ABOUT THIS REPORT

We present to you the Integrated Annual Report for the Merafe Group, which includes Merafe Resources Limited (Merafe), a company listed on the JSE, Merafe Ferrochrome and Mining Proprietary Limited (Merafe Ferrochrome) and its subsidiaries for the year ended 31 December 2023 (in this report referred to as "Merafe", the "Merafe Group" or "Group" or the "Company"). The scope of this report also includes the Glencore-Merafe Chrome Venture (the Venture).

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

As we did last year, the 2023 summarised financial and sustainability information and the annual general meeting notice, will be sent to shareholders and the 2023 Integrated Annual Report will be available on our website, www.meraferesources.co.za. Printed copies of the Integrated Annual Report will be available on request from the Company Secretary.

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

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

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

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

In addition to following the recommendations contained in King IV, The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (The SAMREC Code) 2016 Edition and the JSE Limited Listings Requirements, we are guided by the Global Reporting Initiative's (GRI) G4 Guidelines and our internally developed policies and procedures in terms of measuring our progress towards sustainability.

Deloitte & Touche audits the Merafe Group's consolidated and separate annual financial statements (in this report referred to as "annual financial statements").

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

An independent auditor's report is published in the annual financial statements. Our annual financial statements form part of our online Integrated Annual Report for 2023. They are also available from our Company Secretary in either electronic or printed format.

The data and information relating to the Venture is subject to the annual internal and external reviews, audits and processes of the Venture (set out on page 60 of this report) to ensure that the information relating to the Venture in this report is accurate and reliable. Merafe's attributable portion of the data of the Venture reported from page 23 to page 39 is 20.5%.

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

About the Capitals model

The Capitals model (Natural, Human, Social, Manufactured and Financial Capital) we have adopted provides a basis for understanding sustainability in terms of the economic concept of wealth creation or "capital".

A sustainable organisation will maintain and, where possible, enhance these stocks of capital assets, rather than deplete or degrade them.

The model allows us to broaden our understanding of financial sustainability by allowing us to consider how the wider environmental and social issues can affect our long-term profitability.

Glossary

A glossary of terms and definitions forms part of our 2023 Integrated Annual Report available on our website www.meraferesources.co.za. The Company's compliance with the GRI guidelines is set out in a table on our website www.meraferesources.co.za and forms part of the Merafe online Integrated Report for 2023. We would welcome your feedback on our reporting for 2023 and any suggestions you may have in terms of what you would like to see incorporated in our report for the year ending 31 December 2024. Please contact our Financial Director, Ditabe Chocho, at ditabe@meraferesources.co.za.

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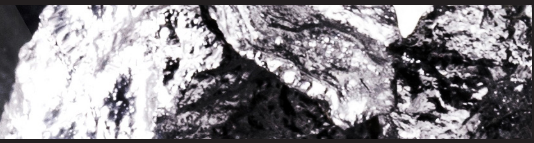
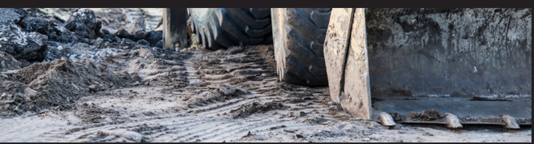



Icons used in this report

This icon refers to further reading

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

Positive performance or occurrence compared to prior year

Negative performance or occurrence compared to prior year

No change in performance compared to prior year

Forward-looking statements

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

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

OUR STORY

2001–2003
The SA Chrome Boshoek Ferrochrome Project (smelter facilities, pelletising and sintering plant, mine and UG2 plant) is completed and becomes operational.

2004
SA Chrome enters into the Venture with Xstrata to create the leading global ferrochrome producer.

2005–2010
The Venture's Lion I Smelter Project is successfully completed; SA Chrome changes its name to Merafe Resources; Merafe acquires Samancor's 50% interest in the Gemini Joint Venture with Xstrata at the Ventures Wonderkop operation as well as a 50% interest in the Kroondal resources and a 26% interest in the Marikana resources; the Venture completes the Bokamoso pelletising and sintering plant at the Wonderkop smelter; the Venture's mining rights are converted into new order rights under the MPRDA.

2010–2020
The Venture's Lion II Smelter Project is successfully completed; the Venture completes the Tswelopele pelletising and sintering plant at its Rustenburg smelter; the Venture acquires significant reserves at its Eastern operations; Glencore takes over Xstrata and becomes Merafe's partner in the Venture.

2021–2023
Merafe and Glencore enter into PGM Venture agreements at the Venture's Western and Eastern operations.

The Merafe Group and Glencore (formerly Xstrata) formed the Venture in July 2004 when we pooled our chrome operations to create the leading global ferrochrome producer.

OUR BUSINESS

We are listed on the Johannesburg Stock Exchange (JSE) and A2X in the General Mining sector under the share code MRF. Our business is the 20.5% participation through our wholly-owned subsidiary, Merafe Ferrochrome, in the earnings before interest, tax, depreciation and amortisation (EBITDA) of the Venture in which Glencore Operations South Africa Proprietary Limited (Glencore) has a 79.5% participation.

Our major shareholders are Glencore (Netherlands) B.V. (Glencore BV) and the Industrial Development Corporation of South Africa (IDC). See page 65 for more detailed shareholder information.

STAKEHOLDER RELATIONSHIPS

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

Merafe Empowerment as at 31 December 2023

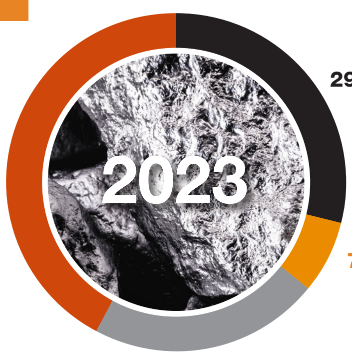
78% of our **Board members** are black (2022: 78%)

88% of our **employees** are black (2022: 88%)

33% of our **Board members** are female (2022: 33%)

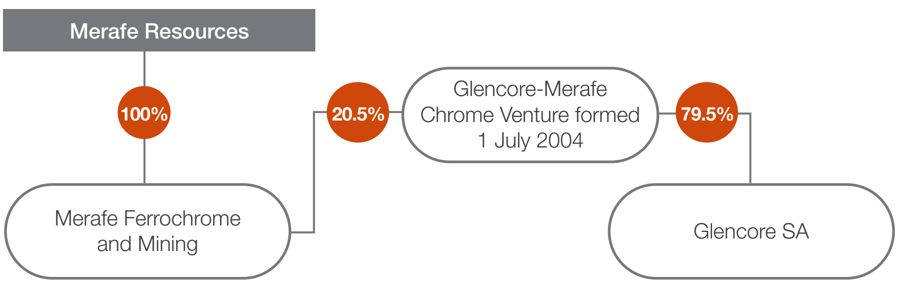
63% of our **employees** are female (2022: 63%)

OUR SHAREHOLDERS



For more information on the assets we pooled, of which we have retained ownership, and the additional assets we have invested in since participating in the Venture, see the tables on pages 22 and 61.

OUR GROUP STRUCTURE



Governance and sustainability

We are committed to good governance and sustainability as reflected in our report. Merafe continues to apply the principles of King IV and the SRI Index reporting criteria in its business. Please see our King IV register on pages 45 and 46 of this report as well as the sections on Performance and Transparency and Accountability.

Our approach to risk

We recognise that risk is inevitable in business and that it goes hand-in-hand with opportunity. We have established a risk management system that allows us to pursue business opportunities and grow shareholder value, monitor risk in our investments and develop and protect our people, the environment in which the Venture operates and our reputation. Our approach to risk management is discussed in the Transparency and Accountability section of this report on page 59.

Our material issues

Our material issues and our materiality determination process are set out on pages 8 and 9.

FINANCIAL

Cash balance	Revenue	*EBITDA
R1 656 million (2022: R1 269 million)	R9 244 million (2022: R7 939 million)	R2 545 million (2022: R2 141 million)

Net profit	Final cash dividend	Headline earnings per share
R1 753 million (2022: R1 410 million)	22 cps (2022: 13 cps)	60.1 cps (2022: 56.4 cps)

11% increase in net cash generated from operating activities
R1 879 million
(2022: R1 698 million)

** Earnings before interest, taxation, depreciation and amortisation*

SAFETY

Fatalities	Total recordable injury frequency rate (TRIFR)
2 (2022: NIL)	2.34 (2022: 2.40)

OPERATIONAL

Ferrochrome sales volume	Ferrochrome production	Average ferrochrome CIF price
327kt (2022: 350kt)	300kt (2022: 384kt)	105 USc/lb (2022: 111 USc/lb)

- Positive performance or occurrence compared to prior year
- Negative performance or occurrence compared to prior year
- No change in performance compared to prior year

SUCCESSES

- Improved EBITDA and financial performance
- No debt at Merafe and positive cash reserves
- Platinum Group Metals (PGMs) investment

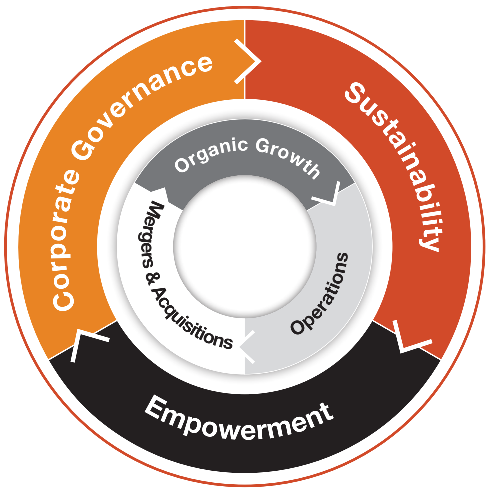
CHALLENGES

- Safety
- Electricity pricing and availability
- Rail and port infrastructure
- Production costs
- Global conflict and uncertainty
- Recession and inflationary fears

OUR BUSINESS MODEL AND STRATEGY

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

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



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

In this report we have identified material issues and risks that could impact the stakeholders of Merafe and the Venture. These issues and risks were identified during engagements that Merafe and the Venture had with their stakeholders. We provide an overview of our stakeholders' issues on this page and a table setting out our stakeholders, our methods of engaging with them and the issues arising from these engagements. This forms part of our online report and can be found in our 2023 online report under stakeholders. The material issues are set out on pages 8 and 9 of this report and our approach to risk can be found on page 59.

MERAFE RESOURCES LIMITED

Providers of debt	Government and regulators	Merafe employees	Our partners in the Venture	Suppliers	Shareholders and investors
Impact of Rand/US Dollar exchange rate on cash flows	Job creation	Health and safety	Sustainability	Historically Disadvantaged South Africans (HDSA) procurement requirements	Potential for future returns
Impact of ferrochrome prices on cash flows	Regulatory compliance	Remuneration, incentives and benefits	Accountability and transparency	Contract terms	Impact of Rand/US Dollar exchange rate on cash flows
Risk management	Tax compliance	Career opportunities	Risk management	Payment terms	Impact of ferrochrome prices on cash flows
Ability to repay borrowings	Employment equity	Training and skills development	Financial stability	**Assurance providers**	Project progress and funding
Compliance with covenants	Empowerment credentials		Empowerment credentials	Regulatory compliance	Sustainability
Operational performance	Health and safety		Alignment of interests	Governance	Impact of industrial action
				Internal controls	Safety record
				Transparency	Good governance

The Venture

Customers	Government and regulators	Venture employees	Communities	Suppliers	Trade unions
Pricing	Job creation	Health and safety	Infrastructure development	Contract terms	Training and skills development
Product availability	Training and development	Career opportunities	Job creation	Payment terms	Consultation on future operational changes
Quality of product	Black empowerment credentials	Training and skills development	Enterprise development	HDSA procurement requirements	Employment equity
Contract terms and delivery	Employment equity	Consultation on future operational changes	Local employment opportunities	**Assurance providers**	Housing benefits
Reliability of supply	Environment	Employment equity	Portable skills development	Regulatory compliance	Workers' rights
	Regulatory compliance	Housing benefits	Local procurement	Governance	Remuneration, incentives and benefits
	Compliance with Mining Charter	Workers' rights	Stakeholder responsiveness	Internal controls	Health and safety
	Mining rights	Remuneration, incentives and benefits	Corporate social investment	Transparency	
	Health and safety		Environment		

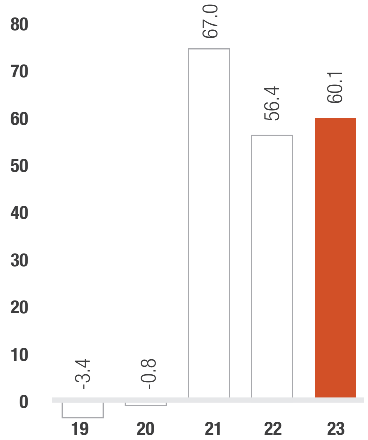
FIVE-YEAR HISTORICAL REVIEW OF KEY INDICATORS

Safety statistics

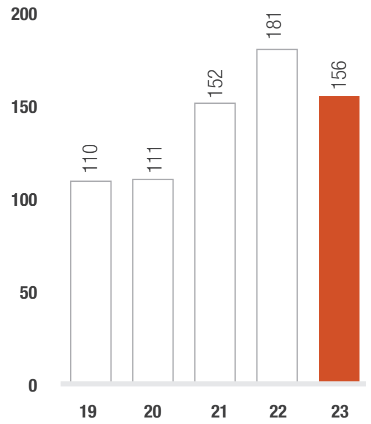
	2023	2022	2021	2020	2019
Fatalities	2	–	–	1	1
Total recordable injury frequency rate (TRIFR)	2.34	2.40	2.80*	3.91	2.56

** Restated from 2.75 to 2.80*

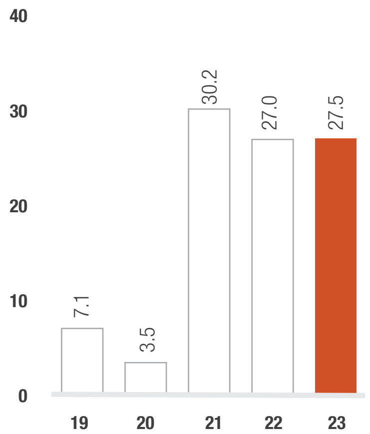
Headline earnings per share (cents)



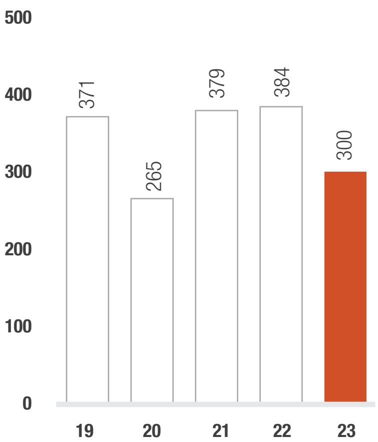
Average European benchmark ferrochrome price (USc/lb)



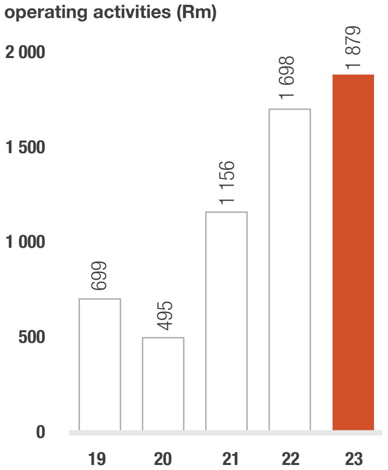
EBITDA margin (%)



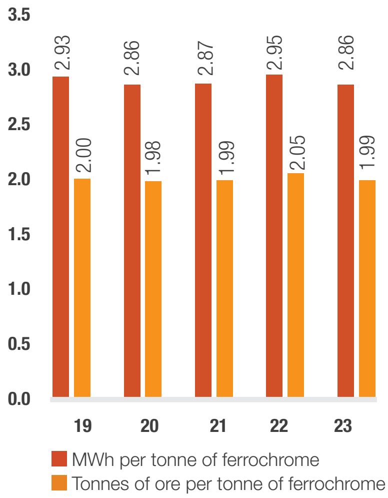
Attributable ferrochrome production tonnes (Kt)



Net cash generated from operating activities (Rm)



Power and ore consumption efficiencies



Key statistics for 2023

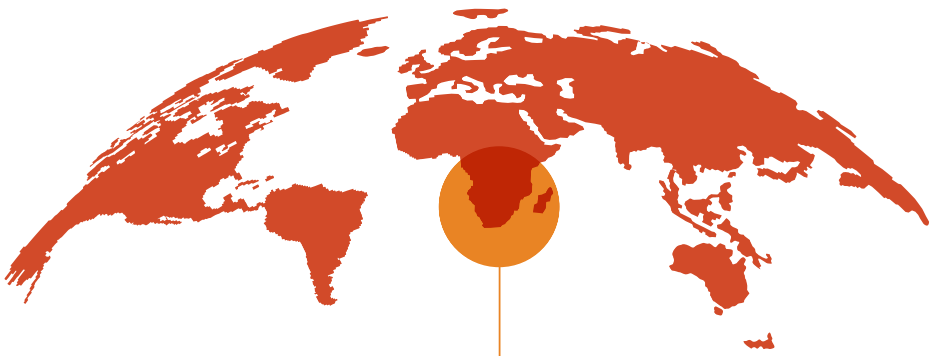
Chrome is a metallurgical marvel. It brings critical properties to the metals with which it is alloyed.

Global ferrochrome production increased from **15.1mt** in 2022 to **15.4mt** in 2023

Ferrochrome demand increased from **13.9mt** in 2022 to **14.5mt** in 2023

South Africa's share of global ferrochrome production was **3.2mt** (2022: 3.9mt)

China imported approximately **14.9mt** chrome ore from South Africa (2022: 12.3mt)



The global position of ferrochrome

Elements influencing the global demand for and pricing of ferrochrome:

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

South African chrome industry

Facts

- Approximately **3.2mt** of the world's ferrochrome production of **15.4mt** was supplied by South Africa in 2023
- Over **72%** of the world's chrome reserves are in South Africa
- The industry provides a significant number of direct and indirect jobs in South Africa

Challenges faced by South African ferrochrome producers

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

Ferrochrome production and its role in stainless steel

Produced by high-temperature reduction (smelting) of chromite, ferrochrome contains iron, chrome, minor amounts of carbon and silicon, and impurities such as sulphur, phosphorous and titanium.

Chrome is a metallurgical marvel. It brings critical properties to the metals with which it is alloyed.

Add it to carbon steel in the form of ferrochrome and the steel becomes "stainless" – corrosion resistant, mechanically strong, heat resistant, hard wearing and shiny. Stainless steel is used almost everywhere in modern life, from nuclear reactors to exhaust pipes, architecture, kitchenware and a host of other applications.

Specialty steels produced for applications such as tools, injection moulds, camshafts, etc. also derive the high mechanical strength, hardness and heat resistance required from their chrome content.

Our competitive advantage

Elements influencing the global demand for and pricing of ferrochrome:

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

Global stainless steel production increased from 55.9mt in 2022 to 57.5mt in 2023

Stainless steel production in China was 35.2 million tonnes (mt) in 2023

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

Note: Changes in prior year statistics are not material and arise due to adjustments by CRU.

For more information on ferrochrome production, consumption, stainless steel production and chrome ore imports, see the CEO's strategic review on page 10 and the graphs on pages 11 to 12.

This source of information set out in our operating context is CRU International Limited (CRU). See pages 11 and 12 of this report and the note on page 12.

Stainless steel producer

The Venture

MATERIAL ISSUES

The directors' statement regarding the materiality determination process

As the Board of Merafe, we acknowledge our responsibility to ensure the integrity of the Integrated Annual Report, including the determination of material issues. We acknowledge that we have applied our collective mind in determining the material issues for Merafe and have used the materiality process described on page 9.

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

	POSSIBLE IMPACT:	OUR RESPONSE:
MI1 Global economic environment	The global economic environment can have a positive or negative impact on the demand for the ferrochrome and chrome ore that the Venture produces. When it is doing well, demand increases and prices tend to follow suit. The volatility of the Rand/US Dollar exchange rate also affects our profitability. In the current financial year, for instance, the weakening of the Rand against the US Dollar again improved our profitability. All our stakeholders are affected by our ability to be profitable and sustainable. Global conflict and the Russia/Ukraine and the Middle East conflict might affect markets.	We cannot influence the Rand/US Dollar exchange rate or the global economy, and market demand dictates the price of ferrochrome. Both Merafe and the Venture can, however, take action to contain costs and remain profitable. The Venture's investment in increasing the energy efficiency of its operations and reducing the cost of the reductants makes it the lowest cost producer in South Africa. The Venture will monitor the Russia/Ukraine and the conflict in the Middle East as well as other global conflicts and attempt to manage any situation which has the potential of affecting operations negatively.
MI2 Power prices and the availability of electricity	Loss of sales is highly likely if increased costs make our product prices uncompetitive. A further possible impact is the loss of production because of electricity shortages. Should the Venture be unable to secure electricity supply for new projects, it would be unable to grow its operations. This issue could impact shareholders, Merafe management and employees as well as Venture management, Venture employees, communities and customers.	The Venture's continued development and application of energy-efficient technology allows it to maintain its position as South Africa's lowest cost producer of ferrochrome and therefore the most competitive South African producer. The Venture regularly engages with Eskom and is represented on the Energy Intensive User Group. See page 24 of this report.
MI3 Infrastructure and logistics	The deterioration of South African infrastructure and associated services (railways and harbours) impacts the reliability of delivery of the Venture's products. It also impacts the transportation of raw materials to our operations.	The Venture uses different ports for product delivery. Road haulers are also used to complement other transportation modes. The Venture will continue to engage proactively with key stakeholders to attempt to find solutions to critical logistics issues which has worsened over the years.
MI4 Climate change	Climate change can impact business continuity, profitability, health and safety and environmental aspects. The Venture's operations give rise to a significant quantity of indirect and direct greenhouse gas (GHG) emissions and are also exposed to the potential impacts of climate change resulting from GHGs.	The Venture continually engages with legislators, researchers and industry bodies to track and evaluate the situation and develop an improved awareness of and preparation for the risks associated with climate change. The Venture continues to take steps to reduce its carbon footprint. These include the development of energy-efficient technology and research into the use of alternative sources of energy. See pages 23 to 27 of this report.
MI5 Water	Water is an important input in our operations. All stakeholders are impacted by this issue.	With regard to water, we ensure that we have adequate supply and storage facilities. We have access to different water schemes, we reuse a large proportion of water and we have access to underground water. In 2017, as part of its water conservation and water demand management strategy, the Venture implemented compressive model base water balance at all our sites. All of the mines and water reticulation is comprehensively mapped and assimilated into the model to ensure all water streams are covered. The models also have a predictive function, which simulates any process changes to assess the impact on the whole water reticulation. See page 26 of this report.
MI6 Our social licence to operate	Dissatisfied communities embarking on action to remove the Venture's social licence to operate would create an unsustainable working environment and cause significant reputational damage. Communities, investors, the Department of Mineral Resources (DMRE), employees and local municipalities would all be affected.	Community social issues are addressed regularly with goodwill, commitment and leadership. By addressing social issues, the South African mining industry can achieve a more sustainable environment for itself and the communities in which it operates. See pages 37 to 39 of this report.

Materiality determination process

- The Board sets and approves three-year strategic plans for the Company. On an annual basis, the Board reviews and adjusts the strategic plan where necessary.
- The Board, through the Audit and Risk Committee and Board strategic workshops, annually considers the risks (see page 59 of this report) the Company may face, and a risk matrix listing the risks and their importance is updated quarterly. There are approximately four Board and separate Board committee meetings during a year and further separate executive, management and Board strategy sessions to set a new strategic plan and/or assess the current plan in operation.
- Key to our process is consultation with stakeholders (see page 4 of this report). Stakeholder feedback is then discussed at management, executive and Board strategic meetings and incorporated into the strategic plan and risk register.
- The executive and management of Merafe participate in the Venture (including participation in executive committee and Board meetings of the Venture), which assists with the assessment and consideration of the Venture's material issues (see page 48 of this report).
- During the integrated reporting process, the Board and its committees assessed the report to ensure that our reporting is aligned in terms of strategy, key risks and issues material to both Merafe and its stakeholders.

	POSSIBLE IMPACT:	OUR RESPONSE:
MI7 **Exposure to one commodity**	Diversification into other commodities would provide us with a buffer against the cyclical nature of ferrochrome, which can and has negatively impacted our profitability in certain years. This issue could impact our shareholders, management and employees.	In August 2014, the Board announced its strategy to focus mainly on ferrochrome and chrome in the medium-term and this was the main focus from 2015 to date. The Board, by participating in the Venture, ensures that the competitive advantages enjoyed by the Venture as set out on page 7 mitigate this risk of exposure to one commodity. The Company, however, will also consider acquisitions outside of ferrochrome on an opportunistic basis. See page 10 of the Chief Executive Officer's review for the Company's new investment in PGMs in 2023.
MI8 **Venture in which we do not have a majority stake**	By not having a majority stake in the Venture, decisions that are taken in the best interest of the Venture may on the other hand negatively impact Merafe.	Contractual provisions and partnering with a world-class operator and global ferrochrome leader are all helpful in bolstering our overall sustainability. We continually strive to ensure the interests of both partners in the Venture are aligned and to maintain strong relationships based on mutual respect between both management teams.
MI9 **Empowerment credentials**	These credentials are important to maintain a competitive advantage. Any future acquisitions in the mining industry will require empowerment to be ensured.	In 2015 Glencore BV acquired the shares of Royal Bafokeng Holdings Limited. The "once empowered, always empowered" principle allows the company to benefit from continued recognition of black ownership. The empowerment credentials of Merafe and the Venture however continue to be a focus. See the Chairperson's report on page 43 for more details as well as the report of the Chief Executive Officer on page 10.
MI10 **Safety, health and wellbeing of Merafe's employees and the Venture's employees and contractors**	Maintaining a safe and healthy environment is one of the cornerstones of our success. Employee morale is affected by how we manage this issue. Significant reputational damage is also a key factor. This issue could impact employees, contractors and their families, DMRE, Mine Health and Safety Inspectorate, trade unions and investors.	The Venture invests in safety training and efforts to transform its safety culture into one where every employee takes responsibility for their safety and that of their fellow employees. See pages 31 to 32 of this report.
MI11 **Industrial action in the mining industry and in particular in the operations of the Venture**	Loss of production impacts on profitability. We also need to consider increased costs and the possible damage to property. The safety of the Venture's employees is also at risk; intimidation of employees by strikers and a breakdown in the relationship with Venture employees are all important factors affecting not only Venture employees but their families, communities, the DMRE and shareholders.	Communication and mutual understanding and respect are fostered daily with employees to enhance the working relationship. We also invest time and effort in establishing an understanding with the trade unions. The Venture also abides by the collective agreements in place and negotiates with the unions with the aim of reaching an agreement on annual wage increases. See pages 34 and 35 of this report.
MI12 **Chrome ore imports into China**	Ferrochrome sales to China are impacted by the export of unbeneficiated chrome ore from South Africa, which is facilitating the growth of a ferrochrome industry in China (see page 7 of this report). Profitability would be negatively impacted as would shareholders, Merafe management, Merafe employees, Venture partners, Venture employees and communities, as well as government stakeholders (for example, South African Revenue Service (SARS).	The strategy of being one of the lowest cost producers mitigates this risk. The Venture further believes that market forces over the medium term will reduce this risk (see the Chief Executive Officer's strategic review on page 10 and the graphs on page 11). The Venture supports a tax on chrome ore exports, and in October 2020, cabinet announced the introduction of a chrome ore export tax. Details however are still awaited around implementation by government.

CHIEF EXECUTIVE OFFICER'S STRATEGIC REVIEW

Our strategy remains unchanged and we continue to focus on ferrochrome and chrome ore production and maximising cash flows from the Venture. We continue to evaluate growth opportunities together with our Venture partner.

Safety

Regrettably, there were two fatalities at the Venture's smelters, Boshoek and Rustenburg, in the second half of the year. Another fatality occurred at Wonderkop smelter in January 2024. Our condolences are extended to their families, friends and colleagues.

We remain committed to ensuring the safety of the Venture's employees by implementing safety programmes such as SafeWork 2.0 with the aim of improving safety standards.

Financial review

Merafe achieved a record profit of R1 753 million in a year full of challenges.

Ferrochrome revenue increased by 1% despite lower volumes sold and lower realised prices as a result of weaker market conditions. However, chrome revenue increased significantly driven by both sales volume and realised price increases.

Operational review

Merafe's attributable ferrochrome production decreased by 22% from 384kt to 300kt for the year ended 31 December 2023. The reduction is mainly due to the planned pullback in production over the winter months. Only the Lion smelter was operating during this high electricity demand season of elevated power prices. The operations were also impacted, to a lesser extent, by stage 3 and 4 electricity load curtailments for the year ended 2023.

Lydenburg smelter, Rustenburg furnace 6 and Waterval Mine remain under care and maintenance for the foreseeable future.

The total unit cost of ferrochrome production increased by 28% from December 2022. The increase was driven by general inflation, higher chrome ore market cost and higher reductant costs.

Reductant costs were impacted by higher market prices and inadequate local supply, which necessitated some imports of coke.

Logistics challenges continue with not much improvement in rail availability. The chrome industry and Transnet Freight Rail continue to collaborate on improving rail performance.

Eskom

Reliability of electricity supply and above inflation cost increases remain key risks for our business. Electricity tariffs increased by 18.65% effective 1 April 2023 and NERSA has approved tariff hikes of 12.75% effective 1 April 2024.

NERSA has approved the Negotiated Pricing Agreement ("NPA") application between Glencore/Merafe and Eskom. The parties are in the process of finalising the agreements. This should facilitate price and planning predictability for the JV smelters.

Renewable energy projects

As part of the Venture's strategy to ensure stable and consistent supply at optimal cost of electricity to the operations, both off-site and on-site projects are being pursued.

Off-site: Negotiations with independent power producers are at advanced stages with the first 100MW solar project expected to achieve financial close in H1 2024. An implementation pipeline is being developed in order to ensure carbon reduction targets are achieved.

On-site: Project development has commenced at various operations to maximise the generation potential and enable the development of a phased implementation plan.

Eastern PGMs plant

In the third quarter of the 2023 financial year, the JV partners reached an agreement for the PGMs plant, located at Thorncliffe Mine (Eastern PGMs plant), to be contributed to the Venture. The inclusion of this plant has resulted in Merafe's attributable PGMs production volume increasing from 3 170 oz to 6 443 oz.

Market review

Chinese ferrochrome production increased by 14% year-on-year, outpacing domestic demand. The introduction of additional low-cost capacity in China has heightened pressure on global alloy conversion spreads, resulting in production cutbacks in other regions worldwide. Ferrochrome demand outside of China experienced a year-on-year decrease as stainless steel melt rates in the EU and the US reached multi-year lows.

Chrome ore prices remained elevated during 2023, up 24% year-on-year, due to persistent logistical constraints out of South Africa and constrained global supply growth.

The average European ferrochrome benchmark price was US cents 156 per pound in 2023, which represents a decrease of 14.5% from the 2022 average price.

Strategic review

Our strategy remains unchanged and we continue to focus on ferrochrome and chrome ore production and maximising cash flows from the Venture. We continue to evaluate growth opportunities together with our Venture partner.

Outlook

Uncertainties, fuelled by geopolitical tensions are likely to persist.

With global inflation easing, we expect interest rates cuts in the latter half of the year, which could stimulate demand.

Stainless steel production is expected to increase by 5% in 2024, which should incentivise ferrochrome production.

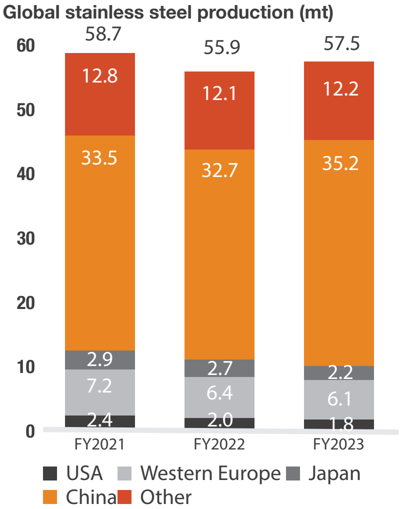
Production costs are expected to remain high but softer than 2023.

Ferrochrome prices are expected to be weaker on the back of softer production costs.

ZANELE MATLALA
Chief Executive Officer | 15 March 2024

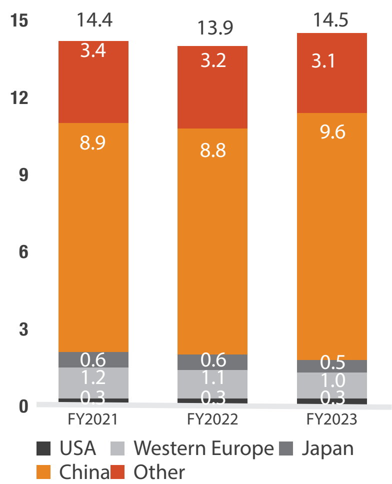
Key market indicators

Global stainless steel production (mt)



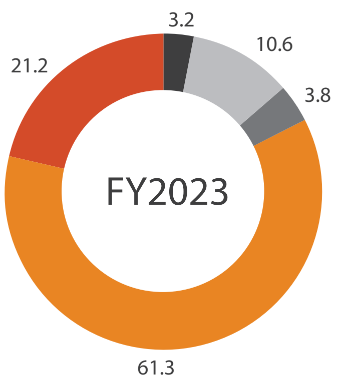
Source: CRU

Global ferrochrome demand (mt)

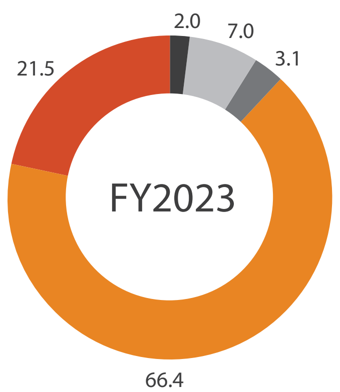


Source: CRU

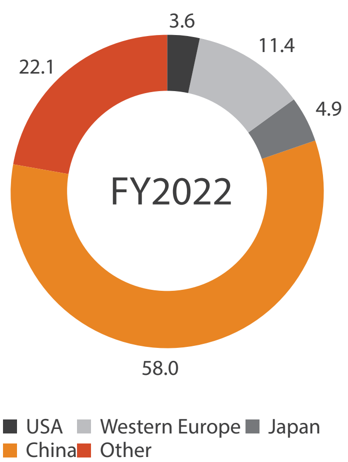
Global stainless steel production (%)



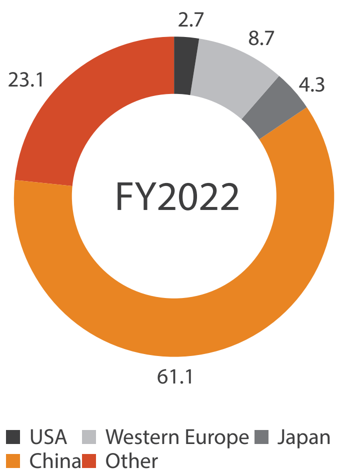
Global ferrochrome demand (%)



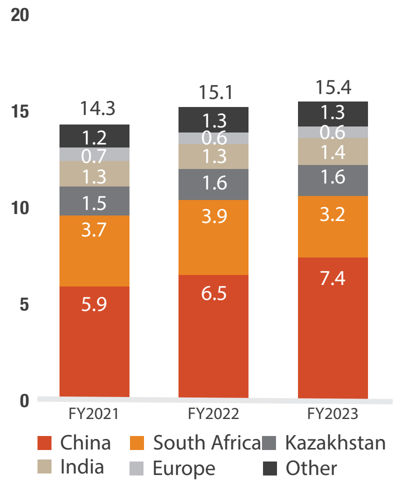
Global stainless steel production (%)



Global ferrochrome demand (%)

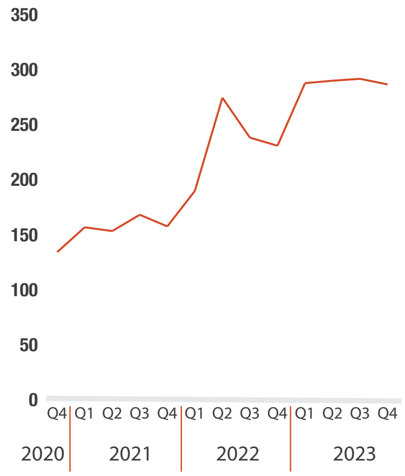


Global ferrochrome production (mt)

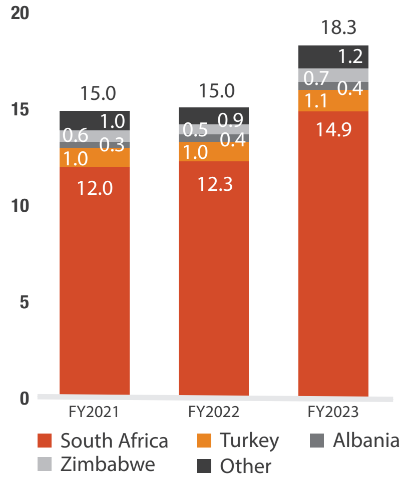


Source: CRU

UG2 Merchant prices (USD/t)

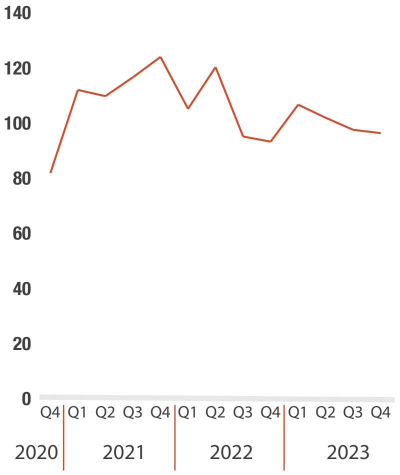


Chrome ore imports into China (mt)



Source: CRU

Ferrochrome Merchant prices 49%–70% (USc/lb)*



*** Series replaced by 48%–63% from mid May 2021***

Note: The source of information on pages 11 and 12 of this report is CRU. This market information is continually updated by CRU. Such updates may amend previous information or projections. To the extent that there is any significant or material change to information provided by CRU and used in this or previous reports then this will be stated.

European benchmark ferrochrome price (USc/lb)