



London Roadshow Presentation
June 2010



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Agenda

1. Corporate Information
2. Operational Review
3. Market Review
4. Financial Review
5. Industry Outlook
6. Recent Developments
7. Prospects
8. Appendices



1. Corporate Information



Largest Ferrochrome Producer in the World



20.5% of EBITDA



79.5% of EBITDA



Xstrata-Merafe Chrome Venture
(The Venture)
Formed 1 July 2004

MERAFE RESOURCES

Ticker: MRF
Market Cap* (ZAR): 3.94 billion
Share price* (ZAR): 1.60
52 week high (ZAR): 1.94
52 week low (ZAR): 0.91

* As at 2 June 2010

- ✓ **Second quartile of the global ferrochrome production cost curve**
- ✓ **Lowest cost ferrochrome producer in South Africa**



Experienced Management Team



Stuart Elliot CA(SA) - Chief Executive Officer

- Has been Merafe's CFO for the past nine years and was appointed CEO with effect from 1 April 2010
- Has extensive experience in the accounting and corporate finance fields
- Worked as an Audit Manager at KPMG and a Senior Manager at FirstCorp Merchant Bank
- Worked as a project finance consultant with Gencor in London working exclusively on Gencor's acquisition of Billiton plc from Royal Dutch Shell
- Was also an Associate Director with Deutsche Bank and a director of The Corner House for three years prior to joining Merafe



Zanele Matlala CA(SA) - New CFO designate with effect from 1 October 2010

- Has been on Merafe's Board for the past five years as an independent non-executive director
- Has extensive financial experience as Group Financial Director of Kagiso Investments (Pty) Ltd and CFO of the Development Bank of Southern Africa
- Worked as Head of Wholesale Venture Capital Funds for the IDC
- Worked as Audit Supervisor at Arthur Anderson and Co

Experienced Management Team



Bruce McBride - Commercial Director

- Has been with Merafe for the past nine years as Commercial Director
- Formerly a Senior Partner at law firm Bell, Dewar and Hall before joining Merafe Resources in 2001
- Specialised in commercial litigation, banking and mining law



Dr Jurg Zaayman - General Manager (Merafe Chrome)

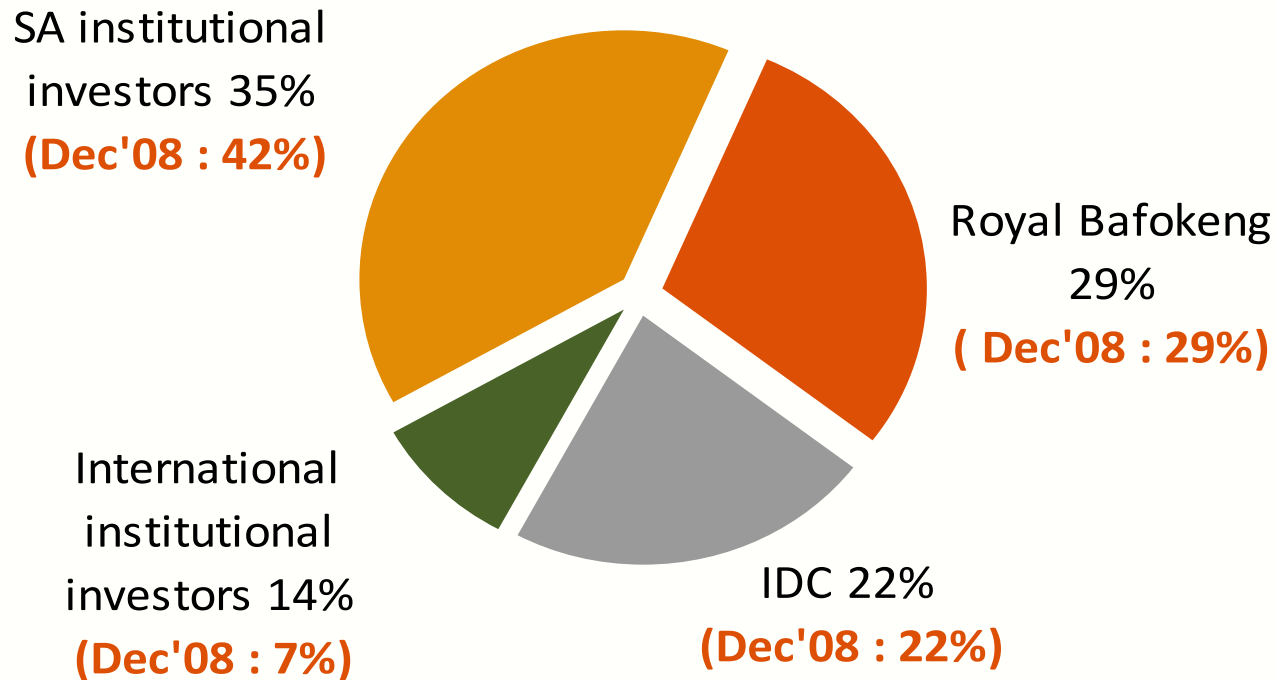
- Joined Merafe Resources as an Operations Manager during 2001 and later headed up its operations as Managing Director
- In 2004 seconded to the Xstrata-Merafe Chrome Venture and was the project leader for the Bokamoso pelletising plant project before being appointed to his current position in 2007



Kajal Bissessor CA(SA) - Finance and Investor Relations Manager

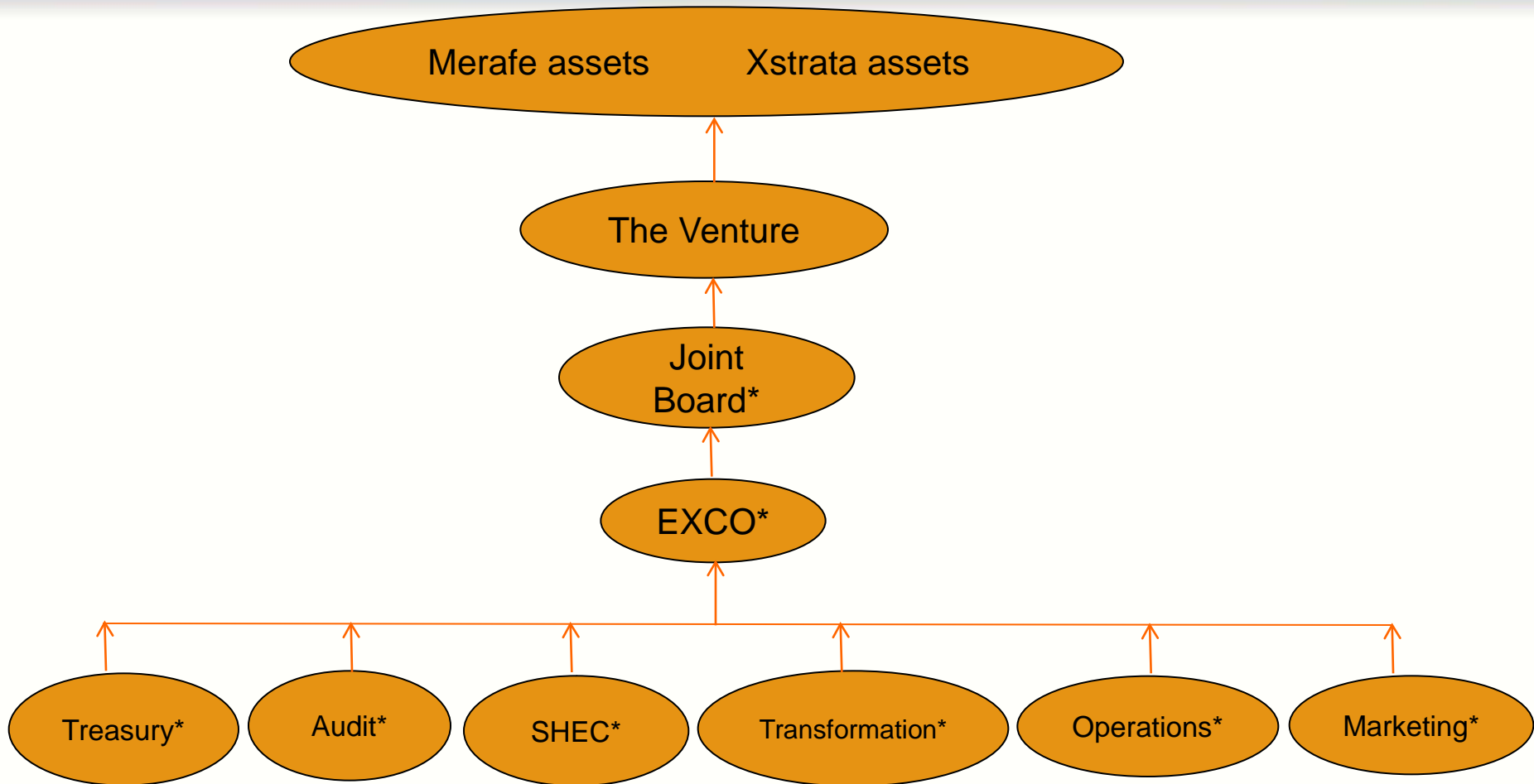
- Joined Merafe Resources as Financial Controller in March 2009 and with effect from 1 June 2010 was appointed Finance and Investor Relations Manager
- Qualified as a Chartered Accountant during 2007
- Worked as Audit Manager at KPMG from 2007 to 2009
- Gained international experience as Audit Senior with KPMG Ireland

Shareholder Structure at End of May 2010



- ✓ No.1 (mining sector) in Financial Mail's Top Empowerment Companies Survey for 2009
- ✓ Top 10 in JSE's SRI Index

Merafe Represented at all Levels of the Venture



* Merafe representation



2. Operational Review



Three Different Technologies provide a Competitive Advantage

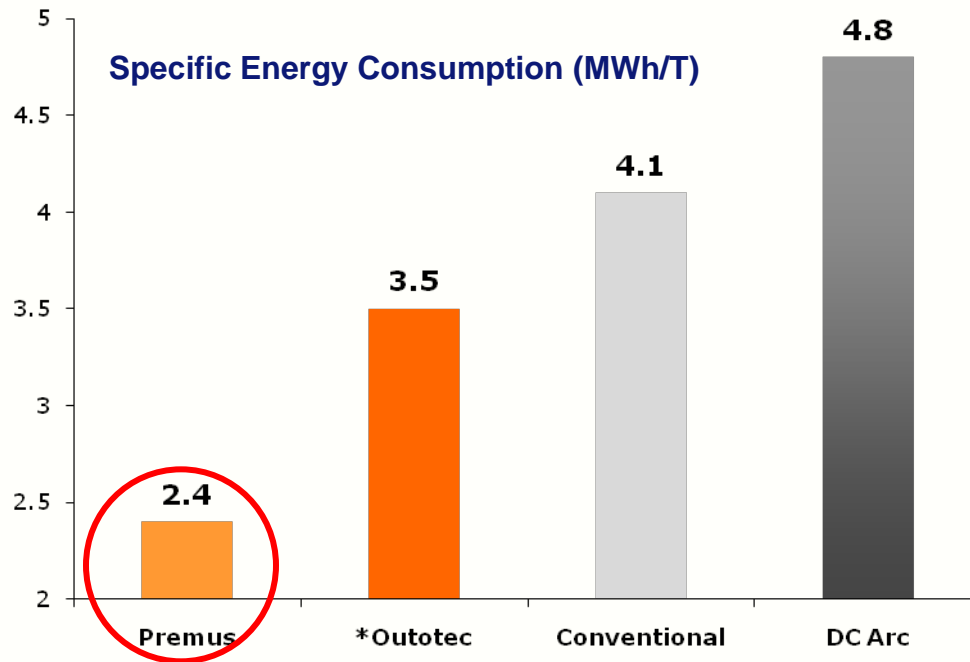
| Smelters | Capacity | Technology |
|--|----------------------------------|---------------|
| Wonderkop | 553 ktpa – 6 furnaces | *Conventional |
| Rustenburg | 430 ktpa – 6 furnaces | *Conventional |
| Boshoek | 240 ktpa – 2 furnaces | Outotec |
| Lydenburg | 396 ktpa – 4 furnaces | Premus |
| Lion | 360 ktpa – 2 furnaces | Premus |
| Total | 1979 ktpa in production capacity | |
| <ul style="list-style-type: none"> • 5 production sites • 20 furnaces • 8 mines | | |

* Improved with Bokamoso pelletising and sintering technology to the equivalent of Outotec (Outokumpu) energy and ore consumption

Venture Well Positioned to Manage Higher Energy Tariffs

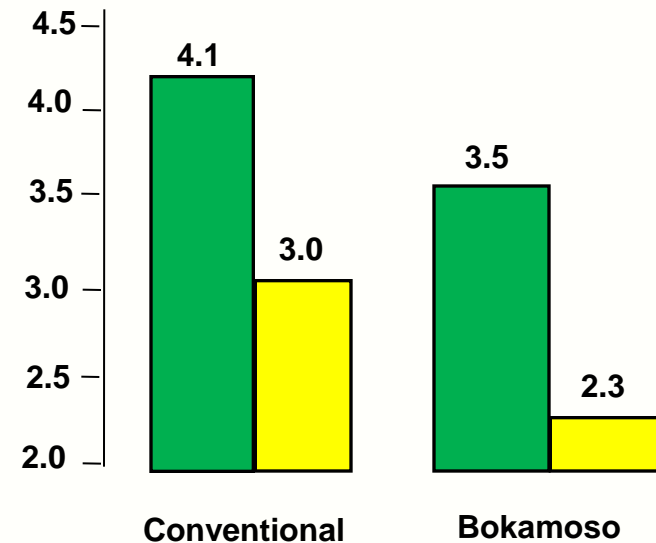
Xstrata-Merafe anticipated the changes in the South African electricity tariffs and invested in efficiencies:

Lion Ferrochrome



*Part of Outokumpu

Bokamoso



■ MWh / tonne Alloy
■ Ore tonne/tonne Alloy

Production Costs – Expectations in 2010

- A 25% increase in electricity costs announced 1 April 2010
- Labour cost increases from 1 July 2010
- General mining inflation on chrome ore
- Transport - dependent on oil prices
- Royalty tax with effect from 1 March 2010
- Reductant prices under pressure



3. Market Review



Ferrochrome: Overview of the Market in 2009

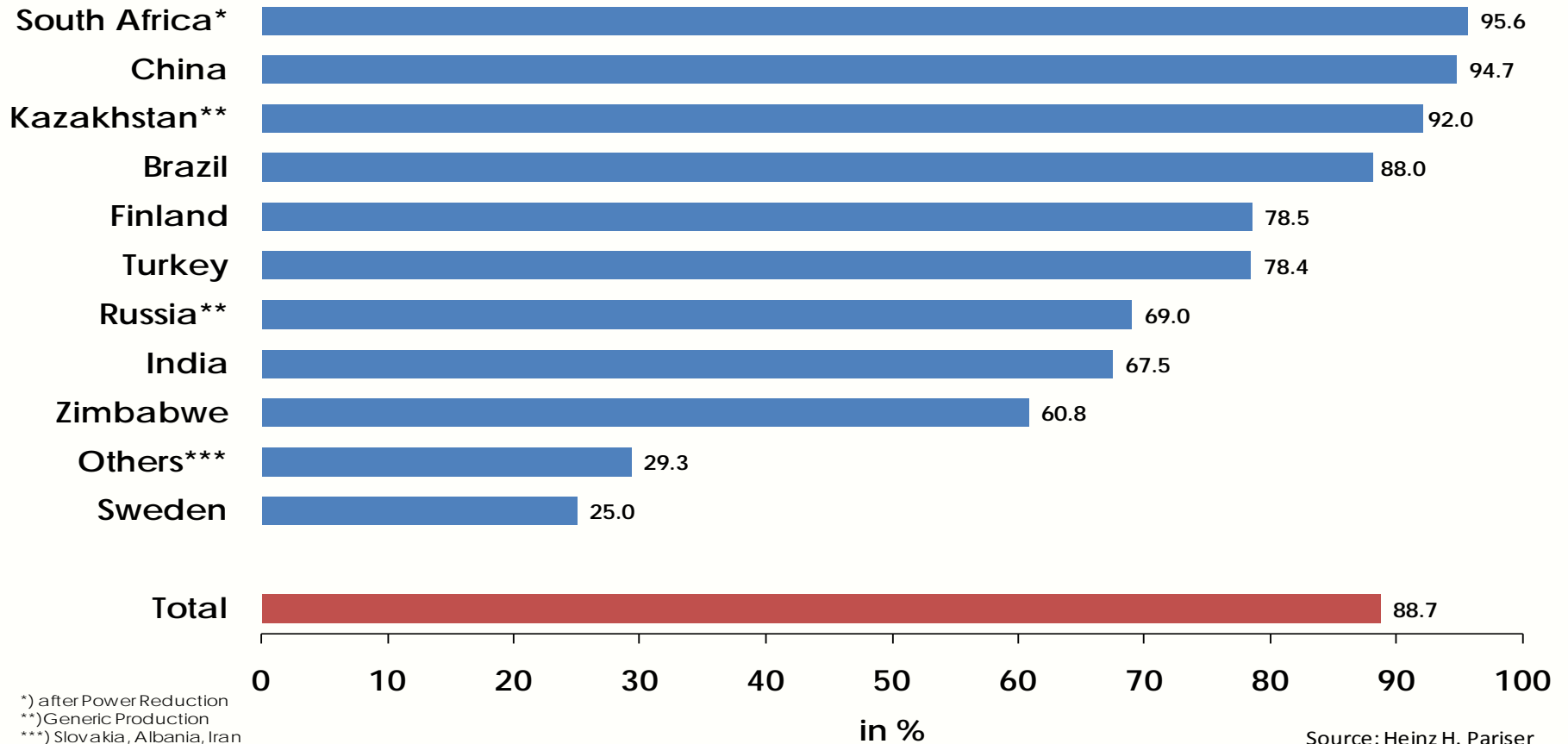
- Unparalleled production cut backs late 2008 / early 2009
- Demand picked up Q2 2009
- Q3 2009 China running at maximum capacity
- Rest of world recovering at slower pace
- Demand met through increased production and stockpiles
- Ferrochrome producers running at 85% production capacity at year end
- Ferrochrome stock levels dropped to 10 - 12 weeks consumption (14 - 16 weeks optimal level)
- Ferrochrome price appreciation
 - 69 USc/lb: Q2
 - 89 USc/lb: Q3
 - 103USc/lb: Q4

Ferrochrome: Overview of the Market: Jan – May 2010

- December 2009 – China fully stocked, pull back in Chinese demand, January holidays
- Ferrochrome price settled at 101USc/lb - Q1 2010
- China demand returns February 2010
- Ferrochrome production matches demand
- Ferrochrome stock levels unchanged
- SA electricity price increases 25%
- Ferrochrome price settles up at 136USc/lb

Ferrochrome

Current Operating capacity: Q1 2010



*) after Power Reduction
**) Generic Production
***) Slovakia, Albania, Iran

Source: Heinz H. Pariser



Global Ferrochrome Production Breakdown

| | 2008 in'000t | 2009 in '000t | Forecast 2010 in '000t | Change 10/09 in % |
|-------------------------|-----------------|------------------|------------------------------|-------------------------|
| Brazil | 187 | 113 | 182 | 61.0 |
| EU 27 | 356 | 161 | 335 | 107.8 |
| Russia, Turkey, Albania | 531 | 316 | 489 | 55.0 |
| India | 750 | 765 | 975 | 27.4 |
| Kazakhstan | 955 | 982 | 1,076 | 9.6 |
| South Africa | 3,239 | 2,179 | 3,527 | 61.9 |
| Zimbabwe | 152 | 100 | 158 | 57.9 |
| Iran | 10 | 15 | 15 | 0.0 |
| Subtotal | 6,179 | 4,631 | 6,757 | 45.9 |
| China | 1,284 | 1,246 | 1,460 | 17.2 |
| Total | 7,463 | 5,877 | 8,217 | 39.8 |

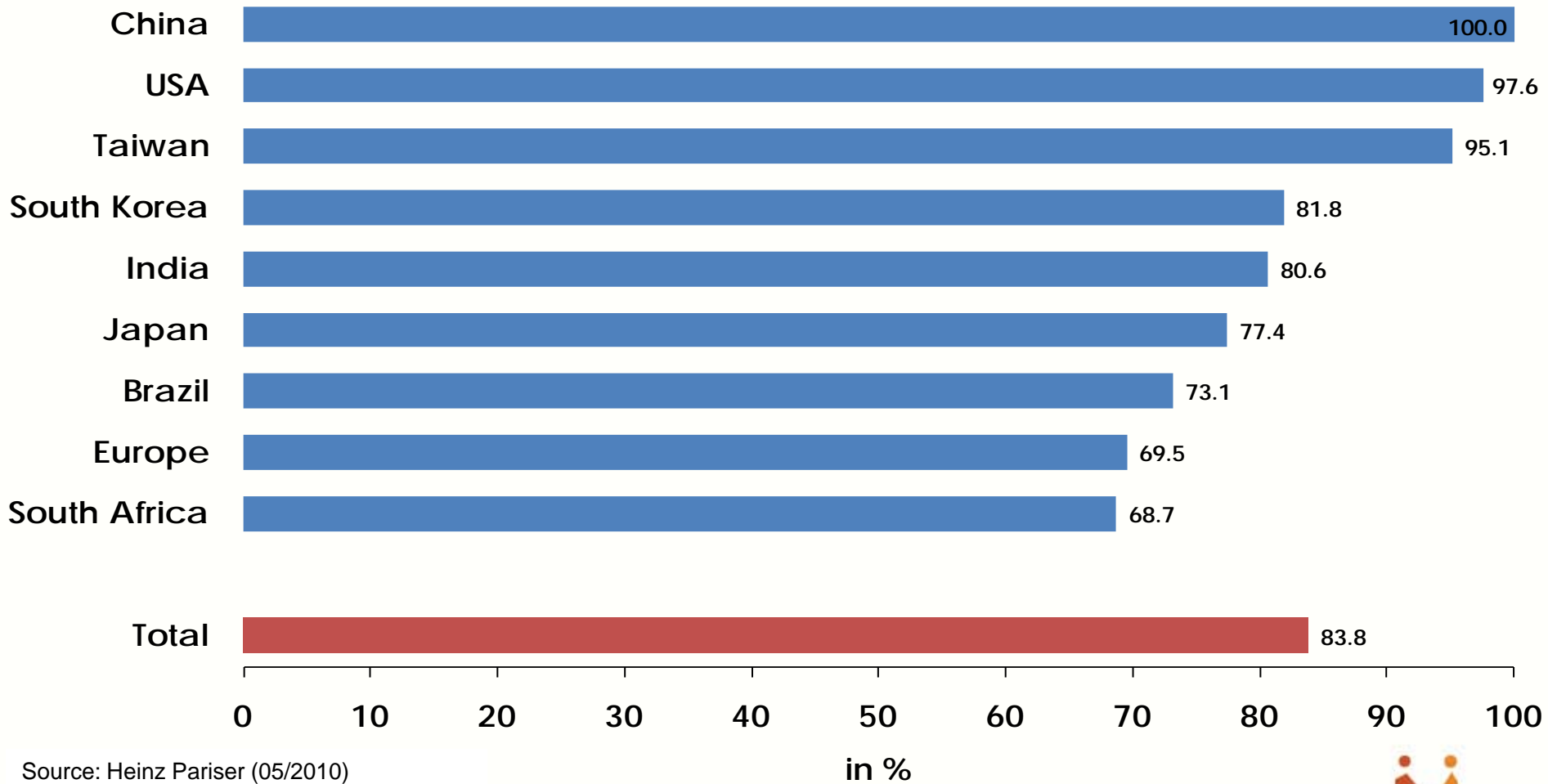
Source: Heinz Pariser/ (05/2010) Merafe Resources

Stainless Steel

Overview of the Market: Jan – May 2010

- Q1 2010, Chinese stainless steel mills back to full capacity
- Q1 2010, Chinese stainless steel production was 2.5mt
- Japanese stainless steel mills running at 80% capacity - increased ferritic production
- Europe stainless steel mills at 75% capacity
- NAFTA market strengthens on stimulus package and car market recovery

Stainless Steel Capacity Utilisation: Q1 2010



Source: Heinz Pariser (05/2010)

in %

Global Stainless Steel Production Breakdown

| | 2007 in '000t | 2008 in '000t | 2009 in '000t | Forecast 2010 in '000t | Change 10/09 in % |
|-----------------------------|------------------|------------------|------------------|------------------------------|-------------------------|
| NAFTA | 2,171 | 1,925 | 1,618 | 2,431 | 50.2 |
| European Union | 8,109 | 7,828 | 5,974 | 7,366 | 23.3 |
| Japan | 3,901 | 3,564 | 2,607 | 3,375 | 29.5 |
| S.Korea/Taiwan/India | 5,305 | 4,458 | 4,811 | 5,605 | 16.5 |
| Others | 1,414 | 1,298 | 1,210 | 1,239 | 2.4 |
| Subtotal | 20,900 | 19,074 | 16,220 | 20,015 | 23.4 |
| China | 7,610 | 7,344 | 9,751 | 11,517 | 18.1 |
| Total | 28,510 | 26,418 | 25,971 | 31,532 | 21.4 |
| CRU forecast | | | | 30,500 | |

Source: Heinz Pariser (05/2010)/ Merafe Resources

Venture's Geographical Sales Fairly Match Geographical Stainless Steel Production

| Region | Venture's estimated ferrochrome sales by region 2010 | Estimated Stainless steel production by region 2010 |
|--------------|--|---|
| Asia | 52% | 59% |
| Europe | 36% | 23% |
| USA | 8% | 9% |
| Others | 4% | 9% |
| Total | 100% | 100% |

Chrome Ore Imports – China

- China is expected to import a total of 8.8 Mt of chrome ore in 2010, which is 29% higher than 2009
- Export duty imposed by the Indian Government has curbed chrome ore exports out of India
- Industry have ongoing discussions with the DMR to regulate chrome ore exports. The exports will possibly be regulated via an export duty
- Expected primary sources of Chinese chrome ore imports in 2010

| Country | Estimated % of China's ore imports 2010 | What the delivered ore is currently costing China (May 2010) |
|--------------|---|--|
| South Africa | 43 % | \$235/t CIF |
| Turkey | 14% | \$420/t CIF |
| Oman | 13% | \$295/t CIF |
| India | 5% | \$420/t CIF |
| Other | 25% | n/a |



4. Financial Review



Key Financial Highlights

Year ended 31 December 2009

- Revenue down by 34% to R1.8 billion
- Full year loss of R152 million equating to a loss of 6c per share
- Net financing costs down by 81%
- Ferrochrome inventory reduced by 49%
- Cash flows from operations of R267 million
- Healthy cash balance of R463 million
- Declared Maiden cash dividend of 2c per share*

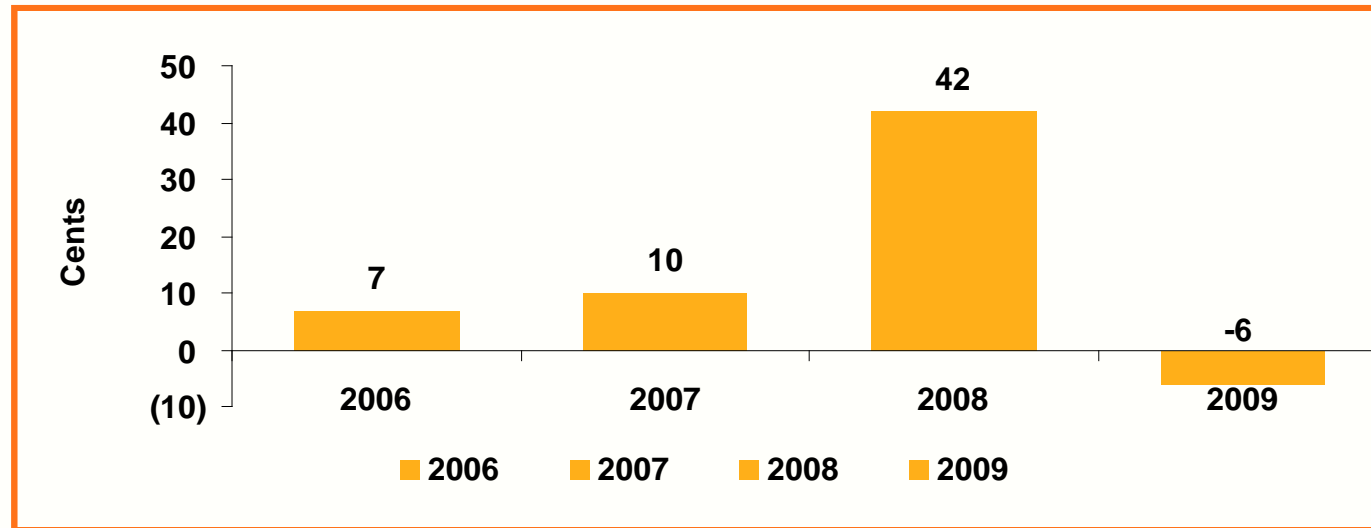
Quarter ended 31 March 2010

- Paid R50m of R350m long term debt
- Paid dividend of R50m
- Paid STC of R4m

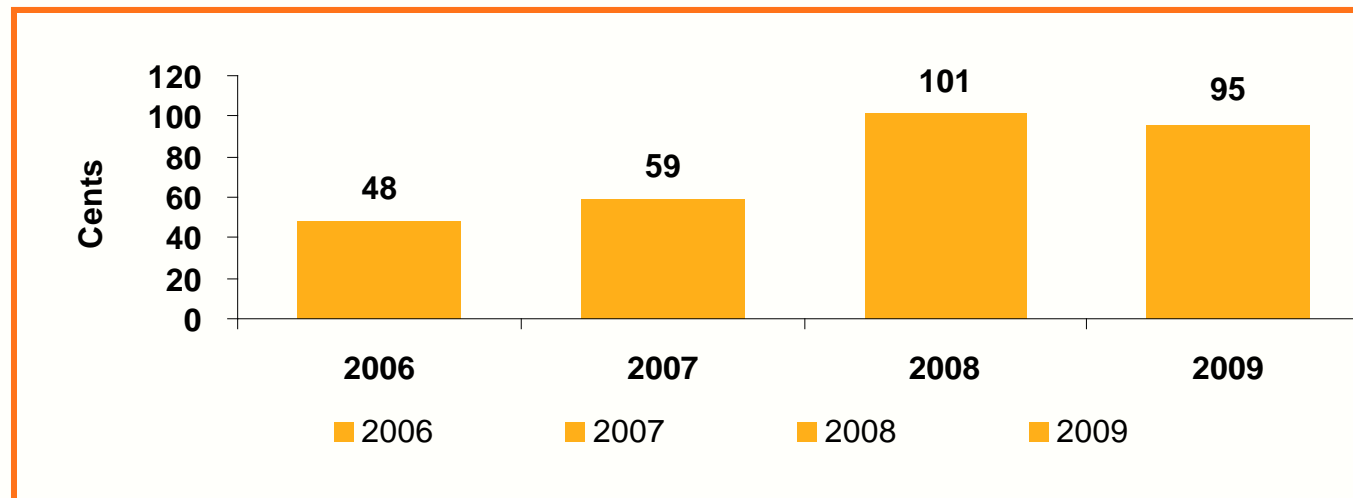


Financial Performance over the last Four Years

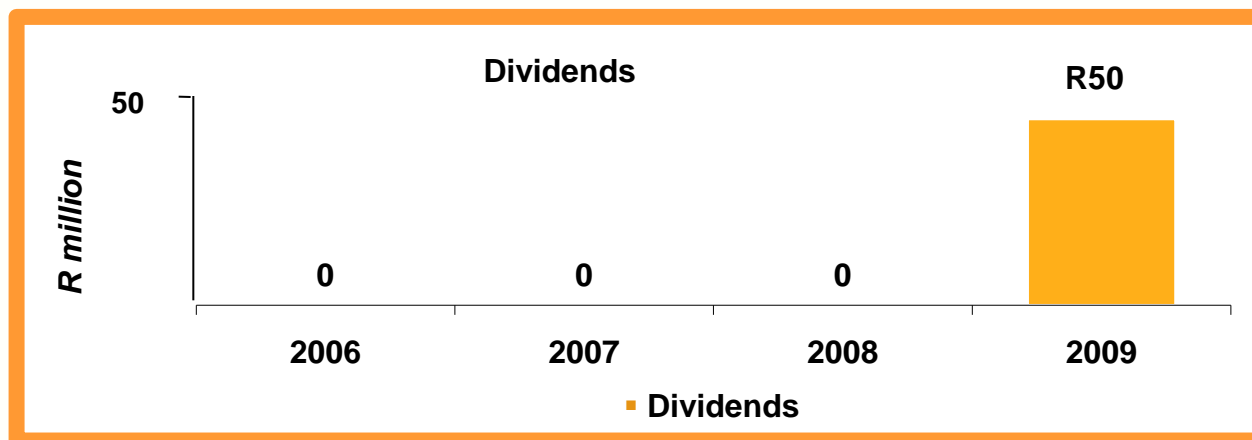
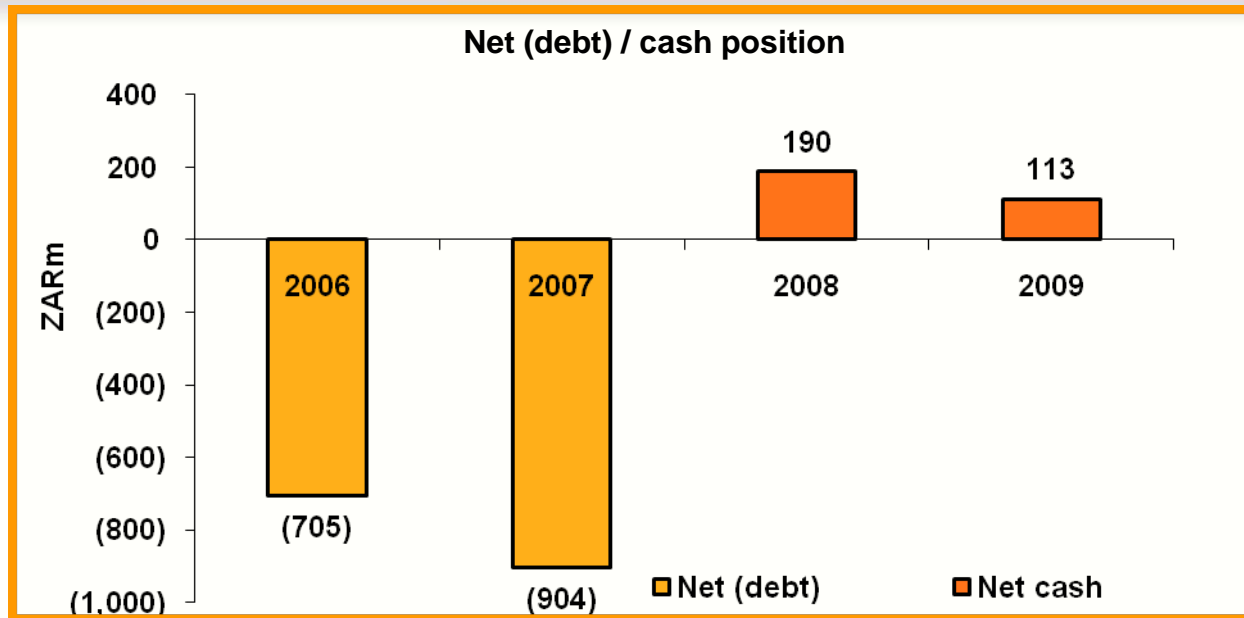
Earnings per share



Net asset value per share



Financial Performance over the last Four Years (cont.)



New Royalty Tax Effective from March 2010

- Royalty tax effective 1 March 2010 and based on chrome ore as the first saleable point
- Merafe (“the Venture”) subject to the “Unrefined” formula
- Royalty % is: $0.5\% + [(EBIT)/(gross\ sales \times 9)] \%$
- Taxable EBIT – can deduct unredeemed capex but not assessable losses
- Maximum Royalty is 7% of gross sales
- Royalty is tax deductible
- Challenge is to arrive at a fair transfer price on internal chrome ore consumption



5. Industry Outlook – 2010



Stainless Steel Outlook

Speed bumps in Q3 2010

- Euro crisis
 - PIIGS
- China cooling measures
- Raised mortgage rates, second home deposits up, raised reserve requirements on banks
- China appears to have restocked
- Nickel price collapse
- Weaking Euro

Ferrochrome Outlook

- Winter furnace shutdowns
 - The venture has announced the closure of 10 furnaces for routine maintenance at various times during the next 3 months
 - Other South African Ferrochrome producers set to follow
- Stockpiles still low at 10 –12 weeks
- SA ferrochrome producers costs continue to rise
- 18 day strike by Transnet – ferrochrome order backlog
- Eskom reserve margin under pressure in winter
- Potential strikes in South Africa

High Barriers to Entry in South Africa

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?



6. Recent Developments



UG2 Chrome Contract Signed with Lonmin

- The Venture has signed a contract with Lonmin for construction of a Chrome Recovery Plant (CRP) to treat the current tailings from UG2 concentrators at Lonmin's Marikana operations
- The Venture will construct, own and operate the CRP and purchase the chromite concentrate produced from the CRP
 - Expected to be in full production in 2011
- Duration of the contract is based on total volume treated, rather than a fixed time period
- The Venture is expected to treat approximately 1.5 Mt of chromite concentrate contained in the tailings feed per annum
- Will reduce cost of production significantly



7. Prospects



Outlook for Ferrochrome Remains Positive

- Ferrochrome stock levels are at historic lows
- Transnet Railway workers strike created ferrochrome backlog
- Nickel price collapse, Euro weakness, Euro crisis, China cooling off will slow stainless steel production in Q3 2010
- We expect stainless steel demand to pick-up again in Q4 2010
- China is set to achieve its target of producing 10mt of stainless steel by 2010
- 1.5 Mt additional UG2 chromite ore p.a. for the Venture expected in 2011
 - Results in significant cost savings, thereby entrenching the Venture's position as a low cost producer
- Merafe cash position remains strong



Appendices



Abridged Consolidated Statement of Comprehensive Income

| | As at 31 December 2009 Audited R'000 | As at 31 December 2008 Audited R'000 |
|---------------------------------|---|---|
| Revenue | 1,839,169 | 2,781,304 |
| EBITDA | (100,311) | 1,611,923 |
| Depreciation | (106,189) | (77,918) |
| Net financing costs | <u>(11,975)</u> | <u>(63,983)</u> |
| (Loss)/profit before income tax | (218,475) | 1,470,022 |

Abridged Consolidated Statement of Comprehensive Income (cont.)

| | As at 31 December 2009 Audited R'000 | As at 31 December 2008 Audited R'000 |
|--|---|---|
| Income tax income/(expense) | 66,150 | (442,331) |
| Current tax | (1,902) | (84,216) |
| Deferred tax | 68,052 | 357,247 |
| Secondary tax on companies | - | (868) |
| (Loss)/profit and total comprehensive (loss)/ income for the year | (152,325) | 1,027,691 |
| (Loss)/earnings per share (cents) | (6) | 42 |
| Ordinary shares in issue | 2,459,258,860 | 2,459,258,860 |
| Final dividend – declared (R'000) | 49 185 | - |
| Dividends per share (cents) | 2 | - |

Abridged Consolidated Statement of Financial Position

| | As at 31 December 2009 Audited R'000 | As at 31 December 2008 Audited R'000 |
|-------------------------------|---|---|
| Total non-current assets | 1,949,464 | 1,861,185 |
| Property, plant and equipment | 1,949,464 | 1,861,185 |
| Total current assets | 1,454,435 | 1,893,165 |
| Trade and other receivables | 234,346 | 286,271 |
| Inventories | 757,457 | 1,067,153 |
| Cash and cash equivalents | 462,632 | 539,741 |
| Total Assets | 3,403,899 | 3,754,350 |

Abridged Consolidated Statement of Financial Position (cont.)

| | As at 31 December 2009 Audited R'000 | As at 31 December 2008 Audited R'000 |
|---|---|---|
| Total non-current liabilities | 782,153 | 845,136 |
| Loans and borrowings | 363,626 | 366,174 |
| Provision for closure and restoration costs | 37,347 | 29,730 |
| Deferred tax liability | 381,180 | 449,232 |
| Total current liabilities | 288,210 | 429,876 |
| Loans and borrowings | 888 | 1,200 |
| Financial liability | 8,568 | 11,466 |
| Trade and other payables | 278,735 | 331,364 |
| Current tax liability | 19 | 85,846 |
| Total liabilities | 1,070,363 | 1,275,012 |

Abridged Consolidated Statement of Cash Flow

| | As at 31 December 2009 Audited R'000 | As at 31 December 2008 Audited R'000 |
|---|---|---|
| (Loss)/profit before income tax | (218,475) | 1,470,022 |
| Net interest paid | 11,975 | 52,517 |
| Depreciation | 106,189 | 77,918 |
| Adjusted for non-cash items | 3,625 | 12,485 |
| Adjusted for working capital changes | 363,389 | (683,854) |
| Cash flow from operations | 266,703 | 929,088 |
| Net interest paid | (12,150) | (52,517) |
| Taxation paid | (87,728) | (700) |
| Cash flows from operating activities | 166,825 | 875,871 |

Abridged Consolidated Statement of Cash Flow (cont.)

| | As at 31 December 2009 Audited R'000 | As at 31 December 2008 Audited R'000 |
|---|---|---|
| Net acquisition of property, plant and equipment | (182,583) | (138,262) |
| Cash flows from financing activities | (2,548) | (114,351) |
| Net (decrease)/increase in cash and cash equivalents | (18,306) | 623,258 |
| Cash and cash equivalents at the beginning of the year | 539,741 | (153,469) |
| Effect of exchange rate fluctuations on cash held | (58,803) | 69,952 |
| Cash and cash equivalents at the end of the year | 462,632 | 539,741 |

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