Merafe Resources Limited

Notes to the financial statements

for the year ended 31 December 2017

22.1 Related party transactions and balances

During the current financial year, management performed a re-assessment of its Related Party relationships in accordance with IAS 24, Related Party Disclosures. The Glencore Plc group was identified as a related party taking into consideration the shareholding and related significant influence coupled with the substance of the relationship. Significant transactions and balances with all entities within the Glencore Plc group are therefore disclosed together with the comparative figures.

All related party transactions were concluded on an arms-length basis and relate to Merafe's attributable 20.5% interest in the Venture. Income and receivable amounts are shown in brackets. There are no outstanding commitments at year end.

Name of related party	Description of relationship	Transactions and balance
The Venture	In July 2004, Glencore and Merafe Ferrochrome pooled and shared ferrochrome assets to form the Venture	Refer note 22.3 for the amounts that are included in the consolidated financial statements of the group.
Merafe Chrome and Alloys Proprietary Limited (Merafe Chrome)	Merafe Chrome is a wholly owned subsidiary of Merafe Resources Limited (Merafe Resources)	Dividends were paid to Merafe Resources by Merafe Chrome of R175m (2016: R50m). A loan account is recognised with Merafe Resources and Merafe Ferrochrome as per note 13 and note 5. Balance owing to Merafe Resources of R1.5bn (2016: R1.4bn). The loan account is of a long-term nature, is interest free, unsecured and does not have fixed repayment terms.
Merafe Ferrochrome and Mining Proprietary Limited (Merafe Ferrochrome)	Merafe Ferrochrome is a wholly–owned subsidiary of Merafe Chrome.	Merafe Resources charges Merafe Ferrochrome a management fee as per note 14. Dividends were paid to Merafe Chrome of R175m (2016: R50m). At year end a loan of R226m (2016: R76m) is owing by Merafe Resources to Merafe Ferrochrome. The loan account is of a short-term nature, is interest free, unsecured and does not have fixed repayment terms.

22.1 Related party transactions and balances *(continued)*

Name of related party	Description of relationship	Transactions and balance
Horizon Nature Conservation Trust (SE)	The Trust, which was registered on 15 July 1998, was established to provide funds for the rehabilitation of land involved in any prospecting or mining operations of Merafe Ferrochrome's Horizon mine and to discharge any liability which may arise in terms of the Atmospheric Pollution Prevention Act of 1965, the Environment Conservation Act, No 73 of 1989, the Minerals Act, No 50 of 1991, the Water Act, No 54 of 1956 and any such other legislation as may be enacted in the future.	No transactions during the year ended 31 December 2017 as the trust was deregistered during 2016.
Merafe Kroondal Rehabilitation Trust (SE)	The Trust, which was registered on 31 May 2006, was established to provide funds for the rehabilitation of land involved in any prospecting or mining operations of Merafe Ferrochrome of the Kroondal mine and to discharge any liability which might arise in terms of the Atmospheric Pollution Prevention Act of 1965, the Environment Conservation Act, No 50 of 1991, the Water Act, No 54 of 1956 and any such other legislation as may be enacted in the future. The environmental obligations and corresponding liability remains the sole responsibility of the Venture.	A loan account is recognised with Merafe Resources of R97k (2016: R84k) which relates to the payment of audit fees. The loan account is of a long-term nature, is interest free, unsecured and does not have fixed repayment terms.
Merafe Resources Limited Share Incentive Scheme	The Trust was established for the purpose of implementing the company's share incentive scheme in 1999. The trust operates and administers share options which the company may grant to participants.	No transactions occurred during the year. The trust is dormant.
Industrial Development Corporation of South Africa Limited (IDC)	The IDC holds 21.8% of the issued share capital of Merafe Resources Limited and has the ability to exercise significant influence over Merafe Resources Limited as a result of its shareholding.	The IDC received the non–executive directors' fees for Ms M Mosweu as disclosed in Note 22.2. IDC received dividends declared by Merafe Resources. At year end there are no amounts due to the IDC.
Glencore (Nederland) B.V. (GN)	GN holds 28.7% of the issued share capital of Merafe Resources Limited and has the ability to exercise significant influence over Merafe Resources Limited as a result of its shareholding.	No transactions occurred during the year. GN received dividends declared by Merafe Resources

22.1 Related party transactions and balances *(continued)*

Name of related party	Description of relationship	Transactions and balance
Mr C Molefe, Ms M Mosweu, Ms B Majova, Mr Z van der Walt[1], Mr A Mngomezulu, Ms K Nondumo, Ms Z Matlala, Ms K Bissessor, Mr S Blankfield	Directors of Merafe Resources Limited. There were no changes in directorate during 2017.	Refer to note 22.1 for transactions with directors.
Glencore Limited (Stamford)	GLS acts as the Venture's exclusive marketing agent to sell ferrochrome on its behalf and acts as distributor in the USA and Canada.	Sale of ferrochrome (R738m) (2016: (R624m)) Commission expense R21m (2016: R15m) Interest expense R5m (2016: R4m) Receivable at the end of the year (R205m) (2016: (R196m)) which is reduced as and when GLS receives funds from customers.
Glencore International AG	Glencore International AG acts as the Venture's exclusive marketing agent to sell ferrochrome and chrome ore on its behalf. The Venture purchases various raw materials from Glencore International AG on an ongoing basis. The Venture sells chrome ore to Glencore International AG on an ad hoc basis	Commission expense on sale of ferrochrome and chrome ore R229m (2016: R220m) Marketing fee expense R2m (2016: R2m) Interest income (R4m) (2016: (R1m) Purchase of raw materials R227m (2016: R131m) Sale of chrome ore Rnil (2016: (R800k)) Balance owing at the end of the year R36m (2016: R62m) payable on confirmation of final sales
African Carbon Manufacturers (Pty) Ltd	African Carbon Manufacturers (Pty) Ltd sells raw materials to the Venture	Purchase of raw materials R18m (2016: R14m) Balance owing at the end of the year R2m (2016: R1m) payable 30 days from statement date.
African Fine Carbon (Pty) Ltd	African Fine Carbon (Pty) Ltd sells raw materials to the Venture	Purchase of raw materials R22m (2016: R11m) Balance owing at the end of the year R3m (2016: R1m) payable 30 days from statement date.
Chartech Technology (Pty) Ltd	Chartech Technology (Pty) Ltd sells raw materials to the Venture	Purchase of raw materials R28m (2016: R32m) Balance owing at the end of the year R2m (2016: R3m) payable 30 days from statement date

[1] Resigned 7 March 2016. No change in directors in 2017.

22.1 Related party transactions and balances *(continued)*

Name of related party	Description of relationship	Transactions and balance
Glencore Property Management Company	Glencore Property Management Company (Pty) Ltd owns and manages employee housing at the Lion operation.	Lion housing lease R6m (2016: R12m) Balance owing at the end of the year Rnil (2016: R1m)
Glencore Operations South Africa	Glencore Operations South Africa (Pty) Ltd is Merafe Ferrochrome and Mining (Pty) Ltd's partner in the Venture.	Employee costs R32m (2016: R29m) Head-office costs R23m (2016: R21m) Training costs R4m (2016: R4m) Lion housing R7m (2016: Rm) Purchases of raw materials from Eland Division Rnil (2016: R2m) Balance owing at the end of the year R2m (2016: R19m) payable 10 days after month end.
Access world (South Africa) Pty Ltd	Access World (South Africa) (Pty) Ltd is a warehousing company that provides storage facilities of ferrochrome and chrome ore to the Venture.	Storage of ferrochrome and chrome ore R12m (2016: R14m) Outstanding balance owing at the end of the year R3m (2016: R2m) payable 30 days after statement date.

22.2 Transactions with key management personnel and non-executive directors

	Company	
	2017	2016
Directors' fees - Non-executive directors	**R'000**	R'000
C Molefe	**(651)**[1]	(606)[1]
A Mngomezulu	**(467)**	(464)
BN Majova	**(442)**	(479)
M Mosweu	**(289)**	(256)
Z van der Walt	**-**[2]	(98)
K Nondumo	**(430)**	(430)
S Blankfield	**(322)**[3]	(322)[3]
	(2 601)	(2 655)

The above fees relate to services rendered as directors. No other services were rendered.

[1] *Includes cell phone allowance.*

[2] *Resigned effective 7 March 2016.*

[3] *Paid to GOSA*

22. Related parties *(continued)*

22.2 Transactions with key management personnel *(continued)*

	Company	
	2017	2016
	R'000	R'000
Executive directors and prescribed officers remuneration		
Ms ZJ Matlala		
Salary	**(4 310)**	(4 027)
Bonus	**(4 422)**	(4 060)
Fringe benefits and leave pay	**(133)**	(167)
Provident fund contributions	**(350)**	(432)
Share grants vested	**(4 574)**	(2 733)
Options granted exercised	**(1 911)**	**-**
	(15 700)	(11 419)
Cost of share options exercised	**7 221**	-
Proceeds on disposal of share options exercised	**(9 132)**	-
Mr B McBride		
Share options exercised	**-**	(883)
	-	(883)
Cost of share options and grants exercised	**-**	1 862
Proceeds on disposal of share options and share grants exercised	**-**	(2 745)

22. Related parties *(continued)*

22.2 Transactions with key management personnel *(continued)*

	Company	
	2017	2016
	R'000	R'000
Ms K Bissessor		
Salary	**(1 927)**	(1 870)
Bonus	**(1 796)**	(1 649)
Fringe benefits and leave pay	**(143)**	(350)
Provident fund contributions	**(292)**	(312)
Share grants vested	**(650)**	(262)
Options granted exercised	**(3 090)**	-
	(7 898)	(4 443)
Total key management personnel remuneration	**(23 598)**	(16 745)
Short-term employee benefits	**(13 373)**	(12 867)
Share grants and options	**(10 225)**	(3 878)

Note: In accordance with the Remuneration Policy, the 2017 bonus will be paid during March 2018.

There are no fixed term director service contracts and there are no director service contracts with provisions for predetermined compensation on termination of the contracts in excess of one year's salary and benefits.

22.3 Directors interests in Merafe Resources Limited

As at 31 December 2017, the directors of the company are beneficially interested (directly and indirectly) in 2 774 915 (31 December 2016: 2 774 915) shares in the company. During the financial year no material contracts were entered into in which directors and prescribed officers of the company had an interest and which significantly affected the group.

Executive directors of the company and their immediate families control 0.1% (31 December 2016: 0.1%) of the voting shares of the company. In addition to their salaries, the company also contributes to a provident fund (defined contribution plan) and medical aid fund on their behalf. Executive directors also participate in the company's share incentive schemes (refer note 8).

22. Related parties *(continued)*

22.3 Directors interests in Merafe Resources Limited *(continued)*

	2017		2016	
	Direct	**Indirect**	Direct	Indirect
	Number of shares		Number of shares	
Ms K Bissessor	**700 000**	**-**	700 000	-
Ms Z Matlala	**2 012 305**	**-**	2 012 305	-
Ms B Majova	**-**	**62 610**	-	62 610
	2 712 305	**62 610**	2 712 305	62 610

22.4 Transactions with the Glencore–Merafe Chrome Venture

The Venture resulted in Glencore and Merafe Ferrochrome pooling and sharing their ferrochrome assets. The Venture's head-office is located at Portion 27, Farm Waterval 306 JQ, Rustenburg, 0302. While Merafe Ferrochrome's assets form part of the Venture, Merafe Ferrochrome retains ownership of its assets and is closely involved in the Venture's operations through the Chrome Executive Committee, Joint Board and sub–committees (Treasury, Transformation, Sustainable Development and Health and Safety) formed to oversee the combined operation of both companies. The group receives 20.5% of the Venture's earnings before interest, tax, depreciation and amortisation (EBITDA) and owns 20.5% of the Venture's working capital.

Included in the consolidated financial statements are the following items that represent the group's share of the working capital and EBITDA of the Venture.

	Year ended 31 December 2017 R'000	Year ended 31 December 2016 R'000
Inventories	**1 487 330**	1 099 611
Trade and other receivables	**884 373**	1 274 843
Net cash	**207 650**	54 615
Finance leases	**(12 138)**	(13 468)
Long-term provisions	**(157 104)**	(151 747)
Trade and other payables	**(517 764)**	(565 026)
Net working capital	**1 892 347**	1 698 828
Revenue	**5 888 861**	5 701 567
Foreign exchange (losses)/gains	**(73 354)**	(78 185)
Operating expenses: the Venture	**(4 110 034)**	(4 447 099)
EBITDA	**1 705 473**	1 176 283