

# INVESTED

IN LONG-TERM SUSTAINABLE

# PARTNERSHIPS

**MERAPE RESOURCES LIMITED**  
**Merrill Lynch** 14<sup>th</sup> Annual Sun City Conference  
*March 2013*  
*Presented by Zanele Matlala (CEO)*



## Legal notice/disclaimer

This presentation is published solely for informational purposes and does not constitute investment, legal, tax or other advice nor is it to be relied upon in making an investment decision. Information contained herein has been taken from sources considered by Merafe Resources to be reliable but no warranty is given that such information is accurate or complete and it should not be relied upon as such. Views and opinions expressed in this presentation reflect the judgment of Merafe Resources as of the date of this presentation and are subject to change. Merafe Resources will not be responsible for any liability for loss or damage of any kind which arises, directly or indirectly, and is caused by the use of any of the information provided. The entire presentation is subject to copyright with all rights reserved. The information contained herein shall not be published, rewritten for broadcast or publication or redistributed in any medium without prior written consent from Merafe Resources. Prospective investors should take appropriate investment advice and inform themselves as to applicable legal requirements, exchange control regulations and tax considerations in the countries of their citizenship, residence or domicile. The distribution of the information contained in this presentation in certain countries may be restricted by law and persons who access it are required to inform themselves and to comply with any such restrictions. This information does not constitute an offer or solicitation in any jurisdiction in which such an offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation. Past performance is not a guarantee of future performance. The price of shares can go down as well as up and may be affected by change in exchange rates, market conditions and risks associated with a mining venture.

# Agenda

---

1. Corporate and Operational Overview

2. Key Drivers

3. Challenges

4. Outlook

Annexures



# Corporate and Operational Overview

The Tswelopele pelletising and  
sintering plant

North West province

## Experienced Management Team focused on delivering returns



### **Zanele Matlala CA(SA) – Chief Executive Officer**

- Appointed CFO in October 2010 having been on the Merafe Board as a non-executive director since 2005. Appointed CEO in June 2012
- Extensive financial experience at Industrial Development Corporation and formerly CFO of Kagiso Investments and Development Bank of Southern Africa



### **Ditabe Chocho CA(SA) – Chief Financial Officer**

- Appointed CFO on 2 January 2013
- Extensive experience in financial and investment management gained during his tenure at various companies including ZICO Capital, Alease Gold and Uranium Limited and Transnet



### **Bruce McBride – Commercial Director**

- Joined Merafe in 2001 as Commercial Director
- Formerly a Senior Partner at law firm Bell, Dewar and Hall where he specialised in commercial litigation, banking and mining law



### **Dr Jurg Zaayman – General Manager, Merafe Chrome**

- Joined Merafe in 2001 as Operations Manager and became General Manager of the Boshhoek plant
- In 2004 seconded to the Xstrata-Merafe Chrome Venture and was the project leader for the Bokamoso pelletising plant before being appointed to his current position in 2007



### **Kajal Bisessor CA(SA) – Finance and IR Manager**

- Joined Merafe as Financial Controller in March 2009 and was appointed to current position in June 2010
- Formerly worked at KPMG as Audit Manager

## Largest Ferrochrome Producer in the World



**MERAFE**  
RESOURCES

20.5% of EBITDA



**xstrata**  
alloys

79.5% of EBITDA

### *Investor Profile*

*Ticker:* MRF

*Market Cap\** : R2bn

*Share price\** : 78 cents

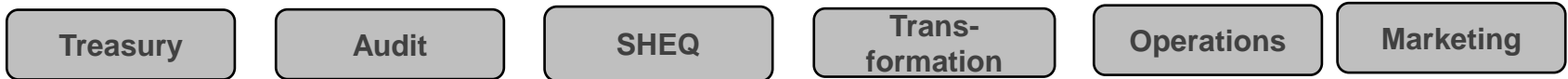
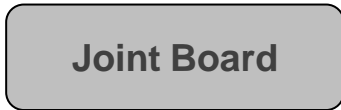
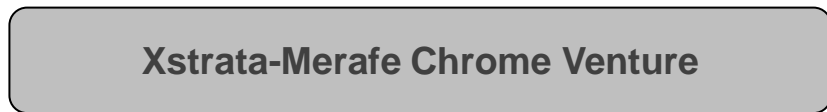
*52 week high* : 95 cents

*52 week low* : 64 cents

*\* As at 11 March 2013*

**Xstrata-Merafe Venture  
Formed 1 July 2004**

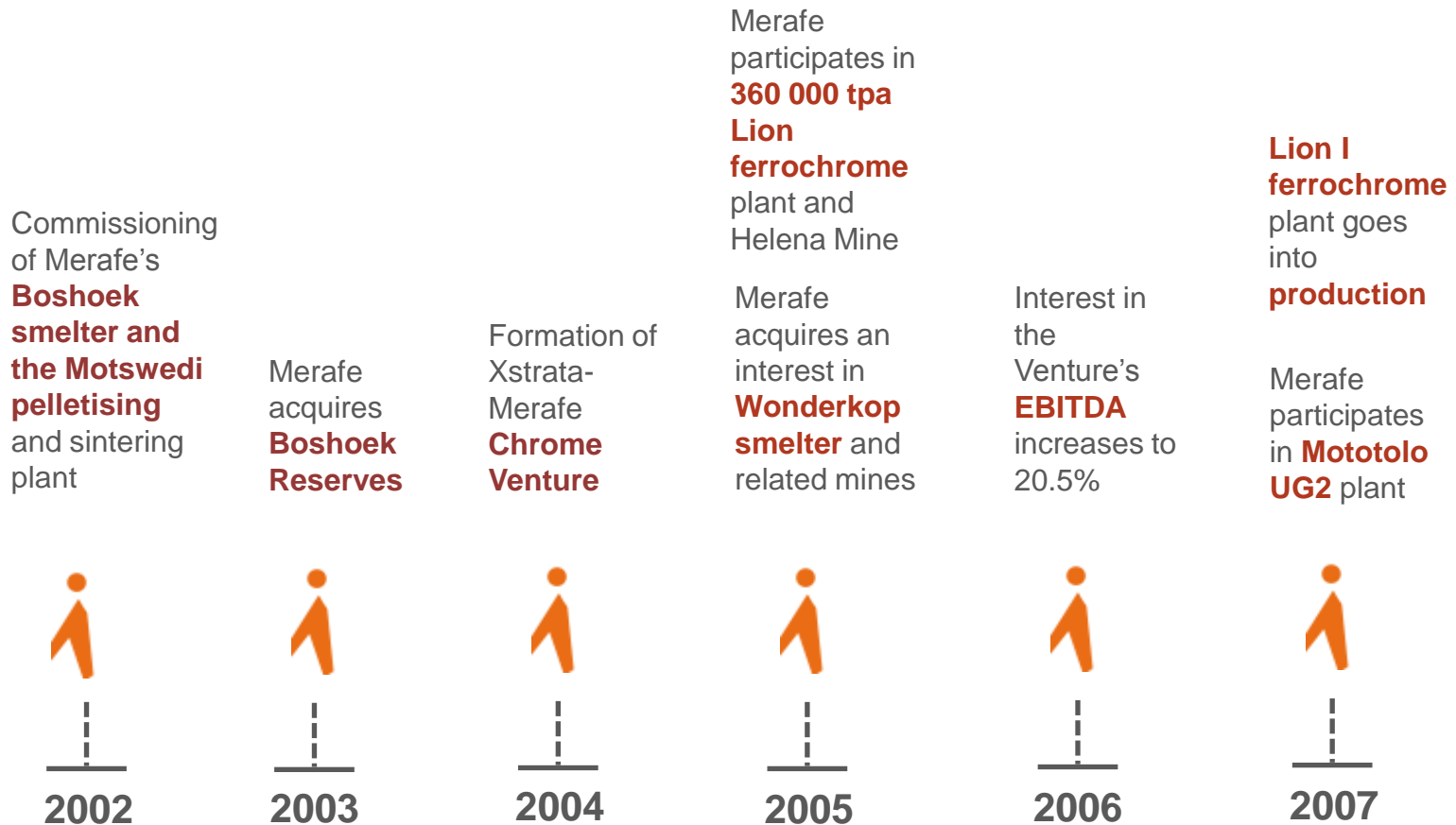
# On 1 July 2004 Merafe pooled assets with Xstrata to form the Xstrata-Merafe Chrome Venture



*Merafe is represented at all levels of the Xstrata Merafe Chrome Venture*

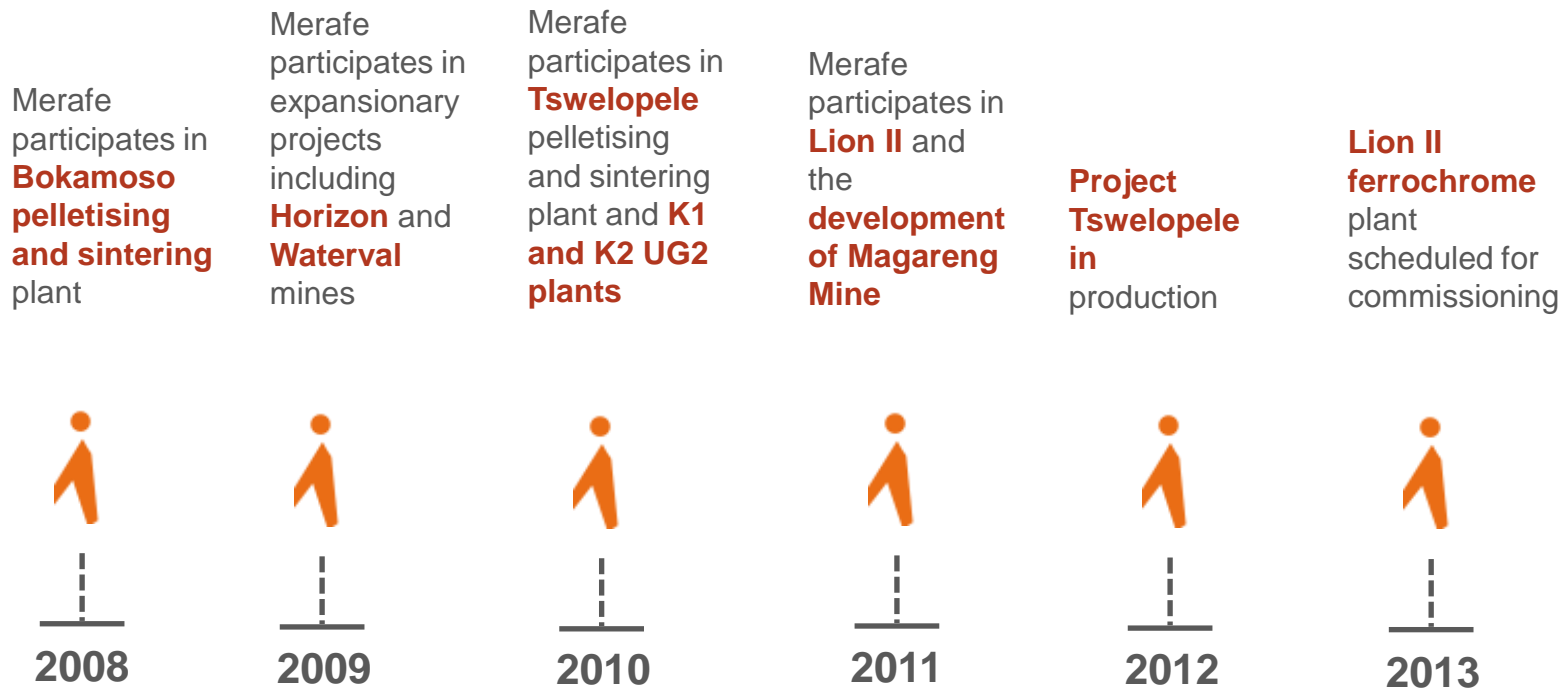


# Our growth in ferrochrome since 2002





# Our growth in ferrochrome since 2002



# Project Lion Phase II - 360,000 tonnes of ferrochrome capacity

## Project Rationale:

- Positioning the Venture to be one of the first movers in the ferrochrome industry, underpinned by favourable supply-demand fundamentals
- Expected to reduce the total costs of the Venture's ferrochrome production by 6%

## Cost

- Total cost of R4,9bn (R4,2bn smelter & R700m mine) of which 50% was spent up until 31 Dec 2012
- Merafe's 20.5% portion at cost is R1bn

## Valuation

- IRR in excess of 20%

## Commissioning

- Expected to be commissioned in the second half of 2013

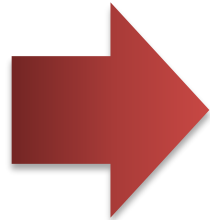
## Financing

- Combination of existing / future cash flows and debt

## Sustainability

- Investment in community upliftment, job creation - is expected to result in 1 000 permanent jobs and 1 800 jobs in the construction phase
- Investment in housing development in one of the poorest regions in SA
- Environmental - 30% less solid waste (slag and slimes)

# What sets us apart from the competition



**Lower quartile of the ferrochrome cost curve with the gap widening**

**Energy efficient technology reducing impact of high electricity costs in SA**

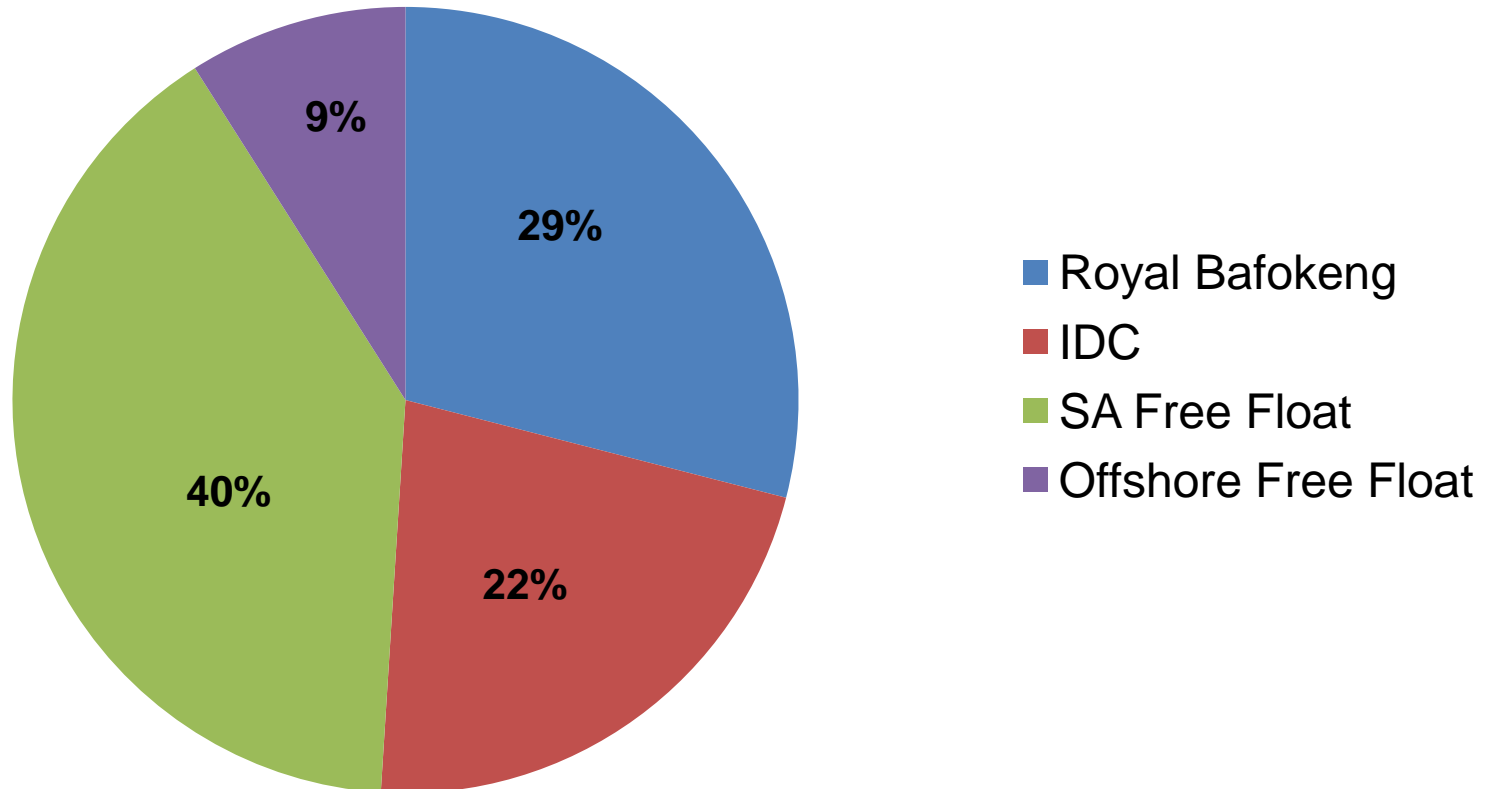
**Secure long-term supply of ore reserves**

**Strong Balance Sheet and proven track record**

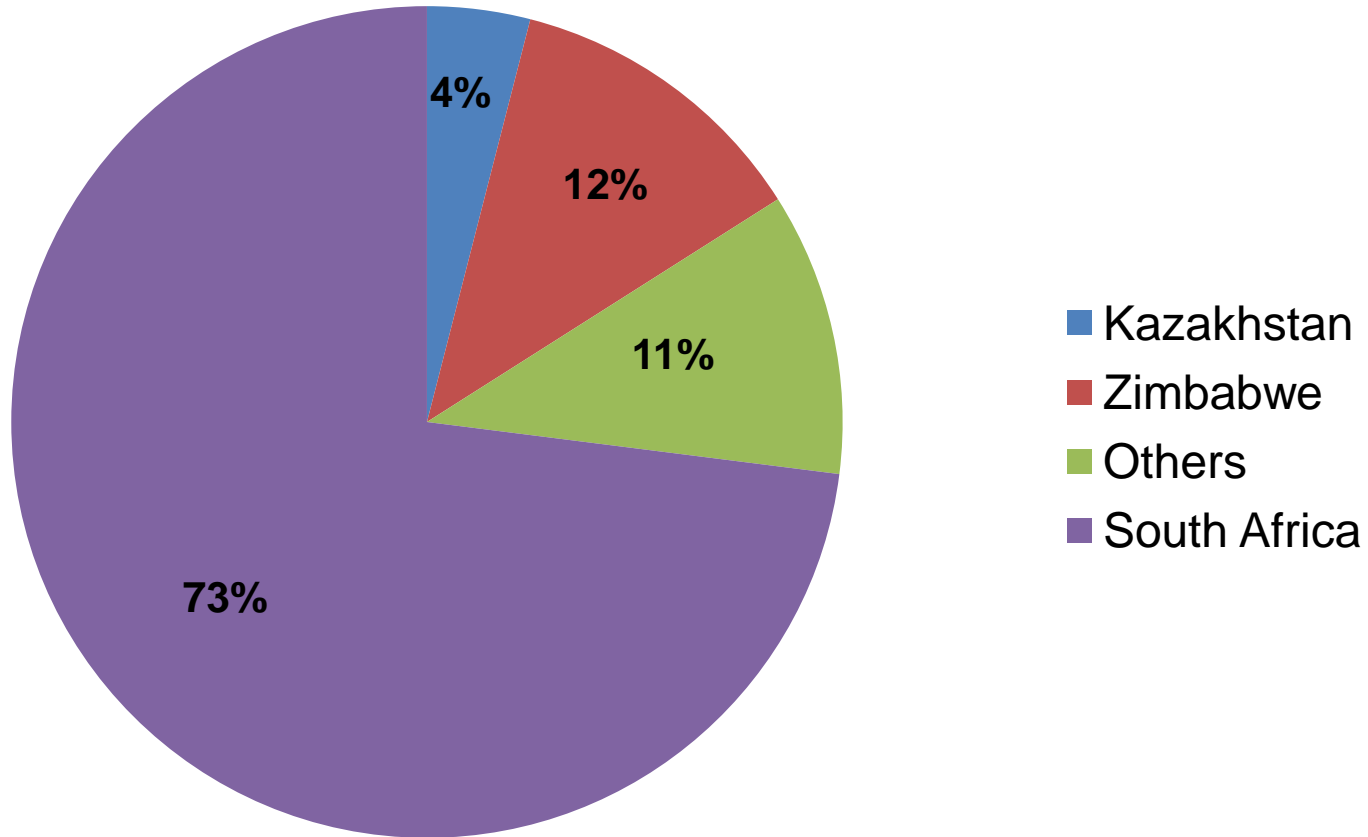
**Organic growth in ferrochrome – Lion II**



## Shareholder Base



## Global Chrome Reserves favour South Africa



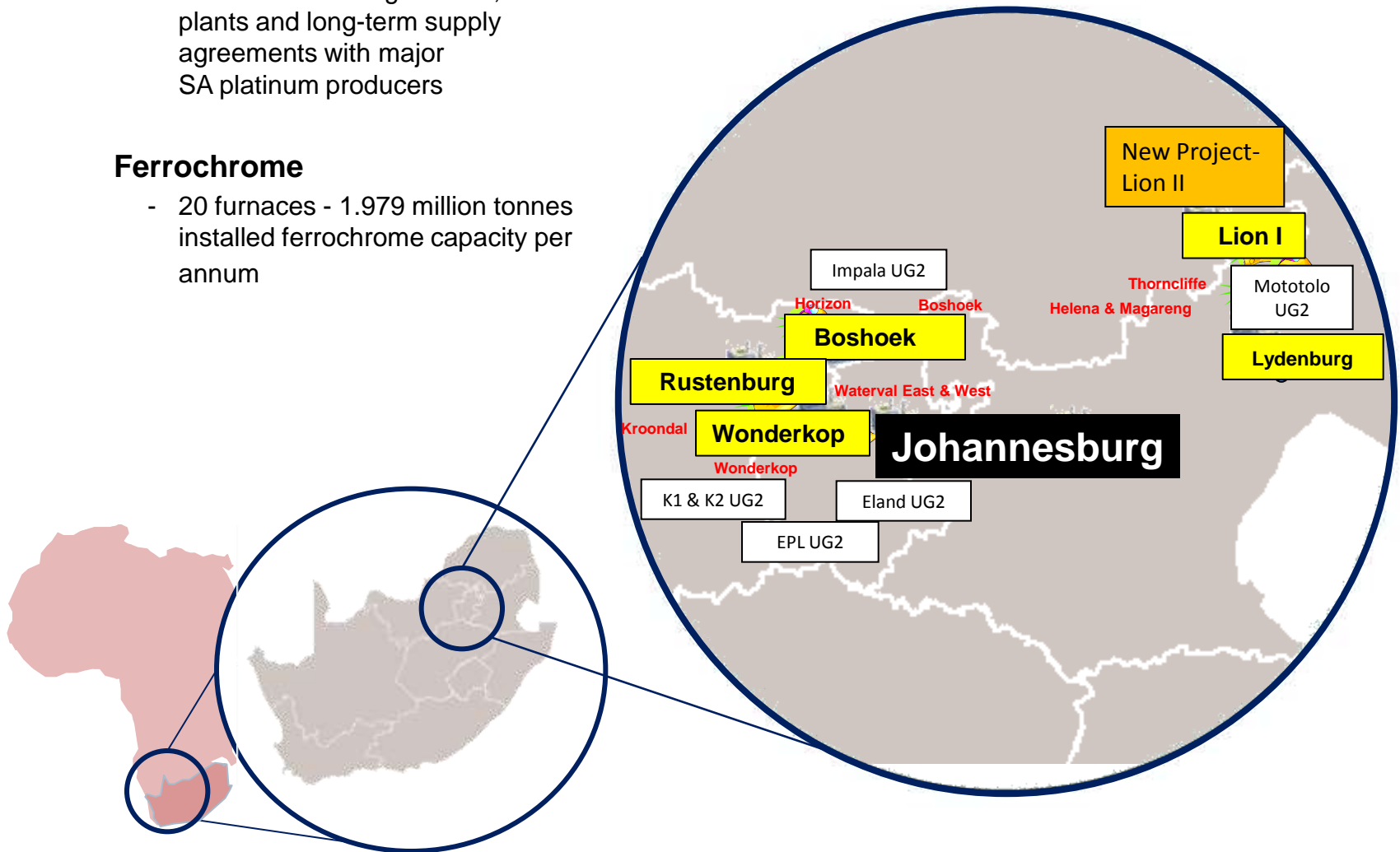
# Geographical Distribution Provides Competitive Advantage

## Chrome ore

- 9 mines, chrome mineral resources in excess of 450 Megatonnes, 6 UG2 plants and long-term supply agreements with major SA platinum producers

## Ferrochrome

- 20 furnaces - 1.979 million tonnes installed ferrochrome capacity per annum



# Key Drivers



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

North West province

# Key Drivers

## Market

- Stainless steel production
- Ferrochrome demand
- Ferrochrome supply

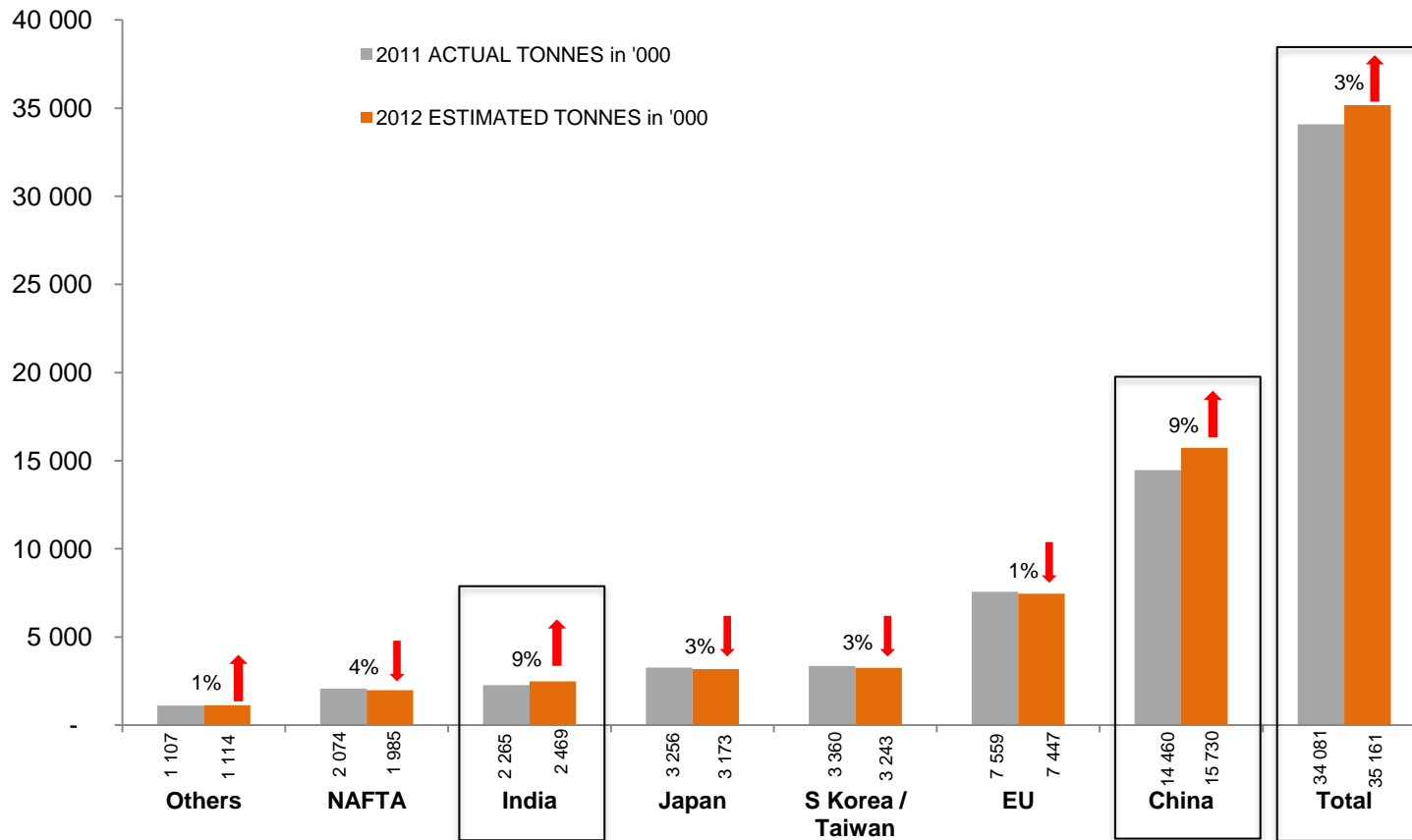
## Costs

- Labour
- Electricity

## Pricing and foreign exchange



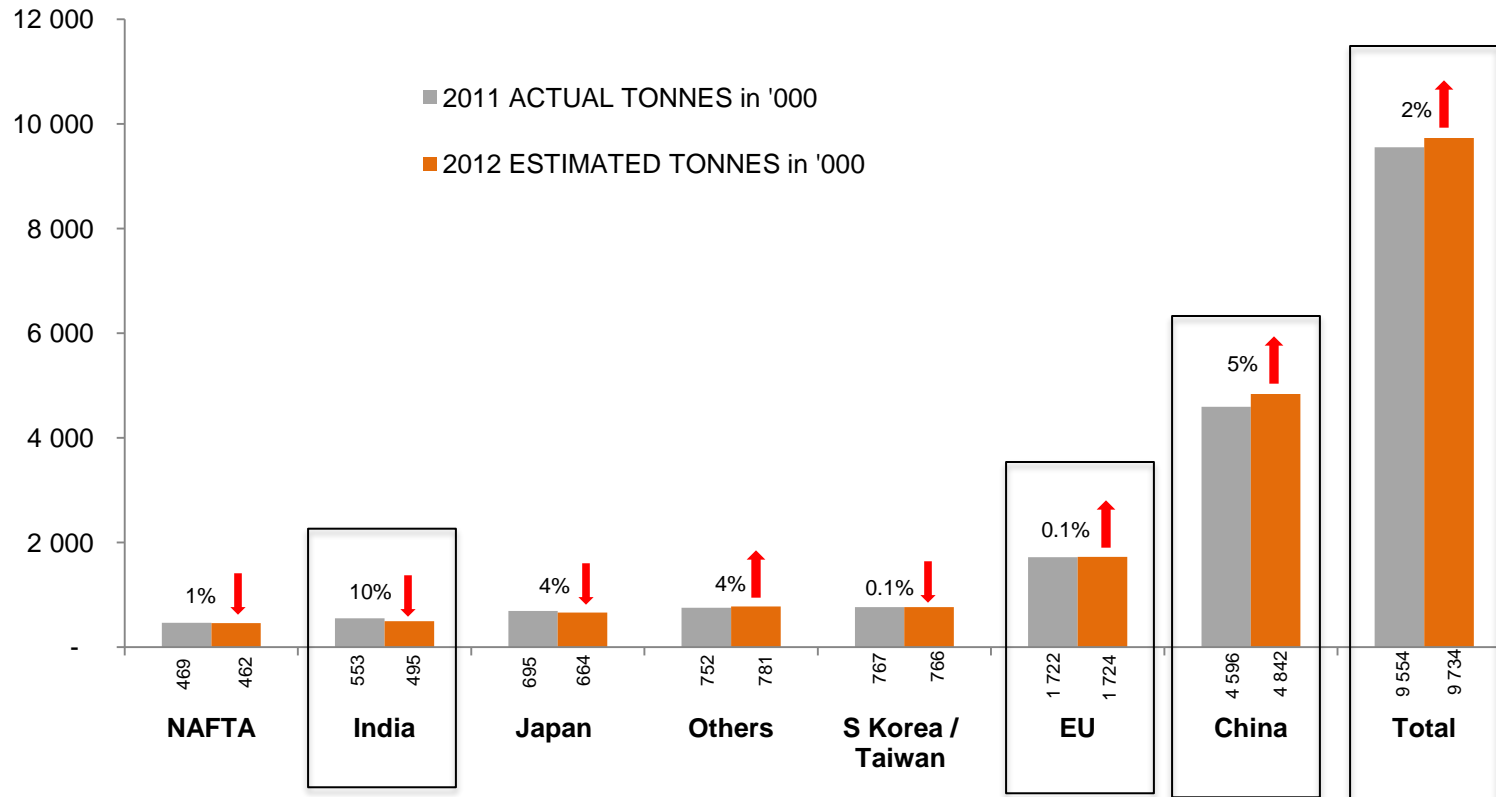
# Global stainless steel production



& **3%** increase in  
stainless steel production

Heinz H. Pariser /Feb 2013

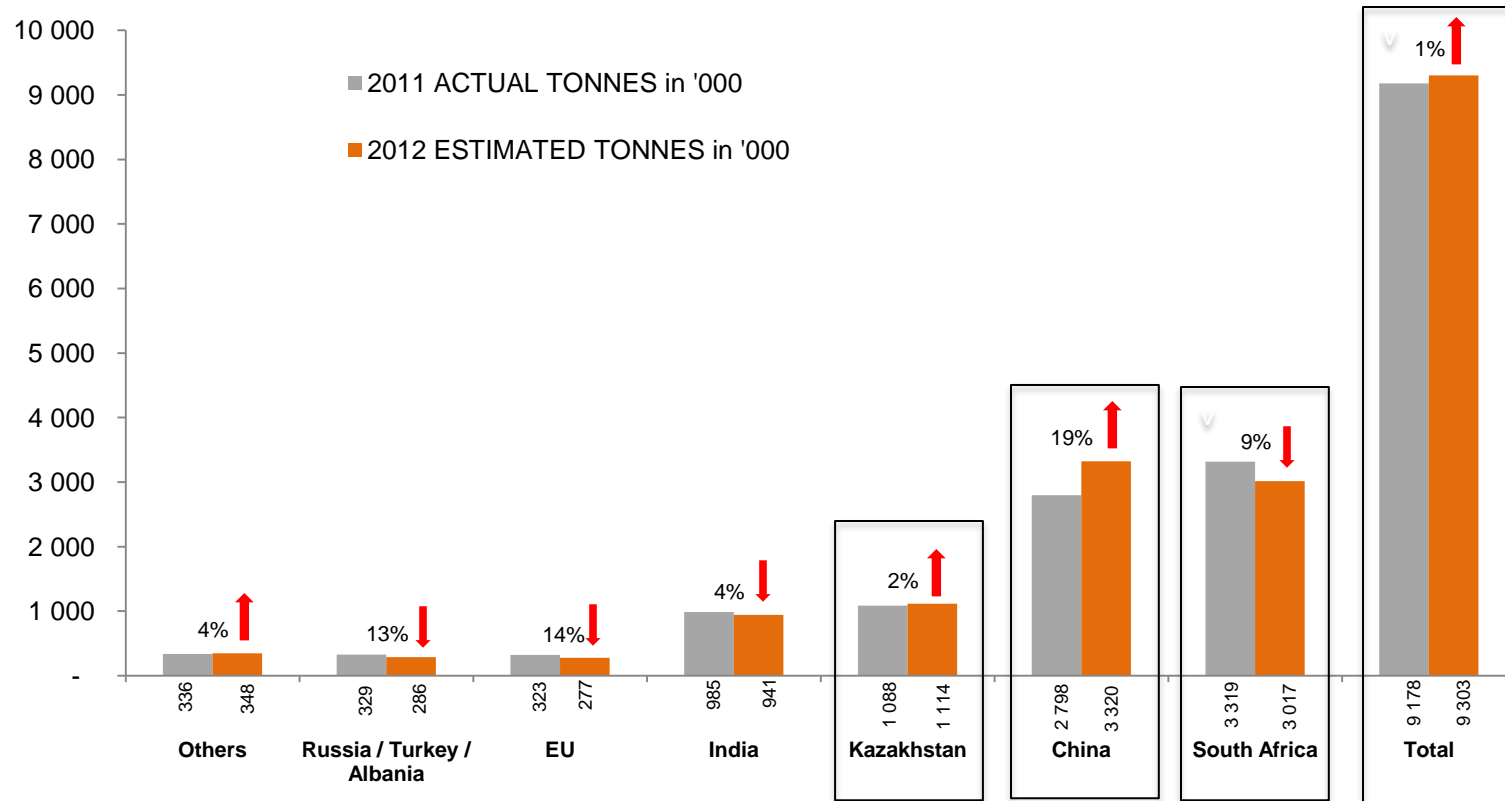
# Global ferrochrome demand



Heinz H. Pariser /Feb 2013

& **2%** increase in  
Ferrochrome demand

# Global ferrochrome production



**& Marginal increase**  
 In ferrochrome production

Heinz H. Pariser /Feb 2013

# Challenges

A large industrial ferrochrome plant at dusk, with its lights reflecting in a nearby pond. The plant is a complex of multi-story buildings, pipes, and structural steel, illuminated by warm artificial lights. In the foreground, a large, dark, rectangular pond reflects the lights and the structure of the plant. The sky is a deep blue, and mountains are visible in the background.

The Lion ferrochrome plant at  
Steelpoort

Limpopo province

# Challenges

## Chrome ore exports

### Rising costs

- Electricity
- Labour

## Chrome ore imports into China remain significant

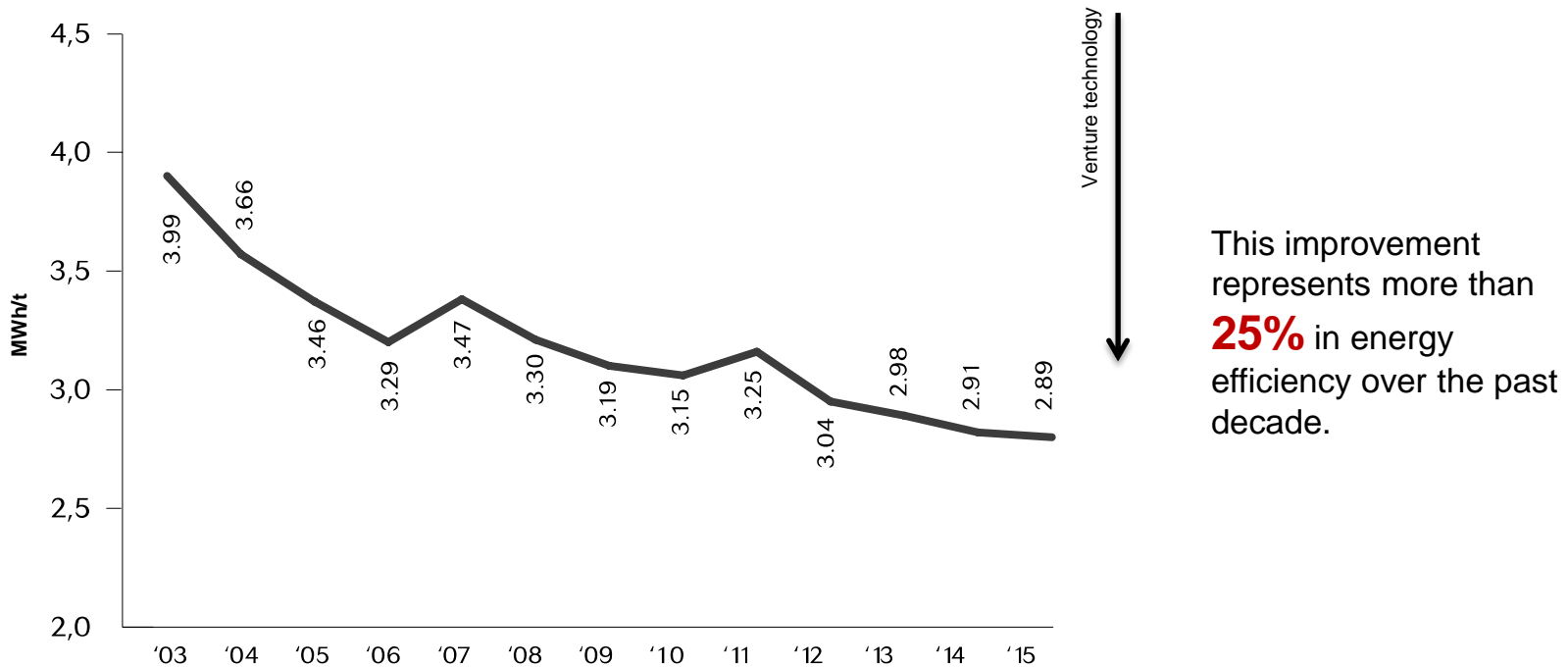
	2012 '000	2011 '000	2010 '000	% change 2012/2011
South Africa	4 490	4 675	3 100	(4.0)
Turkey	1 840	1 612	1 933	14.1
Oman	426	645	902	(34.0)
India	310	439	389	(29.4)
Pakistan	472	440	512	7.3
Albania	305	357	363	(14.6)
Iran	448	330	350	35.8
Zimbabwe	1	212	160	(99.5)
Madagascar	118	86	115	37.2
Australia	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)
<b>Total</b>	<b>9 300</b>	<b>9 444</b>	<b>8 667</b>	<b>(1.5)</b>

Heinz H. Pariser, Alloy Metals and Steel Market Research

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

# The Venture invested in energy efficient technologies to counter the rising costs of electricity

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





# Outlook



The Lion ferrochrome plant at  
Steelpoort

Limpopo province



# Positive long-term outlook

25

- Projected 5% CAGR in stainless global steel industry fuels ongoing demand for ferrochrome
- Long-term demand fundamentals remain strong as China continues to expand
- The Xstrata-Merafe Venture will retain advantage as lowest cost SA producer
  - outstanding historical cost performances of furnaces
  - continuous electrical energy improvements that clearly set us apart from the rest
- Strong Balance Sheet enables the Company to take advantage of global economic recovery
- Diversification opportunities will be explored post Lion II commissioning

# Questions



# Annexures



Lion II ferrochrome plant under construction

Limpopo province

# Abridged Audited Group Annual Financial Statements for 2012