

MERAFE
RESOURCES

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2014 INTEGRATED ANNUAL REPORT

MERAFE RESOURCES



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Icons used in this report

This icon refers to further reading

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

ABOUT THE FIVE CAPITALS MODEL

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

Our annual financial statements form part of our online integrated annual report for 2014. They are also available from our Company Secretary in either electronic or printed format.

We would welcome your feedback on our reporting for 2014 and any suggestions you have in terms of what you would like to see incorporated in our report for 2015. Please contact our Financial Director, Kajal Bissessor at kajal@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, and Merafe Ferrochrome and Mining Proprietary Limited (Merafe Ferrochrome) for the year ended 31 December 2014. The scope of this report includes Merafe, its subsidiaries and the Glencore-Merafe Chrome Venture (the 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 2013, in 2014. This year, summarised financial and sustainability information and the AGM Notice, will be sent to shareholders and this integrated annual report will be available on our website: www.meraferesources.co.za. Printed copies of the integrated annual report will be available on request from the Company Secretary.

We welcome the opportunity that an integrated approach to reporting offers us to break down reporting silos and provide a broader explanation of our performance, underpinned by a strategic focus, connectivity of information, a future orientation and an inclusive and responsible approach to stakeholders. We 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 third time in 2014.

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

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

In addition to following the recommendations contained in King III, the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC Code) and the JSE Limited Listings Requirements, we are guided by the Global Reporting Initiative's (GRI) G4 Guidelines and our internally developed policies and procedures, in terms of measuring our progress towards sustainability. We plan to move fully to GRI's G4 Guidelines in future reports. KPMG Services Proprietary Limited (KPMG Services) has performed a G4 gap analysis to assist with this transition to G4.

KPMG Inc. audits our annual financial statements.

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

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

Our major shareholders are Royal Bafokeng Resources Holdings Proprietary Limited (Royal Bafokeng Resources) and the Industrial Development Corporation of South Africa Limited (Industrial Development Corporation). (See page 52 for more detailed shareholder information.)

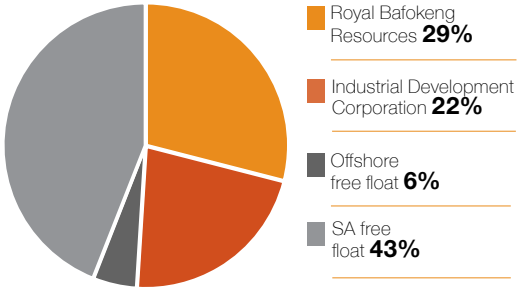
The Merafe Group and Glencore (formerly Xstrata) formed the Venture in July 2004 when we pooled our chrome operations to create the largest ferrochrome producer in the world. Glencore's merger with Xstrata took place in May 2013.

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 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 in terms of the B-BBEE Act and Codes of Good Practice and the Mining 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.

82% of our Board members are black

45% 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. In 2014 the SRI Index assessment was applied to the top 100 companies on the JSE by market capitalisation and therefore excluded small capitalisation companies. However, Merafe continues to apply the principles of King III and the SRI Index reporting criteria in its business.

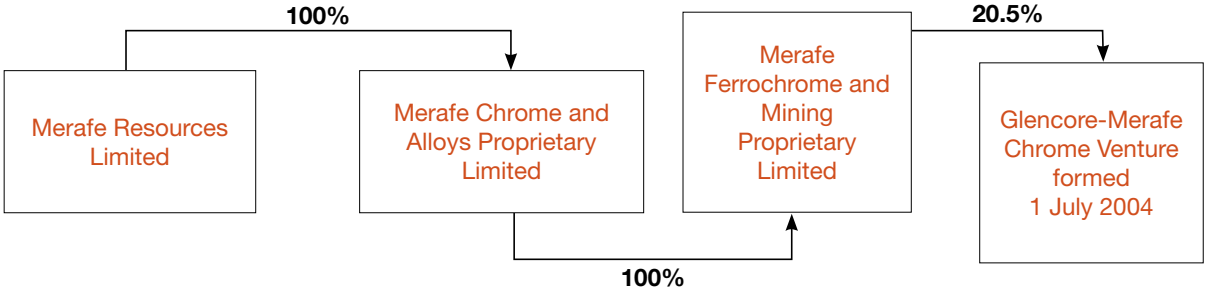
OUR MATERIAL ISSUES

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

OUR APPROACH TO RISK

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

OUR GROUP STRUCTURE



2014 YEAR IN REVIEW

KEY FEATURES

Revenue of
R3.6 billion
(2013: R3.5 billion)

EBITDA of
R589 million
(2013: R561 million)

Net profit of
R214 million
(2013: R211 million)

Headline earnings of
8.4c per share
(2013: 10.8c)

Ferrochrome sales volumes of
316kt
(2013: 314kt)

Ferrochrome production of
334kt
(2013: 319kt)

13% depreciation in Rand/ Dollar exchange rate

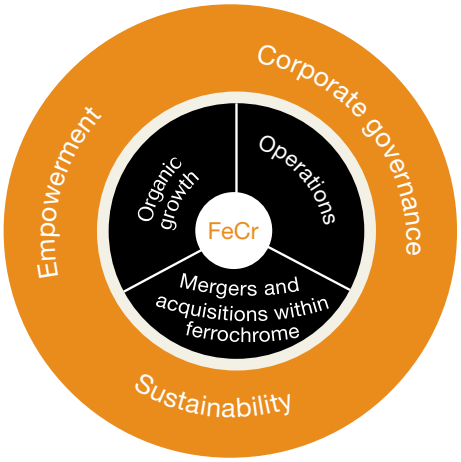
Interim **dividend** of **R28 million** and final dividend of **R20 million**

Restructuring of head office to align with announced strategy

Average European benchmark ferrochrome price of **118.5 USc/lb**

SUCCESSES	CHALLENGES	DISAPPOINTMENTS
Lion II in production	Electricity supply	Two fatalities
Winner Small Cap section of Chartered Secretaries JSE Limited Annual Report Awards	Labour stability	Increase in TRIFR from 3.84 to 4.63
	Commodity pricing	

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 and cost efficiency 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
- focusing on reducing costs at the operations and head office

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

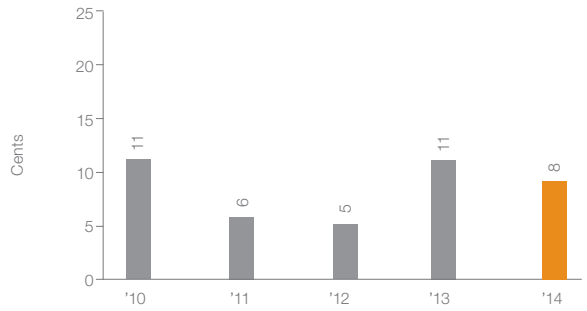
CUSTOMERS	GOVERNMENT AND REGULATORS	SUPPLIERS	COMMUNITIES	VENTURE EMPLOYEES	TRADE UNIONS
Pricing	Job creation	Contract terms	Infrastructure development	Health and safety	Training and skills development
Material availability	Training and development	Payment terms	Job creation	Career opportunities	Consultation 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

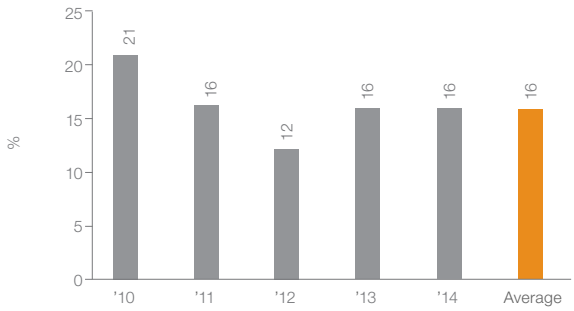
Safety statistics

	2014	2013	2012	2011	2010
Fatality frequency rate (FFR)	0.07	0.07	0.00	0.08	0.05
Total recordable injury frequency rate (TRIFR)	4.63	3.84	4.05	3.90	4.58

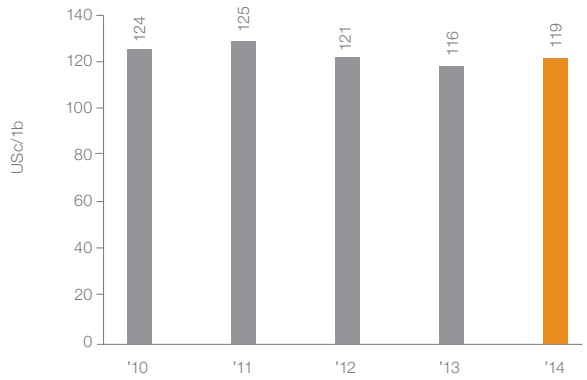
Headline earnings per share



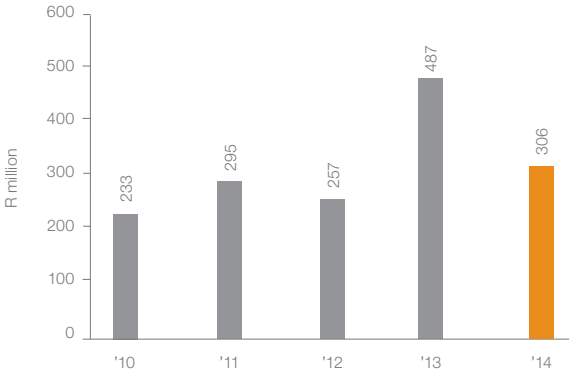
EBITDA margin on revenue



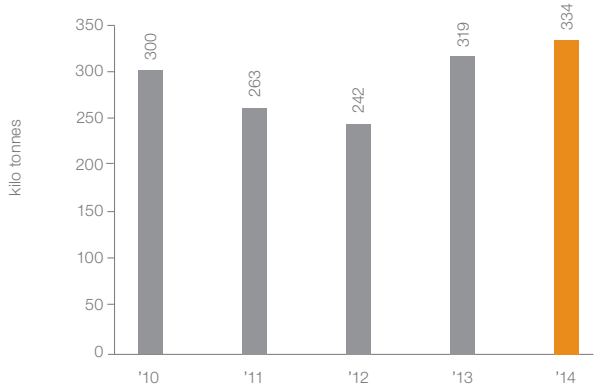
Average European benchmark ferrochrome price



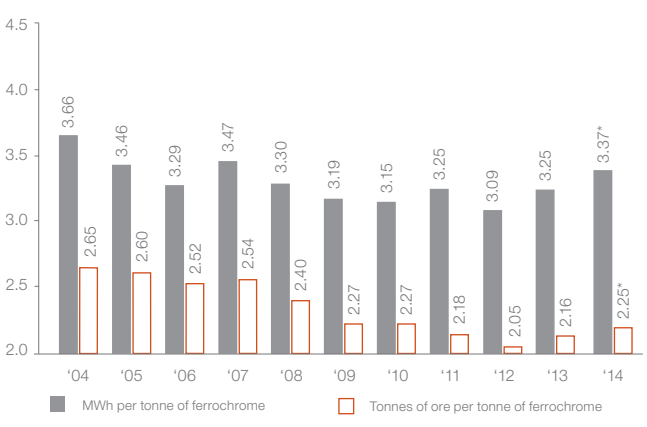
Cash generated from operating activities



Attributable production tonnes



Power and ore consumption efficiencies*



** The decrease in consumption efficiencies in 2014 were due to the startup of Lion II and the use of non-optimal ore mixes as a result of the strike in the platinum sector*

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

5%
growth rate forecast for stainless steel production in 2015

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.

Key statistics for 2014

- Global ferrochrome production increased by 9% to approximately 11.3 million tonnes of ferrochrome
- Ferrochrome demand is expected to increase by approximately 8% in 2015
- South Africa produced approximately 33% of global ferrochrome production in 2014
- China consumed approximately 5.7 million tonnes of chrome ore in 2014 from South Africa

The South African **ferrochrome environment**

South African chrome industry

Facts

33%
of world's ferrochrome production supplied by South Africa in 2014

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 Complex and two new pelletising and sintering plants)**
- **Lion II project ramp up in 2015 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 39 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 during 2014
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.	In August 2014, the Board announced its strategy to solely focus on ferrochrome and chrome in the medium term. The Board is confident that the competitive advantages enjoyed by the Venture as set out on page 6 mitigate this risk.
Strategy affected: Sustainability		
Venture in which we do not have a majority stake	By not being in control of our own destiny we could be negatively impacted by such a partnership. Decisions taken in the best interest of the Venture may on the other hand negatively impact Merafe. Both shareholders and employees stand to be affected by this issue.	Contractual provisions and 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 during 2014
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		
Chrome ore exports to China	Ferrochrome sales to China are impacted by the export of unbeneficiated chrome ore from South Africa, which is facilitating the growth of a ferrochrome industry in China (see page 11 of this report). Profitability would be negatively impacted and shareholders, Merafe management, Merafe employees, Venture partners, Venture employees and communities, as well as government (SARS) would feel the effects.	Pending support from government the strategy of being the lowest-cost producer mitigates this risk. The Venture further believes that market forces over the medium term will reduce this risk.
Strategy affected: Sustainability and Diversification		
Power prices and the availability of electricity	Loss of sales is highly likely if increased costs make our product prices uncompetitive. A further possible impact is a loss of production because of electricity not being available. Should the Venture be unable to secure a electricity supply for new projects, it would be unable to grow its operations. This issue could impact shareholders, Merafe management and employees as well as Venture management, employees, communities and customers.	The Venture's continued development and application of energy-efficient technology allows it to maintain its position as South Africa's lowest-cost producer of ferrochrome and therefore the most competitive South African producer. The Venture regularly engages with Eskom and has secured electricity 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.

CHIEF EXECUTIVE OFFICER'S STRATEGIC REVIEW



The Venture has developed significant competitive advantages and is well positioned for the future.

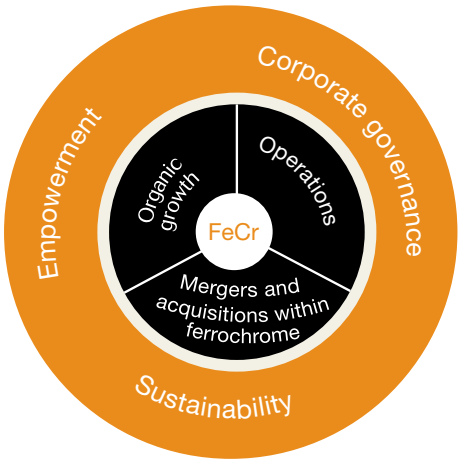
It is my pleasure to report on our performance for 2014, which includes the performance of the ferrochrome market, our investment in the Glencore-Merafe Chrome Venture (the Venture), the safety performance of the Venture, the labour environment and the change in our strategic focus in 2014.

Market Review

Global stainless steel production in 2014 totalled 41.6m tonnes*, a 7.5% increase from last year's all time record of 38.7m tonnes. Chinese production increased by 12.1%* year-on-year, while higher production levels were also achieved in India and the USA.

Global ferrochrome demand continued to rise, reaching 11.3m tonnes* for the year, up from the 10.2m tonnes* in 2013. Chinese ferrochrome consumption increased by 10.8%* year-on-year. Global ferrochrome production increased by 8.8%* to 11.3m tonnes*, from 2013. The majority of this increase came from China and South Africa, which expanded output by 9.9%* and 13.3%* respectively. It is estimated that China accounted for 51.7%* and 36.3%* of the world's stainless steel and ferrochrome production, respectively.

The European ferrochrome benchmark price was settled 6% lower at 108USc/lb for the first quarter of 2015, after averaging 118.5USc/lb for the full year 2014, the lowest settlement in five years. Despite the European benchmark decrease, Chinese mills recently raised ferrochrome prices after cutting them monthly for almost a year, resulting in a narrowing of the regional price gap as European consumers seek parity with cheaper Chinese prices.



US ferrochrome imports were significantly up year-on-year. The rise in imports was largely due to a pick-up in real demand with the automotive sector particularly robust, and healthy demand also seen from the energy, aerospace and special alloy sectors. The restocking of raw materials post 2013 year-end balanced the cyclical slowdown seen in later months as producers and suppliers sought to reduce inventory.

Chinese chrome ore imports were 9.4m tonnes* for the 2014 year, 22%* lower compared to the previous corresponding period, as a result of reduced consumption and destocking on the back of the negative domestic ferrochrome outlook. We anticipate some restocking to occur during the first half of 2015.

Chinese chrome ore imports from South Africa were 5.7m tonnes* for the 2014 year, 14.7%* lower compared to the previous corresponding period. Increased South African ferrochrome production, in addition to the five-month long platinum strike during the first half of 2014, resulted in a reduction in South African chrome ore exports in 2014.

Operational review

The Venture's ferrochrome production volumes increased by 5% to 334kt in 2014. Production levels were at 84% of operating capacity.

Production cost increases during 2014 were well managed considering a number of cost drivers. I refer you to the Manufactured capital section of this report on pages 16 to 18 for further details on our operational performance.

Lion II was successfully commissioned and the plant should be fully operational by mid-2015, bringing an additional 360kt per annum of low cost material into the overall production pool. This will further reduce overall costs, enhancing the position of the PSV as the lowest cost producer in South Africa.

Safety

Safety remains a key focus area and all efforts continue to be made to ensure that the highest standard of safety is in place at all the Venture's operations.

Sadly, in addition to the fatality reported on in our interim results, Mr Maseke Lawrance Mamogale was fatally injured in an accident at Helena Mine on 23 December 2014. Our condolences go out to his family, colleagues and friends.

The Venture's total recordable injury frequency rate (TRIFR) unfortunately increased from 3.84 to 4.63 in 2014 compared to the year 2013. As detailed in the Safety section of this report, a concerted effort continues to be made by the Venture with regard to safety.

** Heinz H. Pariser*

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

CHIEF EXECUTIVE OFFICER'S STRATEGIC REVIEW
(CONTINUED)

Labour
The five-month strike in the platinum sector affected the availability of UG2 ore to the Venture's operations and necessitated the use of ore at export market prices, resulting in increased costs in the Venture.

The wage negotiations at all the Venture's operations, except the Western mines, were settled without industrial action. At the Western mines, however, workers embarked on a strike over a period of 47 days. These disputes were ultimately resolved and workers have since returned to work.

Electricity supply
The country's electricity supply continued to be constrained in 2014, reaching crisis point in the latter half of the year with the implementation of load shedding and curtailment. The impact of the constrained electricity supply on our production volumes in 2014 was minimal as a result of our participation in Eskom's Demand Response Programme and rescheduling of maintenance. Electricity prices are expected to increase by 12.7% with effect from 1 April 2015, contributing to the increase in the Venture's production costs. In addition, the Minister of Finance announced an increase in the electricity levy of 2 cents taking it to 5.5 cents per kWh.

Financial performance
The financial performance of the Company for 2014 showed a marginal improvement over the previous year:

- Revenue increased by 3 % as a result of higher sales volumes and the weakening of the Rand, partially offset by lower ferrochrome benchmark prices
- EBITDA increased by 5%
- Cash flows from operating activities were R306 million

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

Change in strategic focus
Since the formation of the Venture 10 years ago, the Company and its Venture partners have focused on growing its ferrochrome operations and reducing costs. Initiatives in this regard included the acquisition of the Wonderkop assets and various expansionary projects including the Bokamoso and Tswelopele pelletising and sintering plants, the Lion smelter complex and UG2 plants and chrome ore reserves. As a result of the implementation of these initiatives, the Company and the Venture have developed and enjoyed significant competitive advantages and the Venture is well positioned for the future.

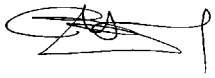
While Merafe's diversification aspirations had previously been constrained by these initiatives, which were funded from internal cash flows and debt, it was envisaged that there would be a renewed focus on diversification upon completion of Lion II. However, the Board has decided that in the short to medium term, the focus of the Company should be on its ferrochrome operations and maximising cash flows from the Venture. Accordingly, the shift in focus from diversification has necessitated a restructuring at our head office, entailing a reduction in the staff complement, management team and the Board's size and skills set going forward.

The Company and the executives reached agreement that Ditabe Chocho would leave the Company's employ in December 2014 and Bruce McBride in March 2015. Kajal Bissessor, a qualified chartered accountant and previously the manager responsible for finance and investor relations, has succeeded Ditabe Chocho as Executive Financial Director. The Company Secretary, Ami Mahendranath, also left the Company on 30 September 2014 and the Company secretarial functions have been outsourced to Corporate Statutory Services. The number of non-executive Board members have been reduced post-2014 year-end. In this regard, please see the Chairperson's report on page 35 and also page 36 of this report.

I take this opportunity to thank the departing directors and staff for their invaluable contribution to the growth of the Company over the years and to express our appreciation to them and their families for their commitment and diligence in building Merafe to the Company it is today.

Outlook
Global stainless steel production is expected to grow in excess of 5%* in 2015 and 2016. The demand for ferrochrome is expected to increase by 8.3%* and 5.1%* in 2015 and 2016 respectively. With the Venture's position as the lowest cost producer in South Africa, we remain in a healthy position to withstand difficult global market conditions. Our suite of energy efficient technology, further enhanced by the recent addition of Lion II, allows us to capitalise on projected growth in demand for ferrochrome. We remain excited about our future in this industry.

With our renewed strategic focus, we remain committed to returning cash to shareholders and enhancing value for all stakeholders.



Zanele Matlala
Chief Executive Officer

** Heinz H. Pariser*

Charge/HC FeCr production

	2011	2012	'000t 2013	2014e	2015f	% change 2015/2014	'000t 2016f	% change 2016/2015
Brazil	146	172	172	190	194	1.9	195	0.5
EU 27	322	278	483	514	560	8.9	580	3.6
Russia, Turkey, Albania	301	285	366	345	370	7.2	430	16.2
India	985	947	988	960	990	3.1	1 100	11.1
Kazakhstan	1 088	1 114	1 147	1 190	1 440	21.0	1 500	4.2
South Africa	3 319	3 175	3 283	3 719	3 820	2.7	3 900	2.1
Zimbabwe	164	138	182	195	220	12.8	245	11.4
Others	26	36	34	92	142	55.2	195	37.3
Subtotal	6 351	6 145	6 655	7 204	7 736	7.4	8 145	5.3
China	2 798	3 332	3 731	4 100	4 400	7.3	4 650	5.7
Total	9 149	9 477	10 385	11 304	12 136	7.4	12 795	5.4
Charge Cr	3 707	3 576	3 889	4 359	4 509	3.4	4 605	2.1
HC FeCr	5 442	5 901	6 496	6 945	7 627	9.8	8 190	7.4

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Crude stainless steel production

	2011	2012	'000t 2013	2014e	2015f	% change 2015/2014	'000t 2016f	% change 2016/2015
NAFTA	2 074	1 978	2 032	2 389	2 500	4.7	2 650	6.0
Brazil	399	391	421	435	446	2.5	456	2.3
European Union	7 559	7 461	7 142	7 248	7 301	0.7	7 314	0.2
Other Europe	264	229	206	191	193	1.0	195	1.0
Japan	3 256	3 132	3 175	3 323	3 368	1.3	3 435	2.0
South Korea	2 157	2 167	2 143	2 001	2 041	2.0	2 082	2.0
Taiwan	1 203	1 106	1 052	1 078	1 089	1.0	1 100	1.0
South Africa	444	505	492	495	507	2.5	528	4.0
Subtotal	17 355	16 968	16 663	17 160	17 445	1.7	17 759	1.8
China	14 460	16 372	19 211	21 530	23 252	8.0	24 996	7.5
India	2 265	2 469	2 791	2 948	3 125	6.0	3 319	6.2
Subtotal	16 725	18 841	22 002	24 478	26 378	7.8	28 315	7.3
Total	34 081	35 809	38 665	41 639	43 822	5.2	46 074	5.1

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China – chrome ore imports

	2014	2013	2012	% change 2014/2013
South Africa	**5 748**	6 736	4 490	(14.7)
Turkey	**1 280**	1 988	1 840	(35.6)
Oman	**489**	687	426	(28.8)
India	**63**	168	310	(62.8)
Pakistan	**339**	482	472	(29.7)
Albania	**555**	677	305	(18.1)
Iran	**494**	428	448	15.6
Sudan	**40**	17	16	133.3
Madagascar	**113**	118	118	(4.0)
Australia	**44**	407	501	(89.3)
Philippines	**67**	126	180	(47.3)
Brazil	**12**	–	29	n.a
Kazakhstan	**77**	167	89	(54.2)
Others	**63**	90	76	(30.6)
Total	**9 384**	12 094	9 299	(22.4)

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FINANCIAL CAPITAL



MATERIAL ISSUES

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

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

Our annual financial statements form part of our online integrated report for 2014. They are also available from our Company Secretary.

Our 10-year capital investment programme has come to an end and we now look forward to benefiting from our investment in energy-efficient technology, while reinforcing our position on the cost curve.

KEY POINTS

Revenue **R3.6 billion**
(2013: R3.5 billion)

EBITDA **R589 million**
(2013: R561 million)

Net profit **R214 million**
(2013: R211 million)

I am pleased to present my first report as Financial Director of Merafe. The 2014 financial year was a challenging year for the Company due to a number of factors, which included strikes and restructuring as well as a difficult global economic environment. Merafe experienced a particularly demanding second half of 2014, which reduced the healthy profit seen in the first half. Despite these challenges, we achieved headline earnings of 8.4 cents for the 2014 year.

The following pages set out the key financial items for the 2014 year. Our summarised income statement, balance sheet and cash flow statement can be found on pages 14 to 15 of this integrated annual report and our annual financial statements are available on the Merafe website (www.meraferesources.co.za).

Operational performance

- Revenue increased by 3% from the prior year, mainly as a result of the weakening of the Rand against the US Dollar. This was partially offset by lower net CIF ferrochrome prices
- Total cash production costs were 9% higher year-on-year. Refer to page 17 of the Manufactured capital section for further information
- Headline earnings decreased by 22% from the prior year. The decrease is primarily attributable to the increased depreciation charges, increase in borrowing costs, restructuring costs at Merafe head-office level and standing charges as a result of the mining division and platinum industry strikes and the unplanned refurbishments at the Lydenburg smelter
- Merafe's EBITDA margin of 16% was flat year-on-year
- Depreciation increased from the prior year, mainly as a result of the scrapping of assets at the Boshoek smelter, arising from planned maintenance at these furnaces, as well as the additional depreciation from the Lion II project which was completed and brought into production during 2014
- Finance costs increased year-on-year as a result of the borrowing costs relating to Lion II that were expensed in 2014, higher borrowings and interest rates, as well as the reclassification of the interest on the provision for rehabilitation and restoration that was previously reported as part of EBITDA
- The cash tax rate as a percentage of the total tax charge increased from the prior year, mainly as a result of the full utilisation of capex in the Boshoek and Western ring-fences

Financial position and cash flow

- Property, plant and equipment increased from the prior year as a result of sustaining capex of R247 million and expansionary capex of R196 million. The increase in sustaining capex year-on-year was primarily as a result of additional unplanned maintenance at our smelters
- Inventories increased from the prior year mainly as a result of the increase in ferrochrome and raw materials on hand, as well as higher production costs. Merafe's portion of ferrochrome stock on hand at year end was 116kt, which is equivalent to approximately 14 weeks of sales
- Loans and borrowings increased by a net amount of about R30 million from the prior year, primarily attributable to drawdowns on the Absa debt. At 31 December 2014, a total amount of R617 million was owing to Absa, of which R80 million relates to the current portion
- The deferred tax balance and movement relates primarily to timing differences on property, plant and equipment. At 31 December 2014, the balance of unredeemed capex balance was R489 million, which relates to the eastern taxation ring-fence
- Cash flows from operating activities for the 2014 year were R306 million, down from the prior year primarily as a result of the increase in stock levels. The Venture used its overdraft and stock facilities to manage funding requirements
- The interim dividend that was paid in 2014 amounted to R28 million and a final dividend of R20 million was declared by the Board in March 2015
- Merafe closed the year with a net overdraft balance of R162 million, made up of cash at Merafe of R15 million and Merafe's share of the overdraft in the Venture of R177 million

New debt agreements

We are pleased to report that we concluded a new debt facility with Absa and Standard Bank in the post-balance sheet period. This debt facility replaces the old R800 million facility with Absa capital. The new debt comprises a R500 million term loan and R300 million revolving credit facility. The term loan is an amortising facility, which we plan to repay in equal semi-annual instalments over five years. The revolving credit facility has an availability period of approximately three years, and will be used to fund the day-to-day liquidity requirements of the Group.

Future outlook

2014 marked a year of significant change in the strategic direction of Merafe. Our 10-year capital investment programme has come to an end and we now look forward to benefiting from our investment in energy-efficient technology and in particular from our flagship project, Lion II, while reinforcing our position on the cost curve. Going forward, the Company's focus, in the short to medium term, will be on strengthening the balance sheet, and returning cash to shareholders.



Kajal Bissessor
Financial Director

FINANCIAL CAPITAL (CONTINUED)

Summarised consolidated statement of comprehensive income

for the year ended 31 December

	31 December 2014 Audited R'000	31 December 2013 Audited R'000
Revenue	3 609 066	3 496 983
EBITDA	589 265	561 271
Depreciation and impairment	(237 335)	(252 990)
Net financing costs[a]	(51 295)	(20 902)
Profit before taxation	300 635	287 379
Taxation	(86 538)	(76 763)
Current tax	(39 984)	(18 688)
Deferred tax	(47 597)	(59 740)
Prior years over-provision	1 043	1 665
Profit and total comprehensive income for the year	214 097	210 616
Basic earnings per share (cents)	8.6	8.4
Diluted earnings per share (cents)	8.5	8.4
Headline earnings per share (cents)#	8.4	10.8
Diluted headline earnings per share (cents)#	8.3	10.8
Ordinary shares in issue	2 505 353 877	2 494 171 394
Weighted average number of shares for the year	2 496 949 439	2 493 679 476
Diluted weighted average number of shares for the year	2 515 772 683	2 504 389 482
# Headline earnings reconciliation		
	209 553	269 430
Profit and total comprehensive income for the year	214 097	210 616
Impairments*	–	58 842
Profit on sale of asset**	(4 544)	(28)

* *Net of taxation of NIL (2013: R15m)*

** *Net of taxation of R1.8m (2013: R11k)*

[a] *Includes R8.5 million (2013: R3.6 million) unwinding of the discount on the rehabilitation provision. The 2013 numbers were reclassified*

Summarised consolidated statement of financial position

as at 31 December

	31 December 2014 Audited R'000	31 December 2013 Audited R'000
ASSETS		
Property, plant and equipment	3 239 162	3 099 988
Deffered tax assets[b]	13 518	12 972
Total non-current assets	3 252 680	3 112 960
Inventories	1 435 799	1 132 986
Current tax assets	15 485	7 440
Trade and other receivables	652 642	677 649
Cash and cash equivalents	44 541	85 547
Total current assets	2 148 467	1 903 622
Total assets	5 401 147	5 016 582
EQUITY		
Share capital	25 053	24 942
Share premium	1 269 578	1 262 899
Equity-settled share-based payment reserve	24 651	39 011
Retained earnings	1 804 220	1 598 985
Total equity attributable to equity holders	3 123 502	2 925 837
LIABILITIES		
Loans and borrowings	549 909	576 311
Provision for close down and restoration costs	129 029	111 456
Deferred tax liabilities	687 215	639 071
Total non-current liabilities	1 366 153	1 326 838
Loans and borrowings	80 778	19 471
Trade and other payables[c]	615 773	648 143
Provision for closure and restoration costs	7 932	–
Bank overdraft	207 009	96 293
Total current liabilities	911 492	763 907
Total liabilities	2 277 645	2 090 745
Total equity and liabilities	5 401 147	5 016 582

[b] *Disclosed in the prior year in deferred tax liabilities. The 2013 numbers were reclassified.*

[c] *Includes R189m (2013: R194m) short-term stock warehousing facility*

Statement of changes in equity

for the year ended 31 December

	31 December 2014 Audited R'000	31 December 2013 Audited R'000
Issued share capital – ordinary shares	25 053	24 942
Balance at beginning of year	24 942	24 932
Share options exercised	111	10
Share premium – ordinary shares	1 269 578	1 262 899
Balance at beginning of year	1 262 899	1 262 481
Share premium arising from share options exercised	6 679	418
Equity-settled share-based payment reserve	24 651	39 011
Balance at beginning of year	39 011	33 847
Shares vested during the year	(6 471)	–
Transfer to retained earnings	(19 090)	–
Share-based payment	11 201	5 164
Retained earnings	1 804 220	1 598 985
Balance at beginning of year	1 598 985	1 388 369
Profit and total comprehensive income for the year	214 097	210 616
Dividend paid	(27 952)	–
Transfer from share based payment reserve	19 090	–
Total equity at end of year	3 123 502	2 925 837

Summarised consolidated statement of cash flow

for the year ended 31 December

	31 December 2014 Audited R'000	31 December 2013 Audited R'000
Profit before taxation	300 635	287 379
Interest paid	52 372	19 942
Interest received	(1 077)	(2 661)
Depreciation and impairment	237 335	252 990
Adjusted for non-cash items	4 890	6 124
Adjusted for working capital changes	(198 237)	(61 699)
Cash flows from operations	395 918	502 075
Interest paid	(43 915)	(19 942)
Interest received	1 047	2 512
Tax (paid) refunded	(46 985)	1 961
Cash flows from operating activities	306 065	486 606
Cash flows from investing activities	(437 001)	(605 178)
Proceeds on disposal of property, plant and equipment	6 311	113
Acquisition of property, plant and equipment – sustaining	(247 359)	(208 147)
Acquisition of property, plant and equipment – expansionary	(195 953)	(397 144)
Cash flows from financing activities	7 272	70 568
Share grants vested	(6 471)	(999)
Proceeds from issue of shares	6 790	428
Dividend paid	(27 952)	–
Loan raised during the year	34 905	71 139
Net decrease in cash and cash equivalents	(123 664)	(48 004)
Cash and cash equivalents at the beginning of the year	(10 746)	82 643
Effect of exchange rate fluctuations on cash held	(28 058)	(45 385)
Cash and cash equivalents at the end of the year	(162 468)	(10 746)

MANUFACTURED CAPITAL

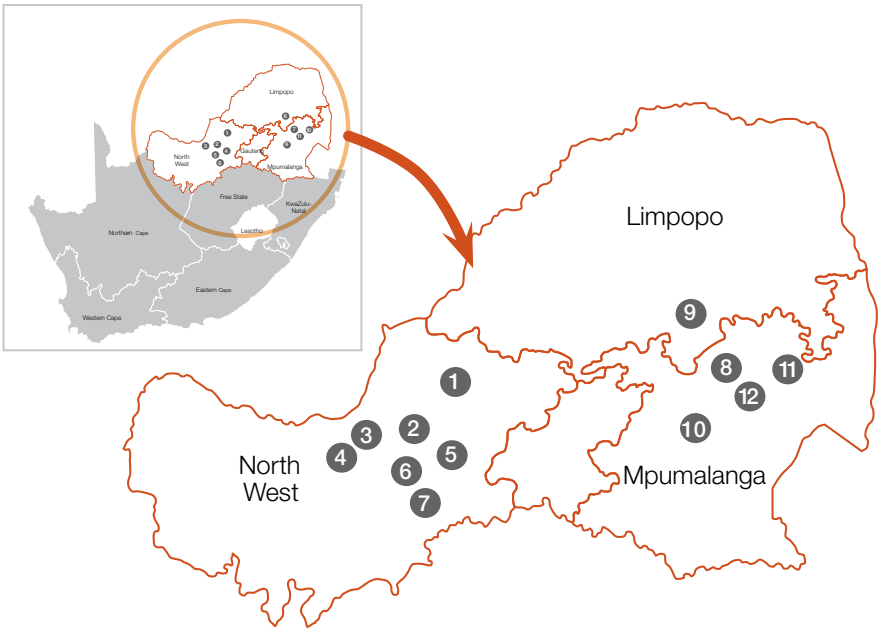
MATERIAL ISSUES

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

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

Lion II operational

Total Venture ferrochrome production of **1.56 million tonnes**

Operating capacity utilisation of **84%**

Chrome ore production at mines up **31%** in 2014

UG2 production down **33%** in 2014 due to industrial action in the platinum sector

In the current environment, where electricity has become a scarce commodity and prices are escalating at well above normal inflation, the competitive edge of our Premus technology will become increasingly more evident.

Overview

Full year 2014 attributable ferrochrome production volumes amounted to 334kt (total Venture production 1.56kt). This is 5% up on the volumes produced during 2013. The higher production volume was due to the start-up of Lion II, which was partially offset by more planned furnace refurbishments on the other furnaces during the second half of 2014. Production levels were at 84% of operating capacity.

Cash production cost increases of 9% were well managed and can be explained as follows:

- ↑ **3%** chrome ore costs (strike action in platinum industry and Western mines and more mined ore used)
- ↑ **1.6%** impact of imported reductants
- ↑ **2.5%** Lion II start-up cost
- ↑ **1.9%** other increases

During the second half of 2014, additional maintenance was required due to the premature failures of furnaces at the Lydenburg Plant and gave rise to an abnormal increase in the sustaining capital spend. Since these refurbishments, plant performance has improved significantly.

Safety

The Venture continues to place maximum focus on safety. 2014 was a disappointing year for safety in the Venture with two fatalities and a TRIFR of 4.63. The causes and the Venture's response, is dealt with on pages 26 and 27 of the report.

Lion II

The start-up of Lion II was successful and the plant should be fully operational by the middle of 2015. This will bring an additional 360kt per annum of low cost material into the overall pool, further reducing overall costs and thus reinforcing the position of the Venture as the lowest cost producer in South Africa.

Lion uses between 60% and 70% of the electricity usually required for the equivalent amount of ferrochrome production. In the current environment, where electricity is a scarce commodity and prices are escalating at well above normal inflation, the competitive edge of the Venture's Premus technology will become increasingly more evident.

Eskom

As a responsible consumer of electricity our smelters continue to work closely with Eskom in its efforts to stabilise the grid, including participating in its demand response programmes and with the rescheduling of maintenance. In this way we restrict the impact of frequent electricity shortages on our operations to the minimum.

Industrial action

Wage negotiations with different unions at the smelters were successful and no ferrochrome production was lost due to industrial action.

Chrome ore production

Chrome ore production from the mines amounted to 3 050kt, 31% more than the 2 322kt produced in 2013, in spite of industrial action extending over a period of two and a half months at the Venture's Western mines. The negative impact on production from the industrial action was mitigated by above budget production levels achieved at the Thorncliffe and Helena mines. The Magareng mine was also operational for the full year while the Lion II smelter only started to produce from April. During the period before completion of the concentrating plant at Magareng mine, the run of mine ore from the development phase was treated at Helena mine.

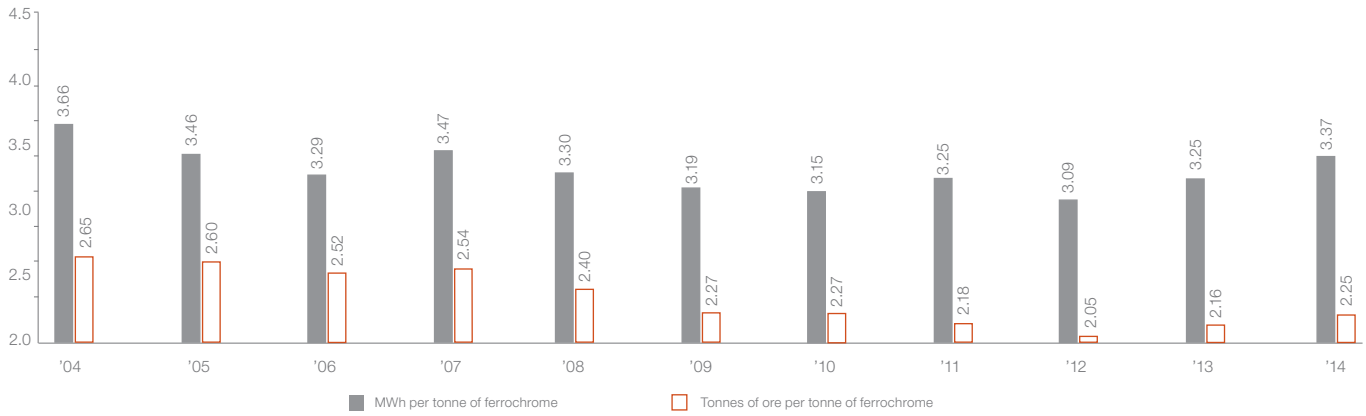
In the West the Waterval West plant was restarted to treat tailings dump material and stockpiled Boshoek opencast material, the latter of which was also treated through the Kroondal mine plant.

UG2 production at 1 265kt was 33% down on the previous year, due to the five-month industrial action at the platinum mines.

Dr Jurg Zaayman
General Manager
Merafe Chrome

MANUFACTURED CAPITAL (CONTINUED)

Power and ore consumption efficiencies*



** The decrease in consumption efficiencies in 2014 were due to the startup of Lion II and the use of non-optimal ore mixes during the strike in the platinum sector*

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	

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.

** Placed on care and maintenance in 2013*

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 ecosystems
- wherever possible using renewable resources from well-managed and restorative ecosystems
- managing resources and reserves efficiently

NATURAL CAPITAL: CLIMATE CHANGE AND ENERGY

KEY POINTS

The CO_2e generated per tonne of ferrochrome produced was **5.51** (2013: 4.95)

The energy use per tonne of ferrochrome produced was **16.48** (2013: 13.49)

The startup of Lion II and the strike in the platinum sector impacted on CO_2e generated and energy use per tonne

Stakeholder impact and engagement

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

Managing climate change and carbon emissions

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

The Venture's efforts to continually evaluate and better its energy efficiency are in line with the societal demand to reduce the emissions of GHGs. It uses the Greenhouse Gas Protocol as an accounting and reporting standard for our emissions, which uses the factor of 0.869kgCO_2. kWh. This protocol was developed in partnership with the World Resources Institute and the World Business Council for Sustainable Development. It divides GHG emissions into different types, categorising them as either direct or indirect emissions.

A representative of the Venture was selected to the council of the Energy Intensive User Group (EIUG) during 2014. The Venture, which chairs the Ferro Alloys Producers Association (FAPA), represents the ferroalloys industry at Business Unity of South Africa (BUSA). The Venture's representatives play a leading role in these forums and they comment on climate change and carbon tax legislation. The Venture also lobbies with government via these forums to ensure that the potential impact that the proposed legislation will have on our industry and Company is understood by government.

The Venture again played an important role during 2014 in the successful engagement process, which took place between business and the National Treasury on the draft carbon tax paper. It also continued engaging with all members of FAPA to gain a common understanding of GHG emission factors for our sector and the calculation of the GHG emission footprint.

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

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

The Venture's focus for 2015

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 2015, 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 7.6 million tCO_2e in 2013 to 8.9 million tonnes in 2014. The increase in greenhouse gas emmissions in 2014 was due to the increase of Scope 2 emissions (electricity) as a result of the startup of Lion II and the use of non-optimal ore mixes during the strike in the platinum sector.

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

The risks associated with climate change

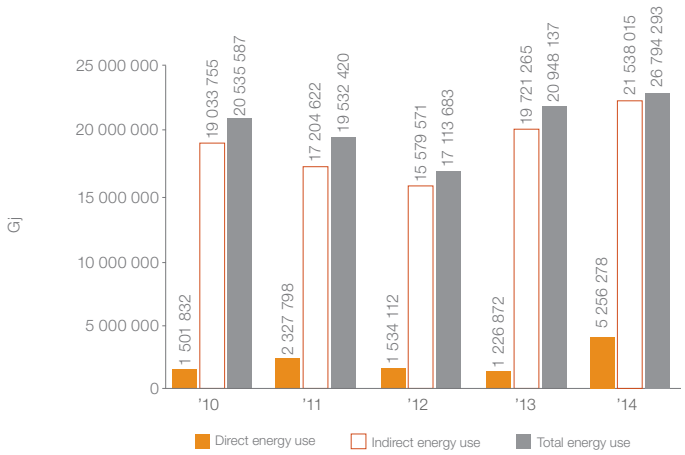
Climate change remains a key longer-term risk for the Venture. The potential risks are complex in that they include operational risks such as business continuity, health and safety, environmental aspects and regulatory aspects. Risks are both physical and financial, for example should the Venture's operations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

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

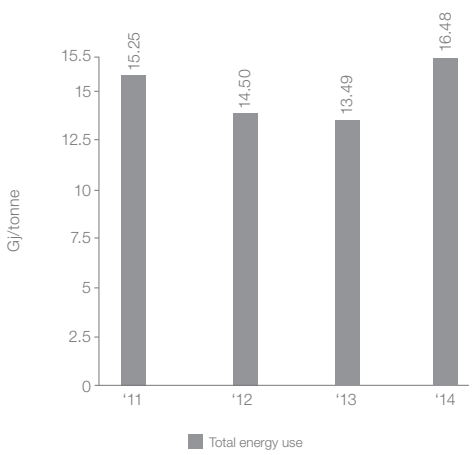
The Venture's energy consumption

Total energy consumption in the Venture's operations increased 27% year-on-year, as a result of a 5% increase in production year-on-year, the startup of Lion II and increased chrome ore production. The energy use per tonne of ferrochrome produced increased from 13.49 Gj/tonne to 16.48 Gj/tonne mainly as a result of the startup of Lion II and increased chrome ore production.

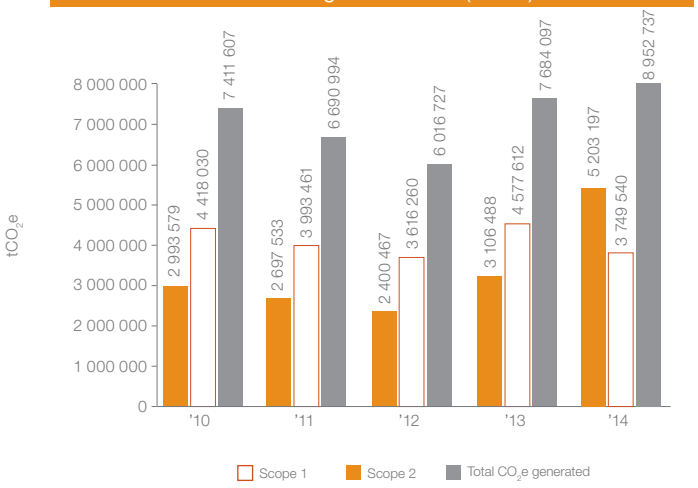
The Venture's energy usage



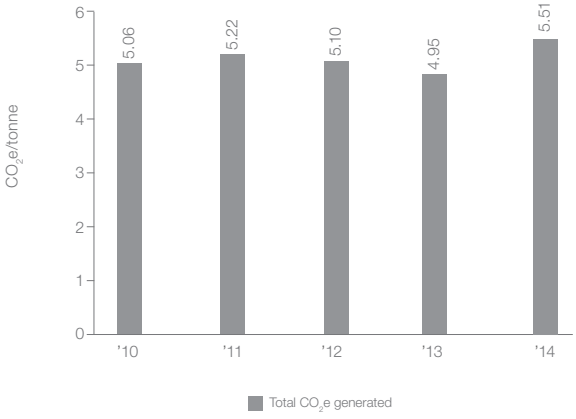
Energy use per tonne of ferrochrome produced



Greenhouse gas emissions (GHGs)*



CO_2e generated per tonne of ferrochrome produced*



** The increase in greenhouse gas emissions at the Venture is explained on page 20*

NATURAL CAPITAL: ENVIRONMENT

MATERIAL ISSUES

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

KEY POINTS

The Venture's total water usage increased in 2014 due to increased production and the commissioning of Lion II.

There were **no high-potential environmental risk incidents** in the Venture in 2014

The Venture had no environmental fines, penalties or prosecutions in 2014

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.

An integrated approach to environmental responsibilities

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

Water

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

Water use and availability

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

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

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

The 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

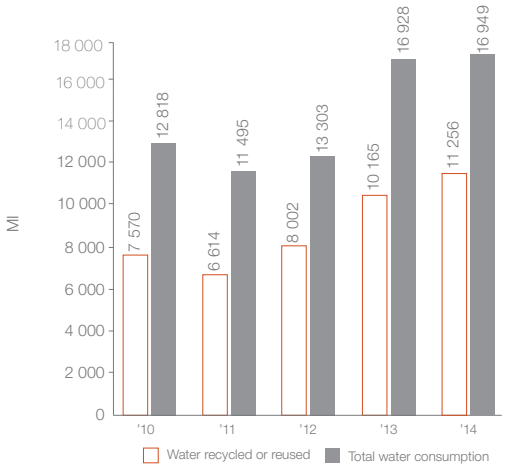
Information on the Venture's air emissions, waste management, effluent and its management of overburden, rock, tailings and sludge/residues and biodiversity management is provided in the Environment section of our online integrated annual report.

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 incidents in the future. Its operations are required to report any environmental high potential risk incidents (HPRIs), including near-misses, that could have resulted in a category 4 or 5 incident, even when the actual impact was less significant. Environmental incidents recorded at the Venture's operations include incidents that occur as the result of contractor activity.

The Venture has had no environmental fines, penalties or prosecutions at its operations for the past eight years. The Venture achieved its goal of no category 3, 4 or 5 incidents recorded in its operations in 2014 and no category 4 or 5 incidents have been recorded in the Venture's operations for the past eight years.

The Venture's water usage*



** The slight increase in 2014 is mainly attributed to Lion II commissioning and higher production*

For more information on environmental incidents,the Venture's performance, and approach to waste management as well as NO_x and SO_x performance please see the Environment section of our online integrated report for 2014.

For further information on land use, see the Resources and Reserves Statement in our online integrated report for 2014.

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 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 2014. To arrive at a Mineral Resources and Mineral Reserves estimate for 31 December 2014, the budgeted production for July 2014 to December 2014 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 the mineable open pit layers in the Boshoek area. 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 and Townlands Extension 9 are exploration projects and exploration activities have been performed here to fulfil the requirements of the various Prospecting Works Programmes. The Prospecting Right for Klipfontein/Waterval has successfully been converted to a Mining Right and incorporated into the Kroondal Mining Right. 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 2014.

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 2014.

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

Chrome Mineral Resources statement

				Measured mineral resources		Indicated mineral resources		Measured and indicated resources		Inferred mineral resources		
Name of operation	Attributable portion	Mining method	Commodity	31.12.14	31.12.13	31.12.14	31.12.13	31.12.14	31.12.13	31.12.14	31.12.13	Competent Person
Operating mines												
Waterval mine	20.5%	UG	(Mt)	16.487	16.556	0.98	0.98	17.47	17.53	0.6	0.6	DR/MM
			Cr_2O_3(%)	41.3	41.28	42.6	42.6	41.4	41.4	43	43	
Marikana West	20.5%	UG	(Mt)	3.189	3.479	1.60	1.59	4.79	5.07	–	–	DR/MM
(Waterval mine Extension)			Cr_2O_3(%)	42.39	42.39	42.6	42.6	42.5	42.5	–	–	
Kroondal mine	20.5%	UG/OC	(Mt)	8.827	9.771	2.16	2.10	10.98	11.87	–	–	DR/MM
			Cr_2O_3(%)	42.79	42.77	41.5	42.1	42.5	42.7	–	–	
Kroondal Gemini	20.5%	UG/OC	(Mt)	11.766	12.547	4.99	4.51	16.75	17.06	–	0.2	DR/MM
(Kroondal mine Extension)			Cr_2O_3(%)	42.44	42.44	41.6	42.0	42.2	42.3	–	42	
Marikana East	20.5%	UG	(Mt)	4.183	4.570	0.75	0.49	4.93	5.07	–	0.3	DR/MM
(Kroondal mine Extension)			Cr_2O_3(%)	42.23	42.31	41.7	42.1	42.1	42.3	–	42	
Horizon mine	20.5%	UG/OC	(Mt)	4.248	4.248	8.04	8.04	12.28	12.28	2.4	2.4	DR/MM
			Cr_2O_3(%)	44.53	44.53	43.8	43.8	44.1	44.1	44	44	
Boshoek mine	20.5%	OC/UG	(Mt)	–	0.449	17.09	16.64	17.09	17.09	–	–	DR/MM
			Cr_2O_3(%)	–	39.97	40.5	40.5	40.5	40.5	–	–	
Thorncliffe mine	20.5%	UG/OC	(Mt)	41.627	41.904	9.52	11.07	51.14	52.97	34.1	34.2	DR/SV
			Cr_2O_3(%)	40.59	40.61	41.0	41.1	40.7	40.7	40	40	
Helena mine	20.5%	UG/OC	(Mt)	22.987	23.669	6.93	6.28	29.92	29.95	85.8	84.2	DR/SV
			Cr_2O_3(%)	39.86	40.09	38.1	38.9	39.5	39.8	39	39	
Projects												
Wonderkop	20.5%	UG	(Mt)	–	–	7.05	7.05	7.05	7.05	–	–	DR/MM
			Cr_2O_3(%)	–	–	40.6	40.6	40.6	40.6	–	–	
Townlands Extension 9	20.5%	UG	(Mt)	–	–	13.37	13.84	13.37	13.84	–	–	DR/MM
			Cr_2O_3(%)	–	–	41.3	40.9	41.3	40.9	–	–	
De Grooteboom	20.5%	UG/OC	(Mt)	0.817	0.777	0.64	0.61	1.46	1.39	–	–	DR/SV
			Cr_2O_3(%)	40.28	40.26	40.3	40.3	40.3	40.3	–	–	
Klipfontein/Waterval	20.5%	UG	(Mt)	11.387	9.471	16.82	16.31	28.21	25.78	115.5	117.9	DR/MM
			Cr_2O_3(%)	42.12	42.29	42.0	42.3	42.0	42.3	42	42	
Total chrome			(Mt)	125.519	126.992	89.93	89.96	214.14	216.95	238.4	239.7	
			Cr_2O_3(%)	41.27	41.30	41.2	41.3	41.2	41.3	40	41	

Notes:

Tonnages are quoted as million metric dry tonnes

Grades are quoted as %Cr_2O_3

The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce mineral reserves

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

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

MM – Mogomotsi Maputle, Glencore Operations, Western Chrome Mines (SACNASP). 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 31.12.14	Proved mineral reserves 31.12.13	Probable mineral reserves 31.12.14	Probable mineral reserves 31.12.13	Total mineral reserves 31.12.14	Total mineral reserves 31.12.13	Competent Person
Operating mines										
Waterval mine	20.5%	UG	(Mt)	**10.737**	10.936	**0.91**	0.91	**11.65**	11.85	DR/MM
			Cr_2O_3(%)	**30.93**	30.89	**26.0**	25.93	**30.5**	30.5	
Marikana West	20.5%	UG	(Mt)	**0.777**	0.684	**–**	–	**0.78**	0.68	DR/MM
			Cr_2O_3(%)	**28.87**	28.78	**–**	–	**28.9**	28.8	
Kroondal mine	20.5%	UG/OC	(Mt)	**2.548**	2.922	**1.90**	1.90	**4.45**	4.82	DR/MM
			Cr_2O_3(%)	**28.87**	28.98	**28.1**	28.7	**28.6**	28.9	
Kroondal Gemini	20.5%	UG/OC	(Mt)	**7.774**	8.853	**4.70**	4.20	**12.47**	13.9	DR/MM
			Cr_2O_3(%)	**31.00**	30.9	**28.2**	28.5	**29.9**	30.1	
Marikana East	20.5%	UG	(Mt)	**0.005**	–	**–**	–	**0.01**	–	DR/MM
(Kroondal extension)			Cr_2O_3(%)	**28.89**	–	**–**	–	**28.9**	–	
Horizon	20.5%	UG	(Mt)	**2.102**	2.102	**–**	–	**2.10**	2.10	DR/MM
			Cr_2O_3(%)	**23.91**	23.91	**–**	–	**23.9**	23.9	
Boshoek	20.5%	OC/UG	(Mt)	**–**	–	**0.58**	0.58	**0.58**	0.58	DR/MM
			Cr_2O_3(%)	**–**	–	**26.1**	26.1	**26.1**	26.1	
Thorncliffe mine	20.5%	UG/OC	(Mt)	**24.445**	26.360	**5.94**	6.67	**30.39**	33.03	DR/SV
			Cr_2O_3(%)	**36.94**	36.82	**35.5**	36.8	**36.7**	36.8	
Helena mine	20.5%	UG/OC	(Mt)	**3.823**	3.913	**–**	–	**3.82**	3.91	DR/SV
			Cr_2O_3(%)	**36.78**	32.69	**–**	–	**36.8**	32.7	
Total chrome			(Mt)	**52.212**	55.769	**14.04**	14.26	**66.25**	70.03	
			Cr_2O_3(%)	**33.77**	33.43	**31.0**	32.2	**33.2**	33.0	

Notes:

Tonnages are quoted as million metric dry tonnes
Grades are quoted as $\%Cr_2O_3$
No cut-off grades are applied to the chromitite layers currently being mined due to the exceptional regional grade consistency and continuity. A minimum mining cut of 1.8m is applied to the 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. No significant year-on-year changes in the ore reserve tonnages were recorded. There are no foreseen material risk factors that could affect the validity of the current Mineral Reserves of the Venture. All of the Venture's operating mines are operating under valid mining right licenses

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

MM – Mogomotsi Maputle, Glencore Operations, Eastern Chrome Mines (SACNASP). 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 29 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.

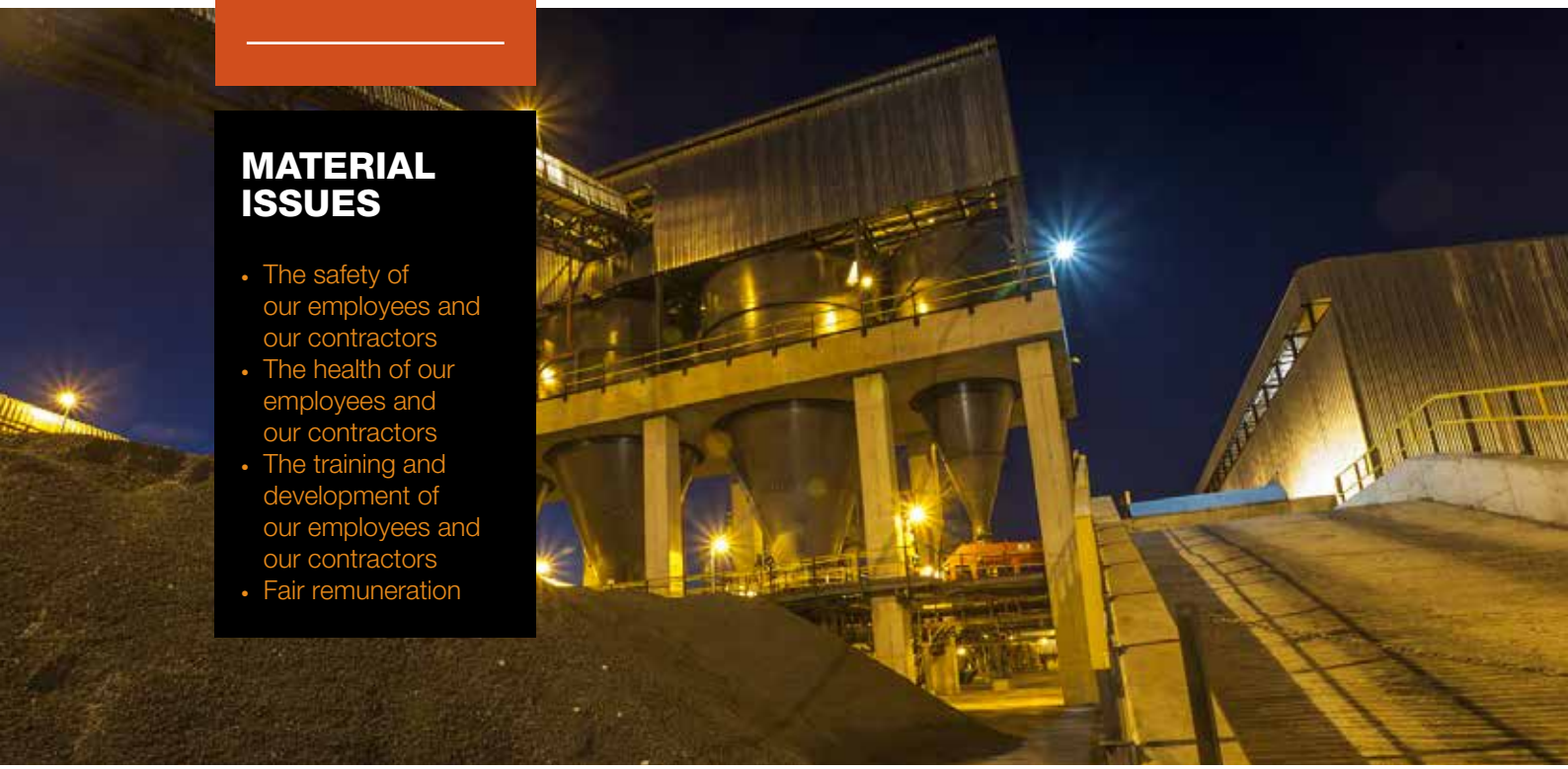


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See our online integrated report for 2014 for the complete mineral resources and mineral reserves statement.

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 financial and reputational costs.

The Venture enhances its human capital by:

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

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 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 Code of Conduct

HUMAN CAPITAL: SAFETY

KEY POINTS

Two fatalities occurred in 2014 (2013: two fatalities)

Fatality frequency rate (FFR): **0.07** (2013: 0.07)

Total recordable injury frequency rate (TRIFR) **4.63** (2013: 3.84)

Lost time injury frequency rate (LTIFR) **1.28** (2013: 0.72)

Disabling injury severity rate (DISR) **110.11** (2013: 85.74)

The Venture had no safety penalties or prosecutions in 2014

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

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

Safety programme overview

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

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.

In 2014 there were 130 injuries in a workforce of 13 385. An indepth analysis by the Venture revealed that no one single factoral cause stood out, but that 'at risk behaviour' was a major problem. As safety is the number one priority in the Venture, a number of campaigns were rolled out and re-emphasised in 2014 including 'SAFEALLOYS', 'Life Saving Behaviours' and 'Consequence Management'.

The Venture rolled out the Fatal Hazard Protocols during 2013 and 2014.

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

Three noise-induced hearing loss (NIHL) cases and **one** case of occupational asthma in 2014

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 2014.

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 HIV and TB and the impact of HIV and TB. All employees that visit its occupational health clinics are screened for TB. Those whose screening tests indicate they may have TB are referred to 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 2014 was 13%. Only members of the Venture's medical aid scheme are included in this calculation.

See our online integrated report for 2014 for more information on how the Venture addresses these occupational illnesses.
See our online integrated report for 2014 for more information on our HIV and AIDS commitments and our overall policy and approach to health and wellness in the workplace.

HUMAN CAPITAL: OUR EMPLOYEES

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 financial and reputational costs.

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

Our approach to our employees

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

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

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

More on our approach to our employees, and adherence to international employment standards can be found on our online integrated report for 2014 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, approximately 60% of the Venture's employees are covered by a collective bargaining agreements.

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 2014

The Venture was not immune to the unrest that again affected the South African mining industry in 2014 and it lost 47 days to industrial action.

Operation	Number of days in 2014	Dates	Number of days in 2013
Western chrome mines (Waterval and Kroondal)	47	25 September to 28 November 2014	4
Eastern chrome mines	0	–	14
Total number of days	47		18

At the end of November 2014 the Venture signed a three-year wage agreement for the Western mines, which ended the strike. At all other sites the Venture has one-year agreements in place.

Union membership

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

See our online integrated report for 2014 for more information on the Venture's employee relations, engagement, remuneration, benefits, labour relations and the employee share ownership plan for Venture employees.

HUMAN CAPITAL: OUR EMPLOYEES (CONTINUED)

KEY POINTS

13.8% decrease in the Venture's total number of employees in 2014

22% decrease in the number of contractors employed in the Venture in 2014

The Venture exceeded most of the Mining Charter targets in 2014

Merafe exceeded the Mining Charter employment equity targets in 2014

Merafe had **9 employees** and the Venture **6 282 employees** at 31 December 2014

The total workforce of the Venture by employment type

Category	2014	2013	2012
Full time employees[1]	6 282	6 318	6 461
Temporary/fixed term employees[2]	182	328	258
External contractors[3]	6 921	8 882	6 379
Total	13 385	15 528	13 098

[1] Reduced mainly due to closure of Horizon mine in 2014 and restructuring
[2] Reduced as a result of employees becoming permanent or contracts not renewed
[3] Reduced as Lion II project completed

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 2014

Permanent and fixed term	Male	Female	Total
Senior management	86	9	95
Middle management	124	37	161
Supervisors, administrators, technicians	935	356	1 291
Operational, maintenance, production	4 382	535	4 917
Grand total	5 527	937	6 464

Diversity in the Venture

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

Venture employment equity	% Mining Charter target 2014	% achieved 2014
Senior management	40	34.74
Middle management	40	59.63
Junior management	40	54.60
Core skills	40	93.79

Diversity in Merafe

Mining Charter	% Mining Charter target 2014	% achieved 2014
Top management (includes Board)	40	82
Senior management (includes Exco)	40	60
Middle management	40	100
B-BBEE Codes of Good Practice	**% target 2014**	**% achieved 2014**
Management control	50	66
Senior management	60	55*
Middle management	75	50*

** Merafe falls below the targets for senior and middle management due to gender adjustments under the codes.*

See the table on page 49 for Merafe's performance under the Mining Charter and Codes
See the table on page 39 for detail of structure of the Venture's Joint Board where executives of Glencore and Merafe are members

HUMAN CAPITAL: TRAINING AND DEVELOPMENT

KEY POINTS

The Venture invested **R56 million** in training in 2014

An average of **R4 195** was invested in training for each member of the Venture's workforce (employees and contractors)

467 720 Venture total training hours

R9.9 million invested in artisan and apprentice training, 103 people received artisan training

Over **R4.8 million** invested in bursaries and scholarships

39 Average training hours per permanent employees

217 404 training hours on contractors

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 their human resource development targets and retaining and developing their skilled employees.

The Venture provides:

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

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

Training hours

	2014	2013
Total training hours	467 720	621 003
Total training hours for permanent employee	250 317	313 367
Average training hours per permanent employee	39	40.5
Total training hours contractors	217 404	307 636
Number of health issues training sessions	18 211	10 371
Number of safety issues training sessions	46 687	53 743
Number of human rights issues training sessions	15 700	12 575
Number of environmental training sessions	16 855	13 856
Community health training	24	56
Community environmental training	24	57
Community human rights training	24	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

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

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

To enhance social capital we:

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

Socio-economic development

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

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

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

See our website for more information on a review of stakeholder engagement and impact.

KEY POINTS

The Venture spent **R18 million** on corporate social investment and enterprise development in 2014

48% of the Venture's expenditure on capital goods was on BEE spend

Merafe's social investment was in community education of **R2 million** in 2014

75% of the Venture's expenditure on services was on BEE spend

69% of the Venture's consumable expenditure was on BEE spend

Corporate social investment (CSI)

The Venture, which contributes to a number of CSI projects in the vicinity of its mines and smelters, spent R18 million on CSI projects and enterprise development in 2014. The amount budgeted for these projects is R57 million of which to date R40 million has been spent. They include community health programmes, a crop and hydroponics project, community centres, crèches, youth programmes and school nutritional programmes. They also include infrastructure programmes including the construction of housing and school rebuilds. The Venture has also contributed to the establishment of catering enterprises.

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 Resources' CSI projects during 2013 and 2014 were the renovation and building of ablution blocks at Boitekong and Meriti Secondary schools and the mentorship of six up and coming entrepreneurs. The projects were finalised in 2014. The Company was impressed with the excellent manner in which this project was carried out as well as with the excellent quality of the buildings and commended the Adopt-a-School team and the schools management teams. Boitekong and Meriti Secondary schools are located in the Bojanela district of the North West province. When Merafe visited the two schools in 2010 and 2013, the lack of suitable and sufficient infrastructure at the schools became apparent to the delegation. In 2014, Merafe made the decision to conduct a further needs assessment on the two schools to better understand how to assist them.

Following the needs assessments at both Boitekong and Meriti, the Company in 2014 agreed to support the following projects at a cost of R4.5 million over two years (2014: R2 million and 2015: R2.5 million):

- Feeding scheme kitchens at both schools
- The building of six new classrooms at Boitekong and five new classrooms at Meriti
- Sanitary and hygiene support for pupils

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 spent R3 million on enterprise development in 2014.

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

SOCIAL CAPITAL AND STAKEHOLDER RESPONSIVENESS (CONTINUED)

Procurement

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

	Total procurement spend	Non-discretionary spend	Discretionary spend	BEE spend	BEE spend %	Targets for 2014 %
Capital	908 820 242	3 286 561	905 533 681	437 270 084	48.29	40
Services	7 413 501 580	4 213 910 440	3 199 591 139	2 430 552 781	75.96	50
Consumables	3 759 174 288	15 275 991	3 743 898 296	2 575 593 526	68.79	70
	12 081 496 110	4 232 472 993	7 849 023 117	5 443 416 391		
Multinational capital spend	43 548 850					
Total procurement spend	12 125 044 961					

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 2014, 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 standard antiretroviral therapy. 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

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

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

In 2014 the Venture's stakeholder engagement focused on the completion of the mine's social and labour plan which came to an end in December 2014. In addition, in 2014, the Venture focused 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.

See our online integrated report for 2014 for further information on our approach to social capital, particularly our social licence to operate and approach to community engagement.

See the stakeholder engagement table on our website for details of the Venture's engagement and Merafe's engagement during 2014.

See our online integrated report for 2014 for information on the Venture's approach to human rights and ethics and the externally developed principles, charters and initiatives to which Merafe and the Venture subscribe.

CHAIRPERSON'S REPORT



The Venture is well positioned as the lowest-cost producer in South Africa, with the commissioning of the energy-efficient Lion II ferrochrome plant.

Overview

2014 proved to be an eventful year in many respects. On the global front we saw a collapsing oil price and escalating conflict in various parts of the world, an economic slowdown in China as well as falling commodity prices. At home, the business environment was dominated by coverage of the prolonged strike in the platinum industry and of course the Eskom crisis. In such difficult times, we are reminded to remain focused on making our business a success and to be able to provide a positive contribution to all our stakeholders and broader society.

I am pleased to report that Merafe produced a solid set of results in 2014, and was able to pay a dividend for the year under review.

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

Safety

Sadly, we could not celebrate zero fatalities in the Venture's operations in 2014, as is reported on more fully in this report. I again extend my condolences to the families, colleagues and friends of Andries Shomolekae and Maseke Mamogale who lost their lives in the Venture's operations during 2014. Safety remains the number one priority in the Venture.

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.

Our approach to sustainability and assurance

As part of our commitment to ensuring the sustainability of our business we again engaged KPMG Services to provide assurance on key indicators in terms of B-BBEE and Codes of Good Practice, as well as our performance against the Mining Charter. KPMG Services was 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.

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. In 2014, however, the SRI Index assessment was only performed on the Top 100 companies on the JSE by market capitalisation and Merafe was therefore unfortunately not assessed.

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 third consecutive year.

The Board

The CEO has provided a detailed commentary on the restructuring of the Company, which we embarked on in 2014 on page 10 of this report.

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

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

We interact at our Annual General Meetings and at presentations made by our executive management team when our interim and annual results are released. This year we 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 and the Chief Financial Officer.

My thanks to our non-executive and executive directors for your contribution to the Merafe Board's deliberations and decision-making during 2014.

Thanks

On behalf of the Board, I would like to thank the Merafe team and our partners Glencore, for their hard work during the year, which resulted in the Company producing a solid performance in 2014 in difficult circumstances.

I am sad to report the sudden passing of Mfanyana Salanje in 2014. He made a valuable contribution to the Company, and again I express our condolences to his family and friends.

I would also like to thank, personally and on behalf of the Board, the outgoing directors namely Steve Phiri, Meryl Mamathuba, Bruce McBride and Ditabe Chocho for their commitment and valuable service to Merafe over the years. Their contribution to make the Company what it is today will always be appreciated. I would also like to take this opportunity to welcome Brian Harvey and Kajal Bissessor to our Board and look forward to their contributions.

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 commissioning of the energy-efficient Lion II ferrochrome plant in 2014 increasing its competitiveness among South African ferrochrome producers.



Chris Molefe
Chairperson

Directorate at 3 March 2015

Non-executive directors

Chairperson

Chris Molefe (66)
(Independent)
BCom, Postgraduate Diploma in Property Development

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

Belese Majova (40)
(Independent)
BCompt

Belese joined the Merafe Board in January 2009 as an independent non-executive director. She is currently Chief Executive Officer of Zeleb Holdings, a business consultancy specialising in chain management integration. Previously, she was Financial Director of City of Johannesburg Housing and Financial Manager and acting Chief Financial Officer of the South African Enterprise Development Fund (SAEDF). After completing her Articles she gained audit experience as the Internal Audit Manager for Transnet. Belese chairs the Social, Ethics and Transformation Committee and is a member of the Audit and Risk Committee.

Abiel Mngomezulu (61)
(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 (39)
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 various boards and audit and risk committees. She has extensive commercial and governance experience.

Karabo Nondumo (36)
(Independent)
BAcc, HDipAcc, CA(SA)

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

Zed van der Walt (70)
(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.

Brian Harvey (40)
BCom (Hons), CA(SA), Bachelor of Technology (Mech Eng), National Diploma (Mech Eng)

Brian was appointed to the Merafe Board on 2 March 2015. He is currently the Financial Director of Royal Bafokeng Holdings and has extensive previous experience in various roles, including being Financial Director of Lake International Technologies (Division of AECI) and Senior Operations Finance Manager for Atlatsa Resources and Anglo American.

Executive directors

Zanele Matlala (51)
Chief Executive Officer
BCom, BCompt (Hons), CA(SA)

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

Kajal Bissessor (32)
Financial Director
BAcc, Postgraduate Diploma in Accounting, CA(SA)

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

Management at 3 March 2015

Dr Jurg Zaayman (46)
General Manager – Merafe Chrome
BEng, MEng, PhD (Metallurgical Engineering)

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

Company Secretary

Corporate Statutory Services
William Somerville (58)
ACIS; ACMA; HDip Corporate Law

(Appointed as Company Secretary on 1 October 2015)

The Merafe Board at 31 December 2014 was Chris Molefe (Chairperson), Belese Majova, Meryl Mamathuba, Abiel Mngomezulu, Mpho Mosweu, Karabo Nondumo, Steve Phiri, Zed van der Walt, Zanele Matlala, Bruce McBride and Ditabe Chocho.

Ditabe Chocho resigned as a Director on 31 December 2014 and Steve Phiri, Meryl Mamathuba and Bruce McBride resigned as directors on 2 March 2015. Kajal Bissessor was appointed as Financial Director on 1 January 2015 and Brian Harvey was appointed as a non-executive Director on 2 March 2015.

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 2014

45% of our Board members are women, all of whom are black

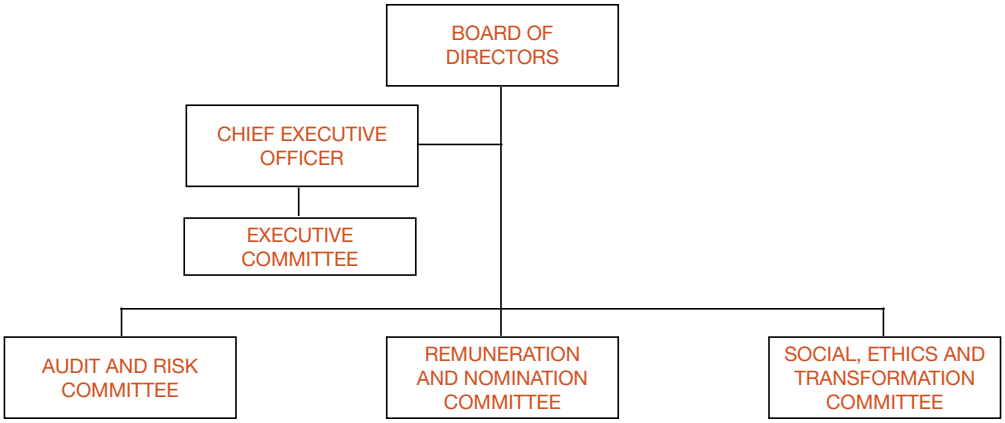
82% of our Board members are black

73% of our Board members are non-executive directors who do not receive share options or incentives

63% 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.

Governance structure



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.

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 2014.

OUR APPROACH TO GOVERNANCE (CONTINUED)

Dealing in securities

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

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 Chairperson is responsible for ensuring that: • the Board provides effective leadership • the Board maintains ethical standards • Merafe develops and implements strategies aimed at achieving its sustainability • the Board and its committees are effective The Board is responsible for: • governance of the Merafe Group on behalf of its shareholders • its own governance • strategy, strategic decision-making and risk tolerance • assessment of performance • engaging with stakeholders • Merafe's approach to its social responsibility, safety, health, the environment, ethics and risk • information technology governance **Key issues in 2014 included:** Safety, Merafe strategy and restructuring at head office, Project Lion II, stakeholder engagement, sustainability, Venture performance and sustainability, IT governance and risk management, approval of annual financial statements and integrated report, approval of interim results and considering the payment of dividends: Board and committee effectiveness review; review and approval of various charters, policies and mandates; and committees' terms of reference	Chris Molefe *(Chairperson)* Belese Majova Meryl Mamathuba Abiel Mngomezulu Mpho Mosweu Karabo Nondumo Steve Phiri Mfanyana Salanje[1] Zed van der Walt Zanele Matlala *(CEO)* Bruce McBride Ditabe Chocho Jurg Zaayman[+]	4/4 4/4 3/4 3/4 2/4 4/4 1/4 – 4/4 4/4 4/4 4/4 4/4	1/1 1/1 0/1 1/1 1/1 1/1 1/1 – 1/1 1/1 1/1 0/1 –
			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 2014 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, 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 reviewed interim results; integrated report for approval by Board, assessment of CFO, committee self assessment and review terms of reference	Mfanyana Salanje[1] Abiel Mngomezulu Karabo Nondumo[2] *(Chairperson)* Zed van der Walt Zanele Matlala[+] Ditabe Chocho[+] Bruce McBride[+] Chris Molefe[+] Jurg Zaayman[+] Kajal Bissessor[+] Belese Majova[3]	– 4/4 4/4 4/4 4/4 3/4 4/4 4/4 3/4 4/4 1/1	

[1] *Mfanyana Salanje was hospitalised in first half of year and passed away on 11 June 2014*
[2] *Acting Chairperson for two meetings*
[3] *Appointed as a member effect from 7 August 2014*
[+] *Invitee*

See our website for our Board Charter and Code of Ethics.

See the annual financial statements, which form part of our online integrated report for 2014 for the Audit and Risk Committee's report.

For a more detailed overview of the responsibilities of the Board and the committees, see the terms of reference of the Board and committees on our website, which form part of our online integrated report for 2014.

Board and Board committees	Roles and responsibilities	Members/invitees	Attendance	
			Committee meetings	Special meeting
Remuneration and Nominations 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 2014 included:** Appointment of CFO, 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, approved restructuring and retrenchment packages	Zed van der Walt (Chairperson) Belese Majova Karabo Nondumo Steve Phiri Chris Molefe Zanele Matlala+ Bruce McBride+ Ditabe Chocho+ Kajal Bissessor+	4/4 4/4 3/4 3/4 4/4 4/4 – 3/4 1/1	1/1 1/1 0/1 0/1 1/1 0/1 1/1 1/1 –
Social, Ethics and Transformation Committee	The roles, responsibilities and key issues for the Social, Ethics and Transformation Committee are set out in the Social, Ethics and Transformation Committee report on page 41 **Key issues in 2014** The key issues are set out in the Social, Ethics and Transformation Committee report on page 41	Belese Majova *(Chairperson)* Meryl Mamathuba Chris Molefe Zanele Matlala Bruce McBride Jurg Zaayman Ditabe Chocho+	2/2 2/2 2/2 2/2 2/2 2/2 2/2	

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.	During 2014, Merafe was represented on the Executive Committee by Zanele Matlala, Ditabe Chocho, Bruce McBride, Jurg Zaayman and Kajal Bissessor. In 2015, Merafe will be represented by Zanele Matlala, Kajal Bissessor and Jurg Zaayman.
The joint Board of the Venture	The joint Board meets quarterly with the aim of ensuring proper governance of the activities of the Venture. Members of Merafe's management team also attend and participate in the Venture's monthly Exco and Sustainable Development meetings and quarterly Audit Committee and Treasury meetings.	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.

OUR APPROACH TO GOVERNANCE (CONTINUED)

Merafe complies with King III. In our 2013 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 2014 is set out below.

Our progress with governance matters in 2014 where we had not as yet fully applied King III

Oversight of internal audit	The Board's responsibility for information technology
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 were being revised. In 2014 this was completed. 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. The Audit and Risk Committee and the Board are considering the scope and extent of internal audit at Merafe head office (as opposed to the Venture) and whether it is necessary considering the structure and nature of the business.	As recommended by PwC, a new IT support service provider was appointed in 2013. We also established a new website and selected a new website service provider for this purpose. In 2014 the Merafe IT policy was implemented. See our online integrated report 2014 for details of the governance of information technology in the Venture.

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

Requirement	Principle	Merafe's approach and compliance
3.84(a)	There must be a policy detailing the procedures for the appointment to the Board. Appointments must be formal and transparent and a matter for the Board as a whole, assisted where appropriate by a nomination committee. If a nomination committee is appointed, such committee must only constitute non-executive directors and the majority must be independent. The committee must be chaired by the Chairperson of the Board.	Merafe's directors are appointed by means of a transparent and formal procedure, governed by the mandate and terms of reference of our Remuneration and Nomination Committee and the Board charter. The Board charter and the terms of reference of all our committees are available on our website at www.meraferesources.co.za, and the Remuneration and Nomination Committee's terms of reference are summarised on page 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 Chairperson and these positions must not be held by the same person. The Chairperson must either be an independent director or the issuer must appoint a lead independent director as defined in the King Code.	The CEO and Chairperson positions in Merafe are held by different people and Merafe's Chairperson is an independent non-executive director as defined in King III. We would refer you to pages 36, 37 and 38 of this report. Chris Molefe has chaired the Merafe Board since May 2003. In accordance with Chapter 2 of King III the Board conducted an in depth review of both his performance and independence. It concluded that his independence has not been affected or impaired by his length of service and that Merafe would continue to benefit from his performance as Chairperson if he were to continue in this role.
3.84(d)	Issuers must appoint an audit committee in compliance with the King Code. Issuers must appoint a remuneration committee in compliance with the King Code. Where appropriate, issuers must appoint a risk and nomination committee. The composition of such committees, a brief description of their mandates, the number of meetings held and any other relevant information must be disclosed in the annual report.	Merafe has combined its Audit and Risk Committee. Its membership is set out on page 38 of this report. The committee currently has three members all of whom are independent non-executive directors, as set out in the King Code. The Chairperson of the Board is invited to attend committee meetings. As previously indicated Merafe has appointed a combined Remuneration and Nomination Committee. The committee has five members, four of whom are independent non-executive directors. The Chairperson of the Board is a member of the Remuneration Committee, but is Chairperson of the Nomination Committee. As already explained, Merafe has a combined Audit and Risk Committee and a combined Remuneration and Nomination Committee. During 2014, our Chief Executive Officer, Chief Financial Officer, Commercial Director and our Finance and Investor Relations Manager were 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.

See our online integrated report for 2014 for the table setting out our performance in terms of King III.

Requirement	Principle	Merafe's approach and compliance
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 fulltime Financial Director who does not hold any other position, nor does she have any other commitments that could be considered as full or part time employment.
3.84(h)	The audit committee must consider on an annual basis, and satisfy itself of the appropriateness of the expertise and experience of the financial director and report thereon in the annual report.	Our Audit and Risk Committee annually considers and satisfies itself of the appropriateness of the expertise and experience of the Financial Director and has reported in its Audit and Risk Committee report that it is satisfied with the appropriateness of the expertise and experience of the Financial Director.
3.84(i)	The provision deals with the competence, qualifications and experience of the Company Secretary and the Board of Directors' responsibility in relation thereto.	The Board has assessed the competence, qualifications and experience of the Company Secretary (Corporate Statutory Services, represented by William Somerville and Elise Waldeck), as required, and has agreed that the firm is sufficiently qualified, competent and experienced to hold the position of Company Secretary. The Board made their assessment in a closed Board meeting.
3.84(j)	The provision deals with the arm's length relationship between the Board of Directors and the Company Secretary and the Board of Directors' responsibility in relation thereto.	The Company Secretary fulfils no executive management function and is not a director and provides services on an outsourced basis. Accordingly, the Board is satisfied that the Company Secretary maintains an arm's length relationship with the executive team, the Board and the individual directors.

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 had been 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's corporate social investment and enterprise development performance. In this regard, the committee approved two new projects at Meriti and Boitekong high schools as set out on pages 32 and 33 of this report

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



Belese Majova
Chairperson

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

See our online integrated report for 2014 for our annual financial statements and further information on our Company Secretary.

REMUNERATION REPORT

Remuneration policy
Our remuneration policy, a summary of which is set out below, was approved by shareholders on 6 May 2014.

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

The primary role of the committee is to ensure that the Company's directors and senior executives are paid fairly for their 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. The Chairperson of the Board and the CEO attend meetings to discuss the performance of other executive directors and to make proposals as necessary.

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

The 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

See our online integrated report for 2014, under remuneration report for our remuneration policy.

Executive remuneration

Executive remuneration as set out in the Remuneration Policy is aligned with the Company's strategic objectives. The Remuneration and Nomination Committee conducted an independent benchmark of executive remuneration during 2014.

Executive pay mix

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

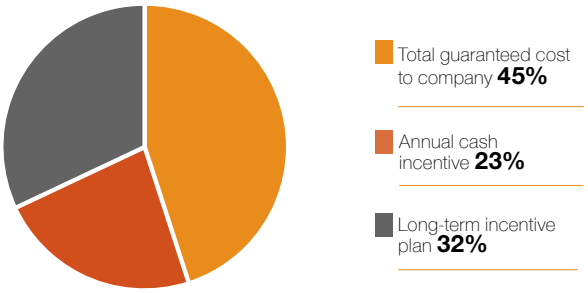
- Guaranteed pay – based on total guaranteed cost to company (tctc), being the combination of basic salary and benefits
- Performance variable pay, being made up of:
  - on target reward from short-term incentives in the form of annual cash incentives
  - the expected value from long-term (share-based)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

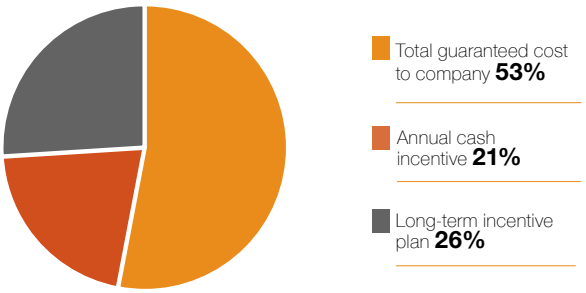
The balance between guaranteed pay (total cost to company), targeted annual cash incentives and the expected value from long-term (share-based) incentives for executives is shown in the pie charts and in the diagram.

Relative apportionment between the major elements of reward

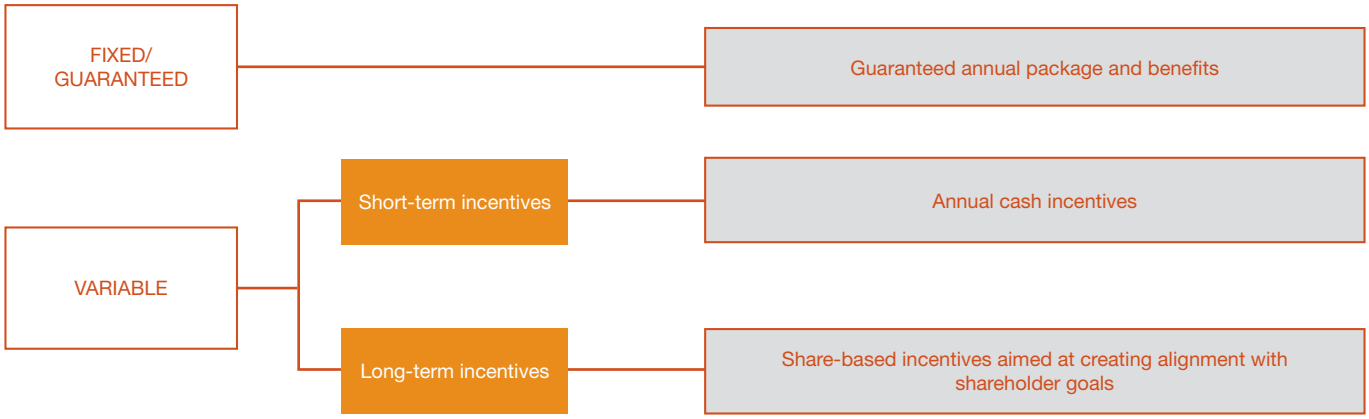
Chief Executive Officer



Executive director



Executive and employee remuneration principles/structure



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 regular market pricing exercises against the top management reward surveys. The benchmark used is the median total guaranteed cost of employment for similar positions in similarly 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 50%/50% between performance-oriented awards being subject to performance vesting conditions and retention-oriented grants with no performance conditions other than continued employment.

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

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 and share grants 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 2014 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 40 and 41 of our annual financial statements, which are part of our online integrated report for 2014. A detailed breakdown of share options and share grants can be found in note 8 of our annual financial statements on pages 40 and 41.

For the terms of the share incentive scheme approved on 13 April 2010, see our online integrated report 2014 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 2014. The 2014 benchmark exercise concluded that the fees of the Chairperson of the Board as well as certain committee positions were well below the median. The committee decided that subject to shareholder approval, to increase such fee to the median.

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 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 2014 are set out below, as are the proposed non-executive fees for 2015.

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

An overall fee increase of 5% to the directors' fees for non-executive directors is proposed, after adjustment in accordance with the benchmark exercise referred to in the opening paragraph.

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.

		2014			2015		
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	280	187	467	345	230	575
	Member	151	101	252	160	107	267
Audit and Risk	Chairperson	115	77	192	115	77	192
	Member	72	48	120	72	48	120
Remuneration and Nomination	Chairperson	59	39	98	85	57	142
	Member	36	24	60	55	37	92
Social, Ethics and Transformation	Chairperson	59	39	98	85	57	142
	Member	36	24	60	55	36	91

None of the fee increases above result in proposed fees being above the median. Where there are no increases to fees from 2014 it is because the fees are already above the median. The restructuring of the Board to fewer non-executive directors in 2015 will result in a saving in non-executive fees for 2015.

Non-executive fees paid

These fees are paid in accordance with the approved fees set out above. We held five Board meetings during 2014 and one strategy session. We also held four Audit and Risk Committee meetings, five Remuneration and Nomination Committee meetings and two Social, Ethics and Transformation Committee meetings in 2014.

R'000	C Molefe	N Majova	A Mngomezulu	K Nondumo	M Salanje	M Mamathuba	M Mosweu	Z Van der Walt	Total
Board	558	301	276	301	99	275	252	302	2 364
Audit and Risk	–	42	119	151	51	–	–	119	482
Remuneration and Nomination	65	63	–	36	–	–	–	107	271
Social, Ethics and Transformation	48	78	–	–	–	48	–	–	174
2014	**671**	**484**	**395**	**488**	**150**	**323**	**252**	**528**	**3 291**
2013	611	402	335	425	382	251	235	420	3 061

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

REMUNERATION REPORT (CONTINUED)

Executive directors and prescribed officers remuneration

	Salary R'000	Bonus and performance related payments R'000	Fringe benefits R'000	Provident fund contributions R'000	Exercise of share options and share grants R'000	Severance pay	Leave pay	Total R'000
2013								
Executive directors								
ZJ Matlala	3 154	3 144	265	473	218	–	–	7 254
DC Chocho	2 301	1 916	283	345	–	–	–	4 845
B McBride	2 872	2 270	347	431	299	–	–	6 219
Prescribed officers						–	–	
K Bissessor	1 143	755	151	158	119	–	–	2 326
A Mahendranath	644	325	149	89	65	–	–	1 272
2014								
Executive directors								
ZJ Matlala	3 409	2 798	313	511	1 132	–	–	8 163
DC Chocho*	2 527	1 535	374	379	3 518#	4 686	289	13 308
B McBride	2 901	1 907	457	435	2 339	–	–	8 039
Prescribed officers								
K Bissessor	1 224	778	172	169	292	–	–	2 635
A Mahendranath^	526	296	121	73	1 448+	1 269	88	3 821

* *Resigned 31 December 2014*

^ *Resigned 30 September 2014*

\# *Includes R990 000 retrenchment share grants*

\+ *Includes R338 000 retrenchment share grants*

Share options outstanding at 31 December 2014 in favour of directors and prescribed officers of the Company: (000s)

'000s	ZJ Matlala	B McBride	K Bissessor
Average exercise price (cents)	136	113	69
Exercisable on 30 June 2009	–	295	–
Exercisable on 30 June 2010	–	295	–
Exercisable on 31 December 2010	–	2 481	–
Exercisable on 1 March 2011	–	1 407	–
Exercisable on 30 June 2011	–	295	–
Exercisable on 1 March 2012	–	1 407	–
Exercisable on 1 March 2013	–	1 407	–
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	7 587	3 000

Share grants outstanding as at 31 December 2014 to directors and prescribed officers

'000s	ZJ Matlala	B McBride	K Bissessor
Vested on 29 April 2013	–	–	9 175
Vesting on 29 April 2014	–	–	9 175
Vesting on 29 April 2015	–	–	183 500
Vested on 1 October 2013	57 137	–	–
Vested on 1 October 2014	114 274	–	–
Vesting 15 March 2015	–	5 350 371	–
Vesting on 1 October 2015	914 189	–	–
Vesting on 29 October 2016	457 094	–	–
Vested on 1 April 2014	17 456	–	4 100
Vesting on 1 April 2015	139 650	–	81 991
Vesting on 1 April 2016	139 650	–	81 991
Vesting on 4 May 2015	183 950	–	70 754
Vesting on 4 May 2016	183 950	–	70 754
Vesting on 4 May 2017	183 950	–	70 754
Vesting on 13 June 2015	1 488 583	–	–
Vesting on 13 June 2016	1 488 583	–	–
Vesting on 13 June 2017	1 488 583	–	–
Vesting on 6 March 2016	759 575	–	166 600
Vesting on 6 March 2017	759 575	–	166 600
Vesting on 6 March 2018	759 575	–	166 600
Vesting on 1 April 2017	626 752	–	136 182
Vesting on 1 April 2018	626 752	–	136 182
Vesting on 1 April 2019	626 752	–	136 182
Total	**11 016 030**	**5 350 371**	**1 490 540**

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 40 and 41 of our annual financial statements, which form part of our online integrated report for 2014.

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 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 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. Any change in circumstances for China, which include increased chrome ore prices, freight rate increases and environmental issues covered, also reduce the risk of China undermining our industry
- Cost control is a key factor in the Venture's competitiveness and profitability. The Venture prides itself on being a low-cost producer and cost control is a key management performance measurement. The Venture's development of cost-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

See our online integrated report for 2014 for our principal risks, uncertainties and opportunities table.
See our online integrated report for 2014 for more information on the Venture's risk processes, including its information technology governance.

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 various internal and external reviews and audits during 2014.

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, Deloitte was commissioned in 2014 as part of Glencore's global audit and review process, to undertake independent third party assurance on key sustainability data of the Venture for 2013 and no material issues arose therefrom.

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 2014 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 2014, under Sustainability review and assurance.

Merafe Key performance indicators on which limited assurance was provided

As at 31 December 2014

	Assured value %	Target %	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 Resources' 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	66	50	Exceeded
Black executive directors using the adjusted recognition for gender	59	50	Exceeded
Top management			
Black senior top management using the adjusted recognition for gender	70	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	55	60	Not met[1]
Black employees in middle management as a percentage of all such employees, using the adjusted recognition for gender	50	75	Not met[1]
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 Resources' shareholding	29	26	Exceeded
Percentage HDSA in management			
Top management (Board)	82	40	Exceeded
Senior management (Exco)	60	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*

[1] *The calculated percentage under the B-BBEE Codes of Good Practice require a gender adjustment for black females. Both the senior and middle management percentages have decreased from last year due to the 2014 restructuring*



See our online integrated report for 2014 under Sustainability review and assurance for a schedule detailing the Venture's internal and external reviews and audits.

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 (the Venture) operates five ferrochrome smelters, 22 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	100%
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%

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, R617 million of the total facility was utilised and the remaining R173 million was available and unutilised. In 2015 a new debit facility with Absa and Standard Bank was concluded. The new debt facility replaces the old facility and comprises a R500 million term loan and R300 million revolving credit facility. See page 13 of this report.

Venture projects

Hot commissioning of Project Lion II commenced in the last quarter of 2013 and started operating in 2014.

Mining rights and mining operations

The directors are satisfied that there are no foreseen material risks relating to the resources and reserves of the Venture and the ability of the Venture to conduct its mining operations. See the abridged mineral resources and reserves statement on pages 23 to 25 and the detailed resources and reserves statement in our online integrated report for 2014.

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

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

An interim dividend of R28 million was declared and paid in 2014 and a final dividend of R20 million was declared in March 2015.

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.

Directorate

The following changes to the Board of Directors occurred in 2014 and 2015:

- M Mfanyane passed away on 11 June 2014 (See Chairperson's report)
- D Chocho resigned on 31 December 2014
- K Bissessor was appointed on 1 January 2015
- S Phiri, M Mamathuba and B McBride resigned on 2 March 2015
- B Harvey was appointed on 2 March 2015

See our online integrated report for 2014 for our annual financial statements

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.

Directors of the Company at 31 December 2014 and 3 March 2015 are set out on page 36 of this report.

Company Secretary

Ms Ami Mahendranath resigned as Company Secretary on 30 September 2014. Corporate Statutory Services were appointed as Company Secretary on 1 October 2014.

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 31 December 2014:

	Number of shares	%
Royal Bafokeng Resources Holdings Proprietary Limited	720 163 887	28.74
Industrial Development Corporation of South Africa Limited	546 830 100	21.83

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 2014 were as follows:

	2013		2014	
	Direct beneficial	Indirect beneficial	Direct beneficial	Indirect beneficial
ZJ Matlala	1 000 000		1 000 000	
B McBride		1 500 194		1 500 194
S Phiri	254 000		254 000	
B Majova		62 610		62 610
D Chocho			3 796 058	
Total	1 254 000	1 562 804	5 050 058	1 562 804

The are no changes for the Directors' interest in Merafe from year-end to the date of signature of this integrated report.

Special resolutions

The following special resolutions were passed by the shareholders of Merafe at the 2014 Annual General Meeting.

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 2014 as set out on page 45 of the integrated annual report, be and are hereby approved.'

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.'

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

Other than the new financing facilities referred to on page 13 (Financial capital section) and page 50 (loans and borrowings), no material facts or circumstances occurred between 31 December 2014 and 3 March 2015 that may require adjustment or disclosure in the 2014 annual financial statements.

Service contracts of directors and prescribed officers

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

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

	Number of members	% of all members	Number of shares held	% of issued capital
1. Analysis of shareholdings				
Range				
1 – 1 000	1 179	15.58	628 162	0.03
1 001 – 5 000	1 925	25.43	5 946 210	0.24
5 001 – 10 000	1 230	16.25	10 147 261	0.41
10 001 – 1 00 000	2 521	33.31	87 156 099	3.48
100 001 – 1 000 000	542	7.16	163 030 246	6.51
1 000 001 and more	172	2.27	2 238 445 899	89.35
Totals	7 569	100.00	2 505 353 877	100.00
2. Distribution of shareholders				
Category				
Diluted funds	58	0.77	411 890 847	16.44
Pension funds	109	1.44	224 771 344	8.97
Private companies	91	1.20	800 336 153	31.95
Individuals	6 762	89.34	226 649 368	9.05
Close corporations	81	1.07	5 142 266	0.21
Other corporations	421	5.56	740 036 693	29.54
Nominees and other institutions	22	0.29	4 977 916	0.20
Banks	25	0.33	91 549 290	3.65
Totals	7 569	100.00	2 505 353 877	100.00
3. Holders holding 5% or more of shares in issue				
Name				
Royal Bafokeng Resources Holdings Proprietary Limited			720 163 887	28.74
Industrial Development Corporation of South Africa Limited			546 830 100	21.83
4. Shareholder spread				
Public	7 563	99.92	1 231 809 638	49.17
Non-public	6	0.08	1 273 544 239	50.83
Directors	4	0.05	6 550 252	0.26
Royal Bafokeng Resources Holdings Proprietary Limited	1	0.01	720 163 887	28.74
Industrial Development Corporation of South Africa Limited	1	0.01	546 830 100	21.83
Totals	7 569	100.00	2 505 353 877	100.00
5. Distribution of local and foreign beneficial shareholding				
South African				94.49
Foreign				5.51

JSE share performance

	2014	2013
Market capitalisation as at 31 December 2014	2 355 032 644	2 045 220 540
Share price (cents)		
High	150	92
Low	81	56
Closing price	94	82
Shares traded		
Volume of shares traded	761 052 920	652 751 492
Value of shares (ZAR)	844 802 539	480 646 069
Volume of shares traded as a percentage of weighted average of shares in issue	30%	26%
Shares in issue as at 31 December	2 505 353 877	2 494 171 394

SHAREHOLDERS' DIARY

Meetings
Annual general meeting for the 2014 financial year to be held on 8 May 2015.

Reports
Interim reports for the six months to 30 June 2015 to be released in August 2015.
Annual results for the 12 months to 31 December 2015 to be released and published in March 2016.

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 28th (twenty-eighth) Annual General Meeting of shareholders of the Company will be held at the offices of the Company sponsor, Merrill Lynch South Africa, 138 West Street, Sandton, 2196 at 11:00 on Friday 8 May 2015 (Notice), for the purpose of transacting the business as outlined in this Notice, and to consider and, if deemed fit, to pass, with or without modification, the ordinary and special resolutions outlined below.

Important dates

Record date to receive the Notice:	Friday, 20 March 2015
Last date to trade to be eligible to vote:	Wednesday, 22 April 2015
Record date to be eligible to vote:	Thursday, 30 April 2015
Last date for lodging forms of proxy (by 11:00):	Wednesday, 6 May 2015

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 Thursday, 30 April 2015.

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 2014 (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 6 (inclusive) to be duly adopted, the support of more than 50% (fifty percent) of the voting rights exercised on each ordinary resolution by shareholders present or represented by proxy at the Annual General Meeting and entitled to exercise voting rights on the relevant resolution, must be exercised in favour of such resolution.

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

"Resolved that the Group audited annual financial statements, including the reports of the directors, the auditor and the Audit and Risk Committee, for the financial period ended 31 December 2014, be and are hereby considered and accepted."

The summarised form of the financial statements is included with this Notice. A copy of the complete annual financial statements of the Company for the financial year ended 31 December 2014 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 2.2 (inclusive), the following directors, who, in terms of the Company's MOI, retire by rotation at this Annual General Meeting, and, being eligible, stand and offer themselves for re-election, be and are hereby re-elected:

2.1 Mr Chris Molefe

2.2 Mr Zacharias van der Walt"

Notes to Ordinary Resolution Number 2

- Resolutions numbered 2.1 to 2.2 (inclusive) above are proposed by separate vote and the re-appointments which they represent constitute separate and divisible ordinary resolutions and will be considered to have received the support of the Nomination Committee
- The reason for resolutions numbered 2.1 to 2.2 (inclusive) is that in terms of the provisions of the Company's MOI, one-third of the directors, or if their number is not a multiple of three, then the number nearest to, but not less than one-third, are required to retire at each Annual General Meeting and, being eligible, may offer themselves for re-election
- The Board has evaluated the performance and contribution of each director standing for re-election and has recommended the re-election of each of the directors
- Abridged *curricula vitae* of each of the directors of the Company standing for re-election are set out on page 36 of the integrated annual report

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

"Resolved that the appointment by the Board of Directors of Ms Kajal Bissessor as a director of the Company with effect from 1 January 2015 be and is hereby confirmed in accordance with the Company's MOI in order to become permanent."

Notes to Ordinary Resolution Number 3

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

An abridged *curriculum vitae* of this director is set out on page 36 of the integrated annual report.

4. Ordinary Resolution Number 4: Confirmation of appointment of director

"Resolved that the appointment by the Board of Directors of Mr Brian Harvey as a director of the Company with effect from 2 March 2015 be and is hereby confirmed in accordance with the Company's MOI in order to become permanent."

Notes to Ordinary Resolution Number 4

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

An abridged *curricula vitae* of this director is set out on page 36 of the integrated annual report.

5. Ordinary Resolution Number 5: Appointment of members to the Audit and Risk Committee for the forthcoming financial year

"Resolved that the following members, by separate ordinary resolutions numbered 5.1 to 5.3 (inclusive), being eligible and offering themselves for re-election, be and are hereby appointed as members of the Audit and Risk Committee for the financial year ending 31 December 2015:

5.1 Ms Belese Majova

5.2 Ms Karabo Nondumo

5.3 Mr Zacharias van der Walt*"

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

Notes to Ordinary Resolution Number 5

- Resolutions numbered 5.1 to 5.3 (inclusive) above constitute separate and divisible ordinary resolutions and will be considered by separate vote
- The reason for resolutions numbered 5.1 to 5.3 (inclusive) is that in terms of the provisions of section 94(2) of the Companies Act, a company shall at every Annual General Meeting elect an audit and risk committee comprising at least three members
- The Nomination Committee conducted an assessment of the performance and independence of each of the directors proposed to be members of the Audit and Risk Committee and the Board considered and accepted the findings of the Nomination Committee. The Board is also satisfied that the proposed members meet the provisions of section 94(4) of the Companies Act, that they are independent according to King III (chapter 3) and that they possess the required qualifications and experience as prescribed in Regulation 42 of the Companies Regulations, 2011 and therefore recommends their nomination
- An abridged *curricula vitae* of each of the independent non-executive directors proposed to be appointed to the Audit and Risk Committee appear on page 36 of the integrated annual report

6. Ordinary Resolution Number 6: 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 Bavhana Sooku be and is hereby appointed as the designated audit partner for the financial year ending 31 December 2015."

Notes to Ordinary Resolution Number 6

- 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 Bavhana Sooku 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 7 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.

7. Ordinary Resolution Number 7: 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 2014 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 7:

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 1.1 to 1.8 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.

NOTICE OF THE ANNUAL GENERAL MEETING (CONTINUED)

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

'Resolved that the fees, which will be payable to the non-executive directors for their services to the Board and committees of the Board with effect from 1 January 2015 as set out below be and are hereby approved.'

		Retainer fee per annum 2014 R'000	Total meeting fees per annum 2014 R	Total annual cost 2014 R	Proposed retainer fee per annum 2015 R	Proposed meeting fees per annum 2015 R	Proposed annual cost 2015 R
1.1 Board	Chairperson	280 000	187 000	467 000	345 000	230 000	575 000
1.2 Board	Member	151 000	101 000	252 000	160 000	107 000	267 000
1.3 Audit and Risk Committee	Chairperson	115 000	77 000	192 000	115 000	77 000	192 000
1.4 Audit and Risk Committee	Member	72 000	48 000	120 000	72 000	48 000	120 000
1.5 Remuneration and Nominations Committee	Chairperson	59 000	39 000	98 000	85 000	57 000	142 000
1.6 Remuneration and Nominations Committee	Member	36 000	24 000	60 000	55 000	37 000	92 000
1.7 Social, Ethics and Transformation Committee	Chairperson	59 000	39 000	98 000	85 000	57 000	142 000
1.8 Social, Ethics and Transformation Committee	Member	36 000	24 000	60 000	55 000	36 000	91 000

Notes to Special Resolution Numbers 1.1 to 1.8:

The reason for and the effect of these resolutions is to approve the remuneration payable by the Company to its non-executive directors for their services as non-executive directors of the Company for the financial year ending 31 December 2015. 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.

An explanation of the proposed fees for 2015 is set out on page 45 of the integrated annual report.

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

'Resolved that, subject to compliance with the provisions of the 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

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

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

11. General

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

12. Actions required by Merafe Resources' shareholders

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

12.2 Record dates

12.2.1 The record date for shareholders to be recorded on the securities register of the Company in order to receive notice of the Annual General Meeting is Friday, 20 March 2015.

12.2.2 The record date for shareholders to be recorded on the securities register of the Company in order to be able to attend, participate in and vote at the Annual General Meeting is Thursday, 30 April 2015 (record date).

12.2.3 The last day to trade in the Company's shares in order to be recorded on the securities register of the Company in order to be able to attend, participate in and vote at the Annual General Meeting is Wednesday, 22 April 2015.

12.3 Voting and attendance at the Annual General Meeting

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

12.3.2 The instrument appointing a proxy and the authority (if any) under which it is signed must reach the registered office of the transfer secretaries or the Company's registered office by no later than 11:00 on Wednesday, 6 May 2015.

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

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

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

12.4 Representation by proxy

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

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

Identification

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

Electronic participation

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

By order of the Board of Directors



W Somerville (On behalf of Corporate Statutory Services)
Company Secretary
3 March 2015

NOTES

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 eighth Annual General Meeting

I/We (name in block letters)

of (address)

(contact no)

(email address)

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

1. or failing him/her

2. or failing him/her

3. The Chairperson of the Company, or failing him, the Chairperson of the Annual General Meeting, as my/our proxy to vote on my/our behalf at the Annual General Meeting of the Company to be held at the offices of the Company sponsor, Merrill Lynch South Africa, 138 West Street, Sandton at 11:00 on Friday, 8 May 2015, or at any adjournment thereof.

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

		Number of votes		
	Ordinary resolutions	For	Against	Abstain
1	Ordinary Resolution Number 1: Adoption of annual financial statements			
2	Ordinary Resolution Number 2: Re-appointment of retiring directors			
	2.1 Mr Chris Molefe			
	2.2 Mr Zacharias van der Walt			
3	Ordinary Resolution Number 3: Confirmation of appointment of director, Ms Kajal Bissessor			
4	Ordinary Resolution Number 4: Confirmation of appointment of director, Mr Brian Harvey			
5	Ordinary Resolution Number 5: Appointment of members to the Audit and Risk Committee for the forthcoming financial year			
	5.1 Ms Belese Majova			
	5.2 Ms Karabo Nondumo			
	5.3 Mr Zacharias van der Walt			
6	Ordinary Resolution Number 6: Re-appointment of external auditors of the Company, KPMG Inc and to appoint Ms Bavhana Sooku as the designated audit partner			
7	Ordinary Resolution Number 7: Non-binding advisory vote on remuneration policy			
8	Special Resolutions Numbers 1.1 to 1.8: Approval of non-executive directors' fees for 2015			
	1.1 Board Chairperson			
	1.2 Board member			
	1.3 Audit and Risk Committee Chairperson			
	1.4 Audit and Risk Committee Member			
	1.5 Remuneration and Nominations Committee Chairperson			
	1.6 Remuneration and Nominations Committee Member			
	1.7 Social, Ethics and Transformation Committee Chairperson			
	1.8 Social, Ethics and Transformation Committee Member			
9	Special Resolution Number 2: Approval of loans or other financial assistance to related or inter-related companies			
10	Ordinary Resolution Number 8: Authority to sign all documents required to give effect to all resolutions in this Notice			

Signed at on 2015

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 Wednesday, 6 May 2015.
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
Corporate Statutory Services
Hurlingham Office Park
Ground floor
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59 Woodlands Avenue
Hurlingham Manor

Telephone: +27 11 326 0975 or +27 11 783 4780
Telefax: +27 11 783 4789
Email: w.somerville@mweb.co.za
ewaldeck@corpstat.co.za

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2122

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2000

Attorneys
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2146

Transfer secretaries
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19 Ameshoff Street
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2001
PO Box 4844
Johannesburg
2000

Sponsor
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138 West Street, Sandown, Sandton
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PO Box 651987
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2010



MERAFE
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www.meraferesources.co.za

2014 INTEGRATED ANNUAL REPORT

MERAFE RESOURCES

