



MERAFE
R E S O U R C E S

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Results Presentation

For the year ended 31 December 2013

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Key agenda

1. Year in review

2. Operational review

3. Market review

4. Financial review

5. Future outlook

Annexures

01

Year in
review

Year in review

ACHIEVEMENTS

↑ **38%** increase in revenue to R3.5 billion

↑ **78%** increase in EBITDA to R558 million

↑ **331%** increase in net profit to R211 million

↑ **112%** increase in headline earnings to 11c per share

↑ **23%** increase in ferrochrome sales volumes

↑ **32%** increase in Merafe attributable production to 319kt

↑ **5.2%** improvement in TRIFR from 4.05 to 3.84

2.9% reduction in CO₂e generated per tonne of ferrochrome produced

7% reduction in energy use per tonne of ferrochrome produced

Lion II commissioning commences

Tswelopele plant excellent first year performance

SUCCESSSES

JSE SRI Index participant

Winner Small Cap section of Chartered Secretaries JSE Limited Annual Report Awards

Tswelopele pelletising and sintering plant winner of the industrial category of the 2013 Eskom eta awards for its ability to improve energy efficiency in 2013

CHALLENGES

Labour stability

Employee engagement

Electricity supply

DISAPPOINTMENTS

Two fatalities

4% decrease in the average European benchmark ferrochrome price to 116 US\$/lb

02

Operational
review

Operational review

Ferrochrome production

- 32% increase in production to a record 319kt
- Excellent performance of Lion I and Rustenburg smelters
- Eskom buy-back agreements in H1 2013

Employee relations and safety

- Wage negotiations successfully concluded
- TRIFR improved by 5%

Projects

Lion II

- Hot commissioning of Lion II commenced in the last quarter of 2013
- Expected to be within budget
- Anticipated to be fully operational in mid 2014

Tswelopele

- Two consecutive monthly production records
- Improved energy efficiency of Rustenburg furnaces
- Improved ore consumption efficiency

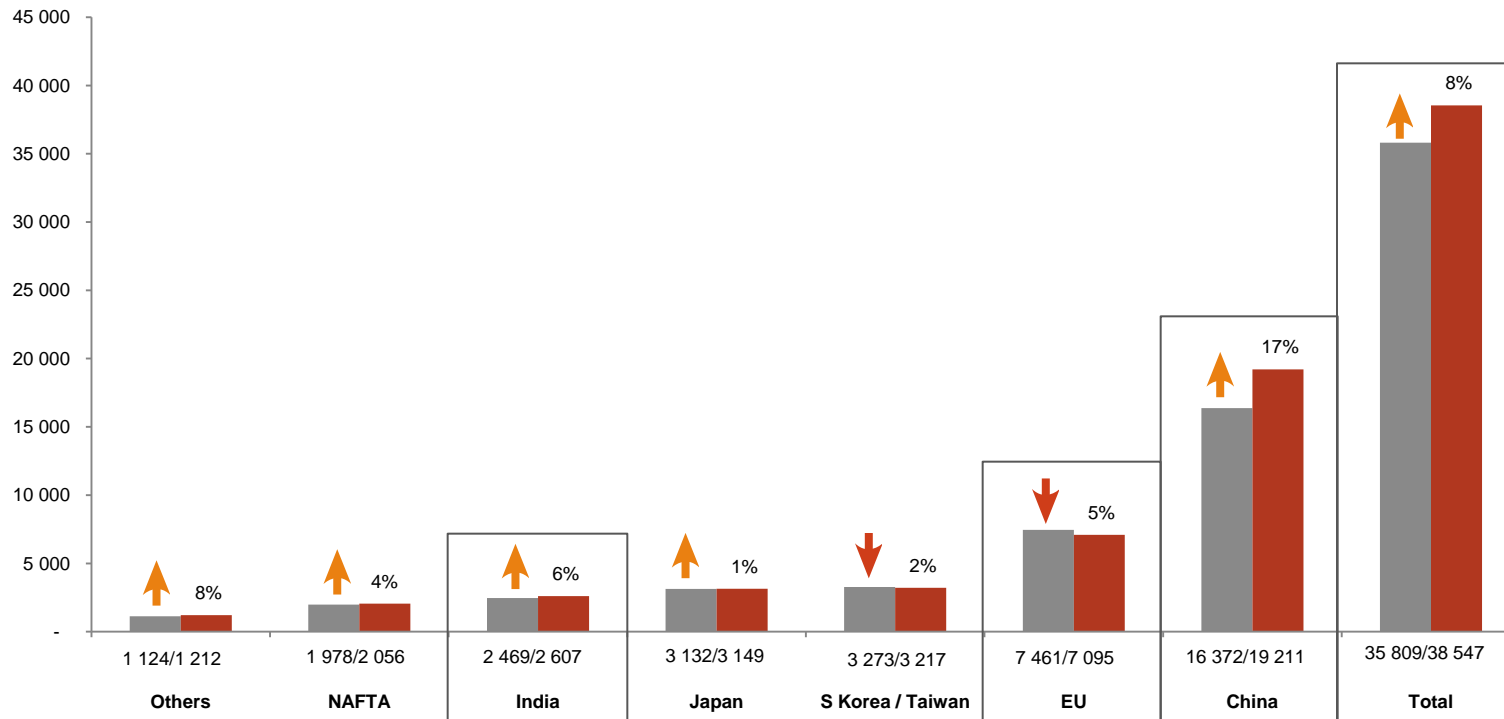
Ferrochrome production costs

- Increases contained below sector inflation despite higher than inflation increases in labour and electricity

03

Market
review

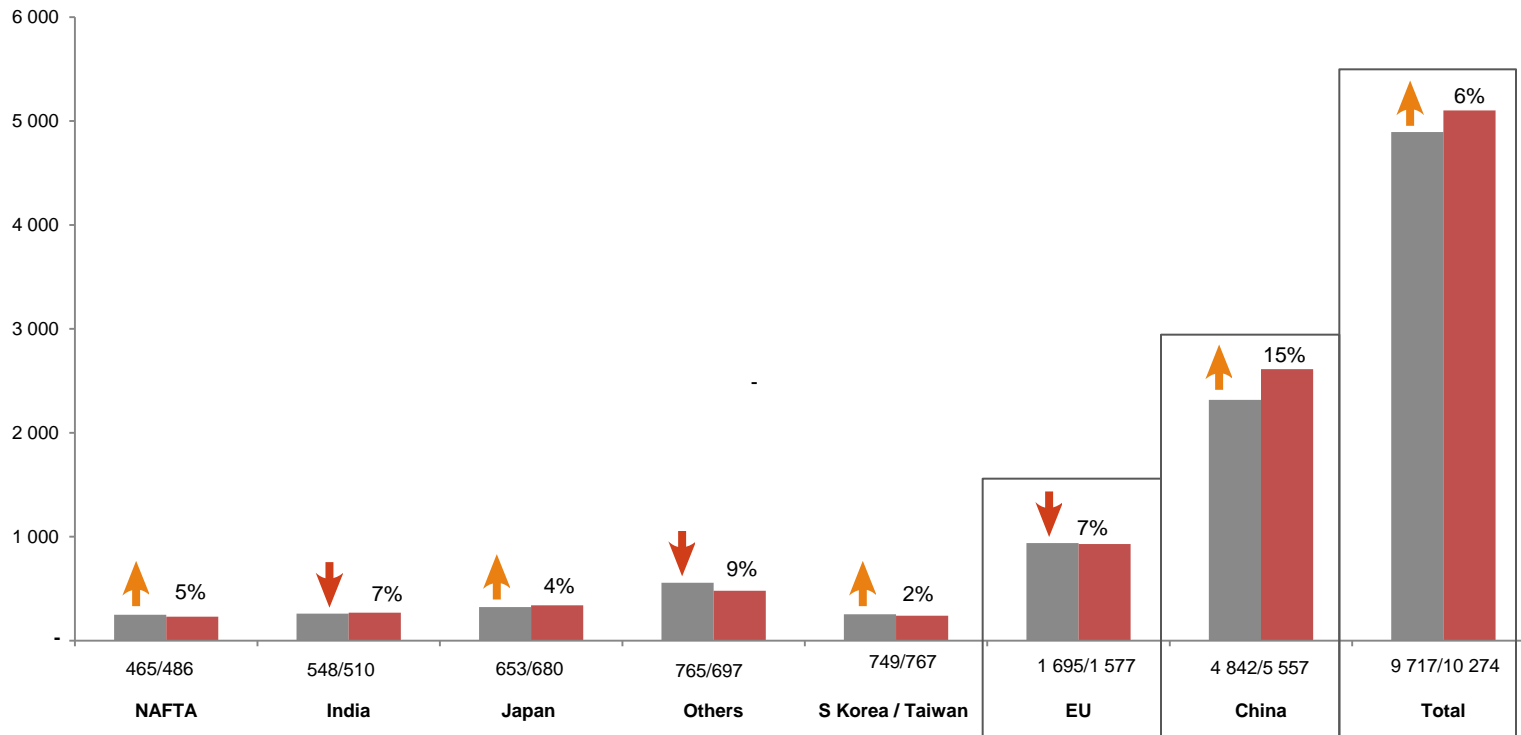
8% increase in stainless steel production



Source: Heinz Pariser/Jan 2014

■ 2013 estimated tonnes in '000
■ 2012 actual tonnes in '000

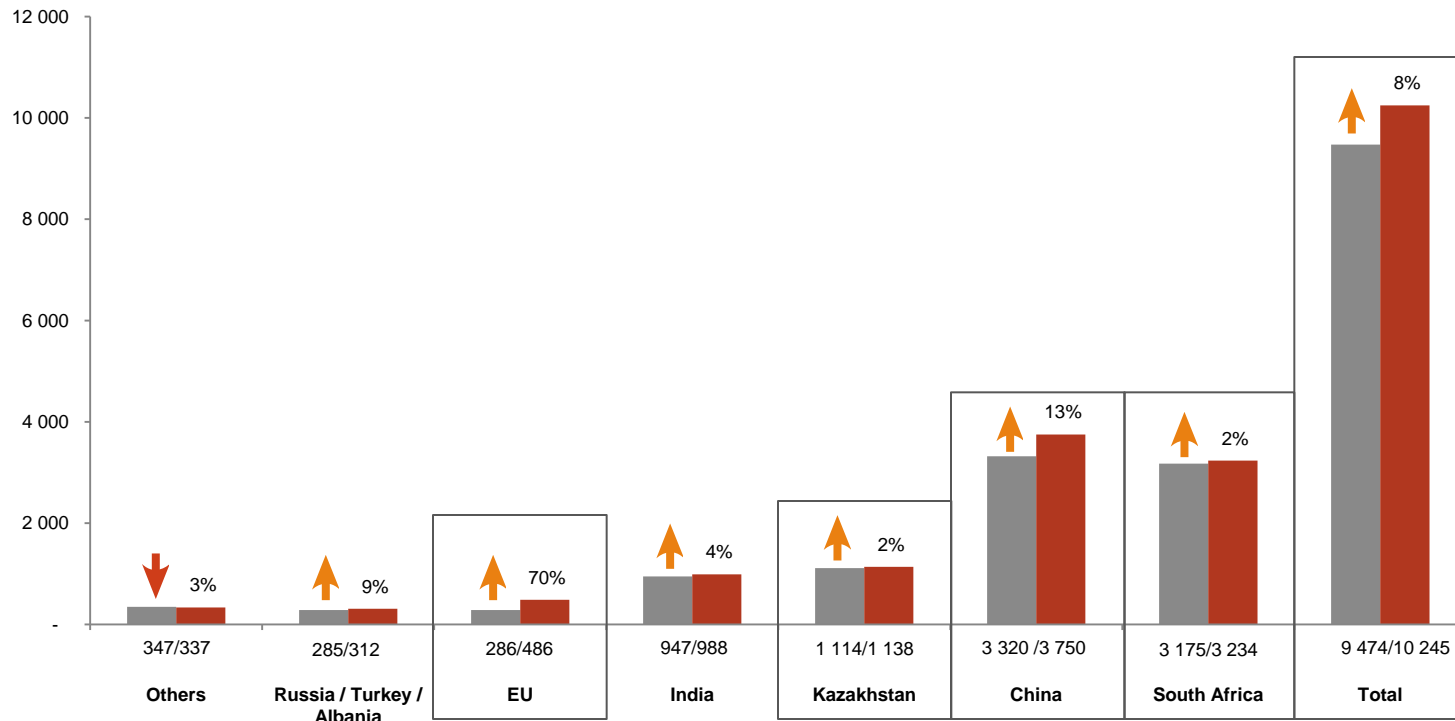
6% increase in ferrochrome demand



Source: Heinz Pariser/Jan 2014

■ 2013 estimated tonnes in '000
■ 2012 actual tonnes in '000

8% increase in ferrochrome production



Source: Heinz Pariser/Jan 2014

■ 2013 estimated tonnes in '000
■ 2012 actual tonnes in '000

2013 market overview

Ferrochrome price overview		
	Q1 – 2013	112.5 USc/lb
Positive signs in the Chinese, North American and European markets coupled with further Eskom buy-back arrangements	Q2 – 2013	127 USc/lb
Global economic uncertainty, weakening Rand, concerns about Chinese growth and lower nickel prices	Q3 – 2013	112.5 USc/lb
	Q4 – 2013	112.5 USc/lb
General Improvement in market sentiment in Europe, Japan and US	Q1 – 2014	118 USc/lb

04

Financial
review

Key financial features

Revenue	↑	38%
EBITDA	↑	78%
HEPS	↑	112%
Capex	↔	
Net Debt	↑	37%

	H1 2013	H2 2013	FY 2013	FY 2012
Revenue (R'm)	1 469	2 028	3 497	2 542
EBITDA (R'm)	210	348	558	314
HEPS (cents)	3.8	7.0	10.8	5.1
Capex (R'm)	280	325	605	603
Net Debt (R'm)	525	606	606	441

Revenue

Ferrochrome sales tonnes ↑ 23%

Average ferrochrome price ↓ 4%

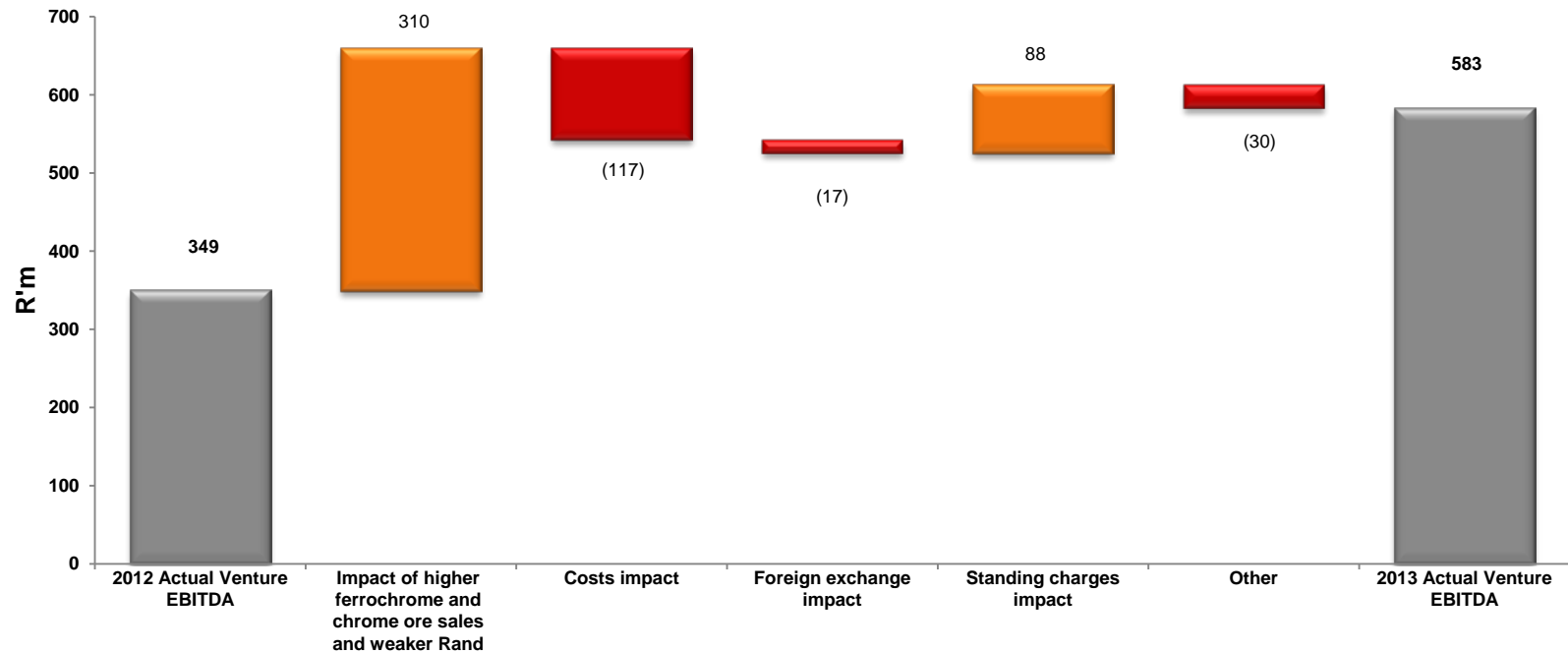
Rand/US\$ exchange rate ↑ 17%

Ferrochrome revenue ↑ 36%

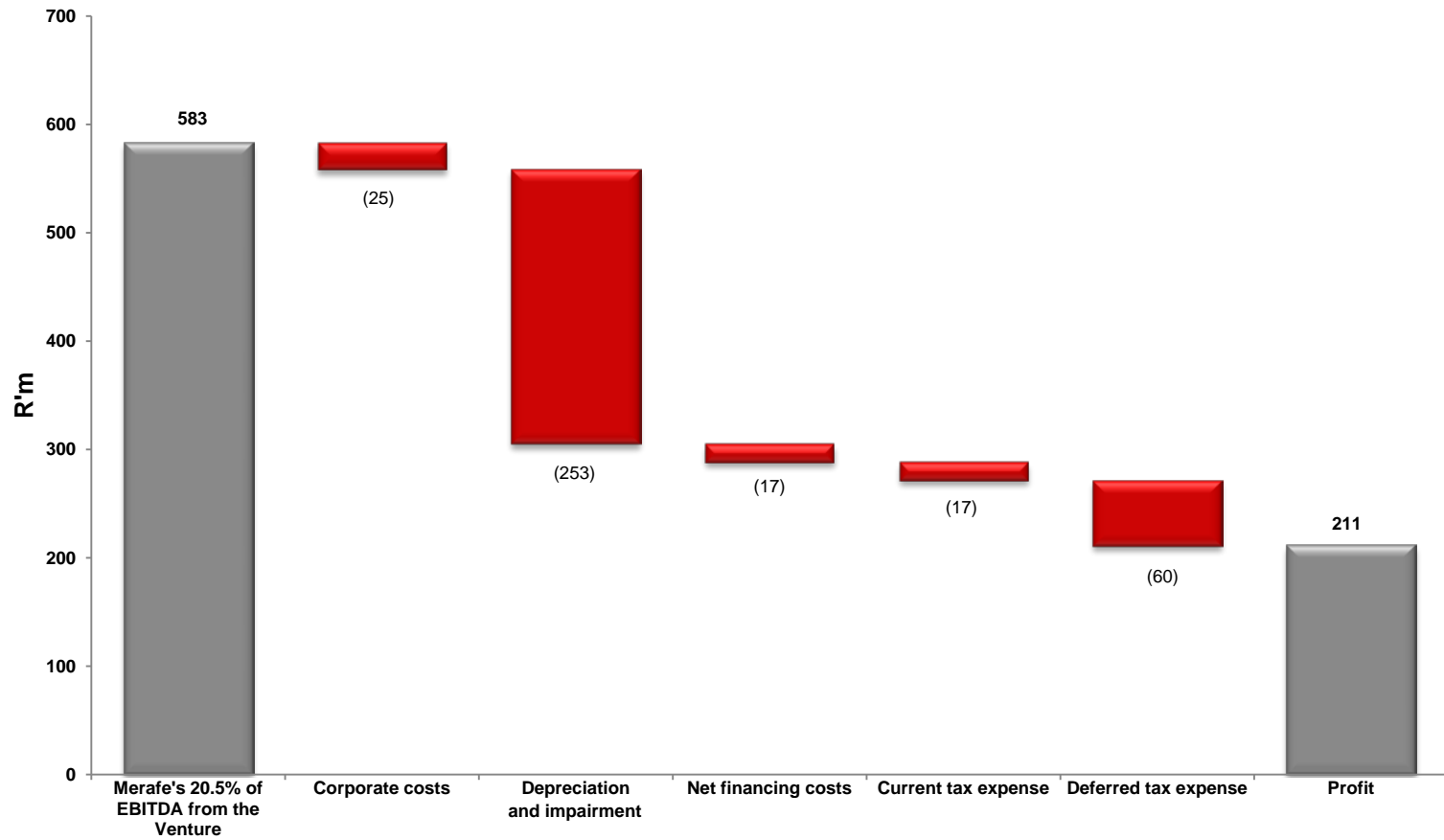
Chrome ore revenue ↑ 49%

	FY 2013	FY 2012
Ferrochrome sales (kt)	314	255
Average European benchmark ferrochrome price (US\$/lb)	116	121
Rand/US\$ exchange rate	9.6	8.2
Ferrochrome revenue (R'm)	3 005	2 212
Chrome ore revenue (R'm)	492	330
Total revenue (R'm)	3 497	2 542

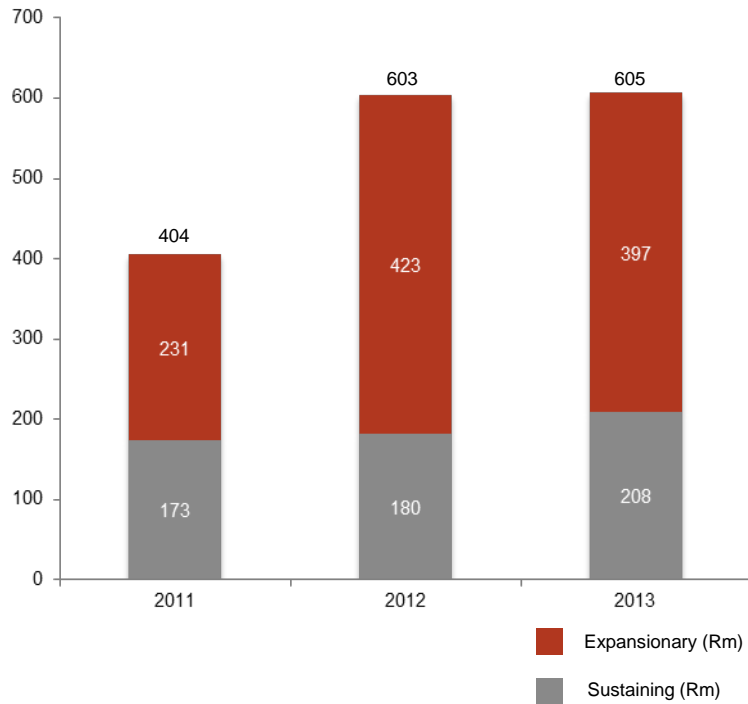
Venture year-on-year EBITDA movement – Merafe's share



EBITDA reconciliation to profit



Capital expenditure



Note: Capital expenditure in the last three years comprises primarily Project Lion II and Project Tswelopele

Project Lion II

- At 31 December 2013, the project was 87% complete.
- Approximately R170m will be spent in 2014 to complete the project.

Balance sheet

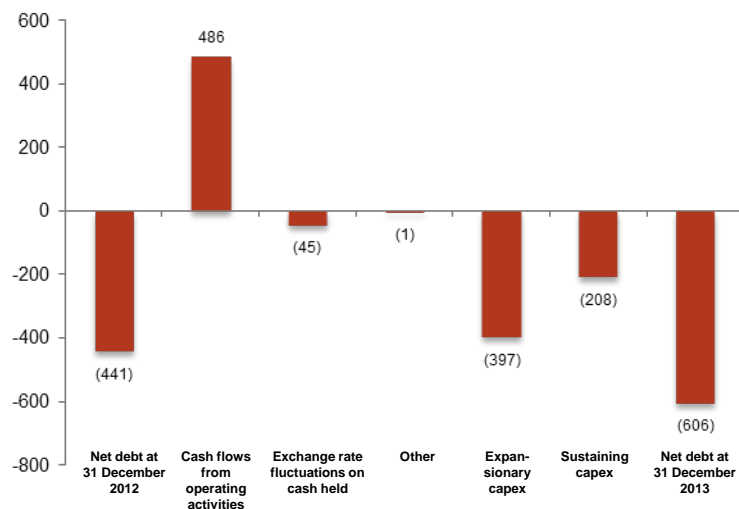
	As at 31 December 2013	As at 31 December 2012
	Audited R'000	Audited R'000
Total non-current assets	3 099 988	2 677 308
Property, plant and equipment	3 099 988	2 677 308
Total current assets	1 903 622	1 614 804
Inventories	1 132 986	1 088 885
Trade and other receivables	677 649	344 725
Current tax asset	7 440	26 424
Cash and cash equivalents	85 547	82 643
Assets held for sale	–	72 127
Total assets	5 003 610	4 292 112

Balance sheet (continued)

	As at 31 December 2013	As at 31 December 2012
	Audited R'000	Audited R'000
Total non-current liabilities	1 313 866	1 132 929
Loans and borrowings	576 311	523 872
Provision for close down and restoration costs	111 456	57 892
Deferred tax	626 099	551 165
Total current liabilities	763 907	449 554
Loans and borrowings	19 471	636
Trade and other payables	648 143	430 368
Bank overdraft	96 293	–
Liabilities held for sale	–	18 550
Total liabilities	2 077 773	1 582 483

Debt and facilities

Net debt movement R'm



** Comprises R576m loans and borrowings, R19m short-term loans and borrowings, R96m overdraft and cash of R85m

Facilities

R'm

Utilised facilities at 31 December 2013

ABSA loan	581
Overdraft facilities ^a	96
Total	677

Headroom at 31 December 2013

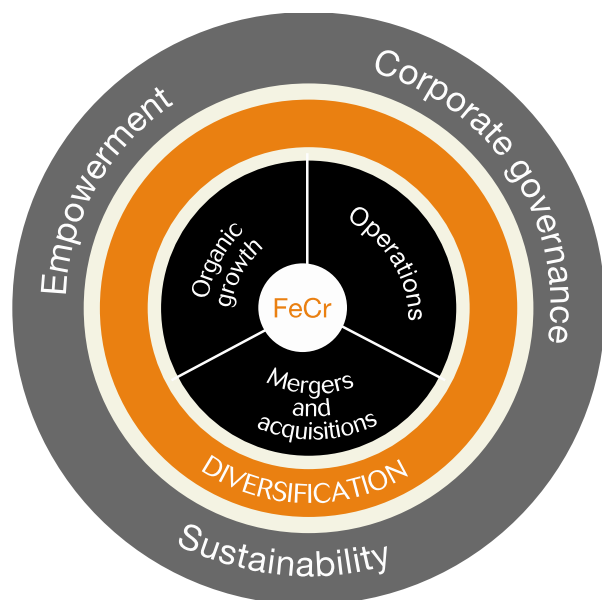
ABSA loan	219
Overdraft facilities ^a	296
Total	515

^a USD facilities converted at the closing exchange rate of R10.50

05

Future
outlook

Future outlook



- Demand fundamentals for ferrochrome remain strong
- Investments in energy efficient technology provide us with a significant advantage
- Strong balance sheet, healthy cash flows and the lowest cost producer in South Africa leave us well positioned to grow our market share
- No immediate major expansionary capital planned and we look forward to repaying our debt, paying dividends and pursuing value enhancing opportunities for shareholders

06

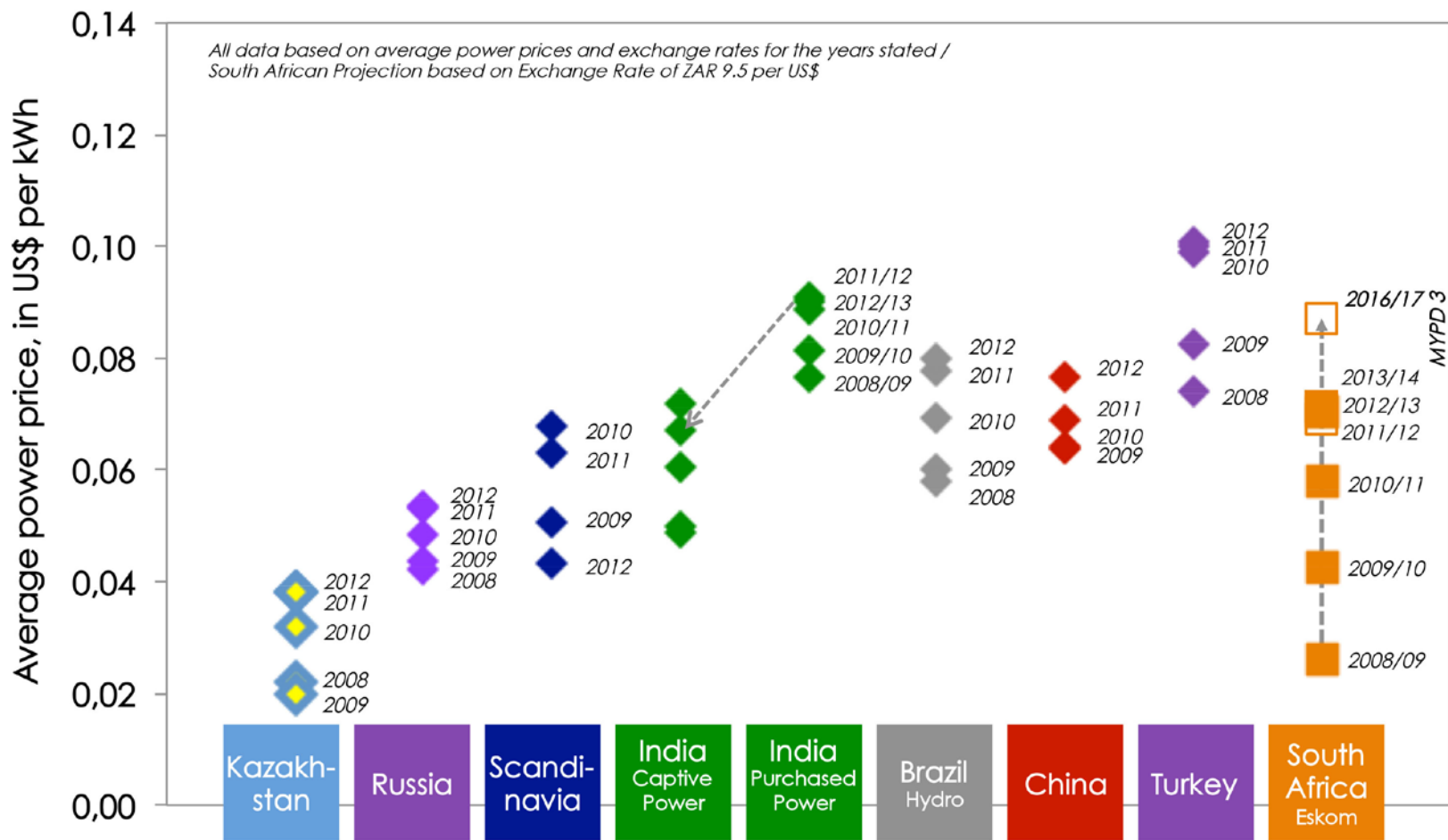
Annexures

Chrome ore imports into China

	2011 '000t	2012 '000t	2013 '000t	% change 2013/2012
South Africa	4 675	4 490	6 736	50.0
Turkey	1 612	1 840	1 988	8.0
Oman	645	426	687	61.3
India	439	310	168	(45.8)
Pakistan	440	472	482	2.1
Albania	357	305	677	122.0
Iran	330	448	428	(4.5)
Zimbabwe	212	1	–	(100.0)
Madagascar	86	118	118	–
Australia	208	501	407	(18.8)
Philippines	137	180	126	(30.0)
Brazil	60	29	–	(100.0)
Kazakhstan	94	89	167	87.6
Others	149	91	108	18.7
Total	9 444	9 300	12 092	30.0

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Globally rising power prices



Sources: Individual annual and company reports, NordPool Electricity Spot Prices, NRDC, Eskom, Heinz H. Pariser