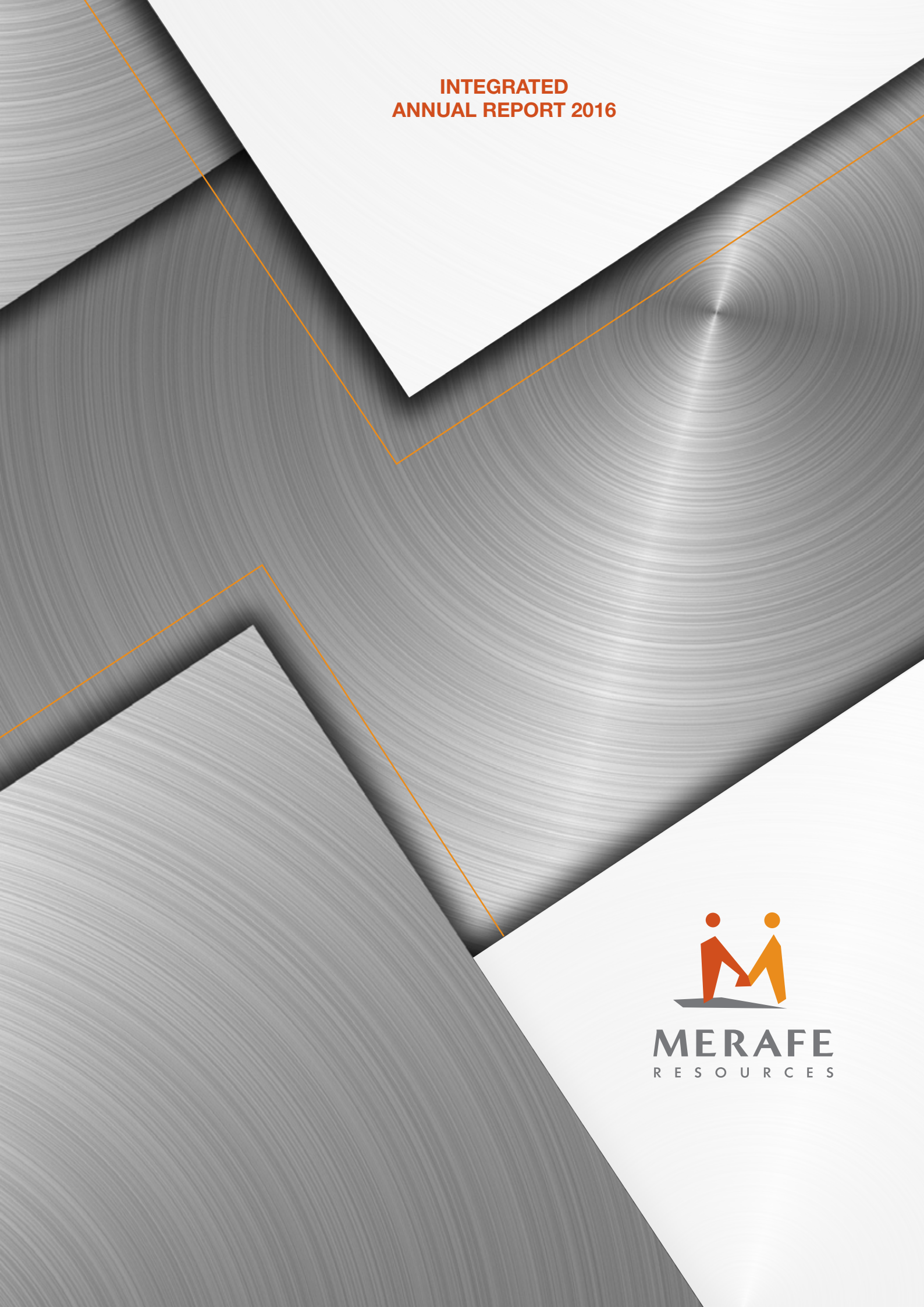
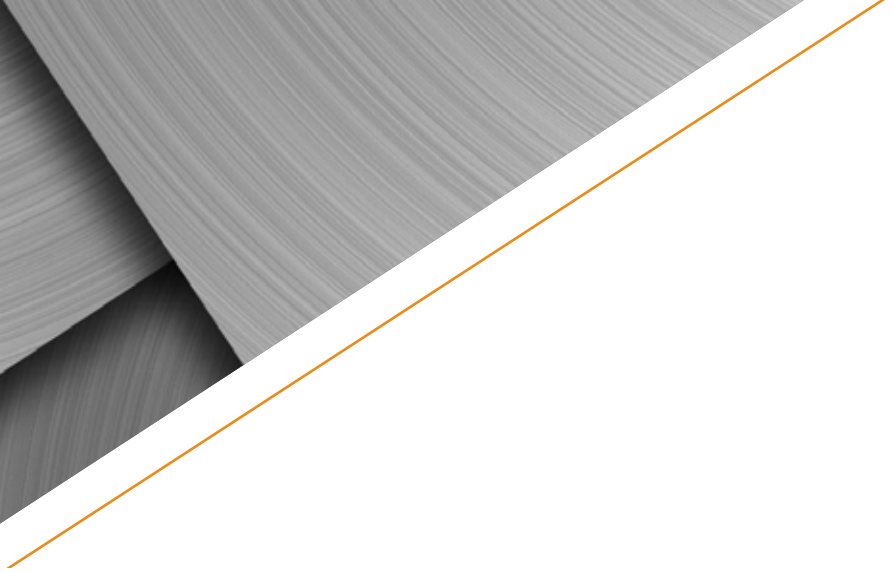
INTEGRATED ANNUAL REPORT 2016



MERAFE
RESOURCES



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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 Merafe Resources Limited and its subsidiary companies, as well as the industries 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 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.

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 2016 and any suggestions you have in terms of what you would like to see incorporated in our report for 2017. Please contact our Financial Director, Kajal Bissessor at kajal@meraferesources.co.za.

About the five capitals model

The five capitals model 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 business to broaden its understanding of financial sustainability by allowing business to consider how wider environmental and social issues can affect long-term profitability.

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 2016. 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 2016 summarised financial and sustainability information and the Annual General Meeting Notice, will be sent to shareholders and the 2016 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.

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 III, 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.

KPMG Inc. audits our annual financial statements.

Our annual financial statements are in compliance with International Financial Reporting Standards (IFRS) and are available on our website. An independent auditor's report is published in the annual financial statements.

The data and information relating to the Venture as set out in this report is subject to the annual internal and external reviews, audits and processes set out on page 49 to ensure that the information relating to the Venture in this report is accurate and reliable.

Our annual financial statements form part of our online integrated annual report for 2016. They are also available from our Company Secretary in either electronic or printed format.

www.meraferesources.co.za

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 52 for more detailed shareholder information.)

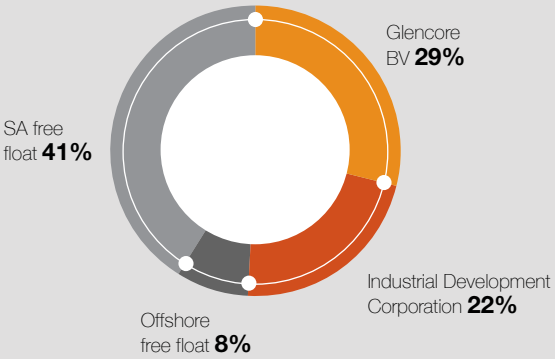
The Merafe Group and Glencore (formerly Xstrata) formed the Venture in July 2004 when we pooled our chrome operations to create the largest ferrochrome producer in the world. Glencore's merger with Xstrata took place in May 2013.

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.

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 18 and 50.

Our shareholding



EMPOWERMENT

87%
of our Board members are black

62%
of our Board members are women

71%
of all our employees are black

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 III and the SRI Index reporting criteria in its business.

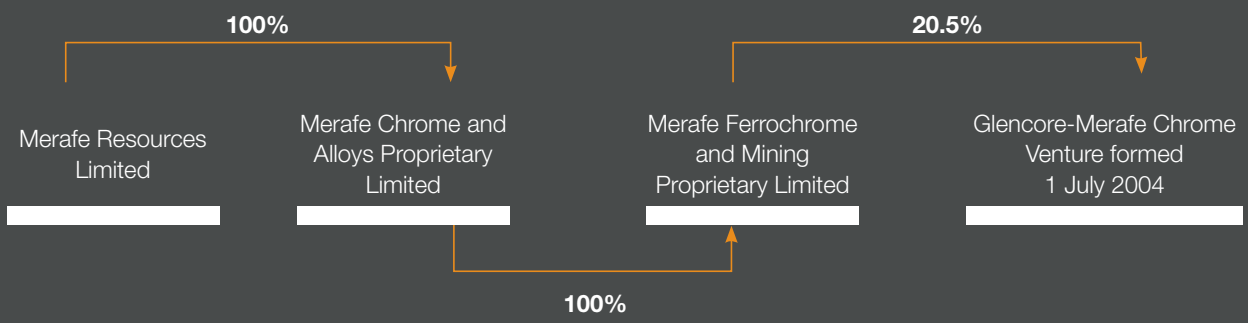
OUR MATERIAL ISSUES

Our material issues and our materiality determination process are set out on pages 7 and 8.

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 48.

Our group structure



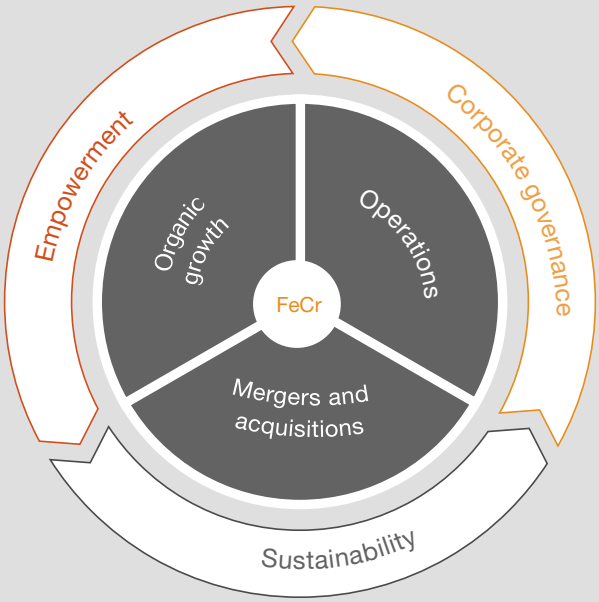
Our business model and strategy

FERROCHROME

The aim of our business model and strategy is to ensure 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 its smelters in a safe and cost-efficient manner
- investing in projects that include 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 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
- focusing on reducing costs at the operations and head office

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



2016 year in review

Key features

- Revenue of **R5.7 billion** (2015: R4.4 billion)
- EBITDA of **R1.1 billion** (2015: R816 million)
- Net profit of **R532 million** (2015: R343 million)
- Headline earnings of **21.2c per share** (2015: 13.9c)
- Ferrochrome sales volumes of **437kt** (2015: 372kt)
- Ferrochrome production of **393kt** (2015: 377kt)

Fatalities: **1** (2015: nil fatalities)

TRIFR of **4.15** (2015: 4.17)

15.2% depreciation in the average Rand/US Dollar exchange rate

Total dividend for 2016 of **R120 million** (2015: R55 million)

Successes

- Record production volumes
- Excellent financial performance
- Significant debt reduction

Challenges

- Electricity pricing
- Commodity prices and demand
- Community issues

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. The material issues are set out on pages 7 and 8 of this report and our approach to risk can be found on page 48.

PROVIDERS OF DEBT	GOVERNMENT AND REGULATORS	MERAFE EMPLOYEES	OUR PARTNERS IN THE GLENCORE-MERAFE CHROME VENTURE	SUPPLIERS	SHAREHOLDERS AND INVESTORS
Impact of Rand/Dollar exchange rate on cash flow	Job creation	Health and safety	Sustainability	Historically disadvantaged South Africans 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/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		Project progress and funding
Compliance with covenants	Empowerment credentials		Empowerment credentials		Sustainability
	Health and safety		Alignment of interests		Impact of industrial action
					Safety record
					Good governance

MERAFE RESOURCES

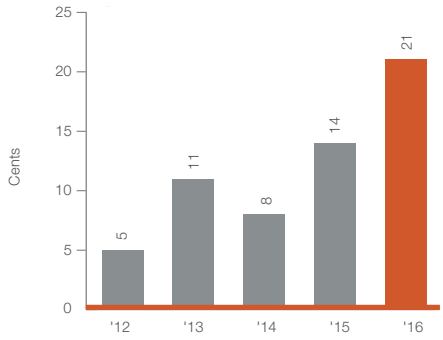
THE VENTURE

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

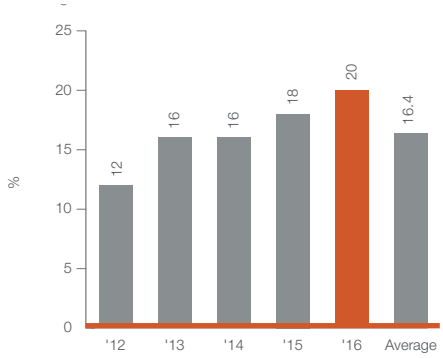
Five-year historical review of key indicators

Safety statistics

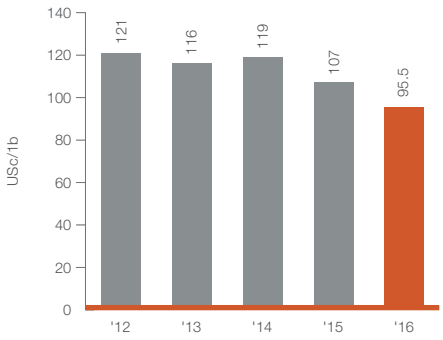
	2016	2015	2014	2013	2012
Fatalities	1	0	2	2	0
Total recordable injury frequency rate (TRIFR)	4.15	4.17	4.63	3.84	4.05



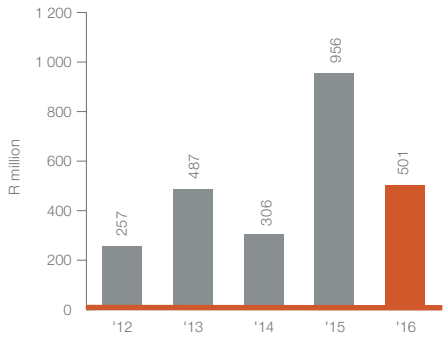
Headline earnings per share



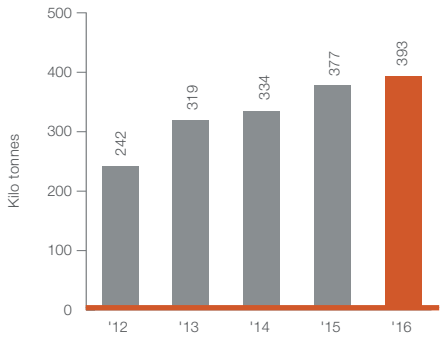
EBITDA margin on revenue



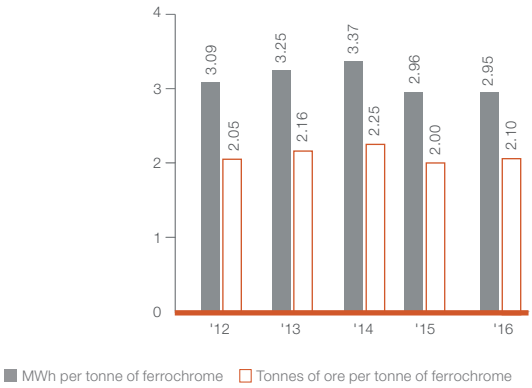
Average European benchmark ferrochrome price



Cash generated from operating activities



Attributable production tonnes



** The slight increase in t/t was due to the start up of Rustenburg furnace no 5.*

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

3.5%
growth rate forecast for stainless steel production in 2017

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 2016

- Global ferrochrome production increased by 4.9% to approximately 11.1 million tonnes.
- Ferrochrome demand increased by approximately 7.6% in 2016.
- South Africa produced approximately 32% of global ferrochrome production in 2016.
- China consumed approximately 7.7 million tonnes of chrome ore in 2016 from South Africa.

Challenges faced by South African ferrochrome producers

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

South African chrome industry

Facts

32%
of the world's ferrochrome production was supplied by South Africa in 2016

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

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

Our competitive advantage

- **Lowest-cost producer in South Africa**
- **Flexibility provided by variety of cost efficient technologies**
- **25% saving in energy consumption per tonne of alloy produced achieved 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**

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.

Materiality determination process

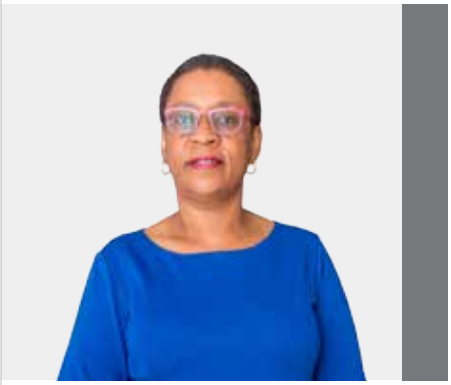
- The Board sets and approves three-year strategic plans for the Company. During the interim years the Board reviews and adjusts the strategic plan where necessary
- The Board, through the Audit and Risk Committee and Board strategic workshops, annually considers the risks (see page 48 of this report) the Company may face and a risk matrix listing the risks and their importance is updated quarterly. There are approximately four Board and four 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 39 of this report)
- During the integrated reporting process, the Board and its committees assess the report to ensure our reporting is aligned in terms of strategy, key risks and issues material to both Merafe and its stakeholders

Issue	Possible impact	How we responded to the risks and opportunities during 2016
Strategy affected: Sustainability		
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/Dollar exchange rate also affects our profitability. This year, for instance, the depreciation in the value of the Rand against the Dollar has increased our profitability. All our stakeholders are affected by our ability to be profitable and sustainable.	We cannot influence the Rand/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.
Strategy affected: Sustainability		
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 on ferrochrome and chrome in the medium term and this was the main focus in 2015 and 2016. The Board is confident that the competitive advantages enjoyed by the Venture as set out on page 6 mitigate this risk of exposure to one commodity. The Company may however consider acquisitions outside of ferrochrome on an opportunistic basis.
Strategy affected: Sustainability		
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.

Material issues (continued)

Issue	Possible impact	How we responded to the risks and opportunities during 2016
Strategy affected: Sustainability		
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. The industry and Merafe are awaiting clarity regarding the once empowered always empowered principle. See the Chairpersons report on page 35 for more details.
Strategy affected: Sustainability		
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.
Strategy affected: Sustainability		
Industrial action in the mining industry and in particular in the operations of the Glencore-Merafe Chrome 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, 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 agreement on annual wage increases.
Strategy affected: Sustainability		
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.
Strategy affected: Sustainability		
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 11 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.	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.
Strategy affected: Sustainability		
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 not being available. Should the Venture be unable to secure an 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 20 of this report).
Strategy affected: Sustainability		
Climate change and water	Climate change can impact business continuity and profitability; health and safety; 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. Water is also an important input in our operations. All stakeholders are impacted by this issue.	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. With regard to water we ensure we have adequate supply and storage facilities. We have access to different water schemes, we reuse a large portion of water and we have access to underground water.

Chief Executive Officer's strategic review



The strategic focus of the Company, in the short to medium term, continues to be on safety, ferrochrome production, maximising cash flows and reducing costs.

Introduction

The year 2016 was nothing short of dramatic, with most commodity prices starting the year in the doldrums only to recover remarkably by the last quarter. Chrome ore and ferrochrome prices also recovered spectacularly by the end of the year. The average Rand:US Dollar exchange rate depreciated by 15.2% during the year under review.

Financial review

Profit after tax rose by 55%, mainly as a result of higher revenue. The increase in revenue was a result of higher ferrochrome and chrome ore volumes, higher chrome ore prices, weaker Rand exchange rate to the US Dollar, partially offset by weaker net ferrochrome prices.

The balance sheet position is even stronger as a result of our focus on debt reduction as part of our strategy. The net debt position has improved from R660 million to R409 million at 31 December 2016. I refer you to the Financial Capital section of this report on pages 12 to 15 and our annual financial statements which are on our website.

Operational review

Production volumes were 4% higher than the previous year as a result of managing the timing of furnace refurbishments and Lion II being fully operational for the whole year, whereas it was ramping up in the prior year.

There were no major electricity supply constraints during the year and the 9.4% tariff increase became effective in April 2016. Post year end NERSA has approved a 2.2% tariff increase effective 1 April 2017.

Sadly we had a fatality at our Helena mine on 20 September 2016. Mr Johan Cronje sustained fatal injuries. Our deepest condolences to his family, friends and colleagues.

The safety of our employees continues to be a priority. It is for this reason that we are pleased with the downward trend in Total Recordable Frequency Injury Rate which reduced from 4.17 to 4.15.

Once again there were sporadic incidents of community unrest in the Steelpoort area. However, this did not have a significant impact on our operations. We continue to engage all relevant stakeholders to find lasting solutions to the issues.

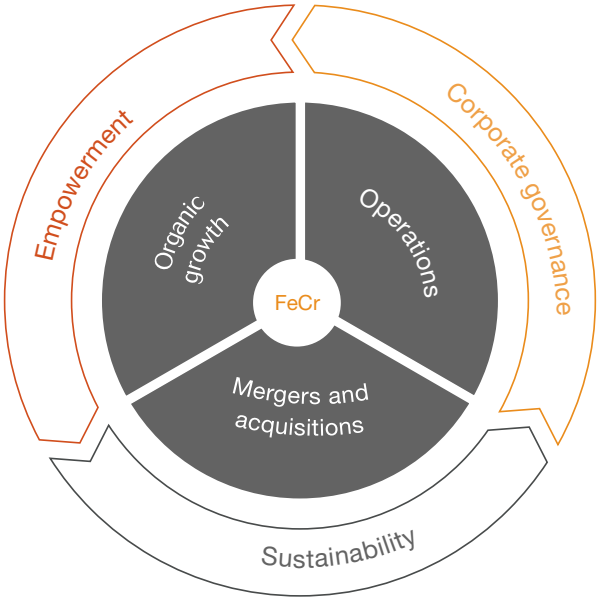
Market review

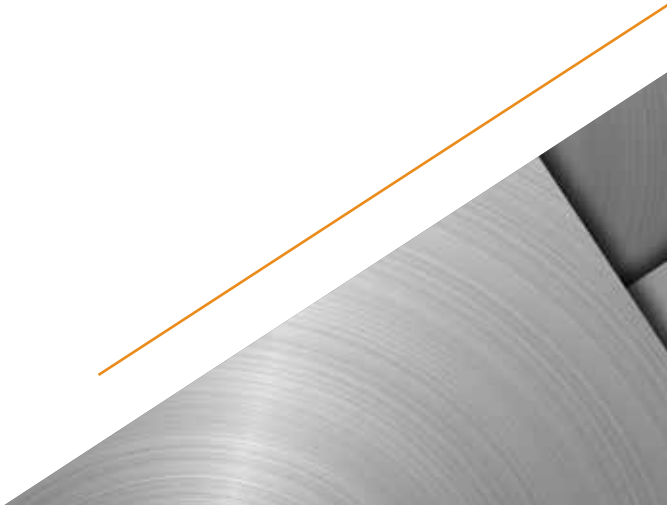
Global stainless steel production totalled 45.2 million tonnes in 2016, equivalent to 8.8% year-on-year growth. A surge in Chinese stainless steel production was the leading influence behind the global increase, as China increased its annual output to 24.4 million tonnes – a 13.3% year-on-year growth.

Other significant stainless steel producing regions also recorded year-on-year growth; favourable trade and anti-dumping conditions in Europe, India and the USA supported increases of 1.8%, 6.6% and 6.7% respectively. Collectively, these regions produced 13.2 million tonnes in 2016 – an increase 3.9% year-on-year.

*References: * Heinz H. Pariser / February 2016.*

See the table on page 11 for details of China's chrome ore imports.





Chief Executive Officer's strategic review (continued)

In early 2016, ferrochrome prices decreased to the lowest levels since 2009 when the 2016 Q2 European Benchmark was settled at 82.0 USc/lb. The decrease was largely driven by destocking of chrome ore, ferrochrome and stainless steel. In the same period, the Metal Bulletin "Imported Charge Chrome 50% Index, CIF China" decrease to 54.00 USc/lb – the lowest price since the index was introduced in 2012.

A surge in Chinese stainless steel production positively impacted ferrochrome demand, and resulted in global ferrochrome demand increasing 7.6% year-on-year in 2016. Chinese stainless steel mills were the largest contributors to this increase, with demand growth of 9.4% year-on-year to 7 million tonnes. Chinese mills typically employ lower scrap utilisation ratios compared to global averages, and therefore require a significantly larger portion of primary chrome units to meet stainless steel production increases.

Ferrochrome prices have continued to increase since early Q2 on the back of increased ferrochrome demand, lowered stock levels and increased chrome ore prices. The 2016 Q4 European Benchmark was settled at 110.00 USc/lb (34.1% increase compared to 2016 Q2), and the Metal Bulletin "Imported Charge Chrome 50% Index, CIF China" price increased to 135.00 USc/lb by year-end (a 150.0% increase compared to March 2016).

Global ferrochrome production increased 4.9% year-on-year to 11.1 million tonnes. Significant increases were recorded from Kazakhstan and Chinese producers (19.2% and 11.8% respectively), while South African production decreased by 3.2% – a result of multiple producer shutdowns in late 2015 and early 2016. China remained the world's largest ferrochrome producer, with a 2016 output of 4.2 million tonnes.

The increased demand for ferrochrome, coupled with tightness in global chrome ore supply, resulted in positive price movements for chrome ore. Between February and December, the Metal Bulletin "Imported UG2 Chrome Ore 42%, CIF China" rose from 77.00-80.00 USD/t to 390.00-400.00 USD/t, equivalent to a 400% increase.

Chinese chrome ore importers continued to increase their dependence on South African chrome ore in 2016, as South African material accounted for 73.3% of all imported material (72.9% in 2015). Chinese chrome ore imports totalled 10.6 million tonnes in 2016, compared to 10.4 million tonnes in 2015.

*References: * Heinz H. Pariser/February 2016*

Strategic focus

The focus of the company, in the short to medium term, continues to be on ferrochrome production and maximising cash flows from the Venture and reducing costs.

As mentioned earlier, the focus on maximising cash flows has enabled us to further reduce debt and pay interim and final dividend to shareholders for the 2016 year.

We remain mindful that mining is a long-term business and we need to show value to all our stakeholders and be fully focused on material issues which may impact the business in the future. In this regard I refer you to pages 7 and 8 and of this report (Material Issues section) as well as the sections on Natural, Human and Social capital.

Outlook

Stainless production is projected to grow by 3.5% in 2017 and by 3.8% in 2018. This should bolster demand for ferrochrome. We are well positioned to take advantage of the increased demand.

We remain focused on our strategy of reducing debt and increasing dividends in the short term.

Zanele Matlala
Chief Executive Officer

Charge/HC FeCr production (in '000t)

	2014	2015	2016	2017e	Change 17/16 in %	2018f	Change 18/17 in %
Brazil	165	137	**118**	140	18.7	145	3.6
EU 27	507	542	**571**	588	3.0	605	2.9
Russia, Turkey, Albania	282	254	**241**	282	17.1	306	8.5
India	805	870	**885**	920	4.0	945	2.7
Kazakhstan	1 135	1 087	**1 296**	1 330	2.6	1 360	2.3
South Africa	3 774	3 713	**3 596**	3 785	5.3	3 920	3.6
Zimbabwe	230	161	**110**	150	36.4	160	6.7
Others	77	89	**113**	121	7.4	126	4.1
Subtotal	6 974	6 854	**6 929**	7 316	5.6	7 567	3.4
China	4 165	3 741	**4 183**	4 250	1.6	4 300	1.2
Total	11 139	10 594	**11 112**	11 566	4.1	11 867	2.6
Charge Cr	7 387	7 296	**7 560**	7 910	4.6	8 149	3.0
HC FeCr	3 752	3 298	**3 552**	3 656	2.9	3 718	1.7

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Crude stainless steel production (in '000t)

	2013	2014	2015	2016	2017e	Change 17/16 in %	2018f	Change 18/17 in %
NAFTA	2 032	2 389	2 345	**2 503**	2 490	(0.5)	2 540	2.0
Brazil	421	425	402	**440**	445	1.1	452	1.5
European Union	7 142	7 242	7 173	**7 307**	7 403	1.3	7 522	1.6
Other Europe	206	189	149	**147**	150	2.0	153	2.5
Japan	3 175	3 328	3 061	**3 093**	3 140	1.5	3 187	1.5
South Korea	2 143	2 038	2 231	**2 262**	2 296	1.5	2 330	1.5
Taiwan	1 052	1 120	1 109	**1 269**	1 282	1.0	1 301	1.5
South Africa	492	472	513	**562**	584	4.0	608	4.0
Subtotal	16 663	17 204	16 984	**17 583**	17 789	1.2	18 093	1.7
China*	19 211	21 810	21 534	**24 399**	25 619	5.0	26 900	5.0
India	2 791	2 822	3 015	**3 215**	3 376	5.0	3 562	5.5
Subtotal	22 002	24 632	24 549	**27 614**	28 995	5.0	30 462	5.1
Total	38 665	41 836	41 533	**45 198**	46 784	3.5	48 555	3.8

**Including Chinese investments in Indonesia.*
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China – chrome ore imports (in '000t)

	2014	2015	2016	Change in %
South Africa	5 748	7 579	**7 747**	2.2
Turkey	1 280	1 037	**825**	(20.5)
Albania	555	486	**493**	1.6
Iran	494	392	**420**	7.2
India	63	23	**206**	800.1
Pakistan	339	302	**281**	(6.9)
Oman	489	337	**258**	(23.3)
Madagascar	113	170	**113**	(33.1)
Mozambique	27	5	**31**	512.0
Philippines	67	31	**55**	76.3
Kazakhstan	77	8	**38**	377.0
Sudan	40	29	**1**	(95.8)
Australia	44			
Others	47	5	**107**	n.a
Total	9 384	10 402	**10 576**	

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FINANCIAL CAPITAL

MATERIAL ISSUES

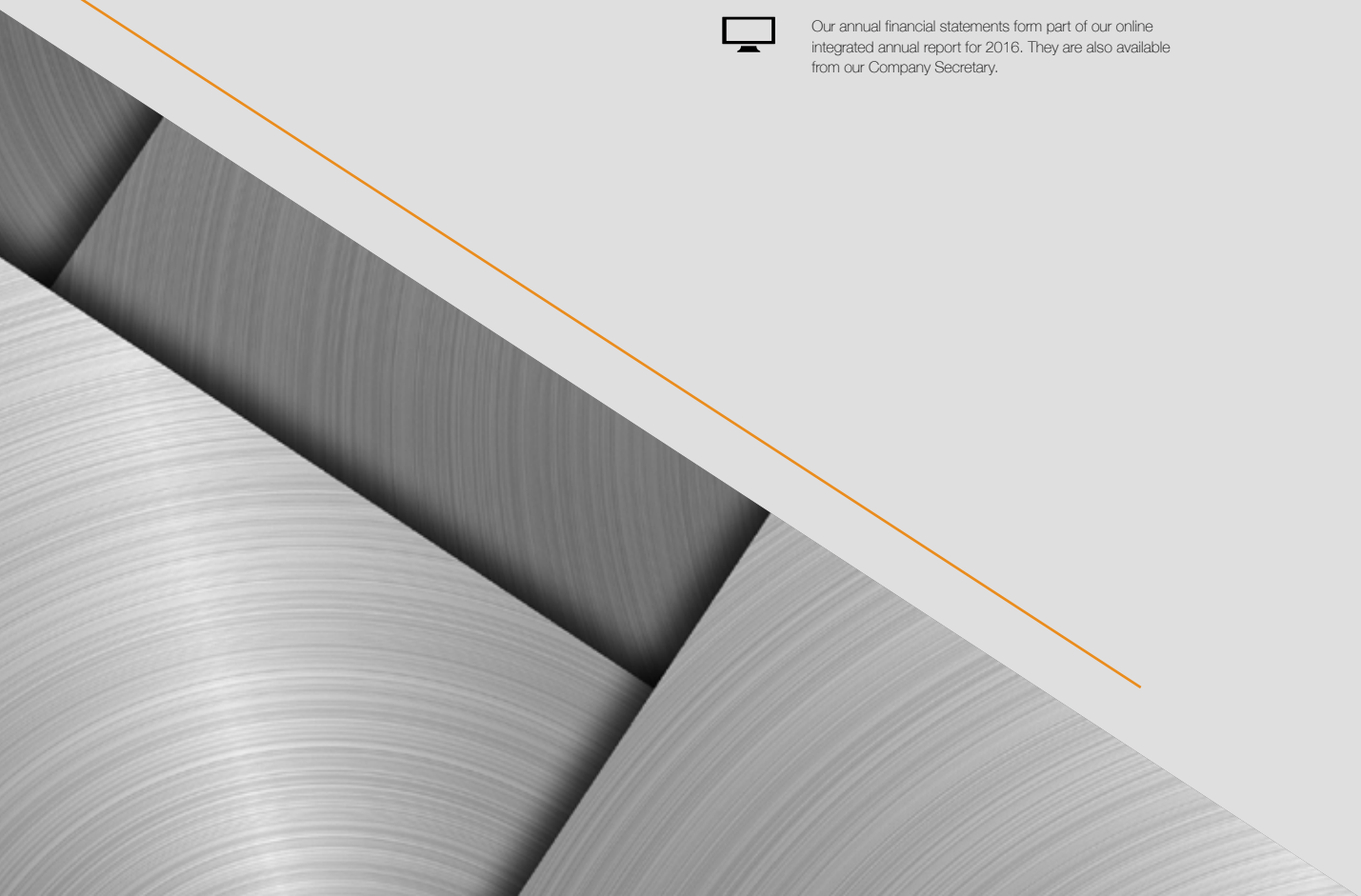
- Global economic environment
- Ferrochrome demand and prices
- Energy supply and prices
- Rand/US Dollar exchange rate
- Costs

Financial capital makes it possible for the other types of capital to be owned and traded. It 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:

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

Our annual financial statements form part of our online integrated annual report for 2016. They are also available from our Company Secretary.



Merafe's results for the 2016 year were exceptional. Despite the significant market volatility coupled with challenges and cost pressures faced by the South African ferrochrome industry, Merafe delivered its second highest headline earnings in its history. It is my pleasure to take you through these results.

Key points

Revenue
R5.7 billion
(2015: R4.4 billion)

EBITDA
R1.1 billion
(2015: R816 million)

Net profit
R532 million
(2015: R343 million)

Net cash balance of
R263.3 million
(2015: R309.6 million)

Dividends
declared of
R120 million
(2015: R55 million)

Financial performance

Revenue increased by 29% from the prior year as a result of:

- 18% increase in ferrochrome sales volumes,
- 38% increase in chrome ore sales volumes,
- 15% weaker Rand/US Dollar exchange rate and
- 7% increase in chrome ore USD CIF prices

The increased revenue was partially offset by 7% lower net CIF ferrochrome prices.

Production cost increases were well managed and contained.

Corporate costs, excluding share based payment expenses were R30.2 million which reduced from R34.0 million in the prior year. Share based payment expenses of R12.8 million (2015: R1.9 million) increased as a result of the increase in Merafe's share price.

Headline earnings increased by 53% from the prior year.

Merafe's EBITDA margin increased from 18% in 2015 to 20% in 2016.

Depreciation increased by 21% from the prior year mainly as a result of the additional depreciation from the Lion II project and the reassessment of useful lives and residual values.

Financial position and cash flows

- Property, plant and equipment increased from the prior year as a result of capital expenditure of which R276.0 (2015: R259.2) relates to sustaining and R11.6 million (2015: R44.3 million) relates to expansionary.
- Trade and other receivables increased from R317.4 million in 2015 to R1278.1 million in 2016 primarily as a result of the significant increase in prices and sales volumes in the last quarter of 2016, the lower utilisation of the debtors facility and earlier than expected receipts from customers in the comparative year which was non-recurring in the current year. The utilisation of the debtors' financing facility reduced to R309.1 million (2015: R411.4 million).
- Trade and other payables increased from R444.3 million in the prior year to R668.2 million in the current year as a result of the increase in selling expenses and commission arising from the increase in sales volumes and prices in the last quarter of 2016.
- Merafe closed the year with a cash balance of R263.3 million (2015: R309.6 million). Cash in Merafe's accounts was R208.7 million (2015: R108.1 million) and Merafe's share of the cash balance in the Venture was R54.6 million (2015: R200.9 million).
- At 31 December 2016, Merafe had head-office debt of R363 million (2015: R559 million) and R283 million (2015: R191 million) unutilised debt facilities. On 3 January 2017, R137 million of the R363 million head-office debt was repaid resulting in a balance of R226 million.
- The net debt position improved from R660 million in 2015 to R409 million in 2016.
- The interim dividend that was paid in August 2016 amounted to R20 million (2015: R25 million) and a final dividend of R100 million was declared by the Board on 6 March 2017 (2016: R30 million).

Future outlook

We are well positioned to take advantage of the recovery in global demand and prices. In line with our Board approved strategy, we remain committed to further reducing debt and returning cash to shareholders in the short to medium term.

Kajal Bissessor
Financial Director

Financial capital (continued)

Summarised consolidated statement of comprehensive income

	For the year ended	
	31 December 2016 Audited R'000	31 December 2015 Audited R'000
Revenue	**5 701 567**	4 428 075
EBITDA	**1 133 197**	815 992
Depreciation and impairment	**(329 893)**	(273 753)
Net financing costs	**(59 356)**	(63 065)
Profit before taxation	**743 948**	479 174
Taxation	**(211 518)**	(135 717)
Profit and total comprehensive income for the year	**532 430**	343 457
Basic earnings per share (cents)	**21.2**	13.7
Diluted earnings per share (cents)	**21.2**	13.7
Headline earnings per share (cents)#	**21.2**	13.9
Diluted headline earnings per share (cents)#	**21.2**	13.9
Ordinary shares in issue	**2 510 704 248**	2 510 704 248
Weighted average number of shares for the year	**2 510 704 248**	2 509 634 174
Diluted weighted average number of shares for the year	**2 510 704 248**	2 509 634 174
# Headline earnings reconciliation		
	532 430	348 031
Profit and total comprehensive income for the year	**532 430**	343 457
Impairments	**–**	4 609
Profit on sale of asset	**–**	(35)

Summarised consolidated statement of financial position

	As at	
	31 December 2016 Audited R'000	31 December 2015 Audited R'000
ASSETS		
Property, plant and equipment	**3 235 204**	3 240 370
Deferred tax asset	**19 340**	17 995
Total non-current assets	**3 254 544**	3 258 365
Inventories	**1 105 437**	1 445 887
Current tax assets	**36 395**	10 773
Trade and other receivables	**1 278 147**	317 454
Cash and cash equivalents	**287 880**	325 126
Total current assets	**2 707 859**	2 099 240
Total assets	**5 962 403**	5 357 605
EQUITY		
Share capital	**25 107**	25 107
Share premium	**1 269 575**	1 269 575
Retained earnings	**2 602 474**	2 120 007
Total equity attributable to equity holders	**3 897 156**	3 414 689
LIABILITIES		
Loans and borrowings	**189 102**	472 755
Share-based payment liability	**5 012**	3 147
Provision for close down and restoration costs	**151 747**	139 351
Deferred tax liabilities	**829 528**	763 724
Total non-current liabilities	**1 175 389**	1 378 977
Loans and borrowings	**187 839**	101 176
Trade and other payables	**668 235**	444 314
Share-based payment liability	**9 208**	2 893
Bank overdraft	**24 576**	15 556
Total current liabilities	**889 858**	563 939
Total liabilities	**2 065 247**	1 942 916
Total equity and liabilities	**5 962 403**	5 357 605

Summarised statement of changes in equity

	For the year ended	
	31 December 2016 Audited R'000	31 December 2015 Audited R'000
Issued share capital – ordinary shares	**25 107**	25 107
Balance at beginning of year	**25 107**	25 053
Share options exercised	**–**	54
Share premium – ordinary shares	**1 269 575**	1 269 575
Balance at beginning of year	**1 269 575**	1 269 578
Share premium arising from share options exercised	**–**	(3)
Equity-settled share-based payment reserve	**–**	–
Balance at beginning of year	**–**	24 651
Shares vested during the year	**–**	(2 205)
Share-based payments expensed during the year	**–**	2 465
Transfer to retained earnings	**–**	(8 090)
Transfer to share-based payment liability	**–**	(16 821)
Retained earnings	**2 602 474**	2 120 007
Balance at beginning of year	**2 120 007**	1 804 220
Profit and total comprehensive income for the year	**532 430**	343 457
Dividends paid	**(49 963)**	(45 192)
Transfer from share-based payment reserve and share-based payment liability	**–**	17 522
Total equity at end of year	**3 897 156**	3 414 689

Summarised consolidated statement of cash flow

	For the year ended	
	31 December 2016 Audited R'000	31 December 2015 Audited R'000
Profit before taxation	**743 948**	479 174
Interest paid	**63 400**	65 008
Interest received	**(4 044)**	(1 943)
Depreciation and impairment	**329 893**	273 753
Adjusted for non-cash items	**12 805**	36 533
Share grants vested	**(4 624)**	(2 888)
Adjusted for working capital changes	**(419 659)**	201 870
Cash flows from operations	**721 719**	1 051 507
Interest paid	**(50 745)**	(41 201)
Interest received	**2 727**	1 460
Tax paid	**(172 193)**	(58 972)
Cash flows from operating activities	**501 508**	952 794
Cash flows from investing activities	**(287 582)**	(303 457)
Proceeds on disposal of property, plant and equipment	**–**	48
Acquisition of property, plant and equipment – sustaining	**(275 995)**	(259 185)
Acquisition of property, plant and equipment – expansionary	**(11 587)**	(44 320)
Cash flows from financing activities	**(246 953)**	(102 346)
Dividends paid	**(49 963)**	(45 192)
Loans repaid during the year	**(196 990)**	(57 154)
Net (decrease)/increase in cash and cash equivalents	**(33 027)**	546 991
Cash and cash equivalents at the beginning of the year	**309 570**	(162 468)
Effect of exchange rate fluctuations on cash held	**(13 239)**	(74 953)
Cash and cash equivalents at the end of the year	**263 304**	309 570

MANUFACTURED CAPITAL

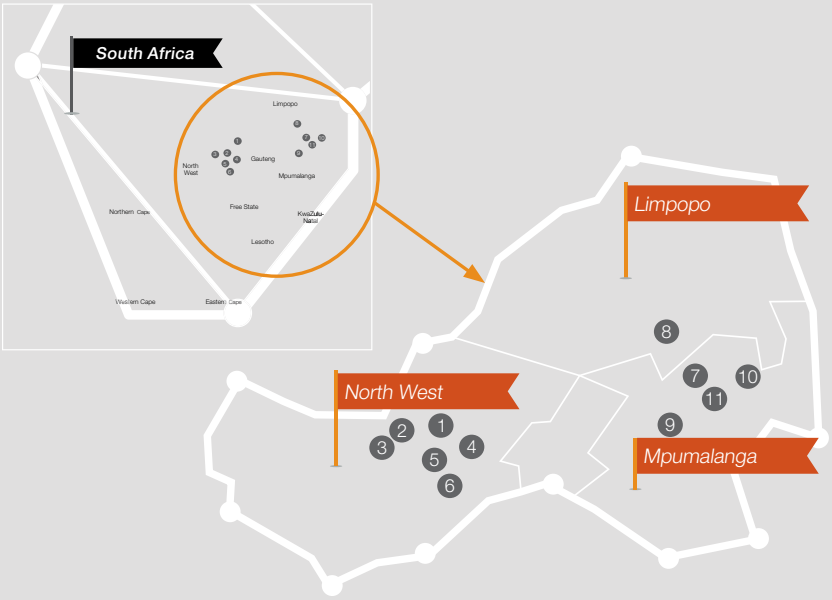
MATERIAL ISSUES

- 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
- 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 sintering plant
2. Boshoek smelter and Motswedi pelletising and sintering plant
3. Boshoek mine
4. Wonderkop ferrochrome plant and Bokamoso pelletising and sintering 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

Merafe attributable ferrochrome production
393kt
(2015: 377kt)

Operating capacity utilisation of
91%
(2015: 87%)

Chrome ore production up by
11%

Excellent
cost performance
in 2016

One
fatality (2015: nil)

No strikes
during 2016

Production overview

We are pleased to report that the attributable ferrochrome production of 393kt was 4% higher than 2015, due to the timings of refurbishments in 2016 compared to 2015 leading to more available furnace hours, and the full-year benefits of operating the Lion 2 furnaces which were ramping up during H1 2015.

Apart from the additional volumes from Lion, good performances were also recorded at other operations such as Wonderkop where a few new all-time production records were set. This achievement was remarkable since the one furnace at Wonderkop was out of service for a period of six months for a complete re-build.

With the implementation of a number of cost saving initiatives and decent market conditions, the Rustenburg plant furnace 5 returned to service for the first time since 2011. This is a smaller furnace than the average size used in the Venture but the return was fully justified.

The Venture also implemented new post tapping hole final product handling methods that saved costs on manpower as well as on crushing and screening while less fine material is generated that is often sold at a discount.

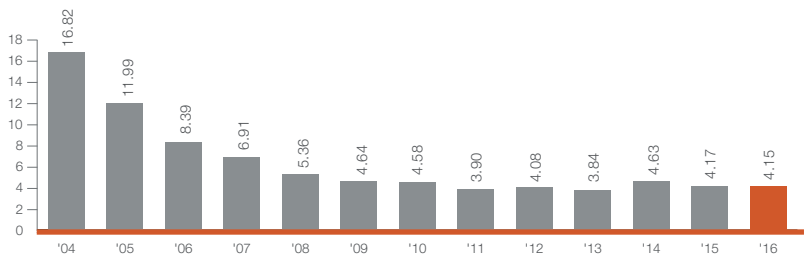
The production performance did not only result in larger volumes but also resulted in excellent cost performances. Total unit production cost during 2016 was well below inflation and therefore, in real terms, less than the previous period. This was achieved in spite of above inflation price increases such as 9.4% on electricity as well as the impact of a weaker local currency on imported reductants.

Safety

The Venture continues to place maximum focus on safety. Unfortunately the Venture lost an employee after a fatal accident during 2016. Please refer to the Chairpersons report on page 35 for more detail relating to the accident.

Overall however, the Venture has seen a large improvement in general incidents since the start of the PSV since 2004. This is evident in the graph below where the total recordable injury frequency rate (TRIFR) has reduced to levels of around 4 over the past few years. See pages 27 and 25 of this report for a detailed summary of the Venture's approach and performance in respect of safety and health for 2016.

PSV historical TRIFR



Eskom

Our furnaces are fully dependant on a reliable and cost effective supply of electricity from Eskom. During the past few years we had to cooperate closely with Eskom during stages of limited supply. The limited supply situation changed during 2016.

The availability of the Eskom fleet improved significantly and with a reduction in electricity demand during 2016 there is now an oversupply of electricity available. This contributed significantly to stabilize our furnace operations that was previously plagued by repeated load reductions caused by limited supply.

Eskom applied for an increase in 2016 through the RCA (Regulatory Clearing Account) process due to revenue losses of around R22 billion from the Multi-Year-Price-Determination (MYPD3). Nearly half of these losses were due to lower sales than predicted when the MYPD3 was set. The Regulator only approved a portion of this increase and a total price increase of 9.4% was implemented.

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

Successful wage negotiations

As previously stated, we had successful three-year wage negotiations with the unions at the western mines in 2014 and the smelters in 2015 and none of the operations were adversely affected by industrial action in 2016.

Chrome ore production

Saleable chrome ore production was 11% more than the previous year due to less section 54 stoppages and less power interruptions. A power interruption can be very disrupting at a mine since a mine must be evacuated in cases of prolonged electricity outages. A power interruption at a washing plant on a mine will have the effect that all the solid material will settle out of the streams and it takes quite some time to get them going again.

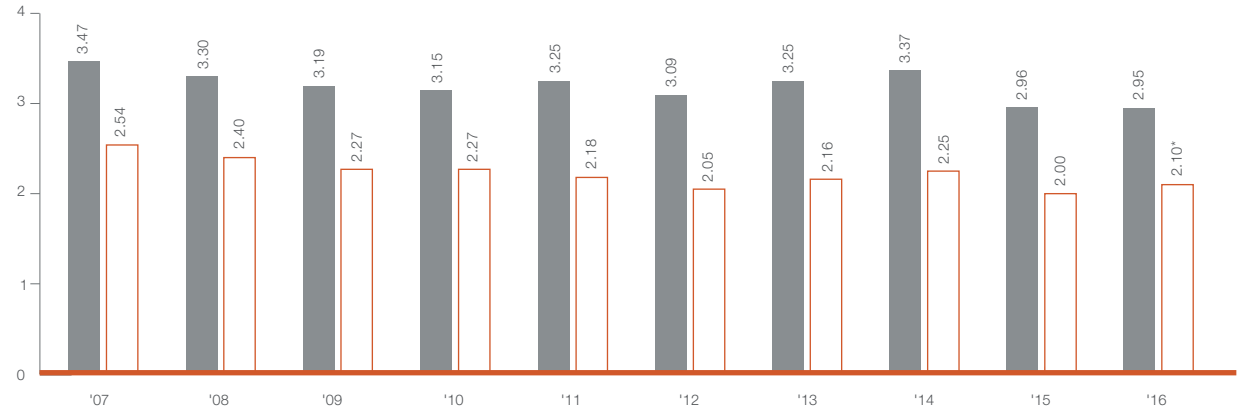
UG2 production volumes in 2016 remained similar to the previous year. At present ore and UG2 production volumes are more than required by the furnaces.

From the resources and reserves statements on pages 23 to 25 it is clear that the Venture has more than enough ore available for a number of years at the current mining rate. On the more certain portions (excluding inferred) of the mineral resources and ore reserves, the total life of mine is calculated in excess of 30 years.

Dr Jurg Zaayman
General Manager
Merafe Chrome

Manufactured capital (continued)

Power and ore consumption efficiencies



** The slight increase in t/t in 2016 was due to the start up of Rustenburg furnace no 5.*

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 Eland, EPL, Kanana, KI, K2, K4 and Rowland, and Mototolo in the Eastern Limb.

See page 29 of this report for details of industrial action and pages 26, 27 and 28 of this report for our approach and performance to safety and health.

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

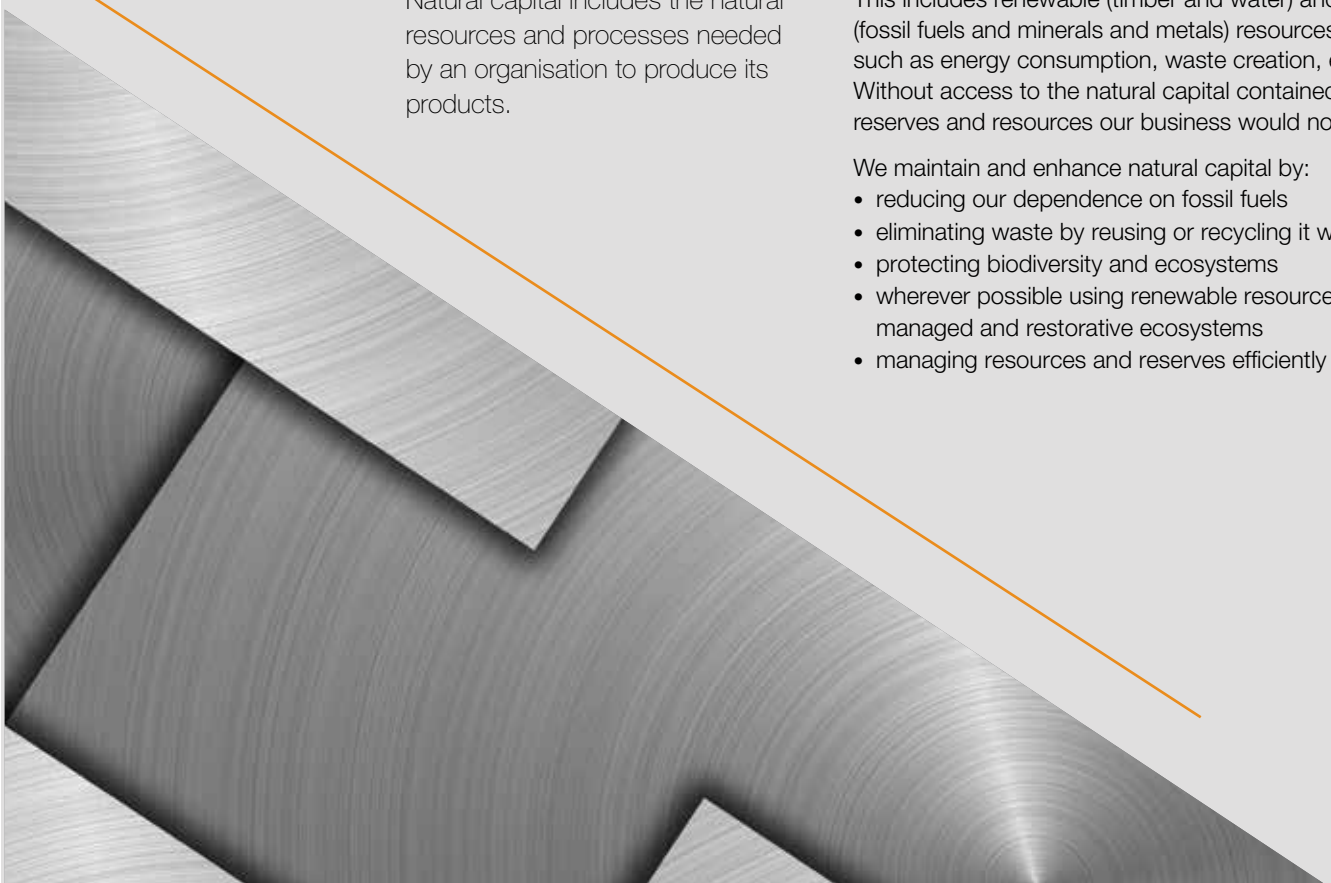
Water
- Use and availability

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
- managing resources and reserves efficiently



Natural capital: climate change and energy

Key points

The CO_2e generated per tonne of ferrochrome produced in 2016 was

5.48tCO_2e

(2015: 5.58tCO_2e)

The energy use per tonne of ferrochrome produced in 2016 was

13.50Gj

(2015: 13.63Gj)

Stakeholder impact and engagement

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 2016. The Venture, which chairs the Ferro Alloys Producers Association (FAPA), 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 lobbies with government via these forums to ensure that the potential impact that the proposed legislation will have on our industry and Company is understood by government.

The Venture again played an important role during 2016 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 2017

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 2017, in future it will use the targets set as part of the Department of Environmental Affairs' 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 Department of Environmental Affairs (DEA) on a carbon budgeting process aimed at estimating the country's annual carbon emission.

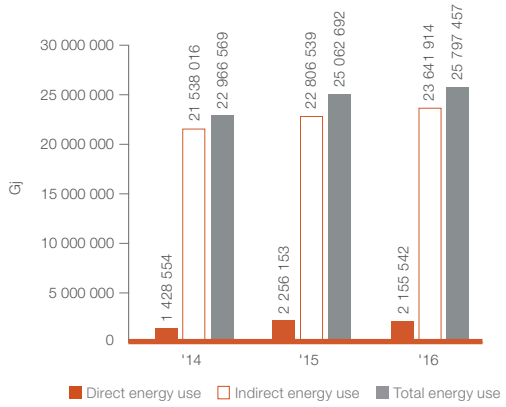
The risks associated with climate change

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.

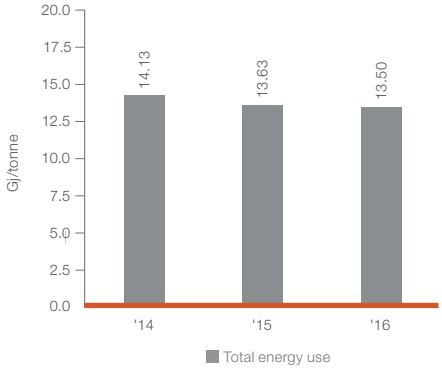
See the Stakeholder engagement section on our website for more information on our stakeholder impact and engagement with government, our investors and business partners.

The Venture's energy consumption

Total energy consumption in the Venture's operations increased due to an increase in production year-on-year. The energy use per tonne of ferrochrome produced however, decreased from 13.63Gj/tonne to 13.50Gj/tonne mainly as a result of increased production from the energy efficient Lion II.



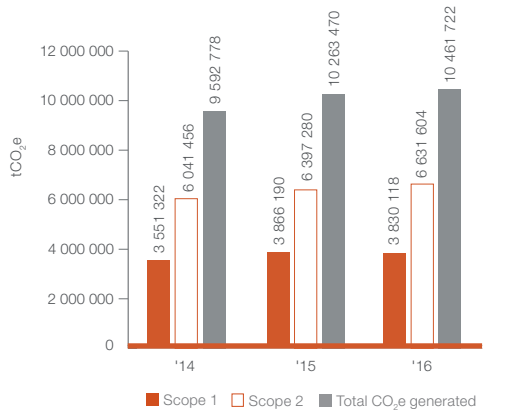
The Venture's energy usage



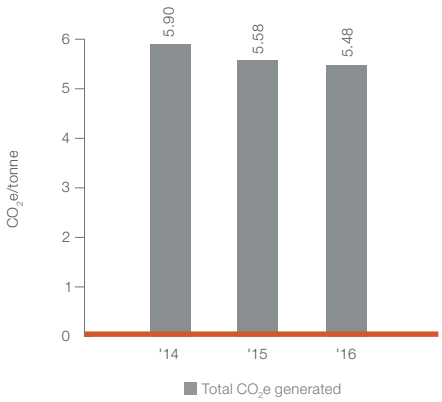
Energy use per tonne of ferrochrome produced

The Venture's emissions

The Venture's total Scope 1 (direct) and Scope 2 (indirect) emissions increased from 10.3 million tCO_2e in 2015 to 10.5 million tonnes in 2016. The increase in greenhouse gas emissions in 2016 was due to increased production. The CO_2e generated per tonne of ferrochrome produced, however, decreased due to the energy efficient Lion II being fully operational for the 12 month period.



GHG emissions



CO_2e generated per tonne of ferrochrome produced

Note: the data relating to 2014 and 2015 were restated due to the grid emission factor being changed from 0.926 to 1.009 as per International Energy Emission List. The re-statement is not of a material nature.

Natural capital: environment

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

Key points

The Venture's total water usage marginally decreased in 2016

There were

no high-potential environmental risk incidents

in the Venture in 2016

The Venture had no environmental fines, penalties or prosecutions in 2016

MATERIAL ISSUES

- Water
- Air emissions
- Waste
- Biodiversity and land use

For more information on environmental incidents,the Venture's performance, and approach to waste management as well as NO_x and SO_2 performance please see the Environment section of our online integrated annual report for 2016.

For further information on land use, see the Resources and Reserves Statement in our online integrated annual report for 2016.

For information on product stewardship, see the online integrated annual report for 2016.

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.

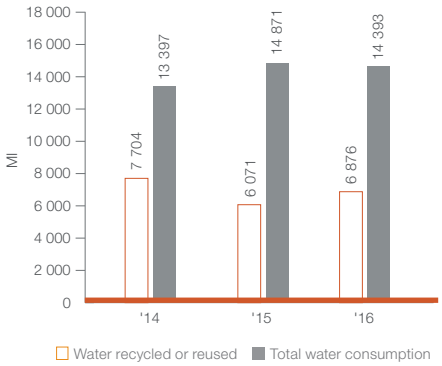
Water use and availability

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 decreased in 2016 due to the increased use of recycled water and improving water conservation plans.

Waste management and effluent and biodiversity management

As a result of increased production, the Venture's mineral waste produced increased from 4 108 799 tonnes in 2015 to 4 177 546 tonnes in 2016. For further detailed information on the Venture's air emissions, waste management, effluent and its management of overburden, rock, tailings and sludge/ residues and biodiversity management see the Environment section of our online integrated annual report.

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 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 3, 4 or 5 incidents recorded in its operations in 2016 and no category 4 or 5 incidents have been recorded in the Venture's operations for the past nine years. For more detailed information on category 1, 2, 3, 4 and 5 incidents and definitions of the categories, see our online integrated annual report for 2016.

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 2016. To arrive at a mineral resources and mineral reserves estimate for 31 December 2016, the budgeted production for July 2016 to December 2016 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 Horizon and Wonderkop Mineral Rights have been disposed. The Townlands Extension 9 Prospecting Right area is in an exploration phase and exploration activities have been performed here to fulfil the requirements of the Prospecting Works Programme. The eastern mining complex of Glencore consists of Thorncliffe, Magareng and Helena mines which are situated in the southern portion of the Eastern Limb of the Bushveld Complex. Adjacent to these farms, Glencore has applied for and has been granted a chromitite Prospecting Right on the farms Richmond and St George. This right has been executed and is in the process of being registered with the Mining Titles Registration office and will form part of the Venture. The MG1 Chromitite Layer is being mined at the eastern mining complex using underground trackless mining methods on a bord-and-pillar mining layout.

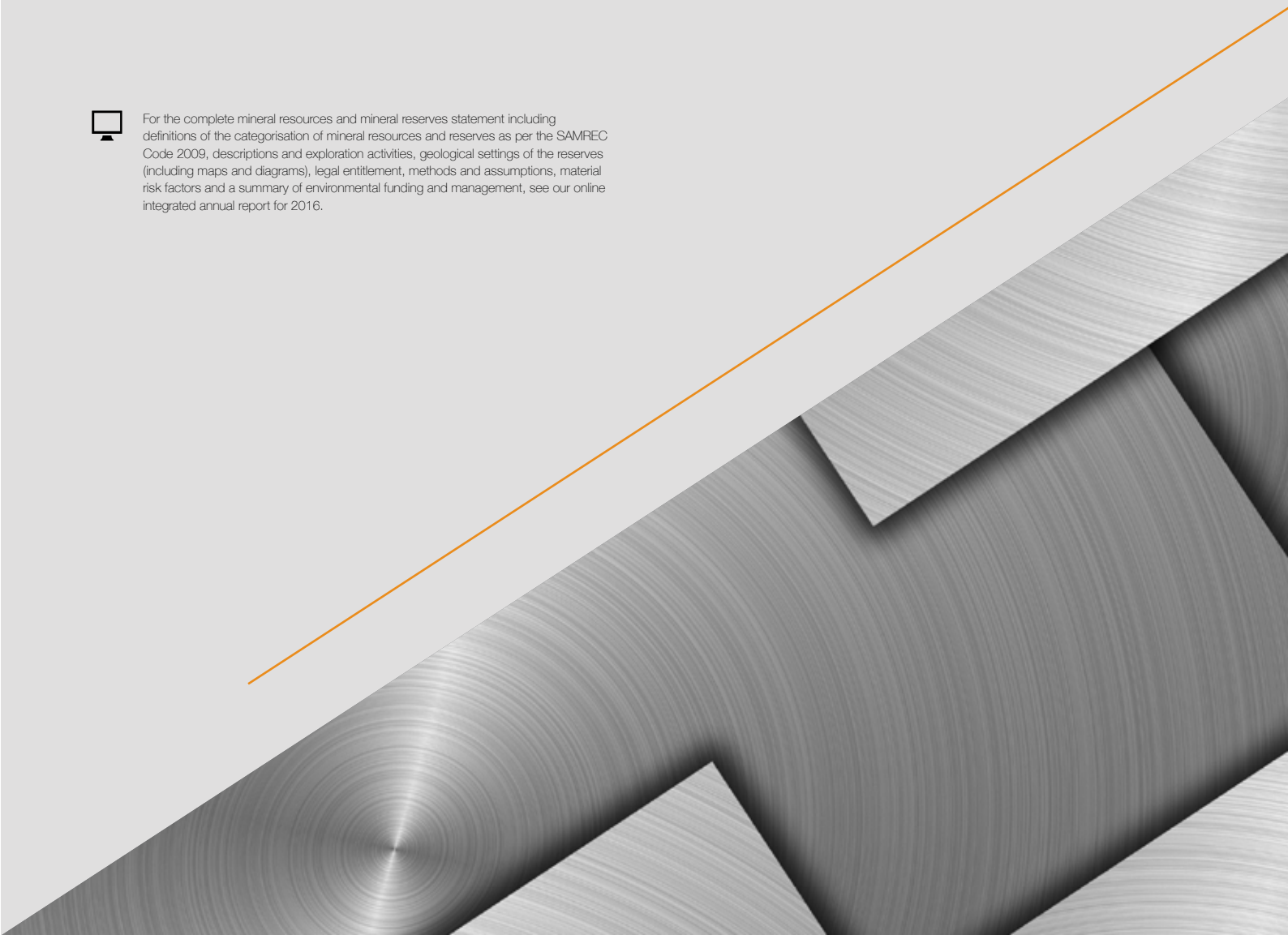
Comparison of mineral resource and mineral reserve estimates with previous year's estimates

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 change in the year on year mineral resource estimate is the disposal of the Horizon and Wonderkop resources and reserves.

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 and registered 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 our online integrated annual report for 2016.



Natural capital: mineral resources and mineral reserves statement
(continued)

Chrome mineral resources statement

Name of operation	Attributable portion	Mining method	Commodity	Measured Mineral Resources 31.12.16	Measured Mineral Resources 31.12.15	Indicated Mineral Resources 31.12.16	Indicated Mineral Resources 31.12.15	Measured and Indicated Resources 31.12.16	Measured and Indicated Resources 31.12.15	Inferred Mineral Resources 31.12.16	Inferred Mineral Resources 31.12.15	Competent Person
Operating mines												
Waterval mine	20.5%	UG	(Mt)	**16.199**	16.331	**0.98**	0.98	**17.18**	17.31	**0.6**	0.6	DR/MM
			Cr_2O_3(%)	**41.3**	41.3	**42.6**	42.6	**41.4**	41.4	**43**	43	
Marikana West	20.5%	UG	(Mt)	**2.807**	2.909	**1.60**	1.60	**4.41**	4.50	**–**	–	DR/MM
(Waterval mine ext.)			Cr_2O_3(%)	**42.46**	42.41	**42.6**	42.6	**42.5**	42.5	**–**	–	
Kroondal mine	20.5%	UG/OC	(Mt)	**8.521**	7.750	**2.15**	2.16	**10.67**	9.91	**–**	–	DR/MM
			Cr_2O_3(%)	**42.84**	42.75	**41.6**	41.5	**42.6**	42.5	**–**	–	
Kroondal Gemini	20.5%	UG/OC	(Mt)	**10.566**	10.799	**5.03**	4.98	**15.59**	15.78	**–**	–	DR/MM
(Kroondal mine ext.)			Cr_2O_3(%)	**42.58**	42.47	**41.6**	41.6	**42.3**	42.2	**–**	–	
Marikana East	20.5%	UG	(Mt)	**4.196**	4.178	**0.78**	0.75	**4.98**	4.92	**–**	–	DR/MM
(Kroondal mine ext)			Cr_2O_3(%)	**42.25**	42.25	**41.8**	41.8	**42.2**	42.2	**–**	–	
Boshoek mine	20.5%	OC/UG	(Mt)	**–**	–	**17.09**	17.09	**17.09**	17.09	**–**	–	DR/MM
			Cr_2O_3(%)	**–**	–	**40.5**	40.5	**40.5**	40.5	**–**	–	
Thorncliffe mine	20.5%	UG/OC	(Mt)	**36.104**	38.906	**13.05**	13.75	**49.16**	52.65	**47.4**	47.3	DR/SV
			Cr_2O_3(%)	**40.63**	40.61	**41.3**	41.0	**40.8**	40.7	**38**	38	
Helena mine	20.5%	UG/OC	(Mt)	**23.621**	23.786	**11.42**	11.17	**35.04**	34.96	**134.4**	133.5	DR/SV
			Cr_2O_3(%)	**39.88**	39.75	**39.0**	38.2	**39.6**	39.2	**38**	38	
Projects												
Townlands Extension 9	20.5%	UG	(Mt)	**–**	–	**12.94**	13.85	**12.94**	13.85	**–**	–	DR/MM
			Cr_2O_3(%)	**–**	–	**41.4**	41.4	**41.4**	41.4	**–**	–	
De Grooteboom	20.5%	UG/OC	(Mt)	**1.039**	0.812	**0.51**	0.65	**1.54**	1.46	**–**	–	DR/SV
			Cr_2O_3(%)	**40.23**	40.28	**40.3**	40.3	**40.3**	40.3	**–**	–	
Klipfontein/Waterval	20.5%	UG	(Mt)	**11.820**	12.433	**16.95**	15.79	**28.77**	28.23	**114.9**	116.0	DR/MM
			Cr_2O_3(%)	**42.12**	42.11	**42.0**	42.0	**42.0**	42.0	**42**	42	
Total chrome			(Mt)	**115**	118	**83**	83	**197**	201	**297**	297	
			Cr_2O_3(%)	**41.2**	41.1	**41.0**	40.9	**41.1**	41.0	**40**	40	

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 PSV 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.

For Merafe ownership of specific mines contributed to the Venture see page 50 of this report.

Chrome mineral reserve statement

Name of operation	Participation interest	Mining method	Commodity	Proved Mineral Reserves 31.12.16	Proved Mineral Reserves 31.12.15	Probable Mineral Reserves 31.12.16	Probable Mineral Reserves 31.12.15	Total Mineral Reserves 31.12.16	Total Mineral Reserves 31.12.15	Competent person
Operating mines										
Waterval mine	20.5%	UG	(Mt)	**8.727**	10.534	**0.89**	0.91	**9.61**	11.45	DR/MM
			Cr_2O_3(%)	**31.40**	30.94	**26.8**	26.0	**31.0**	30.5	
Marikana West	20.5%	UG	(Mt)	**0.110**	0.584	**–**	–	**0.11**	0.58	DR/MM
			Cr_2O_3(%)	**28.93**	28.92	**–**	–	**28.8**	28.9	
Kroondal mine	20.5%	UG/OC	(Mt)	**2.142**	1.895	**1.92**	1.94	**4.07**	3.83	DR/MM
			Cr_2O_3(%)	**29.27**	28.44	**28.5**	28.1	**28.9**	28.3	
Kroondal Gemini	20.5%	UG/OC	(Mt)	**6.178**	6.942	**4.72**	4.68	**10.89**	11.63	DR/MM
			Cr_2O_3(%)	**31.42**	31.05	**28.5**	28.3	**30.2**	29.9	
Marikana East (Kroondal Extension)	20.5%	UG	(Mt)	**–**	0.305	**–**	0.20	**–**	0.51	DR/MM
			Cr_2O_3(%)	**–**	29.16	**–**	28.1	**–**	28.9	
Boshoek	20.5%	OC/UG	(Mt)	**–**	–	**0.58**	0.58	**0.58**	0.58	DR/MM
			Cr_2O_3(%)	**–**	–	**26.1**	26.1	**26.1**	26.1	
Thorncliffe mine	20.5%	UG/OC	(Mt)	**22.267**	22.413	**8.15**	7.80	**30.41**	30.21	DR/SV
			Cr_2O_3(%)	**33.76**	36.94	**34.2**	37.9	**33.9**	37.2	
Helena mine	20.5%	UG/OC	(Mt)	**3.250**	3.640	**–**	0.18	**3.25**	3.82	DR/SV
			Cr_2O_3(%)	**33.45**	34.73	**–**	30.6	**33.5**	34.5	
Klipfontein/Waterval	20.5%	UG	(Mt)	**–**	0.232	**0.29**	0.29	**0.28**	0.53	DR/MM
			Cr_2O_3(%)	**–**	25.94	**27.3**	27.3	**28.0**	26.7	
Total chrome			(Mt)	**43**	47	**17**	17	**59**	63	
			Cr_2O_3(%)	**32.7**	34.0	**31.1**	32.6	**32.2**	33.6	

Notes:
Tonnages are quoted as million metric dry tonnes.
Grades are quoted as %Cr2O3.
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 ore 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 31 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
Glencore Operations South Africa Proprietary Limited

PO Box 2131
Rustenburg
0300
RSA

Tel: (014) 590 2415
Fax: (014) 590 2498

See our online integrated annual report for 2016 for the complete mineral resources and mineral reserves statement.

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.

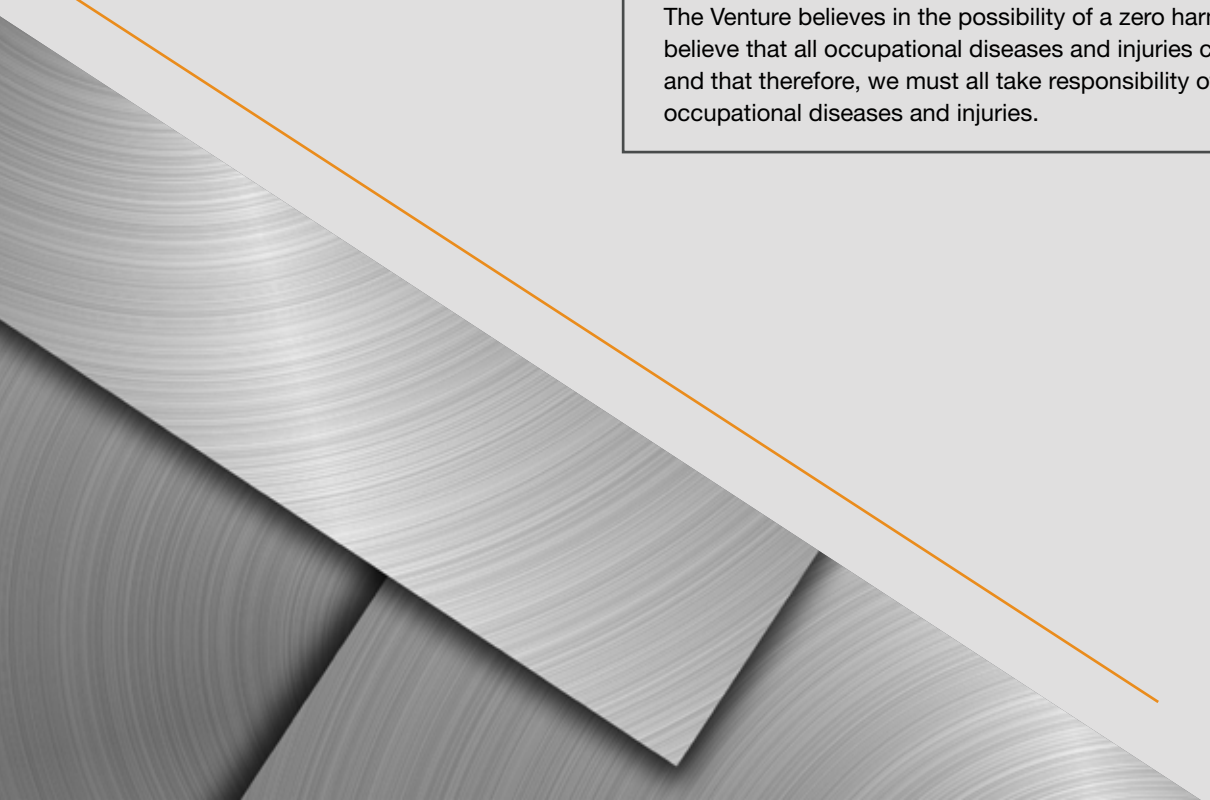
We need a healthy, motivated and skilled workforce. Intellectual capital and knowledge management is also recognised as a key intangible creator of wealth. Damaging human capital by abuse of human rights or labour rights or compromising health and safety has financial and reputational costs.

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
- 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 of avoiding occupational diseases and injuries.



Human capital: safety

Key points

One fatality occurred in 2016
(2015: nil fatalities)

Total recordable injury frequency rate (TRIFR)
4.15
(2015: 4.17)

Lost time injury frequency rate (LTIFR)
1.21
(2015: 0.96)

Disabling injury severity rate (DISR)
111.49
(2015: 120.89)

The Venture had no safety penalties or prosecutions in 2016

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 (ICMM).

The Venture takes a proactive, preventive approach towards safety, aiming to instil 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 (HPRI) reporting processes will be a key part of the new Glencore process being rolled out in the Venture.

The Venture'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 TRIFR has reduced from 4.58 (2010 baseline) to 4.15 in 2016.

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 consequence 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 the working at heights and people vehicle interaction as key danger areas.

In 2016 there were 113 recorded injuries in a workforce of 14 381 (including contractors). An in-depth analysis by the Venture revealed that no one single factoral cause stood out, 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 in 2014 including 'SAFEALLOYS', 'Life Saving Behaviours' and 'Consequence Management'.

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 31 in the Human capital section of this report. It uses 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 31 of this report was a major focus during the year. Focus for 2016 was on supervisory development training ensuring that all supervisors understood their legal responsibility, life saving behaviour, 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

Three noise-induced hearing loss (NIHL) cases in 2016 (2015: one)

Encouraging employees who test positive for HIV to register for treatment

The impact of **HIV/AIDS** and **Tuberculosis** (TB) on our workforce

The **link between TB and AIDS**, emphasising the need to significantly increase the Venture's TB programme to provide the highest quality prevention and care for employees and contractors

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, which aims to eliminate occupational illnesses, address occupational illnesses, public health issues and the overall wellbeing of its employees and contractors.

Typically, occupational illnesses such as 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 noise-induced hearing loss 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.

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 counselling, 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 that 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.

See our online integrated annual report for 2016 for more information on how the Venture addresses occupational illnesses.

See our online integrated annual report for 2016 for more information on our HIV and AIDS commitments and our overall policy and approach to health and wellness in the workplace.

Human capital: our employees

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

Key points

No protected or unprotected **strikes** in 2016

Three-year wage agreement signed with smelter employees in 2015

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
- 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.

The Venture'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
- 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 2016 under Human capital: our employees.

Labour relations

While Merafe'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 in the Venture in 2016

There were no protected or unprotected strikes during 2016.

At the end of November 2014 the Venture signed a three-year wage agreement for the western mines. In 2015 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 2016 for more information on the Venture's employee relations, engagement, remuneration, benefits, labour relations and the employee share ownership plan for Venture employees.

Human capital: our employees (continued)

Key points

15%
of the Venture's workforce in 2016 was female

Merafe had
five employees
and the Venture
6 851 employees
at 31 December 2016

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	2016	2015	2014
Full time employees	6 505	6 436	6 282
Temporary/fixed term employees	285	363	182
External contractors	7 591	6 800	6 921
Total	14 381	13 599	13 385

The numbers are the 2016 average numbers. The number of full time employees and fixed term employees at 31 December 2016 was 6 851.

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
- Providing a workplace that is free of discrimination

Venture workforce by employment and gender type at 31 December 2016

Permanent and fixed term	Male	Female	Total
Senior management	90	8	98
Middle management	118	51	169
Supervisors, administrators, technicians	968	364	1 332
Operational, maintenance, production	4 673	579	5 252
Grand total	5 849	1 002	6 851

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 focusing on its retention strategies with specific reference to senior management HDSAs.

Venture employment equity	% Mining Charter target 2016	% achieved 2016
Senior management	40	41
Middle management	40	62
Junior management	40	56
Core skills	40	94

Diversity in Merafe

Mining Charter	% Mining Charter target 2016	% achieved 2016
Top management (includes Board)	40	87
Senior management (Exco)	40	100
Middle management	40	50

There are no junior managers employed by Merafe.

Merafe achieved a Level 5 B-BBEE status under the Codes of Good Practice in 2016. A copy of the certificate (expiry date 7 July 2017) is on the Company website.

See the table on page 39 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

Human capital: training and development

The Venture provides full time adult education and training (AET) for its employees and portable skills training that equips employees for career endings

Key points

The Venture invested
R94.6 million
in training (2015: R73.75 million)

An average of **R6 292** was invested in training for each member of the Venture's workforce (employees and contractors) (2015: R5 424)

770 928
Venture total training hours (2015: 733 204)

R27.12 million
invested in artisan and apprentice training (2015: R25.86 million)

Over **R5.47 million** invested in bursaries and scholarships (2015: R4.27 million)

55 average training hours per permanent employee (2015: 59)

395 537 training hours on contractors (2015: 334 507)

52.1 average training hours per external contractor employee (2015: 49.2)

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
- 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

	2016	2015
Total training hours	770 928	733 204
Total training hours for permanent employees	373 794	398 697
Average training hours per permanent employee	55	59
Total training hours contractors	395 537	334 507
Number of health issues training sessions	11 239	29 783
Number of safety issues training sessions	19 121	42 520
Number of human rights issues training sessions	9 687	14 948
Number of environmental training sessions	10 910	29 843
Community health training	60	91
Community environmental training	60	71
Community human rights training	60	71

Development of staff was a key focus in 2016 across all sites. Increased focus on computer-based training made training more efficient and structured.

Leadership development

The Venture invites senior managers who 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, 67% of middle management level employees who participated in development programmes in 2016 were HDSA and 62% 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

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
- 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.

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

Key points

The Venture spent
R23.7 million
on corporate social investment and enterprise development in 2016 (2015: R30 million)

59% of the Venture's expenditure on capital goods was on BEE spend in 2016 (2015: 57%)

83% of the Venture's expenditure on services was on BEE spend in 2016 (2015: 81%)

65% of the Venture's consumable expenditure was on BEE spend in 2016 (2015: 63%)

Corporate social investment (CSI)

The Venture, which contributes to a number of CSI projects in the vicinity of its mines and smelters, spent R23.7 million on CSI projects and enterprise development in 2016. The amount budgeted for these projects is R129 million over a five-year cycle of which to date R99 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 has also contributed to the establishment of catering enterprises, food banks and business support centres.

In addition to Merafe contributing to CSI and enterprise development through the Venture (where it contributes in accordance with its participation interest of 20.5%). It independently supports CSI initiatives.

Merafe Resources' CSI projects in prior years involved the renovation and building of ablution blocks at Boitekong and Meriti Secondary schools and the mentorship of six up and coming entrepreneurs. The Company was impressed with the excellent manner in which this project was carried out as well as with the excellent quality of the buildings and commended the Adopt-a-School team and the schools management teams. Boitekong and Meriti Secondary schools are located in the Bojanela district of the North West province. When Merafe visited the two schools after completion of the projects, the lack of suitable and sufficient infrastructure at the schools became apparent to the delegation. In 2014, Merafe made the decision to conduct a further needs assessment on the two schools to better understand how to assist them.

Following the needs assessment at Boitekong and Meriti, the Company agreed to support the two schools in respect of two further projects at a cost of approximately R4.5 million. We are pleased to report that the two projects were completed in 2016. The two projects included the construction of a feeding scheme kitchen and six classrooms for Boitekong and a feeding scheme kitchen and five classrooms for Meriti. Since the project started 81 temporary jobs have been created for individuals from nearby communities. Further, small businesses in the areas are being used to supply materials and services. In addition, during 2016, water tanks were installed at both schools. The amount spent on the two projects in 2016 was R2.5 million. The Social and Ethics Committee of the Company will conduct a site inspection and meet with the principals and key stakeholders at the school in May 2017.

During 2016 the Venture supported a number of health and community projects and programmes. These included the Thekwane Trauma Centre, the Ratanang Orphanage Centre, the Lydenburg Rusoord old age home and a number of school and community nutritional and health programmes.

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.

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 R3.6 million on enterprise development in 2016.

See page 31 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	1 075 671 548	1 970 655	1 073 700 894	633 990 156	59.05
Services	9 016 119 944	5 600 499 305	3 415 620 639	2 842 618 645	83.22
Consumables	4 096 308 952	926 374	4 095 382 579	2 658 840 703	64.92
Total	14 188 100 445	5 603 396 333	8 584 704 111	6 135 449 504	
Multinational capital spend	56 870 356				
Total procurement spend (excluding MNC)	14 188 100 445				
Total procurement spend	14 244 970 801				

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

Both Merafe and the Venture do not tolerate 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 and 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 Glencore-Merafe Chrome 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 our online integrated annual report for 2016 for further information on our approach to social capital, particularly our social licence to operate and approach to community engagement, as well as more detail on the specific projects.

See the stakeholder engagement table on our website for details of the Venture's engagement and Merafe's engagement during 2016.

See our online integrated annual report for 2016 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.

Chairperson's report

I would like to thank the Merafe team and our partners Glencore for their hard work during the year, which again resulted in the Company producing an excellent financial and operational performance. The performance in the second half of 2016 was especially noteworthy.

Overview

2016 was again an eventful year. On the global front political uncertainty (especially BREXIT in the UK and the Trump election in the US) and conflict continued to dominate world news. At home, the news was dominated by local government elections, allegations of state capture, political manoeuvring and of course the #FeesMustFall protests. The latter disrupted universities and well thought out solutions need to be found as education and the standard of education is not only critical to our sector but also our country. It is worth noting that the mining sector makes a significant contribution to education through payment of taxes, investments in skill development and bursaries as well as student and university assistance. The Public Protector's report on state capture left many questions unanswered and the issues raised in the report are concerning in the extreme, as are the levels of corruption in the country and poor performance of many state managed institutions. In our sector, the regulatory and legislative environment remains uncertain and the industry needs finalisation of the MPRDA Bill and the contested Mining Charter sooner rather than later. The country requires strong and ethical leadership to deal and solve these issues. In such times, we are again reminded to remain focused on making our business a success so that we are able to provide a positive contribution to all our stakeholders and broader society.

I am pleased to report that despite all these uncertainties Merafe produced an excellent set of results in 2016, and was again able to pay dividends for the year under review.

The financial performance of the Company has been addressed in the CEO's strategic review on page 9 and the Financial capital section of this report on page 12. The CEO has also provided detailed comment on the strategy of the Company going forward and the focus on ferrochrome and maximising cash flows for the benefit of all stakeholders.

Safety

As safety remains the number one priority of Merafe and the Venture, I am disappointed to report that there was a fatality at our operations in the year under review. Our condolences are conveyed to the family, friends and colleagues of Mr Johan Cronje who passed away on 20 September 2016 due to injuries sustained in an accident at Helena Mine. It is worth noting that in 2015 there were no fatalities. The considerable effort that the Venture has placed into embedding a safety culture into its operations was appearing to bear fruit when the unfortunate accident occurred. The improved safety statistics in 2016 and the continued focus on safety gives us hope that 2017 will be a fatality free year. In this regard see the safety section on page 27 of this report for further details.

Strategy

We continue to take a long-term view of our business. In terms of achieving our strategic objectives, our ferrochrome interests were profitable .The Lion ferrochrome plant has further improved the Venture's sustainability by increasing its cost efficiency and production capacity.

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 49 of this report for information on Merafe and the Venture's assurance and review processes.

Our commitment to good governance and sustainability has also always been reflected in our inclusion in the JSE Socially Responsible Investment (SRI) Index since its inception in 2003, the Company often being a top 10 performer. In 2016, however, the SRI Index assessment was only performed on the Top 100 companies (as it was in 2015) on the JSE by market capitalisation and Merafe was therefore unfortunately not assessed. We believe that all companies listed on the JSE need to again be subject to this assessment.

King IV

King IV was launched in December and in 2017 we will be studying the report to assess our level of compliance and where we can improve. We agree with the assertion in the report 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. 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

The CEO has provided a detailed commentary on the strategic focus of the Company on page 10 of this report.

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 CEO, which is documented in our Board charter. Our CEO 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 with shareholders 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 CEO and the Financial Director.

My thanks go to our non-executive and executive directors for their contribution to the Merafe Board's deliberations and decision-making during 2016.

Mining Charter and empowerment

The Board, together with our Venture partners, continue to consider the impact of losing our key empowerment shareholder in 2015 and remain committed to ensuring the long-term sustainability of both Merafe and the Venture and complying with legislation.

Merafe team and Glencore

On behalf of the Board, I would like to thank the Merafe team and our Venture partner Glencore, for their hard work during the year, which resulted in the Company producing an excellent financial and operational performance under difficult circumstances.

During 2016 we said goodbye to Zed van der Walt as a non-executive director. Zed was previously an executive director of Merafe for seven years before he retired in February 2008. He re-joined Merafe as a non-executive director in July 2011. The Board wishes to thank Zed for his invaluable contribution to the Company.

Future outlook

I am again pleased to report that Merafe is well positioned for the year ahead with a strong balance sheet. The Venture is also well positioned to take advantage of improved global conditions as a result of it being the lowest-cost producer in South Africa. Its investment over the years in new and more efficient technology has increased its competitiveness among South African ferrochrome producers. We continue to believe the Venture and Merafe will reap the benefits of this commitment to investing in energy efficient technology in the years to come.

Chris Molefe
Chairperson

Governance

Directorate at 31 December 2016

Non-executive directors

Chairperson

Chris Molefe (68)
(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 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 to the Board.

Belese Majova (42)
(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 sector. Belese is chairperson of the Social, Ethics and Transformation Committee and is a member of the Audit and Risk Committee.

Abiel Mngomezulu (63)
(Independent)
BSc (Hons), MSc Engineering (Mining)

Abiel joined the Merafe Board as an independent non-executive director in September 2010. He is currently the President and Chief Executive Officer of Mintek, a state-owned enterprise responsible for mineral extraction technologies and beneficiation. Abiel is a member of the Audit and Risk Committee and chairperson of the Remuneration Committee.

Mpho Mosweu (41)
CA(SA), MBL

Mpho Mosweu joined our Board in March 2011. She is head of the Project and Corporate Finance department 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 Merafe Social, Ethics and Transformation Committee.

Karabo Nondumo (38)
(Independent)
BAcc, HDipAcc, CA(SA)

Karabo, who joined the Merafe Board as an independent non-executive director on 1 December 2010, is currently executive director of KM Tech, an integrated ICT provider to enterprises. Karabo was previously head of the Enterprise Business Unit at Vodacom Group Limited. Prior to this she gained her mining industry experience as an associate of Shanduka Resources and Executive Assistant to the Executive Chairperson. While at Shanduka she served on the boards of Dowding, Reynolds and Associates (DRA) and Lace Diamonds. Karabo is also an independent non-executive director of Harmony Gold Ltd, Sanlam Ltd, Richards Bay Coal Terminal and MTN South Sudan. She is chairperson of the Merafe Audit and Risk Committee.

Shaun Blankfield (34)
CA(SA)

Shaun is the Head of Business Development for Glencore South Africa. Shaun is a qualified Chartered Accountant and served articles with Deloitte South Africa. Subsequently 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.

Executive directors

Zanele Matlala (53)
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 Old Mutual Investment Group Holdings. 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.

Kajal Bissessor (34)
Financial Director
BAcc, HDip Acc, CA(SA)

Kajal joined Merafe as Financial Controller in March 2009 from KPMG where she was an Audit Manager. Kajal was appointed Finance and Investor Relations Manager in June 2010 and was appointed Financial Director in January 2015. Kajal is an invitee to the Audit and Risk Committee and the Remuneration and Nomination Committee and in 2015 was appointed a member of the Social, Ethics and Transformation Committee. Kajal is a non-executive director of Anchor Group Limited and chairperson of their Audit and Risk Committee.

Management at 31 December 2016

Dr Jurg Zaayman (48)
General Manager – Merafe Chrome
BEng, MEng, PhD (Metallurgical Engineering)

Jurg joined Merafe Resources as Operations Manager during 2001. In 2004 he was seconded to the Venture as project leader for the Bokamoso pelletising plant project before being appointed to his current position in 2007. He is Chairperson of the Ferroalloys Producers Association and a council member of the Energy Intensive Users Group (EIUC). Jurg is a member of to the Social, Ethics and Transformation Committee, and an invitee to the Audit and Risk Committee and the Board.

Company Secretary

CorpStat Governance Services
William Somerville (60)
FCIS, ACMA, HDip Corporate Law

Appointed as Company Secretary on 1 October 2014

The Merafe Board at 6 March 2017 was Chris Molefe (Chairperson), Belese Majova, Shaun Blankfield, Abiel Mngomezulu, Mpho Mosweu, Karabo Nondumo, Zanele Matlala and Kajal Bissessor.

Zed van der Walt resigned as a director on 7 March 2016.

See page 41 for information on the process the Board followed regarding assessing the performance of the Company Secretary.

OUR APPROACH TO GOVERNANCE

BOARD STATISTICS

as at 31 December 2016

Merafe understands that a sound and robust approach to corporate governance standards throughout our organisation requires a focus on performance as well as conformance. We also recognise that strategy, performance, sustainability and risk are inseparable. We establish clear lines of accountability from Board level down.

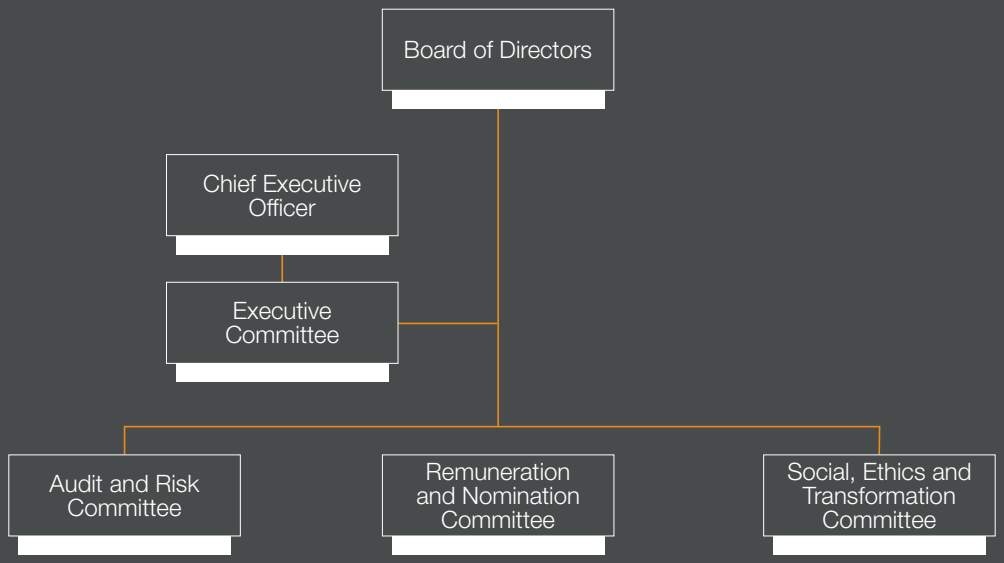
62%
of our Board members are women, all of whom are black

87%
of our Board members are black

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

67%
of our non-executive Board members are independent

Governance structure



We are committed to transparency and accountability, which is essential if Merafe is to thrive and succeed in the short, medium and long term.

To ensure that we consistently practise effective corporate governance throughout the Company, our Board materially applies the principles of King III. It also instils in our management team the need to achieve the best results in the most responsible way possible. In terms of the King III principles the Board must consider the concerns and priorities of its wider stakeholder environment in its strategic guidance and decision-making processes.

The Board's corporate governance role

Our Board charter commits the Board to ensuring our Company is a responsible corporate citizen. Good governance is about strong leadership. It is the role of the Merafe Board to direct, govern and be in effective control of the Company. The fact that our Company has been acknowledged as a responsible corporate citizen is testament to the sound leadership of our Board.

Merafe uses the King III criteria to define an independent non-executive director, which can be found in the approach to governance section of our online integrated annual report for 2016.

Our approach to governance (continued)

The Board's charter and our Company's Code of Ethics define the roles, responsibilities and behaviours of the Board in ensuring a successful, ethical and sustainable business. The Board is required to make decisions on matters of a material and significant nature, including our Company's financial and operating results, major acquisitions and disposals, considerable capital expenditure and the strategic direction of our business.

Not only does the Board direct the development of our Company strategy, but its members are responsible for assessing the short-term and long-term impacts of our strategy on all our stakeholders.

We review our strategic plans annually. They are then presented to the Board for approval. Accountability rests with our Board for ensuring our financial and legislative compliance, as well as the timeous identification and management of risk and opportunity.

The Board performs an annual evaluation of its performance in terms of economic, environmental and social performance. It also evaluates the performance of its committees.

Dealing in securities

We have a policy to guide directors and designated employees on dealing in the Company's securities. The JSE Listings Requirements specifically prohibit directors or senior employees from buying or selling the Company's shares during a closed period.

Board expertise

It is imperative that our Board has the appropriate balance of skills and experience within its ranks to fulfil its mandate. The members of our Board have a wide range of skills, including financial, technical and commercial expertise, which they use to guide the decision-making of our Board.

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 • 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 • information technology governance **Key issues in 2016 included:** Safety, Merafe strategy, stakeholder engagement, sustainability, 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	Chris Molefe (Chairperson) Belese Majova Zed van der Walt+ Abiel Mngomezulu Mpho Mosweu Karabo Nondumo Zanele Matlala (CEO) Jurg Zaayman* Kajal Bissessor Shaun Blankfield	4/4 4/4 1/1 3/4 2/4 3/4 4/4 4/4 3/4 4/4
			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 • 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 2016 included:** Review work of external auditors, assess independence of external auditors, tender process and appointment of external auditors for 2017, 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, approved 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, formalisation of an internal audit function.	Karabo Nondumo (Chairperson) Abiel Mngomezulu Zed van der Walt+ Belese Majova Zanele Matlala* Kajal Bissessor* Chris Molefe* Jurg Zaayman*	4/4 4/4 1/1 4/4 4/4 3/4 4/4 4/4

* *Invitee.*
\+ *Resigned on date set out on page 36 of this report.*

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 are adopted that promote the achievement of strategic business objectives and encourage individual performance and monitoring remuneration policies • makes recommendations on non-executive directors' fees • 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 2016 included:** Considered make-up/membership of all committees, recommended approval of remuneration policy to Board, approved CEO's (individual) and business performance KPIs, approved talent management programme, evaluated Executive Committee's individual and business performance against objectives, reviewed executive contracts in line with internal audit recommendations, review of Remuneration Policy and approval of the Board Gender Diversity Policy.	Abiel Mgomezulu[1] Chris Molefe[2] Zed van der Walt[3] Shaun Blankfield Zanele Matlala* Kajal Bissessor* *Note:* *1. Chairperson of Remuneration Committee from 29 February 2016* *2. Chairperson of Nomination Committee* *3. Resigned on 7 March 2016* ** Invitee*	3/3 3/3 1/1 3/3 3/3 2/3
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 41. **Key issues in 2016** The key issues are set out in the Social, Ethics and Transformation Committee report on page 41.	Belese Majova (Chairperson) Chris Molefe Mpho Mosweu Zanele Matlala Kajal Bissessor Jurg Zaayman	3/3 3/3 1/3 3/3 2/3 3/3

The structure and roles and responsibilities of the Glencore-Merafe Chrome 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, Kajal Bissessor and Jurg Zaayman.
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 three representatives from Glencore and three representatives from Merafe. Currently, Glencore appoints the Chairperson of the Joint Board.

See our website for our Board charter, Code of Ethics and the Board Gender Diversity Policy.

See the annual financial statements, which form part of our online integrated annual report for 2016 for the Audit and Risk Committee's report as well as page 51 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 2016.

Our approach to governance (continued)

Merafe complies with King III. See our online integrated annual report for 2016 for the table setting out our performance in terms of King III, as well as for a full analysis of our corporate governance compliance. In our 2015 integrated annual report we identified certain issues with which we partially complied and noted that we would be focusing on these issues in 2016. Our progress in 2016 is set out below.

Our progress with governance matters in 2016 where we had not as yet fully applied King III

Oversight of internal audit
In 2015, the Audit and Risk Committee and the Board considered the scope and extent of internal audit at Merafe head office (as opposed to the Venture) and whether it is necessary considering the structure and nature of the business. The decision was made to appoint internal auditors and Nexia SAB&T were appointed as internal auditors in April 2016. The objective of their appointment was to provide assurance to the Audit and Risk Committee on internal controls at Merafe head office. Their work included an audit of human resources costs, share based payments and expenditure management. There were no findings or issues reported. The Audit and Risk Committee will annually consider whether to have an internal audit function or use internal auditors for special projects, as required.

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 detailing the procedures for the appointment to the Board. Appointments must be formal and transparent and a matter for the Board as a whole, assisted where appropriate by a nomination committee. If a nomination committee is appointed, such committee must only constitute non-executive directors and the majority must be independent. The committee must be chaired by the Chairperson of the Board.	Merafe's directors are appointed by means of a transparent and formal procedure, governed by the mandate and terms of reference of our Remuneration and Nomination Committee and the Board charter. The Board charter and the terms of reference of all our committees are available on our website at www.meraferesources.co.za, and the Remuneration and Nomination Committee's terms of reference are summarised on page 39 of this report. All members of our Nomination Committee are independent non-executive directors. The committee is chaired by an independent non-executive director who is Chairperson of the Board. We comply with the definitions of non-executive director and independent director in terms of paragraph 3.84(f)(ii). All non-HDSA appointments are first ratified by the Social, Ethics and Transformation Committee.
3.84(b)	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(c)	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 III. We refer you to pages 36, 37 and 38 of this report. Chris Molefe has chaired the Merafe Board since May 2003. In accordance with Chapter 2 of King III 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(d)	Issuers must appoint an audit committee in compliance with the King Code. Issuers must appoint a remuneration committee in compliance with the King Code. Where appropriate, issuers must appoint a risk and nomination committee. 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 38 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. As already explained, Merafe has a combined Audit and Risk Committee and a combined Remuneration and Nomination Committee. The composition of the Committees, the mandates, activities and meetings held are set out on pages 38 to 41 of this integrated annual report. During 2016, our Chief Executive Officer and Financial Director were permanent invitees to the Audit and Risk Committee.
3.84(e)	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 page 36 of this report.
3.84(f)	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(e) 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 III.

See our online integrated annual report for 2016 for the table setting out our performance in terms of King III.

Requirement	Principle	Merafe's approach and compliance
3.84(g)	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 she have any other commitments that could be considered as full or part time employment.
3.84(h)	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.	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.
3.84(i)	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 has 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(j)	The provision deals with the arm's length relationship between the Board of Directors and the Company Secretary and the Board of Directors' responsibility in relation thereto.	The Company Secretary fulfills 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.
3.84(k)	The provision deals with the gender diversity policy.	Merafe's Gender Diversity Policy prescribes that at least 30% of the Board shall be females. As at the time of reporting, five of the eight directors were female (62.5%). The Remuneration and Nomination committee undertakes when nominating and recommending directors to the Board, to take into account the principles and aims of the Gender Diversity Policy of the Company.

Social, Ethics and Transformation Committee report

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 which are independent, two executive directors and the General Manager: Merafe Chrome. 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
- 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
  - monitoring functions required in terms of the Companies 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 III. The Company complies with King III principles, save as otherwise noted and explained in this integrated annual report
- continually 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 Meriti and Boitekang school projects as set out on page 33 of this report. The Meriti and the Boitekang school projects were completed in 2016. In addition, water tanks were installed in both schools. The committee will again visit the schools in May 2017

The members of the committee believe that Merafe is substantively addressing the issues it is required to monitor in terms of the Companies Act, however, we recognise that the functioning and scope of the committee is a work in progress.

Belese Majova
Chairperson

For the report of the Chairperson of the Audit and Risk Committee, see page 3 of the annual financial statements on our online integrated annual report for 2016 and page 51 of this report.

See pages 38 and 39 of this report for details of the members of the Remuneration and Nomination Committee and brief description of the mandates of all our committees and attendance at these committee meetings.

See our online integrated annual report for 2016 for our annual financial statements and further information on our Company Secretary.

REMUNERATION REPORT

This report describes the activities of the Remuneration and Nomination Committee for the period ending 31 December 2016.

Our remuneration philosophy

Merafe's primary remuneration intent is to employ and reward high calibre and 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 that they should be remunerated accordingly for their contribution, and the value that they deliver. Additionally, non-executive fees should be determined in the context of good governance and be market-related.

Our remuneration strategy

Our remuneration strategy is designed to be aligned with our business strategy and its execution. As we strive to attract, retain, motivate and reward employees for executing our business strategy, their remuneration must clearly be market-related, and our Remuneration and Nomination Committee uses third parties for the purpose of benchmarking to the appropriate segment. The general principle of this strategy is to structure executive and employee remuneration to provide:

- guaranteed annual salaries and benefits that are commensurate with the market for key talent
- annual cash incentives that reward short-term operational performance
- long-term (share-based) incentives that promote retention and drive performance in alignment with shareholder goals

The Remuneration and Nomination Committee

Responsibility for the Company's remuneration policies rests with the Merafe Resources Board of Directors, which have in turn appointed the Remuneration and Nomination Committee.

The committee comprises three members, all of whom are non-executive directors. The Chairperson of the committee and the majority of its members are independent. The committee is governed by formal terms of reference approved by the Board.

The primary role of the committee is to ensure that the Company's directors and senior executives are paid fairly for their contributions to the Company's performance, and that remuneration policies are appropriate to attract, retain and motivate quality directors and senior management, committed to achieving the overall goals of the Company.

This role of the committee essentially consists of:

- assisting the Board in setting and monitoring remuneration policies, which promote the achievement of strategic business objectives and encourage individual performance
- ensuring that remuneration policies are adopted and reviewed and aligned with the strategy of the organisation and linked to individual performance
- reviewing the outcome of the implementation of the Remuneration Policy

Additionally the committee plays 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 the directors and, to the extent it deems necessary, makes external 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 sector.

The committee meets formally at least three times a year. The Chairperson of the Board and the CEO attend meetings to discuss the performance of other executive directors and to make proposals as necessary.

The Chairperson of the committee may meet with the CEO and the Company Secretary to discuss important issues and agree on the agenda. The CEO, other senior employees, professional advisors and Board members may attend the meeting by invitation only, but they may not vote. The Company Secretary is the secretary of the committee.

The Remuneration Committee reviews the benefits offered by the Company to determine whether they are appropriate and competitive given the industry, the company's financial position, legislative requirements, and market benchmarks and trends, if the costs relating to the administration of the benefits/schemes are justified if the schemes are well governed, whether the benefits/schemes meet the needs of employees and are fair and non-discriminatory towards all employees.

The Board performs an evaluation of the effectiveness of the committee on an annual basis.

Remuneration Policy

Our Remuneration Policy, a summary of which is set out below, was approved by shareholders on 6 May 2016 and is on our website and forms part of our online integrated annual report for 2016.

The key principles of Merafe's Remuneration Policy are as follows:

- The Policy is governed by the Remuneration and Nomination Committee who regularly review all policies to ensure that they are relevant and support Company strategy
- Guaranteed remuneration is targeted broadly at the median to lower quartile of the relevant market data
- All employees are members of medical and retirement funds and have group life and disability cover
- Variable pay is an important component of remuneration and both annual and long-term performance-based schemes are in place in support of the Company's business strategy
- Incentive scheme performance measures are assessed by the Remuneration and Nomination Committee. These measures are weighted between corporate, individual, and financial and non-financial criteria
- Performance measures are applicable to the time period to which the scheme relates
- Annual cash incentive bonuses are based on performance for the financial year, while the long-term incentive scheme measures are based on long-term sustainability and shareholder value
- 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
- Industry average increase surveys are taken into consideration in setting increases
- Both short-term and long-term incentive schemes are benchmarked against practices at similar companies
- The overriding principle governing payments for non-executive directors is that they are made in the context of good governance

See our online integrated annual report for 2016, under remuneration report for our Remuneration Policy.

Executive remuneration

Executive remuneration as set out in the Remuneration Policy is aligned with the Company's strategic objectives. The Remuneration and Nomination Committee conducted an independent benchmark of executive remuneration during 2016.

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 to company (TCTC), being the combination of basic salary and benefits
  Guaranteed pay is designed to attract and retain talented employees, reflect the scope and nature of the role and provides competitive pay and rewards performance
- Performance variable pay, being made up of on target reward from short-term incentives in the form of annual cash incentives and the expected value from long-term (share-based) incentives
  Performance variable pay is designed to motivate and rewards achievement of business and individual performance and keep employees focused on the defined business imperatives
- Long-term incentives are designed to drive sustainable longer-term performance, retain key skills by linking performance to long-term value creation, encourage loyalty and ownership (by aligning the interests of executives to those of the Group and its shareholders), and wealth creation

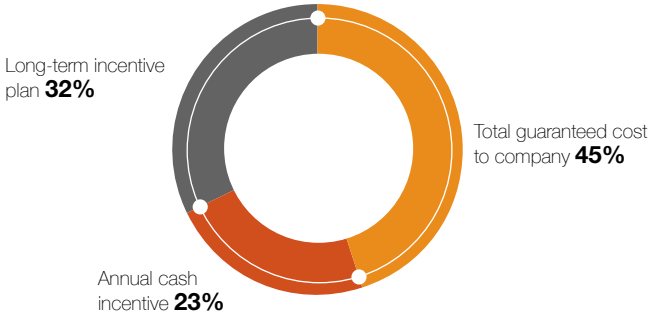
The balance between guaranteed pay (total cost to company), targeted annual cash incentives and the expected value from long-term (share-based) incentives for executives is shown in the pie charts on the right and in the diagram below.

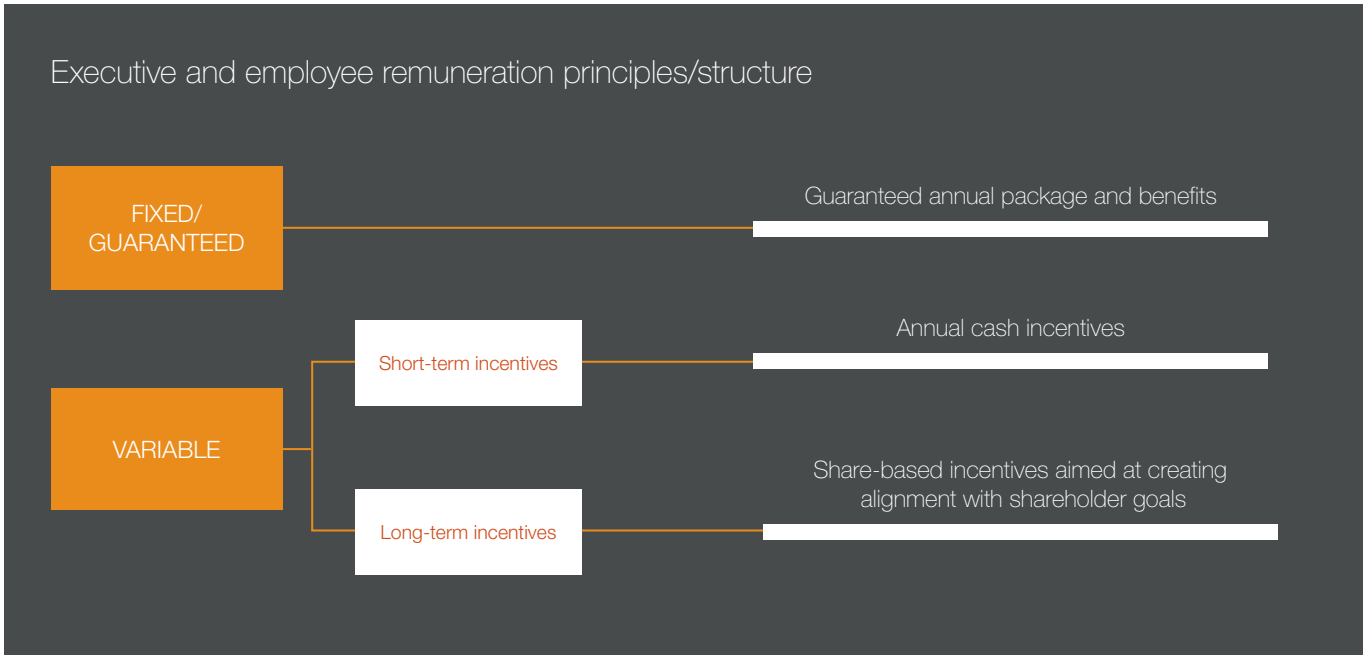
Note: Expected value is defined as the present value of the future reward outcome of an offer, given the targeted future performance of the Company and of its share price. It should not be confused with the term 'fair value' which is used when establishing the accounting cost for reflection in a company's 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.

Expected apportionment between the major elements of reward

Chief Executive Officer

Executive director





Note that, through acquisitions and business combinations over time, and due to the impact of individual and business performance, actual pay mix will inevitably deviate from the targeted pay mix structure.

Merafe's executive remuneration aims to align employee incentives with the interests of our shareholders.

Guaranteed remuneration

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. Salaries and benefits are reviewed annually and are targeted broadly at the median to lower quartile in the relevant market. The Company conducts regular market pricing exercises against the top management reward surveys. The benchmark used is the median total guaranteed cost of employment for similar positions in similarly sized listed companies. When deciding on salary reviews the Remuneration and Nomination 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)

Short-term incentives 2016

During February 2016, a decision was made by the Remuneration and Nomination Committee to follow a less mechanistic approach in determining the bonus awards. In this regard, the incentive scheme performance measures are assessed by the Remuneration and Nomination Committee and these measures are determined by taking into account corporate, individual, financial and non-financial criteria (see the updated Remuneration Policy on our website). The total short-term incentive 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 R100 million. In addition, the percentage for short-term incentives is capped for the various categories of employees as set out below:

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

The proposed 2017 target criteria which are in line with the previous target criteria are set out below:

Corporate targets

1. Profitability
2. Funding
3. Growth of business
4. Sustainability
5. Safety
6. Cost management

CEO targets

1. Growth of business
2. Funding
3. Stakeholder engagement
4. Leadership

FD targets

1. Growth of business
2. Funding
3. Financial reporting
4. Tax risk management
5. Stakeholder engagement

Long-term (share-based) incentives

The intention behind the offer of long-term (share-based) incentives is both to reward employees, including executive directors, for long-term performance and shareholder alignment, and to serve as a retention mechanism for employees whose services are regarded by the Company to be crucial to its future growth and sustainability.

Share incentive schemes

On 14 December 1999, Merafe's shareholders approved a share option scheme for employees (including executive directors) of the Company and its subsidiaries to encourage employees to identify more closely with the activities of the Company and to promote its continued growth by giving them an opportunity of acquiring shares in the Company.

All options vest one third per year on the third, fourth and fifth anniversaries and are settled by physical delivery of shares against receipt of payment of the option price. These options lapse if not exercised after 10 years by employees and options are forfeited when an employee resigns from the Group not having exercised his/her options.

On 13 April 2010, a new share incentive scheme was approved by shareholders providing for offers of both share options and full value (free) shares.

The offers of full value (free) shares for directors were split 50%/50% between performance-oriented awards being subject to performance vesting conditions and retention-oriented grants with no performance conditions other than continued employment.

All offers vest in equal tranches on the third, fourth and fifth anniversary and are settled by physical delivery of shares. Alternatively, the Company has the right to settle the value accruing to an individual via the payment of an equivalent value cash bonus as per the policy guidelines.

The Board of Directors of the Company, on the recommendation of the Remuneration and Nomination Committee, made various offers of share options and full value (free) shares during 2010, 2011 and 2012.

In 2012, the Remuneration and Nomination Committee made a decision to vary the balance between performance-oriented awards and retention-oriented grants and to simplify the performance criteria that determine vesting of the performance-oriented awards. From 2013 awards are governed by a single performance metric that compares Merafe's total shareholder return over a three-year period with that of a selection of JSE-listed small cap mining and resources companies.

The peer group has been selected based on market capitalisation, using a basket of resource companies larger and smaller than Merafe.

The comparator group is set out in our Remuneration Policy and consists of 12 listed companies in the resource sector.

Using the above companies as a benchmark vesting of grants will be in accordance with the following curve:

Performance/vesting curve

If Merafe's TSR over the three-year period places it in one of the top three positions, then the full number of performance granted shares will vest in equal proportions on the third, fourth and fifth anniversaries of their grant.

If Merafe's TSR over the three-year period places it in sixth position, then one third of the number of performance granted shares will vest in equal proportions on the third, fourth and fifth anniversaries of their grant.

If Merafe's TSR over the three year period places it in 10th or below 10th position, then none of the performance granted shares will vest.

If Merafe's performance over the three-year period lies between any of the above, then a prorated number of performance granted shares will vest in equal proportions on the third, fourth and fifth anniversaries of their grant.

The fundamental principles governing Merafe's revised long-term incentives are as follows:

- Share options and share grants are only offered at the discretion of the Board
- Share options and share grants offered shall not exceed 10% of the total issued share capital of the company with no single participant being granted more than 1%

Details of executive and management remuneration in 2016 can be found on page 46 of this report.

Share options and share awards and/or grants offered to directors under the share incentive scheme are set out on pages 46 and 47 of this report.

- Full value share offers are made annually to all employees, the targeted reward of which is dictated by the Company's reward strategy – pay mix
- Performance-oriented award values are calculated as a percentage of an individual's total cost to company guaranteed package
- Performance-oriented share awards and retention-oriented grants are offered to senior managers and above, with the proportion of awards, in relation to grants, increasing with seniority as per Table A set out below

Retention-oriented grant values in any one year are, at the discretion of the Board, calculated either as a percentage of the current total cost to company guaranteed package, or as a percentage matching of the past year's annual incentive payout

- Performance-oriented grants predominate over retention-oriented grants at senior levels.

Table A

	Participant numbers	LTIP (expected value)	Target offer value	Balance performance/ retention	Award value (performance)	Target grant value (retention)
		% TCtC	% TCtC		% TCtC	% TCtC
Chief Executive Officer	1	70	50	70/30	35	15
Executive director	[1]	50	35	60/40	21	14
Senior management	1	40	30	50/50	15	15
Management	1	30	25	0/100		25
Administration	1	20	15	0/100		15

Claw back

Any remuneration previously paid to executive directors that are 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 Remuneration Committee shall review such performance-based remuneration and determine the amount to be recovered from the executive.

Non-executive directors' fees

In accordance with Merafe's policy of ensuring that non-executive directors' fees are market related, the Company consults every two years with independent experts regarding the appropriate fee structures and levels, the last review having been undertaken in November 2015 and the next to be done in 2017. The 2015 benchmark exercise concluded that the fees of the current Board and committee fees were market related except for the Board Chairperson which was below the market. The proposal for 2017 is that the fees for the Board Chairperson is increased by 10%. There are no other proposed increases.

The fees for non-executive directors are provided in the context of good governance, and in line with the strategy of attracting and retaining high calibre individuals as custodians of the Company's business.

Fees are primarily derived from a methodology which takes into account expertise, the contribution made by the director, and attendance. Independent benchmark advice is sought and the present policy is that non-executive directors' fees are positioned midway between the median and lower quartile of those fees found in listed companies of a similar size. The fees vary according to the different roles that non-executive directors undertake in the various committees.

To avoid any conflict of interest, non-executive directors do not, and will not, participate in any share-based incentive scheme or any other incentive scheme that the Company may implement.

Non-executive directors' fees are tabled annually for approval by the shareholders of the Company. The non-executive directors' fees paid during 2016 are set out on page 46, as are the proposed non-executive fees for 2017.

Fees are based on four meetings a year with a split of a 60% retainer and a 40% attendance fee. In addition, attendance fees are payable for special Board or committee meetings. Should the Chairpersons of the Board and committees be required to undertake ad hoc duties, additional remuneration is payable for the time spent, in accordance with Merafe's Remuneration Policy and as determined by the Board.

The conditions applicable to performance-oriented awards are set out on pages 42 and 43 of our annual financial statements, which are part of our online integrated annual report for 2016. A detailed breakdown of share options and share grants can be found in note 8 of our annual financial statements on pages 43 to 48.

For the terms of the share incentive scheme approved on 13 April 2010, see our online integrated annual report 2016 under Remuneration report.

Remuneration report (continued)

Approved and proposed non-executive directors' fees

Directors' remuneration, as presented for approval at the Annual General Meeting, is based on four meetings a year. It is proposed that the non-executive director fees for 2017 be kept the same as the approved fees for 2016 save for the Board Chairperson's fees being increased by 10%.

		2017		
Committee	Membership	Proposed annual cost R	Proposed retainer per annum R	Proposed meeting fees per annum R
Board	Chairperson	541 521	324 913	216 609
	Member	265 350	159 210	106 140
Audit and Risk	Chairperson	191 500	114 900	76 600
	Member	120 085	72 051	48 034
Remuneration and Nomination	Chairperson	103 515	62 109	41 406
	Member	63 185	37 911	25 274
Social, Ethics and Transformation	Chairperson	103 516	62 109	41 406
	Member	63 185	37 911	25 274

None of the fees above result in a proposed fee being above the median. The increase in the Board Chairperson by 10% is due to the fact that the fees were below the median. The above fees are exclusive of VAT.

Non-executive fees paid in 2016

These fees were paid in accordance with the 2016 approved fees*. We held four Board meetings during 2016. We also held four Audit and Risk Committee meetings, four Remuneration and Nomination Committee meetings and three Social, Ethics and Transformation Committee meetings in 2016.

Committee	C Molefe (Chairman) R	N Majova R	A Mngomezulu R	K Nondumo R	S Blankfield R	M Mosweu R	Z van der Walt+ R	Total R
Board	492 291	265 350	265 350	238 815	265 350	212 280	53 070	1 792 509
Audit and Risk	–	120 085	120 085	191 500	–	–	24 017	455 687
Remuneration and Nomination	56 867	–	78 782	–	56 867	–	20 703	213 218
Transformation, Social and Ethics	56 867	93 164	–	–	–	44 230	–	194 260
2016	**606 025**	**478 599**	**464 217**	**430 315**	**322 217**	**256 510**	**97 790**	**2 655 674**
2015	661 572	505 135	373 427	456 850	207 230	293 784	515 486	3 044 624

+ *Resigned 7 March 2016.*

* *Note: the approved 2016 non-executive fees are set out on page 56 of this integrated annual report.*

Executive directors' and prescribed officers' remuneration

	Salary R'000	Bonus and performance related payments R'000	Fringe benefits and leave pay R'000	Provident fund contributions R'000	Exercise of share options and share grants R'000	Severance pay R'000	Total R'000
2016 Executive directors							
ZJ Matlala	**4 027**	**4 060**	**167**	**432**	**2 733**	**–**	**11 419**
K Bissessor	**1 870**	**1 649**	**350**	**312**	**262**	**–**	**4 443**
2015 Executive directors							
ZJ Matlala	3 618	3 822	283	635	2 019	–	10 377
K Bissessor	1 806	1 643	237	310	269	–	4 265
B McBride[a]	6 456	–	448	91	4 441[b]	5 411	11 037

[a] *Resigned 2 March 2015.*

[b] *Includes R1 014 000 retrenchment share grants.*

Share options outstanding at 31 December 2016 in favour of directors and prescribed officers of the Company (000s)

	ZJ Matlala	K Bissessor
Average exercise price (cents)	136	69
Exercisable on 1 April 2012	–	1 000
Exercisable on 1 April 2013	–	1 000
Exercisable on 1 April 2014	–	1 000
Exercisable on 1 October 2013	885	–
Exercisable on 1 October 2014	1 770	–
Exercisable on 1 October 2015	1 770	–
Exercisable on 1 October 2016	885	–
Total	5 310	3 000

Share grants outstanding as at 31 December 2016 to directors and prescribed officers of the Company

Vesting	ZJ Matlala	K Bissessor
4 May 2017	183 950	70 754
13 June 2017	1 488 584	–
6 March 2017	759 575	166 600
6 March 2018	759 575	166 600
1 April 2017	626 752	136 182
1 April 2018	626 752	136 182
1 April 2019	626 752	136 182
1 April 2018	850 548	302 337
1 April 2019	850 548	302 337
1 April 2020	850 548	302 337
1 April 2019	941 409	334 634
1 April 2020	941 409	334 634
1 April 2021	941 409	334 634
Total	10 447 811	2 723 413

Notes:

- *Share options granted under the share incentive scheme approved by shareholders on 14 December 1999 are not subject to performance criteria and vest one third per year on the third, fourth and fifth anniversaries and are settled by physical delivery of shares against receipt of the option price.*
- *Share options and share grants under the Company's share incentive scheme approved by shareholders on 13 April 2010 are subject to performance conditions.*
- *In 2010, 2011 and 2012 the performance conditions related to market and non-market conditions, being capacity growth, assets under management, being a participant on the JSE SRI Index and performance against the JSE small capitalisation index and mining index (all with the weighting of 25% each).*
- *In 2013, the performance criteria for share grants and/or options were amended and that from 2013 share options or grants would be governed by a single performance metric that compares Merafe's TSR over a three-year period with that of a selection of JSE listed, small cap mining and resources companies.*

For more information on the performance conditions, see our Remuneration Policy and see pages 43 to 48 of our annual financial statements, which form part of our online integrated annual report for 2016.

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.

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 impacts 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 Risk section on page 7 of this report and the Chairperson's report on page 35 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 2016 for our principal risks, uncertainties and opportunities table.

See our online integrated annual report for 2016 for more information on the Venture's risk processes, including its information technology governance.

SUSTAINABILITY REVIEW AND ASSURANCE

Merafe and the Glencore-Merafe Chrome 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 review and audits during 2016. See our online integrated annual report for 2016 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 to conduct an independent third-party assurance on key sustainability data of the Venture relating to 2016. The site for the 2016 audit was the Wonderkop operation. The assurance took place in the first half of 2017 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 2016 is signed off by a Competent Person as defined by the SAMREC Code, a summary of which is on pages 23 to 25 of this report. The full report is on our online integrated annual report and on our website.

For the 2014 annual report KPMG Services 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.

For the 2015 and 2016 integrated annual reports the Board followed the same materiality determination process as 2014 as is set out on page 7 of this report. As a result of the fact that the Board followed the same processes it was of the view that it was not necessary to engage KPMG for the 2015 or 2016 year end. KPMG 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 42 to 47 of this report.

See our online integrated annual report for 2016 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 2016

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

As at 31 December 2016 R363 million of the ABSA facility was utilised and the remaining R283 million was available and unutilised.

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 23 to 25 and the detailed resources and reserves statement in our online integrated annual report for 2016.

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 R20 million was declared and paid during the 2016 year. A final dividend of R100 million was declared for the year ended 31 December 2016.

Share capital

The full details of the authorised and issued share capital of the Company are set out in note 6 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

Changes to the Board effective during the period ending 31 December 2016 and from 31 December 2016 to 6 March 2017 are set out on page 36 of this report.

At 6 March 2017 the Board consisted of the following directors: Chris Molefe (Chairperson), Belese Majova, Abiel Mngomezulu, Mpho Mosweu, Karabo Nondumo, Shaun Blankfield, Zanele Matlala, Kajal Bissessor.

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.

See our online integrated annual report for 2016 for our annual financial statements.

See page 18 for a table on the Venture's plants, technology and mines and page 23 for further information on the reserves and resources of the Venture.

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 2016:

- Glencore BV – 28.68%
- The Industrial Development Corporation Limited – 21.78%

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 2016 are set out in note 22.2 of the annual financial statements and were as follows:

	2015		2016	
	Direct beneficial	Indirect beneficial	Direct beneficial	Indirect beneficial
ZJ Matlala	2 012 305	–	2 012 305	–
B Majova		62 610		62 610
K Bissessor	700 000	–	700 000	–
Total	2 712 305	62 610	2 712 305	62 610

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. Management is of the opinion that the carrying value of property, plant and equipment is reflected at less than its recoverable amount.

Events after the reporting date

None: refer to note 26 of the annual financial statements.

Special resolutions

The following special resolutions were passed by the shareholders at the 2016 Annual General Meeting:

- Special resolution number 1 – Approval of non-executive directors' fees
- Special resolution number 2 – Loans or other financial assistance to related or inter-related companies
- Special resolution number 3 – General authority to repurchase company shares

Report of the Audit and Risk Committee

The Audit and Risk Committee reports that it has adopted formal terms of reference as its Audit and Risk Committee charter, and that it has discharged all of its responsibilities for the current financial year, in compliance with the charter.

The Audit and Risk Committee is satisfied that an adequate system of internal control is in place to reduce significant risks faced by the Group 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 Audit and Risk Committee reviews the financial control systems, the accounting systems and sets the Group's policy on non-audit services provided by the external auditors. It also monitors compliance with legal requirements, assesses the performance of financial management, approves external audit fees, budgets, plans and performance, and conducts an annual review and assessment of the business risks the Group faces.

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

The approval of the integrated annual report is also the responsibility of the Audit and Risk Committee. The Committee members are appointed annually by the shareholders at the Annual General Meeting.

The Audit and Risk Committee has evaluated the consolidated and separate financial statements of Merafe Resources Limited for the year ended 31 December 2016 and based on the information provided to the Audit and Risk Committee, considers that it complies, in all material respects, with the requirements of the various Acts governing disclosure and reporting in the consolidated and separate financial statements.

The Audit and Risk Committee has evaluated the independence of the external auditors and the Audit and Risk Committee is satisfied that the external auditors have remained independent. The Audit and Risk Committee therefore recommends the adoption of the consolidated and separate financial statements by the Board.

The duty to nominate auditors for appointment lies with the Audit and Risk Committee. As KPMG have been auditors since 2003, it was decided to put the audit out to tender. Following the tender process, Deloitte and Touche were nominated as external auditors of the Company, subject to shareholder approval. The Board would like to thank KPMG for their services as external auditors to Merafe. The Board is satisfied that the proposed external auditors and Mr Patrick Ndlovu comply with the relevant provisions of the Companies Act and the JSE Listings Requirements.

Karabo Nondumo CA(SA)
Chairperson – Audit and Risk Committee

6 March 2017

The Auditors report is set out in the annual financial statements which form part of our online integrated annual report for 2016.

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	1 261	19.83	599 667	0.02
1 001 – 5 000	1 511	23.77	4 544 514	0.18
5 001 – 10 000	938	14.75	7 709 541	0.31
10 001 – 1 00 000	2 000	31.46	67 479 921	2.69
100 001 – 1 000 000	507	7.97	154 256 941	6.14
1 000 001 and more	141	2.22	2 276 113 664	90.66
Totals	6 358	100.00	2 510 704 248	100.00
2. Distribution of shareholders				
Category				
Diluted funds	46	0.72	362 679 672	14.45
Pension funds	97	1.53	213 241 898	8.49
Private companies	79	1.24	30 838 509	1.23
Individuals	5 632	88.58	202 026 970	8.05
Close corporations	78	1.23	5 304 015	0.21
Other corporations	180	2.83	1 565 462 572	62.35
Nominees and other institutions	230	3.62	101 300 983	4.03
Banks	16	0.25	29 849 629	1.19
Totals	6 358	100.00	2 510 704 248	100.00
3. Holders holding 5% or more of shares in issue				
Name				
Glencore BV			720 163 887	28.68
IDC			546 830 100	21.78
4. Shareholder spread				
Public	6 352	99.91	1 240 783 504	49.43
Non-public	5	0.8	1 269 768 902	50.57
Directors	3	0.05	2 774 915	0.11
Glencore BV	1	0.02	720 163 887	28.68
IDC	1	0.02	546 830 100	21.78
Totals	6 358	100.00	2 510 704 248	100.00
5. Distribution of local and foreign beneficial shareholding				
South African				62.54
Foreign				37.46

JSE share performance	
Market capitalisation as at 31 December 2016 (ZAR)	4 142 662 009
Share price (cents)	
High	165
Low	50
Closing	165
Shares traded	
Volume of shares traded	722 152 424
Value of shares (ZAR)	718 875 538
Volume of shares traded as a percentage of weighted average number of shares in issue (%)	28.76%
Shares in issue as at 31 December 2016	2 510 704 248

As per Bloomberg & McGregors 31 December 2016.

Shareholders' diary

Meetings
Annual general meeting for the 2017 financial year to be held on 4 May 2017.

Reports
Interim reports for the six months to 30 June 2017 to be released on 7 August 2017.
Annual results for the 12 months to 31 December 2017 to be released and published in March 2018.

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, 71 of 2008 (the Companies Act) that the 30th (thirtieth) Annual General Meeting of shareholders of the Company 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 Thursday, 4 May 2017 (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 outlined below.

Important dates

Record date to receive the Notice:	Friday, 17 March 2017
Last date to trade to be eligible to vote:	Monday, 24 April 2017
Record date to be eligible to vote:	Friday, 28 April 2017
Last date for lodging forms of proxy (by 11:00):	Tuesday, 2 May 2017

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 and vote at the meeting is Friday, 28 April 2017.

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 2016 (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 III' means the King Report III on Corporate Governance for South Africa
- 'MOI' means Memorandum of Incorporation of the Company
- 'Companies Act' means the Companies Act, 71 of 2008

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 2016, be and are hereby considered and accepted."

The summarised form of the financial statements is included with this Notice. A copy of the complete annual financial statements of the Company for the financial year ended 31 December 2016 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 to 2.2 (inclusive), the following directors, who, in terms of the Company's 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 Mpho Mosweu"

Notes to Ordinary Resolution Number 2

- Resolutions numbered 2.1 to 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 to 2.2 (inclusive) is that in terms of the provisions of the Company's MOI, one-third of the 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 has evaluated the performance and contribution of each director standing for re-election and has recommended the re-election of each of the directors
- Abridged *curricula vitae* of each of the directors of the Company standing for re-election are set out on page 36 of the integrated annual report

3. Ordinary Resolution Number 3: Appointment of members to the Audit and Risk Committee for the forthcoming financial year

"Resolved that the following members, by separate ordinary resolutions numbered 3.1 to 3.3 (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 2017:
3.1 Ms Belese Majova
3.2 Ms Karabo Nondumo
3.3 Mr Abiel Mngomezulu*"

** Subject to his re-election as a director pursuant to Ordinary Resolution Number 2.*

Notes to Ordinary Resolution Number 3

- Resolutions numbered 3.1 to 3.3 (inclusive) above constitute separate and divisible ordinary resolutions and will be considered by separate vote
- The reason for resolutions numbered 3.1 to 3.3 (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 and risk 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 III (chapter 3) 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 page 36 of the integrated annual report

4. Ordinary Resolution Number 4: Appointment of external auditors of the Company

"Resolved that the appointment of Deloitte and 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 2017."

Notes to Ordinary Resolution Number 4

- The reason for this resolution is that section 90(1) of the Companies Act requires a company to appoint an auditor at every Annual General Meeting
- The duty to nominate auditors for appointment lies with the Audit and Risk Committee. As KPMG have been auditors since 2003, it was decided to put the audit out to tender. Following the tender process, Deloitte and Touche were nominated as external auditors of the Company, subject to shareholder approval. The Board would like to thank KPMG for their services as external auditors to Merafe. 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

Section B: Ordinary resolution of a non-binding nature

For Ordinary Resolution Number 5 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.

5. Ordinary Resolution Number 5: Non-binding advisory vote on Remuneration Policy

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

The Remuneration report of the Company is set out on pages 42 to 47 of the integrated annual report for the year ended 31 December 2016 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 Number 5:

Chapter 2 of King III dealing with boards and directors requires companies to table their Remuneration Policy 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. The Company's remuneration report is contained on pages 42 to 47 of the integrated annual report. This resolution is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, the Board of Directors of the Company will take the outcome of the vote into consideration when considering the Company's Remuneration Policy.

Section C: Special resolutions

For Special Resolution Numbers 1.1 to 1.8, 2, 3 and 4 to be adopted, a majority of 75% (seventy-five percent) of the voting rights exercised on each special resolution must be exercised in favour of such resolution by shareholders present or represented by proxy at the Annual General Meeting and entitled to exercise voting rights on the resolution concerned.

6. 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 2017 as set out below be and are hereby approved.'

			2017		
Committee	Special Resolution Number	Membership	Proposed annual cost R	Proposed retainer per annum R	Proposed meeting fees per annum R
Board	1.1	Chairperson	541 521	324 913	216 609
	1.2	Member	265 350	159 210	106 140
Audit and Risk	1.3	Chairperson	191 500	114 900	76 600
	1.4	Member	120 085	72 051	48 034
Remuneration and Nomination	1.5	Chairperson	103 515	62 109	41 406
	1.6	Member	63 185	37 911	25 274
Social, Ethics and Transformation	1.7	Chairperson	103 516	62 109	41 406
	1.8	Member	63 185	37 911	25 274

The only change from the directors fees approved in 2016 is the fees of the Chairperson. The above fees are exclusive of VAT. An explanation of the proposed fees for 2017 is set out on page 45 and 46 of the integrated annual report for 2016.

Notes to Special Resolution Numbers 1.1 to 1.8:

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.

Notice of the annual general meeting (continued)

The 2016 approved non-executive fees are set out in the table below for comparative purposes.

		2016		
Committee	Membership	Annual cost R	Retainer per annum R	Meeting fees per annum R
Board	Chairperson	492 291	295 375	196 917
	Member	265 350	159 210	106 140
Audit and Risk	Chairperson	191 500	114 900	76 600
	Member	120 085	72 051	48 034
Remuneration and Nomination	Chairperson	103 516	62 109	41 406
	Member	63 185	37 911	25 274
Social, Ethics and Transformation	Chairperson	103 516	62 109	41 406
	Member	63 185	37 911	25 274

7. 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 Company's MOI and the Companies Act each as presently constituted and as amended from time to time, the Board of Directors of the Company (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 of Directors 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
- written notice of any such resolution by the Board of Directors of the Company 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% 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

8. 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 Company's 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% of the number of ordinary shares in issue on the date of passing of Special Resolution Number 3, and for each 3% 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
- any general repurchase by the Company of its own ordinary shares shall not, in aggregate in any one financial year exceed 10% 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% 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, (the Price)
- 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; and
- 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.

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 52 of the Merafe integrated annual report 2016
- Share capital of the Company – page 40 and note 6 of the Merafe 2016 annual financial statements

Directors' responsibility statement

The directors, whose names are given on page 36 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 contain 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 2016 year end until the date of this notice of Annual General Meeting.

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 their own 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.

9. Special Resolution Number 4: Amendment to Memorandum of Incorporation (MOI)

"Resolved that in accordance with section 16(1)(c) of the Companies Act, the company's MOI be amended as follows:
By the introduction of a new clause 15.4 "In respect of fractional entitlements that arise, all allocations of securities will be treated in line with the provisions of the Listings Requirements, as amended from time to time."

Reason and effect of Special Resolution Number 4

The reason for the proposed change to the MOI is to address new requirements prescribed by the JSE with regard to fractional entitlements in relation to the allocation of securities.
The effect of the proposed introduction of clause 15.4, if adopted, would be to comply with the amendments to the Listings Requirements.
The amended MOI will be available for inspection from Friday, 28 April 2017 to Thursday 4 May 2017 at the company's registered offices. Kindly notify the Company Secretary should you wish to inspect the MOI.

10. 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 hereby is 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."

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, 17 March 2017.

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, 28 April 2017 (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, 24 April 2017.

Notice of the annual general meeting (continued)

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 and vote at the Annual General Meeting or may appoint one or more proxies to attend, speak and vote thereat instead. A proxy need not be a member 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 The instrument appointing a proxy and the authority (if any) under which it is signed must reach the registered office of the transfer secretaries or the Company's registered office by no later than 11:00 on Tuesday, 2 May 2017.

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.

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:

- 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
- 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
- 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
- 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
- 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
- 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
- Attention is also drawn to the 'notes to the form of proxy'
- 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 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 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 of Directors

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

6 March 2017

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 members who have not dematerialised their shares or members 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 thirtieth 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 Thursday, 4 May 2017, or at any adjournment thereof.

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

		Number of votes		
Ordinary 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 Abiel Mngomezulu			
	2.2 Ms Mpho Mosweu			
3	Ordinary Resolution Number 3: Appointment of members to the Audit and Risk Committee for the forthcoming financial year			
	3.1 Ms Belese Majova			
	3.2 Ms Karabo Nondumo			
	3.3 Mr Abiel Mngomezulu			
4	Ordinary Resolution Number 4: Appointment of external auditors of the Company, Deloitte & Touche Inc and to appoint Mr Patrick Ndlovu as the designated audit partner			
5	Ordinary Resolution Number 5: Non-binding advisory vote on Remuneration Policy			
6	Special Resolutions Numbers 1.1 to 1.8: Approval of non-executive directors' fees for 2017			
	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			
7	Special Resolution Number 2: Approval of loans or other financial assistance to related or inter-related companies			
8	Special Resolution Number 3: Approval of general authority to repurchase Company shares			
9	Special Resolution Number 4: Approval that the Company's MOI is amended by the introduction of clause 15.4			
10	Ordinary Resolution Number 6: Authority to sign all documents required to give effect to all resolutions in this Notice			

Signed at on 2017

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, Rennie House, 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 Tuesday, 2 May 2017.
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 4780/087 310 5639
Telefax: +27 11 783 4789

www.meraferesources.co.za

Company Secretary
CorpStat Governance Services
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
KPMG Inc.
85 Empire Road
Parktown
2193
Private Bag 9
Parkview
2122

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, Rennie House
19 Ameshoff Street
Braamfontein
2001
PO Box 4844
Johannesburg
2000

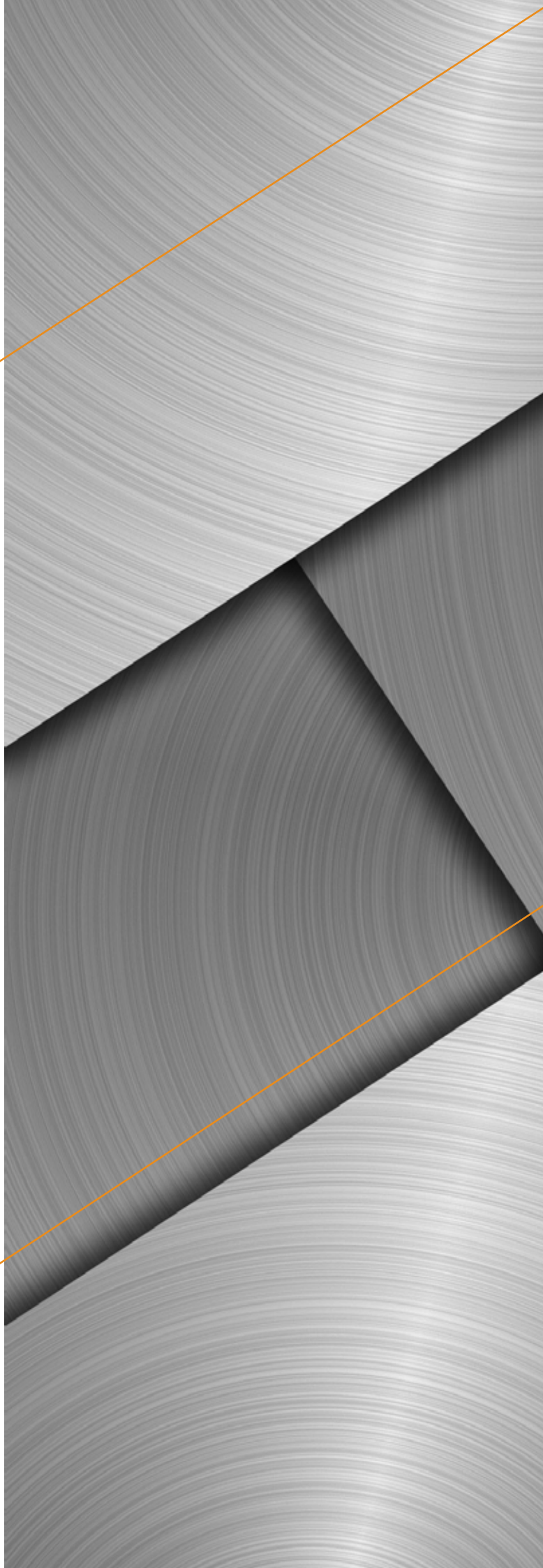
Telephone: +27 11 713 0800

Sponsor
Merrill Lynch South Africa Proprietary Limited
The Place
1 Sandton Drive
Sandton
2196

PO Box 651987
Benmore
2010

Directorate
CK Molefe* (Chairperson), NB Majova*, A Mngomezulu*, K Nondumo*, M Mosweu, S Blankfield, Z Matlala (Chief Executive Officer), K Bissessor (Financial Director)

** Independent*

MERAFE
RESOURCES

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