

INVESTED

IN LONG-TERM SUSTAINABLE

PARTNERSHIPS

MERAFE RESOURCES LIMITED

Results Presentation

For the year ended 31 December 2012

Presented by Zanele Matlala (CEO) and Ditabe Chocho (CFO)



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Quote from the CEO

“I am pleased to report that we achieved headline earnings per share of 5 cents for the 2012 year despite tough market conditions. Project Tswelopele, our new pelletiser, was commissioned on schedule and on budget in October 2012. We look forward to a further strengthening of our position as the lowest cost producers in South Africa when our flagship and world class project, Lion II, comes on stream during this year.”

Agenda

1. Key features
 2. Sustainability
 3. Market review
 4. Financial review
 5. Project pipeline
 6. Outlook
- Annexures

Key features


The Tswelopele pelletising and sintering plant

North West province

Key features

- **5%** increase in Revenue
- Headline EPS of **5 cents**
- **Projects** on **schedule** and on **budget**

Sustainability



Production Engineer,
Charlotte Ntsole, at work
on the new Tswelopele
pelletising and sintering plant

North West province

Sustainability

- Safety
 - TRIFR - 4.05
 - Project Tswelopele - more than 1.6m hours were worked with no lost time injuries
- Employment equity targets exceeded
- Community unrest impacted Project Lion II
- Labour unrest

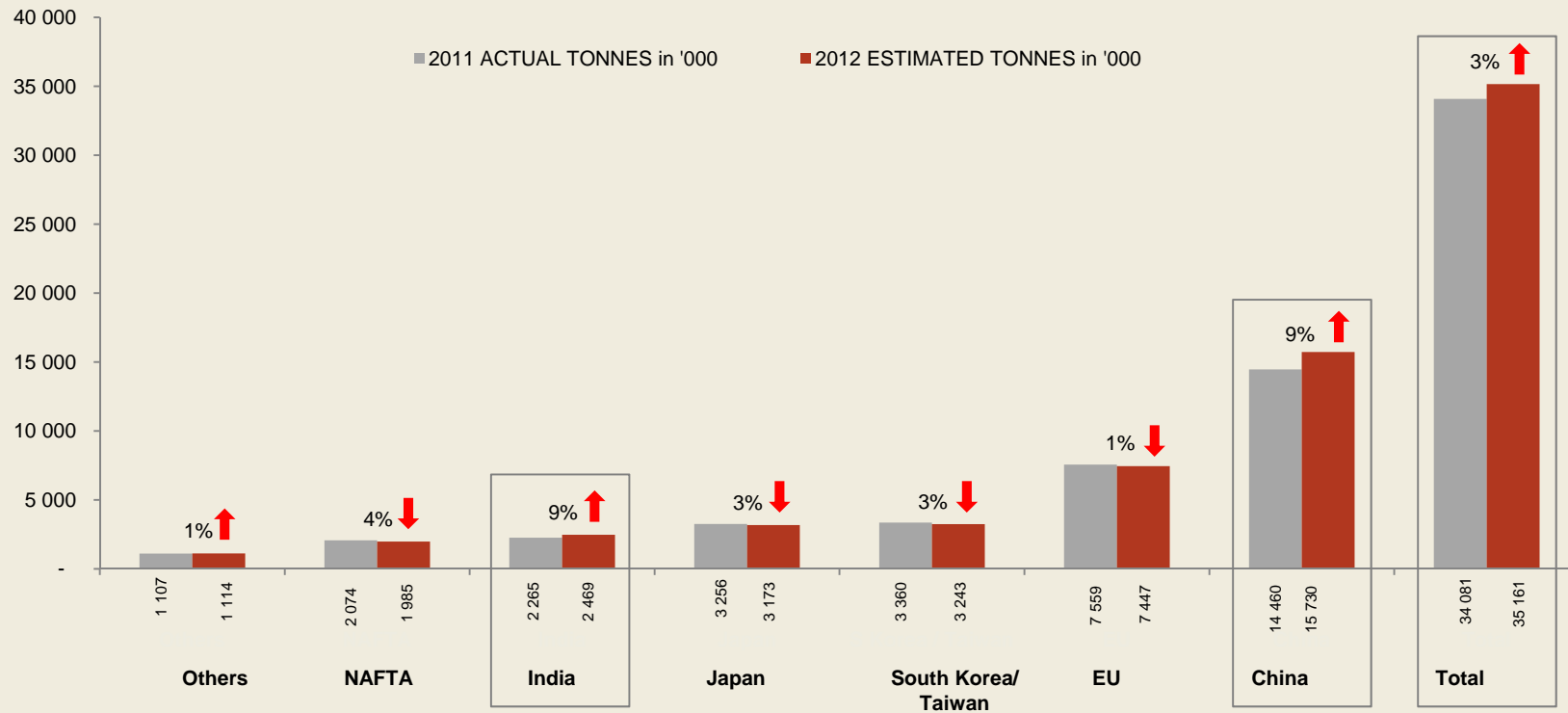


Market review

The Lion ferrochrome plant at
Steelpoort

Limpopo province

Global stainless steel production

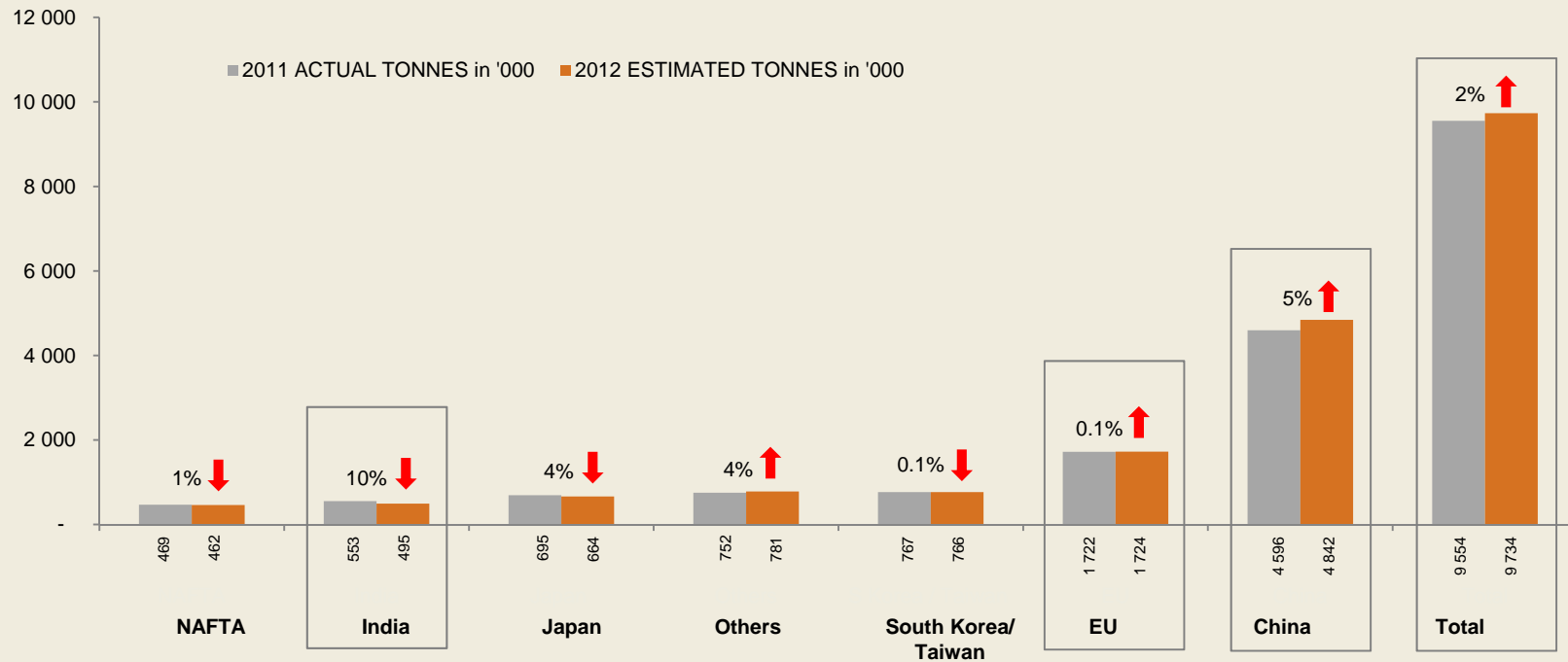


Heinz H. Pariser /Feb 2013

& 3% increase in stainless steel production



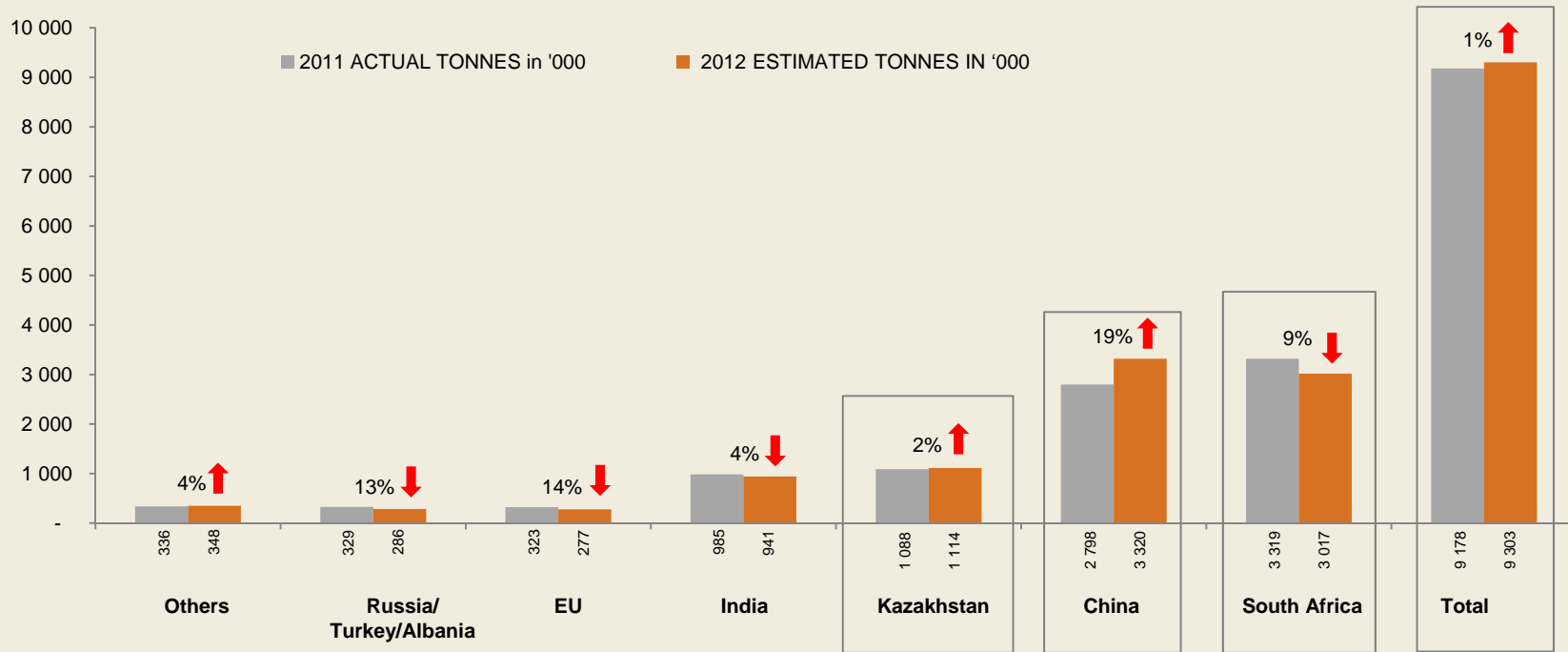
Global ferrochrome demand



Heinz H. Pariser /Feb 2013

& **2%** increase in
Ferrochrome demand

Global ferrochrome production



Heinz H. Pariser /Feb 2013

**& Marginal increase
In ferrochrome production**



Chrome ore imports into China

	2012 '000	2011 '000	2010 '000	% change 2012/2011
South Africa	4 490	4 675	3 100	(4.0)
Turkey	1 840	1 612	1 933	14.1
Oman	426	645	902	(34.0)
India	310	439	389	(29.4)
Pakistan	472	440	512	7.3
Albania	305	357	363	(14.6)
Iran	448	330	350	35.8
Zimbabwe	1	212	160	(99.5)
Madagascar	118	86	115	37.2
Australia	501	208	201	140.9
Phillipines	180	137	150	31.4
Brazil	29	60	77	(51.7)
Kazakhstan	89	94	243	(5.3)
Others	91	149	172	(38.9)
Total	9 300	9 444	8 667	(1.5)

Heinz H. Pariser, Alloy Metals and Steel Market Research

What are we doing about this? – discussions with DMR are continuing

& Chrome ore **imports** into
China remain high



Volatility in the market during 2012

	<i>Quarter</i>	<i>Ferrochrome price</i>
	Q1 2012	115 USc/lb
Improved sentiment in Europe and Eskom buy-back arrangements	Q2 2012	135 USc/lb
Renewed concerns over European debt and general weaknesses across the global economy	Q3 2012	125 USc/lb
	Q4 2012	110 USc/lb
Positive signs in the Chinese, North American and European markets coupled with further Eskom buy-back arrangements	Q1 2013	112.5 USc/lb
Positive signs of recovery are expected to result in improved pricing	Q2 2013	↑

Financial review

The Lion ferrochrome plant at
Steelpoort

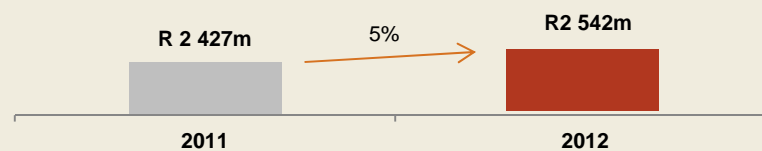
Limpopo province

Contents

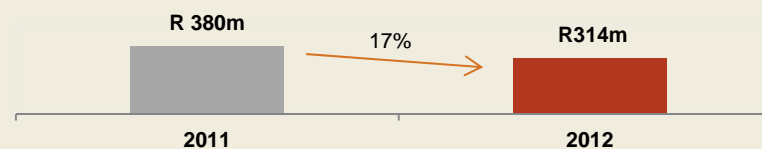
1. Key financial features
2. Financial performance
3. Financial position
4. Looking ahead – key priorities

Key financial features

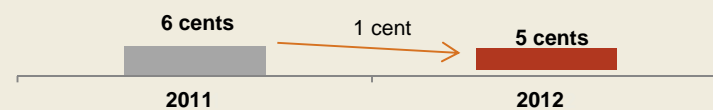
Revenue



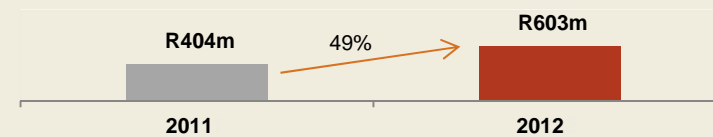
EBITDA



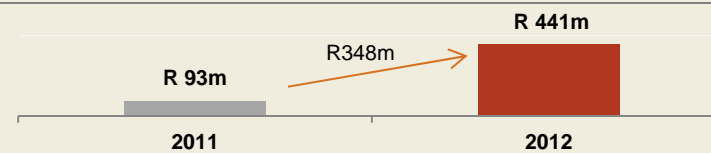
HEPS



Capex

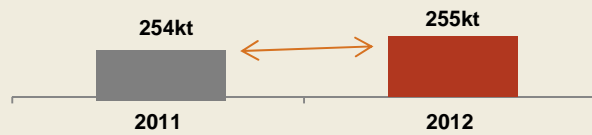


Net debt

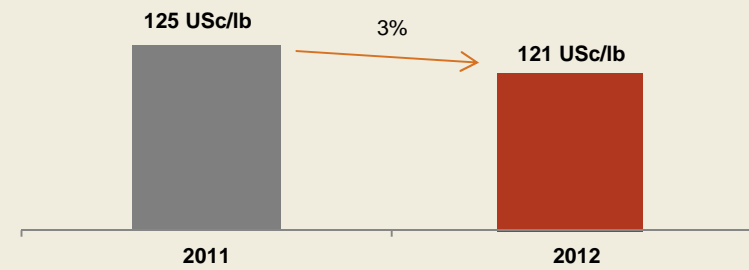


Revenue

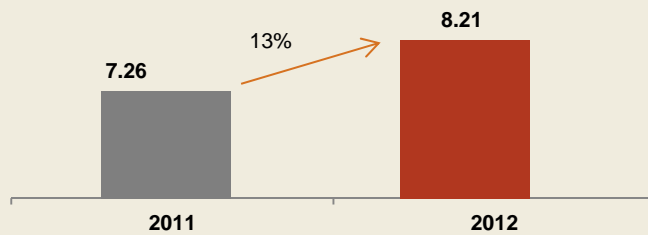
Ferrochrome sales tonnes



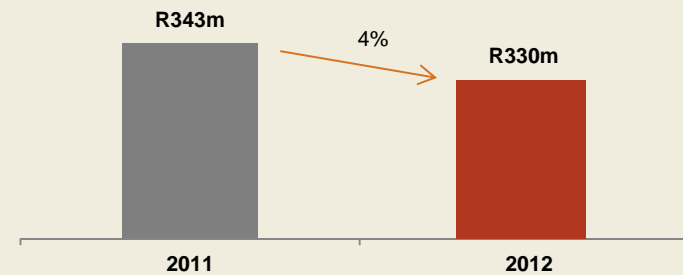
Average benchmark ferrochrome price



Rand Dollar exchange rate

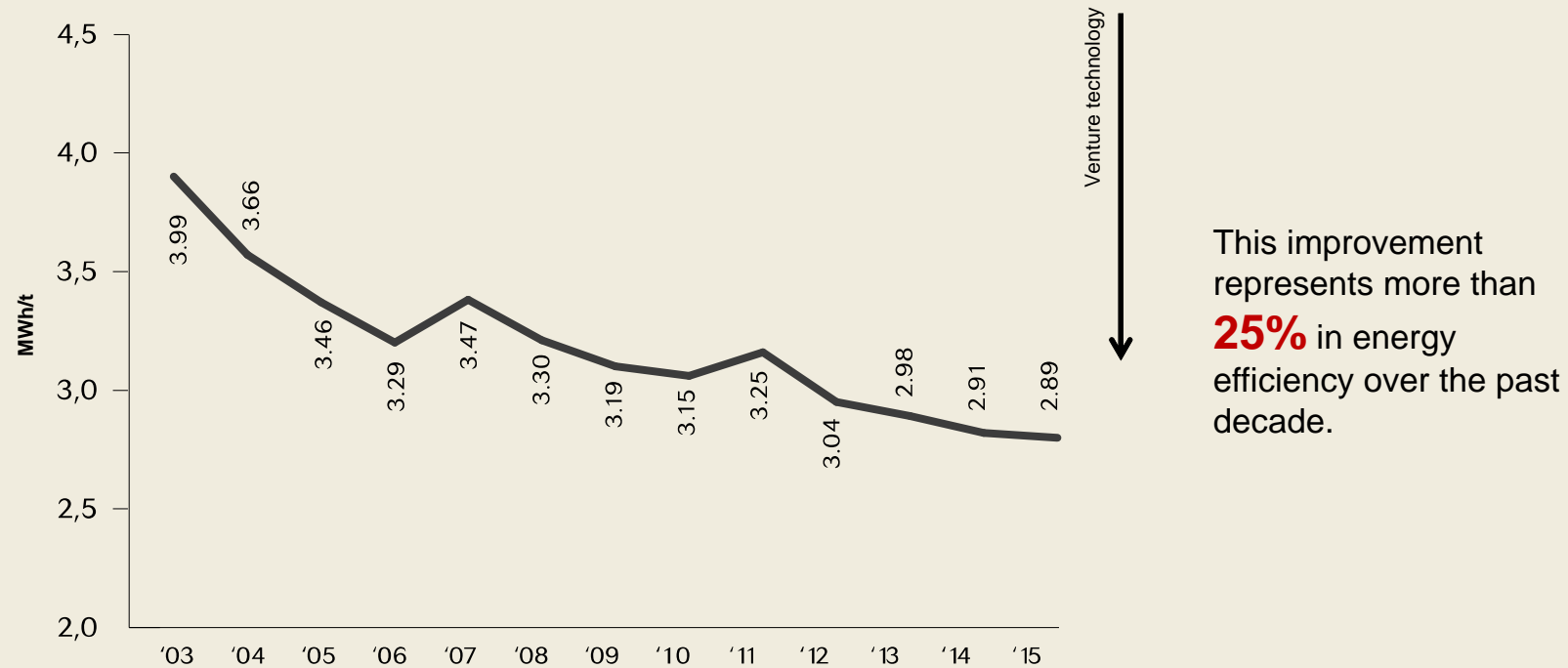


Chrome ore sales



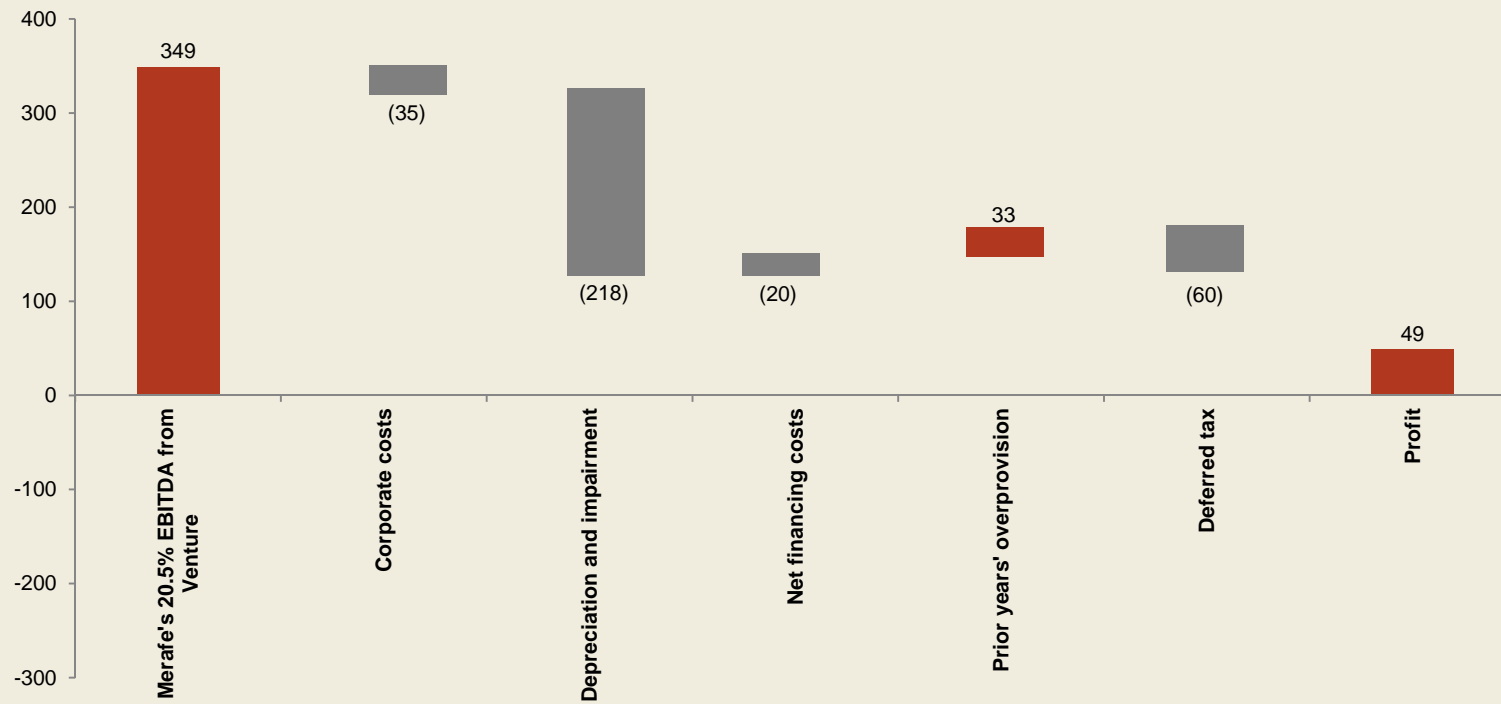
Operating costs

Average energy efficiency improvements the Venture has achieved and expects to achieve

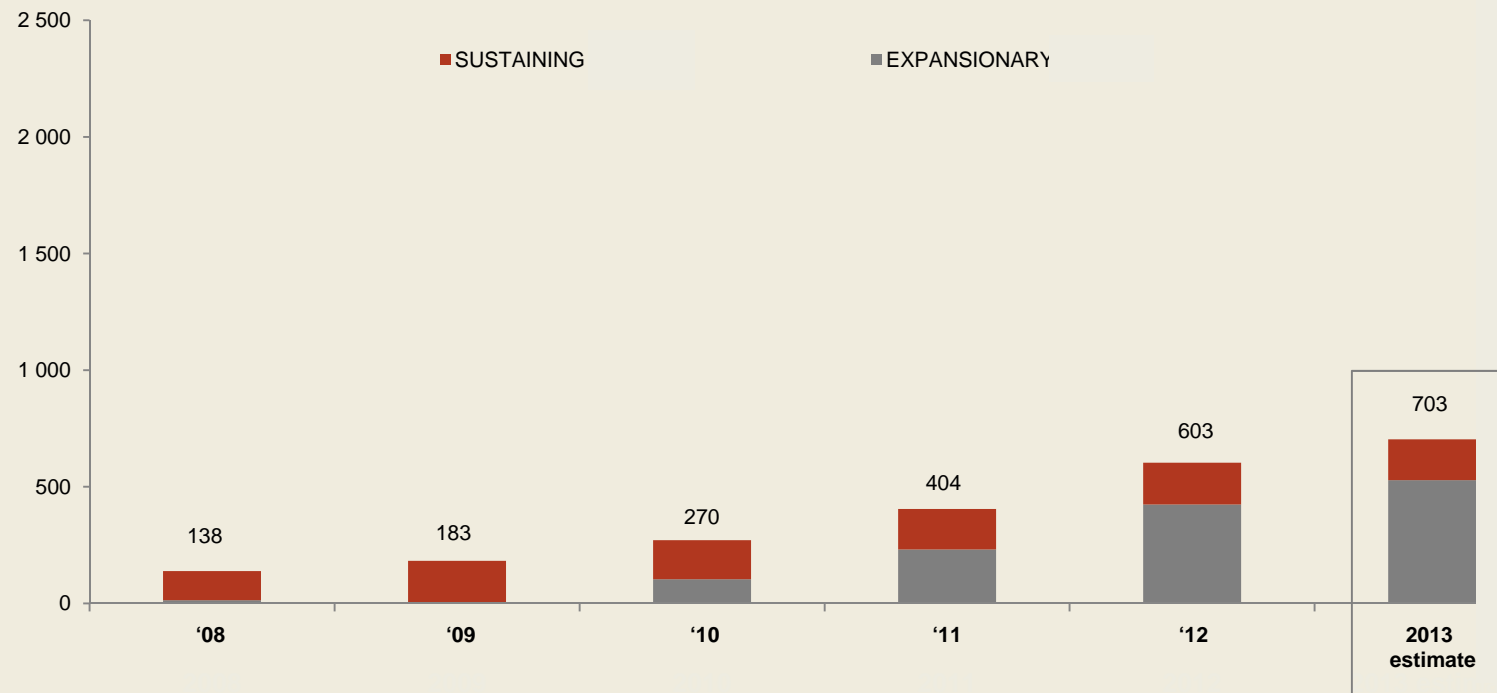


& 2012 total cost per tonne increases
contained at 9%

Reconciliation of EBITDA to profit



Capital expenditure (R'm)



& Average EBITDA Margin of **20%**
through the cycle

Balance sheet

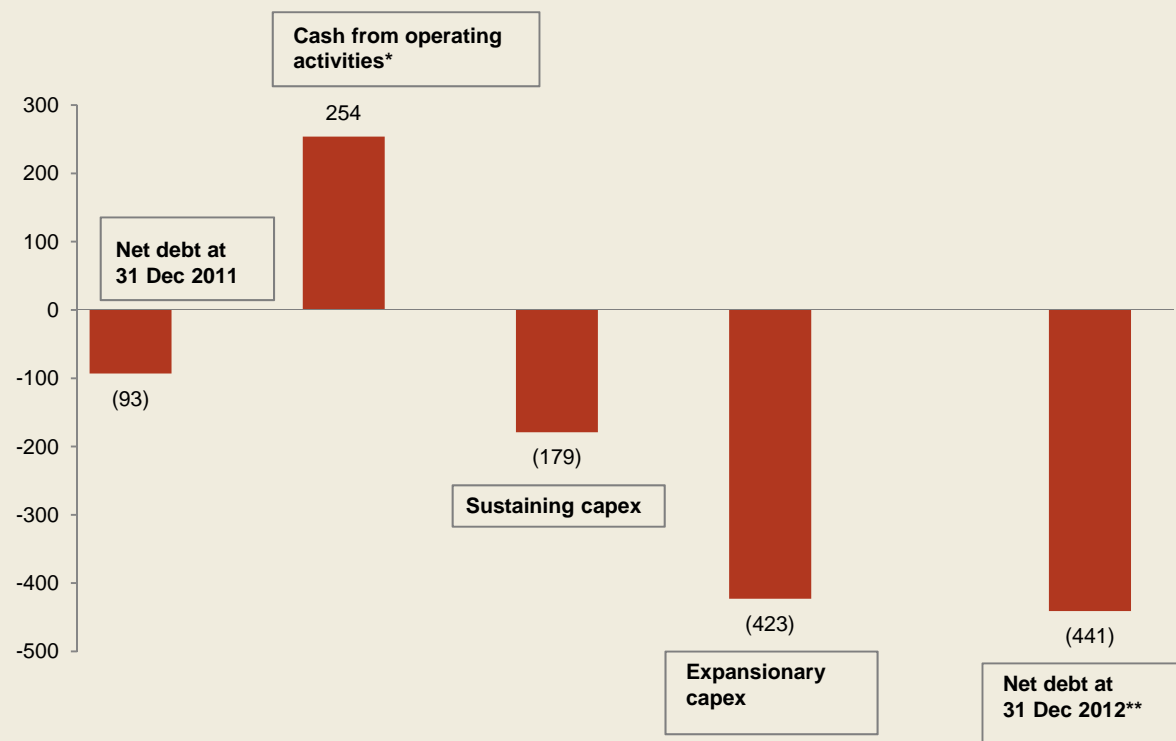
	As at 31 December 2012 Audited R'000	As at 31 December 2011 Audited R'000	Movement
Total non-current assets	2 677 308	2 372 768	
Property, plant and equipment	2 677 308	2 372 768	13%
Total current assets	1 614 804	1 549 370	
Inventories	1 088 885	1 065 932	2%
Trade and other receivables	344 725	262 979	31%
Current tax asset	26 424	–	100%
Cash and cash equivalents	82 643	220 459	(63%)
Assets held for sale	72 127	–	100%
Total assets	4 292 112	3 922 138	

Balance sheet (continued)

	As at 31 December 2012 Audited R'000	As at 31 December 2011 Audited R'000	Movement
Total non-current liabilities	1 132 929	867 378	
Loans and borrowings	523 872	312 778	67%
Provision for close down and restoration costs	57 892	48 396	20%
Deferred tax	551 165	506 204	9%
Total current liabilities	449 554	396 092	
Loans and borrowings	636	508	25%
Trade and other payables	430 368	375 946	14%
Financial liability	–	6 098	(100%)
Current tax liability	–	13 540	(100%)
Liabilities held for sale*	18 550	–	100%
Total liabilities	1 582 483	1 263 470	

* Relates to assets held for sales

Net debt bridge



*Net of effect of exchange rate fluctuations

**Closing net debt at 31 Dec 2012

Cash	83
Debt	(524)

Financing of Lion II – no rights issue expected

	R'millions
Total Project cost (Merafe's portion at 20.5%)	1 000
Less: Capital expenditure to 31 December 2012	(472)
Capital expenditure outstanding	528
<i>Expected financing:</i>	
Cash	83
ABSA debt – unutilised facility	288
Venture overdraft facility (Merafe's 20.5%)	180
Total facilities available	551

**& Facilities above
exclude free cash flow**

Looking ahead – key priorities

2013

Capacity building and **efficiency improvements**

2014 / 2015

Reduction of debt and balance sheet strengthening

Project pipeline

Inside the Tswelopele pelletising
and sintering plant

North West province

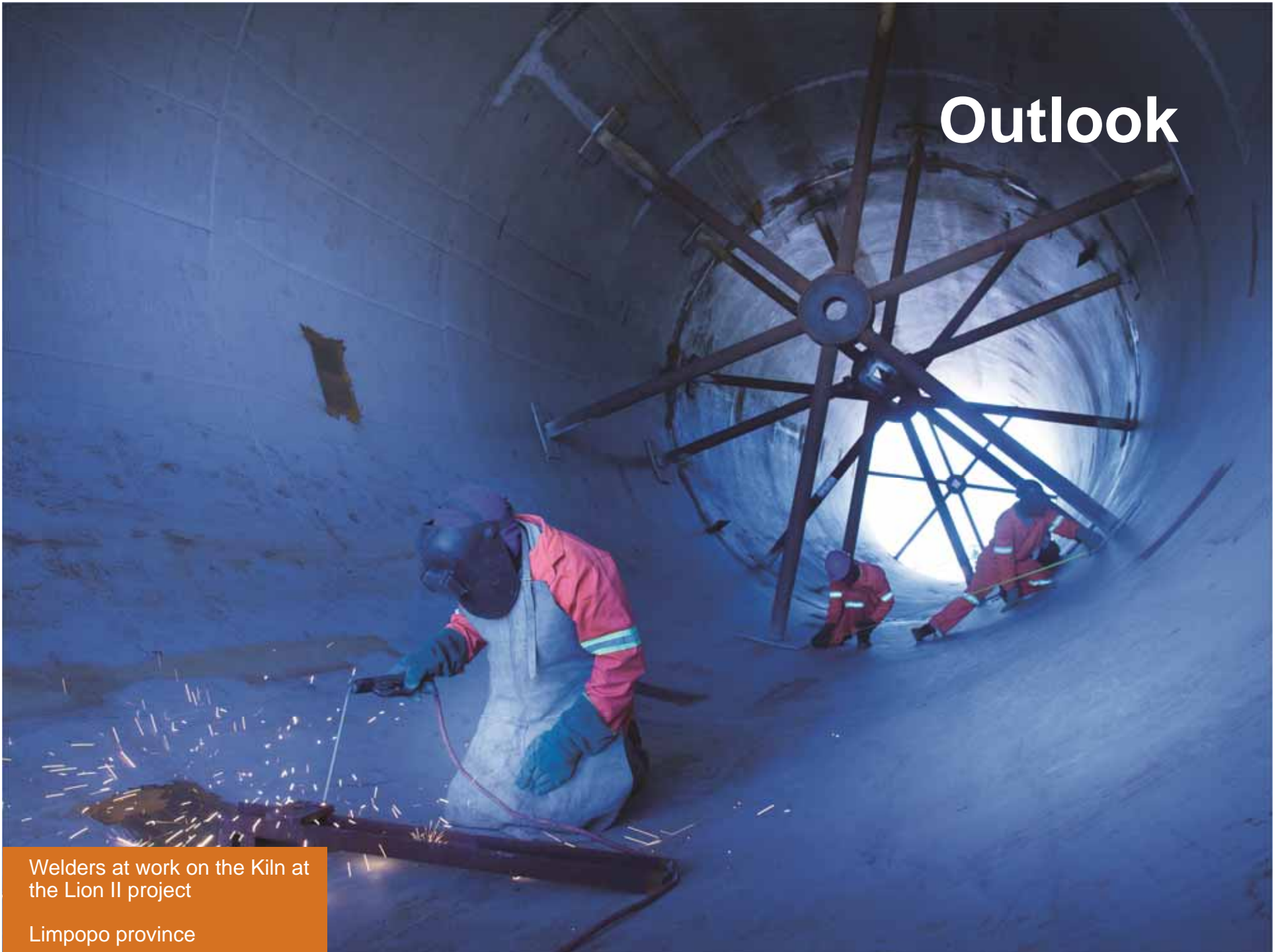
Projects are on track and on budget

	Description	Project cost (Merafe's portion at 20.5%)	Completion date	Progress
1	Lion II smelter complex - 360 000 tpa of ferrochrome smelting capacity and development of Magareng mine	R1bn	H2 2013	On track to be completed within schedule/budget
2	Project Tswelopele - 600 000 tpa pelletising and sintering plant	R190m	H2 2012	Completed within schedule/budget

Outlook

Welders at work on the Kiln at
the Lion II project

Limpopo province



Outlook

- Stainless steel production is expected to grow by 4% in 2013 and by 5% in the long-term which is expected to increase demand for ferrochrome
- Improved market sentiments coupled with Eskom buy-back arrangements are expected to result in improved pricing for 2013
- Existing low cost base further strengthened by Lion II, leaves us well positioned to take advantage of increased demand for ferrochrome

Questions



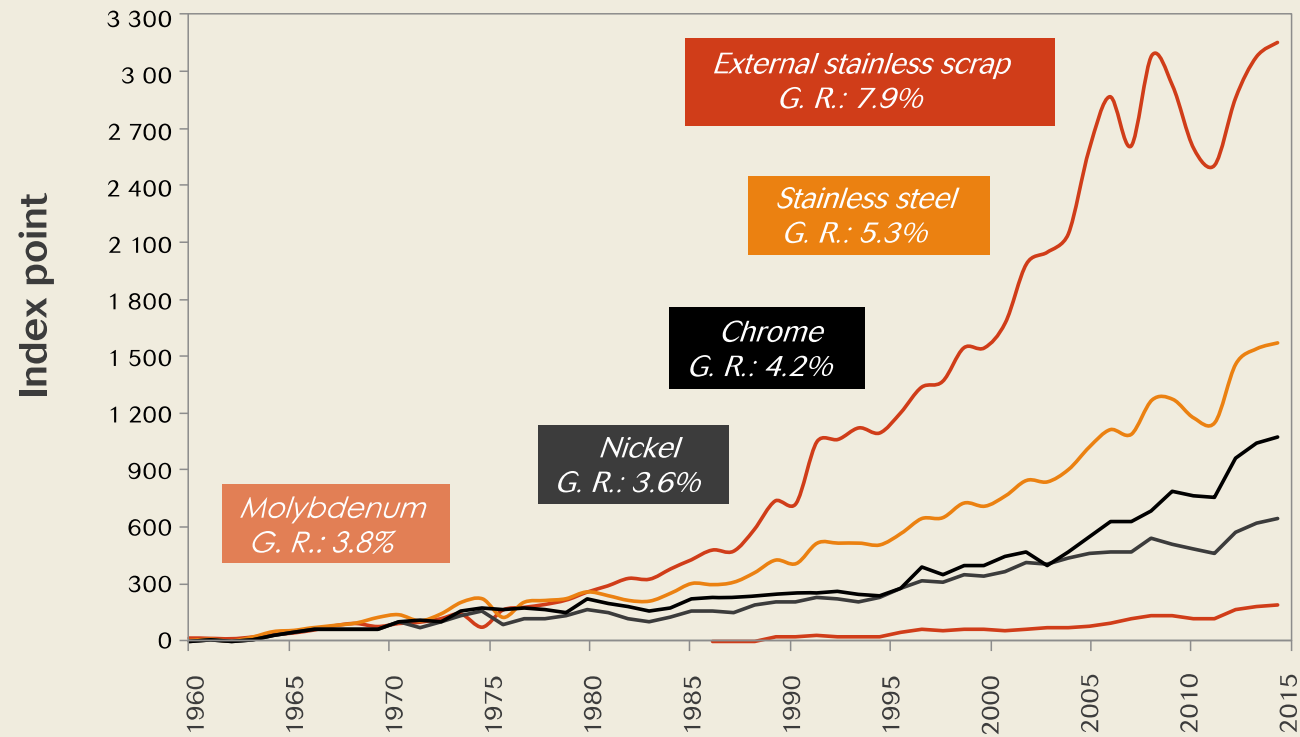
Annexures



Lion II ferrochrome plant under construction

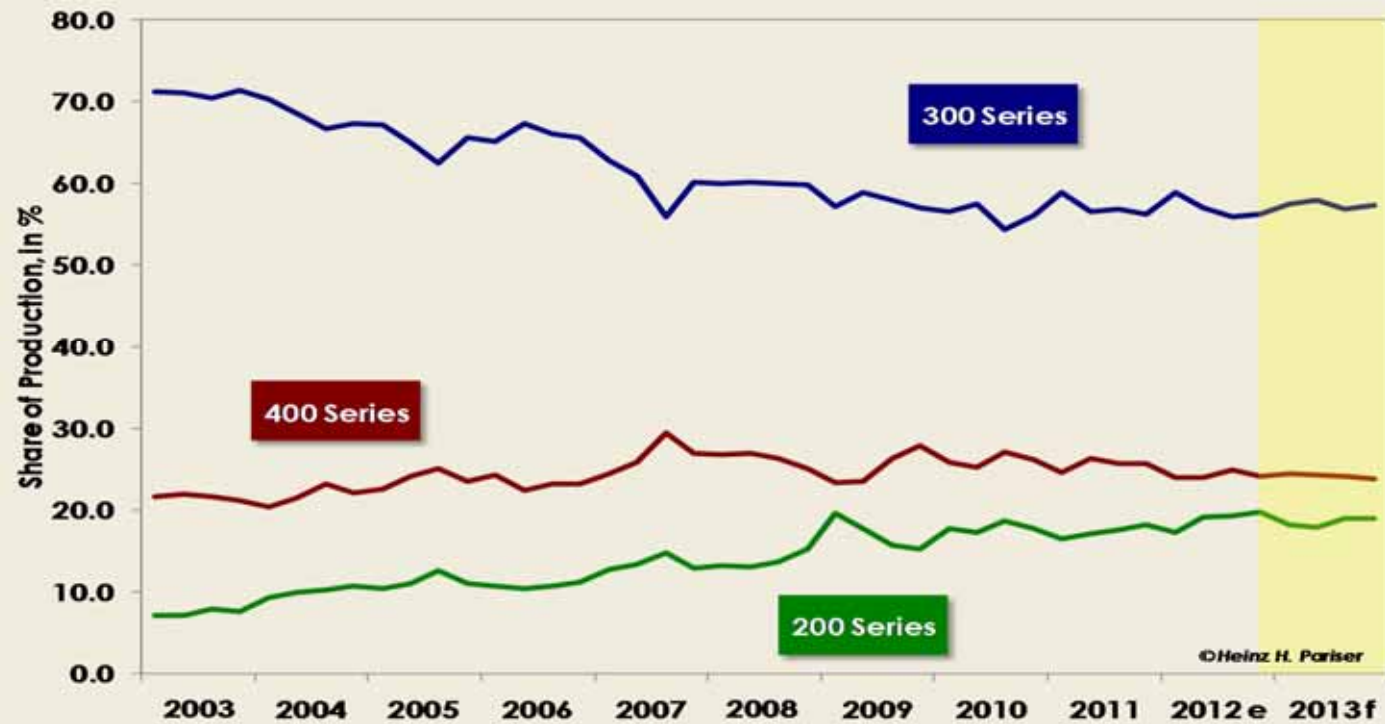
Limpopo province

Stainless steel cluster



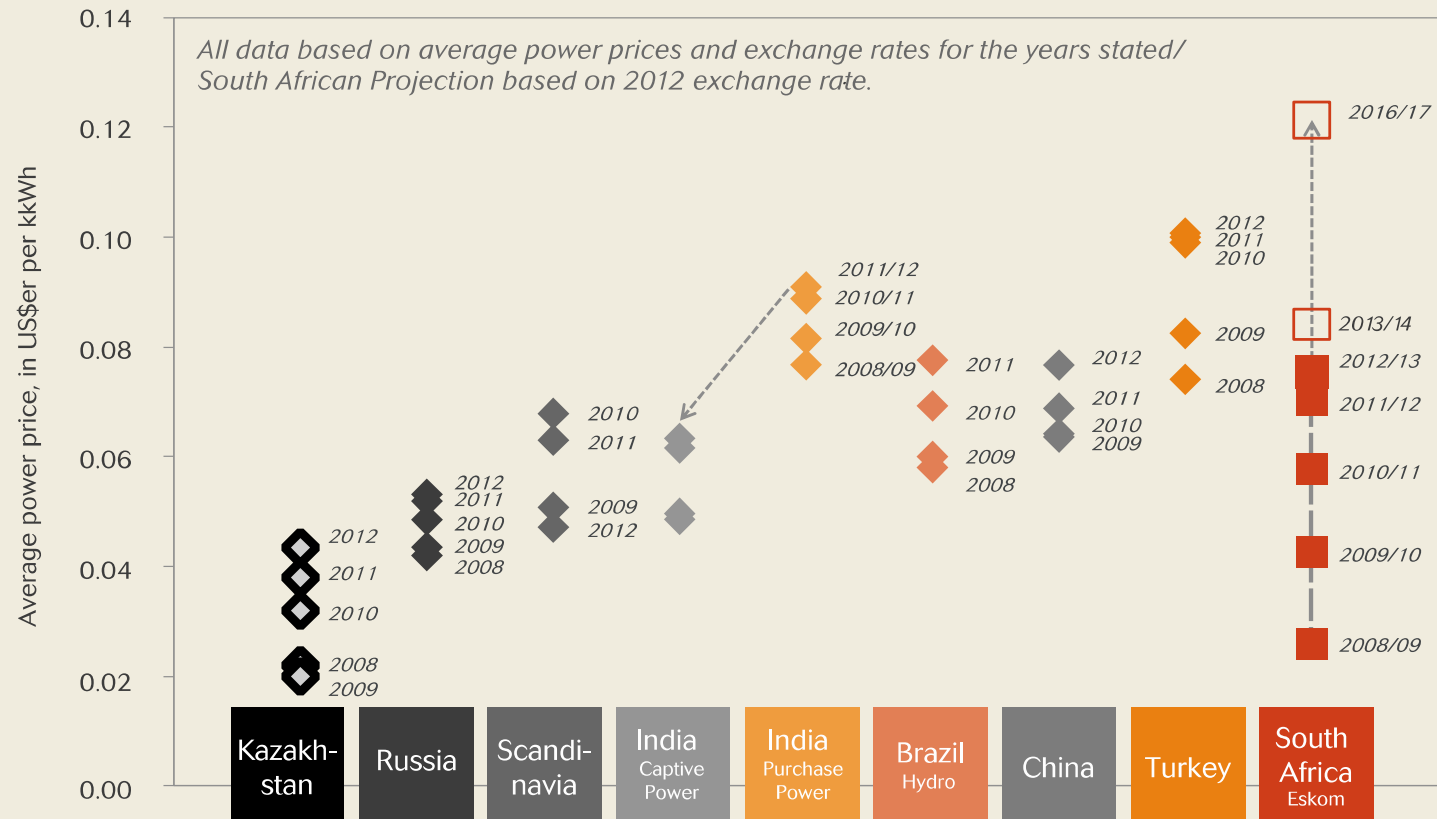
Heinz H. Pariser /Feb 2013

Stainless steel product mix



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Globally rising power prices



Sources: Individual annual and company reports NordPool Electricity Spot Prices, NRDC, Eskom, Heinz H. Pariser