies Act and the JSE Listings Requirements.

The Committee considered and where necessary requested from Deloitte and Touche Inc. the information detailed in paragraph 22.15(h) of the JSE Listings Requirements in their assessment of the external auditors and the designated audit partner, prior to recomending their re-appointment.

Deloitte and Touche have served as the Company's external auditors since 4 May 2017. The performance of the external auditors is reviewed by the Committee annually. The Committee also considers and is satisfied with the quality of the audit for the year under review.

Having taken all of the above assessments into account, the Committee recommended the approval of the consolidated and separate financial statements as well as the Integrated Annual Report for the year ended 31 December 2018 by the Board.

Matsotso Vuso CA(SA)
Chairperson – Audit and Risk Committee

6 March 2019

The auditors report is set out in the annual financial statements which form part of our online Integrated Annual Report for 2018.

JSE Limited share statistics

	Number of members	% of all members	Number of shares held	% of issued capital
1. Analysis of shareholdings				
Range				
1 – 1 000	1 338	23.15	579 854	0.02
1 001 – 5 000	1 397	24.17	4 063 677	0.16
5 001 – 10 000	820	14.19	6 753 285	0.27
10 001 – 100 000	1 703	29.47	60 450 338	2.41
100 001 – 1 000 000	409	7.08	128 325 805	5.11
1 000 001 and more	112	1.94	2 310 531 289	92.03
Totals	5 779	100.00	2 510 704 248	100.00
2. Distribution of shareholders				
Category				
Diluted funds	29	0.50	411 194 201	16.38
Pension funds	71	1.23	115 762 701	4.61
Private companies	56	0.97	10 412 011	0.41
Individuals	5 095	88.16	165 244 143	6.58
Close corporations	64	1.11	6 555 110	0.26
Other corporations	257	4.45	1 667 154 394	66.40
Nominees and other institutions	185	3.20	80 552 934	3.21
Banks	22	0.38	53 828 754	2.14
Totals	5 779	100.00	2 510 704 248	100.00
3. Holders holding 5% or more of shares in issue				
Name				
Glencore Nederland BV			720 163 887	28.68
IDC			546 830 100	21.78
PSG			146 857 319	5.85
4. Shareholder spread				
Public	5 775	99.93	1 241 155 346	49.43
Non-public	4	0.07	1 269 548 902	50.57
Directors	2	0.03	2 554 915	0.10
Glencore Nederland BV	1	0.02	720 163 887	28.68
IDC	1	0.02	546 830 100	21.78
Totals	5 779	100	2 510 704 248	100
5. Distribution of local and foreign beneficial shareholding				
South African				55.08
Foreign				42.09

JSE Limited share statistics (continued)

JSE share performance	2018	2017
Market capitalisation as at 31 December (ZAR)	3 565 200 030	4 142 662 009
Share price (cents)		
High	174	201
Low	126	108
Closing	142	149
Shares traded		
Volume of shares traded	381 111 231	821 628 038
Value of shares (ZAR)	598 533 514	1 339 214 075
Volume of shares traded as a percentage of weighted average number of shares in issue	15.18%	32.73%
Shares in issue as at 31 December	2 510 704 250	2 510 704 248

Source: IRESS as at 11 February 2019.

Shareholders' diary

Meetings

Annual general meeting for the 2018 financial year to be held on 15 May 2019.

Reports

Interim reports for the six months to 30 June 2019 to be released on 5 August 2019.

Annual results for the 12 months to 31 December 2019 to be released and published in March 2020.

Notice of the Annual General Meeting

Merafe Resources Limited
(Incorporated in the Republic of South Africa) (Registration number 1987/003452/06) ISIN: ZAE000060000
Share code: MRF
(hereinafter referred to as Merafe Resources or the Company)

Notice is hereby given in terms of section 62(1) of the Companies Act, No 71 of 2008, as amended (the Companies Act) that the 32nd (thirty second) Annual General Meeting of shareholders of the Company (AGM or the Annual General Meeting) will be held at the offices of the Company at Building B, 2nd floor, Ballyoaks Office Park, 35 Ballyclare Drive, Bryanston, 2191 at 11:00 on Wednesday, 15 May 2019 (Notice), for the purpose of transacting the business as outlined in this Notice, and to consider and, if deemed fit, to pass, with or without modification, the ordinary and special resolutions set out below.

Important dates

Record date to receive the Notice:	Friday, 22 March 2019
Last date to trade to be eligible to attend, participate in and vote at the AGM:	Monday, 6 May 2019
Record date to be eligible to attend, participate in and vote at the AGM:	Friday, 10 May 2019
Last date for lodging forms of proxy (by 11:00):	Monday, 13 May 2019*

Accordingly, the date on which a person must be registered as a shareholder in the register of the Company for purposes of being entitled to attend, participate and vote at the AGM is Friday, 10 May 2019.

**For administrative purposes only. If forms of proxy are not received by this date they must be handed to the Chairperson of the AGM before the appointed proxy exercises any of the relevant shareholder rights at the AGM.*

Interpretation and definitions

For the avoidance of doubt and to the extent that the terms have not been defined in the Integrated Annual Report for the year ended 31 December 2018 (Integrated Annual Report), reference in this Notice to the following words and expressions:

- 'Group' means the Company and all its subsidiaries at the date of this Notice;
- 'Listings Requirements' means the Listings Requirements of the JSE Limited;
- 'King IV' means the King IV Report on Corporate Governance for South Africa, 2016;
- 'MOI' means Memorandum of Incorporation of the Company; and
- 'Companies Act' means the Companies Act, No 71 of 2008, as amended.

Any words and expressions defined in the Companies Act or the Listings Requirements, as the case may be, which are not defined in this Notice, shall bear the same meanings in this Notice as those ascribed to them in the Companies Act or the Listings Requirements, as the case may be.

Section A: Ordinary Resolutions

For ordinary resolutions 1 to 6 (inclusive) to be duly adopted, the support of more than 50% (fifty percent) of the voting rights exercised on each ordinary resolution by shareholders present or represented by proxy at the Annual General Meeting and entitled to exercise voting rights on the relevant resolution, must be exercised in favour of such resolution.

1. Ordinary Resolution Number 1: Adoption of annual financial statements

"Resolved that the Group audited annual financial statements, including the reports of the directors, the auditor and the Audit and Risk Committee, for the financial year ended 31 December 2018, be and are hereby considered and accepted."

The summarised form of the financial statements is included with this Notice. A copy of the complete Group audited annual financial statements for the financial year ended 31 December 2018 can be obtained from www.meraferesources.co.za or on request during normal business hours at the Company's registered address, Building B, 2nd floor, Ballyoaks Office Park, 35 Ballyclare Drive, Bryanston, 2191.

Notes to Ordinary Resolution Number 1

- In terms of the provisions of section 30(3)(d) of the Companies Act, a company's annual financial statements must be presented to its shareholders at the first shareholders' meeting after the statements have been approved by the board of directors of the Company.

2. Ordinary Resolution Number 2: Re-appointment of retiring directors

"Resolved that, by separate ordinary resolutions numbered 2.1 and 2.2, the following directors, who, in terms of the MOI, retire by rotation at this Annual General Meeting, and, being eligible, stand and offer themselves for re-election, be and are hereby re-elected:

2.1 Mr Abiel Mngomezulu
2.2 Ms Belese Majova

Notes to Ordinary Resolution Number 2

- Resolutions numbered 2.1 and 2.2 (inclusive) above are proposed by separate vote and the re-appointments which they represent constitute separate and divisible ordinary resolutions and will be considered to have received the support of the Nomination Committee.
- The reason for resolutions numbered 2.1 and 2.2 (inclusive) is that in terms of the provisions of the MOI, one-third of the non-executive directors, or if their number is not a multiple of three, then the number nearest to, but not less than one-third, are required to retire at each Annual General Meeting and, being eligible, may offer themselves for re-election.
- The Board of Directors of the Company (Board) has evaluated the performance and contribution of each director standing for re-election and has recommended the re-election of each of the directors.
- Mr Chris Molefe (Board Chairperson) retires at this AGM and has not offered himself for re-election.
- Abridged *curricula vitae* of each of the directors of the Company standing for re-election are set out on page 42 of the Integrated Annual Report.

Notice of the Annual General Meeting (continued)

3. Ordinary Resolution Number 3: Confirmation of appointment of directors

3.1 "Resolved that the appointment by the Board of Ms Matsotso Vuso as a director of the Company with effect from 30 July 2018 be and is hereby confirmed in accordance with the Company's MOI in order to become permanent."

3.2 "Resolved that the appointment by the Board of Mr Ditabe Chocho as a director of the Company with effect from 1 August 2018 be and is hereby confirmed in accordance with the Company's MOI in order to become permanent."

3.3 "Resolved that the appointment by the Board of Ms Grathel Motau as a director of the Company with effect from 1 January 2019 be and is hereby confirmed in accordance with the Company's MOI in order to become permanent."

Notes to Ordinary Resolution Number 3

The reason for this resolution is that in terms of the Company's MOI, shareholders are required to confirm an appointment made by the Board in order for that appointment to become permanent.

Abridged *curricula vitae* of these directors are set out on pages 42 and 43 of the Integrated Annual Report.

4. Ordinary Resolution Number 4: Appointment of members to the Audit and Risk Committee for the forthcoming financial year

"Resolved that the following members, by separate ordinary resolutions numbered 4.1 to 4.3 (inclusive), being eligible and offering themselves for re-election, be and are hereby appointed as members of the Audit and Risk Committee for the financial year ending 31 December 2019:

4.1 Ms Matsotso Vuso (subject to the passing of Ordinary Resolution Number 3.1)

4.2 Ms Grathel Motau (subject to the passing of Ordinary Resolution Number 3.3)

4.3 Ms Belese Majova (subject to the passing of Ordinary Resolution Number 2.2)

Notes to Ordinary Resolution Number 4

- Resolutions numbered 4.1 to 4.3 (inclusive) above constitute separate and divisible ordinary resolutions and will be considered by separate vote.
- The reason for resolutions numbered 4.1 to 4.3 (inclusive) is that in terms of the provisions of section 94(2) of the Companies Act, a company shall at every Annual General Meeting elect an audit committee comprising at least three members.
- The Nomination Committee conducted an assessment of the performance and independence of each of the directors proposed to be members of the Audit and Risk Committee and the Board considered and accepted the findings of the Nomination Committee. The Board is also satisfied that the proposed members meet the provisions of section 94(4) of the Companies Act, that they are independent according to King IV (Principle 7; sub-practice 28) and that they possess the required qualifications and experience as prescribed in Regulation 42 of the Companies Regulations, 2011 and therefore recommends their nomination.
- Abridged *curricula vitae* of each of the independent non-executive directors proposed to be appointed to the Audit and Risk Committee appear on pages 42 and 43 of the Integrated Annual Report.

5. Ordinary Resolution Number 5: Re-appointment of external auditors of the Company

"Resolved that the re-appointment of Deloitte & Touche Inc. as the external registered auditors of the Company, and being independent from the Company, be and is hereby approved and Patrick Ndlovu (IRBA no. 782688) be and is hereby appointed as the designated audit partner for the financial year ending 31 December 2019."

Notes to Ordinary Resolution Number 5

- The reason for this resolution is that in terms of section 90(1) of the Companies Act a company is required to appoint an auditor at every Annual General Meeting.
- The duty to nominate auditors for appointment lies with the Audit and Risk Committee.
- The Audit and Risk Committee conducted an assessment of the performance and independence of the external auditors and considered whether or not the external auditors comply with the provisions of the Companies Act and section 22 of the Listings Requirements, and the Board considered and accepted the findings. The Board is satisfied that the proposed external auditors and Mr Patrick Ndlovu comply with the relevant provisions of the Companies Act and the Listings Requirements.

6. Ordinary Resolution Number 6: Authority to sign all documents required to give effect to all resolutions in this Notice

"Resolved that any one of the directors of the Company or Company Secretary be and is hereby authorised to do all such things and sign all such documents and procure the doing of all such things and the signature for all such documents as may be necessary or incidental to give effect to all ordinary and special resolutions passed at the Annual General Meeting."

Section B: Ordinary Resolutions of a non-binding nature

7. Non-binding Advisory vote – Remuneration Policy and Implementation Report

For ordinary resolutions numbered 7.1 and 7.2 to be duly adopted, the support of more than 50% (fifty percent) of the voting rights exercised on each ordinary resolution by shareholders present or represented by proxy at the Annual General Meeting and entitled to exercise voting rights on the relevant resolution, must be exercised in favour of such resolution.

Ordinary Resolution Number 7.1: Non-binding advisory vote on Remuneration Policy

"Resolved that the Company's Remuneration Policy be and is hereby endorsed by way of a non-binding advisory vote."

Ordinary Resolution Number 7.2: Non-binding advisory vote on Remuneration Implementation Report

"Resolved that the Company's Remuneration Implementation Report be and is hereby endorsed by way of a non-binding advisory vote."

The Remuneration Policy and Remuneration Implementation Report of the Company are set out on pages 50 to 57 of the Integrated Annual Report and the Remuneration Policy can be obtained from www.meraferesources.co.za or on request during normal business hours at the Company's registered address, Building B, 2nd floor, Ballyoaks Office Park, 35 Ballyclare Drive, Bryanston, 2191.

Notes to Ordinary Resolution Numbers 7.1 and 7.2:

- The Listings Requirements require and Principle 14 and sub-practice 37 of King IV recommends companies to table their remuneration policy and implementation report every year to shareholders for a non-binding advisory vote at the Company's Annual General Meeting. This vote enables shareholders to express their views on the remuneration policies adopted and on their implementation.
- These resolutions are of an advisory nature only and failure to pass these resolutions will therefore not have any legal consequences relating to existing arrangements. However, the Board will take the outcome of the vote into consideration when considering the Company's Remuneration Policy.
- Shareholders are reminded that in terms of the Listings Requirements and King IV, should 25% (twenty-five percent) or more of the votes cast be against one or both of these non-binding ordinary resolutions, the Company undertakes to engage with shareholders as to the reasons therefore and undertakes to make recommendations based on the feedback received.

Section C: Special resolutions

For special resolutions 1.1 to 1.8, 2 and 3 to be duly adopted, the support of at least 75% (seventy-five percent) of the voting rights exercised on each special resolution must be exercised by shareholders present or represented by proxy at the Annual General Meeting and entitled to exercise voting rights on the resolution concerned in favour of such resolution.

8. Special Resolutions Numbers 1.1 to 1.8: Approval of non-executive directors' fees

"Resolved that the fees, which will be payable to the non-executive directors for their services to the Board and committees of the Board with effect from 1 January 2019 as set out below be and are hereby approved by separate special resolutions numbered 1.1 to 1.8 (inclusive)."

			2019		
Committee	Special Resolution Number	Membership	Proposed annual cost R	Proposed retainer per annum R	Proposed meeting fees per annum R
Board	1.1	Chairperson	611 900	367 140	244 760
	1.2	Member	299 837	179 902	119 935
Audit and Risk	1.3	Chairperson	216 388	129 833	86 555
	1.4	Member	135 692	81 415	54 277
Remuneration and Nomination	1.5	Chairperson	116 969	70 181	46 788
	1.6	Member	71 398	42 839	28 559
Social, Ethics and Transformation	1.7	Chairperson	116 969	70 182	46 788
	1.8	Member	71 398	42 839	28 559

The above fees are exclusive of VAT. An explanation of the proposed fees for 2019 is set out on page 57 of the Integrated Annual Report.

Notes to Special Resolution Numbers 1.1 to 1.8:

- Resolutions numbered 1.1 to 1.8 (inclusive) above constitute separate and divisible special resolutions and will be considered by separate vote.
- The reason for and the effect of these resolutions is to approve the remuneration payable by the Company to its non-executive directors for their services as non-executive directors of the Company. In terms of the provisions of section 66(8) and section 66(9) of the Companies Act, remuneration may only be paid to the directors for their services as directors in accordance with the Company's MOI and only by a special resolution approved by the shareholders within the previous two years.

The 2018 approved non-executive fees are set out in the table below for comparative purposes.

		2018		
Committee	Membership	Annual cost R	Retainer per annum R	Meeting fees per annum R
Board	Chairperson	574 554	344 733	229 821
	Member	281 537	168 922	112 615
Audit and Risk	Chairperson	203 182	121 909	81 273
	Member	127 410	76 446	50 964
Remuneration and Nomination	Chairperson	109 830	65 898	43 932
	Member	67 040	40 224	26 816
Social, Ethics and Transformation	Chairperson	109 830	65 898	43 932
	Member	67 040	40 224	26 816

Notice of the Annual General Meeting (continued)

9. Special Resolution Number 2: Loans or other financial assistance to related or inter-related companies

"Resolved that, subject to compliance with the provisions of the MOI and the Companies Act each as presently constituted and as amended from time to time, the Board be and is hereby authorised, for a period of two years from the date of this Annual General Meeting, on such terms and conditions that the Board may determine, to provide any direct or indirect financial assistance (financial assistance will herein have the meaning attributed to such terms in section 45(1) of the Companies Act) to a related or inter-related company or corporation (or to a member of a related or inter-related corporation) or any person related to any of them."

Notes to Special Resolution Number 2

In terms of section 45 of the Companies Act, a company is required to obtain shareholder approval, by way of passing a special resolution for the provision by it of direct or indirect financial assistance to a related or inter-related company or corporation, or any person related to any such company or corporation.

The Company has at all relevant times and prior to the effective date of the new Companies Act being 1 May 2011, provided financial assistance to its subsidiaries and related and inter-related companies. To facilitate the achievement by the Group of its strategic goals, it is necessary that this assistance continues. The main purpose for this authority is therefore to grant the Board the authority to authorise the Company to provide inter-group loans and other financial assistance for purposes of funding the activities of the Group. However, in accordance with the provisions of section 45 of the Companies Act, the Board undertakes that it will not adopt a resolution to authorise such financial assistance, unless the Board is satisfied that:

- immediately after providing any direct or indirect financial assistance approved in terms of this resolution, the Company would satisfy the solvency and liquidity test as contemplated in section 45(3)(b) of the Companies Act;
- the terms under which the financial assistance is proposed to be given are or will be fair and reasonable to the Company; and
- written notice of any such resolution by the Board shall be given to all shareholders of the Company and any trade union representing its employees:
  - within 10 business days after the Board adopted the resolution, if the total value of the financial assistance contemplated in that resolution, together with any previous such resolution during the financial year, exceeds 0.1% (zero point one percent) of the Company's net worth at the time of the resolution; or
  - within 30 business days after the end of the financial year, in any other case.

10. Special Resolution Number 3: General authority to repurchase Company shares

"Resolved that, the Company, or a subsidiary of the Company, be and is hereby authorised, by way of a general authority, to acquire ordinary shares of 1 cent each (ordinary shares) issued by the Company in terms of the provisions of sections 46 and 48 of the Companies Act and in terms of the Listings Requirements, it being recorded that the Listings Requirements currently require, inter alia, that the Company may make a general repurchase of securities only if:

- any such repurchase of ordinary shares is effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty (reported trades are prohibited);
- authorised by the MOI;
- the general authority shall be valid until the next Annual General Meeting of the Company, provided that it shall not extend beyond 15 months from the date of this Special Resolution Number 3;
- when the Company has cumulatively repurchased 3% (three percent) of the number of ordinary shares in issue on the date of passing of Special Resolution Number 3, and for each 3% (three percent) thereof, in aggregate acquired thereafter, an announcement is published as soon as possible, in terms of the Listings Requirements;
- at any time, only one agent is appointed to effect any repurchase on the Company's behalf;
- the Company or its subsidiary does not repurchase securities during a prohibited period unless the Company has a repurchase programme in place where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and have been submitted to the JSE in writing prior to the commencement of the prohibited period and the Company will instruct an independent third party, which makes its investment decisions in relation to the Company's securities independently of, and uninfluenced by, the Company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;
- any general repurchase by the Company of its own ordinary shares shall not, in aggregate in any one financial year exceed 10% (ten percent) of the Company's issued ordinary shares as at the date of passing of this Special Resolution Number 3;
- in determining the price at which the ordinary shares are repurchased by the Company or its subsidiary in terms of this general authority, the maximum price at which such shares may be repurchased will not be greater than 10% (ten percent) above the weighted average of the market value for such ordinary shares for the five business days immediately preceding the date of repurchase of such shares; and
- in case of an acquisition by a subsidiary of the Company, of shares in the Company under this authority such acquisition shall be limited to a maximum of 10% (ten percent) in aggregate of the number of issued shares of any class of shares of the Company, taken together with all shares held by all the subsidiaries of the Company.

The directors of the Company confirm that no repurchase will be implemented in terms of this authority unless, after each such repurchase:

- the Company and the Group will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months after the date of the notice of the Annual General Meeting;
- the consolidated assets of the Company and the Group, fairly valued in accordance with the accounting policies used in the latest audited annual Group financial statements, will exceed its consolidated liabilities for a period of 12 months after the date of the notice of the Annual General Meeting;
- the share capital and reserves of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the Annual General Meeting;
- the working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the Annual General Meeting, and the directors have passed a resolution authorising the repurchase, resolving that the Company and its subsidiary/ies, have satisfied the solvency and liquidity test as defined in the Companies Act and since the solvency and liquidity test had been applied, there have been no material changes to the financial position of the Group; and
- the directors of the Company passed a resolution that it has authorised the repurchase, that the Company and its subsidiaries have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the Group.

Pursuant to and in terms of paragraphs 11.23 and 11.26 of the Listings Requirements, the directors of the Company hereby state that:

- the intention of the Company and its subsidiaries is to utilise the general authority to repurchase, if at some future date the cash resources of the Company are in excess of its requirements; and
- the method by which the Company and any of its subsidiaries intend to repurchase its securities and the date on which such repurchase will take place, has not yet been determined.

The Listings Requirements require the following disclosures with respect to general repurchases, some of which appear elsewhere in the Integrated Annual Report of which this Notice forms part:

- Major shareholders – page 63 of the Integrated Annual Report
- Share capital of the Company – page 60 and note 6 of the Merafe Resources 2018 audited annual financial statements

Directors' responsibility statement

The directors, whose names are given on pages 42 and 43 of the Integrated Annual Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to the general repurchase resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the aforementioned resolution contains all information required by law and the Listings Requirements.

No material changes to report

Other than the facts and developments reported on in the Integrated Annual Report, there are no material changes in the affairs or financial position of the Company and its subsidiaries that have occurred subsequent to the 31 December 2018 year end until the date of this Notice.

Reason and effect

The reason for and effect of Special Resolution Number 3 is to authorise the Company and/or its subsidiaries by way of a general authority to acquire the Company's issued shares on such terms, conditions and in such amounts as determined from time to time by the directors of the Company subject to the limitations set out above and in compliance with section 48 of the Companies Act.

11. General

To transact such other business that may be transacted at an Annual General Meeting.

12. Actions required by Merafe Resources' shareholders

12.1 The actions, which shareholders of the Company are required to take in order to follow their rights, to pass and adopt, with or without modification. the ordinary and special resolutions set out in this Notice are as set out below. If you are in any doubt as to the action you should take in relation to this Notice, please contact your stockbroker, Central Securities Depository Participant (CSDP), legal advisor, accountant, banker or other professional advisor immediately.

12.2 Record dates

12.2.1 The record date for shareholders to be recorded on the securities register of the Company in order to receive notice of the Annual General Meeting is Friday, 22 March 2019.

12.2.2 The record date for shareholders to be recorded on the securities register of the Company in order to be able to attend, participate in and vote at the Annual General Meeting is Friday, 10 May 2019 (Record Date).

12.2.3 The last day to trade in the Company's shares in order to be recorded on the securities register of the Company in order to be able to attend, participate in and vote at the Annual General Meeting is Monday, 6 May 2019.

12.3 Voting and attendance at the Annual General Meeting

12.3.1 If you are a shareholder at Record Date, you are entitled to attend, participate in and vote at the Annual General Meeting or may appoint one or more proxies to attend, participate in and vote thereat instead. A proxy need not be a shareholder of the Company. A form of proxy, in which the relevant instructions for its completion are set out, is enclosed for the use of a certified shareholder or 'own-name' registered dematerialised shareholder who wishes to be represented at the Annual General Meeting. Completion of a form of proxy will not preclude such shareholder from attending and voting at the Annual General Meeting (in preference of that proxy).

12.3.2 Forms of proxy must be lodged with the Company's transfer secretaries or at the Company's registered offices not less than 48 hours before the commencement of the Annual General Meeting (for administrative purposes only) or handed to the Chairperson of the Annual General Meeting before the appointed proxy exercises any of the relevant shareholder rights at the Annual General Meeting.

12.3.3 Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with 'own-name' registration, who wish to attend the Annual General Meeting in person should contact their CSDP or broker, to provide them with the necessary Letter of Representation in terms of their custody agreement.

12.3.4 Dematerialised shareholders, other than 'own-name' registered dematerialised shareholders, who are unable to attend the Annual General Meeting and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein.

12.3.5 In terms of Schedule 14.10 of the Listings Requirements, equity securities held by a share trust or scheme will not have their votes at general or Annual General Meetings taken into account for purposes of resolutions passed or to be passed in accordance with the Listings Requirements. Accordingly, votes cast by the Merafe Resources Limited Share Incentive Scheme (such scheme constituted by the document as approved by shareholders on 13 April 2010) will not have its votes taken into account for purposes of the adoption of such resolutions.

Notice of the Annual General Meeting (continued)

12.4 Representation by proxy

In compliance with the provisions of section 58(8)(b)(i) of the Companies Act, a summary of the rights of a shareholder to be represented by proxy is set out below:

12.4.1 A shareholder entitled to attend and vote at the Annual General Meeting may appoint any individual (or two or more individuals) as a proxy or as proxies to attend, participate in and vote at the Annual General Meeting in the place of the shareholder. A proxy need not be a shareholder of the Company.

12.4.2 A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy, and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid only until the end of the Annual General Meeting.

12.4.3 A proxy may delegate the proxy's authority to act on behalf of a shareholder to another person, subject to any restrictions set out in the instrument appointing the proxy.

12.4.4 The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.

12.4.5 The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the Company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the Company as required in the first sentence of this paragraph.

12.4.6 If the instrument appointing the proxy or proxies has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the Company's existing MOI to be delivered by the Company to the shareholder, must be delivered by the Company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed the Company to do so in writing; and (ii) paid any reasonable fee charged by the Company for doing so.

12.4.7 Attention is also drawn to the 'notes to the form of proxy'.

12.4.8 The completion of a form of proxy does not preclude any shareholder attending the Annual General Meeting.

Identification

In terms of section 63(1) of the Companies Act, any person attending or participating in the Annual General Meeting must present reasonably satisfactory identification and the person presiding at the Annual General Meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as a shareholder or as proxy for a shareholder) has been reasonably verified. A green bar-coded identification document issued by the South African Department of Home Affairs, a driver's licence or a valid passport will be accepted as a form of identification at the Annual General Meeting.

Electronic participation

Shareholders (or their proxies) may participate (but not vote) electronically in the Annual General Meeting. Shareholders (or their proxies) wishing to participate in the Annual General Meeting electronically should contact the Company Secretary on (+27 11 783 4780) at least 5 (five) business days prior to the Annual General Meeting. Access to the Annual General Meeting by way of electronic participation will be at the shareholder's expense. Only persons physically present at the meeting or represented by a valid proxy shall be entitled to cast a vote on any matter put to a vote of shareholders.

By order of the Board

W Somerville (On behalf of CorpStat Governance Services)
Company Secretary

6 March 2019

Form of proxy

Merafe Resources Limited
(Incorporated in the Republic of South Africa)
(Registration number 1987/003452/06) ISIN: ZAE000060000
Share code: MRF (Merafe Resources or the Company)

Only for use by shareholders who have not dematerialised their shares or shareholders who have dematerialised their shares with 'own-name' registration. All other dematerialised shareholders must contact their Central Securities Depository Participant (CSDP) or broker to make the relevant arrangements concerning voting and/or attendance at the Annual General Meeting.

A shareholder is entitled to appoint one or more proxies (none of whom need to be shareholders of Merafe Resources) to attend, speak and vote or abstain from voting in the place of that shareholder at the Annual General Meeting.

Form of proxy for the thirty second Annual General Meeting

I/We (name in block letters)

of (address)

(contact number)

(email address)

Being the holder/s of ordinary shares in the Company hereby appoint (see note 1)

1. or failing him/her

2. or failing him/her

3. The Chairperson of the Company, or failing him, the Chairperson of the Annual General Meeting, as my/our proxy to vote on my/our behalf at the Annual General Meeting of the Company to be held at the offices of the Company at Building B, 2nd floor, Ballyoaks Office Park, 35 Ballyclare Drive, Bryanston, 2191 at 11:00 on Wednesday, 15 May 2019, or at any adjournment thereof.

I/We desire to vote as follows (see note 2):

		Number of votes		
Ordinary and Special Resolutions		For	Against	Abstain
1	Ordinary Resolution Number 1: Adoption of annual financial statements			
2	Ordinary Resolution Number 2: Re-appointment of retiring directors			
	2.1 Mr A Mngomezulu			
	2.2 Ms B Majova			
3	Ordinary Resolution Number 3: Confirmation of appointment of directors			
	3.1 Ms M Vuso			
	3.2 Mr D Chocho			
	3.3 Ms G Motau			
4	Ordinary Resolution Number 4: Appointment of members to the Audit and Risk Committee for the forthcoming financial year			
	4.1 Ms M Vuso			
	4.2 Ms G Motau			
	4.3 Ms B Majova			
5	Ordinary Resolution Number 5: Re-appointment of external auditors of the Company, Deloitte & Touche Inc. and to appoint Mr Patrick Ndlovu as the designated audit partner			
6	Ordinary Resolution Number 6: Authority to sign all documents required to give effect to all resolutions in the notice of Annual General Meeting			
7	Ordinary Resolution Numbers 7.1 and 7.2: Non-binding advisory vote			
	Ordinary Resolution Number 7.1: Remuneration Policy			
	Ordinary Resolution Number 7.2: Remuneration Implementation Report			
8	Special Resolution Numbers 1.1 to 1.8: Approval of non-executive directors' fees for 2019			
	1.1 Board Chairperson			
	1.2 Board member			
	1.3 Audit and Risk Committee Chairperson			
	1.4 Audit and Risk Committee member			
	1.5 Remuneration and Nomination Committee Chairperson			
	1.6 Remuneration and Nomination Committee member			
	1.7 Social, Ethics and Transformation Committee Chairperson			
	1.8 Social, Ethics and Transformation Committee member			
9	Special Resolution Number 2: Loans or other financial assistance to related or inter-related companies			
10	Special Resolution Number 3: General authority to repurchase Company shares			

Signed at on 2019

Signature (assisted by me – where applicable)

Please see notes overleaf

Notes to form of proxy

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting 'the Chairperson of the Annual General Meeting', but any such deletion must be initialled by the shareholder. The person whose name stands first on the form of proxy and who is present at the Annual General Meeting of shareholders will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. Failure to comply will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting of shareholders as he/she deems fit with respect to all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by his proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by the proxy.
3. Forms of proxy must be lodged with, posted or faxed to, the transfer secretaries' registered office: Link Market Services South Africa Proprietary Limited, 13th Floor, Hollard Building, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg 2000) or +27 11 713 0800, or the Company's registered offices: Building B, 2nd floor, Ballyoaks Office Park, 35 Ballyclare Drive, Bryanston, 2191 (PO Box 652157, Benmore, 2010), or fax +27 11 783 4789 to be received no later than 11:00 on Monday 13 May 2019. If forms of proxy are not received by this date, they must be handed to the Chairperson of the Annual General Meeting before the appointed proxy exercises any of the relevant shareholders rights at the Annual General Meeting.
4. The completion and lodging of this form of proxy shall not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative or other legal capacity (such as power of attorney or other written authority) must be attached to this form of proxy unless previously recorded by Merafe Resources.
6. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
7. On a show of hands, every shareholder shall have only one vote, irrespective of the number of shares he/she holds or represents, provided that a proxy shall, irrespective of the number of shareholders he/she represents, have only one vote.
8. On a poll, every shareholder present in person or represented by proxy shall have one vote for every Merafe Resources share held by such shareholder.
9. A resolution put to the vote shall be decided on a poll.

Administration

Merafe Resources Limited
Company registration number: 1987/003452/06

Business address and registered office
Building B, 2nd floor
Ballyoaks Office Park
35 Ballyclare Drive
Bryanston
2191
Telephone: +27 11 783 4780 or 087 310 5639
Telefax: +27 11 783 4789
www.meraferesources.co.za

Company Secretary
CorpStat Governance Services (Pty) Ltd
Hurlingham Office Park
Ground floor
Suite 3, Block C
59 Woodlands Avenue
Hurlingham Manor
Telephone: +27 11 326 0975 or +27 11 783 4780
Telefax: +27 11 783 4789
Email: w.somerville@mweb.co.za
ewaldeck@corpstat.co.za

Auditors
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20 Woodlands Drive
Woodlands
Woodmead
2128

Bankers
Absa Bank Limited
180 Commissioner Street
Johannesburg
2001
Standard Bank of South Africa Limited
30 Baker street
Rosebank
2001

Attorneys
Bowman Gilfillan Inc.
165 West Street
Sandton
2196
PO Box 785812
Sandton
2146

Transfer secretaries
Link Market Services South Africa Proprietary Limited
13th Floor, Hollard Building
19 Ameshoff Street
Braamfontein
2001
PO Box 4844
Johannesburg
2000
Telephone: +27 11 713 0800

Sponsor
One Capital Sponsor Services Proprietary Limited
17 Fricker Road
Illovo, 2196
PO Box 784573
Sandton, 2146

Directorate
CK Molefe* (Chairperson), NB Majova*, A Mngomezulu*, M Mosweu*, M Vuso*, S Blankfield, G Motau*, Z Matlala (Chief Executive Officer), D Chocho (Financial Director)

** Independent*

WWW.MERAFERESOURCES.CO.ZA

MERAFE
RESOURCES

APPENDIX 1

MINERAL RESOURCES AND MINERAL RESERVES REPORT

31 DECEMBER 2018

P-J GRÄBE/JANUARY 2019

MINERAL RESOURCE AND MINERAL RESERVE STATEMENT

INTRODUCTION

The purpose of this report is to document the Mineral Resources and Mineral Reserves of Merafe Resources (Merafe) in accordance with the requirements of the SAMREC Code (The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (2016). All Merafe's operations are part of a pooling and sharing venture (PSV) with Glencore Operations South Africa (Pty) Ltd (hereafter called the Venture). Merafe has a 20.5% participation interest in the Mineral Resources and Mineral Reserves of the Venture. The estimates in this document are as at the 31st December 2018. The mined-out limits have been kept as at the end of June 2018. To arrive at a Mineral Resource and Mineral Reserve estimate for 31st December 2018, the budgeted production for July 2017 to December 2018 has been deducted from the total estimates. The Mineral Resource and Mineral Reserve information in the tables on the following pages is based on information compiled by Competent Persons (as defined by the SAMREC Code). The reference in the side column refers to the applicable requirement for the JSE listing rules, Section 12 (Mineral Companies).

12.11 (i) (2)

STATEMENT BY COMPETENT PERSON

The Mineral Resource and Mineral Reserve statement has been reviewed and the relevant data extracted and compiled by Pieter-Jan Gräbe (PJG). PJG is the Lead Competent Person, registered with the South African Council for Natural Scientific Professions (SACNASP, Private Bag X450, Silverton, 0127), Reg. No. - 400177/87 and holds a BSc. Hons. degree in Geology as well as a NHD in Metalliferous Mining. PJG is a geologist with 33 years' experience in mineral exploration and mining geology, directly linked to the mining industry and currently a full time employee of Glencore Operations South-Africa. PJG consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

12.11 (i) (5)

12.11 (i) (6)

Pieter-Jan Gräbe
Glencore Operations South Africa (Pty) Ltd
PO Box 2131
Rustenburg, 0300
NW, RSA
Tel: (014) 590 2416

DEFINITIONS

The following definitions (as per the SAMREC Code 2016), have been applied in estimation and categorization of the Mineral Resources and Mineral Reserves disclosed within this document.

A '**Mineral Resource'** is a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling.

An **Inferred Mineral Resource** is that part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. An Inferred Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to a Mineral Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.

An **Indicated Mineral Resource** is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation.

A **Measured Mineral Resource** is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proved Mineral Reserve or to a Probable Mineral Reserve.

A **Mineral Reserve** is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. The reference point at which Mineral Reserves are defined, usually the point where the ore is delivered to the processing plant, must be stated. It is important that, in all situations where the reference point is different, such as for a saleable product, a clarifying statement is included to ensure that the reader is fully informed as to what is being reported.

A **Probable Mineral Reserve** is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Mineral Reserve is lower than that applying to a Proved Mineral Reserve.

A **Proved Mineral Reserve** is the economically mineable part of a Measured Mineral Resource. A Proved Mineral Reserve implies a high degree of confidence in the Modifying Factors.

BRIEF DESCRIPTION OF EXPLORATION ACTIVITIES

The Venture's exploration activities aim to increase geological knowledge and confidence in its Mineral Resource base and to comply with legislative requirements. Exploration is done on two fronts; exploration drilling ahead of operations in current mining areas to support the mining activities, whilst project areas are explored to define and quantify new resources. *12.11 (iii) (1)*

Exploration is carried out on an annual basis, primarily through the drilling of vertical exploration drillholes. Geophysical surveys (mainly airborne magnetic surveys) have been conducted on all major operating mines and projects. The bulk of the exploration drillholes are drilled, as far as possible, on a pre-determined grid whilst further drillholes are drilled to target geological anomalies and to provide geological and geotechnical information to support effective mine planning.

A total of R13.302m was spent on drilling 15 357m of surface exploration drillholes for the Venture's operations and projects in FY2018. The exploration drilling is outsourced to a third party.

No feasibility studies were conducted during the reporting period on any of the ventures mines or projects. *12.11 (iii)(9)*

GEOLOGICAL SETTING

The Venture's chrome ore-bodies occur in the Bushveld Complex and its silica deposit occurs in the Magaliesberg Formation of the Transvaal Super Group (Figure 1). Both these geological occurrences are found in South Africa. Chrome ore is mined from both underground (mostly) and opencast workings, whilst silica is mined opencast only.

12.11 (iii) (2)

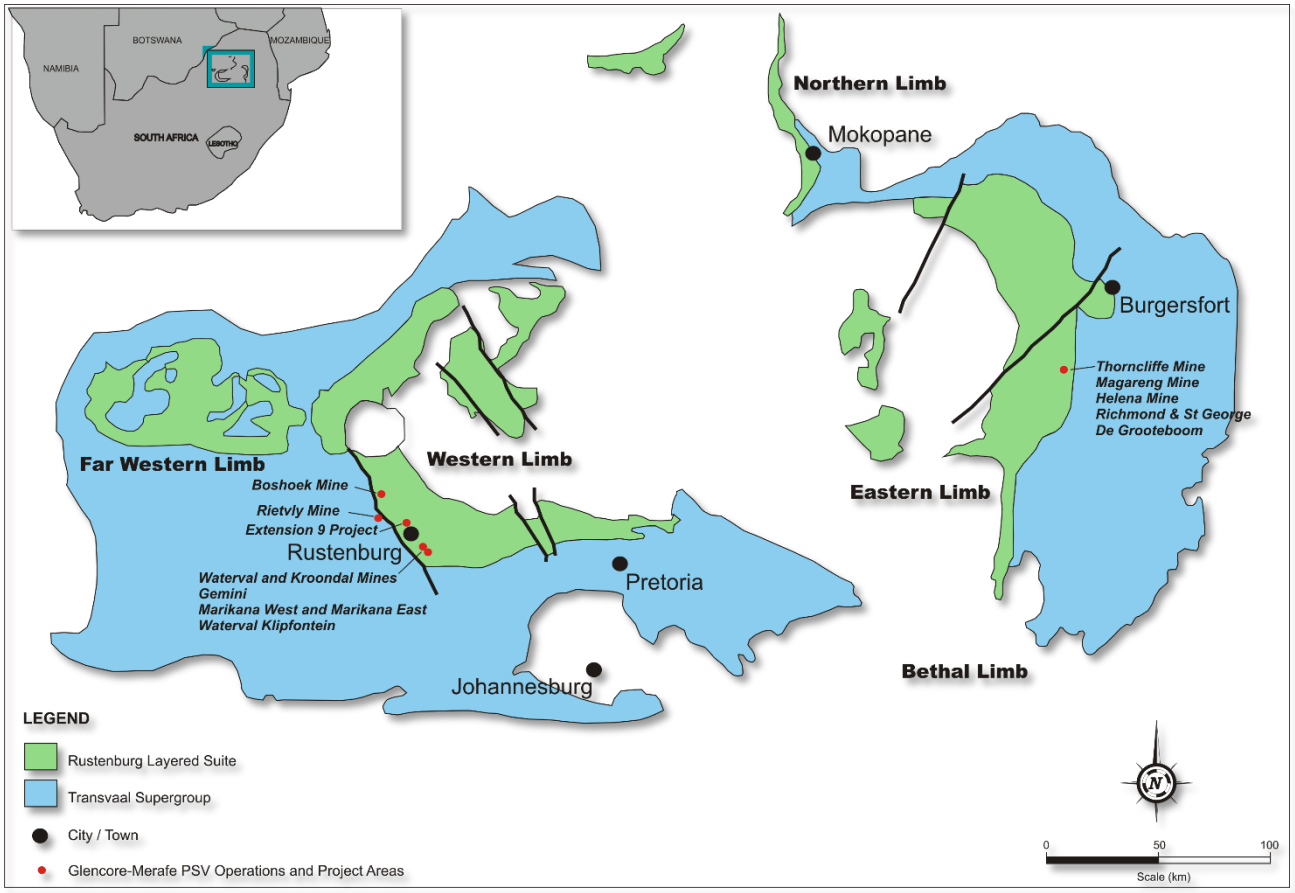


Figure 1: Location of the Venture's Operations

The Bushveld Complex

The 2 billion year old Bushveld Complex ("the Complex") is the world's largest known layered igneous intrusion and covers an area of 65 000km^2. The Complex is host to the majority of the world's PGM, chromite and vanadium resources.

The Complex is divided into five compartments; the western limb, the eastern limb, the northern limb, the far western limb and the Bethal limb (Figure 1). Merafe has operations on the Eastern - and Western Limbs of the complex. The Bushveld Complex is divided vertically into four suites of rocks; the Rooiberg Group, the Rustenburg Layered Suite, the Rashoop Granophyre Suite and the Lebowa Granite Suite. The mafic Rustenburg Layered Suite hosts the chromite deposits of the complex in the highly continuous chromitite layers of the Critical Zone. The complex reaches a vertical thickness of up to 9 000m. The Critical Zone contains 14 individually recognisable chromitite layers with varying thicknesses and grades. The primary chromitite layers targeted for chromite extraction are the LG6A and LG6 Chromitite Layers, usually mined as a package, and the MG1 Chromitite Layer. The LG6 Package consists of the lower LG6 Chromitite Layer, which is separated from the LG6A Chromitite

Layer by a pyroxenite (waste) middling. The MG1 Chromitite Layer consists of a single chromitite layer, with occasional discontinuous internal waste partings.

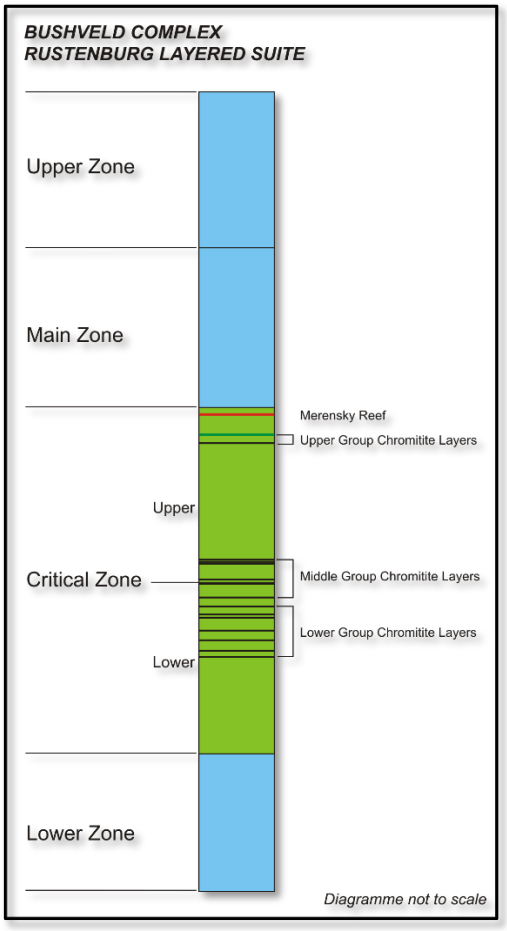


Figure 2: Schematic stratigraphy of the Rustenburg Layered Suite with special reference to the chromitite layers.

Magaliesberg Formation

The Magaliesberg Formation is made up of a package of individual layers of shale, quartzite and hornfels, which form a sub-formation of the Pretoria Group of the Transvaal Supergroup. The quartzite layers of the formation were formed by the deposition of sandstone sediments into the Transvaal Basin around 2.2 billion years ago. The Magaliesberg Formation is a massive sequence of quartzite and minor hornfels lithologies reaching a few hundred meters in thickness. The predominantly quartzite rocks form a prominent topographical ridge (mountain range) around the rim of the Bushveld Complex.

The Rietvly deposit is situated just to the west of Rustenburg town. The ore-body strikes north-south and dip towards the east at dip angles varying between 32^0 and 62^0. Jointing throughout the formation is prominent. The quartzite is very pure, with an average SiO_2 content of over 90%. There are no indications on surface of major geological disturbances. The Rustenburg Fault is developed to the southeast of the mine (just off the mine property).

TYPE OF MINING AND MINING ACTIVITIES

12.11 (iii) (3)

The Venture has chrome mining operations along the Western - and Eastern Limbs of the Bushveld Complex. The operations along the Western Limb of the Bushveld Complex comprise the Waterval - and Kroondal Mines. The LG6 Package at both Waterval and Kroondal Mine is mined underground using trackless mining methods on a Bord-and-Pillar lay-out.

Boshoek Mine is 20km north-west of Rustenburg. The MG1, LG5 and LG6 Chromitite Layers have been mined in several open pits. The opencastable ore has mostly been depleted and the mine has been put on care and maintenance.

Townlands Extension 9 is an exploration project. A Retention Permit has been applied for in Nov 2017. The DMR accepted the application and the Venture is now awaiting the granting which will mean that no exploration costs have to be expended on the project for the next 3 years.

Thorncliffe -, Magareng - and Helena Mines are situated along the southern portion of the Eastern Limb of the Bushveld Complex. The MG1 Chromitite Layer is being mined underground using trackless mining methods on a Bord-and-Pillar mining lay-out. The De Grooteboom property lies contiguous and immediately north of Thorncliffe Mine and as such form part of the Eastern Chrome Mines Complex, which are covered by one Mining Right. Thorncliffe Mine started mining in March 1997, building up to a steady state production of 113kt/m ROM (current 3 year budget). Helena Mine started producing in November 2008 and Magareng in Oct 2010. Both Magareng and Helena Mines are currently producing at a steady state of 111kt/m of ROM (current 3 year budget). Thorncliffe, Magareng and Helena Mines are situated within the same Mining Rights area but are situated on different farm properties. A Conversion application from a Prospecting Right to a Mining Right has been submitted to the DMR for an exploration project on the farms of St George and Richmond. This Mining Right will be incorporated into the Eastern Chrome Mines Mining Right. In parallel, a renewal application for the current Prospecting Right on these properties has been submitted, to ensure the right remains secured.

The Ventures silica deposit lies 15km west of Rustenburg. Rietvly Silica is an opencast mine. The quartzite is mined mainly to supply the Ventures furnaces with silica.

ORE PRODUCTION

12.11 (iii) (4)

The Venture has mined 5.628Mt ROM ore from 1st January 2018 to 31st December 2018 against a budget of 5.755Mt. The main ROM production challenges for 2018 was a sweepings contracts that was not finalized, mechanical breakdowns, geological conditions, section 54's and power outages. The sum total of these contributions amounted to -417kt. More efficient underground mining realised a gain of 290kt for the year. Saleable chrome concentrate amounted to 3.288Mt against a budget of 3.355Mt.

The estimates in this statement reflect the Mineral Resources and Mineral Reserves as at the 31st December 2018.

LEGAL ENTITLEMENT

All new order mining rights applications, mining right conversions, prospecting rights conversions and new order prospecting rights for all the main operating units, have been granted and executed by the Department of Mineral Resources. *12.11 (iii) (5)* *12.11 (iii) (10)*

Certain Section 102 and Section 11 applications under the MPRDA (Minerals and Petroleum Resources Development Act) remain in the ordinary administrative process, and the Venture has little reason to believe these will not be granted in due course.

DESCRIPTION OF THE METHOD AND ASSUMPTIONS MADE TO ESTIMATE MINERAL RESOURCES AND MINERAL RESERVES

Chrome

12.11 (iii) (7)

Raw geological data is validated through various steps and routines before finally being compiled into a final corporate network based database. The database data is statistically and geostatistically analysed to determine the inherent characteristics and variability of the data. The ore-body characteristics that are analysed are the distribution and variability of the thickness and SG's of the various chromitite layers as well as all the critical grade elements (Cr_2O_3, FeO_{total} and SiO_2). The results of the geostatistical analysis are used as input parameters for the creation of grade and thickness block models covering the entire mining or project areas. The block models form the basis from which the tonnage and grades are reported for the various Mineral Resource and Mineral Reserve blocks and categories.

The Mineral Resource categories are based on the data point density as well as the structural geology. A data point density of approximately 200m x 200m and less is used for the classification of measured Mineral Resources. For indicated Mineral Resources a density of between 200m and 400m are used. Inferred Mineral Resources is classified where the sample point density is wider than 400m x 400m. Geologically complex areas where high variability's are anticipated are downgraded to reflect the confidence in the geoscientific knowledge and certainty. The geostatistical analysis of the exploration data in all the mines and projects have indicated semi-variogramme ranges of at least 250m increasing to 2 000m. Geological structural characteristics are used in addition to support the drilling density. Geologically complex areas are drilled at denser drill spacing's. Other factors that are taken into consideration are regional geology and the proximity of other operating or work-out mines and projects. All the non-mineralised areas, and areas that may not be mined for various legislative or other reasons are excluded from the Mineral Resources, e.g. boundary pillars, crown pillars, large potholes, transgressive geological bodies, fault zones, etc.

The Mineral Reserves are estimated by applying modifying factors to convert the Indicated Mineral Resources to Probable Mineral Reserves and the Measured Mineral Resources to Proved Mineral Reserves. The following modifying factors are used; - an estimated geological loss factor (determined by losses in historically mined-out areas and projected forward), the predetermined mining extraction rate, ore losses and ore contamination from mining over break. The Mineral Reserve areas are restricted to the 5-year detailed mine plan, except in the case of Waterval, Thorncliffe and Kroondal Mine. In these cases the LOM plans form the basis for the Mineral Reserves.

The Mineral Resources and Mineral Reserves are reported per Mining Right and/or farm boundary areas and not necessarily per mine.

Silica

The silica Mineral Resources are estimated by modelling the quartzite hill that is being mined. The volume of the quartzite hill is determined from the 1340m level (amsl) to the topographical surface as at the end of June 2018. The topographical surface is reconstructed every year by clipping the mining depletion. The remaining volume is multiplied by the assayed SG for the Rietvly quartzite to

determine the in-situ tonnage.

The quartzite is exposed by the opencast mine workings as well as along the original slopes of the hill. The exploration core bore-holes, the beneficiation process, the quartzite exposed along the slopes of the hill as well as excavations from mining have been used as criteria for classifying the deposit as an Indicated Mineral Resource. The Mineral Reserves have been declared for an opencast mining period of 5 years. The 5 year mine plan has been updated during 2017.

COMPARISON OF MINERAL RESOURCE AND MINERAL RESERVE ESTIMATES WITH PREVIOUS YEAR'S ESTIMATES

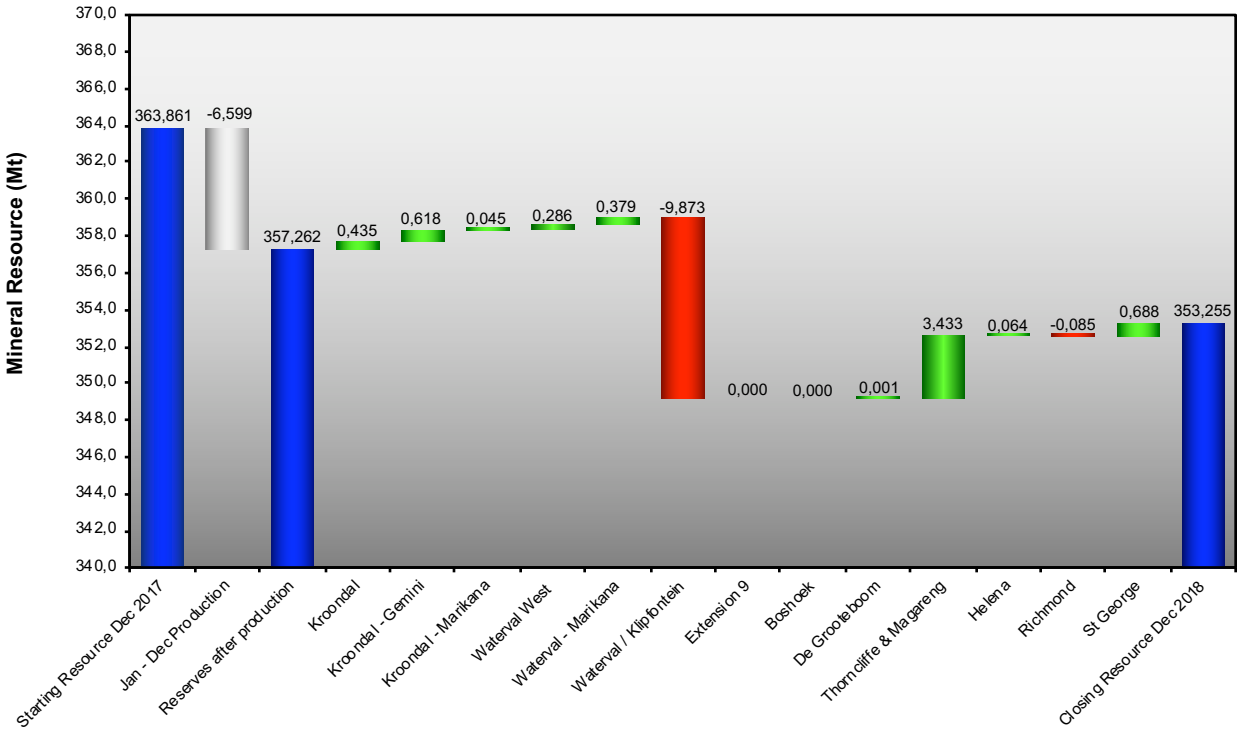
12.11 (iii) (4)

The annual Mineral Resource and Mineral Reserve estimates are compared with the previous year's statement and reconciled each year after the estimates have been finalized. Changes in the year on year tonnage and grade estimates are mainly due to mining depletion and changes in the Mineral Resource and Mineral Reserves tonnages and grades due to additional geological information. In addition, sold or un-renewed rights will also impact total resources and reserves.

Mineral Resource Reconciliation

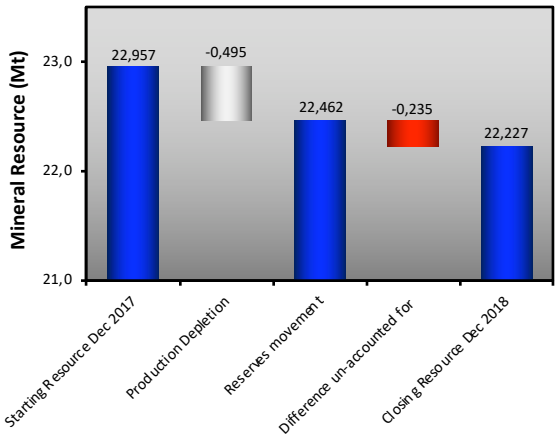
The biggest contribution to the year-on-year change in the Mineral Resource tonnages for the Venture is mainly due to the disposal of portions of the Klipfontein/Waterval and the Kroondal Gemini resource blocks in favour of Lanxess Chrome Mining (Pty) Ltd ("LCM"). The Venture will be compensated for these resources as and when LCM mine the resources. The disposed resource blocks amount to 8.098Mt.

The graphs below indicate the year-on-year net Mineral Resource movements.



An application for the extension of the prospecting rights of two properties, Richmond and St George, lying downdip of Helena and Thorncliffe farms have been logged. In addition an application has been logged to incorporate the St George and Richmond properties into the Eastern Chrome Mines Mining Right. This report includes Mineral Resources for St George and Richmond as extensions of the Thorncliffe and Helena Mineral Resources.

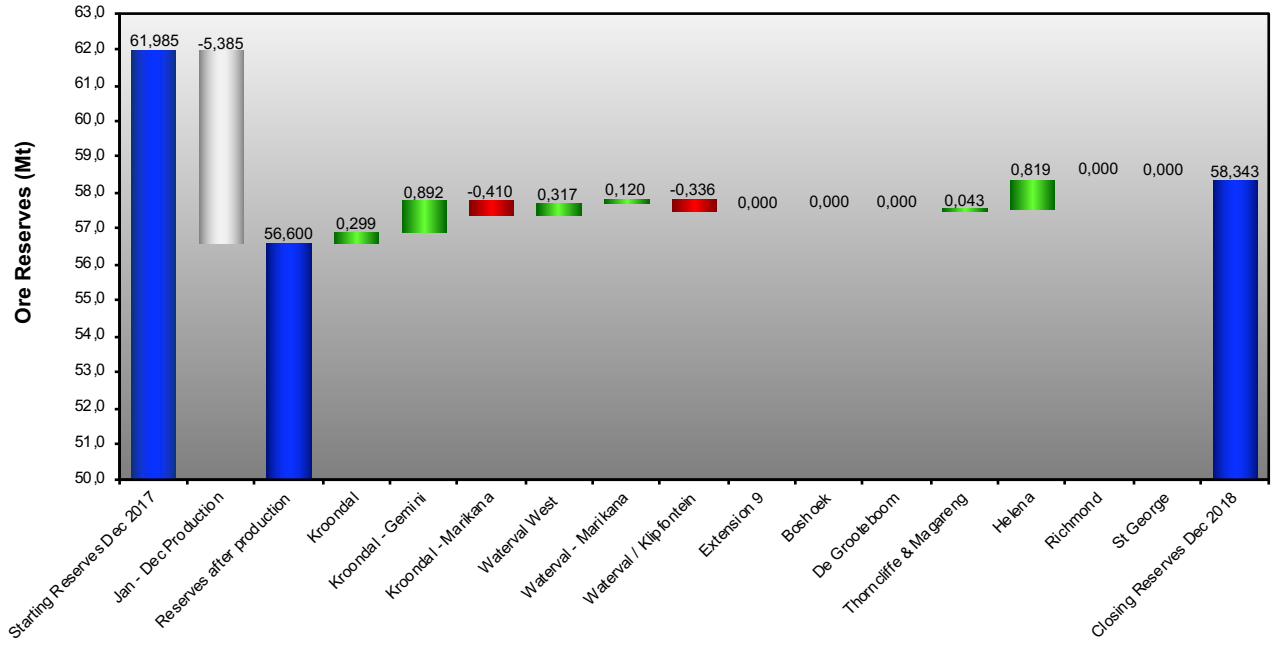
There is no material difference in the silica Mineral Resource estimate from December 2017 to December 2018 and the change is entirely attributed to mining depletion. The graph below shows the year-on-year Mineral Resource movement of Rietvly Silica.



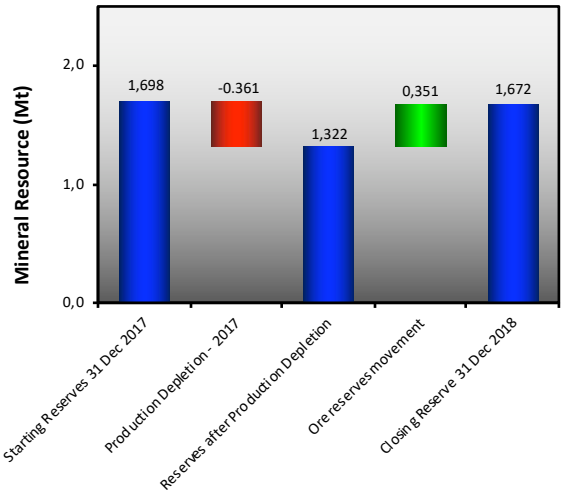
Mineral Reserve Reconciliation

The most significant changes in the year on year estimation of the Mineral Reserves recorded at the western limb operations is the mining footprint in the Kroondal - Marikana and Waterval / Klipfontein properties. A significant increase along the eastern limb was the result of additional Indicated and Measured Mineral Resources that previously fell in the Inferred Resources category. These resources could previously not be modified to Mineral Reserves as per the code requirements.

The graphs below indicate the year-on-year net Mineral Reserve movements.



The change in the Mineral Reserves for Rietvly is mainly as a result of mining depletion. The graph below shows the year-on-year Mineral Reserve movement for the Rietvly Silica operation.



AUDITING

An internal audit was conducted on the 2018 resource and reserves estimation process during November 2018. A number of minor issues have been identified of which most has been addressed and the balance to be addressed during the 2019 R&R estimation cycle. The findings had no material impact on the total resource and reserve base.

STATEMENT REGARDING INFERRED MINERAL RESOURCES AND FEASIBILITY STUDIES

No feasibility studies were conducted during the reporting period on any of the mines or projects and hence no inferred Mineral Resources have been included in any feasibility studies. *12.11 (iii) (1)*

No Inferred Mineral Resources have been modified to Mineral Reserves. *12.11 (iii) (9)*

MATERIAL RISK FACTORS

There are no foreseen material risk factors that could affect the validity of the current Mineral Resource and Mineral Reserve statement. All the legislative requirements have been met with respect to the rights to mining and prospecting for which the Mineral Resources and Mineral Reserves have been reported. All the operating mines are mining under new order, executed, Mining Rights. The Prospecting Rights of all the prospecting areas have been converted to new order Prospecting Rights. *12.11 (iii) (10)*

SUMMARY OF ENVIRONMENTAL FUNDING AND MANAGEMENT

All Venture operations have developed and implemented their own environmental management programs (EMP), and systems which are fully aligned with ISO 14001 and the ICMM principles of sustainable development. *12.11 (iii) (13)*

Baseline environmental, biodiversity and landscape function studies are conducted at the feasibility or exploration phase of projects and environmental risk assessments associated with impacts on environment, biodiversity and landscape functions are undertaken for new operations or major changes to existing operations. Information from these studies is used, in consultation with the affected parties and concerned external stakeholders, for the development and implementation of environmental, biodiversity and landscape function management systems and programmes.

All operations report in a centralised database on all the Global Reporting Index (GRI4) requirements, which include energy consumption, water, waste, soil and air emissions. Various audits are conducted across the operations. These range from internal audits to third party external audits which includes legal compliance. The Venture also makes use of specialist reports where necessary.

The Venture sets targets and effectively measures environmental performance against such targets and benchmarks their performance against leading practices in the industry. Such targets and performances are reviewed at regular intervals to ensure continual improvement of environmental performance. The Venture has introduced KPI's on the implementation of water and energy management plans.

All employees are coached and trained regarding the efficient use of natural resources, reducing input material and waste.

All mining operations closure plans and quantified closure cost were originally estimated by an external consultant as per the DMR Quantum Regulations.

During the period of 2016 and 2017 the Venture commenced with a project to re-assess the associated cost as per the new Financial Provision Regulations published in 2015 and this has been included in the provision for rehabilitation for the period 2017. The provision has been audited by an external auditor during 2017.

Merafe Ferrochrome and Mining (Pty) Ltd's 20.5% share of the Venture's provision for rehabilitation is set out in note 10 in Merafe 2018 Annual Financial Statements on pages 54 and 55. The Merafe 2018 Annual Financial Statements are on the Merafe website and form part of the Merafe 2018 online Integrated Annual Report.

The Closure and Rehabilitation plans for all operations were update during 2018 to determine the associated closure cost and required provision for rehabilitation. The provision has been audited by an external auditor during 2018.

MINERAL RESOURCES AND MINERAL RESERVES STATEMENT

The reporting date for the Mineral Resources and Mineral Reserves is the 31st December 2018.

The Mineral Resources and Mineral Reserves are reported as ROM (pre beneficiation plant) on a total basis with the attributable interests indicated. *12.11 (i) (3)*

Chrome Mineral Resources

Name of operation	Attributable Portion	Mining method	Commodity	Measured Mineral Resources		Indicated Mineral Resources		Measured and Indicated Resources		Inferred Mineral Resources		Competent Person
				31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17	
BUSHVELD COMPLEX - WESTERN LIMB												
WESTERN CHROME MINES - LG6 Chromitite Package and MG1 Chromitite Layer												
Waterval	20.50%	UG	Ore (Mt)	16.231	16.044	1.02	0.98	17.26	17.03	0.7	0.6	MM/DR
			Cr_2O_3 (%)	41.31	41.30	42.6	42.6	41.4	41.4	43	43	
Marikana West	20.50%	UG	Ore (Mt)	2.947	2.827	1.69	1.60	4.64	4.43	-	-	MM/DR
			Cr_2O_3 (%)	42.44	42.44	42.6	42.6	42.5	42.5	-	-	
Kroondal	20.50%	UG/OC	Ore (Mt)	8.590	8.803	1.57	1.57	10.16	10.37	-	-	MM/DR
			Cr_2O_3 (%)	42.84	42.70	41.6	41.6	42.6	42.5	-	-	
Kroondal Gemini	20.50%	UG/OC	Ore (Mt)	10.037	10.649	4.96	4.42	15.00	15.07	-	-	MM/DR
			Cr_2O_3 (%)	42.56	42.59	41.4	41.6	42.2	42.3	-	-	
Marikana East	20.50%	UG	Ore (Mt)	4.193	4.196	0.79	0.78	4.98	4.98	-	-	MM/DR
			Cr_2O_3 (%)	42.25	42.25	41.8	41.8	42.2	42.2	-	-	
Klipfontein/Waterval	20.50%	UG	Ore (Mt)	9.952	11.729	16.92	16.98	26.87	28.71	106.9	115.0	MM/DR
			Cr_2O_3 (%)	42.10	42.12	42.0	42.0	42.0	42.0	42	42	
Boshoek	20.50%	OC/UG	Ore (Mt)	-	-	17.09	17.09	17.09	17.09	-	-	MM/DR
			Cr_2O_3 (%)	-	-	40.5	40.5	40.5	40.5	-	-	
Townlands Extension 9	20.50%	UG	Ore (Mt)	-	-	12.94	12.94	12.94	12.94	-	-	MM/DR
			Cr_2O_3 (%)	-	-	41.4	41.4	41.4	41.4	-	-	
Total			**Ore (Mt)**	**51.951**	**54.248**	**57.00**	**56.38**	**108.95**	**110.63**	**107.6**	**115.6**	
			Cr_2O_3(%)	**42.10**	**42.09**	**41.4**	**41.4**	**41.7**	**41.7**	**42**	**42**	

BUSHVELD COMPLEX - EASTERN LIMB

EASTERN CHROME MINES - MG1 Chromitite Layer												
Thorncliffe	20.50%	UG/OC	Ore (Mt)	36.445	36.406	14.40	15.27	50.85	51.67	0.2	0.3	SV/DR
			Cr_2O_3 (%)	40.44	40.61	41.2	41.3	40.6	40.8	42	41	
Helena	20.50%	UG/OC	Ore (Mt)	23.667	23.309	13.58	14.53	37.25	37.84	9.1	9.1	SV/DR
			Cr_2O_3 (%)	39.75	39.84	38.4	39.0	39.3	39.5	38	39	
De Grooteboom	20.50%	UG/OC	Ore (Mt)	1.038	1.036	0.50	0.50	1.54	1.54	-	-	SV/DR
			Cr_2O_3 (%)	40.23	40.23	40.3	40.3	40.3	40.3	-	-	
Richmond	20.50%	UG	Ore (Mt)	0.595	0.613	12.26	12.28	12.86	12.89	13.9	13.9	SV/DR
			Cr_2O_3 (%)	41.32	41.33	41.1	41.1	41.1	41.1	41	41	
St George	20.50%	UG	Ore (Mt)	-	-	4.92	3.20	4.92	3.20	6.1	7.2	SV/DR
			Cr_2O_3 (%)	-	-	39.6	39.4	39.6	39.4	40	40	
Total - MG1			**Ore (Mt)**	**61.743**	**61.364**	**45.67**	**45.78**	**107.41**	**107.14**	**29.3**	**30.5**	
			Cr_2O_3(%)	**40.18**	**40.32**	**40.2**	**40.4**	**40.2**	**40.3**	**40**	**40**	
EASTERN CHROME MINES - MG2 Chromitite Layer												
Thorncliffe	20.50%	UG/OC	Ore (Mt)	-	-	-	-	-	-	41.8	41.8	SV/DR
			Cr_2O_3 (%)	-	-	-	-	-	-	38	38	
Helena	20.50%	UG/OC	Ore (Mt)	-	-	-	-	-	-	85.4	85.4	SV/DR
			Cr_2O_3 (%)	-	-	-	-	-	-	38	38	
De Grooteboom	20.50%	UG/OC	Ore (Mt)	-	-	-	-	-	-	-	-	SV/DR
			Cr_2O_3 (%)	-	-	-	-	-	-	-	-	
Richmond	20.50%	UG	Ore (Mt)	-	-	-	-	-	-	-	-	SV/DR
			Cr_2O_3 (%)	-	-	-	-	-	-	-	-	
St George	20.50%	UG	Ore (Mt)	-	-	-	-	-	-	-	-	SV/DR
			Cr_2O_3 (%)	-	-	-	-	-	-	-	-	
Total - MG2			**Ore (Mt)**	**-**	**-**	**-**	**-**	**-**	**-**	**127.2**	**127.2**	
			Cr_2O_3(%)	**-**	**-**	**-**	**-**	**-**	**-**	**38**	**38**	
Total - MG1 and MG2			**Ore (Mt)**	**61.743**	**61.364**	**45.67**	**45.78**	**107.41**	**107.14**	**156.5**	**157.7**	
			Cr_2O_3(%)	**40.18**	**40.32**	**40.2**	**40.4**	**40.2**	**40.3**	**38**	**38**	

BUSHVELD COMPLEX - WESTERN LIMB

WESTERN CHROME MINES - Tailings												
Kroondal Dam	20.50%	Tailings	(Mt)	-	-	-	-	-	-	1.3	1.0	MM
			Cr_2O_3(%)	-	-	-	-	-	-	16	17	
Waterval East Dam	20.50%	Tailings	(Mt)	-	-	-	-	-	-	0.9	-	MM
			Cr_2O_3(%)	-	-	-	-	-	-	19	-	
Waterval West Dam	20.50%	Tailings	(Mt)	-	-	-	-	-	-	0.3	-	MM
			Cr_2O_3(%)	-	-	-	-	-	-	15	-	
Cashan Dam	20.50%	Tailings	(Mt)	-	-	-	-	-	-	0.0	-	MM
			Cr_2O_3(%)	-	-	-	-	-	-	15	-	
Subtotal			**Tailings (Mt)**	-	-	-	-	-	-	**2.6**	-	
			Cr_2O_3(%)	-	-	-	-	-	-	**17**	-	

BUSHVELD COMPLEX - EASTERN LIMB

EASTERN CHROME MINES - Tailings												
Thorncliffe Dam	20.50%	Tailings	(Mt)	-	-	-	-	-	-	3.9	-	SV
			Cr_2O_3(%)	-	-	-	-	-	-	20	-	
Helena Paste	20.50%	Tailings	(Mt)	-	-	-	-	-	-	0.3	-	SV
			Cr_2O_3(%)	-	-	-	-	-	-	17	-	
Subtotal			**Tailings (Mt)**	-	-	-	-	-	-	**4.2**	-	
			Cr_2O_3(%)	-	-	-	-	-	-	**19**	-	

Notes :

Tonnages are quoted as million metric dry tonnes for the chromitite layers. The tailings are quoted as dry cubic meters.

Grades are quoted as $\%Cr_2O_3$.

The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce Mineral Reserves.

No cut-off grades are applied to the chromitite layers currently being mined because of the exceptional regional grade consistency and continuity.

The Mineral Resources are estimated as chromitite tonnages and grades to reflect the grades of the various individual chromitite layers. Both the LG6 and MG1 Chromitite Layers which the Venture is currently mining, is discrete solid chromitite layers. Along the Western Limb of the Bushveld Complex, the LG6 Chromitite Package is mined on the Waterval and Kroondal properties. The Klipfontein/Waterval property is an extension area for both the Waterval and Kroondal Mines. Thorncliffe, Magareng and Helena Mines, along the Eastern Limb of the Bushveld Complex are mining the MG1 Chromitite Layer.

Changes in the year on year Mineral Resource tonnage and grade estimates are mainly due to mining depletion and changes due to additional geological information gained through exploration.

The LOM (Life-of-Mine) for the operating mines vary between 1 year and 5 years based on the declared Mineral Reserves. The LOM periods for the operating mines based on all the Mineral Reserves (excluding Inferred Mineral Resources) converted to Mineral Resources vary between 5 years and 38 years. The Mining Rights expire from 2022 to 2039 for the various operating mines.

Competent Persons;

PJG – Pieter-Jan Gräbe, Glencore Operations SA, (SACNASP). Overall responsibility for Mineral Resources and Mineral Reserves.

SV – Solly Vaid, Glencore Operations, Eastern Chrome Mines, (PLATO). Responsible for Mineral Resources and Mineral Reserves.

MM – Mogomotsi Maputle, Glencore Operations SA, Western Chrome Mines, (SACNASP). Responsible for Mineral Resources and Mineral Reserves.

DR –Dean Richards, Obsidian Consulting Services (SACNASP). Responsible for geostatistical analysis of data, Mineral Resource classification and construction of tonnage and grade block models and reporting of tonnage and grades from block models.

Chrome Mineral Reserve Statement

Name of operation	Attributable Portion	Mining method	Commodity	Proved Mineral Reserves 31.12.18	Proved Mineral Reserves 31.12.17	Probable Mineral Reserves 31.12.18	Probable Mineral Reserves 31.12.17	Total Mineral Reserves 31.12.18	Total Mineral Reserves 31.12.17	Competent Person
BUSHVELD COMPLEX - WESTERN LIMB										
WESTERN CHROME MINES - LG6 Chromitite Package										
Waterval	20.50%	UG	Ore (Mt)	8.548	8.727	0.89	0.89	9.44	9.61	MM/DR
			Cr_2O_3 (%)	31.36	31.40	26.8	26.8	30.9	31.0	
Marikana West	20.50%	UG	Ore (Mt)	0.150	0.110	-	-	0.15	0.11	MM/DR
			Cr_2O_3 (%)	29.88	28.93	-	-	29.9	28.9	
Kroondal	20.50%	UG/OC	Ore (Mt)	2.199	2.142	1.36	1.92	3.56	4.07	MM/DR
			Cr_2O_3 (%)	29.38	29.27	28.8	28.5	29.2	28.9	
Kroondal Gemini	20.50%	UG/OC	Ore (Mt)	6.036	6.178	4.05	4.72	10.08	10.89	MM/DR
			Cr_2O_3 (%)	31.57	31.42	28.9	28.5	30.5	30.2	
Marikana East	20.50%	UG	Ore (Mt)	0.725	-	0.15	-	0.87	-	MM/DR
			Cr_2O_3 (%)	28.58	-	28.5	-	28.6	-	
Klipfontein/Waterval	20.50%	UG	Ore (Mt)	0.820	-	0.34	-	1.16	-	MM/DR
			Cr_2O_3 (%)	28.65	-	28.7	-	28.7	-	
Boshoek	20.50%	UG/OC	Ore (Mt)	-	-	0.58	0.58	0.58	0.58	MM/DR
			Cr_2O_3 (%)	-	-	26.1	26.1	26.1	26.1	
Total			**Ore (Mt)**	**18.477**	**17.157**	**7.37**	**8.11**	**25.84**	**25.26**	
			Cr_2O_3 (%)	**31.00**	**31.13**	**28.4**	**28.1**	**30.4**	**30.2**	
EASTERN CHROME MINES - MG1 Chromitite Layer										
Thorncliffe Mine	20.50%	UG/OC	Ore (Mt)	24.093	22.267	9.09	8.15	33.18	30.41	SV/DR
			Cr_2O_3 (%)	35.13	33.76	35.9	34.2	35.3	33.9	
Helena Mine	20.50%	UG/OC	Ore (Mt)	2.957	3.250	-	-	2.96	3.25	SV/DR
			Cr_2O_3 (%)	33.92	33.45	-	-	33.9	33.5	
Total - MG1			**Ore (Mt)**	**27.050**	**25.517**	**9.09**	**8.15**	**36.14**	**33.66**	
			Cr_2O_3 (%)	**35.00**	**33.72**	**35.9**	**34.2**	**35.2**	**33.8**	

Notes;

Tonnages are quoted as million metric dry tonnes for the chromitite layers.

Grades are quoted as $\%Cr_2O_3$

No cut-off grades are applied to the chromitite layers currently being mined due to the exceptional regional grade consistency and continuity. A minimum mining cut of 1.8m is applied to the Mineral Reserve tonnage to accommodate the mechanized mining equipment employed by the underground mining operations. External waste is included to make up the minimum cut where applicable.

The chromitite layers are mined mainly underground using trackless mechanized mining methods on a board-and-pillar mine lay-out design.

Changes in the year on year Mineral Reserves tonnage and grade estimates are mainly due to mining depletion and changes due to additional geological information gained through exploration.

Competent Persons;

PJG – Pieter-Jan Gräbe, Glencore Operations SA, (SACNASP). Overall responsibility for Mineral Resources and Mineral Reserves.

SV – Solly Vaid, Glencore Operations SA, Eastern Chrome Mines, (PLATO). Responsible for Mineral Resources and Mineral Reserves.

MM – Mogomotsi Maputle, Glencore Operations SA, Western Chrome Mines, (SACNASP). Responsible for Mineral Resources and Mineral Reserves.

DR –Dean Richards, Obsidian Consulting Services (SACNASP). Responsible for geostatistical analysis of data, Mineral Resource classification and construction of tonnage and grade block models and reporting of tonnage and grades from block models.

Silica Mineral Resources

Name of operation	Attributable Portion	Mining method	Commodity	Measured Mineral Resources		Indicated Mineral Resources		Measured and Indicated Resources		Inferred Mineral Resources		Competent Person
				31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17	
MAGALIESBERG QUARTZITE FORMATION												
Rietvly Silica Mine – Quartzite												
Rietvly	20.5%	OC	Ore (Mt)	-	-	22.96	23.27	22.96	23.27	-	-	MM
			SiO_2 (%)	-	-	91	91	91	91	-	-	

Silica Mineral Reserves

Name of operation	Attributable Portion	Mining method	Commodity	Proved Mineral Reserves		Probable Mineral Reserves		Total Mineral Reserves		Competent Person
				31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17	
MAGALIESBERG QUARTZITE FORMATION										
Rietvly Silica Mine – Quartzite										
Rietvly	20.5%	OC	Ore (Mt)	-	-	1.70	2.05	1.70	2.05	MM
			SiO_2 (%)	-	-	90	91	90	91	

Notes;

Tonnages are quoted as million metric dry tonnes

Grades are quoted as $\%SiO_2$.

The Rietvly silica ore is mined through opencast mining methods and the ROM (Run-of-Mine) ore is crushed, washed and sized on site to produce a final sized and quality graded product. No silica cut-off grades are applied to the Mineral Resource estimation. The quartzite is mined mainly to supply the Ventures furnaces with silica.

Changes in the year on year tonnage and grade estimates are mainly due to mining depletion, reclassification of the Mineral Resource categories and changes in the Mineral Resource tonnages and grades due to additional geological information gained through exploration.

No significant changes have been recorded in the year-on-year Mineral Resource estimation.

The LOM for Rietvly Silica is 5 years based on the declared Mineral Reserves and a production rate of ~28.3kt Plant Feed per month. The Mining Right expires in 2037.

Competent Person;

PJG – Pieter-Jan Gräbe, Glencore Operations SA, (SACNASP), Overall responsibility of Mineral Resources and Mineral Reserves.

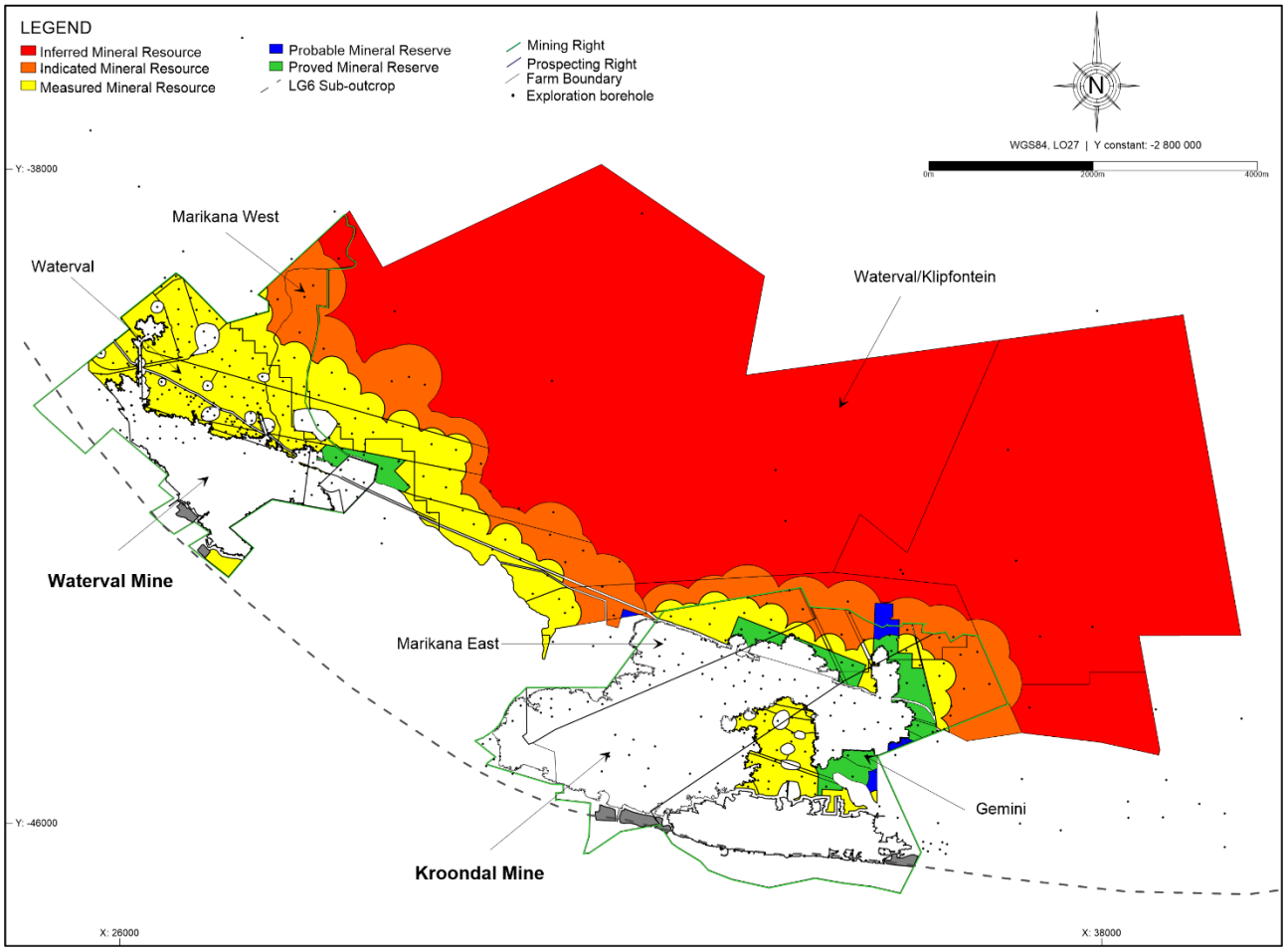
MM – Mogomotsi Maputle, Glencore Operations SA, (SACNASP), Responsible for Mineral Resources and Mineral Reserves.

MINERAL RESOURCE AND MINERAL RESERVE MAPS

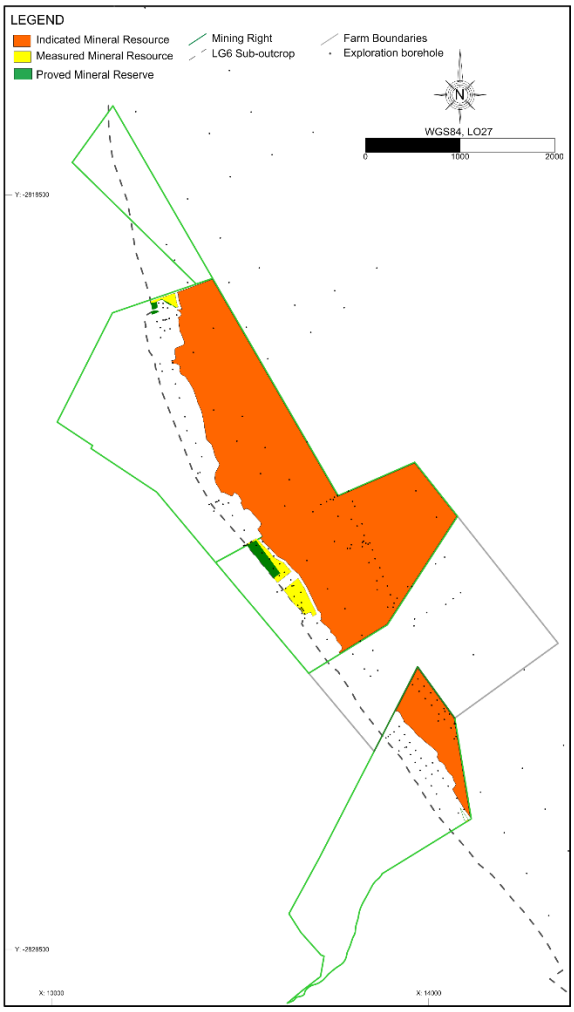
The plans below indicate the various Mineral Resource and Mineral Reserve categories of the Venture. *12.11 (iii) (12)*

Chrome - Bushveld Complex, Western Limb.

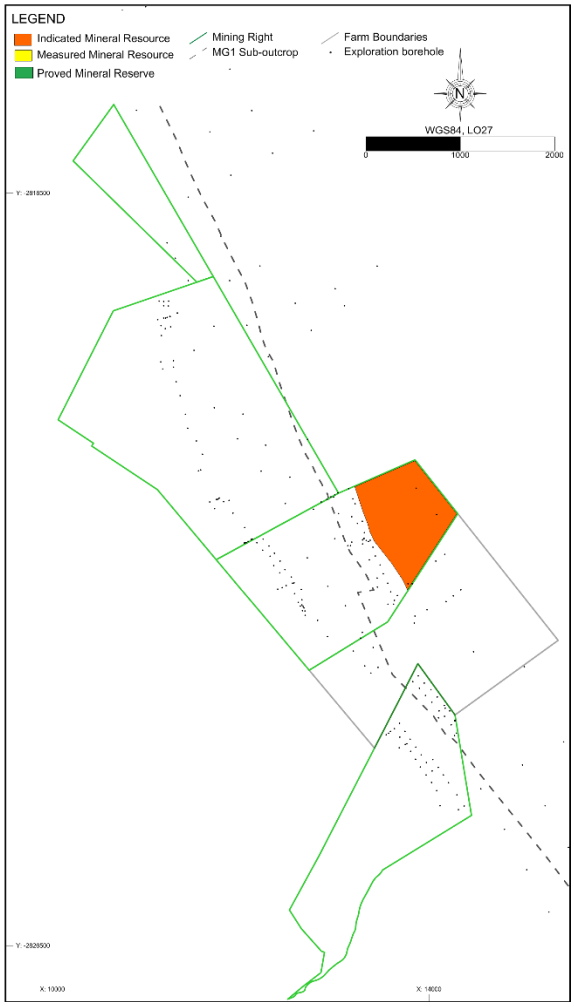
Waterval and Kroondal Mines - LG6 Chromitite Package Mining.



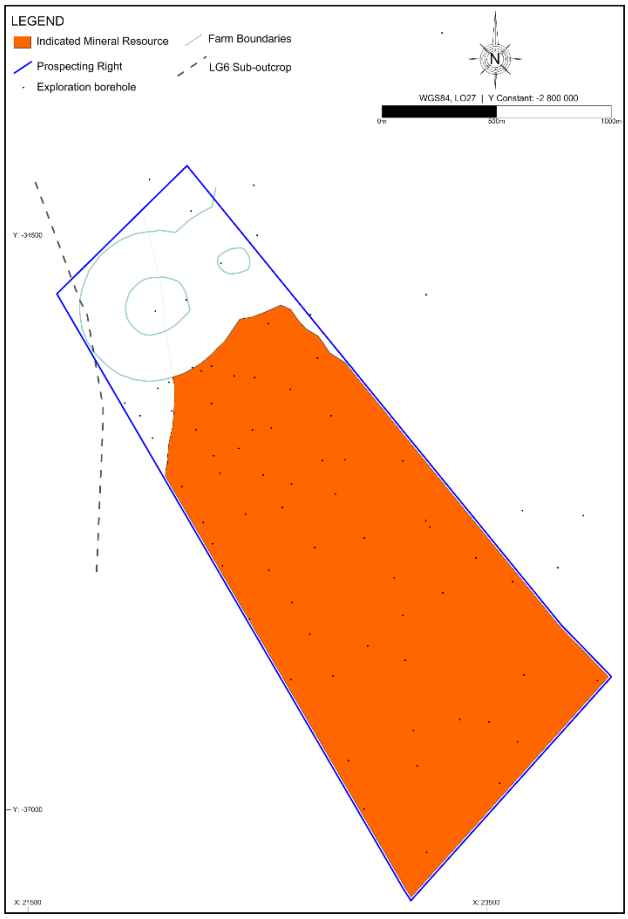
Boshoek Mine- LG6 Chromitite Layer.



Boshoek Mine - MG1 Chromitite Layer.

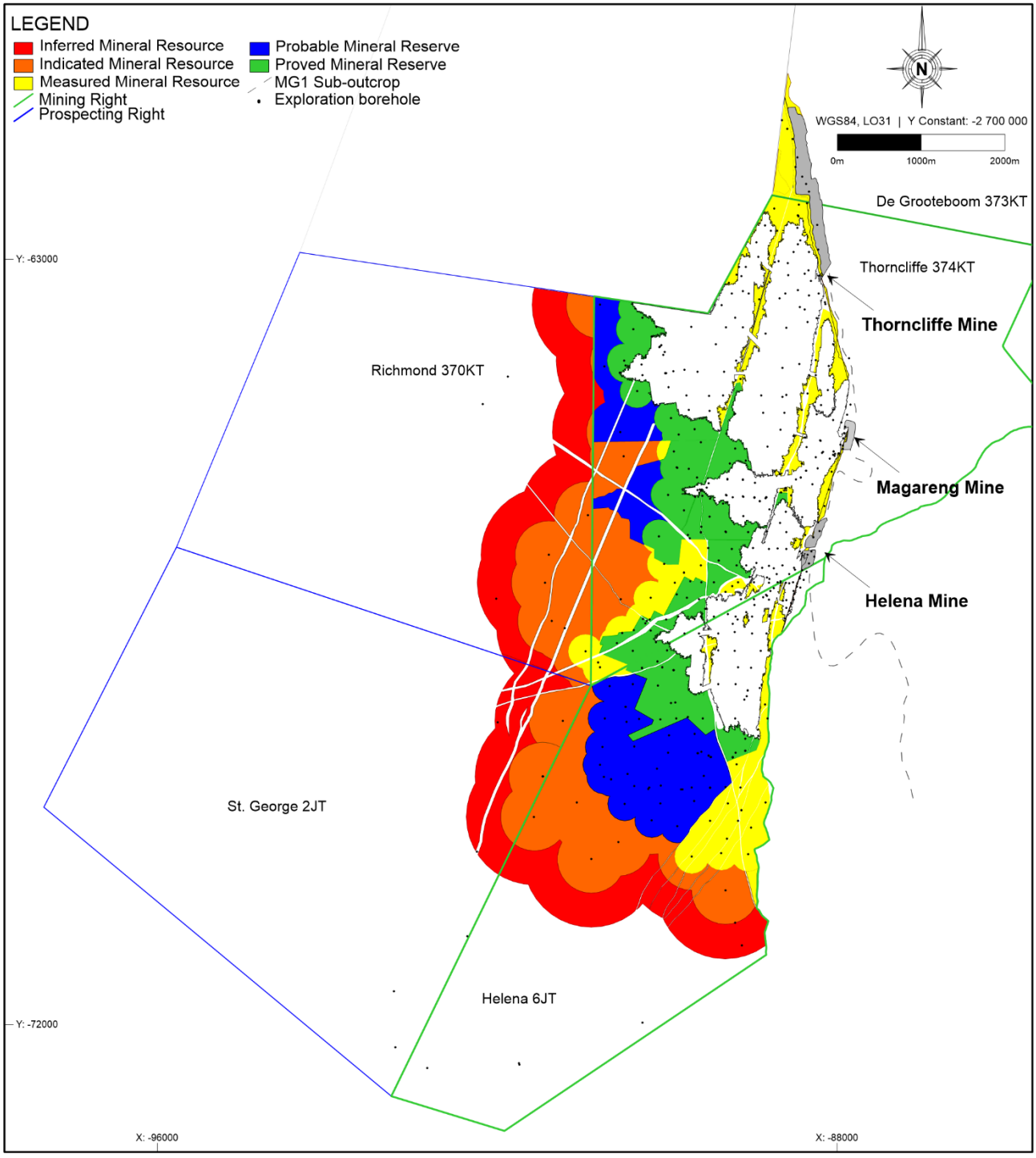


Extension 9 - LG6 Chromitite Package.



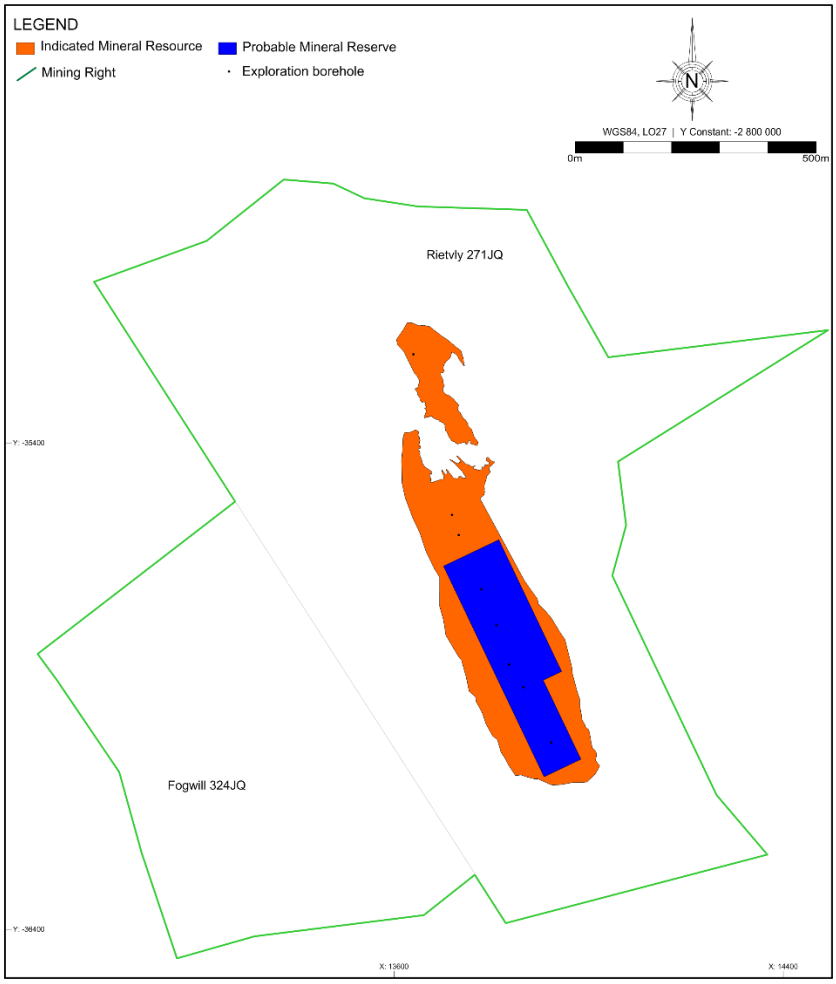
Chrome - Bushveld Complex, Eastern Limb

Thorncliffe, Magareng and Helena Mines – MG1 Chromitite Layer Mining.



Silica

Rietvly Silica Mine



MERAFE
RESOURCES

APPENDIX 2

REMUNERATION POLICY

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1. Remuneration Policy

1.1. REMUNERATION PHILOSOPHY, STRATEGY AND POLICY

Remuneration philosophy

Merafe Resources Limited's (the "Company's") guiding philosophy is to employ high-calibre, high-performing employees who subscribe to the values and culture of our Company. We recognise that our employees are integral to the achievement of our corporate objectives and they are accordingly remunerated for their contribution and the value they deliver.

Our Company is committed to fair, responsible and transparent remuneration across the business in respect of all employees on all levels. Both the fixed and variable elements of remuneration, aim to support Company performance and value creation in the short, medium and long term, as well as to support the achievement of strategic objectives within the Company's risk appetite.

This policy is applicable to all employees of Merafe Resources Limited.

Our remuneration strategy and policy are regularly reviewed by the Remuneration and Nomination Committee ("Committee") to ensure they are appropriate and relevant in the support of sustainable business performance and in promoting an ethical culture and responsible corporate citizenship.

Remuneration strategy

Our remuneration strategy is designed to be aligned with our business strategy and the execution thereof to promote positive outcomes. Since we strive to attract, retain, motivate and reward employees for executing our business strategy, their remuneration must clearly be market-related and independent third parties are used by our Committee for the purpose of benchmarking to the appropriate segment. The general principle of our remuneration strategy is to structure executive and employee remuneration to include:

- A guaranteed annual package and benefits;
- An annual variable performance bonus;
- Ownership of shares through the long-term incentive scheme which is based on performance with the aim of creating a strong alignment to shareholder goals.

The remuneration strategy and policy are communicated to all employees during the year, together with our expectations around their contribution to the success of our organisation.

Remuneration policy

The key principles of the remuneration policy are that:

- The policies are governed by the Committee which regularly reviews them to ensure they are relevant and support Company strategy;
- Guaranteed remuneration is targeted at the median to lower quartile of the relevant market against which pay is benchmarked, in order to attract and retain high-calibre and high performing employees;
- It is Company policy that all employees are members of medical and retirement funds and have group life and disability cover;
- Annual salary adjustments are governed by factors such as the consumer price index (CPI), retention strategies, the producer price index (PPI), industry performance, projected growth, contractual arrangements, affordability, and industry average increase surveys, which will be taken into consideration in setting the recommended increase. The Committee will approve or set the overall increase percentage that will be applied on a Company basis. Salary adjustments are at the discretion of the Board;
- Variable pay is an important component of remuneration at Merafe and both annual and long term performance-based schemes which support our business strategy are in place;
- The short-term incentive scheme performance measures are assessed by the Committee and these measures are determined by taking into account corporate, individual, financial and non-financial criteria. The measures are applicable to the time period to which the scheme relates;
- The long-term incentive scheme measures are based on total shareholder return and a financial measure, appropriately weighted, as determined by the Committee from time to time, aligned to business requirements;
- Executive remuneration is aligned to shareholder value creation through the long-term incentive scheme;
- Where necessary, both short-term and long-term incentive schemes are benchmarked against the appropriate database by the Committee; and
- The over-riding principle governing payments for non-executive directors is that they will be made in the context of good governance and aligned to the relevant market.

1.2. REMUNERATION AND NOMINATION COMMITTEE

Responsibility for the reward strategy rests with the Company's Board of Directors ("Board") who in turn appoint the Committee. The Committee comprises at least three members, the majority of whom are independent non-executive directors and is governed by formal Terms of Reference.

The Terms of Reference inter alia clearly deal with matters such as (1) composition of the Committee, (2) roles and responsibilities, (3) delegated authority, (4) tenure and rotation of the Committee members, (5) reporting requirement and compliance, (6) access to information and resources, (7) meeting procedures to be followed and (8) arrangements for the evaluation of the Committee's performance.

The primary role of the Committee is to ensure that the Company's directors and senior executives are fairly rewarded for their individual contributions to the Company's overall performance. The Committee also aims to ensure that remuneration is appropriate to attract, retain and motivate the right calibre of directors and senior executives, who will strive to achieve the overall goals of the Company. The Committee must demonstrate to all stakeholders that the remuneration of senior executives is set by a committee of Board members who:

- Have no personal interest in the outcome of their decisions;
- Give due regard to the interest of the shareholders and the financial and commercial health of the Company;
- Take cognizance of market related remuneration, incentive bonuses and share incentive schemes as well as market trends; and in addition
- Play an active role in succession planning activities, notably for the chief executive officer and executive management.

The Committee is responsible for making recommendations to the Board on remuneration policy for directors and, to the extent it deems necessary, makes comparisons between remuneration packages currently available to the company's own executive directors and those available to directors of other companies of a similar size in the comparable industry. Comparisons are also made with other companies in South Africa and, if relevant, internationally.

The Committee shall also take into account a number of principles, being inter alia:

- Industry standards and comparisons with businesses in the same industry;
- Expertise and qualifications of individuals;
- The risks associated with companies in the mining sector;
- The importance of the individual to the Company and his/her contribution;
- Retention measures and motivation for the executive not to leave the Company;
- Restraint of trade provisions; and
- Nature of the position (role expectations, work load, etc.).

1.3. EXECUTIVE PAY MIX

Executive pay mix is defined as the balance targeted between the major components of executive remuneration, namely:

- Guaranteed pay – based on Total Guaranteed Cost of Employment ("TCtC")
- Variable pay for performance
    - Short term incentives in the form of annual cash incentives ("STI"); and
    - The expected value from long term incentives ("LTI").

Note: Expected value is defined as the present value of the future reward outcome of an offer, given the targeted future performance of the Company and of its share price. It should not be confused with the term "fair value" which is used when establishing the accounting cost for reflection in a Company's financial statements. Neither should it be confused with the term "face value" which is used to define the current value of the underlying share at the time of an offer.

The Company's targeted pay mix aims to align the incentives of employees with the interests of shareholders. It is recognized that through acquisitions and business combinations over time, there will always be some deviation from the targeted pay mix structure across the Company. However the balance between TCtC, STI and LTI for executive directors are shown for illustrative purposes in the schematic below, at various performance levels.

Table 1: Target reward mix for Chief Executive Officer (%)

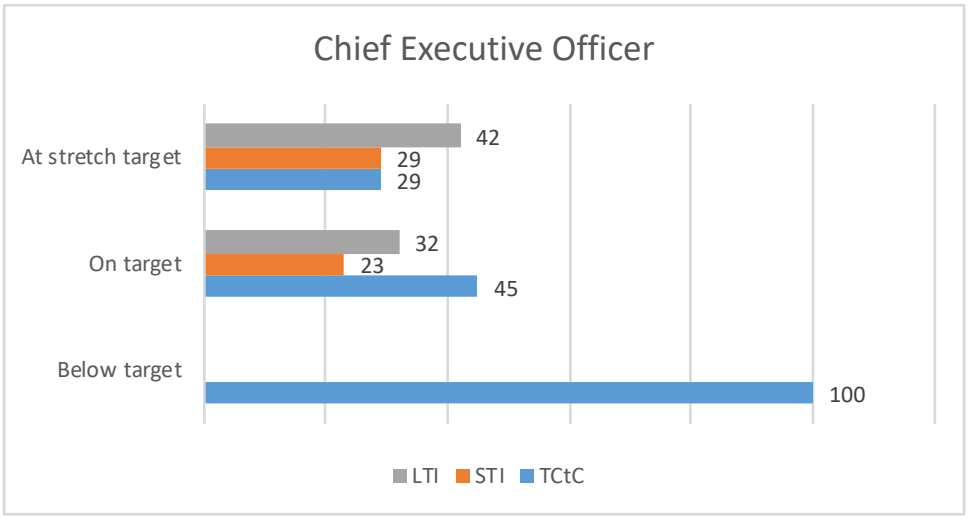
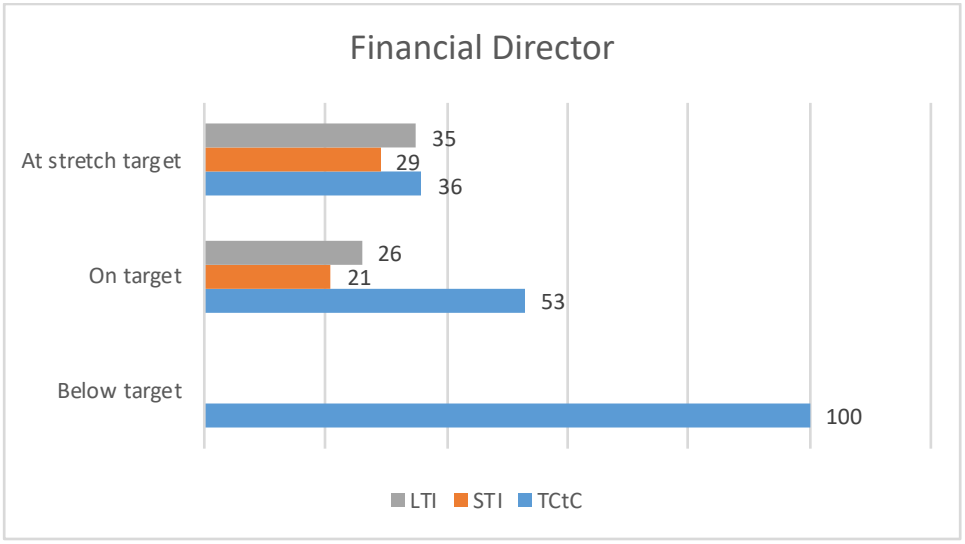


Table 2: Target reward mix for Financial Director (%)



1.4. GUARANTEED PAY

Merafe aims to establish and maintain an integrated pay line with pay levels that ensure that it is able to remain competitive, while managing costs.

Executive remuneration in respect of guaranteed pay is expressed in terms of TCtC.

An employee's TCtC consists of the following elements:

- Basic salary;
- Car and other cash allowances and/or perquisites;
- Employer contributions to the medical aid;
- Employer contributions to the retirement funding; and
- Employer contributions to risk benefits.

Salaries are reviewed annually and are targeted at the median to lower quartile of the relevant market. The Company conducts benchmarking exercises at least every second year against the top management reward surveys conducted by the large consultancies. The benchmark used is the median to lower quartile total guaranteed cost of employment for similar positions in similarly sized listed companies.

The Committee has regard principally to companies in the RSA market which are of similar size, complexity and scope to the Company. The Committee also takes into account business performance, salary practices prevailing for other employees in the Company and, when setting individual salaries, the individual's performance and experience in the role.

Although salaries are reviewed annually, the Board reserves the right not to grant increases should circumstances so dictate. In addition, benefits offered are also reviewed on an annual basis to ensure that employees' needs are addressed fairly, schemes are cost effective, well governed and competitive.

1.5. SHORT TERM INCENTIVES

Merafe's annual incentives are aimed at rewarding a combination of both business and individual performance in order to support a Company-wide performance culture. The bonus pool is determined as a percentage of Net Profit after Tax and the scheme is therefore self-funding. Financial and non-financial criteria as well as individual performance determine the bonus pool's distribution to individuals. Incentive awards are at the discretion of the Board after due consideration of Company and individual performance.

The Committee follows a less mechanistic approach in determining the bonus awards in order to reward outstanding performance more appropriately and to ensure that undue windfalls are mediated. As indicated above, the incentive scheme performance measures are assessed by the Committee and these measures are determined by taking into account the Company's financial and non-financial criteria as well as individual performance.

All STI awards are based on performance against inter alia, the following measures:

- Company measures: These include but are not limited to profitability, funding, growth of business, cost management, sustainability and safety; and
- Individual measures: For the Chief Executive Officer and Financial Director, these include but are not limited to stakeholder engagement, talent management, leadership and reporting.

Targets are set by the Board on an annual basis as determined by Company strategy, business plan and operating conditions. Targets are set to ensure that performance is measured appropriately in accordance with a five-point rating scale. In addition, the Board will apply appropriate weights to measures in order to focus behaviour and performance, related to the strategic focus for the performance period.

Although measures and targets are determined at the start of the performance period, the Board may revise these measures and targets should prevailing business conditions indicate this to be necessary or in response to any other changes in the operating environment. All such changes, which represent the discretionary aspect of the policy, will be disclosed on an annual basis.

As indicated above, individual performance is primarily assessed from a predetermined criteria of key performance areas or value drivers. The selection of these is informed by the Company's business plan.

These metrics are assessed against a five point scale as follows:

Rating	Description	Definition
1	Poor	Indicates poor performance. All or most threshold targets not met.
2	Needs improvement	Performance against target is fair, however, performance against key measures is below threshold or target.
3	Satisfactory	Performance on target in respect of most or all measures.
4	Good	Performance exceeds target on most or all measures. Have reached stretched target on a number of key measures.
5	Outstanding/ excellent	Significant out performance. All stretched targets met or exceeded.

The total STI pool available is capped at 3% of Net Profit after Tax. No bonuses are payable where the Net Profit after Tax in any financial year is less than R125 million. These parameters are revised by the Board on an annual basis for relevance and appropriateness.

In addition, the percentage for STI is capped for the various categories of employees as set out below:

Position	Maximum% TCtC
CEO	100%
FD	80%

Senior management	60%
Management	50%
Administrative staff	30%

The total pool for incentives that become available for distribution will not be exceeded at any time. STI potential is benchmarked between the median and 75th percentile of the relevant market which is deemed appropriate when considered along with the guaranteed pay benchmarked at between the median and 25th percentile of the market.

The final incentive calculation is undertaken by aggregating the bonus claims of all participants and comparing this with the bonus pool derived from company performance.

1.6. LONG TERM INCENTIVES

Background

The purpose of the share incentive scheme is to serve as an incentive and reward to employees of the Company and its subsidiaries for services rendered and to be rendered, aimed at promoting the continued growth of the Company by giving employees an opportunity to acquire shares in the Company and serve as a retention mechanism for employees whose services are regarded by the Company to be crucial to the future growth and sustainability of the Company's business.

The share incentive scheme further seeks to align employee interests with those of shareholders and to support a culture of ownership, with a focus on Company performance and sustainable growth.

Long term incentives, in the form of a share incentive scheme, have been in existence in the Company since 1999. The current share scheme was approved on 13 April 2010, under which both share options and share grants may be issued.

Eligibility and participation

All employees of the Company are eligible for share allocations in respect of the share incentive scheme rules subject to Board approval and the prevailing implementation policy.

Shares to be allocated

Under the rules of the share incentive plan, the following shares may be offered:

- Share options which will be granted at the offer price; and

- Share grants being full value shares.

Vesting rules and settlement

Generally share options vest one third per year on the 3rd, 4th & 5th anniversaries and are settled by physical delivery of shares against receipt of payment of the option price. The options lapse after seven (7) years if not exercised, whilst employed within the group.

Share grants are granted by the Board on the recommendation of the Committee. They vest one third per year on the 3rd, 4th & 5th anniversaries and are settled by physical delivery of shares. Alternatively, the Company has the right to settle in cash the value of shares granted.

Equity settlement will take the form of repurchasing of shares on the open market for the benefit of the employee whose shares have vested. The Company reserves the right to issue new shares for purposes of settlement.

Participation and termination rules

In the event of an employee leaving the group for a reason approved by the directors, such as retirement or disability, all shares granted will vest. All approved terminations will be disclosed on an annual basis.

In the event of either a no fault termination or an employee's death, shares granted will vest within three months. In addition, in the event of retirement at the earliest date allowed by the retirement fund, all share grants shall vest.

In the event of either a no fault termination or an employee's death, the employee or his/her estate has 12 and 24 months respectively to exercise share options granted to that employee. In the event of retirement at the earliest date allowed by the retirement fund, the employee will have one year to exercise their share options allocated.

In the event of voluntary termination (i.e. resignation) or a fault termination (i.e. those that leave as a result of resignation, dismissal or poor performance), any right to any shares and all unvested allocations will lapse immediately upon termination. No further claims may be laid to such lapsed shares, whether full value or shares options.

In the event of a change in contract of employment, e.g. lateral moves or promotions, the participant will remain entitled to previous share allocations, subject to vesting periods, vesting schedules and prevailing performance conditions and criteria as set out during the initial share allocation.

In the event of a reconstruction or takeover, share allocations will vest on a pro-rata basis subject to the Committee evaluating the applicable performance conditions and determining the number of shares per participant.

Performance vs. retention shares

During 2013 a decision was made by the Committee to vary for the balance between performance and retention oriented grants or options and also to simplify the performance criteria that determine vesting of the performance grants.

The balance between performance oriented share grants and the retention oriented share grants for the CEO was weighted 70% in favour of the performance oriented share grants. For executive directors and senior managers these percentages were (respectively) 60% and 50%. All other participants received only retention oriented share grants.

In response to shareholder requirements for more share grants to be subject to performance conditions as opposed to retention shares, the allocation policy was revised in 2018 as follows:

Table 3: Revised LTI allocation policy

Employee group	Merafe LTI offer policy current			Merafe LTI offer policy proposed		
	LTI (expected value) % of TCtC	Targeted offer value % of TCtC	Balance performance / retention	LTI (expected value) % of TCtC	Targeted offer value % of TCtC	Balance performance / retention
Chief Executive Officer	70%	50%	70/30	70%	60%	100/0
Financial Director	50%	35%	60/40	50%	45%	100/0
Senior Management	40%	30%	50/50	40%	40%	100/0
Management	30%	25%	0/100	30%	35%	100/0
Administration	20%	15%	0/100	20%	25%	100/0

All future share allocations will be performance based. In order to balance back to the reward mix and expected outcomes, the targeted value of the share allocation as a percentage of TCtC was increased as per Table 3.

Performance criteria

The performance criteria for all existing performance oriented share grants will remain in place, but future grants will be governed by two metrics, (1) Comparison of Merafe's Total Shareholder Return ("TSR") over a three year period with that of a selection of JSE listed, small cap mining and resources companies, and (2) Growth in Headline Earnings per share (CPI + a specified percentage as determined by the Board) over a three year period. The two measures will weigh 50/50 or as determined by the Board from time to time. Measures will be applied per performance share allocation and will remain in force for the duration of the performance period. Performance measures and targets are approved for and applicable to a specific performance period. No retesting of performance conditions is allowed.

The Committee will assess performance against target once the applicable performance period is completed and approve the vesting of performance shares to the extent that targets are met.

Performance measure I: Total Shareholder Return

The comparator group for Total Shareholder Return ("TSR") is made up as follows:

Table 4: TSR Comparator Group

Company	Ticker
Royal Bafokeng Platinum Ltd	RBP
Harmony Gold Mining Company Ltd	HAR
Lonmin plc	LON
Hulamin Ltd	HLM
Pan African Resources plc	PAN
Merafe Resources Ltd	MRF
Tharisa plc	THA
MC Mining Ltd	MCZ
DRDGOLD Ltd	DRD
Eastern Platinum Ltd	EPS
Wesizwe Platinum Ltd	WEZ
ArcelorMittal Ltd	ACL

Assuming that a group of 12 (11 + Merafe) companies are adopted as the comparator group of companies, vesting of the performance based share grants will be in accordance with the following policy:

- 50% of performance shares allocated will be subject to performance against the TSR measure;

- If Merafe's TSR over the three year period places it in one of the top four positions, then the full number of performance granted shares subject to this measure will vest in equal proportions on the 3rd, 4th, & 5th anniversaries of their grant;
- If Merafe's performance over the three year period places it in 5th position, then two thirds of the number of performance granted shares will vest in equal proportions on the 3rd, 4th, & 5th anniversaries of their grant;
- If Merafe's TSR over the three year period places it in 6th position, then one third of the number of performance granted shares will vest in equal proportions on the 3rd, 4th, & 5th anniversaries of their grant; and
- If Merafe's TSR over the three year places it below 6th position, then none of the performance shares will vest.

Table 5 below provides details of the revised vesting schedule for performance shares subject to the TSR measure:

Table 5: Revised vesting schedule TSR

Vesting schedule over three years - Total Shareholder Return		
Merafe TSR position/ ranking relative to peers	**Vesting quantity % of allocation* Current**	**Vesting quantity % of allocation* Proposed**
Position 1 - 4	100%	100%
Position 5	66.6%	66.6%
Position 6	33.3%	33.3%
Position 7 - 10	Linear vesting 0% to 33%	0%
Position lower than 10	0%	0%
* Vesting over three years in equal portion		

Performance measure II: Growth in Headline Earnings per share (HEPS)

Assuming that the performance targets below are set by the Board as illustrated in **Table 6**, vesting of the performance based share grants will be in accordance with the following policy:

- 50% of performance shares allocated will be subject to performance against the growth in HEPS measure;
- If performance meets or exceeds target, i.e. CPI + 2% over the performance period, 100% of shares will vest;
- If performance is at threshold, i.e. CPI + 1% over the performance period, 50% of shares subject to this measure will vest;
- For performance below threshold, 0% of shares subject to this measure, will vest; and

- Linear vesting will take place between different performance milestones.

Table 6: Vesting schedule for Growth in HEPS measure

Vesting schedule over three years - Growth in HEPS	
HEPS target	**Vesting quantity % of allocation* Proposed**
On target CPI + 2%	100%
Threshold CPI + 1%	50%
Below threshold	0%
* Vesting over three years in equal portion	

LTI offer policy

The following principles will govern the LTI offer policy:

- Share options will only be given at the discretion of the Board as and when circumstances dictate and only to executive management that have direct line of sight in terms of Company performance;
- Full value shares, with performance conditions, will be granted to all employees on an annual basis subject to ongoing satisfactory individual performance, the expected value of which will be in accordance with the Company's reward strategy – pay mix;
- Full value shares may be offered to new appointees as an attraction measure, the value of which will be determined and approved by the Committee, and will be subject to a minimum of three years vesting period;
- Share grants will be in favour of performance based shares, with all shares granted subject to performance measures over a three year period;
- Share grants will be offered to employees with only performance and no retention shares;
- The value of the share grant will be calculated as a percentage of the current TCtC guaranteed package;
- No offer shall be made which together with any other scheme shares would exceed 5% of total issued share capital of the Company;
- The maximum aggregate number of shares granted or options allocated to a single participant, shall be limited to 1% of the total issued share capital of the Company;
- Prior to vesting, no participant will qualify to receive any dividends declared;
- The Company will communicate to participants, at least on an annual basis, in terms of shares granted, vesting and/or any changes in rules or conditions of participation; and

- All share grants and options will be disclosed over its lifetime in the annual Remuneration Report.

1.7. CONTRACTS OF EMPLOYMENT

Senior and executive management are subject to the Company's standard terms and conditions of employment where notice periods are between three and six months. In line with the recommendations set out in the King reports, company policy prevents any senior or executive manager from being compensated for loss of office.

None of the senior or executive management have extended employment contracts or special termination benefits or balloon payments.

In the event of a change of control of the Company (As defined in the Companies Act) where the Company no longer required an executive to fulfil their specific role post the change of control, the Company shall pay to the executive 12 months remuneration on the last day of the notice period and after completion of handover of duties.

1.8. RETENTION MEASURES

The Committee reserves the right to apply retention measures should circumstances indicate. Retention measures may include cash or equity awards and will be appropriately disclosed on an annual basis.

1.9. CLAWBACKS

Any remuneration previously paid to executive directors, that is subsequently found to have been the result of criminal or otherwise illegal activities, must be repaid to the Company.

In the event of restatement of the Company's results (other than a restatement caused by a change in accounting policy, standards or interpretation) which results in lower performance based remuneration had it been calculated on the restated results, the Committee shall review such performance-based remuneration, determine the amount to be recovered from the executive and take steps to recover the amount.

1.10. NON-EXECUTIVE DIRECTORS' FEES

The remuneration of non-executive directors is provided in the context of good governance, and is primarily based upon a methodology which takes into account expertise, contribution by the director and attendance. Standard duties of non-executive directors include preparation for and attendance at Board meetings, AGMs and results presentations. If required, the directors may be requested to perform work outside of their standard duties and for this they will be remunerated based upon the time spent and their level of expertise.

Independent benchmark advice is sought as to levels of remuneration for non-executive directors and the present policy is that non-executive directors will be remunerated at the median to lower quartile of listed companies of a similar size, in order to ensure that appropriately qualified and experienced directors are appointed.

Non-executive directors' fees will be tabled for approval by the shareholders of the company on an annual basis. The fees paid to different roles such as chairman may vary from the fees paid to other non-executive directors.

Fees are split between a retainer (60%) and per meeting fee (40%), which is aligned to industry practice.

Non-executive directors will not participate in any share based incentive scheme or any other incentive scheme that the company may implement, to avoid any potential conflict of interest.

1.11. REVIEW

This policy was approved by the Company on <date> and will be reviewed annually against current legislation and practice for approval by shareholders during the Annual General Meeting.