

MERAFE RESOURCES LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1987/003452/06)

Share Code: MRF

ISIN: ZAE000060000

("Merafe" or the "Company")

ANNOUNCEMENT RELATING TO A SMALL RELATED PARTY ACQUISITION BY MERAFE

Shareholders of Merafe ("**Shareholders**") are hereby advised that on Thursday, 28 May 2020, Merafe Ferrochrome and Mining Proprietary Limited ("**Merafe Ferrochrome**" or the "**Purchaser**"), a wholly owned subsidiary of the Company, concluded a sale agreement with Glencore Operations South Africa Proprietary Limited ("**Glencore**" or the "**Seller**"), in terms of which Glencore has agreed to sell 20.5% of its 100% interest in Unicorn Chrome Proprietary Limited ("**Unicorn**") to Merafe Ferrochrome for a total cash consideration of approximately R32.2 million ("**Purchase Consideration**"), payable by the 7th business day following the effective date of the transaction (the "**Acquisition**").

The Purchase Consideration bears interest at a rate of 7.15% per annum, compounded monthly from 1 June 2019 until the date of payment thereof.

Unicorn has a shareholding in a UG2 chrome concentrate producer which extracts chrome concentrate from a tailings stream in the North West Province. Accordingly, Merafe considers Unicorn to be a valuable addition to its chrome interests. The net asset value of Unicorn as at the year ended, 28 February 2019 was R21.2 million and the profit attributable thereto was R28.6 million.

The Acquisition is not subject to any conditions precedent.

Glencore is a wholly owned subsidiary of a material shareholder of Merafe, Glencore (Netherlands) B.V. Accordingly, Glencore is considered a related party to Merafe as contemplated in paragraph 10.1(b)(vii) of the JSE Limited Listings Requirements ("**Listings requirements**") and the Acquisition is categorised as a "*small related party transaction*" in terms of paragraph 10.7 of the Listings Requirements.

The Acquisition is not subject to Shareholder approval, provided an independent professional expert confirms that the terms of the Acquisition are fair to Shareholders. Merafe appointed Tamela Holdings Proprietary Limited ("**Tamela**") as the independent expert for purposes of providing an opinion in respect of the fairness of the Acquisition ("**Fairness Opinion**").

Tamela has considered the terms and conditions of the Acquisition and is of the opinion that the Acquisition is fair to Shareholders. A copy of the Fairness Opinion is available for inspection for a period of 28 days from the date of this announcement, at Merafe's registered office being, Building B, 2nd Floor, Ballyoaks Office Park, 35 Ballyclare Drive, Bryanston. As a result of the COVID-19 pandemic and the need for social distancing, Shareholders are requested to make prior arrangements to inspect the Fairness Opinion by contacting Antoinette van Rensburg at antoinette@meraferesources.co.za.

Merafe has sufficient cash reserves to complete such a beneficial Acquisition successfully. Merafe considers this Acquisition as a long-term strategic investment which will place the Company in a better position and ahead of its peers from an operational perspective. Given the cyclical nature of the mining industry, prudent cash management is crucial, especially now during COVID-19 pandemic. Merafe continues to closely monitor the costs and capital expenditure of the Company.

Sandton
29 May 2020

Sponsor
One Capital

Independent Professional Expert to Merafe in respect of the Acquisition
Tamela Holdings Proprietary Limited