

RESULTS PRESENTATION

FOR THE SIX MONTHS ENDED 30 JUNE 2017

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MERAFE
RESOURCES

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Agenda

- 01 Key Highlights
- 02 Market Review
- 03 Operational Review
- 04 Financial Review
- 05 Outlook

01

Key Highlights

Solid performance in an uncertain environment

Safety

- Regrettably, one fatality
- 9% improvement in TRIFR since Dec'16

Operational

- 10% y-o-y increase in production, reaching a record high
- Costs well managed within a high mining inflation environment

Market

- Volatile pricing environment as market readjusts
- Growth in stainless steel production underpins industry outlook

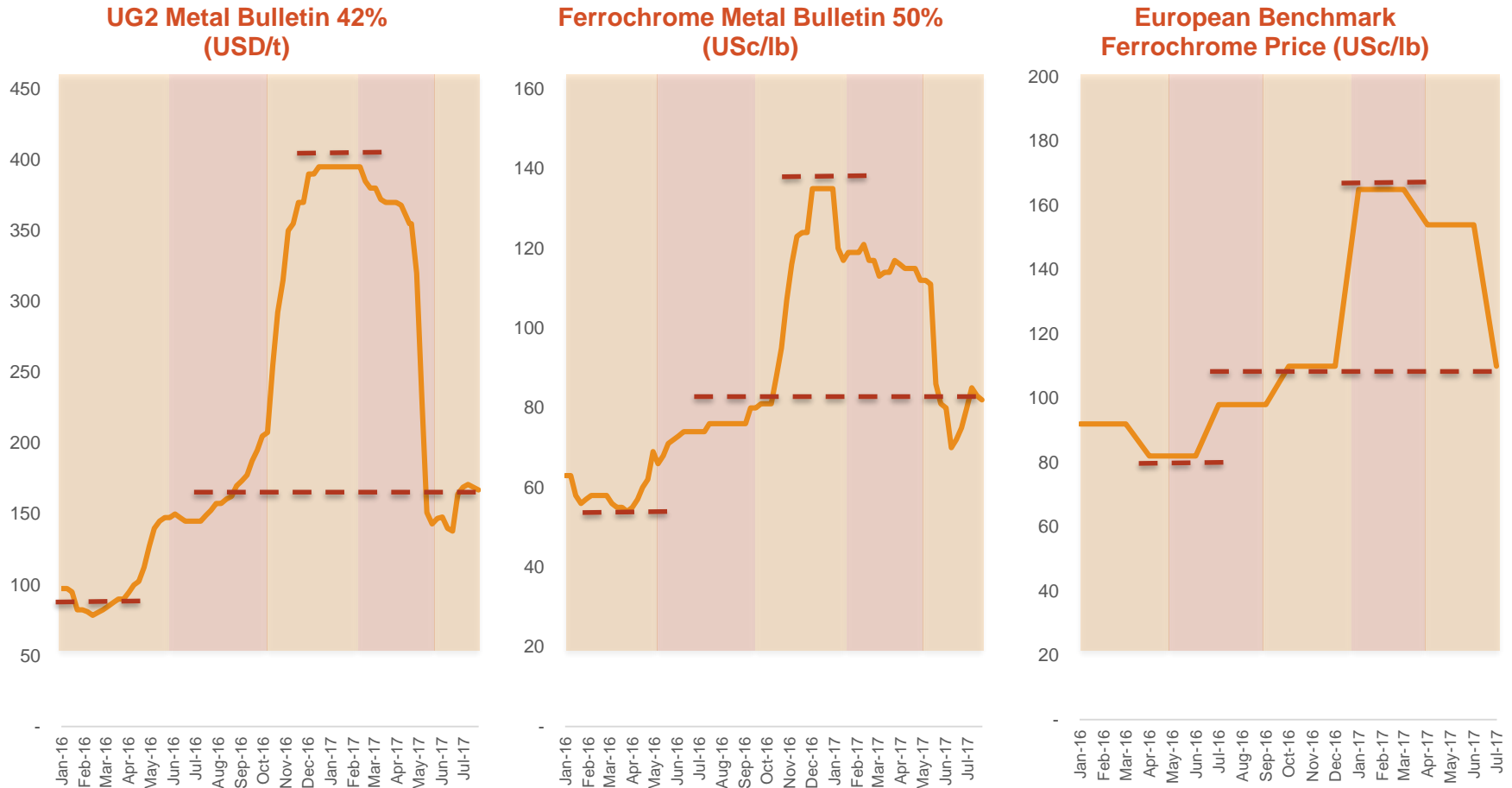
Financial

- 7% y-o-y increase in Revenue
- 30% y-o-y increase in cashflow from operating activities
- 49% reduction in Net Debt from Dec'16
- Declared interim cash dividend of R 75.3m

02

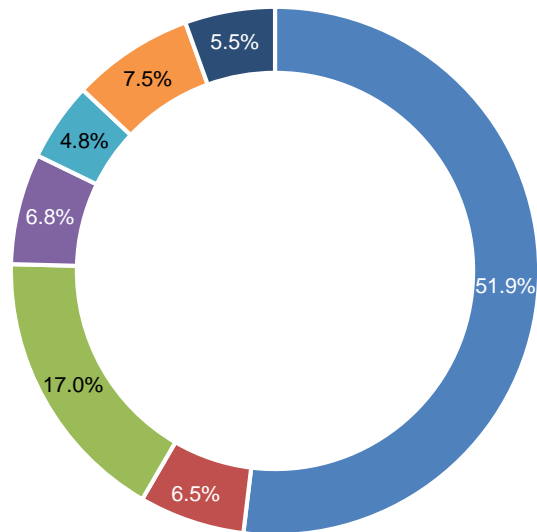
Market Review

Pricing environment adjusts following unprecedented run in Q4 2016



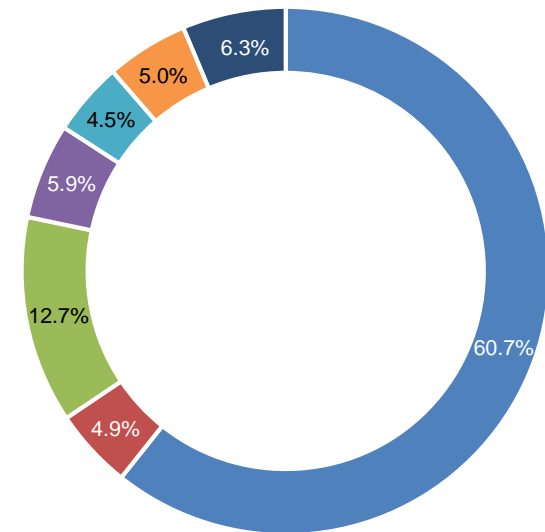
China the critical influencer accounting for 52% of global stainless steel production in H1 2017

Global Stainless Steel Production
(H1 2017)



■ China ■ NAFTA ■ Europe ■ Japan
■ South Korea ■ India ■ Other

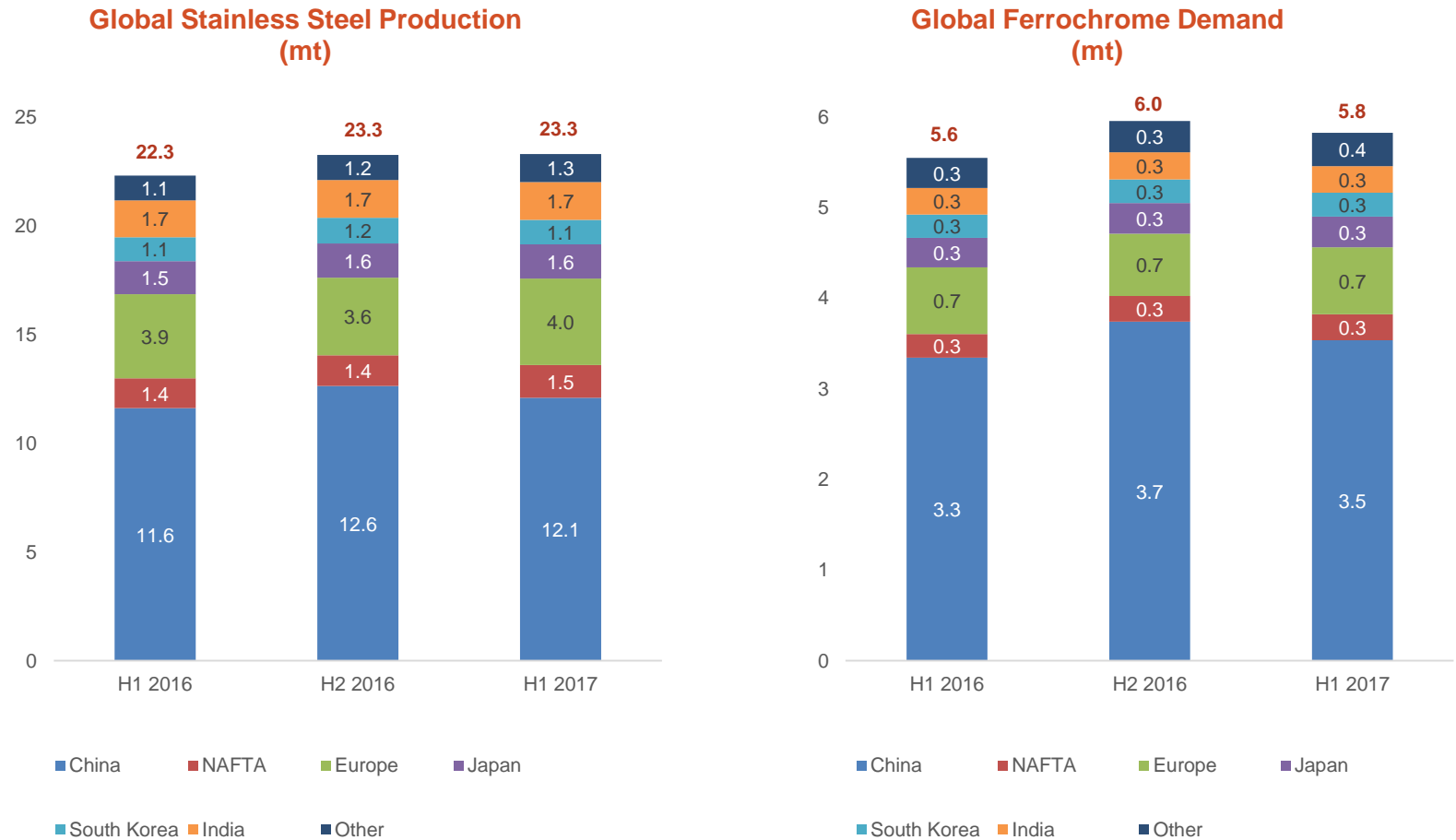
Global Ferrochrome Demand
(H1 2017)



■ China ■ NAFTA ■ Europe ■ Japan
■ South Korea ■ India ■ Other

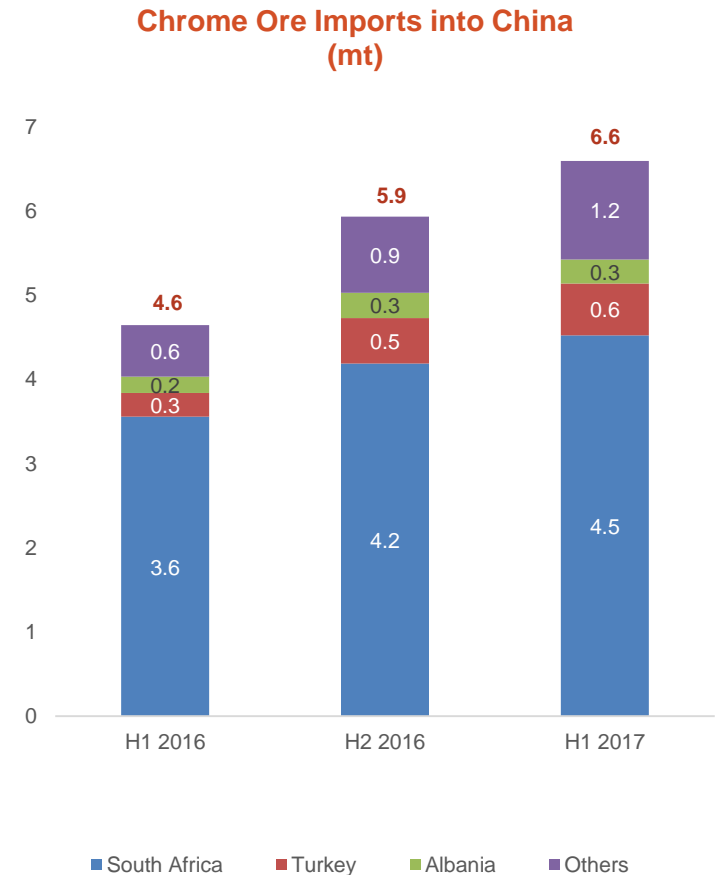
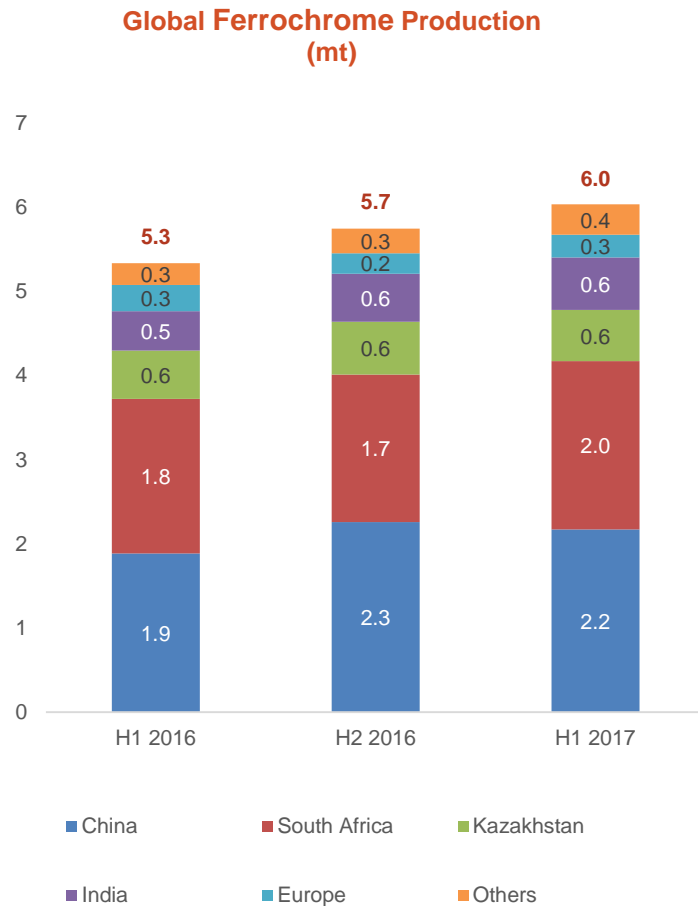
Source: CRU

Industry fundamentals remain solid as ferrochrome demand tracks stainless steel production



Source: CRU

Ferrochrome production reacted to market conditions; Ore imports into China also increased



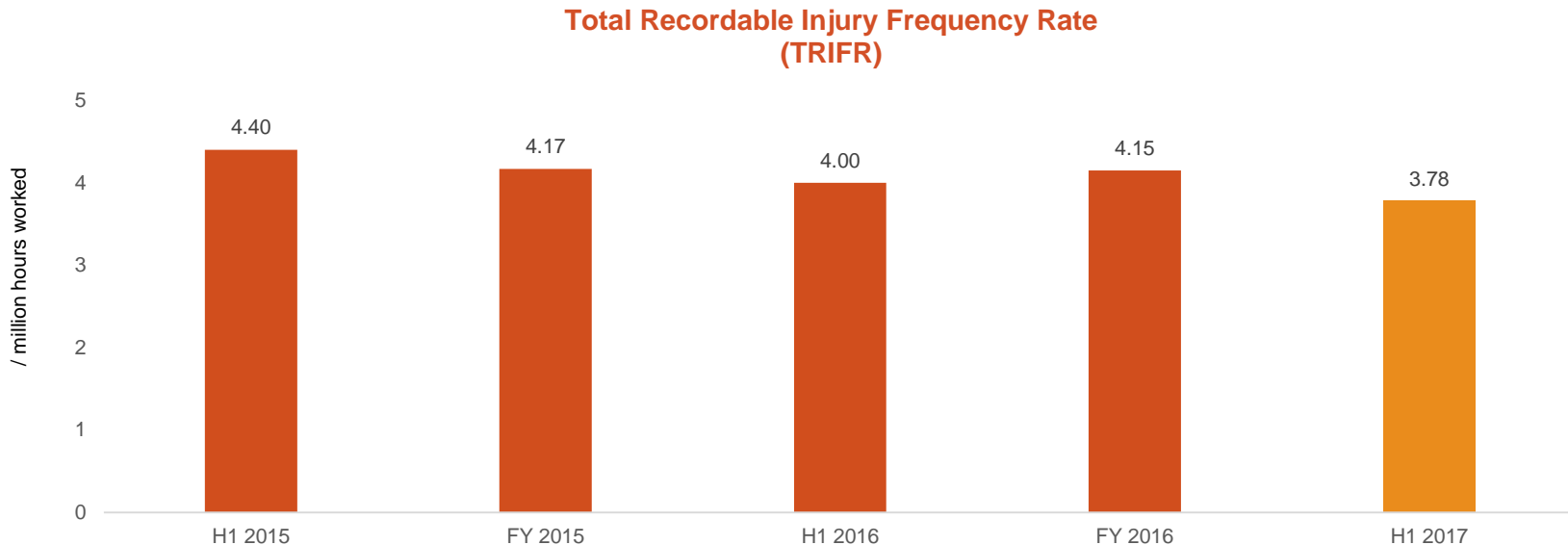
Source: CRU

03

Operational Review

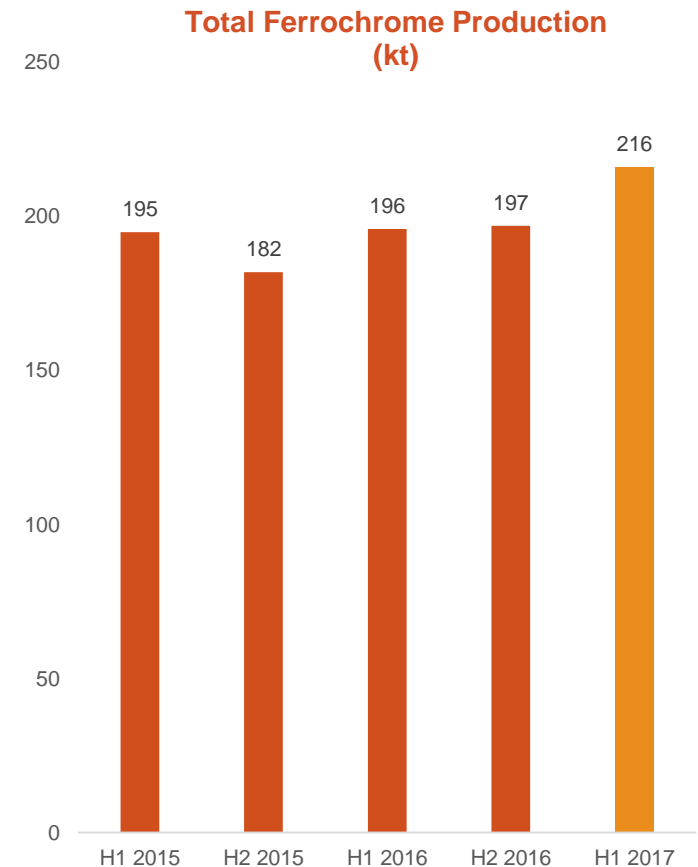
Ensuring the safety of all our employees remains key to building a stable production environment

- Regrettably one fatality during the period
- Overall, TRIFR improved to 3.78, from 4.15 in December 2016
- Safety remains the number 1 priority for the Venture with a goal of achieving zero harm
- Education and good decision making the key to building a sustainable safety culture
- Increased focus on safety campaigns and programmes through the period



Reaping rewards of initiatives undertaken to drive efficiency

- Ferrochrome production increased by 10% y-o-y to 216 kt as a result of:
 - greater number of furnaces in operation
 - Improved furnace performances with 2 record months during the quarter resulting from the ongoing efforts to improve efficiencies
- No significant disruptions in electricity supply during the period under review
- Price increase of 2.2% effective 1 April 2017
- 3-year wage agreements expire in 2018 for the smelters
- Western mines negotiations are currently in progress



Total costs well managed within a high mining inflation environment

- Total costs per tonne of ferrochrome sold increased by 9%* with key contributors being:
 - Increase in reductant prices;
 - Increase in UG2 input prices;
 - Increase in labour costs, effective 1 July 2016;
 - Increases in electricity prices of 9.4%, effective 1 April 2016;
 - Higher royalty taxes, arising from higher chrome ore prices; and
 - Higher commissions as a result of higher sales prices.
- The Venture remains the lowest cost producer in South Africa and the second lowest cost producer globally

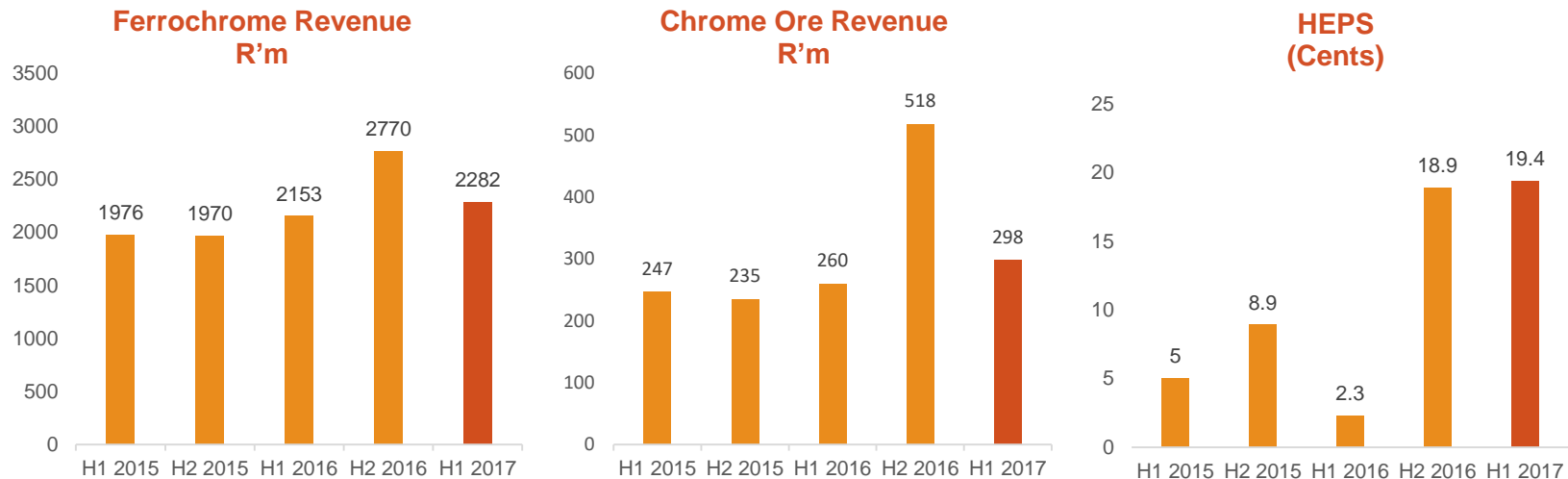
**excludes foreign exchange losses*

04

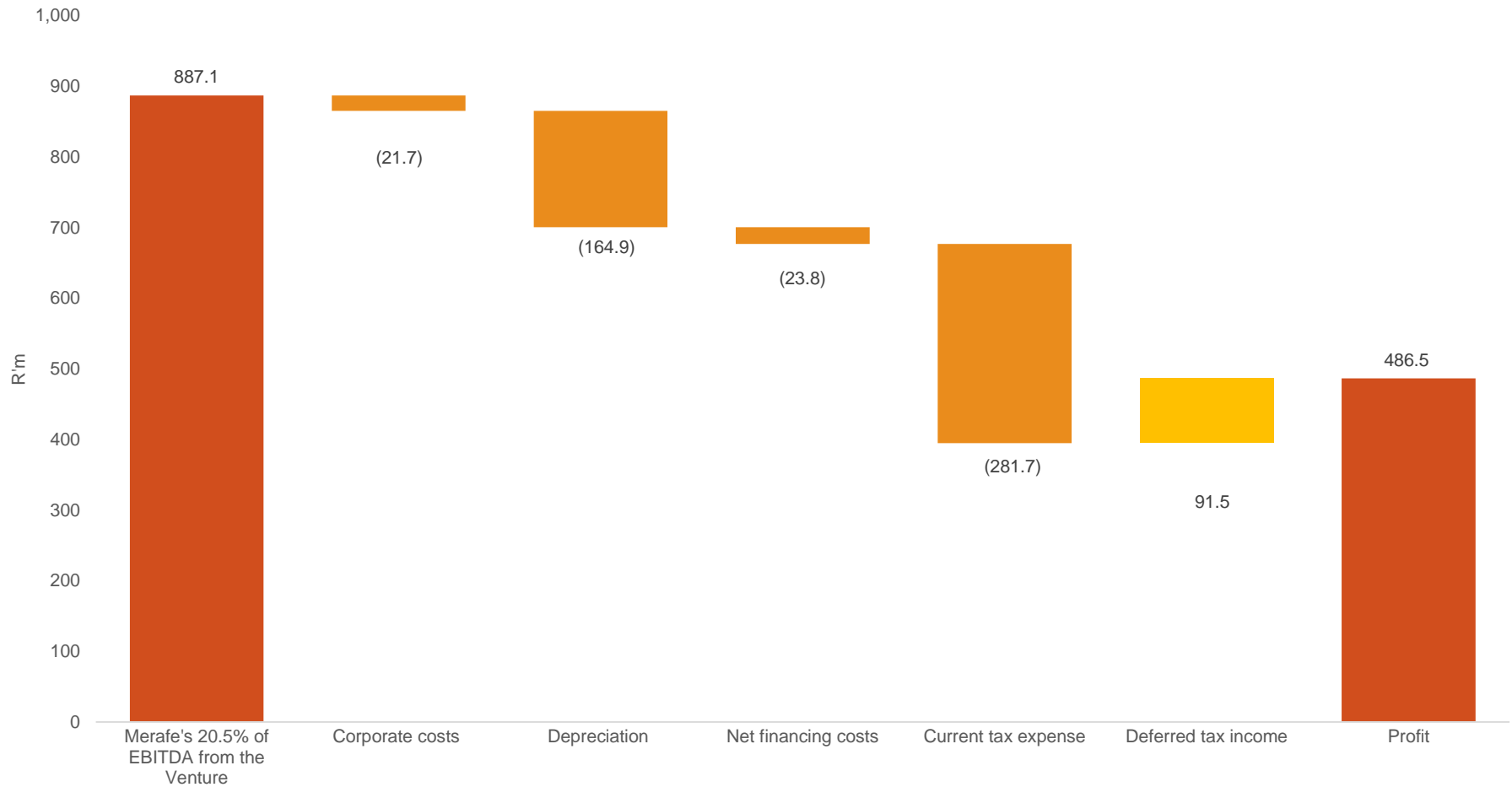
Financial Review

Strong performance driven by favourable market conditions

- 7% increase in revenue y-o-y to R 2 580m
 - Strength of the Rand partially offset the impact of the pricing environment
 - Ferrochrome revenue up by 6% y-o-y to R 2 282m setting a new record for H1
 - Chrome ore revenue up by 15% y-o-y to R 298m. Realised chrome ore prices lower than average market prices due to lower grade material sold and an increase in local sales period on period



EBITDA reconciliation to profit



Benefitted from upswing but continuing to drive efficiencies to counter negative macro influences

	H1 2017	H1 2016	Variance
	R'm	R'm	
Ferrochrome revenue	2 282	2 153	6%
Chrome ore revenue	298	260	15%
Foreign exchange losses	(50)	(29)	(72%)
Other operating expenses	(1 643)	(2 109)	22%
Merafe's 20,5% of Venture's EBITDA	887	275	223%
Merafe corporate costs	(22)	(18)	(22%)
Merafe's EBITDA	865	257	237%
Depreciation	(165)	(147)	(12%)
Net financing costs	(24)	(32)	25%
Current tax	(282)	(2)	(14000%)
Deferred tax	92	(19)	584%
Profit after tax	486	57	753%
HEPS	19.4	2.3	743%

Ferrochrome Revenue

- Driven by higher prices but partially offset by stronger Rand and lower sales volumes

Chrome Ore Revenue

- Driven by higher prices and volumes but partially offset by stronger Rand

Other operating expenses

- Total cost per tonne of ferrochrome sold increased by 9% but due to lower volumes sold overall reduction in operating expenses

Merafe corporate costs

- Corporate costs of R22m include maiden R3.4m CSI expense

Depreciation

- Depreciation increase as useful lives are re-assessed as a result of scrapping of assets

Current tax

- Current tax increase reflects higher profits and full utilisation of capex

Deferred tax

- Deferred tax income due to timing differences on provisions and accruals, higher depreciation compared to sustaining capex and impact of embedded derivative.

Strengthening of the balance sheet enables greater flexibility in the future

As at	As at
30 June	31 December
2017	2016
Reviewed	Audited
R'000	R'000

Assets

Property, plant and equipment	3 208 474	3 235 204
Deferred tax asset	19 948	19 340
Total non-current assets	3 228 422	3 254 544
Inventories	1 657 033	1 105 437
Current tax asset	-	36 395
Trade and other receivables	1 378 710	1 587 280
Cash and cash equivalents	122 573	287 880
Total current assets	3 158 316	3 016 992
Total assets	6 386 738	6 271 536

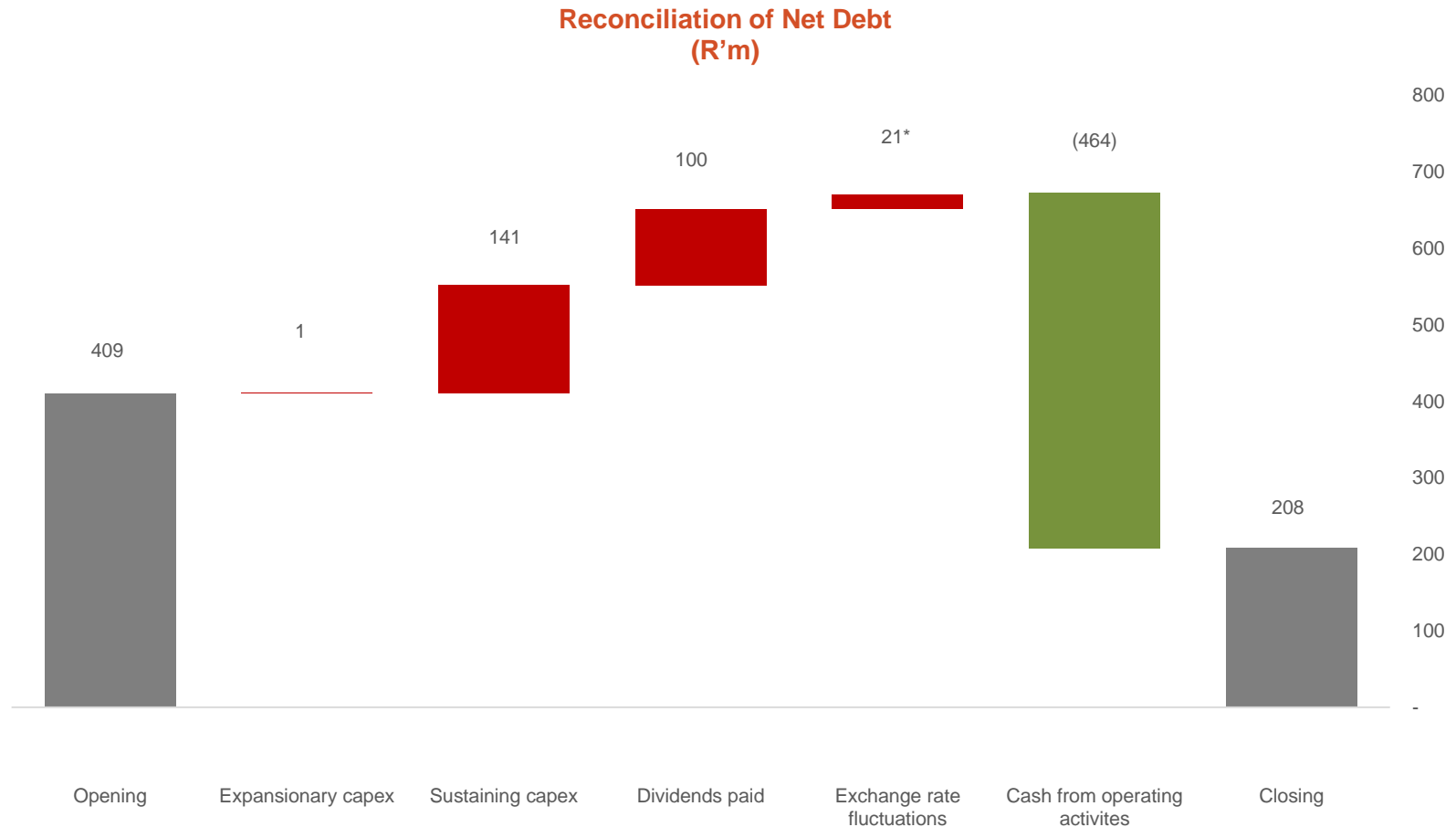
Inventories

- 59kt increase in finished goods on hand as a result of production being higher than sales
- Finished goods on hand is about 4 to 5 months of sales

Key contributors to trade and other receivables:

- Working capital loan reclassified to short-term liabilities to more accurately reflect the nature
- Reduction in volumes (Q2 2017 vs Q4 2016)
- Strengthening of the Rand at 30 June 2017 vs 31 December 2016

Strong operational cash generation enabled a significant reduction in net debt levels



**includes R20m exchange rate fluctuations, R4m arranging fees and (R3m) net repayment of borrowings as per slide 21*

Significant headroom on debt facilities

R' m	Merafe and Venture - Cash and cash equivalents*	Working Capital loan*	Merafe Head Office debt	Total
Opening	263	(309)	(363)	(409)
Cash from operating activities	485	(21)	-	464
Arranging fees	-		(4)	(4)
Expansionary capex	(1)	-	-	(1)
Sustaining capex	(141)	-	-	(141)
Dividends paid	(100)	-	-	(100)
Net Repayment of borrowings	(364)	-	367	3
Exchange rate fluctuations	(20)	-	-	(20)
Closing	122	(330)	(0.4)	(208)
Facilities	362	403	300	1 065
Utilised	-	(330)	(0.4)	(330)
Headroom	362	73	300	735

*US Dollar facilities converted at the closing exchange rate of R13.09

05

Outlook

Outlook

- 2017 growth rate of stainless steel production projected to be 1.6%
- 2018 to 2021 growth rate of 4.3% per annum for stainless steel production indicating strong demand for chrome
- Our strong balance sheet, strong cash flow generation coupled with being a low cost producer enables us to withstand the volatility in the markets and benefit from future price increases
- In line with strategy, we are on track to maximise returns to shareholders in the form of dividends and also explore opportunities to deliver further value

Questions

