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Merafe Resources Limited

Deutsche Bank BRICS Metals & Mining Conference (London)
9-10 November 2009



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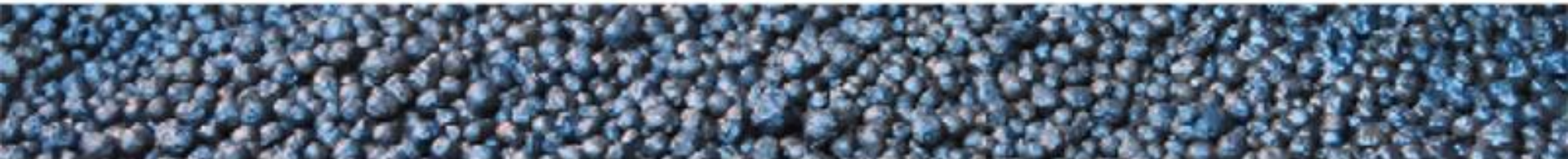
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1. Corporate Information



Corporate Structure



20.5%
of
EBITDA



79.5%
of
EBITDA

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

*** Largest ferrochrome producer in the world**

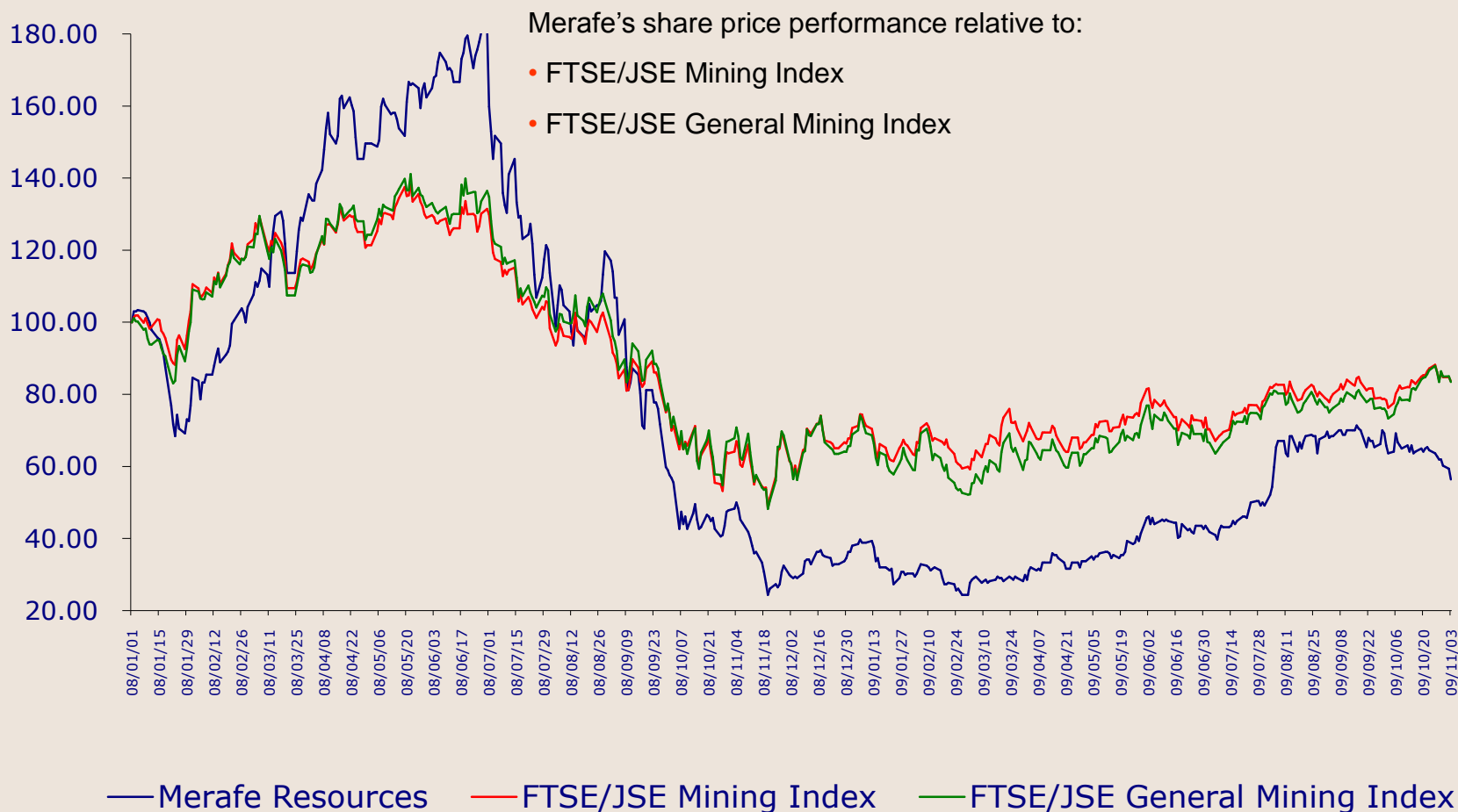


Share price information

	<u>ZAR</u>	<u>GBP</u>
Market capitalisation*	3.42 bn	265m
Share price*	1.39	0.11
12 month high	1.70	0.13
12 month low	0.55	0.04
Shares outstanding	2.46 billion shares	

*As at 2 November 2009

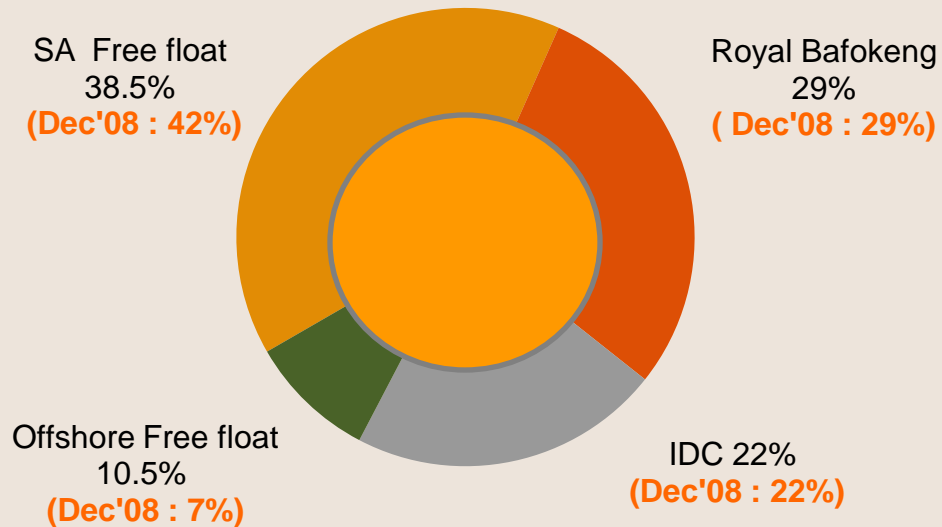
Merafe's share price performance from 2008 to 2009



Source: Datastream

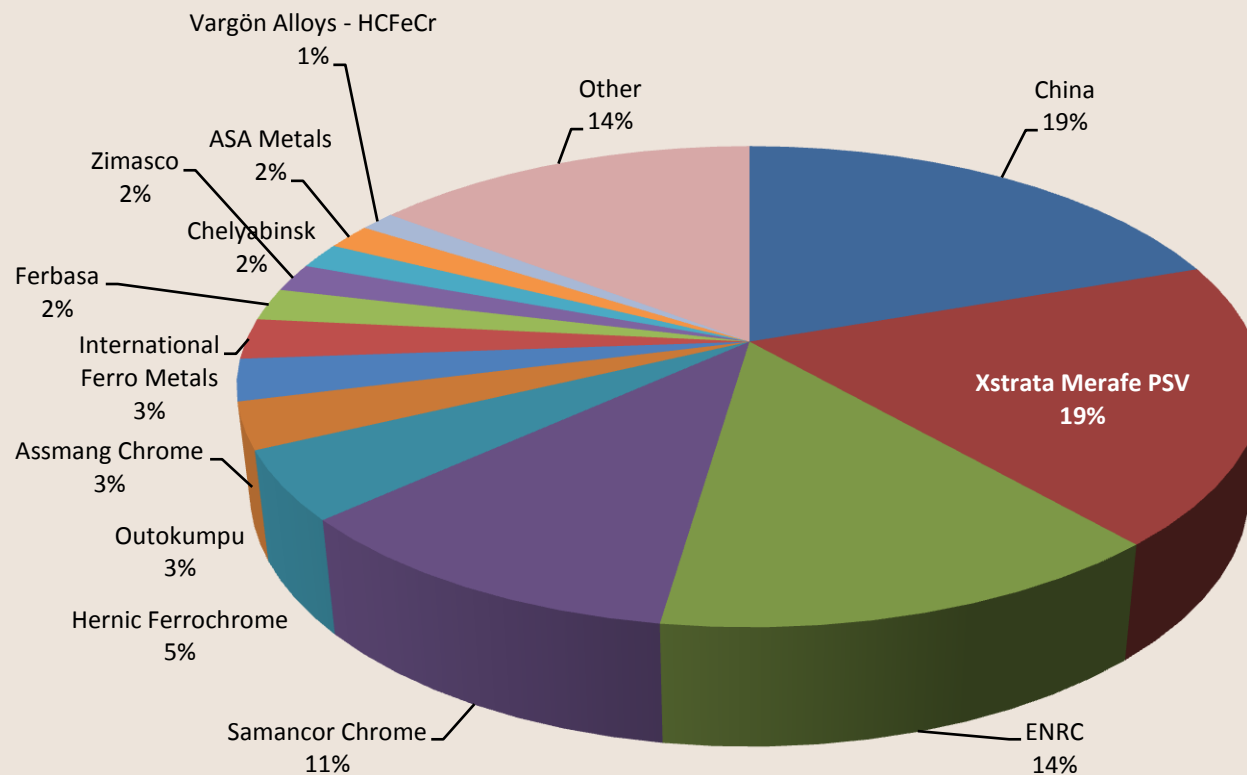
Shareholder analysis

Shareholders at end of September 2009



Global ferrochrome production

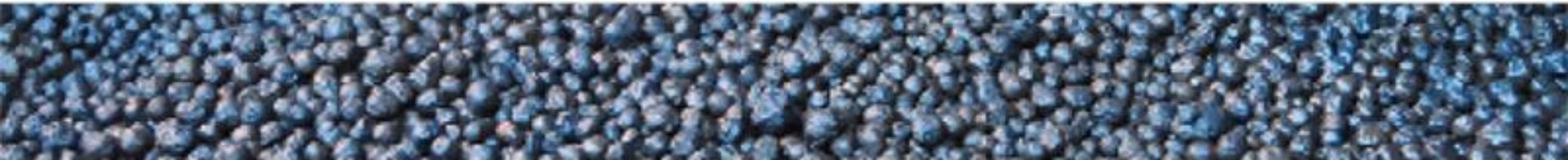
2008 Market share by production





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2. Operational overview



Operations

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

**Conventional

**Conventional

Outokumpu

Premus

Premus

**** Improved with Bokamoso pelletising and sintering technology to the equivalent of Outokumpu energy consumption**

Xstrata-Merafe production capacity utilisation

Date	Production capacity
January 2009	20%
Average for 6 months to June 2009	30%
July 2009	60%
September 2009	85%

Production of the Xstrata-Merafe Chrome Venture

	2008 '000/tonnes	2009 '000/tonnes
Q1	383	92
Q2	390	215
Q3	388	308
Total	1,161	615

- Xstrata-Merafe's ferrochrome stocks are currently below normalised levels

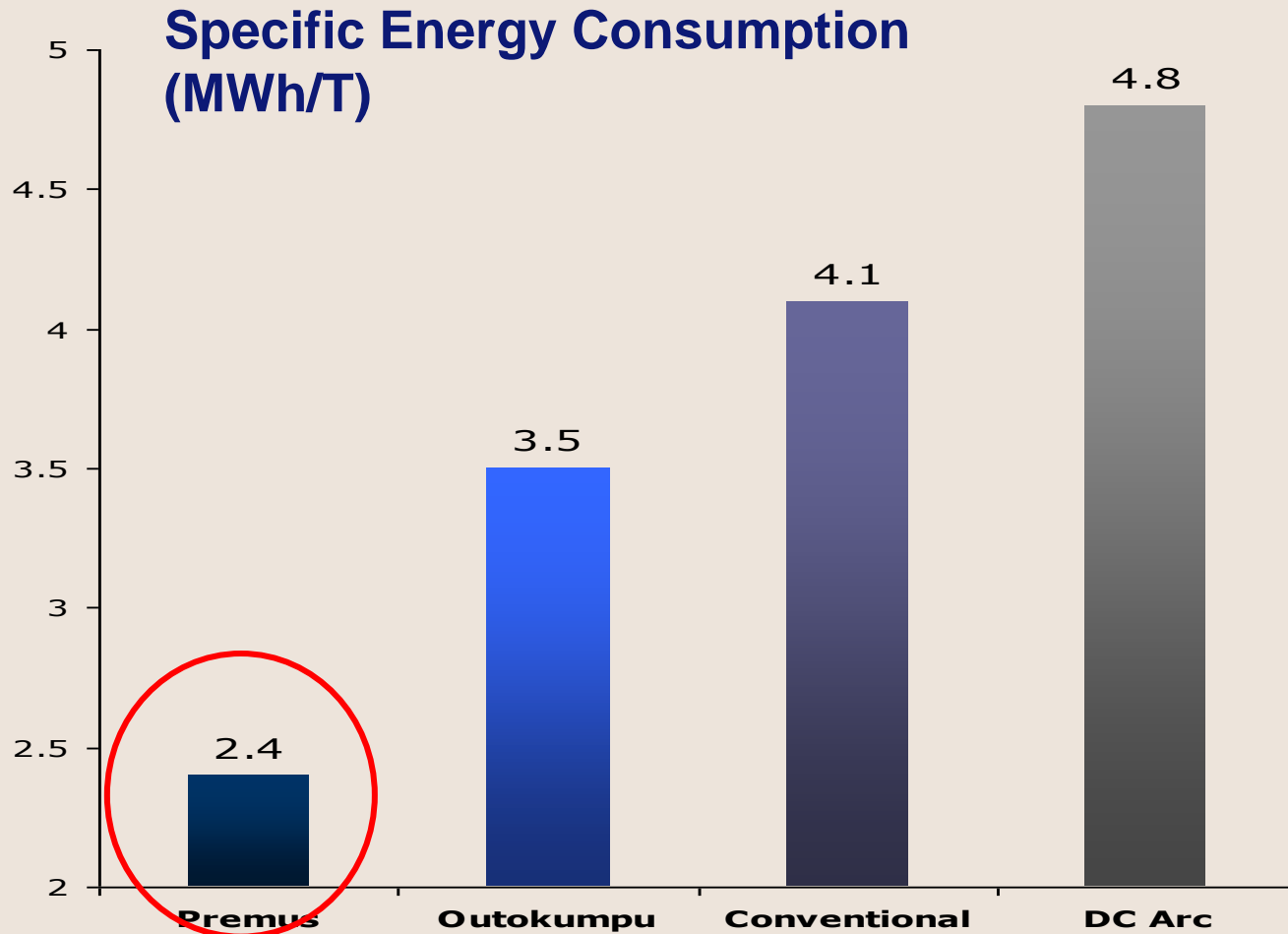
Update on the power situation (Eskom)

- 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, Eskom's plant performance has improved, additional maintenance has been done
- All power station coal stockpiles have been replenished
- Reserve margins remain low (10% on average and 5% at peak) and will be under pressure as demand picks up
- With the recent increase in electricity tariffs (effective from 1 July 2009), the electricity prices are now at an average of SA33c/kWh
- Eskom have requested NERSA for an increase of 45% p.a. for the next three years which if approved will result in tariffs being SA99c/kWh by 2012
- Eskom 10% restriction on electricity consumption still applicable
- It is anticipated that there could be sufficient power by 2014

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

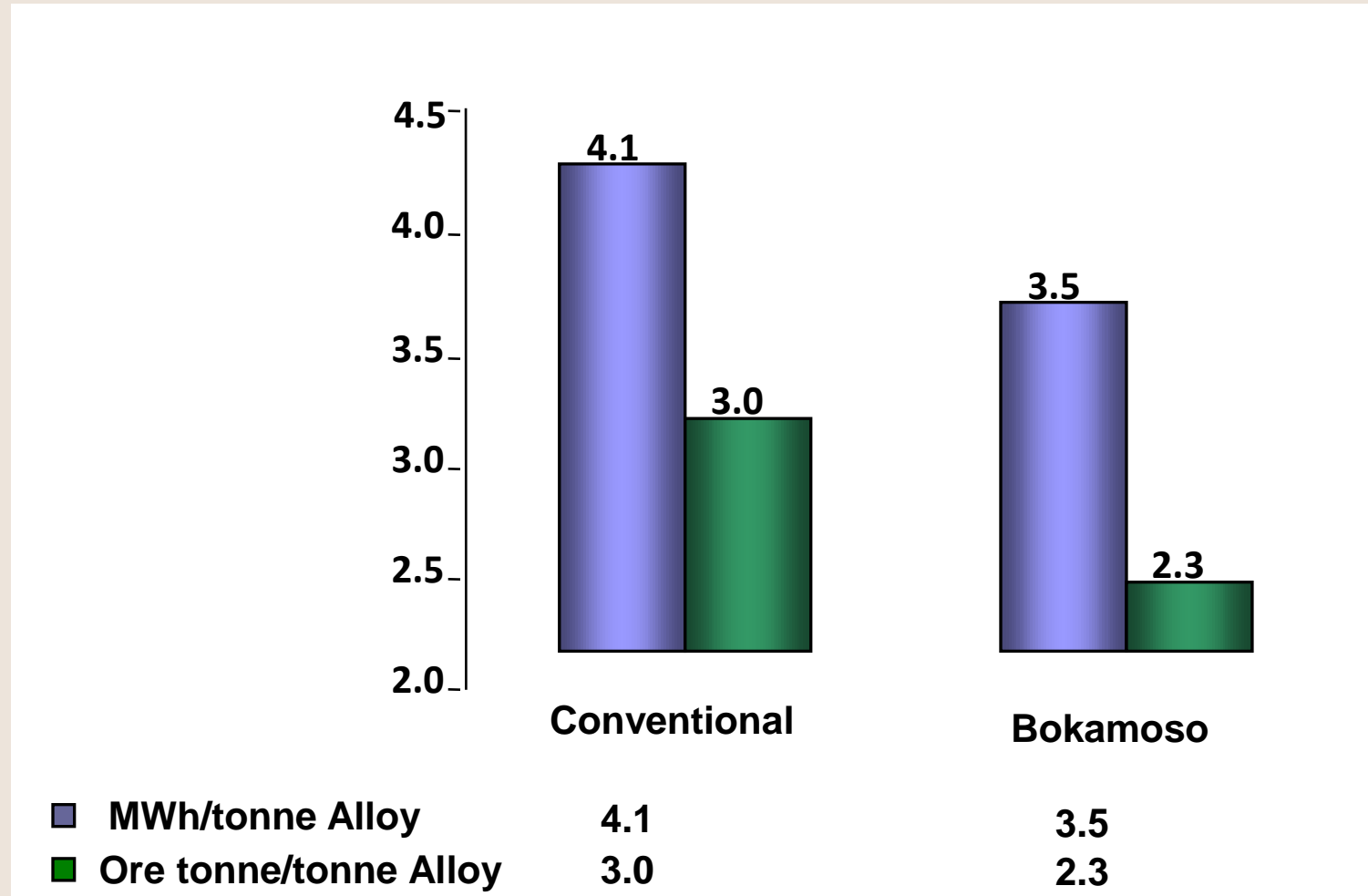
Xstrata-Merafe well placed to handle higher energy tariffs - Lion Ferrochrome

Xstrata-Merafe anticipated the changes in the South African electricity tariffs and invested in efficiencies:



Bokamoso – improved energy consumption

Xstrata-Merafe's position with regard to the forecast high energy tariffs





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3. Market review



Market review on stainless steel – the first 3 quarters of 2009

- During the second and third quarters of 2009, major Chinese stainless steel mills increased their stainless steel capacity utilisation to almost 100%
- The market became fully supplied
- Leading stainless steel mills in China have reduced their output in the current quarter by an estimated 15%
- Demand from Europe is attributed mainly to restocking
- The USA stainless steel market has shown signs of recovery, with August stainless steel output being the highest for 2009. Third quarter production was 59% above the second quarter output at 538kt
- This is further evident from the USA August ferrochrome imports returning to “normal” levels

Market review on ferrochrome – the first 3 quarters of 2009

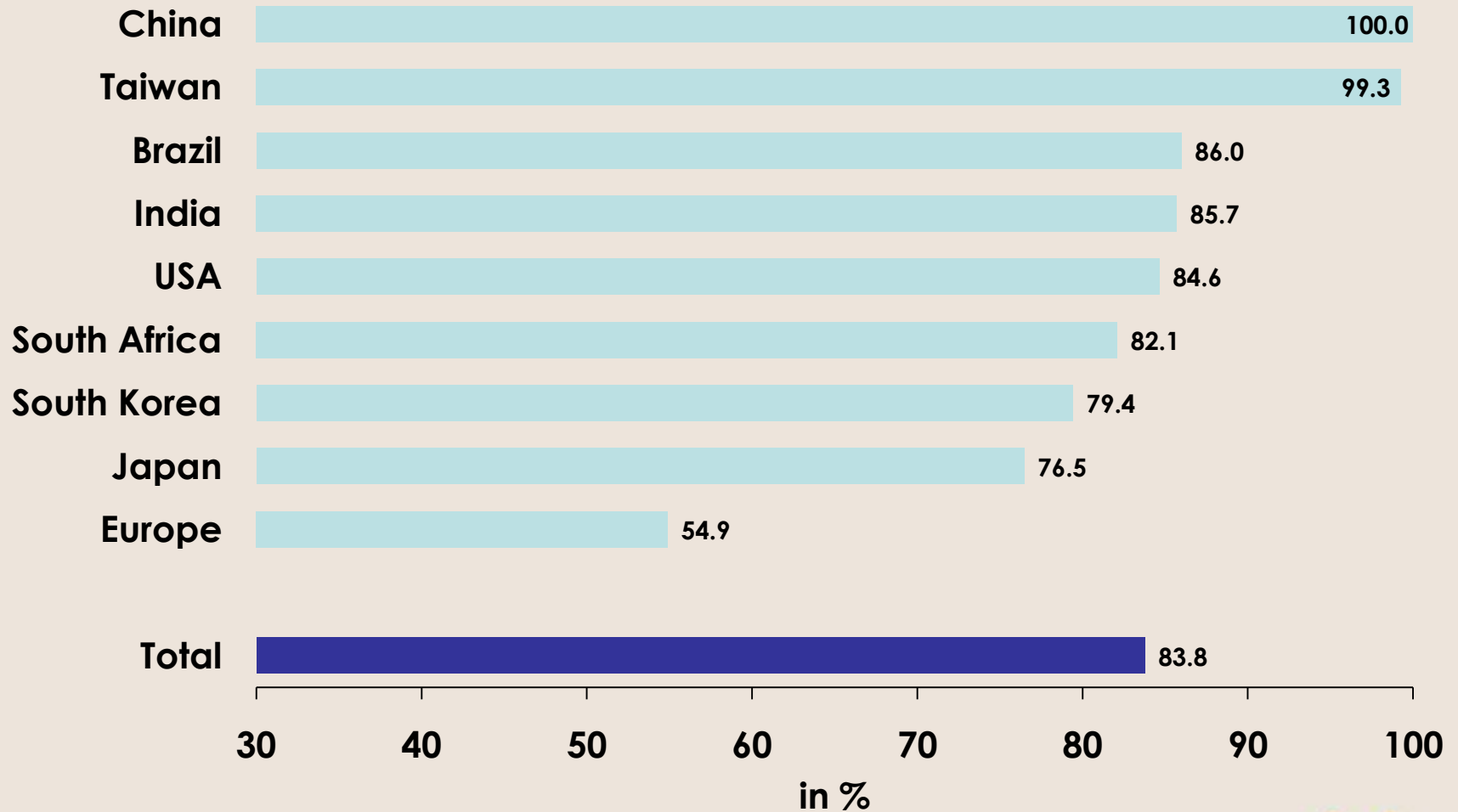
- Global ferrochrome capacity utilisation was about 40% at the beginning of 2009
- This has improved significantly in the second half of the year and is currently at about 75%
- China's imports of ferrochrome have increased in the first nine months of 2009 by 81% to 1.66 million tonnes compared to 919kt for the same period in 2008
- Major suppliers were South Africa, Kazakhstan and India
- 2009 ferrochrome supply is expected to be almost 7 million tonnes (5.5 million tonnes from production and the rest from inventories)

Crude stainless steel production

	2007 '000 t	2008 '000 t	2008/2007 %	2009 '000 t (estimate)	2009/2008 %	2010 '000 t (forecast)
NAFTA	2,171	1,925	-11.3%	1,715	-10.9%	2,120
European Union	8,109	7,822	-3.5%	5,738	-26.6%	6,629
Japan	3,901	3,564	-8.6%	2,644	-25.8%	3,330
S.Korea/Taiwan/India	5,305	4,458	-16.0%	5,016	12.5%	5,895
Others	1,414	1,298	-8.2%	1,225	-5.6%	1,442
China	7,610	7,344	-3.5%	9,716	32.3%	10,230
Total	28,510	26,411	- 7.4%	26,054	-1.4%	29,646

Source: Heinz Pariser / Merafe Resources

Stainless steel melting capacity utilisation for the first three quarters of 2009



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%	130	-74.1%
European Union	2,080	1,993	-4.2%	1,246	-37.5%
Japan	866	768	-11.3%	395	-48.6%
S. Korea/Taiwan/India	1,326	890	-32.9%	1,032	16%
Others	709	633	-10.7%	637	0.6%
China	2,105	2,352	11.7%	3,413	45.1%
Total	7,541	7,138	-5.4%	6,853	-4%

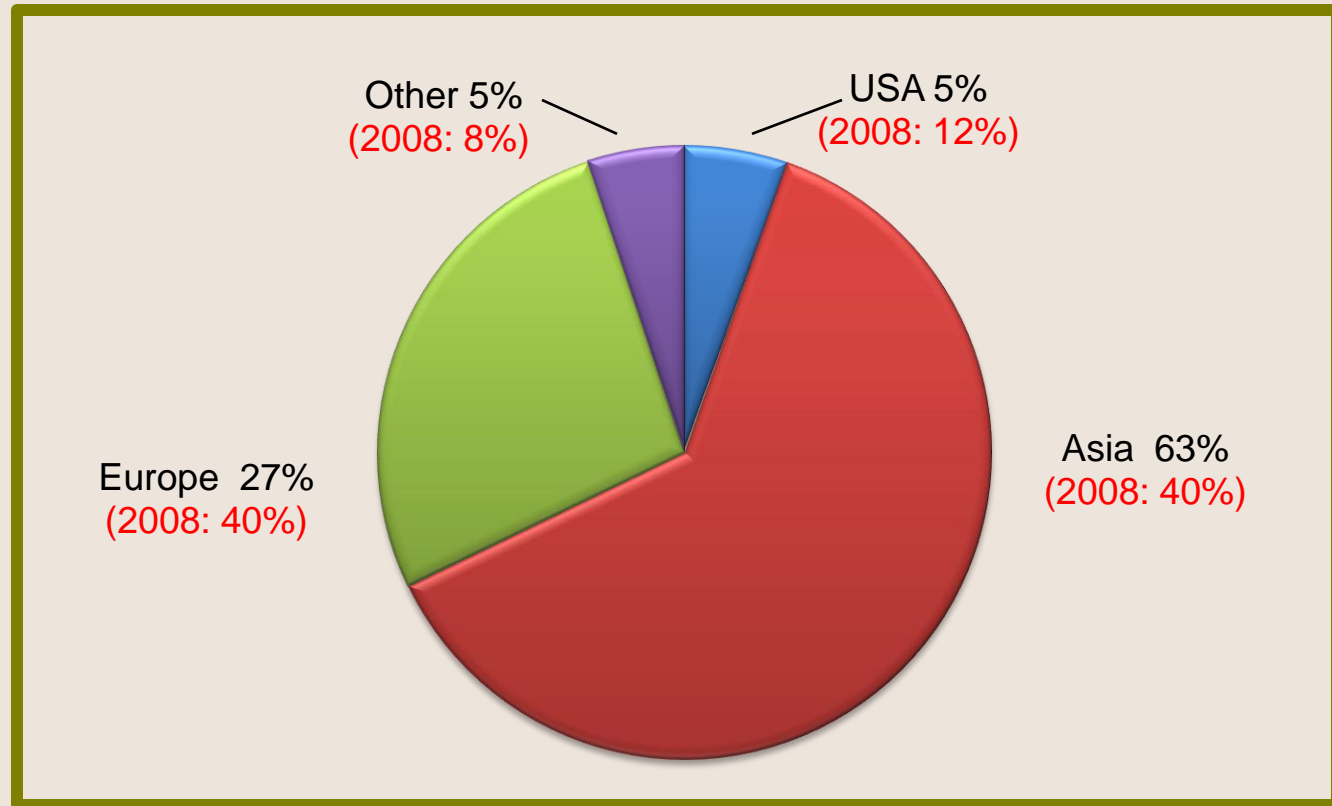
Source: Heinz Pariser/Merafe Resources

Charge/High carbon ferrochrome production

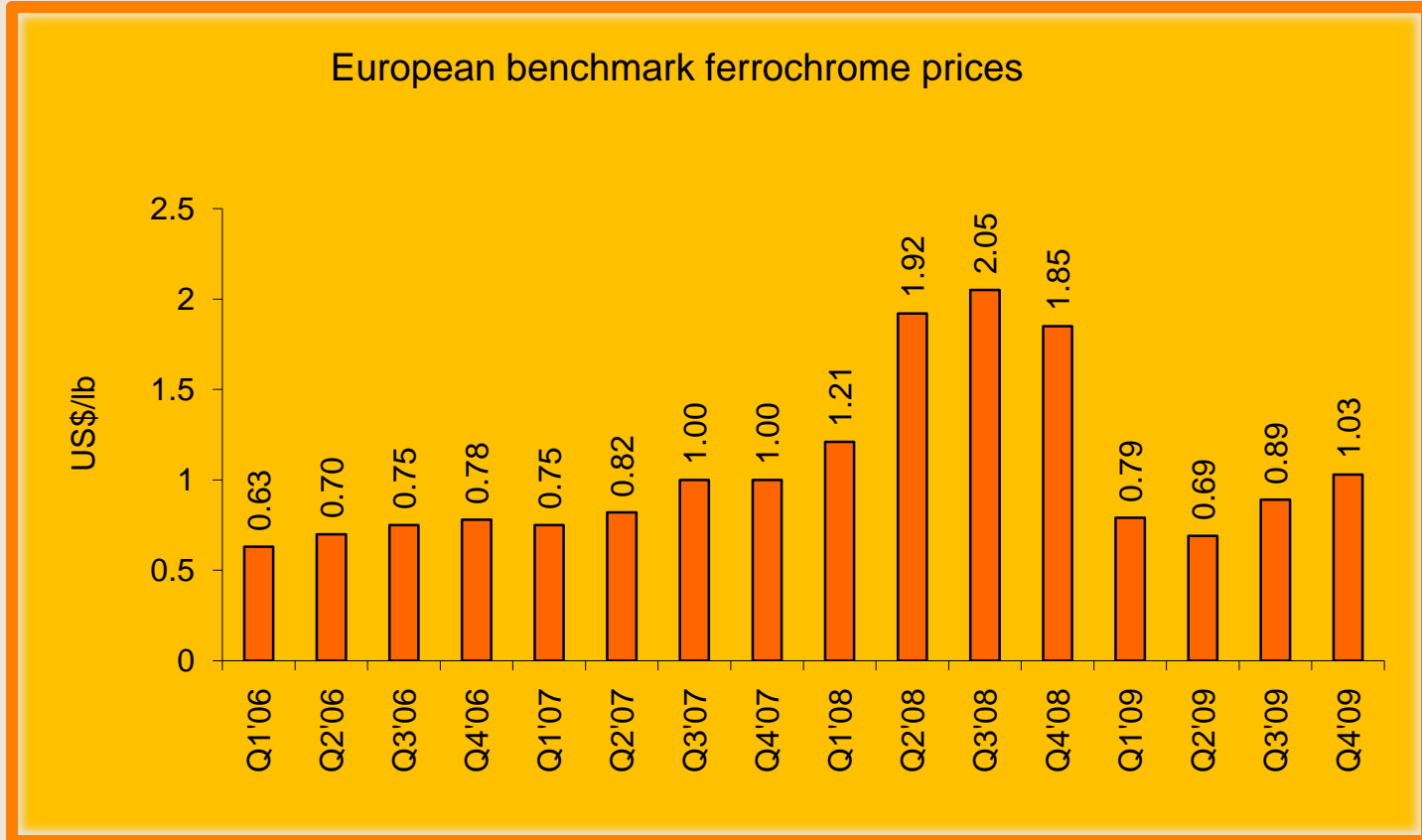
	2007 '000 t	2008 '000 t	2008/2007 %	2009 '000 t (estimate)	2009/2008 %
Brazil	164	187	14.0%	123	-34.2%
European Union	366	351	-4.1%	294	-16.2%
Russia, Turkey, Albania	492	531	7.9%	349	-34.4%
India	820	750	-8.5%	500	-33.3%
Kazakhstan	1,070	955	-10.7%	918	-3.9%
South Africa	3,536	3,239	-8.4%	1,876	-42.1%
Zimbabwe	201	152	-24.4%	120	-21.0%
Iran	17	10	-41.2%	15	50%
China	1,060	1,284	21.1%	1,350	5.1%
Total	7,726	7,459	-3.4%	5,545	-25.7%

Source: Heinz Pariser/Merafe Resources

Xstrata-Merafe's sales by region for the nine months²³ to September'09



Charge Chrome prices starting to show recovery from the lows of Q2'09





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4. Merafe's 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 installment at 31 December 2012

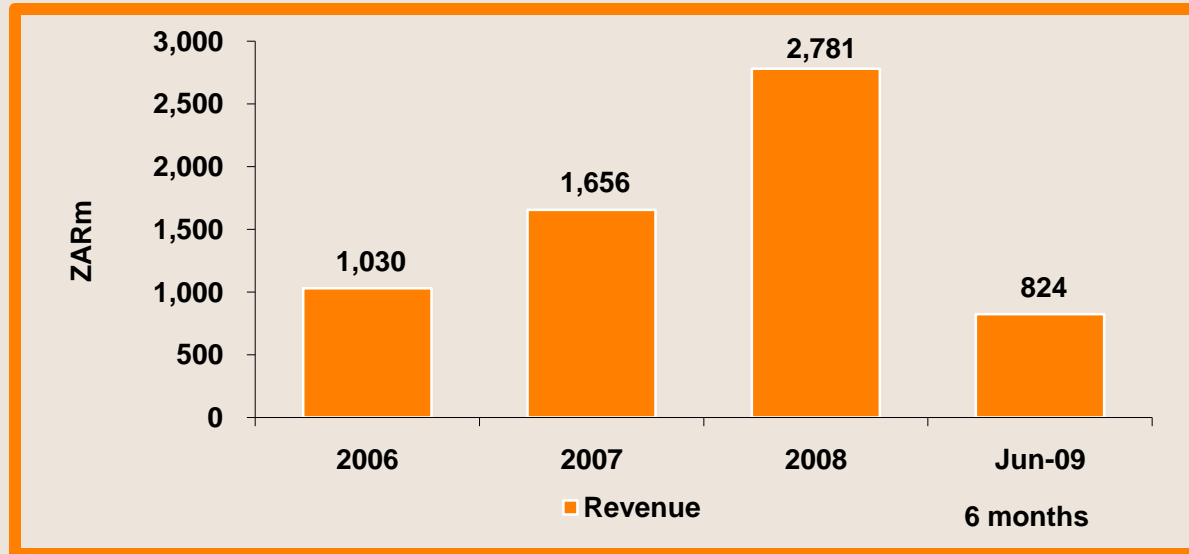
Summary of cash flows for the six months to 30 June 2009

	<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

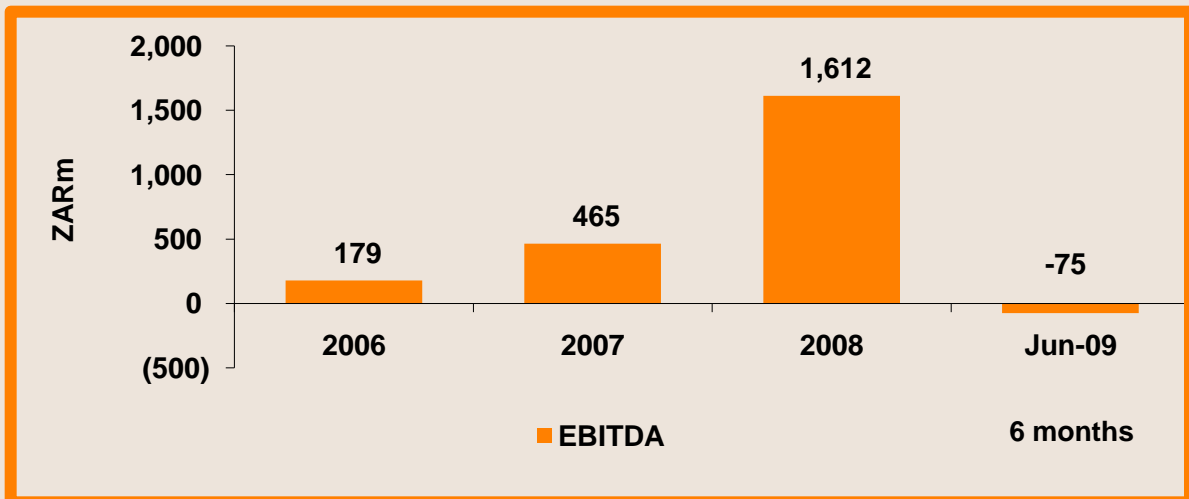
* After accounting for R116 million of standing charges

Financial performance over the last three years

Revenue

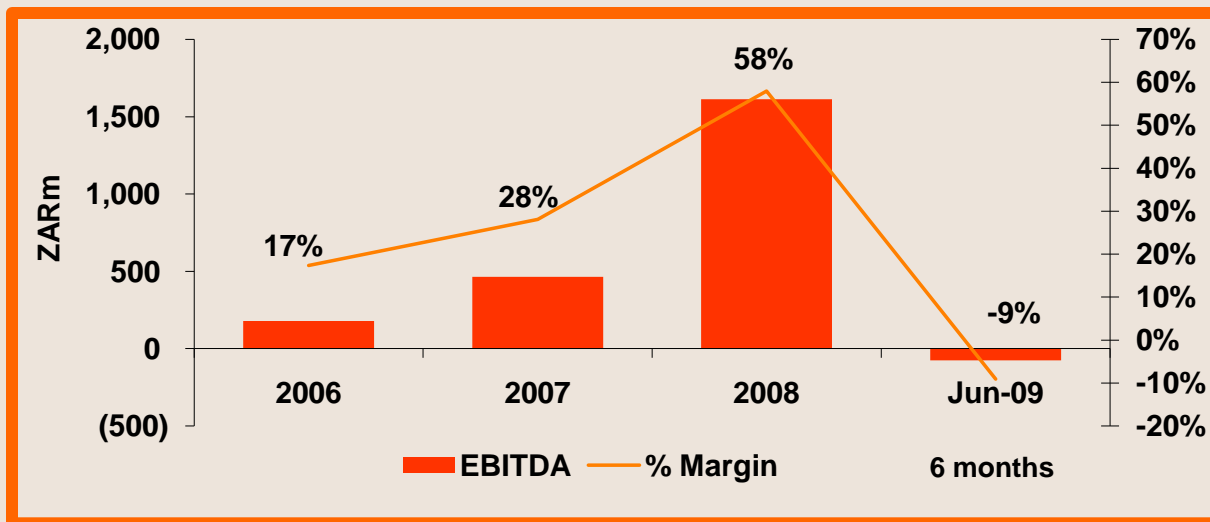


EBITDA

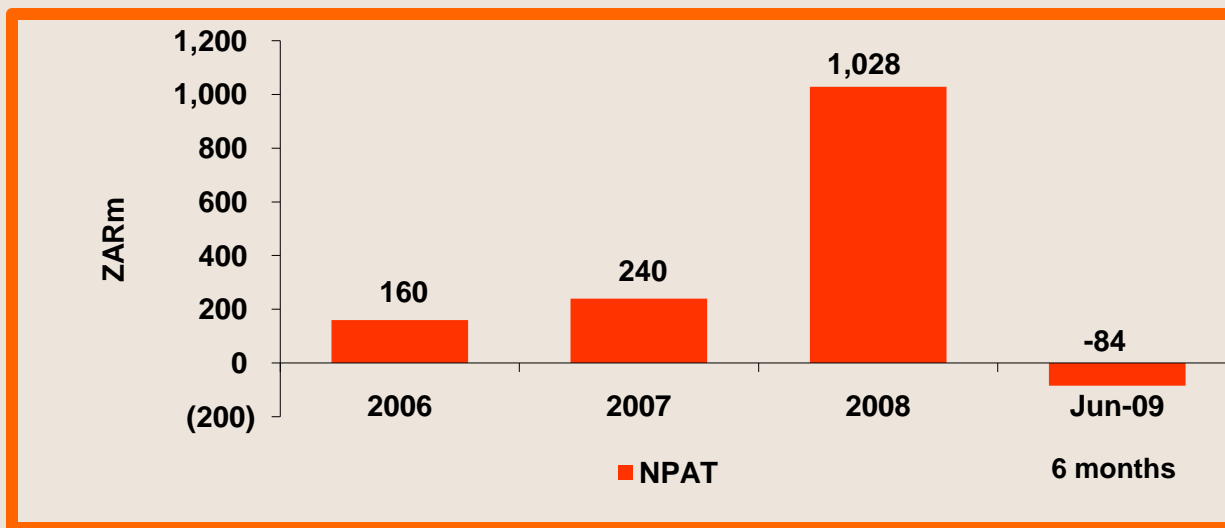


Financial performance over the last three years (cont.)

EBITDA and margin evolution

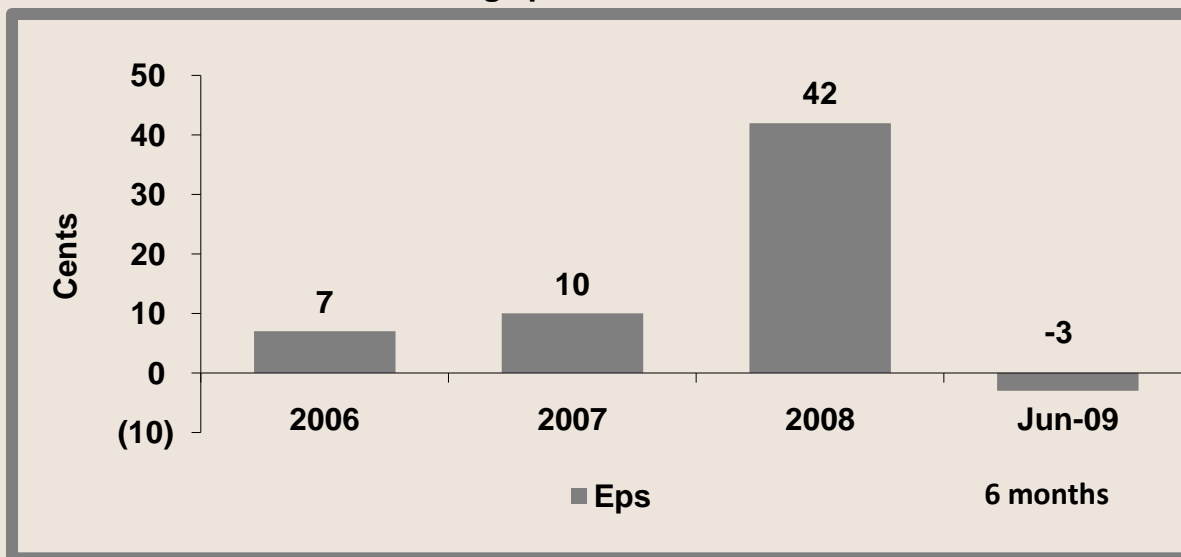


Net profit after tax

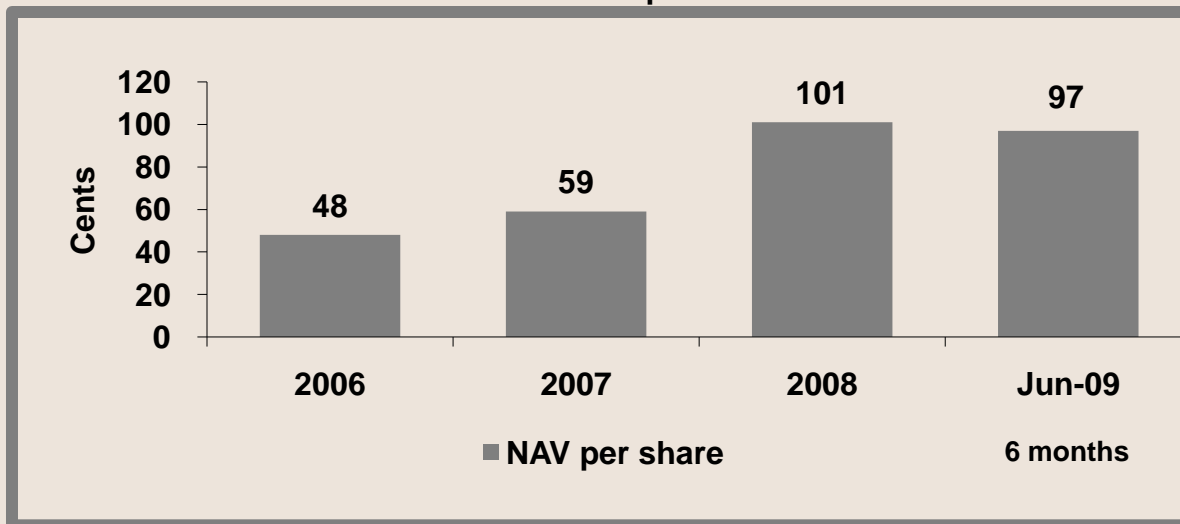


Financial performance over the last three years (cont.)

Earnings per share

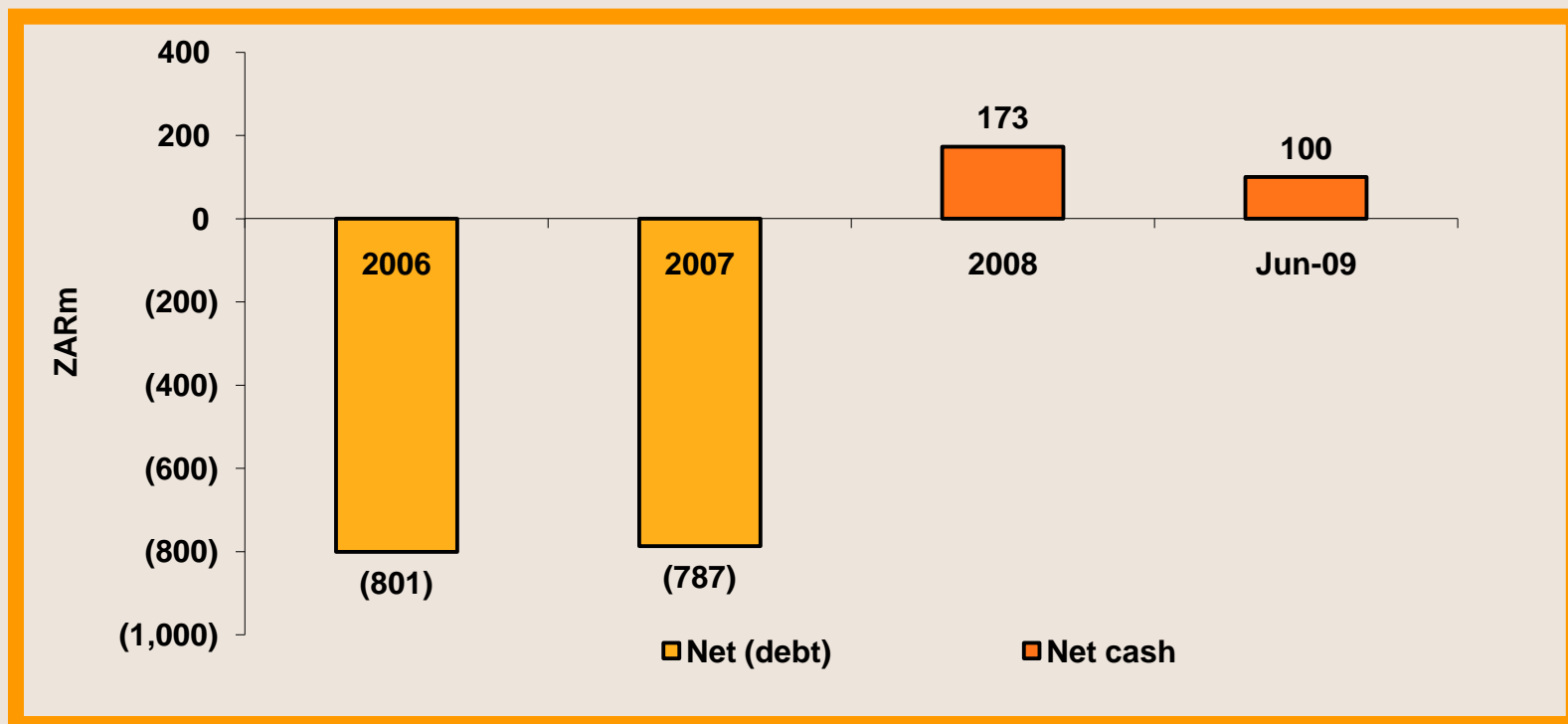


Net asset value per share



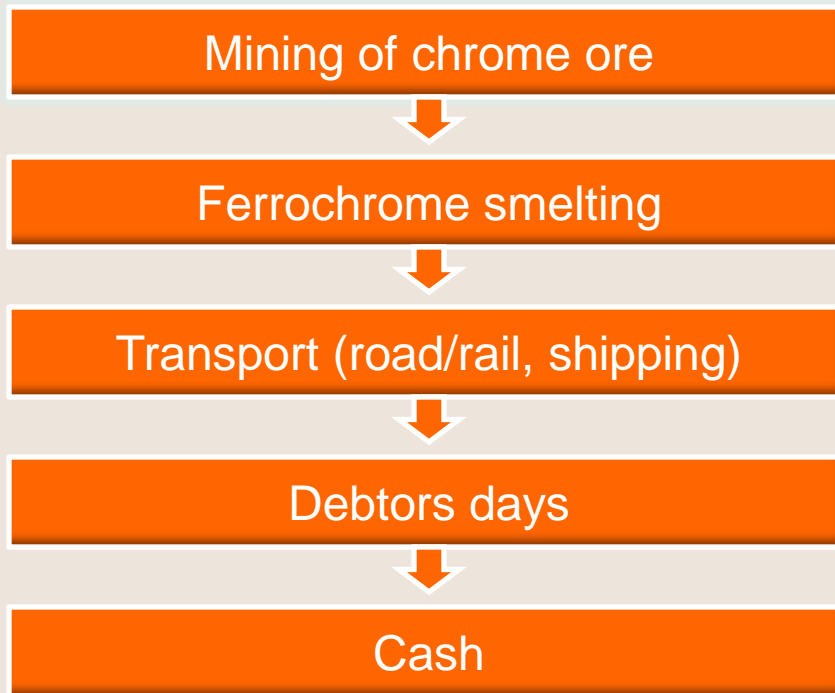
Financial performance over the last three years (cont.)

Net (debt) / cash position



Working capital requirements in second half of 2009

- Expect cash to be “locked-up” in working capital for the remainder 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

Production costs

- Despite improved efficiencies, **production costs** continue to be a challenge
- Looking forward at production costs Merafe sees:
 - **electricity prices** increasing - Eskom has asked NERSA for a 45% p.a. increase for the next three years
 - 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

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
 - stainless orders in Europe are being driven by restocking and not real demand
- **A pull back** in Chinese stainless steel production is currently being experienced mainly due to:
 - the rapid growth in stainless steel production which has outpaced the demand recovery leading to an over build of stainless steel inventory
- **Power constraints** on SA ferrochrome producers both for ramping up this year and also for future expansions
- **Industrial action**
- Ferrochrome **price** – still “soft”
- Strengthening **Rand**
- Chrome ore **exports**

Barriers to entry

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

Pre 2008

- Capital cost of building smelters up by over 500%
- Long lead time for critical items needed for construction
- Shortage of available quality ore reserves
- Shortage of artisans and skilled labour

Post 2008

- Escalating production costs
- Access to funding (debt and equity markets)
- Power supply – when will power be available for new projects , 2014?



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5. Outlook



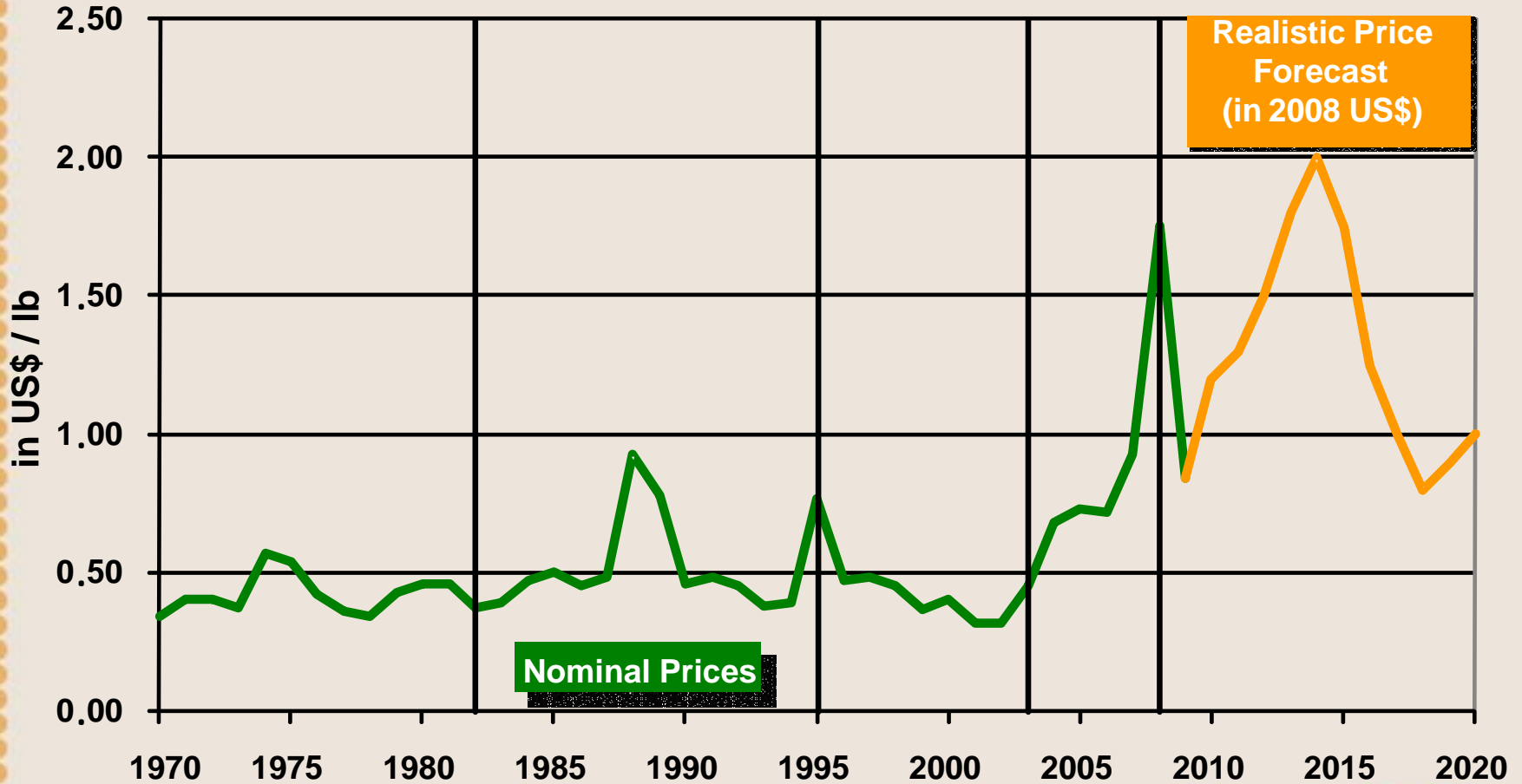
Outlook

- Recovery of global stainless steel production likely to continue
- Stainless steel production for 2010 estimated at 29.6 million tonnes, a 13.8% increase y-o-y
- Real demand coming from Asia with Europe mainly restocking
- Ferrochrome inventory levels have normalised (currently below normal)
- Ferrochrome demand for 2010 is forecast at 7.4 million tonnes vs demand in 2009 of 6.8 million tonnes
- Ferrochrome production capacity is estimated at an average of 75% for 2010
- Possible consolidation in the ferrochrome industry imminent with International Mineral Resources (IMR) raising its share to 67% in Samancor Chrome, South Africa's second largest ferrochrome producer

Outlook (cont.)

- 16% increase in European benchmark ferrochrome price in Q4'09 to \$1.03/lb
- Xstrata-Merafe's ferrochrome order book full until end 2009
- Size and flexibility of the Venture provide an advantage
- Xstrata-Merafe's retention of its skilled labour force has proved very beneficial
- Xstrata-Merafe has increased production to 85% of annual operating capacity
- Merafe well positioned to deliver into growth
- Strong balance sheet with cash on hand

Charge chrome price development



Source: Heinz Pariser



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www.meraferesources.co.za





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Appendix I Analyst coverage



Analyst coverage of Merafe Resources

Tim Clark	Deutsche Bank Email : tim.clark@db.com
Avishkar Nagaser	Macquarie First South Email: avishkar.nagaser@macquarie.com
Willem Venter	Prescient Securities Email: willie@prescient.co.za
Richard Hart	Afrifocus Securities Email: richardh@afrifocus.co.za



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Appendix II Merafe's Management



Management

Steve Phiri

Chief Executive Officer

Steve joined Merafe Resources as its Chief Executive Officer in May 2003. Before joining Merafe Resources he headed up Corporate and Legal Affairs for the Royal Bafokeng Nation (RBN) and led the negotiating team that successfully resolved the dispute between the RBN and Impala Platinum Limited. He also negotiated the RBN investment in Merafe Resources and the Nation's joint venture with Anglo Platinum Limited. He is a member of the Minerals and Mining Development Board and the South African Diamond and Precious Metals Regulator, a non-executive director of Royal Bafokeng Holdings (Pty) Ltd, Impala Platinum Limited and Zurich Insurance Company SA.



Stuart Elliot

Chief Financial Officer

Stuart gained extensive experience in the accounting and corporate finance fields before joining Merafe Resources in 2001. He was an Audit Manager at KPMG and a Senior Manager at FirstCorp Merchant Bank. As a project finance consultant with Gencor in London he worked exclusively on Gencor's acquisition of Billiton plc from Royal Dutch Shell. Stuart was also an Associate Director with Deutsche Bank and a director of The Corner House (Pty) Ltd for three years prior to joining Merafe Resources



Management

Bruce McBride

Commercial Director

Bruce was a Senior Partner at law firm Bell, Dewar and Hall before joining Merafe Resources in 2001 as Commercial Director. During his time in law he specialised in commercial litigation, banking and mining law.



Dr Jurg Zaayman

General Manager – Merafe Chrome

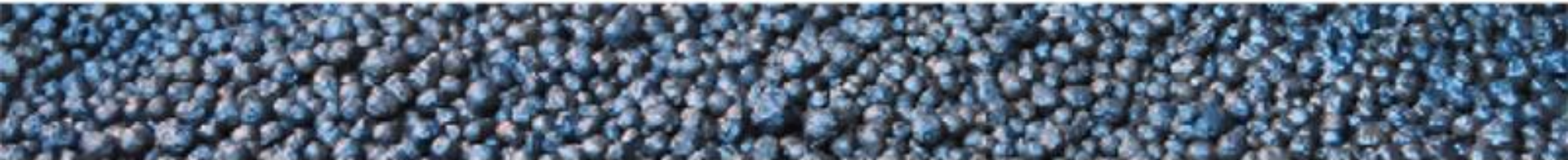
Jurg started his career in the ferrochrome industry with Xstrata Alloys in 1997. He joined the Merafe Resources team as Operations Manager during 2001 and later headed up its operations as Managing Director. In 2004 he was seconded to the Xstrata-Merafe Chrome Venture and was the project leader for the Bokamoso pelletising plant project before being appointed to his current position in 2007.





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Appendix III Merafe's six months financial results to 30 June 2009



Group Condensed Statement of Comprehensive Income

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	6 months ended 30 June 2009 Reviewed R'000	6 months ended 30 June 2008 Reviewed R'000
Revenue	<u>824,081</u>	<u>1,627,610</u>
EBITDA	(74,737)	893,601
Depreciation	(50,507)	(28,157)
Net financing costs	<u>(1,145)</u>	<u>(28,097)</u>
(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	<u>(84,186)</u>	<u>602,458</u>
(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

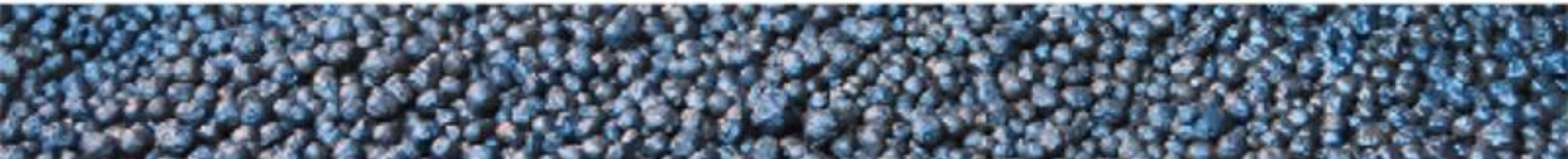
Group Condensed Statement of Financial Position (cont.)

	As at 30 June 2009 Reviewed R'000	As at 31 December 2008 Audited R'000
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



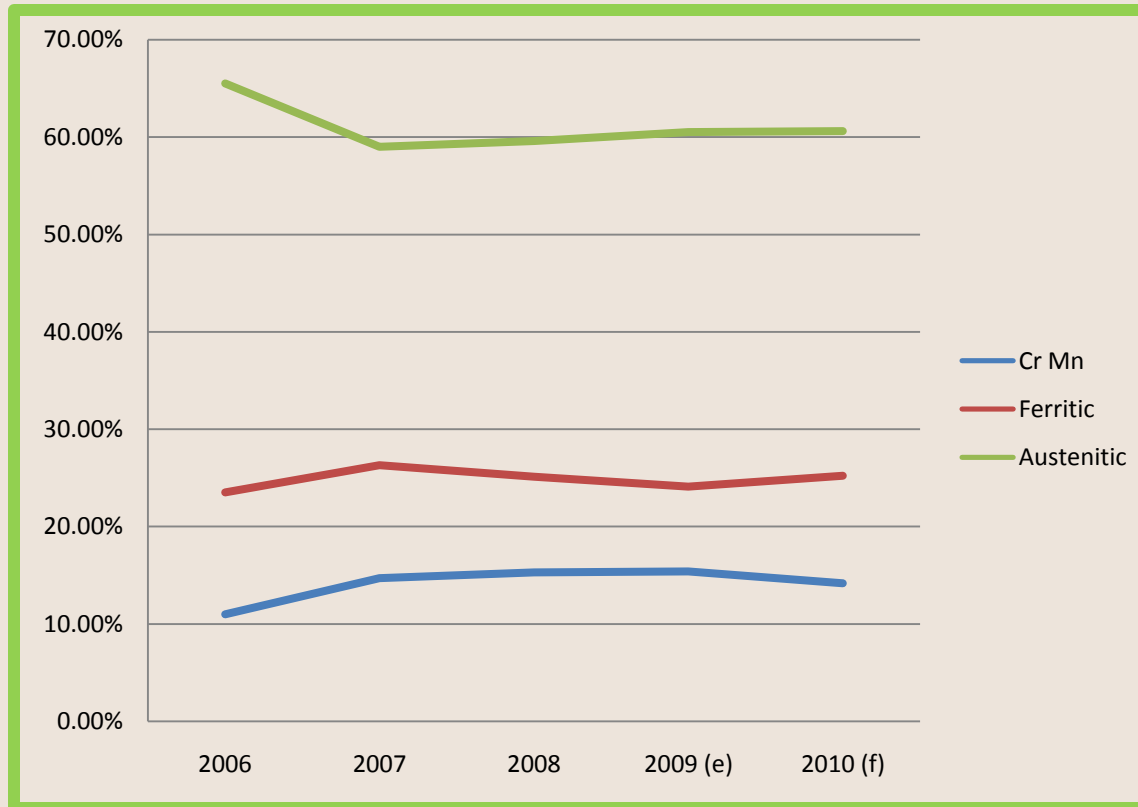
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Appendix IV Austenitic stainless steel



Austenitic ratios – Nickel bearing stainless steel

Changes in austenitic production ratios



Source: Heinz Pariser/Merafe Resources

Austenitic vs Ferritic stainless steel grades

- The demand for nickel year to date has softened mainly due to the increase in nickel prices
- This has resulted in an increase in the production of ferritic stainless steel grades
- Japan's ferritic stainless steel production for August increased by 24.3% compared to July
- Nickel demand for August in China declined by 35.8%
- Germany's August nickel usage in stainless steel production declined 10.6% despite the higher stainless steel output of 6%

Source: Heinz Pariser

Austenitic stainless grades 304 – price components ⁵³

	Price Ratio	
	Intrinsic Cr Value of Effective Price in %	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-Q3)	11.4%	23.2%

Source: Heinz Pariser