



MERAFE
RESOURCES



YEAR END RESULTS

12 Months to 31 December 2007



Contents



- Highlights
- Financial review
- Share price performance
- International shareholding
- Operational update
- Market review
- Prospects



MERAFE
RESOURCES



Highlights



Highlights



- Record twelve-month EBITDA of R465m up 161%
- Net profit after tax of R240m up 73%
- FeCr price at record level of US\$1.00
- Market cap up of R5.7bn end of FY07 up 217%
- Share price up 212% from end FY06
- Bokamoso commissioned on schedule and on budget
- Creation of Merafe Coal with Sentula Mining (50/50 J V)



MERAFE
RESOURCES



Financial review



Abridged Income Statement for 12 months



	Year ended 31 Dec 2006 Audited R'm	Year ended 31 Dec 2007 Audited R'm	% Change
Revenue	1 030	1 656	+61%
EBITDA	179	465	+160%
Depreciation	(25)	(46)	+84%
Interest	(39)	(54)	+38%
Taxation	25	(124)	+396%
Profit for the period	139	240	+73%
Earnings per share (cents)	6	10	+67%

Cost pressures



Increases in cost of production for South African producers continued to put pressure on earnings

- Electricity – Eskom announced 15% increase for 2008
- Labour/wages up by +/-10.5% across the mining industry
- Coke prices up by more than 30%
- Transport costs up by just over 10%
- Ore cost exposed to high mining sector inflation

Gearing

	R'm
Opening balance 1 January 2007	
• Preference shares	225
• ABSA (Lion)	300
• Xstrata	225
	750
New ABSA facility (Bokamoso)	100
Debt repaid during 2007	
• Preference shares	(105)
• ABSA (Lion)	(45)
• ABSA (Bokamoso)	(5)
• Xstrata	(78)
	(233)
Closing balance 31 December 2007	<u>617</u>

Merafe's gearing programme



- Conversion of R350m amortising debt into five year facility with no capital repayments
- Plan to repay R120m of preference shares and R147m owing to Xstrata during 2008
- Target debt:equity ratio of 20:80 by end of 2008



MERAFE
RESOURCES



Share price performance



Share price performance



Since the beginning of FY06 , Merafe has outperformed both the JSE All-Share Index and JSE Mining Index



MERAFE
RESOURCES



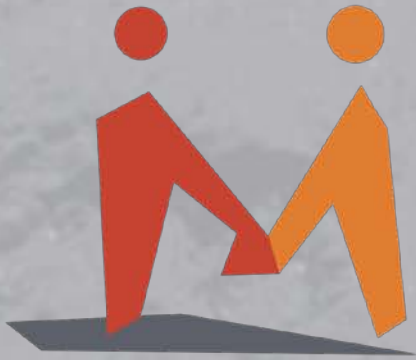
International shareholding



International shareholding



Merafe's international shareholding has increased from just over 2% FY06 to 10% end of FY07



MERAFE
RESOURCES

Operational update



Operational update



Operations

- All seven furnaces which were temporarily suspended, were resumed during second half 2007
- All twenty furnaces operational at end of year

Lion Ferrochrome

- Slower than expected ramp-up in 2007
- Production at design capacity expected end of 2nd quarter of 2008

Operational update (cont)



Bokamoso

- Successfully commissioned during the second half of 2007
- Largest pelletising and sintering plant of its kind in the world
- Expected to reduce operating costs whilst improving efficiencies and balancing ore lump/fines supply
- On track to attain design capacity of 1.2mtpa by end of first quarter of 2008

Operational update (cont)

Bokamoso pelletising and sintering plant

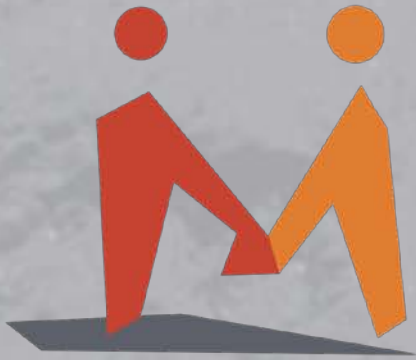


Operational update (cont)



Eskom

- 25 January 2008, Venture reduced electricity load to the minimum possible
- 30 January 2008, Eskom allowed increasing the load to 80%
- 1 February 2008, Eskom allowed increasing the load to 90%
- Venture currently operating at 90%
- Venture has declared a *force majeure* with its customers as a precautionary measure



MERAFE
RESOURCES

Market review



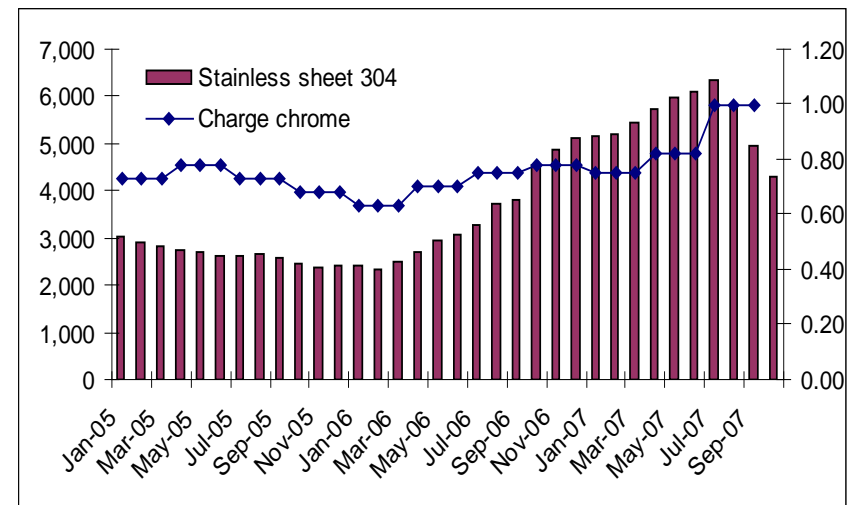
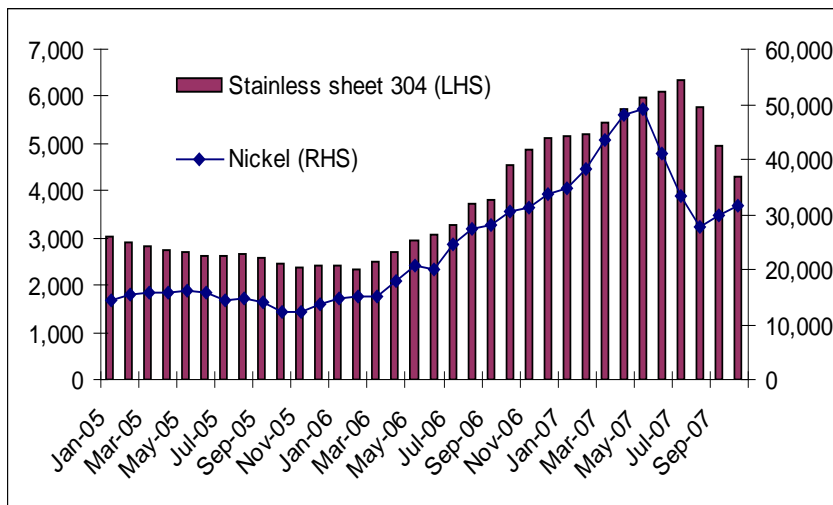
Market review



- First half of 2007 characterised by strong growth in stainless steel (ss) production
- Driven by Chinese ss melt production growth of over 20% compared to the same period in 2006
- High nickel prices in the first half of 2007 resulted in numerous stainless producers increasing ferritic grades of ss production at the expense of nickel-bearing austenitic grades
- Ferritic ss uses a higher proportion of virgin chrome units compared to austenitic ss
- Historically the proportion of austenitic to ferritic was 75% to 25% and higher nickel prices has led to a shift in this ratio to 60% austenitic and 40% ferritic

Market review (cont)

Relationship between FeCr, SS and Ni prices over the past 2 years

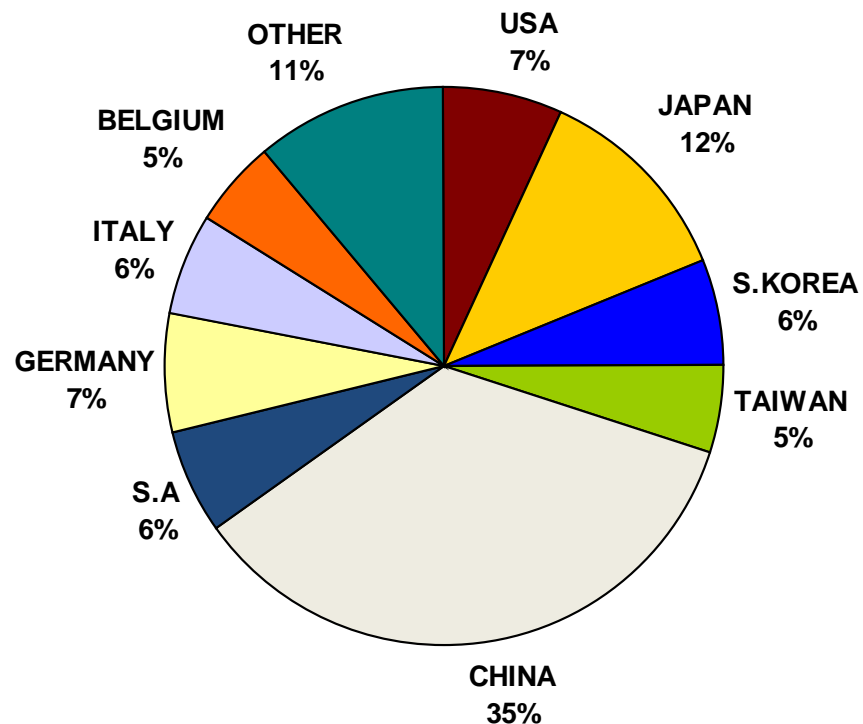


Data: Metal Bulletin

Market review (cont)

Consumption of Ferrochrome

Demand by major FeCr consuming countries has increased by 19.8% in 2007 compared to 2006 to 7.4m tonnes



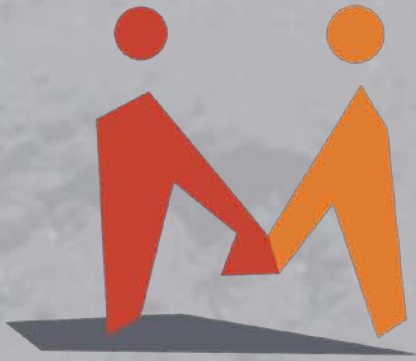
Data: Heinz H. Pariser

Market review (cont)



Ferrochrome prices

- Sustained strong demand for FeCr has resulted in significant price increases in 2007
- The base price has increased as follows:
 - Q1 2007 75USc/lb → US\$1/lb Q4 2007
 - Q1 2008 US\$1.21/lb
- Prices expected to increase significantly in 2008



MERAFE
RESOURCES

Merafe Coal



Merafe Coal



- 50/50 joint venture with Sentula Mining Limited (formerly Scharrig Mining)
- Parties pooled respective coal resources
- Resources to be brought to account during 2009
- Sentula acquired 49.998% in Koornfontein Coal Mine for R150 million
- Merafe has an option to acquire 50% of the purchased stake and a decision in this regard will be made shortly



MERAFE
RESOURCES

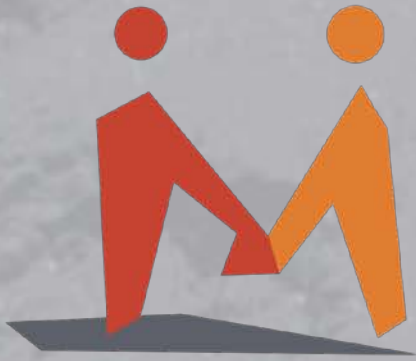
Prospects



Prospects



- Outlook for FeCr prices in 2008 remains positive
- Stainless melt forecast to increase by over 10% to 32 million tonnes in 2008
- SS production expected to slow in first quarter of 2008 due to production cuts in China, Chinese production expected to recover during the course of the year increasing by approximately 12% over 2007 levels
- FeCr demand accordingly forecast to increase by approximately 9% in 2008
- The rolling power outages and power reduction programme expected to result in a FeCr supply deficit during 2008
- First quarter 2008 base price at record level of US\$1.21
- Merafe expects prices to increase further during 2008



MERAFE
RESOURCES



www.meraferesources.co.za

