



MERAFE
RESOURCES

**Integrated
Annual Report
2020**



About this report

We 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 2020 (in this report referred to as “Merafe”, the “Merafe Group” or the “Company”). The scope of this report also includes the Glencore-Merafe Chrome Venture (the Venture).

There has been no significant change in our size, structure or products since our previous Integrated Annual Report and there are no specific limitations on the scope or boundary of this report.

As we did last year, the 2020 summarised financial and sustainability information and the annual general meeting notice, will be sent to shareholders and the 2020 Integrated Annual Report will be available on our website, (www.meraferesources.co.za). Printed copies of the Integrated Annual Report will be available on request from the Company Secretary.



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

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

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

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

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

Deloitte & Touche Inc. audits our annual financial statements.

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



An independent auditor's report is published in the annual financial statements. Our annual financial statements form part of our online Integrated Annual Report for 2020. They are also available from our Company Secretary in either electronic or printed format.



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



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

ABOUT THE CAPITALS MODEL

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

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

GLOSSARY

A glossary of terms and definitions forms part of our 2020 Integrated Annual Report available on our website (www.meraferesources.co.za).



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

We would welcome your feedback on our reporting for 2020 and any suggestions you may have in terms of what you would like to see incorporated in our report for 2021.

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

Contents

About this report	IFC		
Organisational overview	2	Transparency and accountability	39
Our business	2	Governance structure	39
Our shareholders	2	Chairperson's report	40
Stakeholder relationships	2	Governance	42
Our Group structure	2	Our approach to governance	44
2020 year in review	3	Social, Ethics and Transformation Committee report	49
Our business model and strategy	3	Remuneration report	50
Stakeholders	4	Approach to risk management	58
Five-year historical review of key indicators	5	Sustainability: Internal and external reviews, audits and processes	59
Our operating context	6	Directors' report	60
Material issues	8	Report of the Audit and Risk Committee	62
Chief Executive Officer's strategic review	10	JSE Limited share statistics	63
Performance	14	Shareholders' diary	64
Financial capital	14	Notice of the annual general meeting and form of proxy	65
Manufactured capital	18	Administration	IBC
Natural capital	22	Appendix 1: Mineral Resources and Mineral Reserves Report	
Abridged Mineral Resources and Mineral Reserves Statement	27	Appendix 2: Remuneration Policy	
Human capital	30		
Social capital and stakeholder responsiveness	36		

Forward-looking statements

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

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

ICONS USED IN THIS REPORT



— This icon refers to further reading



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



— Positive performance or occurrence compared to prior year



— Negative performance or occurrence compared to prior year



— No change in performance compared to prior year

Organisational overview

OUR BUSINESS

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

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



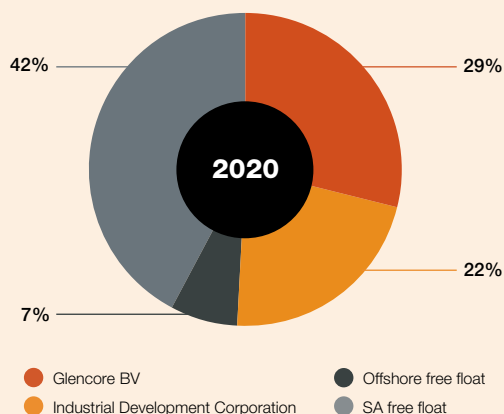
The Merafe Group and Glencore (formerly Xstrata) formed the Venture in July 2004 when we pooled our chrome operations to create the largest ferrochrome producer in the world. Glencore's merger with Xstrata took place in May 2013.

STAKEHOLDER RELATIONSHIPS

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



OUR SHAREHOLDERS



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

EMPOWERMENT AT 31 DECEMBER 2020

78% of our **Board members** are black (2019: 78%)

44% of our Board members are **female** (2019: 56%)

86% of all our **employees** are black (2019: 86%)

57% of all our employees are **female** (2019: 57%)

Governance and sustainability

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

Our material issues

Our material issues and our materiality determination process are set out on [pages 8 and 9](#).

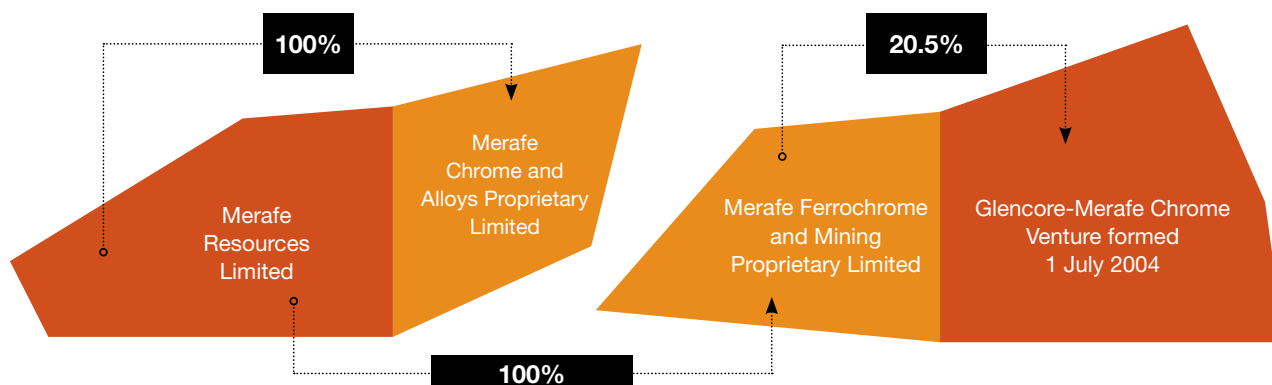


Our approach to risk

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



OUR GROUP STRUCTURE



2020 year in review

KEY FEATURES



Revenue of R4.78 billion
(2019: R5.38 billion)



EBITDA of R168 million
(2019: R379* million)



Net loss of R1.00 billion
(2019: R1.36 billion)



Fatalities: 1
(2019: 1 fatality)



No dividend for 2020
(2019: R100 million/4 cents per share)



Headline loss of 0.8c per share
(2019: 3.4* cents per share)



Ferrochrome sales volumes of 305kt
(2019: 368kt)



Ferrochrome production of 265kt
(2019: 371kt)



TRIFR performance of 3.89
(2019: 2.56)



Average ferrochrome CIF price of 72 USc/lb
(2019: 79 USc/lb)

* Restated.

SUCCESSES



- Venture's response to COVID-19
- Cash preservation
- No debt at Merafe level
- Optimal stock levels at Venture level
- Proposed ore export tariff by government

CHALLENGES



- Impact of COVID-19
- Community issues
- Electricity pricing and availability
- Commodity prices/demand volatility
- Operating expenses
- Safety

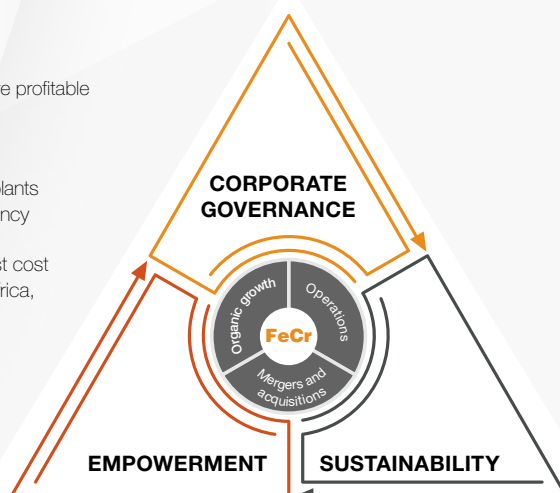
OUR BUSINESS MODEL AND STRATEGY

Ferrochrome

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

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

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



Stakeholders

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



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

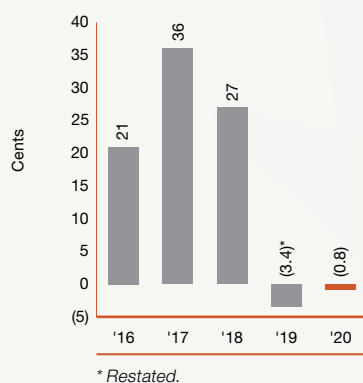
THE VENTURE					
CUSTOMERS	GOVERNMENT AND REGULATORS	VENTURE EMPLOYEES	COMMUNITIES	SUPPLIERS	TRADE UNIONS
Pricing	Job creation	Health and safety	Infrastructure development	Contract terms	Training and skills development
Product availability	Training and development	Career opportunities	Job creation	Payment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

Five-year historical review of key indicators

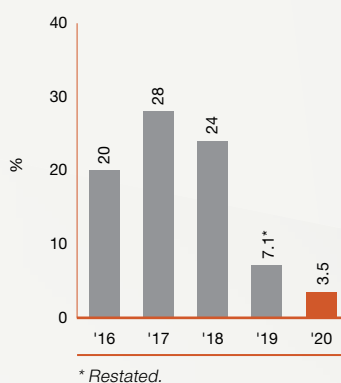
SAFETY STATISTICS

	2020	2019	2018	2017	2016
Fatalities	1	1	1	1	1
Total recordable injury frequency rate (TRIFR)	3.89	2.56	3.39	3.74	4.15

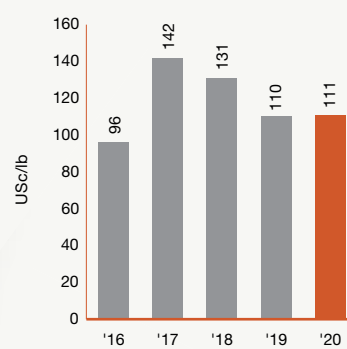
Headline (loss)/earnings per share



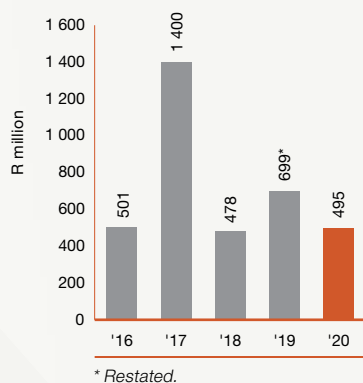
EBITDA margin



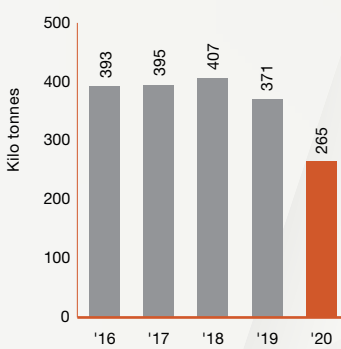
Average European benchmark ferrochrome price



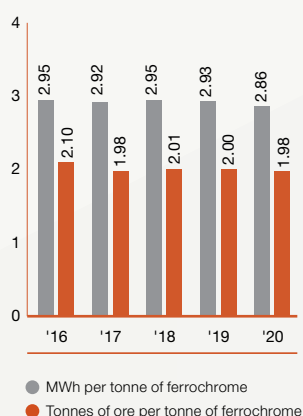
Net cash generated from operating activities



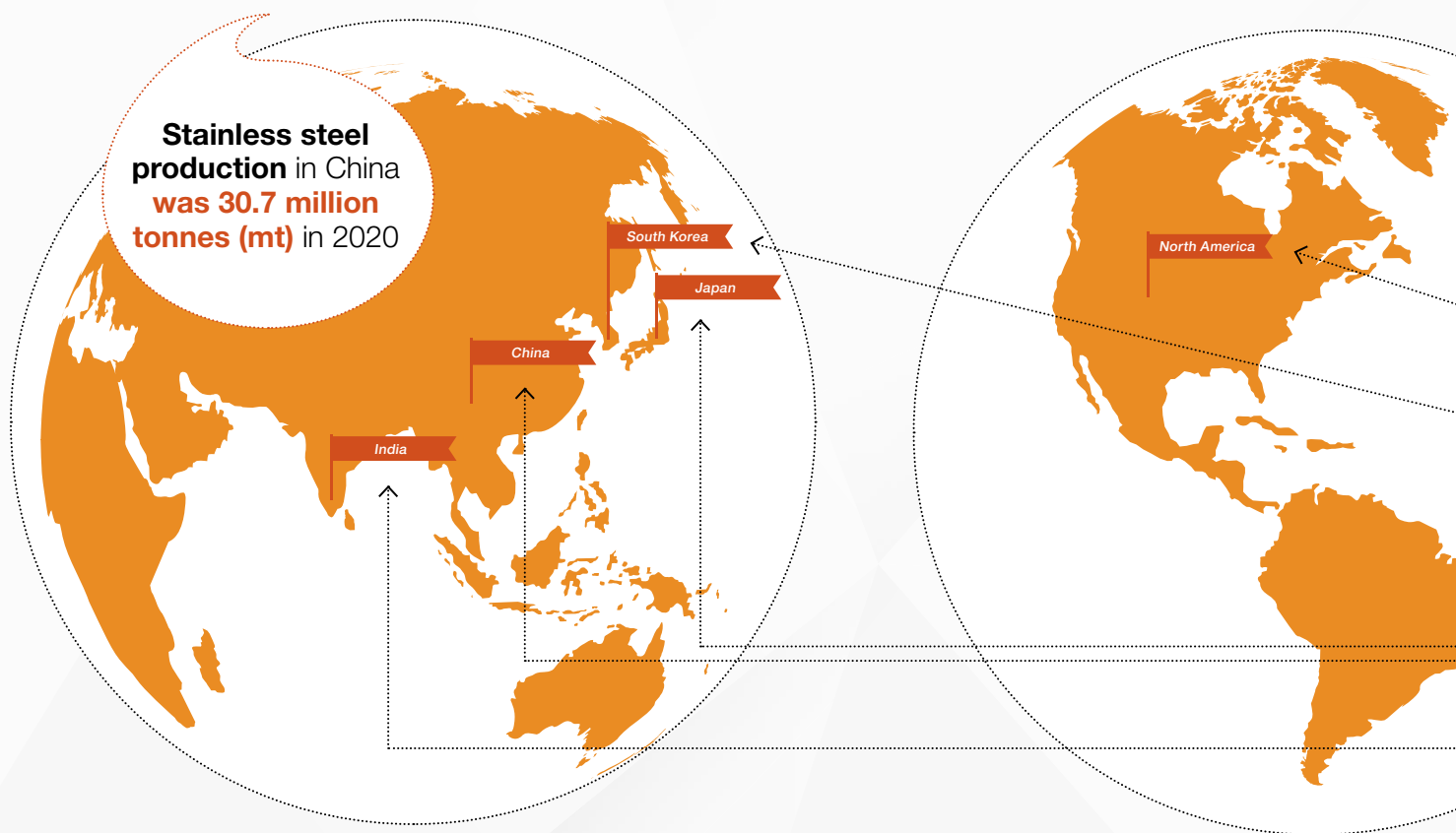
Attributable production tonnes



Power and ore consumption efficiencies



Our operating context



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 and shiny. 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 2020

- **Global ferrochrome production decreased from 14mt in 2019 to approximately 12.4mt in 2020.**
- **Ferrochrome demand decreased from 13.9mt in 2019 to 13.2mt in 2020.**
- **South Africa produced approximately 2.7mt of ferrochrome in 2020 (2019: 3.6mt).**
- **China imported approximately 11.7mt chrome ore in 2020 from South Africa (2019: 12.6mt).**

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

OUR COMPETITIVE ADVANTAGE

Elements influencing the global demand for and pricing of ferrochrome:

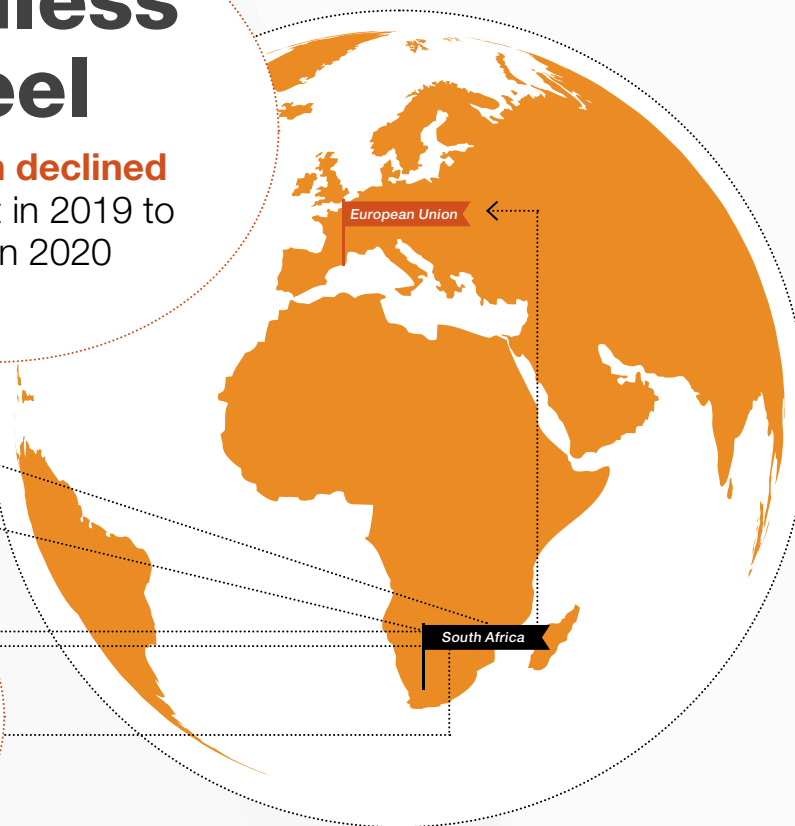
- Lowest-cost producer in South Africa
- Flexibility provided by variety of cost-efficient technologies
- Savings in energy consumption per tonne of alloy produced as a result of major investments in energy efficiency (Lion Complex and two pelletising and sintering plants)
- Lion II achieves further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

Stainless steel

production declined
from 53.2mt in 2019 to
50.2mt in 2020

90%

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



LEGEND



Stainless steel producers



The Venture

SOUTH AFRICAN CHROME INDUSTRY

Facts

Approximately **2.7mt** of the world's ferrochrome production of 12.4mt was supplied by South Africa in 2020

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

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

CHALLENGES FACED BY SOUTH AFRICAN FERROCHROME PRODUCERS

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



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

Material issues

THE DIRECTORS' STATEMENT REGARDING THE MATERIALITY DETERMINATION PROCESS

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

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

Issue	Possible impact	Our response
Global economic environment	The global economic environment can have a positive or negative impact on the demand for the ferrochrome and chrome ore that the Venture produces. When it is doing well then demand increases and prices tend to follow suit. The volatility of the Rand/US Dollar exchange rate also affects our profitability. This financial year, for instance, the appreciation in the value of the Rand against the US Dollar impacted our profitability. All our stakeholders are affected by our ability to be profitable and sustainable.	We cannot influence the Rand/US Dollar exchange rate or the global economy, and market demand dictates the price of ferrochrome. Both Merafe and the Venture can, however, take action to contain costs and remain profitable. The Venture's investment in increasing the energy efficiency of its operations and reducing the cost of the reductants makes it the lowest cost producer in South Africa.
COVID-19	COVID-19 is a pandemic that has destabilised nations and has had a negative impact on our employees, our operations and the global environment.	Our operations' immediate response to the COVID-19 pandemic was creating awareness, training and educational videos, as well as providing face masks, personal thermometers and information to all employees and contractors. At each operation and office, the following were provided: hand sanitisers, disinfectant schedules, information boards, social distancing demarcation, glass panes to protect people in high movement areas, screening of each individual who enters operations and thermal scanners to determine any signs of fever. The Venture closed all operations when the initial lockdown was announced by the President of South Africa. Once the lockdown levels were relaxed, the Venture started a staggered onboarding process. Cash preservation measures are in place and will continue while uncertainty prevails. Operations continue to adapt with a view to working efficiently and without much interruption in the face of the pandemic. Community interventions included the supply of medical equipment to community clinics around our operations, hand sanitisers, water tanks at schools (with constant replenishment), and free WiFi around schools and hospitals to assist the community with health and education. See pages 10 to 13 and pages 20 and 40 of this report for further commentary on the impact of COVID-19 on our operations. 
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 and cause significant reputational damage. Communities, investors, (Department of Mineral Resources and Energy (DMRE), employees and local municipalities would all be affected.	Community social issues are addressed regularly with goodwill, commitment and leadership. By addressing social issues, the South African mining industry can achieve a more sustainable environment for itself and the communities in which it operates. See pages 36 to 38 of this report. 
Exposure to one commodity	Diversification into other commodities would provide us with a buffer against the cyclical nature of ferrochrome, which can and has negatively impacted our profitability in certain years. This issue could impact our shareholders, management and employees.	In August 2014, the Board announced its strategy to focus mainly on ferrochrome and chrome in the medium term and this was the main focus from 2015 to date. The Board, by participating in the Venture, ensures that the competitive advantages enjoyed by the Venture as set out on page 6 mitigate this risk of exposure to one commodity. The Company, however, will also consider acquisitions outside of ferrochrome on an opportunistic basis. 
Venture in which we do not have a majority stake	By not having a majority stake, decisions taken in the best interest of the Venture may on the other hand negatively impact Merafe.	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 based on mutual respect between both management teams.
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 empowerment credentials of Merafe and the Venture continue to be a focus even though there is more clarity on the "once empowered always empowered" principle. See the Chairperson's report on page 40 for more details as well as the report of the CEO on pages 10 to 13 . 

MATERIALITY DETERMINATION PROCESS

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



Issue	Possible impact	Our response
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 DMRE – Mine Health and Safety Inspectorate, trade unions and investors.	The Venture invests in safety training and efforts to transform its safety culture into one where every employee takes responsibility for their safety and that of their fellow employees. See pages 30 to 32 of this report. The effect of COVID-19 and the stop/start of operations as a result of market uncertainty impacted safety at the operations negatively.
Industrial action in the mining industry and in particular in the operations of the Venture	Loss of production impacts on profitability. We also need to consider increased costs and the possible damage to property. The safety of the Venture's employees is also at risk; intimidation of employees by strikers and a breakdown in the relationship with Venture employees are all important factors affecting not only Venture employees but their families, communities, the DMRE and shareholders.	Communication and mutual understanding and respect are fostered daily with employees to enhance the working relationship. We also invest time and effort in establishing an understanding with the trade unions. The Venture also abides by the collective agreements in place and negotiates with the unions with the aim of reaching an agreement on annual wage increases. See pages 33 and 34 of this report.
Chrome ore imports into China	Ferrochrome sales to China are impacted by the export of unbeneftiated chrome ore from South Africa, which is facilitating the growth of a ferrochrome industry in China (see page 12 of this report). Profitability would be negatively impacted and shareholders, Merafe management, Merafe employees, Venture partners, Venture employees and communities, as well as government stakeholders (for example, SARS) would feel the effects of this issue.	The strategy of being the lowest cost producer mitigates this risk. The Venture further believes that market forces over the medium term will reduce this risk (see the Chief Executives strategic review on pages 10 to 13 and the graphs on page 13). The Venture is currently lobbying for a tax in chrome ore exports, and in October 2020, cabinet announced the introduction of a chrome ore export tax. Details are awaited around implementation by government.
Power prices and the availability of electricity	Loss of sales is highly likely if increased costs make our product prices uncompetitive. A further possible impact is a loss of production because of electricity shortages. Should the Venture be unable to secure electricity supply for new projects, it would be unable to grow its operations. This issue could impact shareholders, Merafe management and employees as well as Venture management, Venture employees, communities and customers.	The Venture's continued development and application of energy-efficient technology allows it to maintain its position as South Africa's lowest cost producer of ferrochrome and therefore the most competitive South African producer. The Venture regularly engages with Eskom and is represented on the Energy Intensive User Group. See page 23 of this report.
Climate change	Climate change can impact business continuity and profitability health and safety and environmental aspects. The Venture's operations give rise to a significant quantity of indirect and direct greenhouse gas (GHG) emissions and are also exposed to the potential impacts of climate change resulting from GHGs.	The Venture continually engages with legislators, researchers and industry bodies to track and evaluate the situation and develop an improved awareness of and preparation for the risks associated with climate change. The Venture continues to take steps to reduce its carbon footprint. These include the development of energy-efficient technology and research into the use of alternative sources of energy. See pages 22 to 26 of this report.
Water	Water is an important input in our operations. All stakeholders are impacted by this issue.	With regard to water we ensure that we have adequate supply and storage facilities. We have access to different water schemes, we reuse a large proportion of water and we have access to underground water. In 2017, as part of its water conservation and water demand management strategy, the Venture implemented compressive model base water balance at all our sites. All of the mines and two of the smelters were completed during 2017 and the rest of the smelters were completed during 2018. The water reticulation is comprehensively mapped and assimilated into the model to ensure all water streams are covered. The models also have a predictive function, which simulates any process changes to assess the impact on the whole water reticulation. See page 25 of this report.



Chief Executive Officer's strategic review



ZANELE MATLALA
Chief Executive Officer

2020 was again an extremely challenging year from an operational and trading perspective. The impact of COVID-19 and the uncertainty created by the pandemic had a negative impact on all aspects of our business.



2020 was again an extremely challenging year from an operational and trading perspective. The impact of COVID-19 and the uncertainty created by the pandemic had a negative impact on all aspects of our business as set out at in the 2020 year in review section on **page 3** of this report. Despite COVID-19 and the disappointing results and performance there are some positives. The focus by Merafe on cash preservation and nil gearing at the end of 2019 stood it in good stead when the pandemic arrived. Our strong balance sheet and the fact that our operations remain the lowest South African cost producer means that the Company is well positioned to take advantage when the market improves. The announcement by the Cabinet in October 2020 of a proposed chrome ore tariff on exports was also a positive development after many years of engagement with government. We are hopeful that the chrome ore export tariff will become a reality in 2021. In our view this will be of great benefit to the industry and its implementation will protect jobs in the industry and encourage beneficiation and further investment in the country.

COVID-19

As mentioned, the COVID-19 pandemic and its effects added further challenges in 2020 to an already fragile operating and trading environment. Global stainless steel production, ferrochrome demand and production decreased as a result of the pandemic. The weaker demand for chrome contributed to the market being oversupplied, which in turn resulted in depressed prices.

COVID-19 and its impact on the various parts of our business are discussed in various sections of this report. I refer you specifically to the Material issues section (**page 8** of this report), the Financial capital section (**page 14** of this report), the Manufactured capital section (**page 18** of this report), the report of our Chairperson (**page 40** of this report), the Approach to risk management section (**page 58** of this report), the Directors' report (**pages 60 and 61** of this report) and the report of the Audit and Risk Committee (**page 62** of this report). The impact it had on the operations and the performance can be seen throughout the natural, human and social capital sections of this report.

SAFETY

The safety of our employees remains our number one priority. Regrettably, a fatality occurred at our Magareng Mine on 20 October 2020. Our total recordable injury frequency rate (TRIFR) increased by 52% to 3.89 (2019: 2.56). Factors that contributed to the regression of our safety

statistics were directly related to the COVID-19 pandemic, Section 189 of the Labour Relations Act consultation process (Process) at all our operations and uncertainty of the viability of our operations due to market conditions.

A continued effort is being made to ensure that the highest standard of safety is restored at all the Venture's operations. A dedicated task team was established and is visiting the operations to identify any barriers to success and ensure action plans are implemented.

FINANCIAL REVIEW

The business faced headwinds of subdued chrome prices, rising costs and lower volumes sold. The lower volumes were mainly as a result of the impact of the COVID-19 pandemic.

We recorded a loss after tax of R1.00 billion. The contributing factors to the loss were lower revenue, impairments and higher standing charges.

Revenue was impacted by lower prices and volumes, somewhat offset by a weaker Rand/US Dollar exchange rate. The cost of sales was impacted by above-inflation electricity tariff hikes, significantly higher standing charges and higher chrome ore prices.

I refer you to the Financial capital section of this report on **pages 14 to 17** as well as our annual financial statements which are on our website for further information.

OPERATIONAL REVIEW

Attributable ferrochrome production volumes decreased by 29% to 265kt (2019: 371kt) in the current financial year. The drastic reduction in production was as a result of the national lockdown implemented to curb the spread of COVID-19, weaker demand and to a lesser extent electricity supply load curtailment.

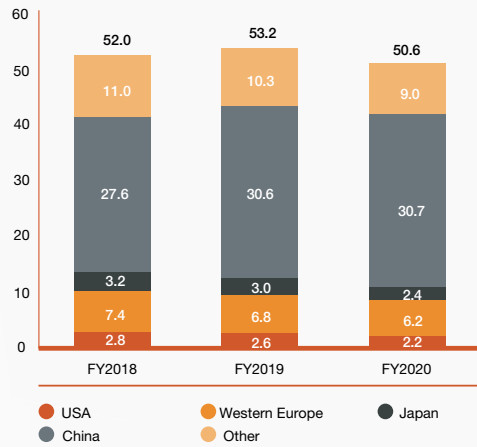
The significant reduction was mainly in the second and third quarters of the financial year. During this period, the Venture only operated the Lion smelter, Eastern Chrome mines and the UG2 Chrome Recovery Plants due to subdued demand and winter shut-downs for maintenance.

After winter, the Venture resumed production at all other operations except for the Lydenburg smelter and Rustenburg furnace 5, which have been placed under care and maintenance.

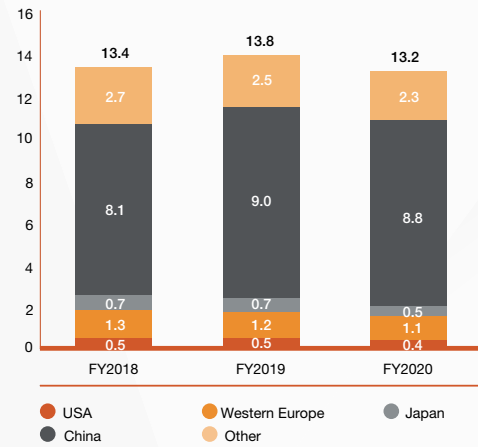


KEY MARKET INDICATORS

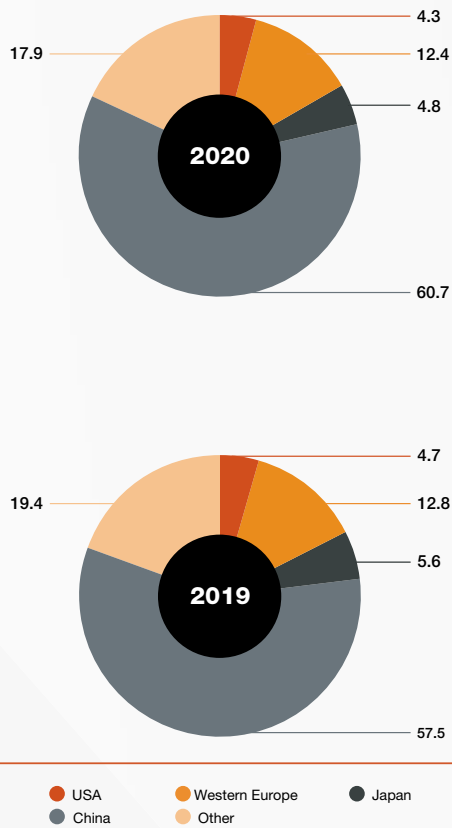
Global stainless steel production (mt)



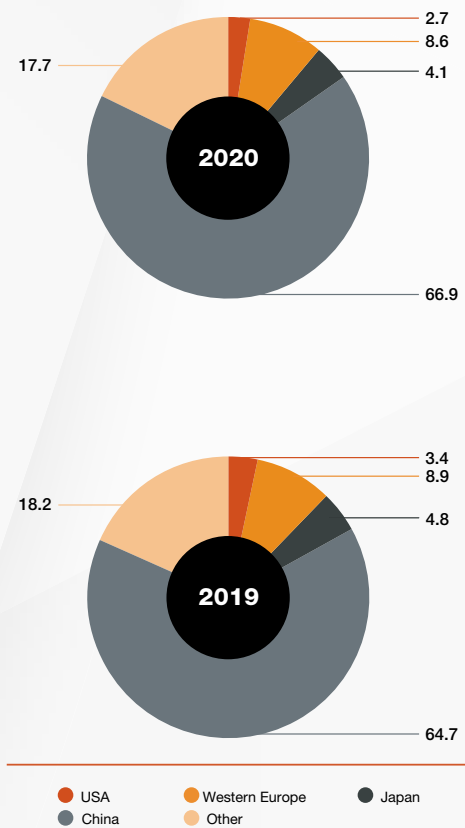
Global ferrochrome demand (mt)



Global stainless steel production (%)



Global ferrochrome demand (%)





Chief Executive Officer's strategic review (continued)

ELECTRICITY

Electricity supply and pricing remain key risks for our business and the broader ferro alloy sectors. The electricity tariff increased by 8.8% effective 1 April 2020. For 2021, the National Electricity Regulator of South Africa (NERSA) has agreed to increase the tariff by 15.6%, following Eskom's High Court victory, where it challenged the inclusion of the government bailout of R69 billion in the calculation determining tariff increases. These increases add to cost pressures of the Venture's smelters and further reduce the cost competitiveness of the South African ferrochrome industry.

S189 OF LABOUR RELATIONS ACT

The Process which commenced in the second quarter of 2020 across all operations, has been concluded. It has resulted in 976 employees being retrenched at a Merafe attributable cost of R97 million.

The Process was triggered by deteriorating operating and market conditions across the South African ferrochrome industry, including unsustainable electricity tariffs and interruptions, cross subsidies and real cost inflation.

MARKET REVIEW

South African ferrochrome production decreased by 25%[^] year-on-year in 2020. Production was most heavily impacted in the second quarter due to COVID-19 related shutdowns, while higher winter power tariffs and other cost pressures resulted in sustained lower production levels for the remainder of the year. Global ferrochrome production decreased 11.2% year-on-year[^] to 12.5 million tonnes[^] in 2020.

Global stainless steel production was also heavily impacted by COVID-19 during the first quarter and second quarter of 2020 and quarterly production reduced by 12%[^]. Although production recovered in the third quarter of 2020 and hit a record volume of 14.2 million tonnes[^] during the fourth quarter of 2020, full-year production declined by 5.0%[^]. Global ferrochrome demand decreased by 5%[^] year-on-year. South African chrome ore exports decreased by 8.7%[^] year-on-year to 13.5 million tonnes[^].

Despite a recovery in demand, ferrochrome and chrome ore remained in surplus during the second half of 2020 and prices were subdued over the period. Market prices improved sharply in early 2021 due to ferrochrome supply restrictions in China and further increases in global chrome unit demand.

The average European Benchmark ferrochrome price was US cents 111 per pound in 2020, 1.1% higher than the 2019 average.

STRATEGIC REVIEW

The focus of the Company in 2020 continued to be on safety, ferrochrome production and maximising cash flows from the Venture, and dealing with COVID-19 and its impact.

We remain mindful that operating a long-term business like ours requires us to demonstrate to all our stakeholders that we consider on an annual basis the material issues which may impact the business in the future. In this regard, I refer you to **pages 8 and 9** of this report (Material issues section as well as the sections on natural, human and social capital of this report).

OUTLOOK

The recovery of stainless steel production and ferrochrome demand will depend on developments on the COVID-19 pandemic. The availability of vaccines and their distribution would be supportive of global economic recovery. Although there was negative growth of 5.0%[^] in 2020, global stainless steel production is expected to recover with growth of 12.5%[^] projected in 2021.

[^] CRU.

* Global Trade Atlas.

The supply restrictions in China, as well as the increase in demand could have a positive impact on ferrochrome prices.

We will continue to manage factors within our control by continuing to focus on cost management, efficient and safe operations, cash preservation and efficient capital allocation. This is even more critical due to the ongoing uncertain future impact of COVID-19 and its impact on the markets going forward. Our balance sheet remains strong and ungeared which positions us to withstand the challenging times ahead.

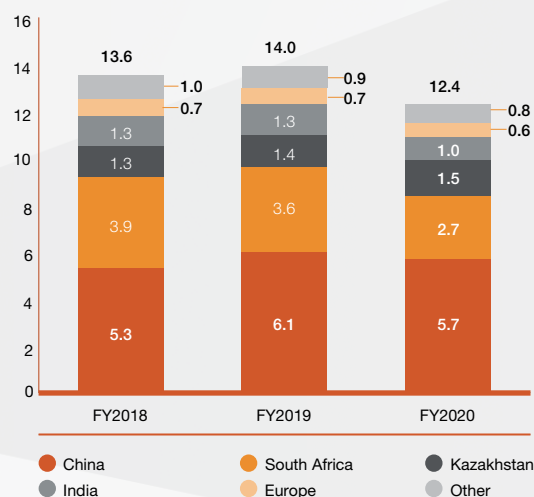
I would like to thank the Company's staff and executive, its Board as well as our partners in the Venture for their hard work and commitment during a difficult year.

Zanele Matlala

Chief Executive Officer

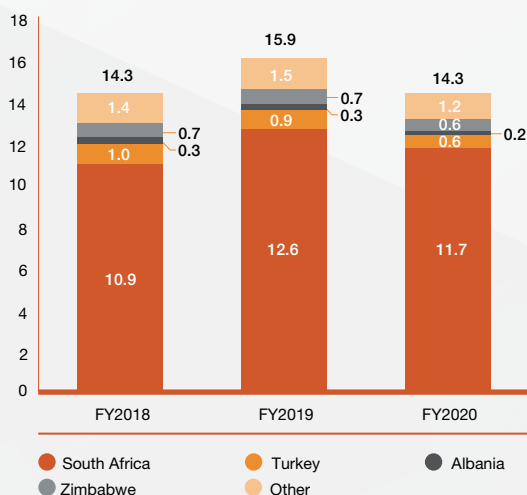
5 March 2021

Global ferrochrome production (mt)



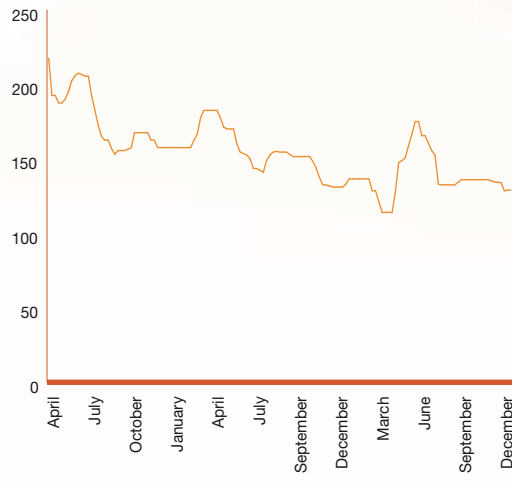
Source: CRU

Chrome ore exports to China (mt)



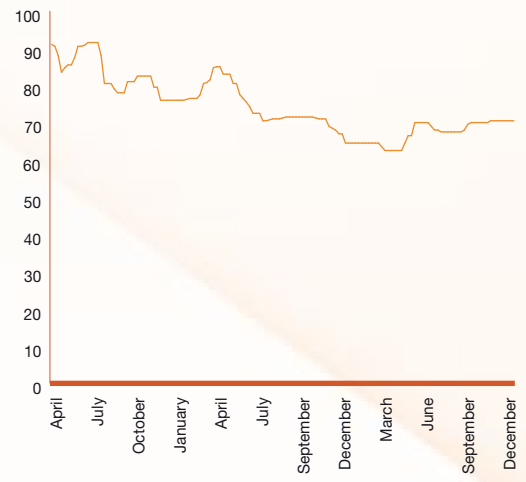
Source: CRU

UG2 merchant prices (USD/t)



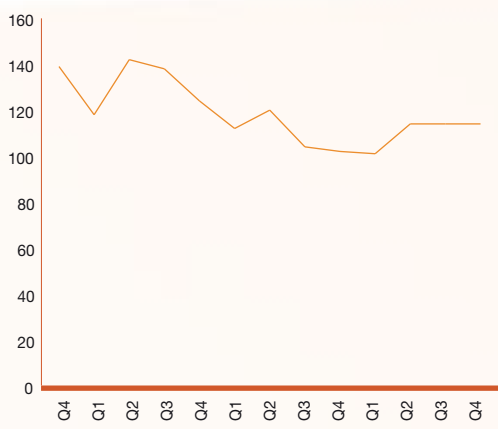
Source: CRU

Ferrochrome merchant prices 49 – 70% (USc/lb)



Source: CRU

European benchmark ferrochrome price (USc/lb)



Source: CRU

Performance



Financial capital*

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

MATERIAL ISSUES

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

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

KEY POINTS – 2020

■ **Revenue**
R4.78 billion
(2019: R5.38 billion)

■ **EBITDA**
R168 million
(2019: R379** million)

■ **Net loss**
R1.00 billion
(2019: R1.36 billion net loss)

** Restated.

■ **Net cash balance of**
R278 million
(2019: R354 million)

■ **No dividend for 2020**
(2019: R100 million)

The Company's consolidated financial statements for the year ended 31 December 2020 were approved by the Board on 5 March 2021 and are available on the Company's website following this link <https://www.meraferesources.co.za/results/annuals-2020/pdf/full-afs.pdf>.

The summarised financial statements set out in this Financial Capital section on pages 16 and 17 have been prepared in accordance with the requirements of International Financial Reporting Standards, the interpretations by the International Financial Reporting Interpretations Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by Financial Reporting Standards Council, the JSE Limited Listing Requirements and the requirements of the Companies Act 2008 of South Africa and contains the information required by IAS 34: Interim Financial Reporting.

The summarised financial statements on pages 16 and 17 are an extract from audited consolidated financial statements, but are not themselves audited. The following individuals were responsible for the preparation of the financial statements: Masechaba Masemola CA(SA), Financial Manager and Ditabe Chocho CA(SA), Financial Director.

* For a complete appreciation of the financial results, this Financial capital section must be read in conjunction with the complete set of audited consolidated annual financial statements available on the website www.meraferesources.co.za. The Board has used its discretion in determining the material matters to be reported in this section.





DITABE CHOCHO
Financial Director

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

Foreign exchange losses

The volatility of the Rand against the US Dollar has resulted in a foreign exchange loss of R59.7 million for the year (2019: R14.4 million).

EBITDA

All the above factors have resulted in Merafe's share of the Venture's EBITDA for the year being R196.5 million (2019: R415.5 million). Merafe's EBITDA was R167.9 million (2019: R379.3* million) after accounting for its corporate costs which were R29.9 million (2019: R36.6 million).

Depreciation and impairment

Due to Merafe's share price at financial year end trading at a discount to its net asset value per share thereby indicating possible impairment, a calculation of the recoverable amount had to be made as per IAS 36: *Impairment of Assets*. The recoverable amount was based on Merafe's share of the value in use of the Venture as the cash-generating unit (CGU). This resulted in an additional property, plant and equipment impairment loss of R1.34 billion being recognised (2019: R1.789* billion) representing the excess of the net carrying amount of the CGU over its recoverable amount.

The significant impairment losses have led to a much lower depreciation charge for the year compared to prior years. Depreciation of R153.4 million (2019: R467.3 million) was expensed to the income statement with R29 million of depreciation capitalised to inventory (2019: R4 million).

Net finance income

Finance costs, arising mainly from our financing structure, amounted to R1.7 million (2019: R1.6 million). The main source of finance income was interest on cash reserves which amounted to R6.5 million for the year (2019: R12 million).

Income from equity-accounted investments

The acquisition of an interest in Unicorn Chrome Proprietary Limited during the year has given Merafe increased access to chrome ore. In 2020, however, this business was impacted by COVID-19 lockdown restrictions which limited movement of product. Accordingly, Merafe's share of income from equity-accounted investments was only R0.9 million.

Income taxation

The taxation expense includes deferred tax credit of R342.7 million (2019: R505.1 million) due to temporary differences on property, plant and equipment, the embedded derivative and provisions. Due to its capital expenditure exceeding its taxable profits as at 31 December 2020, Merafe had an unredeemed capital expenditure balance of R274.6 million (2019: R141 million).

Loss for the year

Merafe reported a loss of R1.003 billion (2019: R1.362* billion) for the year ended 31 December 2020.

FINANCIAL POSITION

One of the benefits of the COVID-19 lockdown, with closure of our operations, has been the release of inventory to satisfy demand. These closures, together with the placing of Lydenburg smelter and Rustenburg furnace 5 under care and maintenance, have resulted in the destocking of ferrochrome finished goods from 131kt to 90kt. Working capital remains a key part of our financial position and we continue to focus on optimising its levels. The above finished goods levels represent approximately three to four months of sales, down from four to five months in the prior year. The closing inventory balance, after the net realisable value write down of R13.6 million and the depreciation adjustments referred to the above was R1.43 billion at year end (2019: R2.01 billion). Increased sales in the last quarter of 2020 led to a higher trade and other receivables balance. The reduced inventory levels helped free up cash at year end and contributed to the improved closing cash and cash equivalents balance. The Venture's debt facilities are unutilised, and the business remains ungeared at financial year end.

Despite the provision for environmental rehabilitation increasing by R17.1 million, total provisions decreased from R337.7 million to R175.4 million. This is due to the release of R179.4 million relating to the uncertain obligation provision as discussed earlier.

CASH POSITION

The closing cash and cash equivalents balance was R277.6 million (2019: R354.2 million). This comprises Merafe's share of cash in the Venture of R126 million (2019: R143 million) and Merafe's own cash of R151.9 million (2019: R211.6 million). The cash movement includes cash inflow from working capital movements, largely influenced by inventory of R532.7 million (year-on-year movement), an outflow of cash from investing activities due to sustaining capital expenditure of R333.7 million (2019: R469.6 million), an investment of R33.1 million in Unicorn Chrome and a dividend of R100.4 million paid in the year. This amount relates to the 2019 final dividend.

OVERVIEW

Both a fragile chrome and ferrochrome market as well as the effects of the COVID-19 pandemic weighed heavily on the Group's 2020 results. The initial hard lockdown in March 2020 led to closure of all our operations. Although the Lion smelter and eastern chrome mines were started up when lockdown restrictions were relaxed, most of the other operations only resumed from September 2020. Prices were depressed for most of the year due to muted demand. All these conditions prompted our business to focus on liquidity and cash flows. Cost pressures, especially from electricity prices, impacted on the competitiveness of the local ferrochrome production. The South African government's announcement of Cabinet's approval of a chrome ore tariff on exports is expected to be positive for the industry as well as the local economy. We refer you to material issues on **pages 8 and 9** for a review of matters of a financial nature that impact the business and our responses thereto.

As a result of an error in the treatment of the rehabilitation provision adjustment, the 2019 results have been restated. Note 33 in the 2020 audited consolidated and separate annual financial statements provides details of the restatement.

Merafe recorded a basic loss from operations of R1.00 billion (2019: R1.362 billion). This represents a basic loss per share of 40.0 cents (2019: 54.2 cents). This is mainly due to a significant impairment loss on property, plant and equipment (PPE) recognised in the 2020 interim results. The headline loss per share for the year is 0.8 cents (2019: 3.4* cents). The headline loss was largely adversely impacted by lower commodity prices realised as well as lower tonnes sold.

FINANCIAL PERFORMANCE

Revenue was R4.78 billion (2019: R5.379 billion) amounting to a year-on-year decrease of 11%. With regard to ferrochrome, softer realised ferrochrome prices as well as lower volumes of ferrochrome sales of 305kt (2019: 368kt) impacted revenue negatively. The average ferrochrome CIF price reduced by 8% to US\$72c/lb (2019: US\$79c/lb). Ferrochrome revenue closed 10% lower at R4.002 billion (2019: R4.455 billion). Chrome ore sales for the year decreased to 332kt (2019: 359kt) and lower market prices worsened the situation. The resultant revenue was 15% lower at R777 million (2019: R910 million). The average ZAR/US\$ exchange rate for the year was approximately 14% weaker and this helped cushion the pressure on both sources of revenue.

Total operating expenses (excluding Merafe head office costs)

Operating expenses decreased by 9% to R4.524 billion (2019: R4.949 billion). This was largely due to a reduction in chrome ore and ferrochrome tonnes sold. On a volume-adjusted basis, however, operating costs increased year-on-year. Key contributors thereto were an increase in standing charges by 133% to R474.2 million (2019: R203.3 million) as a result of production cut-backs; retrenchment costs of R97 million (2019: Rnil) an inventory impairment loss of R13.6 million (2019: R133.2 million) due to depressed commodity prices; the impact of the ZAR/US\$ exchange rate contributed to above-inflationary increases on imported costs; increased cost of electricity due to Eskom's tariff adjustments; higher staff costs in line with annual increases which include settlements reached with unions and an increase in transportation costs. There was a decrease in reductants and fluxes costs since, due to availability, procurement of these was mainly done locally.

The impairment of PPE has resulted in a reduction in the depreciation charge that was capitalised to inventory by R94 million (2019: Rnil).

Merafe had previously provided for an uncertain tax obligation which had accumulated to R179.4 million in the current financial year. After an internal review of the obligation and opinions from our tax and legal advisors, a decision was made to stop providing for this obligation and to release the accumulated provision. This credit reduced our total operating expenses for the year.

The diesel rebate matter with SARS, reported last year, is still ongoing and has not yet been resolved. Accordingly, the disallowed amount (net of income tax), as well as interest payable to SARS of R5 million, continues to be fully provided for at year end. The request for suspension of payment has been granted by SARS.

* Restated.

Financial capital (continued)

DEBT POSITION

Both Merafe's own facility with ABSA Bank Limited as well as Glencore facilities available to the Venture were unutilised at year end. Merafe's facility is a R300 million committed revolving credit facility with ABSA. In July 2020 Glencore, acting on behalf of the Venture, and Merafe Ferrochrome entered into a Treasury Services Agreement with Glencore Holdings South Africa Proprietary Limited (Service Provider). Loans and overdraft funding and issuance of guarantee instruments are among the services offered by the Service Provider to the Venture. These represent the Venture's debt facilities and replace previous facilities with banks. The facilities provide the Company with access to funding if the need arises.

DIVIDEND

The Board has decided not to declare a final dividend (2019: R100 million /4 cps). This is due to the uncertain development path of COVID-19, continued market uncertainty as well as the need to preserve liquidity.

OUTLOOK

We expect the global economy and the chrome market to remain challenging in the short term, particularly given the uncertain trajectory of the COVID-19 pandemic. The competitive landscape in which we operate means that cost management must remain a key business driver and a focus of management's attention. We will also carry on with our focus on liquidity and cash flows. As in the prior year, the bulk of our capex will be on sustaining capital to maintain safe and efficient operations, asset integrity and to meet compliance requirements.

Ditabe Chocho
Financial Director

5 March 2021

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at	
	31 December 2020 R'000	31 December 2019 R'000
ASSETS		
Property, plant and equipment	338 619	1 435 080
Intangible assets	38 539	49 268
Investment in associate	2 151	–
Long-term receivable	13 982	16 612
Deferred tax asset	110 367	1 374
Total non-current assets	503 658	1 502 334
Inventories	1 433 681	2 008 799
Current tax assets	17 210	18 635
Trade and other receivables	880 916	675 344
Cash and cash equivalents	277 629	354 181
Total current assets	2 609 436	3 056 959
Total assets	3 113 094	4 559 293
EQUITY		
Share capital	25 107	25 107
Share premium	1 269 575	1 269 575
Retained earnings	982 380	2 085 835
Total equity attributable to owners of the company	2 277 062	3 380 517
LIABILITIES		
Lease obligation and borrowings	15 583	19 972
Share-based payment liability	1 483	1 004
Provisions	175 361	337 716
Deferred tax liability	–	226 065
Total non-current liabilities	192 427	584 757
Lease obligation and borrowings	3 534	4 460
Trade and other payables	636 967	579 131
Derivative	2 476	8 090
Share-based payment liability	628	2 338
Total current liabilities	643 605	594 019
Total liabilities	836 032	1 178 776
Total equity and liabilities	3 113 094	4 559 293

SUMMARISED STATEMENT OF CHANGES IN EQUITY

	For the year ended	
	31 December 2020 R'000	31 December 2019 R'000
Issued share capital – ordinary shares	25 107	25 107
Balance at the beginning and end of the year	25 107	25 107
Share premium – ordinary shares	1 269 575	1 269 575
Balance at the beginning and end of the year	1 269 575	1 269 575
Retained earnings	982 380	2 085 835
Balance at the beginning of the year	2 085 835	3 598 296
Total comprehensive loss for the year	(1 003 027)	(1 361 819)
Dividends paid	(100 428)	(150 642)
Total equity for the end of the year	2 277 062	3 380 517

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended	
	31 December 2020 R'000	31 December 2019 Restated* R'000
Revenue	4 780 387	5 379 329
EBITDA	167 907	379 257
Depreciation and amortisation	(153 361)	(467 261)
Impairments of property, plant and equipment and intangible assets	(1 365 962)	(1 789 316)
Net financing income*	4 804	10 404
Income from equity-accounted investment	860	–
Loss before taxation	(1 345 752)	(1 866 916)
Taxation	342 725	505 097
Loss and total comprehensive loss for the year	(1 003 027)	(1 361 819)
Basic loss per share (cents)	(40.0)	(54.2)
Diluted loss per share (cents)	(40.0)	(54.2)
Headline loss per share (cents)	(0.8)	(3.4)
Ordinary shares in issue	2 510 704 248	2 510 704 248

* The 2019 consolidated financial statements have been restated. The unwinding of the discount on the rehabilitation provision has been restated due to an error in accounting for the change in estimate, out of finance income in the prior year into operating and other expenses and the impairment expense.

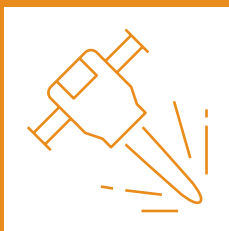
SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the year ended	
	31 December 2020 R'000	31 December 2019 Restated* R'000
Loss before tax	(1 345 752)	(1 866 916)
Depreciation and amortisation	153 361	467 261
Impairment	1 365 962	1 789 316
Finance income	(6 517)	(11 998)
Finance expense	1 713	1 594
Share-based payment (income)/expense	(649)	155
Share grants exercised	(582)	(3 588)
Embedded derivative expense	(5 614)	40 677
Provisions	(163 686)	46 816
Movement in long-term receivable	2 630	(3 617)
Profit on sale of property, plant and equipment	(167)	(17 087)
Unicorn fair value adjustment	1 936	–
Income from equity-accounted investment	(860)	–
Net realisable value inventory adjustment	13 583	133 000
Effect of exchange rate fluctuations on cash held during the year	87 908	4 410
Non-cash movement	(3 006)	3 055
Working capital changes adjustment	390 522	101 667
Cash generated from operating activities	490 782	684 745
Interest paid	(1 617)	(1 524)
Interest received	6 156	10 952
Taxation (paid)/received	(15)	5 040
Net cash generated from operating activities	495 306	699 213
Proceeds from sale of property, plant and equipment	169	3 037
Sustaining capital expenditure	(333 676)	(469 644)
Expansionary capital expenditure	(9 310)	–
Acquisition of Unicorn Chrome	(33 124)	–
Net cash utilised in investing activities	(375 941)	(466 607)
Dividends paid	(100 428)	(150 642)
Lease liabilities repaid	(7 581)	(4 228)
Net cash utilised in financing activities	(108 009)	(154 870)
Net increase in cash and cash equivalents	11 356	77 736
Cash and cash equivalents at 1 January	354 181	280 855
Effect of foreign exchange rate changes	(87 908)	(4 410)
Cash and cash equivalents at 31 December	277 629	354 181

* The 2019 financial statements have been restated. The unwinding of the discount on the rehabilitation provision has been restated due to an error in accounting for the change in estimate, out of finance income in the prior year into operating and other expenses and the impairment expense. This has also impacted the change in estimate in the rehabilitation provision with a non-cash impact out of sustaining capital expenditure. In addition, the non-cash movement of inventory net realisable value write down has been restated in the statement of cash flows



Performance



Manufactured capital

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.

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

We enhance our manufactured capital by:

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

KEY POINTS – 2020

■ **Merafe's attributable ferrochrome production**
265kt
(2019: 371kt)

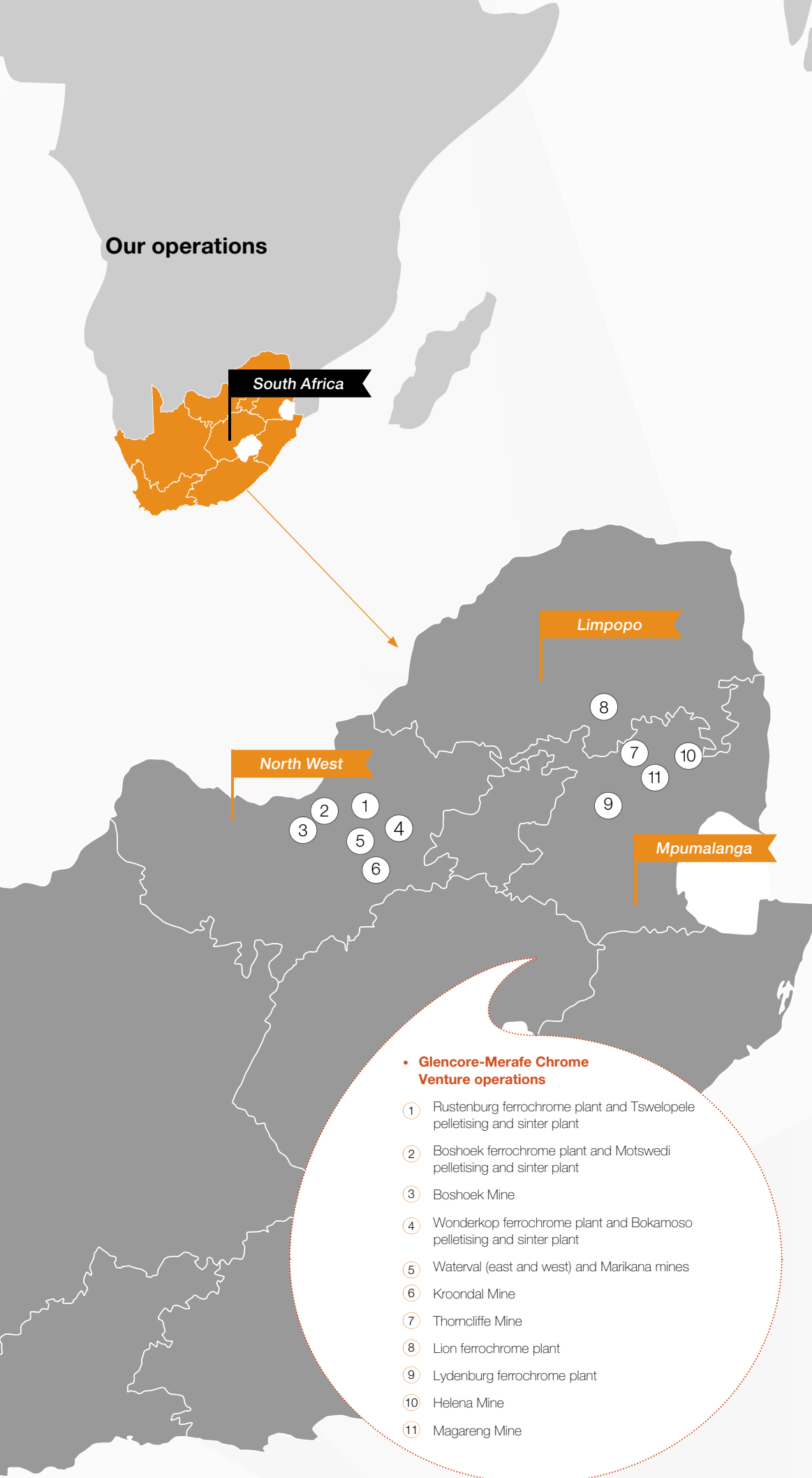
■ **Mined chrome ore production down by**
16%

■ **1 fatality**
(2019: 1)

■ **No industrial action**

■ **TRIFR performance of**
3.89
(2019: 2.56)

Our operations



Manufactured capital (continued)

OVERVIEW

Attributable ferrochrome production decreased to 265kt during 2020, which is equivalent to installed capacity utilisation of 55%. The onset of the COVID-19 pandemic worsened market conditions, and an uncompetitive local operational environment (i.e. high energy cost, carbon tax and beneficiation of chrome ore outside of South Africa by global lower cost producers) necessitated a cutback in production. With the introduction of COVID-19 lockdown restrictions by the South African government in March 2020, the Venture stopped all production. Production only resumed on a limited basis after relaxation of the lockdown restrictions. From September 2020, all operations were back to full production with the exception of the Lydenburg smelter which has continued to be placed under care and maintenance. Waterval Mine and Boshhoek Mine also remain under care and maintenance.

The increase in total unit production cost year-on-year was contained to 8.4%, mainly due to an increase in the cost of ore and an increase in electricity tariffs. Once again, the electricity tariff price increase in April 2020 was mitigated by the reduction in winter production. Reduced volumes negatively affected fixed costs.

SAFETY

The Venture continues to place maximum focus on safety. Despite this effort, we had an unfortunate fatality at one of our underground operations in October 2020. This is more fully reported on in the reports of the CEO and the Chairperson. The Venture is working tirelessly towards achieving zero harm in all our operations.

Safety campaigns have intensified with a view to improving safety performance. This effort was deemed necessary as a result of the deterioration of the total recordable injury frequency rate (TRIFR) to 3.89 (2019: 2.56).

HEALTH

Since the onset of COVID-19, the Venture has supported government initiatives to stop the spread of the disease. The Venture's initiatives

included creating awareness, training, educational videos as well as providing face masks, personal thermometers, and information to all employees and contractors. At each operation and office, the following were provided for: hand sanitisers, disinfectant schedules, information boards, social distancing demarcation, glass panels to protect people in high movement areas, screening of each individual who enters operations, and thermal scanners to determine if an individual has signs of fever.

Polymerase Chain Reaction (PCR) gold equipment was donated to Ndlovu laboratories to increase the testing capabilities of the region. Occupational health practitioners were trained to take samples and to send to the laboratories for analysis. A software application was developed whereby all employees had to complete screening on a daily basis. If any issue of concern was identified, the clock card would be blocked and the employee referred to his general practitioner or operational clinic for additional monitoring and assistance.

During the second wave of the COVID-19 pandemic, additional measures were included at the operations where all employees had to go for antigen testing on return to work. This practice assisted in identifying potential COVID-19 cases and was followed up with a full PCR gold test if the antigen test was positive.

During 2020, we lost five of our employees and contractors due to the COVID-19 pandemic. Regrettably during 2021 to date, this number has increased to 14.

ESKOM

Based on the Regulatory Clearing Account (RCA) applications made by Eskom and phasing in of the disallowed 2019/20 Government Equity support, the aggregated Megaflex tariff will increase by some 15% for the 2021/22 year between 125 and 130c/kWh (assuming a flat consumption profile across the 12 calendar months).

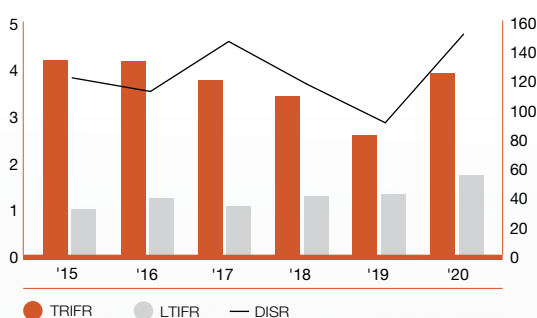
It is understood that at this level the tariff is more reflective of full-cost recovery for Eskom in its current format (prior to disaggregation into Generation, Transmission and Distribution), but will still represent a considerable blow to the South African economy.

Additional RCAs and disallowed Government Equity support will see tariffs increasing by possibly a similar percentage in the 2022/23 period. Working through all available Industry forums and directly in bilateral engagements with all relevant government departments and Eskom, the Venture continues to seek clarity on the forward pricing curve and mechanisms that may be available in the medium to longer term to mitigate such tariff increases.

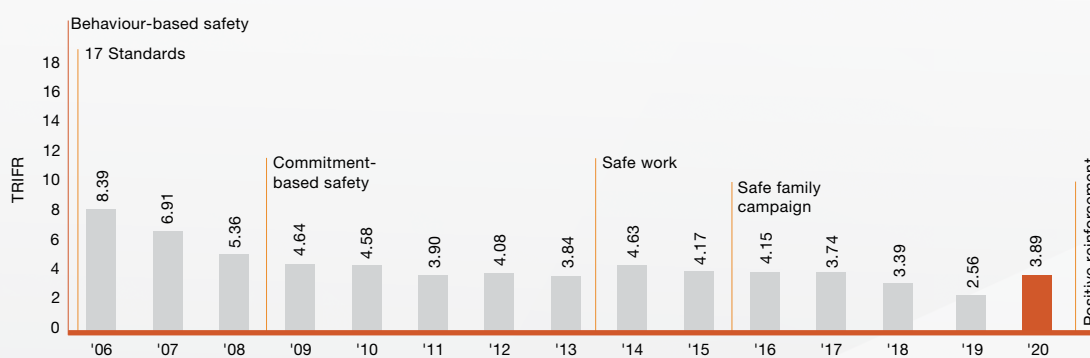
CARBON TAX

Having become taxable from 1 June 2019, the Venture made its first payment for carbon dioxide emission in 2020. As previously reported, with discounts that are currently applicable, the net impact is below 0.2% of production costs.

Venture safety performance



TRIFR 2006 – 2020



CHROME ORE PRODUCTION

Production

The chrome mines' (including UG2) saleable chrome ore production for 2020 is at 16% less than the previous year.

Less volume (32%) at the UG2 operations were mainly due to less feed received from external PGM concentrators and the COVID-19 national lockdown.

Chrome produced at the mines in 2020 was 5% less than in 2019 due to Western Mines' cash preservation plan in 2020 and the COVID-19 national lockdown.

Costs

The chrome mines (including UG2) saleable chrome ore production cost for 2020 was in line with the previous year 2019.

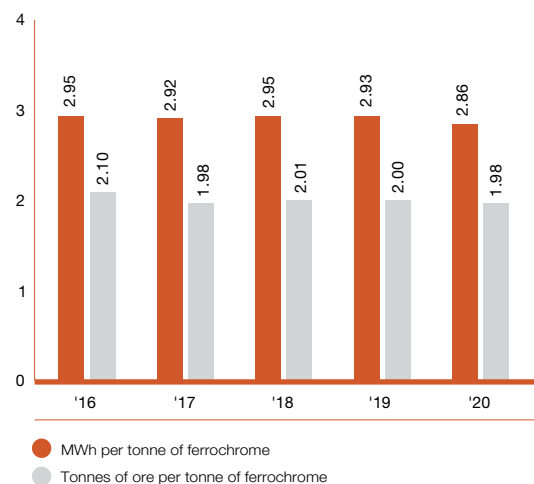
Production costs from mines are 11% less than the previous year due to Western Mines cash preservation plan in 2020 (Kroondal on care and maintenance, Kroondal start-up in Q4).

Production cost from UG2 platinum tailings are 22% more than the previous year due to less feed planned from PGM concentrators and the effect of the COVID-19 national lockdown.

RESOURCES AND RESERVES

The Venture has in excess of 30 years of ore available at the current rate of mining.

Power and ore consumption efficiencies



THE GLENCORE-MERAPE 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	
Boshhoek	240 000 tpa FeCr	Motswedi pelletising and sintering plant using Outotec technology	Waterval, Kroondal and Boshhoek
	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	

* Furnace 5 and 6 under care and maintenance.

** Smelter under care and maintenance.

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

Performance



Natural capital

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

MATERIAL ISSUES

Energy

- Pricing and the availability of electricity
- Business continuity and profitability
- Investing in new technologies 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 (GHGs)
- 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

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;
- reducing waste by reusing or recycling it whenever possible;
- protecting biodiversity and ecosystems;
- wherever possible, using renewable resources from well-managed and restorative ecosystems; and
- managing resources and reserves efficiently.

Natural capital: climate change and energy

KEY POINTS – 2020

■ The CO₂e generated per tonne of ferrochrome produced was
5.30tCO₂e
(2019: 5.46tCO₂e)

■ The energy use per tonne of ferrochrome produced was
15.16GJ
(2019: 15.08GJ)

STAKEHOLDER IMPACT

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

MANAGING CLIMATE CHANGE AND CARBON EMISSIONS

The Venture focuses on understanding the current and future impact of climate change on its operations. Climate change risks are included in each operation's risk assessment. It measures and interprets energy and 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 improve 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 emission factor of 0.869kgCO₂e/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 during 2020. The Venture, which participates in the Ferro Alloys Producers Association (FAPA) environmental forum, represents the ferroalloys industry at Business Unity South Africa (BUSA). The Venture's representatives play a leading role in these forums and they comment on climate change and carbon tax legislation. The Venture also engages with government via these forums to ensure that the potential impact that the proposed legislation will have on our industry and Company is understood.

During 2020, the Venture again played an important role in the engagement process between business and the National Treasury on drafting carbon tax legislation. 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 2021

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

The Venture forms part of Glencore's 1.5°C pathway aligned target of an absolute 40% reduction of total emissions (scopes 1, 2 and 3) by 2035 on 2019 levels, consistent with the midpoint of the Intergovernmental Panel on Climate Change's 1.5°C scenarios and the 1.5°C pathways set out by the International Energy Agency. Post 2035, the ambition is to achieve, with a supportive policy environment, net zero total emissions by 2050.

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 reductants in the furnaces 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 DEFF on a carbon process aimed at estimating the country's annual carbon emission.

THE RISKS ASSOCIATED WITH CLIMATE CHANGE

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



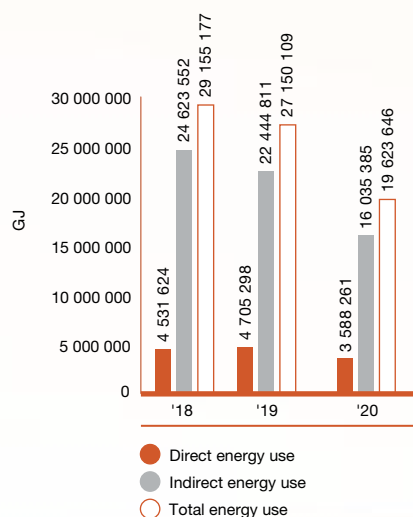
See the Stakeholder engagement section on our website for more information on our stakeholder impact and engagement with government, our investors and business partners.

Natural capital: climate change and energy (continued)

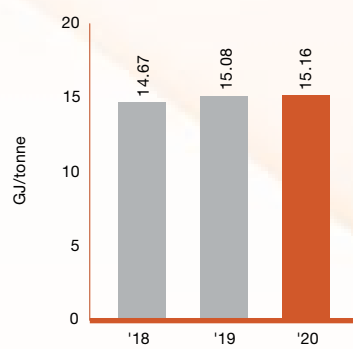
THE VENTURE'S ENERGY CONSUMPTION

Total energy consumption in the Venture's operations decreased in 2020 as a result of lower production. The energy use per tonne of ferrochrome produced increased from 15.08GJ/tonne to 15.16GJ/tonne. The energy consumption and performance of the Company in any year is dependent on the production performance in that year and the contribution of the most energy-efficient plants in the Venture to that production.

The Venture's energy usage



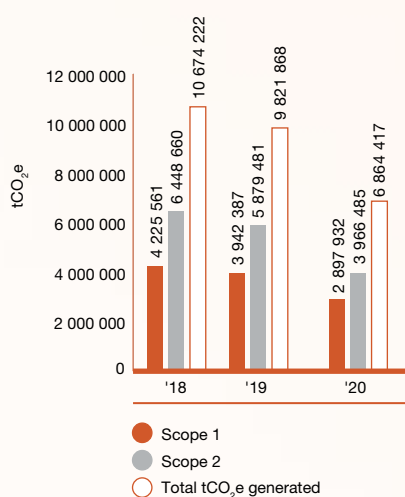
Total energy use per tonne of ferrochrome produced



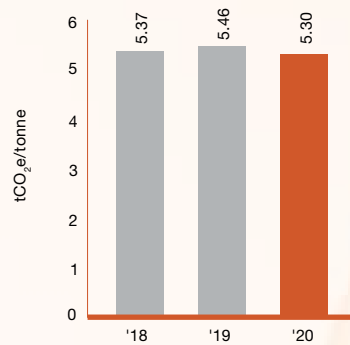
THE VENTURE'S EMISSIONS

The Venture's total Scope 1 (direct) and Scope 2 (indirect) emissions decreased in 2020 as a result of lower production. The CO₂e generated per tonne of ferrochrome produced decreased slightly in 2020. The emissions performance of the Company in any year is dependent on the production performance in that year and the contributor of the most energy-efficient plants in the Venture to that production.

GHG emissions



Total CO₂e generated per tonne of ferrochrome produced



Natural capital: environment

KEY POINTS – 2020

- The Venture's total water usage decreased
- Water conservation plans are in place at all the operations of the Venture
- There were no high-potential environmental risk incidents in the Venture
- The Venture had no environmental fines, penalties or prosecutions

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

MATERIAL ISSUES

- Water
- Greenhouse gas emissions
- Waste
- Biodiversity and land use

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

AN INTEGRATED APPROACH TO ENVIRONMENTAL RESPONSIBILITIES

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

WATER

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

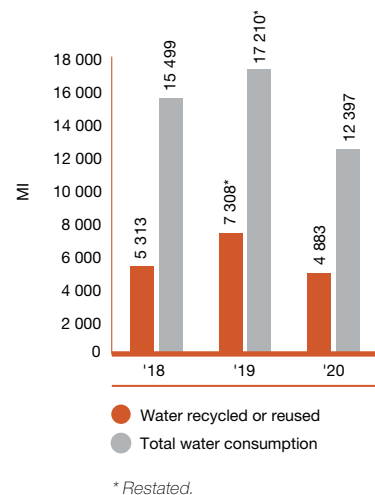
Water use and availability

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 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 decreased in 2020 mainly due to operational downtime and lower production resulting from the national lockdown.

PERFORMANCE

Natural capital: environment (continued)

WASTE MANAGEMENT AND EFFLUENT AND BIODIVERSITY MANAGEMENT

The mineral waste produced by the Venture in 2020 was 3.4mt.

Mineral waste

Category	2020 tonnes	2019 tonnes	2018 tonnes	2017 tonnes
Mineral waste – produced	3 431 145	4 690 652	4 364 269	4 289 911
Non-mineral waste – disposed	9 898	13 521	15 041	14 396
Non-mineral waste – recycled	5 142	29 297	10 056	11 386

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, including near-misses, that could have resulted in a category 4 or 5 incident, even when the actual impact was less

significant. Environmental incidents recorded at the Venture's operations also include incidents that occur as a result of contractor activity.

The Venture has had no environmental fines, penalties or prosecutions at its operations for the past nine years. The Venture achieved its goal of no category 4 or 5 incidents recorded in its operations in 2020 and no category 4 or 5 incidents have been recorded in the Venture's operations for the past 10 years.

Environmental incidents

	2020	2019	2018	2017
Category 1 – negligible (causing negligible, reversible environmental impact, requiring very minor or no remediation)	38	77	52	50
Category 2 – minor (causing minor, reversible environmental impact, requiring minor remediation)	10	22	7	16
Category 3 – significant (causing moderate, reversible environmental impact with short-term effect, requiring significant remediation)	1	–	2	–
Category 4 – major (causing serious environmental impact, with medium-term effect, requiring significant remediation)	–	–	–	–
Category 5 – disastrous (causing disastrous environmental impact, with long-term effect, requiring major remediation)	–	–	–	–

NO_x AND SO_x PERFORMANCE

The Venture's emissions

Category	2020 tonnes	2019 tonnes	2018 tonnes	2017 tonnes
NO _x (oxides of nitrogen)				
Stack emissions (total mass)	840	1 113	1 032*	363
SO _x (oxides of sulphur)				
Stack emissions (total mass)	3 281	3 344	4 273	3 458
Total particulates				
Stack emissions (total mass)	1 219	1 729	2 218	1 204

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

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

PRODUCT STEWARDSHIP

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

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

In terms of Registration, Evaluation and Authorisation and Restriction of Chemicals (REACH), all the products that the Venture exports to countries

in the European Union have been pre-registered, with the relevant pre-registration certificates and numbers available. The Venture is also actively involved in REACH.

No products produced by the Venture, or their packaging materials, were reclaimed during 2020.

To ensure the quality of its products, the Venture aligns its systems with the requirements of ISO 9001:2015 and some of its smelters are certified. Its laboratories are ISO 17025 accredited, which ensures that the methods and equipment it uses are accurate.



For further information on land use, see the Mineral Resources and Reserves Statement in our online Integrated Annual Report for 2020 and Appendix 1 to this report.

Performance



Abridged Mineral Resources and Mineral Reserves Statement

INTRODUCTION

The purpose of this report is to document an abridged version of 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 Code). 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 2020. To state the Mineral Resources and Mineral Reserves estimates for 31 December 2020, the budgeted production for July 2020 to December 2020 has been subtracted from the total estimates. The Mineral Resources and Mineral Reserves 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 Kroondal Mine. The LG6 Package at Kroondal Mine is mined underground using trackless mining methods on a Bord-and-Pillar layout. Kroondal will be targeting a production rate of 146ktpm for 2021. Boshoeck Mine is 20km north-west of Rustenburg. The MG1, LG5 and LG6 Chromitite Layers have been mined in several open pits. The opencastable ore has almost been depleted and the mine has been put on care and maintenance. Townlands Extension 9 is an exploration project. The status quo has remained the same since the application for a retention permit in November 2017. The DMR accepted the application and the Venture is still awaiting the granting and execution of the application. No exploration costs have to be spent on the project from the date of execution of the application for the subsequent three years. Pending the outcome of the application no third party may legally apply for a Prospecting Right over this property. Thorncliffe, Magareng and Helena mines are situated along the southern portion of the Eastern Limb of the Bushveld Complex. The MG1 Chromitite Layer is being mined underground using trackless mining methods on a Bord-and-Pillar mining layout.

Thorncliffe, Magareng and Helena mines are situated within the same Mining Right area but are situated on different farm properties. The farms of St George and Richmond have been incorporated into the Mining Right of the Eastern Chrome Mines Complex. The Venture's silica deposit lies 15km west of Rustenburg. The quartzite is mined mainly to supply the Venture's furnaces with silica.

COMPARISON OF MINERAL RESOURCES AND MINERAL RESERVES ESTIMATES WITH PREVIOUS YEAR'S ESTIMATES

The annual Mineral Resources and Mineral Reserves 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 Resources and Mineral Reserves tonnages and grades due to additional geological information. In addition, disposed or lapsed rights will also impact total resources and reserves.

The biggest impact to the year-on-year changes in the chrome Mineral Resources tonnages for the Venture is mainly due to mining depletion to the amount of 5.324mt. The net Mineral Resources movement excluding mining depletion is 1.177mt. The Mineral Reserves had a net movement of 7.844mt after mining depletion of 4.296mt. The single biggest impact of the movement of the Mineral Reserves is Waterval Mine that was placed on care and maintenance.

There is no material difference in the silica Mineral Resources estimate from December 2019 to December 2020 and the change is mostly attributed to mining depletion. The change in the Mineral Reserves for Rietvly is mainly as a result of mining depletion.

MATERIAL RISK FACTORS

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



For the complete Mineral Resources and Mineral Reserves Statement including definitions of the categorisation of mineral resources and reserves as per the SAMREC Code 2009, descriptions and exploration activities, geological settings of the reserves (including maps and diagrams), legal entitlement, methods and assumptions, material risk factors and a summary of environmental funding and management, see Appendix 1 to this report and our online Integrated Annual Report for 2020.



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

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

CHROME MINERAL RESOURCE STATEMENT

				Measured Mineral Resources		Indicated Mineral Resources		Measured and Indicated Resources		Inferred Mineral Resources		
Name of operation	Attributable portion	Mining method	Commodity	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19	Competent Person
Bushveld Complex – Western Limb												
Western Chrome Mines – LG6 Chromitite Package and MG1 Chromitite Layer												
Waterval	20.5%	UG	Ore (Mt) Cr ₂ O ₃ (%)	16.231 41.31	16.231 41.31	1.03 42.6	1.02 42.6	17.26 41.4	17.26 41.4	0.7 43	0.7 43	MM/DR
Marikana West	20.5%	UG	Ore (Mt) Cr ₂ O ₃ (%)	2.974 42.43	2.991 42.43	1.69 42.6	1.69 42.6	4.66 42.5	4.69 42.5	– –	– –	MM/DR
Kroondal	20.5%	UG/OC	Ore (Mt) Cr ₂ O ₃ (%)	9.433 42.76	9.399 42.76	0.61 41.5	0.66 41.5	10.04 42.7	10.16 42.7	– –	– –	MM/DR
Kroondal Gemini	20.5%	UG/OC	Ore (Mt) Cr ₂ O ₃ (%)	12.972 42.31	10.369 42.54	2.21 41.3	4.22 41.4	15.18 42.2	14.59 42.2	– –	– –	MM/DR
Marikana East	20.5%	UG	Ore (Mt) Cr ₂ O ₃ (%)	4.459 42.23	4.279 42.23	0.52 41.9	0.53 42.0	4.98 42.2	4.81 42.2	– –	– –	MM/DR
Klipfontein/Waterval	20.5%	UG	Ore (Mt) Cr ₂ O ₃ (%)	12.278 42.06	11.852 42.08	22.46 42.0	22.94 42.0	34.74 42.0	34.79 42.0	100.7 42	101.1 42	MM/DR
Boshoek	20.5%	UG/OC	Ore (Mt) Cr ₂ O ₃ (%)	– –	– –	17.09 40.5	17.09 40.5	17.09 40.5	17.09 40.5	– –	– –	MM/DR
Townlands Extension 9	20.5%	UG	Ore (Mt) Cr ₂ O ₃ (%)	– –	– –	12.94 41.4	12.94 41.4	12.94 41.4	12.94 41.4	– –	– –	MM/DR
Total – LG6 and MG1			Ore (Mt) Cr ₂ O ₃ (%)	58.347 42.05	55 121 42.09	58.55 41.4	61.11 41.5	116.89 41.7	116.23 41.8	101.4 42	101.8 42	MM/DR
Western Chrome Mines – Tailings												
Kroondal Dam	20.5%	Tailings	(Mt) Cr ₂ O ₃ (%)	– –	– –	– –	– –	– –	– –	1.6 17.1	1.5 16	MM
Waterval East Dam	20.5%	Tailings	(Mt) Cr ₂ O ₃ (%)	– –	– –	– –	– –	– –	– –	0.9 18.5	0.9 19	MM
Waterval West Dam	20.5%	Tailings	(Mt) Cr ₂ O ₃ (%)	– –	– –	– –	– –	– –	– –	0.3 16.9	0.3 17	MM
Cashan Dam	20.5%	Tailings	(Mt) Cr ₂ O ₃ (%)	– –	– –	– –	– –	– –	– –	0.03 16.9	0.03 17	MM
Total Tailings			(Mt) Cr ₂ O ₃ (%)	– –	– –	– –	– –	– –	– –	2.9 17	2.8 17	
Bushveld Complex – Eastern Limb												
Eastern Chrome Mines – MG1 Chromitite Layer												
Thornccliffe	20.5%	UG/OC	Ore (Mt) Cr ₂ O ₃ (%)	45.095 42.21	39.814 40.16	3.60 40.9	10.16 41.2	48.70 42.1	49.98 40.4	– –	0.02 42	SV/DR
Helena	20.5%	UG/OC	Ore (Mt) Cr ₂ O ₃ (%)	23.396 39.8	23.763 39.81	13.02 38.5	12.77 38.5	36.42 39.3	36.54 39.3	10.4 38	10.2 38	SV/DR
De Grooteboom	20.5%	UG/OC	Ore (Mt) Cr ₂ O ₃ (%)	1.037 40.22	1.037 40.22	0.50 40.3	0.50 40.3	1.54 40.2	1.54 40.2	– –	– –	SV/DR
Richmond	20.5%	UG	Ore (Mt) Cr ₂ O ₃ (%)	1.774 41.23	0.578 40.95	23.22 41.1	21.83 41.2	24.99 41.1	22.41 41.2	24.6 41	29.2 41	SV/DR
St George	20.5%	UG	Ore (Mt) Cr ₂ O ₃ (%)	0.715 40.41	0.981 40.21	4.39 39.7	3.95 39.5	5.10 39.8	4.94 39.6	18.5 40	19.9 40	SV/DR
Total --- MG1			Ore (Mt) Cr ₂ O ₃ (%)	72.017 41.36	66.172 40.04	44.73 40.2	49.23 40.4	116.75 40.9	115.40 40.2	53.5 40	59.2 40	
Eastern Chrome Mines – MG2 Chromitite Layer												
Thornccliffe	20.5%	UG/OC	Ore (Mt) Cr ₂ O ₃ (%)	– –	– –	– –	– –	– –	– –	41.8 38	41.8 38	SV/DR
Helena	20.5%	UG/OC	Ore (Mt) Cr ₂ O ₃ (%)	– –	– –	– –	– –	– –	– –	85.4 38	85.4 38	SV/DR
Total – MG2			Ore (Mt) Cr ₂ O ₃ (%)	– –	– –	– –	– –	– –	– –	127.2 38	127.2 38	
Total – MG1 & MG2			Ore (Mt) Cr ₂ O ₃ (%)	72.017 41.36	66.172 40.04	44.73 40.2	49.23 40.4	116.75 40.9	115.40 40.2	181.7 38	186.4 39	
Eastern Chrome Mines – Tailings												
Thornccliffe Dam	20.5%	Tailings	(Mt) Cr ₂ O ₃ (%)	– –	– –	– –	– –	– –	– –	4.6 20	4.4 20	SV
Helena Paste	20.5%	Tailings	(Mt) Cr ₂ O ₃ (%)	– –	– –	– –	– –	– –	– –	0.3 17	0.3 17	SV
Total Tailings			(Mt) Cr ₂ O ₃ (%)	– –	– –	– –	– –	– –	– –	4.9 20	4.6 20	

Notes:

Tonnages are quoted as million metric dry tonnes. Grades are quoted as %Cr₂O₃. The measured and indicated Mineral Resources are inclusive of those Mineral Resources modified to produce Mineral Reserves. No cut-off grades are applied to the chromitite layers currently being mined because of the exceptional regional grade consistency and continuity.

The Mineral Resources are estimated as chromitite tonnages and grades to reflect the grades of the various individual chromitite layers. Both the LG6 and MG1 chromitite layers which the Venture is currently mining are discrete solid chromitite layers.

Competent Persons:

PJG – Pieter-Jan Gräbe, Glencore Operations SA, (SACNASP – 400188/87). Lead Competent Person for Mineral Resources and Mineral Reserves. SV – Solly Vaid, Glencore Operations, Eastern Chrome Mines, (PLATO – MS 0114). Responsible for Mineral Resources and Mineral Reserves. MM – Mogomotsi Maputle, Glencore Operations SA, Western Chrome Mines, (SACNASP – 400071/14). Responsible for Mineral Resources and Mineral Reserves. DR – Dean Richards, Obsidian Consulting Services (SACNASP – 400190/08). Responsible for geostatistical analysis of data, Mineral Resource classification and construction of tonnage and grade block models and reporting of tonnage and grades from block models.

CHROME MINERAL RESERVE STATEMENT

Name of operation	Attributable portion	Mining method	Commodity	Proved Mineral Reserves		Probable Mineral Reserves		Total Mineral Reserves		Competent Person
				31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19	
Bushveld Complex – Western Limb										
Western Chrome Mines – LG6 Chromitite Package and MG1 Chromitite Layer										
Waterval	20.5%	UG	Ore (Mt) Cr ₂ O ₃ (%)	– –	8.692 31.38	– –	0.93 26.5	– –	9.63 30.9	MM/DR
Marikana West	20.5%	UG	Ore (Mt) Cr ₂ O ₃ (%)	– –	0.131 29.66	– –	– –	– –	0.13 29.7	MM/DR
Kroondal	20.5%	UG/OC	Ore (Mt) Cr ₂ O ₃ (%)	2.476 28.96	2.523 29.05	0.54 28.1	0.56 28.1	3.02 28.8	3.09 28.9	MM/DR
Kroondal Gemini	20.5%	UG/OC	Ore (Mt) Cr ₂ O ₃ (%)	7.635 30.73	5.764 30.96	1.93 30.1	4.11 28.6	9.57 30.6	9.87 30.0	MM/DR
Marikana East	20.5%	UG	Ore (Mt) Cr ₂ O ₃ (%)	– –	0.031 28.28	– –	– –	– –	0.03 28.3	MM/DR
Klipfontein/Waterval	20.5%	UG	Ore (Mt) Cr ₂ O ₃ (%)	0.307 27.99	0.650 28.43	0.08 28.3	0.46 28.3	0.39 28.1	1.11 28.4	MM/DR
Boshoek	20.5%	UG/OC	Ore (Mt) Cr ₂ O ₃ (%)	– –	– –	0.58 26.1	0.58 26.1	0.58 26.1	0.58 26.1	MM/DR
Total			Ore (Mt) Cr ₂ O ₃ (%)	10.418 30.23	17.791 30.79	3.13 29.0	6.65 28.0	13.55 29.9	24.44 30.0	MM/DR
Bushveld Complex – Eastern Limb										
Eastern Chrome Mines – MG1 Chromitite Layer										
Thornccliffe	20.5%	UG/OC	Ore (Mt) Cr ₂ O ₃ (%)	22.959 34.31	20.406 33.54	– –	6.64 34.1	22.96 34.3	27.05 33.7	SV/DR
Helena	20.5%	UG/OC	Ore (Mt) Cr ₂ O ₃ (%)	4.271 29.15	4.148 31.71	– –	– –	4.27 29.2	4.15 31.7	SV/DR
Richmond	20.5%	UG	Ore (Mt) Cr ₂ O ₃ (%)	0.417 36.36	– –	1.81 34.9	2.04 31.9	2.23 35.1	2.04 31.9	SV/DR
St George	20.5%	UG	Ore (Mt) Cr ₂ O ₃ (%)	– –	– –	– –	– –	– –	– –	SV/DR
Total – MG1			Ore (Mt) Cr ₂ O ₃ (%)	27.647 33.54	24.554 33.23	1.81 34.9	8.68 33.6	29.46 33.6	33.23 33.3	

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 – 400188/87). Lead Competent Person for Mineral Resources and Mineral Reserves. SV – Solly Vaid, Glencore Operations, Eastern Chrome Mines, (PLATO – MS 0114). Responsible for Mineral Resources and Mineral Reserves. MM – Mogomotsi Maputle, Glencore Operations SA, Western Chrome Mines, (SACNASP – 400071/14). Responsible for Mineral Resources and Mineral Reserves. DR – Dean Richards, Obsidian Consulting Services (SACNASP – 400190/08). 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 34 years' experience in mineral exploration and mining geology, directly linked to the mining industry and currently a full-time employee of Glencore Operations South Africa. PJG consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.



Pieter-Jan Gräbe

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5 March 2021



See Appendix 1 to this report and our online Integrated Annual Report 2020 for the complete Mineral Resources and Mineral Reserves Statement.



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

Performance



Human capital

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

MATERIAL ISSUES

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

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

The Venture enhances its human capital by:

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

Stakeholder impact and engagement with stakeholders

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

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

Human capital: safety

KEY POINTS – 2020

- **One fatality**
(2019: one fatality)
- **Total recordable injury frequency rate (TRIFR) 3.89**
(2019: 2.56)
- **Lost-time injury frequency rate (LTIFR) 1.71**
(2019: 1.30)
- **Disabling injury severity rate (DISR) 150.61**
(2019: 90.12)
- **The venture had no safety and health penalties for 2020**

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: ISO 45001 and ISO 31000. Glencore collates best practice from each of its assets and from externally recognised leaders in safety management and shares this knowledge across the Glencore Group. Through Glencore, all the operations of the Venture are members of the International Council of Minerals and Mining.

The Venture takes a proactive and preventative 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 reporting processes have been rolled out in the Venture. There are weekly meetings and discussions around the reporting of high-potential risk incidents.

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

SAFETY PROGRAMME OVERVIEW

Objective	Supporting actions
Zero fatalities	We reviewed and strengthened our incident investigation process to include 24-hour notification of senior management and the Glencore corporate sustainability team for fatal incidents and launched a mandatory on-site fatality investigation process following any fatal incident. The Venture's senior management must then report to the Glencore Board HSEC Committee on fatalities and the subsequent independent investigations in person. Any lessons learned that could further improve general fatality prevention are shared across the Group. We ensure independent third-party assistance is on site within 72 hours of a fatal incident. We developed SAFEALLOYS, a Group initiative to foster a safety culture based on behaviours and consequences at all levels. We rolled out on an annual basis Fatal Hazard Protocols (which are reviewed annually) and life-saving behaviours (part of the SAFEALLOYS programme) across the Group.
Reduction of TRIFR	The Venture focused on reducing the TRIFR. The supporting actions resulted in the TRIFR reducing from 4.58 (2010 baseline) to 3.89 in 2020.

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

In 2020 there were 82 (2019: 73) recorded injuries in a workforce of 8 812 (including contractors). An in-depth analysis by the Venture revealed that no one single factor cause stood out in 2020, but that "at risk behaviour" remains a major problem. As safety is the number one priority in the Venture, a number of campaigns were rolled out and re-emphasised including SAFEALLOYS, Life Saving Behaviours and Safework coaching. The effect of COVID-19 and the stop/start of operations as a result of market uncertainty impacted safety at the operations negatively.

The Venture implemented the Fatal Hazard Protocols in 2015 and continually implements positive reinforcement programmes.

Accountability

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

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

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

The role of training

The Venture's investment in safety training is detailed on [page 35](#) in the Human capital section of this report. It continues to use virtual reality training, combined with easy-to-read written instructions, on all its different procedures. The training is designed to ensure that employees cannot complete their training on a procedure until they have shown they fully understand it. Training, as can be seen from the detail on [page 35](#) of this report, was a major focus during the year. Focus for 2020 was again on supervisory development training, ensuring that all supervisors understood their legal responsibility, life-saving behaviours, fatal hazard protocols and critical controls.

Human capital: health and wellness

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

KEY POINTS – 2020

■ **One noise-induced hearing loss case**
(2019: one)

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

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

■ **Health programmes at the Venture aim to eliminate occupational illness**

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

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

OUR POLICY AND APPROACH

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

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

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

Wherever possible, the Venture reduces the noise from the equipment it uses in its operations to levels below the internationally recommended standards using design modifications, exclusive zones and "buy quiet" programmes for new or upgraded equipment. The Venture's operations have reduced machinery noise to less than 110 decibels. There was one NIHL case in 2020 (2019: one).

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 who visit its occupational health clinics are screened for TB. Those whose

screening tests indicate they may have TB are referred to healthcare facilities for TB investigation and treatment. The Venture's wellness programme has been incorporated into the annual/periodic medicals conducted at each operation. Medical records remain on site and are only seen by the Occupational Medical Practitioner and the nurses included in the wellness programme.

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

The Venture's HIV and Aids policies commit to:

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

COVID-19 PANDEMIC

Our operations' immediate response to the COVID-19 pandemic was: creating awareness, training and educational videos as well as providing face masks, personal thermometers and information to all employees and contractors. At each operation and office, the following were provided: hand sanitisers, disinfectant schedules, information boards, social distancing demarcation, glass panes to protect people in high movement areas, screening of each individual who enters operations and thermal scanners to determine any signs of fever. The Venture closed all operations when the initial lockdown was implemented by the President. Once the lockdown levels were relaxed, the Venture started a staggered onboarding process. Cash preservation measures are in place and will continue while uncertainty prevails. Operations continue to adapt with a view to working efficiently and without much interruption in the face of the pandemic. Community interventions included the supply of medical equipment to community clinics around our operations, hand sanitisers, water tanks at schools (with constant replenishment), and free WiFi around schools and hospitals to assist the community with health and education.

Human capital: our employees

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

KEY POINTS – 2020

- **No protected or unprotected strikes**
- **The Venture has recognition agreements in place**

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

MATERIAL ISSUES

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

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

We enhance our human capital by:

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

OUR APPROACH TO OUR EMPLOYEES

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

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

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

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

More on our approach to our employees and adherence to international employment standards can be found in our online Integrated Annual Report for 2020 under Human capital: our employees. 

LABOUR RELATIONS

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

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

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

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

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

INDUSTRIAL ACTION AT THE VENTURE IN 2020

There were no protected or unprotected strikes during 2020.

In 2018, the Venture signed three-year wage agreements with the western mines, the western smelters and the 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 2020 for more information on the Venture's employee relations, engagement, remuneration, benefits and labour relations.

Human capital: our employees (continued)

KEY POINTS – 2020

■ **17% of the Venture's workforce in 2020 was female**

■ **Merafe had a total workforce of 7 employees and the Venture 6 212 employees at 31 December 2020**

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

THE TOTAL WORKFORCE OF THE VENTURE BY EMPLOYMENT TYPE*

Category	2020	2019	2018
Full-time employees	6 728	7 022	6 800
Temporary/fixed-term employees	274	432	499
External contractors	1 810	3 994	8 641
Total	8 812	11 448	15 940

* The numbers are the 2020 average numbers. The number of full-time employees and fixed-term employees at 31 December 2020 was 6 212.

MAXIMISING LOCAL EMPLOYMENT

Hiring policies

When hiring employees we give preference, where possible, to members of the local community and, in some instances, the Venture offers 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.

The Venture bases its 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 from discrimination

VENTURE WORKFORCE BY EMPLOYMENT AND GENDER TYPE AT 31 DECEMBER 2020

Permanent and fixed-term	Male	Female	Total
Senior management	81	11	92
Middle management	116	54	170
Supervisors, administrators, technicians	912	372	1 284
Operational, maintenance, production	4 056	610	4 666
Grand total	5 165	1 047	6 212

Diversity in the Venture

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

	% Mining Charter target 2020	% achieved 2020	% achieved 2019
Venture employment equity			
Senior management	60	45	47
Middle management	60	68	66
Junior management	70	60	57
Core skills	60	94	94

Diversity in Merafe

	% Mining Charter target 2020	% achieved 2020	% achieved 2019
Mining Charter			
Top management (includes Board)	60	87	87
Senior management (Exco)	60	100	100
Middle management	60	100	100

There are no junior managers employed by Merafe.

Merafe achieved a Level 5 B-BBEE status under the Codes of Good Practice in 2020. A copy of the certificate is on the Company website together with an explanation and reasons for the rating.



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

Human capital: training and development

KEY POINTS – 2020

- **The Venture invested R120 million** in training
(2019: R149 million)
- **An average of R13 583** was invested in training for each member of the Venture's workforce (employees and contractors)
(2019: R13 008)
- **768 101** Venture total training hours
(2019: 1 074 884)
- **R38.66 million** invested in artisan and apprentice training
(2019: R51 million)
- **R7.2 million** invested in bursaries and scholarships
(2019: R8.7 million)
- **53 average training hours per permanent employee**
(2019: 70)
- **395 755 training hours for contractors**
(2019: 550 970)
- **219 average training hours per external contractor employee**
(2019: 138)

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

DEVELOPMENT AND TRAINING

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

The Venture provides:

- development and training opportunities for HDSAs that will help them to further their careers;
- career development opportunities that allow it to develop and retain high potential employees;
- training that addresses risk-tolerant or ingrained behaviours that impact negatively on our operations; and
- training on 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.

Development of staff was a key focus in 2020 across all sites. Increased focus on computer-based training made training more efficient and structured.

LEADERSHIP DEVELOPMENT

The Venture invites senior managers whom it has identified as having leadership potential to participate in leadership programmes at universities. The Venture also provides them with additional training, support and career development opportunities. In all, 71% (2019: 80%) of middle management level employees who participated in development programmes in 2020 were HDSAs; and 78% (2019: 80%) of junior leaders who attended a programme to enhance their supervisory skills were HDSAs.

TRAINING HOURS

	2020	2019
Total training hours	768 101	1 074 884
Total training hours for permanent employees	372 346	523 913
Average training hours per permanent employee	53*	70
Total training hours for contractors	395 755	550 970
Average training hours per contractor	219**	138
Number of health issues training sessions	18 333	12 409
Number of safety issues training sessions	18 332	24 053
Number of human rights issues training sessions	16 788	21 053
Number of environmental training sessions	12 376	19 044
Community health training	164	117
Community environmental training	185	200
Community human rights training	1	159

* Permanent employees: 7 002 (average)

** Number of contractors: 1 810 (average)

Performance



Social capital and stakeholder responsiveness

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

MATERIAL ISSUES

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

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.

Being responsive to stakeholders enables the Venture to:

- 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 on our operations and maximise the positive impacts they can have; and
- support the development of the communities in which the Venture operates.

Socio-economic development

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

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

KEY POINTS – 2020

■ **The Venture spent R49 million on corporate social investment and enterprise development**
(2019: R85.2 million)

■ **62% of the Venture's expenditure on capital and consumable goods was on BEE spend**
(2019: 68%)

■ **63% of the Venture's expenditure on services was on BEE spend**
(2019: 85%)

CORPORATE SOCIAL INVESTMENT (CSI)

The Venture spent R49 million (2019: R85.2 million) on CSI projects and enterprise development in 2020. Merafe contributes to 20.5% of this spend. The hard lockdown had an impact on the ability to execute planned projects in 2020. They include community health programmes, community centres, crèches, youth programmes, school nutritional programmes and infrastructure programmes. As part of its five-year programme, the Venture has also contributed to the establishment of catering enterprises, food banks and business support centres.

In addition to the above, Merafe has been supporting both Meriti Secondary School (Meriti) and Boitekong Secondary School (Boitekong) with the implementation of a variety of infrastructure, curriculum and social welfare projects through Adopt-a-School Foundation (the Foundation). Both schools are located in the Bojanala district in the North West province.

The Foundation completed the Physical Science and Life Science laboratories in 2019.

Implemented projects in 2020 include:

Meriti Secondary School	Boitekong Secondary School
School Leadership Advancement Programme	School Leadership Advancement Programme
Mathematics, Life Sciences and Physical Sciences supplementary lessons for Grade 12 learners	Physical Sciences supplementary lessons for Grade 12 learners
Mathematics educator development and classroom-based support for Grades 8 – 12 pupils	Mathematics educator development and classroom-based support for Grades 8 – 12 pupils
Grade 9 supplementary lessons in Mathematics	Grade 9 supplementary lessons in Mathematics
Resourcing of the Life Science laboratory	Resourcing of the Life Science laboratory
Health, Sanitation and Sexual Education Programme	Health, Sanitation and Sexual Education Programme
Moral Regeneration Programme	Renovations to Grades 10, 11 and 12 classrooms as well as ablution facilities
Renovations to Grades 10, 11 and 12 classrooms as well as ablution facilities	
Renovation of ablution facilities	Renovation of ablution facilities

The implemented projects seek to:

- promote active learning and cultivate a positive attitude towards curriculum delivery;
- provide educational support to learners to assist them in achieving curriculum coverage;
- permit learners to learn abstract concepts through concrete experiences and thus increase their understanding of those ideas;
- mentor learners and assist them to comprehend subjects and skills by way of classroom-based support;
- ultimately improve learner performance in targeted subjects;
- provide learners and educators with a conducive environment for teaching and learning through renovation of classrooms and ablution blocks; and
- provide a link between the learner, home, school and community through the social welfare programme.

The Welfare programme as part of the Whole School Development Model is also based on the Department of Basic Education's Goal 25 of the Action Plan to 2014 towards the realisation of schooling 2025: "The use of schools as vehicles for promoting access to a range of public services amongst learners in areas such as health, poverty alleviation, psychosocial support, sport and culture".

Due to the COVID-19 lockdown, the projects were put on hold in March 2020 and resumed in September when Grade 8 – 10 learners returned to school.

There has been an improvement in the academic performance of the schools as well as positive social behavioural changes in the learners. Additionally, educators and the schools' leadership are implementing their action plans and learnt leadership strategies.

The projects are still within schedule, have experienced major challenges and are within budget despite COVID-19.

The expenditure is being finalised based on final payments to contractors. The project is within budget.

An additional report on the schools' matric performance will be submitted in early 2021.

The Merafe spend in 2020 on CSI projects was R0.46 million (2019: R3.2 million). The work at the schools will continue and Merafe has budgeted R2 million spend in 2021. The Merafe CSI budget is based on 1% net profit after tax. As mentioned earlier, this is in addition and does not include the CSI and enterprise development spend in the Venture where Merafe contributes 20.5% of such spend.



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



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

Social capital and stakeholder responsiveness (continued)

ENTERPRISE DEVELOPMENT

Small, medium and micro enterprises 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 R17.1 million (2019: R16.54 million) on enterprise development in 2020.

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 provide 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.

PROCUREMENT

The Venture's performance in terms of the discretionary procurement targets the Mining Charter Scorecard is set out below:

	Total procurement spend R'm	Non-discretionary spend R'm	Discretionary spend R'm	BEE spend R'm	Compliance %
Capital + Consumables (Mining Goods)	5 658	109	5 549	3 433	61.87
Services	11 981	6 101	5 879	3 712	63.15
Total	17 639	6 210	11 428	7 146	

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 campaign by providing funding and testing sites. It has also funded health clinics and hospices in the communities in which it operates, including an HIV and Aids clinic in Lydenburg in Mpumalanga province. There is also a health clinic at the Lion ferrochrome plant in Limpopo province.

RESPECTING THE RIGHTS OF COMMUNITIES

Neither Merafe nor the Venture 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, 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 the human, natural, social and manufactured capitals on our stakeholders, together with our responsiveness on these issues, is outlined in this report.

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

In 2015 the Venture identified issues material to communities and stakeholders that assisted its social and labour plans for the five-year period from 2015 to 2020.



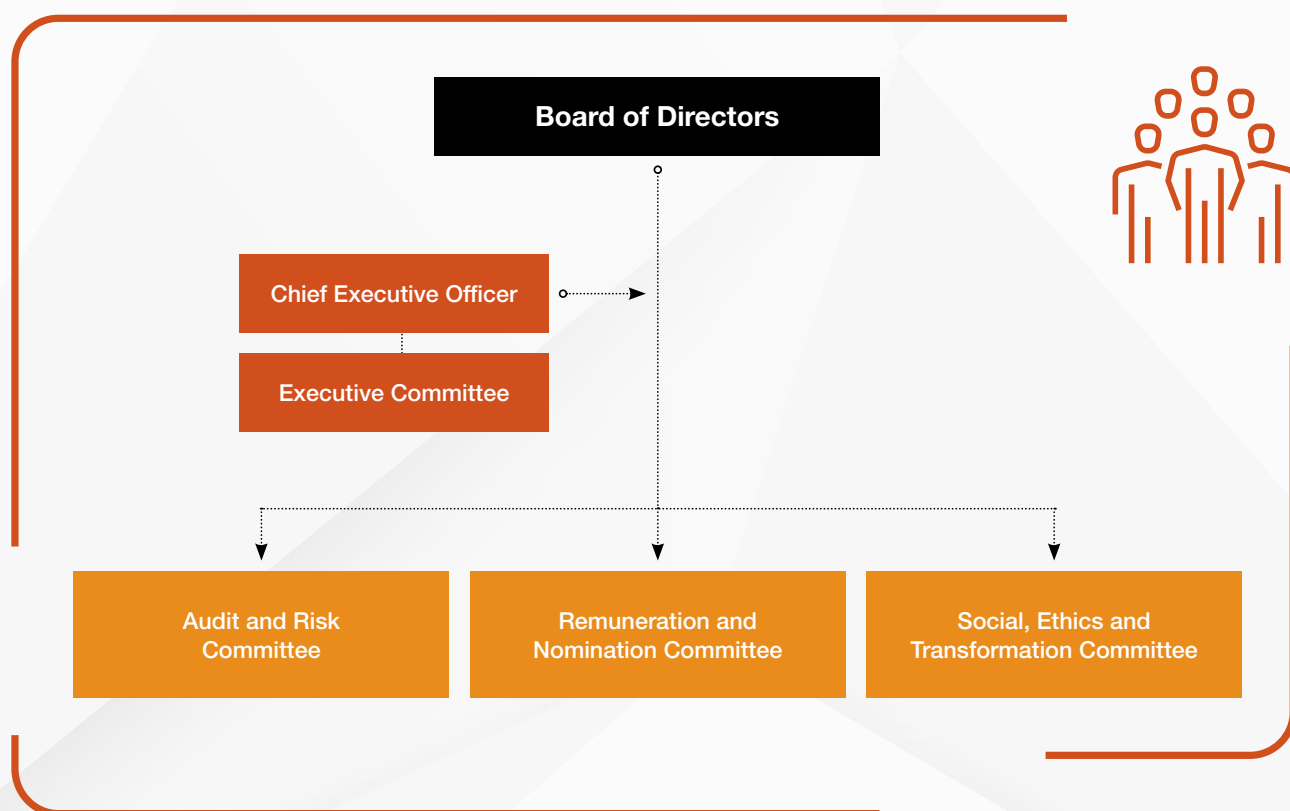
See the stakeholder engagement table on our website for details of the Venture's engagement and Merafe's engagement during 2020.

See our online Integrated Annual Report for 2020 for information on the Venture's approach to human rights and ethics and the externally developed principles, charters and initiatives to which Merafe and the Venture subscribe.

Transparency and accountability



Governance structure



Chairperson's report



ABIEL MNGOMEZULU

Chairperson

Despite the considerable challenges in the year ahead, including the continuing impact of COVID-19, I believe Merafe is resilient enough to navigate the difficult times that lie ahead of us. Importantly, the Venture remains the lowest cost producer in South Africa.

OVERVIEW

The year 2020 has been an exceptionally difficult year due to poor global market conditions that continued from the previous year, increasing input costs of production, and the impact of the COVID-19 pandemic that negatively affected the whole world. Poor global market conditions affected demand negatively resulting in low ferrochrome prices. However, due to our well established cash preservation strategy, the Company has so far weathered the major storm better than many.

In South Africa, COVID-19 dominated the news and the lockdown of local and global businesses and business activity impacted an already brittle local and global economy. COVID-19 and the response of the Venture is dealt with further below in this report.

Rising power costs and continuous failures at Eskom have particularly negatively affected our industry. As I stated last year, to take the country forward, South Africa urgently requires sustained ethical leadership in government, business and society, which would lead to a conducive environment for new investments. It will not be an easy task, especially with the considerable continuing impact of COVID-19, to attract investments in order to grow the economy so the country can address the key challenges of unemployment and income disparity. It is also vital in order to control the spread of COVID-19 that responsible behaviour becomes the norm while the vaccine is rolled out during the course of the year.

On the global front, our Chief Executive Officer mentions in her report, on [page 10](#), the issues that impacted the performance of the Company in 2020. Of specific importance is that the South African ferrochrome market share is rapidly being lost to international ferrochrome production. This has developed as a result of the rising energy costs in South Africa on the back of cheap South African unbeneфициated chrome ore exports. In this regard, government and the industry need to work together to ensure local beneficiation of its resources and efficient use of its existing infrastructure. This is critical for the sustainability of the South African ferrochrome industry and to protect employment in our country and ensure foreign revenue flows into the country. Other countries (China, India, Kazakhstan and Zimbabwe) have implemented tariffs and subsidies to protect their ferrochrome industries. With this in mind, we welcome the introduction of a chrome ore tariff on exports announced by Cabinet in October 2020. It is our hope that government will, in time, move towards the implementation of this decision during the course of 2021.

Despite an ever-changing world and business environment and the ongoing impact of COVID-19, we are again reminded of the need to remain focused on making our business a success and attempt, where possible, to provide a positive contribution to our stakeholders and the broader society.

COVID-19

As mentioned, COVID-19 destabilised nations and had a negative global economic impact. As mentioned in the reports of the Chief Executive Officer on [page 10](#) and the Financial Director on [page 14](#), COVID-19 severely impacted the operations and the financial performance of the Company.

The immediate response of the Venture to the pandemic was to create awareness as to the seriousness of the pandemic, establish a training programme, provide educational videos, face masks, personal thermometers, and information to all employees and contractors. At each operation and office, hand sanitisers, disinfectant schedules, information boards, social distancing demarcation and glass panels to protect people in high movement areas were provided. Screening of each individual who entered the operations with thermal scanners to determine any signs of a fever also took place.

The Venture closed all operations when the initial lockdown was announced by the President. Once the lockdown levels were relaxed, the Venture began a staggered onboarding process. Cash preservation measures were put in place as mentioned in the Chief Executive Officer's report and operations adapted with attempts to limit the interruption as much as possible. In this regard, please see the Manufactured capital section on [page 18](#) of this report.

The Venture also engaged with communities. Community interventions included the supply of medical equipment to clinics around the operations, hand sanitisers, water tanks at schools (with constant replenishment), and free WiFi around schools and hospitals to assist communities with health and education.

Unfortunately, during 2020 five of our employees and contractors at the Venture lost their lives to COVID-19.

FINANCIAL PERFORMANCE

As I mentioned in the introduction, 2020 was a difficult year with disappointing performance as a result of poor market conditions, increasing costs and the effect of COVID-19.



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

SAFETY



As safety remains the number one priority of Merafe and the Venture, it is with great sadness and regret that a fatality at the Venture's Magareng Mine occurred in October 2020. This unfortunate event occurred despite the considerable effort that the Venture has placed into embedding a safety culture into its operations. In this regard, see the Safety section on **page 31** of this report for further details as to the efforts made by the Venture in respect of safety, as well as the Manufactured capital section on **page 18**.



While the overall safety performance was satisfactory in an extraordinary operating year, any fatality is unacceptable and the Venture will continue to do all it can to ensure that 2021 is a fatality-free year.

STRATEGY

We continue to take a long-term view of our business. In terms of achieving our strategic objectives, our ferrochrome interests will continue to benefit from investment in the Lion ferrochrome plant and other projects as previously reported. This investment in the Lion ferrochrome plant improves the Venture's sustainability by increasing its cost efficiency and production capacity especially when trading environments are as difficult as they have been. Unfortunately, as reported more fully in the report of the Chief Executive Officer and in the Manufactured capital section of this report, due to market conditions a number of the higher cost smelters and mines were closed during 2019 and 2020 with the Venture having to reluctantly undertake retrenchments at these operations. As discussed in more detail in the report of the Chief Executive Officer, the government is preparing to introduce a tax on the export of chrome ore from South Africa. This is encouraging for South African ferrochrome producers who have invested heavily in the country. We hope that further detail is provided on this initiative in 2021. As reported last year, we will continue to assess opportunities outside ferrochrome where this makes commercial sense. In this regard, see the report of the Chief Executive Officer on **page 10**.



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

OUR APPROACH TO SUSTAINABILITY AND ASSURANCE



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

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

As we indicated last year, on an annual basis the Board does a gap analysis of how the Company performed in terms of King IV as well as the steps taken to address issues where the Company was non-compliant.

We are pleased to report, while acknowledging that this is work in progress, that the Company in most material respects is compliant with King IV. Where we have fallen short, we have provided an explanation as well as the areas we will focus on in 2021. For more details on our reporting on King IV, I refer you to the Governance section on **pages 44 and 45** for the full report and compliance analysis.



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

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

THE BOARD

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

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

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

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

I convey my thanks to our non-executive and executive directors for their contribution to the Merafe Board's deliberations and decision-making during a very challenging year.

During the year we said goodbye to Ms Grathel Motau who served on our Board and Audit and Risk Committee. We are grateful to Grathel for the contribution she made to Merafe. During the year, we also welcomed Mr Katlego Tlale to the Company as an independent non-executive director. Ms Mpho Mosweu and Ms Belese Majova will retire at this annual general meeting and have not offered themselves for re-election. We are again grateful for the contribution made by Mpho and Belesa for their contribution to Merafe over many years.

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 in an exceptionally challenging year.

FUTURE OUTLOOK

Despite the considerable challenges in the year ahead, including the continuing impact of COVID-19, I believe Merafe is resilient enough to navigate the difficult times that still lie ahead of us. Importantly, the Venture remains the lowest cost producer in South Africa. The results, as disappointing as they are, continue to show the benefits of the commitment by the Company in years past to having invested in energy-efficient technology and cash preservation.

Abiel Mngomezulu
Chairperson

5 March 2021

Governance

DIRECTORATE AT 31 DECEMBER 2020



Non-executive directors

Abiel Mngomezulu (67)

Chairperson

(Independent)

BSc (Hons), MSc Engineering (Mining)

Abiel joined the Merafe Board as an independent non-executive director in September 2010 and became Chairperson in May 2019. He was previously the President and Chief Executive Officer of Mintek, a state-owned enterprise responsible for mineral extraction technologies and beneficiation. Abiel also served on several boards of state-owned institutions involved in the mining sector. He is currently also a director at Tshikululu Social Investments. Abiel is Chairperson of the Merafe Nomination Committee, an invitee to the Audit and Risk Committee and a member of the Social, Ethics and Transformation Committee.



Belese Majova (46)

(Independent)

BComp, MBA, Certified Ethics Officer

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



Mpho Mosweu (45)

(Non-independent)

CA(SA), MBL

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



Matsotso Vuso (48)

(Independent)

CA(SA)

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



Shaun Blankfield (38)

(Non-independent)

CA(SA)

Shaun joined our Board in 2015 and is the Head of Mergers and Acquisitions for Glencore Coal based in Australia. Shaun is a qualified Chartered Accountant and served articles with Deloitte South Africa. Shaun joined Glencore in South Africa before assuming the role in Australia. Previously, he worked as a manager in the Corporate Finance and Accounting Advisory Services team at Deloitte, Sydney in Australia. Shaun is a member of the Remuneration and Nomination Committee.



Katlego Tiale (36)

(Independent)

BCom (Acc), CA(SA)

Katlego joined the Merafe Board on 1 December 2020. He is currently the Group Chief Financial Officer of Letsema Group, a black-owned professional services firm which is part of a diversified investment company. Prior to joining Letsema, Katlego was employed by Gold One Group Limited for five years. Prior to that he spent five years at KPMG Inc. where he was a member of the firm's mining audit practice. He is also a non-executive director of Treasury One Proprietary Limited. Katlego is a member of the Audit and Risk Committee.

The Board at 8 March 2021 comprised Abiel Mngomezulu, Belese Majova, Mpho Mosweu, Matsotso Vuso, Shaun Blankfield, Katlego Tiale, Jeff McLaughlan, Zanele Matlala and Ditabe Chocho.



Jeff McLaughlan (62)

(Independent)

MBA, NDIP Elect, Cert Eng

Jeff joined our Board in May 2019. He holds a Master's degree in Business Administration and Finance from the Open University, an Advanced Professional Management Programme from the University of South Africa (Unisa) and a National Diploma in Electrical and Instrumentation. He has more than 38 years' experience in the South African mining sector including various roles at Middelburg Steel and Alloys Proprietary Limited, Consolidated Metallurgical Industries Limited, Xstrata South Africa Proprietary Limited and Glencore Operations South Africa Proprietary Limited. Jeff served two terms as President of the International Chrome Development Association and stood down in June 2017. He is a member of the Institute of Electrical and Mechanical Engineers, South Africa. Jeff is Chairperson of the Remuneration Committee and serves on the Nomination Committee.



Executive directors

Zanele Matlala (57)

Chief Executive Officer

BCom, BCompt (Hons), CA(SA)

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



Ditabe Chocho (50)

Financial Director

CA(SA), MSc Financial Management

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

Company Secretary

William Somerville (64)

CorpStat Governance Services

FCIS, ACMA, Dip Corporate Law

Appointed as Company Secretary on 1 October 2014

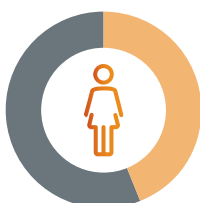
Note regarding the Company Secretary

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

BOARD STATISTICS AS AT 31 DECEMBER 2020

44%

of our Board members are **female**, all of whom are **black** (2019: 56%)



78%

of our **Board members** are **black** (2019: 78%)



56%

of our **Board members** are **independent** (2019: 56%)



78%

of our Board members are **non-executive directors** who **do not receive share options** or incentives (2019: 78%)



TRANSPARENCY AND ACCOUNTABILITY

Our approach to governance

INTRODUCTION

Merafe is committed to high standards of corporate governance and it endorses the four governance outcomes set out in the King IV Report on Corporate Governance for South Africa, 2016 (King IV) namely an ethical culture, good performance, effective control and legitimacy.

KING IV REGISTER

The register set out below provides an overview of Merafe's application of the principles contained in King IV. The register should be read in conjunction with the 2020 Merafe Integrated Annual Report.

Leadership

Principle 1

The governing body should lead ethically and effectively.

The Merafe Board (the "Board") leads ethically and effectively. Disclosure of interests is a standard agenda item at Board and committee meetings and there is an annual declaration by all directors. Further, there is a Code of Ethics in place which applies to all directors and all employees. It is displayed on Merafe's website. There is also a Director Induction and Training Programme, which is reviewed annually. Further, various aspects of Principle 1 are covered in Merafe's Board Charter and other key documents.

The Code of Ethics and the Board Charter are on Merafe's website and form part of the 2020 online Integrated Annual Report. The Company has a policy to guide directors on dealing in Company securities and no director or employee may buy or sell the Company's shares during a closed period.

Organisational ethics

Principle 2

The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

The ethical tone at Merafe is set by the Board and applies throughout the organisation. Although Merafe's Code of Ethics applies to all directors and employees, it has not yet been fully extended to suppliers; however, it was finalised in 2020. There is a Whistle Blowing Line and reports are provided to the Social, Ethics and Transformation Committee and the Audit and Risk Committee on a confidential basis. In respect of any ethical breaches discovered by staff and the external auditors, the relevant laws and regulations are applied. More information on Merafe and the Venture's Whistle Blowing Policy is on our website.

Responsible corporate citizen

Principle 3

The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.

The Board's approach to being a responsible corporate citizen is supported by various policies and the work done by the Social, Ethics and Transformation Committee. Various safety, health, environmental and community aspects are covered by the above committee with inputs from the Venture as set out in this report.

Strategy and performance

Principle 4

The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

The Board recognises that all these elements are inseparable, and Merafe follows the six capitals approach as described in this report. This integrated approach is taken by the Board at its meetings, strategy sessions and committee meetings. All budgets and strategic plans (medium and longer term) are approved by the Board. Risks and opportunities are covered in strategy sessions and meetings of the Audit and Risk Committee and the Board in an integrated manner.

Reporting

Principle 5

The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.

The Board is responsible for the integrity of the information contained in this report and other reports, including the annual financial statements and interim and year-end results presentations. It is assisted in this regard by the Board committees which review and recommend their respective reports to the Board in accordance with their terms of reference. Reports are provided in printed and online form. The approved reporting framework is set out on [page 1](#) of this report. Matters material to Merafe are reflected in this report on [pages 8 and 9](#). Please further see [page 59](#) for Merafe's approach to the reporting of material matters and quantitative data set out in the report.

Primary role of the Board

Principle 6

The governing body should serve as the focal point and custodian of corporate governance in the organisation.

The Board is the focal point and custodian of corporate governance in the Company. Various key policies supporting the Company's strategy are in place. The Board has an annual strategy session and performance is measured against agreed targets. The Board oversees the implementation and execution of the strategy by management. The Board has a Board Charter, a copy of which is on our website, and which is reviewed annually against best practices. The Board is satisfied that in respect of the 2020 financial year, it has discharged its duties as set out in the Board Charter.

Composition of the Board

Principle 7

The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

Assisted by the Remuneration and Nomination Committee, the Board reviews its knowledge, skills, experience, diversity and independence annually, or as circumstances change as set out on [page 49](#). The Company has a diversity policy and has set targets in this regard. This policy has been updated to take account of the changes to the JSE Listings Requirements, where further diversity criteria, namely race, culture, age, field of knowledge, skills and experience, have been prescribed. The composition of the Board in terms of race and gender is set out on [page 49](#). The Board comprises a majority of non-executive members, most of whom are independent. The King IV recommendations for director independence, board composition, chair, induction and training, managing conflicts and nomination and appointments of directors are met. The Chairperson of the Remuneration Committee is the lead independent director of the Company.

Committees of the Board

Principle 8

The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.

Merafe has three standing Board committees (as described in this report on [pages 46 and 47](#)), to which specific duties and responsibilities have been delegated. They operate under written terms of reference which are reviewed annually and are on our website. The composition of the Board and committees are in line with King IV, the Companies Act and the JSE Listings Requirements, as applicable.

Board performance evaluation

Principle 9

The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.

The performance and effectiveness of the Board and its committees are reviewed at least every two years in line with King IV. This process comprises a self-evaluation questionnaire and is co-ordinated and reported on by the Company Secretary. Areas for improvement are documented and actioned. Performance reviews of individual directors and the Board Chairperson are done every two years. During the first quarter of 2020, the committees and the Board conducted an evaluation to assess their effectiveness. Overall, the outcomes of the evaluation were positive with only minor areas for improvement.

Appointment and delegation to management

Principle 10

The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.

The Board Charter sets out matters reserved for the Board and is reviewed annually. In addition, there is a Corporate Approvals Framework (approved by the Board and reviewed annually) which sets out matters delegated to management and those reserved for the Board. The Board appoints the CEO and the incumbent is accountable to the Board for leading the implementation of strategy, policy and running the day-to-day business of the Company. The King IV recommendations for the CEO in respect of appointment, roles and responsibilities, succession and performance evaluation are complied with. With regards to the Company Secretary, we refer you to our reporting in accordance with 3.84(h) of the JSE Listings Requirements on **page 48 and 49** of this report.



Risk governance

Principle 11

The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives.

The Board governs and is responsible for risk. It is assisted by the Audit and Risk Committee, which evaluates risk and guides the Board. Merafe has a Risk Management Policy and Framework, a detailed Risk Register and also a Tax Risk Register. Risk matters are a standard agenda item at every Audit and Risk Committee and Board meeting. In this regard we refer you to **pages 8 and 9** (Material issues) and **page 58** (Approach to Risk management) of this report. Opportunities flowing from risk assessments form part of the overall approach to risk governance. Emerging risk trends are identified and monitored regularly.



Technology and information governance

Principle 12

The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.

IT governance is a standard agenda item at meetings of the Audit and Risk Committee. Merafe has a very small head office but is reliant on technology. Various IT-related policies are in place and due to the small head office, integration of IT and business occurs. Merafe (as opposed to the Venture) has limited investment in technology but is aware of its importance and also the need to protect information. During 2019 a specialist external service provider reviewed Merafe's IT systems, controls and processes. The recommendations flowing from the review were addressed in 2020.

Compliance governance

Principle 13

The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.

The Board governs compliance, which is monitored by a combination of management controls, compliance via the Venture, external audit, sponsors and the Company Secretary. There is no dedicated in-house compliance function nor is one required, given Merafe's size and structure. Merafe relies on processes within the Venture. Compliance is a standard agenda item for the Audit and Risk Committee, which reports to the Board.

Remuneration governance

Principle 14

The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

The Board takes responsibility for remuneration governance. It is assisted by the Remuneration and Nomination Committee, which oversees that the organisation remunerates fairly, responsibly and transparently so as to promote the delivery of strategic objectives and the creation of value in a sustainable manner. It makes recommendations to the Board in this regard. The remuneration report is set out on **pages 50 to 57** of this report.



Assurance

Principle 15

The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.

Merafe follows a combined assurance model, with assurance being provided by management, Merafe's external auditors, the Venture's internal audit function and the external auditors. Oversight on assurance is provided by the Audit and Risk Committee which reports to the Board. For more information please see **page 46** of this report.

Merafe has no Internal Audit function, as this is not justified taking into account the size, complexity and risk profile of the Company. In this regard, management annually provides a memorandum to the Audit and Risk Committee on its views of the Merafe internal control environment. Special *ad hoc* internal audits by an external firm are considered on a case-by-case basis.

Merafe also receives a statement from an Independent Competent Person on the Mineral Resources and Mineral Reserves as well as other assurance as set out on **page 59** of this report.



Stakeholders

Principle 16

In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.

The Board has identified its key stakeholders and material issues and risks that could impact the stakeholders of Merafe and the Venture, as set out on **pages 4, 8 and 9** of this report. The methods of engaging with stakeholders and issues arising from these engagements are set out in a table referred to in the 2020 integrated online report.

There is ongoing engagement with shareholders via various mechanisms, including interim and year-end reports, the Integrated Annual Report, presentations, quarterly reports, shareholder meetings and the annual general meeting.

A stakeholder framework is in place.



We recognise that King IV is a journey and the Board will be spending further time in 2020 analysing our practices to support the various principles and outcomes in terms of King IV.

Our approach to governance (continued)

THE STRUCTURE AND ROLES AND RESPONSIBILITIES OF THE MERAPE BOARD AND COMMITTEES

Board and Board committees	Roles and responsibilities	Members/invitees	Attendance
			Board meetings
Merafe Board	The Chairperson is responsible for ensuring that: - the Board provides effective leadership; - the Board maintains ethical standards; - Merafe develops and implements strategies aimed at achieving its sustainability; and - the Board and its committees are effective. The Board is responsible for: - governance of the Merafe Group on behalf of its shareholders; - its own governance; - strategy, strategic decision-making and risk tolerance; - assessment of performance; - engaging with stakeholders; - Merafe's approach to its social responsibility, safety, health, the environment, ethics and risk; and - information technology governance. Key issues in 2020 included: Impact of COVID-19, safety, Merafe strategy, stakeholder engagement, Merafe 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, impairment considerations, review of board committee composition and appointment of new member, compositions review and approval of various charters, policies and mandates and committees' terms of reference, King IV analysis, review of effectiveness of internal controls, review of compliance and consideration of investment opportunities.	Abiel Mngomezulu (Chairperson) Shaun Blankfield Jeffery McLaughlan Matsotso Vuso Belese Majova Mpho Mosweu Grathel Motau¹ Katlego Tlale² Zanele Matlala Ditabe Chocho ¹ Resigned 31 October 2020. ² Appointed 1 December 2020.	4/4 4/4 4/4 4/4 4/4 2/4 3/3 – 4/4 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; and - assists the Board in identifying 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 2020 included: Impact of COVID-19, review work of external auditors, assess independence of external auditors, review risk register, monitor compliance with statutory requirements, assess adequacy of internal controls and compliance, monitor and consider all tax returns and matters related to SARS, risk management workshop, oversee forex and interest rate hedging policies, IT governance implementation, assess formal tax strategy and policy document, reviewed and approved Integrated Annual Report and assurance process, recommend annual financial statements and reviewed interim results and impairment considerations; recommended Integrated Annual Report for approval by Board, assessment of Financial Director, review terms of reference, review internal audit function, King IV analysis and compliance as well as the attestation by the CEO/FD in the annual financial statements.	Matsotso Vuso (Chairperson) Abiel Mngomezulu* Belese Majova Grathel Motau¹ Shaun Blankfield³ Zanele Matlala* Ditabe Chocho* Katlego Tlale² * Invitee. ¹ Resigned 31 October 2020. ² Appointed 1 December 2020. ³ Invitee from 30 July 2020.	5/5 5/5 5/5 4/4 1/2 5/5 5/5 –

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 to promote the achievement of strategic business objectives and encourage individual performance, and with monitoring remuneration policies; • makes recommendations on non-executive directors' fees; and • develops policy around the appointment of directors, investigates potential Board members for necessary skills and competence and makes appropriate recommendations to the Board. Key issues in 2020 included: Composition of all committees, appointment of non-executive directors, attending benchmarking exercise of directors' executive remuneration, recommended approval of remuneration policy to Board, approved CEO's (individual) and business performance KPIs, evaluated Executive Committee's individual and business performance against objectives, reviewed executive contracts, reviewed remuneration policy and approval of the Board diversity policy, King IV analysis and compliance.	Abiel Mngomezulu¹ Jeffery Mclaughlan² Shaun Blankfield Zanele Matlala* Ditabe Chocho* ¹ Chairperson of Nomination Committee. ² Chairperson of Remuneration Committee. * Invitee.	3/3 3/3 3/3 3/3 3/3
Social, Ethics and Transformation Committee	The roles and responsibilities of the Social, Ethics and Transformation Committee are set out in the Social, Ethics and Transformation Committee report on page 49. Key issues in 2020 included: The key issues are set out in the Social, Ethics and Transformation Committee report on page 49.	Belese Majova (Chairperson) Abiel Mngomezulu Mpho Mosweu Zanele Matlala Ditabe Chocho	3/3 3/3 2/3 3/3 3/3



Our approach to governance (continued)

THE STRUCTURE AND ROLES AND RESPONSIBILITIES OF THE VENTURE'S JOINT BOARD

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

REPORTING IN TERMS OF SECTION 3.84 OF THE JSE LISTINGS REQUIREMENTS ON BOARD GOVERNANCE PROCESSES

Requirement	Principle	Merafe's approach and compliance
3.84(a)	There must be a policy evidencing a clear balance of power and authority at Board level to ensure that no one director has unfettered powers.	Our Board Charter clearly demonstrates that there is a clear balance of power and authority at Board level and that no one director has unfettered powers.
3.84(b)	Issuers must have a CEO and a Chairperson and these positions must not be held by the same person. The Chairperson must either be an independent director or the issuer must appoint a lead independent director as defined in King IV.	The CEO and Chairperson positions in Merafe are held by different people and Merafe's Chairperson is an independent non-executive director as defined in King IV. We refer you to pages 42 and 43 of this report. Mr Mngomezulu is the Chairperson. In accordance with King IV, the Board conducted an in-depth review of both his performance and independence. It concluded that his independence has not been affected or impaired by his length of service and that Merafe would continue to benefit from his performance as Chairperson if he were to continue in this role.
3.84(c)	All issuers must in accordance with King IV appoint an (i) Audit Committee, (ii) a committee responsible for remuneration and (iii) a Social and Ethics Committee. The composition of such committees must comply with the Companies Act and should be considered in accordance with King IV and each committee must consist of three members. The composition of such committees, a brief description of their mandates, the number of meetings held and any other relevant information must be disclosed in the annual report.	Merafe has combined its Audit and Risk Committee. Its membership is set out on page 46 of this report. The committee currently has three members, all of whom are independent non-executive directors, as set out in King IV. 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 three members, two of whom are independent non-executive directors. The Chairperson of the Board is a member of the Remuneration Committee, but is Chairperson of the Nomination Committee. Merafe has a Social, Ethics and Transformation Committee. It comprises five members, with the majority being non-executive directors. The composition of the committees, the mandates, activities and meetings held are set out on pages 46 to 47 of this report. During 2020, our Chief Executive Officer and Financial Director were permanent invitees to the Audit and Risk Committee.
3.84(d)	A brief CV of each director standing for election or re-election must accompany the relevant notice of meeting.	Brief <i>curricula vitae</i> of our directors can be found on pages 42 and 43 of this report.
3.84(e)	Capacity of directors in relation to executive, non-executive and independent must be categorised and disclosed in the relevant documentation.	The <i>curricula vitae</i> mentioned at 3.84(d) also contain information as to whether a director is independent, non-executive or executive. The composition of the Merafe committees is in accordance with the requirements of the JSE Listings Requirements, the Companies Act and King IV.
3.84(f)	Issuers must have a full-time executive financial director.	Merafe has a full-time Financial Director who does not hold any other position nor does he have any other commitments that could be considered as full or part-time employment.
3.84(g)	The audit committee must consider on an annual basis and satisfy itself of the appropriateness of the expertise and experience of the financial director, and report thereon in the annual report in compliance with paragraphs 3.84(g)(ii) to 3.84(g)(iv).	Our Audit and Risk Committee annually considers and satisfies itself of the appropriateness of the expertise and experience of the Financial Director, and has reported in its Audit and Risk Committee report that it is satisfied with the appropriateness of the expertise and experience of the Financial Director. The Audit and Risk Committee, as contemplated in paragraphs 3.84(g)(ii) to (iv), also ensures that Merafe has established appropriate financial reporting procedures and that those procedures are operating, which should include consideration of all entities included in the consolidated group IFRS financial statements; ensures that it has access to all the financial information of Merafe to allow Merafe to effectively prepare and report on the financial statements of Merafe; requests from the audit firm (and if necessary consults with the audit firm on) the information detailed in paragraph 22.15(h) in their assessment of the suitability for appointment of their current or a prospective audit firm and designated individual partner both when they are appointed for the first time and thereafter annually for every reappointment and notwithstanding the provisions of section 90(6) of the Companies Act; ensures that the appointment of the auditor is presented and included as a resolution at the annual general meeting of Merafe pursuant to section 61(8) of the Companies Act.





Requirement	Principle	Merafe's approach and compliance
3.84(h)	The provision deals with the competence, qualifications and experience of the Company Secretary and the Board of Directors' responsibility in relation thereto.	The Remuneration and Nomination Committee as well as the Board assessed the competence, qualifications and experience of the Company Secretary (CorpStat Governance Services, represented by William Somerville and Elise Waldeck) against various criteria and a rating scale, and they have agreed that the firm is sufficiently qualified, competent and experienced to hold the position of Company Secretary. The Board made their assessment in a closed Board meeting with the Company Secretary being recused from the meeting.
3.84(i)	The provision deals with a broader diversity policy.	Merafe's diversity policy prescribes that at least 30% of the Board shall be female. At 31 December 2020, four of the nine directors were female (44%) and post year end (56%). Merafe's diversity policy prescribes targets for the racial composition of the Company, namely that the majority of the Board should be black. Seven of the nine directors are black (78%). Please see pages 42 and 43 depicting the Merafe Board of Directors and which covers the broader diversity information as contemplated by the JSE Listings Requirements amendments. During the first quarter of 2020, the Remuneration and Nomination Committee approved a revised Board diversity policy which includes additional diversity criteria, namely culture, age, field of knowledge, skills and experience (in addition to gender and race), as required by the JSE amendments. The Remuneration and Nomination Committee undertakes, when nominating and recommending directors to the Board, to take into account the principles and aims of the diversity policy of the Company.
3.84(j)	The provision deals with the remuneration policy and implementation report.	The remuneration policy and implementation report are set out on pages 51 to 57 of this report.
3.84(k)	The provision deals with the CEO and Financial Director's responsibility statements in respect of the annual financial statements.	See the Directors' report on page 60 of this report for more information. The responsibility statements are set out in the annual financial statements which form part of this report and are on our website.

COMPLIANCE WITH COMPANIES ACT AND MEMORANDUM OF INCORPORATION

Merafe is in compliance with the provisions of the Companies Act, No. 71 of 2008, or relevant laws of establishment, specifically relating to its incorporation and is operating in conformity with its memorandum of incorporation.

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

The Social, Ethics and Transformation Committee (the "Committee") was established by the Board of Directors on 21 February 2012, in accordance with the requirements of the Companies Act, No 71 of 2008 (the "Act"), section 72(4) and Regulation 43(2).

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

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

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

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

In addition to the above, the Committee:

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

The focus of the Committee in 2021 will continue to be in the fields of education and health in areas in the vicinity of the operations and the school projects. The Committee will also focus on King IV compliance aiming at continual improvement as well as Merafe's transformation performance with reference to the Mining Charter and the B-BBEE Codes of Good Practice.

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

Belese Majova
Chairperson

8 March 2021



See our website for our Board Charter, Code of Ethics and the Board diversity policy. See the annual financial statements, which form part of our online Integrated Annual Report for 2020 for the Audit and Risk Committee's report as well as **page 62** of this report. For a more detailed overview of the responsibilities of the Board and the committees, see the terms of reference of the Board and committees on our website, which form part of our online Integrated Annual Report for 2020.



Remuneration report

This remuneration report is in accordance with King IV. A glossary of terms used in this report is contained in our online Integrated Annual Report of 2020 which is on our website. If unable to access the online report please note the following key references used: "Policy" means the remuneration policy of the Company; the "Company" or "Merafe" means Merafe Resources Limited and its subsidiaries; the "Committee" means the Remuneration and Nomination Committee of the Company; the "Board" means the Board of Directors of the Company; "executive directors" and "non-executive directors" means executive and/or non-executive directors of the Company; the "CEO" means the Chief Executive Officer of the Company; and "FD" means the Financial Director of the Company.

STATEMENT OF VOTING AT ANNUAL GENERAL MEETING

The annual general meeting of the Company for the 2019 year end was held on 15 May 2020 and the requisite ordinary resolutions of a non-binding advisory nature endorsing the Policy and the remuneration implementation report were passed. The Policy resolution (resolution 8.1) was passed by an 87.87% majority, with 85.69% of the Company's shares being voted. The implementation report resolution (resolution 8.2) was passed by an 85.45% majority, with 85.70% of the Company shares being voted. The special resolutions to approve the non-executive remuneration were not passed by the requisite majority and accordingly the fees approved at the 2019 annual general meeting continued to be applied.

The Company continues to engage on the remuneration report and the remuneration policy with its stakeholders. In 2020, the Company engaged with shareholders who voted against the increase in non-executive remuneration. The Company engaged independent advisors to conduct a further benchmark exercise in respect of non-executive remuneration as more fully set out on [page 57](#) of this report.



BACKGROUND STATEMENT

Remuneration philosophy, strategy and policy

Remuneration philosophy

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

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

This Policy is applicable to all employees of the Company.

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

Remuneration strategy

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

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



See our online Integrated Annual Report for 2020, under remuneration report for our remuneration policy which is also attached as Appendix 2 to this report.

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

Remuneration policy

The key principles of the policy are that:

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

Remuneration and Nomination Committee

Responsibility for the reward strategy rests with the Board who in turn appoints the Committee. The Committee comprises at least three members, the majority of whom are independent non-executive directors and is governed by formal terms of reference.

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

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

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

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

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

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

REMUNERATION POLICY

Statement of fair, responsible and transparent remuneration

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

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

Key principles

The Policy is governed by the Committee which regularly reviews the Policy to ensure that it is relevant and supports the Company strategy. To this end, see key principles under remuneration policy on [page 50](#) of this report.

Executive pay mix

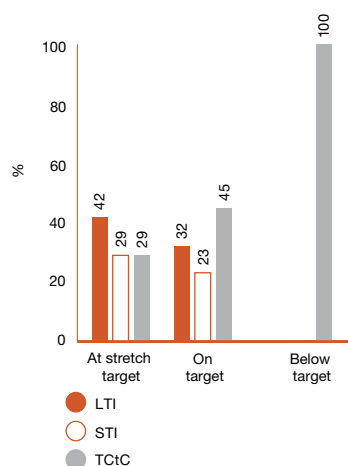
Executive pay mix is defined as the balance targeted between the major components of executive remuneration, namely:

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

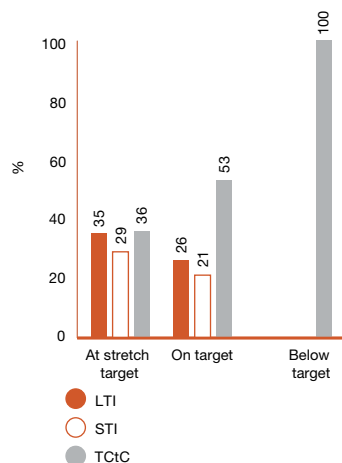
Note: Expected value is defined as the present value of the future reward outcome of an offer, given the targeted future performance of the Company and of its share price. It should not be confused with the term "fair value" which is used when establishing the accounting cost for reflection in a Company's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

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

Target reward mix for Chief Executive Officer



Target reward mix for Financial Director



Guaranteed pay

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

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

An employee's TCtC consists of the following elements:

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

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

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

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

Remuneration report (continued)

Short-term incentives

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Long-term incentives

Background

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

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

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

Eligibility and participation

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

Shares to be allocated

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

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

Vesting rules and settlement

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

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

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

Participation and termination rules

In the event of an employee leaving the Group for a reason approved by the directors, such as retirement or disability (no fault terminations), all performance shares granted will vest, subject to the application of performance conditions. No proration of shares will apply. All approved terminations will be disclosed on an annual basis.

In the event of the death of an employee, all performance shares allocated will vest with no performance conditions or proration applied.

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

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

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

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

Performance vs retention shares

In 2018, the Committee revised the allocation policy for more share grants to be subject to performance conditions as opposed to retention shares as illustrated below:

Revised LTI allocation policy

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

Since 2018, all share allocations are performance based. In order to balance back to the reward mix and expected outcomes, the targeted value of the share allocation as a percentage of TCtC was increased as per the table above.

Performance criteria

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

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

Performance measure I: Total Shareholder Return

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

TSR COMPARATOR GROUP (REVISED FOR 2020)

Company	Ticker
Royal Bafokeng Platinum Limited	RBP
Harmony Gold Mining Limited	HAR
Pan African Resources plc	PAN
Merafe Resources Limited	MRF
Tharisa plc	THA
MC Mining Limited	MCZ
DRDGOLD Limited	DRD
Wesizwe Platinum Limited	WEZ
Hulamin Limited	HLM
ArcelorMittal Limited	ACL
Northam Platinum Limited	NHM
Wescoal	WSL

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

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

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

Revised vesting schedule TSR

Vesting schedule over three years – TSR

Merafe TSR position/ ranking relative to peers	Vesting quantity % of allocation*
Position 1 – 4	100
Position 5	66.6
Position 6	33.3
Position 7 and lower	0

* Vesting over three years in equal portion.

Remuneration report (continued)

Performance measure II: Growth in headline earnings per share (HEPS)

Assuming that the performance targets below are set by the Board as illustrated in the table below, vesting of the performance-based share grants will be in accordance with the following policy:

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

Vesting schedule for growth in HEPS measure

Vesting schedule over three years – growth in HEPS

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

* Vesting over three years in equal portion.

LTI offer policy

The following principles will govern the LTI offer policy:

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

Contracts of employment

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

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

In the event of a change of control of the Company (as defined in the Companies Act) where the Company no longer requires an executive to fulfil their specific role post the change of control, the Company shall pay to the executive 12 months remuneration on the last day of the notice period and after completion of handover of duties, for existing executives as at 2019. From 2020 onwards all newly appointed executives will have their termination payments aligned to their contractual notice period.

Retention measures

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

Malus and clawback

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

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

The Board reserves the right to cancel any share allocation for all or individual participants if during the vesting period there is evidence of serious underperformance or misrepresentation of information, e.g. gross negligence, overstatement of performance, unnecessary risk taking, poor governance or non-compliance.

Non-executive directors' fees

The remuneration of non-executive directors is provided in the context of good governance, and is primarily based upon a methodology which takes into account expertise, contribution by the director and attendance. Standard duties of non-executive directors include preparation for and attendance at Board meetings, annual general meetings and results presentations. If required, the directors may be requested to perform work outside of their standard duties and for this they will be remunerated based upon the time spent and their level of expertise. Non-executive directors' pay is aimed at aligning with remuneration principles applicable to executive pay.

Independent benchmarks are conducted at least every second year to inform the levels of remuneration for non-executive directors and the intent is to target remuneration between the lower quartile (25th percentile) to the median quartile (50th percentile) of listed companies of similar size (comparator or peer group), in order to ensure that appropriately qualified and experienced directors are appointed.

Non-executive directors' fees are tabled for approval by the shareholders of the Company on an annual basis. The fees paid to different roles such as chairman may vary from the fees paid to other non-executive directors.

Fees are split between a retainer (60%) and per meeting fee (40%), which is aligned to industry practice.

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

Review

This policy was approved by the Company in March 2021 and will be reviewed annually against current legislation and practice for approval by shareholders during the annual general meeting.

In the event that either the remuneration policy or the implementation report, or both, are voted against by 25% or more of the votes exercised at the annual general meeting, Merafe undertakes to engage with shareholders to understand their concerns.

IMPLEMENTATION REPORT FOR 2020

The implementation of the Policy approved by shareholders at the annual general meeting in May 2020 is set out below:

Executive pay

	2020 R'000	2019 R'000
ZJ Matlala		
Salary	5 242	4 973
Bonus	–	–
Fringe benefits and leave pay	69	67
Provident contributions	590	521
Share grants vested	558	3 459
Total	6 460	9 020

	2020 R'000	2019 R'000
D Chocho		
Salary	2 994	2 796
Bonus	–	–
Fringe benefits and leave pay	64	73
Provident contributions	350	366
Share grants vested	–	–
Total	3 408	3 236

Note: In 2020, a 5% salary increase was agreed for executives.

Short-term incentives

The executive directors were assessed by the Committee according to the table set out below which was then used as a basis for awarding bonuses for 2020.

Key factors	Key measurement items
Profitability	EBITDA compared to budget and previous year
Growth of business	Grow assets and revenue
Cost management	Effective cost management at Venture and Merafe level
Sustainability	BEE rating to amended scorecard, corporate social investment, environmental incidents
Safety	Total recordable injury frequency rate, fatalities
Stakeholder engagement	Stakeholder engagement programme including interactions with SARS, partners, shareholders, employees, etc
Talent management	Succession planning, managing employees, training, mentoring
Reporting	Interim and annual reporting

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

	2020 % allocation of cost to Company	2019 % allocation of cost to Company
Chief Executive Officer	–	–
Financial Director	–	–

Long-term incentives – 2020

The award of long-term incentives for 2020 under the Company's share option and grant schemes are set out below:

Total outstanding share grants as at 31 December 2020

Award date	Vesting date	ZJ Matlala	D Chocho
1 April 2016	1 April 2021	941 409	–
1 April 2017	1 April 2021	460 433	–
1 April 2017	1 April 2022	460 433	–
1 April 2018	1 April 2021	576 692	–
1 April 2018	1 April 2022	576 692	–
1 April 2018	1 April 2023	576 692	–
6 August 2018	6 August 2021	–	208 333
6 August 2018	6 August 2022	–	208 333
6 August 2018	6 August 2023	–	208 333
1 April 2019	1 April 2022	781 971	337 500
1 April 2019	1 April 2023	781 971	337 500
1 April 2019	1 April 2024	781 971	337 500
1 April 2020	1 April 2023	3 904 903	1 685 363
1 April 2020	1 April 2024	3 904 903	1 685 363
1 April 2020	1 April 2025	3 904 903	1 685 363

Remuneration report (continued)

Performance conditions

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

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

	2020			2019		
	% allocation of cost to Company	Number of shares	Vesting period	% allocation of cost to Company	Number of shares	Vesting period
Chief Executive Officer	60	11 714 710	1 April 2023 1 April 2024 1 April 2025	60	2 345 913	1 April 2022 1 April 2023 1 April 2024
Financial Director	45	5 056 088	1 April 2023 1 April 2024 1 April 2025	45	1 012 500	1 April 2022 1 April 2023 1 April 2024

Note: As per the Policy, from 2019, 100% of the grants are subject to performance conditions for the CEO and FD respectively.

Non-executive directors' fees

The special resolutions to approve the non-executive fees for 2020 at the 2020 annual general meeting were not passed by the requisite 75% majority (71.51% voted in favour, 28.49% voted against and 0.05% abstained) and accordingly the fees approved at the 2019 annual general meeting as set out below continued to be applied.

	2020					
	Total fees per annum R	Retainer 60% R	Monthly retainer fees R	Retainer per quarter R	Fees per attendance 40% R	Fees per attendance per meeting R
Board Chairperson	611 900	367 140	30 595	91 785	244 760	61 190
Board member	299 837	179 902	14 992	44 976	119 935	29 984
Audit and Risk Committee Chairperson	216 388	129 833	10 819	32 458	86 555	21 639
Audit and Risk Committee member	135 692	81 415	6 785	20 354	54 277	13 569
Remuneration and Nomination Committee Chairperson	116 969	70 181	5 848	17 545	46 788	11 697
Remuneration and Nomination Committee member	71 398	42 839	3 570	10 710	28 559	7 140
Social, Ethics and Transformation Committee Chairperson	116 969	70 182	5 848	17 545	46 788	11 697
Social, Ethics and Transformation Committee member	71 398	42 839	3 570	10 710	28 559	7 140

Non-executive directors' fees paid for 2020

	Retainer 2020 R	Attendance 2020 R	Total 2020 R	2019 R
C Molefe ¹	–	–	–	270 848
B Majova	331 499	252 855	584 354	540 687
A Mngomezulu	452 817	348 788	801 605	680 515
V Matsotso	302 486	258 113	560 598	516 225
M Mosweu	222 741	104 231	326 971	356 956
S Blankfield	229 990	171 338	401 328	363 660
G Motau ²	217 764	174 212	391 976	435 416
J McLaughlan	250 084	185 009	435 093	274 219
K Tlale ³	21 776	–	21 776	–
Total	2 029 157	1 494 545	3 523 702	3 483 524

¹ Resigned 15 May 2019.

² Resigned 31 October 2020.

³ Appointed 1 December 2020.

A schedule and breakdown of individual non-executive directors' fees paid relating to retainers and attendance are available on request.



See the online 2020 Integrated Annual Report and the annual financial statements for additional and supporting information.



Non-executive directors' fees proposed for 2021

In 2019, Merafe undertook a benchmarking exercise of non-executive fees. This exercise indicated that the fees were below the target range benchmark and an increase to bring these in line was proposed for 2020. As set out on [page 56](#) of this report, the proposed increase was not approved by the requisite majority of shareholders and the fees approved in 2019 were carried over. The Company conducted a further benchmark exercise in 2020. This indicated an even wider gap to the benchmark, especially in respect of the Chairperson of the Board and of the Remuneration Committee. To align non-executive fees with the benchmark, the increases will be staggered over the years with the fees proposed for 2021 set out below, being an average increase of 2.4% to those approved in 2019 and paid in 2019 and 2020:

	2021					
	Total fees per annum R	Retainer 60% R	Monthly retainer fees R	Retainer per quarter R	Fees per attendance 40% R	Fees per attendance per meeting R
Board Chairperson	660 852	396 511	33 043	99 128	264 341	66 085
Board member	299 837	179 902	14 992	44 976	119 935	29 984
Audit and Risk Committee Chairperson	216 388	129 833	10 819	32 458	86 555	21 639
Audit and Risk Committee member	135 692	81 415	6 785	20 354	54 277	13 569
Remuneration and Nomination Committee Chairperson	126 327	75 795	6 316	18 949	50 531	12 633
Remuneration and Nomination Committee member	77 110	46 266	3 856	11 567	30 844	7 711
Social, Ethics and Transformation Committee Chairperson	116 969	70 182	5 849	17 546	46 788	11 697
Social, Ethics and Transformation Committee member	77 110	46 266	3 856	11 567	30 844	7 711

AREAS OF FOCUS FOR 2021

Key activities for the Committee in 2021 will be, *inter alia*, the approval of the remuneration and bonuses for executive directors and senior management. The Committee will also assess fees to be paid to non-executive directors. Focus will be placed on the key principles of King IV and the Company's commitment to these principles and reviewing the remuneration policy. In addition, the Company will, if required, engage with shareholders to discuss issues of mutual concern.

COMPLIANCE STATEMENT

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

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



Approach to risk management

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

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

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

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

The Board will continue in 2021 to focus on the principal risks set out hereunder and also attempt to identify any further emerging risks in a fast changing environment.

PRINCIPAL RISKS

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

- The possible negative impact on our earnings of commodity price volatility, currency exchange rate fluctuations and the health of the global economy. The preventative actions the Venture takes to reduce the impact, which include managing production levels, scaling down mining and smelting activities during downturns in global demand and maintaining its position as the lowest cost ferrochrome producer in South Africa, are described in the principal risks and uncertainties table.
- COVID-19 is a pandemic that has destabilised nations and has a negative impact on our employees, the operations and the global environment. Our operations' immediate response was creating awareness, training and educational videos, as well as providing face masks, personal thermometers and information to all employees and contractors. At each operation and office, the following were provided: hand sanitisers, disinfectant schedules, information boards, social distancing demarcation, glass panes to protect people in high movement areas, screening of each individual who enters operations and thermal scanners to determine if any individual has signs of fever. The Venture closed all operations when the initial lockdown was implemented by the President. Once the lockdown levels were relaxed, the Venture started a staggered onboarding process. Cash preservation measures are in place and will continue while uncertainty prevails. Operations continue to adapt with a view to working efficiently and without much interruption in the face of the pandemic. Community interventions included the supply of medical equipment to community clinics around our operations, hand sanitisers, water tanks at schools (with constant replenishment), and free WiFi around schools and hospitals to assist the community with health and education.
- The socio-political climate in South Africa includes industrial unrest and the risk of the Venture not winning broad support for its activities from local communities. These were key issues in 2020. Both of these possibilities could result in disruptions affecting our profitability. To reduce these risks the Venture's stakeholder engagement and responsiveness efforts play a critical role. In addition, Merafe and the Venture invest in social and labour plan commitments, which include local economic development, healthcare and education projects. We also invest in corporate social responsibility initiatives.
- Investors' negative perceptions of the South African mining industry impact on investors' appetite for investment in South African mining stocks. Merafe focuses on maintaining relationships with our existing investors and building new relationships. To achieve this our team regularly makes presentations and has discussions with investors and potential investors. We also keep investors informed through our reporting and our website.
- Inability to obtain debt finance due to a downgrading of Merafe's credit status could adversely affect our financial position. To counteract this risk we maintain a strong balance sheet, low gearing and a good reputation and relationship with our bankers and have tangible assets to secure financing.
- Non-compliance with and changes to laws, regulations, taxes and mining rights can result in extensive disruption to the Venture's operations, loss of revenue and fines. The loss of mining rights could affect our business. The Venture and Merafe maintain extensive, transparent and open relationships with regulators and local, regional and national government bodies. We keep abreast of all changes to legislation and closely monitor compliance with these.
- Empowerment credentials: In this regard see our commentary in the Material issues section on **page 8** of this report and the Chairperson's report on **page 40** of this report.
- Operational risks include a number of factors that are out of our control, including the availability of raw materials, water and power, unusual ground conditions and the impact of climate change. To combat the impact of these risks, the Venture has a comprehensive programme in place to identify, understand and manage the risks that could affect our business and our operations. The risk registers of both Merafe and the Venture are regularly updated.
- Chrome ore exports to China could undermine the South African ferrochrome industry. The ferrochrome industry engaged with government to develop a solution that will support government's beneficiation and job creation strategies and ensure the sustainability of South Africa's ferrochrome industry. Any change in circumstances for China, which include increased chrome ore prices, freight rate increases and environmental issues covered, also reduce the risk of China undermining our industry.
- Cost control is a key factor in the Venture's competitiveness and profitability. The Venture prides itself on being a low-cost producer and cost control is a key management performance measurement. The Venture's development of cost-efficient proprietary technology plays a significant part in its cost reduction. We are also engaging with government regarding carbon taxes and electricity costs.
- Lack of energy supplies could impact on the Venture's ability to operate. The Venture has an ongoing programme to assess and monitor energy-related risks, including scenario analyses. We also manage the risk by implementing energy-efficiency plans and assessing the risks associated with energy supply at the design phase of our projects.
- Emissions and climate change regulations could have an adverse impact on our ability to maintain profitability, and water scarcity has also become an issue that could in future affect the Venture's ability to operate. The Venture continually engages with government and key policymakers to advocate a rational approach to carbon taxes and it has reduced the carbon emissions attributable to the electricity it purchases by improving the energy efficiency of its operations and investigating the use of renewable energy sources. The Venture has also successfully reduced its water consumption per tonne of product produced.
- The Venture's operations are subject to extensive health, safety and environmental 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 2020 for our principal risks, uncertainties and opportunities table.

See our online Integrated Annual Report for 2020 for more information on the Venture's risk processes, including its information technology governance.

Sustainability: Internal and external reviews, audits and processes

MERAPE AND THE VENTURE

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

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

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

 The Venture's sustainability data and information was subjected to various internal and external reviews and processes during 2020. See our online Integrated Annual Report for 2020 under Sustainability: Internal and external reviews, audits and processes for a schedule detailing the Venture's internal and external reviews and processes.

With regard to the above internal and external reviews and processes, 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 and data set out in this report.

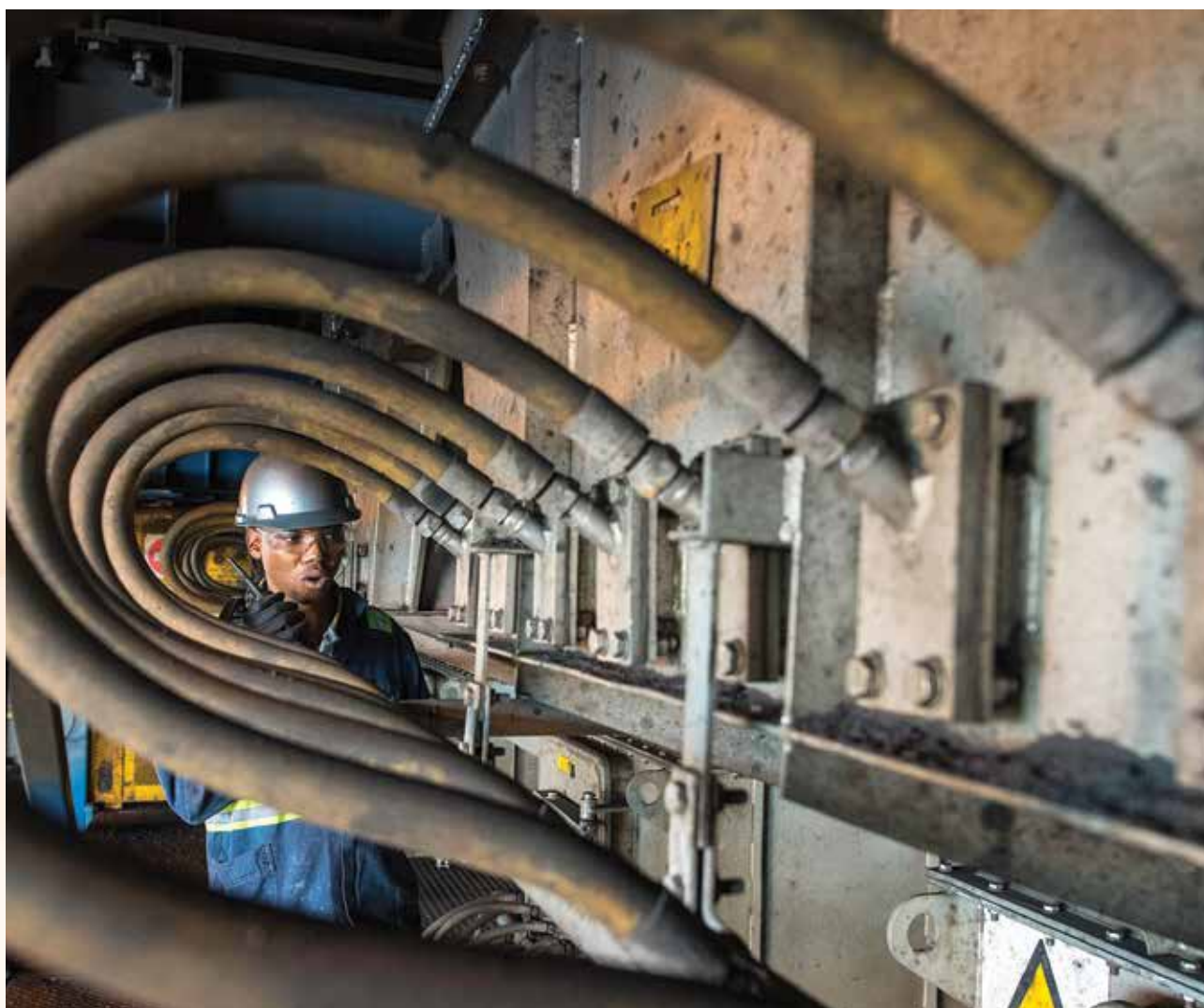
As a result of the internal and external reviews and processes as outlined (together with the signing off of the data by the Venture and Glencore), the Merafe Board is satisfied that the information set out in this report in respect of the Venture's data is reliable, accurate and complete.

The Venture's Mineral Resources and Mineral Reserves Statement to 31 December 2020 is signed off by a Competent Person as defined by the SAMREC Code, a summary of which is on **pages 27 to 29** of this report. The full report is on our website and attached as Appendix 1 to this report. 

The Board follows the materiality determination process as set out on **page 9** of this report to determine its material matters. 

Deloitte were engaged as auditors of the Company as set out on the inside front cover of this report. 

In respect of the Remuneration Policy of the Company and remuneration of the Company's Board and executives, the Remuneration Committee appointed independent advisors to assist the Committee in 2020 in ensuring that the policy was in line with best practice and that remuneration was properly benchmarked. For more details in this regard see the Remuneration Report on **pages 50 to 57** of this report. 



See our online Integrated Annual Report for 2020 under Sustainability review and assurance for a schedule detailing the Venture's internal and external reviews and audits.

TRANSPARENCY AND ACCOUNTABILITY

Directors' report for the year ended 31 December 2020

 The directors report for the year ended 31 December 2020 is set out on **pages 9 to 14** of the annual financial statements.

NATURE OF BUSINESS

Merafe was incorporated in South Africa with interests in the ferrochrome and chrome industry. The activities of the Group are undertaken through the Company and its principal subsidiaries and joint arrangements. The Group operates in South Africa. Merafe owns 100% share capital in Merafe Ferrochrome and Mining Proprietary Limited (Merafe Ferrochrome/MFM) which through a pooling and sharing venture with Glencore Operations South Africa Proprietary Limited (GOSA), participates in chrome mining and the beneficiation of chrome ore into ferrochrome. The Glencore-

Merafe Chrome Venture (Venture) operates five ferrochrome smelters (including pelletising and sintering plants), twenty two ferrochrome furnaces, six chrome ore mines and five UG2 plants, situated in the North West, Limpopo and Mpumalanga provinces of South Africa. The Venture is one of the largest ferrochrome producers in the world with an installed capacity of 2.3 metric tonnes per annum. Merafe Ferrochrome's share of the earnings before interest, taxation, depreciation and amortisation (EBITDA) is 20.5%. Merafe Ferrochrome shares in the revenue, expenses and liabilities at 20.5%. The Venture comprises assets to which both GOSA and Merafe Ferrochrome have granted the right of use but own in different proportions. Listed below are the operations 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%	Boshhoek Mine	100%	Two Impala Kanana UG2 plants	100%
Boshhoek smelter	100%	Kroondal and Wonderkop Mine	50%	Three Lonmin UG2 plants	20.5%
Lion I smelter	20.5%	Helena Mine	20.5%	Bokamoso pelletising plant	20.5%
Lion II smelter	20.5%	Magareng Mine	20.5%	Motswedi pelletising plant	100%
		Marikana	26%	Tswelopele pelletising plant	20.5%
				Unicorn Chrome	20.5%

There have been no material changes to the nature of the Group's business from the prior year other than the acquisition of Unicorn Chrome (Pty) Ltd.

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 and the requirements of the Companies Act of South Africa, supported by reasonable and prudent judgements where required. The COVID-19 pandemic has introduced uncertainty into our operating environment and has negatively impacted the financial results for the year ended 31 December 2020. The combined impact of the pandemic and an already fragile operating environment have contributed to a loss after tax for the year. The national lockdown, a response by the South African government to curb the spread of the pandemic, saw the Company's operations being placed under care and maintenance under Level 5 with a commencement of operations in a phased approach under Level 4 and Level 3. All operations, except those on care and maintenance, were brought back to operation in the third quarter of the year under stringent COVID-19 restrictions. After closure emanating from the COVID-19 lockdowns, the Lydenburg smelter and Rustenburg Furnace 5 did not resume operations in September 2020 when the rest of the smelters started operating and remained on care and maintenance. Waterval Mine and Boshhoek Mine also remain under care and maintenance. The Venture concluded the consultation process in terms of sections 189 and 189A of the Labour Relations Act, which resulted in 976 employees being retrenched. The Group achieved an EBITDA of R168 million (2019: R379 million) during these trying times. After an impairment charge of R1.366 billion (2019: R1.789 billion), the Group made a loss after tax of R1.003 billion (2019: R1.362 billion). Merafe Ferrochrome's share of EBITDA from the Venture is 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, Basis of consolidation – Transactions with the Venture in the annual financial statements, for further information regarding the accounting policy for Merafe Ferrochrome's interest in the Venture.

In terms of the forthcoming financial year, we anticipate that the operating environment will continue to be challenging as the path of COVID-19 remains uncertain, but are optimistic that global markets will recover once this threat has been brought under control. Full details of the financial position and cash flows of the Group and Company are set out in the consolidated and separate audited annual financial statements online.

LOANS AND BORROWINGS

The Group had a cash balance of R278 million¹ at 31 December 2020 (31 December 2019: R354 million). The three-year revolving credit facility to the value of R300 million remains unutilised for the year. Refer to note 28 for the disclosure on the Group's facilities and for covenants associated to these facilities.

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

GOING CONCERN

As stated above, the Group had a cash balance amounting to R278 million at year end with no debt and a cash balance of R364 million and no debt as

of 31 January 2021. The Group has the benefit of unutilised debt facilities through its 20.5% share of the Venture, which the Board considers sufficient to sustain the business for at least the next 12 months in the event that the effects of COVID-19 affect cash flows negatively. The Group's forecasts and projections of its short- to medium-term profitability, taking account of likely changes in production and performance, show that the Group will be able to operate within the level of its cash resources and facilities for at least 12 months from the approval date of the annual financial statements. Although the Group made a loss after tax in the current year, a positive EBITDA of R168 million was generated. The loss is in large part due to significant impairment adjustments. Merafe Group and Company maintains healthy cash balances as per note 12 of the annual financial statements with access to banking and other lending facilities. The Group and Company's credit and liquidity risks have been assessed in notes 28.1 and 28.2 of the annual financial statements. Having considered the Group and Company's key risks, current financial position, assessment of solvency and liquidity, debt levels, lending facilities, impairment review as well as the Group and Company's financial budgets with their underlying business plans, the directors believe that the Group and Company have sufficient resources and cash flows to be able to continue as a going concern for the year ahead. The Group and Company's lending facilities are referenced in note 38.2 of the annual financial statements. The Group continues to be vigilant in monitoring the impacts of the COVID-19 outbreak and other identified risks factors that may affect the Company's business.

DIVIDEND POLICY AND ORDINARY CASH DIVIDEND

The dividend policy of the Company is set out on **page 11** of the annual financial statements, which forms part of this report. Given the current state of the global economy and the significant operational and market risks that still remain, the Board believes that it would be more appropriate for the Group to conserve cash, maintain working capital as well as adequate debt headroom to ensure that the Group is best placed to withstand any prolonged adverse economic conditions. Therefore, the Board has resolved not to declare a dividend for the financial year ended 31 December 2020.

SHARE CAPITAL

The full details of the authorised and issued share capital of the Company are set out in note 13 to the annual financial statements. Merafe did not issue any shares for cash or effect any share repurchases under a general or specific authority in the current year.

DIRECTORATE

Details of transactions with directors and key management are detailed in note 32.2 of the annual financial statements. The composition of the Board during the year under review is set out on **page 11** of the annual financial statements and on **pages 42 and 43** of this report. Ms HG Motau resigned as a non-executive director effective 31 October 2020. Mr K Tiale was appointed on 1 December 2020 to succeed Ms HG Motau. The Board expresses its sincere appreciation to the outgoing director for her contributions during her tenure and wishes Mr Tiale well. According to information available after reasonable enquiry, the interests of the directors and prescribed officers and their families in the shares of the Company at 31 December 2020 were as follows:

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

 See our online Integrated Annual Report for 2020 for our annual financial statements.

	2020		2019	
	Direct beneficial	Indirect beneficial	Direct beneficial	Indirect beneficial
ZJ Matlala	2 945 000	–	2 695 000	–
B Majova	–	62 610	–	62 610
D Chocho	608 565	–	258 565	–
Total	3 553 565	62 610	2 953 565	62 610

MAJOR SHAREHOLDERS

The following shareholders were registered holders of 5% or more of the issued ordinary shares in the Company at 31 December 2020: Glencore Netherlands B.V. – 28.68%; Industrial Development Corporation of South Africa Limited – 21.78%; PSG Konsult – 6.64%; and Ninety One – 5.00%.



The analysis of the ordinary shareholding is given on **pages 83 to 84** of the annual financial statements and **page 63** of this report.

DETAILS OF INVESTMENTS IN SUBSIDIARIES AND STRUCTURED ENTITIES

Details of material interests in subsidiary companies, associates and structured entities are presented in the annual financial statements in notes 5 and 6. The interest of the Group in the profits and losses of its subsidiaries, associates and joint arrangements for the year ended 31 December 2020 are as follows:

	2020 R'000	2019 R'000
Subsidiaries		
Total losses before income tax	(995 238)	(1 482 000)
Associates		
Total share of income from equity-accounted investments	860	–
	(994 378)	(1 482 000)

On 29 May 2020, the Company published a SENS announcement in which its purchase of a 20.5% interest in Unicorn Chrome Proprietary Limited (Unicorn) for approximately R33 million. Unicorn has a shareholding in a UG2 chrome concentrate producer which extracts chrome concentrate from a tailings stream in the North West province. Accordingly, the Company considers Unicorn to be a valuable addition to its chrome interests.

PROPERTY, PLANT AND EQUIPMENT

There was no change in the nature of the property, plant and equipment of the Group or in the policy regarding their use during the year. During the current year the Group recognised an impairment loss of R1.366 billion (2019: R1.789 billion) against the assets, refer note 3 and note 36 to the annual financial statements.

INDEPENDENT EXTERNAL AUDITOR

Deloitte was re-elected as the Company's independent external auditor on 15 May 2020 in accordance with section 90 of the Companies Act and will again be proposed for re-election, together with the appointment of Ms Carmen Naidoo Bester as the designated audit partner, in respect of the 2021 financial year at the forthcoming annual general meeting of shareholders.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee report is presented on **page 62** of this report.

RELATED PARTY TRANSACTIONS

Details of related party transactions are set out in note 32 to the annual financial statements.

COVID-19: BUSINESS IMPACT AND RESPONSE

COVID-19 has destabilised global health systems and disrupted economies. The Group's initial response to the pandemic has been detailed above. In order to estimate the impact of COVID-19 on the business, an assessment was made based on year-end results. The assessment of the quantifiable impact of COVID-19 on the Group's operating and financial results in the 2020 financial year against budget is summarised below:

- Standing charges during the initial hard lockdown (excluding direct COVID-19 costs over this period): R127 million;
- Direct COVID-19 related costs such as the procurement of masks and sanitisers for the year: R61 million; and
- Lower production during initial hard lockdown as follows:
 - Ferrochrome: 77k tonnes; and
 - Chrome ore and UG2: 133k tonnes.

Measures implemented across our operations to manage the COVID-19 risks include work from home practice, social distancing, wearing of masks and constant washing of hands or sanitising. Sadly, as at the 28 February 2021, we had lost the lives of 15 colleagues at the Venture as a result of COVID-19. While the impact of COVID-19 on our business in 2021 is uncertain we will continue to monitor its development with key focus areas being the health

and safety of our employees in operations as well as sustainability of the business including liquidity and the preservation of cash resources.

EVENTS AFTER THE REPORTING PERIOD

As reported above, the Board has resolved not to declare a final dividend (2019: R100 million/4 cents per share) for the 2020 financial year. At the last annual general meeting held on 22 May 2020, shareholders gave the Company or any of its subsidiaries a general approval in terms of section 48 of the Companies Act of South Africa, by way of a special resolution, for the acquisition of its own shares. As this general approval remains valid only until the next AGM is held on 18 May 2021, the shareholders will be asked at that meeting to consider a special resolution to renew this general authority until the 2022 AGM. In line with this authority, from 4 January 2021, the Company started a share buyback programme through which Merafe's shares will be repurchased from the open market and cancelled thereafter. In due course, if required, the necessary SENS announcement will be published in accordance with the JSE Listings Requirements. Shareholders are informed that Belese Majova (independent non-executive director) and Mpho Mosweu (non-executive director) will be retiring at the Merafe annual general meeting on 18 May 2021 and will not be offering themselves for reelection. Belese and Mpho served on the Merafe Board from 2009 and 2011 respectively. The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

SPECIAL RESOLUTIONS AND ANNUAL GENERAL MEETING

The following special resolutions were passed by the shareholders at the 2020 annual general meeting held on 15 May 2020.

- Loans or other financial assistance to related or inter-related companies.
- General authority to repurchase Company shares.

The resolution for approval of the non-executive directors' fees at the 2020 annual general meeting was not passed. The next annual general meeting of the shareholders of the Company will be held (subject to any adjournment or postponement) on Tuesday, 18 May 2021.

ENVIRONMENTAL AND DECOMMISSIONING PROVISION

New legislation and financial provisioning regulations relating to asset retirement obligations were enacted, i.e. The National Environmental Management Act (NEMA). The legislation which is effective from July 2021 impacts the manner in which the environmental rehabilitation costs are determined. Current and prior year provisions of the Group are already inclusive of the impact of NEMA although it is not yet effective.

MINING RIGHTS AND MINING OPERATIONS

The directors are satisfied that there are no legal proceedings or foreseen material risks relating to the resources and reserves of the Venture and the ability of the Venture to conduct its mining operations. The abridged Mineral Resources and Reserves Statement and the detailed Resources and Reserves Statement have been signed off by a Competent Person in accordance with the South African Mineral Reporting Codes (SAMREC Code) and the JSE Listings Requirements.

CEO AND FD'S RESPONSIBILITY STATEMENT

The CEO and FD's responsibility statement as required by the 3.84(k) of the JSE Listings Requirements is set out on **page 3** in the annual financial statements which forms part of our online Integrated Annual Report for 2020.

RESTATEMENT OF FINANCIAL STATEMENTS

The Group has identified an error in the prior year financial statements in the current year. To comply with International Financial Reporting Standards (IFRS), the 2019 consolidated financial statements have been restated. The unwinding of the discount on the rehabilitation provision has been restated due to an error in the accounting for the change in estimate, out of finance income in the prior year into operating and other expenses and the impairment expense. As a result, there has been no change in the total loss and comprehensive loss for the prior year nor in the statement of financial position, the changes in equity, the basic loss per share nor the diluted loss per share. There was however restatement of the 2019 headline loss. The statement of cashflow has also been restated with the reclassification of a net realisable inventory adjustment as a non-cash flow item and the effects of the error relating to the rehabilitation provision.

APPROVAL OF THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS OF MERAFE RESOURCES LIMITED

The consolidated and separate financial statements of Merafe Resources Limited were approved by the Board on 5 March 2021 and signed by:

Abiel Mngomezulu
Chairperson

Zanele Matlala
Chief Executive Officer

5 March 2021



Report of the Audit and Risk Committee



The report by the Audit and Risk Committee (the Committee) in respect of the 2020 financial year is set out in full in the annual financial statements on **pages 5 to 8** and an abridged version is set out below.

INTRODUCTION

The Committee is pleased to present its report for the financial year ended 31 December 2020. The Committee confirms that it has adopted formal terms of reference as its Audit and Risk Committee Charter (the Charter), and that it has discharged all of its responsibilities for the current financial year, in compliance with the Charter. The report has been prepared based on the requirements of the South African Companies Act, No. 71 of 2008, as amended (Companies Act), King IV Report on Corporate Governance for South Africa, 2016 (King IV Code/King IV), the JSE Limited Listings Requirements (Listings Requirements) and other applicable regulatory requirements. The report provides an overview of the work performed by the Committee during the year under review.

OBJECTIVES

The overall objectives of the Committee are to: assess the adequacy of the internal financial controls and the accounting systems, including the Company's authority framework; review the summarised financial statements, interim financial statements and annual financial statements and recommend these to the Merafe Board of Directors (Board) for approval; assess and evaluate the Company's combined assurance and provide independent oversight the effectiveness on that; nominate the external auditor who in the opinion of the Committee is considered independent for appointment, determine and approve external audit fees, set the Company and its subsidiaries' (the Group) policy on non-audit services provided by the external auditor and ensure that the appointment complies with legislation; monitor compliance with legal requirements and debt covenants; recommend budgets and plans to the Board; consider and recommend to the Board any dividend; conduct periodic reviews and assessments of the business risks the Group faces by considering Merafe's and the Glencore Merafe Pooling and Sharing Venture (Venture) risk reports; assess the impact of COVID-19 by reviewing monthly accounts with emphasis on cash flows and availability of borrowing facilities; receive and deal with any concerns from within, outside the Company or on its own initiative in relation to accounting practices, internal audit of the Company or any related matter and ensure that all issues are addressed; make submissions to the Board on any matter concerning the Company's accounting policies, financial control, records and reporting. This includes a review of key matters requiring judgement such as impairment; review the Company's related party transactions; perform duties that are attributed to it by the Act, the Johannesburg Stock Exchange (JSE) and King IV Code; and consider the JSE's proactive monitoring reports. The objectives of the Committee were adequately met during the year under review.

COMPOSITION OF THE COMMITTEE

The Committee consists of three independent non-executive directors, all of whom have the necessary qualifications and experience to execute their responsibilities, with two members forming a quorum. Details of the members, the appointments and attendances is set out on **page 6** of the annual financial statements and set out on **page 46** of this report. The Committee is satisfied that the members thereof have the required knowledge and experience as set out in section 94(5) of the Companies Act and Regulation 42 of the Companies Regulation, 2011. For further details of the permanent invitees to the meeting, where Merafe nomination and evaluation process, is set out on **page 6** of the annual financial statements. At least once a year, a session is held with the independent external auditor where management is not present as a way to strengthen the independent oversight role of the Committee. The session facilitates an exchange of views and concerns about the scope of the audit.

MEETINGS HELD BY THE COMMITTEE

The Committee performs the duties laid upon it by section 94(7) of the Companies Act by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external auditor. The Committee held five meetings during the year and the quorum was met at all the meetings; refer to the composition of the Committee for meeting attendance.

2020 OVERVIEW

The CEO and FD, have reviewed the controls over financial reporting, and presented their findings to the Audit Committee. During the current financial year, management and the external auditor identified significant deficiencies in internal controls over financial reporting. The significant deficiencies are in relation to the matters reported in note 33 of the annual financial statements as well as a corrected misstatement identified in the reporting period. The CEO and FD's evaluation of controls included:

- The identification and classification of risks including the determination of materiality;
- Testing the design and determining the implementation of controls addressing high and low risk areas; Testing the operating effectiveness of controls addressing high risk areas; and
- Obtaining control declarations from the Venture on the operating effectiveness of all controls on a quarterly basis.

A formal remediation plan has been developed and the implementation to address identified control deficiencies including significant deficiencies is ongoing. The Committee will monitor and evaluate the implementation of the

remediation plan. The Committee has discussed and documented the basis for its conclusion, which includes discussions with external auditors as well as management. The Committee believes that Merafe's internal controls, in conjunction with the remedial plan which has been put in place to address deficiencies, can be relied upon as a reasonable basis for the preparation of the Annual Financial Statements. The Committee has considered the key audit matter set out in the independent auditor's report and is satisfied that it is correctly presented. The key audit matter assessed relates to impairment of the Group's net assets in accordance with the requirements of IAS 36: *Impairments of Assets*. The Committee considered key assumptions and sensitivities underlying the valuation model. A discounted cash flow model which considered the business as one cash generating unit was used to estimate the recoverable amount. This represents the value in use. The assets have been valued at the lower of their carrying value and the recoverable amount. The Committee considered the nature of the operations, risks and internal control environment at the Merafe head office and concluded that it was not necessary to have a dedicated internal audit function as they rely on the internal audit function at the Venture which provides reports to the Merafe head office on a quarterly basis. Internal audit assignments specific to the Merafe head office are considered on a periodic basis and are outsourced. The Committee has satisfied itself with the internal audit function at the Venture through the review of their scope of work, quarterly review of their reports and evaluation of their findings and are satisfied that there were no material areas of concern that would render the function ineffective. The Committee has reviewed all legal and regulatory matters that could have a significant impact on the Group and is satisfied with the compliance thereof. The Committee is satisfied that it has discharged its duties as set out in its terms of reference for the year under review.

EXTERNAL AUDIT

The Committee, having considered all relevant matters, satisfied itself through enquiry that auditor independence, objectivity and effectiveness were maintained in 2020. The Committee noted the change in the external audit partner from Mr Eugene Zungu to Ms Carmen Naidoo Bester effective November 2020. The Committee is satisfied with Ms Naidoo Bester's assessment that complies with the relevant provisions of the Companies Act and the Listings Requirements. The Committee has satisfied itself that the external auditor and lead partner are not included in the JSE's list of disqualified auditors and has considered the external auditor's suitability assessment in terms of paragraph 3.84(g) (iii) and section 22.15(h) of the JSE Listings Requirements. The Committee, in consultation with executive management, agreed to the terms of the engagement. The audit fee for the external audit has been considered and approved taking into consideration such factors as the timing of the audit, the extent of the work required and the scope. In line with a documented policy on the nature and extent of non-audit services that the external auditor can provide to the Company, the Committee pre-approves all audit and permitted non-audit services by the external auditor. This is to further ensure that the independence of the external auditor is maintained. For the year, these services comprised tax and transfer pricing reviews. Deloitte and Touche have served as the Company's external auditor since 4 May 2017. The performance of the external auditor is reviewed by the Committee annually. The Committee also considered and is satisfied with the quality of the audit for the year under review.

JSE PROACTIVE MONITORING

The Committee is committed to quality financial reporting. Accordingly, the Committee regularly reviews and considers the JSE proactive monitoring reports to ensure that, where applicable, the recommendations are implemented in the preparation of the annual financial statements.

FINANCIAL REPORTING

The review of the Integrated Annual Report together with the consolidated and separate financial statements is also the responsibility of the Committee. The Committee has evaluated the consolidated and separate financial statements of the Company for the year ended 31 December 2020 and based on the information provided to the Committee, considers that they comply, in all material respects, with the requirements of the various statutes and regulations governing disclosure and reporting.

FINANCIAL DIRECTOR AND FINANCE FUNCTION

The Committee reviewed the performance, expertise and experience of the Financial Director, Ditabe Chocho, and continues to be satisfied of his suitability to hold office as the Financial Director in terms of the Listings Requirements. The Committee also considered the appropriateness of the expertise, continued improvement and adequacy of the finance function. The Committee is satisfied that there were no material areas of concern that would render the internal financial controls ineffective.

CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Having taken all of the above assessments into account, the Committee recommended the approval of the consolidated and separate financial statements as well as the Integrated Annual Report for the year ended 31 December 2020 by the Board.

Matsotso Vuso CA(SA)

Chairperson – Audit and Risk Committee

5 March 2021



The auditors report is set out in the annual financial statements which form part of our online Integrated Annual Report for 2020.

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	1 534	27.01	580 082	0.02
1 001 – 5 000	1 337	23.54	3 818 248	0.15
5 001 – 10 000	738	12.99	6 056 226	0.24
10 001 – 100 000	1 525	26.85	55 523 667	2.21
100 001 – 1 000 000	447	7.87	134 667 942	5.36
1 000 001 and more	99	1.74	2 310 058 083	92.01
Totals	5 680	100.00	2 510 704 248	100.00
2. DISTRIBUTION OF SHAREHOLDERS				
Category				
Diluted funds	31	0.55	512 008 484	20.39
Pension funds	50	0.88	126 855 791	5.05
Private companies	67	1.18	28 993 703	1.15
Individuals	5 131	90.33	202 700 909	8.07
Close corporations	65	1.14	7 091 080	0.28
Other corporations	298	5.25	1 534 139 070	61.10
Nominees and other institutions	21	0.37	43 813 712	1.75
Banks	17	0.30	55 101 499	2.19
Totals	5 680	100.00	2 510 704 248	100.00
3. HOLDERS HOLDING 5% OR MORE OF SHARES IN ISSUE				
Name				
Glencore Netherlands B.V.			720 163 887	28.68
Industrial Development Corporation of South Africa Limited			546 830 100	21.78
PSG Konsult			160 816 192	6.41
Totals				
4. SHAREHOLDER SPREAD				
Public	5 676	99.93	1 239 524 086	49.37
Non-public	4	0.07	1 271 180 162	50.63
Directors	2	0.04	4 186 175	0.17
Glencore Nederland B.V.	1	0.02	720 163 887	29
IDC	1	0.02	546 830 100	22
Totals				
5. DISTRIBUTION OF LOCAL AND FOREIGN BENEFICIAL SHAREHOLDING				
South African				66.02
Foreign				33.98

* At 31 December 2020.

JSE Limited share statistics (continued)

JSE share performance	2020	2019
Market capitalisation as at 31 December (ZAR)	1 054 495 784	2 159 205 653
Share price (cents)		
High	89	153
Low	24	74
Closing	42	86
Shares traded		
Volume of shares traded	516 518 844	394 825 944
Value of shares (ZAR)	222 224 871	473 519 527
Volume of shares traded as a percentage of weighted average number of shares in issue	20.57%	16%
Shares in issue as at 31 December	2 510 704 248	2 510 704 248
Distribution of local and foreign beneficial shareholding (%)		
South African	64	64
Foreign	36	36

Source: IRESS as at 11 February 2020.

Shareholders' diary

MEETINGS

Annual general meeting for the 2020 financial year to be held on Tuesday, 18 May 2021.

REPORTS

Interim results for the six months to 30 June 2021 to be released on Tuesday, 10 August 2021.

Annual results for the 12 months to 31 December 2021 to be released and published in March 2022.

Notice of annual general meeting

Merafe Resources Limited

(Incorporated in the Republic of South Africa)

(Registration number 1987/003452/06) ISIN: ZAE000060000

Share code: MRF

(hereinafter referred to as Merafe Resources or the Company)

Notice is hereby given in terms of section 62(1) of the Companies Act, No 71 of 2008, as amended (the Companies Act) that the 34th (thirty-fourth) annual general meeting of shareholders of the Company (the annual general meeting) will only be accessible through electronic participation, as permitted in terms of clause 21 of Merafe's memorandum of incorporation (MOI) and the Companies Act at 11:00 on Tuesday, 18 May 2021 (Notice), for the purpose of transacting the business as outlined in this Notice, and to consider and, if deemed fit, to pass, with or without modification, the ordinary and special resolutions set out below.

IMPORTANT DATES

Record date to receive the Notice:

Friday, 19 March 2021

Last date to trade to be eligible to attend, participate in and vote at the annual general meeting:

Tuesday, 4 May 2021

Record date to be eligible to attend, participate in and vote at the annual general meeting:

Friday, 7 May 2021

Last date for lodging forms of proxy (by 11:00):

Friday, 14 May 2021*

Accordingly, the date on which a person must be registered as a shareholder in the register of the Company for purposes of being entitled to attend, participate and vote at the annual general meeting is Friday, 7 May 2021.

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

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 2020 (Integrated Annual Report), reference in this Notice to the following words and expressions:

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

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

SECTION A: ORDINARY RESOLUTIONS

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

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

"Resolved that the Group audited annual financial statements, including the reports of the directors, the auditor and the Audit and Risk Committee, for the financial year ended 31 December 2020, be and are hereby considered and accepted."

The summarised form of the financial statements is included in the 2020 Integrated Annual Report. A copy of the complete Group audited annual financial statements for the financial year ended 31 December 2020 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 61(3)(a)(ii) of the Companies Act, a company's annual financial statements must be presented to its shareholders at the first shareholders' meeting after the annual financial statements have been approved by the Board of Directors of the Company (Board).

2. Ordinary Resolution Number 2: Re-election of retiring director

"Resolved that the following director, who, in terms of the MOI, retires by rotation at this annual general meeting, and, being eligible, stands and offers herself for re-election, be and is hereby re-elected, namely Ms Matsotso Vuso."

Notes to Ordinary Resolution Number 2

- The reason for resolution number 2 is that in terms of the provisions of the MOI, one-third of the non-executive directors, or if their number is not a multiple of three, then the number nearest to, but not less than one-third, are required to retire at each annual general meeting and, being eligible, may offer themselves for re-election.
- The Board of Directors of the Company has evaluated the performance and contribution of the director standing for re-election and has recommended the re-election of the director.
- An abridged *curriculum vitae* of the director of the Company standing for re-election is set out on [page 42](#) of the Integrated Annual Report.
- Ms Mpho Mosweu and Ms Belese Majova will retire by rotation at this annual general meeting and have not offered themselves for re-election. 

3. Ordinary Resolution Number 3: Confirmation of appointment of a director

"Resolved that the appointment by the Board of Mr Katlego Tlale as a director of the Company with effect from 1 December 2020 be and is hereby confirmed in accordance with the MOI in order to become permanent."

Notes to Ordinary Resolution Number 3

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

An abridged *curriculum vitae* of the director is set out on [page 42](#) of the 2020 Integrated Annual Report. 

Notice of the annual general meeting (continued)

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

"Resolved that the following members, by separate ordinary resolutions numbered 4.1 to 4.2 (inclusive), being eligible and offering themselves for re-election, be and are hereby appointed or re-appointed as members of the Audit and Risk Committee for the financial year ending 31 December 2021:

4.1 Mr Katlego Tlale, subject to his confirmation as a director pursuant to Ordinary Resolution Number 3

4.2 Ms Matsotso Vuso, subject to her re-election pursuant to Ordinary Resolution Number 2

Notes to Ordinary Resolution Number 4

- Resolutions numbered 4.1 to 4.2 (inclusive) above constitute separate and divisible ordinary resolutions and will be considered by separate vote.
- The reason for resolutions numbered 4.1 to 4.2 (inclusive) is that in terms of the provisions of section 94(2) of the Companies Act, a company shall at every annual general meeting elect an audit committee comprising at least three members.
- The Nomination Committee conducted an assessment of the independence and performance, where applicable, of each of the directors proposed to be members of the Audit and Risk Committee and the Board considered and accepted the findings of the Nomination Committee. The Board is also satisfied that the proposed members meet the provisions of section 94(4) of the Companies Act, that they are independent according to King IV (Principle 7; sub-practice 28) and that they possess the required qualifications and experience as prescribed in Regulation 42 of the Companies Regulations, 2011 and therefore recommends their re-appointment.
- Abridged *curricula vitae* of each of the independent non-executive directors proposed to be appointed or re-appointed to the Audit and Risk Committee appear on **pages 42 and 43** of the 2020 Integrated Annual Report.



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

"Resolved that the re-appointment of Deloitte & Touche as the external registered auditors of the Company, and being independent from the Company, be and is hereby approved and Ms Carmen Naidoo Bester (IRBA no. 500370) be and is hereby appointed as the designated audit partner for the financial year ending 31 December 2021."

Notes to Ordinary Resolution Number 5

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

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

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

SECTION B: ORDINARY RESOLUTIONS OF A NON-BINDING NATURE

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

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

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

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

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

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

The Remuneration Policy and Remuneration Implementation Report of the Company are set out on **pages 50 to 57** of the 2020 Integrated Annual Report and the Remuneration Policy and Remuneration Implementation Report can be obtained from www.meraferesources.co.za or on request during normal business hours at the Company's registered address, Building B, 2nd Floor, Ballyoaks Office Park, 35 Ballyclare Drive, Bryanston, 2191.

Notes to Ordinary Resolution Numbers 7.1 and 7.2

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



SECTION C: SPECIAL RESOLUTIONS

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

8. Special Resolution 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 2021, as set out below, be and are hereby approved by separate special resolutions numbered 1.1 to 1.8 (inclusive)."

	Special Resolution Number	2021					
		Total fees per annum R	Retainer 60% R	Monthly retainer fees R	Retainer per quarter R	Fees per attendance 40% R	Fees per attendance per meeting R
Board Chairperson	1.1	660 852	396 511	33 043	99 128	264 341	66 085
Board member	1.2	299 837	179 902	14 992	44 976	119 935	29 984
Audit and Risk Committee Chairperson	1.3	216 388	129 833	10 819	32 458	86 555	21 639
Audit and Risk Committee member	1.4	135 692	81 415	6 785	20 354	54 277	13 569
Remuneration and Nomination Committee Chairperson	1.5	126 327	75 795	6 316	18 949	50 531	12 633
Remuneration and Nomination Committee member	1.6	77 110	46 266	3 856	11 567	30 844	7 711
Social, Ethics and Transformation Committee Chairperson	1.7	116 969	70 182	5 849	17 546	46 788	11 697
Social, Ethics and Transformation Committee member	1.8	77 110	46 266	3 856	11 567	30 844	7 711

The above fees are exclusive of value added tax (VAT). In 2019, Merafe undertook a benchmarking exercise of non-executive fees. This exercise indicated that the fees were below the target range benchmark and an increase to bring these in line was proposed for 2020. As set out on [pages 56 and 57](#) of this report, the proposed increase was not approved by the requisite majority of shareholders and the fees approved in 2019 were carried over. The Company conducted a further benchmark exercise in 2020. This indicated an even wider gap to the benchmark, especially in respect of the Chairperson of the Board and of the Remuneration Committee. To align non-executive directors' fees with the benchmark, the increases will be staggered over the years with the fees proposed for 2021 set out above, being an average increase of 2.4% to those approved in 2019 and paid in 2019 and 2020.



Notes to Special Resolution Numbers 1.1 to 1.8

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

The 2020 non-executive fees are set out in the table below for comparative purposes.

	Special Resolution Number	2020					
		Total fees per annum R	Retainer 60% R	Monthly retainer fees R	Retainer per quarter R	Fees per attendance 40% R	Fees per attendance per meeting R
Board Chairperson	1.1	611 900	367 140	30 595	91 785	244 760	61 190
Board member	1.2	299 837	179 902	14 992	44 976	119 935	29 984
Audit and Risk Committee Chairperson	1.3	216 388	129 833	10 819	32 458	86 555	21 639
Audit and Risk Committee member	1.4	135 692	81 415	6 785	20 354	54 277	13 569
Remuneration and Nomination Committee Chairperson	1.5	116 969	70 181	5 848	17 545	46 788	11 697
Remuneration and Nomination Committee member	1.6	71 398	42 839	3 570	10 710	28 559	7 140
Social, Ethics and Transformation Committee Chairperson	1.7	116 969	70 182	5 848	17 545	46 788	11 697
Social, Ethics and Transformation Committee member	1.8	71 398	42 839	3 570	10 710	28 559	7 140

Note: The special resolutions to approve the non-executive fees for 2020 at the 2020 annual general meeting were not passed by the requisite 75% majority (71.51% voted in favour, 28.49% voted against and 0.05% abstained) and accordingly the fees approved at the 2019 annual general meeting as set out above continued to be applied.

Notice of the annual general meeting (continued)

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

"Resolved that, subject to compliance with the provisions of the MOI and the Companies Act each as presently constituted and as amended from time to time, the Board be and is hereby authorised, for a period of two years from the date of the 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 Companies Act, being 1 May 2011, provided financial assistance to its subsidiaries and related and inter-related companies. To facilitate the achievement by the Group of its strategic goals, it is necessary that this assistance continues. The main purpose for this authority is therefore to grant the Board the authority to authorise the Company to provide inter-group loans and other financial assistance for purposes of funding the activities of the Group. However, in accordance with the provisions of section 45 of the Companies Act, the Board undertakes that it will not adopt a resolution to authorise such financial assistance, unless the Board is satisfied that:

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

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

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

- any such repurchase of ordinary shares is effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty (reported trades are prohibited);
- authorised by the MOI;
- the general authority shall be valid until the next annual general meeting of the Company, provided that it shall not extend beyond 15 months from the date of this Special Resolution Number 3;
- when the Company has cumulatively repurchased 3% (three percent) of the number of ordinary shares in issue on the date of passing of Special Resolution Number 3, and for each 3% (three percent) thereof, in aggregate acquired thereafter, an announcement is published as soon as possible, in terms of the Listings Requirements;
- at any one time, only one agent is appointed to effect any repurchase on the Company's behalf;
- the Company or its subsidiary will 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;
- the Company will instruct an independent third party, which makes its investment decisions in relation to the Company's securities independently of, and uninfluenced by, the Company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;
- any general repurchase by the Company of its own ordinary shares shall not, in aggregate, in any one financial year exceed 10% (ten percent) of the Company's issued ordinary shares as at the date of passing of this Special Resolution Number 3;
- in determining the price at which the ordinary shares are repurchased by the Company or its subsidiary in terms of this general authority, the maximum price at which such shares may be repurchased will not be greater than 10% (ten percent) above the weighted average of the market value for such ordinary shares for the 5 (five) business days immediately preceding the date of repurchase of such shares; and
- in case of an acquisition by a subsidiary of the Company, of shares in the Company under this authority such acquisition shall be limited to a maximum of 10% (ten percent) in aggregate of the number of issued shares of any class of shares of the Company, taken together with all shares held by all the subsidiaries of the Company.

Further information pertinent to Special Resolution Number 3

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

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

In terms of paragraph 11.26(c) 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.

The Listings Requirements require the following disclosures with respect to general repurchases, some of which appear elsewhere in the 2020 Integrated Annual Report:

- Major shareholders – **page 63** of the 2020 Integrated Annual Report
- Share capital of the Company – **page 51** and note 13 of the 2020 Group audited annual financial statements



DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given on **pages 42 and 43** of the 2020 Integrated Annual Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to the general repurchase resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the aforementioned resolution contains all information required by law and the Listings Requirements.

NO MATERIAL CHANGES TO REPORT

Other than the facts and developments reported on in the 2020 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 2020 year end until the date of this Notice.

Reason and effect

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

11. General

To transact such other business that may be transacted at an annual general meeting.

12. Actions required by Merafe Resources' shareholders

- 12.1 The actions, which shareholders of the Company are required to take in order to follow their rights, to pass and adopt, with or without modification, the ordinary and special resolutions set out in this Notice are as set out below. If you are in any doubt as to the action you should take in relation to this Notice, please contact your stockbroker, Central Securities Depository Participant (CSDP), legal advisor, accountant, banker or other professional advisor immediately.
- 12.2 Record dates
 - 12.2.1 The record date for shareholders to be recorded on the securities register of the Company in order to receive notice of the annual general meeting is Friday, 19 March 2021.
 - 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, 7 May 2021 (Record Date).
 - 12.2.3 The last date 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 Tuesday, 4 May 2021.
- 12.3 Voting and attendance at the annual general meeting
 - 12.3.1 If you are a shareholder at Record Date, you are entitled to attend, participate in and vote at the annual general meeting or may appoint one or more proxies to attend, participate in and vote thereat instead. A proxy need not be a shareholder of the Company. A form of proxy, in which the relevant instructions for its completion are set out, is enclosed for the use of a certified shareholder or "own-name" registered dematerialised shareholder who wishes to be represented at the annual general meeting. Completion of a form of proxy will not preclude such shareholder from attending and voting at the annual general meeting (in preference of that proxy).
 - 12.3.2 Forms of proxy must be lodged with the Company's transfer secretaries or at the Company's registered offices not less than 48 hours before the commencement of the annual general meeting (for administrative purposes only) or submitted to the Chairperson of the annual general meeting electronically, as set out in the Notice, before the appointed proxy exercises any of the relevant shareholder rights at the annual general meeting.
 - 12.3.3 Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own-name" registration, who wish to attend the annual general meeting in person should contact their CSDP or broker to provide them with the necessary Letter of Representation in terms of their custody agreement.
 - 12.3.4 Dematerialised shareholders, other than "own-name" registered dematerialised shareholders, who are unable to attend the annual general meeting and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein.
 - 12.3.5 In terms of Schedule 14.10 of the Listings Requirements, equity securities held by a share trust or scheme will not have their votes at general or annual general meetings taken into account for purposes of resolutions passed or to be passed in accordance with the Listings Requirements. Accordingly, votes cast by the Merafe Resources Limited Share Incentive Scheme (such scheme constituted by the document as approved by shareholders on 13 April 2010) will not have its votes taken into account for purposes of the adoption of such resolutions.

Notice of the annual general meeting (continued)

12.4 Representation by proxy

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

- 12.4.1 A shareholder entitled to attend and vote at the annual general meeting may appoint any individual (or two or more individuals) as a proxy or as proxies to attend, participate in and vote at the annual general meeting in the place of the shareholder. A proxy need not be a shareholder of the Company.
- 12.4.2 A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy, and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid only until the end of the annual general meeting.
- 12.4.3 A proxy may delegate the proxy's authority to act on behalf of a shareholder to another person, subject to any restrictions set out in the instrument appointing the proxy.
- 12.4.4 The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.
- 12.4.5 The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the Company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the Company as required in the first sentence of this paragraph.
- 12.4.6 If the instrument appointing the proxy or proxies has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the Company's existing MOI to be delivered by the Company to the shareholder, must be delivered by the Company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed the Company to do so in writing; and (ii) paid any reasonable fee charged by the Company for doing so.
- 12.4.7 Attention is also drawn to the Notes to the form of proxy.
- 12.4.8 The completion of a form of proxy does not preclude any shareholder attending the annual general meeting.

IDENTIFICATION

In terms of section 63(1) of the Companies Act, any person attending or participating in the annual general meeting must present reasonably satisfactory identification and the person presiding at the annual general meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as a shareholder or as proxy for a shareholder) has been reasonably verified. A green barcoded 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 who wish to participate in and/or vote electronically at the annual general meeting should contact The Meeting Specialists (TMS) on proxy@tmsmeetings.co.za or on +27 11 520 7952/0/1 as soon as possible and by no later than 11:00 on Friday, 14 May 2021. Shareholders may still register to participate in and/or vote electronically at the annual general meeting after this date, provided, however, that those shareholders are fully verified (as required in terms of section 63(1) of the Companies Act) and are registered at the commencement of the annual general meeting. Dematerialised shareholders would still need to submit proxies via their CSDP or obtain a letter of representation to attend the meeting. TMS will assist shareholders with all the requirements for electronic participation and is obliged to validate the information of each shareholder's entitlement to participate in and/or vote at the annual general meeting before providing it with the necessary means to access the annual general meeting electronically and/or the electronic voting platform.

Shareholders will be liable for their network charges in relation to electronic participation in and/or voting at the annual general meeting and it will not be for the expense of the JSE Limited (JSE), Merafe or TMS. Neither the JSE, Merafe or TMS can be held accountable in the case of loss of network connectivity or network failure due to insufficient airtime/internet connectivity/power outages which would prevent a shareholder from participating in and/or voting at the annual general meeting electronically.

Notwithstanding the availability of the electronic voting platform, shareholders may still submit forms of proxy to TMS (in the case of certificated shareholders and dematerialised shareholders with "own-name" registration) or provide instructions to their appointed CSDP or broker (in the case of dematerialised shareholders without "own-name" registration) by no later than 11:00 on Friday, 14 May 2021 or the time and date stipulated by the CSDP or broker, respectively.

By order of the Board



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

5 March 2021

Form of proxy



Merafe Resources Limited

(Incorporated in the Republic of South Africa)

(Registration number 1987/003452/06) ISIN: ZAE000060000

Share code: MRF (Merafe Resources or the Company)

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

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

Form of proxy for the thirty-fourth 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 by electronic communication at 11:00 on Tuesday, 18 May 2021, or at any adjournment thereof.

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

		Number of votes		
Ordinary and Special Resolutions		For	Against	Abstain
1	Ordinary Resolution Number 1: Adoption of annual financial statements			
2	Ordinary Resolution Number 2: Re-election of retiring director: Ms Matsotso Vuso			
3	Ordinary Resolution Number 3: Confirmation of the appointment by the Board of Mr Katlego Tlale as a director of the Company			
4	Ordinary Resolution Number 4: Appointment and re-appointment of members to the Audit and Risk Committee for the forthcoming financial year			
	4.1 Mr K Tlale			
	4.2 Ms M Vuso			
5	Ordinary Resolution Number 5: Re-appointment of external auditors of the Company, Deloitte & Touche and to appoint Ms Carmen Naidoo Bester as the designated audit partner			
6	Ordinary Resolution Number 6: Authority to sign all documents required to give effect to all resolutions in the notice of annual general meeting			
7	Ordinary Resolution Numbers 7.1 and 7.2: Non-binding advisory vote			
	Ordinary Resolution Number 7.1: Remuneration Policy			
	Ordinary Resolution Number 7.2: Remuneration Implementation Report			
8	Special Resolution Numbers 1.1 to 1.8: Approval of non-executive directors' fees for 2021			
	1.1 Board Chairperson			
	1.2 Board member			
	1.3 Audit and Risk Committee Chairperson			
	1.4 Audit and Risk Committee member			
	1.5 Remuneration and Nomination Committee Chairperson			
	1.6 Remuneration and Nomination Committee member			
	1.7 Social, Ethics and Transformation Committee Chairperson			
	1.8 Social, Ethics and Transformation Committee member			
9	Special Resolution Number 2: Loans or other financial assistance to related or inter-related companies			
10	Special Resolution Number 3: General authority to repurchase Company shares			

Signed at _____ on _____ 2021

Signature (assisted by me – where applicable)

Please see notes overleaf.

Notes to the form of proxy

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting "the Chairperson of the annual general meeting", but any such deletion must be initialled by the shareholder. The person whose name stands first on the form of proxy and who is present at the annual general meeting of shareholders will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. Failure to comply will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting of shareholders as he/she deems fit with respect to all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by his proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by the proxy.
3. Forms of proxy must be lodged with, posted or faxed to, the transfer secretaries' registered office: Link Market Services South Africa Proprietary Limited, 13th Floor, Hollard Building, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg 2000) or +27 11 713 0800, or the Company's registered offices: Building B, 2nd Floor, Ballyoaks Office Park, 35 Ballyclare Drive, Bryanston, 2191 (PO Box 652157, Benmore, 2010), or fax +27 11 783 4789 to be received no later than 11:00 on Friday 14 May 2021. If forms of proxy are not received by this date, they must be submitted to the Chairperson of the annual general meeting electronically, as set out in the notice of the annual general meeting, before the appointed proxy exercises any of the relevant shareholder's rights at the annual general meeting.
4. The completion and lodging of this form of proxy shall not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative or other legal capacity (such as power of attorney or other written authority) must be attached to this form of proxy unless previously recorded by Merafe Resources.
6. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
7. On a show of hands, every shareholder shall have only one vote, irrespective of the number of shares he/she holds or represents, provided that a proxy shall, irrespective of the number of shareholders he/she represents, have only one vote.
8. On a poll, every shareholder present in person or represented by proxy shall have one vote for every Merafe Resources share held by such shareholder.
9. A resolution put to the vote shall be decided on a poll.
10. In terms of section 58 of the Companies Act:
 - a shareholder of a company may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders' meeting on behalf of such shareholder;
 - a proxy may delegate her or his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy;
 - irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder;
 - any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise;
 - if an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the relevant company;
 - a proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise; and
 - if the instrument appointing a proxy has been delivered by a shareholder to a company, then, for so long as that appointment remains in effect, any notice that is required in terms of the Companies Act or such company's memorandum of incorporation to be delivered to a shareholder must be delivered by such company to:
 - the relevant shareholder; or
 - the proxy or proxies, if the relevant shareholder has: (i) directed such company to do so, in writing and (ii) paid any reasonable fee charged by such company for doing so.

Administration

MERAFA RESOURCES LIMITED

Company registration number: 1987/003452/06

BUSINESS ADDRESS AND REGISTERED OFFICE

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Telefax: +27 11 783 4789

www.meraferesources.co.za

COMPANY SECRETARY

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59 Woodlands Avenue

Hurlingham Manor

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Telefax: +27 11 783 4789

Email: w.somerville@mwweb.co.za
ewaldeck@corpstat.co.za

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Johannesburg
2001

Standard Bank of South Africa Limited
30 Baker street
Rosebank
2001

TRANSFER SECRETARIES

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2001

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PO Box 784573
Sandton, 2146

DIRECTORATE

A Mngomezulu* (Chairperson), NB Majova*, M Mosweu, M Vuso*,
S Blankfield, K Tlale*, J McLaughlan*, Z Matlala (Chief Executive Officer),
D Chocho (Financial Director)

** Independent*



MERAFE
RESOURCES

Appendix 1
Mineral Resource
and Mineral
Reserve Report
31 December 2020



MINERAL RESOURCE AND MINERAL RESERVE STATEMENT

INTRODUCTION

The purpose of this report is to document the Mineral Resources and Mineral Reserves of Merafe Resources (Merafe) in accordance with the requirements of the SAMREC Code 2016 (The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (2016)). All Merafe's operations are part of a pooling and sharing venture (PSV) with Glencore Operations South Africa (Pty) Ltd (hereafter called the Venture). Merafe has a 20.5% participation interest in the Mineral Resources and Mineral Reserves of the Venture. The estimates in this document are as at the 31st December 2020 and reported on a total basis. The mined-out limits have been surveyed as at the 26th March 2020 (usually end of June) due to the COVID lockdown. To arrive at a Mineral Resource and Mineral Reserve estimate for 31st December 2020, the re-adjusted production for March 2020 to December 2020 has been deducted from the total estimates. The Mineral Resource and Mineral Reserve information in the tables on the following pages is based on information compiled by Competent Persons (as defined by the SAMREC Code). The references in the side column refers to the applicable requirement for the JSE listing rules, Section 12 (Mineral Companies).

12.13 (i) (2)

12.13 (i) (3)

STATEMENT BY COMPETENT PERSON

The Mineral Resource and Mineral Reserve statement has been reviewed and the relevant data extracted and compiled by Pieter-Jan Gräbe (PJG). PJG is the Lead Competent Person, registered with the South African Council for Natural Scientific Professions (SACNASP, Private Bag X450, Silverton, 0127), Reg. No. - 400177/87 and holds a BSc. Hons. degree in Geology as well as a NHD in Metalliferous Mining. PJG is a geologist with 35 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. The information disclosed in this report is compliant with the SAMREC CODE and where relevant to Section 12 of the JSE Listing Requirements and SAMREC Table 1 requirements and can be published in this form.

12.13 (i) (5)

12.13 (i) (6)

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

DEFINITIONS

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

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

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

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

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

A **Mineral Reserve** is the economically mineable part of a Measured and/or Indicated Mineral Resource.

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

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

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

BRIEF DESCRIPTION OF EXPLORATION ACTIVITIES

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

12.13 (iii) (1)

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

A total of 17 diamond core drillholes were drilled in FY2020 with a total meterage of 7 021m and at a cost of R7.201m. Assay expenditure amounted to R0.119m. The exploration drilling is outsourced to a third party and all assay work is done by an SANAS accredited 3rd party laboratory.

12.13 (iii) (1)

No feasibility studies were conducted during the reporting period on any of the Ventures mines or projects.

12.13 (iii)(1) and (9)

GEOLOGICAL SETTING AND GEOLOGICAL MODEL

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

12.13 (iii) (2)

12.13 (iii) (12)

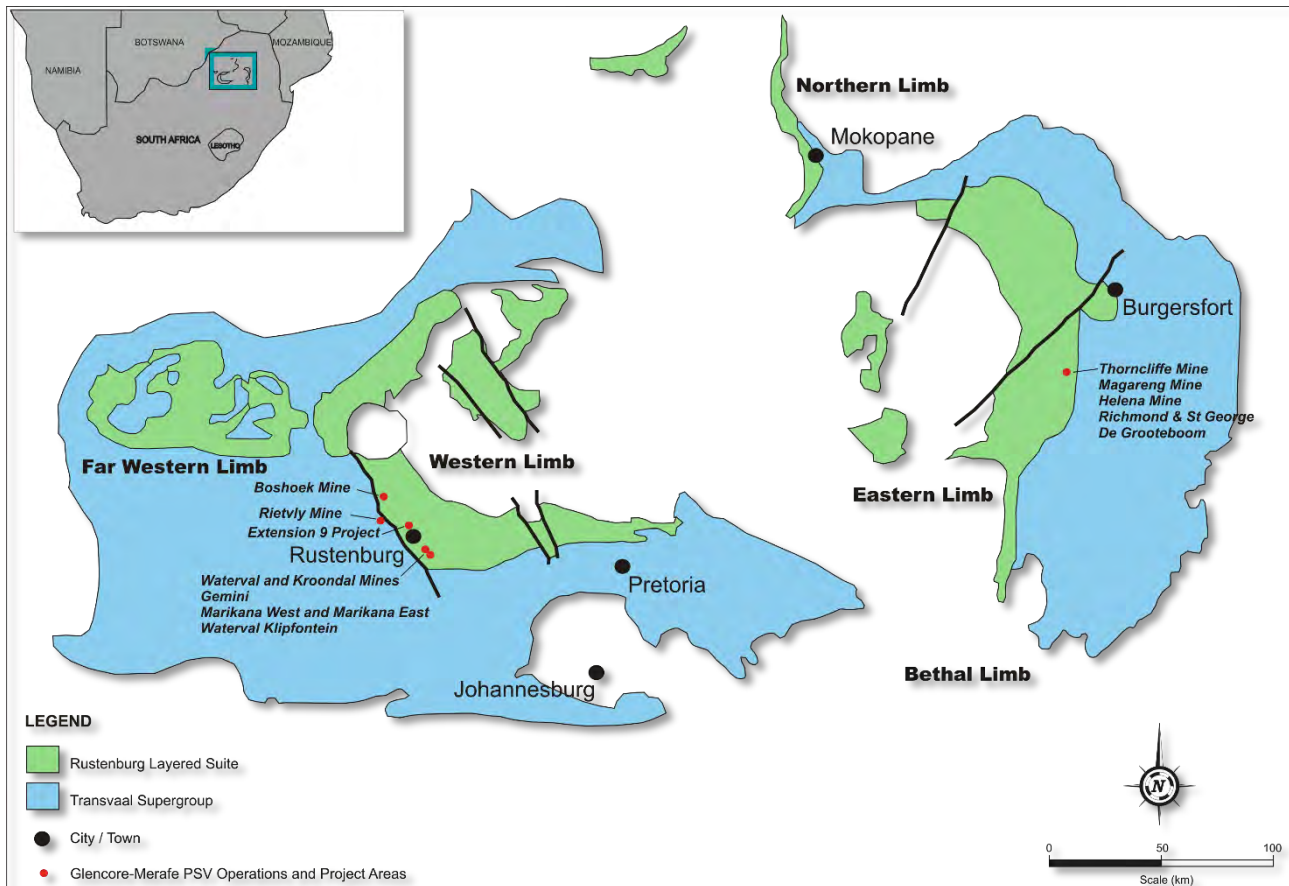


Figure 1: Location of the Venture's Operations

The Bushveld Complex

The 2 billion year old Bushveld Complex ("the Complex") is the world's largest known layered igneous intrusion and covers an area of 65 000km². The Complex is host to the majority of the world's PGM, chromite and vanadium resources.

The Complex is divided into five compartments; the western limb, the eastern limb, the northern limb, the far western limb and the Bethal limb (Figure 1). Merafe has operations on the Eastern - and Western Limbs of the complex. The Bushveld Complex is divided vertically into four suites of rocks; the Rooiberg Group, the Rustenburg Layered Suite, the Rashedooph Granophyre Suite and the Lebowa Granite Suite. The mafic Rustenburg Layered Suite hosts the chromite deposits of the complex in the highly continuous chromitite layers of the Critical Zone. The complex reaches a vertical thickness of up to 9 000m. The Critical Zone contains 14 individually recognisable chromitite layers with varying thicknesses and grades.

The primary chromitite layers targeted for chromite extraction are the LG6A and LG6 Chromitite Layers, usually mined as a package, and the MG1 Chromitite Layer. The LG6 Package consists of the lower LG6 Chromitite Layer, which is separated from the LG6A Chromitite Layer by a pyroxenite (waste) middling. The

MG1 Chromitite Layer consists of a single chromitite layer, with occasional discontinuous internal waste lenses.

The lithological units comprising the chromitite layers are modelled separately in terms of tonnage and grades for the purposes of mine planning and resource and reserve estimation.

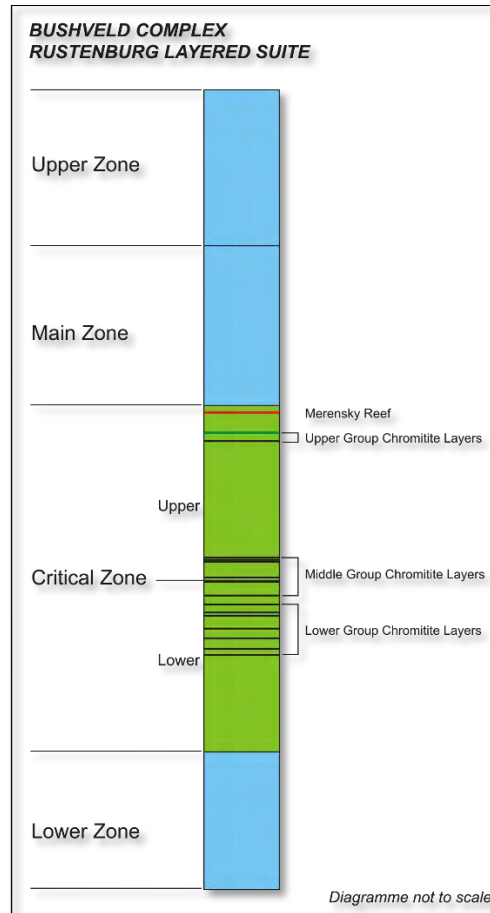


Figure 2: Schematic stratigraphy of the Rustenburg Layered Suite with special reference to the chromitite layers.

Magaliesberg Formation

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

The Rietvly deposit is situated just to the west of Rustenburg town. The ore-body strikes north-south and dip towards the east at dip angles varying between 32° and 62°. Jointing throughout the formation is prominent. The quartzite is very pure, with an average SiO₂ content of over 90%. There are no indications on surface of major geological disturbances. The Rustenburg Fault is developed to the southeast of the mine (just off the mine property).

TYPE OF MINING AND MINING ACTIVITIES

12.13 (iii) (3)

The Venture has chrome mining operations along the Western - and Eastern Limbs of the Bushveld Complex. The operations along the Western Limb of the Bushveld Complex comprise the Waterval - and Kroondal Mines. Kroondal started in the early 80's with production and Waterval started off as a merger of the Purity and Cashan Mines in 1989 with the addition of Waterval West area. The Waterval Mine has been placed on care and maintenance during 2020. The LG6 Package is mined at Kroondal Mine employing a trackless mining method on a Bord-and-Pillar lay-out. Kroondal is targeting a production rate of 146ktpm.

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

Townlands Extension 9 is an exploration project. A Retention Permit has been applied for in Nov 2017. The DMRE accepted the application and the Venture is awaiting the granting and execution of the retention application. No exploration costs have to be expended on the project from the date of execution of the application for the subsequent 3 years. Pending the outcome of the application no 3rd party may legally apply for a Prospecting Right over this property.

Thorncliffe -, Magareng - and Helena Mines are situated along the southern portion of the Eastern Limb of the Bushveld Complex. The MG1 Chromitite Layer is being mined underground using trackless mining methods on a Bord-and-Pillar mining lay-out. Thorncliffe Mine started mining in March 1997, building up to a steady state production of 114ktpm ROM (current 3 year budget). Helena Mine started producing in November 2008 and Magareng in Oct 2010. Both Magareng and Helena Mines are currently producing at a steady state of ~114ktpm of ROM (current 3 year budget). Thorncliffe, Magareng and Helena Mines are situated within the same Mining Right area but are situated on different farm properties. St George and Richmond farm areas are now part of the Eastern Chrome Mines Mining Rights area. The resources and reserves for the Eastern Mines Complex are reported per farm area.

The Venture's silica deposit lies 15km west of Rustenburg. Rietvly Silica is an opencast mine that started mining in 1979. The quartzite is mined mainly to supply the Venture's furnaces with silica. The budget production rate is 31ktpm.

ORE PRODUCTION

The Venture has mined 4.650Mt ROM ore from 1st January 2020 to 31st December 2020 against a budget of 5.862Mt. ROM production for the 2019 financial year was 5.216Mt. The net loss compared to the 2020 annual budget was 1.212Mt, of which the main ROM production losses were due to the initial and extended COVID lockdown periods, the cash preservation efforts for the Western Chrome Mines and the Eastern Chrome Mines December closure plan. More efficient underground mining realised a gain of 671kt for the year. Saleable chrome concentrate amounted to 2.895Mt against a budget of 3.466Mt. This lower than budget figure is directly linked to the lower than budget ROM production.

12.13 (iii) (4)

The estimates in this statement reflect the Mineral Resources and Mineral Reserves as at the 31st December 2020.

LEGAL ENTITLEMENT

The Venture has the legal entitlement to the minerals being reported upon and there are no known impediments.

12.13 (iii) (5)

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

No material risks are known which can negatively impact the Mineral Resource and Mineral Reserve Statement.

12.13 (iii) (10)

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

Chrome

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

12.13 (iii) (7)

The Mineral Resource categories are based on the data point density as well as the structural geology. A data point density of approximately 200m x 200m and less is used for the classification of Measured Mineral Resources. For Indicated Mineral Resources a density of between 200m and 400m are used. Inferred Mineral Resources is classified where the sample point density is wider than 400m x 400m, but within 800m from existing drillhole intersections. Geologically complex areas where high variability's are anticipated are downgraded to reflect the confidence in the geoscientific knowledge and certainty. In certain cases the mining extraction and geological loss rates are increased to reflect the anticipated mining and geological complexities. The geostatistical analysis of the exploration data in all the mines and projects have indicated semi-variogramme ranges varying from 250m to 2 000m for the various reef parameters. Geological structural characteristics are used in addition to support the drilling density. Geologically complex areas are drilled at denser drill spacing's. Other factors that are taken into consideration are regional geology and the proximity of other operating or work-out mines and projects. All the non-mineralised areas, and areas that may not be mined for various legislative or other reasons are excluded from the Mineral Resources, e.g. boundary pillars, crown pillars, large potholes, transgressive geological bodies, fault zones, etc.

The Mineral Reserves are estimated by applying modifying factors to convert the Indicated Mineral Resources to Probable Mineral Reserves and the Measured Mineral Resources to Proved Mineral Reserves. The following modifying factors are used; - an estimated geological loss factor (determined by losses in historically mined-out areas and projected forward), the predetermined mining extraction rate as supplied by the Rock Engineering practitioners, ore losses and ore contamination resulting from mining over break. The Mineral Reserve areas are restricted to the 5-year detailed mine plan footprint, except in some instances of Thorncliffe and Kroondal mining areas. In these cases portions of the Mineral Reserves fall outside the 5 year mining footprint.

The Mineral Resources and Mineral Reserves are reported per Mining Right and/or farm boundary areas and not necessarily per mine as some of the mines straddle more than one Mining Right.

Silica

The silica Mineral Resources are estimated by modelling the quartzite hill that is being mined. The volume of the quartzite hill is determined from the 1340m level (amsl) to the topographical surface as at the end of June every year. During 2020 the mined surface was surveyed on the 27th August 2020 due to the COVID lockdown. The remaining topographical surface is reconstructed every year by removing the mining depletion. The remaining volume represents the remaining in-situ quartzite resources.

The quartzite is exposed by the opencast mine workings as well as along the original slopes of the hill. The exploration core drillholes, the beneficiation process, the quartzite exposed along the slopes of the hill as well as rock exposures due to mining activities have been used as criteria for classifying the deposit as an Indicated Mineral Resource. The Mineral Reserves have been declared for an opencast mining period of 5 years.

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

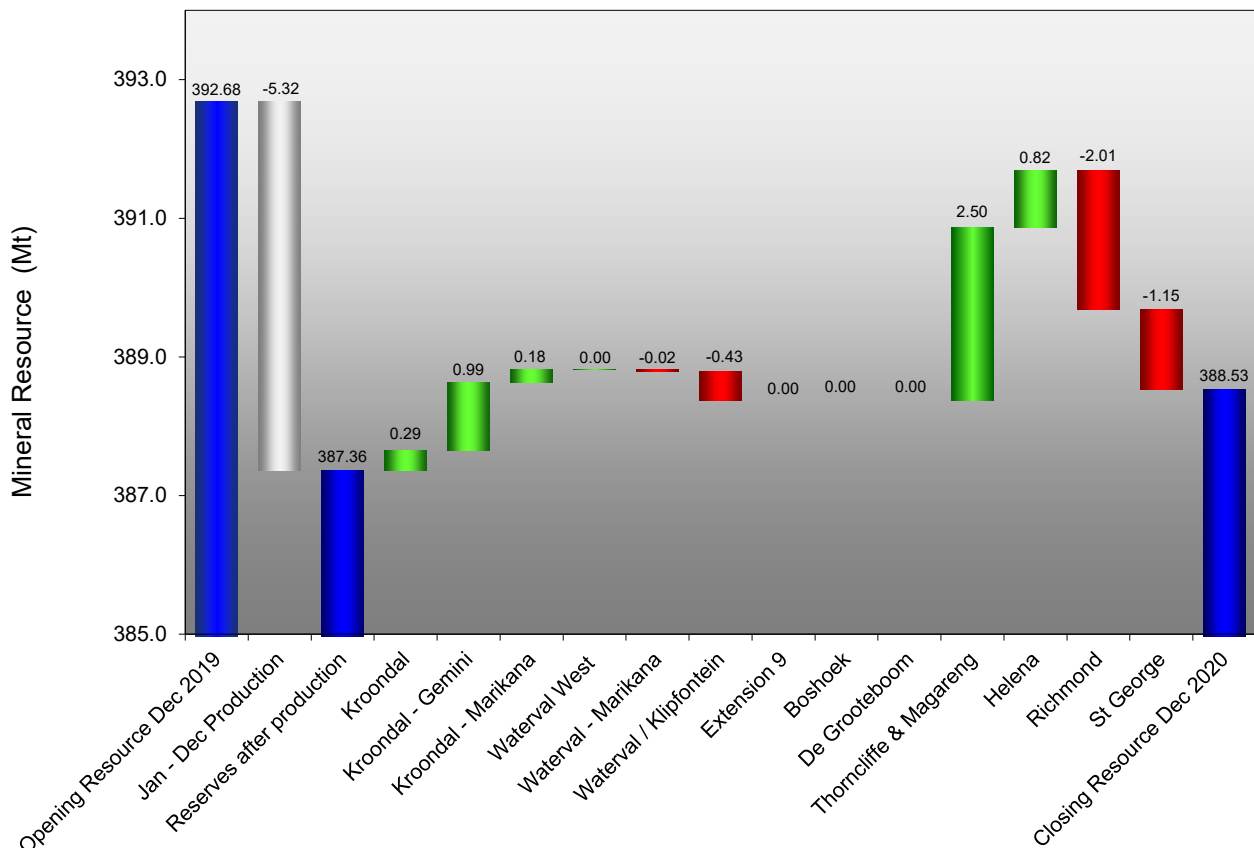
The annual Mineral Resource and Mineral Reserve estimates are compared with the previous year's statement and reconciled each year after the estimates have been finalized. Changes in the year on year tonnage and grade estimates are mainly due to mining depletion and changes in the Mineral Resource and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

12.13 (iii) (8)

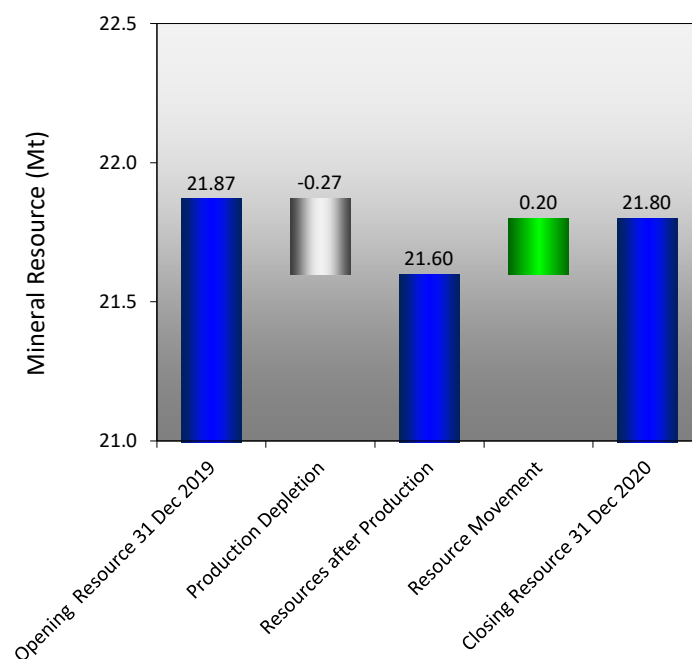
Mineral Resource Reconciliation

The biggest impact to the year-on-year changes in the Mineral Resource tonnages for the Venture is mainly due to mining depletion of 5.324Mt. The net movement after mining depletion 1.177Mt.

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



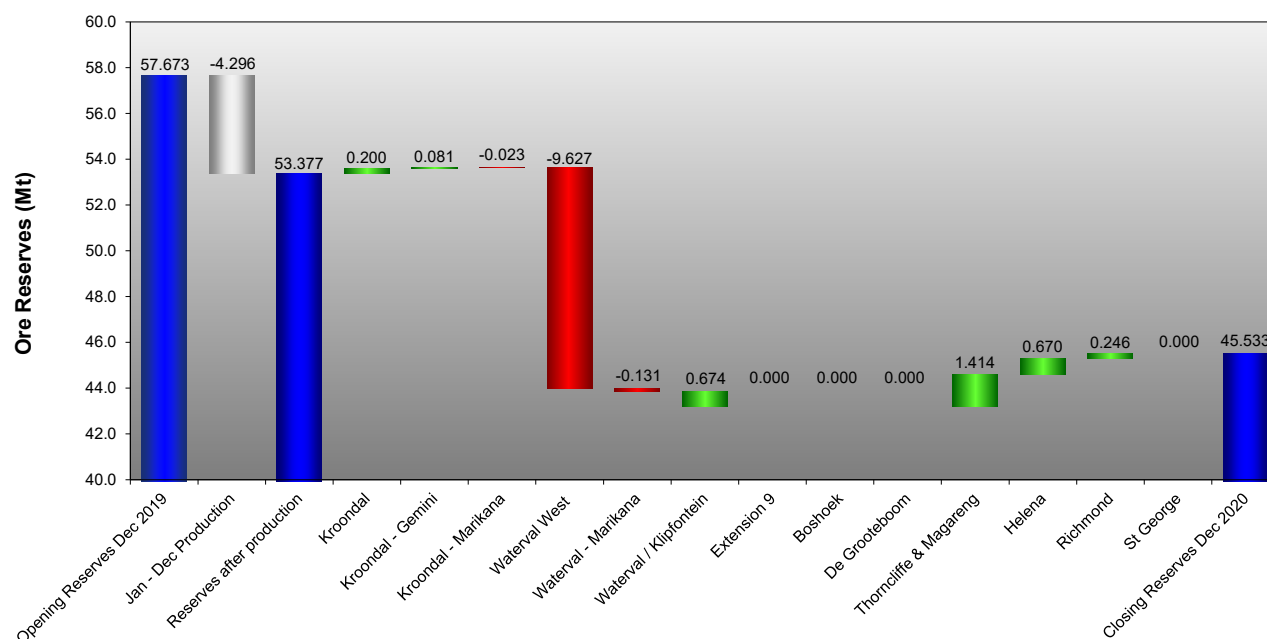
There is no material difference in the silica Mineral Resource estimate from December 2019 to December 2020 and the change is mostly attributed to mining depletion. The graph below shows the year-on-year Mineral Resource movement of Rietvly Silica.



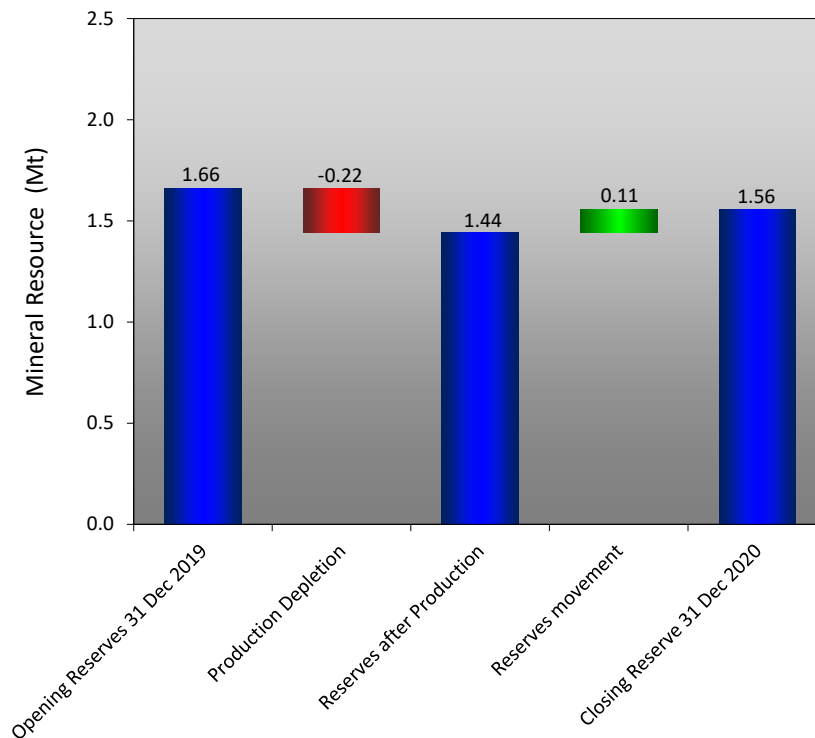
Mineral Reserve Reconciliation

The most significant changes in the year on year estimation of the Mineral Resources is due to the mining depletion of 4.296Mt of ROM. The net change excluding mining depletion is a decrease of 7.844Mt. The biggest contributor to this movement is the Waterval Mine that has been placed on care-and-maintenance.

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



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



AUDITING

An internal audit was conducted on the 2020 resource and reserves estimation process during November 2020. A number of minor issues have been identified. All these findings have been addressed and corrected for the final estimation report. The internal audit focused mainly on the calculations of the estimation process.

T7.1

STATEMENT REGARDING INFERRED MINERAL RESOURCES AND FEASIBILITY STUDIES

No feasibility studies were conducted during the reporting period on any of the mines or projects and hence no Inferred Mineral Resources have been included in any feasibility studies.

12.13 (iii) (1)

No Inferred Mineral Resources have been modified to Mineral Reserves for the stated final Mineral Reserves. The 30 year LOM plans which is used internally for financial purposes include Inferred Mineral Resources.

12.13 (iii) (9)

MATERIAL RISK FACTORS

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

12.13 (iii) (10)

SUMMARY OF ENVIRONMENTAL FUNDING AND MANAGEMENT

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

12.13 (iii) (13)

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

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

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

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

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

Merafe Ferrochrome and Mining (Pty) Ltd 20.5% share of the Venture's provision for rehabilitation is set out in note 17 in the Merafe 2020 Annual Financial Statements on page 55. The Merafe 2020 Annual Financial Statements are available on the Merafe website and/or from the Company Secretary of Merafe.

The Closure and Rehabilitation plans for all operations were updated during 2020 to determine the associated closure cost and required provision for rehabilitation. The provision has been audited by an external auditor during 2020.

MINERAL RESOURCES AND MINERAL RESERVES STATEMENT

The reporting date for the Mineral Resources and Mineral Reserves is the 31st December 2020.

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

12.13 (i) (6)

Chrome Mineral Resources

Name of operation	Attributable Portion	Mining Method	Commodity	Measured Mineral Resources		Indicated Mineral Resources		Measured and Indicated Mineral Resources		Inferred Mineral Resources		Competent Person
				31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19	
BUSHVELD COMPLEX – WESTERN LIMB												
WESTERN CHROME MINES – LG6 Chromitite Layer Package												
Waterval	20.5%	UG	Ore (Mt)	16.231	16.231	1.03	1.02	17.26	17.26	0.7	0.7	MM/DR
			Cr ₂ O ₃ (%)	41.31	41.31	42.6	42.6	41.4	41.4	43	43	
Marikana West	20.5%	UG	Ore (Mt)	2.974	2.991	1.69	1.69	4.66	4.69	-	-	MM/DR
			Cr ₂ O ₃ (%)	42.43	42.43	42.6	42.6	42.5	42.5	-	-	
Kroondal	20.5%	UG/OC	Ore (Mt)	9.433	9.399	0.61	0.66	10.04	10.16	-	-	MM/DR
			Cr ₂ O ₃ (%)	42.76	42.76	41.5	41.5	42.7	42.7	-	-	
Kroondal Gemini	20.5%	UG/OC	Ore (Mt)	12.972	10.369	2.21	4.22	15.18	14.59	-	-	MM/DR
			Cr ₂ O ₃ (%)	42.31	42.54	41.3	41.4	42.2	42.2	-	-	
Marikana East	20.5%	UG	Ore (Mt)	4.459	4.279	0.52	0.53	4.98	4.81	-	-	MM/DR
			Cr ₂ O ₃ (%)	42.23	42.23	41.9	42.0	42.2	42.2	-	-	
Klipfontein / Waterval	20.5%	UG	Ore (Mt)	12.278	11.852	22.46	22.94	34.74	34.79	100.7	101.1	MM/DR
			Cr ₂ O ₃ (%)	42.06	42.08	42.0	42.0	42.0	42.0	42	42	
Boshhoek	20.5%	OC/UG	Ore (Mt)	-	-	17.09	17.09	17.09	17.09	-	-	MM/DR
			Cr ₂ O ₃ (%)	-	-	40.5	40.5	40.5	40.5	-	-	
Townlands Extension 9	20.5%	UG	Ore (Mt)	-	-	12.94	12.94	12.94	12.94	-	-	MM/DR
			Cr ₂ O ₃ (%)	-	-	41.4	41.4	41.4	41.4	-	-	
Total			Ore (Mt)	58.347	55.121	58.55	61.11	116.90	116.23	101.4	101.8	
			Cr ₂ O ₃ (%)	42.05	42.09	41.4	41.5	41.7	41.8	42	42	

BUSHVELD COMPLEX - EASTERN LIMB

EASTERN CHROME MINES - MG1 Chromitite Layer												
Thornccliffe	20.50%	UG/OC	Ore (Mt)	45.095	39.814	3.60	10.16	48.70	49.98	-	0.02	SV/DR
			Cr ₂ O ₃ (%)	42.21	40.16	40.9	41.2	42.1	40.4	-	42	
Helena	20.50%	UG/OC	Ore (Mt)	23.396	23.763	13.02	12.77	36.42	36.54	10.4	10.2	SV/DR
			Cr ₂ O ₃ (%)	39.8	39.81	38.5	38.5	39.3	39.3	38	38	
De Grooteboom	20.50%	UG/OC	Ore (Mt)	1.037	1.037	0.50	0.50	1.54	1.54	-	-	SV/DR
			Cr ₂ O ₃ (%)	40.22	40.22	40.3	40.3	40.2	40.2	-	-	
Richmond	20.50%	UG	Ore (Mt)	1.774	0.578	23.22	21.83	24.99	22.41	24.6	29.2	SV/DR
			Cr ₂ O ₃ (%)	41.23	40.95	41.1	41.2	41.1	41.2	41	41	
St George	20.50%	UG	Ore (Mt)	0.715	0.981	4.39	3.95	5.10	4.94	18.5	19.9	SV/DR
			Cr ₂ O ₃ (%)	40.41	40.21	39.7	39.5	39.8	39.6	40	40	
Total - MG1			Ore (Mt)	72.017	66.172	44.73	49.23	116.75	115.40	53.5	59.2	
			Cr ₂ O ₃ (%)	41.36	40.04	40.2	40.9	40.9	40.2	40	40	
EASTERN CHROME MINES - MG2 Chromitite Layer												
Thornccliffe	20.50%	UG/OC	Ore (Mt)	-	-	-	-	-	-	41.8	41.8	SV/DR
			Cr ₂ O ₃ (%)	-	-	-	-	-	-	38	38	
Helena	20.50%	UG/OC	Ore (Mt)	-	-	-	-	-	-	85.4	85.4	SV/DR
			Cr ₂ O ₃ (%)	-	-	-	-	-	-	38	38	
De Grooteboom	20.50%	UG/OC	Ore (Mt)	-	-	-	-	-	-	-	-	SV/DR
			Cr ₂ O ₃ (%)	-	-	-	-	-	-	-	-	
Richmond	20.50%	UG	Ore (Mt)	-	-	-	-	-	-	-	-	SV/DR
			Cr ₂ O ₃ (%)	-	-	-	-	-	-	-	-	
St George	20.50%	UG	Ore (Mt)	-	-	-	-	-	-	-	-	SV/DR
			Cr ₂ O ₃ (%)	-	-	-	-	-	-	-	-	
Total - MG2			Ore (Mt)	-	-	-	-	-	-	127.2	127.2	
			Cr ₂ O ₃ (%)	-	-	-	-	-	-	38	38	
Total - MG1 and MG2			Ore (Mt)	72.017	66.172	44.73	49.23	116.75	115.40	181.7	186.4	
			Cr ₂ O ₃ (%)	41.36	40.04	40.2	40.4	40.9	40.2	38	39	
Total Chrome - East and West												
			Chrome Ore (Mt)	130.364	121.294	103.29	110.34	233.65	231.63	282.1	288.2	
			Cr ₂ O ₃ (%)	41.67	40.97	40.9	41.0	41.3	41.0	40	40	

BUSHVELD COMPLEX - WESTERN LIMB

WESTERN CHROME MINES - Tailings												
Kroondal Dam	20.50%	Tailings	(Mt)	-	-	-	-	-	-	1.62	1.52	MM
			Cr ₂ O ₃ (%)	-	-	-	-	-	-	17.1	16.2	
Waterval East Dam	20.50%	Tailings	(Mt)	-	-	-	-	-	-	0.94	0.94	MM
			Cr ₂ O ₃ (%)	-	-	-	-	-	-	18.5	18.5	
Waterval West Dam	20.50%	Tailings	(Mt)	-	-	-	-	-	-	0.26	0.26	MM
			Cr ₂ O ₃ (%)	-	-	-	-	-	-	16.9	16.9	
Cashan Dam	20.50%	Tailings	(Mt)	-	-	-	-	-	-	0.03	0.03	MM
			Cr ₂ O ₃ (%)	-	-	-	-	-	-	16.9	16.9	
Subtotal			Tailings (Mt)	-	-	-	-	-	-	2.86	2.76	
			Cr ₂ O ₃ (%)	-	-	-	-	-	-	17.5	17.0	

BUSHVELD COMPLEX - EASTERN LIMB

EASTERN CHROME MINES - Tailings												
Thornccliffe Dam	20.50%	Tailings	(Mt)	-	-	-	-	-	-	4.61	4.35	SV
			Cr ₂ O ₃ (%)	-	-	-	-	-	-	19.8	19.9	
Helena Paste	20.50%	Tailings	(Mt)	-	-	-	-	-	-	0.25	0.25	SV
			Cr ₂ O ₃ (%)	-	-	-	-	-	-	17.2	17.2	
Subtotal		Tailings (Mt)		-	-	-	-	-	-	4.86	4.60	
			Cr ₂ O ₃ (%)	-	-	-	-	-	-	19.6	19.7	

Notes :

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

Grades are quoted as %Cr₂O₃.

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. The chromitite layers show exceptional regional grade consistency and continuity.

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

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

The Mineral Reserves are estimated and declared for a mining footprint of 5 years. Some areas have footprints that extend beyond 5 years. The LOM periods for the operating mines based on all the Mineral Resources (excluding Inferred Mineral Resources) converted to Mineral Reserves vary from 13 years to over 30 years. The Mining Rights expire from 2022 to 2039 for the various operating mines.

Competent Persons;

PJG – Pieter-Jan Gräbe, Glencore Operations SA, (SACNASP – 400188/87). Lead Competent Person for Mineral Resources and Mineral Reserves.

SV – Solly Vaid, Glencore Operations, Eastern Chrome Mines, (PLATO – MS 0114). Responsible for Mineral Resources and Mineral Reserves.

MM – Mogomotsi Maputle, Glencore Operations SA, Western Chrome Mines, (SACNASP – 400071/14). Responsible for Mineral Resources and Mineral Reserves.

DR –Dean Richards, Obsidian Consulting Services (SACNASP – 400190/08). Responsible for geostatistical analysis of data, Mineral Resource classification and construction of tonnage and grade block models and reporting of tonnage and grades from block models.

Chrome Mineral Reserve Statement

Name of operation	Attributable Portion	Mining method	Commodity	Proved Ore Reserves		Probable Ore Reserves		Total Ore Reserves		Competent Person
				31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19	
BUSHVELD COMPLEX - WESTERN LIMB										
WESTERN CHROME MINES – LG6 Chromitite Package										
Waterval	20.50%	UG	Ore (Mt)	-	8.692	-	0.93	-	9.63	MM/DR
			Cr ₂ O ₃ (%)	-	31.38	-	26.5	-	30.9	
Marikana West	20.50%	UG	Ore (Mt)	-	0.131	-	-	-	0.13	MM/DR
			Cr ₂ O ₃ (%)	-	29.66	-	-	-	29.7	
Kroondal	20.50%	UG/OC	Ore (Mt)	2.476	2.523	0.54	0.56	3.02	3.09	MM/DR
			Cr ₂ O ₃ (%)	28.96	29.05	28.1	28.1	28.8	28.9	
Kroondal Gemini	20.50%	UG/OC	Ore (Mt)	7.635	5.764	1.93	4.11	9.57	9.87	MM/DR
			Cr ₂ O ₃ (%)	30.73	30.96	30.1	28.6	30.6	30.0	
Marikana East	20.50%	UG	Ore (Mt)	-	0.031	-	-	-	0.03	MM/DR
			Cr ₂ O ₃ (%)	-	28.28	-	-	-	28.3	
Klipfontein / Waterval	20.50%	UG	Ore (Mt)	0.307	0.650	0.08	0.46	0.39	1.11	MM/DR
			Cr ₂ O ₃ (%)	27.99	28.43	28.3	28.3	28.1	28.4	
Boshhoek	20.50%	UG/OC	Ore (Mt)	-	-	0.58	0.58	0.58	0.58	MM/DR
			Cr ₂ O ₃ (%)	-	-	26.1	26.1	26.1	26.1	
Townlands Extension 9	20.50%	UG	Ore (Mt)	-	-	-	-	-	-	MM/DR
			Cr ₂ O ₃ (%)	-	-	-	-	-	-	
Total			Ore (Mt)	10.418	17.791	3.13	6.65	13.55	24.44	
			Cr ₂ O ₃ (%)	30.23	30.79	29.0	28.0	29.9	30.0	

BUSHVELD COMPLEX - EASTERN LIMB

EASTERN CHROME MINES - MG1 Chromitite Layer										
Thornccliffe	20.50%	UG/OC	Ore (Mt)	22.959	20.406	-	6.64	22.96	27.05	SV/DR
			Cr ₂ O ₃ (%)	34.31	33.54	-	34.1	34.3	33.7	
Helena	20.50%	UG/OC	Ore (Mt)	4.271	4.148	-	-	4.27	4.15	SV/DR
			Cr ₂ O ₃ (%)	29.15	31.71	-	-	29.2	31.7	
De Grooteboom	20.50%	UG/OC	Ore (Mt)	-	-	-	-	-	-	SV/DR
			Cr ₂ O ₃ (%)	-	-	-	-	-	-	
Richmond	20.50%	UG	Ore (Mt)	0.417	-	1.81	2.04	2.23	-	MM/DR
			Cr ₂ O ₃ (%)	36.36	-	34.9	31.9	35.1	-	
St George	20.50%	UG	Ore (Mt)	-	-	-	-	-	-	MM/DR
			Cr ₂ O ₃ (%)	-	-	-	-	-	-	
Total - MG1			Ore (Mt)	27.647	24.554	1.81	8.68	29.46	31.19	
			Cr ₂ O ₃ (%)	33.54	33.23	34.9	33.6	33.6	33.4	
EASTERN CHROME MINES - MG2 Chromitite Layer										
Thornccliffe	20.50%	UG/OC	Ore (Mt)	-	-	-	-	-	-	SV/DR
			Cr ₂ O ₃ (%)	-	-	-	-	-	-	
Helena	20.50%	UG/OC	Ore (Mt)	-	-	-	-	-	-	SV/DR
			Cr ₂ O ₃ (%)	-	-	-	-	-	-	
De Grooteboom	20.50%	UG/OC	Ore (Mt)	-	-	-	-	-	-	SV/DR
			Cr ₂ O ₃ (%)	-	-	-	-	-	-	

			Cr ₂ O ₃ (%)	-	-	-	-	-	-
Richmond	20.50%	UG	Ore (Mt)	-	-	-	-	-	SV/DR
			Cr ₂ O ₃ (%)	-	-	-	-	-	
St George	20.50%	UG	Ore (Mt)	-	-	-	-	-	SV/DR
			Cr ₂ O ₃ (%)	-	-	-	-	-	
Total - MG2			Ore (Mt)	-	-	-	-	-	
			Cr ₂ O ₃ (%)	-	-	-	-	-	
Total - MG1 and MG2			Ore (Mt)	27.647	24.554	1.81	8.68	29.46	31.19
			Cr ₂ O ₃ (%)	33.5	33.2	34.9	33.6	33.6	33.4

BUSHVELD COMPLEX - TOTAL

Total - Chrome	Chrome Ore (Mt)	38.066	42.345	4.94	15.33	43.01	55.64
	Cr ₂ O ₃ (%)	32.64	32.20	31.1	31.2	32.5	31.9

Notes;

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

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 Mineral Reserve tonnage to accommodate the mechanized mining equipment employed by the underground mining operations. External waste is included to make up the minimum cut where applicable.

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

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

Competent Persons;

PJG – Pieter-Jan Gräbe, Glencore Operations SA, (SACNASP – 400188/87). Lead Competent Person for Mineral Resources and Mineral Reserves.

SV – Solly Vaid, Glencore Operations, Eastern Chrome Mines, (PLATO – MS 0114). Responsible for Mineral Resources and Mineral Reserves.

MM – Mogomotsi Maputle, Glencore Operations SA, Western Chrome Mines, (SACNASP – 400071/14). Responsible for Mineral Resources and Mineral Reserves.

DR –Dean Richards, Obsidian Consulting Services (SACNASP – 400190/08). Responsible for geostatistical analysis of data, Mineral Resource classification and construction of tonnage and grade block models and reporting of tonnage and grades from block models.

Silica Mineral Resources

Name of operation	Attributable Portion	Mining method	Commodity	Measured Mineral Resources		Indicated Mineral Resources		Measured and Indicated Resources		Inferred Mineral Resources		Competent Person
				31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19	
MAGALIESBERG QUARTZITE FORMATION												
Rietvly Silica Mine - Quartzite												
Rietvly	20.5%	OC	Ore (Mt)	-	-	21.80	21.87	21.80	21.87	-	-	MM
			SiO ₂ (%)	-	-	90.76	90.76	90.76	90.76	-	-	
Total			Ore (Mt)	-	-	21.80	22.23	21.80	22.23	-	-	
			SiO ₂ (%)	-	-	90.76	90.76	90.76	90.76	-	-	

Silica Mineral Reserves

Name of operation	Attributable Portion	Mining method	Commodity	Proved Ore Reserves		Probable Ore Reserves		Total Ore Reserves		Competent Person
				31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19	
MAGALIESBERG QUARTZITE FORMATION										
Rietvly Silica Mine - Quartzite										
Rietvly	20.5%	OC	Ore (Mt)	-	-	1.56	1.66	1.56	1.66	MM
			SiO ₂ (%)	-	-	91	91	91	91	
Total			Ore (Mt)	-	-	1.56	1.66	1.56	1.66	
			SiO ₂ (%)	-	-	91	91	91	91	

Notes;

Tonnages are quoted as million metric dry tonnes

Grades are quoted as %SiO₂.

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

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

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

The LOM for Rietvly Silica is 5 years based on the declared Mineral Reserves and a production rate of ~31.0ktpm Plant Feed. The Mining Right expires in 2037.

Competent Person;

PJG – Pieter-Jan Gräbe, Glencore Operations SA, (SACNASP – 400188/87). Lead Competent Person for Mineral Resources and Mineral Reserves.

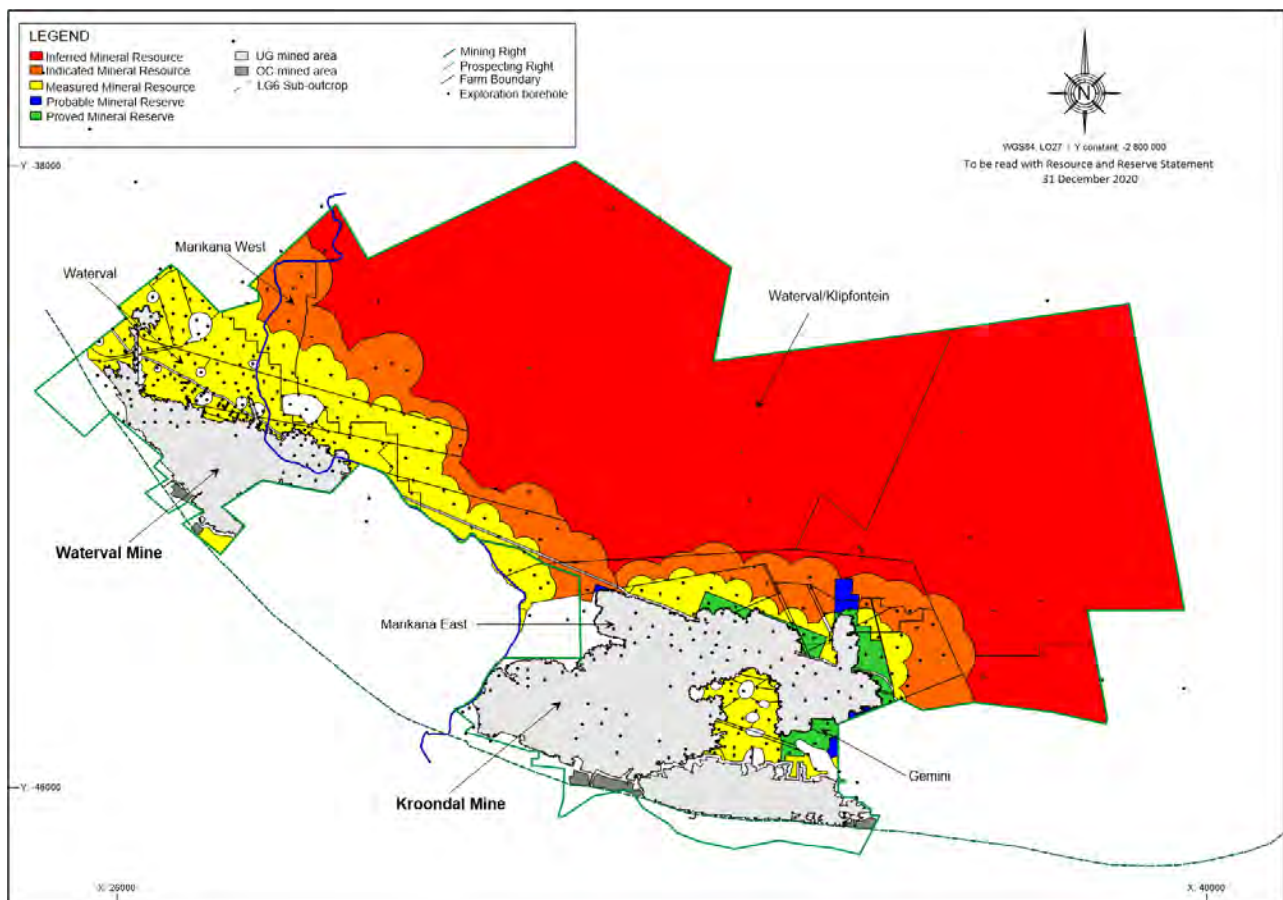
MM – Mogomotsi Maputle, Glencore Operations SA, Western Chrome Mines, (SACNASP – 400071/14). Responsible for Mineral Resources and Mineral Reserves.

MINERAL RESOURCE AND MINERAL RESERVE MAPS

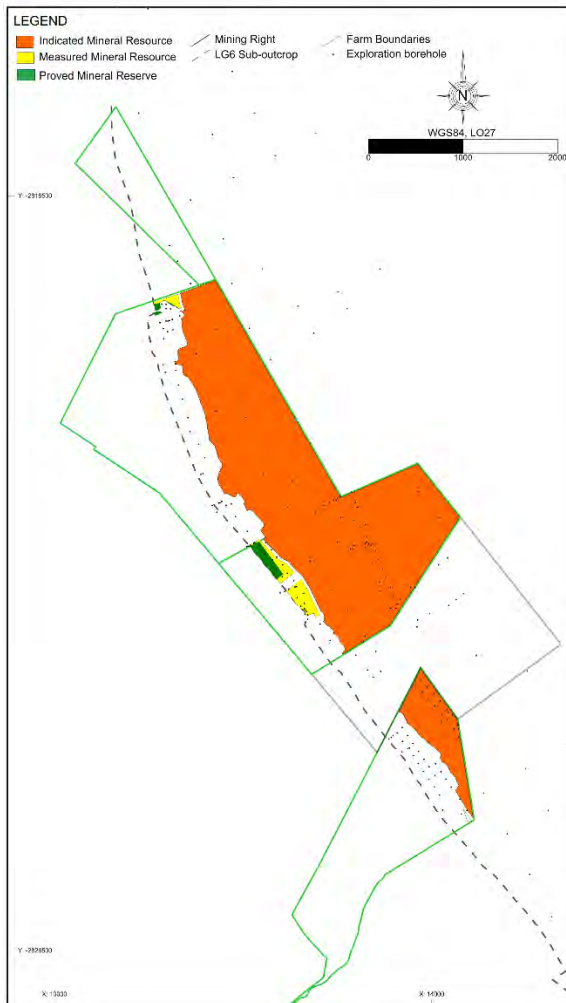
The plans below indicate the various Mineral Resource and Mineral Reserve categories of the Venture. 12.13 (iii) (12)

Chrome - Bushveld Complex, Western Limb.

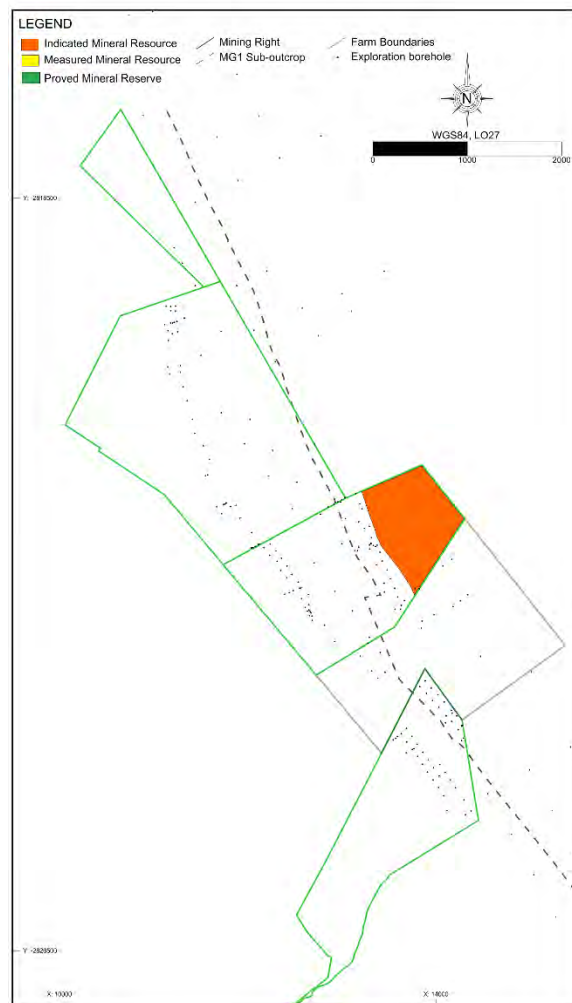
Waterval and Kroondal Mines - LG6 Chromitite Package Mining.



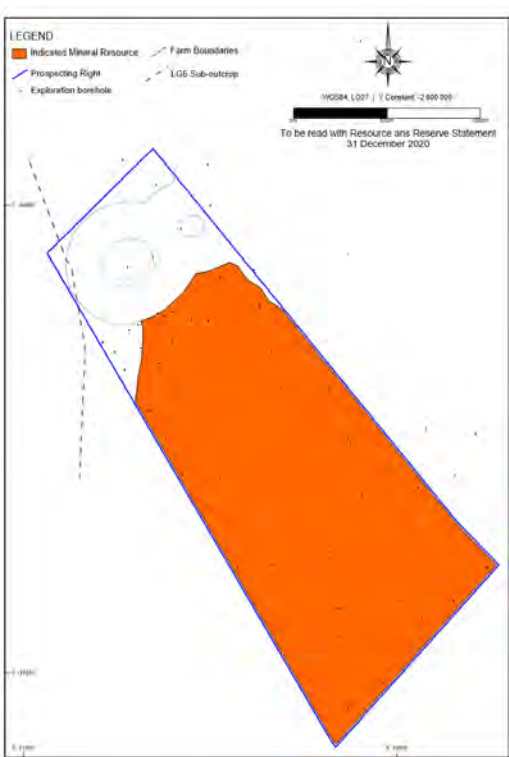
Boshhoek Mine- LG6 Chromitite Layer.



Boshhoek Mine - MG1 Chromitite Layer.

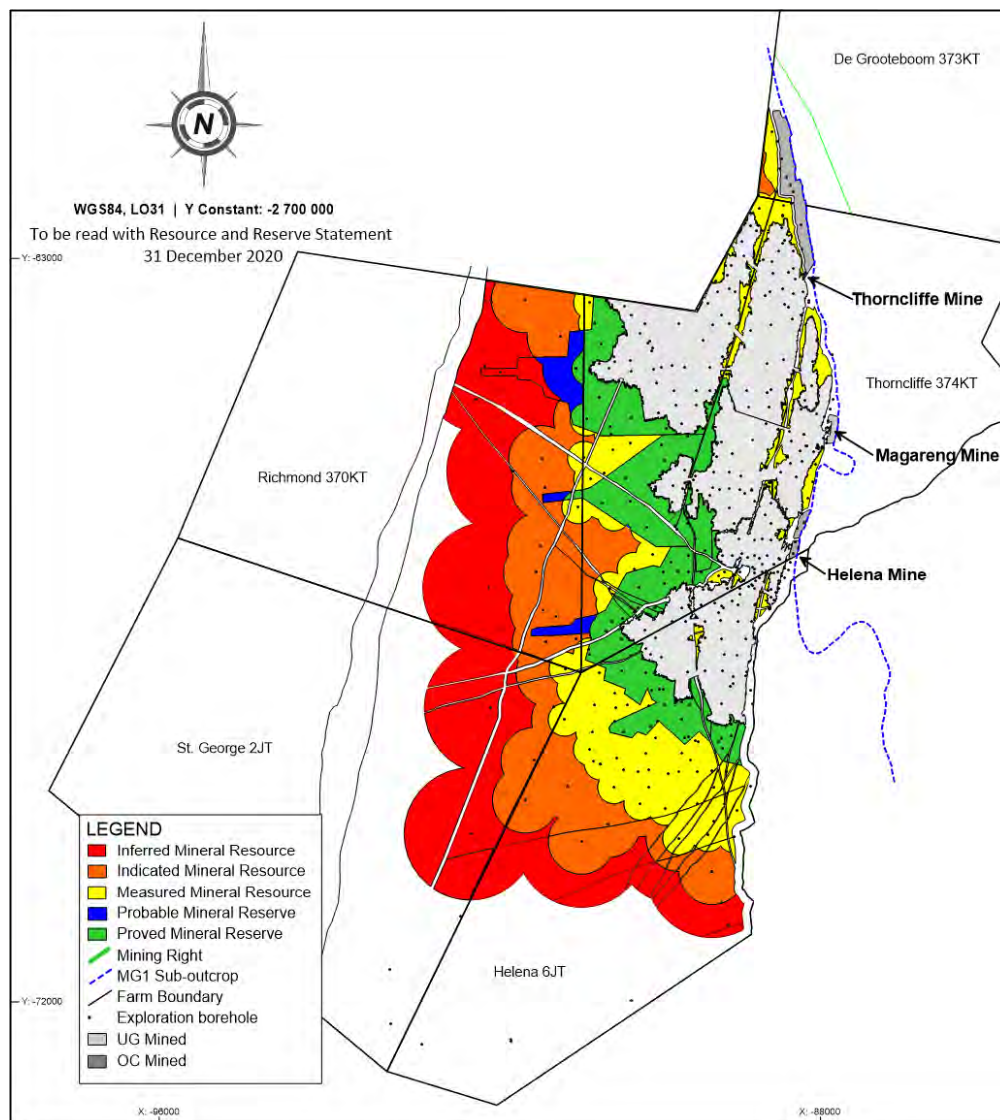


Extension 9 - LG6 Chromitite Package.



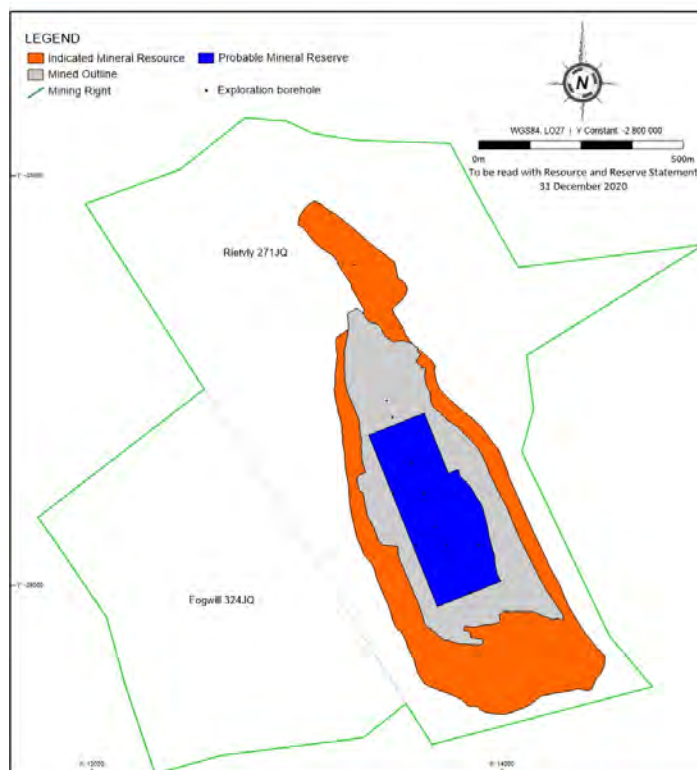
Chrome - Bushveld Complex, Eastern Limb

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



Silica

Rietvly Silica Mine





MERAFE
RESOURCES

Appendix 2 **Remuneration** **Policy**

31 December 2020

Contact details

Merafe Resources Limited

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TABLE OF CONTENTS

1. REMUNERATION POLICY	4
1.1. REMUNERATION PHILOSOPHY, STRATEGY AND POLICY	4
1.2. REMUNERATION AND NOMINATION COMMITTEE	5
1.3. EXECUTIVE PAY MIX	7
1.4. GUARANTEED PAY	8
1.5. SHORT TERM INCENTIVES (STI)	9
1.6. LONG TERM INCENTIVES	11
1.7. CONTRACTS OF EMPLOYMENT	17
1.8. RETENTION MEASURES	17
1.9. MALUS AND CLAWBACK	17
1.10. NON-EXECUTIVE DIRECTORS' FEES	18
1.11. REVIEW	18

1. Remuneration Policy

1.1. REMUNERATION PHILOSOPHY, STRATEGY AND POLICY

Remuneration philosophy

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

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

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

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

Remuneration strategy

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

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

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

Remuneration policy

The key principles of the remuneration policy are that:

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

1.2. REMUNERATION AND NOMINATION COMMITTEE

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

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

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

- Have no personal interest in the outcome of their decisions;
- Give due regard to the interest of the shareholders and the financial and commercial health of the Company;
- Take cognizance of market related remuneration, incentive bonuses and share incentive schemes as well as market trends; and in addition
- Play an active role in succession planning activities, notably for the chief executive officer and executive management.

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

The Committee shall also take into account a number of principles, being inter alia:

- Industry standards and comparisons with businesses in the same industry;
- Expertise and qualifications of individuals;
- The risks associated with companies in the mining sector;
- The importance of the individual to the Company and his/her contribution;

- Retention measures and motivation for the executive not to leave the Company;
- Restraint of trade provisions; and
- Nature of the position (role expectations, work load, etc.).

1.3. EXECUTIVE PAY MIX

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

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

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

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

Table 1: Target reward mix for Chief Executive Officer (%)

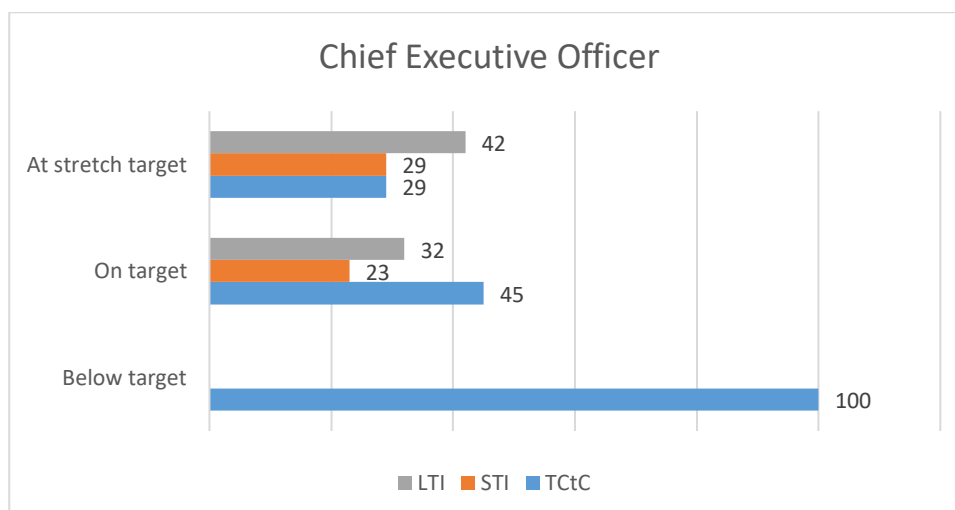
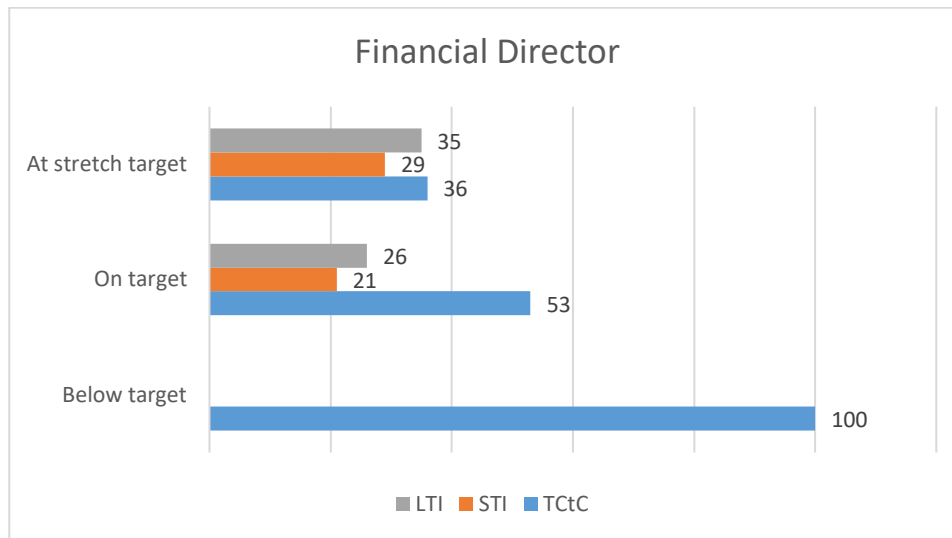


Table 2: Target reward mix for Financial Director (%)



1.4. GUARANTEED PAY

Merafe aims to establish and maintain an integrated pay line with pay levels that ensure that it is able to remain competitive, while managing costs. Executive remuneration in respect of guaranteed pay is expressed in terms of TCtC.

An employee's TCtC consists of the following elements:

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

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

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

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

1.5. SHORT TERM INCENTIVES (STI)

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

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

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

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

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

Although measures and targets are determined at the start of the performance period, the Board may revise these measures and targets should prevailing business conditions indicate this to be

necessary or in response to any other changes in the operating environment. All such changes, which represent the discretionary aspect of the policy, will be disclosed on an annual basis.

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

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

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

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

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

Position	Maximum% TCtC
CEO	100%
FD	80%
Senior management	60%
Management	50%
Administrative staff	30%

The total pool for incentives that become available for distribution will not be exceeded at any time. STI potential is benchmarked between the median and 75th percentile of the relevant market which is deemed appropriate when considered along with the guaranteed pay benchmarked at between the median and 25th percentile of the market.

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

1.6. LONG TERM INCENTIVES

Background

The purpose of the share incentive scheme is:

- To serve as an incentive and to reward employees of the Company and its subsidiaries for services rendered and to be rendered;
- To promote the continued growth of the Company by giving employees an opportunity to acquire shares in the Company;
- To serve as a retention mechanism for employees whose services are regarded by the Company as crucial to the future growth and sustainability of the business.

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

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

Eligibility and participation

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

Shares to be allocated

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

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

Vesting rules and settlement

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

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

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

Participation and termination rules

In the event of an employee leaving the group for a reason approved by the directors, such as retirement or disability (no fault terminations), all performance shares granted will vest, subject to the application of performance conditions. No pro-ration of shares will apply. All approved terminations will be disclosed on an annual basis.

In the event of the death of an employee, all performance shares allocated will vest with no performance conditions or pro-ration applied.

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

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

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

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

Performance vs. retention shares

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

The balance between performance oriented share grants and the retention oriented share grants for the CEO was weighted 70% in favour of the performance oriented share grants. For executive directors and senior managers these percentages were (respectively) 60% and 50%. All other participants received only retention oriented share grants.

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

Table 3: Revised LTI allocation policy

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

All future share allocations will be performance based. In order to balance back to the reward mix and expected outcomes, the targeted value of the share allocation as a percentage of TCtC was increased as per Table 3 as it is not expected that all performance based shares will vest at the end of the period.

Performance criteria

The performance criteria for all existing performance oriented share grants will remain in place, but future grants will be governed by two metrics, (1) Comparison of Merafe's Total Shareholder Return ("TSR") over a three year period with that of a selection of JSE listed, small cap mining and resources companies, and (2) Growth in Headline Earnings per share (CPI + a specified percentage as determined by the Board) over a three year period. The two measures will weigh 50/50 or as determined by the Board from time to time. Measures will be applied per performance share allocation and will remain in force for the duration of the performance period. Performance

measures and targets are approved for and applicable to a specific performance period. No retesting of performance conditions is allowed.

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

Performance measure I: Total Shareholder Return

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

Table 4: TSR Comparator Group (revised for 2020)

No	Company	Ticker
1	Royal Bafokeng Platinum	RBP
2	Harmony Gold Mining Company	HAR
3	Pan African Resources plc	PAN
4	Merafe Resources Ltd	MRF
5	Tharisa plc	THA
6	MC Mining Limited	MCZ
7	DRDGold Ltd	DRD
8	Wesizwe Platinum Ltd	WEZ
9	Hulamin Ltd	HLM
10	Arcelor Mittal Ltd	ACL
11	Northam Platinum Ltd	NHM
12	Wescoal	WSL

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

- 50% of performance shares allocated will be subject to performance against the TSR measure;
- If Merafe's TSR over the three year period places it in one of the top four positions, then the full number of performance granted shares subject to this measure will vest in equal proportions on the 3rd, 4th, & 5th anniversaries of their grant;
- If Merafe's performance over the three year period places it in 5th position, then two thirds of the number of performance granted shares will vest in equal proportions on the 3rd, 4th, & 5th anniversaries of their grant;
- If Merafe's TSR over the three year period places it in 6th position, then one third of the number of performance granted shares will vest in equal proportions on the 3rd, 4th, & 5th anniversaries of their grant; and

- If Merafe's TSR over the three year places it below 6th position, then none of the performance shares will vest.

Table 5 below provides details of the revised vesting schedule for performance shares subject to the TSR measure:

Table 5: Revised vesting schedule TSR

Vesting schedule over three years - Total Shareholder Return (TSR)	
Merafe TSR position/ ranking relative to peers	Vesting quantity % of allocation*
Position 1 - 4	100%
Position 5	66.6%
Position 6	33.3%
Position 7 - 10	0%
Position less than 10	0%
* Vesting over three years in equal portion	

Performance measure II: Growth in Headline Earnings per share (HEPS)

Assuming that the performance targets below are set by the Board as illustrated in **Table 6**, vesting of the performance based share grants will be in accordance with the following policy:

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

Table 6: Vesting schedule for Growth in HEPS measure

Vesting schedule over three years - Growth in HEPS	
HEPS target	Vesting quantity % of allocation* Proposed
On target CPI + 2%p.a.	100%
Threshold CPI + 1% p.a.	50%
Below threshold	0%
* Vesting over three years in equal portion	

LTI offer policy

The following principles will govern the LTI offer policy:

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

1.7. CONTRACTS OF EMPLOYMENT

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

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

In the event of a change of control of the Company (As defined in the Companies Act) where the Company no longer required an executive to fulfil their specific role post the change of control, the Company shall pay to the executive 12 months remuneration on the last day of the notice period and after completion of handover of duties, for existing executives as at 2019. From 2020 onwards all newly appointed executives will have their termination payments aligned to their contractual notice period.

1.8. RETENTION MEASURES

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

1.9. MALUS AND CLAWBACK

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

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

The Board reserves the right to cancel any share allocation for all or individual participants if during the vesting period there is evidence of serious underperformance or misrepresentation of

information e.g. gross negligence, overstatement of performance, unnecessary risk taking, poor governance and non-compliance.

1.10. NON-EXECUTIVE DIRECTORS' FEES

The remuneration of non-executive directors is provided in the context of good governance, and is primarily based upon a methodology which takes into account expertise, contribution by the director and attendance. Standard duties of non-executive directors include preparation for and attendance at Board meetings, AGMs and results presentations. If required, the directors may be requested to perform work outside of their standard duties and for this they will be remunerated based upon the time spent and their level of expertise. Non-executive directors' pay is aimed at aligning with remuneration principles applicable to executive pay.

Independent benchmark advice is sought on an annual basis as to levels of remuneration for non-executive directors and the intent is to target remuneration between the lower quartile (25th percentile) to the median quartile (50th percentile) of listed companies of a similar size (comparator or peer group), in order to ensure that appropriately qualified and experienced directors are appointed.

Non-executive directors' fees are tabled for approval by the shareholders of the company on an annual basis. The fees paid to different roles such as chairman may vary from the fees paid to other non-executive directors.

Fees are split between a retainer (60%) and per meeting fee (40%), which is aligned to industry practice.

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

1.11. REVIEW

This policy was approved by the Company in February 2021 and will be reviewed annually against current legislation and practice for approval by shareholders during the Annual General Meeting.

