MERAFE
RESOURCES

Annual Results presentation

for the year ended 31 December **2018**

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Agenda

1. KEY HIGHLIGHTS

Credible performance in spite of a tough operating environment

Safety

- Regrettably, one fatality
- TRIFR ⌄ 10% year on year

Operational

- Increase in ferrochrome production, with several record highs achieved
- Costs well managed in a high mining inflation environment

Market

- Macroeconomic factors contribute to uncertainty
- Volatile pricing environment
- Growth in stainless steel production underpins ferrochrome demand

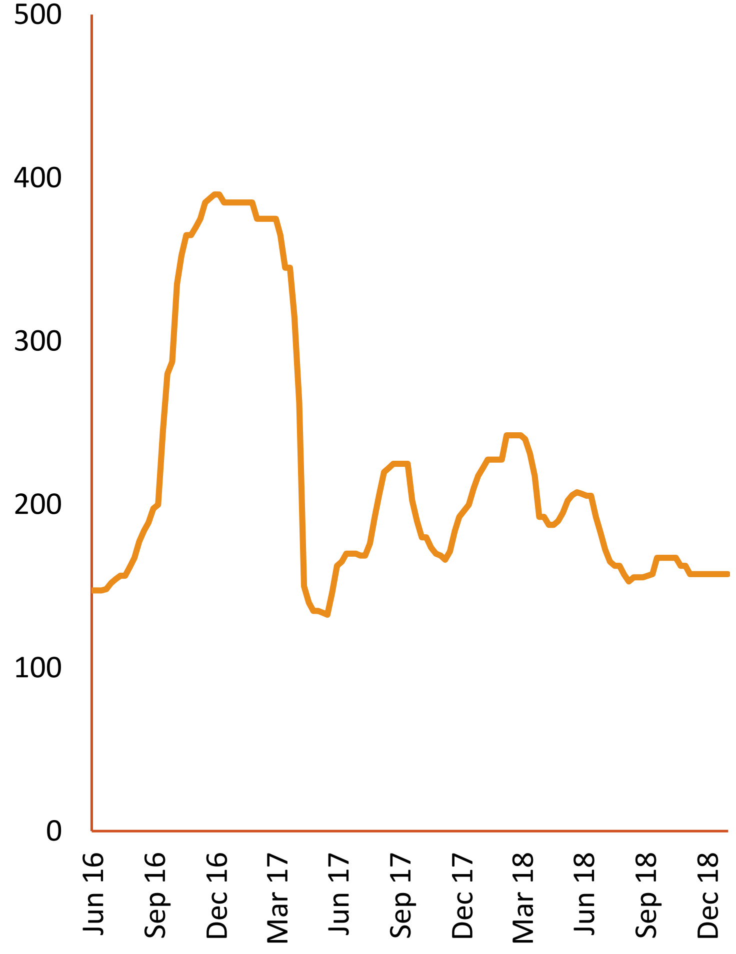
Financial

- Revenue ⌄ 5% year on year
- HEPS ⌄ 25% year on year
- Final dividend declared. Total dividend for the year ^ 16% year on year

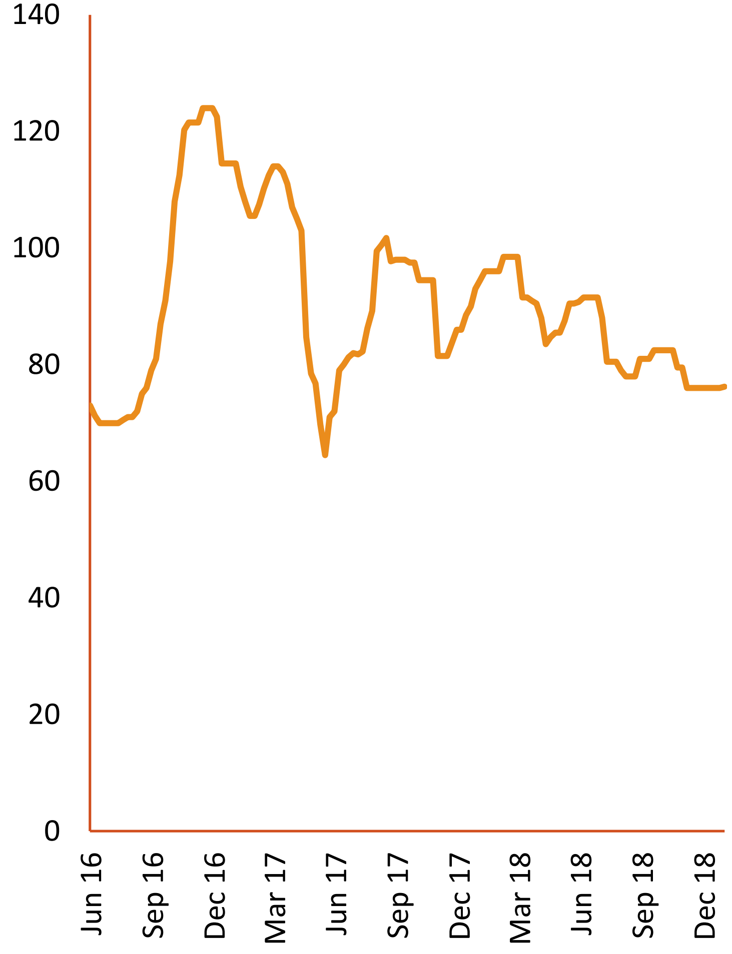
2. MARKET REVIEW

2018 Ferrochrome price volatility

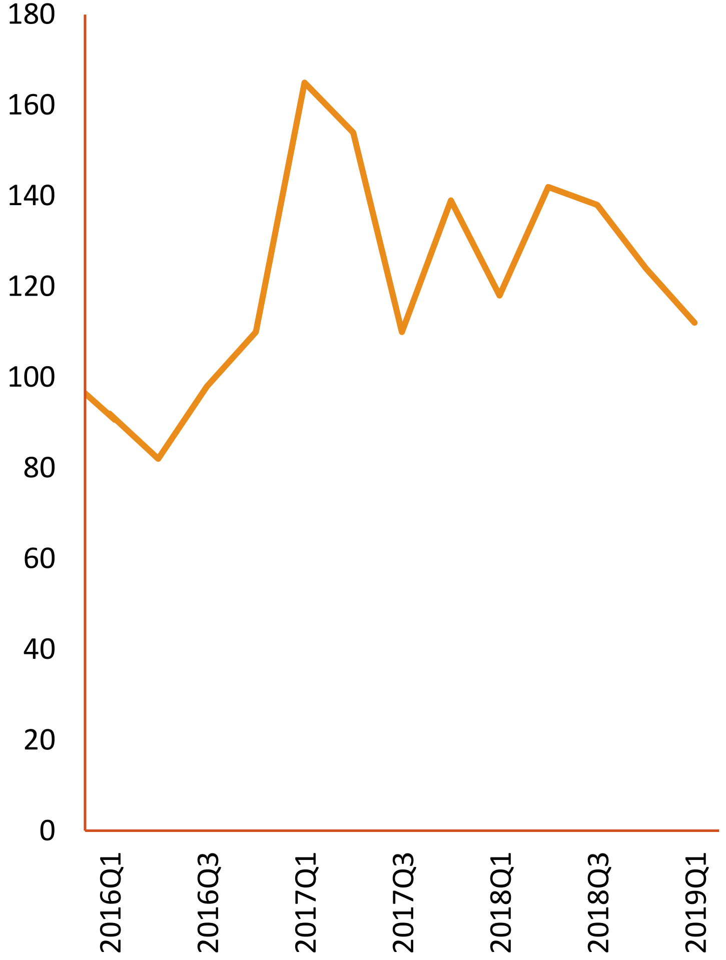
UG2 42% (USD/t)



Ferrochrome 50% (USc/lb)



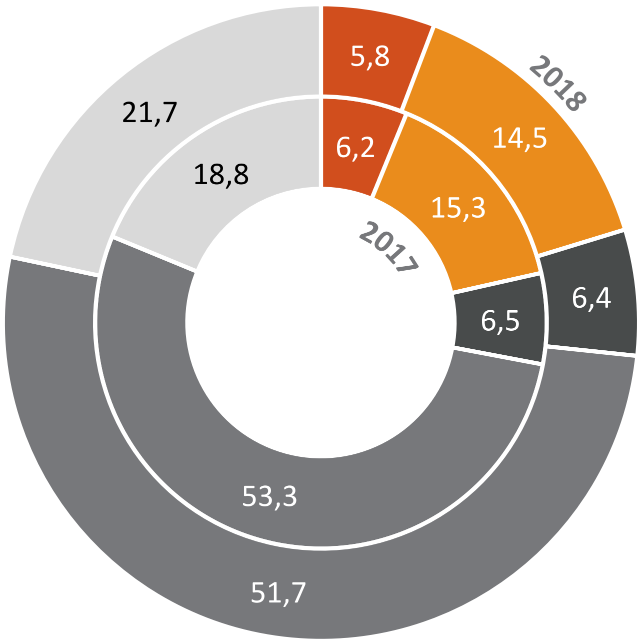
European Benchmark Ferrochrome Price (USc/lb)



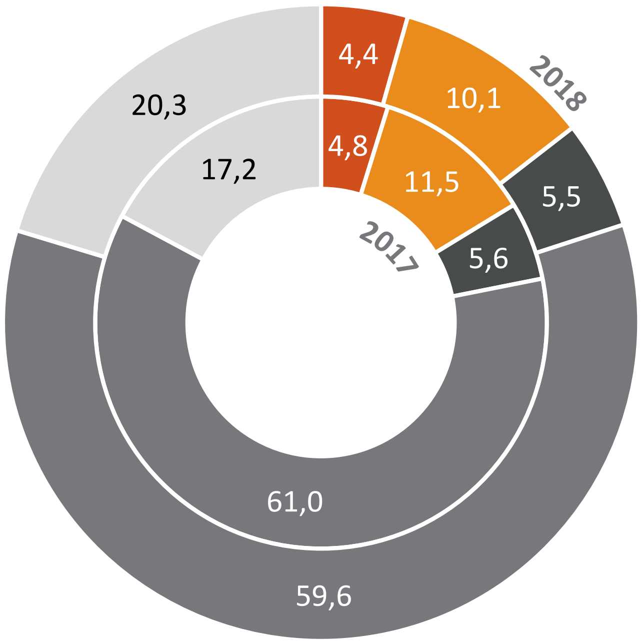
Source for all charts: CRU

China's dominant role in the stainless steel and ferrochrome market

Global Stainless Steel Production (%)



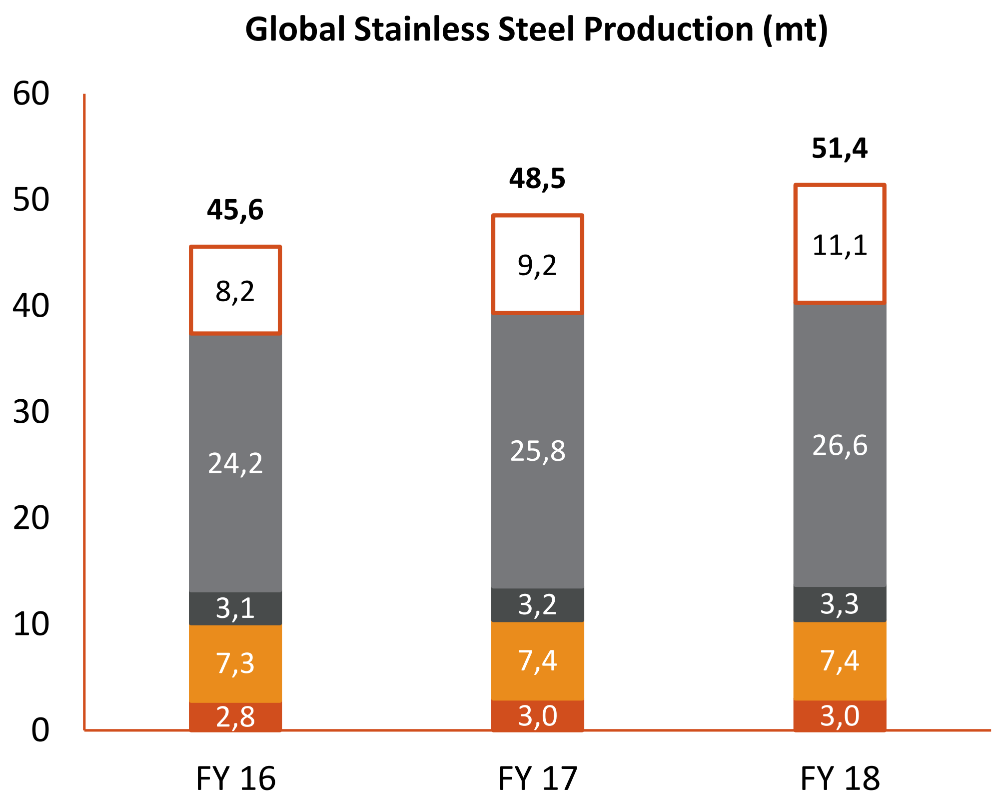
Global Ferrochrome Demand (%)

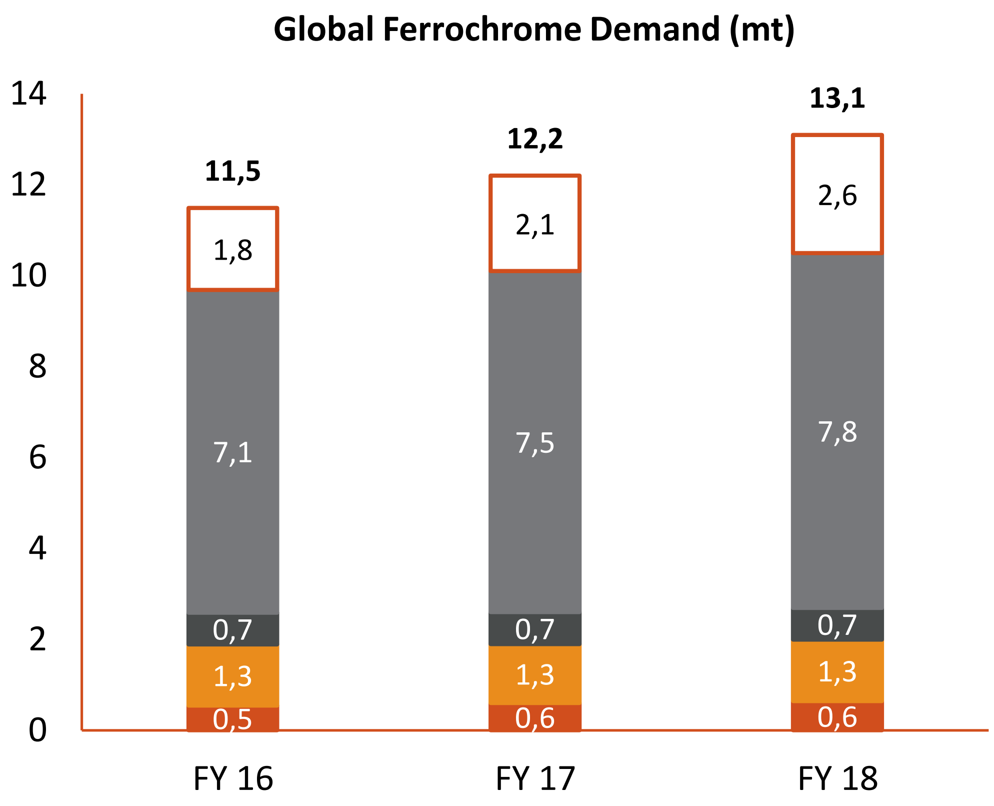


- USA
- Western Europe
- Japan
- China
- Other

Source for both charts: CRU

Solid sector fundamentals lead to continued growth in stainless steel production and ferrochrome demand



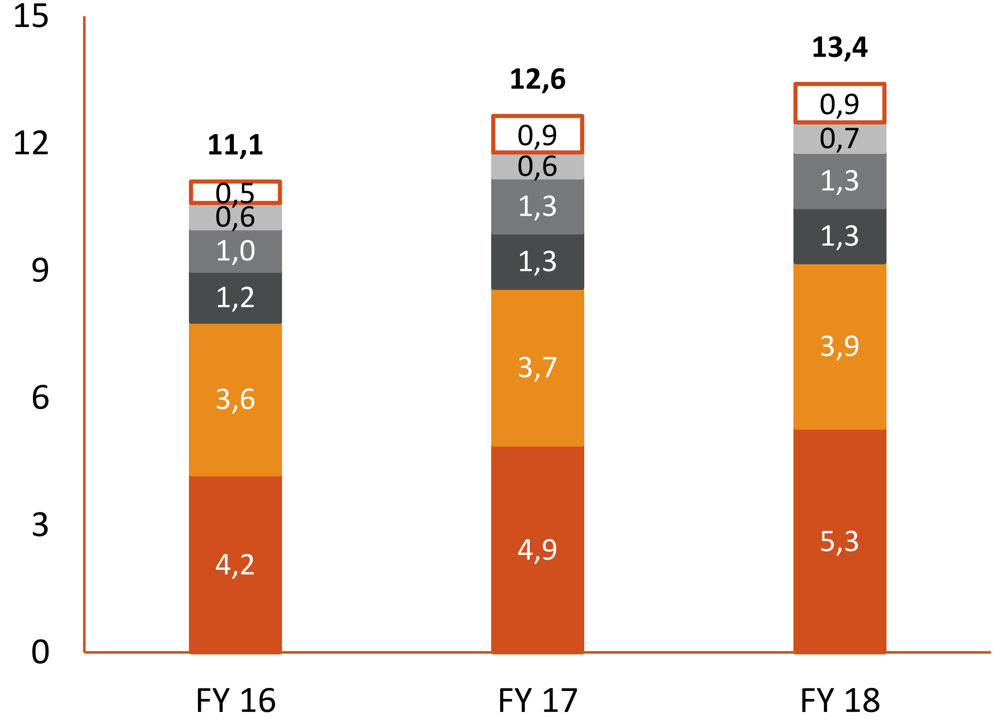


Source for both charts: CRU

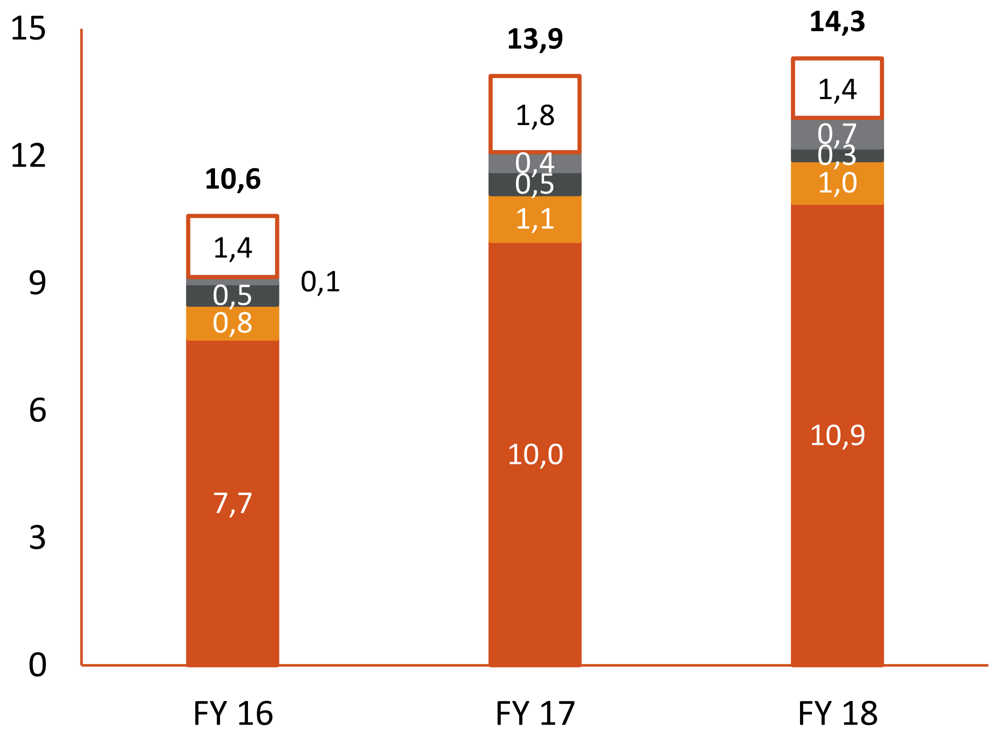
- USA
- Western Europe
- Japan
- China
- Other

Ferrochrome production responded to demand; Ore imports into China also increased

Global Ferrochrome Production (mt)



Chrome Ore Imports into China (mt)



Source for both charts: CRU

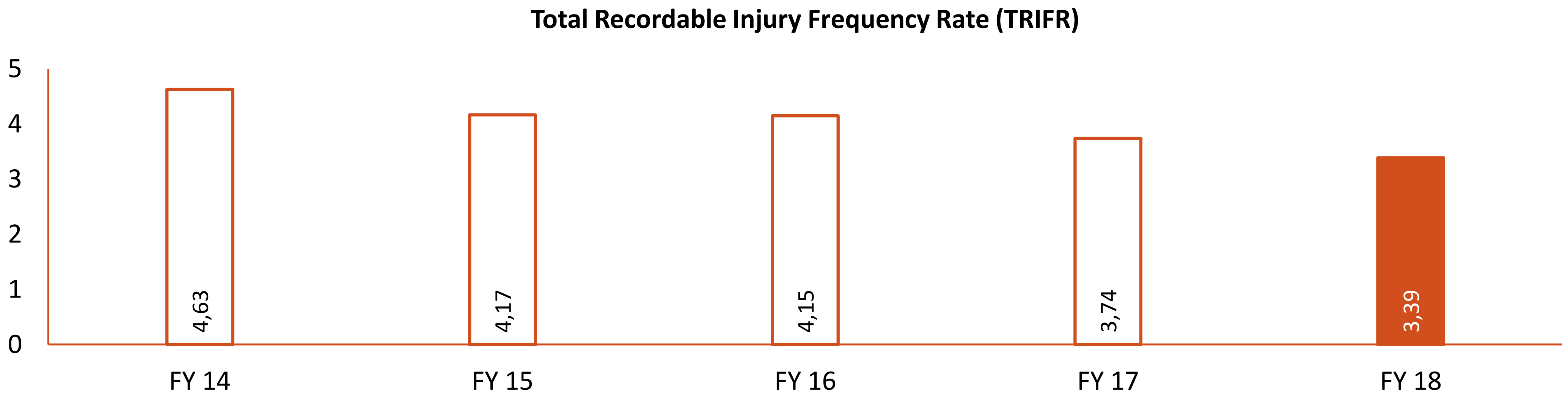
China | India
South Africa | Europe
Kazakhstan | Other

South Africa | Zimbabwe
Turkey | Other
Albania

3. OPERATIONAL REVIEW

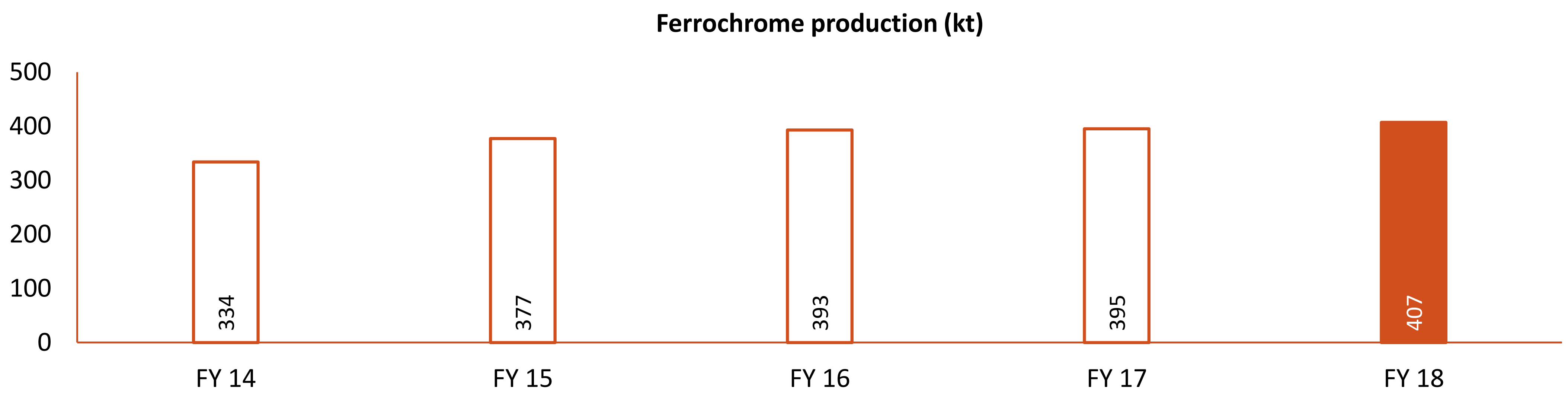
Ensuring the safety of all employees

- Regrettably one fatality during 2018 and another in the current year
- Overall, TRIFR improved to 3.39 from 3.74 in December 2017
- Safety of our employees remains a critical focus with the goal of achieving zero harm
- Education and good decision making the key to building a sustainable safety culture
- Continued focus on safety campaigns and programs through the period



Sweating assets and driving efficiencies

- Growth in ferrochrome production to 407kt
  - Installed capacity utilisation of 85%
  - Annual production records achieved at Lion and Wonderkop smelters
  - Annual pellet production records at Tswelopele and Bokamoso
- No significant disruptions in electricity supply during the period under review
- All wage negotiations successfully concluded with three-year agreements



Total costs well managed within a high mining inflation environment

MERAFE RESOURCES

Total production costs per tonne increased by 9%, influenced by:

- Increase in reductants prices
- Increase in UG2 input prices
- Increase in labour costs, effective 1 July 2018
- Increase in electricity prices, effective 1 April 2018
- Higher royalty taxes, arising from higher chrome ore prices

The following helped keep costs increases under control:

- Reduced winter production
- Annual production records
- Ongoing operational cost control initiatives

The Venture remains the lowest cost producer in South Africa and the second lowest producer globally

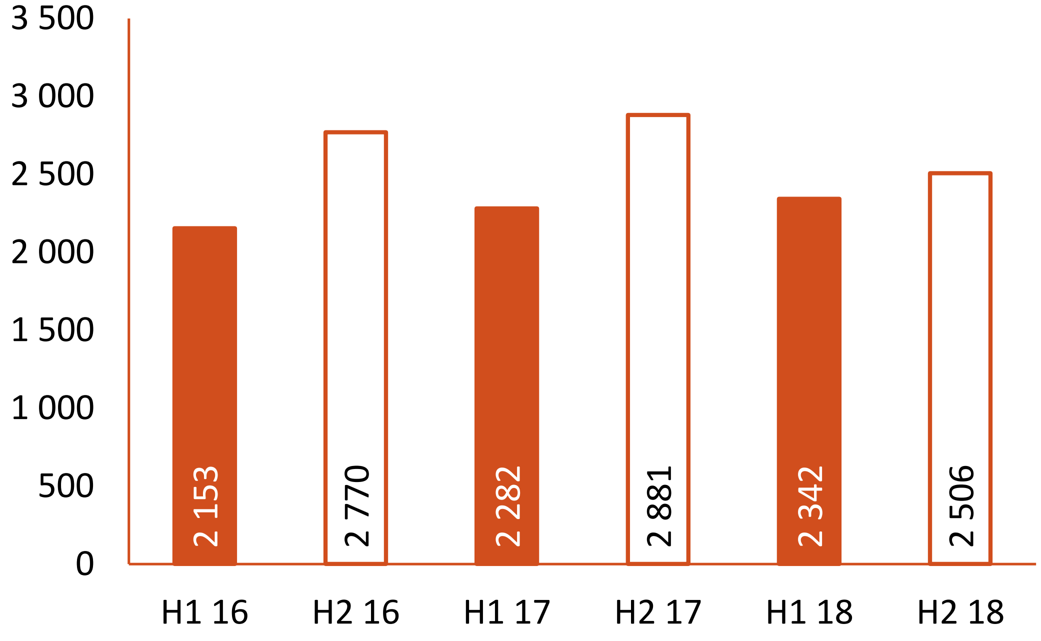
4. FINANCIAL OVERVIEW

Revenue

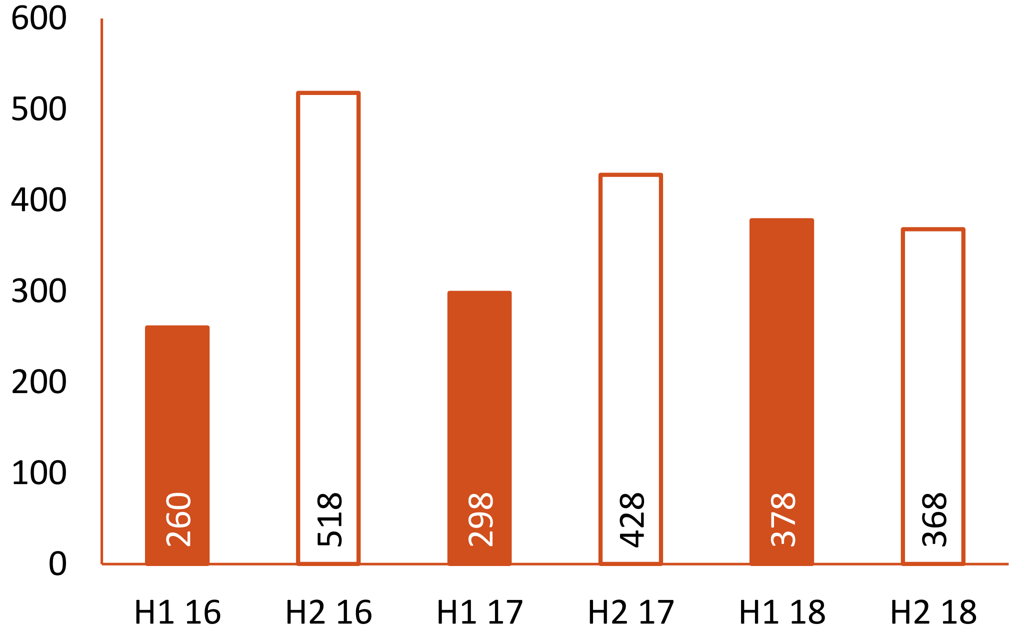
5% decrease in revenue from prior year to R5.606bn

- Ferrochrome revenue decreased by 6% to R4.848bn from prior year
- Chrome ore revenue increased by 3% to R747m from prior year
- Lower volumes of chrome ore and ferrochrome sold
- Lower ferrochrome prices

Ferrochrome Revenue (R'm)



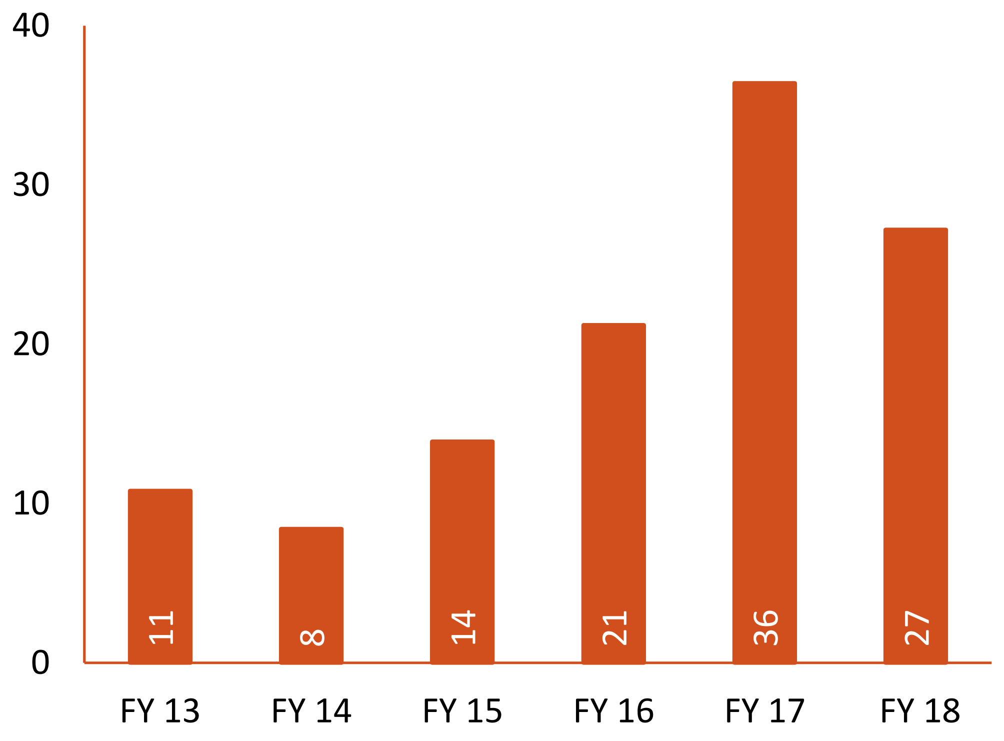
Chrome Ore Revenue (R'm)



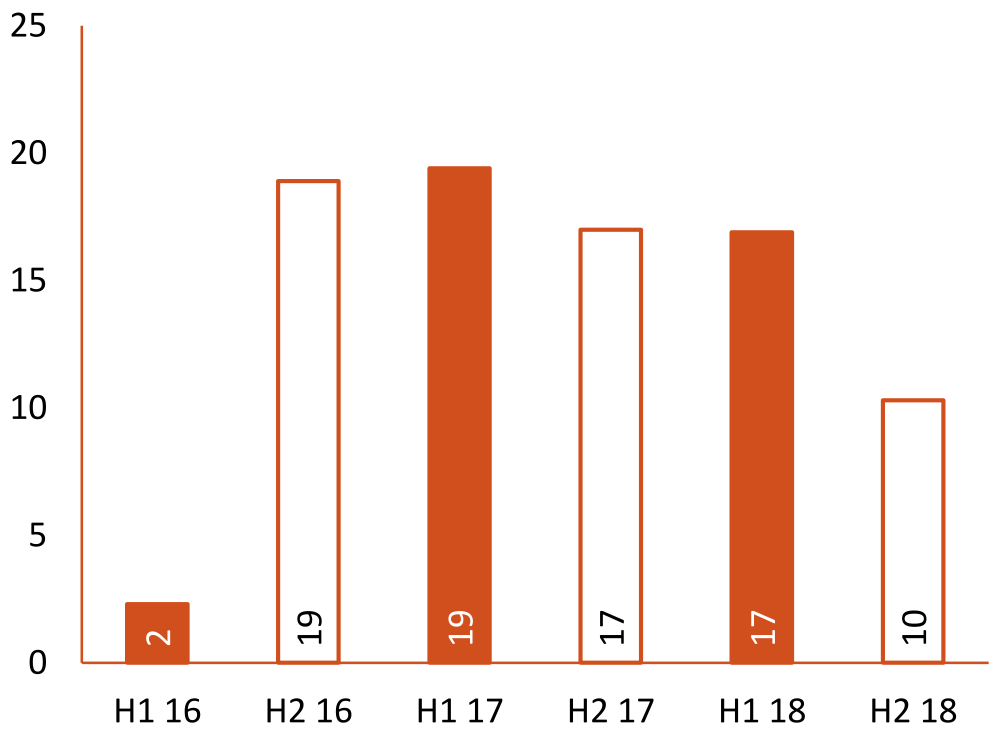
Earnings

- HEPS decreased by 25% year on year to 27.2c
- Significantly lower HEPS in H2 versus H1

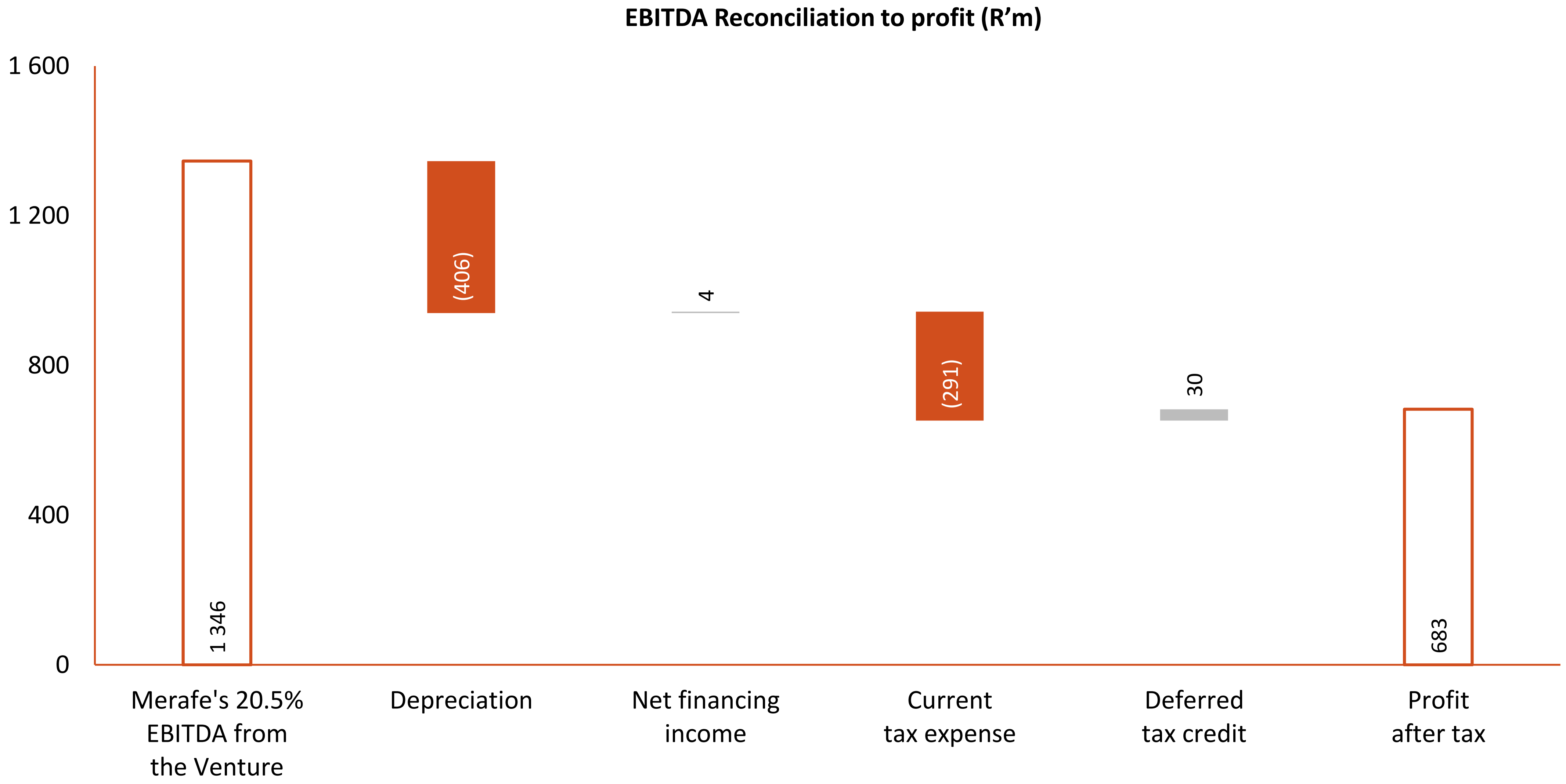
HEPS Full Year (cents)



HEPS H1 vs H2 (cents)



EBITDA reconciliation to profit



Focus remains on driving efficiencies to counter negative macro influences

	2018 R'm	2017 R'm	Variance
Ferrochrome revenue	**4 849**	5 163	(6%)
Chrome ore revenue	**747**	726	3%
Foreign exchange gain/(loss)	**141**	(73)	(279%)
Operating expense	**(4 347)**	(4 111)	5%
Merafe EBITDA	**1 390**	1 705	(18)
Merafe corporate costs	**(44)**	(40)	10%
Depreciation	**(406)**	(368)	10%
Net financing income/(expense)	**4**	(19)	(121%)
Current tax expense	**(291)**	(411)	(30%)
Deferred tax credit	**30**	47	(46%)
Profit after tax	**683**	914	(25%)
HEPS (cents)	**27.2**	36.4	(25%)

Ferrochrome revenue
- Driven by lower prices and sales volumes

Chrome ore revenue
- Driven by higher prices and lower volume

Foreign exchange gain/(loss)
- A function of the R/$ exchange rate

Operating expenses
- Cost per tonne increased by 9%. Key factors were:
  - Reductants, labour, power & ore costs

Merafe corporate costs
- An increase in professional fees incurred

Depreciation
- Due to additional capex as well as
- Accelerated depreciation on assets with re-assessed residual values

Current tax
- Decrease is reflective of lower profits and taxable income

A tale of two halves…

	H2 2018 R'm	H1 2018 R'm
Ferrochrome revenue	**2 507**	2 342
Chrome ore revenue	**369**	378
Foreign exchange gain/(loss)	**38**	103
Operating expense	**(2 338)**	(2 009)
Merafe EBITDA	**576**	814
Merafe corporate costs	**(26)**	(18)
Depreciation	**(202)**	(204)
Net financing income/(expense)	**7**	(3)
Current tax expense	**(107)**	(184)
Deferred tax credit	**11**	19
Profit after tax	**259**	424
HEPS (cents)	**10.3**	16.9

REASONS FOR LOWER HEPS IN H2

Ferrochrome revenue

- Impact of lower prices in H2

Forex exchange gain

- More than 70% of forex gain realised in H1

Operating expense

- Impact of salary and electricity increases in H2
- Increased critical maintenance undertaken at plants in H2
- Higher royalty tax

Merafe corporate costs

- Higher corporate costs in H2 due to timing of spending

Balance sheet weighed on by increased inventory levels

	As at 31 Dec 2018 R'm	As at 31 Dec 2017 R'm
Current assets		
Inventories	**2 042 621**	1 497 798
Trade and other receivables	**920 231**	883 249
Cash and cash equivalents	**282 037**	671 655
Total current assets*	**3 244 889**	3 052 702
Total assets	**6 579 785**	6 355 447

* This amount excludes a Current tax asset 2018: R26,4m (2017: Rnil).

INVENTORIES

Increase due to:

- Lower volumes sold and higher finished goods on hand (4 - 5 months)
- Higher inventory costs

TRADE AND OTHER RECEIVABLES

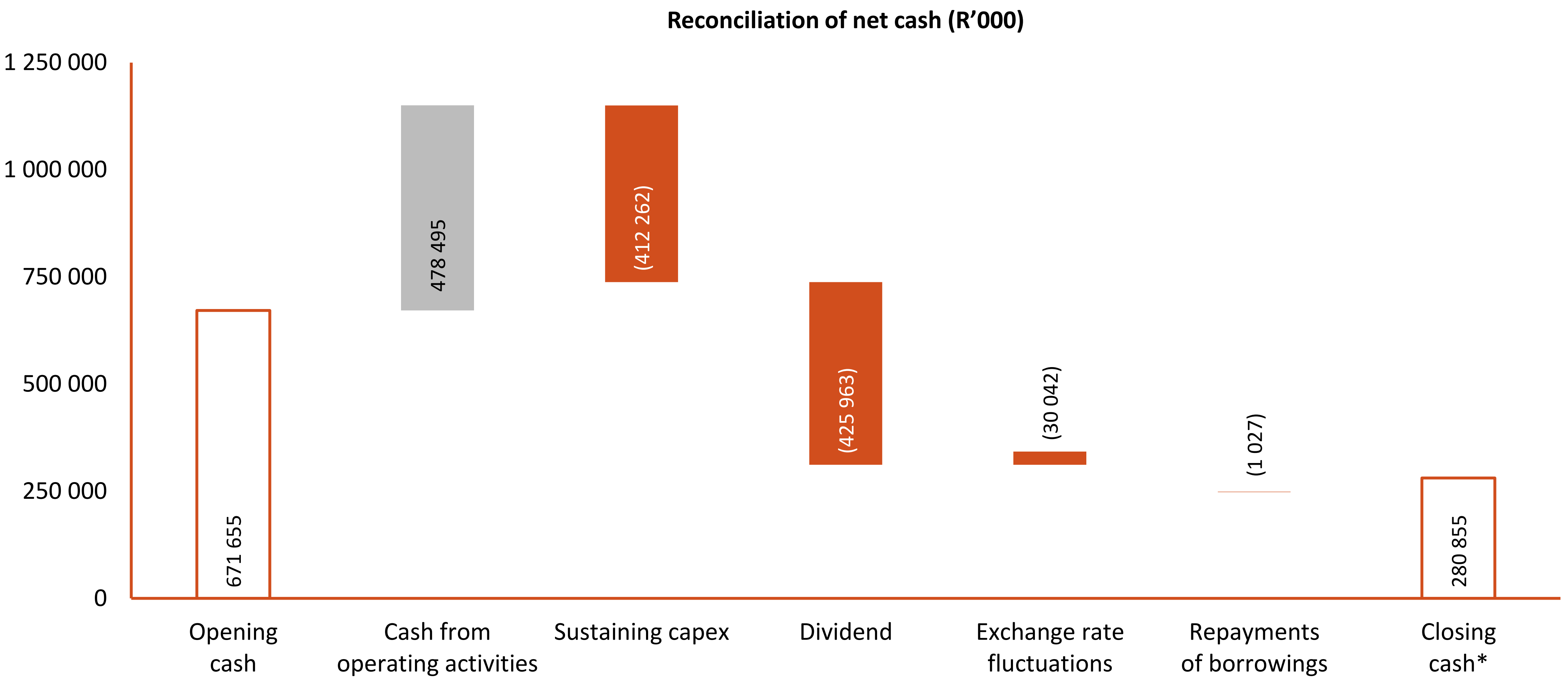
Increase due to strengthening of the Rand

CASH AND CASH EQUIVALENTS

Reduction due to:

- Increased working capital
- Full settlement of Venture's facilities
- Increased dividend payments

Generation of cash from operations



* Includes bank overdraft

Significant headroom on facilities

As at 31 December 2018	Venture (Merafe's share)	Merafe head office	Merafe total
	(R'm)	(R'm)	Total (R'm)
Closing net cash/(debt)[1]	**45**	**236**	**281**

As at 31 December 2018	Venture (Merafe's share)		Merafe head office	Merafe total
	Cash and overdraft facilities (R'm)	Working capital loan (R'm)	Interest bearing debt (R'm)	Total (R'm)
Total facilities in place	(354)[2]	(295)[3]	(200)[4]	**(894)**
Total facilities utilised	1	–	–	**1**
Headroom	(353)	(295)	(200)	**(893)**

1. Net cash/debt includes cash and cash equivalents, bank overdraft, working capital loan and debt
2. Merafe's 20.5% of the Venture's $120 million overdraft facilities
3. Merafe's 20.5% of the Venture's $100 million working capital loan
4. Unsecured three-year Revolving Credit Facility

5. DIVIDEND

Dividend declarations

- The Board has declared a gross cash final ordinary dividend of R151m
- Final dividend amounts to 6c per share
- This brings the full year dividend to R351m (2017: R301m) and equates to a total gross dividend of 14 cents per share (2017: 12 cents per share)
- Dividend represents a distribution of 51% of headline earnings (2017: 33%)

6. OUTLOOK

Outlook

- Positive strides aimed at removing uncertainty and restoring confidence evident from the South African government
- While global uncertainty remains, there appears a desire by world leaders to find sustainable solutions
- The fundamentals around stainless steel remain and positive growth is forecast for the foreseeable future
- The business remains ungeared and well positioned to take advantage of any opportunities
- We will continue sweating our assets and driving efficiencies
- In the absence of any opportunities, we will continue returning cash to shareholders in line with dividend policy

Thank you