

Solid performance of underlying investments supports value.

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Features

- Booyseendal Transaction concluded.
- Basic earnings increase to 228cps from 114cps loss.
- Strong operational performance from Northam.
- Balance sheet robust – provides options for further creation of value.

Financial Commentary

Mvela Resources reported increased basic earnings for the six-months ended 31 December 2008 of 228 cents per share, from a 114 cents per share loss for the six months ended 31 December 2008.

Khanyi Ntsaluba, Mvela Resources' financial director commented on the results; "Because of the nature and structure of its investments, Mvela Resources is a value and not an earnings story. Mark to market or fair value accounting of its investments, results in enormous volatility in its earnings which makes year on year comparisons extremely difficult". "The conclusion of the Booyseendal Transaction during the reporting period further complicated matters, with Northam becoming a subsidiary of Mvela Resources from September 2008, requiring consolidation of Northam's account's whereas it had been equity accounted until that point" she added.

Corporate Activity and Prospects

The successful implementation of the Booyseendal Transaction in August 2008 enhanced the prospects for both Mvela Resources and Northam, positioning the group for further growth and the creation of additional value for shareholders.

"Northam's excellent operational and metallurgical capabilities were again evident in its cost performance, with the increase in unit costs maintained at below inflation levels" said Pine Pienaar, CEO of Mvela Resources. "Despite the pullback in the PGM basket price, Northam's cost control means that it continues to generate positive cash flow after ongoing capital requirements and comfortably occupies a position in the lower half of the industry cost curve".

"We are confident that Northam's debt free balance sheet and the flexible growth offered by the world class Booyseendal resource, together with the ability to leverage its metallurgical expertise will ensure growth even in the current depressed economic environment" added Pienaar.

Booyseendal is accessible from surface and can be developed in a low risk, modular fashion according to the prevailing circumstances. The current initial focus is on a 120 000tpm, UG2 production unit that can be easily replicated should conditions allow. Mvela Resources is positive about the economic merit of developing Booyseendal and anticipates higher metal prices from 2010, when Booyseendal will begin building its production profile. The bankable feasibility at Booyseendal is scheduled for completion in the third quarter of the calendar year at which point a decision will be made on the scale, scheduling and financing of the Booyseendal project.

The Gold Fields Transaction which was structured in March 2004, matures in the coming month on 17 March 2009. In terms of the agreement, Mvela Resources will receive 50 million new Gold Fields shares, which have a current market value of approximately R5.9 billion. The R2.1 billion mezzanine debt is being refinanced and the group is currently finalising the agreements. Pienaar pointed out that the uncertain economic environment was positive for the gold price and that Mvela Resources expected Gold Fields to re-rate as it recommissioned key shafts in South Africa and production in Africa and South America built up in the current quarter.

"Refinancing the Gold Fields mezzanine debt will allow Mvela Resources to crystallize the value in the gold investment in an orderly fashion in what we expect to be a positive market over the next year and allow us to repay our debt" Pienaar commented. "The market is currently discounting companies with debt on their balance sheets and we believe that restructuring the balance sheet and reducing the perceived risk of servicing the debt, will result in Mvela Resources' trading closer to its intrinsic value".

Mvela Resources currently has cash of R587 million, with a further R86 million dividend from Northam due in March, which, combined with the R5.9 billion gross value of the Gold Fields stake, comfortably covers its combined total debt of R4.5 billion and currently would leave Mvela Resources with over R1.5 billion cash. ;

Commenting on the year ahead Pienaar concluded by saying; "Crystallising the value in the Gold Fields investment and paying off the debt, gives Mvela Resources a number of strategic options. These include value creation by applying any excess capital to growth opportunities or by releasing value contained in the corporate structure to shareholders".

"Mvela Resources is currently trading at a discount of over 30% to its intrinsic value and simplifying the corporate structure should result in the release of between R1.5 billion and R2 billion in value", He concluded.

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