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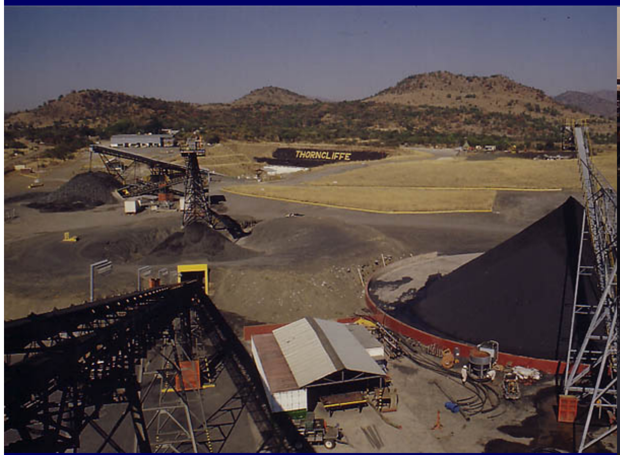
MERAFE RESOURCES

Xstrata-Merafe Chrome Venture
“Venture”



Analyst Visit
6 and 7 July 2005

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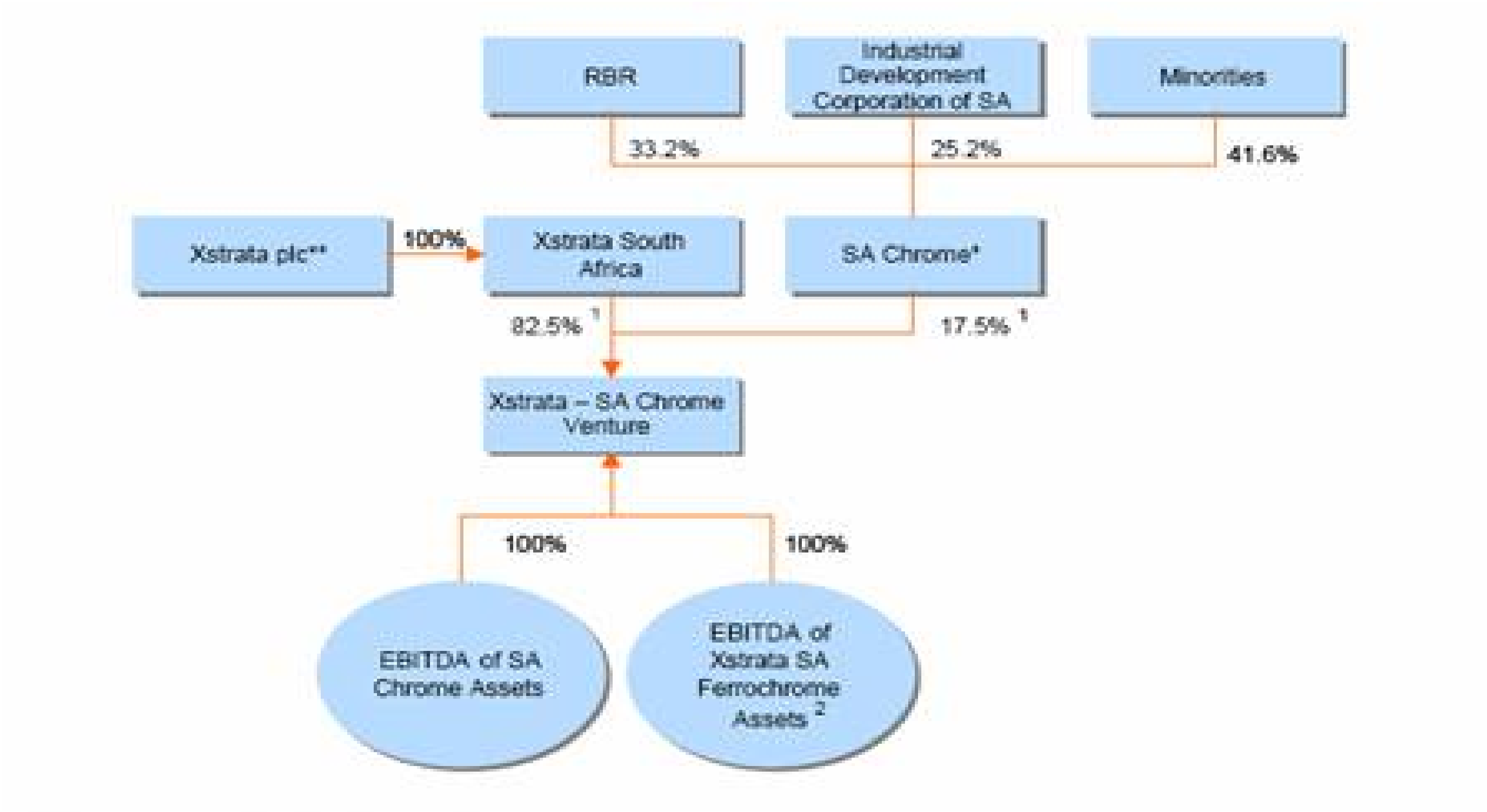
Agenda

Welcome	Steve Phiri, CEO Merafe Resources
Introduction and Strategy	Shaun Usmar, CFO Xstrata Alloys
Market Overview	Jeff McLaughlan, Marketing Director Xstrata Alloys
Operations	Shaun Usmar, CFO Xstrata Alloys
Transformation Update	Thabo Moseki, Transformation Manager Western Operations, Xstrata Alloys
Conclusions	Shaun Usmar, CFO Xstrata Alloys
Q&A	

Introduction and Strategy

Xstrata-Merafe Chrome Venture



1. Merafe participation increase from 14% currently to 17.5% in 3 years (Pre-Wonderkop acquisition).

* Merafe Resources formerly known as SA Chrome.

Salient Terms of the Xstrata-Merafe Chrome Venture

- **Merafe and Xstrata retain ownership of assets**
  - **both Parties contribute to the Venture the right to use assets**
- **EBITDA shared in proportion to participation**
- **Management of the Venture by “Joint Board”, with representation from Merafe and Xstrata**
- **GIAG market full output from the Venture**
- **Merafe and Xstrata to offer all chrome opportunities in Southern Africa to the Venture**
- **Merafe right to increase participation interest to 26% -**
  - **disproportionate funding of new projects / acquisitions**

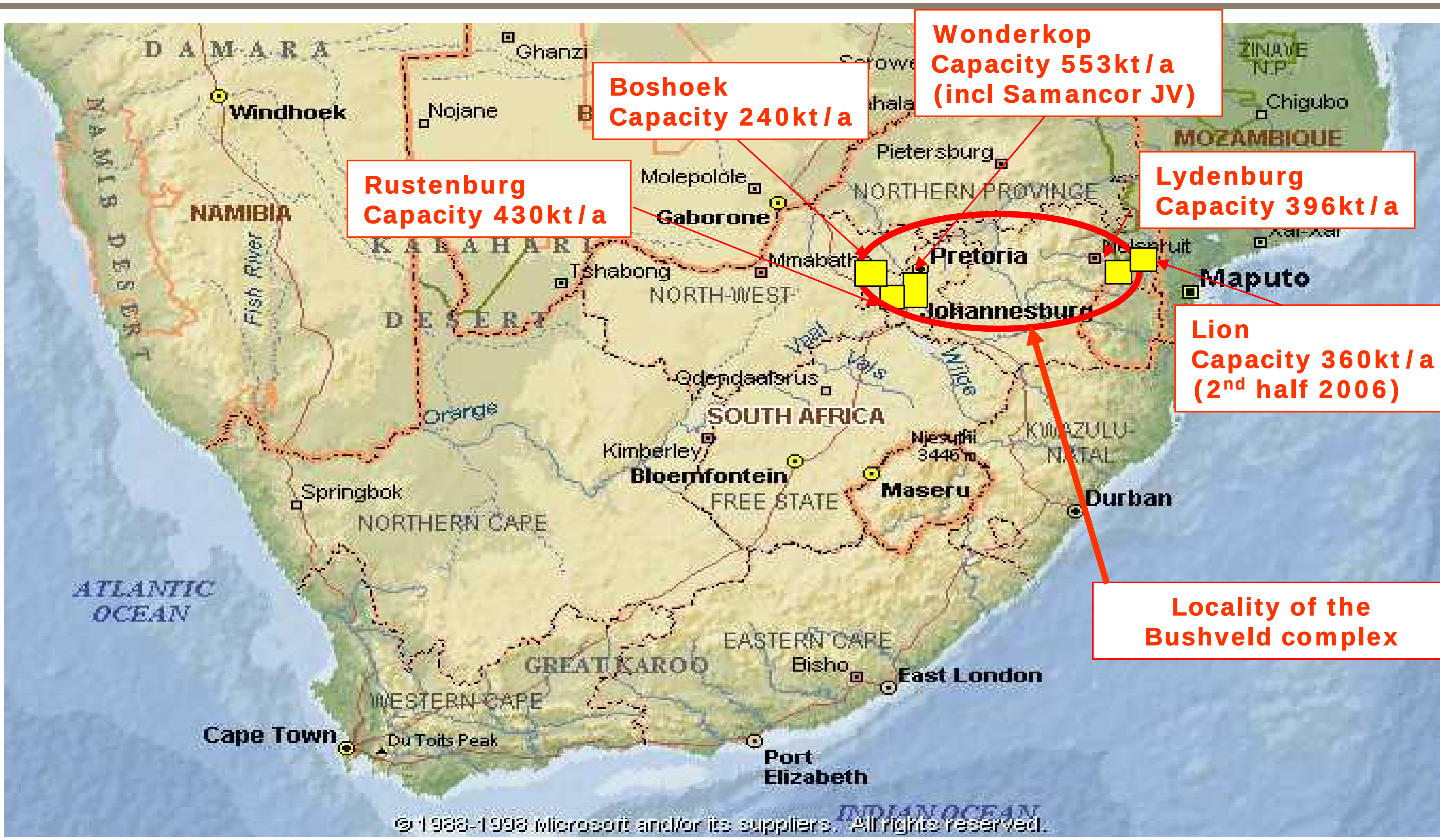
Xstrata-Merafe Chrome Venture
Highlights

- **Xstrata assumed management control of Merafe Ferrochrome assets in July 2004**
  - Plant design capacities achieved in September 2004
  - Merafe achieved profitability for first time during Q3 04
- **Many synergies identified**
- **Merafe mining operations presented additional challenges to Xstrata mining team**
- **Transaction enables Xstrata to move towards satisfying MPRDA requirements**
- **Merafe has strong strategic shareholders in the RBN and IDC**

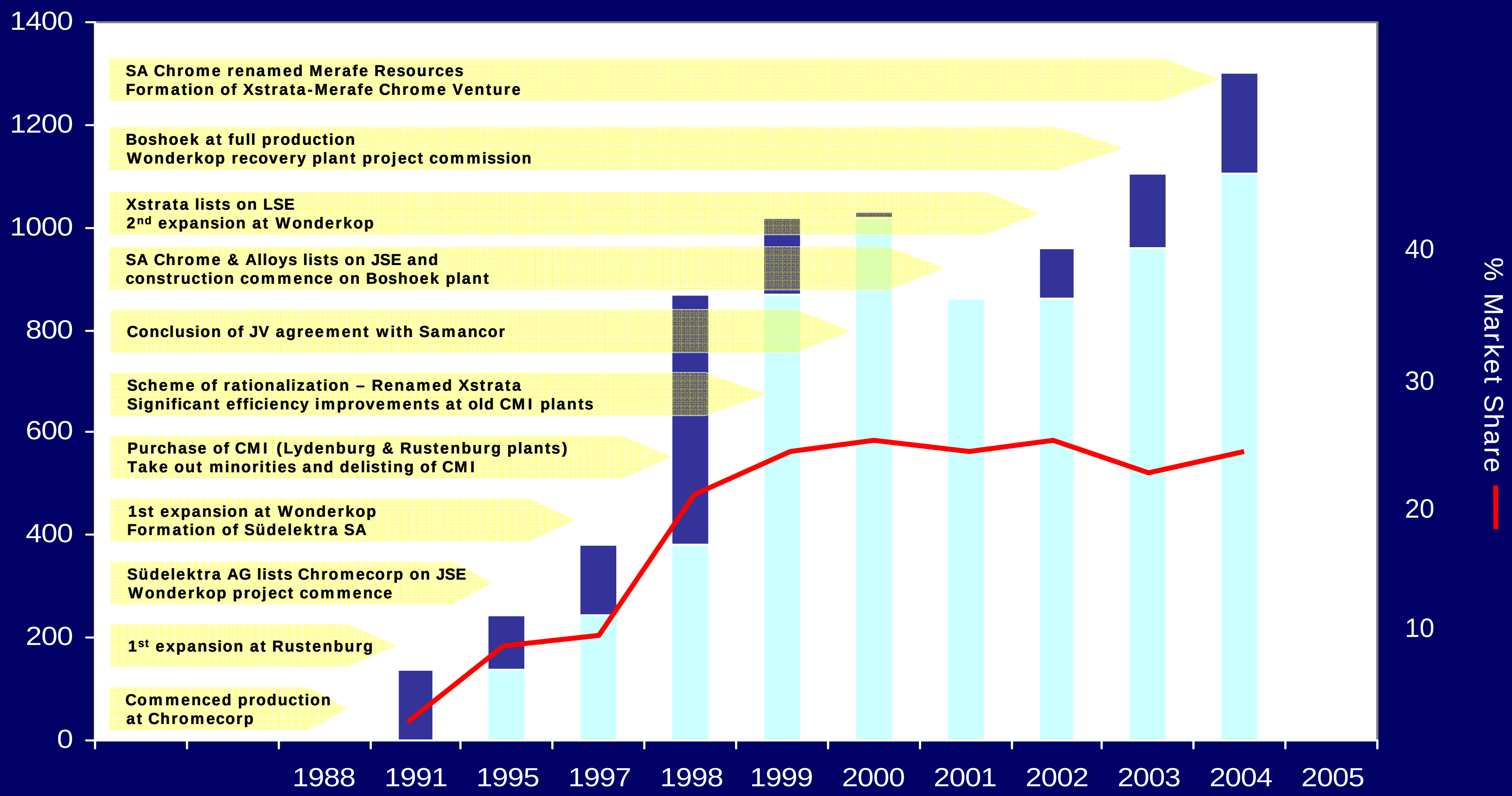
Ferrochrome Snapshot

- **World's largest integrated producer of ferrochrome**
- **Total attributable annual ferrochrome capacity ca. 1.4m tonnes (pre-Wonderkop 191kt)**
- **Low cost producer benefiting from:**
  - Direct access to rail transport
  - Low cost power supply
  - Continuous focus on efficiency
  - Low cost chrome ore
- **18 furnaces at four metallurgical complexes**
- **Chrome Venture in place 2nd half of 2004.**
  - First BEE transaction in the Industry

Ferrochrome Assets



Xstrata-Merafe Chrome Venture History

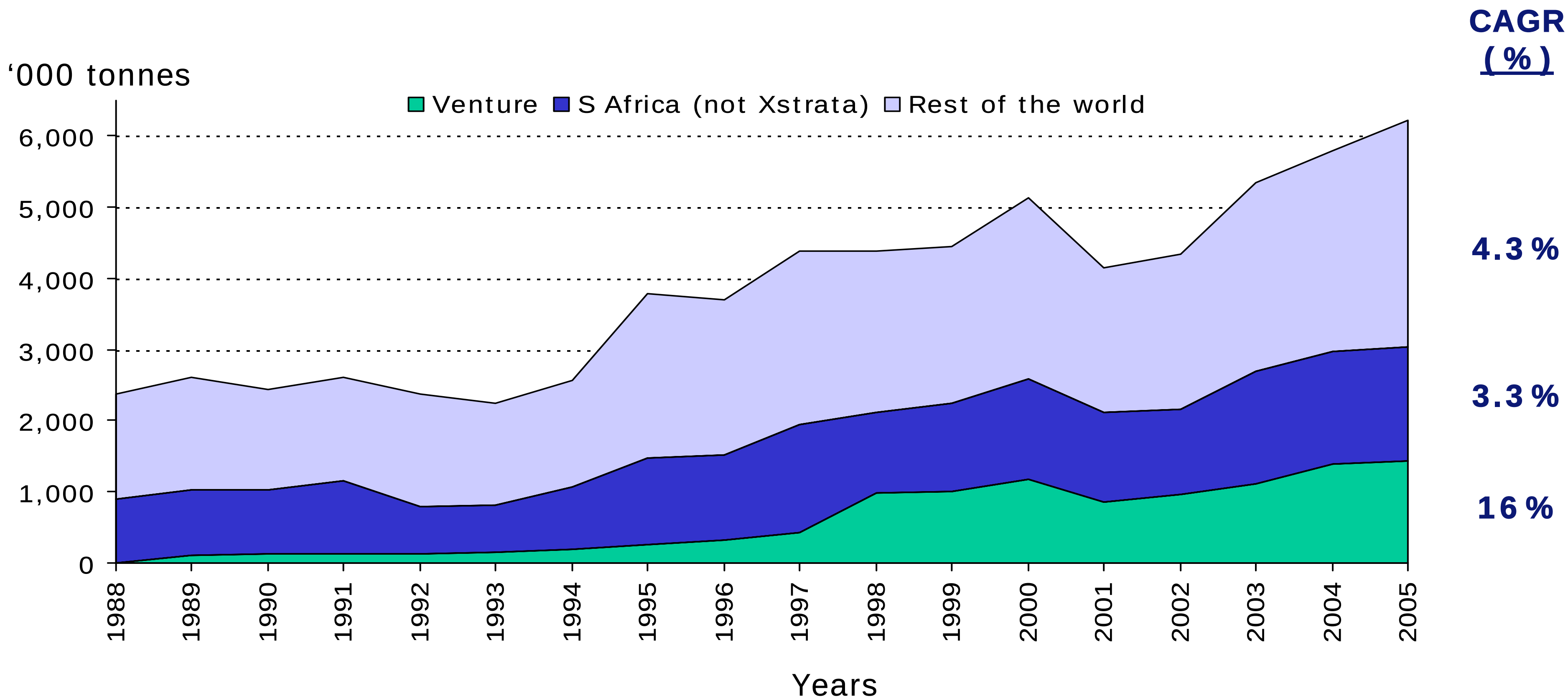


Note: Pre-Venture formation only Xstrata production

HCFeCr Production

South Africa and the Venture have grown considerably

Global production has grown three times 1988 levels (CAGR 5,3%)



Data: CRU Analysis

Ferrochrome Strategy

- **Improve HSEC performance**
- **Deliver on transformation targets**
- **Enhance 'market-leader' position**
  - Introduction of new capacity at lower cost
- **Enhance cost competitiveness**
  - Maintain competitive edge thro' process innovation
  - Increase agglomeration capacity
  - Reduction in specific energy consumption
  - Flexibility in reductant mix
  - Economy-of-scale benefits
- **Reduce vulnerability to key inputs**
  - Captive supply of reductants

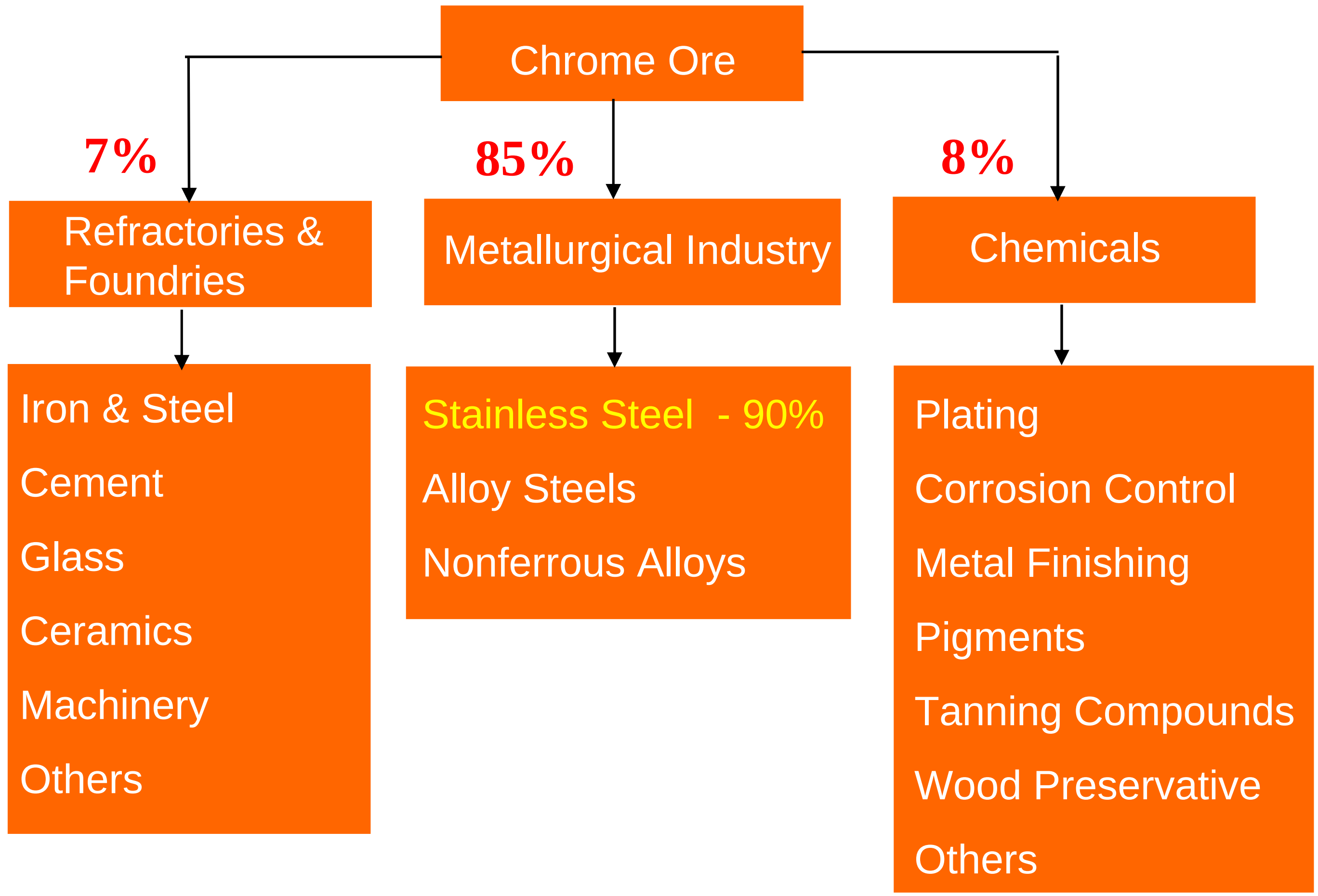
Progress vs. Objectives

- **Xstrata-Merafe Chrome Venture in place.**
  - secures meaningful BEE participation for Xstrata
  - reducing Merafe's risk profile, providing diversification benefits and making them immediately cash generative.
- **Comprehensive health and safety programme implemented across SA operations**
  - Focus on behavioral safety to prevent critical incidents
- **Project Lion underway to ensure full participation in ferrochrome growth as market leader**
- **Transaction finalized to secure significant proportion of reductant requirements**
  - Focus on coke reduction and security of other reductants continues

Market Overview

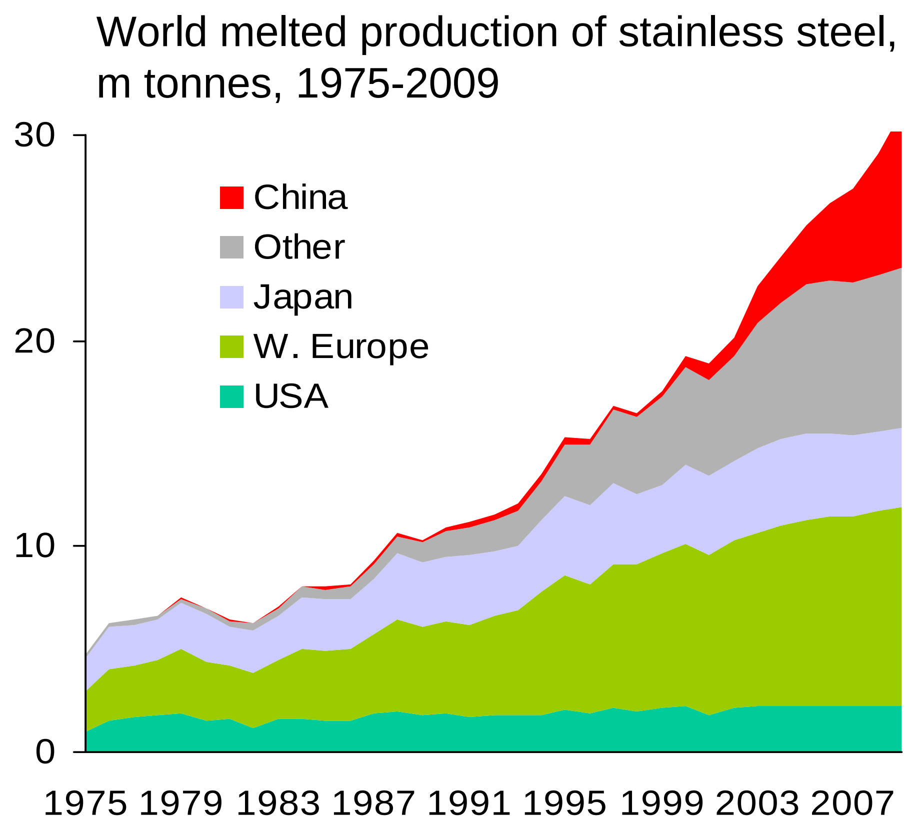
Ferrochrome Market

Stainless steel is the main driver of ferrochrome demand



Data: CRU

World melted production of stainless steel has grown at a phenomenal pace recently



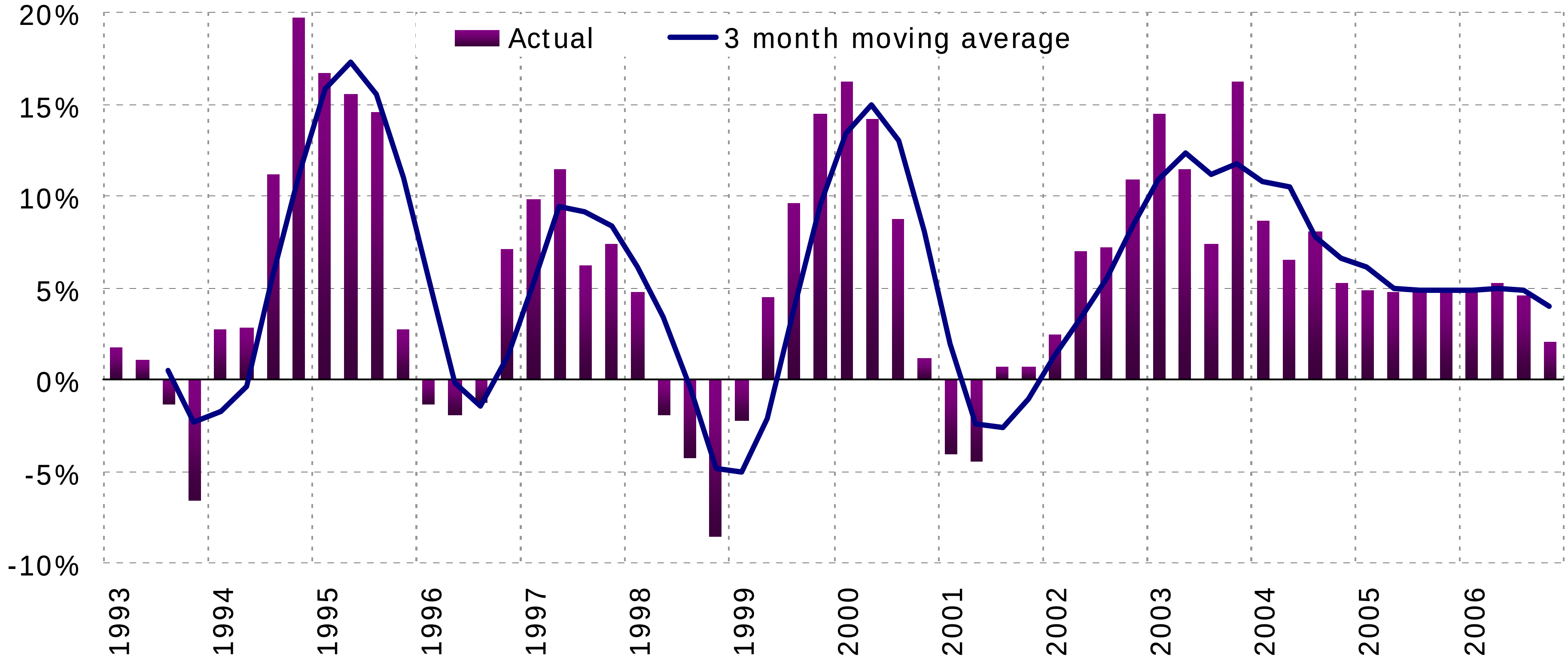
	World stainless output growth, %
2002	**+6.8%**
2003	**+12.4%**
2004e	**+6.3%**
2005f	**+4.9%**
2006f	**+4.2%**
2007f	**+2.5%**
2008f	**+6.4%**
2009f	**+6.9%**

Data: CRU

Global Stainless Melted Production

Duration of stainless cycle has lengthened, due to China

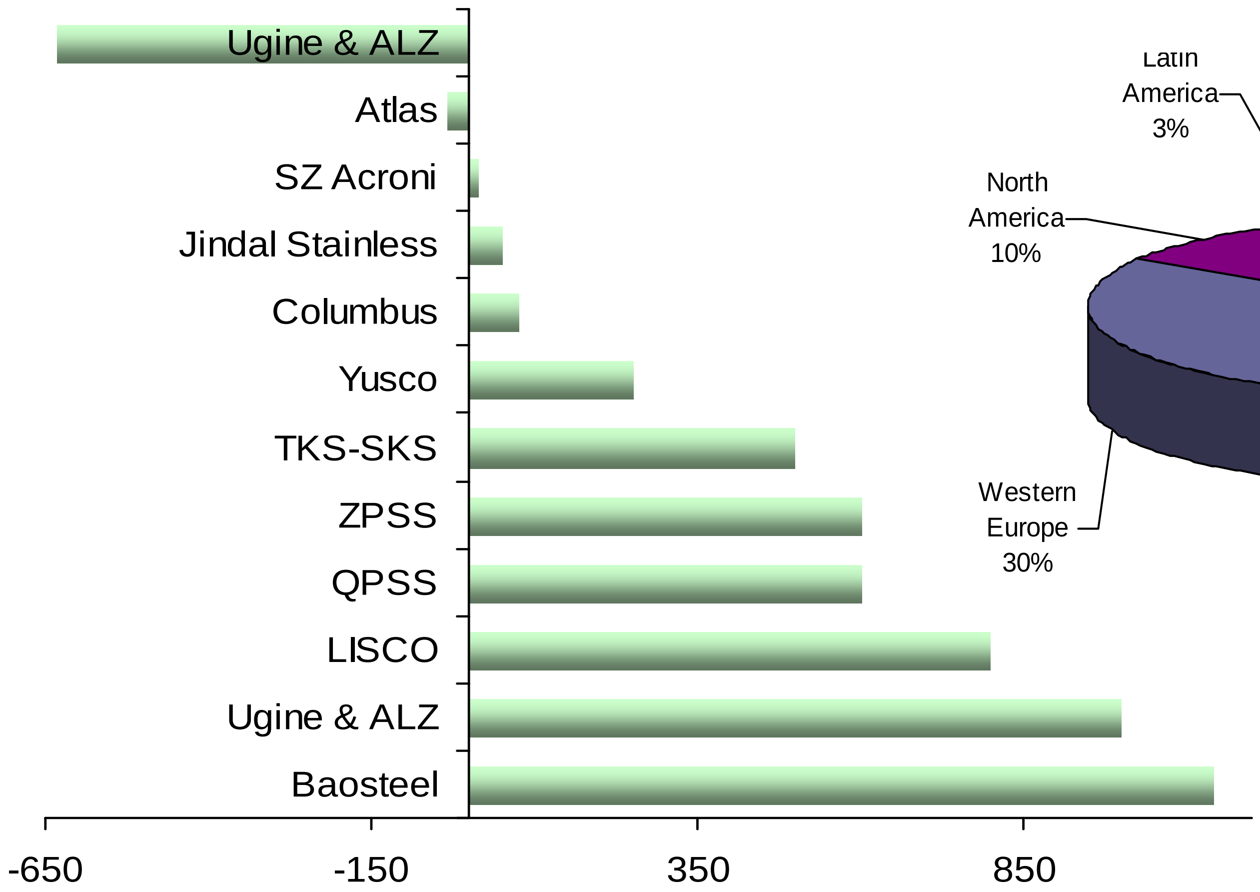
qtly, y-o-y% change and moving average



Data: CRU Analysis

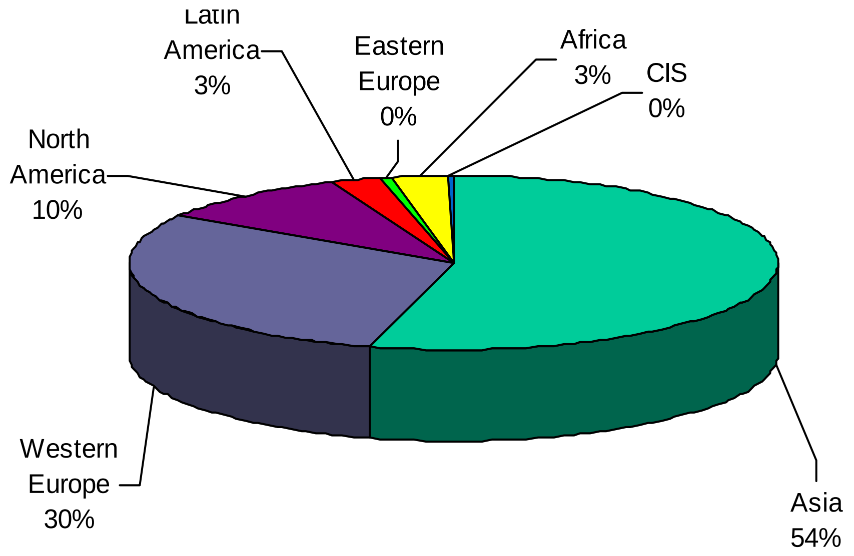
China will also be responsible for much of the forthcoming growth in stainless production

Changes in slab melting capacity 2004-2009, 000s tonnes



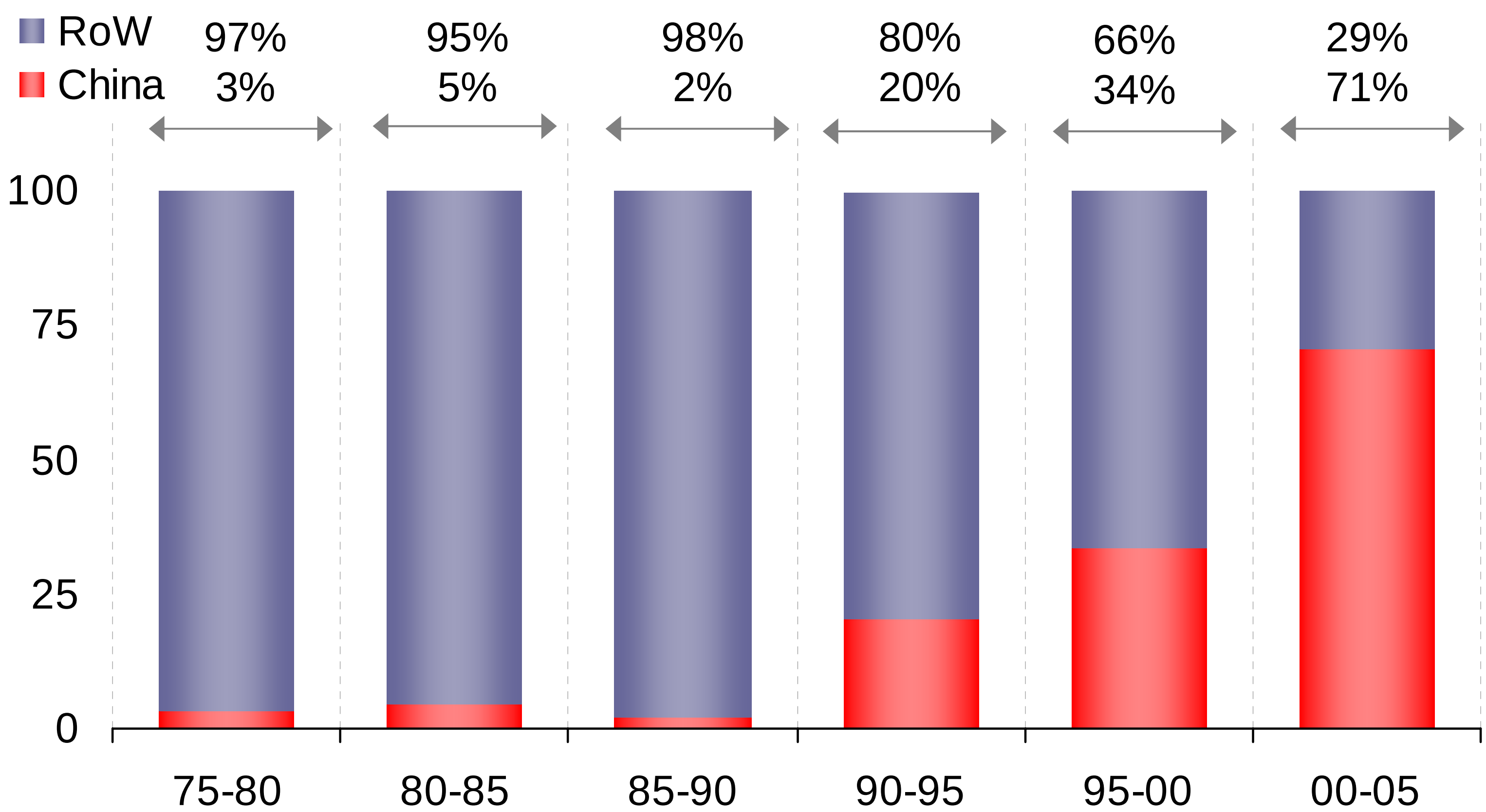
Data: CRU

Global slab melting capacity 2009, 000s tonnes



World growth in consumption is also China driven

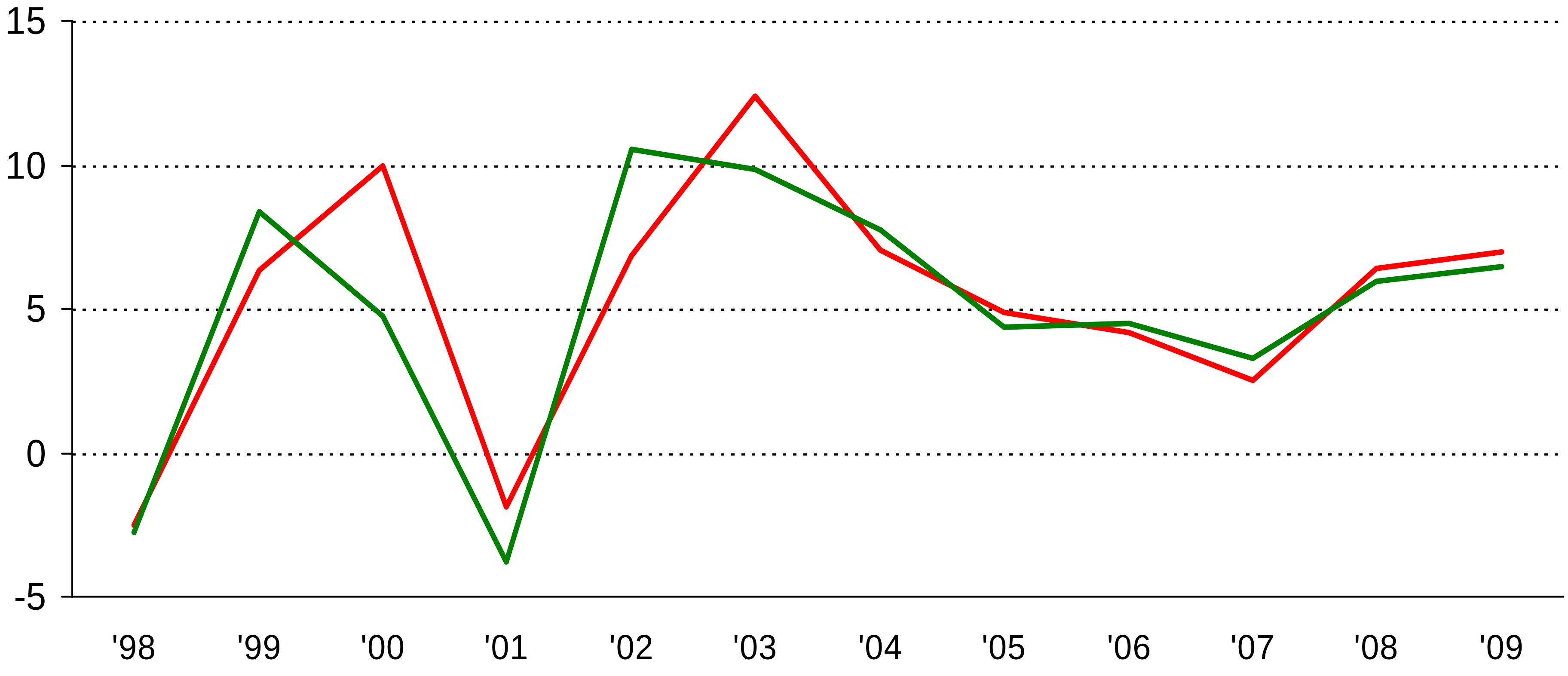
Contribution to global growth in cold rolled stainless steel flat product demand, %



Data: CRU

Growth in world HCFeCr consumption follows stainless production

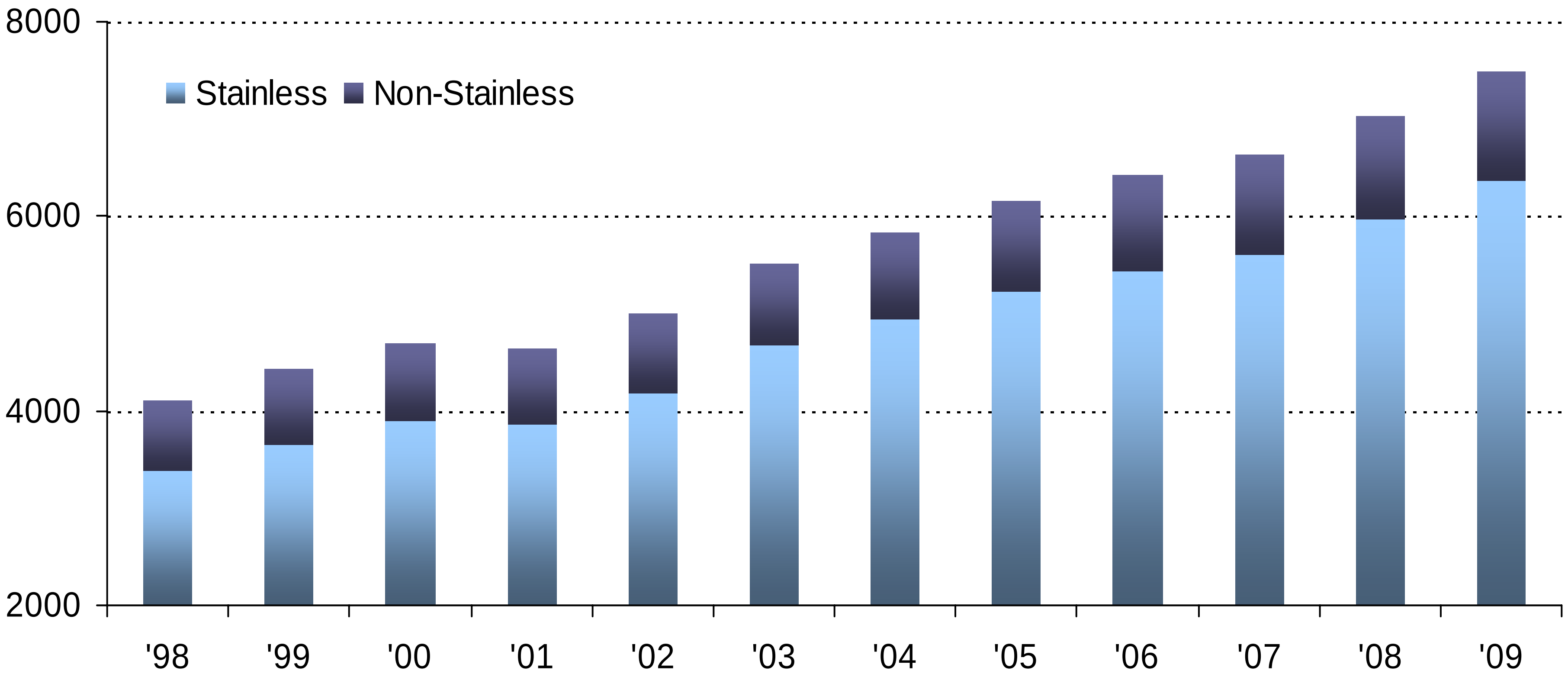
World stainless production and HCFeCr consumption, y-o-y % change



Data: CRU

Solid expansion in world consumption of ferrochrome lies ahead

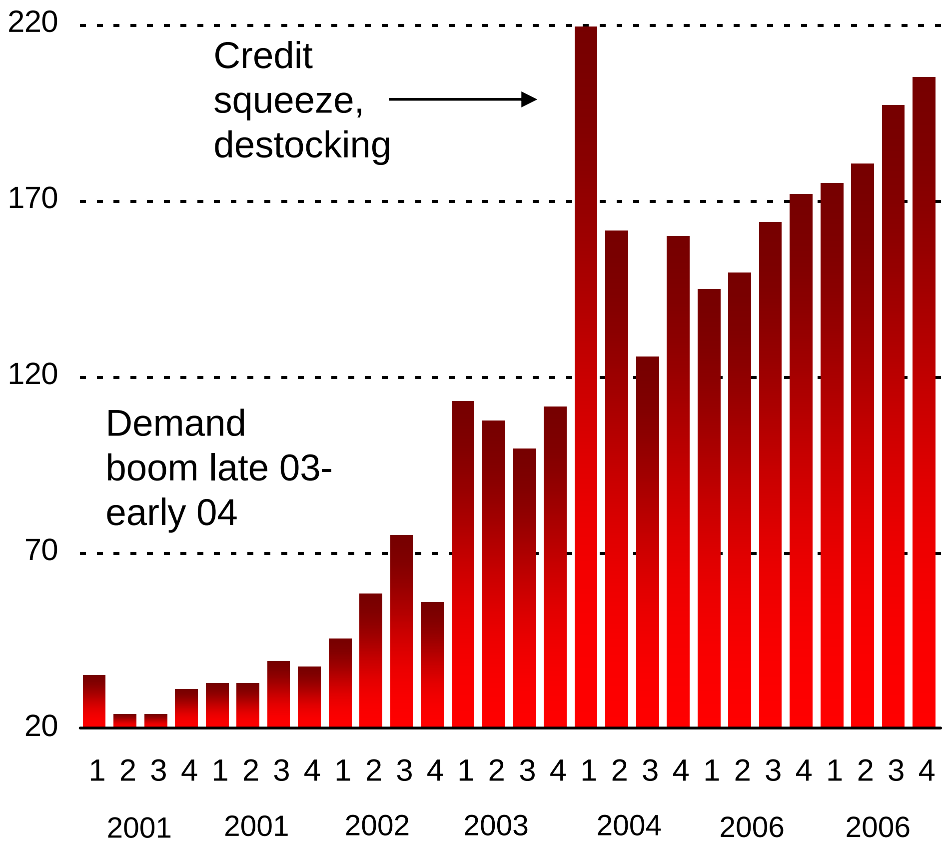
World HCFeCr consumption, gross weight, ‘000 tonnes



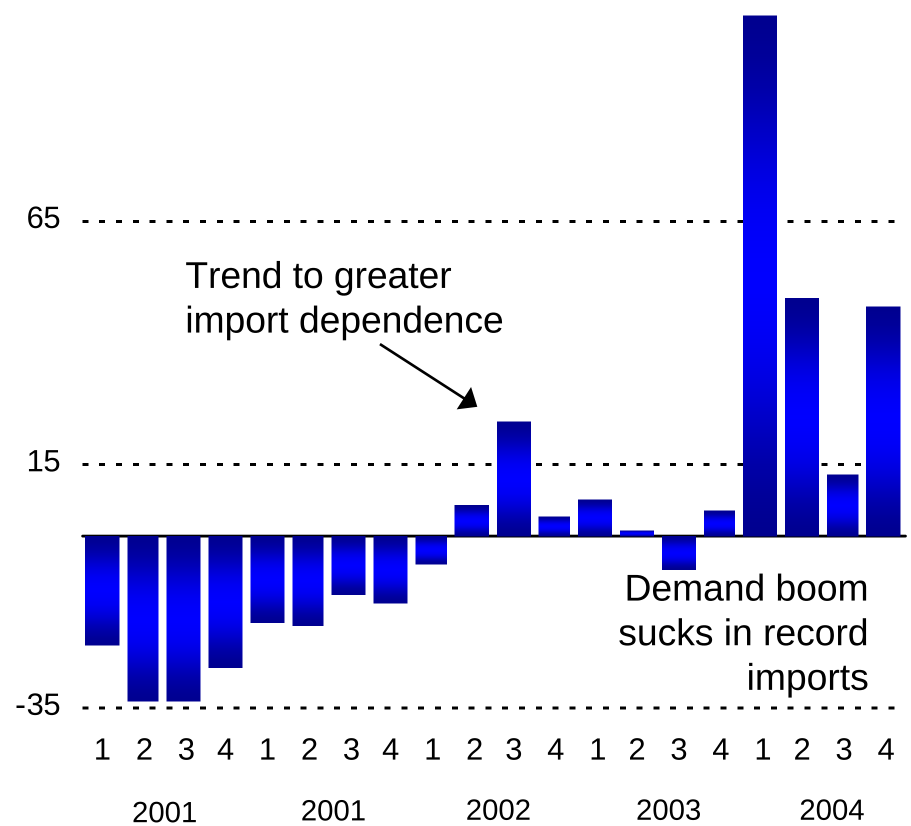
Data: CRU

Chinese consumption set to rise rapidly

Chinese apparent consumption of HC FeCr, qtly, ‘000 tonnes, 2000-2006



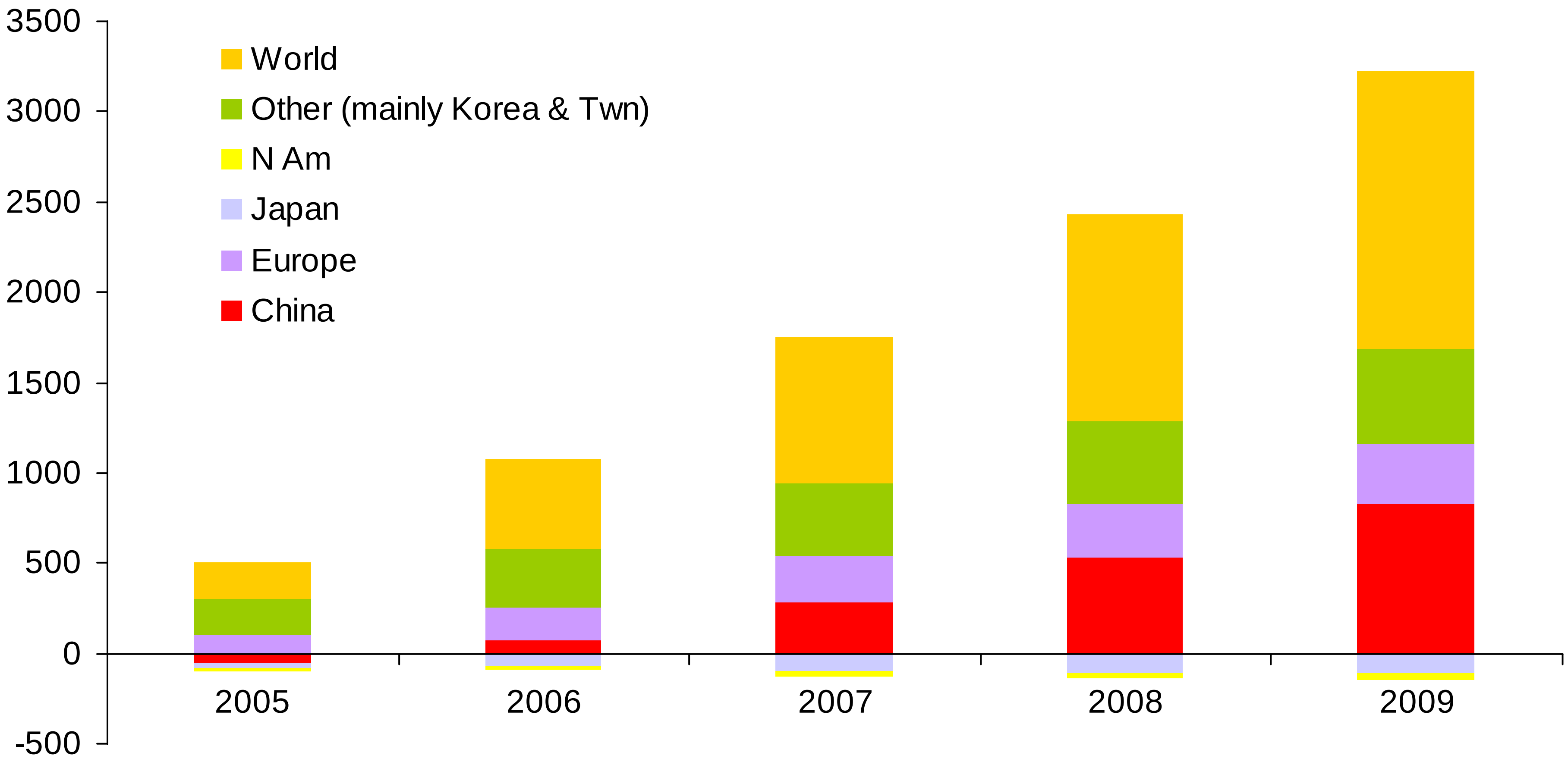
Chinese net imports of HC FeCr, qtly, ‘000 tonnes, 2000-2004



Data: CRU

China the main driver, but others to grow as well

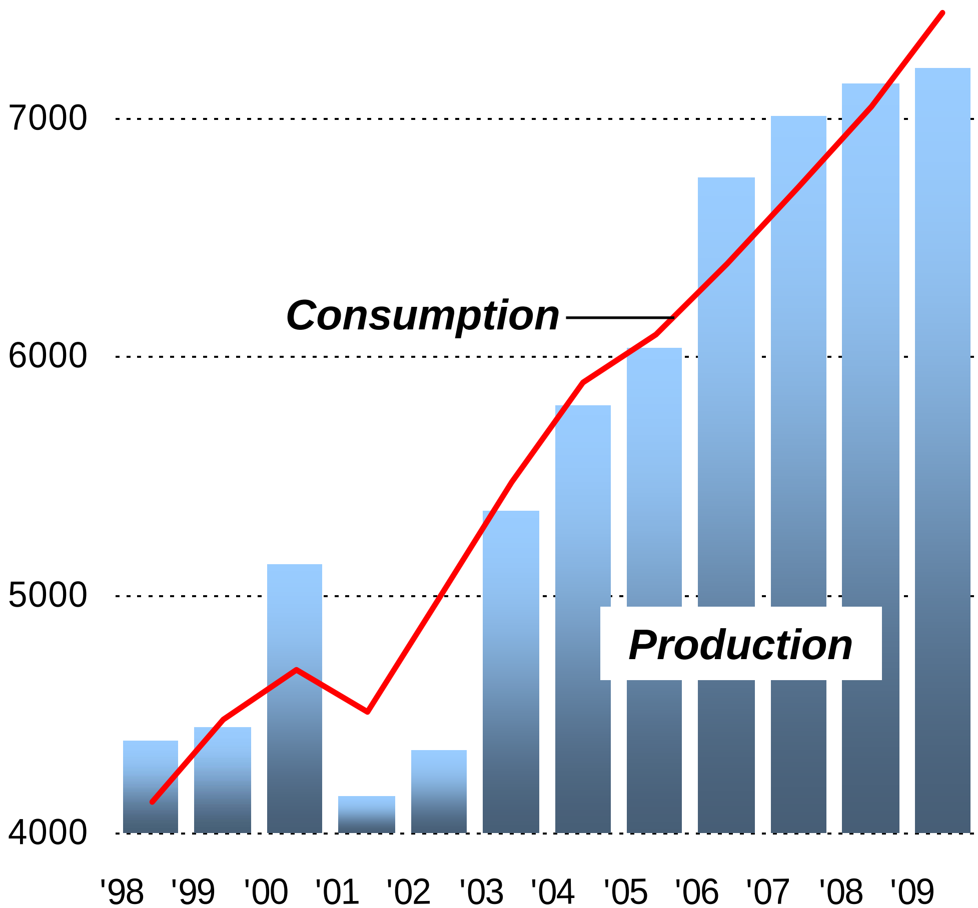
Growth in global HCFeCr apparent consumption, cumulative, '000 tonnes



Data: CRU

Supply to catch-up as capacity utilization rises

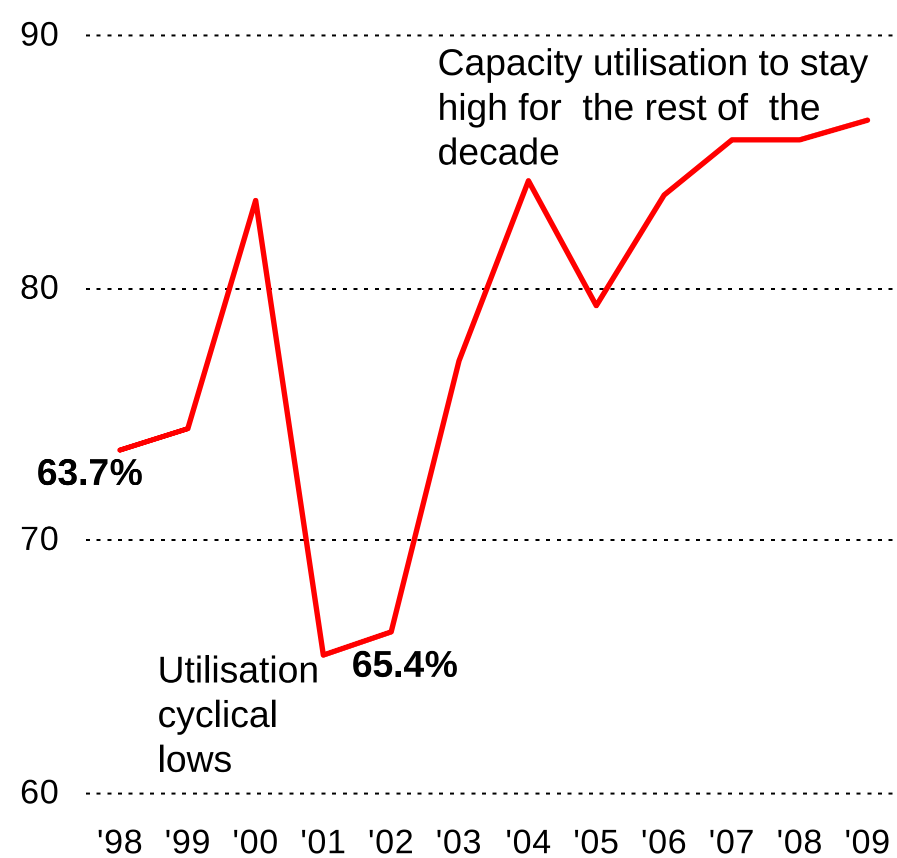
HC FeCr supply/demand*, 1998-2009, '000 tonnes



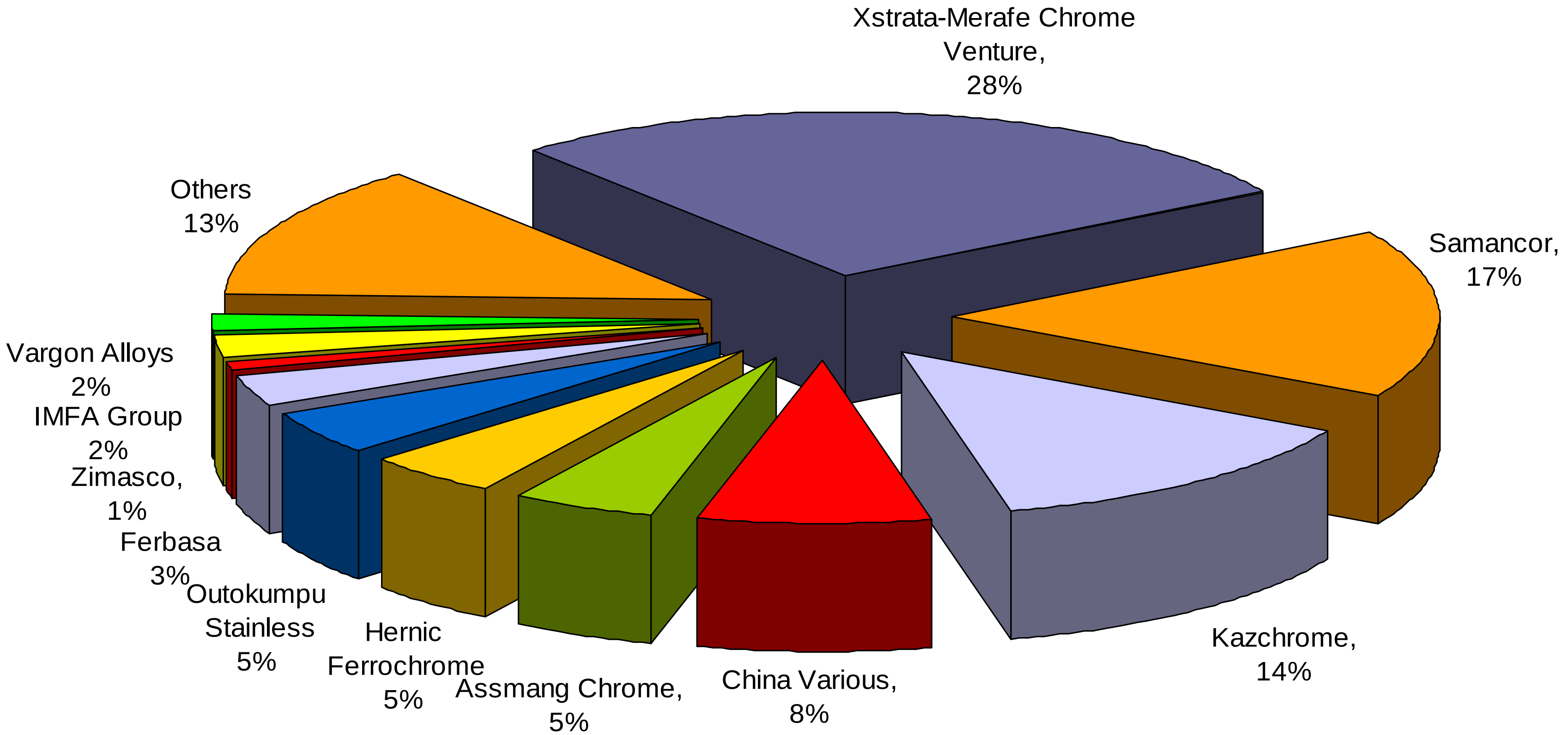
Data :C.R.U.

*mainly apparent consumption

World capacity utilisation %



Xstrata-Merafe is the market leader in ferrochrome and, based on current expansion plans, this is unlikely to change in the years to 2010

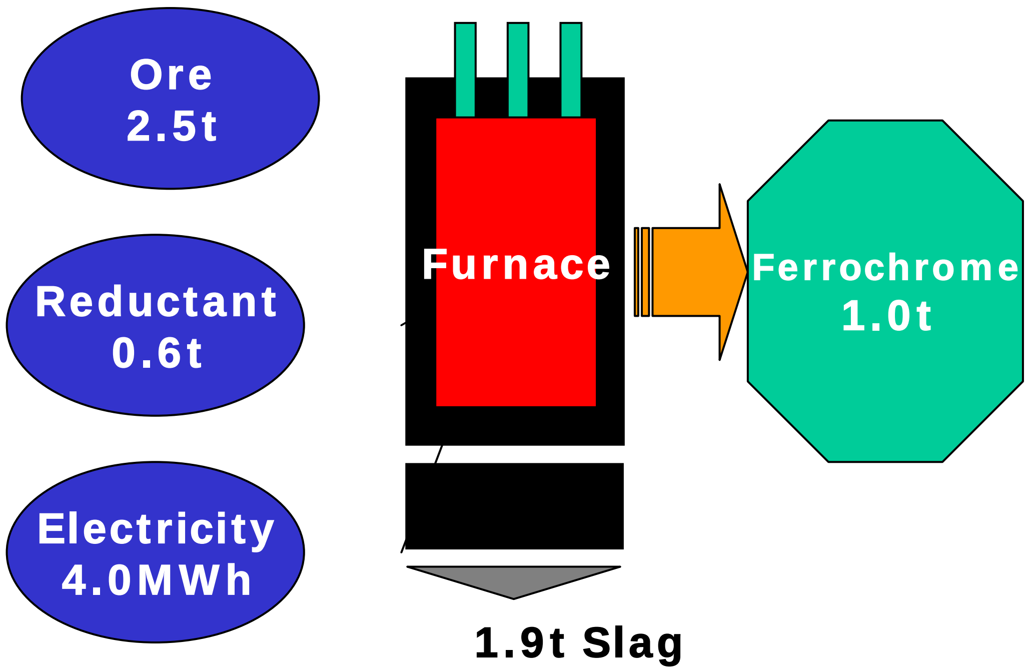


Data: CRU

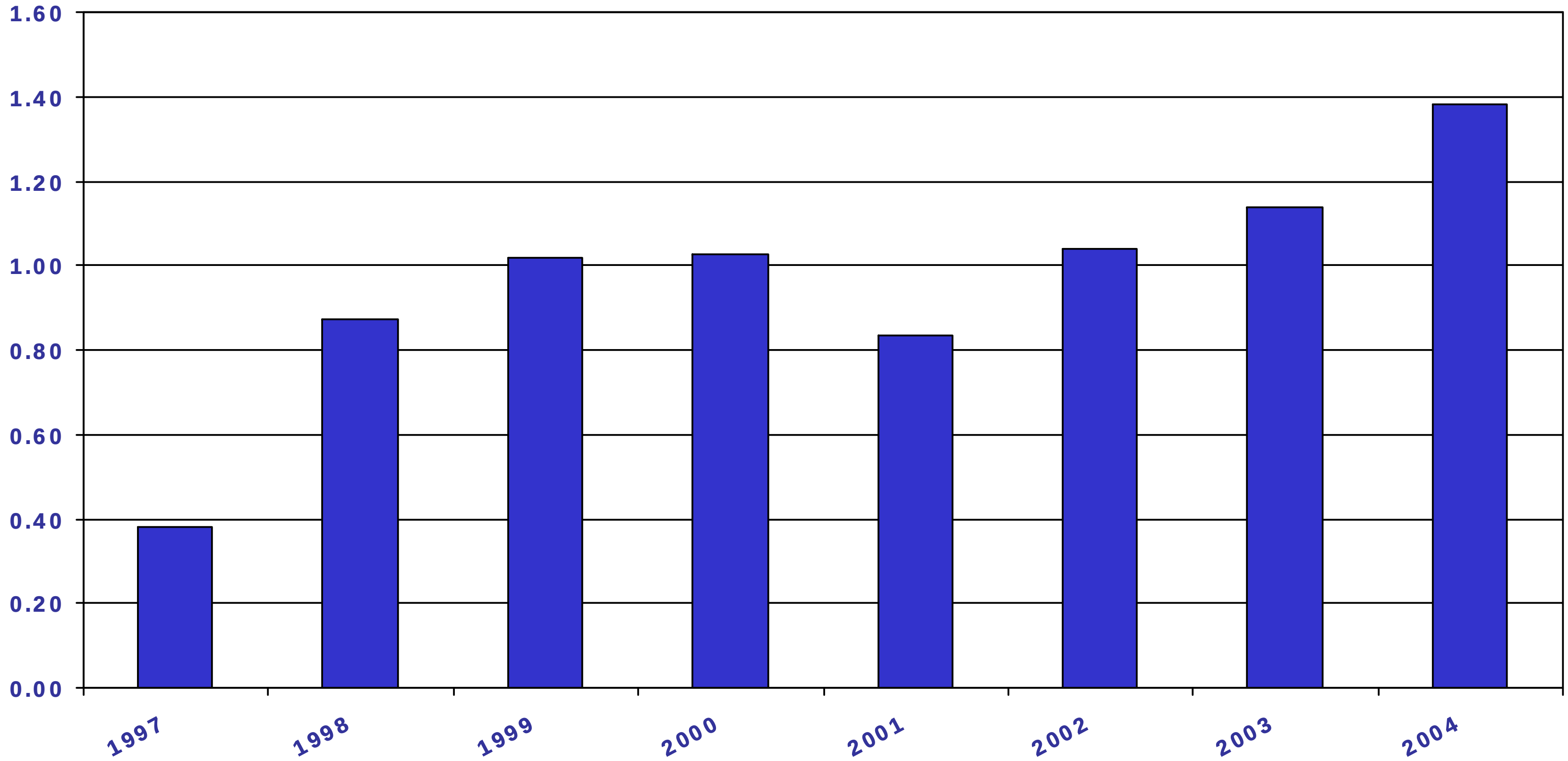
Operational Overview

Industry Key Supply Issues

- **Quality / Availability of ore**
- **Reductants**
  - Coke
  - Coke replacements (i.e. char, coal, anthracite, etc.)
  - Volatility in all types of coal prices & availability
- **Electricity**
  - Restructuring in SA
    - Skills drain
  - Open market
    - Risk / complexity
  - Potential future capacity shortfall
- **Efficient use of these inputs**



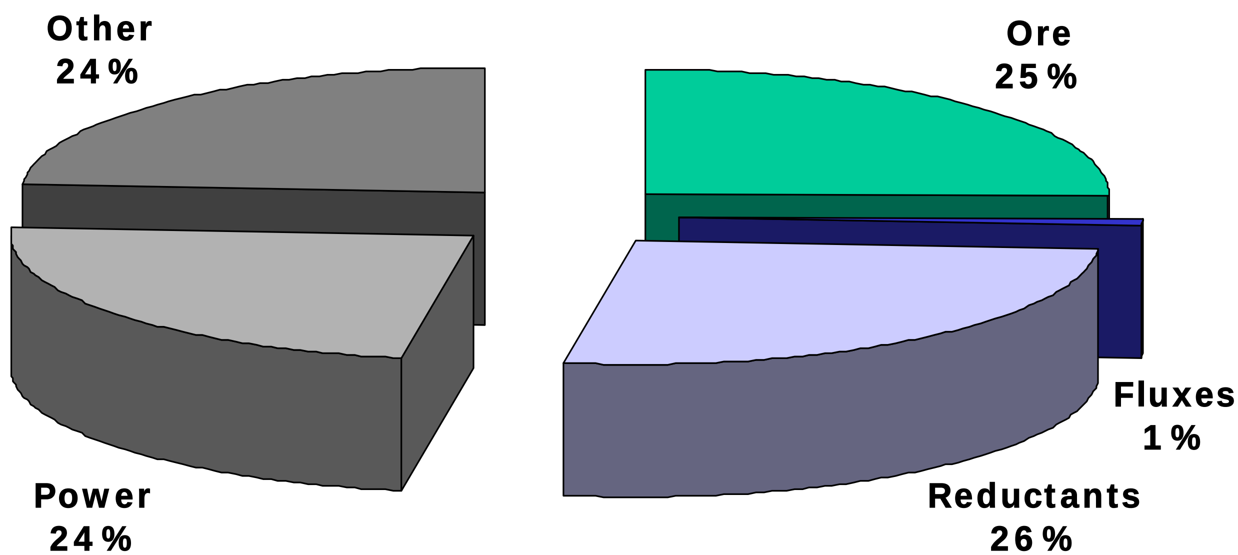
Xstrata-Merafe Chrome Venture Production



Lion project comes on line mid-2006

Typical Variable Ferrochrome Cost Breakdown

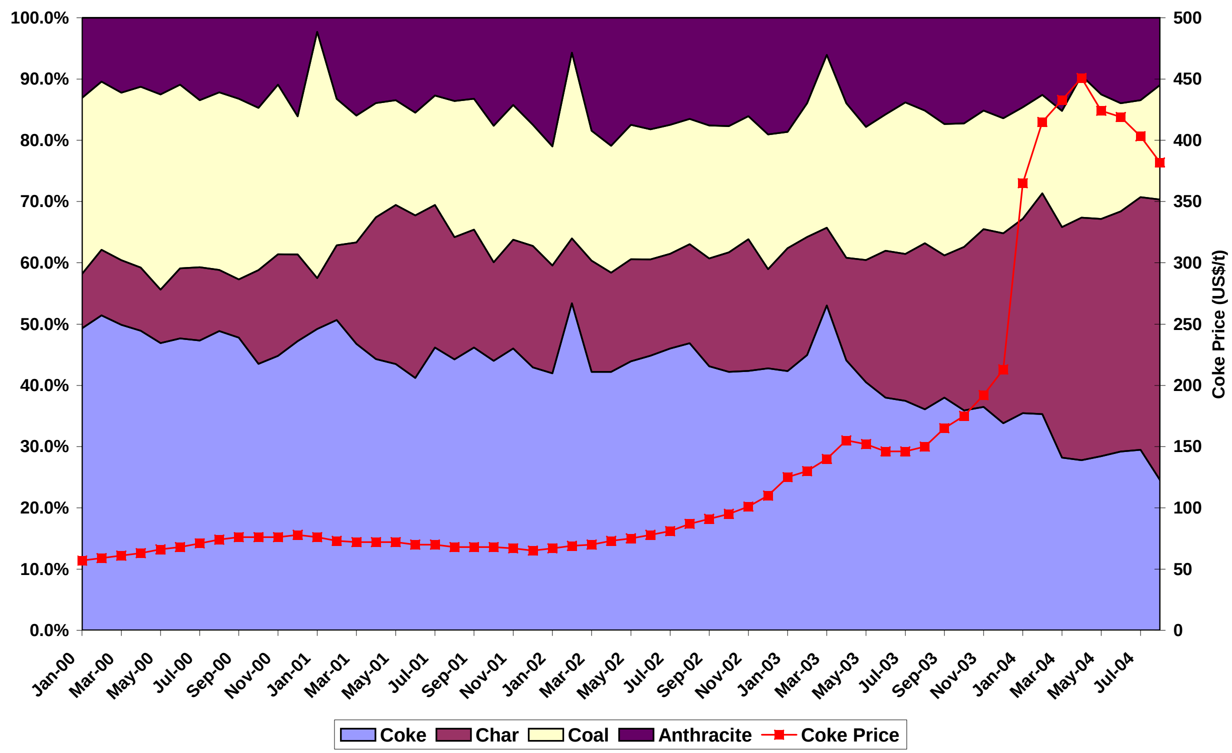
Substantial effort and resource has been committed to ensure security of supply and reduced costs for major cost items (energy, reductants & ore)



Reductants

The Venture has reduced dependence on high-cost coking coal through:

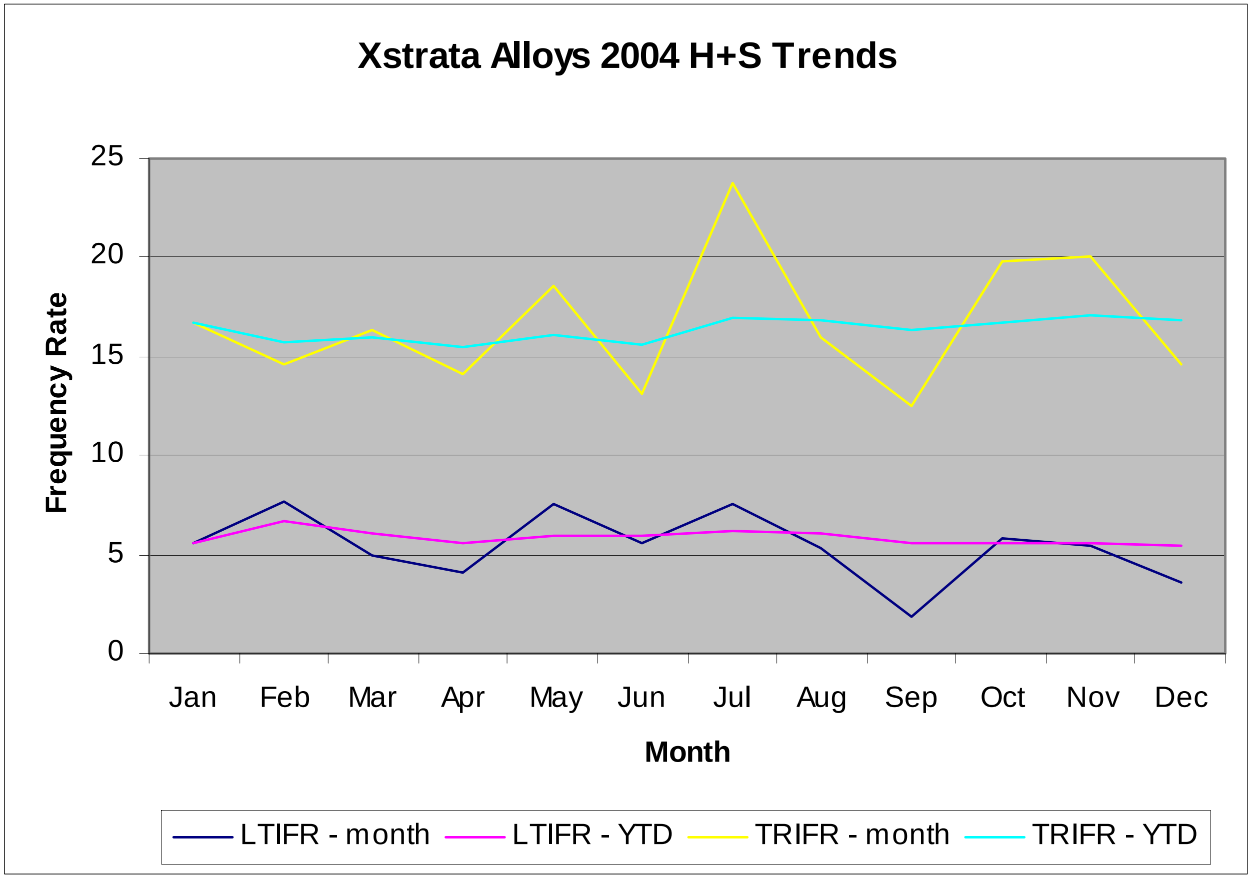
- Utilising greater quantities of char
- Securing char supply
- Enhancing specific consumptions
- Operating flexibly to minimise reductant costs without compromising product quality/efficiencies



Health & Safety 2004 Stats

- Management safety focus intensifying:
  - FFR dropped from 0.33 in 2002 to 0.23 in 2003 to 0.16 in 2004.
  - LTIFR improved from 10.62 to 5.67 to 5.39 over the same period.

- Behavioural Safety programmes introduced
  - Had a positive impact on attitude and awareness of occupational safety



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Transformation

Xstrata-Merafe Commitment to Transformation

- **Xstrata Transformation Committee in place**
  - Chaired by Mick Davis, CEO Xstrata Plc
- **Executive Director appointment for implementation**
- **Transformation strategy developed and communicated to all stakeholders**
- **Resources made available to implement strategy**
- **Transformation strategy integrated into business strategy**
  - Not a “stand-alone” or “addition”
  - Line driven with assistance and support from experts and support staff

Transformation is a Business Imperative in Xstrata-Merafe

Transformation is not a luxury but a business imperative in South Africa

Accordingly transformation is driven like any other business imperative:- production, costs, safety etc;

Xstrata-Merafe is fully committed to Transformation as shown by all efforts put into the initiative to date

Conclusions

Conclusions

- The Xstrata-Merafe Chrome Venture well positioned to continue ferrochrome market leadership position.
- HSEC initiatives, operational efficiency and cost improvement form key management drivers going forward
- Market conditions in ferrochrome appear favourable for the year ahead
- Transformation objectives increasingly synonymous with doing business in the Venture
- Project Lion is on track and progressing well


Questions?