MERAFE
RESOURCES

RESULTS PRESENTATION

for the six months ended 30 June 2011

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for the six months ended 30 June 2011

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Notes

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1. **Key features**
2. Market review
3. Financial review
4. Project pipeline
5. Outlook
6. Appendices

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Key features for the period

- Approved 20.5% participation in the Lion II smelter complex
- Profit of R86m, EPS of 3.5 cents
- Production costs increased by 16%
- Two fatalities, TRIFR reduced by 13%
- Healthy cash balance of R366m

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Sustainability remains a key priority

- Two fatalities at Wonderkop and Lydenburg smelters
  (our condolences go out to the families of these young men)
- 13% improvement in TRIFR to 3.98*
- Steps taken to improve safety include :
  - Training
  - Supervision
  - Contractor management
  - Equipment integrity and design
  - Enforcement of rules
- No cases of occupational diseases
- No changes in mineral reserves and resources

**(H1 2011 vs FY 2010)*

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Notes

Driving efficiencies through environmental initiatives

Environment

- No adverse environmental impacts on the Venture
- New technology projects (Lion II and Tswelopele)
  - improved energy efficiency
  - reduce greenhouse gas emissions
  - less ore consumption
  - less slag generation
  - less fugitive dust emissions

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Charge ferrochrome

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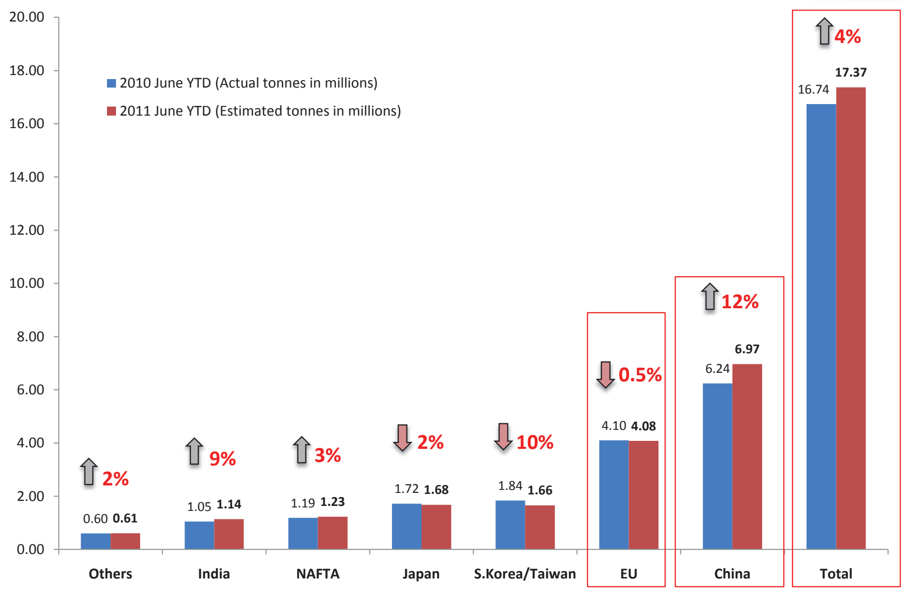
Estimated 4% increase in stainless steel production, mainly driven by China



	2011	2010	Increase
Full-year forecast (tonnes in millions)	34.4	32.4	6%

Source: Heinz Pariser July 2011

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Global **ferrochrome demand** remains in line with the 2010 comparative period with China increasing by 9% period on period

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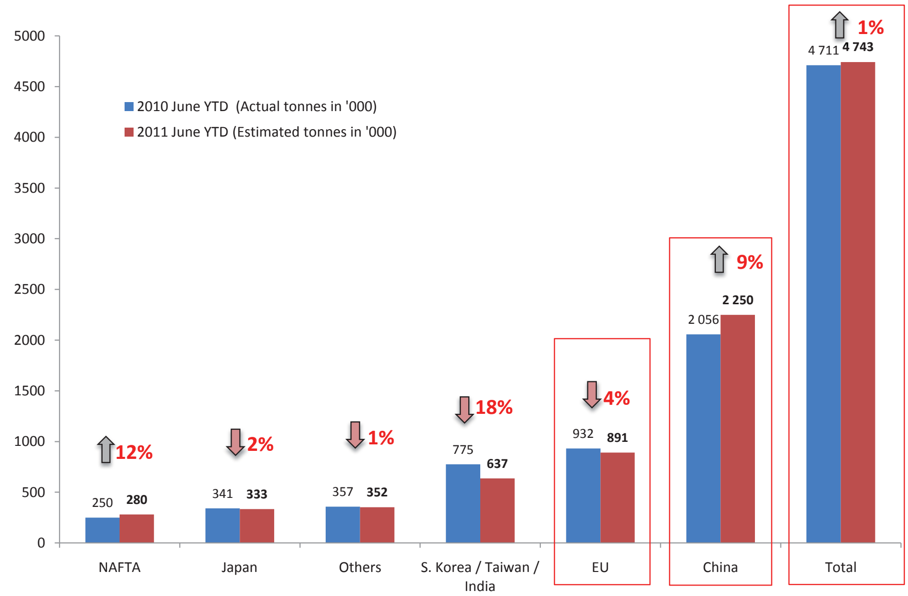

	2011	2010	Increase
Full-year forecast FeCr demand (in '000 of tonnes)	9 553	9 073	5%

Source: Heinz Pariser July 2011

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Global **ferrochrome supply** in balance with stainless steel production

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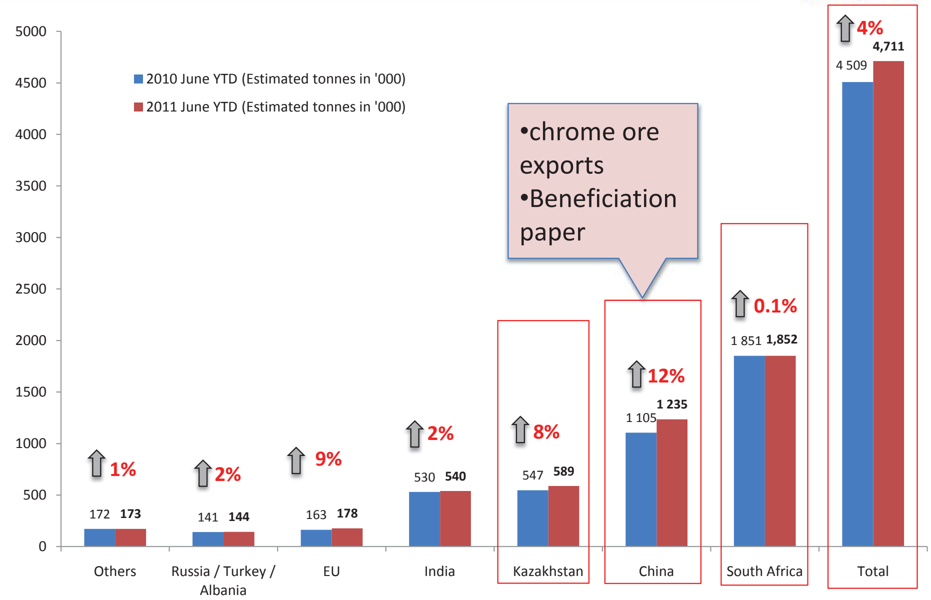

	2011	2010	Increase
Full-year forecast FeCr supply (in '000 of tonnes)	9 233	8 863	4%

Source: Heinz Pariser July 2011

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Overview of the **ferrochrome market** in H1 2011

Ferrochrome price overview

Q1 2011	125 USc/lb
Q2 2011	135 USc/lb
Q3 2011	120 USc/lb

Developments in 2011

- Global stainless steel production reached record highs in Q1 2011, this increased demand for FeCr
- Significant restocking took place
- Recent Geopolitical events
- Uncertainty about global recovery
- Falling Nickel prices
- Credit tightening in China
- Entered a period of destocking in Q2 / Q3
- SA FeCr producers reduced output in winter, Venture will operate, on average, at 50% of operating capacity

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Boshoek smelter, North West Province

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Increased production costs and strengthening of the Rand limit the profit impact from the ferrochrome price increases

- Profit of R86m compared to profit of R189m for the comparative period
- Production costs increased by 16% in Rand terms
- Healthy cash balance of R366 million
- Ferrochrome inventory remains at similar levels to Dec 2010 (12 – 14 weeks)

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Notes

Ferrochrome price increases offset by the strengthening of the Rand

	2011 June	2010 June	% Change
Sales tonnes	**146 100**	148 400	(2%)
Average benchmark ferrochrome price in USc/lb	**130**	118.5	10%
Average exchange rate (Rand:USD)	**6.90**	7.53	(8%)

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Production costs contained at an overall increase of 16% in Rand terms

- Chrome ore costs increase
  - Higher prices of bought-in UG2
  - Higher mining costs
- Reductant costs remain in line with the prior period
- Electricity price increases of 27% in 2011

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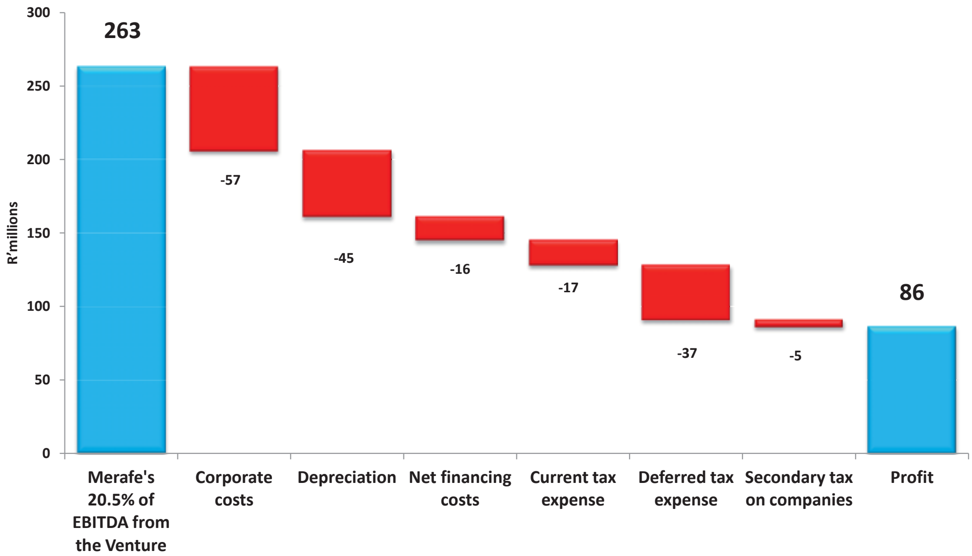
Reconciliation of EBITDA to profit



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Balance sheet remains strong

	As at 30 June 2011 Reviewed R'000	As at 31 December 2010 Audited R'000
Total non-current assets	**2,301,262**	2,192,600
Property, plant and equipment	**2,301,262**	2,192,600
Total current assets	**1,658,157**	**1,625,008**
Inventories	**889,016**	**865,251**
Trade and other receivables	**403,023**	**435,514**
Current tax asset	-	**3,519**
Cash and cash equivalents	**366,118**	**320,724**
Total assets	**3,959,419**	**3,817,608**

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Balance sheet remains strong (cont.)

	As at 30 June 2010 Reviewed R'000	As at 31 December 2010 Audited R'000
Total non-current liabilities	**865,851**	821,759
Loans and borrowings	**312,542**	312,786
Provision for closure and restoration costs	**46,300**	39,439
Deferred tax liability	**507,009**	469,534
Total current liabilities	**478,366**	420,845
Loans and borrowings	**575**	831
Financial liability	**7,815**	11,048
Trade and other payables	**456,509**	408,966
Current tax liability	**13 467**	-
Total liabilities	**1,344,217**	**1,242,604**

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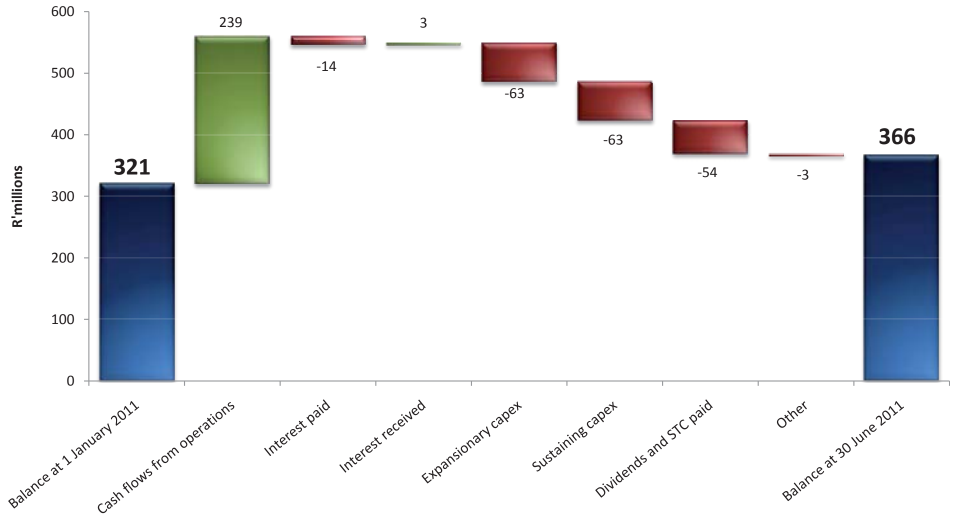
Maintained strong cash position following second consecutive dividend payment



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Lion I smelter, Limpopo Province

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Significant growth and efficiencies

	Description	Project cost (Merafe's portion at 20.5% cost)	Completion date	Progress
1	Lonmin UG2 Plants 1,5million tonnes UG2 chrome ore per annum	R44m	H1 2011	Completed within schedule/budget
2	Waterval mine development 30 000 tonnes of chrome ore per month	R17m	H2 2011	On track to be completed within schedule/budget
3	Horizon mine development 40 000 tonnes of chrome ore per month	R66m	H1 2013	On track to be completed within schedule/budget
4	Project Tswelopele 600 000 tpa pelletising and sintering plant	R188m	H1 2013	On track to be completed within schedule/budget
5	Lion II smelter complex 360 000 tonnes of ferrochrome smelting capacity & Development of Magareng mine	R1bn	H1 2013	On track to be completed within schedule/budget

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Bokamoso Pelletising Plant, North West Province

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Expect favourable market dynamics in Q4 2011

- Destocking of ferrochrome by stainless steel producers to be completed during the third quarter of 2011
- Seasonal demand improvement, stainless steel restocking by distribution centres and ferrochrome restocking by stainless steel producers
- Nickel price has levelled out
- Improved trading conditions during the fourth quarter of 2011 and into 2012
- Projected 6% growth of stainless steel in 2011
- 5% growth in the medium term fuels ongoing demand for ferrochrome
- Demand fundamentals remain strong as China continues to expand

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Boshoek smelter, North West Province

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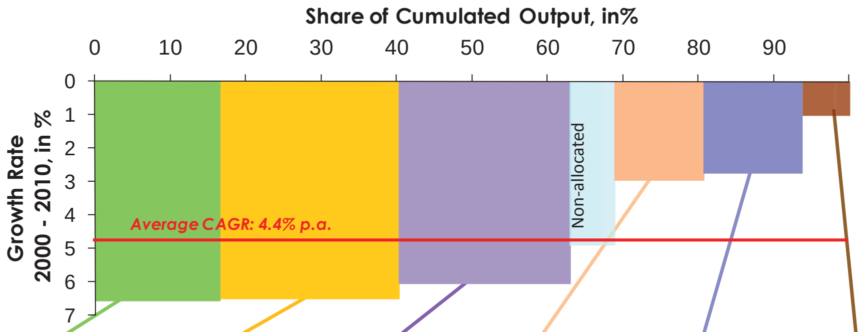
Global end use of stainless steel



Building & Construction	Metal Goods	Engineering	Transport	Tubular Products	Electro & Electronic
• Lifts	• Cutlery	• Heat Exch.	• Automotive	• Seamless	• White Goods
• Escalators	• Tableware	• Chemical /	• Railway	• Welded	• Brown Goods
• Chimney liners	• Medical Appl.	• Petrochemical	• Aerospace	• Flanges	• Etc.
• Air con	• Catering	• Food Process.	• Shipbuilding	• Fittings	
• Sinks	• Wire products	• Packaging	• Containers	• Etc.	
• Etc.	• Etc.	• Etc.	• Etc.		

Source: Heinz Pariser

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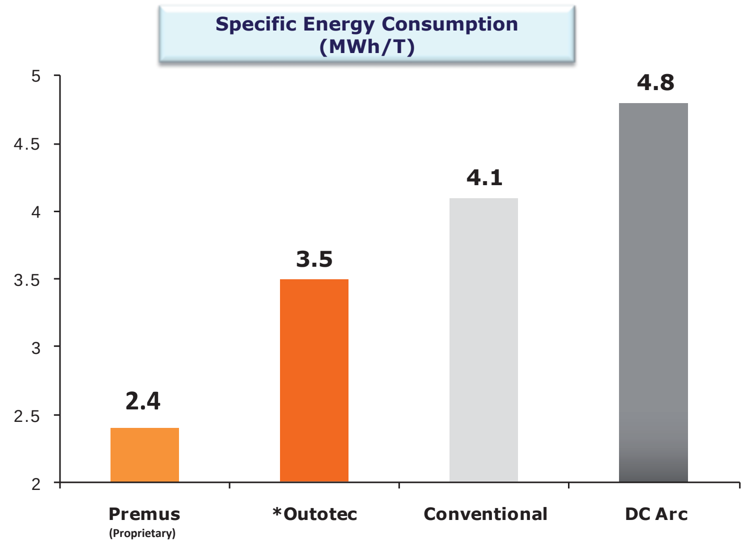
Notes

Lion II uses significantly less electricity compared to other available smelting technologies

Xstrata-Merafe Venture anticipated the changes in the South African electricity tariffs and invested in energy efficiencies.



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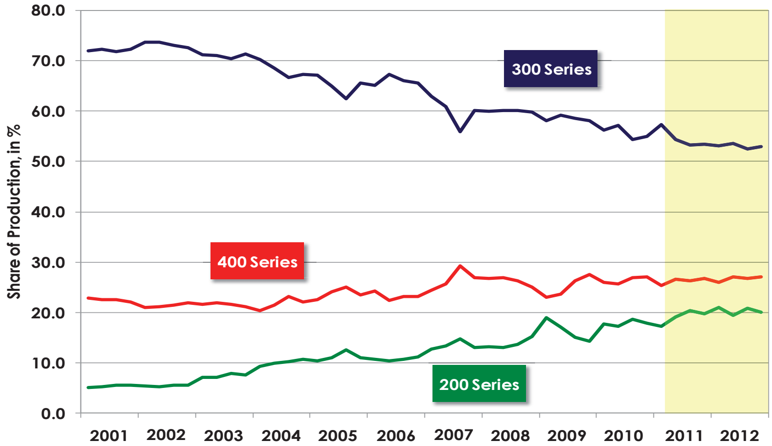
Stainless steel product mix

400 SERIES (Ferritic : 10.5%-22% chrome, no nickel)

300 SERIES (Austenitic : 17%-22% chrome & 7%-25% nickel, most corrosion resistant)

200 SERIES (Chrome manganese : 16%-18% chrome, 2%-4% nickel and 6% - 9% manganese)



Source: Heinz Pariser

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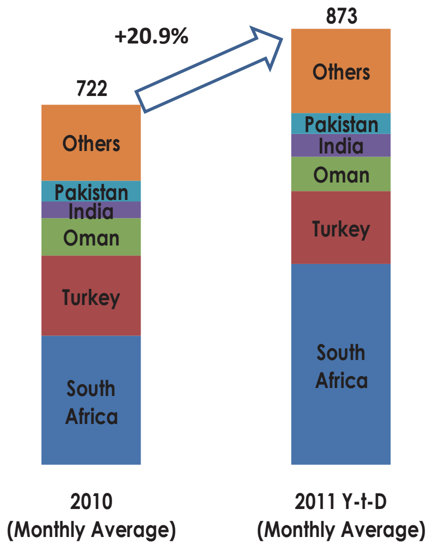
Notes

China - Chrome ore imports by source

	2008	2009	2010	2011 Y-t-D
	in ´000 t			
South Africa	2,604	2,904	3,100	2,014
Turkey	1,180	1,287	1,933	729
Oman	814	688	902	344
India	551	414	389	233
Pakistan	379	296	512	205
Albania	154	220	363	176
Iran	188	255	350	147
Zimbabwe	37	31	160	129
Madagascar	93	112	115	68
Australia	69	139	201	68
Philippines	346	88	150	65
Brazil	62	75	77	60
Kazakhstan	204	175	243	52
Others	169	80	172	75
TOTAL	6,849	6,763	8,666	4,365



Source: Heinz Pariser

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