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Merafe Resources Limited

16-17th September 2009

London



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1. Corporate information



Corporate Structure



20.5%
of
EBITDA



79.5%
of
EBITDA

**Xstrata-Merafe Chrome Venture
Formed 1 July 2004**

- ✓ Largest ferrochrome producer in the world
- ✓ Opportunity to invest directly into Xstrata's ferrochrome business

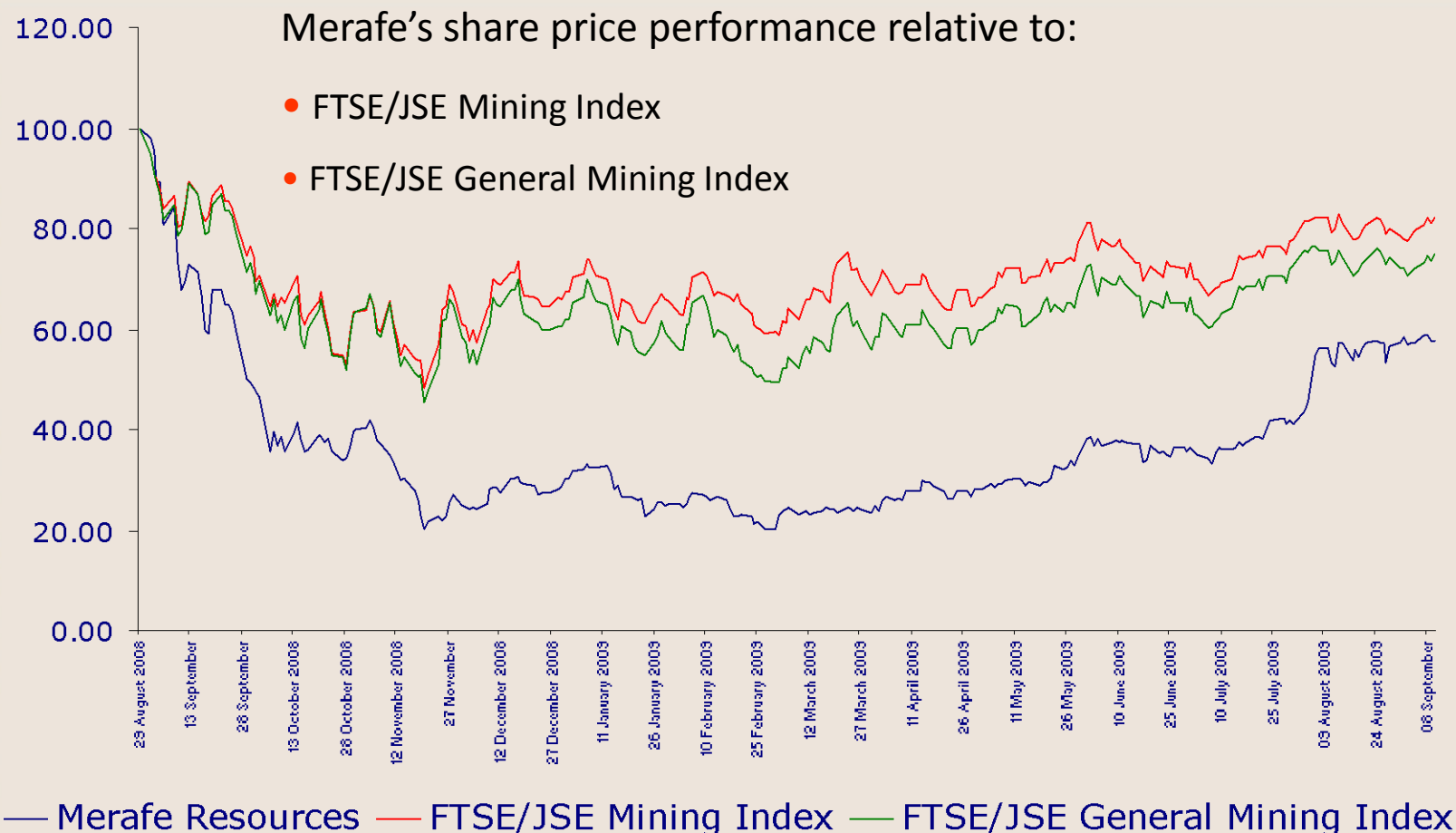


Share price information

	<u>ZAR</u>
Market capitalisation*	3.96bn (GBP 314m)
Share price*	1.61
12 month high	2.50
12 month low	0.55
Shares outstanding	2.46 billion shares

*As at 10 September 2009

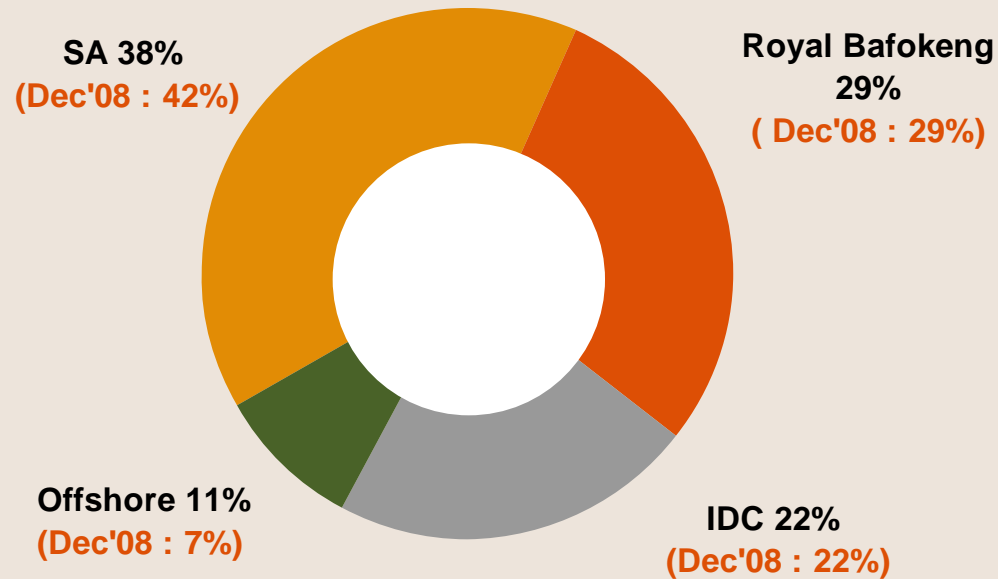
Merafe's share price performance over the past year



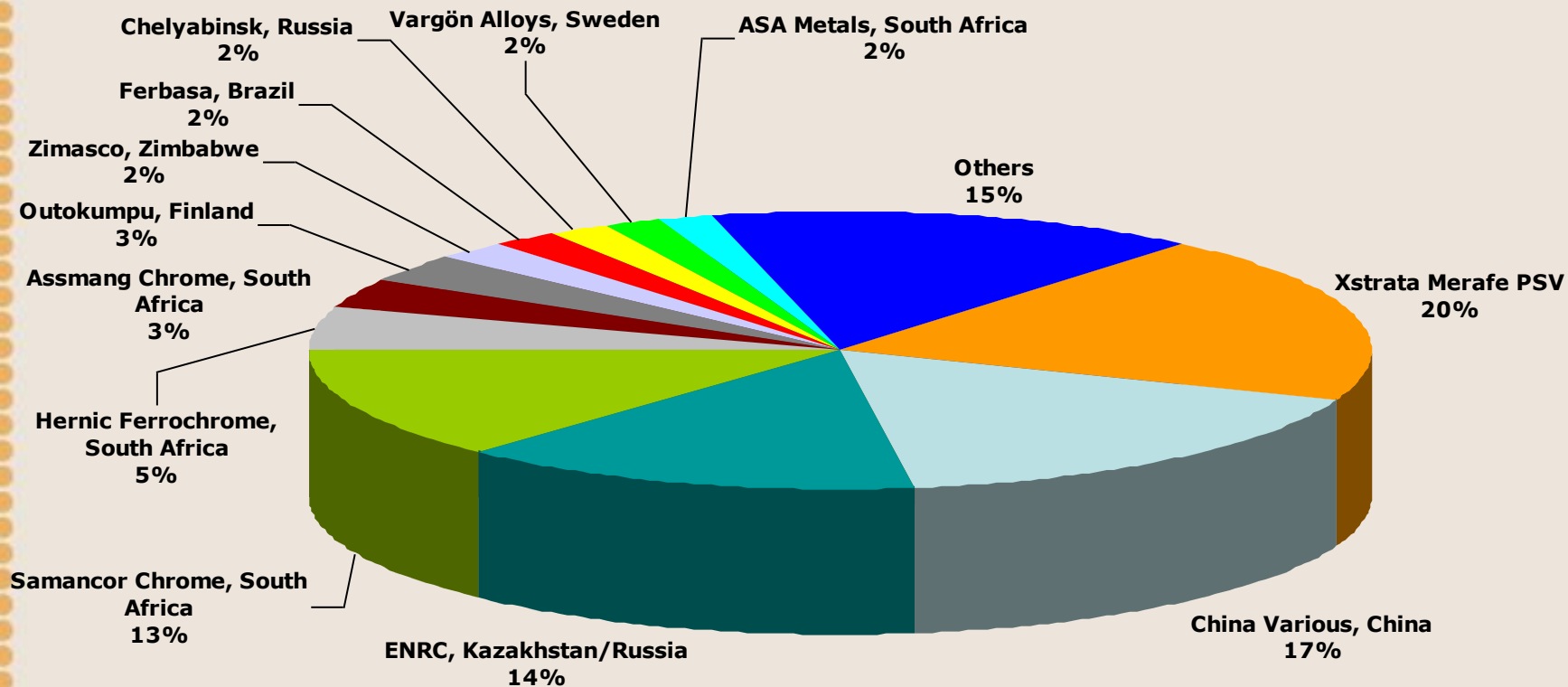
Source: Datastream

Shareholder analysis

Shareholders at end of August 2009



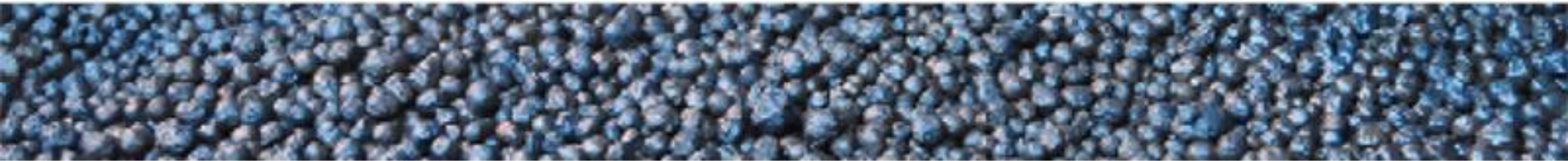
Xstrata-Merafe, the world's largest ferrochrome producer





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2. Operations overview



Operations overview

SMELTERS	CAPACITY
Wonderkop	553 kt FeCr - 6 furnaces (Conventional)
Rustenburg	430 kt FeCr - 6 furnaces (Conventional)
Boshhoek	240 kt FeCr – 2 furnaces (Outokumpu)
Lydenburg	396 kt FeCr - 4 furnaces (Premus)
Lion	360 kt FeCr - 2 furnaces (Premus)
Total 5 production sites	<ul style="list-style-type: none"> • 1 979 kt in production capacity • 20 furnaces • 7 mines

Initiatives by the Venture to contain costs

In response to the global economic downturn, the Venture introduced the following initiatives to contain costs:

- Freezing all new appointments and promotions
- Reducing fixed term contract employees
- Reducing the use of contractors
- Limiting maintenance expenditure
- Eliminating overtime where possible
- Operating the most efficient furnaces (Premus)



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3. Market review

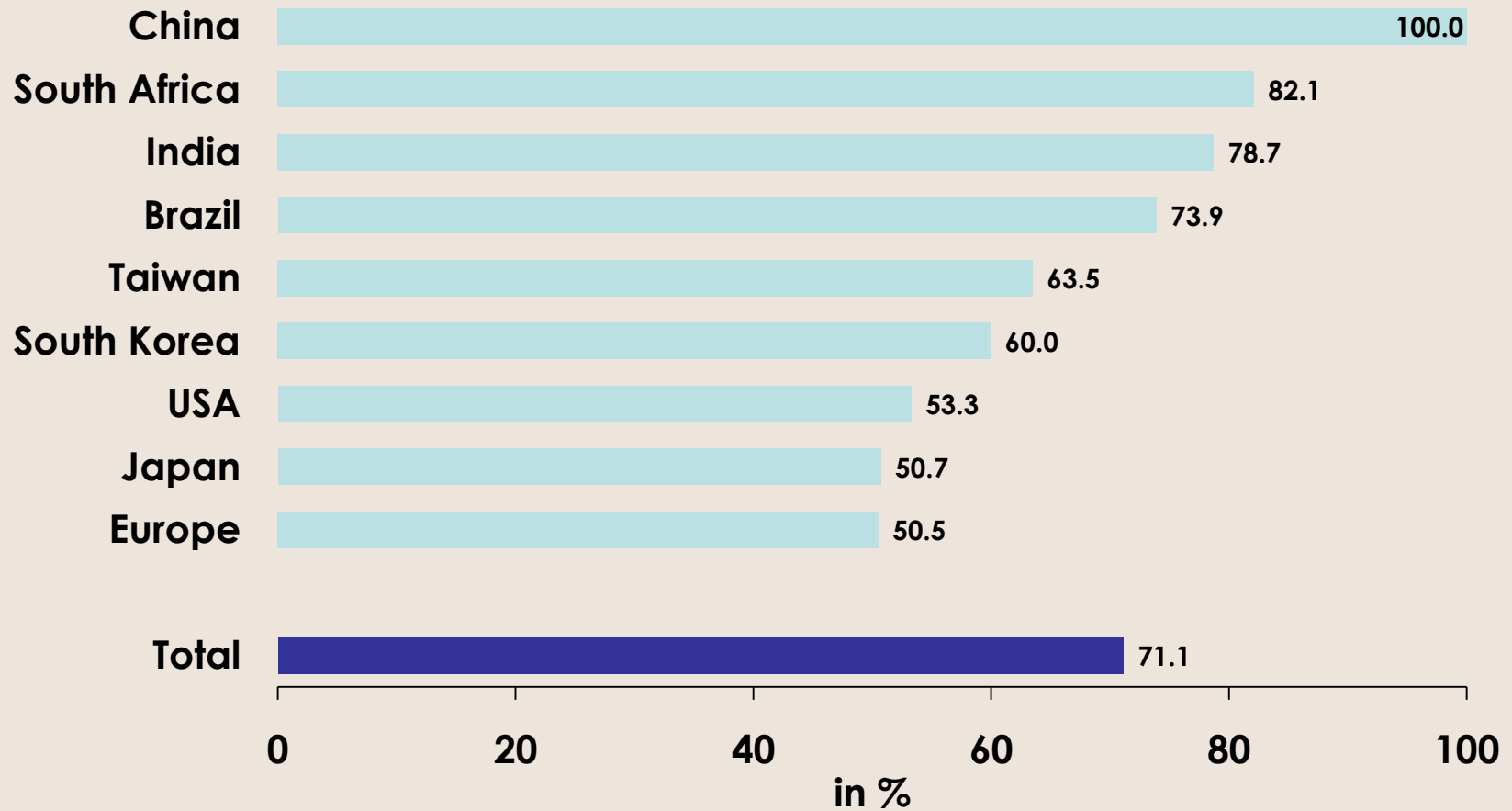


Crude stainless steel production (estimate for 2009)

	2007 '000 t	2008 '000 t	2008 /2007 %	2009 '000 t (estimate)	2009 /2008 %
NAFTA	2,171	1,925	-11.3%	1,602	-16.8%
European Union	8,109	7,822	-3.5%	6,288	-19.6%
Japan	3,901	3,564	-8.6%	2,079	-41.7%
S. Korea / Taiwan / India	5,305	4,458	-16.0%	4,595	3.1%
Others	1,508	1,298	-13.9%	1,234	-4.9%
China	7,610	7,344	-3.5%	10,873	48.1%
Total	28,604	26,411	-7.7%	26,671	1%

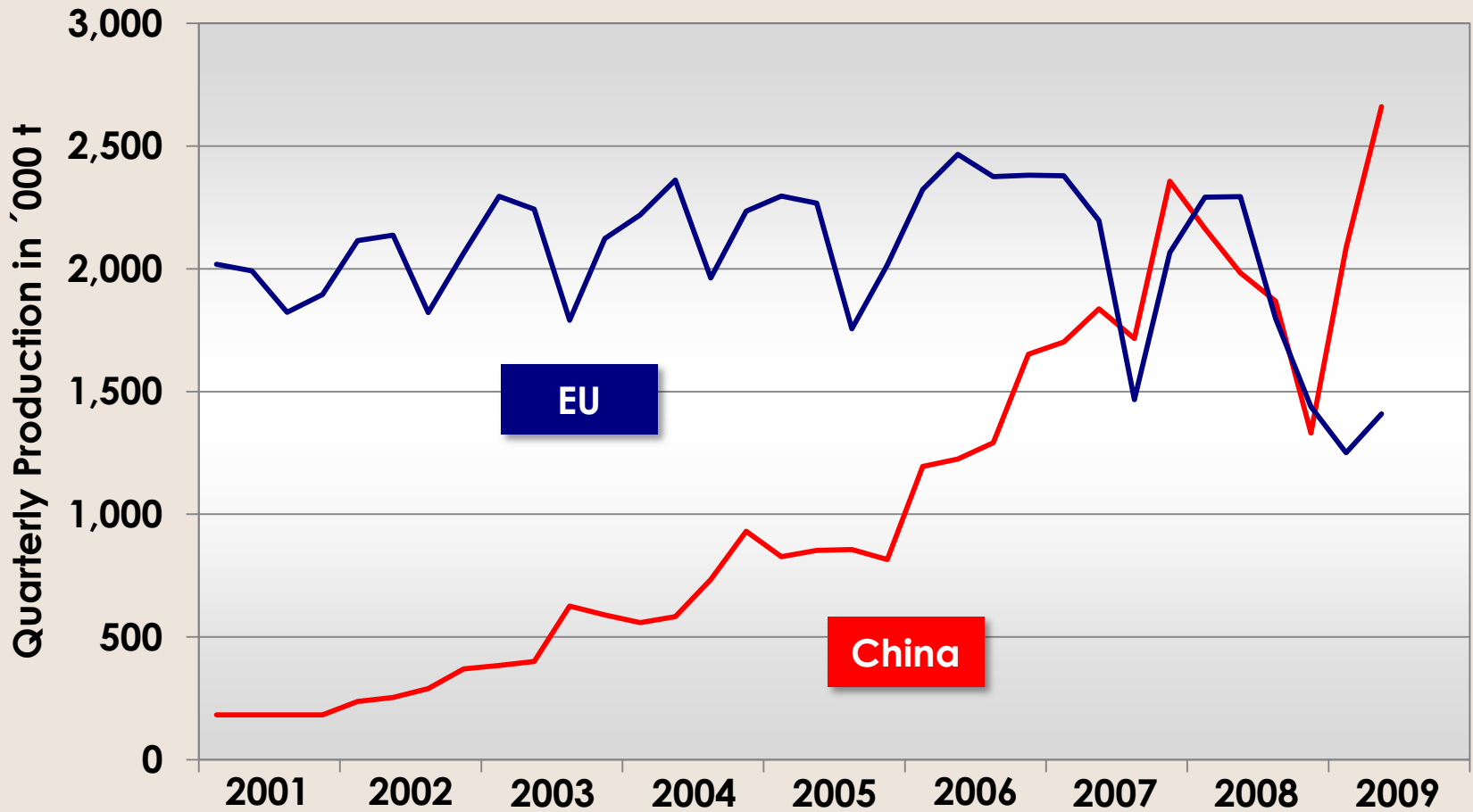
Source: Heinz Pariser / Merafe Resources

Stainless Steel Melting Capacity Utilisation 1st HY 2009



Source: Heinz Pariser

Crude stainless steel production – European Union (EU) & China



Source: Heinz Pariser

Regional ferrochrome demand

	2007 '000 t	2008 '000 t	2008/2007 %	2009 '000 t (estimate)	2009/2008 %
NAFTA	455	502	10.3%	299	-40.4%
European Union	2,080	1,993	-4.2%	1,269	-36.3%
Japan	866	768	-11.4%	515	-33%
S. Korea/Taiwan/India	1,326	890	-32.9%	958	7.6%
Others	709	628	-11.4%	477	-24%
China	2,577	1,806	-29.9%	2,915	61.4%
Total	8,013	6,587	-17.8%	6,433	-2.3%

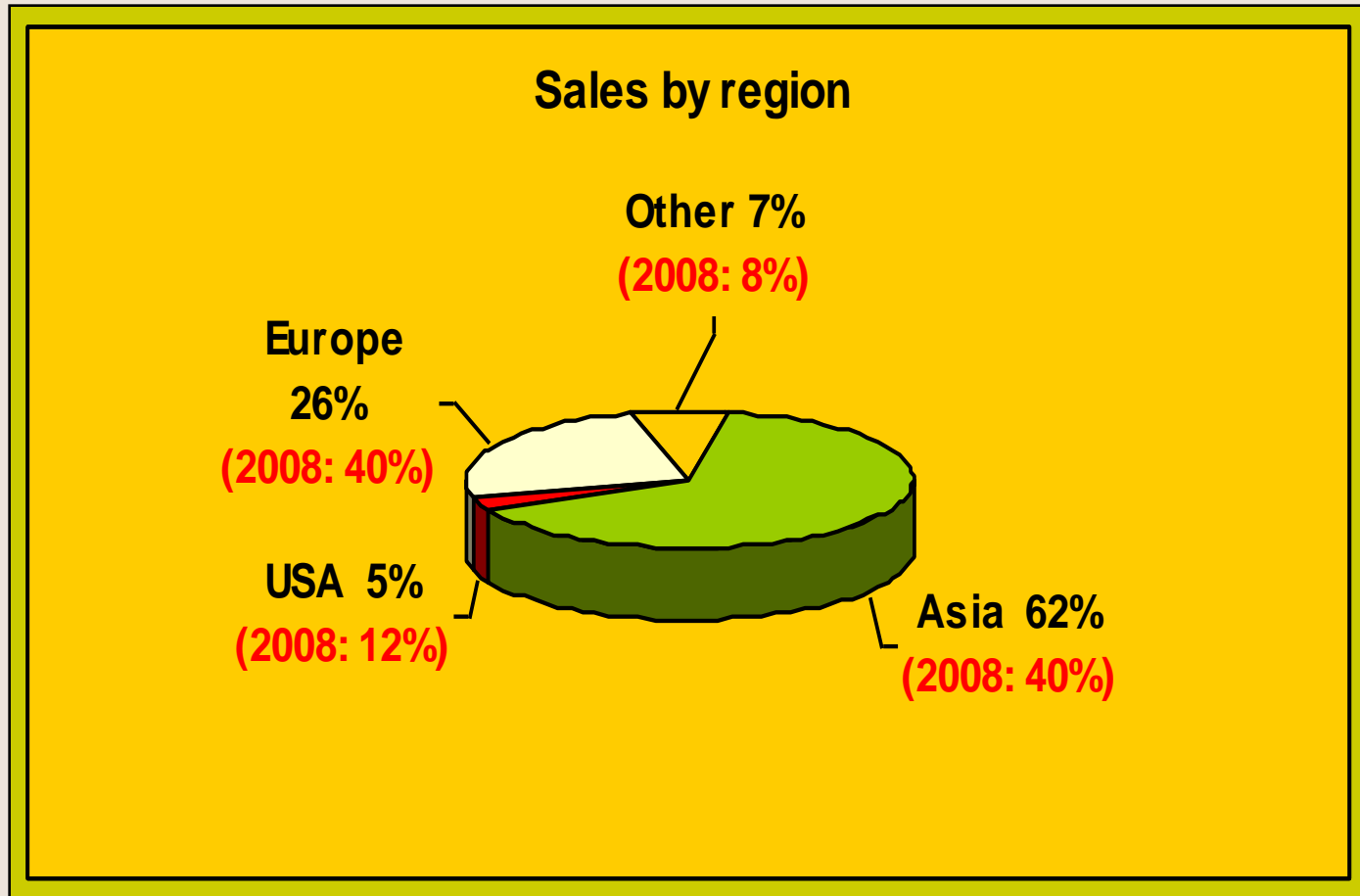
Source: Heinz Pariser /Merafe Resources

Charge/High carbon ferrochrome production

	2007 '000 t	2008 '000 t	2008/2007 %	2009 '000 t (estimate)	2009/2008 %
Brazil	164	187	14%	172	-8%
European Union	366	351	-4.1%	117	-66.7%
Russia, Turkey, Albania	406	337	17%	309	-8.3%
India	820	750	-8.5%	765	2%
Kazakhstan	1,070	955	-10.7%	874	-8.5%
South Africa	3,536	3,239	-8.4%	2,278	-29.7%
Zimbabwe	201	152	-24.4%	125	-17.8%
Iran	17	10	-41.2%	12	20%
China	1,060	1,284	21.1%	938	-26.9%
Total	7,640	7,351	-3.8%	5,590	-24%

Source: Heinz Pariser/Merafe Resources

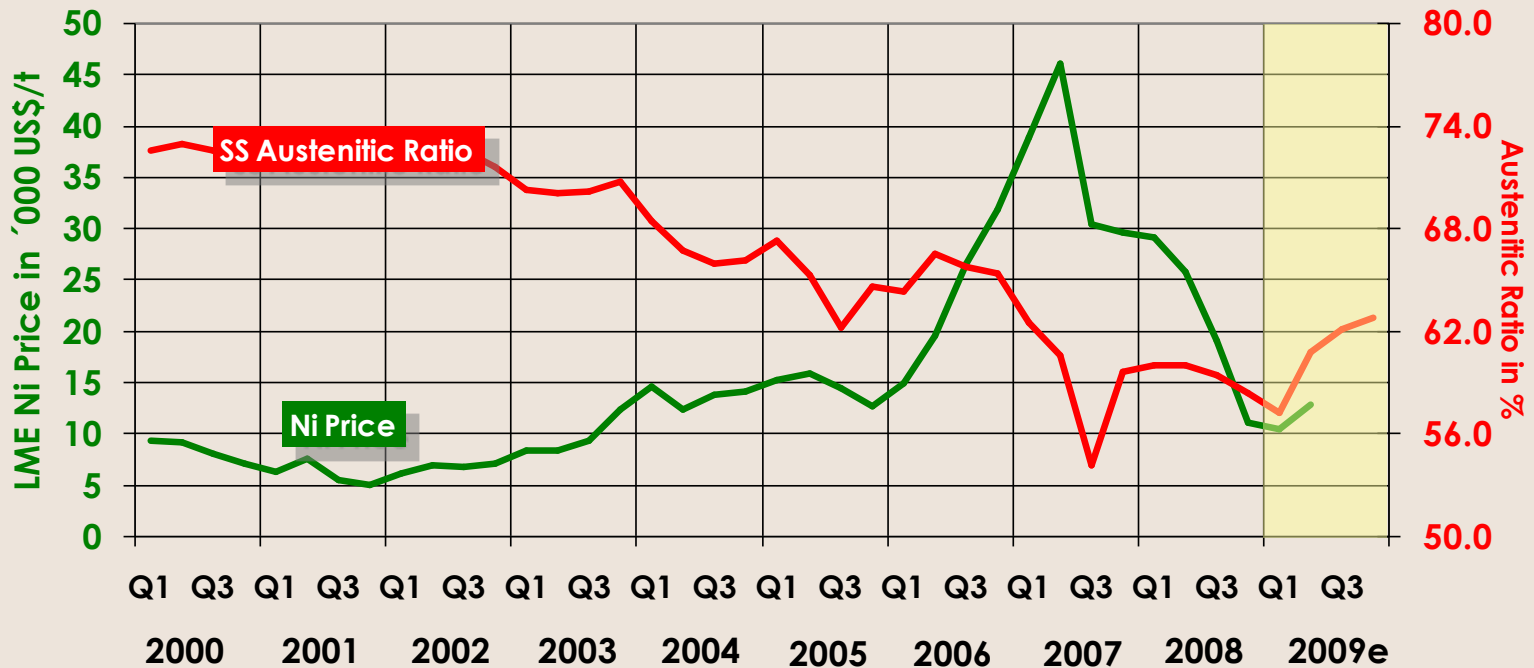
Venture's sales by region for the eight months to August'09



Stainless substitution trigger – Nickel bearing stainless steel

Ratios of:

Ferritics	23.8	22.7	22.0	22.6	23.0	23.4	23.5	26.2	25.1	23.5
CrMn	3.6	4.7	5.0	7.1	10.2	11.6	11.0	14.6	15.3	15.6



Source: Heinz Pariser

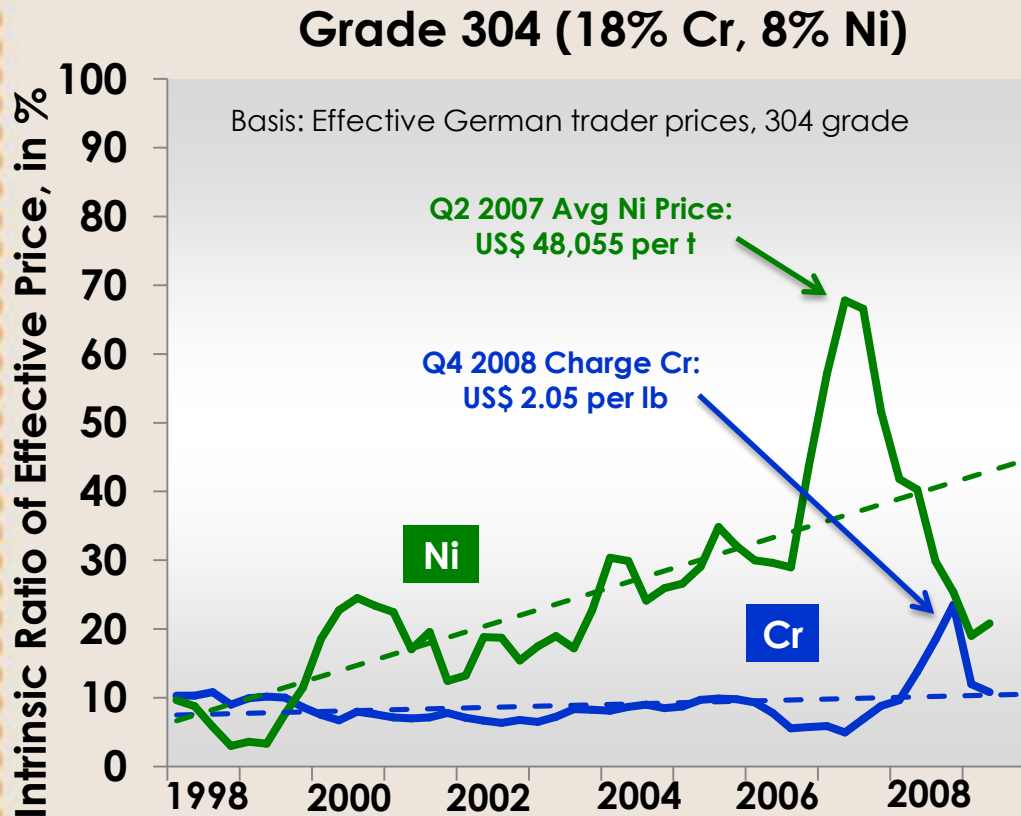


Austenitic Stainless Grades 304 – price components

	Price Ratio	
	Intrinsic Cr Value of Effective Price	Intrinsic Ni Value of Effective Price
	in %	
2000	7.4%	22.4%
2001	7.2%	18.0%
2002	6.7%	16.6%
2003	7.6%	18.8%
2004	8.6%	26.8%
2005	9.5%	30.5%
2006	6.7%	33.9%
2007	6.7%	61.4%
2008	16.3%	34.3%
2009 (Q1& Q2)	11.4%	19.9%

Source: Heinz Pariser

Ratio of Nickel (Ni) & Chrome (Cr) in Effective Stainless Prices

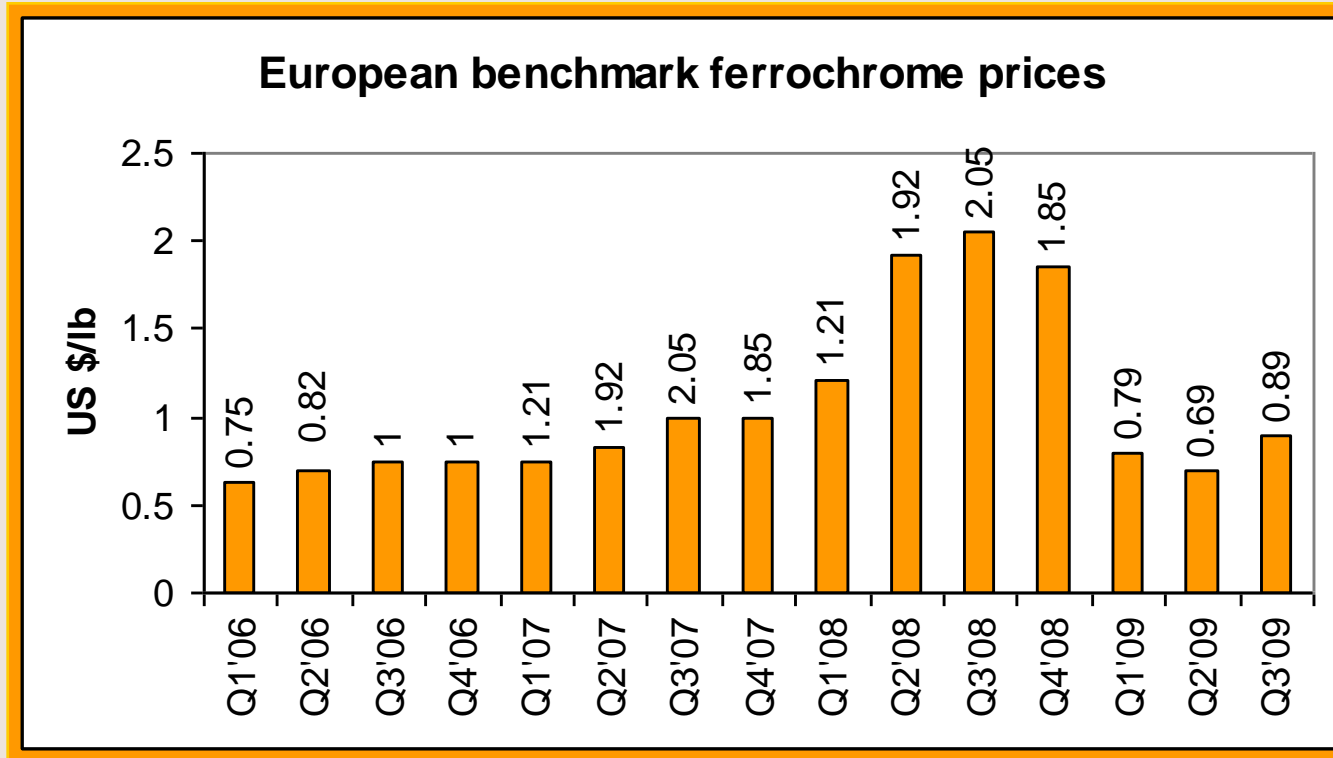


- #### Ni
- Stabilises Austenitic Microstructure at Room Temperature => 300 Series
 - Enhances anti-corrosion properties
 - **Can** be substituted by other elements

- #### Cr
- Makes Stainless „Stainless“ (Contents $\geq 10.5\%$)
 - Major alloying element in all types of Stainless
 - **Cannot** be substituted

Source: Heinz Pariser

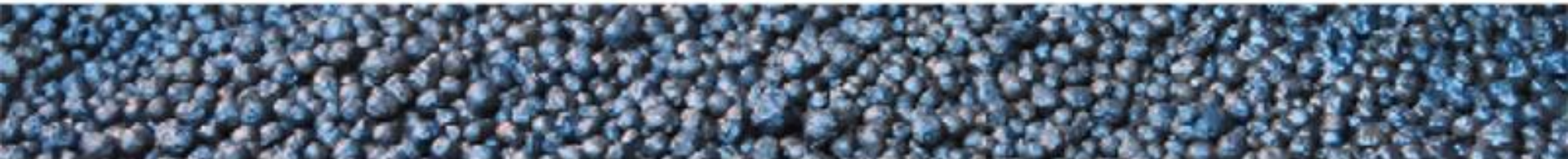
Charge Chrome price for the last four years





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4. Chrome ore exports



Chrome ore exports to China

Country	2009		2008		% Change	
	Y-t-D to July		Y-t-D to July		2009/2008	
	in kt	US\$/t	in kt	US\$/t	Volume	Price
Chrome Ores & Concentrates						
India	269.1	289	364.9	531	-26.2%	-45.6%
South Africa	1,401.2	164	1,529.3	344	-8.4%	-52.4%
Turkey	477.6	210	667.9	440	-28.5%	-52.4%
Iran, Islamic Rep.	143.8	252	148.5	468	-3.2%	-46.2%
Australia	99.0	139	32.4	299	205.9%	-53.7%
Pakistan	121.6	192	266.5	450	-54.4%	-57.4%
Kazakhstan	49.2	189	128.3	503	-61.6%	-62.4%
Brazil	38.4	124	61.2	412	-37.2%	-69.8%
Philippines	29.6	157	241.7	163	-87.8%	-4.1%
Albania	73.0	188	81.1	398	-10.0%	-52.8%
Viet Nam	20.1	171	41.2	225	-51.1%	-23.9%
Oman	283.6	106	495.6	220	-42.8%	-51.7%
United States	0.0	931	0.0	758	113.3%	22.8%
Madagascar	63.8	333	53.9	588	18.4%	-43.5%
Sudan	9.7	433	22.9	445	-57.5%	-2.7%
Others	18.4	241	71.5	278	-74.2%	-13.3%
TOTAL	3,098.1	186	4,206.9	369	-26.4%	-49.6%

Source: Heinz Pariser /Merafe Resources



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5. Financial overview



Key features for the six months ended 30 June 2009

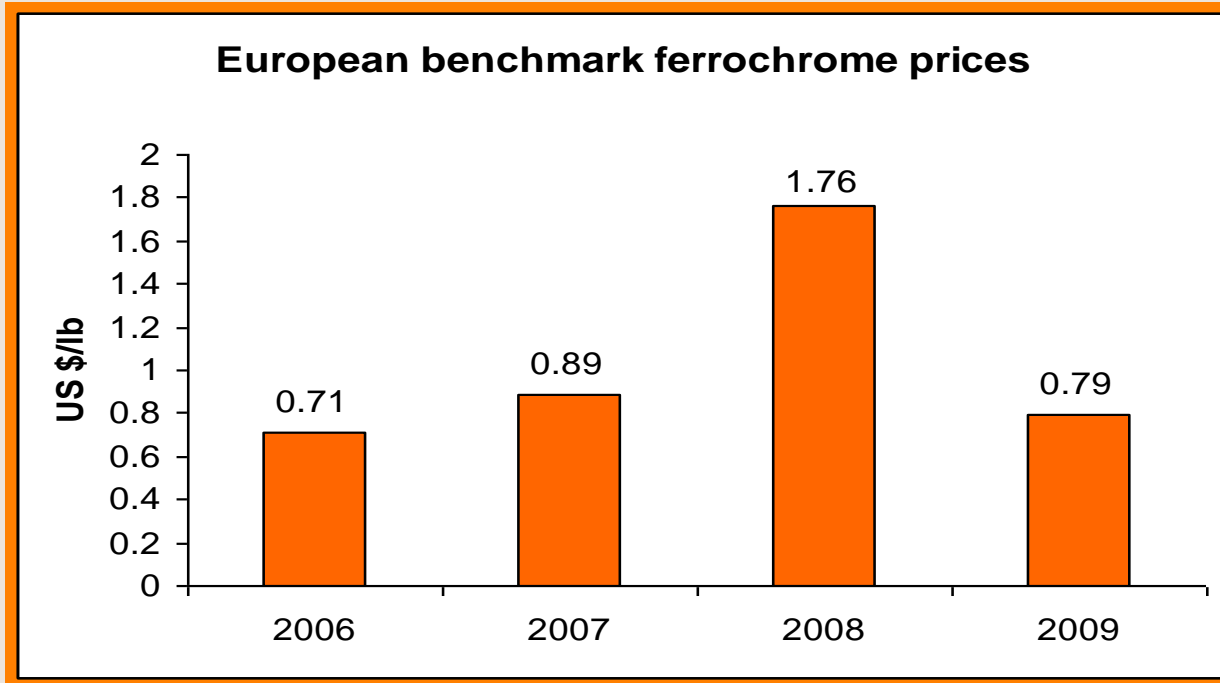
- Revenue down by 49% to R824 million
- Net financing costs down by 96%
- Headline loss of R84 million equating to a loss of 3c per share
- Cash flows from operations of R144 million
- Strong cash balance of R466 million
- Ferrochrome inventory reduced by 42% in the last six months
- Permanent debt of R350 million payable in one instalment at 31 December 2012

Summary of cash flows for the six months to 30 June 2009 (no cash burn)

	<u>R'm</u>
Opening cash balance 1 January 2009	540
Cash flows after interest from operations	142*
Taxation paid (accrual 31 Dec 2008)	(88)
Capital expenditure	(84)
Forex loss on US\$ cash held	(44)
Closing cash balance 30 June 2009	466

* After accounting for R116 million of standing charges

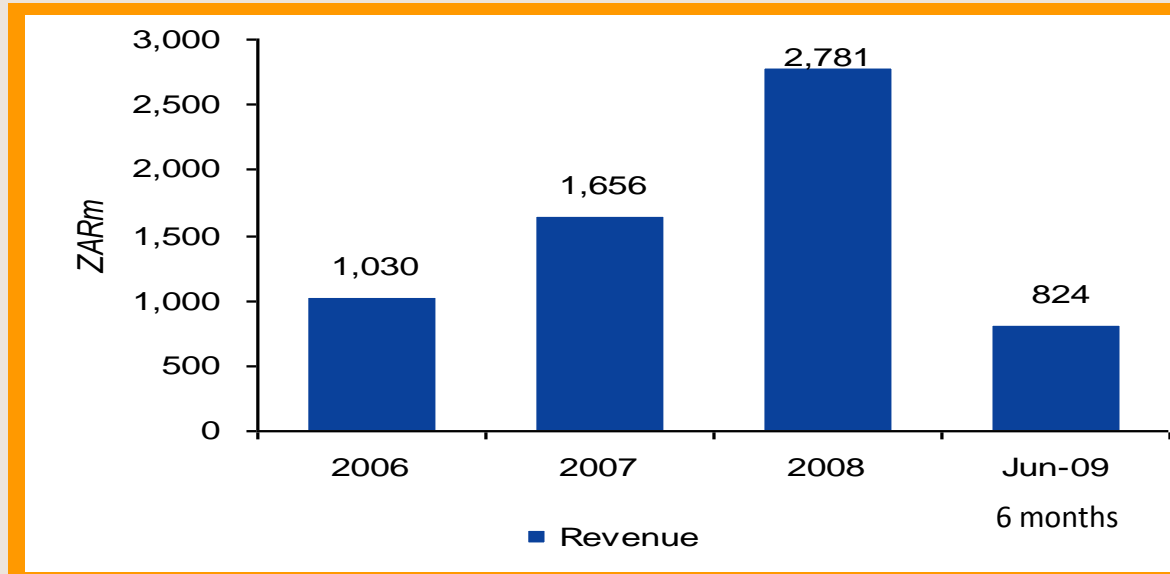
Charge Chrome annual average prices



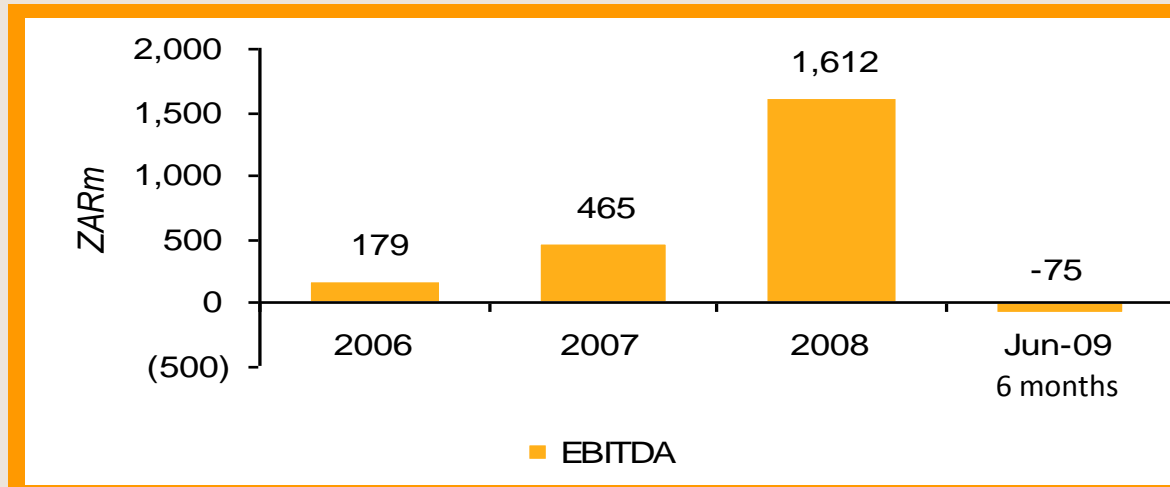
2009 – represents first three quarters of 2009

Financial performance over the last three years

Revenue

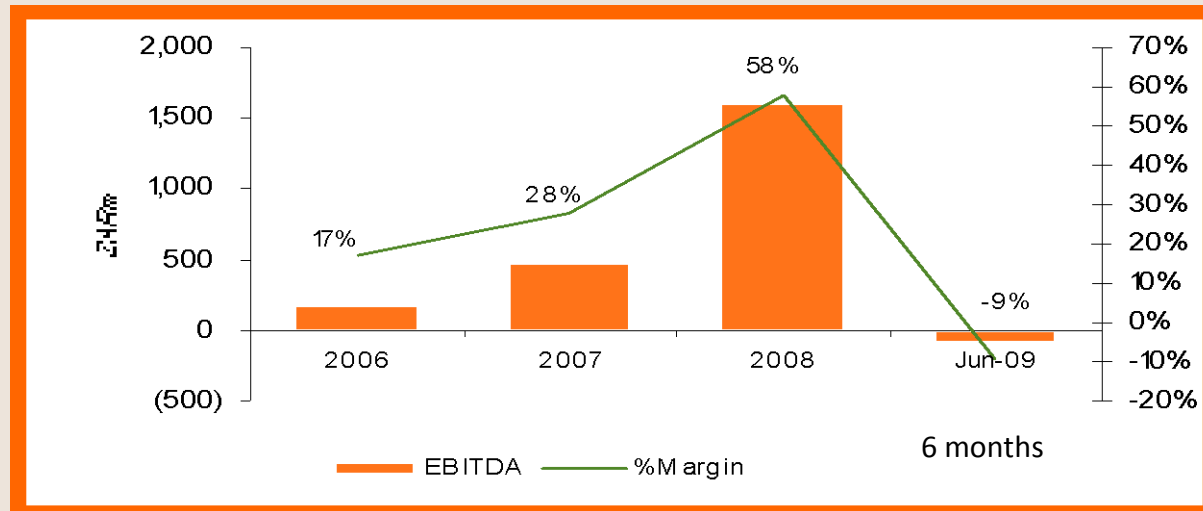


EBITDA

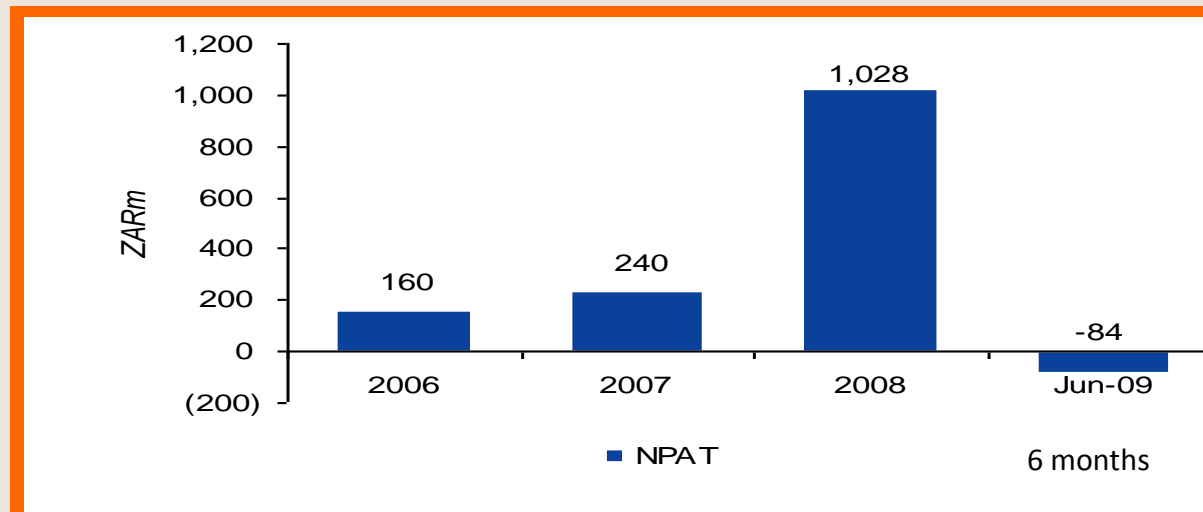


Financial performance over the last three years (cont.)

EBITDA and margin evolution

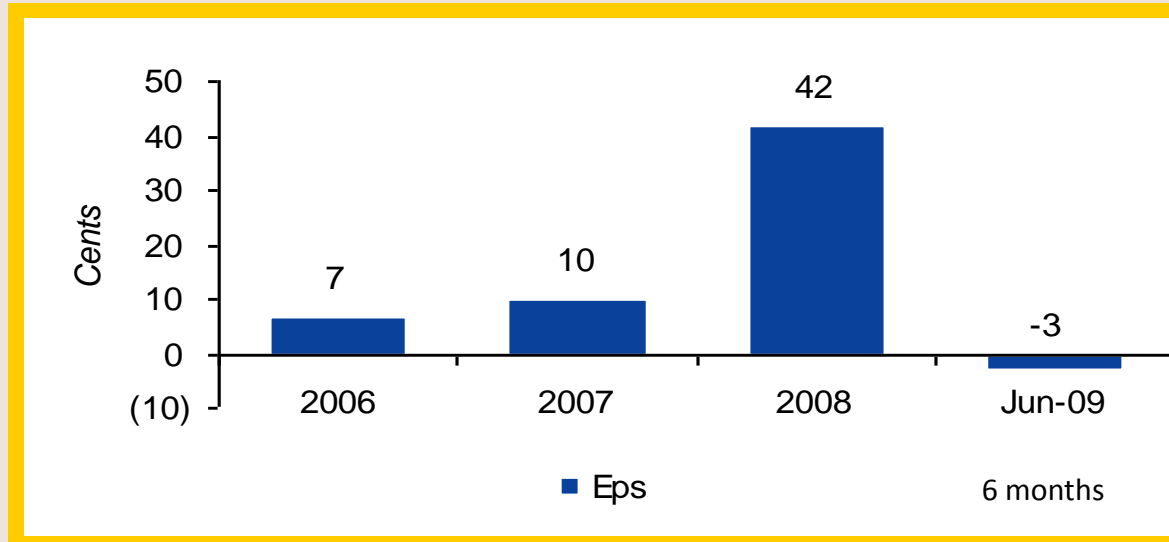


Net profit after tax

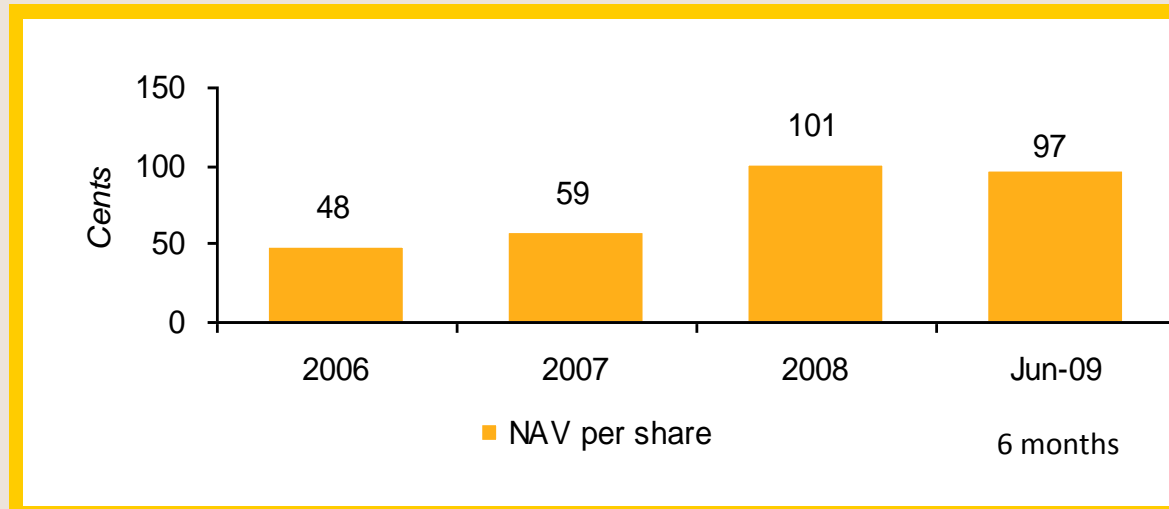


Financial performance over the last three years (cont.)

Earnings per share

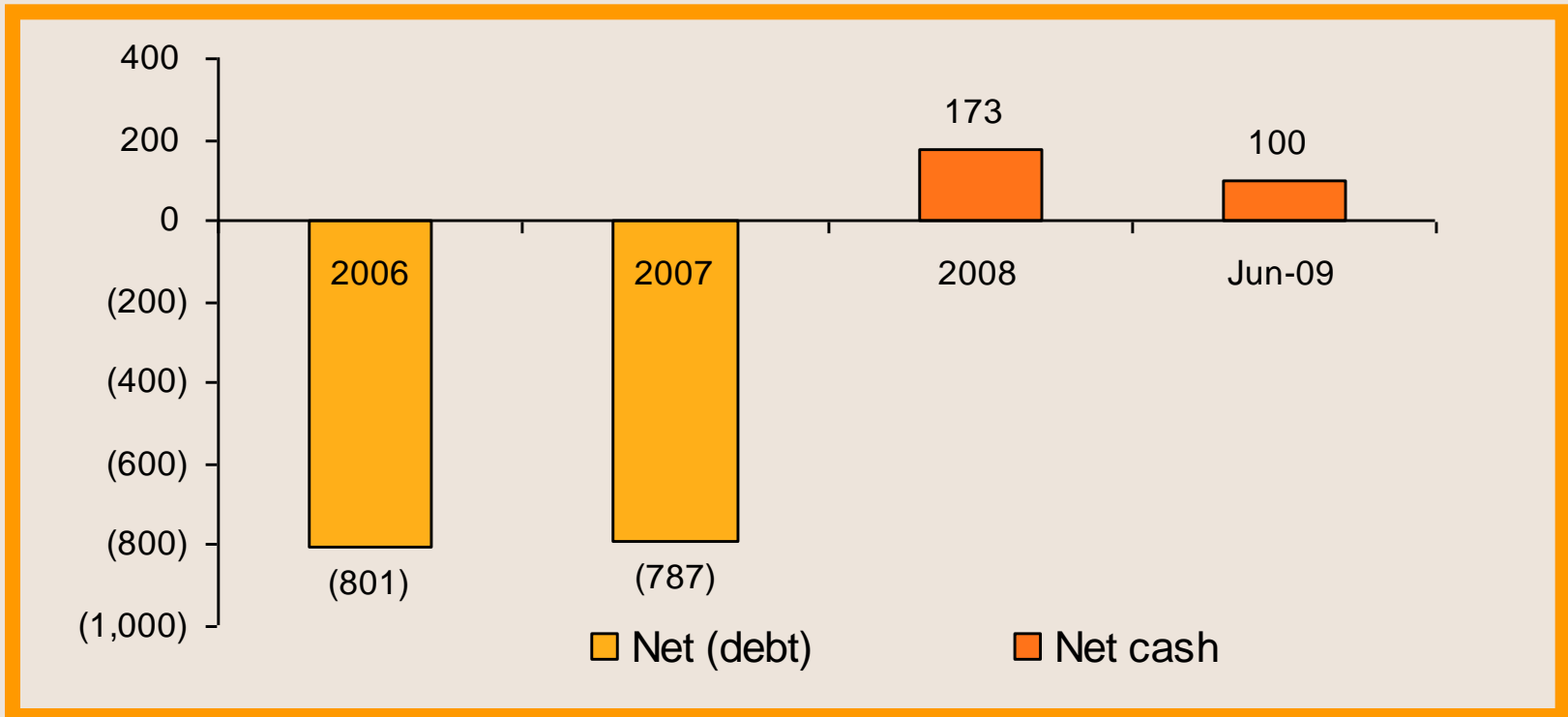


Net asset value per share



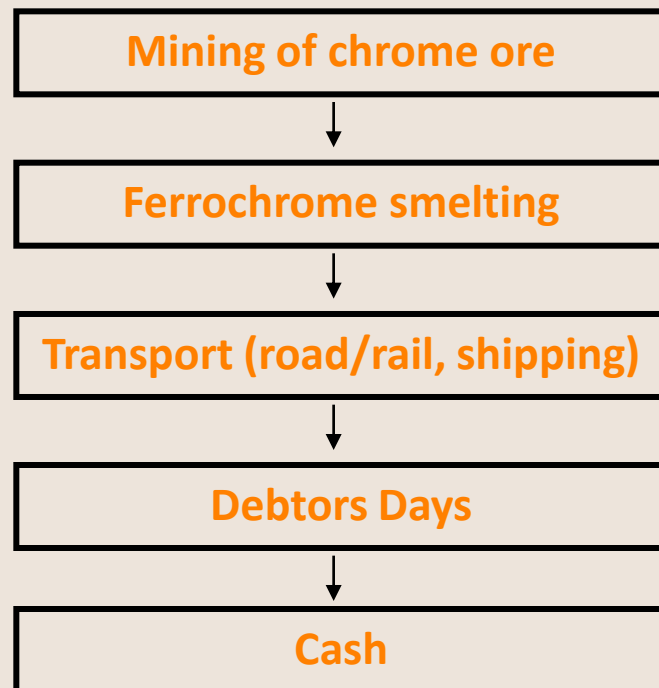
Financial performance over the last three years (cont.)

Net (debt) / cash position



Working capital requirements in second half of 2009

- Expect cash to be “locked-up” in working capital for the second half of 2009
- This is due to the ramp-up in ferrochrome production
- Typical working capital cycle 5-6 months



- Merafe has sufficient cash and banking facilities to manage this cycle and is ready to deliver

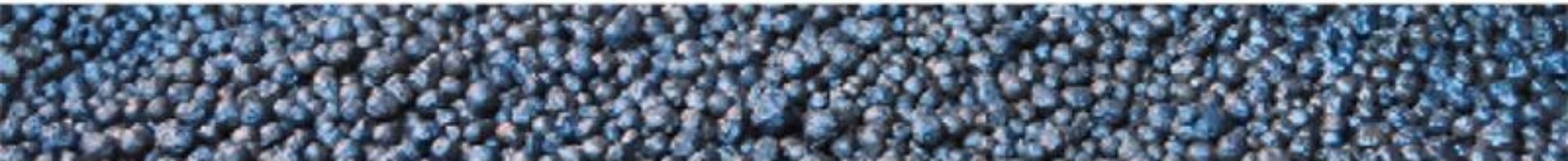
Production costs

- Despite improved efficiencies, **production costs** continue to be a challenge
- Cost increases to 30 June 2009 are mainly attributable to:
 - an announced 27% increase in **electricity prices** from 1 July 2008
 - an average 64% increase in **reductant prices** (lag effect)
 - double digit **labour cost** increases
 - double digit **inflation**
- Looking forward we see:
 - **electricity prices** increasing by an announced 31% from 1 July 2009
 - reduced **inflation**
 - dollar denominated costs such as **shipping and reductants** reducing owing to the stronger Rand
 - higher absorption of **fixed costs**, thereby reducing overall costs



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6. Eskom update



Update on the power situation (Eskom)

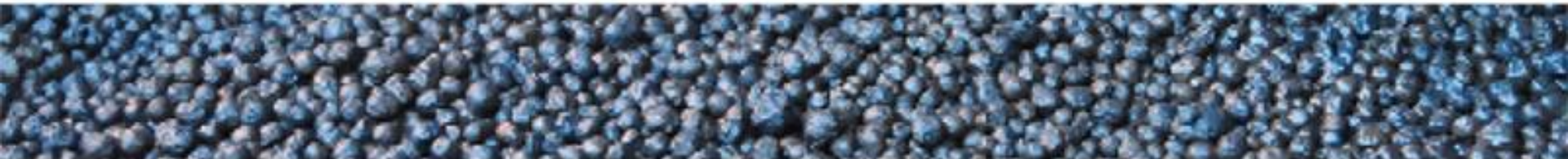
- During the past 18 months, there has been a 4% decline in electricity demand
- Electricity demand is rebounding fast with 5% growth expected during 2009 (mainly on alloy restarts) with 2-3% growth expected thereafter
- From Eskom's lows of January/February 2008, plant performance has improved, additional maintenance has been done
- All power station coal stockpiles have been replenished, but reserve margins remain low (10% on average and 5% at peak)
- Reserve margins will be under pressure as demand picks up
- With the recent increase in electricity tariffs of 34% on average (effective from 1 July 2009), the electricity prices are now SA31c/kwh
- Electricity prices expected to double in the next three to four years

Source: Merafe/Macquarie – Lunch with Eskom's CE Generation Brian Dames on
4 September 2009



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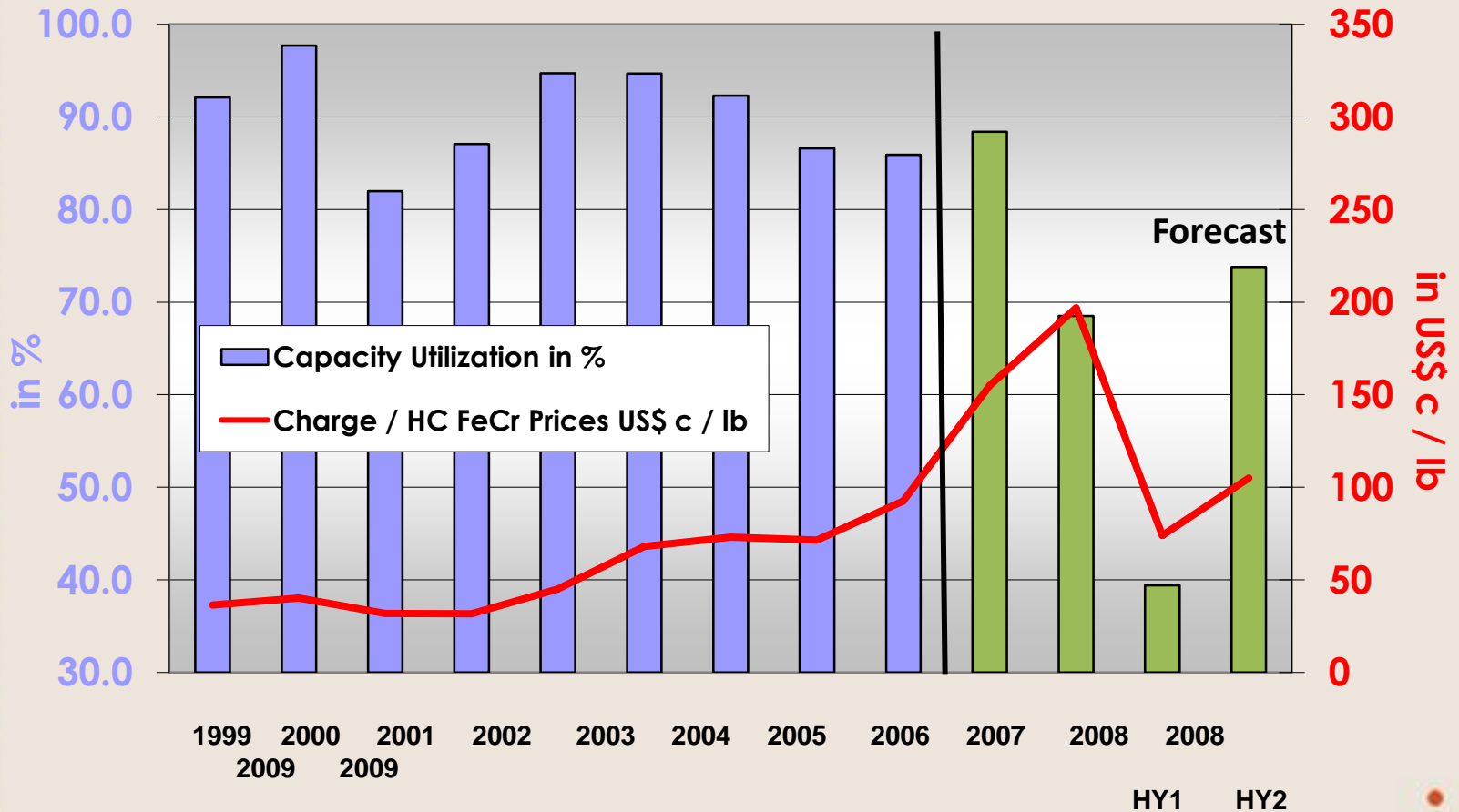
7. Recent developments



Xstrata-Merafe production capacity utilisation

- Global economic conditions necessitated the following actions by the Venture:
 - 6 furnaces temporarily suspended in November 2008
 - a further 5 furnaces suspended in December 2008
 - 6 further furnaces suspended in January 2009
 - total suspended furnaces 17 (80% of the Venture's annual production capacity)
- Ferrochrome production capacity increased to 30% in the first half of 2009
- Ferrochrome production capacity increased to 60% in July 2009
- Ferrochrome production capacity increased to 85% in September 2009

Charge / HC FeCr Price vs. Capacity Utilisation



Capacity utilisation for Q3'09 and Q4'09 estimated at 67% and 81% respectively

Source: Heinz Pariser



Points of caution

Some of the immediate concerns to the Company are as follows:

- Risk of ferrochrome producers ramping up too quickly and possibly oversupplying the market
- Over reliance on Chinese stainless steel production with the rest of the world recovering slowly
- A short pull back in Chinese stainless steel production expected to occur in third quarter of 2009
- Power constraints both for ramping up this year and also for future expansions (the 10% restriction imposed in 2008, is still applicable)
- Industrial action
- Ferrochrome price – still “soft”
- Strengthening Rand

Barriers to entry

Low barriers to entry in South Africa, a thing of the past:

- Capital cost of building smelters up by over 500%
- Access to funding (debt and equity markets)
- Long lead time for critical items needed for construction
- Power supply - when will power be available for new projects?
- Shortage of available quality ore reserves
- Shortage of artisans and skilled labour
- Escalating production costs



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8. Outlook



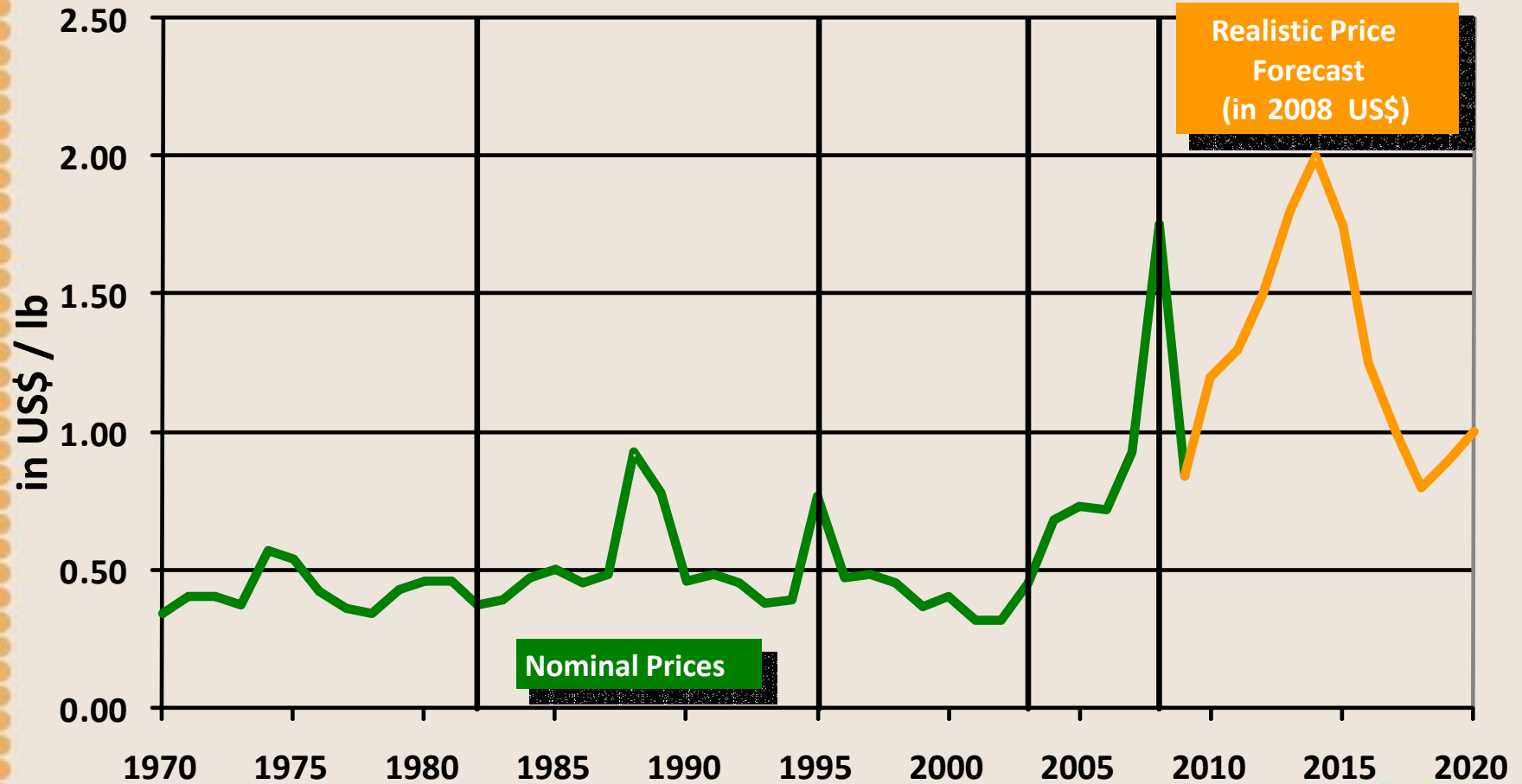
Outlook

- The **recovery** of global stainless steel production is likely **to continue** into the third and fourth quarter of 2009 on the back of real demand and restocking
- Demand has mainly come from Asia but **positive** signs are also coming out of Germany
- Global ferrochrome **stockpiles** have **reduced** significantly and inventory levels have **normalised**
- Ferrochrome **demand** is expected to remain at current levels into the fourth quarter of 2009
- European benchmark ferrochrome price has **increased** in the third quarter by 29% to 89USc/lb, signalling a new trend
- The **size and flexibility** of the Venture provide an advantage
- Have so far weathered the worst storm and are well positioned to deliver into growth

Outlook (cont.)

- The retention of the Venture's skilled labour force has proved to be very beneficial now that there are signs of a market upturn
- The Venture has increased production to 85% of annual operating capacity
- Strong balance sheet with cash on hand of R466 million

Charge chrome price development



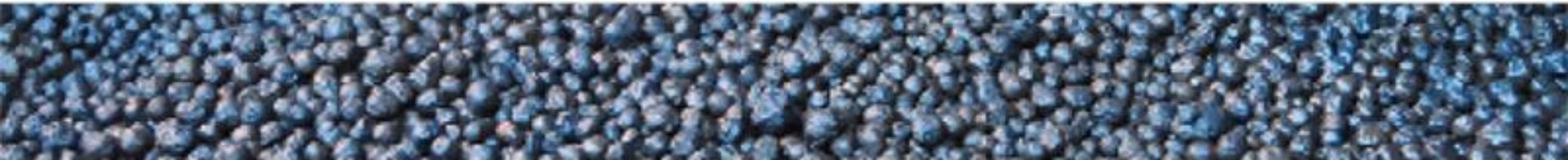
Source: Heinz Pariser





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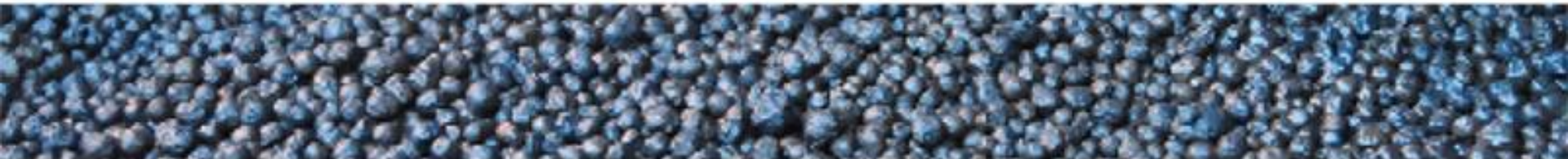
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Appendix 1 – 6 months results to 30 June 2009



GROUP CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2009 Reviewed R'000	Six months ended 30 June 2008 Reviewed R'000
Revenue	824 081	1 627 610
EBITDA	(74 737)	893 601
Depreciation	(50 507)	(28 157)
Net financing costs	(1 145)	(28 087)
(Loss)/profit before taxation	(126 389)	837 347
Taxation	42 203	(234 889)
Current taxation	(1 898)	(799)
Deferred taxation	44 101	(233 558)
Secondary taxation on companies	-	(532)
(Loss)/profit and total comprehensive (loss)/income for the period	(84 186)	602 458
(Loss)/earnings per share (cents)	(3)	25
Diluted (loss)/earnings per share (cents)	(3)	24
Headline (loss)/earnings per share (cents)	(3)	25
Diluted headline (loss)/earnings per share (cents)	(3)	24
Ordinary shares in issue	2 459 258 860	2 459 258 860
Weighted average number of shares for the period	2 459 258 860	2 451 166 292
Diluted weighted average number of shares for the period	2 479 639 408	2 488 928 176

GROUP CONDENSED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2009 Reviewed R'000	As at 31 December 2008 Audited R'000
Assets		
Non-current assets	1 918 383	1 861 185
Property, plant and equipment	1 918 383	1 861 185
Current assets	1 614 782	1 893 165
Inventories	798 304	1 067 153
Trade and other receivables	350 138	286 271
Cash and cash equivalents	466 340	539 741
Total assets	3 533 165	3 754 350
Equity and liabilities		
Equity	2 398 272	2 479 338
Share capital	24 593	24 593
Share premium	1 244 072	1 244 072
Equity settled share-based payment reserve	18 706	15 586
Retained earnings	1 110 901	1 195 087
Liabilities	1 134 893	1 275 012
Non-current liabilities	804 926	845 136
Loans and borrowings	365 439	366 174
Provision for close down and restoration costs	34 356	29 730
Deferred tax	405 131	449 232
Current liabilities	329 967	429 876
Loans and borrowings	1 298	1 200
Financial liability	8 723	11 466
Trade and other payables	319 930	331 364
Current tax liability	16	85 846
Total equity and liabilities	3 533 165	3 754 350

GROUP CONDENSED STATEMENT OF CASH FLOWS

	Six months ended 30 June 2009 Reviewed R'000	Six months ended 30 June 2008 Reviewed R'000
(Loss)/profit before taxation	(126 389)	837 347
Interest paid	20 874	29 124
Interest received	(19 729)	(1 027)
Depreciation	50 507	28 157
Adjusted for non-cash items	376	20 529
Adjusted for working capital changes	218 695	(641 918)
Cash flows from operations	144 334	272 212
Interest paid	(20 874)	(29 124)
Interest received	19 342	1 027
Taxation paid	(87 728)	(266)
Cash flows from operating activities	55 074	243 849
Cash flows from investing activities	(83 470)	(89 110)
Proceeds on disposal of property, plant and equipment	-	47
Acquisition of property, plant and equipment – expansionary	(925)	(82 035)
Acquisition of property, plant and equipment – sustaining	(82 545)	(7 122)
Cash flows from financing activities	(735)	(39 294)
Proceeds from issue of shares	-	5 528
Decrease in non-current borrowings	(735)	(44 822)
Net (decrease)/increase in cash and cash equivalents	(29 131)	115 445
Cash and cash equivalents at the beginning of the year	539 741	(153 489)
Effect of exchange rate fluctuations on cash held	(44 270)	4 878
Cash and cash equivalents at the end of the period	466 340	(33 146)

GROUP STATEMENT OF CHANGES IN EQUITY

	Six months ended 30 June 2009 Reviewed R'000	Six months ended 30 June 2008 Reviewed R'000
Share capital	24 593	24 593
Balance at the beginning of the period	24 593	24 494
New shares issued during the period	–	99
Share premium	1 244 072	1 244 072
Balance at the beginning of the period	1 244 072	1 238 643
Premium on new shares issued during the period	–	5 429
Equity settled share-based payment reserve	18 706	10 492
Balance at the beginning of the period	15 586	7 993
Share-based payment	3 120	2 499
Retained earnings	1 110 901	769 854
Balance at the beginning of the period	1 195 087	167 396
(Loss)/profit and total comprehensive (loss)/ income for the period	(84 186)	602 458
Balance at end of the period	2 398 272	2 049 011