

Merafe Resources Limited

November 2008



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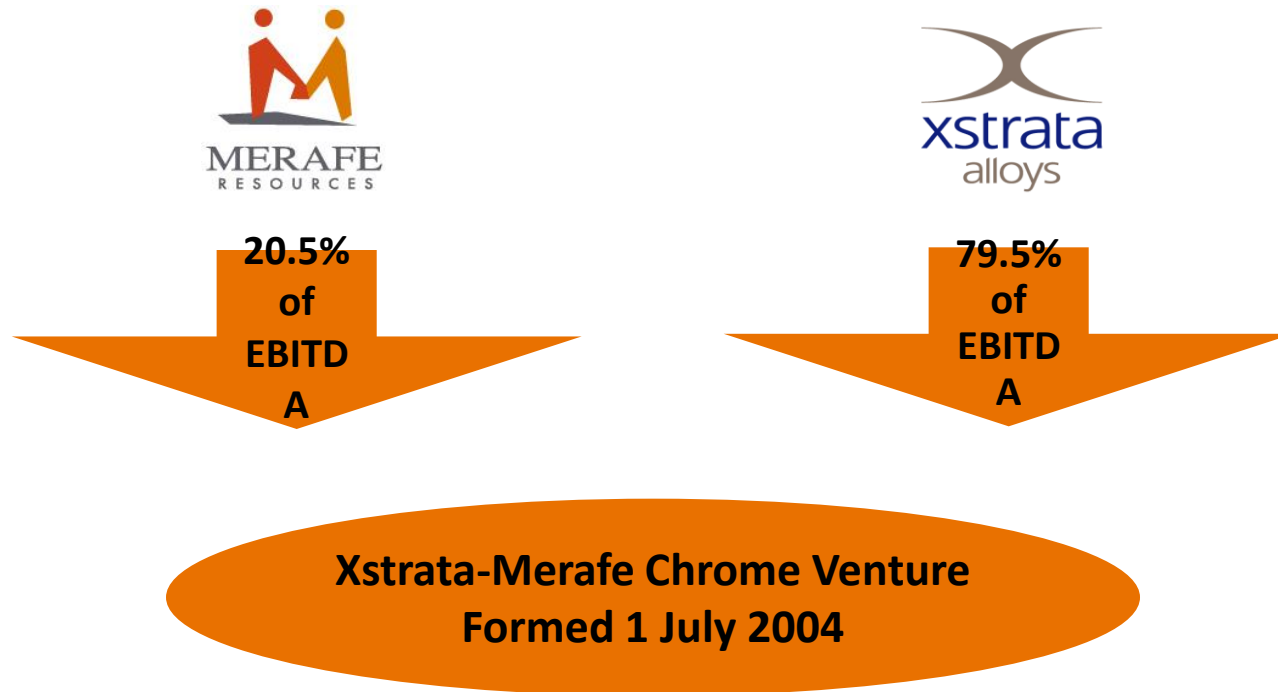
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Corporate Structure



- ✓ Largest ferrochrome producer in the world ($\pm 20\%$ market share)
- ✓ Opportunity to invest directly into Xstrata's ferrochrome business

Share price information

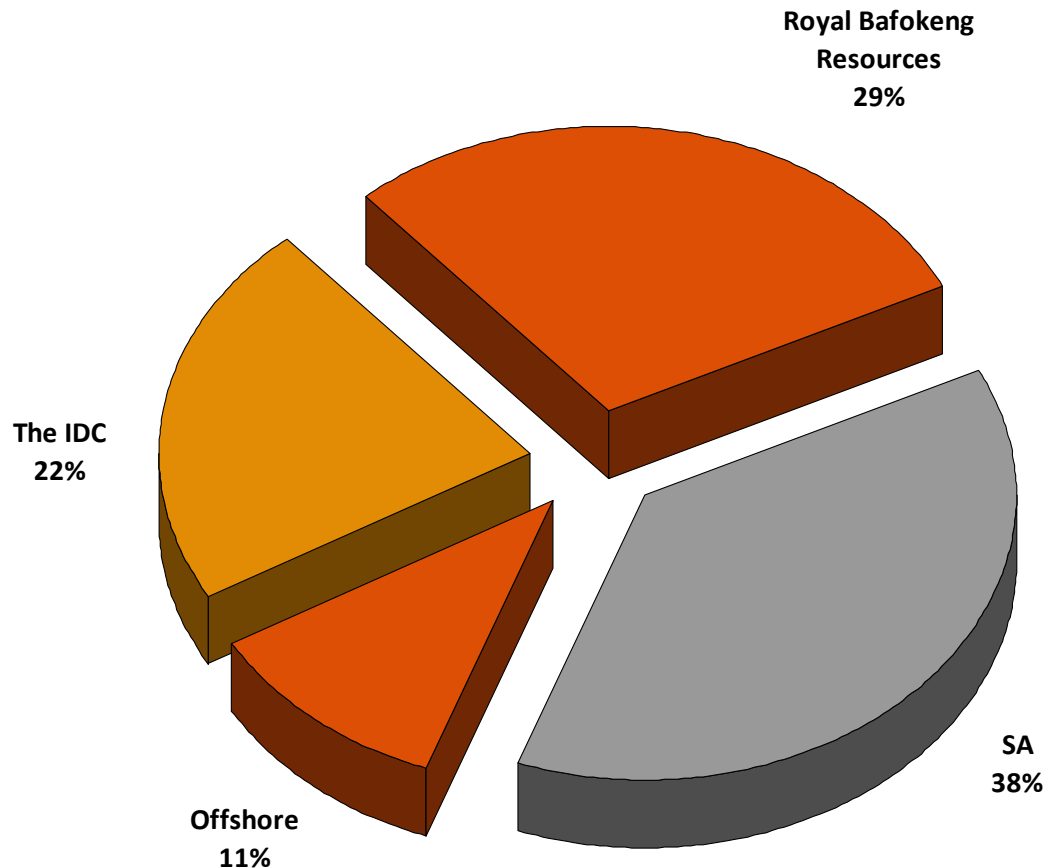
	<u>ZAR</u>	<u>US\$</u>
Market capitalisation*	2.3bn	224m
Share price*	0.94	0.09
1 year high	4.34	0.42
1 year low	0.85	0.08
Shares outstanding	2.45 billion shares	

*As at 11 November 2008

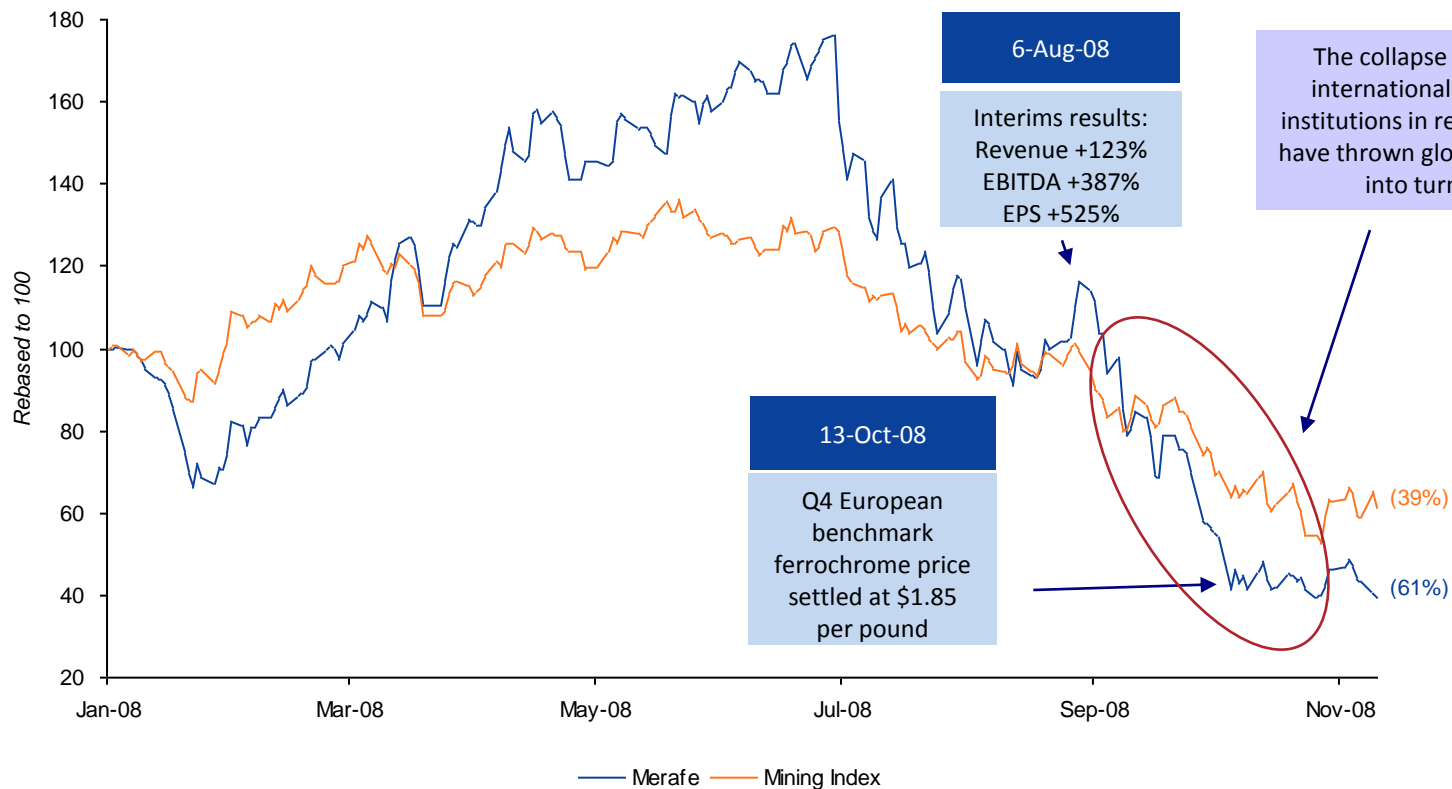
US\$ amounts based on exchange rate of
R10.32:\$ at 11 November 2008

Shareholder analysis

Major shareholders – October 2008

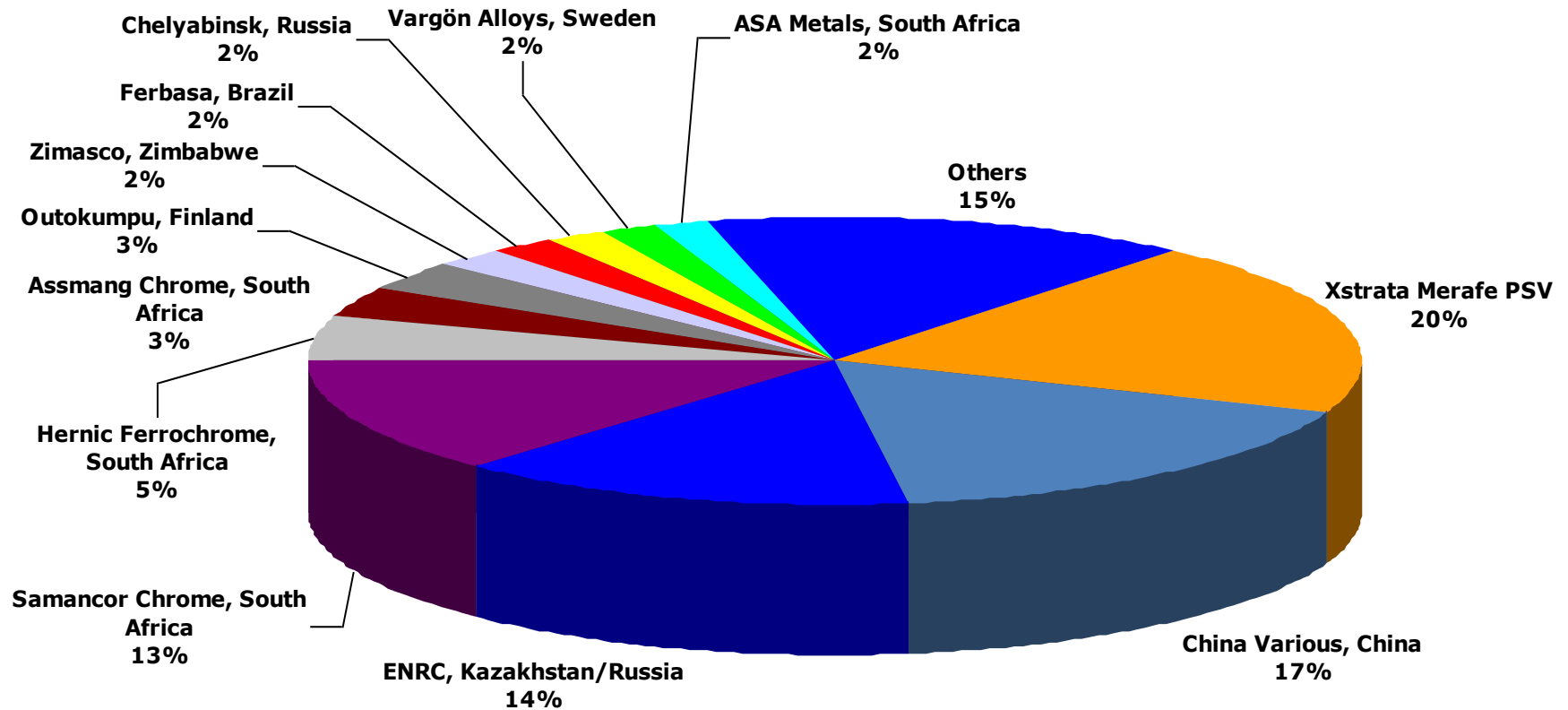


Merafe's share price performance relative to Mining Index



Data: Datastream

Xstrata-Merafe, the world's largest ferrochrome producer



Operations overview

SMELTERS	CAPACITY
Wonderkop	520 kt FeCr - 6 furnaces (Conventional)
Rustenburg	440 kt FeCr - 6 furnaces (Conventional)
Boshoek	240 kt FeCr – 2 furnaces (Outokumpu)
Lydenburg	400 kt FeCr - 4 furnaces (Premus)
Lion	360 kt FeCr - 2 furnaces (Premus)
Total 5 production sites	<ul style="list-style-type: none"> • 1 960 kt in production capacity • 20 furnaces • 7 mines

Barriers to entry

Low barriers to entry, a thing of the past:

- Capital cost of building smelters have gone up over 500%
- Lead time for critical items needed for construction now 3 years
- Power supply - when will power be available for new projects?
- Shortage of available quality ore reserves
- Serious shortage of artisans and skilled labour (until 2010)
- Escalating production costs

What Merafe said in Q2 and Q3 2008

- Slow down in global stainless steel production due to:
 - traditional northern hemisphere summer shutdowns
 - stockists/buyers expecting nickel prices to come down resulting in destocking
- Specific to China (in addition to the above) were stainless steel cut backs due to:
 - earthquakes, floods and power issues
 - closures around the Olympic games
- Expected recovery in fourth quarter of 2008

What happened in Q4 2008?

- Nickel prices continue to fall (\$12,000/t)
- Global economic collapse of financial markets
- Chrome ore trade has dried up
- Surplus stocks of ferrochrome and chrome ore at plants, SA ports and Chinese ports
- Marginal producers dumping ferrochrome in spot market
- Marginal producers closing or switching to other ferro alloys
- Swift response from most major ferrochrome producers (announcements of at least 36% production cut backs)

Xstrata-Merafe production cut backs

- Temporary suspension of six furnaces
- 500,000/t of annual planned ferrochrome production
- Three furnaces at Rustenburg
- Two furnaces at Lydenburg
- One furnace at Wonderkop
- 80,000/t reduction in ferrochrome production for 2008
- Furnaces will be switched back on dependent on market conditions

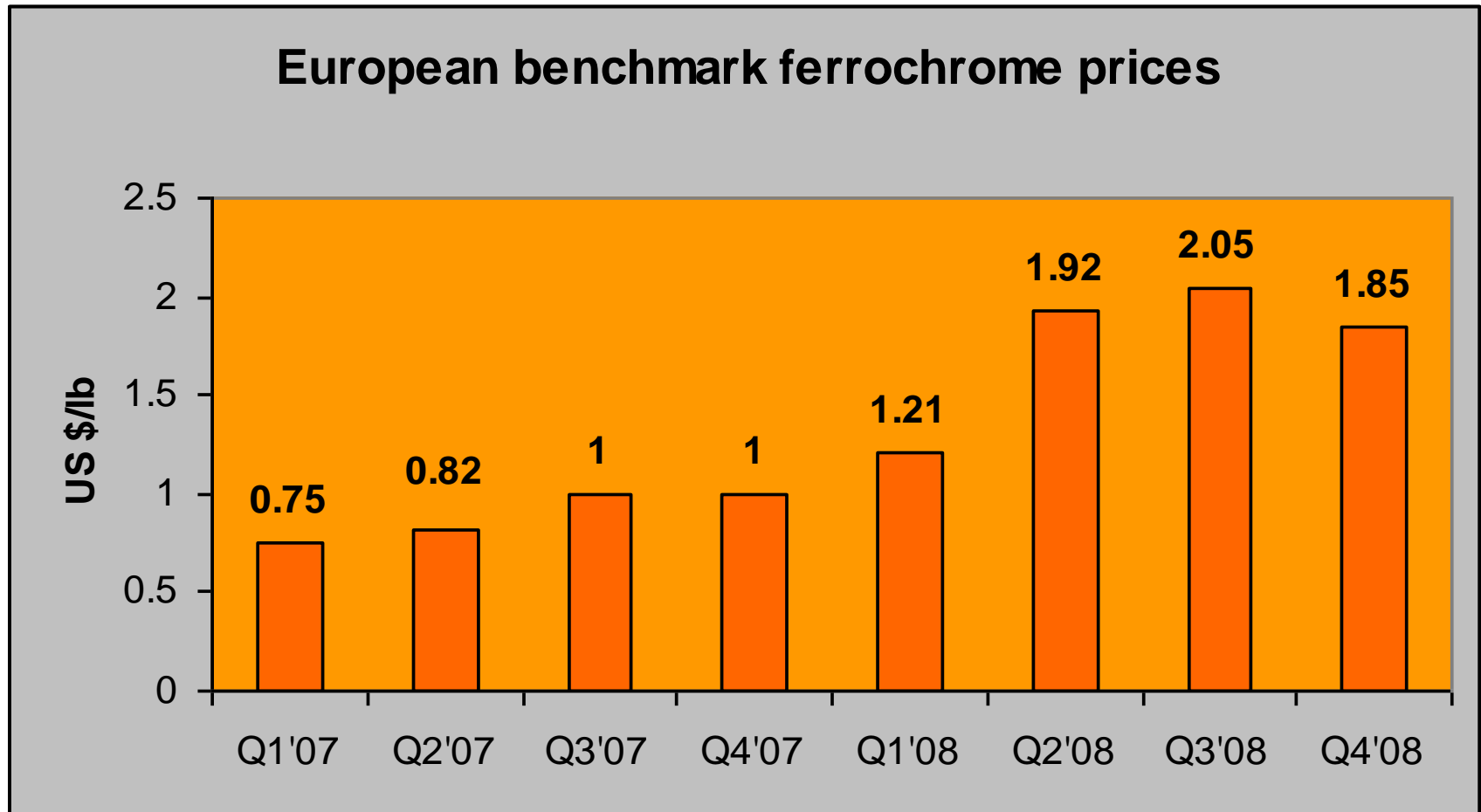
Major ferrochrome production cut backs (kt)

		<u>2008</u>
Projected production		8,152
	Announced cut backs*	
Xstrata-Merafe	500	
Samancor	600	
Assmang	150	
Hernic	190	
EtiKrom	90	
China	700	
ENRC	340	
IFM	100	
India	300	
Total	2,970	(36%)

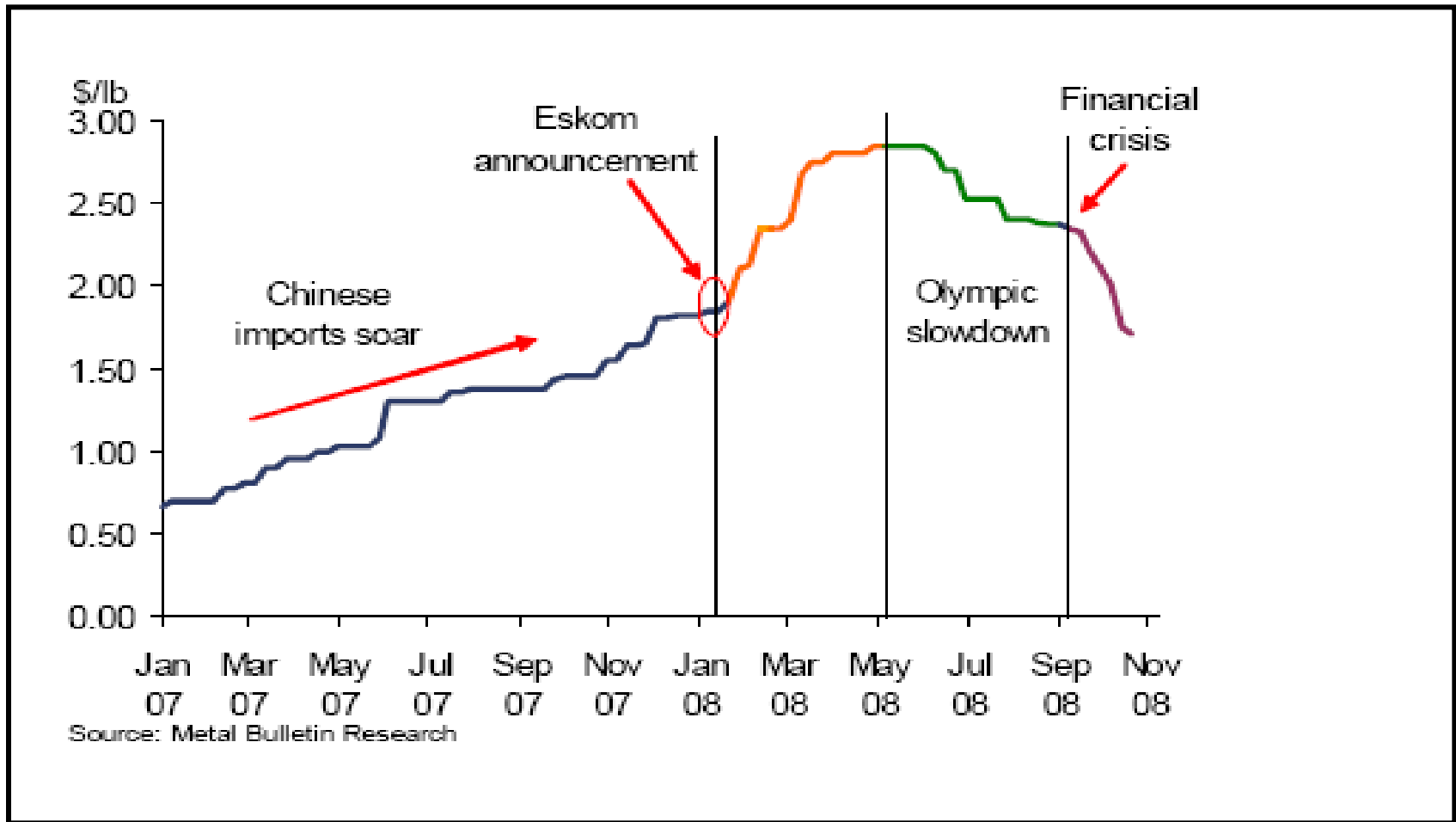
* Annualised

Data: Merafe estimates based on recent announcements

Ferrochrome prices

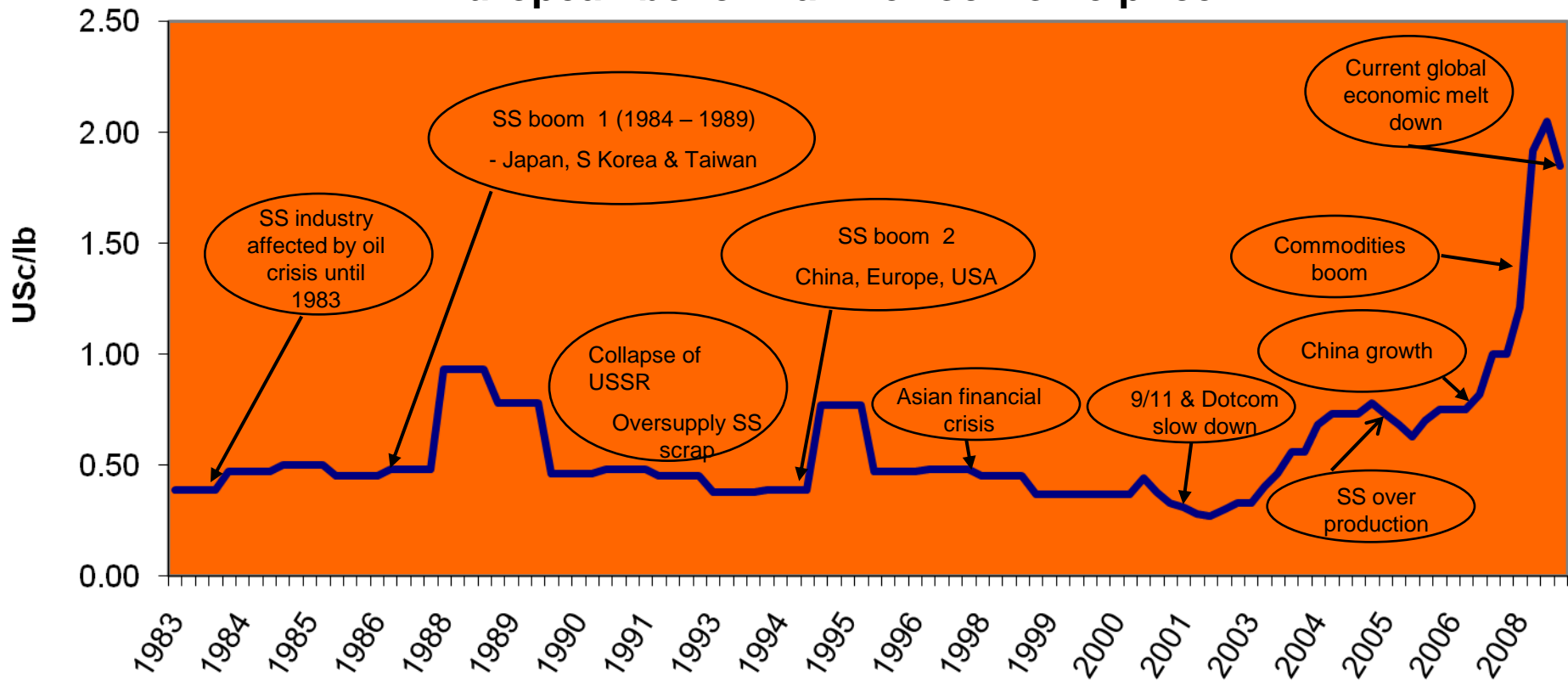


High carbon ferrochrome spot prices

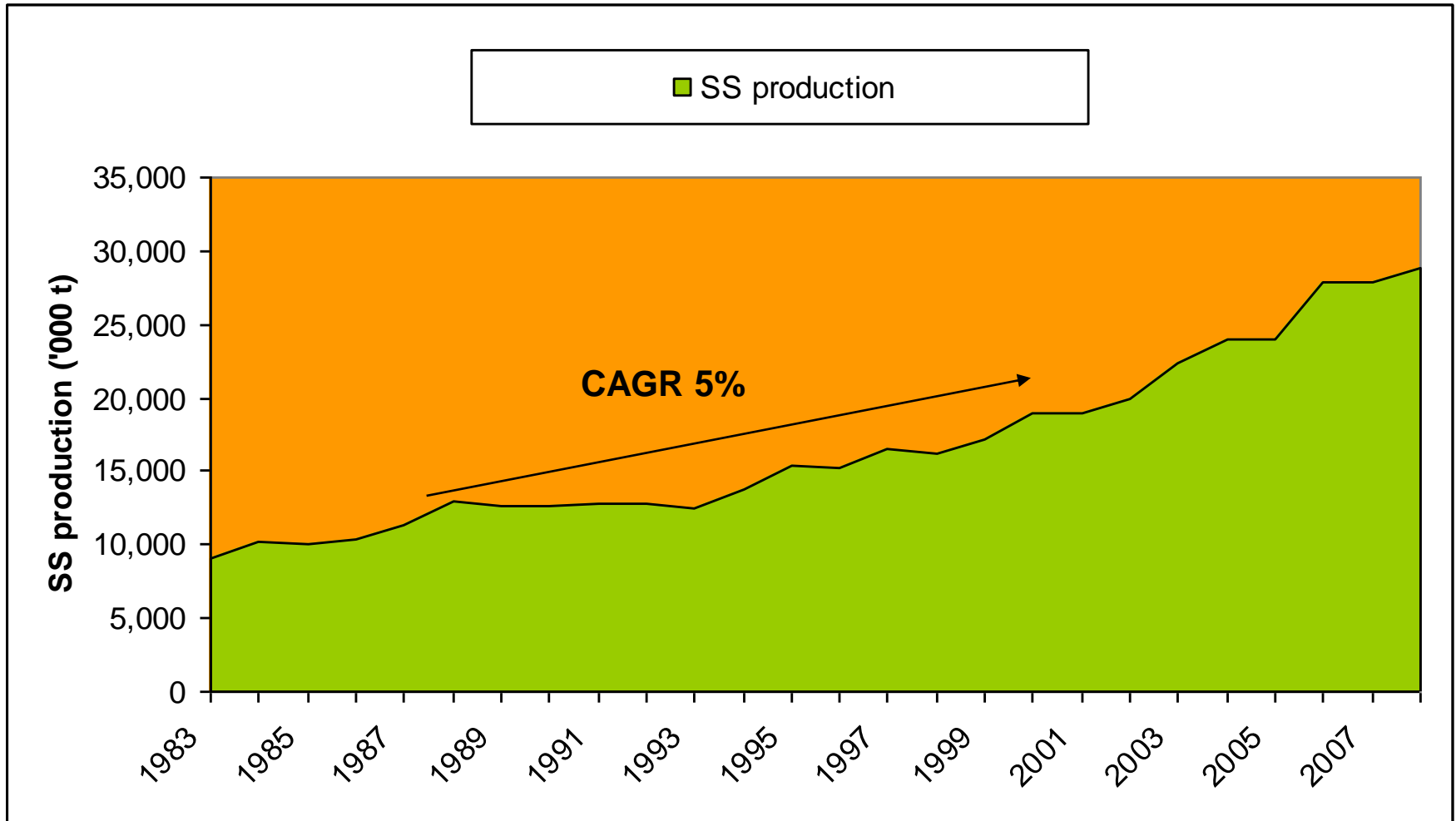


Ferrochrome price analysis over the last 25 years

European benchmark ferrochrome price



Growth in stainless steel production over the last 25 years



Data: Andrew Jones (CMS)/Merafe

Stainless steel applications

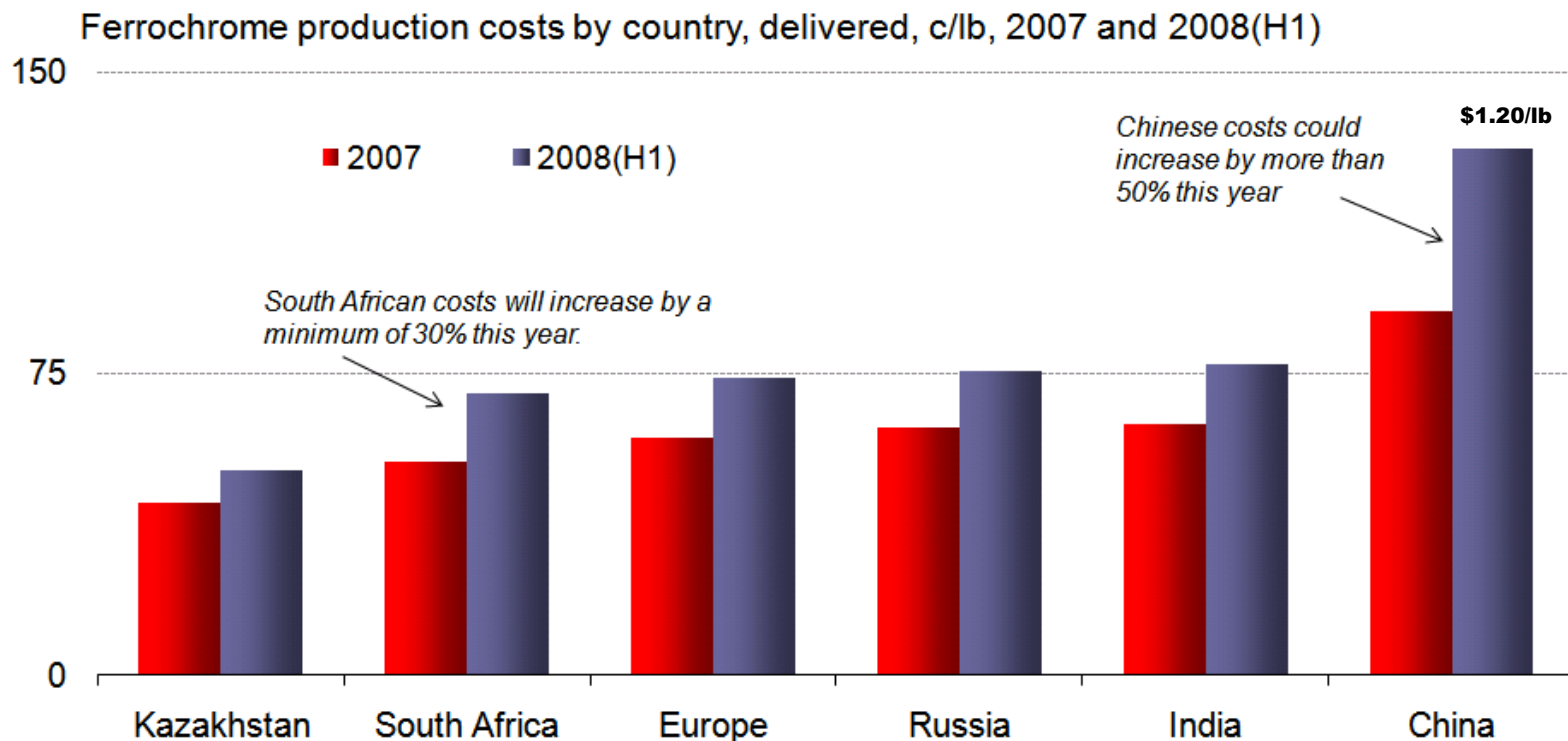
Cold rolled (CR) flat products represent the largest portion of all stainless steel

Application	% Share of global CR flats consumption
Construction	14%
Transport	17%
Industrial equipment	25%
Catering & household products	33%
Welded tubes	6%
Other	<u>5%</u>
Total	<u>100%</u>

Data: CRU

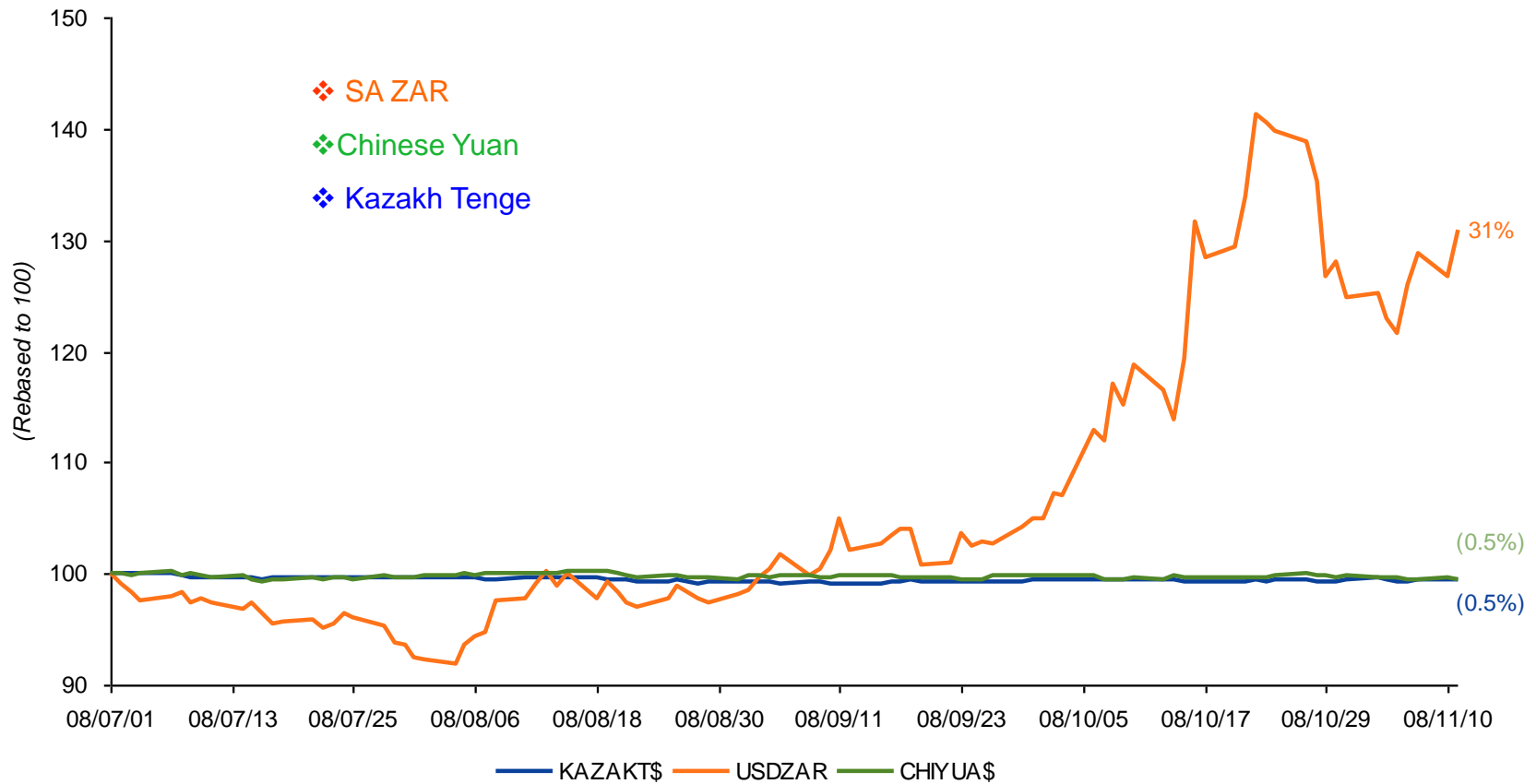
Production costs

...although there are significant differences by region



Data: CRUAnalysis

Currency gains or losses against US\$



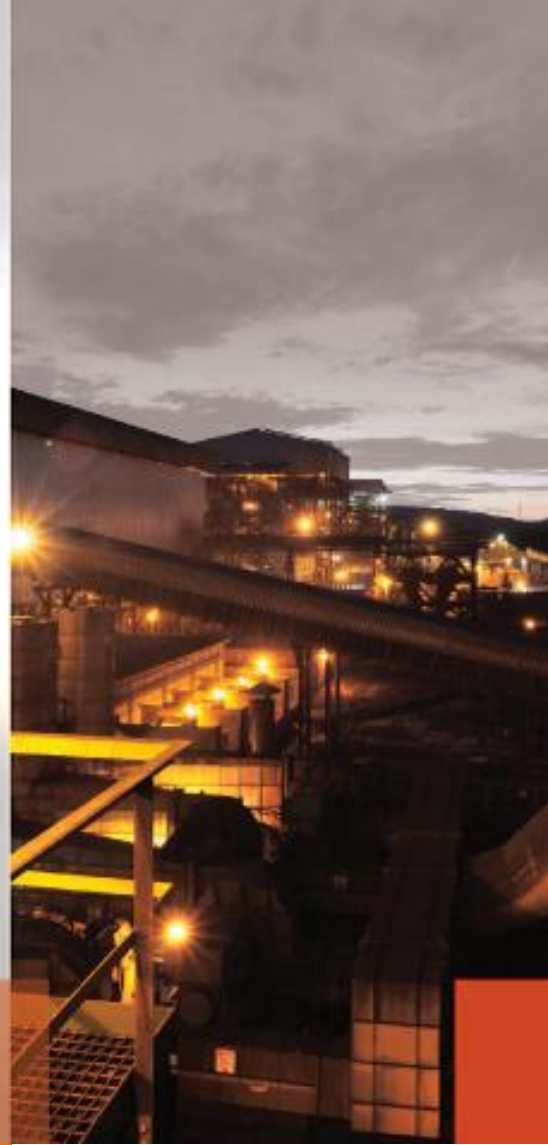
Data: Datastream – 12 November 2008

Gearing

	<u>R'm</u>
Closing balance 30 June 2008	608
Preference shares	75
ABSA (Lion Ferrochrome, Wonderkop & Bokamoso)	350
Xstrata	99
Overdraft	84
Debtors discounting facility	190
Current situation	
Preference shares (R40m 31.12.2008 , R35m 31.3.2009)	75
ABSA	350
Xstrata	0
Overdraft	0
Debtors discounting facility	190

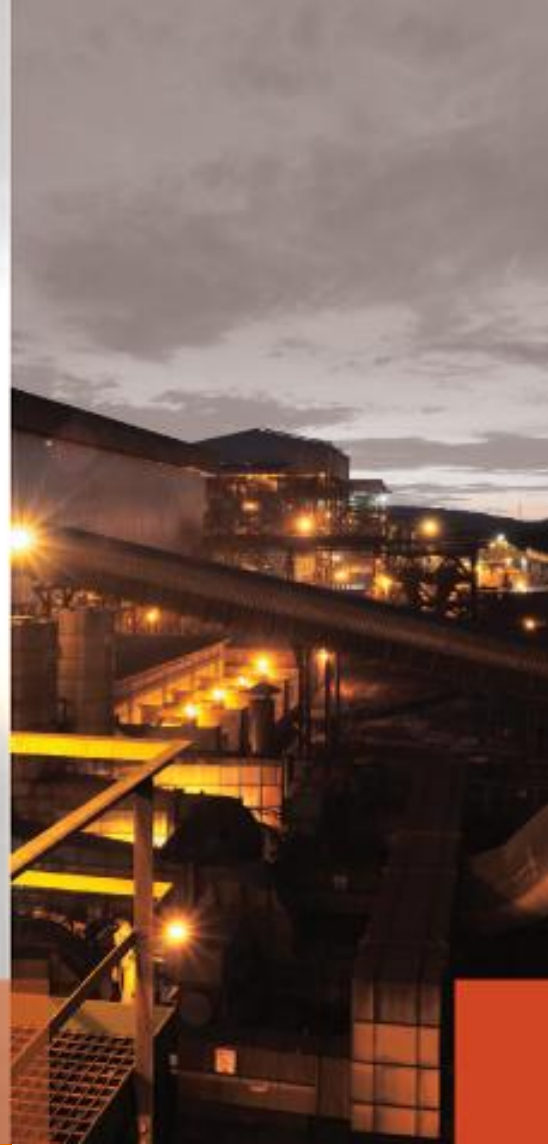
Prospects

- Historically destocking process has taken six to nine months
- This time ferrochrome producers have reacted very swiftly
- This time stainless steel producers are not carrying a lot of stainless steel inventory
- When the market turns it will turn quickly
- Ferrochrome prices and sales volumes expected to come under pressure in the short-term, but recover based on medium- term fundamentals
- Chinese government financial assistance plan (“stimulus package”) recently announced
- Strong focus on ferritic stainless steel production to continue
- China remains the growth point



www.meraferesources.co.za





Appendices



Merafe Coal

- Vehicle to pursue coal opportunities in South Africa
- 50/50 joint venture between Merafe and Sentula Mining Limited
- Prospecting of Schoongezicht and Bankfontein coal deposits is underway
- These properties have a total target coal resources of approximately 10m tonnes
- Both projects are opencast and well positioned to supply export quality and Eskom quality coal
- Merafe Coal should be in a position to commence mining during the second half of 2009

Average power rates in 2008

Country	USc/kWh
China	5.1c
India	4.9c
Japan	4.3c
Finland	4.2c
Sweden	3.7c
Russia	3.2c
Brazil	3.2c
Zimbabwe	3.0c
Iran	2.8c
South Africa	2.8c
Kazakhstan	1.8c

Data: CRU Analysis

Production of Charge/HC ferrochrome

	2006	2007	Change	2008	2009	Change in %	
	In '000 t		in %	In '000 t		08 / 07	09 / 08
<i>Charge</i>							
Brazil	141	164	16.3	165	170	0.6	3.0
Finland	243	242	-0.4	240	241	-0.8	0.4
Sweden	88	80	-9.1	86	110	7.5	27.9
South Africa	2,912	3,549	21.9	3,570	3,650	0.6	2.2
Subtotal	3,384	4,035	19.2	4,061	4,171	0.6	2.7
<i>HC FeCr</i>							
China	870	1,232	41.6	1,515	1,520	23.0	0.3
India	634	928	46.3	1,100	1,200	18.5	9.1
Kazakhstan (saleable)	873	952	9.0	970	970	1.9	0.0
Russia (saleable)	204	185	-9.3	274	300	48.1	9.5
Sweden	49	44	-10.2	40	60	-9.1	50.0
Zimbabwe	214	201	-5.9	175	175	-12.9	0.0
Iran	17	17	0.0	17	17	0.0	0.0
Vietnam	-	-	-	-	120	-	-
Subtotal	2,861	3,559	24.4	4,091	4,242	14.9	3.7
Total Material Weight	6,245	7,594	21.6	8,152	8,413	7.3	3.2
Cr Content	3,558	4,298	20.8	4,776	4,955	11.1	3.8
Cr Content in %	57.0	56.6	-	58.6	58.9	-	-

Data: Heinz H. Pariser – Oct 2008

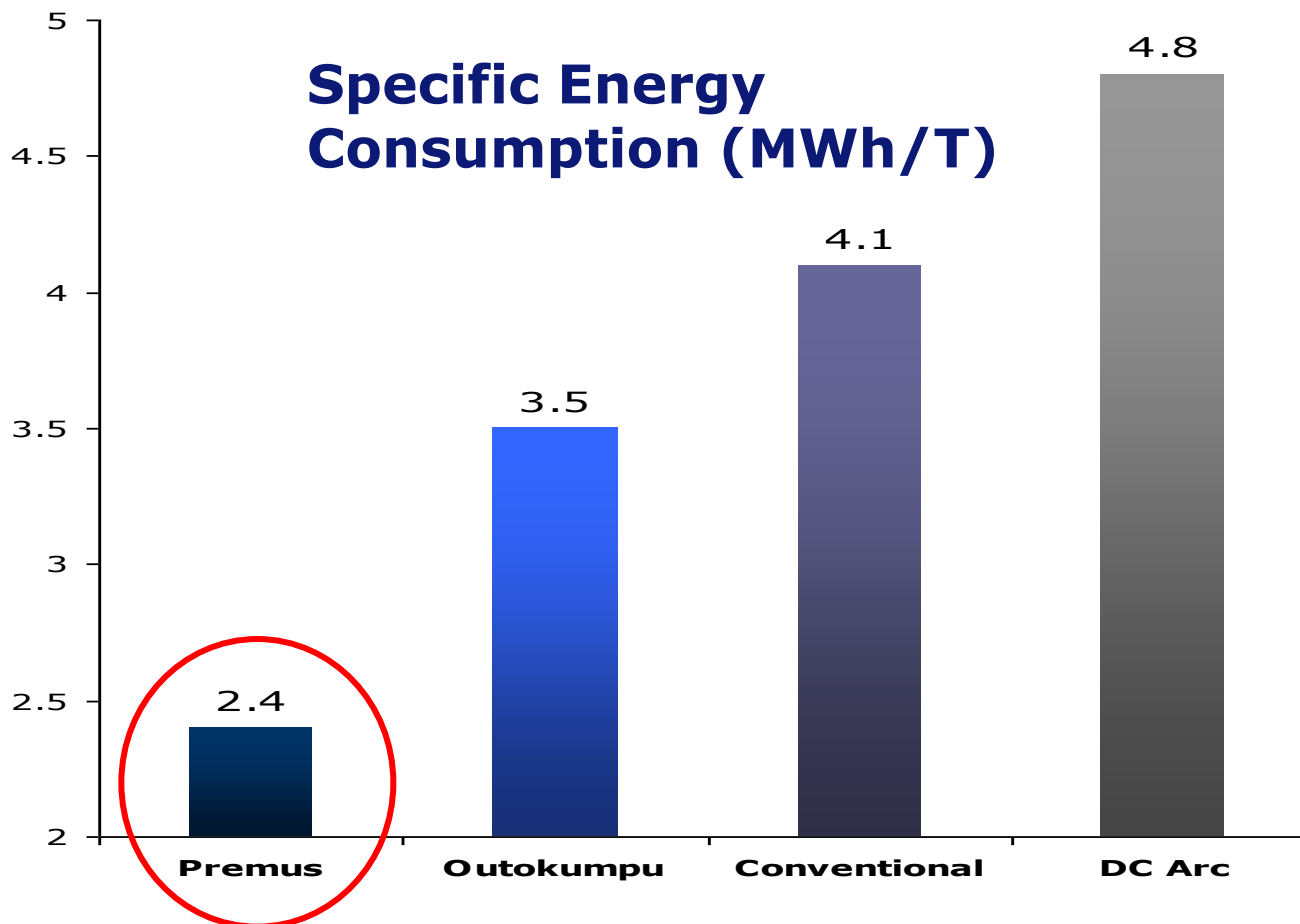
China chrome ore imports

	2006		2007		2008 (1-8)		% Change	
	in '000 t	US\$/t	in '000 t	US\$/t	in '000 t	US\$/t	Y-t-D	
United States	66	122	0		0	759	0.0	
Brazil	99	161	106	194	61	412	-9.1	
Turkey	741	172	1,083	274	770	459	-1.1	
Albania	83	152	230	252	94	412	-48.2	
Kazakhstan	144	157	198	333	166	540	27.2	
India	1,340	191	984	346	424	567	-43.1	
Vietnam	73	121	104	142	43	230	-37.2	
Philippines	85	136	221	152	276	165	88.4	
Iran	245	176	245	176	245	176	0.0	
Oman	71	136	338	155	585	224	174.4	
Pakistan	197	173	295	296	304	460	48.9	
Sudan	29	222	15	338	25	451	82.1	
Madagascar	43	166	53	362	76	552	142.7	
South Africa	868	157	1,964	215	1,818	353	53.0	
Australia	224	166	220	221	32	299	-79.4	
Others	17	162	92	264	75	280	0.0	
Total	4,325	171	6,091	255	4,901	382	19.2	

Data: Heinz H. Pariser – Oct 2008

Xstrata-Merafe challenge to contain costs – Lion Ferrochrome

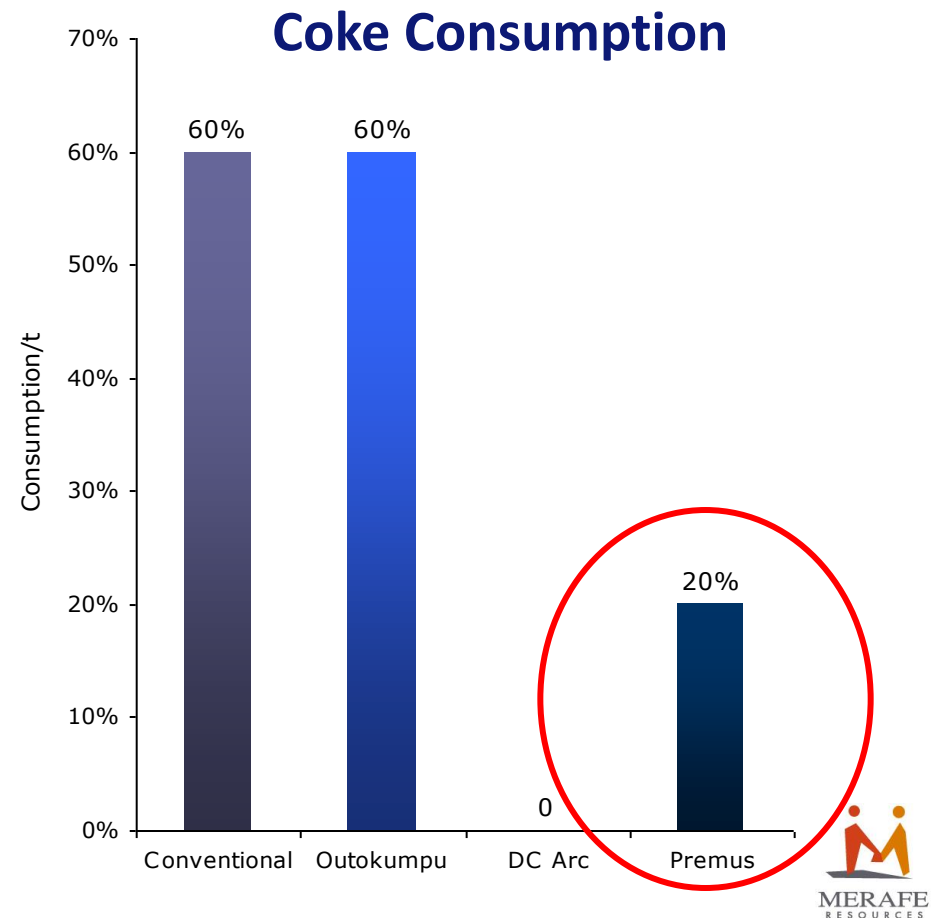
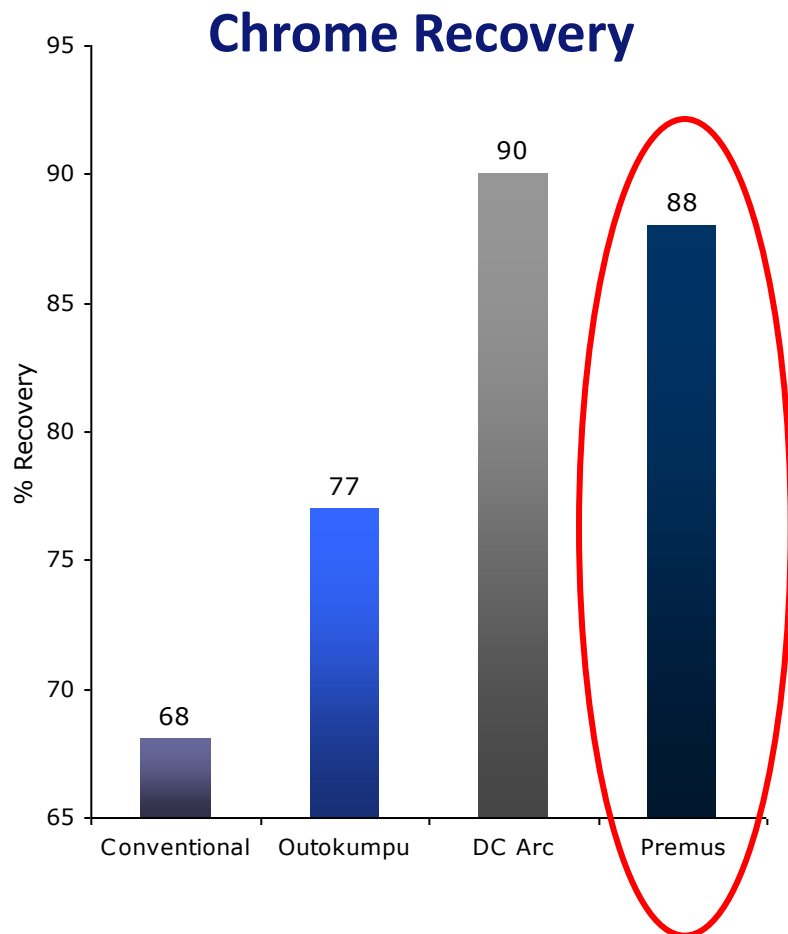
The Venture anticipated the changes in the South African production environment and invested in efficiencies:



Xstrata-Merafe challenge to contain costs

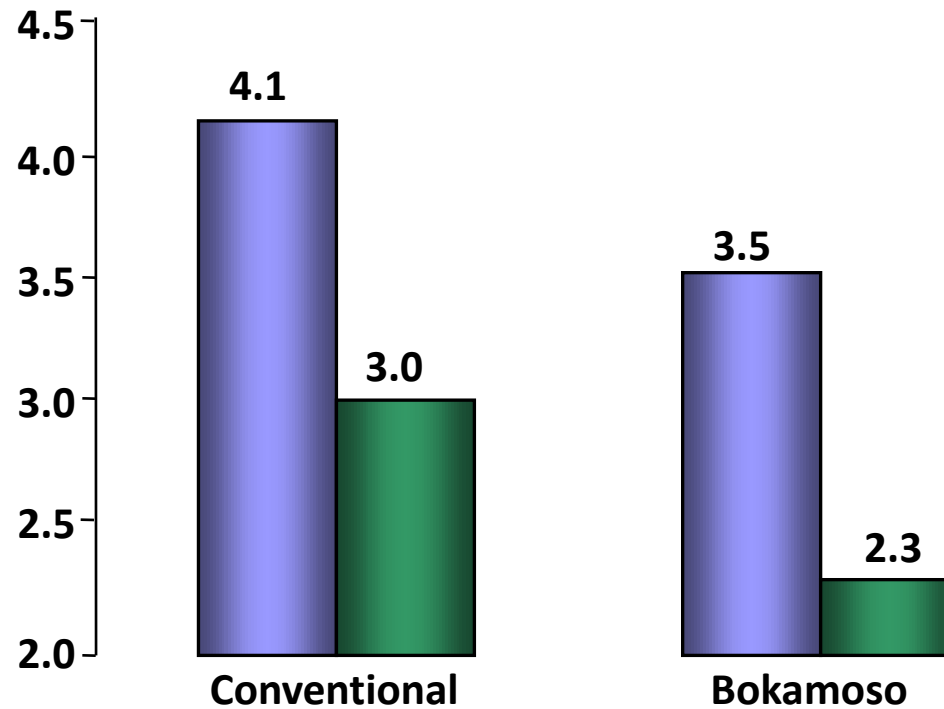
– Lion Ferrochrome (cont.)

Comparative resources consumption gives Premus a further edge:



Bokamoso - improved energy consumption

Xstrata-Merafe position in regard to the forecast high energy tariffs



■ MWh/tonne Alloy	4.1	3.5
■ Ore tonne/tonne Alloy	3.0	2.3