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# Interim Results Presentation

for the six months ended 30 June 2009

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## Snap shot of Merafe

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# Snap shot of Merafe

- Largest ferrochrome producer in the world together with it's partner, Xstrata Alloys
- Operational risk spread across 20 furnaces at 5 production sites with 3 major technologies
- Resources to last in excess of 100 years assuming current smelting capacity
- Proven track record to deliver projects on time and within budget
  - Lion Ferrochrome – 2006
  - Bokamoso pelletising & sintering plant – 2007
- Participates in 20.5% of EBITDA in the Xstrata-Merafe Chrome Venture (the Venture)

# Recent achievements

## Some of Merafe's achievements to date:

- Listed among Top Performers on the **JSE SRI Index** in 2007 and 2008
- Received together with its partner, Xstrata, the **Nedbank Capital Green Mining Award** in 2008  
for Sustainable Development Programme
- **Energy efficiency initiatives** with Xstrata received an award from the National Business Initiative during the Eskom *eta* award ceremony
- **Ranked number 1 in the Resources sector** in both 2008 and 2009 Financial Mail Top Empowerment Companies Survey (Empowerdex)

# Sustainable development

Merafe's commitment to **sustainable development** is reflected in its approach:

- First Sustainability report produced in 2003
- 2008 Sustainability report was subjected to independent third party assurance
- Its pillars of sustainable development are:

- 1 Safety
- 2 Occupational health
- 3 HIV & AIDS
- 4 Environment
- 5 Employment equity & BEE
- 6 Social investment and local economic development

# Safety

## Safety of our people is a vital element of our business

- No fatalities during the reporting period
- Major hazard management programmes in place
- All operations have health and safety committees and safety of our people is our number one focus



# Initiatives by the Venture to contain costs

In response to the global economic downturn, the Venture has 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
- Operated the most efficient furnaces (Premus)



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## Operational review

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# Operational review

- **Weak demand** experienced in the second half of 2008 continued into the first quarter of 2009
- 2009 started off with **high volumes of inventory** brought forward from December 2008
- 6 additional furnace closures announced in January 2009 bringing the total number of furnaces **temporarily closed to 17**
- Operating furnaces were the **low cost Premus based**, thus aiding in containing costs and also benefiting from the **low-silicon production**, a key element of competitiveness in the Asian markets
- Venture operated at an average annual ferrochrome **production capacity of 30%** in the first half of 2009

## Operational review (cont.)

- The **European benchmark ferrochrome price** came under severe pressure with the price in the first quarter of 2009 being settled at 79USc/lb from 185USc/lb in the fourth quarter in 2008 and further reducing in the second quarter of 2009 to 69USc/lb
- **Stockpiles** have been reduced significantly and are at normalised levels
- Despite all the above, the Venture **has not retrenched** any of its permanent employees
- In respect of **Merafe Coal** feasibility work continues, an environmental impact assessment and an environmental management programme are currently being conducted



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## Market review

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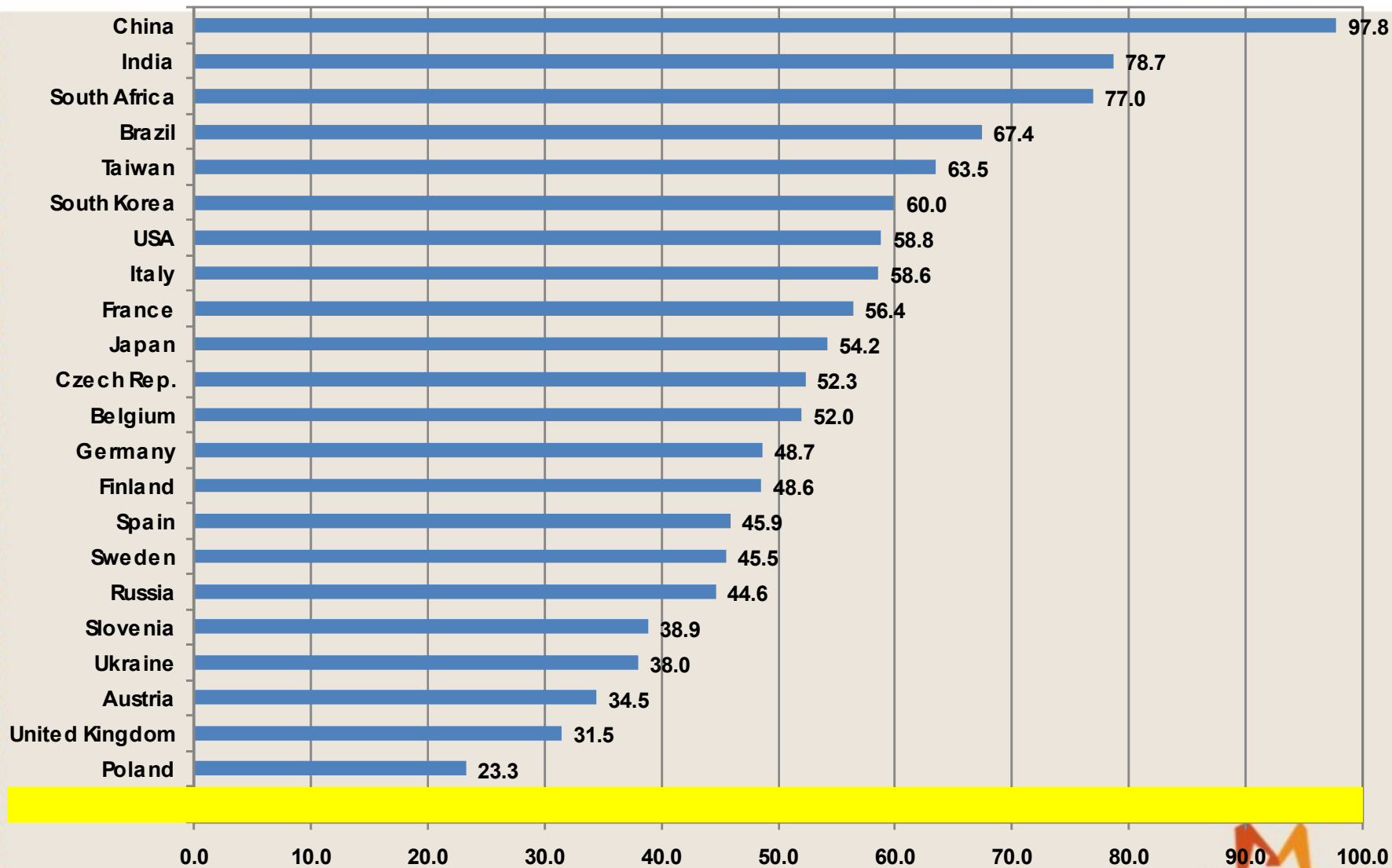
# The first half of 2009

- **Production of stainless steel** significantly weakened in the first half of 2009
- **Global stainless steel production** for the first half of 2009 amounted to 10.4 million tonnes, 30% lower than the same period in 2008
- However, **China's stainless steel production** for the first half of 2009 was 20% higher than in the second half of 2008
- Chinese ferrochrome imports increased by 44% in the first half compared to the same period in 2008

# Crude stainless steel production

	2007 '000 t	2008 '000 t	2008 / 2007 %	2009 '000 t (estimate)	2009 / 2008 %
NAFTA	2,171	1,925	-11.3	1,612	-16.3
European Union	8,109	7,822	-3.5	6,109	-21.9
Japan	3,901	3,564	-8.6	2,347	-34.1
S. Korea / Taiwan / India	5,305	4,458	-16.0	4,465	0.2
Others	1,508	1,298	-13.9	1,244	-4.2
<b>China</b>	<b>7,610</b>	<b>7,344</b>	<b>-3.5</b>	<b>8,400</b>	<b>14.4</b>
<b>Total</b>	<b>28,604</b>	<b>26,411</b>	<b>-7.7</b>	<b>24,177</b>	<b>-8.4</b>

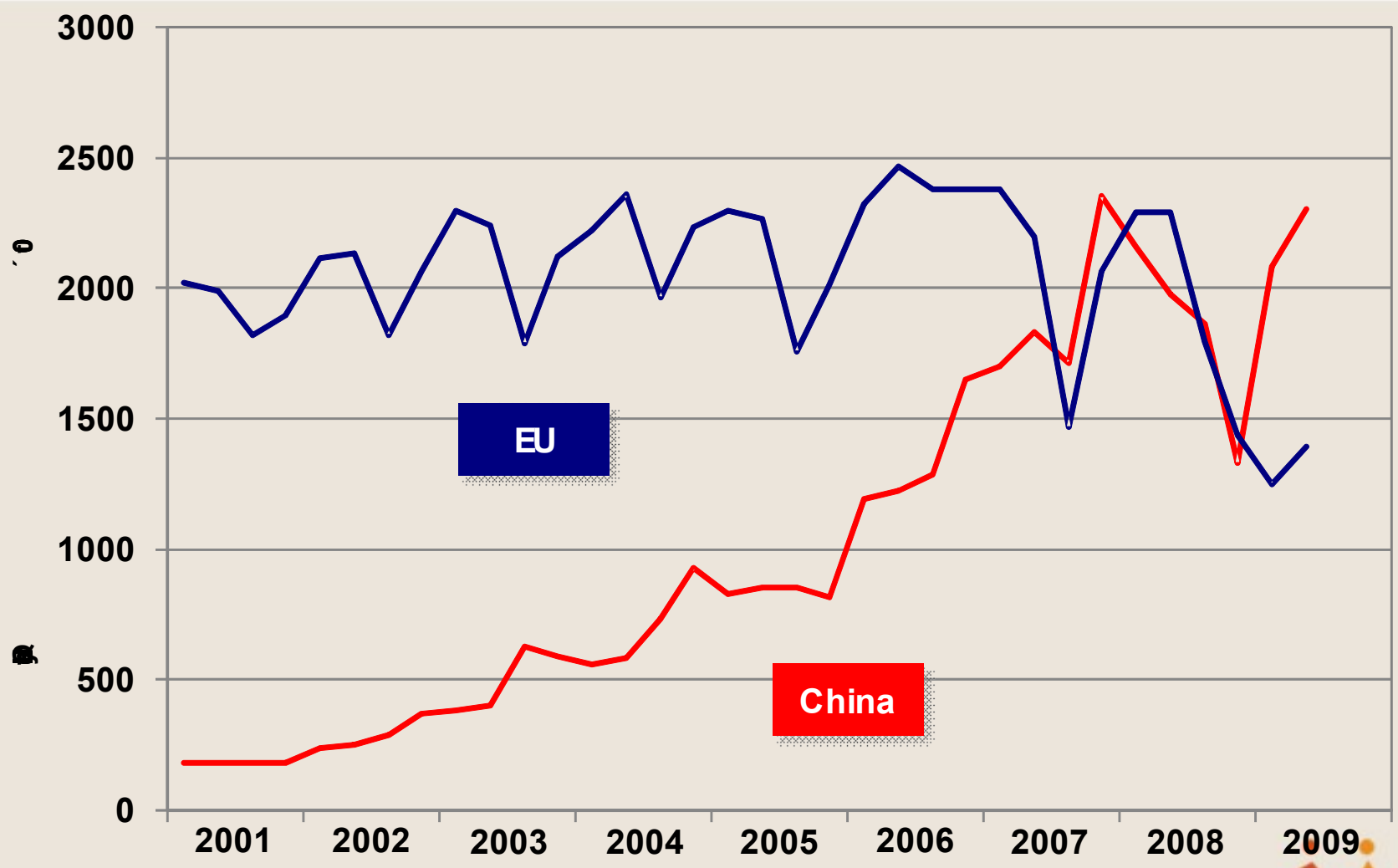
# Stainless steel capacity utilisation, Q2 2009



Source: Heinz P. Pariser



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



Source: Heinz P. Pariser



# Regional ferrochrome demand

	2007 '000 t	2008 '000 t	2008/2007 %	2009 '000 t (estimate)	2009/2008 %
NAFTA	455	502	10.3	422	-16.0
European Union	2,116	2,138	1.0	1,697	-20.6
Japan	890	888	-0.2	660	-25.6
S. Korea/Taiwan/India	1,342	1,040	-22.5	1,062	2.2
Others	743	719	-3.2	603	-16.2
China	2,277	1,987	-12.7	1,920	-3.4
<b>Total</b>	<b>7,823</b>	<b>7,274</b>	<b>-7.0</b>	<b>6,364</b>	<b>-12.5</b>

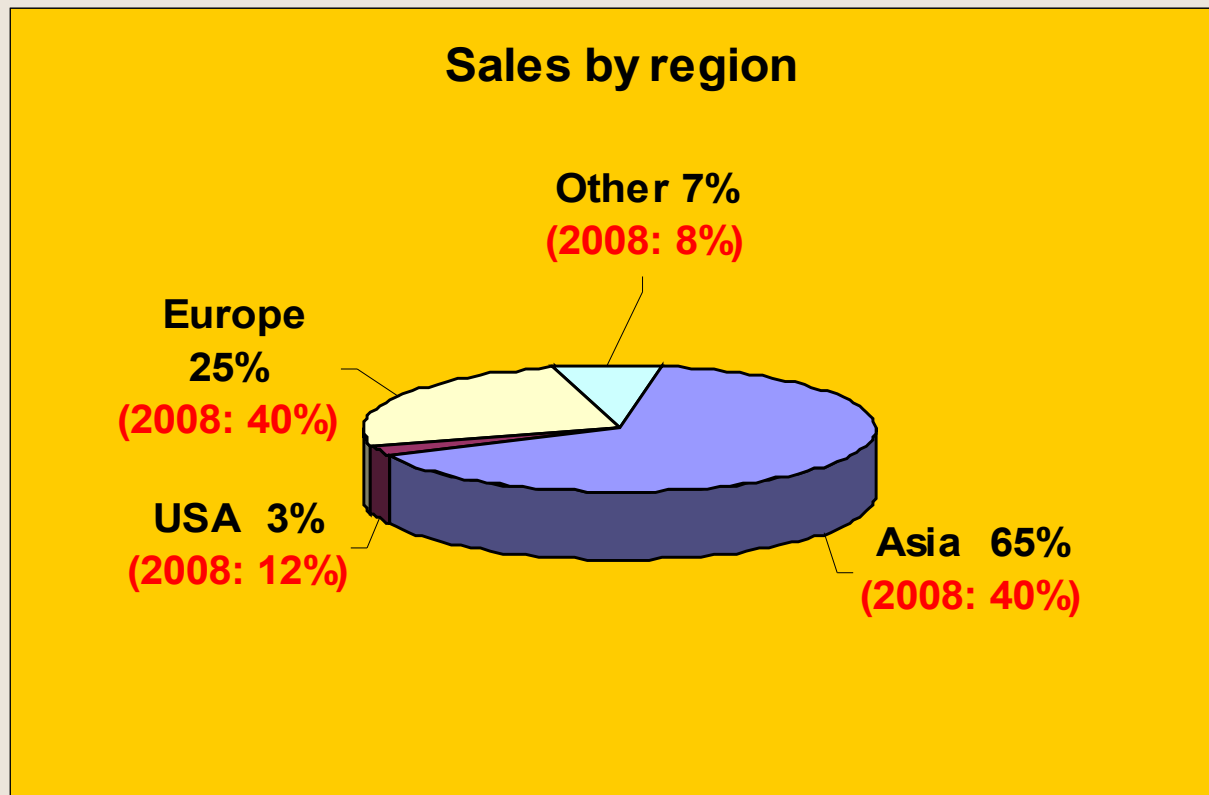
Source: Heinz P. Pariser /Merafe Resources

# Charge/High carbon ferrochrome production

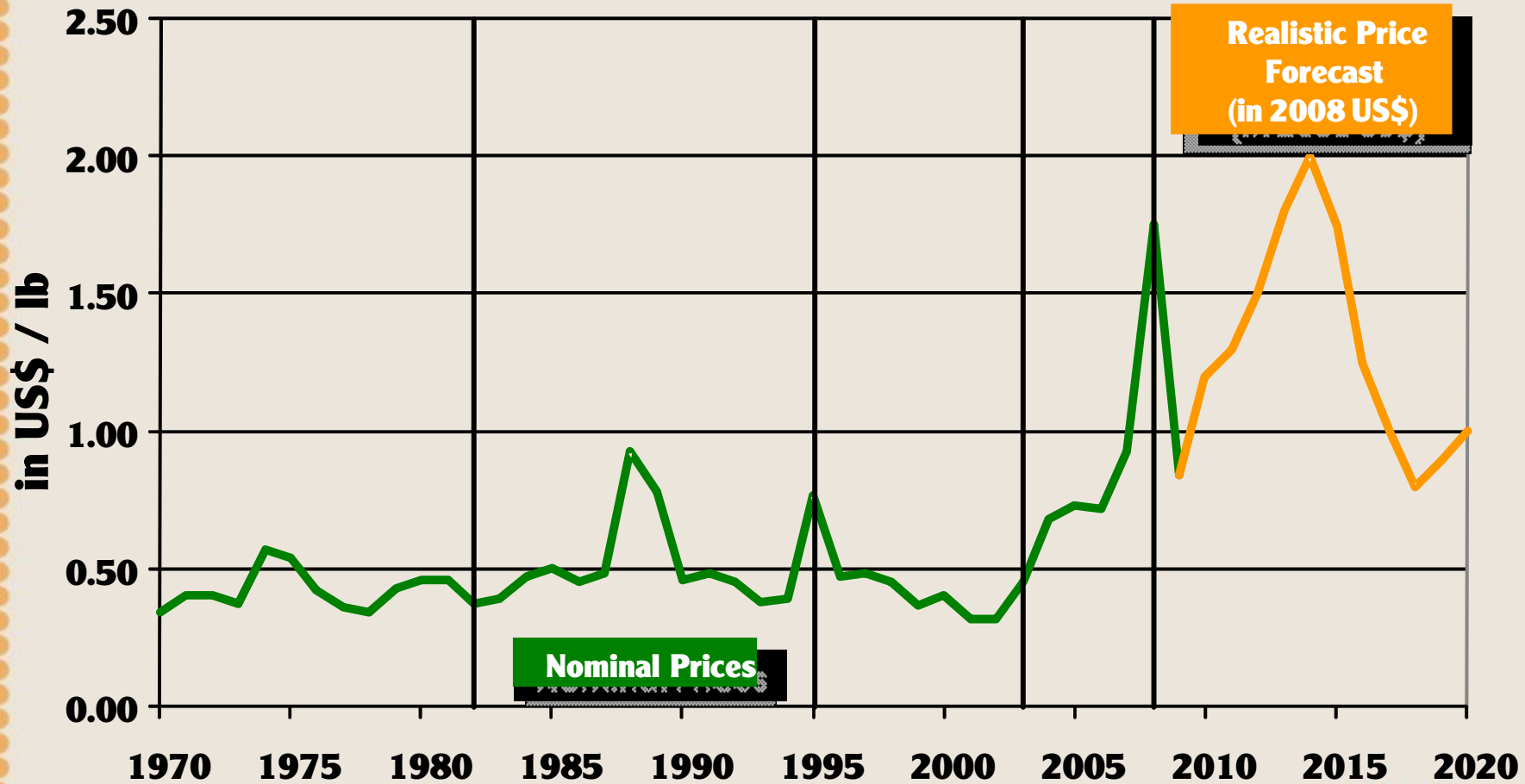
	2007 '000 t	2008 '000 t	2008/2007 %	2009 '000 t (estimate)	2009/2008 %
Brazil	176	193	9.7	145	-25.0
European Union	367	354	-3.6	98	-72.3
Russia, Turkey, Albania	274	335	22.1	222	-33.7
India	928	948	2.2	675	-28.8
Kazakhstan	970	880	-9.3	746	-15.3
South Africa	3,561	3,222	-9.5	1,810	-43.8
Zimbabwe	201	152	-24.5	168	10.5
Iran	17	17	0.0	17	0.0
China	1,232	1,250	1.5	1,100	-12.0
<b>Total</b>	<b>7,726</b>	<b>7,351</b>	<b>-4.9</b>	<b>4,981</b>	<b>-32.2</b>

Source: Heinz P. Pariser/Merafe Resources

# Venture's sales by region for the six months to June '09



# Charge chrome price development



Source: Heinz P. Pariser



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## Financial performance

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- Costs would continue to remain a challenge
- High inventory levels at end of December 2008 were expected to be normalised by end of  
third quarter 2009
- No cash burn was anticipated
- A possible reduction in the second quarter ferrochrome price was not ruled out
- 2009 was not about making profits but about cash preservation

# 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



# Group Condensed Statement of Comprehensive Income

	<b>6 months ended 30 June 2009 Reviewed R'000</b>	<b>6 months ended 30 June 2008 Reviewed R'000</b>
Revenue		<u>824,081</u>
EBITDA	(74,737)	
Depreciation	(50,507)	
Net financing costs		<u>(1,145)</u>
(28,097)		
(Loss)/profit before taxation	42 203	(126,389)
Taxation		(234)
889)		
Current taxation	(1,898)	
(799)		
Deferred taxation	44,101	
<b>(Loss) / profit and total comprehensive (loss) / income for the period</b>	<u><b>(84,186)</b></u>	
Secondary taxation on companies		-
(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	<b>2,459,258,860</b>	
2,459,258,860		



# Production costs

- Despite improved efficiencies, **production costs** have increased by 20% (1H'09 vs FY'08)
- Cost increases 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

# Group Condensed Statement of Financial Position

	<b>As at 30 June 2009 Reviewed R'000</b>	<b>As at 31 December 2008 Audited R'000</b>
<b>Assets</b>		
<b>Non-current assets</b>		<b>1,918,383</b>
1,861,185		
Property, plant and equipment	<b>1,918,383</b>	
1,861,185		
<b>Current assets</b>		<b>1,614,782</b>
1,893,165		
Inventories		<b>798,304</b>
Trade and other receivables		<b>350,138</b>
1,067,153		<b>466,340</b>
Cash and cash equivalents		
539,741		
<b>Total assets</b>	<b>3,533,165</b>	
<b><u>3,754,350</u></b>		

# Group Condensed Statement of Financial Position (cont.)

	<b>As at 30 June 2009 Reviewed R'000</b>	<b>As at 31 December 2008 Audited R'000</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		<b>2,398,272</b>
2,479,338		
Share capital		<b>24,593</b>
24,593		
Share premium		<b>1,244,072</b>
1,244,072		
Equity settled share-based payment reserve		<b>18,706</b>
<b>Liabilities</b>	<b>1,134,893</b>	
15,586		
1,275,012		
Retained earnings		<b>1,110,901</b>
1,195,087		
<b>Non-current liabilities</b>		<b>804,926</b>
845,136		
Loans and borrowings		<b>365,439</b>
366,174		
Provision for close down and restoration costs		<b>34,356</b>
29,730		
Deferred tax		<b>405,131</b>
449,232		
<b>Current liabilities</b>		
429,876		
<b>Total Equity and liabilities</b>	<b>3,29,967</b>	<b>3,533,165</b>
Loans and borrowings		<b>1,298</b>
<b>3,754,350</b>		
1,200		
Financial liability		<b>8,723</b>

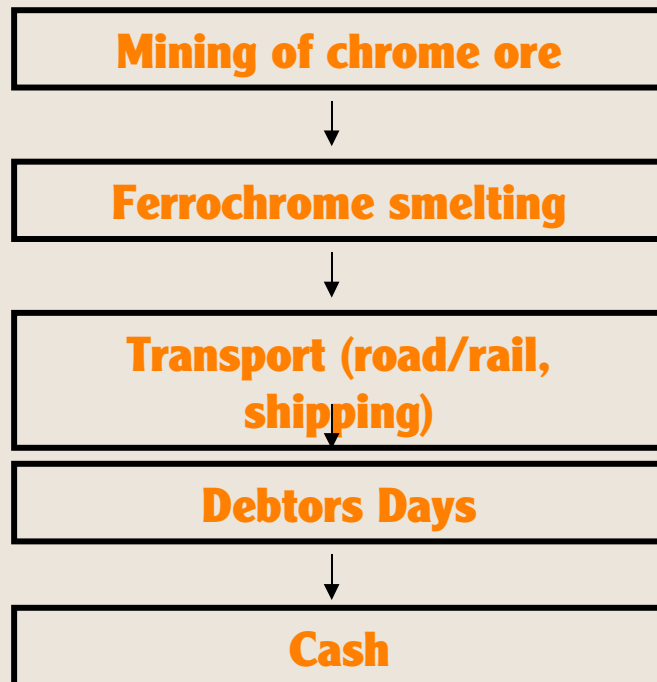
# Summary of cash flows

	<u>R'm</u>
Opening cash balance 1 January 2009	540
Cash flows generated for the period	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

# 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



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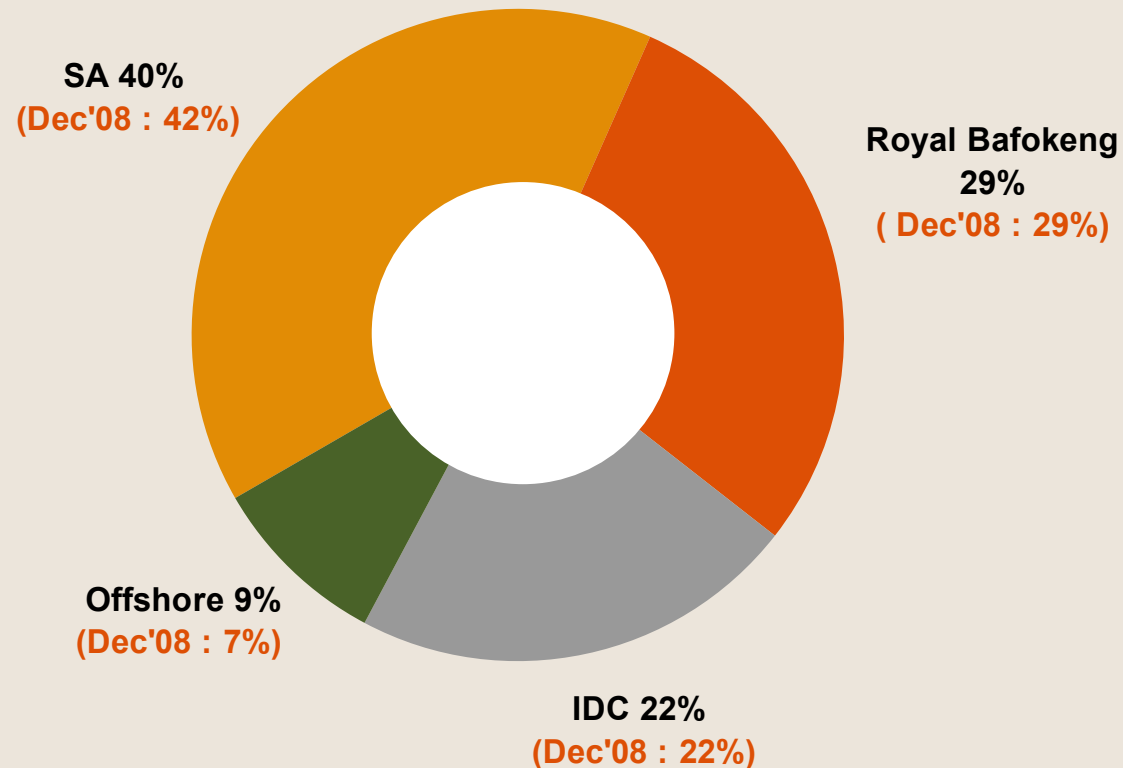
# Shareholding

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# Shareholder analysis

## Major shareholders at end of June 2009







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# Prospects

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# Prospects

- The **recovery** of global stainless steel production is likely **to continue** into the third quarter of 2009 on the back of real demand and restocking
- 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 Venture has restarted some of the idle capacity and production of ferrochrome has been increased to **60% of annual operating capacity**
- The Venture continues to focus on:
  - deferment of major sustaining and expansionary capex
  - efficient working capital management
  - cost optimisation

# Prospects (cont.)

- Merafe has continued to maintain its **strong cash position**
- The **short-medium term ferrochrome demand** is dependant on the recovery of the global economy
- The Company reiterates its view that the medium to **long term outlook** for ferrochrome remains robust supported by :
  - urbanisation and industrialisation of emerging economies; and
  - the lack of any new capacity expansions



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