



**SUMMARISED  
CONSOLIDATED  
FINANCIAL STATEMENTS  
AND NOTICE OF THE  
ANNUAL GENERAL  
MEETING OF MERAFAE  
RESOURCES LIMITED  
FOR THE YEAR ENDED  
31 DECEMBER 2017**



**MERAFAE**  
R E S O U R C E S

The 2017 integrated annual report is available on our website ([www.meraferesources.co.za](http://www.meraferesources.co.za)) and a printed copy is available on request from the Company Secretary.



## Key features

↑ **10% improvement in TRIFR** to 3.74  
(2016: 4.15)

↑ **47% increase in EBITDA**  
to a record R1 665m  
(2016: R1 133m)

↑ **Increase in ferrochrome production,** reaching a record high of 395kt  
(2016: 393kt)

↑ **72% increase in HEPS to 36.4 cents**  
(2016: 21.2 cents)

↑ **3% increase in Revenue**  
to a record R5 889m  
(2016: R5 702m)

↑ **Strong cash generation**  
with **179%** increase in cashflow from operating activities to R1 400m  
(2016: R502m)

Production cost increases per tonne  
**managed to 9%**

↑ **Strong financial position**  
with **net cash of R600m**  
(2016: R409m net debt)

↑ **151% increase in total dividend** to a record **R301m**  
(2016: R120m)

### ICONS USED IN THIS REPORT



This icon refers to further reading



This icon refers to more information available at [www.meraferesources.co.za](http://www.meraferesources.co.za)



The Merafe integrated annual report 2017 is available on our website ([www.meraferesources.co.za](http://www.meraferesources.co.za)) and a printed copy is available on request from the Company Secretary. The Merafe annual financial statements form part of our online integrated annual report for 2017 and is on our website.

# Commentary

## Financial review

Merafe's revenue and operating income is primarily generated from the Glencore Merafe Chrome Venture (Venture) which is one of the global market leaders in ferrochrome production, with a total installed capacity of 2.3m tonnes of ferrochrome per annum. Merafe shares in 20.5% of the earnings before interest, taxation, depreciation and amortisation (EBITDA) from the Venture. Merafe has one reportable segment being the mining and beneficiation of chrome ore into ferrochrome and as a result no segment report has been presented.

Merafe's share of revenue from the Venture increased by 3% from the prior year to a record R5 889m (2016: R5 702m). Ferrochrome revenue increased by 5% year on year to R5 163m (2016: R4 923m) primarily as a result of a 37.3% increase in net CIF prices which was partially offset by a 14% decrease in ferrochrome sales volumes to 375kt (2016: 437kt) and a 9.5% strengthening of the average Rand: US Dollar exchange rate to R13.3 (2016: R14.7).

Chrome ore revenue decreased by 7% year on year to R726m (2016: R778m), driven by a 13% decrease in sales volumes to 322kt (2016: 372kt), a strengthening of the average Rand: US Dollar exchange rate and a higher proportion of local and lower grade material, which was partially offset by 12.2% higher sales prices.

Merafe's portion of the Venture's EBITDA for the year ended 31 December 2017 is R1 705.5m (2016: R1 176.2m). The EBITDA includes Merafe's attributable share of standing charges of R117.5m (2016: R96.7m) and a foreign exchange loss of R73.4m (2016: R78.2m).

After accounting for corporate costs of R40.4m (2016: R43.0m), which includes a cash settled share-based payment expense of R5.6m (2016: R12.8m), Merafe's EBITDA reached R1 665.2m (2016: R1 133.2m). Corporate costs include Corporate Social Investment expenses of R3.5m (2016: R10k) following contributions to the Adopt-a-School Project. This project primarily relates to the renovations of science laboratories at two schools within the areas we operate in.

Profit for the year ended 31 December 2017 amounted to R914.1m (2016: R532.4m), after taking into account depreciation of R368.2m (2016: R329.9m), net financing costs of R19.3m (2016: R59.4m) and taxation expense of R363.6m (2016: R211.5m). The taxation expense includes deferred tax income of R47.4m (2016: deferred tax expense of R64.5m) which arose primarily as a result of temporary differences on property, plant and equipment as well as timing differences relating to provisions and accruals. There is no unredeemed capital expenditure balance at 31 December 2017 given that taxable profits exceeded capital expenditure.

Depreciation increased year on year primarily as a result of the R30m impact arising from the re-assessment of residual values. Net financing costs reduced as a result of the reduction in borrowings.

Sustaining capital expenditure increased from R276.0m in 2016 to R403.0m in 2017. This is as a result of inflation, required refurbishments to older plants coupled with the Venture's ongoing efforts to improve costs and efficiencies across all operations.

During the reporting period, Merafe repaid in full the head-office debt owing to ABSA and Standard Bank. Total Merafe head-office debt repayments amounted to R364.8m in 2017 (2016: R197.0m). Total net cash at Merafe Group level amounted to R600m\* at year end (2016: net debt of R409m\*).

In the second half of 2017, management negotiated and concluded new debt facilities with ABSA that comprises a R200m unsecured, three-year revolving credit facility, which will replace the previous facility.

At 31 December 2017, Merafe had cash and cash equivalents of R671.7m (2016: R263.3m) which comprised of cash held by Merafe of R464.0m (2016: R208.7m) and R207.7m (2016: R54.6m) being Merafe's share of the cash balance in the Venture.

Trade and other receivables reduced significantly compared to the previous year which is primarily as a result of the stronger Rand:Dollar exchange rate of R13.7 at 31 December 2016 compared to R12.4 at 31 December 2017, earlier than expected cash receipts and lower ferrochrome sales volumes in the last quarter of 2017 compared to the last quarter of 2016.

The increase in inventories is a function of higher raw materials and finished goods. The increase in raw materials is mainly due to higher chrome ore stock levels at a higher average cost as well as an increase in the reductant cost per tonne. The increase in finished goods is a function of higher production volumes compared to sales volumes as well as higher production costs. Finished goods on hand at year end is approximately four to five months of sales.

The working capital loan at 31 December 2017 of R72.3m (2016: R309.1m) was classified as a current liability to more accurately reflect the nature of this item. The balance at 31 December 2016 was reclassified as it was previously recognised as a reduction in trade and other receivables and is now recognised as a current liability.

The Board declared a final dividend of R226m which is 9 cents per share. This amounts to a full year dividend of R301m (12 cents per share) compared to R120m (4.8 cents per share) for the previous financial year.

## Safety

Safety remains a priority of the Venture. Our total recordable injury frequency rate (TRIFR) reduced by 10% to 3.74 compared to 31 December 2016. As previously reported in our August 2017 results announcement, we were saddened by a fatality at our Lion Plant on 21 March 2017.

The safety of all our employees remains a critical focus area and all efforts continue to be made to ensure that the highest standards of safety remain in place at all the Venture's operations.

## Operational review

Merafe's attributable ferrochrome production from the Venture for the year ended 31 December 2017 increased to a new record of 395kt (2016: 393kt) which is equivalent to installed capacity utilisation of 82%.

A number of annual production records were achieved during 2017 including ferrochrome production at the Lion smelter and the Wonderkop smelter as well as annual pellet production records at the Tswelopele and Bokamoso pelletising and sintering plants at the Rustenburg and Wonderkop smelters, respectively. The record at the Tswelopele plant was remarkable since it is the first plant of its type in the world to achieve in excess of its design capacity over a full year period.

Total production costs per tonne of ferrochrome increased by 9%, in spite of significant increases in ore and reductant consumption prices of 15% and 31% respectively. This outstanding achievement was as a result of:

- carefully managed production during the high electricity tariff winter months;
- annual production records as detailed above;
- electricity tariff increases of 2.2% effective 1 April 2017; and
- ongoing operational cost control initiatives.

## Mineral Reserves, Mineral Resources and Mining Rights

There were no material changes to the mineral reserves, mineral resources and mining rights of the participants in the Venture during 2017.

## Market Review

Global stainless steel growth stalled in early 2017 when a number of Chinese mills announced widespread environmental and pricing-linked shutdowns. Despite the slow start to the year, the commissioning of a large Indonesian stainless steel project, increased United States (US) output, and a second-half recovery in Chinese production resulted in global stainless steel output achieving growth of 5.9%<sup>^</sup>. Global stainless steel output for the year is estimated to have been 48.3<sup>^</sup> million tonnes, of which Chinese mills accounted for 25.7m<sup>^</sup> tonnes.

Ferrochrome pricing remained volatile throughout 2017, with both market fundamentals and macroeconomic factors contributing to large swings. Q1 of the

\*Includes cash and cash equivalents, Merafe's portion of the Venture's working capital loan and Merafe's head-office debt.

<sup>^</sup> CRU commodity market analysts

# Commentary (continued)

2017 year began with near-term record chrome prices as Metal Bulletin's quotes for imported charge chrome (CIF China) and imported UG2 chrome ore (CIF China) reached 135.00 c/lb and 395.00 USD/t, respectively. This pricing followed a Q1 2017 European Benchmark ferrochrome price of 165.00 US c/lb, which increased 50% from the prior quarter.

The strong pricing environment incentivised additional supply which, in conjunction with the temporary slowdown in the Chinese stainless steel industry, caused a rapid pricing decrease in early Q2 2017. Metal Bulletin's quotes for imported charge ferrochrome and UG2 chrome ore reached floors in June, when they were quoted as 70.00 c/lb and 138.00 USD/t, respectively.

The second half of the year was characterised by a rebalancing of the industry's supply-demand structure, and multiple price fluctuations continued to cause disruption. Under these conditions, Chinese ferrochrome producers were able to increase their 2017 annual output to 4.9m<sup>^</sup> tonnes, up from 4.1m<sup>^</sup> tonnes a year earlier. Global ferrochrome output is estimated to have increased to 12.3m<sup>^</sup> tonnes in 2017, up 11.3%<sup>^</sup> year on year.

China's increase in ferrochrome production resulted in a large rise in seaborne chrome ore trade. During 2017, China imported 13.9m<sup>\*\*</sup> tonnes of chrome ore,

marking a year on year increase of 31.1%<sup>\*\*</sup>. South African producers maintained their position as China's largest supplier, accounting for 72.3%<sup>\*\*</sup> of these imports by volume.

## Outlook

Global stainless steel production is projected to grow by 4.1%<sup>^</sup> in 2018 and at an average of 3%<sup>^</sup> for the three years thereafter, as additional Indonesian capacity is brought online and demand remains robust. This will in turn bolster demand for ferrochrome, particularly from non-Chinese sources. The Venture remains well-positioned to take advantage of the healthy market outlook.

In accordance with our strategy, we remain committed to maximising return to our shareholders in the near term in the form of dividends and will continue to assess opportunities to deliver shareholder value.

**Chris Molefe**  
Independent Non-executive Chairman

**Zanele Matlala**  
Chief Executive Officer

Sandton

5 March 2018

<sup>\*\*</sup> Chinese trade information

<sup>^</sup> CRU commodity market analysts

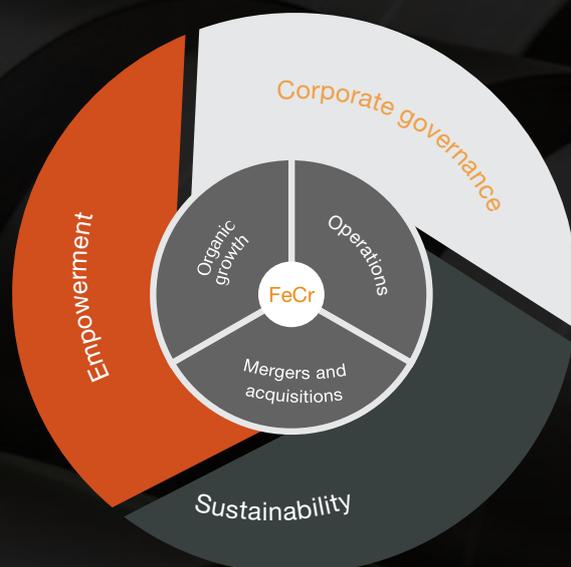
## OUR BUSINESS MODEL AND STRATEGY

### Ferrochrome

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

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

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



# Summarised consolidated statements

## Summarised consolidated statement of comprehensive income

	For the year ended	
	31 December 2017 Audited* R'000	31 December 2016 Audited* R'000
<b>Revenue</b>	<b>5 888 945</b>	<b>5 701 567</b>
EBITDA	1 665 259	1 133 197
Depreciation	(368 212)	(329 893)
Net financing costs	(19 325)	(59 356)
Profit before taxation	1 277 722	743 948
Taxation	(363 604)	(211 518)
Profit and total comprehensive income for the year	914 118	532 430
Basic earnings per share (cents)	36.4	21.2
Diluted earnings per share (cents)	36.4	21.2
Ordinary shares in issue	2 510 704 248	2 510 704 248
Weighted average number of shares for the year	2 510 704 248	2 510 704 248
Diluted weighted average number of shares for the year	2 510 704 248	2 510 704 248

## Summarised consolidated statement of financial position

	As at	
	31 December 2017 Audited* R'000	31 December 2016 Audited* R'000
<b>ASSETS</b>		
Property, plant and equipment	3 271 155	3 235 204
Deferred tax asset	17 726	19 340
Long-term receivable	13 864	-
<b>Total non-current assets</b>	<b>3 302 745</b>	<b>3 254 544</b>
Inventories	1 497 798	1 105 437
Current tax assets	-	36 395
Trade and other receivables	883 249	1 587 280
Cash and cash equivalents	671 655	287 880
<b>Total current assets</b>	<b>3 052 702</b>	<b>3 016 992</b>
<b>Total assets</b>	<b>6 355 447</b>	<b>6 271 536</b>
<b>EQUITY</b>		
Share capital	25 107	25 107
Share premium	1 269 575	1 269 575
Retained earnings	3 340 843	2 602 474
<b>Total equity attributable to equity holders</b>	<b>4 635 525</b>	<b>3 897 156</b>
<b>LIABILITIES</b>		
Loans and borrowings	11 094	189 102
Share based payment liability	5 379	5 012
Provisions	287 518	151 747
Deferred tax liabilities	780 485	829 528
<b>Total non-current liabilities</b>	<b>1 084 476</b>	<b>1 175 389</b>
Loans and borrowings	1 044	187 839
Trade and other payables	550 556	668 235
Working capital loan**	72 272	309 133
Share based payment liability	3 376	9 208
Bank overdraft	-	24 576
Current tax liability	8 198	-
<b>Total current liabilities</b>	<b>635 446</b>	<b>1 198 991</b>
<b>Total liabilities</b>	<b>1 719 922</b>	<b>2 374 380</b>
<b>Total equity and liabilities</b>	<b>6 355 447</b>	<b>6 271 536</b>

\* These summarised financial statements were not audited, however, the information has been extracted from the audited consolidated annual financial statements.

\*\* The working capital loan was reclassified from trade and other receivables to a current liability.

# Summarised consolidated statements (continued)

## Statement of changes in equity

	For the year ended	
	31 December 2017 Audited* R'000	31 December 2016 Audited* R'000
<b>Issued share capital – ordinary shares</b>	25 107	25 107
Balance at beginning and end of year	25 107	25 107
<b>Share premium – ordinary shares</b>	1 269 575	1 269 575
Balance at beginning and end of year	1 269 575	1 269 575
<b>Retained earnings</b>	3 340 843	2 602 474
Balance at beginning of year	2 602 474	2 120 007
Profit and total comprehensive income for the year	914 118	532 430
Dividends paid	(175 749)	(49 963)
<b>Total equity at end of year</b>	<b>4 635 525</b>	<b>3 897 156</b>

## Summarised consolidated statement of cash flow

	For the year ended	
	31 December 2017 Audited* R'000	31 December 2016 Audited* R'000
<b>Profit before taxation</b>	1 277 722	743 948
Finance expense	27 958	63 400
Finance income	(8 633)	(4 044)
Depreciation	368 212	329 893
Adjusted for non-cash items	5 588	12 805
Share grants vested	(11 053)	(4 624)
Embedded derivative expense	155 852	(134 549)
Provisions	135 771	12 396
Effect of exchange rate fluctuation on cash held during the year	47 175	13 239
Adjusted for working capital changes	(219 666)	(310 745)
<b>Cash flows from operations</b>	<b>1 778 926</b>	<b>721 719</b>
Interest paid	(21 125)	(50 745)
Interest received	8 514	2 727
Tax paid	(366 441)	(172 193)
<b>Cash flows from operating activities</b>	<b>1 399 874</b>	<b>501 508</b>
<b>Cash flows from investing activities</b>	<b>(403 796)</b>	<b>(287 582)</b>
Acquisition of property, plant and equipment – sustaining	(402 973)	(275 995)
Acquisition of property, plant and equipment – expansionary	(823)	(11 587)
<b>Cash flows from financing activities</b>	<b>(540 552)</b>	<b>(246 953)</b>
Dividends paid	(175 749)	(49 963)
Loans repaid	(364 803)	(196 990)
Net increase/(decrease) in cash and cash equivalents	455 526	(33 027)
Net cash and cash equivalents at the beginning of the year	263 304	309 570
Effect of exchange rate fluctuations on cash held	(47 175)	(13 239)
<b>Net cash and cash equivalents at the end of the year</b>	<b>671 655</b>	<b>263 304</b>

\* These summarised financial statements were not audited, however, the information has been extracted from the audited consolidated annual financial statements.

# Notes to the summarised consolidated financial statements

## 1. Basis of preparation

On 1 March 2018, the Board of directors (the Board) of Merafe Resources Limited (the Company) approved the audited consolidated annual financial statements of the Merafe Group (Group) and the Company for the year ended 31 December 2017.

These summarised consolidated financial statements have been prepared under the supervision of Kajal Bissessor CA (SA) (Financial Director), in accordance with the framework concepts, the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the requirements of the Companies Act 71 of 2008, as amended, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by Financial Reporting Standards Council and as a minimum contain the information required by IAS 34 Interim Financial Reporting.

The Board takes full responsibility for the preparation of the summarised consolidated financial statements, which are unaudited, and that the financial information has been correctly extracted from the underlying audited consolidated annual financial statements.

The accounting policies applied in the preparation of the audited consolidated annual financial statements from which the summarised consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous years audited consolidated annual financial statements.

The consolidated annual financial statements from which the summarised consolidated financial statements were derived have been audited by the Group's auditors, Deloitte & Touche. Their unqualified audit report and the audited consolidated annual financial statements are available on our website ([www.meraferesources.co.za](http://www.meraferesources.co.za)).

### 1.1 Accounting policies

The accounting policies applied in the preparation of these results are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

No new standards, amendments to the published standards or interpretations which became effective for the year commencing on 1 January 2017 had an effect on the reported results or the Group accounting policies. The Group did not early adopt any new, revised or amended accounting standards or interpretations.

### 1.2 Use of estimate and judgements

The preparation of the summarised consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the summarised consolidated financial statements are as follows:

- Measurement of depreciation and impairment, useful lives and residual values of property, plant and equipment
- Inputs used in the determination of the fair value of the share-based payment transactions
- Lease classification between operating and finance lease and depreciation of finance lease assets
- Assumptions used in calculation of the life of the mines/smelters, estimation of the closure and restoration costs and inputs used in the calculation of the present value of the provision for closure and restoration costs
- Recognition of deferred tax asset and projection of future taxable income to recover the deferred tax asset
- Consolidation: control assessment
- Fair value measurement of embedded derivative

These disclosures are included in the audited consolidated annual financial statements.

## 2. Determination of fair values

A number of the accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods as indicated below.

### 2.1 Embedded derivatives

The embedded derivative is included in trade and other receivables at fair value. The fair value of the embedded derivative is based on the latest available ferrochrome prices and closing foreign exchange rate. The embedded derivative at 31 December 2017 was R35.2m liability (2016: R116.7m asset) and is based on level 2 hierarchy per IFRS 13. The valuation is based on observable market inputs of prices and exchange rates.

### 2.2 Share-based payment transactions

The fair value of employee share options and share grants is measured using the Black-Scholes Merton model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on Government bonds).

	For the year ended	
	31 December 2017 Audited R'000	31 December 2016 Audited R'000
<b>3. Headline earnings per share (cents)</b>		
Diluted headline earnings per share (cents)	36.4	21.2
Profit, total comprehensive income for the year and headline earnings	36.4	21.2
	<b>914 118</b>	<b>532 430</b>
<b>4. Capital commitments</b>		
Contracted for but not provided for	184 089	171 285
Authorised but not contracted for	52 448	47 886
	<b>131 641</b>	<b>123 399</b>

# Notes to the summarised consolidated financial statements (continued)

## 5. Related parties

### 5.1 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. There are no outstanding commitments at year end.

Name of Glencore Plc subsidiary	Description of relationship	Transactions and balances
Glencore Limited (Stamford) (GLS)	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 nil (2016: R800k) Balance owing at the end of the year R36m (2016: R62m) payable on confirmation of final sales values.
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.
Glencore Property Management Company (Pty) Ltd	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 is nil (2016: R1m)
Glencore Operations South Africa (Pty) Ltd	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: nil) Purchases of raw materials from Eland Division nil (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.

## 6. Taxation

The Group's effective tax rate is 28.5% (2016: 28.4%) for the year ended 31 December 2017.

## 7. Events after the reporting period

Other than the dividend declared on 1 March 2018, there have been no material events subsequent to 31 December 2017.

## 8. Contingent liabilities

No contingent liabilities as at 31 December 2017.

## 9. Directors

There were no changes in Directors during the year ended 31 December 2017.

## 10. Declaration of an ordinary dividend for the year ended 31 December 2017

Notice is hereby given that on 1 March 2018 the Board declared a gross final ordinary dividend of R225 963 382 (9 cents per share) to holders of ordinary shares. The dividend will be paid out of reserves.

The ordinary dividend will be subject to a local dividend tax rate of 20%. The net ordinary dividend, to those shareholders who are not exempt from paying dividend tax, is therefore 7.2 cents per share. Merafe's income tax number is 9550 008 602. The number of ordinary shares issued at the date of this announcement is 2 510 704 248.

The important dates pertaining to the dividend are as follows:

Declaration date (as envisaged in the JSE Listings Requirements)	Monday, 5 March 2018
Last day for ordinary shares to trade cum ordinary dividend:	Monday, 19 March 2018
Ordinary shares commence trading ex-ordinary dividend:	Tuesday, 20 March 2018
Record date:	Friday, 23 March 2018
Payment date:	Monday, 26 March 2018

Shares may not be dematerialised/rematerialised between Tuesday, 20 March 2018 and Friday, 23 March 2018, both days inclusive. Where applicable, in terms of instructions received by the Company from certificated shareholders, the payment of the dividend will be made electronically to shareholders' bank accounts on payment date. In the absence of specific mandates, cheques will be posted to shareholders. Shareholders who have dematerialised their shares will have their accounts with their CSDP or broker credited on Monday, 26 March 2018.

## ■ PREPARATION OF THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

The following individuals were responsible for the preparation of the summarised consolidated financial statements:

**Kajal Bissessor CA (SA)** Financial Director  
**Zanele Matlala CA (SA)** Chief Executive Officer

# 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, as amended (the Companies Act) that the 31st (thirty first) annual general meeting of shareholders of the Company (AGM or the Annual General Meeting) will be held at the offices of the Company at Building B, 2nd floor, Ballyoaks Office Park, 35 Ballyclare Drive, Bryanston, 2191 at 11:00 on Tuesday, 8 May 2018 (Notice), for the purpose of transacting the business as outlined in this Notice, and to consider and, if deemed fit, to pass, with or without modification, the ordinary and special resolutions set out below.

## Important dates

Record date to receive the Notice:

Friday, 16 March 2018

Last date to trade to be eligible to attend, participate in and vote at the AGM:

Monday, 23 April 2018

Record date to be eligible to attend, participate in and vote at the AGM:

Thursday, 26 April 2018

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

Friday, 4 May 2018\*

Accordingly, the date on which a person must be registered as a shareholder in the register of the Company for purposes of being entitled to attend, participate and vote at the AGM is Thursday, 26 April 2018.

\*For administrative purposes only. If forms of proxy are not received by this date they must be handed to the chairman of the AGM before the appointed proxy exercises any of the relevant shareholder rights at the AGM.

## 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 2017 (Integrated Annual Report), reference in this Notice to the following words and expressions:

- 'Group' means the Company and all its subsidiaries at the date of this Notice;
- 'Listings Requirements' means the Listings Requirements of the JSE Limited;
- 'King IV' means the King IV Report on Corporate Governance for South Africa 2016;
- 'MOI' means Memorandum of Incorporation of the Company; and
- 'Companies Act' means the Companies Act, 71 of 2008, as amended.

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

## Section A: Ordinary Resolutions

For ordinary resolutions 1 to 5 (inclusive) to be duly adopted, the support of more than 50% (fifty percent) of the voting rights exercised on each ordinary resolution by shareholders present or represented by proxy at the Annual General Meeting and entitled to exercise voting rights on the relevant resolution, must be exercised in favour of such resolution.

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

"Resolved that the Group audited annual financial statements, including the reports of the directors, the auditor and the Audit and Risk Committee, for the financial year ended 31 December 2017, be and are hereby considered and accepted."

The summarised form of the financial statements is included with this Notice. A copy of the complete Group audited annual financial statements for the financial year ended 31 December 2017 can be obtained from [www.meraferesources.co.za](http://www.meraferesources.co.za) or on request during normal business hours at the Company's registered address, Building B, 2nd floor, Ballyoaks Office Park, 35 Ballyclare Drive, Bryanston, 2191.

#### Notes to Ordinary Resolution Number 1

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

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

"Resolved that, by separate ordinary resolutions numbered 2.1 to 2.2, the following directors, who, in terms of the 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 Shaun Blankfield

#### 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 MOI, one-third of the non-executive directors, or if their number is not a multiple of three, then the number nearest to, but not less than one-third, are required to retire at each annual general meeting and, being eligible, may offer themselves for re-election.
- The Board 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 and on page 13 of this Notice.

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

"Resolved that the following members, by separate ordinary resolutions numbered 3.1 to 3.3 (inclusive), being eligible and offering themselves for re-election, be and are hereby appointed as members of the Audit and Risk Committee for the financial year ending 31 December 2018:

- 3.1 Ms Belese Majova
- 3.2 Ms Karabo Nondumo
- 3.3 Mr Abiel Mngomezulu

#### **Notes to Ordinary Resolution Number 3**

- Resolutions numbered 3.1 to 3.3 (inclusive) above constitute separate and divisible ordinary resolutions and will be considered by separate vote.
- The reason for resolutions numbered 3.1 to 3.3 (inclusive) is that in terms of the provisions of section 94(2) of the Companies Act, a company shall at every annual general meeting elect an audit and risk committee comprising at least three members.
- The Nomination Committee conducted an assessment of the performance and independence of each of the directors proposed to be members of the Audit and Risk Committee and the Board considered and accepted the findings of the Nomination Committee. The Board is also satisfied that the proposed members meet the provisions of section 94(4) of the Companies Act, that they are independent according to King IV (Principle 7; sub-practice 28) and that they possess the required qualifications and experience as prescribed in Regulation 42 of the Companies Regulations, 2011 and therefore recommends their nomination.
- Abridged curricula vitae of each of the independent non-executive directors proposed to be appointed to the Audit and Risk Committee appear on page 36 of the Integrated Annual Report and page 13 of this Notice.

### **4. Ordinary Resolution Number 4: Re-appointment of external auditors of the Company**

"Resolved that the re-appointment of Deloitte and Touche Inc. as the external registered auditors of the Company, and being independent from the Company, be and is hereby approved and Patrick Ndlovu (IRBA no. 782688) be and is hereby appointed as the designated audit partner for the financial year ending 31 December 2018."

#### **Notes to Ordinary Resolution Number 4**

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

### **5. Ordinary Resolution Number 5: 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."

#### **Section B: Ordinary resolutions of a non-binding nature**

### **6. Non-binding Advisory vote – Remuneration Policy and Implementation Report**

For Ordinary Resolution Numbers 6.1 and 6.2 to be duly adopted, the support of more than 50% (fifty percent) of the voting rights exercised on each ordinary resolution by shareholders present or represented by proxy at the annual general meeting and entitled to exercise voting rights on the relevant resolution, must be exercised in favour of such resolution.

#### **Ordinary Resolution Number 6.1: Non-binding advisory vote on Remuneration Policy**

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

#### **Ordinary Resolution Number 6.2: Non-binding advisory vote on Remuneration Implementation Report**

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

The Remuneration Report and Implementation Report of the Company is set out on pages 42 to 47 of the Integrated Annual Report and page 14 of this Notice. The Remuneration Policy can be obtained from [www.meraferesources.co.za](http://www.meraferesources.co.za) or on request during normal business hours at the Company's registered address, Building B, 2nd floor, Ballyoaks Office Park, 35 Ballyclare Drive, Bryanston, 2191.

#### **Notes to Ordinary Resolution Numbers 6.1 and 6.2:**

- Principle 14 and sub-practice 37 of King IV recommends companies to table their Remuneration Policy and Implementation Report 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.
- These resolutions are 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.
- Shareholders are reminded that in terms of King IV, should 25% or more of the votes cast be against one or both of these non-binding ordinary resolutions, the Company undertakes to engage with shareholders as to the reasons therefore and undertakes to make recommendations based on the feedback received.

#### **Section C: Special resolutions**

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

# Notice of the annual general meeting (continued)

## 7. 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 2018 as set out below be and are hereby approved by separate ordinary resolutions numbered 1.1 to 1.8 (inclusive).'

Committee	Special Resolution Number	Membership	2018		
			Proposed annual cost R	Proposed retainer per annum R	Proposed meeting fees per annum R
Board	1.1	Chairperson	574 554	344 733	229 821
	1.2	Member	281 537	168 922	112 615
Audit and Risk	1.3	Chairperson	203 182	121 909	81 273
	1.4	Member	127 410	76 446	50 964
Remuneration and Nomination	1.5	Chairperson	109 830	65 898	43 932
	1.6	Member	67 040	40 224	26 816
Social, Ethics and Transformation	1.7	Chairperson	109 830	65 898	43 932
	1.8	Member	67 040	40 224	26 816

The above fees are exclusive of VAT. An explanation of the proposed fees for 2018 is set out on page 46 of the Integrated Annual Report and on page 19 of this Notice.

### Notes to Special Resolution Numbers 1.1 to 1.8:

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

The 2017 approved non-executive fees are set out in the table below for comparative purposes.

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

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

'Resolved that, subject to compliance with the provisions of the MOI and the Companies Act each as presently constituted and as amended from time to time, the Board of Directors of the Company 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



The Merafe integrated annual report 2017 is available on our website ([www.meraferesources.co.za](http://www.meraferesources.co.za)) and a printed copy is available on request from the Company Secretary.

assistance for purposes of funding the activities of the Group. However, in accordance with the provisions of section 45 of the Companies Act, the Board undertakes that it will not adopt a resolution to authorise such financial assistance, unless the Board is satisfied that:

- immediately after providing any direct or indirect financial assistance approved in terms of this resolution, the Company would satisfy the solvency and liquidity test as contemplated in section 45(3)(b) of the Companies Act;
- the terms under which the financial assistance is proposed to be given are or will be fair and reasonable to the Company; and
- written notice of any such resolution by the Board 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

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

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

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

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

- the Company and the Group will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months after the date of the notice of the Annual General Meeting;
- the consolidated assets of the Company and the Group, fairly valued in accordance with the accounting policies used in the latest audited annual Group financial statements, will exceed its consolidated liabilities for a period of 12 months after the date of the notice of the Annual General Meeting;
- the share capital and reserves of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the Annual General Meeting; and
- the working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the Annual General Meeting,

and the directors have passed a resolution authorising the repurchase, resolving that the Company and its subsidiary/ies, have satisfied the solvency and liquidity test as defined in the Companies Act and since the solvency and liquidity test had been applied, there have been no material changes to the financial position of the Group.

Pursuant to and in terms of paragraphs 11.23 and 11.26 of the Listings Requirements, the directors of the Company hereby state that:

- the intention of the Company and its subsidiaries is to utilise the general authority to repurchase, if at some future date the cash resources of the Company are in excess of its requirements; and
- the method by which the Company and any of its subsidiaries intend to repurchase its securities and the date on which such repurchase will take place, has not yet been determined.

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

- Major shareholders – page 52 of the Integrated Annual Report
- Share capital of the Company – page 40 and note 6 of the Merafe 2017 annual financial statements

### Directors' responsibility statement

The directors, whose names are given on page 36 of the Integrated Annual Report and on the inside back cover of this Notice, collectively and individually accept full responsibility for the accuracy of the information pertaining to the general repurchase resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the aforementioned resolution contain all information required by law and the Listings Requirements.

### No material changes to report

Other than the facts and developments reported on in the Integrated Annual Report, there are no material changes in the affairs or financial position of the Company and its subsidiaries that have occurred subsequent to the 31 December 2017 year end until the date of this Notice.

### Reason and effect

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

## 10. General

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

# Notice of the annual general meeting (continued)

## 11. Actions required by Merafe Resources' shareholders

**11.1** 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.

### 11.2 Record dates

- 11.2.1 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, 16 March 2018.
- 11.2.2 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, 26 April 2018 (Record Date).
- 11.2.3 The last day to trade in the Company's shares in order to be recorded on the securities register of the Company in order to be able to attend, participate in and vote at the Annual General Meeting is Monday, 23 April 2018.

### 11.3 Voting and attendance at the Annual General Meeting

- 11.3.1 If you are a shareholder at Record Date, you are entitled to attend, participate in and vote at the Annual General Meeting or may appoint one or more proxies to attend, participate in and vote thereat instead. A proxy need not be a 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).
- 11.3.2 Forms of proxy must be lodged with the Company's transfer secretaries or at the Company's registered offices not less than 48 hours before the commencement of the Annual General Meeting (for administrative purposes only) or handed to the chairperson of the Annual General Meeting before the appointed proxy exercises any of the relevant shareholder rights at the Annual General Meeting.
- 11.3.3 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.
- 11.3.4 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.
- 11.3.5 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 Annual General Meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as a shareholder or as proxy for a shareholder) has been reasonably verified. A green 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 Annual General Meeting by way of electronic participation will be at the shareholder's expense. Only persons physically present at the meeting or represented by a valid proxy shall be entitled to cast a vote on any matter put to a vote of shareholders.

By order of the Board of Directors



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

6 March 2018



The Merafe integrated annual report 2017 is available on our website ([www.meraferesources.co.za](http://www.meraferesources.co.za)) and a printed copy is available on request from the Company Secretary.

# Appendix 1

## Abridged curricula vitae of directors standing for re-appointment under resolution 2 and appointment under resolution 3

### Chris Molefe (69)

(Independent)

BCom, Postgraduate Diploma in Property Development

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

### Belese Majova (43)

(Independent)

BCompt, MBA, Certified Ethics Officer

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

### Abiel Mngomezulu (64)

(Independent)

BSc (Hons), MSc Engineering (Mining)

Abiel joined the Merafe Board as an independent non-executive director in September 2010. He was previously the President and Chief Executive Officer of

Mintek, a state-owned enterprise responsible for mineral extraction technologies and beneficiation. Abiel is a member of the Audit and Risk Committee and chairperson of the Remuneration Committee.

### Karabo Nondumo (39)

(Independent)

BAcc, HDipAcc, CA(SA)

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

### Shaun Blankfield (35)

CA(SA)

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

# Appendix 2

## Board and committee meeting attendance 2017

Board and Board committees	Members/invitees	Attendance	Board and Board committees	Members/invitees	Attendance
		<b>Board meetings</b>			<b>Committee meetings</b>
<b>Merafe Board</b>	Chris Molefe (Chairperson)	4/4	<b>Remuneration and Nomination Committee</b>	Abiel Mngomezulu <sup>1</sup>	3/3
	Belese Majova	3/4		Chris Molefe <sup>2</sup>	3/3
	Abiel Mngomezulu	4/4		Shaun Blankfield	3/3
	Mpho Mosweu	3/4		Zanele Matlala*	3/3
	Karabo Nondumo	3/4		Kajal Bissessor*	3/3
	Zanele Matlala (CEO)	4/4			
	Jurg Zaayman*	4/4			
	Kajal Bissessor	4/4			
	Shaun Blankfield	4/4			
		<b>Committee meetings</b>			
<b>Audit and Risk Committee</b>	Karabo Nondumo (Chairperson)	4/4	<b>Social, Ethics and Transformation Committee</b>	Belese Majova (Chairperson)	2/3
	Abiel Mngomezulu	3/4		Chris Molefe	3/3
	Belese Majova	4/4		Mpho Mosweu	2/3
	Zanele Matlala*	4/4		Zanele Matlala	3/3
	Kajal Bissessor*	4/4		Kajal Bissessor	3/3
	Chris Molefe*	4/4		Jurg Zaayman	3/3
	Jurg Zaayman*	4/4			

\* Invitee



See the Merafe integrated annual report for 2017 at page 36 for the curricula vitae of the directorate, management and Company Secretary of the Company and pages 39 and 40 of the Integrated Annual Report for 2017 for more information on Board and committee meetings.

# Appendix 3

## Remuneration report

This remuneration report is in accordance with King IV requirements. A glossary of terms used in this report is contained in our online integrated annual report of 2017 which is on our website. If unable to access the online report please note the following key references used: "Policy" means the Remuneration Policy of the Company, the "Company" or "Merafe" means Merafe Resources Limited and its subsidiaries, the "Committee" means the Remuneration and Nomination Committee of the Company, the "Board" means the board of directors of the Company, "executive directors" and "non executive directors" means executive and/or non-executive directors of the Company, the "CEO" means the chief executive officer of the Company and "FD" means the financial director of the Company.

### BACKGROUND STATEMENT

#### Our remuneration philosophy

The Company's primary philosophy is to employ high-calibre, high-performing employees who subscribe to the values and culture of the Company. We recognise that our employees are integral to the achievement of our corporate objectives and they are accordingly remunerated for their contribution and the value they deliver. Our remuneration strategy and policy are regularly reviewed by the Committee to ensure they are appropriate.

#### Our remuneration strategy

The Company's remuneration strategy is designed to be aligned with the business strategy and the execution thereof in the short, medium and long term and also within the Company's risk appetite. Since we strive to attract, retain, motivate and reward employees for executing our business strategy, their remuneration must clearly be market-related and third parties are used by the Committee for the purpose of benchmarking to the appropriate segment. The general principle of the Policy is to structure executive and employee remuneration to include:

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

The remuneration strategy and the Policy was communicated to all employees during the year together with our expectations around their contribution to the success of the Company. The Policy also covers Company-wide remuneration with the aim of achieving positive outcomes, promoting an ethical culture and responsible corporate citizenship.

#### Statement of voting at Annual General Meeting

The AGM of the Company was held on 4 May 2017 and the requisite ordinary resolution endorsing the Policy was passed. The resolution (resolution 6) was passed by a 90.36% majority with 82.39% of the Company's shares being voted. In 2016 the Policy was passed by a 86.67% majority (shares voted 80.44%).

The Company engages regularly with stakeholders in respect of its remuneration approach and Policy. The Company commits in 2018 to engage with shareholders in respect of its Policy and approach.

#### The Remuneration and Nomination Committee

Responsibility for the Policy resides with the Board who sets the direction on how remuneration is approached on an organisation-wide basis and who in turn appoints the Committee. The Committee comprises at least three members, the majority of whom are independent non-executive directors, and is governed by formal terms of reference.

The primary role of the Committee is to ensure that the Company's executive directors and senior management are fairly rewarded for their individual contributions to the Company's overall performance and that remuneration is appropriate to attract, retain and motivate executive directors and senior management of quality to obtain the overall goals of the Company, and to demonstrate to all stakeholders that the remuneration is set by members of the Committee who:

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

The Committee is responsible for making recommendations to the Board on the Policy and implementation thereof and, to the extent it deems necessary, the Committee makes external comparisons between remuneration packages

of executive directors and those available to directors of other companies of a similar size in the comparable industry sector. Comparisons are also made with other companies in South Africa and, if relevant, internationally.

The Committee also takes into account a number of internal and external factors, being inter alia:

- industry standards and comparisons with businesses in the same industry;
- expertise and qualifications of individuals;
- the risks associated with a Company in the mining sector;
- the importance of the individual to the Company and his/her contribution;
- motivation for the executive directors to leave existing employment;
- signing of necessary restraint provisions; and
- nature of the position (profile, work load, etc.)

The Committee is responsible for approving salary increases for executive directors individually and for approving overall increases for all employees.

The activities of the Committee during 2017 included:

#### Benchmarking exercise

The Company's practice has been to remunerate its employees within the lower and median percentile. However, there has been no agreed principle as to which comparison to use as Merafe is not a typical mining company. To correct the latter, remuneration experts, Emergence Growth South Africa ("EG"), were engaged to perform the process from the beginning which included job profiling, job evaluation and benchmarking for both executive directors. The job profiling entailed an interview process in order to establish a detailed description of the job, related outputs, level of decision-making and knowledge and skills required. The Committee was satisfied that EG was independent and objective.

Following the job profiling, the job evaluation process was completed by EG. We understand that in South Africa, it is accepted practice that executive directors are evaluated on financial and organisational metrics. EG has a robust executive sizing model in place that uses certain factors such as turnover, total assets, listed company, ideal qualifications, experience required and decision making impact in conjunction with the Paterson rules and guidelines as well as up to date job descriptions to perform the job evaluation.

Following the job evaluation, the benchmarking was performed combining both industry specific and company size specific information thus providing a hybrid benchmark.

The Committee determined that a hybrid of the "mining industry" and "asset management" was appropriate for the executive directors. In the case of the larger mining entities/asset managers, the remuneration of the divisional executive directors of these entities was used to calculate the benchmark. This was done to ensure that entities of a similar size to Merafe are used for comparative purposes.

The benchmarking on the hybrid approach concluded that the CEO is paid within the lower to median percentile in respect of total cost to company, whereas the FD was paid below the lower percentile in respect of total cost to company.

#### Salary adjustments

Salary adjustments were made effective 1 March 2017 with increases of 6.5% for the executive directors and 7% for all other staff categories; and for the 2018 financial year, executive directors were given increases of 6.1% plus an additional market adjustment of 2% to address results of the benchmarking exercise in the case of the FD.

#### Short-term incentives

The Committee determined annual short-term incentives for executives in accordance with the Policy. These duties were carried out for the year under review and the results are tabled in the implementation section of the Report.

#### Review of contracts

The Committee reviews the employment contracts of executive directors on an annual basis. Key terms include a notice period for executive directors of 6 months. In the event of a change of control or a repudiation or breach of an executive directors' contract, the executive director will receive 12 months salary and all benefits that the executive director would have received over a 12 month period. Entitlement to share options or grants would be governed by the Share Incentive Scheme.

## REMUNERATION POLICY

### Statement of fair, responsible and transparent remuneration

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



See the Merafe online integrated annual report for 2017, under remuneration report for our Remuneration Policy.

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

### Key principles

The Policy is governed by the Committee which regularly reviews the Policy to ensure that it is relevant and supports the Company strategy. To this end, guaranteed remuneration is targeted at the median to lower quartile of the relevant market data (against which we benchmark) to retain and attract high-calibre and high-performing executive directors and employees.

The Policy dictates that all full time employees are members of medical and retirement funds and have group life and disability cover.

Variable pay is an important component of the Policy and both annual and long-term performance-based schemes which support our business strategy are in place.

The short-term incentive scheme performance measures are assessed by the Committee and these measures are determined by taking into account corporate, individual, financial and non-financial criteria. The measures are applicable to the time period to which the scheme relates.

The long-term incentive scheme measures are based on Total Shareholder Return (TSR) and retention.

Executive director remuneration is aligned to shareholder value creation through the long-term scheme.

Where necessary both short-term and long-term incentive schemes are benchmarked against the appropriate databases by the Committee.

Annual salary adjustments are governed by factors such as the consumer price index (CPI), retention strategies, the producer price index (PPI), industry

### Chief Executive Officer



An employee's TCtC consists of the following elements:

- Basic salary
- Car and any other cash allowances and/ or perquisites
- Employer contributions to the medical aid
- Employer contributions to the retirement funding
- Employer contributions to risk benefits

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

The Committee principally considers companies in the South African market (and particularly the mining and resources sector) which have a similar size, complexity and scope to the Company. The Committee also takes into account business performance and prevailing salary practices 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. The bonus pool is determined as a percentage of net profit after tax. Financial and non-financial criteria and individual performance

performance, projected growth, contractual arrangements and affordability, and industry average increase surveys, which are taken into consideration in setting the recommended increase. The Committee will approve or set the overall increase percentage that will be applied on a Company-wide basis. Salary adjustments are at the discretion of the Board.

### Executive Directors' pay mix

Executive directors' 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)
- Variable pay based on performance
  - short-term incentives in the form of annual cash incentives (ACI); and
  - 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.*

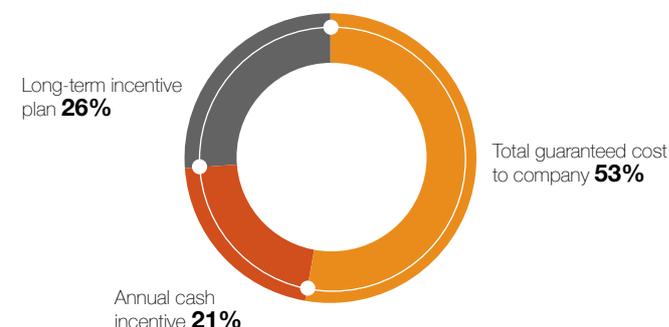
The Company's targeted pay mix aims to align the incentives of executive directors and employees with the interests of shareholders. It is recognised that through acquisitions and business combinations over time, there will always be some deviation from the targeted pay mix structure across the Company.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

### Guaranteed pay

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

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

### Executive director



determine the bonus pool's distribution to individuals. Bonuses are awarded at the discretion of the Board.

During February 2016, a decision was made by the Committee to follow a less mechanistic approach to determining the award of bonuses. As indicated above, the incentive scheme performance measures are assessed by the Committee and these measures are determined by taking into account corporate, individual, financial and non-financial criteria.

The total short-term incentive pool available is capped at 3% of net profit after tax. No bonuses are payable where the net profit after tax in any financial year is less than R100 million.

In addition, the percentage for short-term incentives is capped for the various categories of employees as set out below:

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

# Appendix 3 (continued)

## Remuneration report (continued)

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

1. poor
2. needs improvement
3. satisfactory
4. good
5. outstanding

- Individual performance is assessed from predetermined criteria of key performance areas or value drivers. The selection of these is informed by the Company's business plan;
- the final bonus calculation is undertaken by aggregating the bonus claims of all participants and comparing this with the bonus pool derived from Company performance; and
- no more and no less is to be paid out in bonuses than exists in the bonus pool, and thus each individual's bonus claim is calculated in order to aggregate to the bonus pool.

### Long term incentives

#### Share Incentive Scheme

On 13 April 2010, a share incentive scheme was approved by shareholders and share grants were awarded from 2010 under the new incentive scheme.

Share grants are awarded by the Board on the recommendation of the Committee. They vest in thirds on the third, fourth and fifth anniversaries of the grant date and are settled either by physical delivery of shares or the Company has the right to settle in cash the difference between the exercise price and the grant price.

During 2013, and as previously reported, a decision was taken by the Committee to vary the balance between performance and retention-oriented grants or options awarded in future and also to simplify the performance criteria that determine vesting of the performance grants.

The balance between performance oriented share grants and the retention-oriented share grants for the CEO is weighted 70% in favour of performance oriented share grants. For executive directors and senior managers these percentages will be 60% and 50% respectively. All other employees will receive only retention-oriented share grants.

The performance criteria for existing performance oriented share grants made prior to 2013 will remain in place, but award grants after 2013 are 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 (top 12) comprised as follows:

Royal Bafokeng Platinum Limited (RBP), PAN African Resources PLC (PAN), Tharisa PLL (THA), Lonmin PLC (LON), Merafe Resources Limited (MRF), Tawana Resources NL (TAW), DRDGOLD Limited (DRD), Resource Generation Limited (RSG), MC Mining Limited (MCZ), Wesizwe Platinum Limited (WEZ), Orion Mineral NL (ORN) and Atlatsa Resources Corporation (ATL)

Assuming that this group of 12 companies (including Merafe) is adopted as the peer group of companies, vesting of the performance-oriented share grants will be in accordance with the following:



Performance/vesting curve

- If Merafe's TSR measured over the three-year period places it in one of the top three positions, then the full number of performance granted shares will vest in equal proportions on the third, fourth and fifth anniversaries of their grant date.
- If Merafe's TSR measured over the three year period places it in 6th position, then one third of the number of performance shares granted will vest in equal proportions on the third, fourth and fifth anniversaries of their grant date.
- If Merafe's TSR over the three year period places it at or below 10th position, then none of the shares granted will vest.
- If Merafe's performance over the three-year period lies between any of the above points, then a prorated number of performance shares granted will vest in equal proportions on the third, fourth and fifth anniversaries of their grant date.

### Share Incentive Scheme Principles

The provisions of the Share Grant Scheme are as follows.

- Share options/grants will only be made at the discretion of the Board as and when circumstances dictate.
- No offer shall be made which would together with any other scheme shares exceed 10% of total issued shares capital of the Company.
- The maximum aggregate number of grant shares or options granted to a single participant, shall be limited to 1% of the total issues share capital of the Company.
- Full value share offers will be made annually to employees, the expected value of which will be dictated by the Company's Reward Strategy – Pay Mix.
- Performance vesting share awards and retention-oriented share grants will be offered to senior managers and above, with the proportion of performance versus retention increasing with seniority.
- Retention grants only will be granted to managers and administration staff.
- The performance award value will be calculated as a percentage of the current TCtC guaranteed package
- The retention grant value will in any year, at the discretion of the Board, be either calculated as a percentage of the current TCtC guaranteed package, or as a percentage of the past year's annual incentive payout.
- Performance-oriented share awards and retention-oriented grants are offered to senior managers and above, with the proportion of awards, in relation to grants, increasing with seniority as per Table A set out on page 45.
- If Merafe's TSR measured over the three-year period places it in one of the top three positions, then the full number of performance granted shares will vest in equal proportions on the third, fourth and fifth anniversaries of their grant date.
- If Merafe's TSR measured over the three year period places it in 6th position, then one third of the number of performance shares granted will vest in equal proportions on the third, fourth and fifth anniversaries of their grant date.
- If Merafe's TSR over the three year period places it at or below 10th position, then none of the shares granted will vest.
- If Merafe's performance over the three-year period lies between any of the above points, then a prorated number of performance shares granted will vest in equal proportions on the third, fourth and fifth anniversaries of their grant date.

### Share Incentive Scheme Principles

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- Full value share offers will be made annually to employees, the expected value of which will be dictated by the Company's Reward Strategy – Pay Mix.
- Performance vesting share awards and retention-oriented share grants will be offered to senior managers and above, with the proportion of performance versus retention increasing with seniority.
- Retention grants only will be granted to managers and administration staff.
- The performance award value will be calculated as a percentage of the current TCtC guaranteed package
- The retention grant value will in any year, at the discretion of the Board, be either calculated as a percentage of the current TCtC guaranteed package, or as a percentage of the past year's annual incentive payout.
- Performance-oriented share awards and retention-oriented grants are offered to senior managers and above, with the proportion of awards, in relation to grants, increasing with seniority as per Table A set out on page 45.



Details of executive and management remuneration in 2017 can be found on page 15 of this Notice.

Share options and share awards and/or grants offered to directors under the share incentive scheme are set out on page 16 of this Notice.

**Table A**

	Participant numbers	LTIP (expected value)	Target offer value	Balance performance/retention	Award value (performance)	Target grant value (retention)
		% TcC	% TcC		% TcC	% TcC
Chief Executive Officer	1	70	50	70/30	35	15
Executive director	1	50	35	60/40	21	14
Senior management	2	40	30	50/50	15	15
Management	1	30	25	0/100		25
Administration	1	20	15	0/100		15

**Clawbacks**

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

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

**Non-executive directors' fees**

The remuneration of non-executive directors is provided in the context of good governance, and is primarily based upon a methodology which takes into account expertise, contribution by the director and attendance. Standard duties of non-executive directors include preparation for and attendance at Board

meetings, attending AGMs and results presentations. Independent benchmark advice is sought as to levels of remuneration for non-executive directors and the Policy is that non-executive directors will be remunerated between the lower quartile and median using the hybrid companies methodology indicated under the executive benchmarking exercise detailed above. Non-executive directors' fees will be tabled for approval by the shareholders of the Company on an annual basis. The fees paid to different roles such as chairman may vary from the fees paid to other non-executive directors. The remuneration of non-executive directors will be split between 40% in relation to fees for attendance at meetings and 60% in relation to fees for retention. Attendance at meetings will include scheduled Board meetings and special Board meetings. Retention fees will include inter alia attendance at site visits, round robin resolutions/decisions and strategy sessions.

Non-executive directors do not participate in any share based incentive scheme or any other incentive scheme that the Company may implement.

**IMPLEMENTATION REPORT FOR 2017**

The implementation of the Policy approved by shareholders at the AGM in May 2017 is set out below:

**Executive pay**

	2017 R'000	2016 R'000
<b>ZJ Matlala</b>		
Salary	4 310	4 027
Bonus	4 422	4 060
Fringe benefits and leave pay	133	167
Provident contributions	350	432
Share grants vested	4 574*	2 733
Share options vested	1 911*	–
<b>Total</b>	<b>15 700</b>	<b>11 419</b>
<b>K Bissessor</b>		
Salary	1 927	1 870
Bonus	1 796	1 649
Fringe benefits and leave pay	143	350
Provident contributions	292	312
Share grants vested	650*	262
Share options vested	3 090*	–
<b>Total</b>	<b>7 898</b>	<b>4 443</b>

\* See the 2017 integrated online report for additional information regarding the calculation of the value of the options exercised.

# Appendix 3 (continued)

## Remuneration report (continued)

### Short-term incentives

The executive directors were assessed by the Committee according to the table set out below which was then used as a basis for awarding bonuses for 2017.

Key factors	Key measurement items	Score out of 5
		2017
Profitability	EBITDA compared to budget and previous year	5
Funding	Meeting debt covenants and maintaining healthy Board agreed debt levels	5
Growth of business	Grow assets and revenue	4
Cost management	Effective cost management at Venture and Merafe level	4.5
Sustainability	BEE rating on amended scorecard, Corporate Social Investment, Environmental incidents	4.5
Safety	Total Recordable Injury Frequency Rate, Fatalities	2.5
Stakeholder engagement	Stakeholder engagement programme including interactions with SARS, partners, shareholders, employees, etc	5
Talent management	Succession planning, managing employees, training, mentoring	5
Reporting	Interim and annual reporting and engagement with stakeholders	5
<b>Total Rating</b>		<b>4.5</b>

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

	2017 % allocation of cost to Company	2016 % allocation of cost to Company
Chief Executive Officer	90%	88%
Financial Director	81%	70%

### Long-term incentives

#### Long-term incentives – 2017 (refer to website for full section)

The award of long-term incentives for 2017 under the Company's share option and grant schemes are set out below.

Share grants and options that vested in 2017 were as follows:

#### Chief Executive Officer

##### Share Grants

Number of shares	Rand value
3 058 861	4 574 486

##### Share options

Number of shares	Rand value
5 309 546	1 911 436

#### Financial Director

##### Share Grants

Number of shares	Rand value
373 536	650 049

##### Share options

Number of shares	Rand value
3 000 000	3 090 000

### Performance conditions

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

### Long-term incentives – 2016

The award of long-term incentives for 2016 under the Company's share option and grant schemes are set out below.

#### Chief Executive Officer

##### Share Grants

Number of shares	Rand value
3 006 630	2 733 411

#### Financial Director

##### Share Grants

Number of shares	Rand value
327 546	262 193

### Share awards outstanding at 31 December 2017

Share options and grants outstanding at 31 December 2017 in favour of directors and prescribed officers are as set out below:

Name	Vesting date	Number
Z Matlala	2018 – 2022	8 770 249
K Bissessor	2018 – 2022	2 840 872
<b>Total</b>		<b>11 611 121</b>
Percentage of issued share capital		0.46%

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

	2017			2016		
	% allocation of cost to Company	Number of shares	Vesting period	% allocation of cost to Company	Number of shares	Vesting period
Chief Executive Officer	50%	1 381 299	1 April 2020 1 April 2021 1 April 2022	50%	2 824 227	1 April 2019 1 April 2020 1 April 2021
Financial Director	35%	490 995	1 April 2020 1 April 2021 1 April 2022	35%	1 003 905	1 April 2019 1 April 2020 1 April 2021

Note: As per the Policy, 70% and 60% of the grants allocated are subject to performance conditions for the CEO and FD respectively, for both the 2016 and 2017 year.

### Non-executive directors' fees

#### Non-executive directors' fees approved for 2017

The fees for non-executive directors set out below are in accordance with the fees approved by shareholders at the 2017 AGM:

	2017					
	Fees per annum 2017	Retainer 60%	Monthly Retainer fees	Retainer per quarter	Fees per attendance 40%	Fees per attendance per meeting
Board Chairman	541 521	324 913	27 076	81 228	216 608	54 152
Members	265 350	159 210	13 268	39 803	106 140	26 535
Audit & Risk Committee Chairperson	191 500	114 900	9 575	28 725	76 600	19 150
Audit & Risk Committee members	120 085	72 051	6 004	18 013	48 034	12 009
Remuneration and Nomination Committee Chairperson	103 515	62 109	5 176	15 527	41 406	10 352
Remuneration and Nomination Committee members	63 185	37 911	3 159	9 478	25 274	6 319
Social, Ethics and Transformation Committee Chairperson	103 515	62 109	5 176	15 527	41 406	10 352
Social, Ethics and Transformation Committee members	63 185	37 911	3 159	9 478	25 274	6 319

Non-executive directors fees paid for 2017	2017	2016
	R'000	R'000
C Molefe	651	606
A Mngomezulu	467	464
BN Majova	442	479
M Mosweu	289	256
Z van der Walt*	–	98
K Nondumo	430	430
S Blankfield	322	322
Total	2 601	2 655

\*Retired during 2016

#### Non-executive directors fees proposed for 2018

The 2018 proposed fees in accordance with the Policy are set out below. A 6.1% increase is proposed from the previous year. This increase takes account of the benchmarking exercise and inflation.

	2018					
	Fees per annum 2018	Retainer 60%	Monthly Retainer fees	Retainer per quarter	Fees per attendance 40%	Fees per attendance per meeting
Board Chairman	574 554	344 733	28 728	86 183	229 821	57 455
Members	281 537	168 922	14 077	42 231	112 615	28 154
Audit & Risk Committee Chairperson	203 182	121 909	10 159	30 477	81 273	20 318
Audit & Risk Committee members	127 410	76 446	6 370	19 112	50 964	12 741
Remuneration and Nomination Committee Chairperson	109 830	65 898	5 492	16 474	43 932	10 983
Remuneration and Nomination Committee members	67 040	40 224	3 352	10 056	26 816	6 704
Social, Ethics and Transformation Committee Chairperson	109 830	65 898	5 492	16 474	43 932	10 983
Social, Ethics and Transformation Committee members	67 040	40 224	3 352	10 056	26 816	6 704

### AREAS OF FOCUS FOR 2018

Key activities for the Committee in 2018 will be, inter alia, the approval of the remuneration and bonuses for executive directors and senior management. The Committee will also assess fees to be paid to non-executive directors. Focus will be placed on the key principles of King IV and the Company's commitment to these principles. In addition, the Company will, if required, engage with shareholders to discuss issues of mutual concern.

### COMPLIANCE STATEMENT

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

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



For more information on the performance conditions, see our Remuneration Policy and see pages 43 to 48 of our annual financial statements, which form part of our online integrated annual report 2017.



# Form of proxy

## Merafe Resources Limited

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

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

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

### Form of proxy for the thirty first Annual General Meeting

I/We (name in block letters)

of (address)

(contact number)

(email address)

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

1. \_\_\_\_\_ or failing him/her

2. \_\_\_\_\_ or failing him/her

3. The Chairperson of the Company, or failing him, the Chairperson of the Annual General Meeting, as my/our proxy to vote on my/our behalf at the Annual General Meeting of the Company to be held at the offices of the Company at Building B, 2nd floor, Ballyoaks Office Park, 35 Ballyclare Drive, Bryanston, 2191 at 11:00 on Tuesday, 8 May 2018, or at any adjournment thereof.

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

Ordinary and Special Resolutions		Number of votes		
		For	Against	Abstain
1	Ordinary Resolution Number 1: Adoption of annual financial statements			
2	Ordinary Resolution Number 2: Re-appointment of retiring directors			
	2.1 Mr Chris Molefe			
	2.2 Mr Shaun Blankfield			
3	Ordinary Resolution Number 3: Appointment of members to the Audit and Risk Committee for the forthcoming financial year			
	3.1 Ms Belese Majova			
	3.2 Ms Karabo Nondumo			
	3.3 Mr Abiel Mngomezulu			
4	Ordinary Resolution Number 4: Re-appointment of external auditors of the Company, Deloitte & Touche Inc. and to appoint Mr Patrick Ndlovu as the designated audit partner			
5	Ordinary Resolution Number 5: Authority to sign all documents required to give effect to all resolutions in the notice of Annual General Meeting			
6	Ordinary Resolution Numbers 6.1 and 6.2: Non-binding advisory vote			
	Ordinary Resolution Number 6.1: Remuneration Policy			
	Ordinary Resolution Number 6.2: Remuneration Implementation Report			
7	Special Resolutions Numbers 1.1 to 1.8: Approval of non-executive directors' fees for 2018			
	1.1 Board Chairperson			
	1.2 Board member			
	1.3 Audit and Risk Committee Chairperson			
	1.4 Audit and Risk Committee member			
	1.5 Remuneration and Nomination Committee Chairperson			
	1.6 Remuneration and Nomination Committee member			
	1.7 Social, Ethics and Transformation Committee Chairperson			
	1.8 Social, Ethics and Transformation Committee member			
8	Special Resolution Number 2: Loans or other financial assistance to related or inter-related companies			
9	Special Resolution Number 3: General authority to repurchase Company shares			

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2018

Signature (assisted by me – where applicable)

Please see notes overleaf

# Notes to form of proxy

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting 'the Chairperson of the Annual General Meeting', but any such deletion must be initialled by the shareholder. The person whose name stands first on the form of proxy and who is present at the Annual General Meeting of shareholders will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. Failure to comply will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting of shareholders as he/she deems fit with respect to all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by his proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by the proxy.
3. Forms of proxy must be lodged with, posted or faxed to, the transfer secretaries' registered office: Link Market Services South Africa Proprietary Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg 2000) or +27 11 713 0800, or the Company's registered offices: Building B, 2nd floor, Ballyoaks Office Park, 35 Ballyclare Drive, Bryanston, 2191 (PO Box 652157, Benmore, 2010), or fax +27 11 783 4789 to be received no later than 11:00 on Friday, 4 May 2018. If forms of proxy are not received by this date, they must be handed to the Chairperson of the Annual General Meeting before the appointed proxy exercises any of the relevant shareholders rights at the Annual General Meeting.
4. The completion and lodging of this form of proxy shall not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative or other legal capacity (such as power of attorney or other written authority) must be attached to this form of proxy unless previously recorded by Merafe Resources.
6. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
7. On a show of hands, every shareholder shall have only one vote, irrespective of the number of shares he/she holds or represents, provided that a proxy shall, irrespective of the number of shareholders he/she represents, have only one vote.
8. On a poll, every shareholder present in person or represented by proxy shall have one vote for every Merafe Resources share held by such shareholder.
9. A resolution put to the vote shall be decided on a poll.





# Administration

## **Merafe Resources Limited**

Company registration number: 1987/003452/06

### **Business address and registered office**

Building B

2nd floor

Ballyoaks Office Park

35 Ballyclare Drive

Bryanston

2191

Telephone: +27 11 783 4780/087 310 5639

Telefax: +27 11 783 4789

www.meraferesources.co.za

### **Company Secretary**

CorpStat Governance Services

Hurlingham Office Park

Ground floor

Suite 3

Block C

59 Woodlands Avenue

Hurlingham Manor

Telephone: +27 11 326 0975 or +27 11 783 4780

Telefax: +27 11 783 4789

Email: w.somerville@mwweb.co.za

ewaldeck@corpstat.co.za

### **Auditors**

Deloitte & Touche Inc

20 Woodlands Drive

Woodlands

Woodmead

2128

### **Bankers**

Absa Bank Limited

180 Commissioner Street

Johannesburg

2001

Standard Bank of South Africa Limited

30 Baker street

Rosebank

2001

### **Attorneys**

Bowman Gilfillan Inc.

165 West Street

Sandton

2196

PO Box 785812

Sandton

2146

### **Transfer secretaries**

Link Market Services South Africa Proprietary Limited

13th Floor, Rennie House

19 Ameshoff Street

Braamfontein

2001

PO Box 4844

Johannesburg

2000

Telephone: +27 11 713 0800

### **Sponsor**

One Capital

17 Fricker Road

Illovo, 2196

PO Box 784573

Sandton, 2146

### **Directorate**

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

\* Independent



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