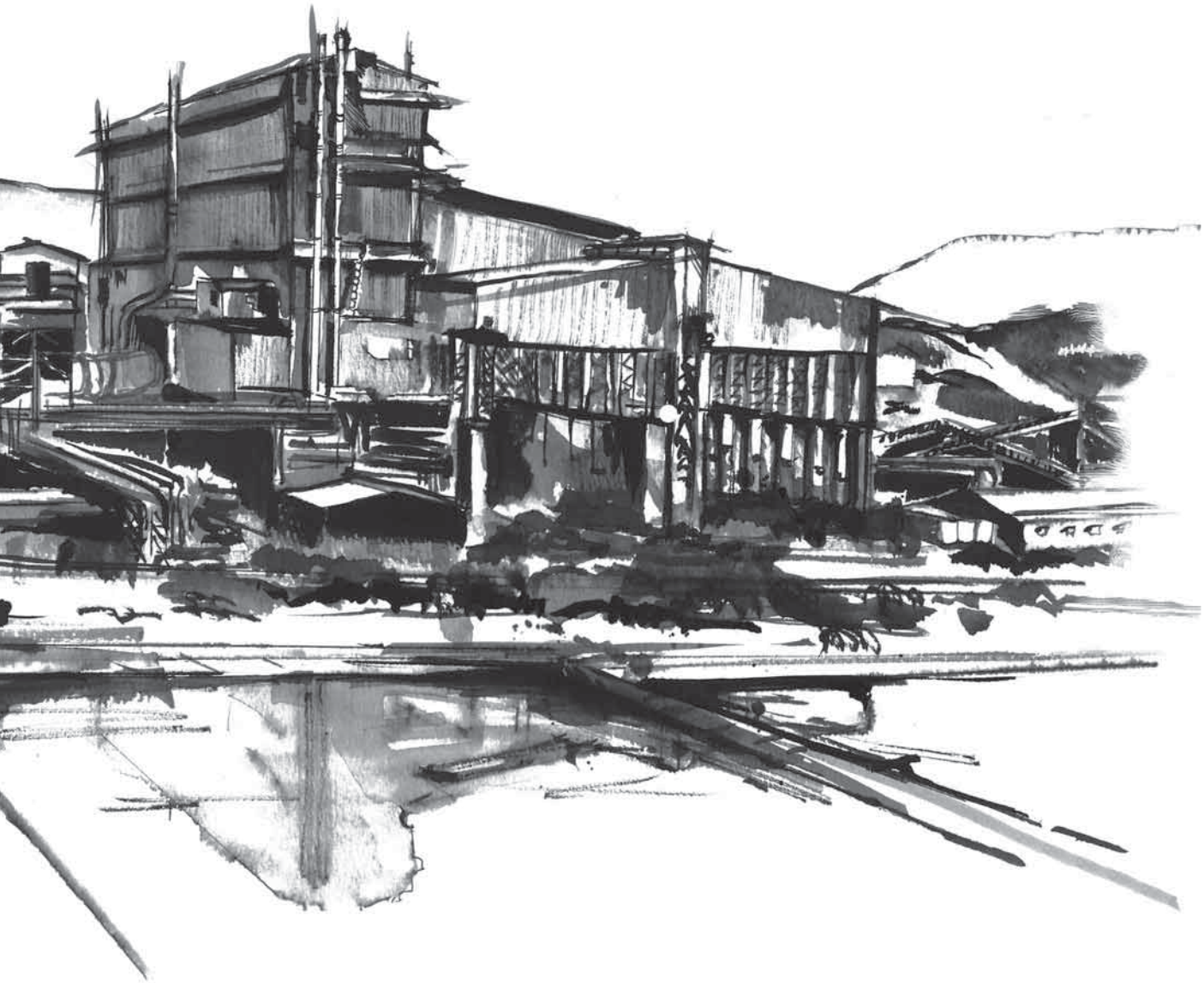
MERAFE
RESOURCES

2013 INTEGRATED ANNUAL REPORT



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54 **NOTICE OF THE ANNUAL GENERAL MEETING AND PROXY FORM**

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

ABOUT THE FIVE CAPITALS MODEL

The five capitals model we have adopted provides a basis for understanding sustainability in terms of the economic concept of wealth creation or 'capital'. A sustainable organisation will maintain and where possible enhance these stocks of capital assets, rather than deplete or degrade them. The model allows business to broaden its understanding of financial sustainability by allowing business to consider how wider environmental and social issues can affect long-term profitability.

Our annual financial statements form part of our online integrated annual report for 2013. They are also available from our Company Secretary (ami@meraferesources.co.za) in either electronic or printed format.

We would welcome your feedback on our reporting for 2013 and any suggestions you have in terms of what you would like to see incorporated in our report for 2014. Please contact our Finance and Investor Relations Manager Kajal Bissessor at kajal@meraferesources.co.za.

Icons used in this report



This icon refers to further reading



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

ABOUT THIS REPORT

We are pleased to present to you the integrated annual report for the Merafe Group, which includes Merafe Resources Limited (Merafe), a company listed on the JSE Limited, and Merafe Ferrochrome and Mining Proprietary Limited (Merafe Ferrochrome) for the year ended 31 December 2013. The scope of this report includes Merafe, its subsidiaries and the Glencore-Merafe Chrome Venture (the Venture), which was previously known as the Xstrata-Merafe Chrome Venture. There has been no significant change in our size, structure, ownership or products and there are no specific limitations on the scope or boundary of this report.

We published our previous integrated annual report, for the reporting period ended 31 December 2012, in 2013. This year, in the interests of conciseness, we have taken a new approach to our reporting. In the printed version of our integrated annual report we aim to provide a concise overview of our reporting for 2013. There are references throughout this report to additional information which is available on our website: www.meraferesources.co.za.

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 are proud of our reports and were delighted when our efforts in this regard resulted in our third integrated report winning the Small Cap section of the Chartered Secretaries Southern Africa/JSE Limited Annual Reports Awards for the second time in 2013.

We use the capitals model (natural, human, social, manufactured and financial capital) for our reporting, as recommended in the International Integrated Reporting Committee's Integrated Reporting Framework.

We depend on a variety of resources and relationships for our success. The extent to which we are depleting these or building them up has an important impact on the availability of the resources at our disposal and the relationships that support our long-term viability. The capitals model, by seeing these resources and relationships in terms of 'capital', provides us with a basis for understanding sustainability in terms of the economic concept of wealth creation or 'capital' and encourages us to consider how wider environmental and social issues can affect our long-term profitability.

In addition to following the recommendations contained in King III, the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC Code) and the JSE Limited Listings Requirements, we are guided by the Global Reporting Initiative's (GRI) G3.1 Guidelines and our internally developed policies and procedures, in terms of measuring our progress towards sustainability. We plan to report using the GRI's G4 Guidelines when preparing our integrated annual report for 2014. KPMG Services Proprietary Limited (KPMG Services) has performed a G4 gap analysis on this report as part of the current scope to assist with our transition to G4.

KPMG Inc. audits our annual financial statements.

In compliance with International Financial Reporting Standards (IFRS), an independent auditors' report is published in our annual financial statements which are available on our website.

In order to ensure that we provide our stakeholders with reliable and accurate information on material matters and key Merafe information, we engaged KPMG Services to provide independent assurance. The scope of their assurance is set out on page 49 and their assurance statement is available on our website. In addition, the data and information relating to the Venture as set out in this report is subject to the annual internal and external reviews, audits and processes set out on page 49 to ensure that the information relating to the Venture in this report is accurate and reliable.



FORWARD LOOKING STATEMENT

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

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

ORGANISATIONAL OVERVIEW

OUR BUSINESS

We are listed on the JSE Limited in the General Mining sector under the share code MRF. Currently, the main focus of our business is on the 20.5% participation of our wholly owned subsidiary, Merafe Ferrochrome and Mining Proprietary Limited, 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 Royal Bafokeng Holdings and the Industrial Development Corporation. (See page 52 for more detailed shareholder information.)

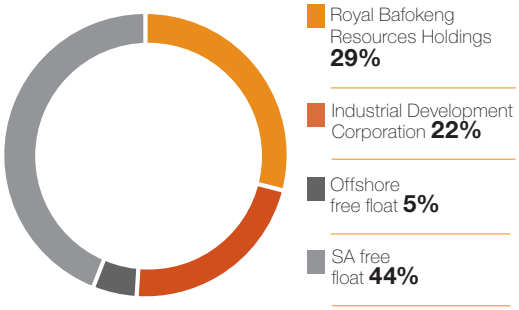
The Merafe group and Xstrata South Africa Proprietary Limited (Xstrata) formed the Venture in July 2004 when we pooled our chrome operations to create the largest ferrochrome producer in the world. Glencore's merger with Xstrata took place in May 2013. (See page 9 of the Strategic review for more information on Glencore.)

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 table on pages 18 and 50.

STAKEHOLDER RELATIONSHIPS

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

OUR SHAREHOLDING



EMPOWERMENT

Merafe has demonstrated its commitment to empowerment at both board and employee level in terms of the B-BBEE Act and Codes of Good Practice and the Mining Charter by exceeding the targets set by the Act and the Charter. See page 30 and 49 of this report for our performance in this regard.

Our shareholding exceeds the targets set by both the Act and the Charter.

83% of our board members are black

42% of our board members are women

67% of all our employees are black

GOVERNANCE AND SUSTAINABILITY

Our commitment to good governance and sustainability is reflected in our inclusion in the JSE Socially Responsible Investment (SRI) Index since its inception in 2003.

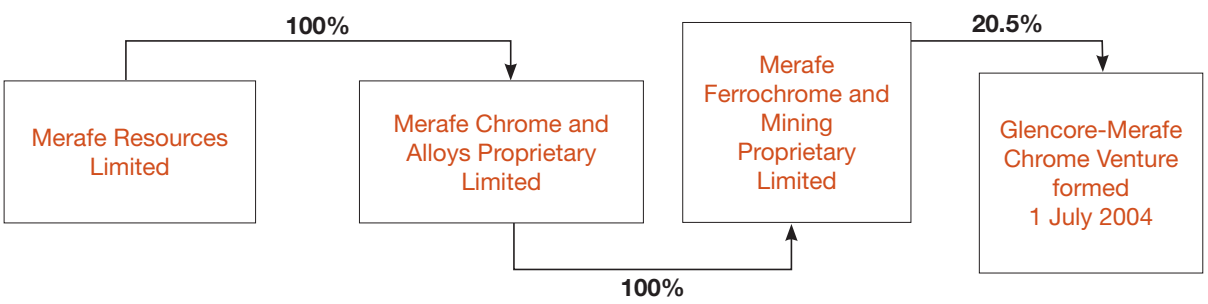
OUR MATERIAL ISSUES

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

OUR APPROACH TO RISK

We recognise that risk is inevitable in business and that it goes hand in hand with opportunity. We have established a risk management system that allows us to pursue business opportunities and grow shareholder value, monitor risk in our investments and develop and protect our people, the environment in which the Venture operates and our reputation. Our approach to risk management is discussed in the Transparency and accountability section of this report on page 48.

OUR GROUP STRUCTURE



YEAR IN REVIEW

ACHIEVEMENTS

- **38%** increase in revenue to R3.5 billion
- **78%** increase in EBITDA to R558 million
- **331%** increase in net profit to R211 million
- **112%** increase in headline earnings to 11c per share
- **23%** increase in ferrochrome sales volumes
- **32%** increase in Merafe attributable production to 319kt
- **5.2%** improvement in TRIFR from 4.05 to 3.84
- **2.9%** reduction in CO_2e generated per tonne of ferrochrome produced
- **7%** reduction in energy use per tonne of ferrochrome produced
- **Lion II** commissioning commences
- **Tswelopele** plant excellent first year performance

SUCCESSES

JSE SRI Index participant

Winner Small Cap section of Chartered Secretaries JSE Limited Annual Report Awards

Tswelopele pelletising and sintering plant winner of the industrial category of the 2013 Eskom eta awards for its ability to improve energy efficiency

CHALLENGES

Labour stability

Employee engagement

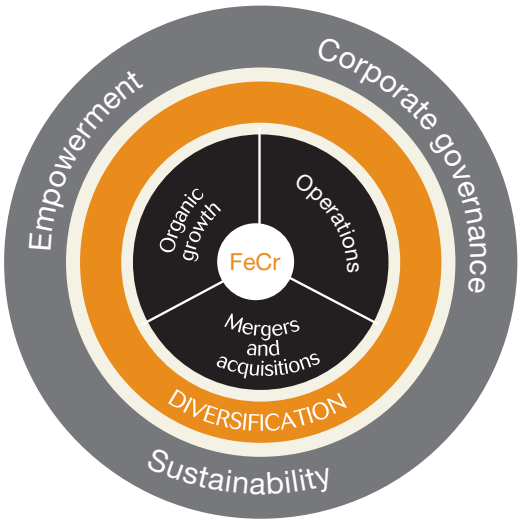
Electricity supply

DISAPPOINTMENTS

Two fatalities

4% decrease in the average European benchmark ferrochrome price to 116 USc/lb

OUR BUSINESS MODEL AND STRATEGY



Ferrochrome

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

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

Diversification

Our medium-term objective is not only to grow and improve our ferrochrome operations but to grow through diversification. We are engaging with our stakeholders in this regard and aim to diversify in the medium term. For more information see our CEO's Strategic review on pages 9 to 11.

STAKEHOLDERS

In this report we have identified material issues and risks that could impact the stakeholders of Merafe and the Venture. These issues and risks were identified during engagements that Merafe and the Venture had with their stakeholders. We provide an overview of our stakeholders issues on this page and a table setting out our stakeholders, our methods of engaging with them and the issues arising from these engagements form part of our online report. The material issues are set out on pages 7 and 8 of this report and our approach to risk can be found on page 48.

PROVIDERS OF DEBT	GOVERNMENT AND REGULATORS	MERAFE EMPLOYEES	OUR PARTNERS IN THE GLENCORE-MERAFE CHROME VENTURE	SUPPLIERS	SHAREHOLDERS AND INVESTORS
Impact on cash flow of rand/dollar exchange rate	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/dollar exchange rate on cash flow
Risk management	Tax compliance	Career opportunities	Risk management	Payment terms	Impact of ferrochrome prices on cash flow
Ability to repay borrowings	Employment equity	Training and skills development	Financial stability		Project progress and funding
Compliance with covenants	Empowerment credentials		Empowerment credentials		Sustainability
			Alignment of interests		Impact of industrial action
					Safety record
					Good governance

MERAFE RESOURCES

THE VENTURE

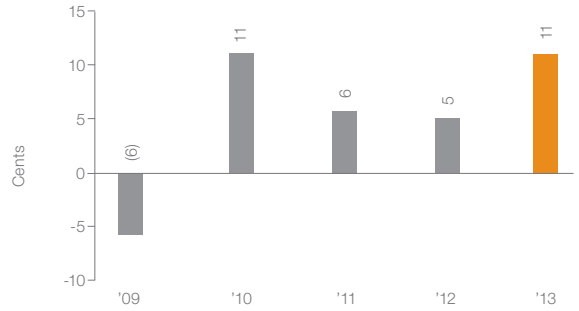
CUSTOMERS	GOVERNMENT AND REGULATORS	SUPPLIERS	COMMUNITIES	VENTURE EMPLOYEES	TRADE UNIONS
Pricing	Job creation	Contract terms	Infrastructure development	Health and safety	Training and skills development
Material availability	Training and development	Payment terms	Job creation	Career opportunities	Consultation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

FIVE YEAR HISTORICAL REVIEW OF KEY INDICATORS

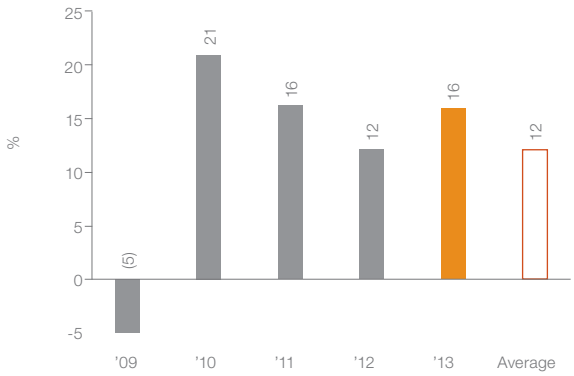
Safety statistics

	2013	2012	2011	2010	2009
Fatality frequency rate (FFR)	0.07	0.00	0.08	0.05	0.05
Total recordable injury frequency rate (TRIFR)	3.84	4.05	3.90	4.58	4.64

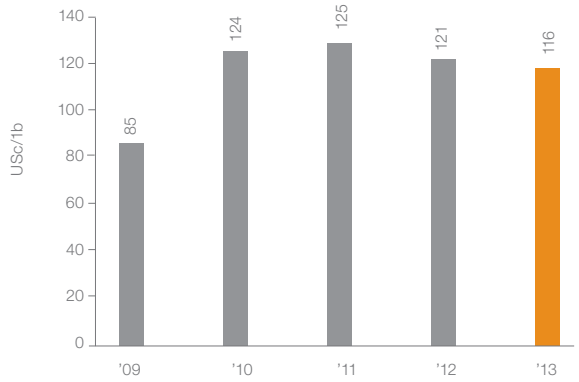
Headline earnings per share



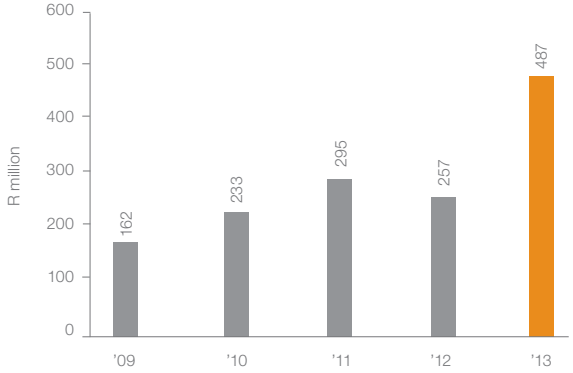
EBITDA margin on revenue



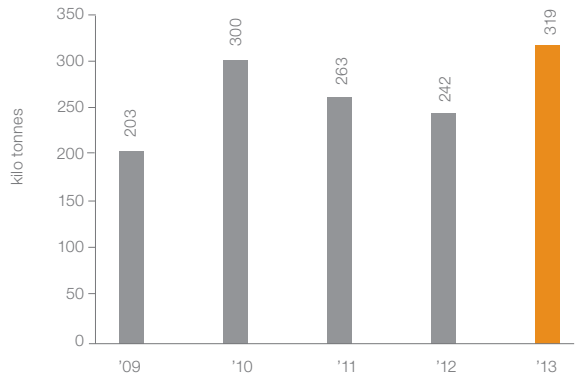
Average European benchmark ferrochrome price



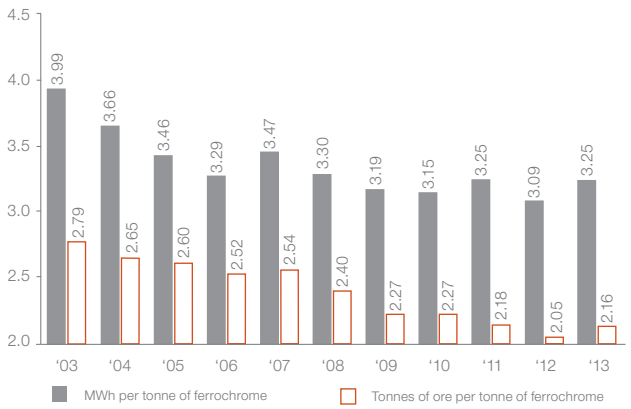
Cash generated from operating activities



Attributable production tonnes



Power and ore consumption efficiencies*



** The slight increase in MWh/t in 2013 was due to more production from the Venture's less efficient furnaces.*

OUR OPERATING CONTEXT

The global position of **ferrochrome**

Elements influencing the global demand for and pricing of ferrochrome

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



±90%
of the ferrochrome produced is used in stainless steel and specialty steels

±6%
growth rate forecast for stainless steel production in 2014

The role of ferrochrome 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 amazing properties to the metals with which it is alloyed. Add it to carbon steel in the form of ferrochrome and the steel becomes "stainless" – corrosion resistant, mechanically strong, heat resistant, hard wearing, shiny and glamorous. Stainless steel is used 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.

At the start of the 20th century world production of chromite was less than 100 000 tonnes. In 2000 it was 16 million tonnes. In 2013 it had risen to 34.4 million tonnes.

Key statistics for 2013

- Global ferrochrome production increased by 8% to approximately 10.3 million tonnes of ferrochrome
- Ferrochrome demand is expected to increase approximately 7% in 2014
- South Africa produced approximately 32% of global ferrochrome production in 2013
- China consumed approximately 5.7 million tonnes of ferrochrome in 2013

The South African **ferrochrome environment**

South African chrome industry

Facts

32%
of world's ferrochrome production supplied by South Africa in 2013

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

Provides over
200 000
direct and indirect jobs

Increasing production costs are a challenge

Electricity costs have more than doubled since 2007 and labour costs are increasing, as are the challenges in the socio-political environment

Our competitive advantage

- **Lowest-cost producer in South Africa**
- **Flexibility provided by variety of cost effective technologies**
- **25% saving in energy consumption per tonne of alloy produced achieved as a result of major investments in energy efficiency (Lion I and two new pelletising and sintering plants)**
- **Lion II project ramp up in 2014 will achieve further energy efficiencies**
- **Significant chrome ore reserves and access to UG2**

MATERIAL ISSUES

The directors' statement regarding the materiality determination process
As the board of Merafe we acknowledge our responsibility to ensure the integrity of the integrated report, including the determination of material issues. We acknowledge that we have applied our collective mind in determining the material issues for Merafe and have used the materiality process described below. We believe that this process is suitably designed to identify our material issues. The material issues disclosed in this section accurately reflect the outcome of this process and have taken into consideration our business model, operating context, stakeholder concerns and strategic plan.

Materiality determination process

- The board sets and approves three-year strategic plans for the company. During the interim years the board reviews and adjusts the strategic plan as necessary
- The board, through the Audit and Risk Committee and board strategic workshops, annually considers the risks (see page 48 of this report) the company may face and a risk matrix listing the risks and their importance is updated quarterly. There are approximately four board and four 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 40 of this report)
- During the annual integrated report process, the board and its committees assess the report to ensure our reporting is aligned in terms of strategy, key risks and issues material to both Merafe and its stakeholders

Issue	Possible impact	How we responded to the risks and opportunities this issue raised previously and during 2013
Strategy affected: Sustainability		
Global economic environment	The global economic environment can have a positive or negative impact on the demand for the ferrochrome and chrome ore the Venture produces. When it is doing well then demand increases and prices tend to follow suit. The volatility of the rand/dollar exchange rate also affects our profitability. This year, for instance, the fall in the value of the rand against the dollar has increased our profitability. All our stakeholders are affected by our ability to be profitable and sustainable.	We cannot influence the rand/dollar exchange rate or the global economy, and market demand dictates the price of ferrochrome. Both Merafe and the Venture can, however, take action to contain costs and remain profitable. The Venture's investment in increasing the energy efficiency of its operations and reducing the cost of the reductants makes it the lowest-cost producer in South Africa.
Strategy affected: Diversification		
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.	The board has approved our diversification strategy. We can use our empowerment credentials to seek diversification transactions which will enhance shareholder value and smooth returns. Our investment in the Venture's capital projects, which were funded from internal cash flows, delayed our diversification. These investments will come to an end in mid 2014, which frees us up to consider diversification opportunities.
Strategy affected: Sustainability		
Partnership in which we do not have a majority stake	By not being in control of our own destiny we could be negatively impacted by such a partnership. Decisions taken in the best interest of the Venture may on the other hand negatively impact Merafe. Both shareholders and employees stand to be affected by this issue.	Contractual provisions and increased participation interest, in addition to partnering with a world class operator and global ferrochrome leader, are all helpful in bolstering our overall sustainability. We also benefit from economies of scale. We continually strive to ensure the interests of both partners in the Venture are aligned and to maintain strong relationships between both management teams based on mutual respect.
Strategy affected: Sustainability and Diversification		
Empowerment credentials	These credentials are important to maintain a competitive advantage and they also affect the empowerment status of the Venture and access to diversification opportunities.	We continue to engage with our key empowerment shareholders and consider strategies to increase our empowerment credentials, giving ourselves the best opportunity to be an empowerment partner of choice.

MATERIAL ISSUES (CONTINUED)

Issue	Possible impact	How we responded to the risks and opportunities this issue raised previously and during 2013
Strategy affected: Sustainability		
Safety, health and wellbeing of Merafe's employees and the Venture's employees and contractors	Maintaining a safe and healthy environment is one of the cornerstones of our success. Employee morale is affected by how we manage this issue. Significant reputational damage is also a key factor. This issue could impact employees, contractors and their families; the Department of Mineral Resources (DMR) – Mine Health and Safety Inspectorate; trade unions and investors.	The Venture invests in safety training and efforts to transform its safety culture into one where every employee takes responsibility for their safety and that of their fellow employees.
Strategy affected: Sustainability		
Industrial action in the mining industry and in particular in the operations of the Glencore-Merafe Chrome Venture	Loss of production impacts on profitability. We also need to consider increased costs and the possible damage to property. The safety of the Venture's employees is also at risk; intimidation of employees by strikers and a breakdown in the relationship with Venture employees are all important factors impacting not only Venture employees but families, communities, DMR and shareholders.	Communication and mutual understanding and respect are fostered daily with employees. 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 annually with the aim of reaching agreement on annual wage increases.
Strategy affected: Sustainability		
Our social licence to operate	Dissatisfied communities embarking on action to remove the Venture's social licence to operate would create an unsustainable working environment as well as cause significant reputational damage. Communities, investors, DMR, employees and local municipalities would all be affected.	Community social issues are addressed regularly with goodwill, commitment and leadership. By addressing social issues the South African mining industry can achieve a more sustainable environment for itself and the communities in which it operates.
Strategy affected: Sustainability		
Project execution	The major impacts would be a loss of profitability and reputational damage. These factors could impact shareholders, Venture managements, employees and partners, as well as impact communities, customers, lenders and providers of debt.	The Venture's experienced project team has an excellent track record for delivering projects on time and within budget.
Strategy affected: Sustainability		
Chrome ore exports to China	Ferrochrome sales to China have been reduced as a result of the export of unbeneficiated chrome ore from South Africa, which is facilitating the growth of a ferrochrome industry in China (see page 11 of this report). Profitability would be negatively impacted and shareholders, Merafe management, Merafe employees, Venture partners, Venture employees and communities, as well as government (SARS) would feel the effects.	The Venture and the ferrochrome industry continue to engage with government with the aim of achieving a solution that supports government's beneficiation and job creation strategies and ensures the sustainability of South Africa's ferrochrome producers. Pending support from government the strategy of being the lowest-cost producer mitigates this risk.
Strategy affected: Sustainability and Diversification		
Power prices and the availability of power	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 power not being available. Should the Venture be unable to secure a power supply for new projects, it would be unable to grow its operations. This issue could impact shareholders, Merafe management and employees as well as Venture management, employees, communities and customers.	The Venture's continued development and application of energy-efficient technology allows it to maintain its position as South Africa's lowest-cost producer of ferrochrome and therefore the most competitive South African producer. The Venture regularly engages with Eskom and has secured power for the Lion II ferrochrome plant.
Strategy affected: Sustainability		
Climate change	Climate change can impact business continuity and profitability; health and safety; environmental aspects. The Venture's operations give rise to a significant quantity of indirect and direct greenhouse gas (GHG) emissions and are also exposed to the potential impacts of climate change resulting from GHGs. All stakeholders are impacted by this issue.	The Venture continually engages with legislators, researchers and industry bodies to track and evaluate the situation and develop an improved awareness of and preparation for the risks associated with climate change. The Venture continues to take steps to reduce its carbon footprint. These include the development of energy-efficient technology and research into the use of alternative sources of energy.

STRATEGIC REVIEW



The Venture's investments in energy-efficient technology will continue to give it a significant advantage in the ferrochrome market

Introduction

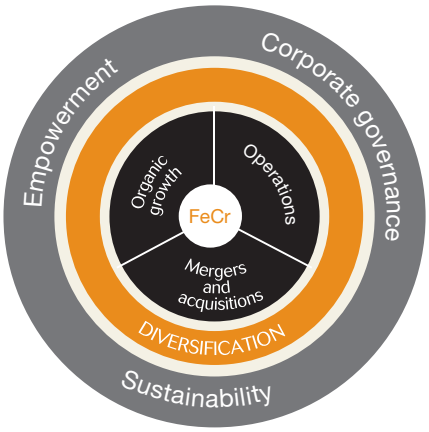
Stainless steel production increased by 7.6% in 2013 to a new record high of 38.5 million tonnes. The main driver for this growth was China which grew its stainless steel production by 17.3% to 19.2 million tonnes. Ferrochrome demand increased by 5.7% to 10.2 million tonnes in 2013, with China accounting for 54% of global ferrochrome demand. China imported 12.1 million tonnes of chrome ore in 2013 of which 6.7 million tonnes was from South Africa. While this increase in demand did not translate to higher average US dollar ferrochrome prices, which were on average 4% lower in 2013, the 17% weakening of the rand resulted in higher rand ferrochrome prices year-on-year.

To meet this increased demand in ferrochrome, the Venture increased its production by 32% year-on-year. Despite participating in the Eskom buyback arrangements in the first half of 2013, operating capacity utilisation increased to 87% compared to 66% in the previous year. The excellent performance of the Lion I plant, the increased efficiencies from the new Tswelopele pelletising and sintering plant and producing through the winter, were key contributors to the Venture's performance.

Financial performance

The financial performance of the company for 2013 has improved significantly from the prior year:

- Ferrochrome sales volume increased by 23%
- Revenues increased by 38% as a result of higher sales volumes and the weakening of the rand which was partially offset by lower ferrochrome benchmark prices
- EBITDA increased by 78%
- Cash flows from operating activities increased by 89% to R487 million.



I would refer you to the Financial capital section of this report on pages 12 to 15 and our annual financial statements on our website.

Sustainability

During 2013 there was a change in our partners in the Venture when the merger of Glencore International plc and Xstrata plc was completed in May 2013. We have already seen the value Glencore brings to the Venture through its 25 marketing offices in 22 countries and its ability to negotiate better inland road/rail rates, ocean freight and insurance rates. It is one of the largest traders of ferroalloys in the world and its global presence and longstanding relationships with customers would be difficult to match.

Glencore's ability to supply the carbon, stainless and specialty steel producers with a range of critical raw materials also adds value to the Venture's market position. This is particularly important in the rapidly growing Chinese market. We look forward to a long and beneficial relationship with our new partners.

One of the issues that can impact the Venture's sustainability is the availability of a stable electricity supply for our operations and the impact of ongoing Eskom price increases on the Venture's production costs. The electricity price increase for the next five years of 8% per annum was announced in 2013 and whilst this was above the inflation rate, it was less than we had expected. Once again, the very tight energy supply situation Eskom currently faces impacted the Venture's operations when it was asked to participate in Eskom buying back electricity to meet its demand requirements in the first five months of the year.

The Venture's wage negotiations with the unions covering both its smelters and mines were successfully completed without any industrial action. Both the Western and Eastern mines did, however, experience industrial action which was not wage related.

Containing and reducing costs is a key strategy for the Venture. In this regard Horizon Mine was placed on care and maintenance during 2013 because the production from this mine is not currently economically viable. The employees affected by the closure of Horizon Mine were either redeployed or retrenched.

See the table on page 11 for details of China's chrome ore imports.
See pages 12 to 15 of the Financial capital section of this report, page 17 for information on buybacks and page 29 for details of days lost to strike action.

Our annual financial statements form part of our online integrated report for 2013. They are also available from our Company Secretary (ami@meraferesources.co.za) in either electronic or printed format.

STRATEGIC REVIEW (CONTINUED)

Safety

Regrettably, as reported in our interim results there were two fatalities in the Venture's operations in 2013 (there were no fatalities in 2012). The Venture's commitment to keep its employees safe and its safety programme are addressed in the Human capital section of this report on page 27.

The Venture's total recordable injury frequency rate (TRIFR) improved from 4.05 in 2012 to 3.84 in 2013 and by the end of December 2013 a total of seven million hours (450 days) had been worked continuously on the Lion II project without a lost time injury.

Organic growth

Our strategy to achieve sustainability through organic growth in the Venture has been our key focus since we formed our pooling and sharing venture with Xstrata in 2004. Since then we have invested approximately R2 billion in expansionary growth and Merafe has moved from owning one mine and two furnaces to a participating share in nine mines and 22 furnaces. Our previous investments included the 360 000 tpa Phase I of the Lion ferrochrome plant, the Bokamoso pelletising and sintering plant, the Tswelopele pelletising and sintering plant and the K1 and K2 UG2 plants.

Our current capital investments in Magareng Mine that was completed in 2013 and the 360 000 tpa Phase II of the Lion ferrochrome plant, come to an end in mid 2014 with the completion of Lion II. Hot commissioning of Lion II, which began in the last quarter of 2013, will continue during the first half of 2014. First production was slightly delayed, due to the limited availability of contractors during the December holiday period and adverse weather conditions, which included heavy rainfall and high winds during the last quarter of 2013. Overall, however, the project remains on budget and we envisage that Lion II will be fully operational towards mid 2014.

Future outlook

The stainless steel industry is set to maintain a growth rate above 4% per annum and to meet this demand 2.5 million tonnes of additional ferrochrome will be needed by 2017. See the ferrochrome and stainless steel production figures on page 11.

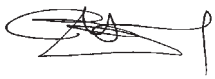
The Venture's investments, which have been in energy-efficient technology, will continue to give it a significant advantage in the ferrochrome market and will provide it with chrome ore resources in excess of 100 years. The additional high quality, low-cost production the Venture will gain from Lion II will allow it to maintain its position as the lowest-cost ferrochrome producer in South Africa and to aggressively target new customers. We expect that the increased energy efficiency of Lion II will further improve the Venture's total cost per tonne.

Diversification remains part of our strategy and with no major expansionary capital investment planned we will have an opportunity to reduce our debt, pay dividends and invest in partnerships that will add value for our shareholders.

In conclusion

I would like to thank our board and the Merafe team for their contribution to our excellent performance during 2013.

My thanks also go to our partners, Glencore and the management, employees and contractors of the Glencore-Merafe Chrome Venture for their contribution to the success of the Venture.



Zanele Matlala
Chief Executive Officer

See page 18 for details of the Venture's various mines, smelters and UG2 plants.

Charge/HC FeCr production

	2013	2012	2011 in ´000t	2010	2009	Change 13/12 in %	2014f in ´000t	Change 14/13 in %
Brazil	171	172	146	172	113	(0.6)	178	3.7
EU*	486	286	323	317	158	69.9	544	12.0
Russia, Turkey, Albania	312	285	301	305	224	9.5	374	19.8
India	988	947	985	1 006	670	4.3	1 000	1.2
Kazakhstan	1 138	1 114	1 088	1 114	985	2.2	1 200	5.4
South Africa	3 234	3 175	3 319	3 591	2 317	1.9	3 375	4.4
Zimbabwe	125	138	164	156	74	(9.4)	195	56.0
Others	41	36	26	20	12	13.9	99	141.44
Subtotal	6 495	6 153	6 352	6 681	4 553	5.5	6 965	7.2
China	3 750	3 320	2 798	2 212	1 510	12.9	4 200	12.0
Total	10 245	9 473	9 150	8 893	6 063	8.1	11 165	9.0
Charge Cr	3 792	3 583	3 708	4 016	2 557	5.7	4 107	8.3
HC FeCr	6 453	5 890	5 442	4 877	3 506	9.6	7 058	9.38

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Crude stainless steel production

	2013 in ´000t	2012 in ´000t	2011 in ´000t	2010 in ´000t	2009 in ´000t	Change 13/12 in %	2014f in ´000t	Change 14/13 in %
NAFTA**	2 056	1 978	2 074	2 201	1 618	3.9	2 300	11.9
Brazil	399	391	399	433	482	2.1	410	2.8
European Union	7 095	7 461	7 559	7 497	5 980	(4.9)	6 904	(2.7)
Other Europe	232	229	264	240	152	1.3	239	3.0
Japan	3 149	3 132	3 256	3 427	2 607	0.5	3 212	2.0
South Korea	2 156	2 167	2 157	2 048	1 677	(0.5)	2 199	2.0
Taiwan	1 061	1 106	1 203	1 523	1 468	(4.0)	1 250	17.8
South Africa	583	505	444	478	588	15.5	650	11.5
Subtotal	16 731	16 969	17 355	17 847	14 572	(1.4)	17 164	2.6
China	19 211	16 372	14 460	12 350	9 751	17.3	20 844	8.5
India	2 607	2 469	2 265	2 170	1 988	5.6	2 750	5.5
Subtotal	21 818	18 841	16 725	14 520	11 739	15.8	23 594	8.1
Total	38 549	35 810	34 081	32 367	26 311	7.6	40 758	5.7

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China – chrome ore imports

	2013	2012	2011 in ´000t	Change in %
South Africa	6 736	4 490	4 675	50.0
Turkey	1 988	1 840	1 612	8.0
Oman	687	426	645	61.3
India	168	310	439	(45.8)
Pakistan	482	472	440	2.1
Albania	677	305	357	122.0
Iran	428	448	330	(4.5)
Zimbabwe	–	1	212	(100.0)
Madagascar	118	118	86	–
Australia	407	501	208	(18.8)
Philippines	126	180	137	(30.0)
Brazil	–	29	60	(100.0)
Kazakhstan	167	89	94	87.6
Others	108	91	149	18.7
Total	12 092	9 300	9 444	30.0

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* European Union
** North American Free Trade Agreement

FINANCIAL CAPITAL

MATERIAL ISSUES

- Global economic environment
- Ferrochrome demand
- Energy prices and supply



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

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

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

Overview

2013 has been a great year for our business. Our investment in energy-efficient technology over the years at Bokamoso, Tswelopele and Lion plants has benefited us not only in controlling costs of production per tonne but also in reducing the carbon emissions generated per tonne of ferrochrome produced. These have contributed to our EBITDA of R558 million which is the highest we have achieved in the last five years.

Our operations continue to generate cash and this has made it possible for us to use our cash reserves to finance operational and capital requirements. Our cash flow from operations was R502 million, an increase of R218 million from the previous year. We used debt to fund shortfalls in our funding needs. At year end, we had a net overdraft of R10.7 million and had utilised R581 million of our Absa loan and R194 million of the short-term inventory facility.

Our flagship Lion II project is on track and scheduled to be fully operational towards the middle of 2014.

Our annual financial statements form part of our online integrated report for 2013. They are also available from our Company Secretary (ami@meraferesources.co.za) in either electronic or printed format.

Key performance drivers in 2013

	2013	2012	% change
Ferrochrome production (kt)	319	242	32.0
Ferrochrome sold (kt)	314	255	23.4
Benchmark price (USc/lb)	116	121	(4.2)
R/$ average exchange rate	9.64	8.21	17.4

In the latter part of 2013, the rand depreciated against the US dollar to record levels. The impact of this depreciation on our results has been positive, as the bulk of our revenues are US dollar based. The average rate for the year against the US dollar was R9.64 versus R8.21 in the previous year.

The average ferrochrome benchmark price for the year was 4.2% lower than in 2012. Chrome ore prices were also softer as a result of market dynamics, including the negative impact of UG2 ore abundance.

The net benefit of these variables, coupled with record ferrochrome sales of 314kt in 2013, contributed to our increased revenue.

Overall, our operations have managed to keep costs below sector inflation, which is highlighted in our Operational performance, which follows.

Operational performance

Group condensed statement of comprehensive income*

	2013 R'000	2012 R'000	% change
Revenue	3 496 983	2 541 984	36.4
EBITDA	557 650	313 650	77.8
Depreciation and impairment	(252 990)	(217 641)	16.2
Net financing costs	(17 281)	(19 660)	(12.1)
Profit before taxation	287 379	76 349	276.4
Taxation (current, deferred and prior year adjustment)	(76 763)	(27 476)	179.4
Profit and total comprehensive income for the period	210 616	48 873	(12.1)
Earnings per share (cents)	8.4	2.0	320.0
Headline earnings per share (cents)	10.8	5.1	111.8
Ordinary shares in issue ('000)	2 494 171	2 493 221	0.04
Merafe's share price (cents)	82	69	18.84

** For a full set of our 2013 audited annual financial statements, please refer to our website.*

Revenue growth of 38% is underpinned by the key performance drivers discussed earlier. As a proportion of total revenue, chrome ore sales represent 14%.

Total production cost per unit of ferrochrome was lower than during 2012. This was mainly due to the positive effect of the higher overall volumes the Venture produced, the improved consumption efficiencies of the Rustenburg plant and the outstanding performance of the Lion I plant. The Venture continues to focus on controlling costs, with the result that our total cash production cost increases were below the chrome smelting mining inflation of 6.9%. The overall increase in our production costs includes the impact of the strike in our Eastern mines. High mining costs were curbed with the cessation of mining at Horizon, which has been on care and maintenance since June 2013.

Merafe recognised a rehabilitation expense of R37.8 million for the year (2012: R9 million). This was primarily as a result of a recent review of the rehabilitation liability undertaken by independent geohydrologists at the Venture, which is undertaken every three years. The increased expense includes the reassessment of the Horizon provision following the decision to put the mine on care and maintenance as well as provision for new mines and plants.

Foreign exchange losses were R21 million against R3.8 million in 2012. The increase in the loss is primarily due to higher levels of US dollar denominated facilities that the Venture utilised in 2013.

As a consequence of this excellent operational performance our EBITDA for the year increased by 78% to R558 million. Depreciation and impairment of R253 million includes Horizon Mine's impairment of R74 million. At year end, Horizon was fully impaired and while efforts to sell the mine continue, the group no longer classifies the asset as held for sale, in compliance with IRFS 5. Our net financing costs comprise interest paid of R20 million (net of R19 million capitalised) and interest earned of R3 million. Due to an increase in the Absa loan balance we paid increased interest. This, however, was offset by a reduction in interest rates in 2013 when the group moved from a higher fixed rate to a lower JIBAR linked rate.

The group's income tax payment in 2013 increased as a result of insufficient unredeemed capex in our Western taxation ringfence to offset against taxable income. The bulk of our tax charge is still deferred tax, which arose as a result of timing differences between accounting income and taxable income. Our unredeemed capex at year end was R553 million.

Earnings per share statistics reflect Merafe's solid performance for the year. Our basic earnings per share (EPS) increased by 6.4 cents to 8.4 cents while our headline EPS more than doubled to 10.8 cents from the 5.1 cents we reported in 2012.

No dividend has been declared for the 2013 financial year.

FINANCIAL CAPITAL (CONTINUED)

Cash flows

Group condensed cash flow statement*

	2013 R'000	2012 R'000
EBITDA	557 650	313 650
Non-cash items and profit on asset sale reversal	6 124	2 088
Working capital changes	61 699	(31 747)
Cash flows from operations	502 075	283 991
Net financing costs	(17 430)	(19 660)
Tax refund/(paid)	1 961	(7 285)
Cash flows from operating activities	486 606	257 046
Net additions to PPE (expansionary and sustaining)	(605 178)	(603 210)
Cash flows from financing activities	70 568	211 094
Proceeds from share issue and share grants exercised	(571)	–
Increase in non-current borrowings	71 139	211 094
Net decrease in cash and cash equivalents	(48 004)	(135 070)
Cash and cash equivalents at the end of the year net of exchange rate fluctuations	(10 746)	82 643

** For a full set of our 2013 audited annual financial statements, please refer to our website.*

Cash of R502 million generated from our operations increased in line with increased EBITDA. Our working capital increased significantly primarily as a result of:

- increased trade and other receivables due to increased tonnages sold in the quarter (up 44%), a higher commodity price (up 2%) and a weaker rand (down 24%) relative to the comparative period in 2012
- increased inventory holding as a result of higher production.

The impact of these increases was cushioned by our utilisation of the inventory facility of R194 million. This resulted in a net working capital outflow of R62 million.

The bulk of cash generated from our operations was used to fund our sustaining capex of R208 million (2012: R180 million) and expansionary capex of R397 million (2012: R424 million). We expect our expansionary capital to reduce significantly after completion of Lion II in 2014.

The financing activities movement mostly comprises our drawdown of the Absa facility. Since 10% of the Absa term loan is payable in 2014, we had to classify this portion (i.e. R19 million) as a current liability at year end.

Debt and liquidity

Lending facilities: utilisation and headroom

	2013 R'000	2012 R'000
Utilised		
Absa loan	581 224	512 112
Overdraft facilities*	96 293	–
	677 517	512 112
Headroom		
Absa loan	218 776	287 888
Overdraft facilities*	295 462	173 430
	514 238	461 318

** US$ facilities converted at the closing R/$ exchange rate of R10.50 (2012: R8.46).*

Our improved performance in 2013 has enabled us to use cash generated from operations to fund our capex needs. Additionally, the Venture used financial leverage in the form of its overdraft and inventory facilities to assist with funding shortfalls. This meant that Merafe only needed to draw down R67 million from its Absa facility to fund its portion of cash calls. Consequently, the group's gearing at the end of the year was a comfortable 18% relative to total assets.

The group's cash balance at year end was R86 million. This was made up of R25 million of Merafe's own cash reserves and R61 million, being the group's share of the Venture's cash reserves.

Our liquidity is further enhanced by our headroom, which totalled R514 million at year end. This is made up of all the unutilised portions of our current lending facilities.

Financial position

Group condensed statement of financial position

	2013 R'000	2012 R'000
Non-current assets	**3 099 988**	2 677 308
Property, plant and equipment	**3 099 988**	2 677 308
Current assets	**1 903 622**	1 614 804
Inventory, trade receivables and other current assets	**1 818 074**	1 532 161
Cash and cash equivalents	**85 547**	82 643
Total assets	**5 003 610**	4 292 112
Capital and reserves	**2 925 837**	2 709 629
Non-current liabilities	**1 313 866**	1 132 929
Loans and borrowings	**576 311**	523 872
Provision for close down and restoration costs	**111 456**	57 892
Deferred tax	**626 099**	551 165
Current liabilities	**763 907**	449 554
Trade payables, other payables and other current liabilities	**648 143***	448 918
Bank overdraft	**96 293**	–
Loans and borrowings	**19 471**	636
Total equity and liabilities	**5 003 610**	4 292 112

** Includes the inventory facility.*

The growth of our property, plant and equipment is largely as a result of the development of Lion II.

As earlier discussed, our net working capital has grown due to increased sales and production activities. Trade payables include our share of the inventory facility which amounted to R194 million at year end.

The provision for close down and restoration costs includes the adjustment arising from the more recent independent expert rehabilitation assessments.

With gearing of 18%, we consider our balance sheet sufficiently strong to sustain us through the volatility that our industry tends to experience.

Value added statement

We present our value added statement, which provides an overview of how the value we created was distributed to our key stakeholders. These include, among others, the communities in which we operate, our employees, government, our suppliers as well as providers of capital.

Value added statement for the year ended 31 December 2013

	R'000
Revenue	3 496 983
Net cost of goods	(2 401 020)
Wealth created by operations	1 095 963
Finance income	2 661
Total wealth created	**1 098 624**
Distributed as follows:	
Social and labour plans, enterprise development and corporate social investment initiatives	4 408
Employee benefits and remuneration	533 905
Government – taxation	76 763
Providers of capital – finance charges	19 942
Retained for growth	463 606
Depreciation and impairment	252 990
Profit for the year attributable to owners of the company	210 616
	1 098 624

Future outlook

Over the years a significant portion of our investment has been into our capital infrastructure. In 2013 we further saw the fruits of this investment, particularly in the performance of our Tswelopele pelletising plant and the Lion I plant. With Lion II's completion scheduled for 2014, we anticipate reaping the full benefits of all these investments in the periods ahead.

With our major capital projects coming to an end in 2014, we look forward to repaying our debt, paying dividends and applying excess cash to activities that further enhance shareholder value.

The partnership with Glencore has been beneficial to the Venture. In addition, this association not only gives us comfort that we will derive full benefits from cost reduction initiatives but also that every effort will be made to find a market for the products that we produce at the best prices possible.



Ditabe Chocho
Chief Financial Officer

MANUFACTURED CAPITAL

MATERIAL ISSUES

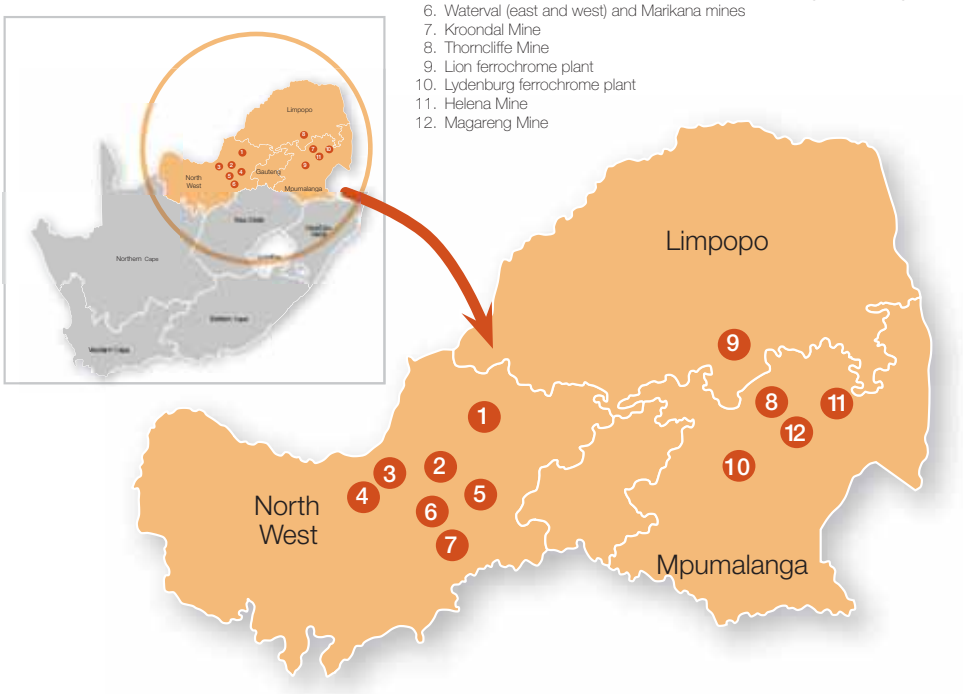
- Raw material availability
- Health and safety
- Project execution
- Pricing and the availability of electricity
- Business continuity and profitability
- Investing in new technology to increase energy efficiency
- Industrial action

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

We enhance our manufactured capital by:
- employing our infrastructure, technologies and processes to use our resources most efficiently
- devising technology and management systems that reduce our waste and emissions.

Our operations

Glencore-Merafe Chrome Venture operations
1. Horizon Mine (on care and maintenance)
2. Rustenburg ferrochrome plant and Tswelopele pelletising and sintering plant
3. Boshoek smelter and Motswedi pelletising and sintering plant
4. Boshoek Mine
5. Wonderkop ferrochrome plant and Bokamoso pelletising and sintering plant
6. Waterval (east and west) and Marikana mines
7. Kroondal Mine
8. Thorncliffe Mine
9. Lion ferrochrome plant
10. Lydenburg ferrochrome plant
11. Helena Mine
12. Magareng Mine



KEY POINTS

Ferrochrome production of
1.56 million tonnes
(32% increase)

Operating capacity utilisation of
87%

Total production cost increases well below sector inflation

Commissioning of
R5 billion
Lion II project commenced

Overview

In 2013 the Venture's smelters produced 1.56 million tonnes of ferrochrome, an increase of 32% on its production volumes in 2012. Its operating capacity utilisation was 87% despite production losses as a result of the Venture's participation in the Eskom power buyback programme, which was at a similar level to that of 2012.

These buyback deals were concluded during the first five months of 2013 and accounted for a production sacrifice of about 100 000 tonnes. The Venture continues to participate in Eskom's demand response programme, to assist with electricity supply over peak periods. The Venture manages its participation in a manner that ensures it does not have a detrimental impact on the business.

High overall volumes, improved efficiencies at the Rustenburg operations as a result of the Tswelopele pelletising and sintering plant and the outstanding performance of the Lion I ferrochrome plant helped the Venture to contain production costs well below sector inflation.

The Lion I ferrochrome plant produced excellent volumes during 2013 with its average production volume during the second half of the year exceeding its design capacity by 8%. The cost performance of this plant was 16% below the average of the Venture's other plants during the same period. Its performance highlights the advantages of the energy-efficient Premus technology installed at this plant.

When the second phase of the Lion ferrochrome plant becomes operational during 2014 it will bring another 360 000 tonnes of low-cost material into the Venture's overall pool, reduce its costs even further and improve its position as the lowest-cost producer in South Africa.

Progress on Lion II

We are very pleased to report that Phase II of the Lion ferrochrome plant is close to completion and is expected to start producing ferrochrome by the end of June 2014. The hot commissioning of some equipment had already started by the end of 2013.

By the end of 2013, 8 535 159 hours had been worked since construction started on the plant. The project has had a very good safety record with only two lost time injuries being reported since the beginning of the project. By 16 January 2014 a total of 7 million hours (450 days) had been worked continuously on the project without a lost time injury.

A special effort was made to train and employ people from the local community on the project. The percentage of the employees that we hired from the local communities is 81.6%. The rest of the available positions required specialist skills not available in the community.

Towards the end of 2013, when the site became very congested with more than 3 900 people on site, additional measures were taken to ensure the safety of everyone.

Frequent industrial action by different unions from different contractors was disruptive but the project team managed to reduce its impact on progress. Some of the lost time was also regained when about 1 000 people worked throughout the December holiday period.

The project was 87% complete by the end of December and is forecast to be within budget.

The Venture expects the start-up of this smelter to go more smoothly than the start-up for the plant's first phase because experienced operators are available to operate and maintain the plant. Training was given to all the new employees using Lion I equipment, which is exactly the same as that used in the new plant.

Lessons learnt since the first use of Premus kilns and furnaces at the Venture's Lydenburg plant have been included in the design of the new plant which has the largest Premus furnaces in the world. While the new plant is essentially the same as Lion I, the Venture is hopeful that certain improvements made to the plant will be beneficial to the performance of Lion II.

Impact of Tswelopele plant

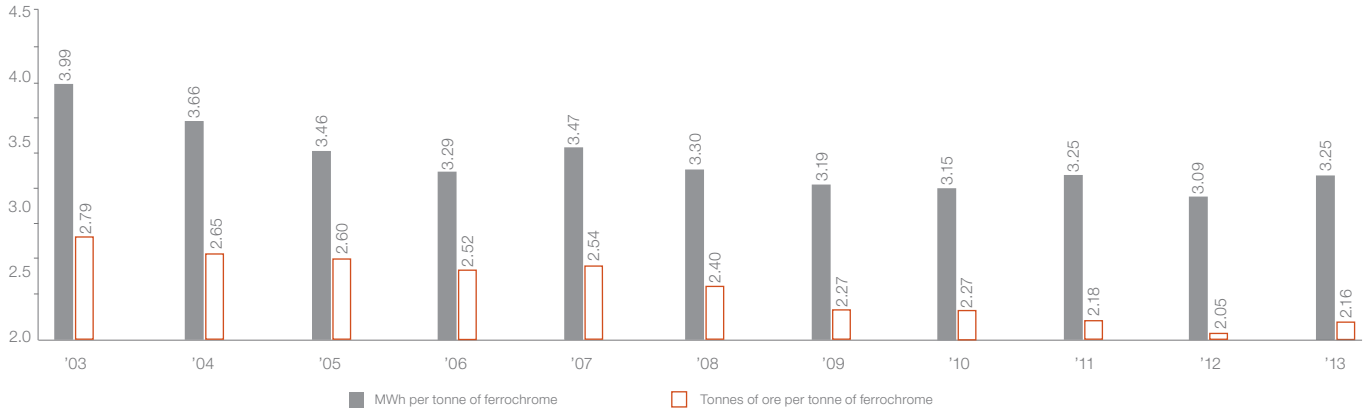
The Tswelopele pelletising and sintering plant, performed very well. The plant completed the year with two consecutive monthly production records, the latter of which was 5.6% above design capacity.

A post investment review of project Tswelopele revealed that the capital spent on this project was well invested. The improvements the Venture envisaged at the furnaces when they started using the pellets from Tswelopele exceeded expectations. The energy efficiency of the furnaces using these pellets improved by 13%, while the ore consumption efficiency improved by 30%. The overall fugitive emissions of the plant have been reduced significantly as the transportation by overland conveyor of the pellets has reduced the transportation required to move the sintered pellets from the plant to the furnaces. The payback period of this project will also be much shorter than originally envisaged.

Project Tswelopele was entered into the 2013 Eskom eta awards competition. It was announced joint winner in the industrial category for its ability to improve the energy efficiency of the Venture's Rustenburg plant. It has reduced the plant's consumption of electricity by more than 150 000MWh per annum.

MANUFACTURED CAPITAL (CONTINUED)

Power and ore consumption efficiencies*



** The slight increase in MWh/t in 2013 was due to more production from the Venture's less efficient furnaces.*

Mining production

In 2013 chrome ore production from the Venture's mines was at similar levels to those of 2012. UG2 production increased 19% year-on-year. Horizon Mine was put on care and maintenance since production from this mine is not viable in the current economic climate. The Venture still has more than adequate ore reserves to provide for the needs of its smelters.

The Magareng mine and surface plant that will supply the majority of the ore requirement for Lion II was completed earlier in 2013 and is now in production. Other sources of ore for the Lion plant include the Thorncliffe and Helena mines which are close to the Magareng mine and the Mototolo platinum mine which provides UG2 ore.

In 2013, the Ventures operations were affected by industrial action which is discussed in detail in the Human capital section of this report.

The Glencore-Merafe Chrome Venture's operations

Ferrochrome plants	Capacity	Technology	Mines
Western Limb (North West province)			
Wonderkop	553 000 tpa FeCr	Bokamoso pelletising and sintering plant using Outotec technology	Kroondal, Waterval and Marikana
	6 furnaces	Conventional semi-closed furnaces	
Rustenburg	430 000 tpa FeCr	Tswelopele pelletising and sintering plant using Outotec technology	Kroondal, Waterval and Marikana
	6 furnaces	Conventional semi-closed furnaces	
Boshoek	240 000 tpa FeCr	Motswedi pelletising and sintering plant using Outotec technology	Horizon*, Kroondal, Waterval and Boshoek
	2 furnaces	Closed furnaces	
Eastern Limb (Mpumalanga and Limpopo provinces)			
Lydenburg	396 000 tpa FeCr	Premus – kilns	Thorncliffe, Helena and Magareng
	4 furnaces	3 closed furnaces and 1 semi-closed furnace	
Lion Phase I	360 000 tpa FeCr	Premus – kilns	Thorncliffe, Helena and Magareng
	2 furnaces	Closed furnaces	
Lion Phase II	360 000 tpa FeCr	Premus – kilns	Thorncliffe, Helena and Magareng
	2 furnaces	Closed furnaces	

** Placed on care and maintenance in 2013.*

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

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

NATURAL CAPITAL

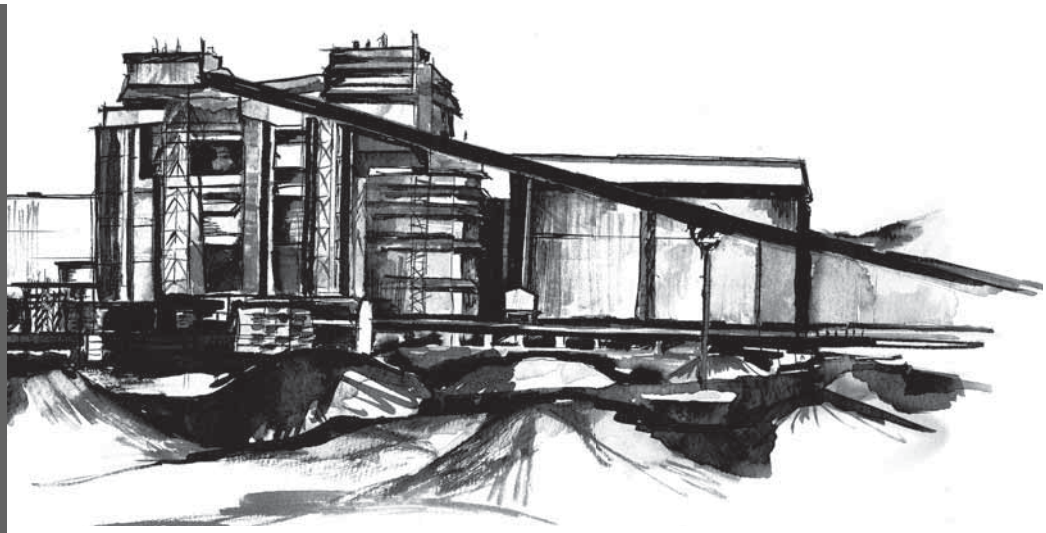
MATERIAL ISSUES

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

Climate change
- Health and safety
- 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

Water
- Use and availability

Waste
- Incidents and compliance



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

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

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

NATURAL CAPITAL: CLIMATE CHANGE AND ENERGY

KEY POINTS

2.9% reduction in CO_2e generated per tonne of ferrochrome produced

7% reduction in energy use per tonne of ferrochrome produced

Stakeholder impact and engagement

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

Managing climate change and carbon emissions

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

The Venture's efforts to continually evaluate and better its energy efficiency are in line with the societal demand to reduce the emissions of GHGs. It uses the Greenhouse Gas Protocol as an accounting and reporting standard for our emissions which uses the factor of 0.8349kgCO_2. kWh. This protocol was developed in partnership with the World Resources Institute and the World Business Council for Sustainable Development. It divides GHG emissions into three different types, categorising them as either direct or indirect emissions.

A representative of Glencore was the chair of the Energy Intensive User Group (EIUG) and the Industry Task Team on Climate Change (ITTCC) during 2013. The Venture, which chairs the Ferro Alloys Producers Association (FAPA), represents the ferroalloys industry at Business Unity of South Africa (BUSA). The Venture's representatives play a leading role in these forums and they comment on climate change and carbon tax legislation. The Venture also lobbies with government via these forums to ensure that the potential impact that the proposed legislation will have on our industry and company is understood by government.

The Venture played an important role during 2013 in the successful engagement process which took place between business and the National Treasury on the draft carbon tax paper. It also engaged 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 the senior person responsible for climate change-related issues in the Venture.

The Venture focus for 2014

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

While the Venture has not set any specific climate change targets for 2014, in future it will use the targets set as part of the Department of Environmental Affairs' carbon budgeting process to guide its target setting processes.

Understanding the Venture's carbon footprint

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

The Venture's total Scope 1 (direct) and Scope 2 (indirect) emissions increased from 6.0 million tCO_2e in 2012 to 7.7 million tonnes in 2013. This 28% increase in emissions when production volumes increased by 32% is an indication of the emission and energy efficiency the Venture achieved in 2013.

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

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

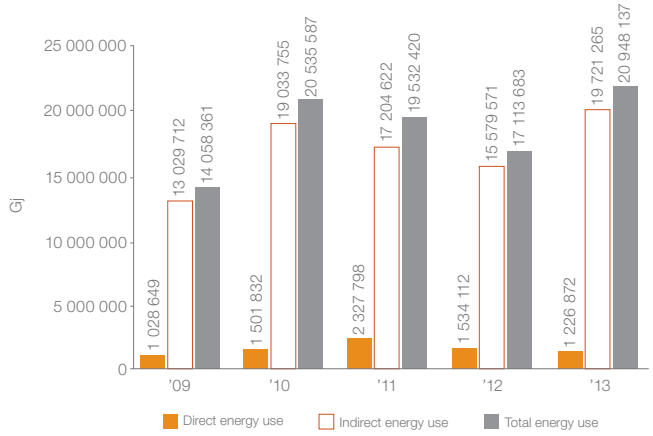
The Venture's energy consumption

Total energy consumption in the Venture's operations increased 22% year-on-year, as a result of a 32% increase in production year-on-year, however, the energy use per tonne of ferrochrome produced decreased from 14.50 Gj/tonne to 13.49 Gj/tonne.

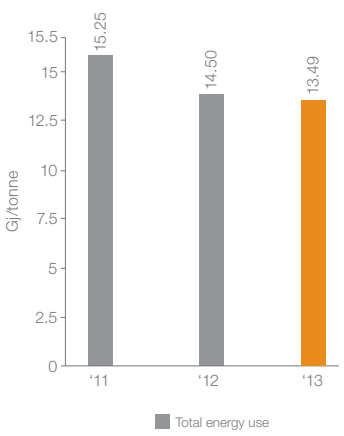
The risks associated with climate change

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.

The Venture's energy usage*

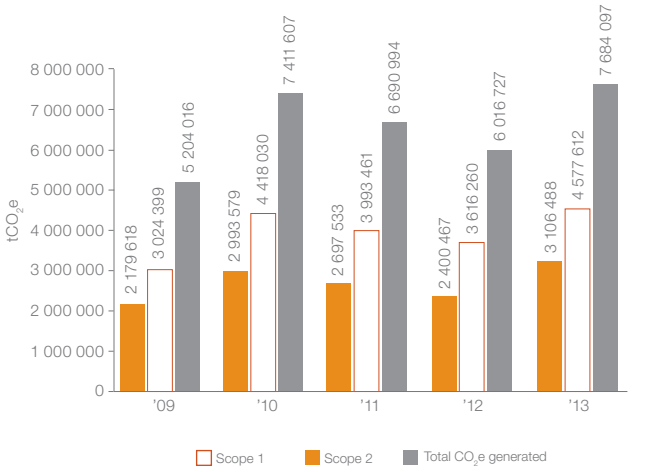


Energy use per tonne of ferrochrome produced*

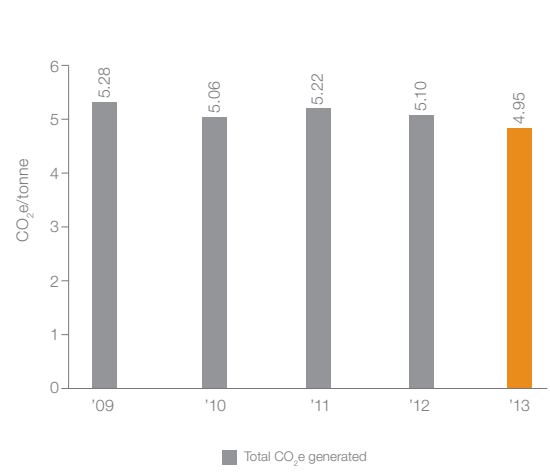


** Data for previous years has been restated following a review of data and conversion factors. None of these restatements are material.*

Greenhouse gas emissions (GHGs)*



CO_2e generated per tonne of ferrochrome produced*



** Data for previous years has been restated following a review of data and conversion factors. None of these restatements are material.*

NATURAL CAPITAL: ENVIRONMENT

MATERIAL ISSUES

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

KEY POINTS

27% increase in the Venture's total water usage due to increased production and new projects

29% increase in its purchase of potable water also due to increased production and new projects

There were **no high-potential risk incidents** in the Venture in 2013

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

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. Previously, we have relied on the Venture's effective environmental policies and procedures to ensure our investment is managed responsibly. Merafe is now in the process of developing its own environmental policy which will apply to any future investments we make.

An integrated approach to environmental responsibilities

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

Water

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

Water use and availability

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

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

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

The only water sources sensitive to withdrawal in the Venture's operations are the Dwarsrivier and the licensed boreholes at the Lion ferrochrome plant.

Emissions, waste management and effluent and biodiversity management

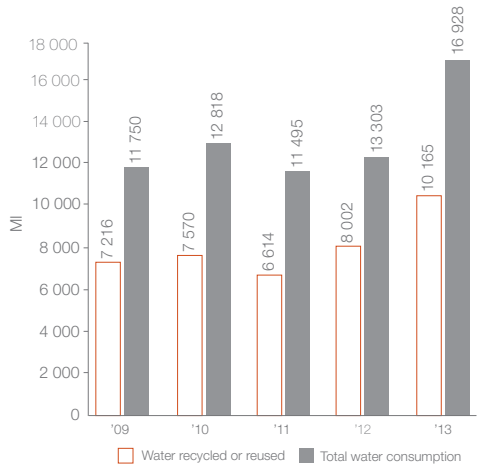
Information on the Venture's air emissions, waste management, effluent and its management of overburden, rock, tailings and sludge/residues and biodiversity management is provided in the Environment section of our online integrated annual report.

Incidents and compliance

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

The Venture has had no environmental fines, penalties or prosecutions at its operations for the past six years. The Venture achieved its goal of no category 3, 4 or 5 incidents recorded in its operations in 2013 and no category 4 or 5 incidents have been recorded in the Venture's operations for the past seven years.

The Venture's water usage



* *Data for previous years has been restated.*

For more information on our approach to environmental responsibility and a summary of the Venture's environmental incidents see the Environment section of our online integrated report for 2013.

ABRIDGED MINERAL RESOURCES AND MINERAL RESERVES STATEMENT

Introduction
The purpose of this report is to document the mineral resources and mineral reserves of Merafe Resources (Merafe) in accordance with the requirements of the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves, 2009 (SAMREC). All Merafe's operations are part of a pooling and sharing venture with Glencore Operations South Africa Proprietary Limited (the Glencore-Merafe Chrome Venture (the Venture)). Merafe has a 20.5% participation interest in the mineral resources and mineral reserves of the Venture. The estimates in this document are as at 31 December 2013. To arrive at a mineral resources and mineral reserves estimate for 31 December 2013, the budgeted production for July 2013 to December 2013 has been subtracted from the total estimates. The mineral resource and mineral reserve information in the tables on the following pages is based on information compiled by a Competent Person (as defined by the SAMREC Code).

Type of mining and mining activities
The Venture has chrome mining operations along the Western and Eastern limbs of the Bushveld Complex. The operations along the Western Limb of the Bushveld Complex comprise the Waterval, Kroondal, Boshoek, Horizon and Wonderkop mines. The LG6 Package at both Waterval and Kroondal mines is mined underground using trackless mining methods on a bord and pillar layout. Boshoek Mine is 20km northwest of Rustenburg. The MG1, LG5 and LG6 chromitite layers are being mined in open pits. Horizon Mine lies just west of the Pilanesberg Complex. The LG6 chromitite layer has been mined at Horizon Mine through underground operations. Horizon has been put on care and maintenance. In addition to being mining operations, Wonderkop Mine, Waterval/Klipfontein and Townlands Extension 9 are exploration projects and exploration activities have been performed here to fulfil the requirements of the various Prospecting Works Programmes.

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.

Comparison of mineral resource and mineral reserve estimates with previous year's estimates
The annual mineral resource and mineral reserve estimates are compared with the previous year's statement and reconciled each year after the estimates have been finalised. Changes in the year-on-year tonnage and grade estimates are mainly due to mining depletion and changes in the mineral resource and mineral reserve tonnages and grades due to additional geological information.

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.

The reporting date for the mineral resources and mineral reserves is 31 December 2013.



For the complete mineral resources and mineral reserves statement including definitions of the categorisation of mineral resources and reserves as per the SAMREC Code 2009, descriptions and exploration activities, geological settings of the reserves (including maps and diagrams), legal entitlement, methods and assumptions, material risk factors and a summary of environmental funding and management see our online integrated report for 2013.

NATURAL CAPITAL: MINERAL RESOURCES AND MINERAL RESERVES STATEMENT (CONTINUED)

Chrome mineral resources statement

Name of operation	Attributable portion	Mining method	Commodity	Measured mineral resources 31.12.13	Measured mineral resources 31.12.12	Indicated mineral resources 31.12.13	Indicated mineral resources 31.12.12	Measured and indicated resources 31.12.13	Measured and indicated resources 31.12.12	Inferred mineral resources 31.12.13	Inferred mineral resources 31.12.12	Competent Person
Operating mines												
Waterval Mine	20.5%	UG	(Mt)	**16.556**	16.609	**0.98**	0.98	**17.53**	17.59	**0.6**	0.6	DR/PJG
			Cr_2O_3(%)	**41.28**	41.29	**42.6**	42.6	**41.4**	41.4	**43**	43	
Marikana West	20.5%	UG	(Mt)	**3.479**	3.528	**1.59**	1.59	**5.07**	5.12	**–**	–	DR/PJG
(Waterval Mine ext)			Cr_2O_3(%)	**42.39**	42.38	**42.6**	42.6	**42.5**	42.5	**–**	–	
Kroondal Mine	20.5%	UG/OC	(Mt)	**9.771**	9.811	**2.10**	1.82	**11.87**	11.64	**–**	0.1	DR/PJG
			Cr_2O_3(%)	**42.77**	42.87	**42.1**	42.4	**42.7**	42.8	**–**	42	
Kroondal Gemini	20.5%	UG/OC	(Mt)	**12.547**	10.854	**4.51**	6.47	**17.06**	17.33	**0.2**	0.2	DR/PJG
(Kroondal Mine ext)			Cr_2O_3(%)	**42.44**	42.83	**42.0**	42.2	**42.3**	42.6	**42**	42	
Marikana East	20.5%	UG	(Mt)	**4.570**	4.485	**0.49**	0.49	**5.07**	4.97	**0.3**	0.3	DR/PJG
(Kroondal Mine ext)			Cr_2O_3(%)	**42.31**	42.35	**42.1**	42.3	**42.3**	42.3	**42**	42	
Horizon Mine	20.5%	UG/OC	(Mt)	**4.248**	4.080	**8.04**	9.74	**12.28**	13.82	**2.4**	9.1	DR/PJG
			Cr_2O_3(%)	**44.53**	44.78	**43.8**	43.9	**44.1**	44.1	**44**	44	
Boshoek Mine	20.5%	OC/UG	(Mt)	**0.449**	0.350	**16.64**	16.87	**17.09**	17.22	**–**	–	DR/PJG
			Cr_2O_3(%)	**39.97**	39.43	**40.5**	40.4	**40.5**	40.4	**–**	–	
Thorncliffe Mine	20.5%	UG/OC	(Mt)	**41.904**	44.382	**11.07**	9.70	**52.97**	54.09	**34.2**	35.7	DR/SV
			Cr_2O_3(%)	**40.61**	40.58	**41.1**	40.8	**40.7**	40.6	**40**	40	
Helena Mine	20.5%	UG/OC	(Mt)	**23.669**	19.673	**6.28**	7.49	**29.95**	27.17	**84.2**	88.0	DR/SV
			Cr_2O_3(%)	**40.09**	40.48	**38.9**	39.5	**39.8**	40.2	**39**	39	
Projects												
Wonderkop	20.5%	UG	(Mt)	**–**	–	**7.05**	7.05	**7.05**	7.05	**–**	–	PJG/DR
			Cr_2O_3(%)	**–**	–	**40.6**	40.6	**40.6**	40.6	**–**	–	
Townlands Extension 9	20.5%	UG	(Mt)	**–**	–	**13.84**	13.89	**13.94**	13.89	**–**	–	PJG/DR
			Cr_2O_3(%)	**–**	–	**40.9**	41.0	**40.9**	41.0	**–**	–	
De Grooteboom	20.5%	UG/OC	(Mt)	**0.777**	0.802	**0.61**	0.65	**1.39**	1.45	**–**	–	SV/DR
			Cr_2O_3(%)	**40.26**	40.28	**40.3**	40.3	**40.3**	40.3	**–**	–	
Klipfontein/Waterval	20.5%	UG	(Mt)	**9.471**	8.277	**16.31**	13.81	**25.78**	22.09	**117.9**	121.6	PJG/DR
			Cr_2O_3(%)	**42.29**	42.35	**42.3**	42.5	**42.3**	42.4	**42**	42	

Notes:

Tonnages are quoted as million metric tonnes.
Grades are quoted as %Cr_2O_3.
The measured and indicated mineral resources are inclusive of those mineral resources modified to produce ore reserves.
No cut-off grades are applied to the chromitite layers currently being mined because of the exceptional regional grade consistency and continuity.
The mineral resources are estimated as chromitite tonnages and grades to reflect the grades of the various individual chromitite layers. Both the LG6 and MG1 chromitite layers which the PSV is currently mining, are discrete solid chromitite layers.
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 most significant year-on-year change in chromitite resource tonnages is the mineral resources of Horizon Mine. The Vogelstruisnek, Portion 2 of the Horizon mining right was abandoned.
The net change in mineral resources tonnage for every property after mining depletion is shown in the mineral reserves statement. There are no foreseen material risk factors that could affect the validity of the current mineral resource.

Competent Persons:

PJG – Pieter-Jan Gräbe, Glencore Operations SA (SACNASP). Overall responsibility for mineral resources and mineral reserves.
SV – Solly Vaid, Glencore Operations, Eastern Chrome Mines (PLATO). Overall responsibility for mineral resources and mineral reserves.
DR –Dean Richards, Obsidian Consulting Services (SACNASP). Responsible for geostatistical analysis of data, mineral resource classification and construction of tonnage and grade block models and reporting of tonnage and grades from block models.

Chrome mineral reserve statement

Name of operation	Participation interest	Mining method	Commodity	Proved mineral reserves 31.12.13	Proved mineral reserves 31.12.12	Probable mineral reserves 31.12.13	Probable mineral reserves 31.12.12	Total mineral reserves 31.12.13	Total mineral reserves 31.12.12	Competent Person
Operating mines										
Waterval Mine	20.5%	UG	(Mt)	10.936	10.253	0.91	1.23	11.85	11.48	PJG/DR
			Cr_2O_3(%)	30.89	31.35	25.93	26.5	30.5	30.8	
Marikana West	20.5%	UG	(Mt)	0.684	0.973	–	–	0.68	0.97	PJG/DR
			Cr_2O_3(%)	28.78	28.65	–	–	28.8	28.7	
Kroondal Mine	20.5%	UG/OC	(Mt)	2.922	3.227	1.90	1.66	4.82	4.89	PJG/DR
			Cr_2O_3(%)	28.98	28.28	28.7	27.8	28.9	28.1	
Kroondal Gemini	20.5%	UG/OC	(Mt)	8.853	6.288	4.20	6.94	13.1	13.23	PJG/DR
			Cr_2O_3(%)	30.90	31.49	28.5	28.7	30.1	30.0	
Marikana East	20.5%	UG	(Mt)	–	0.726	–	0.02	–	0.74	PJG/DR
(Kroondal ext)			Cr_2O_3(%)	–	28.71	–	27.3	–	28.7	
Horizon	20.5%	UG	(Mt)	2.102	2.314	–	0.15	2.10	2.46	PJG/DR
			Cr_2O_3(%)	23.91	25.51	–	25.2	23.9	25.5	
Boshoek	20.5%	OC/UG	(Mt)	–	–	0.58	0.45	0.58	0.45	PJG/DR
			Cr_2O_3(%)	–	–	26.1	23.1	26.1	23.1	
Thorncliffe Mine	20.5%	UG/OC	(Mt)	23.3360	25.660	6.67	6.56	33.03	32.22	SV/DR
			Cr_2O_3(%)	36.82	37.90	36.8	39.1	36.8	38.2	
Helena Mine	20.5%	UG/OC	(Mt)	3.913	4.131	–	–	3.91	4.59	SV/DR
			Cr_2O_3(%)	32.69	34.96	–	–	32.7	35.1	

Notes:

Tonnages are quoted as million metric tonnes.
Grades are quoted as %Cr_2O_3.
No cut-off grades are applied to the chromitite layers currently being mined due to the exceptional regional grade consistency and continuity. A minimum mining cut of 1.8m is applied to the 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.
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.
The most significant year-on-year changes in the ore reserves were recorded at the Kroondal Marikana East and Thorncliffe properties. The mineral reserve decrease at Kroondal Marikana East is mainly due to the mine plan that shipped spatially further east towards Kroondal Gemini. Thorncliffe had a net increase in mineral reserves mainly due to the increase of the mining rate for the Thorncliffe property with the mining rate buildup at Magareng Mine.
There are no foreseen material risk factors that could affect the validity of the current mineral reserves and all the Venture's operating mines are operating under valid licences.

Competent Persons:

PJG – Pieter-Jan Gräbe, Glencore Operations SA (SACNASP). Overall responsibility for mineral resources and mineral reserves.
SV – Solly Vaid, Glencore Operations, Eastern Chrome Mines (PLATO). Overall responsibility for mineral resources and mineral reserves.
DR – Dean Richards, Obsidian Consulting Services (SACNASP). Responsible for geostatistical analysis of data, mineral resource classification and construction of tonnage and grade block models and reporting of tonnage and grades from block models.

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 Metalliferrous Mining. PJG is a geologist with 28 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.



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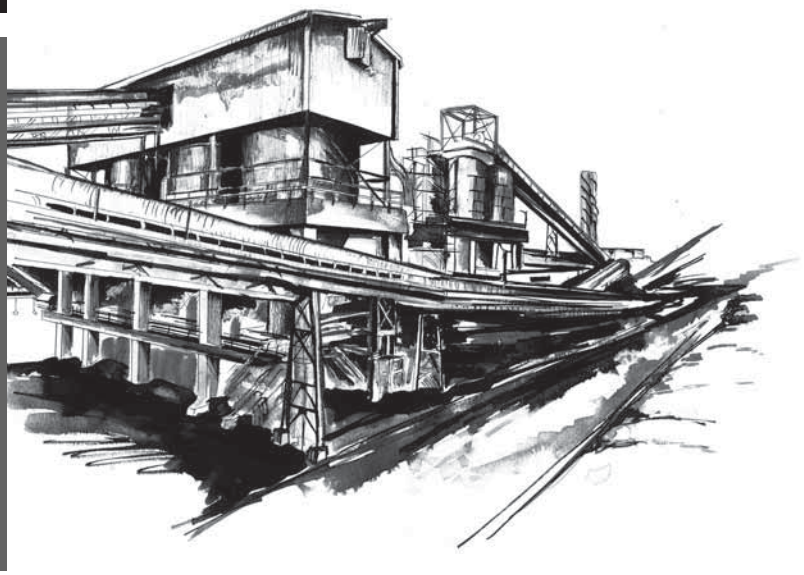
For the complete mineral resources and mineral reserves statement see our online integrated report for 2013.

HUMAN CAPITAL

MATERIAL ISSUES

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



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

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

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.

> *Glencore Xstrata believes in the possibility of a zero harm operation. We believe that all occupational diseases and injuries can be prevented and that therefore, we must all take responsibility of avoiding occupational diseases and injuries.*
>
> *– Glencore Xstrata plc Code of Conduct*

More information on the impact of safety and health and wellness on our stakeholders and our responsiveness to them is included on pages 8 and 48 of this report.

HUMAN CAPITAL: SAFETY

KEY POINTS

Two fatalities occurred in 2013 (2012: zero fatalities)

Fatality frequency rate (FFR): **0.07** (2012: 0)

Despite these two fatalities the Venture's safety record improved in 2013

Total recordable injury frequency rate (TRIFR) **3.84** (2012: 4.05)

Lost time injury frequency rate (LTIFR) **0.72** (2012: 1.53)

Disabling injury severity rate (DISR) **85.74** (2012: 148.30)

The Venture had no safety penalties or prosecutions in 2013. During the year its mines received nine Section 54 notices, which is a considerable decrease on the 22 Section 54s it received in 2012. It received 14 Section 55s, which was an increase on the 10 Section 55s received in 2012.

The Venture's policies and approach to safety management
The Venture's operations maintain stringent safety and risk management systems, which it aligns with the international standards OHSAS 18001 and ISO 31000. Glencore collates best practice from each of its assets and from externally recognised leaders in safety management and shares this knowledge across the Glencore group.

The Venture takes a proactive, preventative approach towards safety, aiming to instill a positive safety culture in which everyone fully integrates its safety values into their working lives. It has updated its approach to safety by updating its risk management framework. Glencore's fatal hazard protocols and high potential risk incident (HPRI) reporting processes will be a key part of the new Glencore process being rolled out in the Venture.

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

Safety programme overview

Objective	Supporting actions
Zero fatalities	We have 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 have developed SAFEALLOYS, a group initiative to foster a safety culture based on behaviours and consequences at all levels.
	We are rolling out fatal hazard protocols and life-saving behaviours (part of the SAFEALLOYS programme) across the group, prioritising sites with the highest number of fatalities.
Reduce LTIFR 50% by 2016 on 2010 baseline	We have standardised the identification and investigation of all high potential risk incidents (HPRIs) to enable identification and prevention of root causes of accidents.
	We share learnings and corrective actions across the group and with the board HSEC committee.
	We have a 20% reduction target set for 2014.

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

During 2012 the Venture experienced an unusually high number of fractures which contributed to its increased DISR. The Venture investigated the reason for these injuries in order to prevent them in the future. The investigation did not reveal any major root causes. The majority of the fractures in 2012 resulted from slips and falls. These incidents were caused by people not adhering to the three point contact rule or housekeeping rules. The Venture continues to monitor the indicators identified during a safety summit in 2012. The DISR improved in 2013.

The Venture rolled out the Fatal Hazard Protocols during 2013.

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

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

It concludes health and safety agreements with the trade unions.

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

The role of training
The Venture's investment in safety training is detailed on page 31 in the Human capital section of this report. It uses virtual reality training, combined with easy to read written instructions, on all its different procedures. The training is designed to ensure that employees cannot complete their training on a procedure until they have shown they fully understand it.

HUMAN CAPITAL: HEALTH AND WELLNESS

KEY POINTS

Four noise-induced hearing loss (NIHL) cases

Encouraging employees who test HIV-positive to register for treatment

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

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

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

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

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

Our policy and approach

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

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

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

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

All the Venture's operations undergo an annual risk assessment of their baseline risks on ISOmetrix.net and legal audits are conducted 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. The Venture reviewed and updated its policy during 2013.

Employees can choose to receive HIV and AIDS counselling, care and support. The HIV-positive employees of both Merafe and the Venture receive the treatment they need free of charge, together with the support and education that will make it possible for them to maintain their antiretroviral (ARV) treatment programme through the membership of a medical aid.

All the Venture's occupational health nurses have been trained in the management of TB and HIV and the impact of HIV on TB. All employees that visit its occupational health clinics are screened for TB. Those whose screening tests indicate they may have TB are referred to public 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.

The average HIV prevalence rate in the Venture 2013 was 13%. Only members of the Venture's medical aid scheme are included in this calculation.

For more information on how the Venture addresses these occupational illnesses see our online integrated report for 2013.
For more information on our HIV and AIDS commitments and our overall policy and approach to health and wellness in the workplace see our online integrated report for 2013.

HUMAN CAPITAL: OUR EMPLOYEES

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

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

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

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

Our approach to our employees

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

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

Both Merafe and the Venture are committed to providing a workplace based on:
- mutual respect
- fairness
- integrity
- non-discrimination
- equal opportunity at all levels
- open and two-way engagement with our employees and their representatives.

More on our approach to our employees, and adherence to international employment standards can be found on our online integrated report for 2013 under Human capital: Our employees.

Labour relations

While Merafe's employees are not unionised we consult with them in advance of any significant changes to our business.

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

Collective bargaining and freedom of association are considered a fundamental right for the Venture's employees. Collective agreements, particularly around terms and conditions of employment and company benefits, are negotiated between the parties with due regard to the relevant legislation. The Venture seeks to reach agreement with the unions on annual wage increases for implementation in July each year. In all, 60% of the Venture's employees are covered by a collective bargaining agreement.

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 grievances policies and procedures are in place at Merafe and the Venture.

Industrial action in the Venture in 2013

The Venture was not immune to the unrest that again affected the South African mining industry in 2013 and it lost 14 days to industrial action.

Operation	Number of days in 2013	Dates	Number of days in 2012
Waterval Mine	4	14 – 18 November	36
All Eastern chrome mines	4	6 – 9 May	0
	9	28 May – 5 June	0
Helena Mine	1	22 May	0
Boshoek ferrochrome plant	0		51
Lion Phase II	0		19
Rustenburg ferrochrome plant	0		36
Wonderkop ferrochrome plant	0		49
Kroondal Mine	0		42
Total number of days	18		197

During the illegal strikes in the Eastern chrome mines 1 256 employees were dismissed and 84 were reinstated after appeal hearings were held, leaving the final number of employees dismissed at 1 172.

Union membership

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

For more information on the Venture's employee relations, engagement, remuneration, benefits, labour relations and the employee share ownership plan for Venture employees see our online integrated report for 2013.

HUMAN CAPITAL: OUR EMPLOYEES (CONTINUED)

KEY POINTS

2.1% decrease in the Venture's total number of employees in 2013

39.2% increase in the number of contractors employed in the Venture in 2013, which created an additional 2 503 jobs

The Venture exceeded most of the Mining Charter employment equity targets in 2013

Merafe exceeded the Mining Charter employment equity targets in 2013

Merafe had **12 employees** and the Venture **6 646 employees** in 2013

The total workforce of the Venture by employment contract

Category	2013	2012	2011	% change year-on-year
Full time employees	6 318	6 461	6 171	(2.2)
Temporary/fixed term employees	328	258	273	26.74
External contractors	8 882*	6 379	6 511	39.23
Total	15 528	13 098	12 955	18.55

** There was an increase in the Venture's external contractors as a result of the construction of the Lion II plant.*

Maximising local employment

Hiring policies

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

Diversity and equal opportunity

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

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

Employee challenges

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

Venture workforce by employment and gender type in 2013

Permanent and fixed term	Male	Female	Total
Senior management	114	16	130
Middle management	159	59	218
Supervisors, administrators, technicians	910	457	1 367
Operational, maintenance, production	4 391	540	4 931
Grand total	5 574	1 072	6 646

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 (HDSA), which includes African males and females, coloured males and females, Indian males and females and white females. There was a change in senior management of the Venture during 2013. Employment equity at this level is being addressed.

Venture employment equity	% Mining Charter target 2013	% achieved 2013	% Mining Charter target for 2014
Senior management	35	32	40
Middle management	40	56	40
Junior management	40	56	40
Core skills	35	65	40

Diversity in Merafe

Mining Charter	% Mining Charter target 2013	% achieved 2013	% Mining Charter target for 2014
Top management (includes board)	35	83	40
Senior management (includes Exco)	35	67	40
Middle management	40	100	40
B-BBEE Codes of Good Practice	**% target 2013**	**% achieved 2013**	
Management control	50	67	
Senior management	60	64	
Middle management	75	88	

See the table on page 49 for Merafe's performance under the Mining Charter and Codes.
See the table on page 40 for detail of structure of the Venture's Joint Board where executives of Glencore and Merafe are members.

For more information on diversity and stakeholder engagement see our online integrated report for 2013.

HUMAN CAPITAL: TRAINING AND DEVELOPMENT

KEY POINTS

The Venture invested **R48.9 million** in training in 2013, an 18% decrease year-on-year

An average of **R3 123** was invested in training for each member of the Venture's workforce (employees and contractors)

30% increase in safety training hours

12% increase in total training hours

18.9% decrease in average training hours per full time employee

41.36% increase in average training hours per contractor

157% increase in training in human rights issues

71.7% increase in environmental training

R15.5 million invested in artisan and apprentice training, 178 people received artisan training

Over **R5.1 million** invested in bursaries and scholarships

The Venture invested **R77.6 million** in skills development

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

Development and training

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

The Venture provides:

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

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

Training in the Venture decreased 18.9% this year. Initially, certain training was delayed awaiting the Glencore merger, then increased production also impacted training. The Venture uses times when production levels are lower to increase its training efforts.

Training hours

	Actual 2013	Actual 2012	% change year-on year
Total training hours	621 003	553 950	12.10
Average number of training hours per permanent employee	40.55	50.0	(18.9)
Total training hours per permanent employee	31.34	33.63	(6.80)
Total training hours contractors	30.76	21.76	41.36
Number of health issues training sessions	9.36	7.36	27.17
Number of safety issues training sessions	45 505	34 999	30.01
Number of human rights issues training sessions	11 723	4 549	157.70
Number of environmental training sessions	12 904	7 513	71.7
Community health training	56	–	–
Community environmental training	57	–	–
Community human rights training	39	–	–

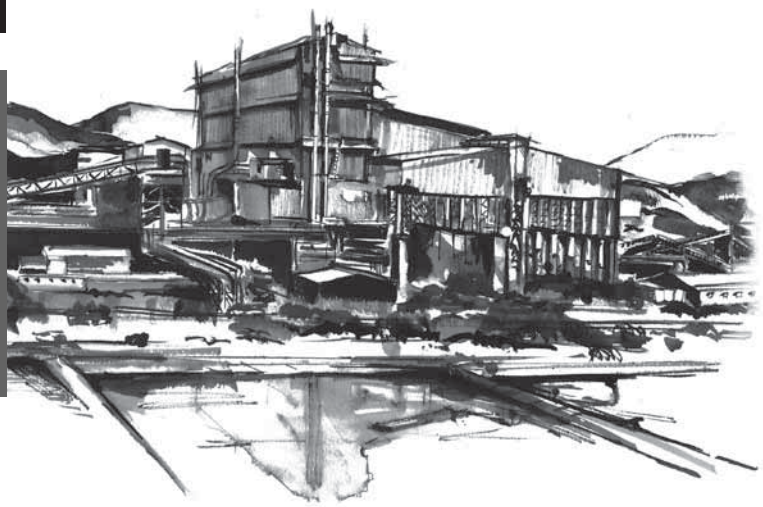
Leadership development

The Venture invites managers whom it has identified as having leadership potential to participate in a leadership programme where members of its senior management team mentor participants. It also provides them with additional training, support and career development opportunities. Over 80% of the managers participating in our leadership development programmes are HDSAs.

SOCIAL CAPITAL AND STAKEHOLDER RESPONSIVENESS

MATERIAL ISSUES

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



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

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

To enhance social capital we:

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

Corporate social investment (CSI)

The Venture, which contributes to a number of CSI projects in the vicinity of its mines and smelters, spent R21.5 million on CSI projects and enterprise development in 2013. The amount budgeted for these projects is R55.8 million of which to date R36.5 million has been spent. They include crop and hydroponic, needlework and craft, sewing and bakery projects, a blanket factory, two nutrition programmes and a youth zone programme. They also include infrastructure programmes including the construction of housing

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

For more information on a review of stakeholder engagement and impact see our website.

KEY POINTS

54% of the Venture's discretionary procurement was from black empowered companies (R4 billion) in 2013

The Venture spent **R21.5 million** on corporate social investment and enterprise development in 2013

Merafe's social investment was in community education and enterprise development

Increasing procurement from small and medium enterprises and black economically empowered (BEE) enterprises and enterprises local to the Venture's operations

Enhancing the socio-economic capacity, prosperity and sustainability of the communities in which the Venture operates

We aim to implement programmes to address the lack of healthcare in the areas in which we operate

Stakeholder engagement and responsiveness

and school rebuilds. The Venture has also contributed to the establishment of catering enterprises.

In addition to Merafe contributing to CSI and enterprise development through the Venture where it contributes in accordance with its participation interest, it independently supports CSI and enterprise development initiatives. Merafe has supported a three-year Protec project since 2010, which provided science, mathematics and technology programmes and materials to schools in the Rustenburg area. The programme assisted both learners and teachers. The teacher development programme provided support for technology teachers at the senior phase level and mathematics and science teachers at the further education and training level. The first phase of this support concluded in 2012. An independent impact evaluation of the project in 2013 indicated that excellent results had been achieved. Through the second phase of this programme we will provide bursaries for students to study engineering. In 2013 five students selected from the Protec project received bursaries to study engineering. Over the three-year period we invested R3 million in the project. The assessment of the project indicated that learners that were part of the Protec project performed well compared to their classmates.

During 2013 we completed the renovation of existing ablution facilities and the building of new facilities at the Meriti and Boitekong high schools as part of the Adopt-a-School programme in which we invested R1.8 million. The renovation work was completed by mid-year, but the construction of the new facilities was delayed until July when Department of Education approval was received and work could begin.

Job creation and skills development

The Venture recognises that its commitment to employing local people whenever possible is to the advantage of both itself and the local communities.

Direct employment at the Venture's operations, indirect employment through contractors and its use of local suppliers provides an income for thousands of families.

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

Enterprise development

Small, medium and micro enterprises (SMMEs) play a key role in job creation in South Africa and our investment in their development is an important part of the contribution both Merafe and the Venture make to the socio-economic capacity of communities. It also increases our ability to procure from black-owned enterprises. The Venture has enterprise development commitments in terms of the Mining Charter Scorecard and any investment Merafe makes in enterprise development contributes to its performance in terms of the broad-based black economic empowerment (B-BBEE) codes. The Venture earmarked approximately R5.8 million for enterprise development in respect of Lion II.

Merafe's investment in VUKA Grow Your Business, which is a certified mentorship programme aimed at black-owned SMMEs, began in December 2012 and ended in November 2013. The programme, which lasts around six months, provides businesses with 20 hours of mentoring every month. Six entrepreneurs were selected for Merafe's participation in the programme. They each signed a contract agreeing to a set of deliverables and timelines. The programme includes providing business skills, access to markets and finance, effective networks and an enabling environment for doing business.

See page 31 for further information on the range of skills training the Venture provides and its investment in this training.

SOCIAL CAPITAL AND STAKEHOLDER RESPONSIVENESS (CONTINUED)

Procurement

In terms of the discretionary procurement targets set in the Mining Charter Scorecard the Venture exceeded all three targets set as can be seen in the table below.

	Total spend 2013 R	BEE spend 2013 R	BEE spend %	Mining Charter targets for 2013 %
Capex	2 085 263 917	1 021 904 442	49.01	30
Consumables	2 673 630 208	1 319 218 091	49.34	40
Services	2 752 117 651	1 736 618 932	63.10	60
Total	7 511 011 776	4 077 741 465		

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 disease. The Venture supports the government's HIV counselling and treatment (HCT) campaign by providing funding and testing sites. It has also funded 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 clinic at the Lion ferrochrome plant in Limpopo province.

During 2013 the Venture also supported the Tapologo hospice which is a well-designed award-winning 34-bed facility and the only 24-hour hospice facility in the area where it operates in the North West province. The main objective of this hospice, which was previously supported by Merafe, is to provide care for AIDS patients in the terminal phase of the disease and symptom control for patients who need to be stabilised before starting ART. It also offers support to families who are unable to cope with an ill family member and aims to reach people in communities that suffer from general poverty, lack of resources and limited access to essential services, who are infected and affected by HIV and AIDS and other terminal illnesses. It also supported the Thekwane Trauma Centre, Rustenburg Hospice and the Ratanang Orphanage Centre.

Respecting the rights of communities

Both Merafe and the Venture do not tolerate any form of discrimination and our policies clearly state that we do not tolerate any form of discrimination and that all our employees and stakeholders are to be treated with dignity and in a manner that is culturally appropriate, irrespective of gender, background or race.

Human rights and ethics

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

Ethics

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

Stakeholder responsiveness

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

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

In 2014 the Venture's stakeholder engagement will mainly focus on the completion of the mine's social and labour plan which comes to an end in December 2014. In addition the Venture will be focusing on identifying issues material to communities and stakeholders that will assist with preparing its social and labour plan for the five-year period from 2015 to 2020.

For further information on our approach to social capital, particularly our social licence to operate and approach to community engagement see our online integrated report for 2013.
For details of the Venture's engagement and Merafe's engagement during 2013 see the stakeholder engagement table on our website.
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 see our online integrated report for 2013.

CHAIRMAN'S REPORT



This year we mourned the passing of Nelson Mandela and celebrated his life during which he made such an outstanding contribution to society.

When I reported to you at the end of 2012 the picture for the South African mining industry was a gloomy one. Fortunately, while 2013 continued to hold many challenges for our industry, overall it was a much better year than the previous year, although industrial action and cost pressures remain an area of concern.

Last year we mourned the loss of life at Marikana. This year we mourned the passing of Nelson Mandela and celebrated his life during which he made such an outstanding contribution to society. I hope that his passing serves to remind South Africans of what we have achieved and are capable of achieving if we follow his example.

One thing we had cause to celebrate in 2012 was zero fatalities in the Venture's operations. Sadly, that is not the case this year and I would like to extend my condolence to the families, colleagues and friends of the two men who lost their lives in the Venture's operations during 2013.

In 2013 we continued to participate in the JSE SRI Index, which confirms the commitment of Merafe and Glencore to building a responsible business. We are also very proud that our Integrated Annual Report won the Small Cap section of the Chartered Secretaries Southern Africa/JSE Limited Annual Report Awards for the second year running.

Strategy

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

As I said last year, the board supports Merafe's diversification strategy which is still to be implemented. Now that our organic growth strategic objectives are nearing an end, we are well positioned to pursue this strategy.

Our approach to sustainability and assurance

As part of our commitment to ensuring the sustainability of our business we engaged KPMG Services to provide assurance on key indicators in terms of B-BBEE and Codes of Good Practice as well as the Mining Charter. KPMG Services were further engaged to provide assurance on the directors' assertions that we have followed the materiality determination processes described in this report and that the directors have applied the results of these processes to formulate the material issues in this report. Merafe relies on the Venture and Glencore to obtain quantitative data with regard to sustainability indicators. I would refer you to the Sustainability review and assurance on page 49 of this report for more information on Merafe and the Venture's assurance and review processes.

The board

We welcomed Ditabe Chocho to our board who joined as Chief Financial Officer in 2013. There were no changes to our non-executive directors in 2013. We have all been working together for a while now and as a result our board members have developed an in depth understanding of our business, its challenges and opportunities. I believe we work together very effectively and that our board members make a valuable contribution to our deliberations.

The only change we made, to comply with new JSE Listings Requirements, was that I resigned as Chairman of the Remuneration and Nomination Committee and we appointed Zed van der Walt, an independent non-executive director, as its Chairman. I remain a member of the committee.

As Chairman 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, 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, ensure it is run effectively and in accordance with the strategic decisions of the board.

Our board is responsible for effective communication with our shareholders with whom we interact at our annual general meetings and at presentations our executive management team make when we release our half-year and annual results. This year we increased our focus on stakeholder relationships and in particular our relationships with our shareholders and Venture partners. The board has delegated the responsibility for engagement with our shareholders and potential investors to the Chief Executive Officer, the Chief Financial Officer and the Investor Relations Manager.

My thanks to our non-executive and executive directors for the contribution you made to the Merafe board's deliberations and decision-making during 2013.

Future outlook

Merafe is well positioned for the year ahead with a strong balance sheet. The Venture is also well positioned as the lowest-cost producer in South Africa, with the ramping up of the energy-efficient Lion II ferrochrome plant in 2014 increasing its competitiveness among South African ferrochrome producers. Hopefully, the 5% increase in the first quarter ferrochrome price bodes well for an increase in demand for ferrochrome during 2014.

As I indicated earlier the completion of the Venture's organic growth plans frees us up to diversify and this will certainly be a future focus for Merafe.

Conclusion

The board would like to thank the Merafe team and our new partners at Glencore for their contribution to our excellent performance in 2013.



Chris Molefe
Chairman

Directorate

Non-executive directors

Chairman

Chris Molefe (65)
(Independent)
BCom, Postgraduate Diploma in Property Development

Chris has extensive experience in mining and resources, merchant banking and transformation strategy development. He is currently Executive Chairman of Nishati Oil and Energy Consulting Proprietary Limited. He is also a non-executive director of Jubilee Platinum plc and Kiwara plc. Chris is a member of the Remuneration and Nomination Committee and the Social, Ethics and Transformation Committee and he is an invitee to the Audit and Risk Committee.

Belese Majova (39)
(Independent)
BCompt

Belese joined the Merafe board in January 2009 as an independent non-executive director. She is Chief Executive Officer of Zeleb Holdings, a business consultancy, specialising in financial management capacity building interventions, business process mapping and supply chain management integration. Her previous experience includes holding senior financial and internal audit management positions. Belese chairs the Social and Ethics Committee and is a member of the Remuneration and Nomination Committee.

Meryl Mamathuba (41)
BProc, LLB

Meryl has been a member of the Merafe board since June 2007. She heads up the Corporate Funding Department at the Industrial Development Corporation of South Africa Limited (IDC). Meryl is a member of the Social, Ethics and Transformation Committee.

Abiel Mngomezulu (60)
(Independent)
BSc (Hons)

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

Mpho Mosweu (38)
CA(SA), MBL

Mpho Mosweu, who joined our board in March 2011, is head of the Projects and Corporate Finance department at the IDC. She currently serves on the board of Cipla Medpro, a JSE-listed pharmaceutical company, as an independent non-executive director and chairs their audit and risk committee. She has extensive commercial and governance experience.

Karabo Nondumo (35)
(Independent)
BAcc, HDipAcc, CA(SA)

Karabo, who joined the Merafe board as an independent non-executive director in 2010, is Executive Head in the Enterprise Business Unit at Vodacom Group Limited. She gained her previous mining industry experience at Shanduka Resources. Karabo is a member of the Audit and Risk Committee and the Remuneration and Nomination Committee.

Steve Phiri (58)
BJuris, LLB, LLM, HDip Co Law

Steve was Chief Executive Officer of Merafe for six years, before becoming the Chief Executive Officer of Royal Bafokeng Platinum in 2011. He remains on the board as a non-executive director and is a non-executive director of Royal Bafokent Resources Holdings. Steve is a member of the Remuneration and Nomination Committee.

Mfanyana Salanje (52)
(Independent)
BCom, BCompt (Hons), MBA, CA(SA), ACMA (UK), HDip Tax Law

Mfanyana, who is Chief Executive Officer of Mfanyana Financial Solutions, joined the Merafe board as an independent non-executive director in December 2010. He has extensive experience in both the public and private sectors and chairs the Merafe Audit and Risk Committee.

Zed van der Walt (69)
(Independent)
PrEng, BSc Engineering (MET), MBA, DPLR

Zed was the technical director of Merafe until he retired in February 2008. Prior to joining Merafe, he was the CEO of CMI Limited and has 35 years' operational and management experience in the ferroalloys industry. He possesses vast operational and management experience and knowledge of the ferroalloys industry. Zed is a member of the Audit and Risk Committee and chairs the Remuneration and Nomination Committee.

Executive directors

Chief Executive Officer

Zanele Matlala (50)
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 and Business Partners 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.

Chief Financial Officer

Ditabe Chocho (44)
BCom, MSc Financial management, CA(SA)

Ditabe joined Merafe as Chief Financial Officer on 2 January 2013. Before joining Merafe he was Chief Financial Officer of DSTV Online, a division of MultiChoice. He sits on the board committees of Resolution Health Medical Scheme as chairman of their Audit Committee and a member of their Remuneration Committee. Ditabe is an invitee to the Audit and Risk Committee and the Remuneration and Nomination Committee.

Commercial Director

Bruce McBride (54)
BA, LLB, Dip Advanced Banking, MBA, PhD

Bruce was a Senior Partner at law firm Bell, Dewar and Hall (now Fasken Martineau) before joining Merafe Resources in 2001 as Commercial Director. Bruce is also a non-executive director of Mundane World Leaders Fund Limited. Bruce is an invitee to the Audit and Risk Committee and is a member of the Social, Ethics and Transformation Committee.

Company Secretary

Amritha Mahendranath (46)
BCom

Amritha, who joined Merafe in 2003 as Financial Manager, was appointed Company Secretary in 2004. She has a corporate governance qualification from the University of Johannesburg and has completed the GIBS Board Development Programme.

Senior management

Finance and Investor Relations Manager

Kajal Bissessor (31)
BAcc, Postgraduate Diploma in Accounting, CA(SA)

Kajal joined Merafe in 2009 having previously worked as a manager at KPMG Inc from 2004 to 2009.

General Manager – Merafe Chrome

Dr Jurg Zaayman (45)
BEng, MEng, PhD (Metallurgical Engineering)

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

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

OUR APPROACH TO GOVERNANCE

BOARD STATISTICS

as at 31 December 2013

42% of our board members are women, all of whom are black

83% of our board members are black

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

67% of our non-executive board members are independent

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

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

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

The board's corporate governance role

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

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

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

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

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

Dealing in securities

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

Board expertise

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

Merafe uses the King III criteria to define an independent non-executive director which can be found in the approach to governance section of our online integrated report for 2013.

OUR APPROACH TO GOVERNANCE (CONTINUED)

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

Board and board committees	Roles and responsibilities	Members/Invitees	Attendance	
			Board meetings	Special meeting
Merafe board	The Chairman is responsible for ensuring that: • the board provides effective leadership • the board maintains ethical standards • Merafe develops and implements strategies aimed at achieving its sustainability • the board and its committees are effective. The board is responsible for: • governance of the Merafe group on behalf of its shareholders • its own governance • strategy and strategic decision-making • assessment of performance • engaging with stakeholders • Merafe's approach to its social responsibility, safety, health, the environment, ethics and risk **Key issues in 2013 included:** Safety, Merafe strategy, Project Lion II, diversification opportunities, merger of Glencore and Xstrata, stakeholder engagement, sustainability, venture performance and sustainability, IT governance and risk management, approval of annual financial statements and integrated report and considering the payment of dividends	Chris Molefe *(Chairman)* Belese Majova Meryl Mamathuba Abiel Mngomezulu Mpho Mosweu Karabo Nondumo Steve Phiri Mfanyana Salanje Zed van der Walt Zanele Matlala *(CEO)* Bruce McBride Ditabe Chocho Jurg Zaayman+	4/4 4/4 2/4 3/4 4/4 4/4 3/4 4/4 4/4 4/4 4/4 4/4 4/4	1/1 1/1 1/1 1/1 0/1 1/1 1/1 1/1 1/1 1/1 1/1 1/1 1/1
				Committee meetings
Audit and Risk Committee	All members of this committee are independent non-executive directors (as required by the Companies Act). The committee: • monitors the adequacy of financial controls and reporting; reviews the audit plans of the external auditors and adherence to these plans; considers and determines the principles for approving the use of the external auditors for non-audit services; ensures that financial reporting complies with IFRS, the Companies Act and tax legislation; reviews and makes recommendations on all financial matters • oversees Merafe's integrated reporting as well as the assurance function • assists the board in the identification of all material risk and sustainability issues to which the company is exposed. It ensures that the requisite risk management culture, policies, practices, systems and resources are in place and are functioning effectively. **Key issues in 2013 included:** Review work of external and internal auditors, assess independence of external auditors, review risk register, monitor compliance with statutory requirements, assess adequacy of internal controls and compliance, funding, review of new joint venture accounting standard: Impairment of Horizon Mine, monitor and consider all tax returns and matters related to SARS, risk management workshop, oversee forex and interest rate hedging policies: IT governance implementation, approved formal tax strategy and policy document, reviewed and approved integrated annual report and assurance process, recommend annual financial statements and integrated report for approval by board, assessment of CFO	Mfanyana Salanje *(Chairman)* Abiel Mngomezulu Karabo Nondumo Zed van der Walt Zanele Matlala+ Ditabe Chocho+ Bruce McBride+ Chris Molefe+ Jurg Zaayman+ Kajal Bissessor+	4/4 3/4 4/4 4/4 4/4 4/4 4/4 4/4 3/4 4/4	
Remuneration and Nomination Committee	The committee: • makes recommendations to the board for its consideration and final approval regarding remuneration strategy and policy • assists the board in ensuring that directors and executives are remunerated fairly and responsibly • ensures the disclosure of directors and other executive remuneration is accurate, complete and transparent • assists the board with ensuring that remuneration policies are adopted that promote the achievement of strategic business objectives and encourage individual performance and monitoring remuneration policies • makes recommendations on non-executive directors' fees • develops policy around the appointment of directors, investigates potential board members for necessary skills and competence and makes appropriate recommendations to the board. **Key issues in 2013 included:** Appointment of CFO, appointed new chairman for this committee, completed assessment of performance of Audit and Risk Committee, considered make-up/membership of all committees, recommended approval of remuneration policy to board, approved CEO's (individual) and business performance KPIs, approved talent management programme, evaluated Exco's individual and business performance against objectives, reviewed executive contracts in line with internal audit recommendations	Zed van der Walt *(appointed Chairman on 22 May 2013)* Belese Majova Karabo Nondumo Steve Phiri Chris Molefe *(stepped down as Chairman on 22 May 2013)* Zanele Matlala+ Bruce McBride+ Ditabe Chocho+	2/3 5/5 4/5 3/5 5/5 5/5 1/1 5/5	

See our website for our Board Charter and Code of Ethics.
For the Audit and Risk Committees report see the annual financial statements which form part of our online integrated report for 2013.

Board and board committees	Roles and responsibilities	Members/Invitees	Attendance
Social, Ethics and Transformation Committee	The roles, responsibilities and key issues for the Social, Ethics and Transformation Committee are set out in the Social, Ethics and Transformation Committee report below.	Belese Majova *(Chairman)*	3/3
		Meryl Mamathuba	
		Chris Molefe	1/3
		Zanele Matlala	3/3
		Bruce McBride	3/3
		Jurg Zaayman	3/3
		Ditabe Chocho+	3/3
			3/3

* *There were four paid board meetings, one paid board strategy session in 2013.*
\+ *Invitee*

Social, Ethics and Transformation Committee report

The committee was established by the board of directors on 21 February 2012, in accordance with the requirements of the Companies Act of 2008 (the Act), Section 72(4) and Regulation 43(2).

The committee has an independent role. Its members include three non-executive directors, two of which are independent, two executive directors and the General Manager: Merafe Chrome. Independent non-executive director Belese Majova chairs the committee.

The committee assists the board in monitoring the group's activities in terms of legislation, regulation and codes of best practice relating to:

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

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

In addition to the above the committee:

- reviewed a legal and compliance internal audit of Merafe by PwC. There were no material adverse findings and any gaps were rectified
- completed a review of all company policies (which were then subject to an audit by PwC). There were no material findings and recommendations for improvement by PwC were noted and attended to
- reviewed and updated the company's Code of Ethics, the board charter and the committee's terms of reference
- reviewed and assessed all legislation applicable to Merafe, the Venture and the committee
- assessed the company's compliance with King III. The company complies with King III principles, save as otherwise noted and explained in this integrated annual report
- continually assessed Merafe's and the Venture's transformation performance with specific reference to the Mining Charter and the B-BBEE Codes of Good Practice
- Continually assessed Merafe and the Venture's corporate social investment and enterprise development performance. In this regard, the committee visited the corporate social investment and enterprise development projects in November 2013

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



Belese Majova
Chairman

OUR APPROACH TO GOVERNANCE (CONTINUED)

The structure and roles and responsibilities of the Glencore-Merafe Chrome Venture's Joint board

Management structure	Roles and responsibilities	Members
Executive Committee of the Venture	The Executive Committee consists of the heads of all the Venture's divisions and the MD of the Venture. The Committee meets at least once a month, recommends policies and strategies; 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 on the Executive Committee by Zanele Matlala, Ditabe Chocho, Bruce McBride, Jurg Zaayman and Kajal Bissessor
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 Exco, Treasury, Sustainable Development and Audit committees.	Three executives from Glencore and the three executives from Merafe. The Merafe General Manager Chrome attends as an invitee. Currently, the Chief Executive Officer of Glencore chairs the board

Merafe complies with King III. In our 2012 integrated annual report we identified certain issues with which we partially complied and noted that we would be focusing on these issues in 2013. Our progress in 2013 is set out below.

Our progress with governance matters in 2013 where we had not as yet fully applied King III

Oversight of internal audit	The board's responsibility for information technology	Stakeholder relationships
PricewaterhouseCoopers (PwC) were appointed as Merafe's internal auditors in 2012. The scope of their appointment includes: preparing an internal audit plan and an internal audit charter; reviewing IT governance, legal and compliance and all matters relating to tax. PwC provided the Audit and Risk Committee with a report of the findings of their review of IT governance, legal and compliance and tax matters in May 2013, which included recommended changes. All the changes and amendments recommended by PwC were completed by year end except for certain human resource policies and the procurement policy, which are being revised. Once this revision is completed they will be reviewed by PwC as part of their internal audit review in 2014. Following PwC's compliance review Merafe furnished the Venture with a checklist of the legislation and compliance that is the Venture's responsibility and we sought and received confirmation that this compliance is taking place.	As recommended by PwC a new IT support service provider was appointed in 2013. See our online integrated report 2013 for details of the governance of information technology in the Venture. We also established a new website and selected a new website service provider for this purpose.	Management proactively deals with stakeholder relationships. We believe there will always be room for improvement in stakeholder relationships, however, our management team continually strives to improve the effectiveness of its stakeholder engagement. **An appropriate balance between stakeholder groupings** While we believe that we are reasonably well engaged with all our stakeholder groups, in our opinion this issue will also remain one that needs to be monitored for potential areas where there is room for improvement. **Equitable treatment of stakeholders** We believe we are doing our best to treat our stakeholders fairly. Again, this is an area we will continue to monitor to find areas where we can improve. **Timeous and effective dispute resolution** We have never had to resort to dispute resolution, however, we have various dispute resolution mechanisms in place, including an arbitration clause, in our agreement with Glencore regarding the Venture.

For the table setting out our performance in terms of King III see our online integrated report for 2013.

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

Requirement	Principle	Merafe's approach and compliance
3.84(a)	There must be a policy detailing the procedures for the appointment to the board. Appointments must be formal and transparent and a matter for the board as a whole, assisted where appropriate by a nomination committee. If a nomination committee is appointed, such committee must only constitute non-executive directors and the majority must be independent. The committee must be chaired by the chairman of the board.	Merafe's directors are appointed by means of a transparent and formal procedure, governed by the mandate and terms of reference of our Remuneration and Nomination Committee and the board charter. The board charter and the terms of reference of all our committees are available on our website at www.meraferesource.co.za, and the Remuneration and Nomination Committee's terms of reference are summarised on page 38 of this report. All members of our Nomination Committee are independent non-executive directors. The committee is chaired by an independent non-executive director. We comply with the definitions of non-executive director and independent director in terms of paragraph 3.84 (f) (ii). All non HDSA appointments are first ratified by the Social, Ethics and Transformation Committee.
3.84(b)	There must be a policy evidencing a clear balance of power and authority at board level to ensure that no one director has unfettered powers.	Our board charter clearly demonstrates that there is a clear balance of power and authority at board level and that no one director has unfettered powers.
3.84(c)	Issuers must have a CEO and a chairman and these positions must not be held by the same person. The chairman must either be an independent director or the issuer must appoint a lead independent director as defined in the King Code.	The CEO and Chairman positions in Merafe are held by different people and Merafe's Chairman is an independent non-executive director as defined in King III. We would refer you to pages 35, 36 and 38 of this report. Chris Molefe has chaired the Merafe board since May 2003. In accordance with Chapter 2 of King III the board conducted an in depth review of both his performance and independence. It concluded that his independence has not been affected or impaired by his length of service and that Merafe would continue to benefit from his performance as Chairman if he were to continue in this role.
3.84(d)	Issuers must appoint an audit committee in compliance with the King Code. Issuers must appoint a remuneration committee in compliance with the King Code. Where appropriate, issuers must appoint a risk and nomination committee. The composition of such committees, a brief description of their mandates, the number of meetings held and any other relevant information must be disclosed in the annual report.	Merafe has combined its Audit and Risk Committee. Its membership is set out on page 38 of this report. The committee currently has four members all of whom are independent non-executive directors, as set out in the King Code. The Chairman of the board is invited to attend committee meetings. As previously indicated Merafe has appointed a combined Remuneration and Nomination Committee. The committee has five members, four of whom are independent non-executive directors. The Chairman of the board is a member of the combined committees, but is not Chairman of the committee. As already explained Merafe has a combined Audit and Risk Committee and a combined Remuneration and Nomination Committee. Our Chief Executive Officer, Chief Financial Officer, Commercial Director and our Finance and Investor Relations Manager are permanent invitees to the Audit and Risk Committee.
3.84(e)	Brief CV of each director standing for election or re-election must accompany relevant notice of meeting.	Brief *curricula vitae* of our directors are to be found on page 36 of this report which also contains the notice of our annual general meeting.
3.84(f)	Capacity of directors in relation to executive, non-executive and independent must be categorised and disclosed in the relevant documentation.	The *curricula vitae* mentioned at 3.84(e) also contain information as to whether a director is independent, non-executive or executive. The composition of our committees is in accordance with the requirements of the Companies Act and King III.
3.84(g)	Issuers must have a full time executive financial director.	Merafe has a full time Chief Financial Officer 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(h)	The audit committee must consider on an annual basis, and satisfy itself of the appropriateness of the expertise and experience of the financial director and report thereon in the annual report.	Our Audit and Risk Committee annually considers and satisfies itself of the appropriateness of the expertise and experience of the Financial Director and has reported in its Audit and Risk Committee report that it is satisfied with the appropriateness of the expertise and experience of Ditabe Chocho.
3.84(i)	The provision deals with the competence, qualifications and experience of the company secretary and the board of directors' responsibility in relation thereto.	The board has assessed the competence, qualifications and experience of the Company Secretary, as required, and has agreed that she is sufficiently qualified, competent and experienced to hold the position of Company Secretary. The board made their assessment in a closed board meeting.
3.84(j)	The provision deals with the arm's length relationship between the board of directors and the company secretary and the board of directors' responsibility in relation thereto.	The Company Secretary fulfills no executive management function and is not a director. The board is satisfied that the Company Secretary maintains an arm's length relationship with the executive team, the board and the individual directors.

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

For our annual financial statements and further information on our Company Secretary see our online integrated report for 2013.

REMUNERATION REPORT

Remuneration policy
Our remuneration policy, a summary of which is set out below, was approved by shareholders on 24 April 2013.

Our remuneration philosophy
Merafe's primary remuneration intent is to employ and reward high calibre and high performing employees who subscribe to the values and culture of our company. We recognise that our employees are integral to the achievement of our corporate objectives and that they should be remunerated accordingly for their contribution, and the value that they deliver. Additionally, non-executive fees should be determined in the context of good governance and be market-related.

Our remuneration strategy
Our remuneration strategy is designed to be aligned with our business strategy and its execution. As we strive to attract, retain, motivate and reward employees for executing our business strategy, their remuneration must clearly be market-related, and our Remuneration and Nomination Committee uses third parties for the purpose of benchmarking to the appropriate segment. The general principle of this strategy is to structure executive and employee remuneration to provide:
- guaranteed annual salaries and benefits that are commensurate with the market for key talent
- annual cash incentives that reward short-term operational performance
- long-term (share-based) incentives that promote retention and drive performance in alignment with shareholder goals.

The Remuneration and Nomination Committee
Responsibility for the company's remuneration policies rests with the Merafe Resources board of directors, which has in turn appointed the Remuneration and Nomination Committee.

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

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

This role essentially consists of:
- assisting the board in setting and monitoring remuneration policies which promote the achievement of strategic business objectives and encourage individual performance
- ensuring that remuneration policies are adopted and reviewed and aligned with the strategy of the organisation and linked to individual performance
- reviewing the outcome of the implementation of the remuneration policy.

Additionally the committee plays an active role in succession planning activities, notably for the Chief Executive Officer and executive management.

The committee is responsible for making recommendations to the board on remuneration policy for the directors and, to the extent it deems necessary, makes external comparisons between remuneration packages currently available to the company's own executive directors and those available to directors of other companies of a similar size in the comparable industry sector.

The committee meets formally at least three times a year, and a quorum is set at three members being present. The Chairman of the board and the CEO attend meetings to discuss the performance of other executive directors and to make proposals as necessary.

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

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

Remuneration policy
The key principles of Merafe's remuneration policy are:
- Policy is governed by the Remuneration and Nomination Committee who regularly review all policies to ensure that they are relevant and support company strategy
- Guaranteed remuneration is targeted broadly at the median position of the relevant market data
- All employees are members of medical and retirement funds and have group life and disability cover
- Variable pay is an important component of remuneration and both annual and long-term performance-based schemes are in place in support of the company's business strategy
- Incentive scheme performance measures are assessed by the Remuneration and Nomination Committee. These measures are weighted between corporate, individual, and financial and non-financial criteria
- Performance measures are applicable to the time period to which the scheme relates
- Annual cash incentive bonuses are based on performance for the financial year, while the long-term incentive scheme measures are based on long-term sustainability and shareholder value
- Annual salary adjustments are governed by factors such as the consumer price index (CPI), retention strategies, the producer price index (PPI), industry performance, projected growth, contractual arrangements and affordability
- Industry average increase surveys are taken into consideration in setting increases
- Both short-term and long-term incentive schemes are benchmarked against practices at similar companies
- The overriding principle governing payments for non-executive directors is that they are made in the context of good governance.

For our remuneration policy see our online integrated report for 2013 under remuneration report.

Executive remuneration

The Remuneration and Nomination Committee (assisted by independent advisors) reviewed Merafe's remuneration policy and approved a new policy which is in line with best practice and which is aligned with the company's strategic objectives.

The major change in policy approved by shareholders on 24 April 2013 was to move away from bonuses based solely on a 1.5% share of EBITDA towards a more balanced approach, which addresses the long-term sustainability of performance rather than merely rewarding short-term financial performance.

Executive pay mix

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

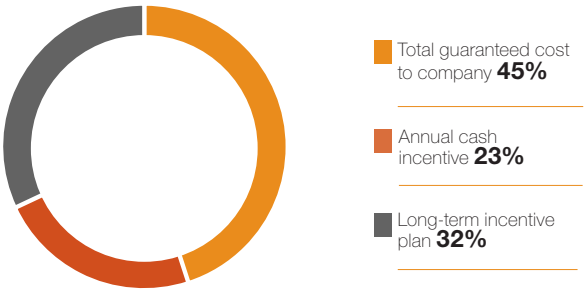
- Guaranteed pay – based on total guaranteed cost to company (tctc), being the combination of basic salary
- Performance variable pay, being made up of:
  - on target reward from short-term incentives in the form of annual cash incentives
  - the expected value from long-term (share-based) incentives.

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.

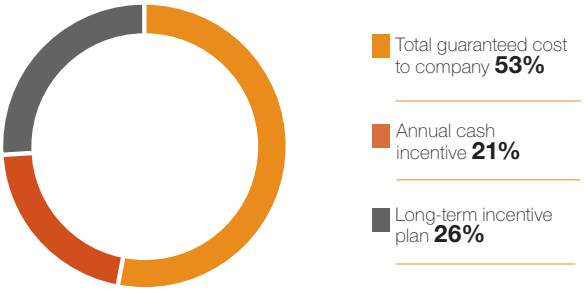
The balance between guaranteed pay (total cost to company), targeted annual cash incentives and the expected value from long-term (share-based) incentives for executives is shown in the pie charts and in the diagram below.

Relative apportionment between the major elements of reward

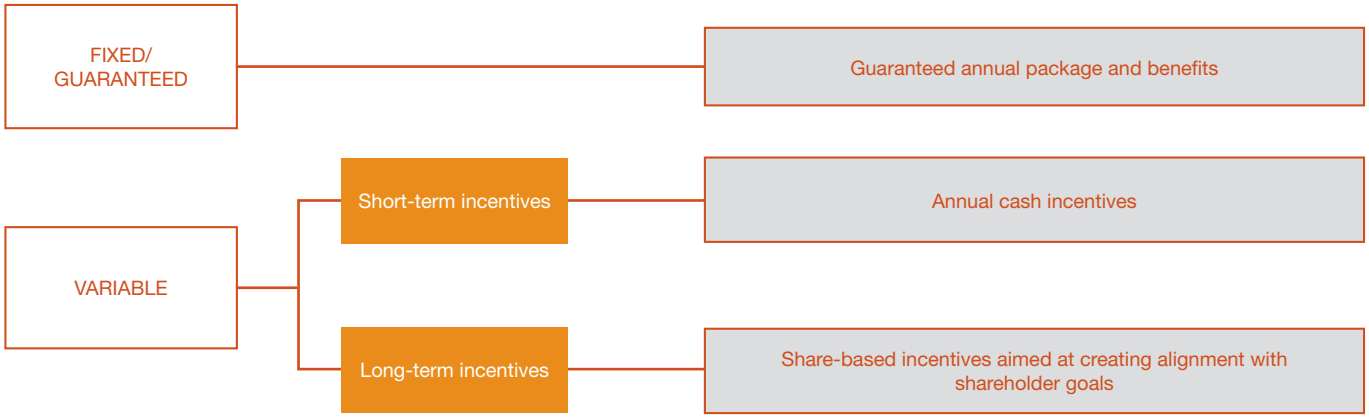
Chief Executive Officer



Executive director



Executive and employee remuneration principles/structure



REMUNERATION REPORT (CONTINUED)

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

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

Guaranteed remuneration

Merafe aims to establish and maintain an integrated pay line with pay levels that ensure that it is able to remain competitive while managing costs. Salaries and benefits are reviewed annually and are targeted broadly at the median position in the relevant market. The company conducts annual market pricing exercises against the top management reward surveys. The benchmark used is the median total guaranteed cost of employment for similar positions in similarly size listed companies. When deciding on salary reviews the Remuneration and Nomination Committee also takes into account business performance, salary practices prevailing for other employees in the company and, when setting individual salaries, the individual's performance and experience in the role.

Short-term incentives

Merafe's annual incentives are aimed at rewarding a combination of both business and individual performance. Business performance (a weighted combination of financial performance and key strategic metrics) determines the size of a bonus pool for the company and individual contributions to this performance (measured in terms of individual value driver scorecards) determine the bonus pool's distribution to individuals.

Business performance is assessed in terms of a select scorecard of performance indicators, covering both financial and non-financial sustainability elements. Actually achieved performance against targeted EBITDA is given a weighting as is the achievement of additional ferrochrome business and/or targeted diversification (as submitted in a body of evidence and approved by the Remuneration and Nomination Committee). These metrics are assessed against a five-point scale.

The percentage split between targeted EBITDA and the achievement of additional ferrochrome business, targeted diversification and sustainability elements will be discussed and agreed by the Remuneration and Nomination Committee annually, but is currently set at 60%/40%.

Long-term (share-based) incentives

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

Share incentive schemes

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

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

On 13 April 2010 a new share incentive scheme was approved by shareholders providing for offers of both share options and full value (free) shares. The offers of full value (free) shares for directors were split 80%/20% between performance-oriented awards being subject to performance vesting conditions and retention-oriented grants with no performance conditions other than continued employment.

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

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

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

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

- Share options are only offered at the discretion of the board
- Full value share offers are made annually to all employees, the targeted reward of which is dictated by the company's reward strategy – pay mix
- Performance-oriented share awards and retention-oriented grants are offered to senior managers and above, with the proportion of awards, in relation to grants, increasing with seniority
- Performance-oriented award values are calculated as a percentage of an individual's total cost to company guaranteed package
- Retention-oriented grant values in any one year are, at the discretion of the board, calculated either as a percentage of the current total cost to company guaranteed package, or as a percentage matching of the past year's annual incentive payout
- Performance oriented grants predominate over retention oriented grants at senior levels.

Details of executive and management remuneration in 2013 can be found on page 46 of this report.

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

The conditions applicable to performance-orientated awards are set out on pages 43 and 44 of our annual financial statements, which are part of our online integrated report for 2013. A detailed breakdown of share options and share grants can be found in note 8 of our annual financial statements on pages 37 to 48.

For the terms of the share incentive scheme approved on 13 April 2010 see our online integrated report 2013 under Remuneration report.

Non-executive directors' fees

In accordance with Merafe's policy of ensuring that non-executive directors' fees are market related, the company consults regularly with independent experts regarding the appropriate fee structures and levels, the last review having been undertaken in 2013.

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

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

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

Non-executive directors' fees are tabled annually for approval by the shareholders of the company. The non-executive directors' fees paid during 2013 are set out below, as are the proposed non-executive fees for 2014.

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

An overall fee increase of 7% to the directors' fees for non-executive directors is proposed, with the exception of the Chairman of the Audit and Risk Committee whose fees were revised in 2013, following a benchmarking exercise.

Approved and proposed non-executive directors' fees

Directors' remuneration, as presented for approval at the annual general meeting, is based on four meetings a year.

		2013			2014		
Committee	Membership	Retainer per annum R'000	Total meeting fees per annum R'000	Current annual cost R'000	Proposed retainer per annum R'000	Proposed meeting fees per annum R'000	Proposed annual cost R'000
Board	Chairperson	**262**	**174**	**436**	280	187	467
	Member	**141**	**94**	**235**	151	101	252
Audit and Risk	Chairperson	**115**	**77**	**192**	115	77	192
	Member	**67**	**45**	**112**	72	48	120
Remuneration and Nomination	Chairperson	**55**	**37**	**92**	59	39	98
	Member	**34**	**22**	**56**	36	24	60
Social, Ethics and Transformation	Chairperson	**55**	**37**	**92**	59	39	99
	Member	**34**	**22**	**56**	36	24	60

Non-executive fees paid

These fees are paid in accordance with the approved fees set out above. We held four board meetings during the year and one strategy session. We also held four Audit and Risk Committee meetings, five Remuneration and Nomination Committee meetings and three Social, Ethics and Transformation Committee meetings in 2013.

	Board fees R'000	Audit and Risk Committee R'000	Remuneration and Nominations Committee R'000	Social, Ethics and Transformation Committee R'000	Total 2013 R'000	Total 2012 R'000
CK Molefe**	480		81	50	**611**	549
A Mngomezulu	235	100			**335**	332
M Mamathuba	212			39	**251**	231
B Majova	259		61	82	**402**	388
M Mosweu	235				**235**	185
Z van der Walt	259	83	78		**420**	334
K Nondumo	259	110	56		**425**	378
M Salanje	259	123			**382**	353
S Phiri*	–		–		**–**	–
Total	2 198	416	276	171	**3 061**	2 750

* *S Phiri has elected not to receive any fees as a director since being appointed as a non-executive director.*

** *Excludes R4 000 cellphone allowance, refer note 22.1 of the annual financial statements, which form part of our online integrated report for 2013.*

REMUNERATION REPORT (CONTINUED)

Directors' and prescribed officers' remuneration

	Salaries R'000	Bonus and performance related payments R'000	Fringe benefits R'000	Provident fund contribution R'000	Exercise of share options and share grants R'000	Total R'000
2012						
Executive directors						
ZJ Matlala	2 849	2 085	270	427		5 631
S Elliot*	2 151		204	291		2 646
B McBride	2 674	1 402	338	401		4 815
Prescribed officers						
K Bissessor	1 024	551	137	141		1 853
A Mahendranath	585	187	109	81		962
2013						
Executive directors						
ZJ Matlala	3 154	3 144	265	473	218	7 254
SD Chocho**	2 301	1 916	283	345	–	4 845
B McBride	2 872	2 270	247	431	289	6 219
Prescribed officers						
K Bissessor	1 143	755	151	158	119	2 326
A Mahendranath	644	325	149	89	65	1 272

* *Resigned 1 May 2012.*
* *Appointed on 2 January 2013.*

Below is a summary of all share options and grants for executive directors and prescribed officers.

Share options outstanding at 31 December 2013 (000s)

	ZJ Matlala	B McBride	K Bissessor	A Mahendranath
Average exercise price (cents)	136	113	69	147
Exercisable on 30 June 2009	–	295	–	333
Exercisable on 31 December 2009	–	1 124	–	–
Exercisable on 30 June 2010	–	295	–	333
Exercisable on 31 December 2010	–	3 357	–	–
Exercisable on 1 March 2011	–	1 407	–	217
Exercisable on 30 June 2011	–	295	–	333
Exercisable on 1 March 2012	–	1 407	–	217
Exercisable on 1 March 2013	–	1 407	–	217
Exercisable on 1 April 2012	–	–	1 000	–
Exercisable on 1 April 2013	–	–	1 000	–
Exercisable on 1 April 2014	–	–	1 000	–
Exercisable on 1 October 2013	885	–	–	–
Exercisable on 1 October 2014	1 770	–	–	–
Exercisable on 1 October 2015	1 770	–	–	–
Exercisable on 1 October 2016	885	–	–	–
Total	5 310	9 587	3 000	1 650

Share grants outstanding as at 31 December 2013 to directors and prescribed officers (000s)

	Price (cents)	Total						
ZJ Matlala			1 October 2013	1 October 2014	1 October 2015	1 October 2016		
Granted 1 October 2010	Nil	2 400	114	914	914	458		
				1 April 2014	1 April 2015	1 April 2016		
Granted 8 April 2011	Nil	419		140	140	139		
					4 May 2015	4 May 2016	4 May 2017	
Granted 4 May 2012	Nil	552			184	184	184	
					13 June 2015	13 June 2016	13 June 2017	
Granted 13 June 2012	Nil	4 466			1 489	1 489	1 488	
						6 March 2016	6 March 2017	6 March 2018
Granted 6 March 2013	Nil	2 279				760	760	759
		10 116	114	1 054	2 727	3 030	2 432	759
B McBride			29 April 2013	29 April 2014	29 April 2015			
Granted 3 April 2010	Nil	1 245	138	553	554			
				1 April 2014	1 April 2015	1 April 2016		
Granted 8 April 2011	Nil	363		121	121	121		
					4 May 2015	4 May 2016	4 May 2017	
Granted 4 May 2012	Nil	478			159	159	160	
						6 March 2016	6 March 2017	6 March 2018
Granted 6 March 2013	Nil	1 480				493	493	494
		3 566	138	674	834	773	653	494
D Chocho						6 March 2016	6 March 2017	6 March 2018
Granted 6 March 2013	Nil	1 729				576	576	577
		1 729				576	576	577
K Bissessor			29 April 2013	29 April 2014	29 April 2015			
Granted 3 April 2010	Nil	385	18	184	183			
				1 April 2014	1 April 2015	1 April 2016		
Granted 8 April 2011	Nil	246		82	82	82		
					4 May 2015	4 May 2016	4 May 2017	
Granted 4 May 2012	Nil	212			71	71	70	
						6 March 2016	6 March 2017	6 March 2018
Granted 6 March 2013	Nil	500				167	167	166
		1 343	18	266	336	320	237	166
A Mahendranath			29 April 2013	29 April 2014	29 April 2015			
Granted 3 April 2010	Nil	210	10	100	100			
				1 April 2014	1 April 2015	1 April 2016		
Granted 8 April 2011	Nil	99		33	33	33		
					4 May 2015	4 May 2016	4 May 2017	
Granted 4 May 2012	Nil	78			26	26	26	
						6 March 2016	6 March 2017	6 March 2018
Granted 6 March 2013	Nil	300				100	100	100
		687	10	133	159	159	126	100

Notes:

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

For more information on the performance conditions see our remuneration policy and see pages 43 and 44 of our annual financial statements which form part of our online integrated report for 2013.

APPROACH TO RISK MANAGEMENT

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

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

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

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

Principal risks

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

- The possible negative impact on our earnings of commodity price volatility, currency exchange rate fluctuations and the health of the global economy. The preventative actions the Venture takes to reduce the impact, which include managing production levels, scaling down mining and smelting activities during downturns in global demand and maintaining its position as the lowest-cost ferrochrome producer in South Africa, are described in the Principal risks and uncertainties table
- Socio-political climate in South Africa, which includes industrial unrest and the risk of the Venture not winning broad support for its activities from local communities. Both of these possibilities could result in disruptions affecting our profitability. To reduce these risks the Venture's stakeholder engagement and responsiveness efforts play a critical role. In addition Merafe and the Venture invest in social and labour plan commitments, which include local economic development, healthcare and education projects. We also invest in corporate social responsibility initiatives
- Investors' negative perceptions of the South African mining industry impacts on investors' appetite for investment in South African mining stocks. Merafe focuses on maintaining relationships with our existing investors and building new relationships. To achieve this our team regularly travels to Europe, the United States and Asia to meet with and make presentations to 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 and diversification plans. 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, royalties and mining rights can result in extensive disruption to the Venture's operations, loss of revenue and fines. The loss of mining rights could affect our business. The Venture and Merafe maintain extensive, transparent and open relationships with regulators and local, regional and national government bodies. We keep abreast of all changes to legislation and closely monitor compliance with it. The Venture has achieved its mining scorecard targets
- Loss of our empowerment credentials if Royal Bafokeng Resources Holdings Limited (RBRH) sells its shares in Merafe. RBRH has been a shareholder in Merafe for over 11 years. We ensure RBRH is kept informed of Merafe business, meet regularly with its representatives and it is represented on our board
- 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 Venture and the ferrochrome industry are engaging 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. The recent change in circumstances for China, which include increased chrome ore prices, freight rate increases and environmental issues which have resulted in a number of ferrochrome operations having to shut down, has also reduced 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-effective proprietary technology plays a significant part in its cost reduction. We are also engaging with government regarding carbon taxes and electricity costs
- Lack of energy supplies could impact on the Venture's ability to operate. The Venture has an ongoing programme to assess and monitor energy-related risks, including scenario analyses. We also manage the risk by implementing energy efficiency plans and assessing the risks associated with energy supply at the design phase of our projects
- Emissions and climate change regulations could have an adverse impact on our ability to maintain profitability and water scarcity has also become an issue that could in future affect the Venture's ability to operate. The Venture continually engages with government and key policymakers to advocate a rational approach to carbon taxes and it has reduced the carbon emissions attributable to the electricity it purchases by improving the energy efficiency of its operations and investigating the use of renewable energy sources. The Venture has also successfully reduced its water consumption per tonne of product produced
- The Venture's operations are subject to extensive health, safety and environmental (HSE) regulations and legislation and community expectations; HIV and AIDS and associated disease remain the major healthcare challenges for our industry and if the Venture's employees suffer from symptoms associated with HIV and AIDS it could have a negative impact on its production levels and our profitability. The Venture gives these issues priority and significant resources are committed to providing a safe and healthy workplace, keeping our impact on the environment to a minimum and addressing the impact of HIV and AIDS on our employees and the communities in the vicinity of our operations
- Loss of key and skilled employees, particularly to competitors, could result in financial loss and reputational damage. The policy of both Merafe and the Venture is to invest in future key contributors and to implement adequate notice periods and lock-ins through share incentives.

For our principal risks, uncertainties and opportunities table see our online integrated report for 2013.
For more information on the Venture's risk processes, including its information technology governance see our online integrated report for 2013.

SUSTAINABILITY REVIEW AND ASSURANCE

The Glencore-Merafe Chrome Venture

Merafe relies on the Venture and Glencore to obtain quantitative data with regard to sustainability indicators.

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

The sustainability data and information falls under the Sustainability and Human Resource 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 seven internal and external reviews and audits during 2013.

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

In addition, during the period February to May 2014, Deloitte has been commissioned as part of Glencore's global audit and review process, to undertake independent third party assurance on key sustainability data of the Venture.

As a result of the internal and external reviews and audits as outlined above, (together with the signing off of the data by the Venture and Glencore), the 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 is signed off by a Competent Person as defined by the SAMREC Code, a summary of which is on pages 23 to 25.

Merafe Resources

Our empowerment credentials and compliance with the Mining Charter and the B-BBEE Act are important to us and the Venture. They are also material to our ability to access diversification opportunities going forward. As a result we engaged KPMG Services to provide assurance on key indicators in terms of the B-BBEE, Codes of Good Practice as well as the Mining Charter, in respect of ownership, HDSA in management, management control and employment equity, set out in the table below.

KPMG Services were further engaged to provide independent assurance on the directors' statement that they have followed the materiality determination process described in this report in identifying the material issues included in this report. The work of KPMG Services included a review of Merafe's:

- process to define its material issues
- strategy session packs and minutes
- board and committee meetings packs and minutes
- stakeholder engagement documentation

as well as interviews with executives and a review of the 2013 integrated report to assess that this report reflects the material and stakeholder issues identified.

For further understanding of the work performed refer to KPMG Services Independent Assurance Report in our online integrated report for 2013, under Sustainability review and assurance.

Key performance indicators on which limited assurance was provided

	Assured value %	Targets %	Met/exceeded
Prepared in compliance with the Broad-Based Black Economic Empowerment (B-BBEE) Act of 2003 and the Codes of Good Practice on Black Economic Empowerment (Codes of Good Practice) (2007)			
Percentage ownership			
Black owned — Royal Bafokeng Holdings' shareholding (adjusted for ownership directly held by government)	37	26	Exceeded
Management control			
Board participation			
Exercisable voting rights of black board members using the adjusted recognition for gender	67	50	Exceeded
Black executive directors using the adjusted recognition for gender	59	50	Exceeded
Top management			
Black top management using the adjusted recognition for gender	54	40	Exceeded
Employment equity			
Black disabled employees as a percentage of all employees	–	3	Not met
Black employees in senior management as a percentage of all such employees, using the adjusted recognition for gender	63.5	60	Exceeded
Black employees in middle management as a percentage of all such employees, using the adjusted recognition for gender	87.5	75	Exceeded
Black employees in junior management as a percentage of all such employees using the adjusted recognition for gender*	n/a	80%	n/a
Prepared in compliance with the Amendment to the Broad-Based Socio-Economic Empowerment Charter for the South African Mining and Minerals Industry (BBSEEC) (2010) and related Scorecard (2010)			
Percentage ownership			
Black owned — Royal Bafokeng Holdings' shareholding	29	26	Exceeded
Percentage HDSA in management			
Top management (board)	83	40	Exceeded
Senior management (Exco)	67	40	Exceeded
Middle management	100	40	Exceeded
Junior management*	n/a	40	n/a

* *Merafe resources does not have any employees in the "Junior management" category.*

For a schedule detailing the Venture's internal and external reviews and audits see our online integrated report for 2013 under Sustainability review and assurance.

DIRECTORS' REPORT

Nature of business

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

Ferrochrome plants		Chrome mines		UG2 plants and pelletisers	
Asset	Merafe Ferrochrome's interest	Asset	Merafe Ferrochrome's interest	Asset	Merafe Ferrochrome's interest
Wonderkop ferrochrome plant (furnaces 5 and 6)	50%	Horizon Mine	100%	Impala Kanana UG2 plant	20.5%
Boshoek ferrochrome plant	100%	Boshoek Mine	100%	Lonmin UG2 plants	20.5%
Lion I ferrochrome plant	20.5%	Kroondal and Wonderkop mines	20.5%	Mototolo UG2 plant	20.5%
Lion II ferrochrome plant*	20.5%	Helena Mine	20.5%	Bokamoso pelletising and sintering plant	20.5%
		Magareng Mine	20.5%	Motswedi pelletising and sintering plant	100%
				Tswelopele pelletising and sintering plant	20.5%

** Currently under construction*

Group financial results

The annual financial statements set out the financial results of Merafe Resources and its subsidiaries (group). These financial statements have been prepared using appropriate accounting policies, which conform to International Financial Reporting Standards, supported by reasonable and prudent judgements where required.

Merafe Ferrochrome's share of EBITDA from the Venture is accounted for at 20,5%. In addition to Merafe Ferrochrome's share of EBITDA from the Venture, corporate expenses, interest on debt, depreciation and interest received are accounted for in order to determine earnings before taxation of the group. Refer to note 1.3.2, Basis of consolidation – Transactions with the Venture of the annual financial statements, for further information regarding the accounting policy for Merafe Ferrochrome's interest in the Venture.

Loans and borrowings

During December 2011, management concluded an agreement with Absa Capital for a loan facility of R800 million. As at the reporting date, R581 million of the total facility was utilised and the remaining R219 million was available and unutilised.

Venture projects

Hot commissioning of Project Lion II commenced in the last quarter of 2013. The plant is expected to be fully operational towards the middle of 2014 and as at 31 December 2013 was 87% complete.

Going concern

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

Dividend policy

Merafe has a hybrid dividend policy that has features of a stable dividend policy and a residual dividend policy. It intends paying a stable dividend once a year taking into account the annual financial performance, expansionary projects and economic circumstances prevailing at the time. In addition, in any given year, the directors may consider an additional distribution in the form of special dividends and/or share buybacks dependent on our financial position, future cash requirements, future earning prospects, availability of distributable reserves and other factors. Dividends are recognised when they are declared by the board of the company.

Ordinary dividends

No ordinary dividends were declared and paid during 2013.

Share capital

Full details of the authorised and issued share capital of the company are set out in note 6 to the annual financial statements.

See page 18 for a table on the Venture's plants, technology and mines and page 23 to 25 for further information on the reserves and resources of the Venture.

For our annual financial statements see our online integrated report for 2013.

Directorate
The following change to the board of directors was effected:

Mr Ditabe Chocho was appointed as Chief Financial Officer on 2 January 2013.

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

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

Major shareholder

In terms of the principles of disclosure in accordance with section 56(7)(b) of the Companies Act, 71 of 2008, as amended, the following shareholders held a beneficial interest of 5% or more in the Company on 31 December 2013:

	Number of shares	%
Royal Bafokeng Resources Holdings Proprietary Limited	720 163 887	28.87
Industrial Development Corporation of South Africa Limited	546 830 100	21.92
Regarding Capital Management Proprietary Limited	278 235 875	11.16

Directors' interest in Merafe
According to information available after reasonable enquiry, the interests of the directors and their families in the shares of the company at 31 December 2013 were as follows:

	2012		2013	
	Direct beneficial	Indirect beneficial	Direct beneficial	Indirect beneficial
ZJ Matlala	2 00 000		1 000 000	
B McBride		1 000 000		1 500 194
S Phiri	254 000		254 000	
B Majova		62 610		62 610
Total	454 000	1 062 610	1 254 000	1 562 804

Special resolutions
There were no special resolutions for Merafe Ferrochrome and Merafe Chrome and Alloys Proprietary Limited passed during the year. The following special resolutions were passed for Merafe.

Special Resolution Number 1: Approval of non-executive directors' fees
"Resolved that, the revised fees which will be payable to the non-executive directors for their services to the board with effect from 1 January 2013 as set out on page 113 of the integrated annual report, be and are hereby approved."

Special Resolution Number 2: Memorandum of incorporation
"Resolved that the company adopts a new memorandum of incorporation as contemplated in the Companies Act, to apply in substitution for and to the exclusion of the company's existing memorandum of association and articles of association."

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

Property, plant and equipment
There were no changes in the nature of property, plant and equipment or in the policy regarding their use during the year. Management is of the opinion that the carrying value of property, plant and equipment is reflected at less than its recoverable amount.

Events after the reporting date
No material facts or circumstances occurred between 31 December 2013 and 6 March 2014 that may require adjustment or disclosure in these annual financial statements.

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

Memorandum of incorporation
Merafe's memorandum of incorporation (MOI) was approved by shareholders at the annual general meeting on 24 April 2013 by special resolution.

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

JSE LIMITED SHARE STATISTICS

Distribution of ordinary shareholders

	Number of shareholders	Number of shares	%
Public shareholders	7 000	946 124 728	37.94
Non-public shareholders	7	1 548 046 666	62.06
– Directors and their associates*	4	2 816 804	0.11
– Royal Bafokeng Resources Holdings Proprietary Limited	1	720 163 887	28.87
– Industrial Development Corporation of South Africa Limited	1	546 830 100	21.92
– Regarding Capital Management Proprietary Limited	1	278 235 875	11.16
	7 007	2 494 171 394	100

** The directors and their associates and employees listed here are those who are obliged to comply with the company's procedure on dealings in Merafe shares prohibiting such directors and employees from trading in Merafe shares during the company's closed periods and unless they have obtained prior clearance to deal by the Chairman.*

	%
Distribution of local and foreign beneficial shareholding	
– South African	94.8
– Foreign	5.2

Major shareholders

In terms of the principles of disclosure in accordance with section 56(7)(b) of the Companies Act, 71 of 2008, as amended, the following shareholders held a beneficial interest of 5% or more in the company on 28 March 2013:

	Number of shares	%
Royal Bafokeng Resources Holdings Proprietary Limited	720 163 887	28.87
Industrial Development Corporation of South Africa Limited	546 830 100	21.92
Regarding Capital Management Proprietary Limited	278 235 875	11.16

Shareholding spread

	Number of shareholders	% of all members	Number of shares	% of issued capital
1 – 1 000 shares	1 094	15.61	600 084	0.02
1 001 – 5 000 shares	1 723	24.59	5 220 446	0.21
5 001 – 10 000 shares	1 129	16.11	9 351 161	0.37
10 001 – 100 000 shares	2 378	33.94	82 527 137	3.31
100 001 – 1000 000 shares	546	7.79	167 048 957	6.70
1 000 001 and more shares	137	1.96	2 229 423 609	89.39
	7 007	100	2 494 171 394	100

Distribution of shareholders

	Number of shareholders	% of all members	Number of shares	% of issued capital
Diluted funds	55	0.78	367 548 801	14.74
Pension funds	72	1.03	286 931 738	11.50
Private companies	85	1.21	786 940 161	31.55
Individuals	6 294	89.83	211 760 853	8.49
Close corporations	100	1.43	5 877 801	0.24
Other corporations	342	4.88	646 380 891	25.92
Nominees and other institutions	15	0.21	86 159 879	3.45
Banks	44	0.63	102 571 270	4.11
	7 007	100	2 494 171 394	100

JSE share performance

	2013	2012
Market capitalisation as at 31 December	2 045 220 540	1 720 322 761
Share price (cents)		
High	92	95
Low	56	64
Closing price	82	69
Shares traded		
Volume of shares traded	652 751 492	496 773 387
Value of shares (ZAR)	480 646 069	401 217 423
Volume of shares traded as a percentage of weighted average of shares in issue	26.2%	20%
Shares in issue as at 31 December	2 494 171 394	2 493 221 394

SHAREHOLDERS' DIARY

Meetings
Annual general meeting for the 2013 financial year to be held on 6 May 2014.

Reports
Interim reports for the six months to 30 June 2014 to be released on 12 August 2014.
Annual results for the 12 months to 31 December 2014 to be released and published in March 2015.

NOTICE OF THE ANNUAL GENERAL MEETING

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

Notice is hereby given in terms of section 62(1) of the Companies Act, 71 of 2008 (the Companies Act) that the 27th (twenty-seventh) annual general meeting of shareholders of the company will be held at Merafe Resources Limited, 68 Wierda Road East, Wierda Valley, Sandton, 2196 at 11:00 on 6 May 2014 (Notice), for the purpose of transacting the business as outlined in this Notice, and to consider and, if deemed fit, to pass, with or without modification, the ordinary and special resolutions outlined below.

Important dates

Record date to receive the Notice:	Thursday, 20 March 2014
Last date to trade to be eligible to vote:	Wednesday, 16 April 2014
Record date to be eligible to vote:	Friday, 25 April 2014
Last date for lodging forms of proxy (by 11:00):	Friday, 2 May 2014

Accordingly, the date on which a person must be registered as a shareholder in the register of the company for purposes of being entitled to attend and vote at the meeting is Friday, 25 April 2014.

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 2013 (integrated annual report), reference in this Notice to the following words and expressions:

- "Group" means the company and all its subsidiaries at the date of this Notice
- "Listings Requirements" means the Listings Requirements of the JSE Limited
- "King III" means the King Report III on Corporate Governance for South Africa
- "MOI" means Memorandum of Incorporation of the company

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 4 (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 period ended 31 December 2013, be and are hereby considered and accepted."

The summarised form of the financial statements is attached to this notice. A copy of the complete annual financial statements of the company for the financial year ended 31 December 2013 can be obtained from www.meraferesources.co.za or on request during normal business hours at the company's registered address, 68 Wierda Road East, Wierda Valley, Sandton, 2196.

Notes to Ordinary Resolution Number 1

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

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

"Resolved that, by separate ordinary resolutions numbered 2.1 to 2.3 (inclusive), the following directors, who, in terms of the company's MOI, retire by rotation at this annual general meeting, and, being eligible, stand and offer themselves for re-election, be and are hereby re-elected:

2.1 Ms Mpho Mosweu
2.2 Mr Steve Phiri
2.3 Mr Abiel Mngomezulu."

Notes to Ordinary Resolution Number 2

- Resolutions numbered 2.1 to 2.3 (inclusive) above by separate vote and the re-appointments which they represent constitute separate and divisible ordinary resolutions and will be considered to have received the support of the Nomination Committee
- The reason for resolutions numbered 2.1 to 2.3 (inclusive) is that in terms of the provisions of the company's MOI, one-third of the directors, or if their number is not a multiple of three, then the number nearest to, but not less than one-third, are required to retire at each annual general meeting and, being eligible, may offer themselves for re-election
- The board has evaluated the performance and contribution of each director standing for re-election and has recommended the re-election of each of the directors
- Abridged *curricula vitae* of each of the directors of the company standing for re-election are set out on page 36 of the integrated annual report.

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

"Resolved that the following members, by separate ordinary resolutions numbered 3.1 to 3.4 (inclusive), being eligible and offering themselves for re-election, be and are hereby appointed as members of the Audit and Risk Committee for the financial year ending 31 December 2014:

3.1 Mr Mfanyana Salanje
3.2 Mr Abiel Mngomezulu*
3.3 Ms Karabo Nondumo
3.4 Mr Zacharias van der Walt."

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

Notes to Ordinary Resolution Number 3

- Resolutions numbered 3.1 to 3.4 (inclusive) above constitute separate and divisible ordinary resolutions and will be considered by separate vote
- The reason for resolutions numbered 3.1 to 3.4 (inclusive) is that in terms of the provisions of section 94(2) of the Companies Act, a company shall at every annual general meeting elect an audit and risk committee comprising at least three members
- The Nomination Committee conducted an assessment of the performance and independence of each of the directors proposed to be members of the Audit and Risk Committee and the board considered and accepted the findings of the Nomination Committee. The board is also satisfied that the proposed members meet the provisions of section 94(4) of the Companies Act, that they are independent according to King III (chapter 3) and that they possess the required qualifications and experience as prescribed in Regulation 42 of the Companies Regulations, 2011 and therefore recommends their nomination

- Brief *curricula vitae* of each of the independent non-executive directors proposed to be appointed to the Audit and Risk Committee appear on page 36 of the integrated annual report.

4. Ordinary Resolution Number 4: Re-appointment of external auditors of the company

"Resolved that the re-appointment of KPMG Inc. as the external registered auditors of the company, and being independent from the company, be and is hereby approved and Ms Grathel Motau be and is hereby appointed as the designated audit partner for the financial year ending 31 December 2014."

Notes to Ordinary Resolution Number 4

- The reason for this resolution is that section 90(1) of the Companies Act requires a company to appoint an auditor at every annual general meeting
- The duty to nominate auditors for appointment lies with the Audit and Risk Committee. The Audit and Risk Committee conducted an assessment of the performance and the independence of the external auditors and considered whether or not the external auditors comply with the provision 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 Grathel Motau comply with the relevant provisions of the Companies Act and the Listings Requirements.

Section B: Ordinary resolution of a non-binding nature

For Ordinary Resolution Number 5 to be duly adopted, the support of more than 50% (fifty percent) of the voting rights exercised on each ordinary resolution by shareholders present or represented by proxy at the annual general meeting and entitled to exercise voting rights on the relevant resolution, must be exercised in favour of such resolution.

5. Ordinary Resolution Number 5: Non-binding advisory vote on remuneration policy

"Resolved that the remuneration policy of the company be and is hereby endorsed by way of a non-binding advisory vote."

The remuneration report of the company is set out on pages 42 to 47 of the integrated annual report for the year ended 31 December 2013 and the remuneration policy can be obtained from www.meraferesources.co.za or on request during normal business hours at the company's registered address, 68 Wierda Road East, Wierda Valley, Sandton, 2196.

Notes to Ordinary Resolution Number 5

Chapter 2 of King III dealing with boards and directors requires companies to table their remuneration policy every year to shareholders for a non-binding advisory vote at the company's annual general meeting. This vote enables shareholders to express their views on the remuneration policies adopted and on their implementation. The company's remuneration report is contained on pages 42 to 47 of the integrated annual report. This resolution is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, the board of directors of the company will take the outcome of the vote into consideration when considering the company's remuneration policy.

Section C: Special resolutions

For Special Resolutions Numbers 1 and 2 to be adopted, a majority of 75% (seventy-five percent) of the voting rights exercised on each special resolution must be exercised in favour of such resolution by shareholders present or represented by proxy at the annual general meeting and entitled to exercise voting rights on the resolution concerned.

6. Special Resolution Number 1: 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 2014 as set out in page 45 of the integrated annual report, be and are hereby approved."

Notes to Special Resolution Number 1:

The reason for and the effect of this resolution is to approve the remuneration payable by the company to its non-executive directors for their services as non-executive directors of the company for the financial year ending 31 December 2014. 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.

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

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

Notes to Special Resolution Number 2

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

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

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

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

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

NOTICE OF THE ANNUAL GENERAL MEETING (CONTINUED)

9. General

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

10. Actions required by Merafe Resources' shareholders

10.1 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.

10.2 Record dates

10.2.1 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 Thursday, 20 March 2014.

10.2.2 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, 25 April 2014 (record date).

10.2.3 The last day to trade in the company's shares in order to be recorded on the securities register of the company in order to be able to attend, participate in and vote at the annual general meeting is Wednesday, 16 April 2014.

10.3 Voting and attendance at the annual general meeting

10.3.1 If you are a shareholder at record date, you are entitled to attend and vote at the annual general meeting or may appoint one or more proxies to attend, speak and vote thereat in stead. A proxy need not be a member of the company. A form of proxy, in which the relevant instructions for its completion are set out, is enclosed for the use of a certified shareholder or "own-name" registered dematerialised shareholder who wishes to be represented at the annual general meeting. Completion of a form of proxy will not preclude such shareholder from attending and voting at the annual general meeting (in preference of that proxy).

10.3.2 The instrument appointing a proxy and the authority (if any) under which it is signed must reach the registered office of the transfer secretaries or the company's registered office by no later than 11:00 on Friday, 2 May 2014.

10.3.3 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.

10.3.4 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.

10.3.5 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 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.

10.4 Representation by proxy

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

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

Identification

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

Electronic participation

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

By order of the board of directors



A Mahendranath
Company secretary

FORM OF PROXY

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

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

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

Form of proxy for the twenty seventh annual general meeting

I/We (name in block letters)

of (address)

(contact no)

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 Chairman of the company, or failing him, the Chairperson of the annual general meeting, as my/our proxy to vote on my/our behalf at the annual general meeting of the company to be held at Merafe Resources Limited, 68 Wierda Road East, Wierda Valley, Sandton at 11:00 on Tuesday, 6 May 2014, or at any adjournment thereof.

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

		Number of votes		
		For	Against	Abstain
1	Ordinary Resolution Number 1: Adoption of annual financial statements			
2	Ordinary Resolution Number 2: Re-appointment of retiring directors			
	2.1 Ms Mpho Mosweu			
	2.2 Mr Steve Phiri			
	2.3 Mr Abiel Mngemezulu			
3	Ordinary Resolution Number 3: Appointment of members to the Audit and Risk Committee for the forthcoming financial year			
	3.1 Mr Mfanyana Salanje			
	3.2 Mr Abiel Mngomezulu			
	3.3 Ms Karabo Nondumo			
	3.4 Mr Zacharias van der Walt			
4	Ordinary Resolution Number 4: Re-appointment of external auditors of the company, KPMG Inc and to appoint Grathel Motau as the designated audit partner			
5	Ordinary Resolution Number 5: Non-binding advisory vote on remuneration policy			
6	Special Resolution Number 1: Approval of non-executive directors' fees for 2014			
7	Special Resolution Number 2: Approval of loans or other financial assistance to related or inter-related companies			
8	Ordinary Resolution Number 6: Authority to sign all documents required to give effect to all resolutions in this Notice			

Signed at on 2014

Signature (assisted by me – where applicable)

Please see notes overleaf

NOTES TO FORM OF PROXY

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting "the Chairperson of the annual general meeting", but any such deletion must be initialled by the shareholder. The person whose name stands first on the form of proxy and who is present at the annual general meeting of shareholders will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. Failure to comply will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting of shareholders as he/she deems fit with respect to all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by his proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by the proxy.
3. Forms of proxy must be lodged with, posted or faxed to, the transfer secretaries' registered office: Link Market Services South Africa Proprietary Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg 2000) or +27 11 713 0800, or the company's registered offices: 1st Floor, Block B, Sandton Place, 68 Wierda Road East, Wierda Valley, Sandton, 2196 (PO Box 652157, Benmore, 2010), or fax +27 11 783 4789 to be received no later than 11:00 on Friday, 2 May 2014.
4. The completion and lodging of this form of proxy shall not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative or other legal capacity (such as power of attorney or other written authority) must be attached to this form of proxy unless previously recorded by Merafe Resources.
6. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
7. On a show of hands, every shareholder shall have only one vote, irrespective of the number of shares he/she holds or represents, provided that a proxy shall, irrespective of the number of shareholders he/she represents, have only one vote.
8. On a poll, every shareholder present in person or represented by proxy shall have one vote for every Merafe Resources share held by such shareholder.
9. A resolution put to the vote shall be decided on a poll.

ADMINISTRATION

Merafe Resources Limited
Company registration number: 1987/003452/06 www.meraferesources.co.za

Business address and registered office
1st Floor Block B, Sandton Place
68 Wierda Road East, Wierda Valley, Sandton
2196
PO Box 652157
Benmore
2010

Telephone: +27 11 783 4780
Telefax: +27 11 783 4789

Company secretary
A Mahendranath

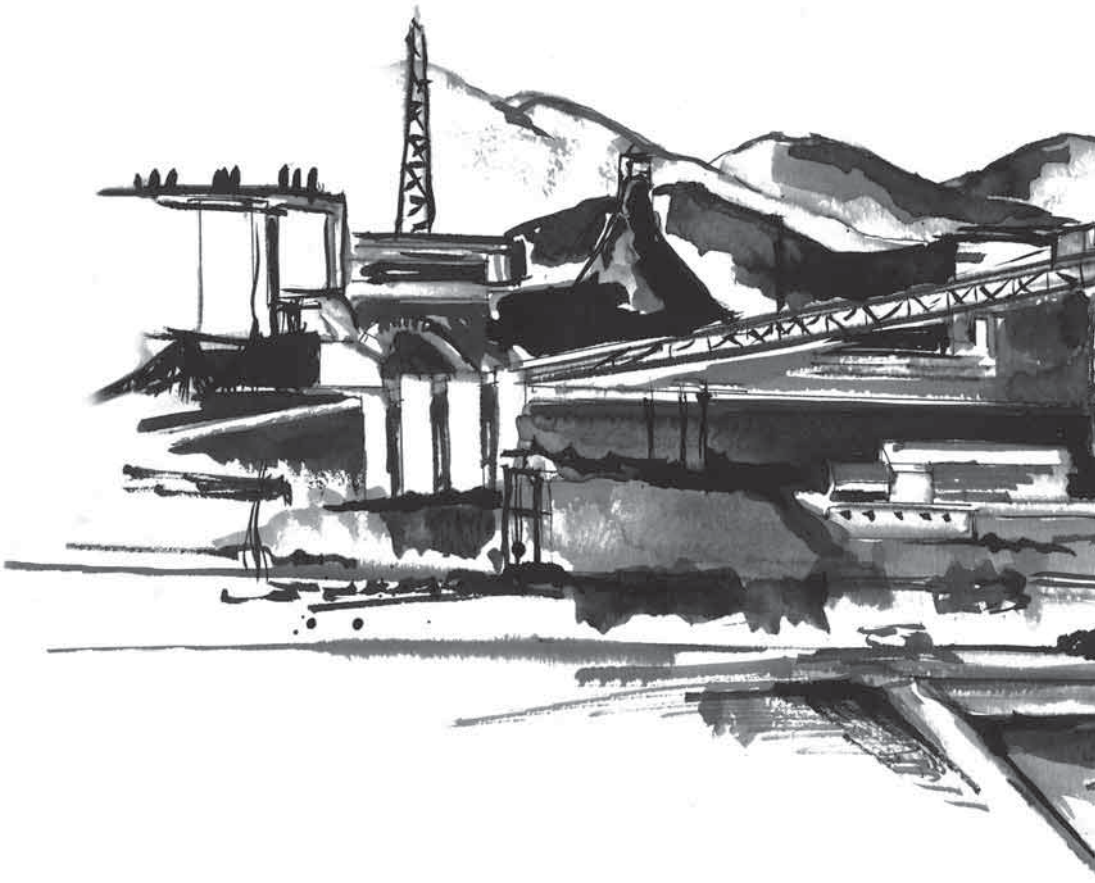
Auditors
KPMG Inc.
85 Empire Road
Parktown
2193
Private Bag 9
Parkview
2122

Bankers
Absa Bank Limited
180 Commissioner Street
Johannesburg
2001
PO Box 8054
Johannesburg
2000

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

Transfer secretaries
Link Market Services South Africa Proprietary Limited
13th Floor, Rennie House
19 Ameshoff Street
Braamfontein
2001
PO Box 4844
Johannesburg
2000

Sponsor
Merrill Lynch South Africa Proprietary Limited
138 West Street, Sandown, Sandton
2196
PO Box 651987
Benmore
2010



MERAFE
RESOURCES

Summarised consolidated financial statements

for the year ended 31 December 2013

MERAFE RESOURCES LIMITED (incorporated in the Republic of South Africa) Company Registration Number: 1987/003452/06
Share code: MRF ISIN: ZAE000060000 (Merafe or the Company or the Group)

HIGHLIGHTS

32% increase in production tonnes to 319k

112% increase in HEPS to 10.8 cents

38% increase in revenue to R3.5bn

5% improvement in TRIFR to 3.84

Cash from operating activities of **R487m**

Hot commissioning of **Project Lion II** commenced

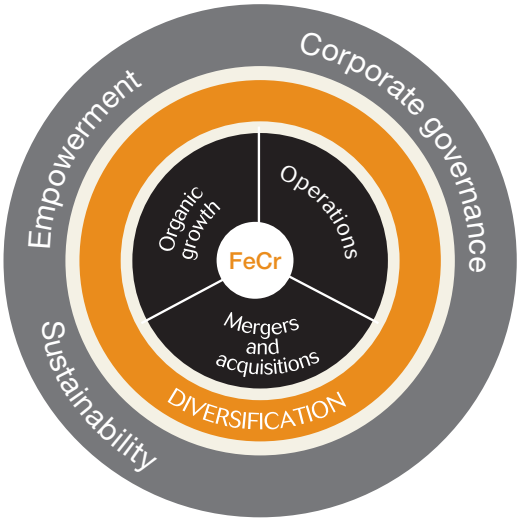
Preparation of this report

The following individuals were responsible for the preparation of this report:

Kajal Bissessor CA(SA)
Finance and Investor Relations Manager

Ditabe Chocho CA(SA)
Chief Financial Officer

OUR BUSINESS MODEL AND STRATEGY



Ferrochrome

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

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

Diversification

Our medium-term objective is not only to grow and improve our ferrochrome operations but to grow through diversification.

Merafe Resources 2013 Integrated Annual Report – supplementary information to the Financial Capital section pages 12 to 15.

COMMENTARY

Basis of preparation

On 6 March 2014, the board of directors (the board) of Merafe Resources Limited (the Company) approved the audited consolidated annual financial statements of the Merafe Group (Group) and the Company for the year ended 31 December 2013.

These summarised consolidated financial statements have been prepared in accordance with the framework concepts, the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the requirements of the Companies Act 71 of 2008, as amended, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by Financial Reporting Standards Council and the presentation and disclosure requirements of IAS 34 *Interim Financial Reporting*.

The accounting policies applied in the preparation of the audited consolidated annual financial statements from which the summarised consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous audited consolidated annual financial statements, except as disclosed below:

New standards and amendments to published standards

The following standards and amendments to published standards which became effective for the year commencing on 1 January 2013 were adopted by the group:

IFRS 10 *Consolidated Financial Statements*

IAS 27 *Separate Financial Statements*

IFRS 11 *Joint Arrangements*

IAS 28 *Investments in Associates and Joint Ventures*

IFRS 12 *Disclosures of Interests in Other Entities*

In management's view, the Glencore-Merafe Chrome Venture (the Venture) is a joint arrangement which constitutes joint control, as defined in IFRS 11. The adoption of these standards have not resulted in any changes in the measurement and recognition of assets, liabilities or equity in the audited consolidated annual financial statements. Additional disclosures were included in the audited consolidated annual financial statements, as a result of adoption of these standards.

In 2013 the Group did not early adopt any new, revised or amended accounting standards or interpretations. The accounting standards, amendments to issued accounting standards and interpretations which are relevant to the Group but not yet effective at 31 December 2013 are being evaluated for the impact of these pronouncements.

Auditors report

The Group annual financial statements from which the summarised consolidated financial statements were derived have been audited by the Group's auditors, KPMG Inc. The auditors have expressed an unqualified audit opinion. The audit report is available for inspection at the Company's registered office.

The summarised consolidated financial statements is extracted from the audited consolidated annual financial statements, but is not itself audited. The board takes full responsibility for the preparation of the summarised consolidated financial statements and the financial information has been correctly extracted from the underlying audited consolidated annual financial statements, which is available at the Company's registered office on request.

Review of results

Merafe's revenue and operating income is primarily generated from the Venture, previously known as the Xstrata-Merafe Chrome Venture, which is one of the global market leaders in ferrochrome production, with a total installed capacity of 1.98m tonnes of ferrochrome per annum. Merafe shares in 20.5% of the earnings before interest, taxation, depreciation and amortisation (EBITDA) from the Venture.

Merafe's revenue from the Venture increased by 38% from the prior year primarily as a result of a 23% increase in ferrochrome sales to 314kt (2012: 255kt) and a 17% weaker Rand/Dollar exchange rate which were partially offset by a 4% decrease in the average European benchmark ferrochrome price to 116USc/lb (2012: 121USc/lb). Chrome ore revenue as a percentage of total revenue increased from 13% in 2012 to 14% in 2013.

Merafe's share of EBITDA from the Venture for the 2013 year was R583.5m which was 67% higher than the R349,4m EBITDA from the 2012 comparative year. The EBITDA for 2013 includes a foreign exchange loss of R21.3m (2012: R3.9m), which increased from the comparative year primarily as a result of the utilisation of the Venture's US Dollar overdraft and short-term inventory facility as well as the realised losses on the Venture's foreign exchange contract hedge that was entered into in the first half of 2013.

The EBITDA also includes Merafe's attributable share of standing charges of R63.9m (2012: R151.8m). After accounting for corporate costs of R19.7m (2012: R33.6m) and a share-based payment expense of R6.2m (2012: R2.1m), Merafe's EBITDA was R557.6m (2012: R313.7m). Corporate costs decreased year-on-year primarily as a result of a write-back of a R22.0m provision for VAT.

The profit and total comprehensive income for the year was R210.6m (2012: R48.9m) after taking into account depreciation of R179.0m (2012: R140.1m), an impairment loss of R74.0m (2012: R77.5m), net financing costs of R17.3m (2012: R19.7m), current tax expense of R18.7m (2012: R0.3m), deferred tax expense of R59.7m (2012: R60.2m) and a R1.7m (2012: R33.0m) write-back arising from prior years' overprovision of current tax. The balance of unredeemed capital expenditure is estimated to be R553m at 31 December 2013 (2012: R446m). The decrease in the effective rate of tax arose from the SARS assessment of our returns during 2013 which resulted in a prior year's overprovision. Depreciation increased year-on-year as a result of the re-assessment of useful lives and residual values in accordance with IAS16 *Property, Plant and Equipment* and the accelerated depreciation recognised on assets scrapped during the year. An impairment loss was recognised on the Horizon mine which was placed on care and maintenance during 2013 as the production from this mine is not viable in the current economic climate. Whilst efforts to sell the Horizon mine are continuing, the requirements were not met to present the mine as held for sale at 31 December 2013 in accordance with IFRS 5 *Non-current Assets Held-for-sale*.

Property, plant and equipment increased from 31 December 2012 as a result of capital expenditure of which R208m was sustaining and R397m was expansionary. Expansionary capital comprised expenditure primarily on the Venture's flagship expansion, Project Lion II. Borrowing costs of R23.3m (2012: R8.2m) were capitalised during 2013 and included in expansionary capital expenditure.

Merafe closed the year with a net overdraft balance of R10.7m at 31 December 2013. This comprised of cash in Merafe's books of R24.9m and Merafe's share of the overdraft balance in the Venture of R35.6m. At 31 December 2013, Merafe had total debt owing to ABSA Capital of R581m and approximately R219m unutilised ABSA long-term debt facilities.

Trade and other payables increased from the prior year primarily as a result of the R194m (2012: nil) utilisation of the short-term inventory facility at 31 December 2013. The provision for closure and restoration costs increased from the prior year primarily as a result of the following: (i) an increase in rehabilitation costs, based on more recent expert rehabilitation assessments, (ii) additional provisions arising from new mines and plants and (iii) the re-assessment of the Horizon mine's provision taking into consideration the decision to place the mine on care and maintenance. The income statement impact of the increase in the provision for closure and restoration costs was R38m (2012: R9m). Trade and other receivables increased from the prior year primarily as a result of the increase in the ferrochrome and chrome ore sales tonnes, the weaker Rand and the higher European benchmark ferrochrome price in the fourth quarter of 2013 compared to the previous period.

The Merafe board has not declared a dividend for the 2013 financial year.

Review of operations

During 2013, Merafe's share of ferrochrome production from the Venture was 319kt (2012: 242kt). This represents a 32% increase from the previous year's production and is primarily as a result of higher demand and improved efficiencies, resulting in increased operating capacity utilisation of 87% (2012: 66%). During 2013 the Venture participated in Eskom's power buy-back programme at levels similar to those in the comparative year.

In spite of higher electricity tariff increases this year, production cost increases were contained below inflation in the ferrochrome sector of South Africa.

The energy use per tonne of ferrochrome produced by the Venture reduced by 7% to 13.49Gj (2012: 14.50Gj) and the carbon dioxide emissions per tonne of ferrochrome produced by the Venture reduced by 3% from 5.10 in 2012 to 4.95 in 2013.

The Venture's wage negotiations at its smelters and mines were successfully concluded and no industrial action arose as a result of these negotiations. Unfortunately, the Venture's eastern and western mining operations were affected by industrial action, which was not wage related. The unprotected strike in the eastern mining operations resulted in the dismissal of more than 1 200 employees. The eastern mining operations were resumed in the second half of the year and the smelters that were supplied by these mines were not significantly impacted due to sufficient stock piles of chrome ore.

Safety and environment

As reported in our interim report, we were saddened by two fatalities during 2013. There were no fatalities in 2012. The safety of our employees remains a priority as evidenced by the Venture's total recordable injury frequency rate (TRIFR) of 3.84 (2012: 4.05) for 2013 which decreased by 5%. There were no significant adverse environmental incidents in the Venture during the reporting period.

Mineral reserves, mineral resources and mining rights

During 2013, there were no material changes to the mineral reserves, mineral resources and mining rights of the Venture.

Market review

Global stainless steel production reached a record 38.5m* tonnes in 2013, which was 8%* higher than in 2012. Global demand for ferrochrome reached 10.3m* tonnes, driven by stronger stainless steel production as a result of a general improvement in the global economic environment. Globally, stainless steel production growth was driven largely by China and India, which had 17%* and 6%* year-on-year growth rates respectively. European mills' stainless output declined by 5%* year-on-year, with North America showing a strong performance at 4%* year-on-year growth.

Global ferrochrome production was 10.2m* tonnes in 2013, 8%* higher than 2012's levels. China continued to dominate global production levels, with its ferrochrome production growing by 13%* year-on-year to 3.8m* tonnes. In 2013, it is estimated that China produced 50%* of the world's stainless steel and 37%* of the world's ferrochrome, cementing its position as the world's leading producer of both stainless steel and ferrochrome. Despite South African ferrochrome producers participating in Eskom's buyback scheme in the first half of 2013, their ferrochrome output grew by 2%* to 3.2m* tonnes in 2013. South Africa's market share of ferrochrome production, however, decreased to 32%* from 34%* in 2012. Chrome ore imports into China increased by 30%* year-on-year to 12.1mt*, of which 6.7mt* (2012: 4.5mt*) was from a South African source.

The European benchmark ferrochrome price for the first quarter of 2014 was settled at 118USc/lb, which was 5% higher than the price in the fourth quarter of 2013. This was as a result of improved demand outlook from the European, Japanese and US stainless steel markets.

Development – Project Lion II

We are pleased to report that commissioning of the Venture's Lion II smelter commenced in the last quarter of 2013 and will continue into the first half of 2014. This R5bn project involves the construction of a 350 000 tonne per annum capacity smelter. First production of ferrochrome has been slightly delayed mainly due to limited availability of contractors over the December holiday period as well as heavy rainfall and windy conditions in the last quarter of 2013. The overall project remains within budget and was estimated to be 87% complete at 31 December 2013. It is envisaged that the smelter will be fully operational by middle of 2014. The project has a very good safety record with more than 7 million man hours worked without any lost time injury.

The Lion I ferrochrome plant produced excellent volumes during 2013 with its average production volume during the second half of the year exceeding its design capacity by 8%. The cost performance of this plant was 16% below the average of the Venture's other plants during the same period. Its performance highlights the advantages of the energy efficient Premus technology installed at this plant. We look forward to Lion II's performance further reducing the Venture's total ferrochrome cost per tonne.

Outlook

The Venture has performed well through the combination of being the lowest cost producer in South Africa and its ability to negotiate favourable pricing through its partnership with Glencore. While the South African ferrochrome industry faces a number of challenges, including its market share dropping from 51%* in 2003 to 32%* in 2013, demand fundamentals for ferrochrome remain strong. The stainless steel industry is set to maintain a growth rate of more than 4%* per annum and to meet this demand, approximately 2.5Mt** of additional ferrochrome will be required by 2017. The Venture's investments in energy efficient technology will continue to provide it with a significant advantage in the ferrochrome market. The additional high quality and low cost production the Venture will gain from Lion II will allow it to maintain its position as the lowest cost ferrochrome producer in South Africa and to aggressively target new customers.

Diversification remains a key part of our strategy and with no immediate major expansionary capital investment planned, we look forward to repaying our debt, paying dividends and pursuing value enhancing opportunities for our shareholders.

* *Source: Heinz Pariser/January 2014.*
** *Calculated taking into consideration the average trend in the last five years.*

Changes to directorate

Mr Ditabe Chocho was appointed CFO with effect from 2 January 2013.

Our goals remain focused...

To ensure our interests in the ferrochrome industry are profitable and sustainable.

To continue with organic growth of our ferrochrome business and to grow through diversification.

Chris Molefe
Non-executive Chairman

Zanele Matlala
Chief Executive Officer

Sandton

11 March 2014

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2013

	Year ended 31 December 2013 Audited R'000	Year ended 31 December 2012 Audited R'000
Revenue	3 496 983	2 541 984
EBITDA	557 650	313 650
Depreciation and impairment	(252 990)	(217 641)
Net financing costs	(17 281)	(19 660)
Profit before taxation	287 379	76 349
Taxation	(76 763)	(27 476)
Current tax	(18 688)	(306)
Deferred tax	(59 740)	(60 155)
Prior years' over provision	1 665	32 985
Profit and total comprehensive income for the year	210 616	48 873
Basic earnings per share (cents)	8.4	2.0
Diluted earnings per share (cents)	8.4	2.0
Headline earnings per share (cents)#	10.8	5.1
Diluted headline earnings per share (cents)#	10.8	5.1
Ordinary shares in issue	2 494 171 394	2 493 221 394
Weighted average number of shares for the year	2 493 679 476	2 493 221 394
Diluted weighted average number of shares for the year	2 504 389 482	2 500 172 742
# *Headline earnings reconciliation*		
Profit and total comprehensive income for the year	*210 616*	*48 873*
*Impairments**	*58 842*	*77 497*
*Profit on sale of assets***	*(28)*	*–*
Headline earnings	*269 430*	*126 370*

* *Net of taxation of R15m (2012: nil).*

** *Net of taxation of R11k (2012: nil).*

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2013

	Year ended 31 December 2013 Audited R'000	Year ended 31 December 2012 Audited R'000
ASSETS		
Property, plant and equipment	3 099 988	2 677 308
Total non-current assets	3 099 988	2 677 308
Inventories	1 132 986	1 088 885
Trade and other receivables	677 649	344 725
Current tax assets	7 440	26 424
Cash and cash equivalents	85 547	82 643
Assets held for sale	–	72 127
Total current assets	1 903 622	1 614 804
Total assets	5 003 610	4 292 112
EQUITY		
Share capital	24 942	24 932
Share premium	1 262 899	1 262 481
Equity-settled share-based payment reserve	39 011	33 847
Retained earnings	1 598 985	1 388 369
Total equity attributable to equity holders	2 925 837	2 709 629
LIABILITIES		
Loans and borrowings	576 311	523 872
Provision for close down and restoration costs	111 456	57 892
Deferred tax liabilities	626 099	551 165
Total non-current liabilities	1 313 866	1 132 929
Loans and borrowings	19 471	636
Trade and other payables*	648 143	430 368
Liabilities held for sale	–	18 550
Bank overdraft	96 293	–
Total current liabilities	763 907	449 554
Total liabilities	2 077 773	1 582 483
Total equity and liabilities	5 003 610	4 292 112

* *Includes R194 million (2012: nil) short-term inventory facility.*

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

	Year ended 31 December 2013 Audited R'000	Year ended 31 December 2012 Audited R'000
Issued share capital – ordinary shares	24 942	24 932
Balance at beginning of year	24 932	24 932
Share options exercised	10	–
Share premium – ordinary shares	1 262 899	1 262 481
Balance at beginning of year	1 262 481	1 262 481
Share premium arising from share options exercised	418	–
Equity-settled share-based payment reserve	39 011	33 847
Balance at beginning of year	33 847	31 759
Share-based payment	5 164	2 088
Retained earnings	1 598 985	1 388 369
Balance at beginning of year	1 388 369	1 339 496
Profit and total comprehensive income for the year	210 616	48 873
Total equity at end of year	2 925 837	2 709 629

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOW

for the year ended 31 December 2013

	Year ended 31 December 2013 Audited R'000	Year ended 31 December 2012 Audited R'000
Profit before taxation	287 379	76 349
Interest paid	19 942	29 302
Interest received	(2 661)	(9 642)
Depreciation and impairment	252 990	217 641
Adjusted for non-cash items	6 124	2 088
Adjusted for working capital changes	(61 699)	(31 747)
Cash flows from operations	502 075	283 991
Interest paid	(19 942)	(29 302)
Interest received	2 512	9 642
Tax received (paid)	1 961	(7 285)
Cash flows from operating activities	486 606	257 046
Cash flows from investing activities	(605 178)	(603 210)
Proceeds on disposal of property, plant and equipment	113	16
Acquisition of property, plant and equipment – sustaining	(208 147)	(179 658)
Acquisition of property, plant and equipment – expansionary	(397 144)	(423 568)
Cash flows from financing activities	70 568	211 094
Vesting and payment of share grants	(999)	–
Proceeds from the issue of shares	428	–
Loans raised during the year	71 139	211 094
Net decrease in cash and cash equivalents	(48 004)	(135 070)
Cash and cash equivalents at the beginning of the year	82 643	220 459
Effect of exchange rate fluctuations on cash held	(45 385)	(2 746)
Cash and cash equivalents at the end of the year	(10 746)	82 643

Sponsor: Merrill Lynch South Africa Proprietary Limited

Executive Directors: Z Matlala (Chief Executive Officer), D Chocho (Chief Financial Officer), B McBride
Non-executive Directors: CK Molefe (Chairman)*, NB Majova*, M Mamathuba, A Mngomezulu*,
K Nondumo*, M Salanje*, S Phiri, M Mosweu, Z van der Walt*
Company Secretary: A Mahendranath
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