REVIEWED INTERIM RESULTS

for the six months ended 30 June 2015

Merafe Recources Limited (incorporated in the Republic of South Africa) Company Registration Number: 1987/003452/06
Shared code: MRF ISIN: ZAE000060000 ("Merafe" or "Company" or "Group")

KEY FEATURES

16%
increase in production to 195kt

Cash from operating activities of
R251m

12%
increase in revenue to R2.2bn

Interim dividend of
R25m

HEPS of
5 cents

Lion II
ramped up to full capacity

Preparation of this report

The following individuals were responsible for the preparation of this report:

Kajal Bissessor CA(SA)
Financial Director

Zanele Matlala CA(SA)
Chief Executive Officer

These results are published on 4 August 2015 and are available on our website (www.meraferesources.co.za).

COMMENTARY

Basis of preparation

In compliance with the JSE Limited Listings Requirements, Merafe Resources Limited ("Merafe") prepared its interim financial report for the six months ended 30 June 2015 in accordance with the measurement and recognition requirements of IFRS, the requirements of the Companies Act of South Africa and the presentation and disclosure requirements of IAS 34: Interim Financial Reporting, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. The accounting policies adopted are in line with IFRS and are consistent with those applied in the financial statements for the year ended 31 December 2014.

Review of results

The condensed consolidated interim financial results of Merafe and its subsidiaries ("Company") for the six months ended 30 June 2015 have been reviewed by the Company's external auditors, KPMG Inc. In their review report, dated 4 August 2015, which is available for inspection at the Company's Registered Office, KPMG Inc state that their review was conducted in accordance with the International Standard on Review Engagements 2410: Review of Interim Information Performed by the Independent Auditor of the Entity. The auditors have expressed an unmodified conclusion on the condensed consolidated interim financial statements.

Merafe's revenue and operating income is primarily generated from the Glencore Merafe Chrome Venture (Venture) which is the global market leader in ferrochrome production, with a total installed capacity of 2.3m tonnes of ferrochrome per annum. Merafe shares in 20.5% of the earnings before interest, taxation, depreciation and amortisation (EBITDA) from the Venture.

Revenue increased by 12% period on period mainly due to a 12% increase in ferrochrome sales volumes to 191kt (2014 H1: 171kt), a 13% increase in chrome ore sales volumes and an 11% weaker Rand/Dollar exchange rate which was partially reduced by an 11% decrease in net ferrochrome prices. Chrome ore revenue as a percentage of total revenue increased to 11% in the first half of 2015 (2014 H1: 10%).

The period on period increase in cost of goods sold per tonne of ferrochrome is above inflation primarily as a result of higher priced stock sold in the first half of 2015, arising from the start-up costs of Lion II and above inflation increases in labour and electricity costs. Going forward, Lion II is expected to have a positive impact on these costs.

Merafe's portion of the Venture's EBITDA for the six months ended 30 June 2015 is R355.3m (2014 H1: R468.5m). The EBITDA includes Merafe's attributable share of standing charges of R30.1m (2014 H1:R35.7m) and foreign exchange gains of R3.0m (2014 H1: losses of R3.5m).

After accounting for corporate costs of R19.4m (2014 H1: R37.4m), which includes a share based payment expense of R2.7m (2014 H1: R3.3m), Merafe's EBITDA is R335.9m (2014 H1: R431.1m). Corporate costs reduced mainly as a result of restructuring costs at Merafe head-office level that were included in the prior period and the reduced headcount post the restructuring.

The profit for the six months is R124.3m (2014 H1: R224.7m) after taking into account depreciation of R120.5m (2014 H1: R84.6m), net financing costs of R37.1m (2014 H1: R26.6m) and taxation expense of R54.0m (2014 H1: R95.2m). The balance of unredeemed capital expenditure is estimated to be R386.1m as at 30 June 2015 (31 December 2014: R488.8m). Depreciation increased period on period as a result of Lion II coming into production. Net financing costs increased as a result of the ceasing of capitalisation of borrowing costs relating to Lion II that was brought into production during 2014.

Sustaining capital expenditure incurred for the six months ended 30 June 2015 is R103.9m (2014 H1: R94.6m) and expansionary capital incurred for the six months ended 30 June 2015 is R22.9m (2014 H1: R152.5m). As at 30 June 2015, the group's capital commitments are R213.0m of which R96.3m is contracted for but not provided for and R116.7m is authorised but not contracted for.

As at 30 June 2015, Merafe had a net overdraft balance of R69.9m which comprised cash held by Merafe of R84.7m and R154.6m being Merafe's share of the net overdraft balance in the Venture. Merafe had total debt owing to ABSA and Standard Bank of R609.3m and R190.7m unutilised debt facilities as at 30 June 2015. On 1 July 2015, R50m of the ABSA and Standard Bank debt was repaid.

Trade and other payables reduced from 31 December 2014 primarily as a result of the repayment of the short term inventory facility of R189m. The Rand value of inventories reduced from year end primarily due to the reduction in chrome ore stock. The ferrochrome stock on hand at 30 June 2015 is 120.1kt (31 December 2014: 115.8kt).

During the second quarter of 2015, the Company changed its intention with regard to the settlement of share based payment transactions from equity to cash. This resulted in recognition of a total share based payment liability of R17.0m and a nil share based payment reserve at 30 June 2015.

Review of operations

Merafe's attributable share of production from the Venture for the first half of 2015 increased by 16% compared to the previous corresponding period. This increase is primarily attributable to the additional production from the Lion II furnaces which ramped up to full capacity in the second quarter of 2015. The Venture's operating capacity utilisation (excluding Lion II) for the first six months of 2015 is 92%.

As previously reported, a three year wage agreement was reached with the western mining employees in 2014. Wage negotiations at the rest of the venture's operations have commenced but have not been concluded as yet.

South Africa's energy regulator (NERSA) declined Eskom's application for a second tariff increase in the current financial period, which would have resulted in cumulative electricity increases for the year of 25.30%. The Venture continues to work with Eskom to ensure any potential disruption to production is minimised as a result of supply constraints.

Safety

Safety remains a key focus area and efforts continue to be made to ensure that the highest standards of safety are in place at all the Venture's operations.

The Venture's total recordable injury frequency rate (TRIFR) improved slightly from 4.63 at the end of 2014 to 4.40 at the end of June 2015 as a result of ongoing safety campaigns and programmes at its operations.

Mineral Reserves, Mineral Resources and Mining Rights

During the first half of 2015, there were no material changes to the mineral reserves, mineral resources and mining rights of the participants in the Venture.

Market review

Global stainless steel production for the first half of 2015 totalled 21.0mt*, a 2.03%* period-on-period decrease. Chinese production reduced by 0.8%* with 10.8mt* produced in the first half of 2015.

Global demand for ferrochrome was 5.8mt* for the first half of the year, down 0.8% period on period. China's reliance on South African ferrochrome increased as January to June 2015 Chinese imports from South Africa of 1 032kt* increased by 39.9%*, over the same period in 2014. South Africa was the largest global ferrochrome producer during the first half of the year, having produced 1.96mt*. It is estimated that South Africa and China accounted for 34.9%* and 33.2%* of the world's ferrochrome production during H1 2015 respectively.

The European benchmark price was settled at 108USc/lb for the third consecutive quarter. Chinese spot prices for ferrochrome continued to decrease, as steel mills lowered their purchase prices, due to weakened domestic stainless steel demand and to some extent the introduction of anti-dumping duties on imports into Europe from China and Taiwan.

Chinese chrome ore imports fell to 4 943kt* for the first half of 2015, 2.3%* lower compared to the same period in 2014, with lower domestic ferrochrome production putting downward pressure on raw material imports. Destocking in China continued on the back of the negative domestic ferrochrome outlook. Despite the downward trend in total Chinese imported ore volumes, imports from South Africa for H1 2015 increased by 15.4%*, compared to the same period in 2014.

Outlook

Global stainless steel production for 2015 is expected to increase by 1%* year-on-year, with Chinese stainless steel production expected to increase by 3.25%* over the same period. The Venture remains profitable and well positioned in the lowest quartile of the global cost curve, thanks to its suite of cost and energy efficient technologies, remaining in a healthy position to withstand current difficult market conditions, when other ferrochrome producers have been forced to cut production due to low market prices.

Furthermore, Merafe's partnership with Glencore, one of the world's largest diversified miners and a leader in the marketing of chrome ore and ferrochrome, further re-enforces our position in the market. Additional ferrochrome volumes from Lion II continue to play a key role in this.

With our renewed strategic focus, we remain committed to reducing debt and increasing dividends in the short to medium term.

Changes to Directorate

As previously announced, as a result of restructuring and changes in shareholding, the following changes to Directorate were effected during the first half of 2015:

- K Bissessor appointed – 1 January 2015
- S Blankfield appointed – 13 May 2015
- S Phiri resigned – 2 March 2015
- M Mamathuba resigned – 2 March 2015
- B Harvey appointed – 2 March 2015 and resigned 28 April 2015
- B McBride resigned – 2 March 2015.

Declaration of an ordinary dividend for the interim period ended 30 June 2015

Notice is hereby given that a gross interim ordinary dividend of R25m (1 cent per share) has been declared payable, by the Board of Merafe, to holders of ordinary shares. The dividend will be paid out of reserves.

The ordinary dividend will be subject to a local dividend tax rate of 15%. The net ordinary dividend, to those shareholders who are not exempt from paying dividend tax, is therefore 0.85 cent per share. Merafe Resources Limited's income tax number is 9550 008 602. The number of ordinary shares issued at the date of the declaration is 2 510 704 248.

The important dates pertaining to the dividend are as follows:

	2015
Declaration date:	Monday, 3 August
Last day for ordinary shares to trade cum ordinary dividend:	Friday, 21 August
Ordinary shares commence trading ex-ordinary dividend:	Monday, 24 August
Record date:	Friday, 28 August
Payment date:	Monday, 31 August

Share certificates may not be dematerialised/rematerialised between Monday, 24 August 2015 and Friday, 28 August 2015, both days inclusive. Where applicable, in terms of instructions received by the company from certificated shareholders, the payment of the dividend will be made electronically to shareholders' bank accounts on payment date. In the absence of specific mandates, cheques will be posted to shareholders. Shareholders who have dematerialised their shares will have their accounts with their CSDP or broker credited on Monday, 31 August 2015.

Chris Molefe
Non-executive Chairman

Zanele Matlala
Chief Executive Officer

Sandton
4 August 2015

References

** Heinz Pariser, July 2015.*

Group condensed statement of financial position

	As at 30 June 2015 Reviewed R'000	As at 31 December 2014 Audited R'000
Assets		
Property, plant and equipment	3 232 708	3 239 162
Deferred tax asset	15 417	13 518
Total non-current assets	3 248 125	3 252 680
Inventories	1 352 618	1 435 799
Current tax asset	–	15 485
Trade and other receivables	655 863	652 642
Cash and cash equivalents	102 264	44 541
Total current assets	2 110 745	2 148 467
Total assets	5 358 870	5 401 147
Equity		
Share capital	25 107	25 053
Share premium	1 269 575	1 269 578
Equity-settled share-based payment reserve	–	24 651
Retained earnings	1 916 475	1 804 220
Total equity attributable to equity holders	3 211 157	3 123 502
Liabilities		
Loans and borrowings	521 958	549 909
Share based payment liability	5 441	–
Provision for close down and restoration costs	137 716	129 029
Deferred tax	704 785	687 215
Total non-current liabilities	1 369 900	1 366 153
Loans and borrowings	100 788	80 778
Trade and other payables*	471 010	615 773
Provision for close down and restoration costs	8 407	7 932
Share based payment liability	11 600	–
Current tax liability	13 891	–
Bank overdraft	172 117	207 009
Total current liabilities	777 813	911 492
Total liabilities	2 147 713	2 277 645
Total equity and liabilities	5 358 870	5 401 147

** includes nil (2014: R189m short-term warehousing facility).*

Group condensed statement of comprehensive income

	Six months ended 30 June 2015 Reviewed R'000	Six months ended 30 June 2014 Reviewed R'000
Revenue	2 222 885	1 990 697
EBITDA	335 890	431 097
Depreciation and impairment	(120 538)	(84 619)
Net financing costs*	(37 081)	(26 640)
Profit before taxation	178 271	319 838
Taxation	(54 021)	(95 175)
Current tax	(38 349)	(35 890)
Deferred tax	(15 672)	(59 285)
Profit and total comprehensive income for the period	124 250	224 663
Basic earnings per share (cents)	5,0	9,0
Diluted earnings per share (cents)	4,9	8,9
Ordinary shares in issue	2 510 704 248	2 495 754 728
Weighted average number of shares for the period	2 508 635 044	2 494 664 949
Diluted weighted average number of shares for the period	2 518 604 858	2 515 371 345

	Six months ended 30 June 2015 Reviewed R'000	Six months ended 30 June 2014 Reviewed R'000
Headline earnings per share (cents) #	5,0	8,9
Diluted headline earnings per share (cents)	4,9	8,8
# Headline earnings reconciliation	124 250	221 283
Profit and total comprehensive income for the period	124 250	224 663
Profit on disposal of fixed assets	–	(4 695)
Taxation effect of profit on disposal of fixed assets	–	1 315

** includes R9.2m (H1 2014: R8.3m) unwinding of the discount on the rehabilitation provision. The prior period was reclassified.*

Group condensed statement of cash flows

	Six months ended 30 June 2015 Reviewed R'000	Six months ended 30 June 2014 Reviewed R'000
Profit before taxation	178 271	319 838
Interest paid	37 836	27 270
Interest received	(755)	(630)
Depreciation and impairment	120 538	84 619
Adjusted for non-cash items	2 685	(1 409)
Adjusted for working capital changes	(65 498)	(119 149)
Cash flows from operations	273 077	310 539
Interest paid	(13 301)	(15 884)
Interest received	548	421
Tax paid	(8 973)	(30 028)
Cash flows from operating activities	251 351	265 048
Cash flows from investing activities	(126 824)	(242 386)
Proceeds on disposal of property, plant and equipment	–	4 695
Acquisition of property, plant and equipment - expansionary	(22 934)	(152 525)
Acquisition of property, plant and equipment - sustaining	(103 890)	(94 556)
Cash flows from financing activities	(30 186)	9 524
Proceeds from issue of shares	–	1 100
Vesting and payment of share grants	(2 150)	(1 868)
Dividends paid	(20 085)	–
(Repayment)/increase in borrowings	(7 951)	10 292
Net increase in cash and cash equivalents	94 341	32 186
Cash and cash equivalents at the beginning of the period	(162 468)	(10 746)
Effect of exchange rate fluctuations on cash held	(1 726)	(2 000)
Cash and cash equivalents at the end of the period	(69 853)	19 440

Group condensed statement of changes in equity

	Six months ended 30 June 2015 Reviewed R'000	Six months ended 30 June 2014 Reviewed R'000
Share capital	25 107	24 958
Balance at beginning of the period	25 053	24 942
Share grants vested	54	16
Share premium	1 269 575	1 263 983
Balance at beginning of the period	1 269 578	1 262 899
Share premium arising from share options exercised	(3)	1 084
Equity-settled share-based payment reserve	–	40 429
Balance at beginning of the period	24 651	39 011
Share grants vested	(2 205)	(1 868)
Transfer to retained earnings	(8 090)	–
Transfer to share based payment liability	(16 820)	–
Share-based payment expense	2 464	3 286
Retained earnings	1 916 475	1 823 648
Balance at beginning of the period	1 804 220	1 598 985
Profit and total comprehensive income for the period	124 250	224 663
Dividend paid	(20 085)	–
Transfer from share based payment reserve	8 090	–
Total equity at end of period	3 211 157	3 153 018

Sponsor: **Merrill Lynch South Africa Proprietary Limited**

Executive Directors: ZJ Matlala (Chief Executive Officer), K Bissessor (Financial Director)
Non-executive Directors: CK Molefe (Chairman)*, NB Majova*, A Mngomezulu*,
K Nondumo*, M Mosweu, Z van der Walt*, S Blankfield,
Company Secretary: CorpStat Governance Services (W Somerville)
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