AUDITED ABRIDGED RESULTS AND DIVIDEND ANNOUNCEMENT

for the year ended 31 December 2009

MERAFE RESOURCES

- Sales volumes increased by 26%
- Ferrochrome inventory reduced by 49%
- Healthy cash balance of R463 million
- Maiden dividend declared of 2 cents per share
- All New Order Mining Rights granted

MERAFE RESOURCES LIMITED (Incorporated in the Republic of South Africa) (Registration number 1987/003452/06) Share code: MRF ISIN: ZAE000060000 (Merafe or the Company or the Group)

COMMENTARY

Basis of preparation

On 26 February 2010, 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 2009. In compliance with the JSE Limited Listings Requirements, the statements have been prepared in accordance with International Financial Reporting Standards and the Companies Act 61 of 1973, as amended. The abridged results are a summary of the 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 2008, with the exception of the adoption of IFRS 8: *Operating Segments* which became effective from the current year and has been applied retrospectively. The adoption of this standard only resulted in additional disclosure in the notes to the annual financial statements with no effect to the prior year consolidated statement of financial position and consolidated statement of comprehensive income.

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 operating income is generated from the Xstrata-Merafe Chrome Venture (the Venture), the market leader in ferrochrome. Merafe shares in 20,5% of the earnings before interest, taxation, depreciation and amortisation (EBITDA) from the Venture.

The 2009 financial year has been a difficult trading year for the ferrochrome industry, brought about by declining global ferrochrome demand, a sharp fall in the ferrochrome prices in the first half of the year and exacerbated by the strengthening of the Rand throughout the year. Merafe reported an EBITDA loss for the year ended 31 December 2009 primarily as a result of the factors mentioned above. Merafe's share of saleable ferrochrome production for 2009 of 281 000 tonnes was higher than the comparative year of 223 000 tonnes, however, the depressed ferrochrome prices and exchange rates negated the effect of the increase in sales volumes.

Merafe's share of EBITDA loss from the Venture for the year ended 31 December 2009 was R60 million. The EBITDA loss from the Venture includes Merafe's share of standing charges, from the temporary suspension of furnaces of R159 million and Merafe's share of foreign exchange losses of R82 million. After accounting for corporate costs of R33,5 million and a share-based payment expense of R6,5 million, Merafe's EBITDA loss was R100 million. Taking into account net financing costs of R12 million, depreciation of R106 million, deferred tax income of R68 million and current tax expense of R2 million, the loss and total comprehensive loss for the year is R152 million. Finance income increased year-on-year as a result of larger cash balances held throughout the year. Finance expenses reduced year-on-year as a result of the repayment of debt in the previous financial year. Depreciation increased period on period primarily as a result of the sustaining capital expenditure carried out on furnaces that were temporarily suspended and the annual reassessment of useful lives and residual values as required per IAS 16, *Property, Plant and Equipment*. The deferred tax income of R68 million relates to R33 million recognised on the assessable loss and R35 million recognised on current temporary differences primarily relating to property, plant and equipment. At 31 December 2009, the balance of unredeemed capital expenditure and assessable loss is estimated to be R252 million and R117 million respectively.

Property, plant and equipment increased year-on-year primarily as a result of sustaining capital expenditure. Finished good inventories reduced by 49% from the comparative year due to severe production cuts early in the year, followed by increasing demand for ferrochrome. Merafe has R350 million long-term debt. Despite the tough trading conditions, the Group closed with a healthy cash balance of R463 million at 31 December 2009. (Cash in the Merafe Group is R280 million and Merafe's share of cash in the Venture is R183 million).

Review of operations

2009 was an extremely challenging year for the Venture which saw the Venture producing at an average of 56% of operating capacity for the year. Demand for ferrochrome steadily improved during the year and the Venture increased production capacity from 20% in early January 2009 to 85% by the end of the year. The Premus technology furnaces remained in operation through most of the downturn, contributing a 5% improvement in ore consumption efficiency and a 5% increase in electricity efficiency, compared to 2008.

Variable costs rose by 20% in nominal Rand terms despite improved efficiencies, due to ongoing cost pressures which included a 34% increase in electricity costs and a 30% increase in average reductant prices. A range of cost savings initiatives were implemented to limit the impact of increased costs, which included the reduced use of contractors, limited expenditure on maintenance and reduced overtime, all of which limited fixed cost increases to approximately 5% compared to 2008.

These cost savings and efficiency initiatives enabled the Venture to avoid retrenching any permanent employees in order to retain its skilled labour force in anticipation of a market upturn. Training programmes, maintenance and repairs were carried out during the suspension of ferrochrome production, which enabled operations to be restarted quickly and efficiently during the second half of the year. Mining activities were scaled down to align with smelter requirements and contractual production obligations at opencast activities were reduced to a minimum. UG2 chromite ore consumption was optimised to reduce input costs.

The Venture has been granted all of its New Order Prospecting and Mining Rights as well as all the Mining Rights conversions from the Department of Mineral Resources.

Market review

Stainless steel melt production mainly from Western Europe, Japan and America continued to weaken significantly during the first six months of 2009 which materially reduced demand for ferrochrome from these regions. However, Chinese stainless steel mills increased their stainless steel capacity utilisation to almost 100% during the second and third quarters of the year increasing the demand for ferrochrome. China's increased capacity utilisation resulted in the stainless steel market becoming fully supplied which led to the Chinese stainless steel melt production being curtailed for the remainder of the year. Despite the significant production of stainless steel melt in China during 2009, the annual stainless steel melt production declined year-on-year by 3% to 25 million tonnes during 2009.

The reduced demand for ferrochrome during the first half of the year, led to a sharp decline in the European benchmark ferrochrome price from a record high of 205 USc/lb during 2008 to 79 USc/lb in the first quarter of 2009, reducing further to 69 USc/lb in the second quarter. Ferrochrome producers, led by South Africa, maintained the low production levels seen in the last quarter of 2008 into the first half of 2009. This, coupled with Eskom's price increases as well as the strengthening Rand, led to an increase in the European benchmark ferrochrome price to 89 USc/lb in the third quarter which rose to 103 USc/lb in the fourth quarter of 2009. The average European benchmark ferrochrome price of 85 USc/lb in 2009 was 52% lower than the comparative year of 176 USc/lb.

Safety

The Venture achieved an excellent safety record this year, which was sadly marred by the tragic death of contractor Mr Julias Ngele in December. We extend our deepest sympathies to his wife Efeniya and his children. Mr Ngele was a front end loader (FEL) operator employed by Fraser Alexander Bulkmech, the main internal transport contractors at the Venture's Lydenburg plant.

UG2 Chrome Contract

The Xstrata-Merafe Chrome Venture (the Venture) has signed a contract with Lonmin for the construction of a Chrome Recovery Plant (CRP) to treat the current tailings from UG2 concentrators at Lonmin's Marikana operations. The Venture will construct, own and operate the CRP and purchase the chromite concentrate produced from the CRP, which is expected to be in full production in 2011. The duration of the contract is based on total volume treated, rather than a fixed time period, and the Venture is expected to treat approximately 1,5 million tonnes of chromite concentrate contained in the tailings feed per annum.

Merafe Coal

In June 2007, Merafe announced the formation of a 50/50 joint venture with Sentula Mining Limited (Sentula), called Merafe Coal. Merafe Coal's objective was to develop existing coal projects in its portfolio as well as pursuing further coal opportunities in South Africa.

Merafe now announces that Merafe and Sentula have agreed to terminate the joint venture. Sentula will be continuing to pursue the development projects contributed to the joint venture. In terms of the agreement, Sentula will fund all historic, present and future costs associated with the projects.

Merafe will continue to independently consider opportunities in coal.

Outlook

Although the first quarter of 2010 has seen a slight reduction in the European benchmark ferrochrome price of 2% to 101 USc/lb, ferrochrome prices are expected to increase during 2010.

The limited availability of power from Eskom, access to financing as well as the large capital cost, have acted and will continue to act as barriers to any planned expansions by South African ferrochrome producers or new entrants for at least the next three years. At the same time China is expected to continue to be the fastest growing stainless steel producing market globally, driving strong demand for ferrochrome. This bodes well for the outlook for ferrochrome both in the short-term and the medium to long-term. Global stocks of ferrochrome are at approximately 10 weeks consumption, and due to the forecast strong demand for ferrochrome in 2010 South African ferrochrome producers are currently operating at 85% of capacity with the Venture operating 19 of the 20 furnaces.

Despite the challenges of 2009, Merafe continued to maintain its strong cash position with R463 million cash on hand at the end of 2009. Strong cash flows were generated during the difficult operating environment of 2009, from the unwinding of finished goods inventory. While the strong Rand continues to impact on earnings, Merafe's balance sheet remains strong and the Company continues to be well poised going forward. The Venture continues in its endeavours to constantly improve efficiencies and contain costs, thereby retaining its position as one of the lowest cost ferrochrome producers globally.

The positive outlook for ferrochrome together with the strong cash position of the Company have enabled Merafe's Board to declare a maiden dividend of 2 cents per share in respect of the financial year ended 31 December 2009 as well as repaying R50 million of the long-term debt on 31 March 2010. Details of the dividend are set out below.

Declaration of ordinary cash dividend (No. 1)

On 26 February 2010, the Board declared an ordinary cash dividend (No. 1) of 2 cents per share amounting to R49,185 million, in respect of the financial year ended 31 December 2009. The dividend has been declared in South African currency and is payable to shareholders recorded in the register of the Company at the close of business on Friday, 26 March 2010. The secondary tax on companies (STC) on the dividend will amount to R4,919 million before taking into account STC credits.

In compliance with the requirements of Strate, the electronic and custody system used by the JSE Limited, the following dates are applicable:

Last date to trade *cum*-dividend	Thursday, 18 March 2010
Shares trade *ex*-dividend	Friday, 19 March 2010
Record date	Friday, 26 March 2010
Payment date	Monday, 29 March 2010

Share certificates may not be dematerialised or rematerialised during the period Friday, 19 March 2010 and Friday, 26 March 2010, both days inclusive.

On Monday, 29 March 2010 the ordinary cash dividend will be electronically transferred to the bank accounts of all certificated shareholders where this facility is available. Where electronic fund transfer is not available or desired, cheques dated 29 March 2010 will be posted on that date.

Dematerialised shareholders will have their accounts at their CSDP or broker credited on Monday, 29 March 2010.

On behalf of the Board

Chris Molefe
Non-Executive Chairman

Steve Phiri
Chief Executive Officer

Sandton
2 March 2010

ABRIDGED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December 2009 Audited R'000	Year ended 31 December 2008 Audited R'000
Revenue	**1 839 169**	2 781 304
EBITDA	**(100 311)**	1 611 923
Depreciation	**(106 189)**	(77 918)
Net financing costs	**(11 975)**	(63 983)
(Loss)/profit before income tax	**(218 475)**	1 470 022
Income tax	**66 150**	(442 331)
Current tax	**(1 902)**	(84 216)
Deferred tax	**68 052**	(357 247)
Secondary tax on companies	**–**	(868)
(Loss)/profit and total comprehensive (loss)/income for the year	**(152 325)**	1 027 691
(Loss)/earnings per share (cents)	**(6)**	42
Diluted (loss)/earnings per share (cents)	**(6)**	41
Headline (loss)/earnings per share (cents)	**(6)**	42
Diluted headline (loss)/earnings per share (cents)	**(6)**	41
Dividends per share (cents)	**2***	–
Ordinary shares in issue	**2 459 258 860**	2 459 258 860
Weighted average number of shares for the year	**2 459 258 860**	2 456 110 621
Diluted weighted average number of shares for the period	**2 482 014 143**	2 492 203 126
Final dividend – declared (R'000)	**49 185***	–

**This dividend was declared by the board on 26 February 2010.*

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December 2009 Audited R'000	As at 31 December 2008 Audited R'000
Assets		
Property, plant and equipment	**1 949 464**	1 861 185
Total non-current assets	**1 949 464**	1 861 185
Inventories	**757 457**	1 067 153
Trade and other receivables	**234 346**	286 271
Cash and cash equivalents	**462 632**	539 741
Total current assets	**1 454 435**	1 893 165
Total assets	**3 403 899**	3 754 350
Equity		
Share capital	**24 593**	24 593
Share premium	**1 244 072**	1 244 072
Equity-settled share-based payment reserve	**22 109**	15 586
Retained earnings	**1 042 762**	1 195 087
Total equity attributable to equity holders	**2 333 536**	2 479 338
Liabilities		
Loans and borrowings	**363 626**	366 174
Provision for closure and restoration costs	**37 347**	29 730
Deferred tax liability	**381 180**	449 232
Total non-current liabilities	**782 153**	845 136
Loans and borrowings	**888**	1 200
Financial liability	**8 568**	11 466
Trade and other payables	**278 735**	331 364
Current tax liability	**19**	85 846
Total current liabilities	**288 210**	429 876
Total liabilities	**1 070 363**	1 275 012
Total equity and liabilities	**3 403 899**	3 754 350

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Year ended 31 December 2009 Audited R'000	Year ended 31 December 2008 Audited R'000
Issued share capital – ordinary shares	**24 593**	24 593
Balance at beginning of year	**24 593**	24 494
Share options exercised	**–**	99
Share premium – ordinary shares	**1 244 072**	1 244 072
Balance at beginning of year	**1 244 072**	1 238 643
Share premium arising from share options exercised	**–**	5 429
Equity-settled share-based payment reserve	**22 109**	15 586
Balance at beginning of year	**15 586**	7 993
Share-based payment	**6 523**	7 593
Retained earnings	**1 042 762**	1 195 087
Balance at beginning of year	**1 195 087**	167 396
(Loss)/profit and total comprehensive (loss)/income for the year	**(152 325)**	1 027 691
Total equity at end of year	**2 333 536**	2 479 338

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOW

	Year ended 31 December 2009 Audited R'000	Year ended 31 December 2008 Audited R'000
(Loss)/profit before income tax	**(218 475)**	1 470 022
Interest paid	**39 568**	55 579
Interest received	**(27 593)**	(3 062)
Depreciation	**106 189**	77 918
Adjusted for non-cash items	**3 625**	12 485
Adjusted for working capital changes	**363 389**	(683 854)
Cash flows from operations	**266 703**	929 088
Interest paid	**(39 568)**	(55 579)
Interest received	**27 418***	3 062
Taxation paid	**(87 728)**	(700)
Cash flows from operating activities	**166 825**	875 871
Cash flows from investing activities	**(182 583)**	(138 262)
Acquisition of property, plant and equipment – expansionary	**(1 593)**	(13 658)
Acquisition of property, plant and equipment – sustaining	**(180 990)**	(124 664)
Proceeds from disposal of property, plant and equipment	**–**	60
Cash flows from financing activities	**(2 548)**	(114 351)
Proceeds from issue of shares	**–**	5 528
Increase/(decrease) in non-current borrowings	**(2 548)**	(119 879)
Net (decrease)/increase in cash and cash equivalents	**(18 306)**	623 258
Cash and cash equivalents at the beginning of the year	**539 741**	(153 469)
Effect of exchange rate fluctuations on cash held	**(58 803)**	69 952
Cash and cash equivalents at the end of the year	**462 632**	539 741

**Amount is net of interest accrual of R0,175 million.*

Sponsor

Deutsche Bank
Deutsche Securities (SA) (Proprietary) Limited
(A non-bank member of the Deutsche Bank Group)

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: 1st Floor, Block B, Sandton Place, 68 Wierda Road East, Wierda Valley, Sandton, 2196

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