

RESULTS PRESENTATION

FOR THE YEAR ENDED 31 DECEMBER 2016

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MERAFE
RESOURCES

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Key Agenda

Introduction

01. Year in review
02. Operational review
03. Market review
04. Financial review
05. Outlook and dividends

Annexures

Introduction

- Significant volatility in commodity prices
- Currency fluctuations
- Chinese economic growth

01

Year in review

2016 year in review

Operational

- Record ferrochrome production of **393kt**
- Cost increases contained **below inflation**

Safety

- Sadly one **fatality**
- TRIFR of **4.15**

Market

- Global stainless **steel production** growth of **8.8%**
- Global **ferrochrome demand** growth of **7.6%**
- Global **ferrochrome production** growth of **4.9%**

Financial

- Revenue up by **29%**
- HEPS up by **53%**
- Cash from operating activities of **R501m**
- Final cash dividend declared of **R100.4m**

02

Operational review

Operational review

- Increase of 4% in ferrochrome production
 - Project Lion II
 - Timing of refurbishments
- Safety
 - Sadly one fatality
 - TRIFR of 4.15
- Electricity
 - Supply
 - Pricing
- Wage negotiations

Production costs well managed and controlled

- Well below inflation increase in total Rand production costs per tonne
- Key contributors
 - Above inflation increase in labour and electricity
 - Weaker Rand impact on imported reductants
 - Higher UG2 input costs
 - + Lion II
 - + Various cost saving initiatives
 - + Higher production volumes

Global Ferrochrome cost curve

- Glencore-Merafe Venture (lowest cost producer in South Africa and second lowest cost globally)

03

Market review

Stainless steel production

- Global production – 8.8% growth
 - China 13.3%
 - Europe 1.8%
 - India 6.6%
 - USA 6.7%
- Strong performances in various end use sectors
 - Electro & Electronics
 - Motor Vehicles
 - Machinery and equipment
 - Basic metals

Ferrochrome demand and production

Global ferrochrome demand

- Global demand - 7.6% year-on-year growth
- Chinese demand - 9.4% growth
- Growth in other regions – EU, NAFTA

Ferrochrome pricing

- Q1 prices decreased to lowest levels
- Q2 to Q4 – recovery in prices

Ferrochrome production

- Global production - 4.9% year-on-year growth
- China – 11.8% growth
- Kazakhstan – 19.2% growth
- South Africa – 3.2% decline

Chrome ore market

Chrome ore imports into China

- 1.7% increase to 10.6mt
- South Africa – growth of 2.2%, Albania – growth of 1.6%, Iran - growth of 7.2%
- Turkey – decline by 20.5%, Oman – decline by 23%

Imports into China – SA source

- 2016 – 73.3%
- 2015 – 72.9%

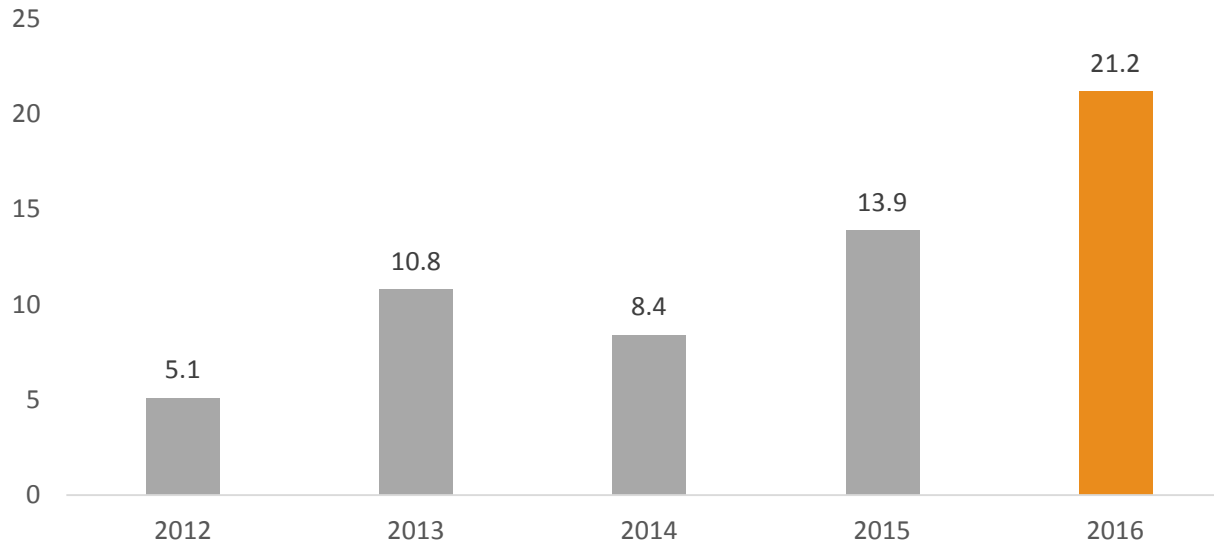
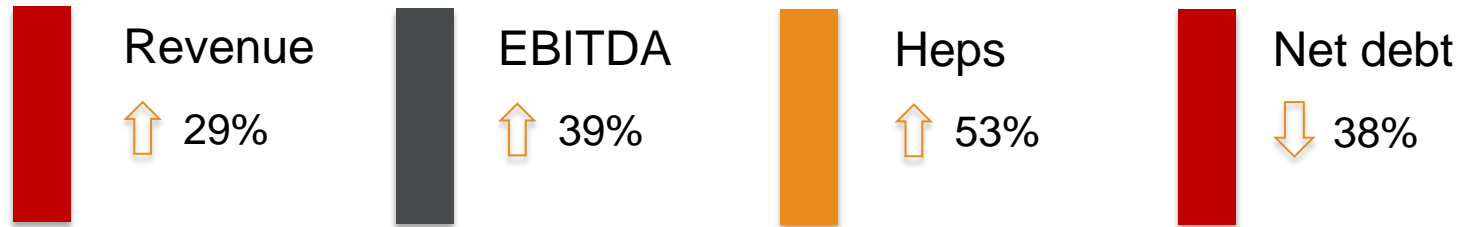
Price developments

- Q1 - lowest prices
- By December 2016 – 400% increase

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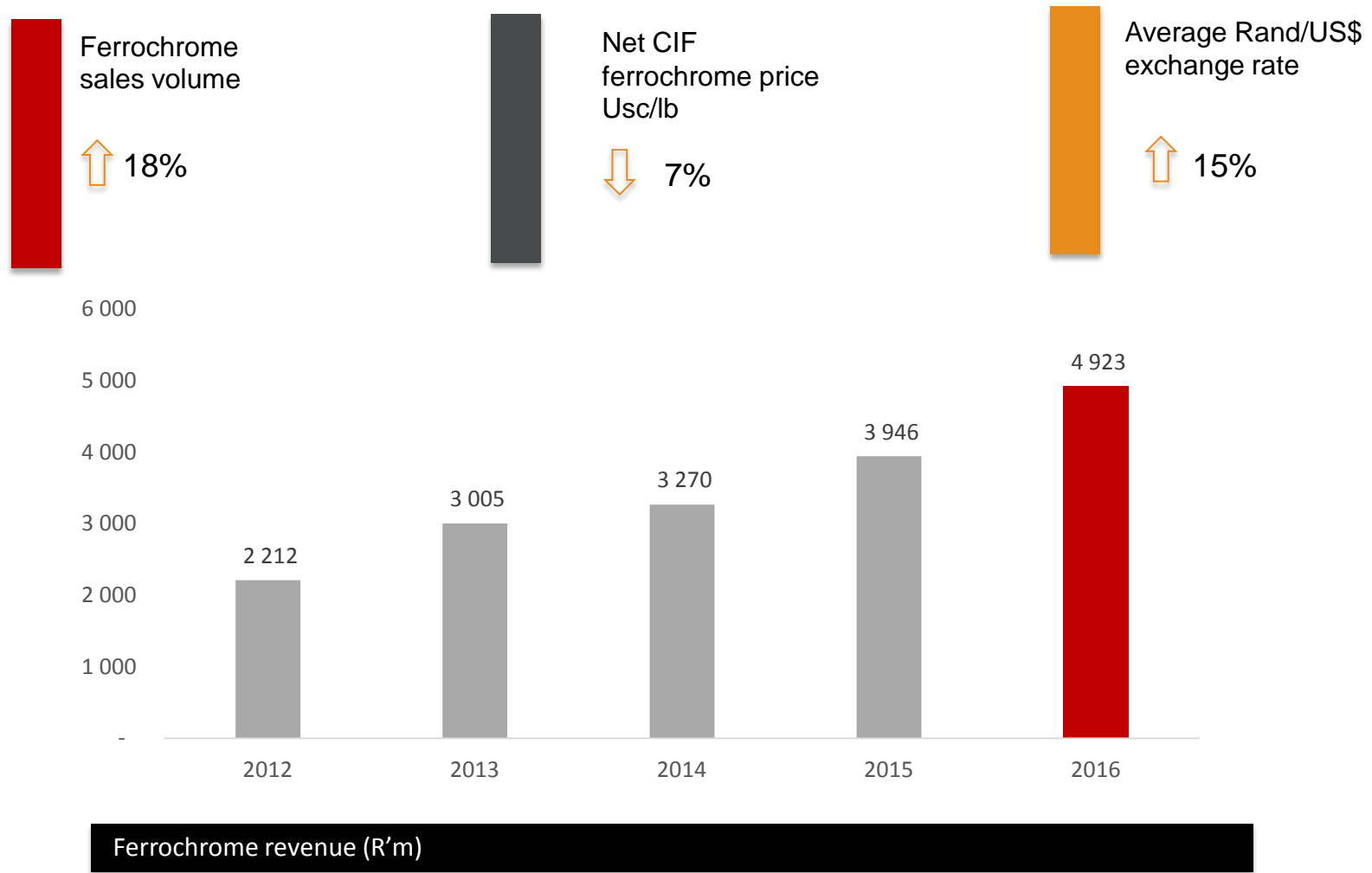
Financial review

Key financial features

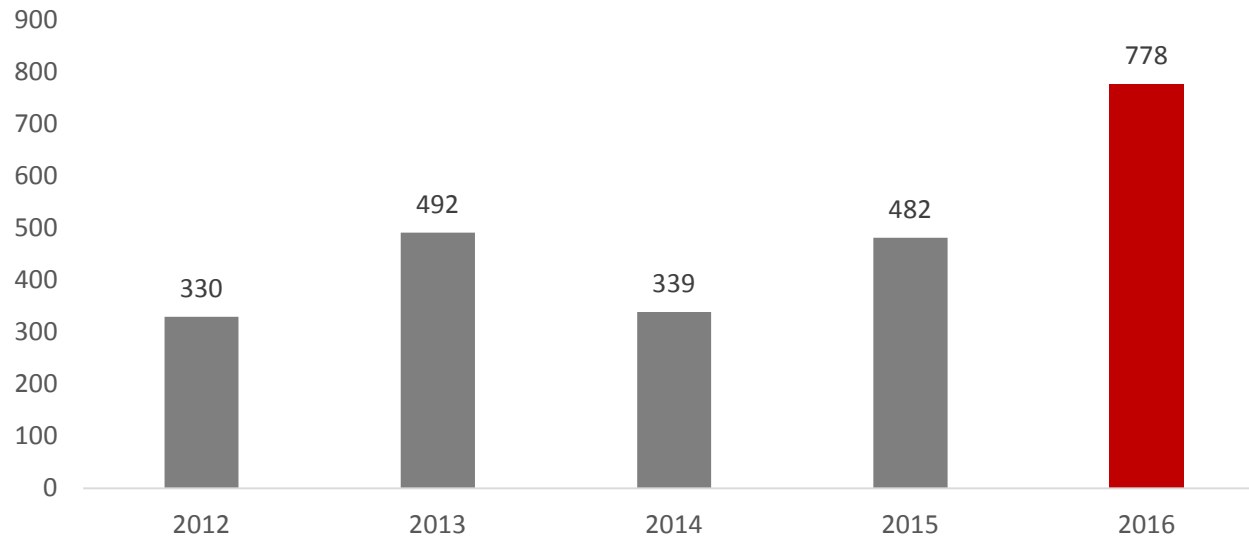
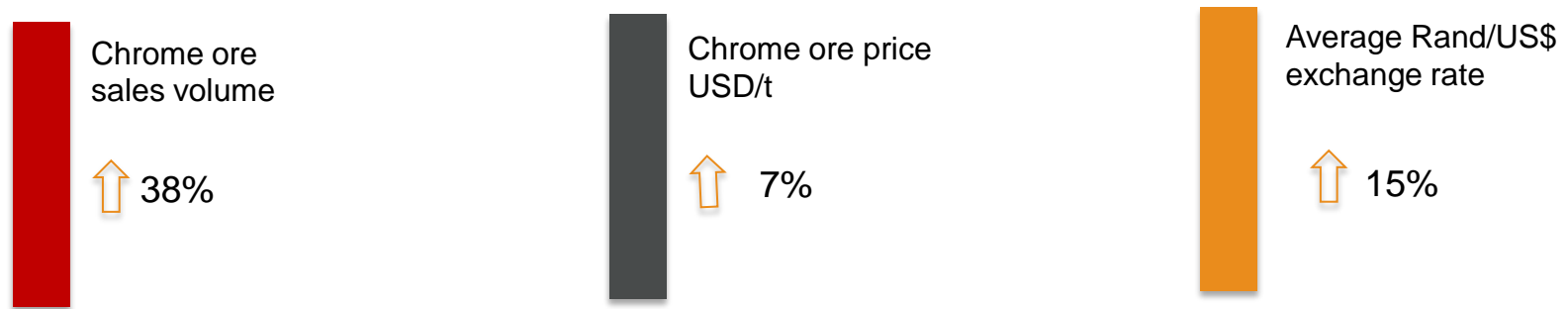


HEPS (cents)

Ferrochrome revenue up by 25%

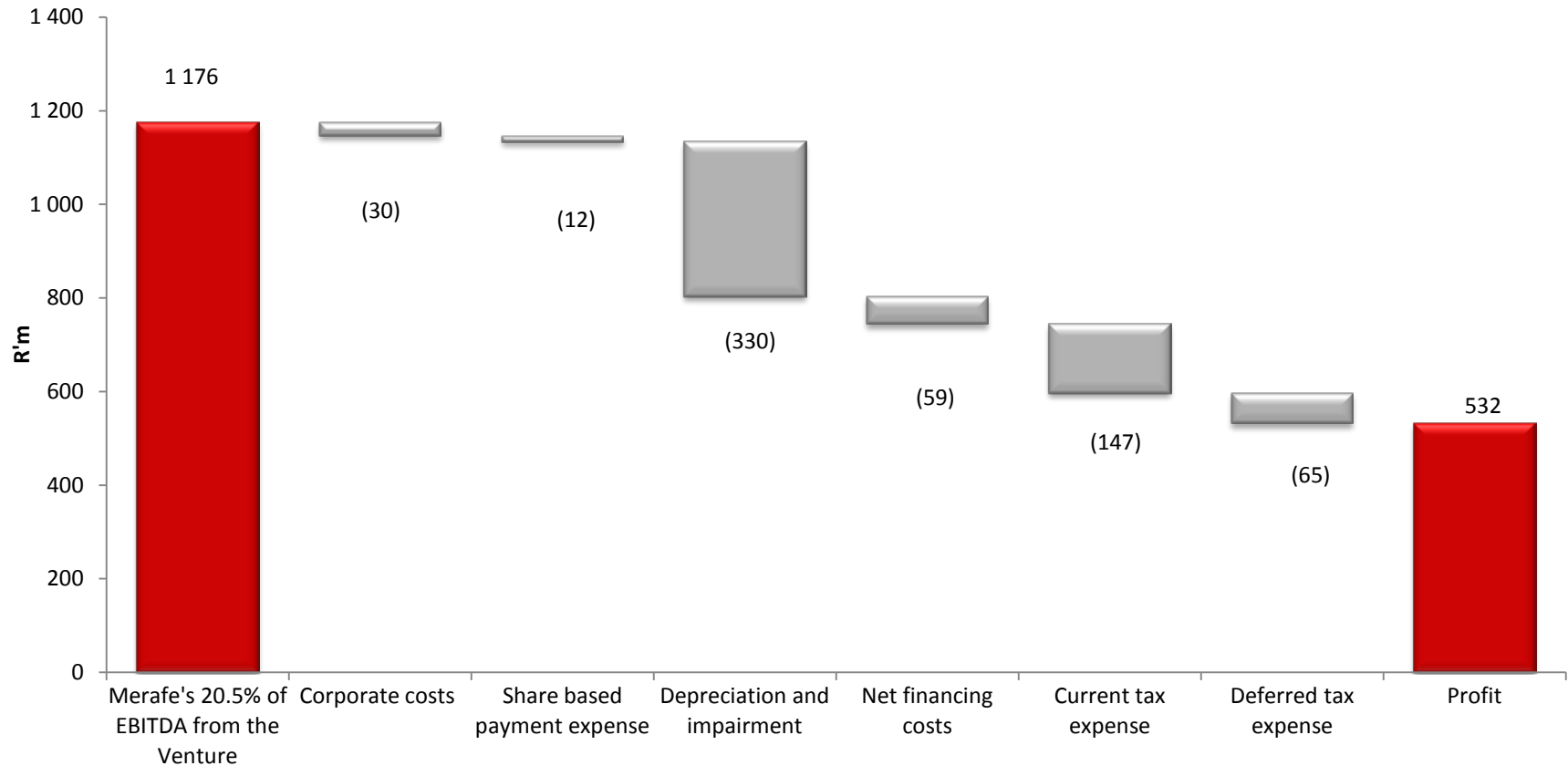


Chrome ore revenue up by 61%



Chrome ore revenue (R'm)

EBITDA reconciliation to profit



EBITDA Recon (R'm)

Half on half performance

	H1 2016 R'm	H2 2016 R'm	Total 2016 R'm	
Ferrochrome revenue	2 153	2 770	4 923	33% higher price
Chrome ore revenue	260	518	778	60% higher volumes and 69% higher price
Merafe's 20.5% of PSV EBITDA	275	901	1 176	
Merafe total corporate costs	(18)	(24)	(42)	Increased share based payment charge
Depreciation	(147)	(183)	(330)	Re-assessment of useful lives, Lion II full year
Net financing costs	(32)	(27)	(59)	
Taxation	(21)	(191)	(212)	Reduction in debt levels
Profit after tax	57	475	532	
HEPS (cents)	2.3	18.9	21.2	Higher profits

Key balance sheet items

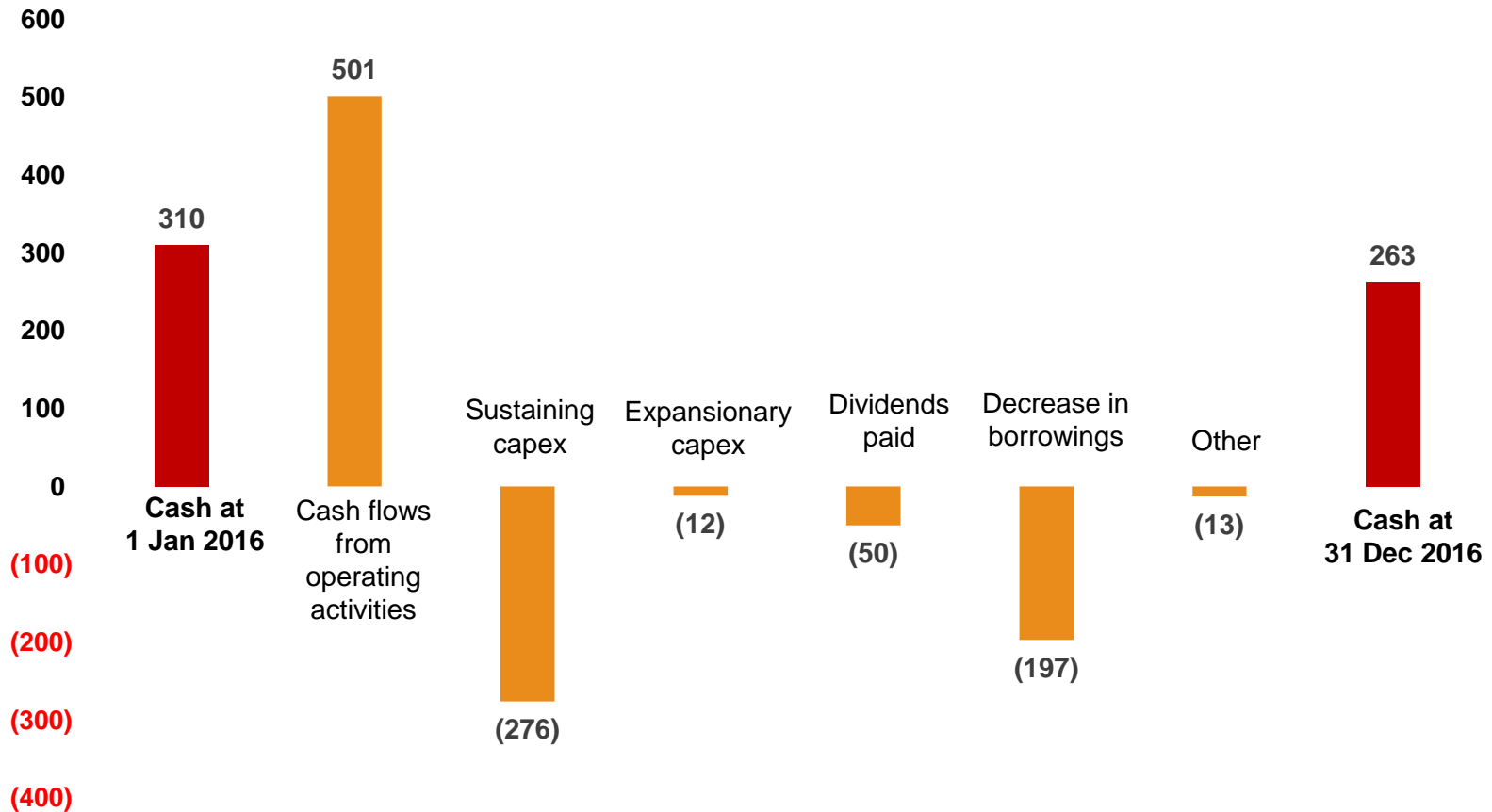
- Inventories
 - Reduction in finished goods
 - Production > sales

- Trade and other receivables (key contributors)

	Q4 2015 vs Q4 2016
• Ferrochrome	
Sales volumes	+26%
Net CIF price	+31%
• Chrome ore	
Sales volumes	+228%
Prices	+73%
• Debtors facility	(R102m)
• Earlier than expected receipts in 2015	

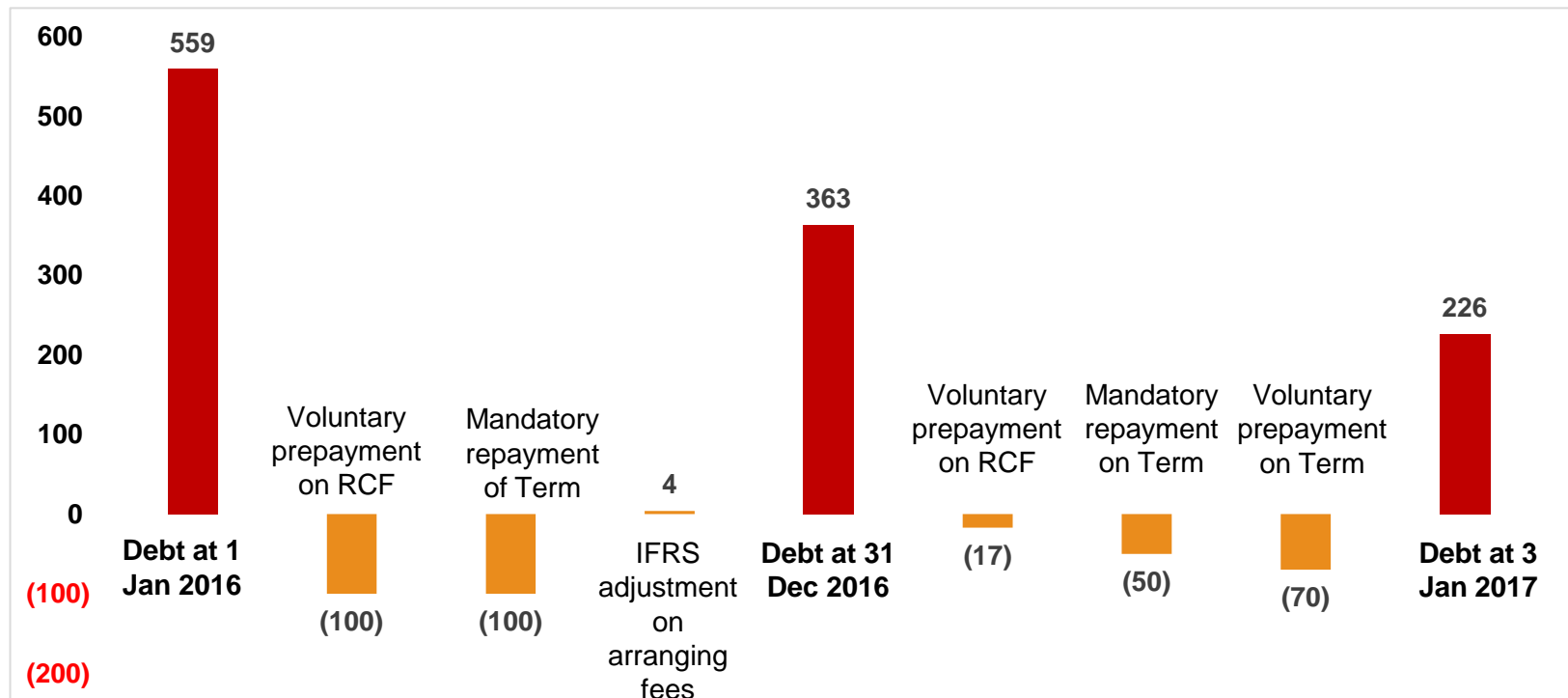
- Trade and other payables
 - Higher selling expenses and commission

Cash flow statement



Cash movement R'm

Reconciliation of Merafe head-office debt



Head-office debt recon R'm

Significant reduction in net debt levels

	2016		2015
	Balance	Headroom	Balance
	R'm	R'm	R'm
Merafe head-office debt	363	283	559
Net cash	(263)*	379*	(310)*
Debtors facility	309*	112*	411*
Total – Net debt	409	774	660

*USD facilities converted at the closing rate of R13.7 (2015: R15.5)

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Outlook and dividends

Outlook and dividends

- Healthy growth rates are expected in stainless steel production in 2017 and 2018
- Reduction in Merafe head-office debt
- Dividends
 - minimum 30% of Headline earnings
 - special dividends/share buy-backs

Questions



Annexures

Global stainless steel production

	2013	2014	2015	2016	Change 16/15	2017e	Change 17/16	2018f	Change 18/17
	'000 t	'000 t	'000 t	'000 t	in %	'000 t	in %	'000 t	in %
NAFTA	2 032	2 389	2 345	2 503	6.7%	2 490	-0.5%	2 540	2.0%
Brazil	421	425	402	440	9.5%	445	1.1%	452	1.6%
European Union	7 142	7 242	7 173	7 307	1.9%	7 403	1.3%	7 522	1.6%
Other Europe	206	189	149	147	-1.3%	150	2.0%	153	2.0%
Japan	3 175	3 328	3 061	3 093	1.0%	3 140	1.5%	3 187	1.5%
South Korea	2 143	2 038	2 231	2 262	1.4%	2 296	1.5%	2 330	1.5%
Taiwan	1 052	1 120	1 109	1 269	14.4%	1 282	1.0%	1 301	1.5%
South Africa	492	472	513	562	9.6%	584	3.9%	608	4.1%
Subtotal	16 663	17 203	16 983	17 583	3.5%	17 790	1.2%	18 093	1.7%
China	19 211	21 810	21 534	24 399	13.3%	25 619	5.0%	26 900	5.0%
India	2 791	2 822	3 015	3 215	6.6%	3 376	5.0%	3 562	5.5%
Subtotal	22 002	24 632	24 549	27 614	12.5%	28 995	5.0%	30 462	5.1%
Total	38 665	41 835	41 532	45 197	8.8%	46 785	3.5%	48 555	3.8%

Source: Heinz H. Pariser, Alloy Metals & Steel Market Research

Global ferrochrome demand

	2014	2015	2016	Change 16/15	2017e	Change 17/16	2018f	Change 18/17
	'000 t	'000 t	'000 t	in %	'000 t	in %	'000 t	in %
NAFTA	706	451	540	19.7%	548	1.5%	564	2.9%
European Union	1 546	1 475	1 484	0.6%	1 560	5.1%	1 610	3.2%
Japan	757	675	701	3.9%	710	1.3%	711	0.1%
South Korea	468	522	542	3.8%	545	0.6%	553	1.5%
Taiwan	243	243	320	31.7%	318	-0.6%	309	-2.8%
Others	511	478	484	1.3%	522	7.9%	538	3.1%
Subtotal	4 231	3 843	4 071	5.9%	4 203	3.2%	4 285	2.0%
China	6 222	6 367	6 966	9.4%	7 261	4.2%	7 506	3.4%
India	417	492	477	-3.0%	504	5.7%	531	5.4%
Total	10 870	10 703	11 514	7.6%	11 968	3.9%	12 322	3.0%
Charge Cr	6 999	7 356	8 076	9.8%	8 385	3.8%	8 615	2.7%
HC FeCr	3 871	3 347	3 438	2.7%	3 583	4.2%	3 707	3.5%

Source: Heinz H. Pariser, Alloy Metals & Steel Market Research

Global ferrochrome production

	2014	2015	2016	Change 16/15	2017e	Change 17/16	2018f	Change 18/17
	'000 t	'000 t	'000 t	in %	'000 t	in %	'000 t	in %
Brazil	165	137	118	-13.9%	140	18.6%	145	3.6%
EU 27	507	542	571	5.4%	588	3.0%	605	2.9%
Russia, Turkey, Albania	282	254	241	-5.1%	282	17.0%	306	8.5%
India	805	870	885	1.7%	920	4.0%	945	2.7%
Kazakhstan	1 135	1 087	1 296	19.2%	1 330	2.6%	1 360	2.3%
South Africa	3 774	3 713	3 596	-3.2%	3 785	5.3%	3 920	3.6%
Zimbabwe	230	161	110	-31.7%	150	36.4%	160	6.7%
Others	77	89	113	27.0%	121	7.1%	126	4.1%
Subtotal	6 974	6 854	6 929	1.1%	7 316	5.6%	7 567	3.4%
China	4 165	3 741	4 183	11.8%	4 250	1.6%	4 300	1.2%
Total	11 139	10 595	11 112	4.9%	11 566	4.1%	11 867	2.6%
Charge Cr	7 387	7 296	7 560	3.6%	7 910	4.6%	8 149	3.0%
HC FeCr	3 752	3 299	3 552	7.7%	3 656	2.9%	3 718	1.7%

Source: Heinz H. Pariser, Alloy Metals & Steel Market Research

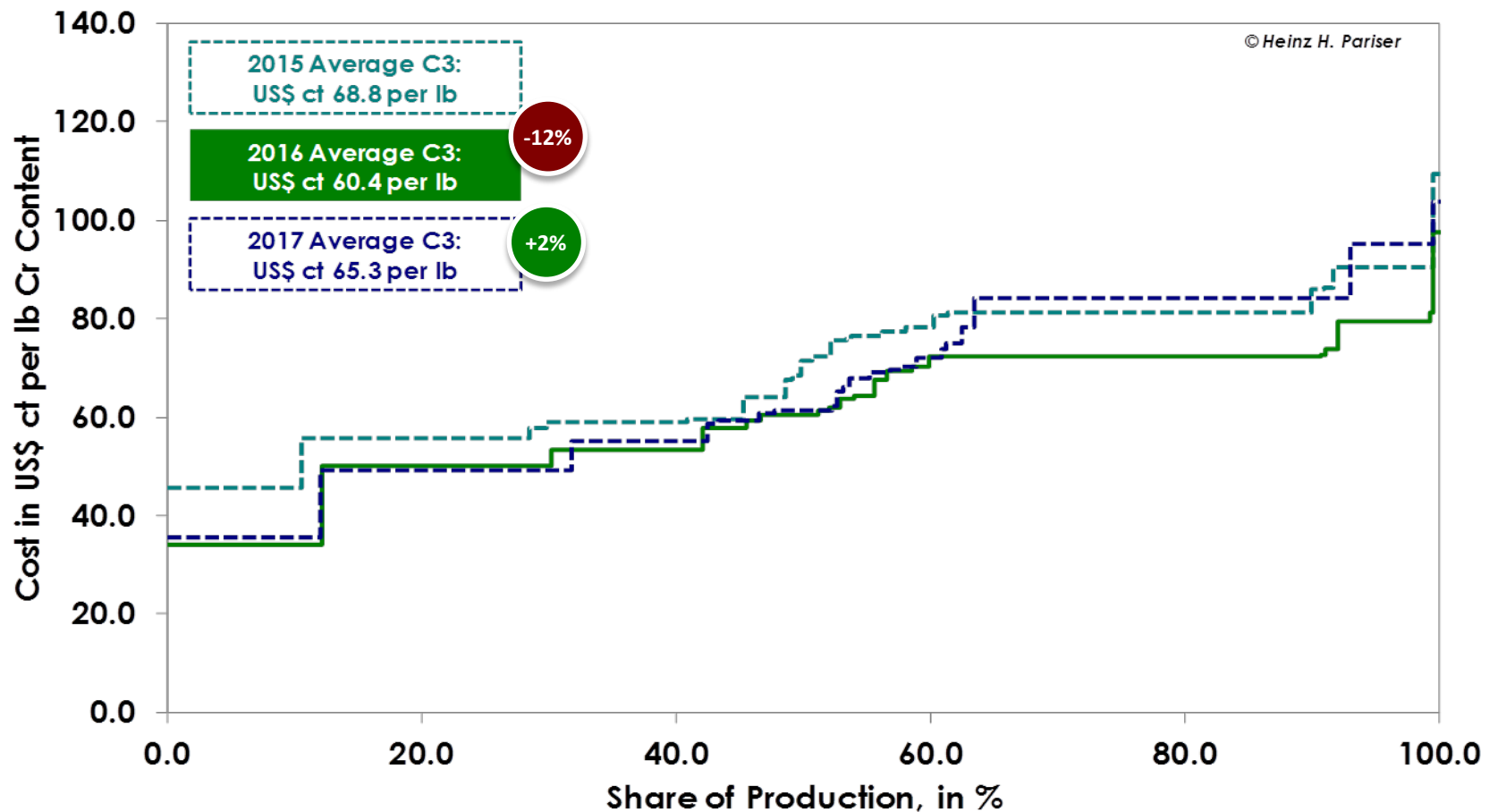
Chrome ore imports into China

	2014 '000 t	2015 '000 t	2016 '000 t	Change %
South Africa	5 748	7 579	7 747	2.2
Turkey	1 280	1 037	825	(20.5)
Albania	555	486	493	1.6
Iran	494	392	420	7.2
India	63	23	206	800.1
Pakistan	339	302	281	(6.9)
Oman	489	337	258	(23.3)
Madagascar	113	170	113	(33.1)
Mozambique	27	5	31	512.0
Philippines	67	31	55	76.3
Kazakhstan	77	8	38	377.0
Sudan	40	29	1	(95.8)
Australia	44	0	0	0
Others	47	5	107	2 040
Total	9 383	10 404	10 575	1.7

Source: Heinz H. Pariser, Alloy Metals & Steel Market Research

Production costs: 2015 to 2017

C3 Cost ex Works



Source: Heinz H. Pariser, Alloy Metals & Steel Market Research