AUDITED ABRIDGED RESULTS

for the year ended 31 December 2008

MERAFE RESOURCES

- Revenue up from R1,6 billion to R2,8 billion
- EBITDA up from R465 million to R1,6 billion
- Earnings per share up from 10 cents to 42 cents
- Debt reduced by R458 million to R350 million
- Cash balance of R540 million

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)

COMMENTARY

Basis of preparation

On 27 February 2009, 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 2008. In compliance with the JSE Limited Listings Requirements, the statements have been prepared in accordance with International Financial Reporting Standards and the Companies Act of South Africa. The abridged results are a summary of those consolidated annual financial statements and comply with IAS 34: *Interim Financial Reporting.* The accounting policies adopted are consistent with those applied in the annual financial statements for the year ended 31 December 2007.

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 European benchmark ferrochrome price from 89 USc/lb in 2007 to 176 USc/lb in 2008 and the weakening of the Rand against the US dollar, particularly in the second half of 2008. Merafe's share of saleable ferrochrome production decreased by 21% from 284 000 tonnes in 2007 to 223 000 tonnes in 2008. The decrease in saleable ferrochrome production was mainly attributable to the significant decrease in demand for ferrochrome in the fourth quarter as a result of the global economic slowdown.

The Group's EBITDA for the twelve months ended 31 December 2008 was R1 612 million, after accounting for corporate costs related to 2008 of R36 million, debt restructuring fees of R2,5 million, and a share-based payment expense of R8 million. Depreciation increased year-on-year by R32 million due to the Bokamoso pelletising and sintering plant being depreciated for the full year for the first time and because of significant capital expenditure at the Boshoek smelter. Net financing costs increased by R10 million year-on-year, mainly because of the recognition of the fair value of an interest rate swap entered into during the year.

The Group is in a tax paying position for the first time and has current taxation payable of R84 million and a deferred tax expense of R357 million which 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 2008 is estimated to be R52 million.

During the twelve months ended 31 December 2008, Merafe repaid R458 million in debt, comprising R120 million relating to preference shares, R147 million owing to Xstrata and R191 million in respect of the bank overdraft. The remaining debt at 31 December 2008 is R367 million, of which R350 million is due to be repaid in one instalment on 31 December 2012 and R16 million is a finance lease. Strong cash flows generated during the year have resulted in Merafe having a cash balance of R540 million at 31 December 2008.

Review of operations

Strong ferrochrome prices and strong cost control resulted in Merafe recording record profits for 2008 despite the lower volumes of ferrochrome sold. Higher mining sector and CPI inflation costs were outweighed by the positive impact of the weaker Rand against the US dollar.

In the first half of 2008 the demand for ferrochrome increased steadily, driven by high stainless steel melt production. The Venture, faced with power restrictions imposed by Eskom, was unable to take full advantage of the increased capacity it had achieved through the ramp up of the new energy efficient Lion Ferrochrome smelter and the return to production of previously idle capacity. In the second half of the year, responding rapidly to a dramatic fall in demand for ferrochrome, the Venture suspended six furnaces in November 2008 and a further five furnaces in December 2008. As market conditions worsened the Venture suspended the operation of a further six furnaces, leaving only three of its twenty ferrochrome furnaces operating in January 2009. The total suspended ferrochrome production capacity represents 1,37 million tonnes or 80% of annual operating capacity.

Despite increased power and raw material costs, cost savings were achieved as a result of ongoing process improvement initiatives and investments to reduce costs, including lower cost capacity at the Lion Ferrochrome smelter and the Bokamoso pelletising and sintering plant, which resulted in an improvement of 13% in power efficiencies and a 9% increase in ore consumption efficiencies. These technologies allowed for some replacements of metallurgical grade coke with lower priced reductants, mitigating the impact of a year-on-year increase of 71% in the average consumption cost of metallurgical coke and char.

The Bokamoso pelletising and sintering plant reached full production capacity during 2008 and exceeded nameplate capacity by more than 15% for three consecutive months.

The additional agglomeration capacity provided by Lion Ferrochrome and Bokamoso allowed for the production and use of increased volumes of fine UG2 chrome ore. Optimisation of the UG2 concentrating plants and additional production from the Mototolo and Eland concentrators resulted in a production increase of 20% to 1,5 million tonnes of UG2 during 2008. The maximum possible use of UG2 is favoured during periods of reduced ferrochrome production at the smelters in order to optimise production costs.

The Boshoek opencast reserves have been successfully developed and were in operation at a sustainable level during 2008. The development of the Magareng opencast reserves and mine was completed during 2008 to supplement chrome ore supplies to Lion Ferrochrome and the Lydenburg smelter.

The Venture has submitted nine applications to the Department of Minerals and Energy (DME) for new order prospecting and mining rights under South Africa's Mineral and Petroleum Resources Development Act. All of these applications have been granted to the Venture. In addition the Venture has successfully converted one old order prospecting right to a new order prospecting right. Of the eleven applications made to convert existing old order mining rights into new order mining rights, nine have been granted and notarially executed. The two outstanding conversions are being processed and actively pursued on an ongoing basis with the DME.

Market review

The first half of 2008 was characterised by robust supply demand fundamentals driven by high stainless steel melt production, which steadily increased from the beginning of the year, and supply side cutbacks as a result of power restrictions in South Africa. Ferrochrome base prices remained strong throughout the year and the average European benchmark ferrochrome price for 2008 of 176 USc/lb was 97% higher than in the previous year.

In the first half of 2008, global ferrochrome production reached 2 million tonnes per quarter for the first time, 6% higher than for the same period in 2007. However, a typically slow third quarter was exacerbated by slower stainless steel production in China during the Olympic Games and was followed by a dramatic fall in demand during the fourth quarter as the global financial turmoil impacted all major commodity markets.

The supply side response to weaker demand has been rapid and significant cuts were announced by all the major ferrochrome producers during the fourth quarter of 2008 and first quarter of 2009.

We estimate that the ferrochrome industry worldwide has, to date, cut ferrochrome production by more than 66%. Some producers have suspended all their operations until market conditions improve. Stainless steel melt growth will be significantly below its long-term average for the second consecutive year, with global production for 2008 estimated to have declined by approximately 8,4% to 26 million tonnes compared to the prior year.

Exports of South African chrome ore increased significantly as a result of the power restrictions in the first half of 2008 which constrained domestic beneficiation. As a result of the increased availability of ore and robust ferrochrome prices, previously uneconomical capacity was restarted in various regions, including China and India. The deterioration in demand due to the global economic crisis resulted in the European benchmark ferrochrome price being set at 79 USc/lb in the first quarter of 2009.

Merafe Coal

Merafe Coal, the 50/50 joint venture with Sentula Mining Limited, continues to look for growth opportunities in the coal mining sector as well as developing the Schoongezicht and Bankfontein coal deposits. These properties have total target coal resources of approximately 10 million tonnes. New Order Prospecting Rights in respect of Schoongezicht and Bankfontein have been granted and applications for New Order Mining Rights have been submitted to the DME. Merafe Coal intends to commence mining once these have been granted. Both these projects are opencast and are well positioned to supply export quality, domestic "A" grade and Eskom quality coal into a variety of markets.

Outlook

Most planned expansions to South African ferrochrome capacity in 2008 were deferred or cancelled due to ongoing power constraints. The deferral of planned expansions is expected to continue in South Africa and globally, in response to the current economic slowdown.

The outlook for ferrochrome remains robust in the medium to long term. In the medium term, stainless steel production is expected to increase from current low levels, supported by major economic stimulus plans, which include significant investment in infrastructure thereby benefiting the stainless steel industry. However, in 2009, stainless steel production is expected to decrease compared to 2008. In the short term, the demand for ferrochrome in Europe, North America and Japan remains low. However, the demand for ferrochrome and chrome ore in China has picked up and appears to be coming from restocking and is not yet at normalised levels. As global demand recovers, the decisions to defer or cancel ferrochrome capacity expansions are expected to lead to ferrochrome supply constraints and again place upward pressure on pricing.

No decision has been taken to restart any of the Venture's suspended capacity. We continue to focus on cost optimisation, management of working capital and the deferment of major sustaining and expansionary capital expenditure.

The strong cashflows generated by Merafe have been used to reduce its long-term and short-term debt and strengthen its balance sheet. The Company is therefore well positioned to see out the present difficult economic climate and to consider opportunities which may present themselves going forward.

At 31 December 2008, Merafe had R540 million cash on its balance sheet, whilst the bulk of its remaining debt of R350 million is only due to be repaid on 31 December 2012.

Dividend policy

Merafe has adopted a hybrid dividend policy that has features of a stable dividend policy and a residual dividend policy. The Company intends to pay a stable dividend once a year, based on the Company's annual financial performance and prevailing market conditions. In addition, in any given year, the directors may consider an additional distribution in the form of special dividends and/or share buy-backs dependent on the Company's financial condition, future cash requirements, future earnings prospects, availability of distributable reserves and other factors. Dividends are recognised when they are declared by the Board.

No dividend has been declared for the year ended 31 December 2008. The Board together with management deem it prudent under the prevailing market conditions to preserve the cash generated during 2008 as there is still considerable uncertainty as to how long the current global economic slowdown will last.

Changes to the board of directors

The Board is pleased to announce the appointment of Ms. Belese Majova as an independent non-executive director with effect from 2 January 2009. Ms Majova was a Financial Director of City of Johannesburg Housing since 2005. She is currently Chief Executive Officer of Zeleb Holdings (Pty) Ltd, a business consultancy specialising in financial management capacity building interventions, business process mapping and supply chain management integration.

Chris Molefe
Non-Executive Chairman

Steve Phiri
Chief Executive Officer

Sandton
3 March 2009

ABRIDGED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December 2008 Audited R'000	Year ended 31 December 2007 Audited R'000
Revenue	2 781 304	1 655 803
EBITDA	1 611 923	465 140
Depreciation	(77 918)	(46 239)
Net financing costs	(63 983)	(54 394)
Profit before taxation	1 470 022	364 507
Taxation	(442 331)	(124 394)
Current tax	(84 216)	(1 373)
Deferred tax	(357 247)	(120 810)
Secondary tax on companies	(868)	(2 211)
Net profit and total comprehensive income	1 027 691	240 113
Earnings per share (cents)	42	10
Diluted earnings per share (cents)	41	10
Headline earnings per share (cents)	42	10
Diluted headline earnings per share (cents)	41	10
Ordinary shares in issue	2 459 258 861	2 449 397 232
Weighted average number of shares for the year	2 456 110 621	2 389 076 460
Diluted weighted average number of shares for the year	2 492 203 126	2 423 805 128

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December 2008 Audited R'000	As at 31 December 2007 Audited R'000
Assets		
Non-current assets	1 861 185	1 800 793
Property, plant and equipment	1 861 185	1 800 793
Current assets	1 893 165	785 409
Inventories	1 067 153	496 877
Trade and other receivables	286 271	251 064
Bank and cash	539 741	37 468
Total assets	3 754 350	2 586 202
Equity and liabilities		
Capital and reserves	2 479 338	1 438 526
Issued share capital	24 593	24 494
Share premium	1 244 072	1 238 643
Equity-settled share-based payment reserve	15 586	7 993
Retained income	1 195 087	167 396
Non-current liabilities	845 136	518 094
Loans and borrowings	366 174	400 948
Provision for close down and restoration costs	29 730	25 161
Deferred tax	449 232	91 985
Current liabilities	429 876	629 582
Loans and borrowings	1 200	86 305
Financial liability	11 466	–
Trade and other payables	331 364	350 879
Current tax liability	85 846	1 461
Bank overdraft	–	190 937
Total equity and liabilities	3 754 350	2 586 202

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Year ended 31 December 2008 Audited R'000	Year ended 31 December 2007 Audited R'000
Issued share capital – ordinary shares	24 593	24 494
Balance at the beginning of the year	24 494	23 416
New shares issued during the year	99	1 078
Share premium – ordinary shares	1 244 072	1 238 643
Balance at the beginning of the year	1 238 643	1 142 887
Premium on new shares issued during the year	5 429	95 756
Equity-settled share-based payment reserve	15 586	7 993
Balance at the beginning of the year	7 993	3 300
Share-based payments	7 593	4 693
Retained income/(accumulated loss)	1 195 087	167 396
Balance at the beginning of the year	167 396	(72 717)
Net profit and total comprehensive income for the year	1 027 691	240 113
Balance at end of year	2 479 338	1 438 526

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December 2008 Audited R'000	Year ended 31 December 2007 Audited R'000
Net profit for the year before taxation	1 470 022	364 507
Interest paid	55 579	55 075
Interest received	(3 062)	(681)
Depreciation	77 918	46 239
Adjusted for non-cash items	12 485	18 450
Adjusted for working capital changes	(683 854)	(122 364)
Cash flows from operations	929 088	361 226
Interest paid	(55 579)	(55 075)
Interest received	3 062	681
Taxation paid	(700)	(2 211)
Cash flows from operating activities	875 871	304 621
Cash flows from investing activities	(138 262)	(380 998)
Acquisition of property, plant and equipment – expansionary	(13 658)	(199 148)
Acquisition of property, plant and equipment – sustaining	(124 664)	(182 196)
Proceeds on disposal of plant and equipment	60	–
Disposal of investment	–	346
Cash flows from financing activities	(114 351)	7 813
Proceeds from issue of shares	5 528	87 731
Loans raised during the year	–	95 000
Repayment of non-current borrowings	(119 879)	(174 918)
Net increase/(decrease) in cash and cash equivalents	623 258	(68 564)
Cash and cash equivalents at the beginning of the year	(153 469)	(87 667)
Effect of exchange rate fluctuations on cash held during the year	69 952	2 762
Cash and cash equivalents at the end of the year	539 741	(153 469)

Sponsor

Deutsche Securities
Member of the Deutsche Bank Group
Deutsche Securities (SA) (Proprietary) Limited
(Registration number 1995/011798/07)

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

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

Registered office: First floor, Block B, Sandton Place, 68 Wierda Road East, Wierda Valley, Sandton, 2196

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

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