



Trading statement and production report for the period ended 30 June 2014

Trading statement

Basic and headline earnings per share

In terms of the JSE Limited Listings Requirements, issuers are required to publish a trading statement as soon as they are satisfied that a reasonable degree of certainty exists that the financial results for the period to be reported on will differ by at least 20% from those of the prior comparative period.

Shareholders are therefore advised that Merafe is expecting to report the following for the six months ended 30 June 2014:

- Basic earnings per share of between 8.7 cents and 9.3 cents, compared to 1.3 cents for the comparative period, which is an increase of between 569% and 615%;
- Headline earnings per share of between 8.6 cents and 9.2 cents compared to 3.8 cents for the comparative period, which is an increase of between 126% and 142%.

The significant period on period increase in headline earnings was primarily attributable to the increase in ferrochrome production and sales volumes and the weakening of the Rand against the US Dollar.

Update on cash balance and debt

Merafe is expected to close at 30 June 2014 with a net cash balance of R19m (31 December 2013: net overdraft balance of R11m), total debt owing to ABSA Capital of R592m (31 December 2013: R581m) and R65m (31 December 2013: R194m) utilisation of the short term inventory facility.

Shareholders are advised that the financial information on which this trading statement is based, has not been reviewed or reported on by Merafe's external auditors and is provided in terms of paragraph 3.4(b) of the JSE Limited Listings Requirements.

The financial results for the period ended 30 June 2014 are expected to be released on SENS on 12 August 2014.

Production report

1. Production and sales volumes

Merafe's operating capacity utilisation for the first half of 2014 was 90% which is equivalent to an increase of 16% period on period. This increase was primarily attributable to a stronger market and the impact of the Eskom buy-back agreements that were entered into in the first half of 2013 and were non-recurring in the first half of this year. Ferrochrome sales volumes increased by 25% period on period.

	Six months Ended 30 June 2014	Six months Ended 30 June 2013
Attributable ferrochrome production (kt)	168	145
Attributable ferrochrome sales (kt)	171	137
Average European benchmark ferrochrome price (USc/lb) (Metal Bulletin)	120	120
Average Rand/Dollar Exchange Rate	10.7	9.2

2. Impact of strike action in the Platinum Industry

The strike action in the platinum industry resulted in reduced UG2 production and higher chrome ore input costs at the Venture's furnaces during the first half of 2014, as a consequence of a higher percentage of own mined ore and bought in ore, used in the production of ferrochrome, instead of internally produced UG2 concentrate.

3. Safety

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

As previously reported, an accident occurred on 9 April 2014 at the Venture's Kroondal mine in Rustenburg which sadly resulted in an employee being fatally injured.

The Venture's total recordable injury frequency rate (TRIFR) increased slightly to 4.41 due to two additional injuries in the first half of this year, compared to the first half of 2013.

4. Update on Project Lion II

As previously reported, ferrochrome production from the first furnace of our Project Lion II commenced on 6 April 2014. Ferrochrome production from the second furnace commenced on 30 May 2014.

During mid July 2014, daily ferrochrome production reached more than 60% of design capacity and the plant is expected to reach full capacity within the next year.

The project has an excellent safety record with more than 9.6 million continuous man hours worked, without a lost time injury.

28 July 2014

Sandton

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