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Merafe Resources Limited

U.S. A. Roadshow
12-15 October 2009



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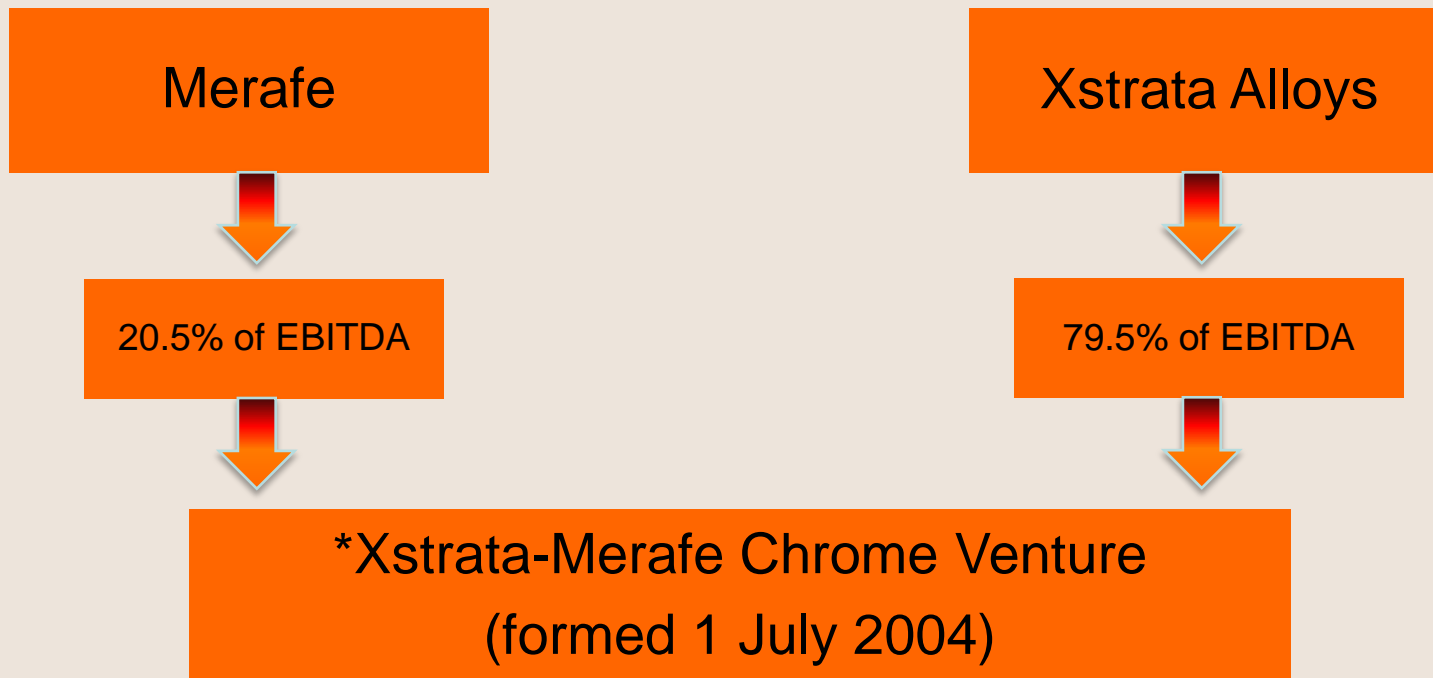


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1. Corporate Information



Corporate Structure



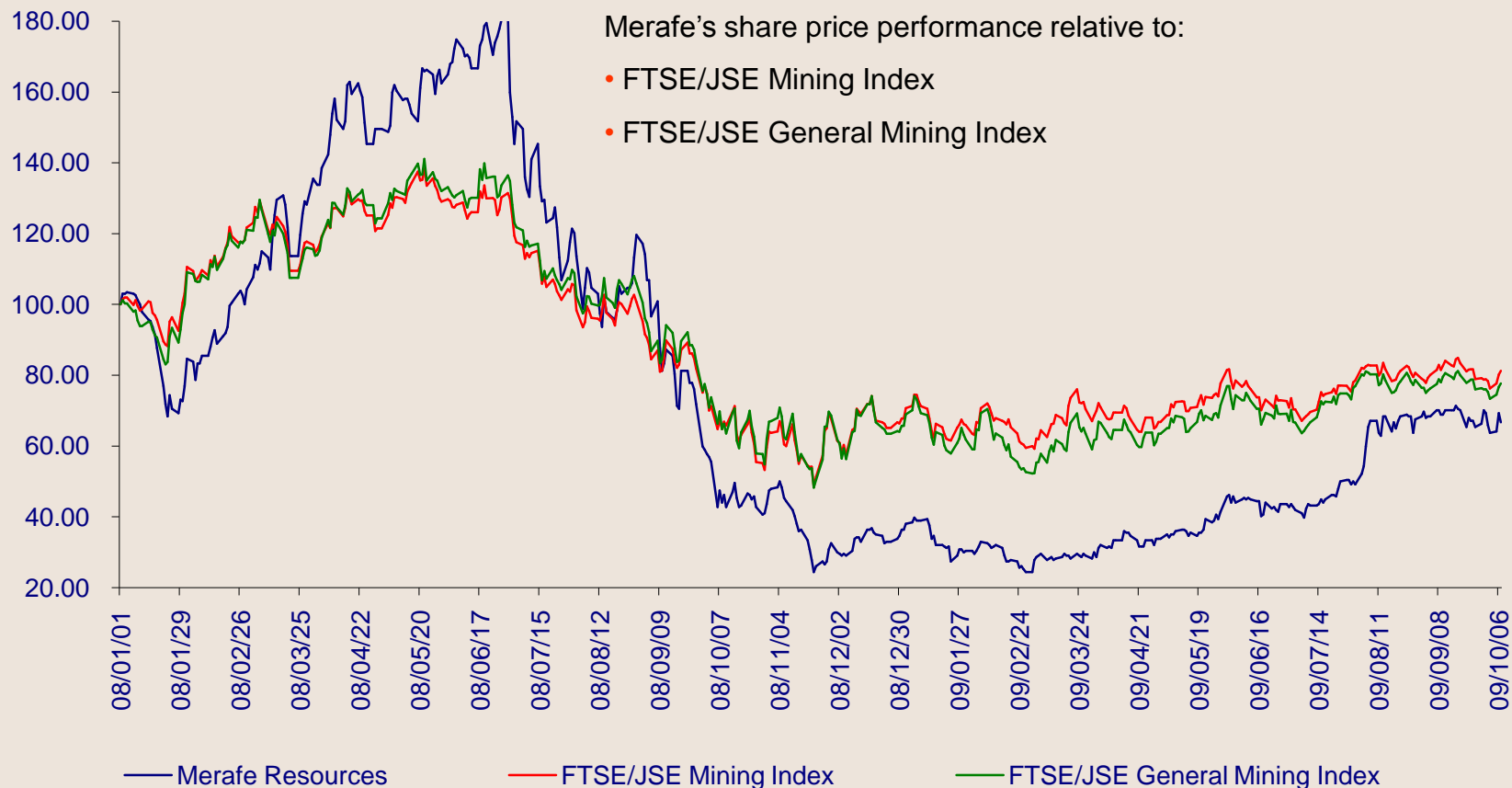
*** Largest ferrochrome producer in the world**

Share price information

	<u>ZAR</u>	<u>USD</u>
Market capitalisation*	3.84 bn	518m
Share price*	1.56	0.21
12 month high	1.70	0.23
12 month low	0.55	0.07
Shares outstanding	2.46 billion shares	

*As at 7 October 2009

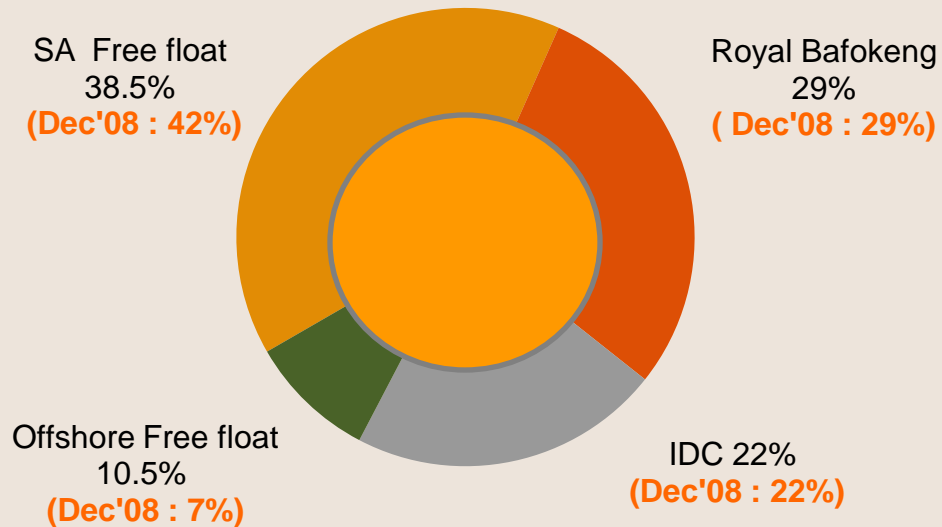
Merafe's share price performance from 2008 to 2009



Source: Datastream

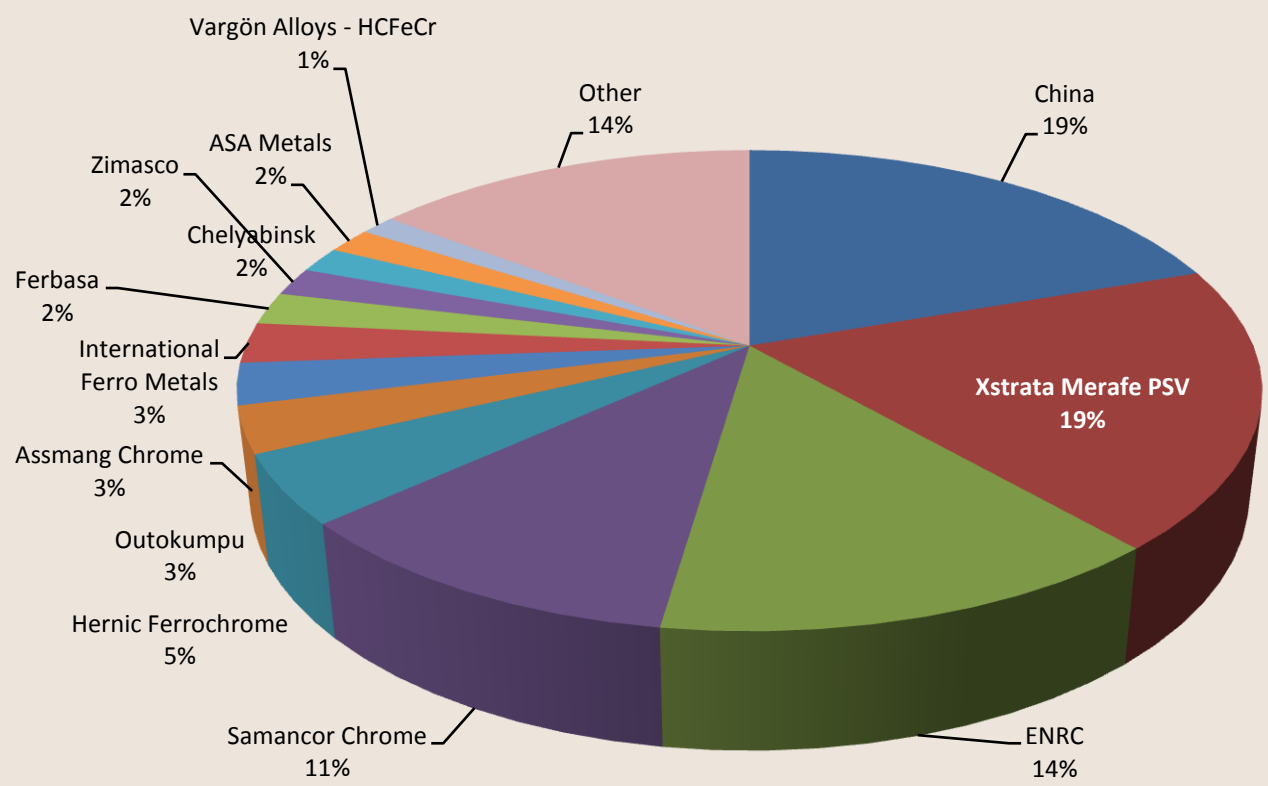
Shareholder analysis

Shareholders at end of September 2009



Global ferrochrome production

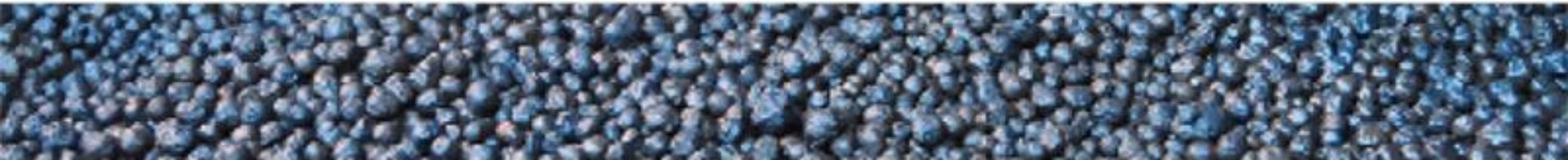
2008 Market share by production





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2. Operations overview



Operations overview

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

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

Update on the power situation (Eskom)

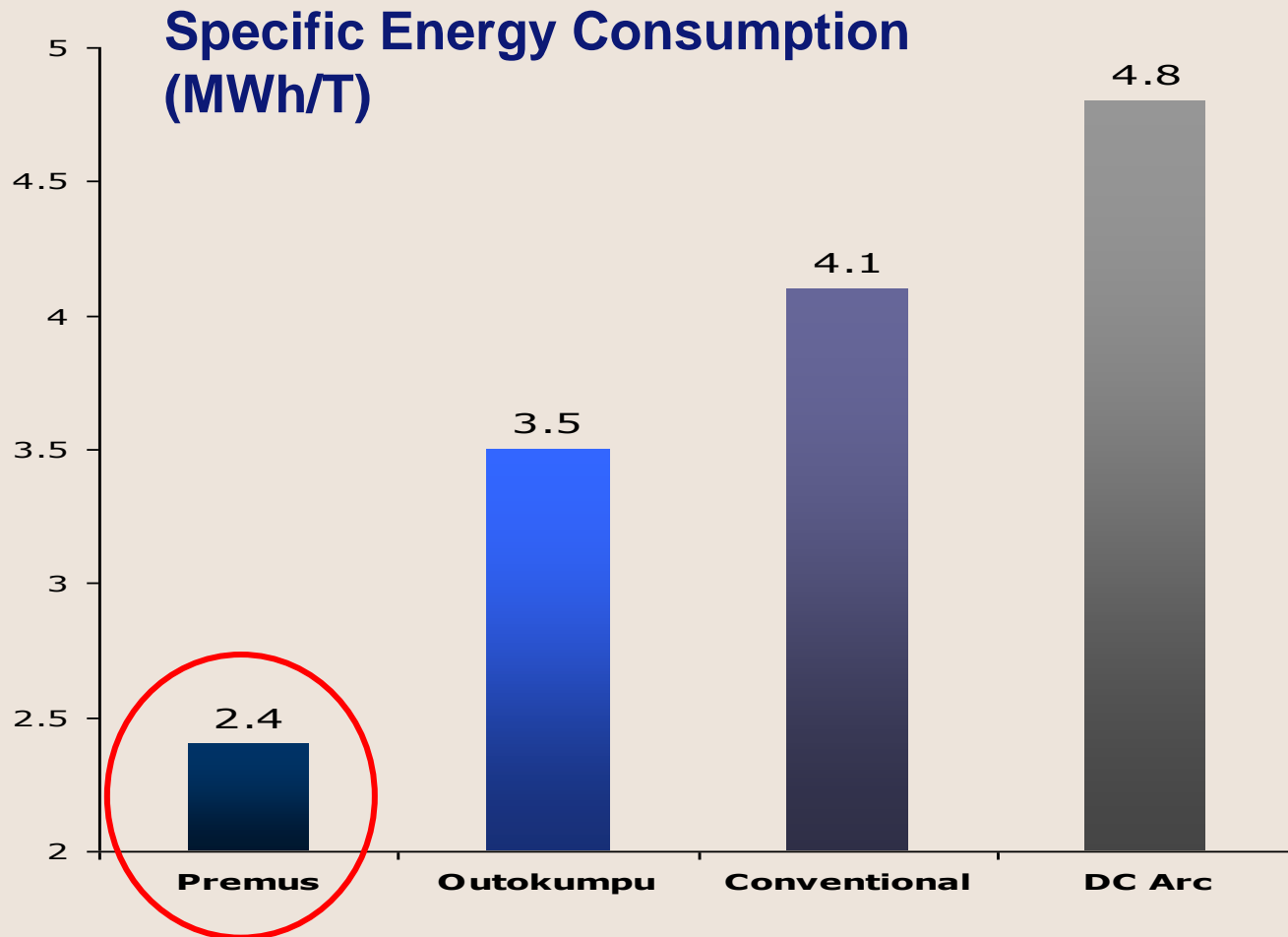
- During the past 18 months, there was a 4% decline in electricity demand
- Electricity demand is rebounding fast with 5% growth expected during 2009 (mainly on alloy restarts) with 2-3% growth expected thereafter
- From Eskom's lows of January/February 2008, Eskom's plant performance has improved, additional 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, the reserve margin is currently just above 10%
- With the recent increase in electricity tariffs of 31.3% (effective from 1 July 2009), the electricity prices are now SA36c/kwh (international prices 70c to 80c)
- Electricity prices expected to double within the next three years

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

Costs of electricity continues to be a challenge

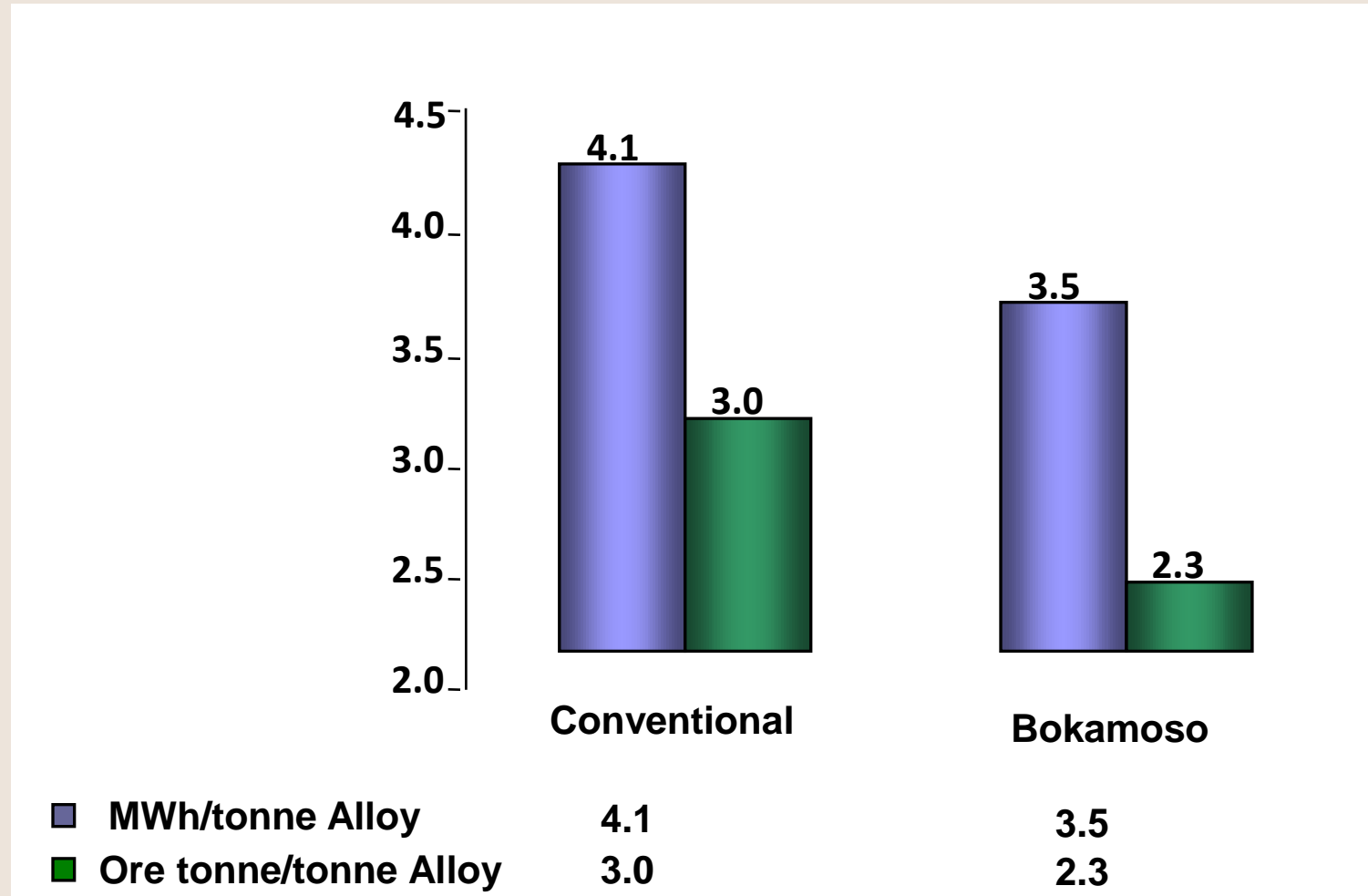
- Lion Ferrochrome

The Venture anticipated the changes in the South African electricity tariffs and invested in efficiencies:



Bokamoso – improved energy consumption

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





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3. Market review

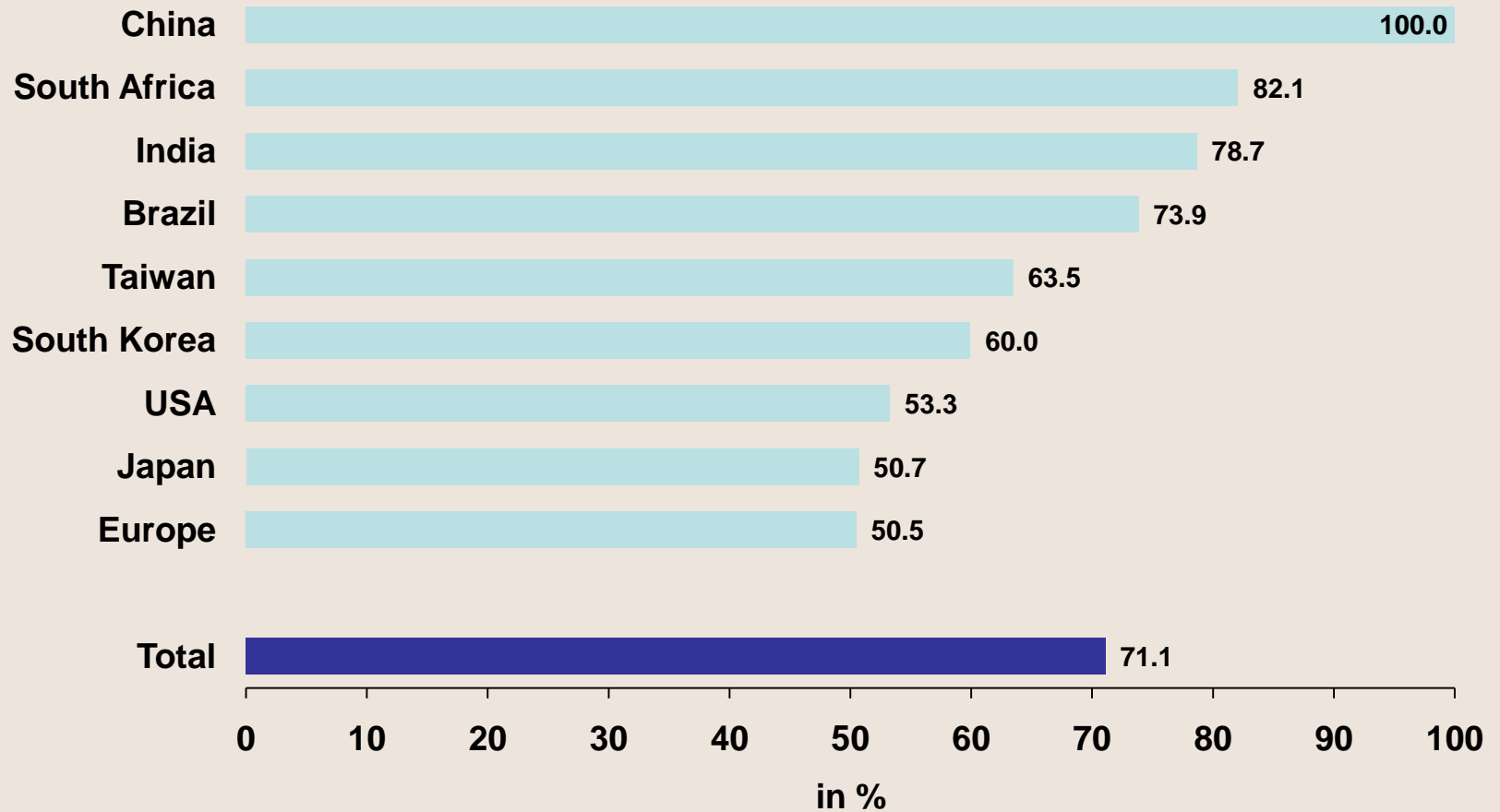


Crude stainless steel production

	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%	1,632	-15.2%	2,010
European Union	8,109	7,822	-3.5%	5,682	-27.3%	5,986
Japan	3,901	3,564	-8.6%	2,473	-30.6%	2,845
S.Korea/Taiwan/India	5,305	4,458	-16.0%	5,016	12.5%	5,665
Others	1,508	1,298	-13.9%	1,212	-6.6%	1,442
China	7,610	7,344	-3.5%	9,245	25.9%	10,800
Total	28,604	26,411	- 7.7%	25,260	-4.3%	28,748

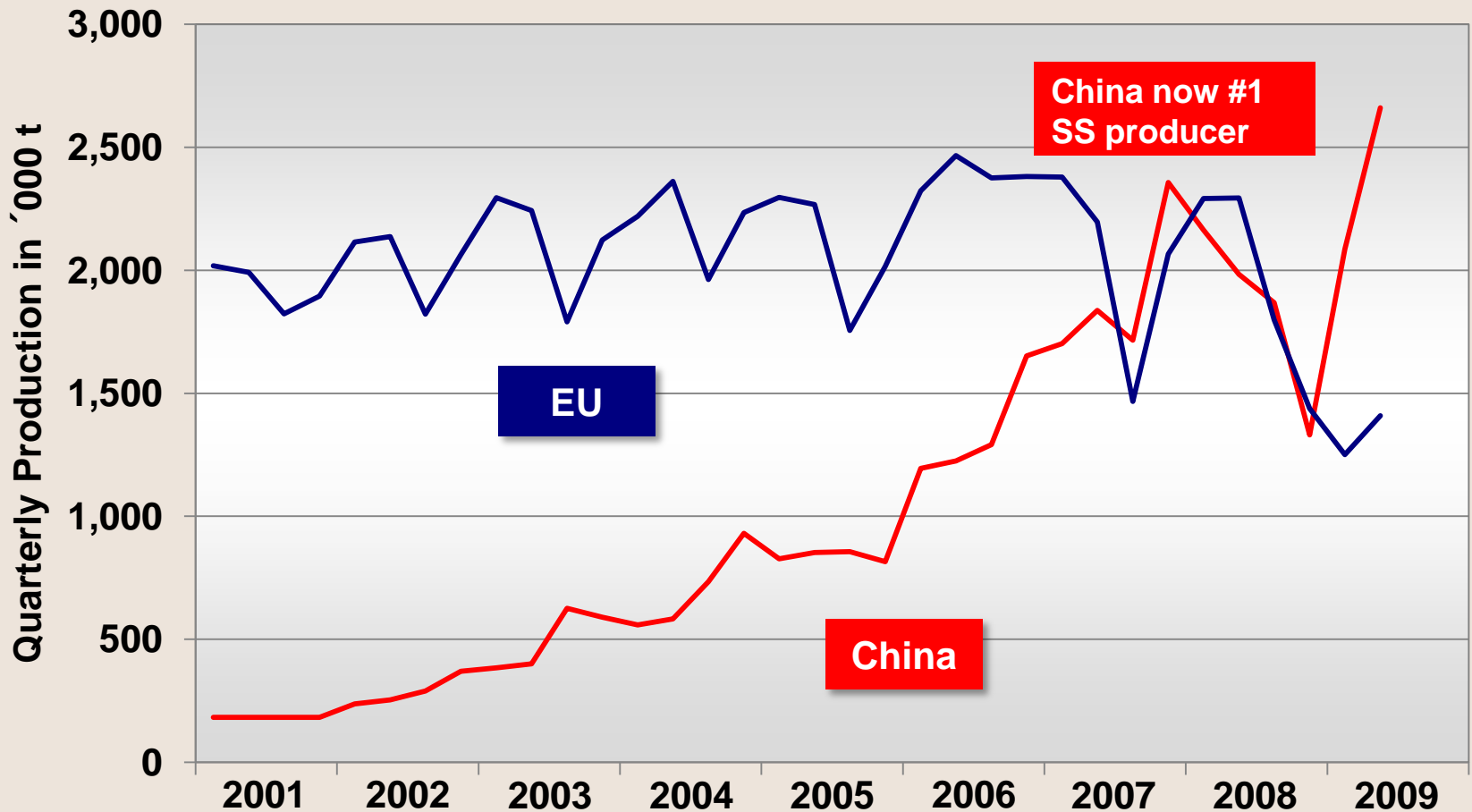
Source: Heinz Pariser / Merafe Resources

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%

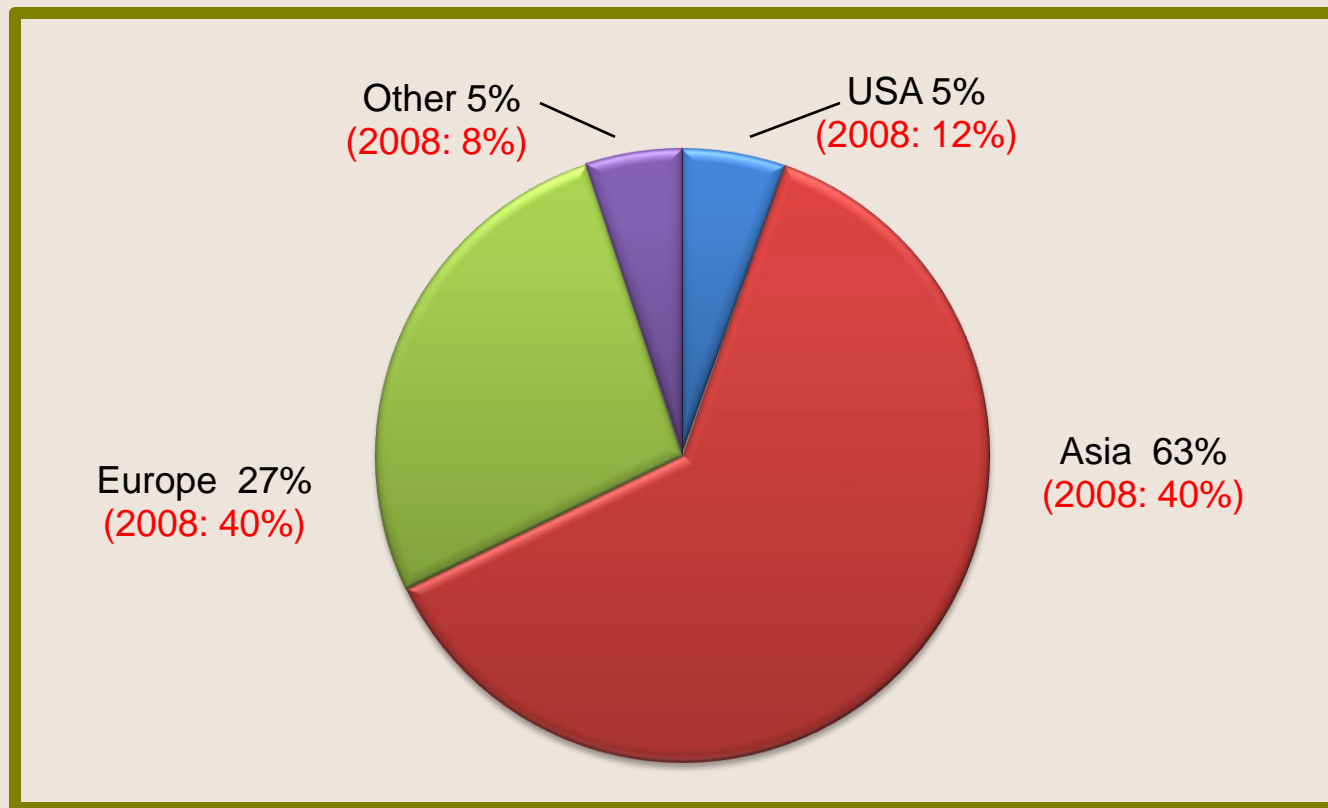
Source: Heinz Pariser/Merafe Resources

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%

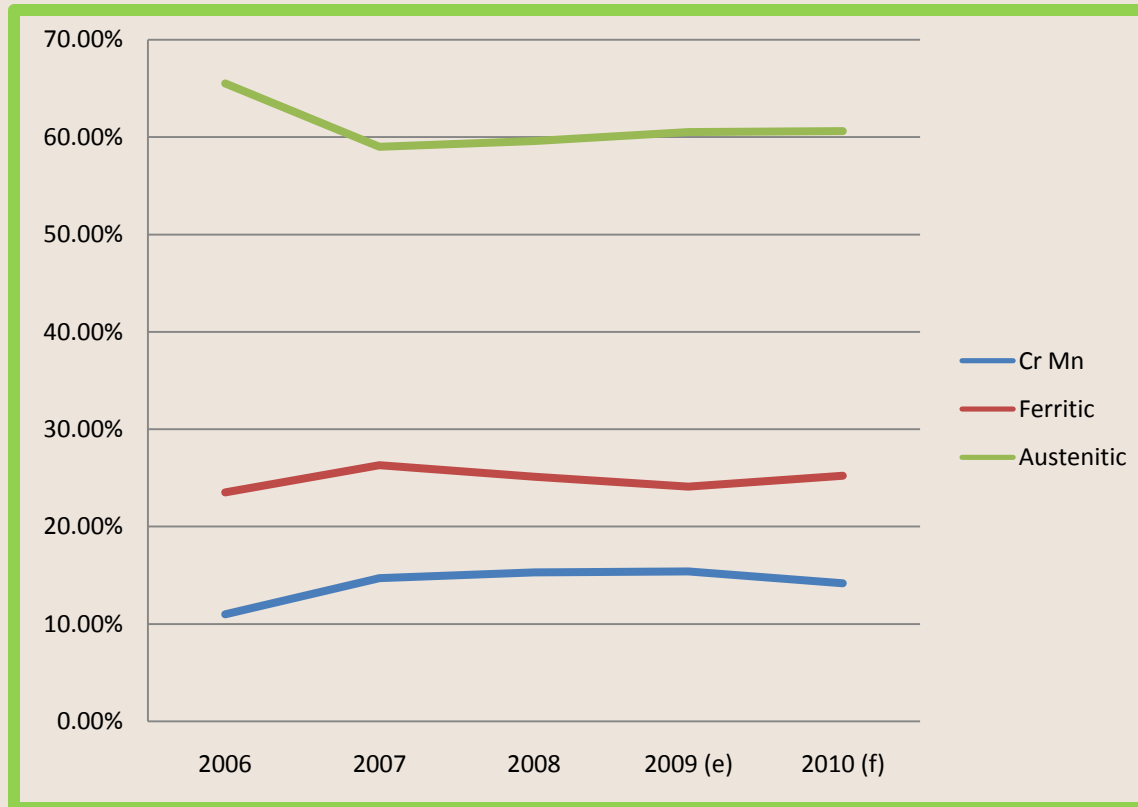
Source: Heinz Pariser/Merafe Resources

Venture's sales by region for the nine months to September'09



Austenitic ratios – Nickel bearing stainless steel

Changes in austenitic production ratios



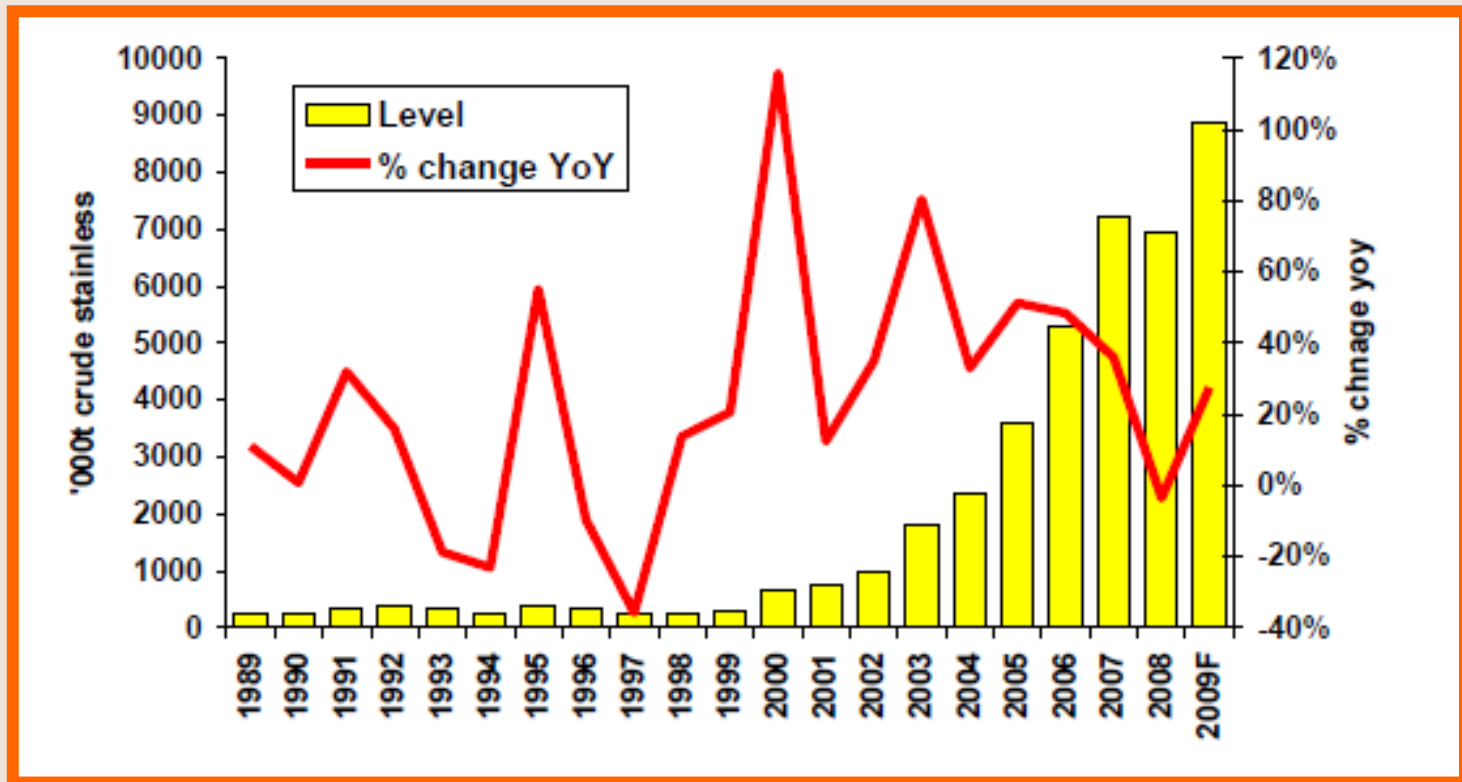
Source: Heinz Pariser/Merafe Resources

Austenitic stainless grades 304 – price components

	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& Q2)	11.4%	19.9%

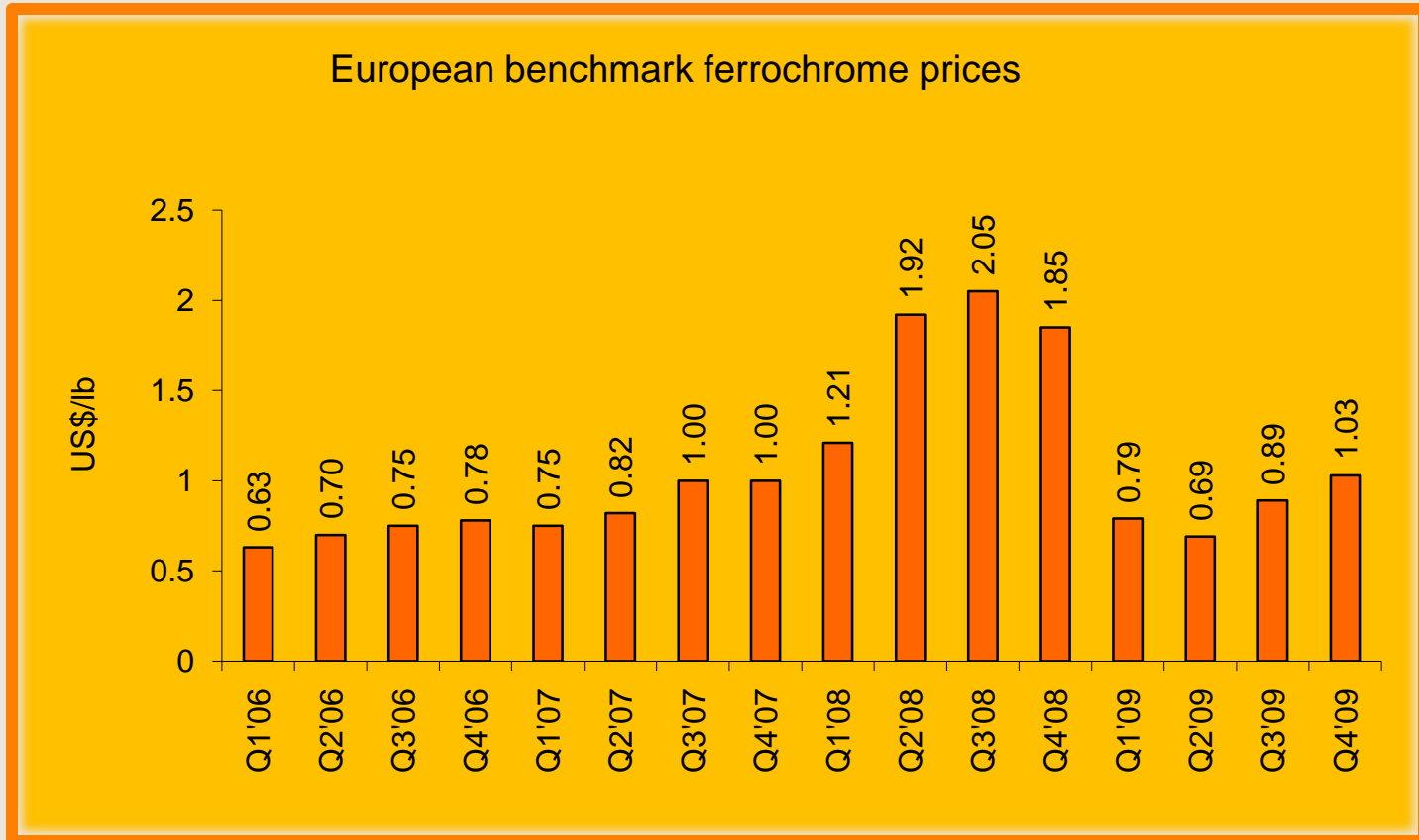
Source: Heinz Pariser

Large rise in Chinese stainless steel production in 2009



Source: Macquarie Research, September 2009

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





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4. 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

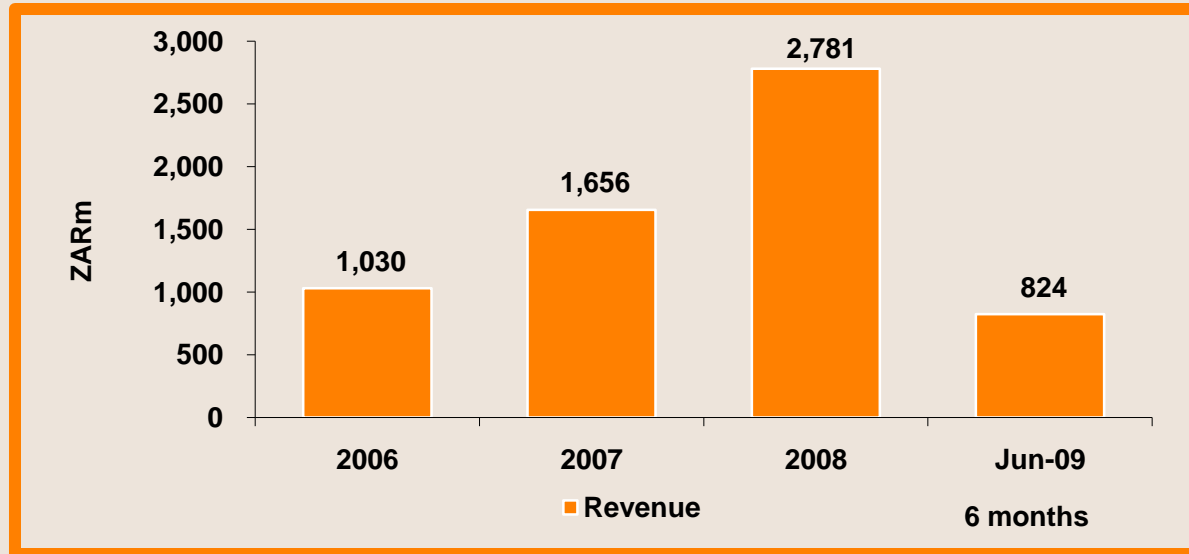
Summary of cash flows for the six months to 30 June 2009

	<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

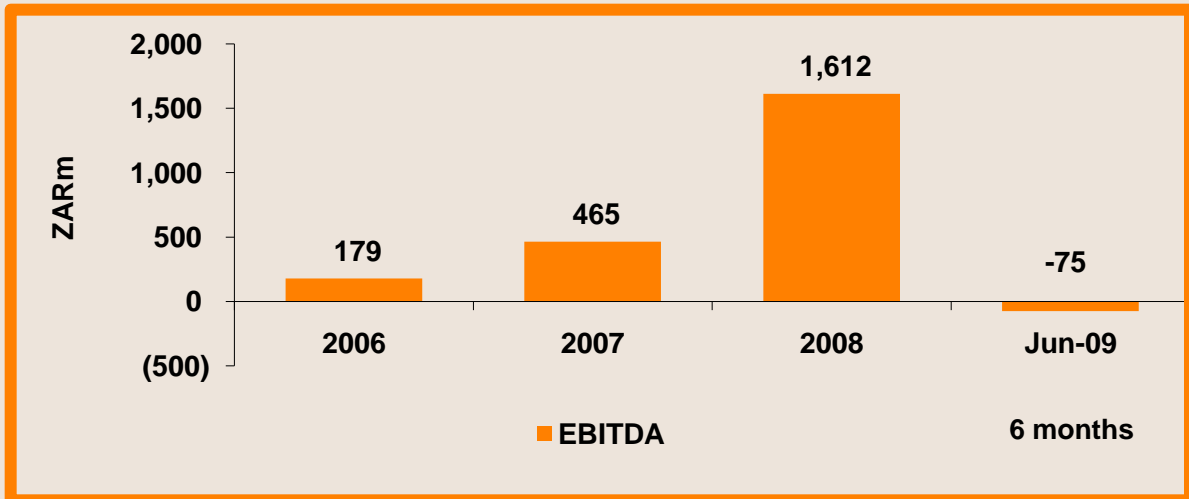
* After accounting for R116 million of standing charges

Financial performance over the last three years

Revenue

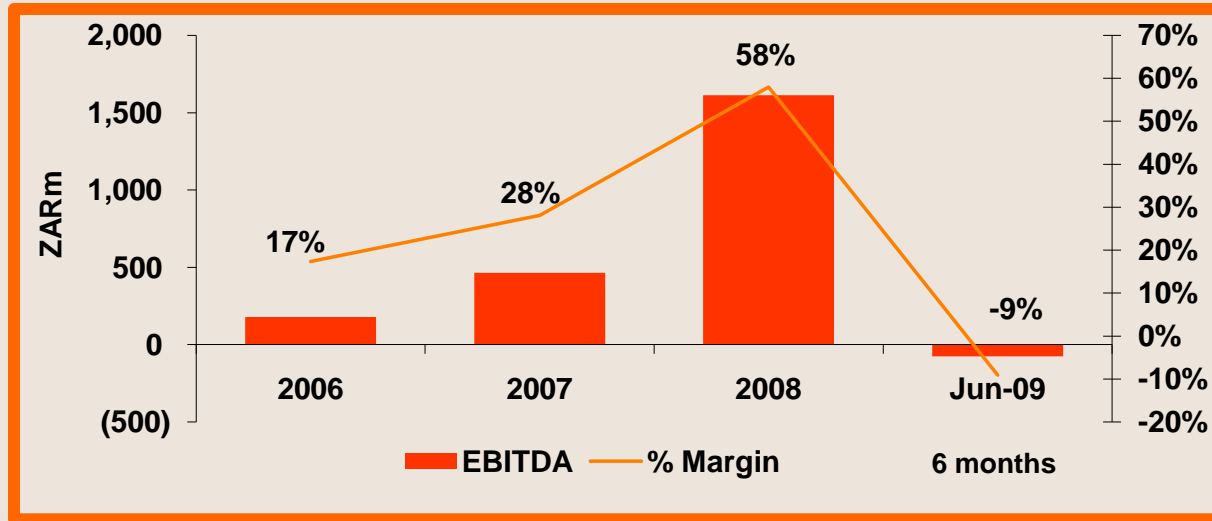


EBITDA

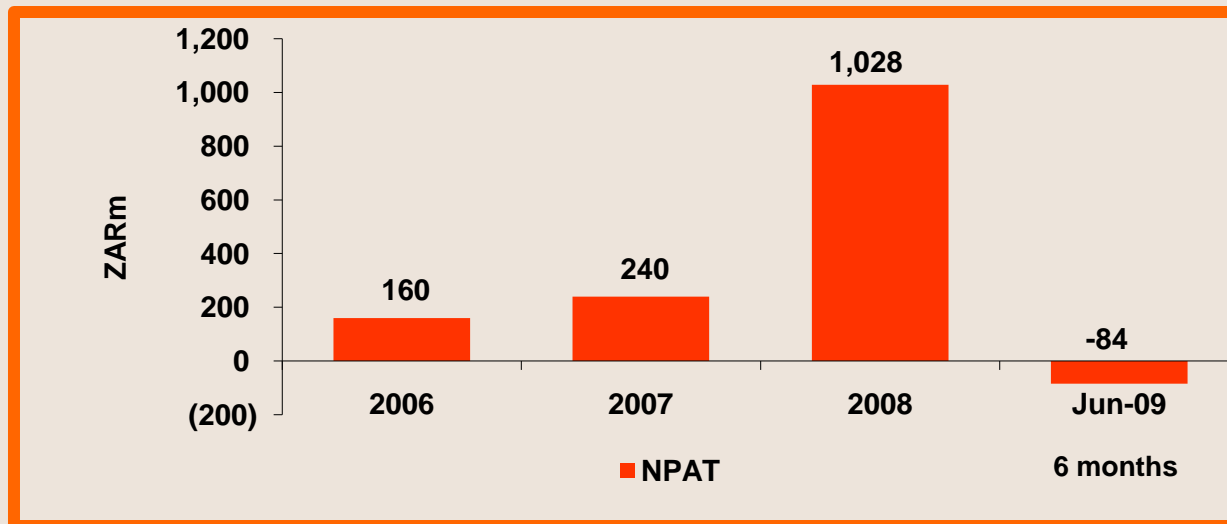


Financial performance over the last three years (cont.)

EBITDA and margin evolution

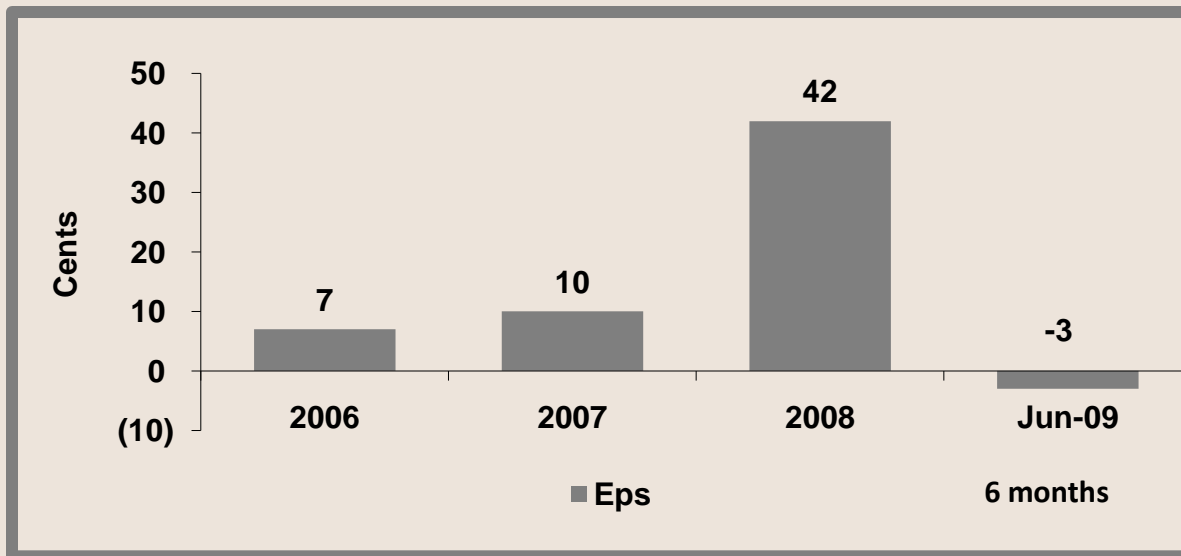


Net profit after tax

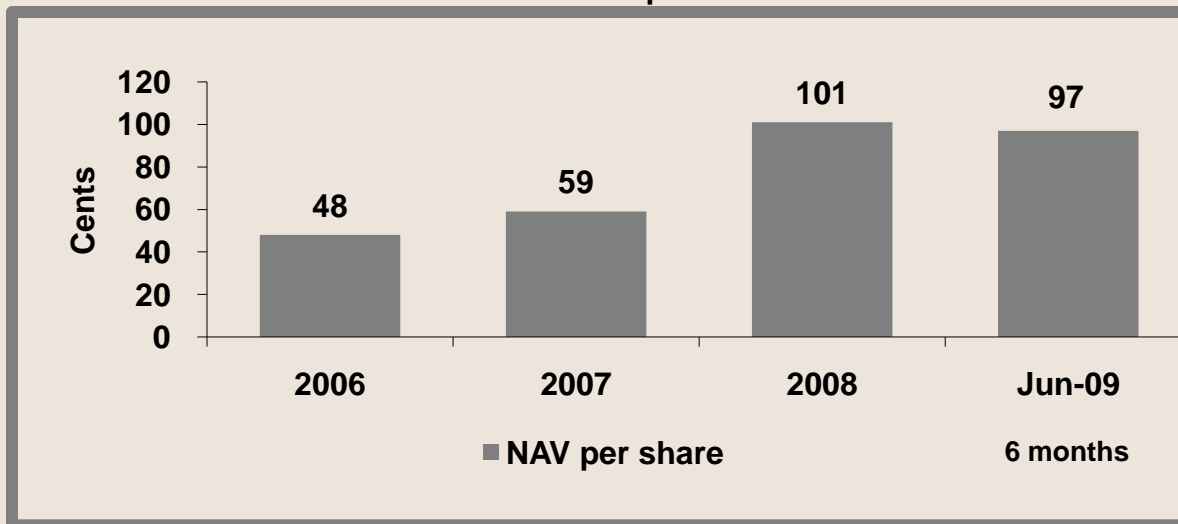


Financial performance over the last three years (cont.)

Earnings per share

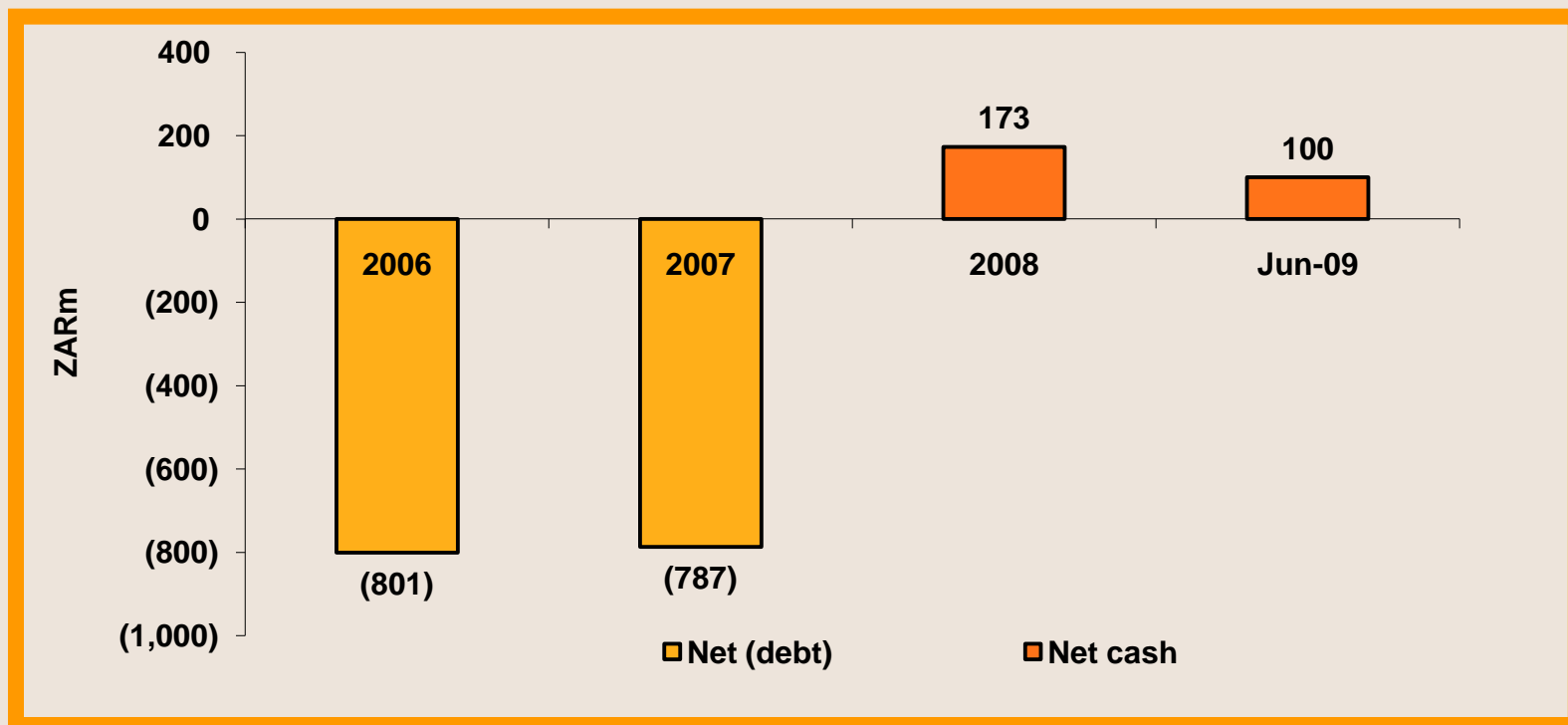


Net asset value per share



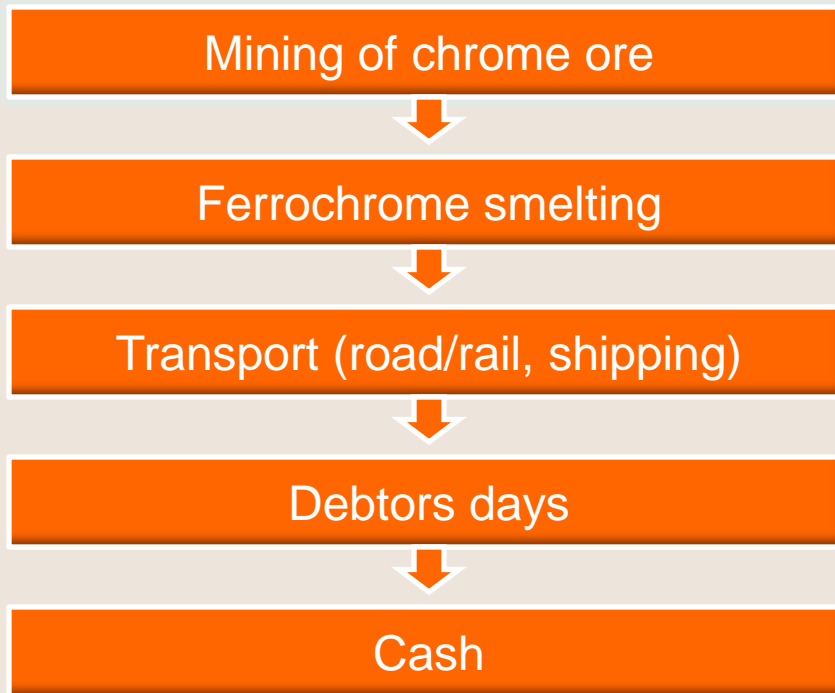
Financial performance over the last three years (cont.)

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

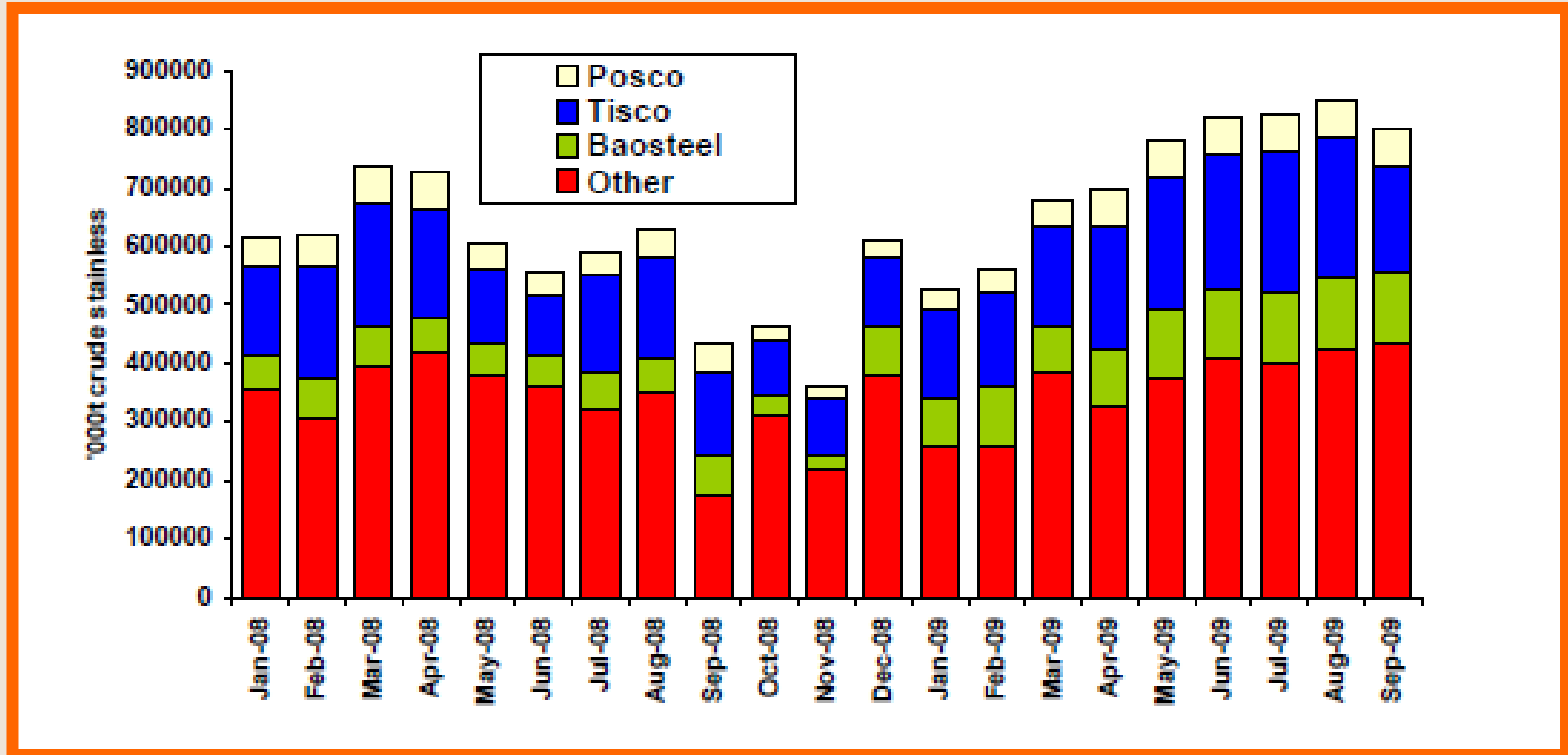


- Merafe has sufficient cash and banking facilities to manage this cycle

Production costs

- Despite improved efficiencies, **production costs** continue to be a challenge
- Looking forward at production costs Merafe sees:
 - **electricity prices** increasing by an announced 31.3% 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

Substantial rises in Chinese stainless production from end-2008 lows



Source: CSSC, Macquarie Research, September 2009

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
- Short 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
 - Chinese holidays
- Power constraints on SA ferrochrome producers 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
- 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?



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5. Outlook



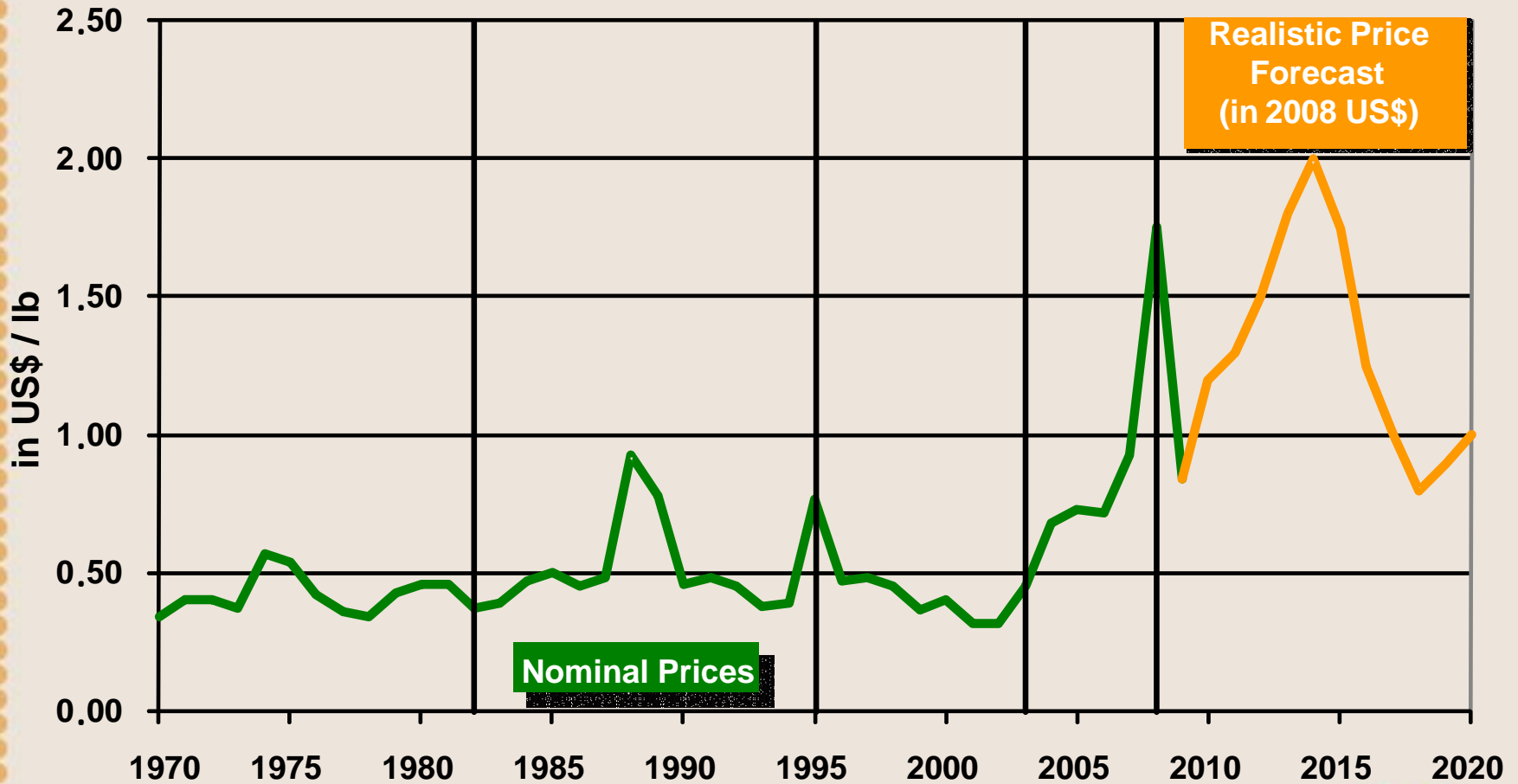
Outlook

- Recovery of global stainless steel production likely to continue
- Stainless steel production for 2010 estimated at 28.7 million tonnes, a 13.8% increase y-o-y
- Demand mainly from Asia with Europe still restocking
- Global ferrochrome stockpiles have reduced
- Ferrochrome inventory levels have normalised (currently below normal)
- Venture's ferrochrome order book full until end 2009

Outlook (cont.)

- 16% increase in European benchmark ferrochrome price in Q4'09 to \$1.03
- Size and flexibility of the Venture provide an advantage
- Venture's retention of its skilled labour force has proved very beneficial
- Venture has increased production to 85% of annual operating capacity
- Merafe well positioned to deliver into growth
- Strong balance sheet with cash on hand at 30 June 2009 of R466 million

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

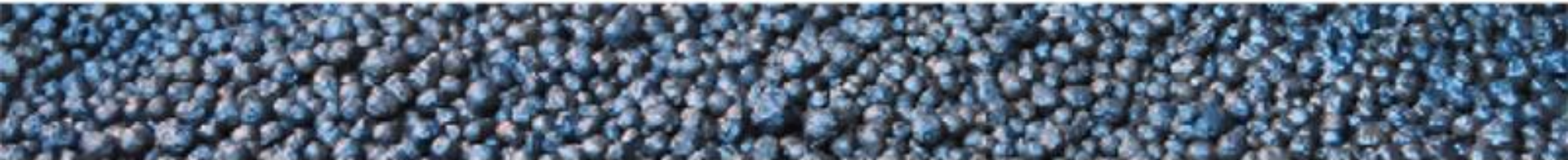
Tim Clark	Deutsche Bank Email : tim.clark@db.com
Avishkar Nagaser	Macquarie First South Email: avishkar.nagaser@macquarie.com
Willem Venter	Prescient Securities Email: willie@prescient.co.za
Richard Hart	Afrifocus Securities Email: richardh@afrifocus.co.za



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Appendix II

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