



MERAFE
RESOURCES

Merafe Resources Ltd
(formerly South African Chrome and Alloys Limited)
(Incorporated in the Republic of South Africa)
(Registration number 1987/003452/06)
("Merafe")
Share Code: MRF ISIN number: ZAE 000060000

Unaudited results for the 6 months ended 30 September 2004 and further cautionary announcement

GROUP ABRIDGED INCOME STATEMENT

	6 months to 30 September 2004 Unaudited R'000	6 months to 30 September 2003 Reviewed R'000	12 months to 31 March 2004 Audited R'000
Revenue	359,462	226,448	554,442
Operating profit	35,938	(9,532)	(23,427)
Depreciation	(10,896)	(14,600)	(28,312)
Net financing costs	(23,818)	(27,530)	(55,385)
Profit/(loss) before taxation	1,224	(51,662)	(107,124)
Taxation	-	-	-
Net profit/(loss) for the period	1,224	(51,662)	(107,124)
Profit/(loss) per share (cents)	0.10	(4.74)	(9.43)
Headline profit/(loss) per share (cents)	0.10	(4.74)	(9.43)
Ordinary shares in issue	1,236,324,684	1,195,664,823	1,195,664,842
Weighted average shares for period	1,236,324,684	1,089,613,423	1,135,527,054

GROUP ABRIDGED BALANCE SHEET

	6 months to 30 September 2004 Unaudited R'000	6 months to 30 September 2003 Reviewed R'000	12 months to 31 March 2004 Audited R'000
ASSETS			
NON-CURRENT ASSETS	701,483	678,816	692,779
Options, mineral and participation rights	258	258	258
Property, plant and equipment	681,366	668,836	679,897
Investments	9,757	8,809	9,784
Long-term receivables	10,102	913	2,840
CURRENT ASSETS	301,188	183,986	156,312
Inventories	105,811	134,101	92,797
Trade and other receivables	137,041	35,405	63,515
Bank and cash	58,336	14,480	-
TOTAL ASSETS	1,002,671	862,802	849,091
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES	262,715	287,190	231,961
Share capital	12,364	11,957	11,957
Share premium	556,340	527,347	527,217
Fair value reserve	130	-	130
Accumulated loss	(306,119)	(252,114)	(307,343)
NON-CURRENT LIABILITIES	389,250	238,010	359,894
Long-term borrowings	389,250	238,010	359,894
CURRENT LIABILITIES	350,706	337,602	257,236
Trade and other payables	280,748	208,290	199,122
Current portion of long-term borrowings	38,075	129,312	49,170
Bank overdraft	31,883	-	8,944
TOTAL EQUITY AND LIABILITIES	1,002,671	862,802	849,091
Net asset value per share (cents)	21.25	24.00	19.40

GROUP ABRIDGED CASH FLOW STATEMENT

	6 months to 30 September 2004 Unaudited R'000	6 months to 30 September 2003 Reviewed R'000	12 months to 31 March 2004 Audited R'000
Cash generated by/(utilised by) operations	31,022	(40,904)	(45,106)
Net interest received/(cost)	1,335	(27,530)	(55,719)
Cash flows from operating activities	32,357	(68,434)	(100,825)
Cash flows from investing activities	(19,599)	(12,582)	(45,227)
Cash flows from financing activities	22,639	94,187	135,800
Net increase (decrease) in cash and cash equivalents	35,397	13,171	(10,252)
Cash and cash equivalents at beginning of period	(8,944)	1,308	1,308
Cash and cash equivalents at end of period	26,453	14,479	(8,944)

STATEMENT OF CHANGES IN EQUITY

	6 months to 30 September 2004 Unaudited R'000	6 months to 30 September 2003 Reviewed R'000	12 months to 31 March 2004 Audited R'000
Share capital	12,364	11,957	11,957
Balance at beginning of period	11,957	10,150	10,150
New shares issued during period	407	1,807	1,807
Share premium	556,340	527,347	527,217
Balance at beginning of period	527,217	421,406	421,406
Premium on new shares issued during the period	29,123	105,941	105,811
Accumulated loss	(306,119)	(252,114)	(307,343)
Balance at beginning of period as previously reported	(307,343)	(200,452)	(200,090)
Net profit for the period	1,224	(51,662)	(107,123)
Transfer to fair value reserve	-	-	(130)
Fair value reserve	130	-	130
BALANCE AT END OF PERIOD	262,715	287,190	231,961

Change of name

Shareholders are reminded that with effect from Monday, 29 November 2004, the Company changed its name to Merafe Resources Limited to reflect its new strategic direction of diversification and growth into other resources.

COMMENTARY

Accounting policy

This report has been prepared in terms of South African Statements of Generally Accepted Accounting Practice (GAAP), and is consistent with those applied in the financial statements for the 12 months ended 31 March 2004.

Review of results

The Company is pleased to announce maiden earnings before interest, tax and depreciation of R35.9 million. After accounting for depreciation of R10.9 million and net interest paid of R23.8 million the net profit after tax was R1.2 million.

The Pooling and Sharing Venture ("the Venture") with Xstrata SA (Pty) Ltd, which became effective on 1 July 2004, resulted in SA Chrome sharing in 11% of the earnings before interest, tax and depreciation ("EBITDA") from the Venture. The Company's share of the EBITDA from the Venture will increase to 14% from 1 July 2005 and 17.5% from 1 July 2006 onwards.

The financial results split pre and post the formation of the Venture are summarised as follows:

For the three month period pre the formation of the Venture, being 1 April 2004 to 30 June 2004, the EBITDA was R7.9 million and after accounting for depreciation of R6.5 million and net interest paid of R12.6 million the net loss after tax was R11.2 million.

For the three month period post the formation of the Venture, being 1 July 2004 to 30 September 2004, the EBITDA was R28 million and after accounting for depreciation of R4.4 million and net interest paid of R11.2 million the net profit after tax was R12.4 million. Shareholders are reminded that this three month reporting period includes the months of July and August where winter electricity surcharges increase the production costs.

As previously announced the Company has changed its year end to 31 December and as such the next set of published results will be for the nine month period ending 31 December 2004, expected to be published on 3 March 2005.

Review of operations

Production performance of SA Chrome's Boshhoek furnaces improved throughout the reporting period from 83% of design capacity during the previous financial year to 90% in the first half of this reporting period to a pleasing 105% during the second half. Although the Company's fortunes since 1 July 2004 are no longer solely dependent on the performance of its Boshhoek furnaces, but rather on a participation share in the combined performance of the whole Xstrata: SA Chrome Venture, it is gratifying to note that the original performance targets have been exceeded.

These positive trends have continued beyond the reporting period.

Market review

Demand for ferrochrome continues to increase, driven by strong stainless steel melt growth. China continues to be a major factor with stainless steel melt up 2.4% in 2004. Increases are also evident in Europe (+6%), the USA (+8%) and South Korea (+16%), giving global stainless steel melt growth of around 8% to 24.3 million tons.

This increase in stainless steel melt growth is expected to result in ferrochrome consumption rising by over 6% in 2004 to over 5.5 million tons.

The continuing strong demand coupled to cost pressures for South African producers have seen ferrochrome prices increase to US\$73/lb in quarter 4, 2004, from US\$57/lb in quarter 1, 2004.

With stainless steel melt expected to continue to grow in 2005 and no meaningful increases in ferrochrome capacity until 2006, the outlook for ferrochrome demand and prices remains strong through 2005.

Xstrata – SA Chrome Venture

The Company is currently assessing the first stage of Project Lion, being the 360,000 tonne per annum ferrochrome expansion of the Venture. An announcement regarding the Company's participation in the project will be made in the first quarter of 2005.

Future prospects

The decision to enter into the Venture with Xstrata is fast proving to be the correct one as evidenced by the accelerated turnaround in the Company's results as from 1 July 2004. Shareholders are reminded that the Company's future performance is closely linked to the Rand: US\$ exchange rate which has continued to strengthen from an average of R6.49: US\$1 during the six month reporting period.

We announced previously that the Company is a growth company and will be focussing on organic and acquisitive growth in ferrochrome as well as through diversification into other resources. This strategy is on course, and in addition to project Lion, we expect to announce further acquisitions over the course of 2005.

These acquisitions should go a long way towards the Company realising its vision of being one of the highly regarded resource companies listed on the Securities Exchange South Africa (JSE).

Further cautionary announcement

Further to the cautionary announcement dated 16 November 2004, shareholders are advised that the negotiations are still in progress, which if successfully concluded, may have a material effect on the price at which the Company's shares trade on the JSE.

Shareholders are accordingly advised to continue to exercise caution when dealing in their shares until a further announcement is made.

Chris Molefe
Non-Executive Chairman

Steve Phiri
Chief Executive Officer

6 December 2004
Johannesburg

Sponsor
Rand Merchant Bank
(A division of FirstRand Bank Limited) Corporate Finance

Transactional Sponsor
Investec Corporate Finance