

## Principles contained in the King III Report

The MRI Group, the Board and the individual directors support implementing best governance principles and practices throughout the MRI Group.

The board continues to subscribe to the values of good corporate governance as set out in the King Report on governance in South Africa 2009 and those prescribed by the JSE Listings Requirements. The aim is to maintain the highest standards of integrity to ensure that the principles set out in King III are observed and implemented.

While the board is of the opinion that the MRI Group complies in all material respects with the principled unbodied in King III and the additional requirements for corporate governance stipulated by the JSE. Where specific principles have not been applied explanations for those are provided below.

#	Principles	Apply	Application of Principles
<b>Ethical Leadership and Corporate Citizenship</b>			
1	Effective leadership based on an ethical foundation	✓	The board's actions are guided by its memorandum of incorporation as well as the company values and the company code of ethics, as established and adopted by the companies Social and Ethics committee. The board's ethical approach is further strengthened by its diverse membership.
2	Responsible corporate citizen	✓	The Board established the Company's Social and Ethics Committee in February 2012 to assist the Board in ensuring that the MRI Group is and remains a good and responsible corporate citizen and to perform the statutory functions required of a social and ethics committee in terms of the Companies Act.
3	Effective management of Company's ethics	✓	The Board established the Company's Social and Ethics Committee in February 2012 to assist the Board in ensuring that the MRI Group is and remains a good and responsible corporate citizen and to perform the statutory functions required of a social and ethics committee in terms of the Companies Act.
4	Assurance statement on ethics in integrated annual report	✓	The Social and Ethics Committee assesses the Company's ethics performance and the findings reported to the Board. The Board similarly includes a statement of findings in the annual report for its external stakeholders.
<b>Board of directors</b>			
5	The Board is the focal point for, and custodian of corporate governance	✓	Up to the date of this report, the focus of the directors was on implementing and maintaining effective corporate

		governance of MRI whilst at the same time providing support to operations staff in the execution of its coal briquetting project.
6	Strategy, risk, performance and sustainability are inseparable	✓ The board together with its audit and risk committee reviews and approves strategy, helping to ensure alignment with the purpose of the company, the legitimate interests and expectations of its stakeholders.
7	Directors act in the best interest of the Company	✓ The board's collective experience and expertise enables it to fulfil its duties and responsibilities.
8	The Chairman of the board is an independent non-executive director	✓ The King III report states that the Chairman of the board should be an independent non-executive director. Mr Quinton George, who is a non-executive director, is the Chairman of the Board, but he is not independent. It is the view of the board that the non-independence of the Chairman is a positive factor whose perspective is aligned with long term interests of shareholders. Mr Chris Roed has been appointed as the Companies Lead Independent director.
9	Framework for the delegation of authority has been established	✓ The board appointed the CEO.  The role and function of the CEO is formalised and the performance of the CEO is evaluated against the criteria specified by the board.
10	The board comprises a balance of power, with majority of non-executive directors, the majority of whom are independent	✓ The predominance of non-executive directors on the board helps maintain a balance of power and ensures independent decision-making.
11	Directors are appointed through a formal process	✓ Appointments to the Board are currently based on the needs of the Company as assessed from time to time. Consideration is given to their qualifications when nominating prospective directors. Appointments are made at shareholders meetings and by the Board with subsequent confirmation by shareholders in a shareholders meeting.
12	Formal induction and on-going training of directors is conducted	✓ Statements on training/advice are provided by the company secretary.
13	The Board is assisted by a competent, suitably qualified and experienced Company Secretary	✓ The Board is of the opinion that the member of the management team at Neil Esterhuysen and Associates Attorneys

		has the requisite attributes, experience and qualifications to effectively fulfil the MRI Group's responsibilities of the Company Secretary.
14	Regular performance evaluation of the board its committees and the individual directors	The Board will be considering the introduction of board, committee and individual evaluation during the forthcoming year. As there have been significant changes in the management of the Company, the board, committees and individual evaluation will commence near future.
15	Appointment of well-structured committees and oversight of key functions	✓ Provides strategic directions and delegates certain powers to management. Directors have the authority to delegate certain of their duties, either externally or internally, in order to perform their duties.
16	An agreed governance framework between the group and its subsidiary boards is in place	The Board intends to approve a delegation of authority framework which includes its subsidiary companies.
17	Directors and executives are fairly and responsibly remunerated	✓ Due to the size of the company, the board assumed the responsibility of the remuneration and nominations committee.  The board reviews and approves remuneration of executive directors and senior management, proposes non-executive fees.  The director's fees are disclosed in the annual financial statement and approved by shareholders at the yearly annual general meeting.
18	Remuneration of directors and senior executives is disclosed	✓ Remuneration is disclosed in the annual report and circulars.
19	The remuneration policy is approved by shareholders	✓ A resolution is put to shareholders at the annual general meeting for shareholders to vote on the remuneration policy.
20	The board should ensure that there is an effective risk- based internal audit	✓ After review of the Company's internal control process and consideration of the nature of the Company and lack of trading activity, the Board did not identify the need to establish a formal internal audit process.
21	The board should report on the effectiveness of the systems of internal control	✓ The executive directors will conduct an annual review of the MRI Group's

internal controls when the projects become operational. As a result, no findings were presented to the CARC. Such a review would normally cover financial, operational and compliance controls, as well as a review of the risk management policies and procedures of the Company and will be implemented.

22 The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act

✓ The board through its Audit and Risk committee assesses the Group's going concern status annually.

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**Audit Committee**

23 Effective and independent

✓ The audit and risk committee has clear terms of reference, approved by the board, which informs the audit and risk Committee of its agenda and work plan and is chaired by the lead independent non-executive director, Mr Chris Roed.

The external auditor attends all audit and risk committee meetings.

24 Suitably skilled and experienced independent non-executive directors

✓ The Board and Chairman of the Audit Committee are satisfied that the Committee members have appropriate qualifications and skill to fulfil their duties. Committee members are encouraged to keep up to date with developments etc. The External Auditors assist in this regard. This aspect is covered in the approved Terms of Reference. The Board and Chairman of the Audit Committee are satisfied that the Committee members have appropriate qualifications and skill to fulfil their duties. Committee members are encouraged to keep up to date with developments etc. The External Auditors assist in this regard. This aspect is covered in the approved Terms of Reference.

25 Chaired by an independent non-executive director

✓ The King III Report recommends that the chairman of the board should not be the chairman of the audit committee; the Company complies with this requirement.

26 Oversees integrated reporting

✓ This forms part of the committee's terms of reference.

27 A combined assurance model is applied to improve efficiency in assurance activities

✓ This forms part of the committee's terms of reference.

28	Satisfied itself on the expertise, resources and experience of the company's finance functions	✓	The audit and risk committee reviews the appropriateness of the expertise and adequacy of the resources within the finance function and the experience of the senior members of management responsible for the financial function.
29	Oversees internal audit process	✓	Internal audit is a function of the audit and risk committee. This forms part of the committee's terms of reference. The chairperson of the audit and risk committee reports to the board of directors regarding progress made.
30	Integral to the risk management process	✓	Risk management is included and considered at each meeting of the Audit and Risk committee.
31	Oversees the external audit process	✓	The re-appointment of the auditor or the appointment of a new auditor is considered by the Audit and Risk Committee
32	Reports to the board and shareholders on how it has discharged its duties	✓	Audit committee gives feedback to board in terms of standard agenda item of Board.
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	<b>Internal Audit</b>		
33	The board should ensure that there is an effective risk based internal audit	✓	After review of the Company's internal control process and consideration of the nature of the Company and lack of trading activity, the Board did not identify the need to establish a formal internal audit process.
34	Internal audit should follow a risk based approach to its plan	✓	After review of the Company's internal control process and consideration of the nature of the Company and lack of trading activity, the Board did not identify the need to establish a formal internal audit process.
35	Internal audit should provide a written assessment to the audit committee on the adequacy of internal controls	✓	After review of the Company's internal control process and consideration of the nature of the Company and lack of trading activity, the Board did not identify the need to establish a formal internal audit process.
36	The audit committee should be responsible for the oversight of internal audit	✓	After review of the Company's internal control process and consideration of the nature of the Company and lack of trading activity, the Board did not identify

37 Internal audit should be strategically positioned to achieve its objectives	✓	<p>the need to establish a formal internal audit process.</p> <p>After review of the Company's internal control process and consideration of the nature of the Company and lack of trading activity, the Board did not identify the need to establish a formal internal audit process.</p>
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<b>Ethical Leadership and Corporate Citizenship</b>	<b>Apply</b>	<b>Application of Principle</b>
<b>Compliance with Laws, codes, rules and standards</b>		
38 The board ensures that the company complies with relevant laws	✓	<p>The MRI Group is committed to high moral, ethical and legal standards and expects all representatives of the MRI Group to act in accordance with the highest standards of personal and professional integrity in all aspects of their activities and to comply with all applicable laws, regulations and the Company's policies. The company is advised by its Company Secretary and Designated advisor on any developments in law applicable on the company.</p>
39 Compliance risk forms an integral part of the company's risk management process	✓	<p>The risk of non-compliance forms part of the risk management process.</p>
40 The board has delegated to management the implementation of an effective compliance framework and processes	✓	<p>The Companies compliance function is managed by the company secretary and designated advisors.</p>
<b>Governing Stakeholder Relationships</b>		
41 Appreciation of stakeholders' relationships	✓	<p>The board considers on an ongoing basis the feedback regarding the perceptions of key shareholders and particular stakeholder groups.</p> <p>The Board in conjunction with the CEO and management have identified important stakeholders.</p> <p>Engagements with stakeholders are aimed at establishing open, interactive and mutually beneficial relationships. There are formal and informal mechanisms for constructive stakeholder engagement with the company and shareholders are encouraged to attend the Annual General Meeting.</p>
42 There is an appropriate balance between its	✓	<p>MRI aims to achieve an appropriate</p>

various stakeholder groupings	balance between various stakeholder groupings' interests and expectations, in taking decisions in the best interest of the Company.
43 Equitable treatment of stakeholders	✓ Shareholders are treated equally.
44 Transparent and effective communication to stakeholders	✓ MRI is committed to transparent and effective communication with all stakeholder groups. Such communication takes place through formal and informal channels; and through general as well as direct communication initiatives, including group and individual meetings.
45 Disputes are resolved effectively and timeously	✓ MRI endeavours to resolve disputes in an effective and efficient manner, through partially formalised processes and management action.

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**The Governance of Information Technology**

46 The board is responsible for information technology (IT) governance	The board of directors acknowledge the need for information technology governance and this will be considered as the company grows.
47 IT is aligned with the performance and sustainability objectives of the company	Due to the size of the company this will be considered and expanded as the company grows.
48 Management is responsible for the implementation of an IT governance framework	Due to the size of the company this will be considered and expanded as the company grows.
49 The board is responsible for information technology (IT) governance	Due to the size of the company this will be considered and expanded as the company grows.
50 IT is aligned with performance and sustainability objectives of the company	Due to the size of the company this will be considered and expanded as the company grows.
51 Management is responsible for the implementation of an IT governance framework	Due to the size of the company this will be considered and expanded as the company grows.
52 The board monitors and evaluate significant IT investments and expenditure	Due to the size of the company this will be considered and expanded as the company grows.
53 IT is an integral part of the group risk management	Due to the size of the company this will be considered and expanded as the company grows.

54	IT assets are managed effectively		Due to the size of the company this will be considered and expanded as the company grows.
55	The risk management committee and audit committee assist the board in carrying out its IT responsibilities		Due to the size of the company this will be considered and expanded as the company grows.

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**The Governance of Risk**

56	The Board is responsible for the governance of risk and setting levels of risk tolerance	✓	This forms part of the committee's terms of reference.
57	The audit committee assists the board in carrying out its risk responsibilities	✓	The committee is required to provide comfort to the Board that adequate and appropriate financial and operating controls are in place, that significant business, financial and other risks.
58	The Board delegates the process of risk management to management	✓	The responsibility regarding the risk management plan currently resides with the executive management of the company. Reports of the key risks are presented to the risk committee.
59	The board ensures that risk assessments and monitoring is performed on a continual basis	✓	Risk assessments are conducted annually.
60	Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	✓	The audit and risk committee considers and evaluate risk on an ongoing basis.
61	Management implements appropriate risk responses	✓	Managements risk responses provide for the identification and exploitation of opportunities to improve the performance of the Company.
62	The Board receives assurance on the effectiveness of the risk management process	✓	Key risks are reported by the executive management to the Audit and Risk committee and board.
63	Sufficient risk disclosure to stakeholders	✓	This forms part of the risk reports presented to the Audit and Risk committee and board.

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**Integrated Reporting and Disclosure**

64	Ensures the integrity of the Group's integrated annual report	✓	The board approves the integrated report upon recommendation of the audit committee.
65	Sustainability reporting and disclosure is integrated with the Group's financial reporting		This will be considered once integrated reporting has reached a mature state.
66	Sustainability reporting and disclosure is independently assured		This will be considered once integrated reporting has reached a mature state.

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