AUDITED ABRIDGED RESULTS AND DIVIDEND ANNOUNCEMENT

for the year ended 31 December 2010

MERAFE RESOURCES LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1987/003452/06)
Share code: MRF ISIN: ZAE000060000
(Merafe or the Company or the Group)

KEY FEATURES

- Significant increase in basic and headline EPS
- Increased production volumes
- Improved total recordable lost time injury frequency rate
- Fatality at the Lion ferrochrome plant
- A best performer on JSE SRI Index for fourth consecutive year
- Stable dividend policy continues
- Ferrochrome prices expected to increase in 2011

Commenting on the results, Merafe Resources CEO, Stuart Elliot said:
"We are delighted to report a significant increase in earnings, from the global economic crisis in 2009. Merafe's outstanding turnaround in performance was achieved primarily due to a 46% increase in the average European benchmark ferrochrome price and operational cost control through breakthrough achievements in optimising the reductant mix. We continue to deliver returns to shareholders, with our final dividend declaration of 2 cents per share, underlining our stable dividend policy. 2011 is expected to be a fantastic year with upward movements in ferrochrome demand and prices, coupled with our exciting pipeline of projects."

ABRIDGED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December 2010 Audited R'000	Year ended 31 December 2009 Audited R'000
Revenue	**2 558 441**	1 839 169
EBITDA	**529 815**	(100 311)
Depreciation	**(113 535)**	(106 189)
Net financing costs	**(24 997)**	(11 975)
Profit/(loss) before income tax	**391 283**	(218 475)
Income tax	**(112 579)**	66 150
Current tax	**(20 180)**	(1 902)
Deferred tax	**(88 354)**	68 052
Secondary tax on companies	**(4 045)**	–
Profit/(loss) and total comprehensive income/(loss) for the year	**278 704**	(152 325)
Earnings/(loss) per share (cents)	**11**	(6)
Diluted earnings/(loss) per share (cents)	**11**	(6)
Headline earnings/(loss) per share (cents)	**11#**	(6)
Diluted headline earnings/(loss) per share (cents)	**11#**	(6)
Dividends per share (cents)	**2****	2*
Ordinary shares in issue	**2 476 656 043**	2 459 258 860
Weighted average number of shares for the year	**2 463 152 779**	2 459 258 860
Diluted weighted average number of shares for the year	**2 481 965 326**	2 482 014 143

** This relates to a dividend that was declared by the Board on 26 February 2010*
*** This relates to a dividend that was declared by the Board on 25 February 2011*

# Headline earnings	***R269 million***	*(R157 million)*
Profit and total comprehensive income for the year	***R279 million***	*(R152 million)*
Profit on disposal of property, plant and equipment	***(R10 million)***	*(R5 million)*

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December 2010 Audited R'000	As at 31 December 2009 Audited R'000
Assets		
Property, plant and equipment	**2 192 600**	1 949 464
Total non-current assets	**2 192 600**	1 949 464
Inventories	**865 251**	757 457
Trade and other receivables	**435 514**	234 346
Current tax asset	**3 519**	–
Cash and cash equivalents	**320 724**	462 632
Total current assets	**1 625 008**	1 454 435
Total assets	**3 817 608**	3 403 899
Equity		
Share capital	**24 767**	24 593
Share premium	**1 253 568**	1 244 072
Equity-settled share-based payment reserve	**24 391**	22 109
Retained earnings	**1 272 279**	1 042 762
Total equity attributable to equity holders	**2 575 005**	2 333 536
Liabilities		
Loans and borrowings	**312 786**	363 626
Provision for closure and restoration costs	**39 439**	37 347
Deferred tax liability	**469 534**	381 180
Total non-current liabilities	**821 759**	782 153
Loans and borrowings	**831**	888
Financial liability	**11 048**	8 568
Trade and other payables	**408 965**	278 735
Current tax liability	**–**	19
Total current liabilities	**420 844**	288 210
Total liabilities	**1 242 603**	1 070 363
Total equity and liabilities	**3 817 608**	3 403 899

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Year ended 31 December 2010 Audited R'000	Year ended 31 December 2009 Audited R'000
Issued share capital – ordinary shares	**24 767**	24 593
Balance at beginning of year	**24 593**	24 593
Share options exercised	**174**	–
Share premium – ordinary shares	**1 253 568**	1 244 072
Balance at beginning of year	**1 244 072**	1 244 072
Share premium arising from share options exercised	**9 496**	–
Equity-settled share-based payment reserve	**24 391**	22 109
Balance at beginning of year	**22 109**	15 586
Share-based payment	**2 282**	6 523
Retained earnings	**1 272 279**	1 042 762
Balance at beginning of year	**1 042 762**	1 195 087
Profit/(loss) and total comprehensive income/(loss) for the year	**278 704**	(152 325)
Ordinary dividend paid	**(49 187)***	–
Total equity at end of year	**2 575 005**	2 333 536

** Relates to a dividend that was declared by the board on 26 February 2010*

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOW

	Year ended 31 December 2010 Audited R'000	Year ended 31 December 2009 Audited R'000
Profit/(loss) before taxation	**391 283**	(218 475)
Interest paid	**33 853**	39 568
Interest received	**(8 856)**	(27 593)
Depreciation	**113 535**	106 189
Adjusted for non-cash items	**2 488**	3 625
Adjusted for working capital changes	**(240 249)**	363 389
Cash flows from operations	**292 054**	266 703
Interest paid	**(31 373)**	(39 568)
Interest received	**8 856**	27 418*
Tax paid	**(23 715)**	(87 728)
Net cash from operating activities	**245 822**	166 825
Net cash utilised in investing activities	**(270 498)**	(182 583)
Acquisition of property, plant and equipment – expansionary	**(103 372)**	(1 593)
Acquisition of property, plant and equipment – sustaining	**(167 126)**	(180 990)
Net cash (used in) from financing activities	**(94 402)**	(2 548)
Dividends paid	**(49 187)**	–
Secondary tax on companies paid	**(4 045)**	–
Proceeds from issue of shares	**9 670**	–
Decrease in non-current borrowings	**(50 840)**	(2 548)
Net decrease in cash and cash equivalents	**(119 078)**	(18 306)
Cash and cash equivalents at the beginning of the year	**462 632**	539 741
Effect of exchange rate fluctuations on cash held	**(22 830)**	(58 803)
Cash and cash equivalents at the end of the year	**320 724**	462 632

** Amount is net of interest accrual of R0,175 million*

COMMENTARY

Basis of preparation

On 25 February 2011, the board of directors (the Board) of the Company approved the consolidated annual financial statements of the Group and the Company for the year ended 31 December 2010.

In compliance with the JSE Limited Listings Requirements, the annual financial statements have been prepared in accordance with and contain the information required by International Financial Reporting Standards ("IFRS"), the AC 500 Standards, as issued by the Accounting Practices Board or its successor and in the manner required by the Companies Act, 1973 (Act 61 of 1973), as amended. The accounting policies adopted are in terms of IFRS and are consistent with those adopted in the annual financial statements for the year ended 31 December 2009.

The abridged results are a summary of the consolidated annual financial statements and have been prepared applying the principles in IAS 34: Interim Financial Reporting to the annual financial statements.

Review of results

The abridged consolidated results and the consolidated annual financial statements have been audited by the Group's auditors, KPMG Inc. Their unqualified audit report is available for inspection at the Company's registered address.

Merafe's operating income is generated from the Xstrata-Merafe Chrome Venture (the Venture), the global market leader in ferrochrome, with a total managed capacity of 1,98 million tonnes of ferrochrome per annum. Merafe shares in 20,5% of the earnings before interest, taxation, depreciation and amortisation (EBITDA) from the Venture.

Merafe's earnings from the Venture increased significantly from the prior year primarily as a result of an increase of 46% in the average European benchmark ferrochrome price from 85USc/lb to 124USc/lb year-on-year and an increase of 4% in Merafe's share of sales tonnes from 281 000 in 2009 to 291 000 in 2010.

Merafe's share of EBITDA from the Venture for the year ended 31 December 2010 was R563,5 million. The EBITDA includes Merafe's attributable share of standing charges of R96,4 million and a foreign exchange loss of R41,2 million. Merafe's EBITDA was R529,8 million, after accounting for corporate costs of R31,4 million and share-based expense of R2,3 million.

The profit and total comprehensive income for the year is R278,7 million after taking into account depreciation of R113,5 million, net financing costs of R25 million, current tax expense of R20,1 million, deferred tax expense of R88,4 million and secondary tax on companies of R4 million. The deferred tax expense relates primarily to R28,4 million recognised on the utilisation of the assessable loss and R60 million recognised on current temporary differences, primarily relating to property, plant and equipment. The balance of unredeemed capital expenditure is estimated to be R252 million at 31 December 2010.

Trade and other receivables have increased significantly from the prior year primarily due to the effect of the European benchmark price on sales. Property, plant and equipment increased from the prior period as a result of sustaining capex of R167 million and R103 million of expansionary capex of which R55 million relates to the Horizon mine development and R48 million relates to Project Tswelopele, the new planned 600 000 tonnes per annum pelletising and sintering plant that will be constructed at the Rustenburg smelter (see recent developments below).

Merafe started the year with a cash balance of R463 million, generated R233 million in cashflows, paid a dividend and secondary tax on companies ("STC") of R53 million, repaid R50 million of long-term resources debt and invested R270 million in expansionary and sustaining capex, closing with a healthy cash balance of R321 million. Merafe has R136 million in its own cash balance and a further R185 million in the Venture. Merafe has R300 million of long-term debt repayable in one instalment on 31 December 2012.

Review of operations

Production costs in Rand terms increased by 10% due to substantial increases in chrome ore prices and power costs. These were partially offset by lower reductant costs achieved mainly as a result of breakthrough achievements in optimising the reductant mix to limit the impact of high metallurgical coke prices.

Higher costs for ore were due to the introduction of South African royalty taxes, higher UG2 prices and the use of higher cost ore to meet increased demand from the smelters.

Ongoing electrical energy efficiency improvements and prioritising maintenance during high-tariff electricity months helped to offset a 25% annual increase in electricity prices. During the past decade electrical energy efficiencies of the group's ferrochrome operations have improved by over 25%. Further efficiency improvements will be achieved as Project Tswelopele becomes operational in 2013.

All new order mining right applications, mining right conversions, prospecting right conversions and new order prospecting rights applied for in respect of chrome have been granted and executed by the Department of Mineral Resources.

Best performer on JSE SRI Index

Merafe was one of only twenty three companies that were listed as Best Performers on the JSE Socially Responsible Investment Index (SRI Index). The index has recognised Best Performers for the past four years and Merafe is one of only seven companies to have been listed as a Best Performer since the inception of the SRI Index.

Our reporting on our sustainability was also recognised when Merafe's annual report for 2009 was rated excellent in the Ernst & Young Excellence in Sustainability Reporting awards in 2010. These awards recognise the level of disclosure applied in a company's reporting.

Safety

The Venture had a very good overall safety performance for the year which was sadly marred by the unfortunate and tragic death of 58 year old Kgokong Simon Malapane at the Lion ferrochrome plant in August 2010. The lost time injury frequency rate reduced by 31% compared to the year ended 31 December 2009.

Market review

Strong growth in stainless steel demand, combined with the rapid growth of stainless steel production in China, resulted in a 21% increase in the demand for ferrochrome year-on-year. Global consumption of ferrochrome reached 8,6 million tonnes, exceeding the previous record high of 7,4 million tonnes achieved in 2007, due to record stainless steel melt, which increased by 20% to an estimated 31,2 million tonnes compared to 2009 and was 10% above the previous record production (28,4 million tonnes) in 2006.

China produced more than a third of the world's stainless steel in 2010, an increase of 17% year-on-year. Stainless steel production, excluding that of China, increased by 22% over 2009 levels. Stainless steel production and consequently demand for ferrochrome continued to grow in emerging economies in the second half. However, sovereign debt concerns in Europe impacted confidence in global financial stability in the second quarter and resulted in lower stainless steel melt production in Europe and America in the latter part of the year.

Global ferrochrome production was 8,5 million tonnes in 2010 a growth of 44% year-on year from 2009, despite energy tariffs influencing production levels in both South Africa and China. South African producers ramped up production in the first half of 2010, with scheduled maintenance reducing production in the high electricity-cost winter months.

Despite increased energy costs, rising chrome ore prices and the Chinese government's restrictions on electricity supply as it pursues the energy reduction and efficiency targets set in its 11th five-year programme, China produced 2,1 million tonnes of ferrochrome in 2010. China remains a net ferrochrome importer, with 46% of its 3,8 million tonne per annum requirement being sourced externally. South Africa's global market share of production declined from 50% in 2002 to 41% in 2010 as a result of the increased production in China, despite reaching record levels of 3,8 million tonnes.

Third quarter weather and energy related production cuts in South Africa, China and India prevented a build up of global stocks of ferrochrome for both producers and consumers. Global ferrochrome stocks have been maintained at around ten to twelve weeks of consumption.

The European benchmark ferrochrome price closed the year unchanged from 130USc/lb achieved in the third quarter of 2010. Lower ferrochrome stock levels and higher production costs underpinned stronger prices.

Recent developments

Xstrata South Africa (Proprietary) Limited (Xstrata) has approved the second phase of the Lion smelter complex expansion (Lion II). The expansion will involve the construction and commissioning of a 360 000 tonne per annum ferrochrome capacity smelter and will increase the Venture's total ferrochrome capacity to over 2,3 million tonnes per annum at a capital cost of R4,9 billion. The capital cost includes R700 million for the concurrent development of the 1,2 million ROM tonne per annum Magareng mine within the Thorncliffe mine complex. Bulk earthworks will commence in the first quarter of 2011 and commissioning is planned for the first half of 2013. The expansion will create over 1 000 permanent jobs and a further 1 800 jobs will be generated during the construction phase. Merafe has a right to participate in Lion II at cost, in accordance with its current participation interest of 20,5% in the Venture. In addition, Merafe has the right to simultaneously increase its interest above 20,5% in Lion II and the Venture up to 26%. Merafe and its partner, Xstrata are in discussions in this regard.

An agreement was concluded with Lonmin to increase and extend the current UG2 off-take agreement from tailings at Lonmin's Marikana operations. The tailings will be treated through chromite recovery plants that will be built, owned and operated by the Venture. Total UG2 supply sourced through this deal agreement will amount to approximately 1.5 million tonnes per annum. Construction of the UG2 plant is expected to be completed by mid 2011.

The Venture approved the construction of Project Tswelopele, a new 600 000 tonnes per annum pelletising and sintering plant. Project Tswelopele will be constructed at the Rustenburg plant and is expected to be fully operational in 2013. The plant will agglomerate some of the additional UG2 from the Lonmin operations, significantly improving operational efficiencies and costs and delivering environmental improvements. Merafe's participation in the new plant is 20,5% which is its proportionate share in the Venture. Merafe's share is expected to cost R190 million and will be funded by the Venture's current and future cash flows.

The Horizon mine development is on schedule to reach a production capacity of 40 000 tonnes of ore per month by the end of 2013. Production at Waterval mine will start at the end of the first quarter of 2011, producing an average of 30 000 tonnes of ore per month from available mineable panels.

Outlook

In 2011, stainless steel production and world consumption of ferrochrome is anticipated to grow by over 8%, including a 13% increase in demand for ferrochrome from China.

Ferrochrome prices are forecast to trade at higher levels in 2011 underpinned by demands from increased stainless steel production. Restricted supply of electricity in South Africa has resulted in the postponement of a number of planned ferrochrome projects over the next five years.

The positive outlook for ferrochrome together with the strong cash position of the Company have enabled Merafe's Board to declare a dividend of 2 cents per share in respect of the financial year ended 31 December 2010. Details of the dividend are set out below:

COMMENTARY

Declaration of ordinary cash dividend (No. 2)

On 25 February 2011, the Board declared a final ordinary cash dividend (No. 2) of 2 cents per share amounting to R49,533 million in respect of the financial year ended 31 December 2010. The dividend has been declared in South African currency and is payable to shareholders recorded in the register of the Company at the close of business on Friday, 25 March 2011. The STC on the dividend will amount to R4,953 million, before taking STC credits into account.

In compliance with the requirements of Strate, the electronic and custody system used by the JSE Limited, the following dates are applicable:

Last date to trade cum-dividend	Thursday, 17 March 2011
Shares trade ex-dividend	Friday, 18 March 2011
Record date	Friday, 25 March 2011
Payment date	Monday, 28 March 2011

Share certificates may not be dematerialised or rematerialised during the period Friday, 18 March 2011 and Friday, 25 March 2011, both days inclusive.

On Monday, 28 March 2011, the ordinary cash dividend will be electronically transferred to the bank accounts of all certificated shareholders where this facility is available. Where electronic fund transfer is not available or desired, cheques dated 28 March 2011 will be posted on that date.

Dematerialised shareholders will have their accounts at their CSDP or broker credited on Monday, 28 March 2011.

Changes to the Board of Directors during the period

Mr Steve Phiri resigned as Chief Executive officer (CEO) with effect from 31 March 2010 and continued as a non-executive director of the Company.

Mr Stuart Elliot, the Company's Chief Financial Officer (CFO), was appointed the new CEO with effect from 1 April 2010 and continued to act as CFO until the effective date of appointment of the new CFO on 1 October 2010.

Ms Zanele Matlala, who was previously an independent non-executive director of the Board, was appointed as CFO with effect from 1 October 2010.

Dr Con Fauconnier resigned as an independent non-executive director with effect from 5 May 2010.

Mr Abiel Mngomezulu joined the Board as an independent non-executive director with effect from 9 September 2010.

Mr Mzila Mthenjane resigned as a non-executive director with effect from 9 September 2010.

Mr Tlamelo Ramantsi resigned as a non-executive director with effect from 19 November 2010.

Ms Karabo Nondumo joined the Board as an independent non-executive director with effect from 1 December 2010.

Mr Mfanyana Salanje joined the Board as an independent non-executive director with effect from 1 December 2010.

On behalf of the Board

Chris Molefe
Non-executive Chairman

Stuart Elliot
Chief Executive Officer

Sandton
1 March 2011

Executive directors: S Elliot (Chief Executive Officer), Z Matlala, B McBride
Non-executive directors: CK Molefe (Chairman)*, NB Majova*, M Mamathuba, A Mngomezulu*, K Nondumo*, M Salanje*, S Phiri
* *Independent*
Company secretary: A Mahendranath
Registered office: First Floor, Block B, Sandton Place, 68 Wierda Road East, Wierda Valley, Sandton, 2196
Transfer secretaries: Link Market Services South Africa (Proprietary) Limited

Sponsor:

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Deutsche Securities (SA) (Proprietary) Limited
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