



AUDITED ABRIDGED RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2007

- REVENUE UP FROM R1 BILLION TO R1,7 BILLION
- EBITDA UP FROM R179 MILLION TO R465 MILLION
- EARNINGS PER SHARE UP FROM 6 CENTS TO 10 CENTS



MERAFE RESOURCES LIMITED (Incorporated in the Republic of South Africa) (Registration number 1987/003452/06) Share Code: MRF ISIN: ZAE 000060000 ("Merafe" or "the Company" or "the Group")

ABRIDGED CONSOLIDATED INCOME STATEMENT

	Year ended 31 December 2007 Audited R'000	Year ended 31 December 2006 Audited R'000
Revenue	1 655 803	1 030 486
EBITDA	465 140	178 644
Depreciation	(46 239)	(25 303)
Net financing costs	(54 394)	(39 189)
Profit before taxation	364 507	114 152
Taxation	(124 394)	24 991
Net profit after tax	240 113	139 143
Earnings per share (cents)	10	6
Diluted earnings per share (cents)	10	6
Headline earnings per share (cents)	10	6
Diluted headline earnings per share (cents)	10	6
Ordinary shares in issue	2 449 397 232	2 341 569 564
Weighted average number of shares for the year	2 389 076 460	2 296 747 099
Diluted weighted average number of shares for the year	2 423 805 128	2 328 678 892

ABRIDGED CONSOLIDATED BALANCE SHEET

	As at 31 December 2007 Audited R'000	As at 31 December 2006 Audited R'000
Assets		
Non-current assets	1 800 793	1 494 910
Property, plant and equipment	1 800 793	1 465 739
Deferred tax	-	28 825
Investments	-	346
Current assets	785 409	612 540
Inventories	496 877	319 356
Trade and other receivables	251 064	273 708
Bank and cash	37 468	19 476
Total assets	2 586 202	2 107 450
Equity and liabilities		
Capital and reserves	1 438 526	1 105 989
Issued share capital	24 494	23 416
Share premium	1 238 643	1 142 887
Equity-settled share-based payment reserve	7 993	3 300
Non-distributable reserve	-	9 103
Retained income/(accumulated loss)	167 396	(72 717)
Non-current liabilities	518 094	424 753
Non-current borrowings	400 948	413 799
Provision for close down and restoration costs	25 161	10 954
Deferred tax	91 985	-
Current liabilities	629 582	576 708
Trade and other payables	352 340	316 194
Current portion of non-current borrowings	86 305	153 371
Bank overdraft	190 937	107 143
Total equity and liabilities	2 586 202	2 107 450

COMMENTARY

Basis of preparation

On 28 February 2008, the board of directors (the Board) of the Company approved the consolidated annual financial statements of the Group and the Company for the year ended 31 December 2007, prepared in accordance with International Financial Reporting Standards. The abridged results are a summary of these consolidated annual financial statements. The accounting policies adopted are consistent with those applied in the annual financial statements for the year ended 31 December 2006.

Review of results

The abridged consolidated results and the consolidated annual financial statements from which the abridged consolidated results were derived have been audited by the Group's auditors, KPMG Inc. Their unqualified audit report is available for inspection at the Company's registered address.

Merafe's income is generated from the Xstrata-Merafe Chrome Venture (the Venture), the market leader in ferrochrome, with a total managed capacity of 1,96 million tonnes of ferrochrome production per annum. Merafe shares in 20,5% of the earnings before interest, taxation, depreciation and amortisation (EBITDA) from the Venture.

Merafe's earnings from the Venture increased significantly from the twelve month comparative period, primarily as a result of an increase in the average base price of ferrochrome from 70 US\$/lb in 2006 to 89 US\$/lb in 2007 and as a result of Merafe's share of saleable ferrochrome production increasing from 239,000 tonnes in 2006 to 284,000 tonnes in 2007. The increase in saleable ferrochrome production was attributable to the Lion Ferrochrome smelter ramping up production during 2007 and the resumption of furnaces that were temporarily suspended during 2006.

Merafe's share of EBITDA from the Venture for the twelve months ended 31 December 2007 was R497 million. After accounting for corporate costs of R27 million and a share-based payment expense of R5 million, the Group's EBITDA was R465 million. Depreciation increased year-on-year by R21 million due to the Lion Ferrochrome smelter being depreciated for the full twelve months for the first time and the Bokamoso pelletising and sintering plant (refer below) being depreciated for the last few months of the year. Net financing costs increased by R15 million year-on-year. This increase is due to the finance costs relating to the Lion Ferrochrome smelter that were capitalised in 2006, but in 2007, these costs have been accounted for through the income statement.

The deferred tax expense of R121 million was mainly attributable to the net portion of the profits generated by the Group, being offset against unredeemed capital expenditure. The balance of unredeemed capital expenditure at 31 December 2007 is estimated to be R1,2 billion.

During the twelve months ended 31 December 2007, Merafe repaid R228 million in debt, comprising R105 million relating to preference shares, R45 million on the original R300 million Lion Ferrochrome smelter loan and R78 million owing to Xstrata. Net debt at 31 December 2007 comprises R120 million in respect of preference shares, R255 million in respect of the Lion Ferrochrome smelter, R95 million in respect of the Bokamoso pelletising and sintering plant and R147 million owing to Xstrata included in trade and other payables.

Review of operations

2007 has been a record year for Merafe and the Venture both in terms of the units of ferrochrome sold during the year, as well as higher ferrochrome prices. This was predominantly driven by the robust global demand for ferrochrome. The increased demand necessitated the resumption in the first half of 2007 of five out of the seven furnaces that were temporarily suspended during 2006. By the end of the year, all of the Venture's twenty furnaces were in production. Containing costs continued to be a challenge in the current environment of high mining sector inflation. Increased production volumes positively impacted fixed costs and partially offset higher variable costs, which include higher electricity and coke costs as well as higher finished product delivery costs.

The increased production volumes precipitated the use of more power. Due to the significant energy requirements of ferrochrome production, the Venture participated in the demand market programme of Eskom, assisting Eskom to manage demand on the national grid whilst achieving a financial benefit for the Venture.

Chromite ore production was increased at the Thorncliffe, Helena and Waterval mines with the opencast reserves at Boshhoek being developed, to meet the increased demand from the smelters. During 2007, the Venture commissioned two new UG2 chrome ore recovery plants thereby providing an additional source of UG2 chrome ore. The Venture continues to make good progress in regard to the conversion of Old Order Rights and Prospecting Rights under the Minerals and Petroleum Resources Development Act of 2002 and the Venture is confident that the process will be successfully completed during 2008.

The Lion Ferrochrome smelter experienced a slower than expected production ramp up in 2007, largely due to equipment failure which the Venture is monitoring closely. Furnace components are currently on order to improve furnace availability and additional engineering and operational staff have been allocated to the operation. Furnace temporary suspensions required to implement improvements will take place during the second quarter of 2008, after which the plant should be able to produce at design capacity on a sustainable basis.

The Bokamoso pelletising and sintering plant, the largest plant of its kind in the world, was successfully commissioned in the second half of 2007 on budget and on time. The plant provides additional agglomeration capacity to enable all ore fines from the chrome mining operations, including UG2 chrome ore recovered from platinum mining, to be agglomerated and consumed by the furnaces on the Western Limb. The Bokamoso plant is expected to reduce operating costs whilst improving environmental performance and operational flexibility. By December, production at this plant had already achieved 80% of design capacity at production costs below budget. The plant is on track to attain full operating capacity of 1,2 million tonnes per annum by the end of the first quarter of 2008.

Merafe's 20,5% interest in Bokamoso amounted to R182 million, funded through a general issue of shares for cash of R66 million, debt of R100 million and cashflows of R16 million.

In response to the request by Eskom, Merafe announced on 25 January 2008 that the Venture had reduced the electricity load across all the Venture's furnaces to the minimum possible electricity usage. Subsequent to this, a meeting was held on 29 January 2008 between Eskom and its key customers whereby Eskom committed to supplying 90% of the operations' electricity demand. This came into effect on 1 February 2008 and the operations are currently operating at 90% electricity load. It is still uncertain as to when the remaining 10% will be restored, suffice to say that it will be entirely dependent on the success of a nationwide recovery plan presented to major industrial and local government users.

The Venture has declared a *force majeure* with its customers as a precautionary measure should the Venture be unable to supply the required quantities of ferrochrome due to the reduction in the operations' electricity supply.

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Year ended 31 December 2007 Audited R'000	Year ended 31 December 2006 Audited R'000
Issued share capital – ordinary shares	24 494	23 416
Balance at the beginning of the year	23 416	22 475
New shares issued during the year	1 078	941
Share premium – ordinary shares	1 238 643	1 142 887
Balance at the beginning of the year	1 142 887	1 091 743
Premium on new shares issued during the year	95 756	51 144
Equity-settled share-based payment reserve	7 993	3 300
Balance at the beginning of the year	3 300	2 510
Share-based payments	4 693	790
Retained income/(accumulated loss)	167 396	(72 717)
Balance at the beginning of the year	(72 717)	(211 860)
Net profit for the year	240 113	139 143
Non-distributable reserve	-	9 103
Balance at the beginning of the year	9 103	-
Liability settled via share issue	(9 103)	9 103
Balance at the end of the year	1 438 526	1 105 989

ABRIDGED CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December 2007 Audited R'000	Year ended 31 December 2006 Audited R'000
Net profit for the year before taxation	364 507	114 152
Interest paid	55 075	39 915
Interest received	(681)	(726)
Depreciation	46 239	25 303
Adjusted for non-cash items	21 212	37 211
Adjusted for working capital changes	(122 364)	(300 946)
Cash flows from operations	363 988	(85 091)
Interest paid	(55 075)	(39 915)
Interest received	681	726
Taxation paid	(2 211)	(3 746)
Cash flows from operating activities	307 383	(128 026)
Cash flows from investing activities	(380 998)	(166 589)
Acquisition of property, plant and equipment – expansionary	(199 148)	(151 199)
Acquisition of property, plant and equipment – sustaining	(182 196)	(15 390)
Disposal of investment	346	-
Cash flows from financing activities	7 813	294 375
Proceeds from issue of shares	87 731	52 085
Loans raised during the year	95 000	343 583
Repayment of non-current borrowings	(174 918)	(101 293)
Net decrease in cash and cash equivalents	(65 802)	(240)
Cash and cash equivalents at the beginning of the year	(87 667)	(87 427)
Cash and cash equivalents at the end of the year	(153 469)	(87 667)

Market review

The first half of 2007 was characterised by strong growth in stainless steel production, in particular Asia, driven by Chinese stainless steel melt production growth of over 20% compared to the same period in 2006. High nickel prices in the first half of 2007 resulted in numerous stainless producers increasing ferritic grade stainless steel production, which uses a higher proportion of virgin chrome units, at the expense of nickel-bearing austenitic grade.

The second half of the year, however, saw stainless producers in Europe and America cutting production and delaying the purchase of nickel in response to declining nickel prices. These production cuts, following a strong first half, resulted in stainless steel melt production remaining at a similar level to 2006. Despite these production cutbacks, the switch to ferritic grade stainless steel production maintained robust demand for ferrochrome through the year.

Stronger demand drove South African ferrochrome producers to restart all available idle capacity. China's increasing significance as a producer of ferrochrome was reflected in a further 22% increase in production to 1,2 million tonnes in 2007. Despite this increased production, China remains a net importer of ferrochrome. The positive move taken by the Indian government to impose a US\$44 per tonne export duty on chrome ore exports, together with the strong consumption of the chrome ore by ferrochrome producers especially in South Africa, has led to higher traded chrome ore prices. The increased cost of imported chrome ore has decreased the cost of competitiveness of the Chinese ferrochrome industry which depends entirely on imported ore, and has resulted in Chinese stainless steel producers importing increased quantities of ferrochrome to meet their demand.

The robust market fundamentals supported strong ferrochrome base prices throughout the year with an average base price for 2007 of 89 US\$/lb which was 27% higher than in 2006.

Merafe Coal

Merafe Coal is a 50/50 joint venture with Sentula Mining (formerly Scharrig Mining). The main aim of this venture is to maximise the combined value of the partners' existing coal resources in the Mpumalanga Province by mining them while at the same time looking for growth opportunities in the coal mining sector. The existing coal resources are expected to be brought to account during 2009.

Sentula Mining announced the acquisition of 49,998% of the Koornfontein Coal Mine in Mpumalanga for R150 million from Investec and Coronation Capital. In line with the agreement contained in the Merafe Coal joint venture, Merafe has an option to acquire 50% of the purchased stake and a decision in this regard will be made shortly.

Prospects

The outlook for ferrochrome prices in 2008 remains positive. Stainless melt is forecast to increase by over 10% to 32 million tonnes in 2008. While stainless steel production is set to slow down in the first quarter of 2008 due to production cuts in China, Chinese production is expected to recover during the course of the year, increasing by approximately 12% over 2007 levels. Demand for stainless steel in Europe and America has started to recover in the first quarter of 2008, albeit at a slower rate.

Ferrochrome demand is accordingly forecast to increase by approximately 9% in 2008, due to strong stainless melt production and stainless producers continuing to produce a higher ratio of ferritic grades than the historical average.

Supply-side constraints on South African producers as a result of rolling power outages and the power reduction programme are expected to result in a supply deficit during 2008. The first quarter of 2008 saw the base price set at 121 US\$/lb and Merafe expects this to increase further during 2008.

Merafe has converted R350 million of amortising debt into a five year debt facility with a local bank. This will allow Merafe to focus on repaying the R120 million preference shares and R147 million owing to Xstrata during 2008. The Board believes that 2008 will be an excellent year for its ferrochrome business.

Changes to the board of directors

The Board is pleased to announce the appointment of Dr CJ Fauconnier as an independent non-executive director with effect from 1 March 2008. Dr Fauconnier was Chief Executive of Exaro Resources Limited until August 2007 and he is currently managing his own business, Fauconnier Consulting. His qualifications include a D.Eng (Pretoria) and an MBA (Oregon, USA).

The Board further announces the resignation of Ms Lebo Mogotsi as independent non-executive director with effect from 28 February 2008. The Board wishes to thank Ms Mogotsi for her valuable contribution to the Company.

Merafe's Technical Director, Zed van der Walt has retired with effect from 29 February 2008 after seven years with the Company. Dr Jurgens Zaayman, the former managing director of Merafe Ferrochrome before the establishment of the Venture with Xstrata, has been appointed General Manager in the Merafe chrome business and has been seconded to the Venture to look after the interests of Merafe. The Board wishes to thank Mr Van der Walt for his commitment and significant contribution to the Company since its inception.

Chris Molefe
Non-Executive Chairman

Steve Phiri
Chief Executive Officer

Sandton
3 March 2008

Sponsor

Deutsche Securities



(SA) (Proprietary) Limited

Executive Directors: DS Phiri (Chief Executive Officer), B McBride, S Elliot

Non-Executive Directors: CK Molefe, (Chairman), CJ Fauconnier, J Mattala, M Mthenjane, T Ramantsi, M Mamathuba, A Mahendranath (Company Secretary)

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Transfer Secretaries: Link Market Services South Africa (Pty) Limited

