

## STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors (referred to hereafter as the “Board”) of Mineral Commodities Ltd (referred to hereafter as the “Company” or “MRC”) is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

In accordance with the Australian Securities Exchange (ASX) Corporate Governance Council’s (“CGC”) “Principles of Good Corporate Governance and Best Practice Recommendations” the Corporate Governance Statement must contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed that fact must be disclosed together with the reasons for the departure.

The Company’s corporate governance practices were in place throughout the year and are compliant, unless otherwise stated, with the Corporate Governance Council’s principles and recommendations, which are noted below.

- Principle 1. Lay solid foundations for management and oversight
- Principle 2. Structure the Board to add value
- Principle 3. Act ethically and responsibly
- Principle 4. Safeguard integrity in corporate reporting
- Principle 5. Make timely and balanced disclosure
- Principle 6. Respect the rights of security holders
- Principle 7. Recognise and manage risk
- Principle 8. Remunerate fairly and responsibly

A summary of the corporate governance policies and practices adopted by MRC is set out below.

### Role of the Board of Directors

The Board of MRC is responsible for setting the Company’s strategic direction and providing effective governance over MRC’s affairs in conjunction with the overall supervision of the Company’s business with the view of maximising shareholder value. The Board’s key responsibilities are to:

- (a) chart the direction, strategies and financial objectives for MRC and monitor the implementation of those policies, strategies and financial objectives;
- (b) monitor compliance with regulatory requirements, ethical standards and external commitments;
- (c) appoint, evaluate the performance of, determine the remuneration of, plan for the succession of and, where appropriate, remove the Chief Executive Officer (“CEO”) if in place or similar person acting in the executive capacity; and
- (d) ensure that the Board continues to have the mix of skills and experience necessary to conduct MRCs’ activities, and that appropriate directors are selected and appointed as required.

In accordance with MRCs’ Constitution, the Board delegates responsibility for the day-to-day management of MRC to the Executive Chairman and CEO (subject to any limits of such delegated authority as determined by the Board from time to time). Management as a whole is charged with reporting to the Board on the performance of the Company.

All directors have unrestricted access to the Company Secretary, all employees of the group, and,

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subject to the law, access to all Company records and information held by group employees and external advisers. The Board receives regular detailed financial and operational reports from senior management to enable it to carry out its duties.

Each director may, with the prior written approval of the Chairman, obtain independent professional advice to assist the director in the proper exercise of powers and discharge of duties as a director or as a member of a Board Committee. The Company will reimburse the director for the reasonable expense of obtaining that advice.

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. The role of the Company Secretary includes:

- Advising the Board and its Committees on governance matters;
- Monitoring that Board and Committee policy and procedures are followed;
- Coordinating, in unison with the Company, the timely completion and despatch of Board and Committee papers;
- Ensuring that the business at Board and Committee meetings is accurately captured in the minutes; and
- Helping to organise and facilitate the induction and professional development of directors.

### Board Structure and Composition

The Board currently is comprised of five directors, two of which are independent non-executive directors who were appointed in December 2012. Details of each director's skill, expertise and background are contained within the directors' report included with the Company's annual financial statements.

Independence, in this context, is defined to mean a non-executive director who is free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of MRC. The definition of independence in ASX Recommendation 2.3 is taken into account for this purpose.

In the absence of any significant scale in the Company's existing operations, the Board did not believe that the existence of further independent non-executive directors would be of any additional benefit to the Company. As stated above, the Board will ensure that it continues to have the mix of skills and experience necessary to conduct MRCs' activities, and that appropriate directors are selected and appointed as required.

The following table sets out the mix of skills and diversity that the Board currently has:

	No# of Directors
<b>Expertise</b>	
Senior Executive Experience	2
Governance	2
Financially Knowledgeable	4
Mining	3
Contracting	2
Technical (Geological / Engineering)	2

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Mergers and Acquisitions	3
In-Country Experience	2
Resource Development	2
<b>Competencies</b>	
Strategic Leadership	5
Vision and Mission	5
Governance	5

Details of directors’ shareholdings are disclosed in the directors’ report and financial report. There are no retirement schemes other than the payment of statutory superannuation contributions.

Any equity based compensation of directors is required to be approved in advance by shareholders.

Presently, the roles of Chairman and CEO have not been separated. The roles were separated up to 12 September 2014 at which time the CEO resigned and Mr Mark Caruso, the Chairman of the Company, was appointed to the role of CEO. The Remuneration and Nomination Committee and Board consider that Mr Caruso’s experience in the industry and in managing mining operations position him well to manage the affairs of the Company. The Board assessed its governance structure to mitigate any potential issues with the one person fulfilling the dual roles of Chairman and CEO. This led to the appointment of a Senior Non-Executive Director, Mr Guy Walker, an existing non-executive director of the Company. The present Chairman of the Company is not considered to be an independent director. Notwithstanding this, all directors of the Company are, and were during the reporting period, independent in character and judgment.

The CEO is responsible for supervising the management of the business as designated by the Board.

MRC’s non-executive directors may not hold office for a continuous period in excess of three years or past the third annual general meeting following their appointment, whichever is longer, without submitting for re-election. Directors are elected or re-elected, as the case may be, by shareholders in a general meeting. Directors may offer themselves for re-election. A director appointed by the directors (e.g. to fill a casual vacancy) will hold office only until the conclusion of the next annual general meeting of MRC but is eligible for re-election at that meeting.

The process for retirement by rotation and re-election of a director is set down in the Company’s constitution. If a retiring director nominates for re-election, the Board, through the Remuneration and Nomination Committee will assess the performance of that director in their absence, and determine whether the Board will recommend a shareholder vote in favour of the re-election, or otherwise.

Details of each director standing for re-election, including their biographical details, relevant qualifications, experience and the skills, and other material directorships they bring to the Board are provided to shareholders to assess prior to voting on their re-election.

For new appointments, the Board, through the Remuneration and Nomination Committee identifies candidates with the appropriate expertise and experience, having regard to the weighted list of

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required directors' competencies as maintained by the Company. The Board will appoint the most suitable candidate, but the shareholders at the next annual general meeting of the Company must ratify the appointment. Shareholders are provided with all material information in the Notice of Annual General Meeting relevant to a decision on whether or not to elect or re-elect a director.

The Board will ensure appropriate checks are undertaken prior to making any new Board appointments. These will include checks as to the person's character, experience, education, criminal record and bankruptcy history.

The key terms, conditions and requirements are set out in a standard letter of appointment. New directors will be provided with an induction program specifically tailored to the needs of individual appointees. The program includes meetings with major shareholders, one-on-one meetings with the members of the management team and visits to key sites.

Directors are also encouraged to participate in continual improvement programs and are expected to highlight areas of activity that could potentially be improved.

Under MRCs' Constitution, voting requires a simple majority of the Board. The Chairman holds a casting vote.

The Company has procedures enabling any director or committee of the Board to seek external professional advice as considered necessary, at the Company's expense subject to prior consultation with the Chairman. A copy of any advice sought by a director would be made available to all directors.

### **Board and Management Effectiveness**

Responsibility for the overall direction and management of MRC, its corporate governance and the internal workings of MRC rests with the Board notwithstanding the delegation of certain functions to the Executive Chairman and CEO and management generally (such delegation effected at all times in accordance with MRC's Constitution and its corporate governance policies).

An evaluation procedure in relation to the Board, individual directors, Board Committees and Company executives has been adopted by the Board. An evaluation procedure took place during the year. The evaluation of the Board as a whole is facilitated through the use of a questionnaire required to be completed by each Board Member, the results of which were summarized and discussed with the Chairman of the Board and tabled for discussion at a Board Meeting. Similarly, each individual director was required to self-assess his performance and to discuss the results with the Chairman. The same procedure is undertaken for the Audit, Compliance and Risk Committee and the Remuneration and Nomination Committee.

To ensure management, as well as Board effectiveness, the Board, through the Remuneration and Nomination Committee has direct responsibility for evaluating the performance of the CEO. A formal evaluation of the CEO was undertaken in respect to the 2015 financial year. The review was undertaken by the Chairman of the Remuneration and Nomination Committee and involved the review of the CEO's performance against set criteria and discussed with the CEO. The results of the review were then tabled at a meeting of the Remuneration and Nomination Committee and a summary provided to the Board of the Company.

### **Financial Reporting, Internal Control and Risk Management**

The Board has overall responsibility for MRC's systems of internal control. These systems are designed to ensure effective and efficient operations, including financial reporting and compliance with laws

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and regulation, with a view to managing risk of failure to achieve business objectives. It must be recognized however that internal control systems provide only reasonable and not absolute assurance against the risk of material loss.

The Board reviews the financial position of MRC on a monthly basis. For annual financial statements, the CEO and the Chief Financial Officer (“CFO”) are required to state in writing that:

- the Company’s financial reports present a true and fair view, in all material respects, of the Company’s financial condition and operational results in accordance with the relevant accounting standards; and
- are founded on a system of risk management and internal compliance and control and the Company’s risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Management reports to the Board on the effectiveness of the Company’s management of material business risk through the provision of regular risk reports to the Board via the Audit, Compliance and Risk Committee. Each reportable risk is discussed ensuring appropriate mitigation strategies are implemented by the Group. Management and the Board interact on a day to day basis and risk is continually considered across the financial, operational and organisation aspects of the Company’s business. The Company considers the overall risk framework at each Audit Compliance and Risk Committee Meeting and will continue to monitor, assess and report its business risks.

The following are key risk areas that could have a material impact on the Company and its ability to achieve its objectives. These are not the only risks associated with the Company and there may be others from time to time that may also adversely affect future performance.

- **Country Risk:** The Company’s primary assets are located in South Africa. Potential changes in fiscal or regulatory regimes in South Africa may adversely affect the Company. The Company must also comply with local laws and administrative process which are subject to potential amendments from time to time. The Company adopts processes to mitigate these risks and continues to explore other opportunities in other jurisdictions to diversify its asset holdings.
- **Business Continuance Risk:** Various circumstances may arise which may lead to shut downs in operations, including plant failure, industrial action, in-country unrest, natural disasters, and continuance of licenses. Management and the Board continually assess these risks and ensure all appropriate mitigating actions are put in place. This is underpinned by various policies currently in place, and in respect to licenses, continued stakeholder engagement.
- **Financial Risks:** Like all mining entities, the Company faces risks relating to movement in interest rates, foreign exchange rates, and access to funds. The Company maintains tight treasury controls and budget processes. Other financial risks are reported in the financial statements.
- **Product Risk:** The pricing of the Company products are subject to many global factors. The Company actively markets its products itself in order to achieve the maximum possible value based on the prevailing market conditions. The Company is also assessing investment in downstream processing to add value to its concentrate products.
- **Development Risk:** The Company continues to assess other projects and in particular is actively seeking the development of its Xolobeni Mineral Sands Project. A failure to develop the project or seek alternate projects could impact the long term profitability and financial position of the Company. The Board continues to assess the progress of the Xolobeni project

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and will continue to review other opportunities in order to extend the Company’s operations beyond the existing assets.

The Company does not presently have an internal audit function. This is mitigated by the Board, through the Audit, Compliance and Risk Committee implementing the matters set out above in respect to risk and management, and having a primary responsibility to ensure that:

- The Company presents and publishes accounts, which present a true and fair view of its results and financial position;
- The accounting methods adopted are appropriate to the Company and consistently applied in accordance with relevant accounting standards and the applicable laws; and
- The appointment and performance of the external auditor is appropriately monitored to ensure independence and the serving of the interests of shareholders.

This requirement is assisted by the formal sign off from the CEO and CFO as noted above.

**Committees of the Board of Directors**

The Board established two permanent Board committees in February 2013 to assist the Board in the performance of its functions:

- (a) the Audit, Compliance and Risk Committee; and
- (b) the Remuneration and Nomination Committee.

Each committee has a charter, which sets out the Committee's purpose and responsibilities. The Committees are described further below.

**Audit, Compliance and Risk Committee**

The purpose of the Audit, Compliance and Risk Committee is to provide assistance to the Board in its review of:

- (a) MRC’s financial reporting, internal control structure and risk management systems;
- (b) the internal and external audit functions; and
- (c) MRC’s compliance with legal and regulatory requirements in relation to the above.

The Audit, Compliance and Risk Committee has specific responsibilities in relation to MRC’s financial reporting process; the assessment of accounting, financial and internal controls; the appointment of external auditor; the assessment of the external audit; the independence of the external auditor; and setting the scope of the external audit.

The Company’s external auditor is required to attend to the Company’s annual general meeting and make themselves available to answer questions from security holders relevant to the audit.

The Audit, Compliance and Risk Committee must comprise at least three non-executive directors that have diverse, complementary backgrounds, with two independent non-executive directors. The Chairman of the Audit, Compliance and Risk Committee must be an independent non-executive director.

The members of the Audit, Compliance and Risk Committee are: Mr Walker (Chairman), Mr Hastings, and Mr Torre.

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**Remuneration and Nomination Committee**

The purpose of the Remuneration and Nomination Committee is to discharge the Board's responsibilities relating to the nomination and selection of directors and the compensation of the Company's executives and directors.

The key responsibilities of the Remuneration and Nomination Committee are to:

- (a) ensure the establishment and maintenance of a formal and transparent procedure for the selection and appointment of new directors to the Board; and
- (b) establish transparent and coherent remuneration policies and practices, which will enable MRC to attract, retain and motivate executives and directors who will create value for shareholders and to fairly and responsibly reward executives.

The Remuneration and Nomination Committee must comprise at least three non-executive directors, two of which must be independent non-executive Directors. The Chairman of the Remuneration and Nomination Committee must be an independent non-executive director.

The members of the Remuneration and Nomination Committee are: Mr Hastings (Chairman), Mr Walker, and Mr Joseph Caruso.

The remuneration policy which sets out the terms and conditions for the CEO and other senior executives is set out in the Remuneration Report included in the Directors' Report.

**Timely and Balanced Disclosure**

MRC is committed to promoting investor confidence and ensuring that shareholders and the market have equal access to information and are provided with timely and balanced disclosure of all material matters concerning the Company. Additionally, MRC recognises its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act.

The Company's shareholders are responsible for voting on the appointment of directors. The Board informs shareholders of all major developments affecting the Company by:

- Preparing half yearly and annual financial reports and making these available to all shareholders;
- Preparing quarterly activity reports;
- Advising the market of matters requiring disclosure under Australian Securities Exchange Continuous Disclosure Rules;
- Maintaining a record of significant ASX announcements on the Company's website;
- Submitting proposed major changes in the Company's affairs to a vote of shareholders, as required by the Corporation Law;
- Reporting to shareholders at annual general meetings on the Company's activities during the year. All shareholders that are unable to attend these meetings are encouraged to communicate issues or ask questions by writing to the Company;
- Security holders are given the option to receive communications from and send communications

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to the Company's and its share registry electronically; and

- Undertaking various presentations to discuss the Company's activities.

The Company has adopted a formal disclosure policy. The Board and management are aware of their responsibilities in respect of identifying material information and coordinating disclosure of that information where required by the ASX Listing Rules.

**Ethical and Responsible Decision-Making**

**Code of Conduct**

The Board has created a framework for managing the Company including internal controls, business risk management processes and appropriate ethical standards.

The Board has adopted practices for maintaining confidence in the Company's integrity including promoting integrity, trust, fairness and honesty in the way employees and directors conduct themselves and MRCs' business, avoiding conflicts of interest and not misusing company resources. A formal Code of Conduct was adopted in February 2013.

**Diversity**

The Company employs a broad mix of individuals reflecting its philosophy of hiring the best candidate for all positions at all levels irrespective of race, religion or gender. In terms of the composition of the Board and Board nominations, the Board considers the Australian Securities Exchange Corporate Governance Principles as part of the overall Board appointment process of determining the composition of the Board that is the most appropriate for the Group.

The Company has implemented a diversity policy. The objective of the policy is for the Company to embrace the diversity of skills, ideas and experiences of an individual and recognise that a workforce is made up of people with differences in age, gender, sexual orientation, disability, religion or national origin or social origin contributes to MRC's success and organizational strength. It ensures all employees are treated with fairness and respect.

MRC is committed to embedding a corporate culture that embraces diversity through:

- Recruitment on the basis of competence and performance and selection of candidates from a diverse pool of qualified candidates;
- Maintaining selection criteria that does not indirectly disadvantage people from certain groups;
- Providing equal employment opportunities through performance and flexible working practices;
- Maintaining a safe working environment and supportive culture by taking action against inappropriate workplace and business behaviour that is deemed as unlawful (discrimination, harassment, bullying, vilification and victimization);
- Promoting diversity across all levels of the business;
- Undertaking diversity initiatives and measuring their success;
- Regularly surveying our work climate; and
- The Board establishing measurable objectives in achieving gender diversity.

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The Company currently employs 209 staff, with 48 females, representing 23%. There are no female directors. The Company has not yet set any measurable objectives however it has an extensive social and labour plan in South Africa which addresses these diversity objectives.

The development of people is the fundamental principle; enshrined in the business strategy. The Company provides opportunities and resources for employees to be fully developed in job disciplines that form part of the occupational structures of the operating subsidiaries. These opportunities pervade throughout and are not limited to a specific department or level.

The Company ensures that the highest caliber of management is of great importance to sustain the business.

The Company will assist employees in achieving their potential by supporting and mentoring them in their development. At the same time, meticulous attention is given to the requirements of the Legislation applicable thereto.

### **Regional and Local Economic Development/Socio-Economic Development**

The Company's wholly owned subsidiary, Mineral Sands Resources (Pty) Ltd (MSR) is committed towards contributing to the socio-economic activities of the immediate community and the region. Although the primary objective is to mine Heavy Minerals for the international and local markets, the business is managed in a manner that embodies value added compliance with all relevant legislative requirements and socio-economic responsibilities.

MSR's management will always endeavour to offer job opportunities to the local community and the labour sending area from which labour is sourced, Xolobeni, by the creation of direct and indirect jobs wherever the required skills and experience are present or developed. MSR will continue to afford job opportunities to the members of the local community and the labour sending area were such individuals meet the necessary recruitment criteria.

The promotion of local and Xolobeni sustainable development is a core objective of MSR'S Social & Labour Plan (SLP) and, as such, may be used as a general indicator to measure the success of this SLP. This performance indicator should focus particularly on the prevalence of livelihood opportunities for local people and Xolobeni people after mine closure, compared with the situation before the commencement of the operation.

### **Securities Trading Policy**

A Securities Trading Policy has been adopted by the Board to set a standard of conduct, which demonstrates MRC's commitment to ensuring awareness of the insider trading laws, and that employees and directors comply with those laws.

The Securities Trading Policy imposes additional share trading restrictions on directors, the Company Secretary, executives and employees involved in monthly financial accounting processes ("specified persons").

Under the Securities Trading Policy, specified persons are only permitted to buy and sell securities if they do not possess non-public price sensitive information and trading occurs outside of specified restricted periods. These periods are the periods commencing on the first day of the month before the end of the half-year or full year period and ending on the next business day after the announcement of the results for that period. In addition, before a specified person can deal in MRC's securities they must obtain clearance from the appropriate officer, confirming that there is no reason why they cannot trade.

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### Other Information

The ASX guidelines also prescribe that the Company should maintain a dedicated corporate governance information section on its website. Such a dedicated information section is available on the Company's website.

### MINERAL RESOURCE STATEMENT

The Company holds the following mining and prospecting rights:

Country	Location	Number	Type of Right	Status	Beneficial Interest
South Africa	Tormin	(WC)30/5/1/2/2/163 MR	Mining	Active	100%
	Tormin	(WC)30/5/1/2/2/162 MR	Mining	Active	100%
	Tormin	(WC)30/5/1/1/2/100 36PR	Prospecting	Active	100%
	Tormin	(WC)30/5/1/1/2/101 99PR	Prospecting	Active	100%
	Tormin	(WC)30/5/1/1/2/102 26PR	Prospecting	Under application	100%
	Tormin	(WC)30/5/1/1/2/102 29PR	Prospecting	Under application	100%
	Xolobeni	EC30/5/1/1/2/6PR	Prospecting	Approved	100%
	Kwanyana	EC30/5/1/1/2/10025 PR	Prospecting	Under Application	100%
	Xolobeni	EC30/5/1/1/2/10025 MR	Mining	Under Application	100%

The Company has no interests held in any farm-in or farm-out agreements.

**XOLOBENI** is located in the Eastern Cape Province of South Africa approximately 300km north of East London and 200km south of Durban.

The Company Reviews its Resources as at 31 December each year.

The Company considers any additional exploration or depletion of its Resources which would have a bearing on the total resource reported.

No exploration or production activity has been carried out at the Xolobeni Minerals Sands Project during the year. The Company is not aware of any new information or data that materially affects the information presented herein and confirms that all material assumptions and technical parameters

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underpinning the estimates in relation to the Xolobeni Mineral Sands Project continue to apply and have not materially changed. There were no additional Resources added to Xolobeni during the year. As such, the mineral resources for Xolobeni as at 31 December 2015 remain consistent with 31 December 2014.

During 2015 the company lodged a new mining right application (on 03/03/2015) over the whole Xolobeni resource area. As part of the application a full EIA investigation was started with considerable input and consultation with interested and affected parties. This process is currently ongoing but has been delayed due to intimidation by local opposition groups.

**TORMIN** is located on the west coast of South Africa, approximately 400km north of Cape Town.

The Company commissioned the Tormin Mineral Sands Project in January 2014. The Company has previously reported that a prospecting right for the offshore area immediately adjacent to Tormin was awarded towards the end of 2012. The offshore prospecting area covers an area of 12km<sup>2</sup>, extends 1km out to sea from the low-water mark and covers the full length of the existing 12km Tormin tenement. A new offshore prospecting right (1-10km offshore) was awarded on 11 September 2015 (PR 10119). Exploration drilling on the nearshore area is planned to start in June 2016.

Two new onshore prospecting rights were lodged during 2015 (PR 10226 & 10229). These areas have historical drilled resources of heavy mineral sands and will complement the existing long term plans for the Tormin mine.

The established geology of the region confirms that the source of the Tormin beach deposit is eroded paleo strandlines and Heavy Mineral-rich offshore zones. The dynamic tides and wave action serves to replenish the beaches by transporting sediment from deeper waters and concentrating the Heavy Mineral Sands (HMS) below the high water mark.

As previously noted, to date 99% of the beach mined has replenished through normal tidal movements.

Approximately 2.7m tonnes has been mined at the Tormin Mineral Sands Project to 31 December 2015, although included in those tonnages are areas which have been mined up to ten times or more.

The nature of the resource replenishment is typical of modern day beach placer deposits found along the West Coast of South Africa and the Southeastern Tamil Nadu coast of India. The Company is unable to report a replenishment grade or quantity under the 2012 JORC code. Resource replenishment is occurring as evident by mining of the same areas, but further data is needed to predict the long term trend of replenishment.

The Company continues to conduct grade reconciliation and sample grading on a daily basis as part of the mining operation to correlate between stated resource and actual resource in terms of quantity, grade and replenishment.

The Company has completed its second year of mining and processing at its Tormin Mineral Sands Project and further mining and production from replenished areas will provide greater detail and certainty on the validity of the replenished areas in the current year.

A reconciliation of the Tormin Resource is as follows: The remaining grade is based on 80 pit samples

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taken at the end of 2015 from mined areas that has undergone replenishment representing 83% of the resource blocks. Note individual minerals reported as percentage of the total resource.

Category	Resource Million Tonnes	Total Heavy Mineral %	Ilmenite (% in Resource)	Zircon (% in Resource)	Rutile (% in Resource)	Garnet (% in Resource)
<b>Indicated Resource – Dec 2013</b>	<b>2.70</b>	<b>49.4 %</b>	<b>10.6%</b>	<b>3.4%</b>	<b>0.7%</b>	<b>25.3%</b>
Tonnes Mined - 2014	1.07	53.83 %	17.26%	4.76%	0.65%	31.16%
<b>Inferred Resource – Dec 2014</b>	<b>2.70</b>	<b>38.14 %</b>	<b>10.05%</b>	<b>2.21%</b>	<b>0.46%</b>	<b>25.22%</b>
Tonnes Mined – 2015	1.62	49.57 %	16.15%	3.88%	0.60%	28.94%
<b>Inferred Resource – Dec 2015</b>	<b>2.70</b>	<b>28.01 %</b>	<b>6.97%</b>	<b>1.56%</b>	<b>0.55%</b>	<b>18.54%</b>

This inferred resource is based on the reasonable prospect for the economic extraction of the material, as has occurred during the past year. Re-mining of the area, that has undergone replenishment has been successfully done on the Tormin mine site up to 10 times, but remains untested outside this operation. The current replenishment dataset is of insufficient size and timeframe to allow this potential replenished resource to be classified and is therefore not JORC compliant.

Whilst initial exploration work has been undertaken on the replenished areas, the fact remains that the beach constantly changes with both tidal movement and mining.

The Tormin and Xolobeni Mineral Resources based on mined material reconciliation as at 31 December 2015 for the Tormin Resource is as follows – note individual minerals reported as a percentage of the total heavy mineral concentration.

PROJECT	Category	Resource Million Tonnes	Total Heavy Mineral %	Ilmenite (% in HM)	Zircon (% in HM)	Rutile (% in HM)	Garnet (% in HM)
<b>Tormin</b>	<b>Inferred</b>	<b>2.7</b>	<b>28.01 %</b>	<b>24.89%</b>	<b>5.56%</b>	<b>1.97%</b>	<b>66.19%</b>
Xolobeni	Measured	224	5.7%	54.5%			
	Indicated	104	4.1%	53.7%			
	Inferred	18	2.3%	69.6%			
Total Xolobeni		<b>346.0</b>	<b>5.0%</b>	<b>54.0%</b>			
<b>Total MRC</b>		<b>348.7</b>	<b>5.3%</b>	<b>53.8%</b>			

<b>Library Number</b>	<b>MRC-GVC-POL-0011</b>		
Release Number	0	Document Owner	Corporate Secretary
Release Date	06/06/2018	Document Approver	Executive Chairman

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**MINERAL RESOURCE AND ORE RESERVE GOVERNANCE**

Mineral Resources and where applicable, Ore Reserves, are estimated by suitable qualified MRC personnel in accordance with the JORC Code, using industry standard techniques.

All Mineral Resource estimates and supporting documentation are reviewed by external Competent Persons. Any amendments to the Mineral Resource Statement to be included in the Annual Report is reviewed by a suitably qualified Competent Person.

The mineral resource estimations previously reported under JORC 2004 for the Tormin Resource, are re-presented with updated disclosure of Table 1 from JORC 2012.

**COMPETENT PERSON**

The information in this announcement which relates to Exploration Results, Mineral Resources or Ore Reserves for Xolobeni is based on information compiled by Mr Allen Maynard, who is a Member of the Australian Institute of Geosciences (“AIG”), a Corporate Member of the Australasian Institute of Mining & Metallurgy (“AusIMM”) and independent consultant to the Company. Mr Maynard is the Director and principal geologist of Al Maynard & Associates Pty Ltd and has over 35 years of exploration and mining experience in a variety of mineral deposit styles. Mr Maynard has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves” (JORC Code). This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. Mr Maynard consents to inclusion in the report of the matters based on this information in the form and context in which it appears.

The information in this announcement which relates to Exploration Results, Mineral Resources or Ore Reserves for Tormin is based on information compiled by Mr Adriaan Du Toit, who is a Member of the Australian Institute of Mining & Metallurgy (AusIMM) and an independent consultant to the Company. Mr du Toit is the Director and principle geologist of AEMCO PTY LTD and has over 24 years of exploration and mining experience in a variety of mineral deposits and styles. Mr du Toit has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012 Edition). The information from Mr du Toit was prepared under the JORC Code 2012 Edition. Mr du Toit consents to inclusion in the report of the matters based on this information in the form and context in which it appears.

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**JORC CODE – 2012 EDITION Table 1 : Section 3 Estimation and Reporting of Mineral Resources**

Criteria	JORC Code explanation	Commentary
<i>Database integrity</i>	<ul style="list-style-type: none"> <li>Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes.</li> <li>Data validation procedures used.</li> </ul>	<ul style="list-style-type: none"> <li>All field and lab results obtained and entered into the onsite database is verified by a supervisor. All results are double checked and verified. A standard is made on the site and sent to the laboratory with each batch of samples as a quality check. External calibration is done every 6 months.</li> <li>The current mine grade database for 2015 consist of 322 volume and grades analyses suites for each mined blocks and 228 grade control sample suites taken to verify remaining grades over the resource area.</li> </ul>
<i>Site visits</i>	<ul style="list-style-type: none"> <li>Comment on any site visits undertaken by the Competent Person and the outcome of those visits.</li> <li>If no site visits have been undertaken indicate why this is the case.</li> </ul>	<ul style="list-style-type: none"> <li>A site visit was undertaken by the competent person to the mine, geology department, mine laboratory and head office during October 2015. Open pits, in situ samples, ROM and product were reviewed during the site visits.</li> </ul>
<i>Geological interpretation</i>	<ul style="list-style-type: none"> <li>Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.</li> <li>Nature of the data used and of any assumptions made.</li> </ul>	<ul style="list-style-type: none"> <li>Resource volume reconciliation from 2015 production data compare favourable with earlier resource estimates by Steemson, 2006 &amp; 2007 and work done by the Trans Hex</li> </ul>

Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> <li>• <i>The effect, if any, of alternative interpretations on Mineral Resource estimation.</i></li> <li>• <i>The use of geology in guiding and controlling Mineral Resource estimation.</i></li> <li>• <i>The factors affecting continuity both of grade and geology.</i></li> </ul>	<p>Group.</p> <ul style="list-style-type: none"> <li>▪ RC drilling data undertaken by Trans Hex was used and compared with 21 bulk samples to produce the 2007 resource statement.</li> <li>▪ Mine production grade data from 2014 was compared with resource data and a regression analysis done on the XY plots. A very low correlation was found (R2=0.006).</li> <li>▪ The average total HMS mined grade during 2015 was 30% higher than that of the December 2014 inferred resource statement (49.81% mined against 38.14% inferred).</li> <li>▪ The average Zircon grade mined during 2015 was 75% higher than that of the December 2014 inferred resource statement (3.88% mined against 2.21% inferred).</li> <li>▪ Continuity of grade outside the block model is not proven and has therefore not been included in the resource model.</li> <li>▪ The bottom of the resource (being a placer deposit) is limited by the bedrock contact and coastal cliffs. The resource is open towards the ocean surf zone.</li> </ul>

Criteria	JORC Code explanation	Commentary
<i>Dimensions</i>	<ul style="list-style-type: none"> <li><i>The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.</i></li> </ul>	<ul style="list-style-type: none"> <li>The deposit has a strike length along the coastline within the mining lease of ~9000m and an average width from the cliff to within the surf zone of 123m. It is developed from surface to a maximum depth of 6.25m. The average resource thickness is 3.5m.</li> </ul>
<i>Estimation and modelling techniques</i>	<ul style="list-style-type: none"> <li><i>The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.</i></li> <li><i>The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.</i></li> <li><i>The assumptions made regarding recovery of by-products.</i></li> <li><i>Estimation of deleterious elements or other non-grade variables of economic significance (eg sulphur for acid mine drainage characterisation).</i></li> </ul>	<ul style="list-style-type: none"> <li>The 2007 Steemson resource was interpreted using the data and results from 236 hand auger holes (402.3m) and 336 reverse circulation holes (1049.35m) drilled during 1989 to 1991 by Trans Hex. The current resource was signed off on 31 October 2011 by Mr Allen Maynard as the competent person. Mr Maynard is the director and principle geologist of Al Maynard &amp; Associates Pty Ltd (Perth, WA).</li> <li>All original analyses were conducted by MINTEK using microscopic point counting-, x-ray and scanning electron microprobe techniques.</li> <li>Bulk sampling done by MSR in 2005 were sent to SGS Johannesburg for grain counting. Bulk sampling was used to confirm the historical Trans Hex data and results. The bulk sample results were generally the same or better than the Trans Hex drilling results.</li> </ul>

Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> <li>• <i>In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.</i></li> <li>• <i>Any assumptions behind modelling of selective mining units.</i></li> <li>• <i>Any assumptions about correlation between variables.</i></li> <li>• <i>Description of how the geological interpretation was used to control the resource estimates.</i></li> <li>• <i>Discussion of basis for using or not using grade cutting or capping.</i></li> <li>• <i>The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.</i></li> </ul>	<ul style="list-style-type: none"> <li>• An analysis cut off of 0.1% zircon (MINTEK) was used and a resource cutoff grade of 0.3% zircon (Steemson, 2007).</li> <li>• Resource modeling was done using only RC drilling results using a polygonal method. Resource blocks were constructed in the southern mining area so that they were orthogonal to the drill traverses. In the northern area, resource block are trapezoidal in plan view. Resource blocks were extended half way between drill lines and 10m from the drill holes in section.</li> <li>• Recovery studies (three stage spiral circuit) by Multotec and Mintek in 2012 showed that an overall circuit can produce a concentrate of 11.66% Zircon into 60.8% of the feed mass with a Zircon recovery of 86.6%. Metallurgical sizing work was done in 2005 by Bateman Minerals Ltd.</li> <li>• Mine production during 2015 achieved a 62-67% Zircon recovery (32,422 tonnes from a head feed containing ~52,458 tonnes).</li> <li>• Reconciliation of 2015 mine production data (January to December 2015) with the 2014 resource model data indicate a 30% higher HMS concentrate (49.57%) than the average 38.14% HMS grade predicted.</li> </ul>

Criteria	JORC Code explanation	Commentary
Moisture	<ul style="list-style-type: none"> <li>Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.</li> </ul>	<ul style="list-style-type: none"> <li>The resource tonnages are based on a dry basis. Most of the material is fully saturated when mined but are free draining.</li> <li>There is no stripping ratio as material is from surface onto bedrock.</li> <li>Natural replenishment of the resource is taking place as the open pits are filled with HMS material from the surf zone during the next high tide. Current data indicates no correlation (<math>R^2=0.04</math>) between the original resource grade and the replenishment grade for the same mine block area.</li> <li>In general it appears that replenishment is erratic and unpredictable. In some areas zircon grade replenishment may only be 35%, while in other areas there are a 34% increase over and above the original zircon concentration. Replenishment appears to be mainly a function of time and the number of sea storm events. Given enough time between mining events the resource is still replenishing although the long term trend is a lowering in grade.</li> </ul>

Criteria	JORC Code explanation	Commentary
		<ul style="list-style-type: none"> <li>Over the past 2 years some mining blocks have now been mined up to 10 times or more.</li> <li>During 2015 there was a 0.29% difference between mined zircon grade and processed material grade. This is insignificant over a long period as the zircon variance is below 0.5% on an annual basis.</li> </ul>
<p><i>Metallurgical factors or assumptions</i></p>	<ul style="list-style-type: none"> <li><i>The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.</i></li> </ul>	<ul style="list-style-type: none"> <li>Extensive metallurgical testing has been done before the current processing plant that is now in operation were designed. These include the following studies:</li> <li>2002 -2003 Spiral test work and trials by Multotec Process Equipment (Pty) Ltd and Mintek – Johannesburg.</li> <li>2003 Grain analysis by SGS Lakefield including THM, Magnetic Separation and XRF analyses. Also ilmenite fraction analyses for smelter feedstock.</li> <li>2003 Magnetic separation work by Diamantina laboratory in Perth</li> </ul>

Criteria	JORC Code explanation	Commentary
		<ul style="list-style-type: none"> <li>▪ 2005 Bateman Minerals (Pty) Ltd electrostatic separation study</li> <li>▪ 2007 Processing and recovery tests by Titanatek Pty Ltd - Queensland</li> <li>▪ 2007 &amp; 2009 Metallurgical testwork by AMMTEC Ltd – Australia</li> <li>▪ 2007 Metallurgical upgrade test work by Multotec Process Equipment Pty Ltd – Kempton Park, RSA.</li> </ul>
<p><i>Environmental factors or assumptions</i></p>	<ul style="list-style-type: none"> <li>• <i>Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.</i></li> </ul>	<ul style="list-style-type: none"> <li>• The mine has an approved environmental management programme and has been subject to an environmental impact assessment. There are no environmental directives in place against the mining operation.</li> <li>• There is a 10m stability buffer zone between the coastal cliffs and the beach where no mining is allowed. It would appear that the original resource model allowed for at least a 5m buffer zone.</li> <li>• Two conservation areas have been proposed in the mining area where no mining is allowed. This has not resulted in any part of the current indicated resource being sterilized.</li> </ul>

Criteria	JORC Code explanation	Commentary
		<ul style="list-style-type: none"> <li>▪ All mining voids get naturally filled with beach sand material during high tide and there is therefore no rehabilitation liability in this regard.</li> <li>▪ Tailings get dumped onto the beach where it is distributed and settled along the coastline under natural wave and sea current action. There are no pollutants introduced with the tailings and the material is inert.</li> </ul>
<i>Bulk density</i>	<ul style="list-style-type: none"> <li>• <i>Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.</i></li> <li>• <i>The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and differences between rock and alteration zones within the deposit.</i></li> <li>• <i>Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.</i></li> </ul>	<ul style="list-style-type: none"> <li>▪ The bulk density is based on an accurate calculation of the specific gravity of the silica and heavy mineral sand content fraction of each sample. It is therefore not a fixed density and appears to fluctuate between 1.9 and 2.4 as per the formula below:</li> <li>▪ <math>SG = 1.5 + (0.009 \times HM)</math>.</li> </ul>
<i>Classification</i>	<ul style="list-style-type: none"> <li>• <i>The basis for the classification of the Mineral Resources into</i></li> </ul>	<ul style="list-style-type: none"> <li>• The original resource classification was an indicated resource.</li> </ul>

Criteria	JORC Code explanation	Commentary
	<p><i>varying confidence categories.</i></p> <ul style="list-style-type: none"> <li><i>Whether appropriate account has been taken of all relevant factors (ie relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).</i></li> <li><i>Whether the result appropriately reflects the Competent Person's view of the deposit.</i></li> </ul>	<ul style="list-style-type: none"> <li>It was based on historical drilling and bulk sampling.</li> <li>The original resource were signed off in 2011 by Mr Allen Maynard of Al Maynard &amp; Associates Pty Ltd as the competent person on the resource statement.</li> <li>A review of the resource during 2014 by du Toit of AEMCO resulted in the resource being downgraded into an inferred category due to the impact from mining and replenishment.</li> </ul>
<p><i>Audits or reviews</i></p>	<ul style="list-style-type: none"> <li><i>The results of any audits or reviews of Mineral Resource estimates.</i></li> </ul>	<ul style="list-style-type: none"> <li>The current inferred JORC resource of 2.7 million tonnes compares very favourably with the June 1992 Historical Foreign Estimate (HFE) by A van den Westhuizen and PD Danchin that classified the Geelwal (Steenvas) and Karoo (Geelwal) area into 3,003,881 tonnes proven, 221,088 tonnes indicated and 891,528 tonnes inferred. A total HFE resource of 4.1 million tonnes @ 30% HM.</li> <li>Another HFE in 1998 by Trans Hex (Barnex – RBM) reported an estimated resource of 6 million tonnes @ 2.78% zircon.</li> <li>Anglovaal reported in 1983 a resource of 11.8 million tonnes @ 8.4% zircon over 5m depth over the same area.</li> </ul>

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Criteria	JORC Code explanation	Commentary
		<ul style="list-style-type: none"><li>• The latest resource statement by du Toit in December 2014 has been reviewed and the resource will remain in the inferred category with the same resource tonnage but the grades have been adjusted as per the resource table.</li><li>• Over the past two years 2.70 million tonnes of material have been mined. This material has been replaced through beach replenishment.</li><li>• The current inferred zircon resource grade of 1.56% HM is lower than the 2014 grade of 2.21% and the 2013 grade of 3.4%.</li></ul>

Criteria	JORC Code explanation	Commentary
	<p><i>confidence of the estimate.</i></p> <ul style="list-style-type: none"> <li><i>The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.</i></li> <li><i>These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.</i></li> </ul>	<p>Estimates have been produced e.g. Geological Survey Bulletin #25 of 1957.</p> <ul style="list-style-type: none"> <li>The current JORC resource statement represent the lowest tonnage reported in comparison to HFE and appear to be conservative. Estimated resource grades also appear to be conservative as production grades of HMS during 2015 is 30% higher than the 2014 resource grade (49.57% against 38.14%).</li> </ul>