



A YEAR OF CHANGE

Merafe Resources Limited
1987/003452/06
Annual Report 31 December 2004



POISED FOR GROWTH

The Xstrata - Merafe Chrome Venture, formed in July 2004, created the world's leading ferrochrome producer. Around 80% of the world's ferrochrome is used in the production of stainless steel, where chromium is the unique ingredient responsible for the remarkable corrosion and oxidation resistance of stainless steel, ie the 'stainless' quality. As a result, the fortunes of the ferrochrome and stainless steel industries are inextricably linked. With global demand for stainless steel continuing to grow, the outlook for ferrochrome demand and prices is good. In addition, the Company intends implementing its diversification and growth strategy approved by shareholders.



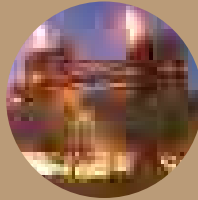
MERAFE
RESOURCES

(Formerly SA Chrome and Alloys Limited)

Certain statements in this report constitute 'forward looking statements'. Such statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performances, objectives or achievements of Merafe Resources Limited and its subsidiary companies, as well as the industry in which it operates, to be materially different from future results, performances, objectives or achievements expressed or implied by these forward looking statements. Merafe Resources Limited is subject to the effect of changes in commodity prices, currency fluctuations and the risks involved in mining and smelting operations.

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REPORTING GUIDELINES

...reflecting the new view of business in determining economic, environmental and social well-being, with responsibilities that extend beyond its shareholders to people and places both near and far.

This report has been prepared using the Global Reporting Initiatives (GRI) Guidelines as a framework.

Accountability, governance and sustainability are three powerful ideas that are playing a pivotal role in how organisations operate in the 21st century. They reflect the new view of business as a prime mover in determining economic, environmental and social well-being, with responsibilities that extend beyond its shareholders to people and places both near and far.

The GRI, an independent international institution, has developed an international framework for defining, measuring and rigorously reporting on the economic, environmental and social performance. This framework has been designed to provide comprehensive information to stakeholders of an organisation on the economic, social and environmental performance that make up its triple bottom line. A cross-reference index to the GRI framework is set out on pages 78 to 80.

Report Scope

Our previous annual report covered the financial year 1 April 2003 to 31 March 2004. The decision was taken at the time of the formation of the Xstrata - Merafe Chrome Venture to align our financial reporting period with that of Xstrata plc, which is from 1 January to 31 December. As a result this annual report covers the nine months from 1 April 2004 to 31 December 2004.

Our aim with this report is to provide comprehensive information on the economic, environmental and social performance of the Company. However, the merging of the ferrochrome interests of Merafe Resources with those of Xstrata on 1 July 2004 has increased the complexity of this task.

For background information on the report contact Bruce McBride, Commercial Director, Merafe Resources (bruce@meraferesources.co.za). For additional information on financial aspects contact Finance Director Stuart Elliot (stuart@meraferesources.co.za), on environmental and technical aspects contact Technical Director Zed van der Walt (zed@meraferesources.co.za).

HIGHLIGHTS OF THE YEAR

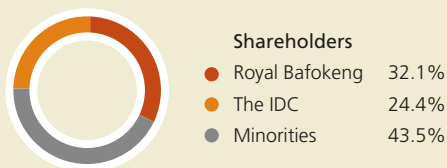
- The Xstrata - Merafe Chrome Venture commenced operation on 1 July 2004. This R8 billion transaction created the world's leading ferrochrome producer and secured Merafe's participation in the combined earnings of the Venture.
- Merafe Resources made its first profits in the financial period ended 31 December 2004.
- The Boshhoek Plant performed at 96% of design capacity.
- The change of name from South African Chrome and Alloys Limited to Merafe Resources Limited and the Company's growth and diversification strategy was unanimously approved by shareholders.
- The Company again met the exacting criteria for the FTSE/JSE SRI (Socially Responsible Investment) Index and has been selected to participate in it for a second year.
- Its empowerment credentials placed Merafe Resources second in the Resources Sector of the Financial Mail's Top Empowerment Companies Survey and ninth overall. The survey was conducted by the economic empowerment rating agency, Empowerdex.



COMPANY PROFILE

Merafe Resources Limited ('Merafe Resources'), established in 1987, trades on the JSE Securities Exchange South Africa. The Company is listed on the JSE under the share code MRF in the "Other Mineral Extractor and Mines" sector. It was also one of the first 51 companies selected in July 2004 to participate in the FTSE/JSE SRI (Socially Responsible Investment) Index.

Breakdown of Merafe Resources shareholders as of 31 December 2004.



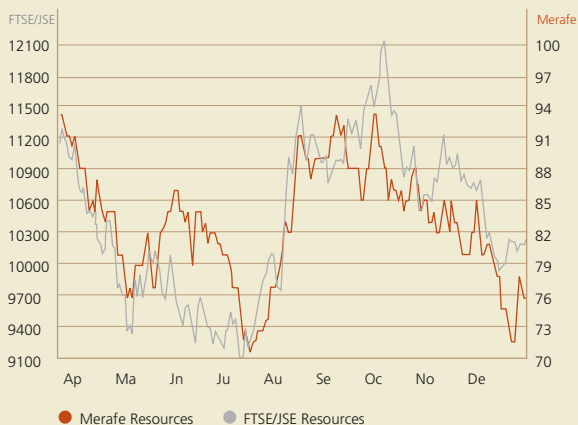
Through its wholly-owned subsidiary Merafe Ferrochrome and Mining (Pty) Limited, Merafe owns a ferrochrome facility in Boshoeek consisting of two 54 MVA closed submerged arc furnaces with charge preheating and a 520 000 tonnes per annum pelletising and sintering plant; a UG2 concentrator plant and the Horizon and Boshoeek chrome mines, which are all located in the North West Province of South Africa.

During 2004 Merafe Resources concluded an agreement with Xstrata South Africa (Pty) Limited, a wholly-owned subsidiary of Xstrata plc, a major, global, diversified mining group listed on the London and Swiss stock exchanges, to establish the Xstrata - Merafe Chrome Venture (the Venture). This resulted in Xstrata and Merafe Resources pooling and sharing their ferrochrome operations (six mines and 16 furnaces) and creating the world's leading ferrochrome producer. It also secured Merafe Resources' participation in the combined earnings of the Venture. The R8 billion Venture commenced on 1 July 2004.

Merafe Resources intends to grow its ferrochrome interests through its future investment in 20.5% of Project Lion, a 360 000 tonne a year expansion of the Xstrata - Merafe Chrome Venture. The Company plans to further grow its ferrochrome interests by increasing its interest in the Venture to 20.5% through its acquisition from Samancor of a 50% participation in the Xstrata - Samancor Wonderkop Joint Venture. This acquisition is subject to shareholder approval and certain conditions precedent.

Through the Venture both parties have pooled the risks and rewards associated with their ferrochrome assets. It also allows both parties to realise significant operational efficiencies through the transfer of best operational practice, the optimisation of ore feed from the reserves of the two parties and the introduction of new technology.

Merafe Resources Limited share price (close),
FTSE/JSE Resources (close) Daily 01.04.2004 - 31.12.2004





Merafe Resources Limited

100%

Merafe Chrome & Alloys (Pty) Limited

100%

Merafe Ferrochrome &
Mining (Pty) Limited

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders

This is the first time we are reporting under our new name, Merafe Resources. The Company changed its year-end from 31 March to 31 December and as a result this report covers the nine months from 1 April 2004 to 31 December 2004. This year, albeit they were modest, we also made our first profits.

We packed a great deal into these nine months, starting with the successful negotiation of the Xstrata - Merafe Chrome Venture. I would like to congratulate our management team on their successful negotiation and implementation of the Venture, which has already had a positive effect on the performance of the Company. Merafe's share of the Venture's EBITDA increases from the current 11% to 14% in July 2005 and to 17.5% from July 2006.

In a circular to our shareholders issued on 25 October 2004 we presented the rationale behind the Company's growth strategy, which included a change in strategic direction for the Company, together with a proposed name change to Merafe Resources. We chose the name Merafe, which means communities, because it reflects the inclusiveness of the Company with its stakeholders.

Both the proposed new strategy and the new name received the unqualified support of shareholders. The Company's major shareholders, Royal Bafokeng Resources and the Industrial Development Corporation are excited and supportive of its new direction. As part of its new growth strategy Merafe Resources will continue to grow its ferrochrome interests. At the same time its management team is assessing coal, iron ore, coke, manganese and other ferro alloys opportunities.

The Merafe Resources management team has been closely involved in the day-to-day running of its ferrochrome operations over the past three years. While its assets now form part of the Xstrata - Merafe Chrome Venture, Merafe Resources retains ownership of its assets and is closely involved in the Venture's operations through the Chrome Venture Exco and the joint board formed to manage the combined operations of both companies.

Commitment to Black Empowerment, Sustainability and Corporate Governance

The Company was very proud to be one of the first 51 companies to meet the very strict criteria for the FTSE/JSE SRI (Socially Responsible Investment) Index and is pleased to have been selected to participate in the second year of the Index. The SRI Index measures companies' policies, performance and reporting in relation to the three pillars of the triple bottom line (environmental, economic and social sustainability), as well as corporate governance practice.

Merafe Resources collected further accolades in the Financial Mail's Top Empowerment Companies for 2005. The survey of JSE-listed companies on which the results were based looked at ownership, management, employment equity, skills development, affirmative procurement, enterprise development and social development. Out of the top 185 companies Merafe Resources was placed ninth overall and second in the resources sector of the survey.

It is most gratifying to have our commitment to black empowerment, sustainability and good corporate governance recognised in this way.

Our CEO, Steve Phiri, is also a member of the Minerals and Mining Board under the Ministry of the Department of Minerals and Energy.

It is pleasing to see that considerable progress has been made with BEE in the resources sector since the Charter came into being at the end of 2002. A study of the results of the

Empowerdex Survey reveals that mining companies are making progress towards reaching the targets set in the mining scorecard in the areas of employment equity and giving historically disadvantaged South Africans preferred supplier status.

It is core to the strategy of Merafe Resources that it involves itself in the operations it invests in.



Board and Management

Sadly, we have to say farewell to our non-executive director Andre Bekker of the IDC. Andre, who has resigned from the Industrial Development Corporation (IDC) was their appointment to the Board. He resigned from the Board on 1 April 2005. His considerable experience in the ferrochrome industry has been invaluable to the Board, particularly during the start-up phase of our operations. The Board thanks him for his considerable contribution.

We advised you in our previous Annual Report that we were addressing the composition of the board and that we would be appointing further independent non-executive directors. We are delighted to welcome independent non-executive directors: Lebo Mogotsi and Zanele Matlala who were appointed to the Board on 1 April 2005. I have no doubt that Zanele's wealth of experience in the financial field will add great value to our deliberations, as will Lebo's in depth knowledge of mining and beneficiation.

The year has been a challenging one for our staff involved at all levels in the integration of the Merafe Resources operations into the Xstrata - Merafe Chrome Venture. Our thanks to all of you for the contribution you have made to our achievements during the year. My thanks also go to the Board for its support during the year.

Future Growth in Ferrochrome

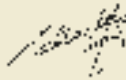
In addition to announcing our decision in March 2005 to invest in Project Lion, a 360 000 tonne per annum expansion of the Xstrata - Merafe Chrome Venture, we also announced on 4 May 2005 that we had agreed with Xstrata to increase our interest in the Xstrata - Merafe Chrome Venture from 17,5% to 20,5%.

This increase is as a result of our acquisition, subject to shareholder approval and certain conditions precedent, from Samancor of a 50% participation in the Xstrata - Samancor Wonderkop Joint Venture, 50% of the Kroondal reserves and 26% of the Marikana reserves.

The combination of a tight ferrochrome supply and demand balance, with strong prices, bodes well for the Merafe Resources' future profitability and growth through its ferrochrome investment in the Xstrata - Merafe Chrome Venture.

Future Prospects

Implementation of our strategy to grow through diversifying into other resources, which we announced in 2004, is well under way. Our management team is currently in discussions regarding acquisitions in resources other than ferrochrome. We will keep you updated on our progress in this area.



Chris Molefe
Non-Executive Chairman

The tight ferrochrome supply and demand balance and strong prices bodes well for Merafe's future profitability.

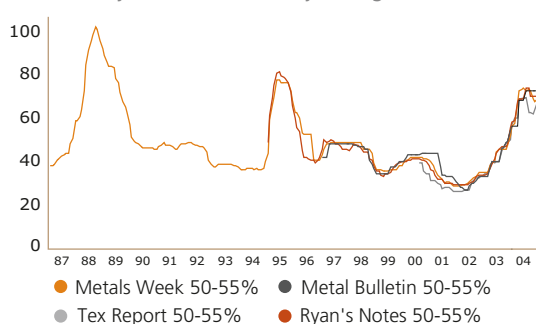
CHIEF EXECUTIVE OFFICER'S REVIEW

Review of Results

The Company's income for the first three months of the period under review was derived from its ferrochrome operations in the North West Province of South Africa. Its source of income for the remaining six months (1 July to 31 December 2004) was from the Xstrata - Merafe Chrome Venture. Merafe shares in 11% of the earnings before interest, tax, depreciation and amortisation (EBITDA) of the Venture until 30 June 2005. Thereafter the Company's share of the EBITDA from the Venture will increase to 14% from 1 July 2005 and 17,5% from 1 July 2006.

Merafe Resources' operating profit for the nine-month period ended 31 December 2004 was R44 million. After accounting for net financing costs of R38.5 million, we achieved a net profit after tax of R5.5 million. However, the results for the first six months of the Venture give a clearer idea of the Company's performance since the inception of the Venture and how it is likely to affect performance in the future. Merafe Resources 11% share of the EBITDA of the Venture for the period 1 July to 31 December 2004 was R55 million. Corporate costs during this period were R8 million.

Prices of Ferrochrome
(US c/lb; year-to-date monthly average)



This included a cost of R2 million related to the formation of the Venture. (The average exchange rate during the six months was R6.22 : US\$1.)

Review of Operations

Given the complexity of a transaction of this nature, the integration of the chrome operations of Merafe and Xstrata to form the world's leading ferrochrome producer, has gone well. Numerous synergies and economies of scale benefits have already been achieved.

Merafe now has the broader operating base of the 16 furnaces and 6 mines of the Venture from which to generate earnings. Previously it relied solely on Horizon mine and the two furnaces at its Boshhoek operation. During the period under review the latter performed at 96% of design capacity, which is a very pleasing 20% increase in its average performance over the previous financial year.

The dramatic rise in the cost of key raw materials made 2004 a challenging year for South African ferrochrome producers. The greatest negative impact was from the cost of reductants, in particular coke, which is largely imported. Within the Xstrata - Merafe Chrome Venture this was offset to some extent by the success of the Venture's coke reliance reduction programme. The acquisition of further chrome ore reserves from Samancor Holdings (Pty) Limited, described later in this report, should enable the Venture to reduce its operating costs and provide sufficient chrome ore for the foreseeable future.



A shortage, particularly of quality lumpy chrome ore, during the period was the principal cause of a decline in metallurgical efficiencies for the Venture. This was as a result of difficult geological conditions at the Western mines, which reduced mine output and lowered head grades during the period under review. An opencast mining section went into operation in the latter part of 2004. It is expected to produce 80 000 tonnes run-of-mine (ROM) chrome ore a month and should go a long way towards alleviating the ore supply and quality difficulties experienced in 2004.

The Venture has committed substantial effort and resources to ensuring security of supply and reducing costs of the major cost items involved in ferrochrome production, i.e. ore, reductants, fluxes and electric power.

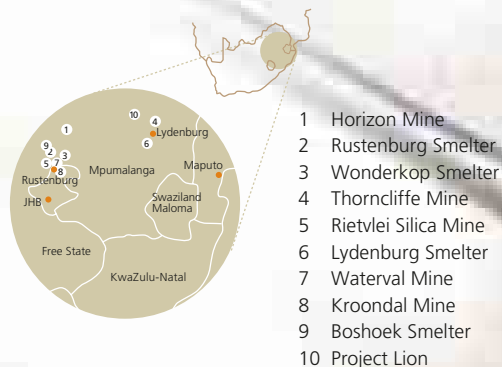
The ability of the Venture to secure a captive supply of reductants, increase its ore agglomeration capacity and improve the energy efficiency of the expansions to its operations enhanced its cost competitiveness during the year. At the same time the Venture is aggressively pursuing an overall reduction in unit costs.

A study is currently being undertaken into the brownfields feasibility of introducing either Xstrata's proprietary Premus pre-reduction pelletising technology, or the Outokumpu pelletising sinter process, to the Wonderkop operations. The suitability of both processes to a brownfields application is the main focus of the study, as both technologies are performing well at other Venture plants.

The Sustainability Report contained in this Annual Report covers in detail the Environmental and Social impacts of the Company's activities.

Given the complexity of a transaction of this nature the integration of the chrome operations of Merafe and Xstrata to form the world's leading ferrochrome producer, has gone well. Numerous synergies and economies of scale benefits have already been achieved.

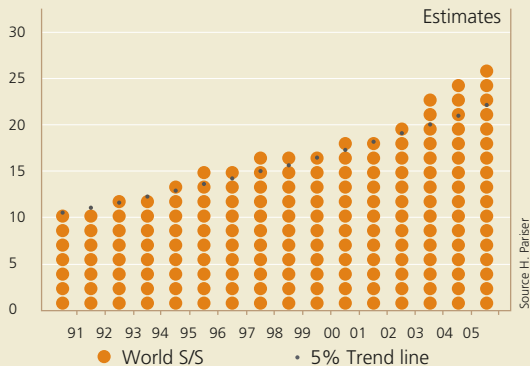
Operations: Xstrata-Merafe Chrome Venture



Market Review of the Ferrochrome Industry

The global demand for ferrochrome, underpinned by vigorous economic activity in China, increased to some 5.5 million tonnes from 5.2 million tonnes in 2003. The main driver of this increase was the continued growth in the production of stainless steel, which accounts for around 80% of the world's ferrochrome consumption.

Market Outlook - Stainless steel melt (millions tonnes)



Forecasters predict that the demand for stainless steel in 2005 will grow by as much as 9% to over 26 million tonnes. In 2004 stainless steel melt grew around 24% in China, 16.4% in South Korea, 8.4% in the USA and 6% in Europe.

As a result of the strong demand for ferrochrome and no likelihood of any meaningful increase in ferrochrome production capacity before 2006, the outlook for prices in 2005 remains positive. Quoted European base prices for ferrochrome increased to 78 US cents a pound chrome contained in the second quarter of 2005.

Implementing our Growth Strategy in Ferrochrome

We advised shareholders in our Annual Report for the period 1 April 2003 to 31 March 2004 that we were assessing

participating in Project Lion, a R1.7 billion 360 000 tonne per annum greenfields expansion, as a potential investment opportunity.

Construction has begun on the first phase of the Project, which will underpin the growth of the Xstrata - Merafe Chrome Venture. Initial production from the project is expected in the second half of 2006 and full production of 360 000 tonnes per annum should be reached in early 2007. The decision whether or not to develop Phases two and three of Project Lion, which have the potential to provide a further 720 000 tonnes a year, will be taken over the next eight to ten years, and will depend on market conditions.

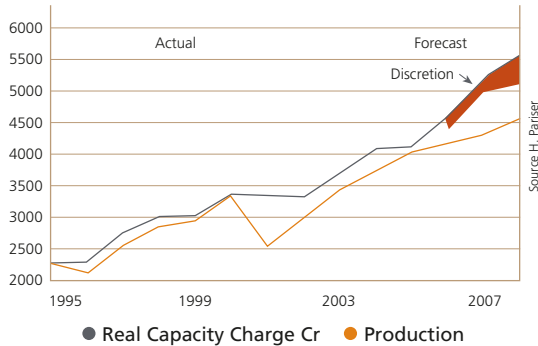
With the South African ferrochrome industry currently operating at 95% of its capacity and global demand for ferrochrome likely to continue to exceed supply for some time, we believe there is a window of opportunity which we intend taking advantage of. Project Lion will further enhance the Venture's market leadership position when it comes on stream.

On 4 May 2005 we announced that, subject to shareholder approval and certain conditions precedent, the Company had increased its ultimate interest in the Xstrata - Merafe Chrome Venture from 17,5% to 20,5%. This increase, which also provides us with the opportunity to increase our participation in Project Lion from 17,5% to 20,5%, is as a result of our acquisition of a 50% participation interest in the Gemini Joint Venture, which is an unincorporated production joint venture between Xstrata and Samancor Holdings (Pty) Limited.

At the same time we also acquired 50% of all the rights to chrome in, on and under the Kroondal mining area and 26% of all the rights to chrome in, on and under the Marikana area. Collectively these acquisitions are known as the Wonderkop Acquisition. At the same time Xstrata acquired the remaining 50% of the Kroondal resources and 74% of the Marikana Resources.

These acquisitions will be incorporated into the Xstrata - Merafe Chrome Venture.

Capacity and expansion in the ferrochrome industry between 1995 and 2007 (thousands tonnes)



We will be applying the same investment philosophy that we have applied to our existing ferrochrome investments to any new acquisitions that we make. That is, we will participate in their management and be closely involved in their decision-making processes.

This will increase the Venture's annual capacity from 1.4 million tonnes of ferrochrome to 1.59 million tonnes. At the same time Merafe will increase its share of earnings before interest, tax, depreciation and amortisation (EBITDA) of the enlarged Venture by 3%.

Reporting Standards

Our Chairman has already discussed the recognition we have received for our commitment to corporate governance, sustainability and empowerment, both from the JSE and the Empowerdex Survey.

We are committed to transparency and inclusiveness and are continually working on improving our levels of reporting. To help us achieve this goal this report has been prepared using the Global Reporting Initiative (GRI) Guidelines as a framework. The GRI was established to create a common framework for sustainability reporting worldwide. It seeks to elevate sustainability reporting to the same level of rigour, comparability, credibility and verifiability expected of financial reporting.

We believe this report is a balanced and reasonable representation of our organisation's economic, environmental and social performance.



Steve Phiri
Chief Executive Officer

DIRECTORATE

Non-Executive Directors



Chris Molefe (56)
Chairman
BCom, Post-graduate Diploma in Property Development

Chris Molefe, who has extensive experience in merchant banking and transformation strategy development, has served on the Merafe Resources board as Non-Executive Chairman since February 2002. He is the Chief Executive Officer of Royal Bafokeng Resources Holdings.



Zanele Matlala (41)
BCom, BCompt, CA

Zanele Matlala is the Chief Financial Officer of the Development Bank of Southern Africa. She previously served the Bank as Executive Manager: Private Sector & International, headed up Wholesale Venture Capital Funds for the Industrial Development Corporation and was Audit Supervisor at Arthur Anderson & Co.



Qinisani Mbatha (27)
BSc Quantity Surveying, MComm, PrQS

Qinisani Mbatha is the head of the Project Evaluations Department at the Industrial Development Corporation (IDC) and a member of its Sectors and Project Review Committee. He assesses the technical and commercial viability of equity and debt transactions.



Lebo Mogotsi (33)
BCom, SMDP

Lebo Mogotsi is currently a director of Lebone Resources (Pty) Limited, a women's empowerment mining company focusing on mining, beneficiation and consulting. She is also a shareholder and non-executive director of Petra Mining Limited. Prior to this she was Marketing Manager at AngloGold where she gained considerable experience in beneficiation and the development of markets for these products.



Reinier Posthumus Meyjes (59)
Pr Eng, BSc Eng, MBL

Reinier Posthumus Meyjes has over thirty years of experience in furnace projects. His involvement in turnkey smelter projects with closed ferrochrome furnaces utilising sintered ore pellets is particularly relevant to our business.



Dr Todor Vlajcic (57)
PhD (Engineering)

Dr Vlajcic, the managing director of ThyssenKrupp Metallurgie GmbH (TK Met), has been involved in the chrome industry for over 25 years, during which he has gained extensive experience in the construction of furnaces throughout the world. Prior to joining TK Met he was the sales manager and later the general manager of Ferroalloy and Nonferrous Plants Mannesmann Demag, Duisburg, Germany from 1975 to 1997.

Executive Directors



Steve Phiri (49)
Chief Executive Officer
BJuris LLB, LLM, HDip Co Law

Steve Phiri joined the Merafe Resources executive team in May 2003. Prior to this he headed up Corporate and Legal Affairs for the Royal Bafokeng Nation (RBN) and was head of RBN's Mineral and Mining Affairs team.

In this role he led the RBN negotiating team, which successfully resolved their dispute with Impala Platinum Ltd, negotiated the RBN investment in Merafe Resources and their joint venture with Anglo Platinum.

Steve is a member of the Minerals and Mining Board, established in terms of the Minerals and Petroleum Development Act.

Zed van der Walt (60)
Technical Director PrEng, BSc Engineering (MET), MBA, DPLR



Zed van der Walt has over 35 years broad operational and management experience in the ferroalloy industry, including feasibility studies, process design, construction, commissioning and operations.

Prior to joining Merafe Resources, Zed was CEO of Consolidated Metallurgical Industries Limited, at one time the second largest ferrochrome operation in the world.



Bruce McBride (45) **Commercial Director**
BA, LLB, Dip Advanced Banking, MBA, PhD

Bruce McBride was a senior partner at the law firm Bell, Dewar and Hall before he joined Merafe Resources. He specialised in commercial, banking and mining law and acted for listed and international companies in these sectors.



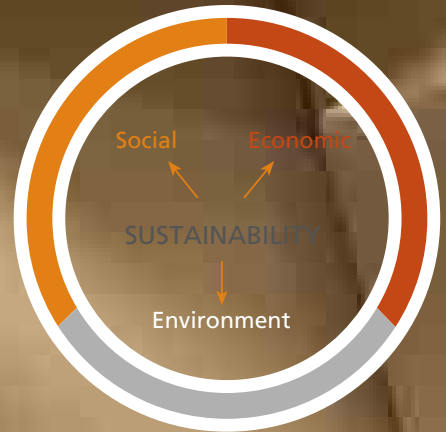
Stuart Elliot (41) **Finance and New Business Director**
CA (SA), HDip Co Law

Stuart Elliot's experience in the accounting and corporate finance fields, prior to joining Merafe Resources, include being an audit manager at KPMG, a senior manager at FirstCorp Merchant Bank, a project finance consultant with Gencor in London, focusing exclusively on their acquisition of Billiton plc from Royal Dutch Shell and an associate director with Deutsche Morgan Grenfell (Pty) Limited. He was also a director of The Corner House (Pty) Limited for three years.



Amritha Mahendranath (37) **Company Secretary**
BCom

Amritha Mahendranath joined Merafe Resources in February 2003 as a financial manager. She was appointed to the role of Company Secretary on 1 March, 2004. Prior to joining Merafe Resources she worked for Mondi Limited.



SUSTAINABLE DEVELOPMENT REPORT

The key to the long-term prospects of any enterprise is its sustainability, which requires integrating economic activity with environmental integrity, social concerns and an effective governance system. Merafe Resources takes a long-term and responsible approach to its business. It is committed to the vision of the new legislation governing our industry in South Africa, which is to develop a globally competitive mining industry that draws on the human and financial resources of all South Africa's people, offers real benefits to all South Africans and proudly reflects the promise of a non-racial South Africa.

In addition the Company has taken note of the critical issues highlighted by the Southern African Mining, Minerals and Sustainable Development project that need to be addressed if progress towards sustainability is to be achieved in this region. These are poverty alleviation, capacity building and skills training, gender equity, job creation and governance. Merafe Resources is committed to addressing these issues within the Xstrata - Merafe Chrome Venture, any other operations it may invest in and also in the communities in which it operates.

Reporting Guidelines

Merafe Resources has adopted the Global Reporting Initiative (GRI) guidelines for sustainability reporting, as the framework for the preparation of this report. Using the framework it is able to present and analyse the performance of Merafe Resources in economic, environmental and social terms, which are generally agreed to be the crucial determinants of sustainability that make up the 'triple bottom line'.

Recognition of Commitment to Sustainability through a Socially Responsible Approach

In June 2004 Merafe Resources became one of the founding companies chosen by the JSE Securities Exchange to participate in the FTSE/JSE SRI (Socially Responsible Investment) Index. To be included companies must meet set criteria in respect of economic, environmental and social sustainability and corporate governance. The increase in evidence suggesting an interrelationship between socially responsible practices and long-term shareholder value, prompted the JSE to establish the SRI index.

The Index showcases those listed companies who achieve the requisite score in relation to a set of criteria that measure triple bottom line commitment and performance. Merafe Resources also achieved the requisite score required to be listed on the SRI Index for the second year of the Index.



Management and Corporate Governance

Corporate governance encompasses the organisation's systems, structures and culture of governance.

GOVERNANCE STRUCTURE & MANAGEMENT SYSTEMS

The Board

The Board meets quarterly, or more frequently if circumstances require it to do so. While the Board has delegated the day-to-day running of the Company to the Chief Executive Officer and the executive directors, it retains overall accountability and full and effective control over the Company. Matters specifically reserved for its decision include the Company's financial and operational results, the strategic direction of the business, major acquisitions and disposals, approval of major capital expenditure and any other matters that could have a material effect on the business.

The Board endorses the code of corporate practices and conduct issued by the King Committee on corporate governance and has taken, and is taking, the necessary steps to transform the board and its management team to meet the recommendations of the King Report.

The Secretary

The Company Secretary ensures compliance with the rules of the JSE Securities Exchange South Africa and all statutory requirements. All directors have access to her at all times. Directors and officers of the Company keep her advised about all dealings in Company securities and a report is tabled at each board meeting.

Dealing in Securities

In accordance with the listing requirements of the JSE the Company has adopted a code of conduct for dealing in the Company's securities. During the closed period directors and designated employees are prohibited from dealing in the Company's securities. The closed period runs from the end of

a financial reporting period until the publication of the results for that period.

Roles

To ensure a balance of power and authority there is a clear division of responsibilities between the Chairman and the Chief Executive Officer. The Board annually appraises the performance of the Chairman and the Chairman appraises the Chief Executive Officer.

Composition

Non-executive directors

Chris Molefe (56) - Chairman	Zanele Matlala (41)
Qinisani Mbatha (27)	Lebo Mogotsi (33)
Reinier Posthumus Meyjes (59)	Dr Todor Vljacic (57)

Executive Directors

Steve Phiri (49) - Chief Executive Officer
 Bruce McBride (45) - Commercial Director
 Stuart Elliot (41) - Finance Director
 Zed van der Walt (60) - Technical Director

Company Secretary

Amritha Mahendranath (37)

Board level processes for overseeing, identifying and managing economic, environmental and social risks and opportunities.

The roles and responsibilities of the five subcommittees that report into the Board on the key issues identified by the Board are set out in the table on page 19, as is the role and responsibility of the Executive Committee. The Executive Committee meets weekly. The subcommittees meet every quarter and more frequently if necessary.

Executive Committee	Remuneration Committee	Audit Committee	Risk Committee	Transformation and Employment Equity Committee	Nomination Committee
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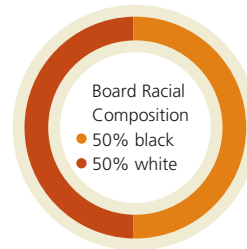
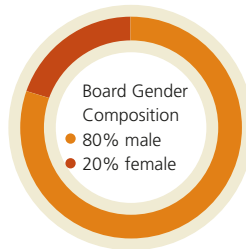
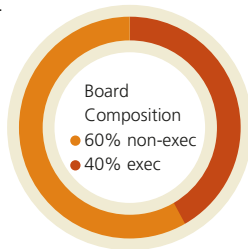
Roles & Responsibilities

Responsible for all material matters that are not the responsibility of the Board. Deals with executive business, recommends strategies and policies; monitors and co-ordinates implementation and use of resources to achieve the Company's objectives.	Responsible for remuneration policy, which includes the appropriate remuneration of executive directors and senior management and operation of the Company's share incentive scheme.	Ensures financial reporting complies with SA Statement of Generally Accepted Accounting Practice and the Companies Act. Reviews accounting policies, the effectiveness of management information and other systems of internal control, the effectiveness of the audit function and the reliability of the audit.	Responsible for identification and control of all significant business and operational risks.	Responsible for reviewing and managing the Company's commitment to social sustainability, the requirements of the Employment Equity Act and the Mining Charter.	Establishes policy governing appointment of directors, ensures board composition complies with corporate governance principles and considers suitable nominations for appointment to the Board. The Committee also assesses whether or not the board has the right mix of expertise and the ability of potential new directors to guide the Company's strategy towards sustainability.
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Composition of the committees as at 31 December 2004

S Phiri B McBride S Elliot Z v d Walt	C Molefe (Chairman) R Meyjes A Bekker B Mc Bride (invitee) Z v d Walt (invitee) S Phiri (ex officio)	C Molefe (Chairman) S Elliot Q Mbatha S Phiri (ex officio)	R Meyjes (Chairman) Dr T Vljacic C Molefe A Bekker Z v d Walt (invitee)	C Molefe (Chairman) B McBride S Phiri	C Molefe (Chairman) Q Mbatha A Bekker S Phiri (invitee) B McBride (invitee)
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The King Committee on corporate governance emphasises the size (vis a vis executive and non-executive directors) and diversity and demographics of Boards (how it relates to the country's demographics). The Company continues to make progress in this regard, as set out below.



Board Expertise

The expertise of the Board members is set out on pages 14 & 15 of this report. All the directors are able to contribute a wide range of expertise, including financial, commercial and technical experience. The non-executive directors contribute valuable independent perspectives and judgment.

Board Committees

Remuneration Committee

The composition of the various committees as at 31 December 2004 is set out in the preceding table. The committee is responsible for remuneration policy. This includes the appropriate remuneration of executive directors and senior management and operation of the Company's share incentive scheme. The compensation of senior executives is linked to the achievement of financial and non-financial goals, which are set at the beginning of each financial year. They are rewarded through the Company's share incentive scheme and profit-related bonuses. The remuneration committee is also responsible for ensuring that appropriate succession plans are in place for the Chief Executive Officer and executive management.

Independent external consultants were used in 2004 to assess the remuneration packages of the executive and non-executive directors of Merafe Resources and to ensure they are within industry remuneration levels and aligned to the Company's remuneration philosophy. During the financial year the consultants made recommendations regarding the remuneration of both executive and non-executive directors, which have been adopted.

Audit Committee

The purpose of the Audit Committee is to assist the Board in discharging its duties in regard to the safeguarding of assets, the operation of adequate systems, financial controls and

reporting processes and the preparation of accurate financial statements in compliance with all applicable legal requirements and accounting standards. This includes overseeing the activities of the external auditors.

A statement relating to the Directors' responsibilities is to be found in the annual financial statements contained in this report. To discharge this responsibility the Company maintains internal control systems designed to safeguard assets and ensure that transactions are executed and recorded in accordance with generally accepted business practices and procedures. These systems are regularly reviewed by the Audit Committee, which consists of two non-executive directors and the financial director.

The Audit Committee evaluates the performance, independence and effectiveness of the external auditors. The Committee also considers and makes recommendations on the appointment and retention of the external auditors. Before the start of an audit the Audit Committee discusses and reviews with the external auditors the terms, scope and nature of the audit function, procedure and engagement and the audit fee. The Audit Committee also sets the principles for the use of the external auditors for non-audit functions.

Risk Management Committee

The Company's risk management is achieved through identification and control of all significant business and operational risks that could adversely affect the achievement of the Company's business objectives. The Committee provides a forum for the discussion of business risk and control issues and the development of recommendations in this regard for consideration by the Board.

The risk department of Alexander Forbes worked with management and liaised closely with the Risk Management Committee to identify and control significant risks that could affect Merafe Resources. Risk identification and mitigation are communicated quarterly to the Merafe Resources Board.

At all Merafe Resources sites, under Merafe Resources management until July 2004, a risk register, mitigation measures and cross references to all procedures in the Company SHEQ system are in place, as well as formal site-specific risk management sub committees. Under the Xstrata - Merafe Chrome Venture, the Joint Board formed for this purpose is managing the Company's chrome operations since its formation in July 2004.

The Risk Management Committee continues to identify the risks associated with the achievement of the Venture's business plan and the actions proposed to manage these risks at an acceptable level. This process is set out in a risk management framework, which includes an ongoing self-assessment process, risk reviews and updating of risk registers. The process is externally audited.

The Xstrata Health Safety Environment Community Management Standards, published in November 2004, are being applied at all sites that form part of the Xstrata - Merafe Chrome Venture.

Transformation and Employment Equity Committee

Merafe Resources has adopted a formal Employment Equity policy and the Board has set Employment Equity targets, which are aligned with and exceed the requirements of the Employment Equity Act and the Mining Charter. The Transformation and Equity Committee is responsible for monitoring the Company's performance against the targets set by the Board and its compliance with the Act. It reports to the Board every quarter on progress against targets.

In terms of the Xstrata - Merafe Chrome Venture the Committee liaises closely with the Venture's Transformation Manager to ensure the Venture will meet the requirements of the Mining Charter.

Nomination Committee

The Board has given the Nomination Committee the responsibility for identifying and nominating candidates to fill Board vacancies as and when they arise. It is also responsible for making recommendations on the size, structure and composition of the Board in general and in terms of the balance between executive, non-executive and independent non-executive directors. It is guided by the recommendations of the King II Report on board composition.

Principles and Policies

The Board has developed and approved a Charter governing its responsibilities regarding compliance, monitoring operational performance, determining policy and processes, and its shareholders. The Charter also covers the Board's performance and its strategic role. Through its Charter the Board commits itself to the principles of openness, integrity and accountability and to the provision of timeous, relevant and meaningful reporting to all stakeholders.

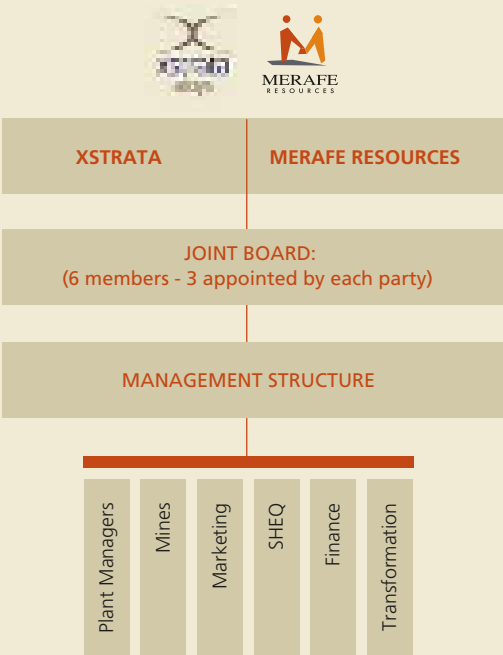
Code of Ethics

Merafe Resources has also adopted a code of ethics with the purpose of encouraging ethical behaviour and decision-making by its Board, management and employees and ensuring that its business practices are beyond reproach. At operational level Merafe Resources' approach to ethical conduct is set out in the employment and social policies, which are provided to all new employees.

Management of Xstrata - Merafe Chrome Venture

A joint board has been formed to manage the combined operations of both companies. It has six members - three representing Merafe Resources (Steve Phiri, Bruce McBride and Stuart Elliot) and three representing Xstrata (Peet Nienaber, Chairman and Chief Executive of Xstrata South Africa (Pty) Limited who was appointed as the first Chairperson of the Board, Shaun Usmar and Deon du Preez). Zed van der Walt, Merafe's Technical Director, is the Company's technical representative on the Xstrata - Merafe Chrome Venture. The management of the Venture's plants and mines, its marketing and finance, SHEQ and transformation are all represented on the senior operational management structure (Exco), set out below. The Exco reports to the joint board.

The Xstrata - Merafe Chrome Venture is committed to delivering industry-leading returns through genuine partnerships with employees, customers, shareholders, local communities and other stakeholders.





SOCIAL SUSTAINABILITY

Our stakeholders

Merafe Resources identifies its stakeholders by assessing its involvement with them or potential impact on them. It is our aim to ensure that all stakeholders benefit from our strategies in the long term. In terms of the Xstrata - Merafe Chrome Venture the Health, Safety, Environment and Community Management Standards set by Xstrata plc are applied at the Venture's operations.

Stakeholder	Engaging with our stakeholders
<p>Shareholders and other providers of capital</p> <p>Merafe Resources has a simple shareholder structure. The public and institutional shareholders hold 43.5% of its shares, 32.1% is held by the Royal Bafokeng Resources and 24.4% by the IDC. For details of the breakdown consult Shareholder Information on page 76 of this report.</p> <p>The Company borrows from South African banks. Details of our bankers are to be found on the inside back cover of this report.</p>	<p>During the current financial year the Company communicated with its shareholders through, among other things:</p> <ul style="list-style-type: none"> • Roadshows; • General meetings; • A circular to shareholders relating to the establishment of the venture between SA Chrome and Xstrata; • A circular to the shareholders relating to the change of strategy and the name change from SA Chrome to Merafe Resources; • Notice of the Annual General Meeting; • Press announcements of its interim and preliminary results; • Annual Report to Shareholders; • Presentation to the Nedsec Mid-Cap Mining Conference; • Presentation to Metal Bulletin's sixth Asian Ferro Alloys conference.
<p>Customers</p> <p>Our customers are stainless steel mills in South Africa, Europe, the Far East and the United States. They set the specifications for the product we provide to them and we produce according to these specifications.</p>	<p>Under the Xstrata - Merafe Chrome Venture the marketing of the majority of our production is undertaken by Glencore International AG who, together with the Venture's marketing team, maintain the customer relationships on our behalf. The Company continues to attend global ferrochrome conferences and to interact with customers of the Venture. ThyssenKrupp Metallurgie GmbH (TKMet), who initially marketed all our production have the right to purchase a specific quantity of ferrochrome from the Venture annually.</p>
<p>Employees</p> <p>As at 31 December 2004 Merafe Resources had 364 employees. The Venture had 3,919 employees.</p>	<p>A communication forum has been established at our operations. Regular management briefings are held with our staff to ensure engagement and feedback. A staff newsletter is circulated regularly at our operations.</p>

Stakeholder	Engaging with our stakeholders
Suppliers	<p>Merafe Resources is committed to supporting and making use of local businesses that meet the BEE criteria set out in the Broad-Based Socio Economic Empowerment Charter for the mining industry. Our major suppliers are Eskom and coal and coking coal producers. In order to benefit from the combined purchasing power of the Xstrata - Merafe Resources Chrome Venture all purchasing is handled by the Venture. The Venture has established a procurement committee that is responsible for awarding tenders and supply contracts. All potential suppliers are required to provide details of the HDSA shareholding/participation in their business.</p>
Communities	<p>We focus on the communities in the immediate vicinity of our operations. The Royal Bafokeng Nation (RBN) a community of 300 000 people, is a major shareholder in the Company and participates at board level. The Company has begun a process of consultation with the communities in which it operates, which includes the RBN, in order to establish and implement a corporate social responsibility strategy in partnership with these communities. The Company has engaged the services of consultants to assist with community engagement and feedback. We have also engaged with individuals and community groups in the community of Tlathaganyane near Horizon Mine. As a result of these consultations the community centre in the area is being upgraded and a job creation project is under way. The relationship of our operations with their communities will in future be managed by the Venture. Xstrata Alloys have already identified their stakeholders and established consultation processes. The Transformation Manager, Thabo Moseki, who is a member of the Xstrata - Merafe Chrome Venture's Exco, is in the process of reviewing community engagement and feedback processes within the Venture.</p>
Trade Unions	<p>During the first three months of this financial year at the Merafe Resources Boshoeck plant 49 employees were registered as members of National Union of Metal Workers of South Africa (NUMSA). At the Horizon mine 208 employees were registered as members of National Union of Mineworkers (NUM). No other trade union had members registered with them at any of our operations during that period. In terms of the 6 mines and 16 furnaces that make up the Xstrata - Merafe Chrome Venture at the Western mines and Thornccliffe mine, employees are represented by NUM. At the plants they are represented by NUMSA. Recognition agreements and union structures are used to effect consultation and communication.</p>

Stakeholder	Engaging with our stakeholders
Government	Our CEO participates in Government forums both in terms of mining issues and BEE and is a member of the Government's Minerals and Mining Board. Merafe Resources also interacts regularly with the Government of the North West Province in which our operations are based and with the national government's Department of Minerals and Energy.

Externally developed principles, charters and initiatives to which Merafe subscribes

Merafe is committed to the principles of the Broad-Based Socio-Economic Empowerment Charter for the South African mining industry and the Mining Scorecard established to monitor performance against the Charter. Through the Charter mining industry stakeholders committed themselves to aspiring to a baseline of 40% historically disadvantaged participation in management within five years. In terms of ensuring higher levels of inclusiveness and advancement of women they committed to a baseline of 10% of women participation in the mining industry within five years.

This year our efforts towards socio-economic empowerment were recognised when Merafe Resources was rated second in the Resources Sector and ninth overall in the Top Empowerment Companies Survey undertaken by Financial Mail and the Empowerdex Economic Empowerment Rating Agency. The areas against which participants were measured were: Direct Empowerment (ownership, management representation, employment equity, skills development) and Indirect Empowerment (preferential procurement, enterprise development and corporate social investment).



How Merafe Resources scores against the Mining Scorecard (The operations covered by this scorecard are the Merafe Resources operations which now form part of the Xstrata - Merafe Chrome Venture).

Scorecard Items	Progress Made Towards Target
Human Resource Development Every employee to be offered the opportunity to be functionally literate and numerate by 2005.	Only eight employees need literacy training. ABET is available to all employees in the Xstrata - Merafe Chrome Venture and by the end of 2005 all will have had the opportunity to become functionally literate and numerate. Through the Xstrata - Merafe Chrome Venture the Company participates in ABET Centres established to offer skills training to the unemployed in some of the communities where the Venture operates.
Career paths and skills development plans implemented for all HDSA employees.	Evaluation interviews are conducted with individual employees to determine their aspirations, their level of qualifications and assess their potential. Defined career paths are assigned, depending on candidates ability and ambition. Where appropriate assistance with further education is offered.
Has the company developed systems through which empowerment groups can be mentored?	Yes - The Company mentors and assists empowerment groups that have a direct link to the organisational process. These groups are then contracted to perform contracts / work for the company.
Employment Equity Has the company published its employment equity plan and reported on its annual progress in meeting that plan?	Yes.
Has the company established a plan to achieve a target for HDSA participation in management of 40% within the 5 years (2007) and is it implementing the plan?	Yes - set out in Employment Equity Plan. Merafe Resources operations have already achieved the target of 40% HDSA participation in management.
Has the company identified a talent pool and is it fast tracking it?	Yes - Through the Company's participation in the Xstrata - Merafe Chrome Venture fast track prospects receive international exposure through extended technical visits to Xstrata's overseas operations. High potential HDSAs participate in a mentorship and coaching programme which involve formal and informal interaction with mentors.
Has the company established a plan to achieve the target for women participating in mining of 10% within the 5 years and is it implementing the plan?	Yes - Merafe Resources operations already exceed 10% (13% of employees are women in operational positions). However, it is a major challenge for a male-dominated industry like the mining industry to attract sufficient suitable female candidates. With the aim of increasing its number of female employees, 50% of the bursaries Xstrata awards are targeted at women.

Scorecard Items	Progress Made Towards Target
<p>Migrant Labour</p> <p>Has the company subscribed to government and industry agreements to ensure non-discrimination against foreign migrant labour?</p>	<p>Yes - In addition the policies and procedures of the Xstrata - Merafe Chrome Venture comply with foreign and local treaties and agreements on migrant labour and are aimed at ensuring that all employees are treated fairly, without bias or discrimination. The operations that fall within the Xstrata - Merafe Chrome Venture do not utilise foreign migrant labour.</p>
<p>Mine Community and Rural Development</p> <p>Has the company co-operated in the formulation of integrated development plans and is the company co-operating with government in the implementation of these plans for communities where mining takes place and for major labour sending areas? Has there been effort on the side of the company to engage the local mine community and major labour sending area communities? (Companies will be required to cite a pattern of consultation, indicate money expenditures and show a plan).</p>	<p>Through the Xstrata - Merafe Chrome Venture the Company plays a central role in the communities that exist alongside its operations. It works closely with the relevant local government, Local Economic Development forums and other regional business bodies to facilitate and help meet their needs outlined in the Integrated Development Plans (IDP). Details of the programmes in place are provided in the Social Impact section of the Sustainability Report contained in this report.</p>
<p>Housing And Living Conditions</p> <p>For company provided housing has the mine, in consultation with stakeholders, established measures for improving the standard of housing, including the upgrading of the hostels, conversion of hostels to family units and promoted home ownership options for mine employees? Company will be required to indicate what they have done to improve housing and show a plan to progress the issue over time and is implementing the plan?</p> <p>Has the company established measures for improving the nutrition of employees? Companies will be required to indicate what they have done to improve nutrition and show a plan to progress the issue over time and implementation of this plan.</p>	<p>The employees are local to our operations and therefore do not require special arrangements for housing. Opportunities have been provided to all employees to determine their own living arrangements through flexible remuneration.</p> <p>The Company does not provide meals for its staff unless they are at work longer than eight hours.</p>
<p>Procurement</p> <p>Has the mining company given historically disadvantaged South African's preferred supplier status?</p>	<p>On the way to complying. The Xstrata - Merafe Chrome Venture's focus is on procurement transformation as an opportunity. It is targeting suppliers for transformation and encouraging them to examine their equity ownership. ...➤</p>

Scorecard Items	Progress Made Towards Target
Procurement (continued)	<p>Existing suppliers have been advised that their support of this initiative will have a direct bearing on their future business dealings with the Venture. A procurement committee, which is responsible for awarding tenders and supply contracts is in place. All potential suppliers are required to provide details of their HDSA shareholding/ participation in their business. The Company is committed to supporting and making use of local businesses that meet the BEE criteria set out in the Broad-based Socio-Economic Empowerment Charter for the Mining Industry.</p>
<p>Has the mining company identified the current level of procurement from historically disadvantaged South African companies in terms of capital goods, consumables and services?</p>	<p>Yes - Our current level of HDSA procurement is identified and recorded. On average the Company (Merafe Resources) procures 48% of all commodities and services from BEE companies and 17% from companies, which are in the process of complying with BEE requirements.</p>
<p>Has the mining company indicated a commitment to a progression of procurement from historically disadvantaged South African companies over a 3-5 year time frame in terms of capital goods, consumables and services and to what extent has the commitment been implemented?</p>	<p>On the way to complying. The Xstrata - Merafe Chrome Venture has indicated its commitment to procuring capital goods, consumables and services from historically disadvantaged South African companies where and whenever possible and is implementing this commitment. We are hopeful of achieving our targets within the stipulated timeframe.</p>
Ownership and Joint Ventures <p>Has the mining company achieved historically disadvantaged South African participation in terms of ownership for equity or attributable units of production of 15 per cent in historically disadvantaged South African hands within five years and 26 per cent in 10 years?</p>	<p>Target of 15% is exceeded. Royal Bafokeng Resources currently own a 32.1% shareholding in Merafe Resources.</p>
Beneficiation <p>Has the mining company identified its current level of beneficiation?</p>	<p>Yes - The main business of the Xstrata - Merafe Chrome Venture, which manages the Company's assets, is the beneficiation of chromite into ferrochrome in 16 furnaces in South Africa.</p>
<p>Has the mining company established its base line level of beneficiation and indicated the extent that this will have to be grown in order to qualify for an offset?</p>	<p>Yes.</p>
Reporting <p>Has the company reported on an annual basis its progress towards achieving its commitments in its annual report?</p>	<p>Yes - This progress is reflected in the Sustainability Report contained in this Annual Report.</p>

Employment Equity

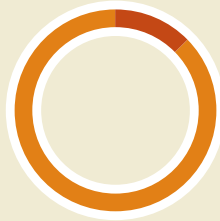
Breakdown of Merafe Resources Management (including skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents) in terms of Historically Disadvantaged South Africans (HDSAs) and non-HDSAs.

- HDSA - 44%
- non-HDSA 56%



Gender breakdown of Merafe Resources employees

- 13% female,
- 87% male.



Transformation

When the Xstrata - Merafe Chrome Venture was established the position of Transformation Manager was established. The Transformation manager is responsible for the Venture's community investment and transformation within the Venture, which includes procurement and enterprise development. The Transformation Manager is currently establishing a Transformation Indaba, which will develop a corporate strategic plan and agenda for transformation within the Venture and will also develop an approach and a model for transformation advocacy, action and attitude change.

Included in the Venture's transformation plan is a housing development project that will help employees find homes within the vicinity of its Rustenburg, Kroonandaal and Wonderkop operations. The Venture is also investigating the development of homes for employees at its Western Limpopo Operations. The Venture is working with NAFCOC (National Federated Chamber of Commerce), the Royal Bafokeng Economic Board and non-profit structures within communities in order to extend its enterprise development programme. The Venture currently focuses on stimulating and supporting skills development in small business and developing sustainable non-profit structures within the communities within which it operates.

Community Investment

Merafe recognises that it has an important role to play in the communities within which it operates. Previously the Company was in start-up phase and had limited resources to expend on a community investment programme.

Since July 2004 the majority of Merafe Resources' community investment has been through the Xstrata - Merafe Chrome Venture. Xstrata plc has committed itself to spending 1% of Earnings Before Interest and Taxation (EBIT) on community investment and through its involvement in the Venture Merafe Resources contributes to this investment.

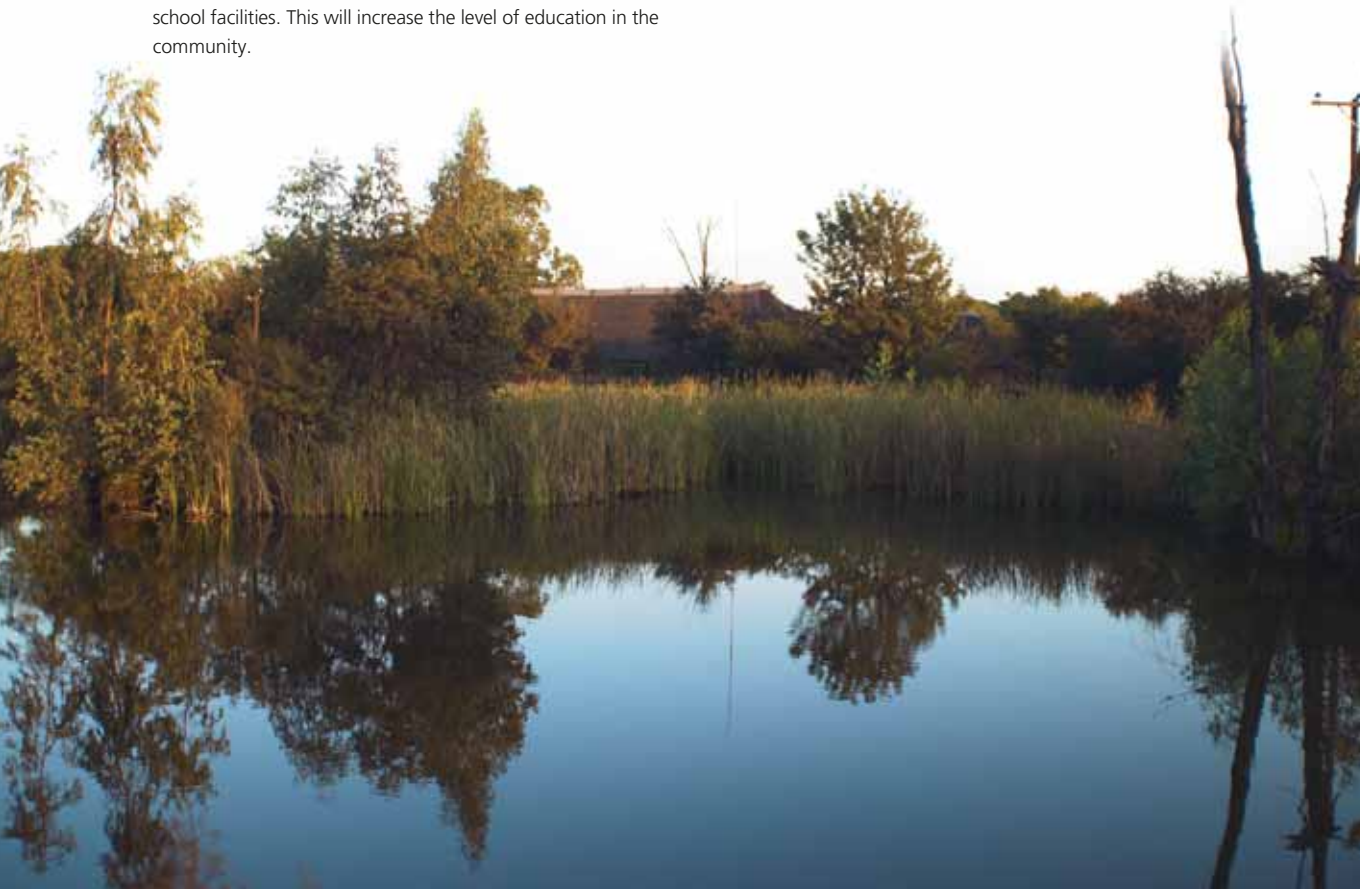
The Venture's community investment programme focuses on education, infrastructure, sustainable and facility development.

The Venture's investment in education includes capacity building in schools within the vicinity of its mining operations. The main focus is on developing maths and science teaching skills and establishing a training centre for candidates interested in mining sector programmes.

Sponsorship of Edumap is also helping pupils to obtain excellent maths and science matriculation results. The Venture's bursary and scholarship programme is aimed at developing a future workforce for the organisation. Members of the local community have been given training at the Keyboard College, which has helped them develop job skills. Some of these trainees have since joined a learnership programme and are performing secretarial duties at the Venture's offices.

Among its infrastructure and facility development projects is the Rutanang school project, which currently only offers primary school education. The objective of the project is to add high school facilities. This will increase the level of education in the community.

In its previous Annual Report Merafe Resources reported that it had started a process of consultation with local communities. As a result of this consultation the health facilities and community centre of the Tlhatlhaganyane community near Horizon mine are being upgraded.



ENVIRONMENTAL SUSTAINABILITY

Health

The main occupational hazards at the Xstrata - Merafe Chrome Venture operations are noise and dust. Training is provided for employees in the recognition and avoidance of occupational health hazards and extensive occupational health monitoring programmes are in place. The results of these programmes are linked back to the occupational health centres and medical records to determine personal exposures. Occupational health risk assessments forming the basis of management programmes are in place at all plants, employees have been categorised by job group and action plans have been developed which indicate monitoring requirements for a particular job category and stipulates the type of monitoring and the frequency.

Annual medical checks of all employees link in with the Venture's monitoring programmes and there is a site clinic at every plant.

Awareness campaigns for hearing conservation have been implemented and the introduction of custom-made hearing protection (variphones) for employees identified as working in bad noise areas continues.

The Venture's HIV/AIDS programmes provide medical treatment and counselling support. They also include anti-retroviral treatment and treatment for the prevention of mother to child transmission of HIV. HIV awareness training forms part of the general induction training at operations. The Employee Assistance Programme also provides for access to voluntary counselling and testing. A number of peer educators have been trained to enhance the level of knowledge and awareness at all plants.

Safety

Through a behavioural-based safety programme which makes employees aware of how their behaviour affects their safety and that of others the Venture's employees have been empowered to take responsibility for risk and safety management processes and promote a safety first culture within the operations. As this is the first year the Venture has been in existence it is not possible to provide comparative data for the Venture. The Venture's Total Recorded Injury Frequency Rate (TRIFR) was 16.58, while the Lost Time Injury Frequency Rate (LTIFR) was 5.41 and the Fatality Frequency Rate (FFR) was 0.16. All constituted positive trends from previous individual performances.

Health and Safety Systems

All sites are implementing a Health and Safety Management System compliant with the OHSAS 18001 standard and the Venture's health and safety policy. The Lydenburg plant has been externally certificated. The system involves establishing legal and risk registers and implementing programmes that focus on changing health and safety-related behaviours. As part of the Venture's integration of its safety, health, environment and quality functions it plans to have all sites compliant to ISO 9000 and 14001 and OHSAS 18000 systems by the end of 2005.

Qualified safety practitioners manage the occupational safety programmes together with safety representatives who are elected by the employees. The programmes include safety and health risk assessments, plant inspections, development of safe work procedures, incident investigations and training of employees. Safety training and pre-shift safety talks are ongoing at all operations.

Regular internal safety audits and inspections of operations and systems by safety personnel and employees are carried out. The following audits take place:

1st level audits	undertaken by the department itself.
2nd level audits	undertaken by HSEC teams with a manager from another section.
3rd level	external audits are conducted (the plants audit each other).
Certification	twice a year audited on each of the
Body Audits	international standards.

Environment

During the year the Venture had two Category three environmental incidents (incidents which cause moderate localised reversible impacts on the environment). The first was at the Rustenburg plant where the sidewall of the slimes dam cracked and sludge was captured in the paddock system. At the Lydenburg plant the start up of a Grate and Rotary kiln required a warming up schedule of 36 hours.

Land and Biodiversity

All the Venture's sites have developed procedures to minimise land disturbance. Environmental management programmes, approved by the Department of Minerals and Energy (DME), are in place for the rehabilitation and decommissioning of the Venture's mines. The long-life profile of the operations limits the current availability of land for rehabilitation.

Water

All the Venture's operations focus on conserving water. It is not possible to produce comparative figures this year as the Venture is less than a year old. The Venture runs closed systems in all its plants and all water is recycled including water from the slimes dams, which is diverted back into the plant. All plants are zero effluent - no effluent was reported during the year.



Air Quality

All plants have Air Pollution Prevention Act certificates for Schedule 2 Process 50 issued by the Chief Air Pollution Control Officer. In addition to managing the primary sources of air pollution the Venture also manages and controls all secondary sources of pollution (e.g. stockpiles).

Dust control measures, which are in accordance with approved environmental management programmes are in place at all the operations where dust is generated by the movement of material, gravel roads and wind blown from stockpiles, tailings dams and other disturbed areas. Dust monitoring programmes are also in place and each plant has its own monitoring equipment for random sampling and analysis.

The Xstrata - Merafe Chrome Venture's processing plants have completed air dispersion modelling to determine the extent of airborne emissions around their operations.

During planned maintenance at the smelters, the community is informed through articles published in local newspapers. In an emergency breakdown situation the operations implement reduced load schedules, minimising possible impact on the environment.

Waste

Operations are focused on improving the quantification, collection and recycling of waste material.

Noise

Every blast is monitored at the Venture's operations and any noise and vibration non-compliances are reported to the relevant regulators and stakeholders. Blast techniques have been refined to reduce their impact and consultative forums are in place to discuss any noise concerns that may arise.

To overcome the crusher noise, which exceeded the recommended national noise levels, the crusher building at the Waterval Mine beneficiation plant has been clad with noise absorption material.

Energy

Electricity, coal and diesel are the primary sources of energy for the Venture.

Management Systems

Each operation is required to establish an environmental management system consistent with ISO 14001. Three out of four smelters are already certified for compliance with ISO 14001.

All operations are required to maintain risk registers incorporating key HSEC (health safety environment and community) risks.

Environmental performance at all operations was assessed by means of regular internal reviews of performance and by systems compliance and systems reviews. In addition a number of external audits were carried out.

At all operations induction programmes for new employees and contractors include an environmental component. In addition many sites have developed environmental awareness programmes. All employees repeat induction training annually.





economic sustainability

Profitability, beneficiation and
accelerating economic growth
through greater equity and
self reliance.

ANNUAL FINANCIAL STATEMENTS AND OTHER INFORMATION

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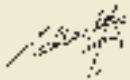
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APPROVAL OF ANNUAL FINANCIAL STATEMENTS

for the period ended 31 December 2004

The financial statements for the period ended 31 December 2004, which appear on pages 41 to 76 were approved by the directors on 18 May 2005.

The directors are responsible for the fair presentation to shareholders of the affairs of the Company and of the Group as at the end of the financial year, and of the results for the period, as set out in the annual financial statements. The directors are responsible for the overall co-ordination of the preparation and presentation and for the approval of the financial statements. Responsibility for the initial preparation of these statements has been delegated to the officers of the Company and the Group. The auditors are responsible for auditing and reporting on the financial statements in the course of executing their statutory duties. The financial statements have been prepared on a going concern basis, conforming with the applicable accounting standards and are presented applying consistent accounting policies supported by reasonable and prudent judgment and estimates. To discharge this responsibility, the Group maintains accounting and administrative control systems designed to provide reasonable assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and procedures. The accounting policies of the Group are set out on pages 49 to 54 of this report.



Chris Molefe
Non-Executive Chairman
18 May 2005



Steve Phiri
Chief Executive Officer
18 May 2005

REPORT OF THE INDEPENDENT AUDITORS

to the Members of Merafe Resources Limited for the period ended 31 December 2004

We have audited the annual financial statements and Group annual financial statements of Merafe Resources Limited set out on pages 41 to 76 for the period ended 31 December 2004. These financial statements are the responsibility of the directors of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures included in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement position. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and of the Group at 31 December 2004 and the results of their operations and cash flows for the period then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.



KPMG Inc
Registered Accountants and Auditors
Chartered Accountants (SA)
18 May 2005

COMPANY SECRETARY'S CONFIRMATION

for the period ended 31 December 2004

It is confirmed that the Company has lodged with the Registrar of Companies all such returns as are required to be lodged by a public company in terms of the Companies Act, and that all such returns are true, correct and up to date.



A Mahendranath
Company Secretary
Johannesburg
18 May 2005

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

for the period ended 31 December 2004

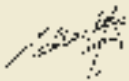
The directors of the Group are responsible for the preparation, integrity and objectivity of the annual financial statements. In terms of this responsibility the directors need to ensure that these financial statements fairly present the financial position of the Group and the Company and the results for the period under review.

In fulfilling this responsibility, the Board of Directors relies on management to implement proper systems of internal control to provide reasonable, but not absolute assurance as to the integrity and reliability of the financial statements and to adequately safeguard the Group's assets.

The manner in which the Board of Directors ensures that this responsibility is effectively discharged is set out in the Corporate Governance section preceding the annual financial statements.

The external auditors are responsible for independently reviewing the financial statements and expressing an opinion on them.

To the best of its knowledge and belief, the Board of Directors is satisfied that the system of internal controls may be relied on for preparing the Company and Group's financial statements and safeguarding its assets; and that no material breakdown has occurred during the period under review. The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice and incorporate reasonable disclosures of all material facts. The accounting policies applied in the preparation of the financial statements are consistent, unless otherwise indicated, with those of the previous year and are appropriate for the nature of our business. The directors of the Group, having knowledge of the affairs of the Group and its financial position, are of the opinion that the Group and its individual companies are going concerns and have prepared the financial statements on this basis.



Chris Molefe
Non-Executive Chairman
18 May 2005



Steve Phiri
Chief Executive Officer
18 May 2004

OUR REPORTING COMMITMENT

for the period ended 31 December 2004

We take a long-term and responsible approach to our business and are committed to the vision of the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry, which is to develop a globally competitive mining industry that draws on the human and financial resources of South Africa's people, offers real benefits to all South Africans and proudly reflects the promise of a non-racial South Africa.

We are also committed to providing access to relevant, high-quality information on the economic, environmental and social aspects of the Company's activities, which allows assessment of the organisation's sustainability. This is in keeping with the global reform of corporate governance reflected in the King II report and the Global Reporting Initiative Framework.

The Scorecard for the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry was released by Government in February 2003. The objective of this scorecard, which is divided into nine monitoring areas, is to measure the progress by stakeholders in achieving the aims of the Charter. In the Corporate Governance section preceding the annual financial statements we have measured ourselves against both the specific targets set in the scorecard and the targets that we have set for ourselves.

DIRECTORS REPORT

for the period ended 31 December 2004

The Directors have pleasure in submitting their report and the annual financial statements of the Group and of the Company for the period ended 31 December 2004.

Nature of business

Merafe Resources, through the Xstrata - Merafe Chrome Venture, participates in chrome mining and the beneficiation of chrome ore into ferrochrome. Currently its assets consist of the Horizon and Boshhoek Chrome mines which produce chrome ore, a UG2 plant, which processes UG2 ore and a ferrochrome smelting facility at Boshhoek in the North West Province of South Africa at which chrome ore is beneficiated into ferrochrome. The ferrochrome output of Xstrata - Merafe Chrome Venture is marketed to the stainless steel industry. The Group's structure is to be found on page 5.

Group financial results

The financial statements set out fully the financial results of the Group on pages 42 to 75. These financial statements have been prepared using appropriate accounting policies, conforming to South African Generally Accepted Accounting Practice, supported by reasonable and prudent judgements where required.

Merafe's share of the earnings before interest, taxation, depreciation and amortisation (EBITDA) from the Xstrata - Merafe Chrome Venture are accounted for as follows: 11% up to 30 June 2005 of EBITDA; 14% up to 30 June 2006 of EBITDA; and 17.5% from 1 July 2006 of EBITDA; thereonwards.

DIRECTORS' REPORT

for the period ended 31 December 2004

In addition to Merafe's share of EBITDA, corporate expenses, interest on debt and depreciation on assets of Merafe are deducted to determine earnings before taxation. No transfer of assets to the Xstrata - Merafe Chrome Venture occurred and these assets are depreciated and amortised as described in the accounting policies.

Borrowing powers

Subject to articles 130 and 132 of the constitution governing the Board of Merafe Resources the directors may from time to time, at their discretion, raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company as they see fit.

Going concern

The directors of Merafe are satisfied that, subsequent to the Wonderkop acquisition (refer note 27.1 to the Annual Financial Statements) and the Merafe capital raising for funding of Project Lion (refer note 27.2 to the Annual Financial Statements), Merafe will have sufficient cash or generate sufficient cash flows and/or have adequate banking facilities in place to meet its present working capital requirements, that is, for at least the next twelve months from the issue date of this report, and its working capital requirements for the foreseeable future.

Dividend policy

The Group's dividend policy will be determined after taking into consideration the Group's need to retain capital for the purposes of maintenance capital expenditure, improvements, repaying its long-term debt, as well as prevailing market circumstances.

Dividends for the period ended 31 December 2004

No dividends were declared or paid during the period (31 March 2004: R nil).

Share capital

Full details of the authorised and issued share capital of the Company are set out in Note 14 to the annual financial statements. During the period to 31 December 2004 the following shares were issued for the purpose stated:

- On 5 April 2004, Merafe Resources issued 29 761 905 ordinary shares to a financial institution at a premium of 83 cents per share in terms of the general authority, granted to the directors at the annual general meeting held on 17 September 2003, to issue shares for cash. The proceeds raised are to be used to fund the R25 million reserve account required to fund capital expenditure improvements of the Company's ferrochrome facility in 2004 and 2005, as stipulated in the Xstrata - MerafeChrome Venture agreement.
- 12 490 771 shares issued to ex-directors in exercising their share options.

DIRECTORS REPORT

for the period ended 31 December 2004

Directorate

During the period under review and up to the date of this report the following changes were made to the Group's directorate:

Resignations – Andre Bekker

Retirements – In terms of Article 93, Qinisani Mbatha, Chris Molefe, Reinier Posthumus Meyjes and Dr Todor Vljacic retired from the Board by rotation. All four are eligible and available for re-election to the Board.

Zanele Matlala and Lebo Mogotsi joined the Board as independent non-executive directors.

Major shareholders

To the best of our knowledge the following shareholders were the registered holders of five per cent or more of the issued ordinary shares in the Company at 31 December 2004:

- The Royal Bafokeng Resources Holdings (Pty) Limited 32.1%
- The Industrial Development Corporation of South Africa 24.4 %.
- Allan Gray Asset Management 7.3%

Details of the current board of directors are set out on pages 14 and 15 of this annual report.

A detailed report on directors' emoluments has been prepared in accordance with JSE requirements and appears in Note 4 to the annual financial statements.

Directors' interest in Merafe Resources

As at 31 December 2004 the directors of the Group are beneficially interested (directly and indirectly) in 2,090,556 shares.

	31 December 2004		31 March 2004	
	Direct	Indirect	Direct	Indirect
Steve Phiri	62,000	-	-	-
Bruce McBride	-	600,000	-	600,000
Stuart Elliot	1,235,112	-	1,235,112	-
Reiner Posthumus Meyjes	193,444	-	193,444	-
Total	1,490,556	600,000	1,428,556	600,000

DIRECTORS REPORT

for the period ended 31 December 2004

Special Resolutions

The special resolutions passed during the year were:

21 July 2004

Special resolution number one: "Resolved as a special resolution that the authorised share capital of the Company be and is hereby increased from R15 000 000 divided into 1 500 000 000 ordinary shares of one cent each to R20 000 000 divided into 2 000 000 000 ordinary shares of one cent each, each of which shall rank pari passu in all respects with the other ordinary shares in the issued share capital of the Company."

Special resolution number two: "Resolved as a special resolution that subject to the passing and registration of special resolution number 1 set out in the notice convening the general meeting to consider this special resolution, paragraph 8(a) of the Company's memorandum of association be and is hereby amended to read as follows: 'Par value: the share capital of the Company is R20 000 000, divided into 2 000 000 000 ordinary par value shares of one cent each.'"

16 November 2004

Resolved that the name of the Company be changed from South African Chrome and Alloys Limited to Merafe Resources Limited, with effect from the close of business on Friday 26 November 2004.

Details of investments in subsidiaries

Details of investments in subsidiaries are as follows:

Issued share capital		Percentage Holdings		Shares at cost	
		31 December 2004	31 March 2004	31 December 2004	31 March 2004
Directly held					
Southwits Mining Company (Pty) Limited	100	100%	100%	100	100
Merafe Chrome & Alloys (Pty) Limited	200	100%	100%	200	200
Indirectly Held					
Merafe Ferrochrome & Mining (Pty) Limited	400	100%	100%	400	400

Further details are set out in note 9.1 to the Annual Financial Statements.

Subsequent events

Details of subsequent events are set out in Note 27 to the Annual Financial Statements.

Change of auditors

The Group has changed auditors during the period from Pricewaterhouse Coopers Inc. to KPMG Inc.

INCOME STATEMENTS

for the period ended 31 December 2004

GROUP			COMPANY		
	Notes	Period ended 31 December 2004 R	Year ended 31 March 2004 R	Period ended 31 December 2004 R	Year ended 31 March 2004 R
Revenue	2	502,368,687	554,442,174	-	-
Cost of sales		(458,297,029)	(610,521,417)	(12,412,808)	(24,380,526)
Operating profit / (loss)		44,071,658	(56,079,243)	(12,412,808)	(24,380,526)
Sundry income		60,800	4,340,289	10,350,753	22,367,115
Impairment of loan to subsidiary		-	-	(290,945,061)	-
Net financing (costs) / income	3	(38,584,728)	(55,385,195)	2,062,055	2,142,951
Earnings / (loss) before taxation	4	5,547,730	(107,124,149)	(290,945,061)	129,540
Taxation	5	-	-	-	-
Net earnings / (loss) for the period / year		5,547,730	(107,124,149)	(290,945,061)	129,540
Headline earnings / (loss) per share (cents)	6.1	0.45	(9.43)		
Basic earnings / (loss) per share (cents)	6.2	0.45	(9.43)		
Diluted earnings per share (cents)	6.3	0.43	-		

BALANCE SHEETS

at 31 December 2004

		GROUP		COMPANY	
	Notes	31 December 2004 R	31 March 2004 R	31 December 2004 R	31 March 2004 R
Assets					
Non - current assets		681,657,218	687,922,893	221,042,447	530,492,556
Options for mineral and participation rights	7	257,487	257,487	257,487	257,487
Property , plant and equipment	8	681,053,539	679,896,559	4,150,903	4,314,341
Investments	9	346,192	4,928,439	216,634,057	523,080,320
Financial asset	10	-	2,840,408	-	2,840,408
Current assets		486,790,645	161,167,198	57,365,976	16,272,640
Available-for-sale bonds	9	6,062,384	4,856,724	6,062,384	4,856,724
Financial asset	10	1,751,632	-	1,751,632	-
Inventories	11	237,270,503	92,796,953	-	-
Trade and other receivables	12	189,486,007	63,513,521	1,154,330	1,317,032
Bank and cash	22	52,220,119	-	48,397,630	10,098,884
Total assets		1,168,447,863	849,090,091	278,408,423	546,765,196
Equity and liabilities					
Capital and reserves		259,859,692	231,960,439	259,859,692	519,056,219
Share capital	14	12,379,175	11,956,648	12,379,175	11,956,648
Share premium	15	557,035,400	527,217,322	557,035,400	527,217,322
Fair value reserve	16	1,637,469	129,540	1,637,469	129,540
Accumulated loss		(311,192,352)	(307,343,071)	(311,192,352)	(20,247,291)
Non - current liabilities		395,990,185	360,756,004	47,577	5,575,259
Long-term liabilities	17	391,776,439	359,894,020	47,577	5,575,259
Provision for close down and restoration costs	18	4,213,746	861,984	-	-
Current liabilities		512,597,986	256,373,648	18,501,154	22,133,718
Trade and other payables	19	412,078,209	185,429,950	3,270,390	6,178,821
Provisions	20	21,817,381	12,830,402	9,822,715	9,837,500
Current portion of long-term liabilities	17	54,669,145	49,169,827	5,408,049	6,117,397
Bank overdraft	22	24,033,251	8,943,469	-	-
Total equity and liabilities		1,168,447,863	849,090,091	278,408,423	546,765,196

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

for the period ended 31 December 2004

GROUP			COMPANY		
	Notes	Period ended 31 December 2004 R	Year ended 31 March 2004 R	Period ended 31 December 2004 R	Year ended 31 March 2004 R
Share capital	14	12,379,175	11,956,648	12,379,175	11,956,648
Balance at the beginning of the period / year		11,956,648	10,149,571	11,956,648	10,149,571
New shares issued during the period / year		422,527	1,807,077	422,527	1,807,077
Share premium	15	557,035,400	527,217,322	557,035,400	527,217,322
Balance at the beginning of the period / year		527,217,322	421,406,193	527,217,322	421,406,193
Premium on new shares issued		29,928,423	106,617,557	29,928,423	106,617,557
Share issue expenses written off		(110,345)	(806,428)	(110,345)	(806,428)
Fair value reserve	16	1,637,469	129,540	1,637,469	129,540
Balance at the beginning of the period / year		129,540	-	129,540	-
Transfer from income statement		-	129,540	-	129,540
Financial instruments fair value movements recognised directly in equity		1,507,929	-	1,507,929	-
Accumulated loss		(311,192,352)	(307,343,071)	(311,192,352)	(20,247,291)
Balance at the beginning of the period / year		(307,343,071)	(200,089,382)	(20,247,291)	(20,247,291)
Prior year adjustment	28	(9,397,011)	-	-	-
Net profit / (loss) for the period / year		5,547,730	(107,124,149)	(290,945,061)	129,540
Transfer to fair value reserve		-	(129,540)	-	(129,540)
Equity at the end of the period / year		259,859,692	231,960,439	259,859,692	519,056,219

CASH FLOW STATEMENTS

for the period ended 31 December 2004

		GROUP		COMPANY	
	Notes	Period ended 31 December 2004 R	Year ended 31 March 2004	Period ended 31 December 2004 R	Year ended 31 March 2004 R
Cash generated by / (utilised in) operations	21	38,903,783	(45,439,902)	(4,659,132)	3,880,056
Interest cost	3	(42,218,272)	(59,039,365)	(42,935)	(290,470)
Interest received	3	3,633,545	3,654,170	2,104,990	2,433,421
Cash flows from operating activities		319,056	(100,825,097)	(2,597,077)	6,023,007
Cash flows from investing activities		(21,414,049)	(45,226,788)	16,892,248	(96,287,400)
Cash flows from financing activities		58,225,330	135,800,120	24,003,575	99,172,275
Net increase / (decrease) in cash and cash equivalents		37,130,337	(10,251,765)	38,298,746	8,907,882
Cash and cash equivalents at beginning of period / year		(8,943,469)	1,308,296	10,098,884	1,191,002
Cash and cash equivalents at end of period / year	22	28,186,868	(8,943,469)	48,397,630	10,098,884

ACCOUNTING POLICIES

1. Basis of Preparation

The financial statements are prepared according to the historical cost accounting basis, as modified by the revaluation of certain financial instruments. The following accounting policies adopted by the Group are in accordance with South African Statements of Generally Accepted Accounting Practice and the South African Companies Act and are consistent with those applied in the previous year.

The preparation of financial statements in conformity with Statements of Generally Accepted Accounting Practice requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period based on management's best knowledge of current events and actions. Actual results may ultimately differ from these estimates.

2. Basis of Consolidation

The consolidated financial information includes the financial statements of the Company and its subsidiaries.

On the acquisition of a subsidiary, or of an interest in a joint venture the purchase consideration is allocated to assets and liabilities on the basis of fair value at the date of acquisition. When the cost of acquisitions exceeds the fair values attributable to the Group's share of the identifiable net assets the difference is treated as purchased goodwill.

Inter-company transactions, balances and unrealised gains on transactions between companies are eliminated. Unrealised losses are also eliminated unless cost cannot be recovered.

3. Foreign Currency

Foreign currency transactions are recorded at the exchange rate ruling at the date of the transaction. Assets and liabilities designated in foreign currencies are translated at the exchange rate ruling at year-end. Gains and losses arising from these translations are recognised in earnings.

4. Property, Plant and Equipment

4.1. Mining assets

Mining assets including mine development costs and mine plant facilities are recorded at cost. Costs include pre-production expenditure incurred in the development of the mine and the present value of future decommissioning costs. Interest on borrowings to specifically finance the establishment of mining assets is capitalised until commercial levels of production are achieved. Development costs incurred to evaluate and develop new ore bodies, to define mineralisation in existing ore bodies to establish or expand productive capacity are capitalised. Mine development costs in the ordinary course to maintain production are expensed as incurred. Initial development and pre-production costs relating to a new ore body are capitalised until the ore body achieves commercial levels of production at which time the costs are amortised as set out below.

4.2. Mineral and surface rights

Mineral and surface rights are recorded at cost of acquisition. When there is little likelihood of a mineral right being exploited, or the value of mineral rights have diminished below cost, a write-down is affected against income in the period that such determination is made.

ACCOUNTING POLICIES

4.3. Non mining fixed assets

Land is shown at cost and not depreciated. Buildings and other non mining fixed assets are shown at cost less accumulated depreciation.

4.4. Depreciation and amortisation

(i) Mine development

Mine development costs are amortised using the units-of-production method, based on estimated proven and probable ore reserves. Proven and probable ore reserves reflect estimated quantities of economically recoverable reserves, which can be recovered in future from known mineral deposits. These reserves are reassessed annually. The maximum period of amortisation using these methods is set at twenty years.

(ii) Mineral rights

Mineral rights that are being depleted are amortised over their estimated useful lives using the units-of-production method based on proven and probable ore reserves. Where the reserves are not determinable, due to their scattered nature, the straight line method is applied. The maximum rate of depletion for any mineral right is twenty years. Mineral rights that are not being depleted are not amortised. Mineral rights that have no commercial value are written off in full.

(iii) Other mining assets

Mining equipment and structures, and plant and equipment are amortised using the lesser of their estimated useful lives and the units-of-production method based on estimated proven and probable ore reserves. Where ore reserves are not

determinable, because of their scattered nature, the straight line method of depreciation is applied.

The maximum life of any single item is set between twenty and twenty five years. When the straight line method is applied, the following rates are used:

- Mining equipment and structures 10 per cent
- Plant and equipment 20 per cent.

(iv) Other non-mining assets

Other non-mining assets are recorded at cost and depreciated on a straight-line basis over their expected useful lives as follows:

- Vehicles 20 per cent
- Computers 33.3 per cent
- Furniture and equipment 20 per cent.

4.5. Impairment

The recoverability of the carrying value of the long term assets of the Group, which include development costs are annually compared to the net book value of the assets, or whenever events or changes to circumstances indicate that the net book value may not be recoverable. The recoverable amount is the higher of value in use and net selling price. In assessing the value in use the expected future cash flows from the asset is determined by applying a discount rate to the anticipated pre-tax future cashflows. The discount rate used in the Group's weighted average cost of capital as determined by the capital asset pricing model. An impairment is recognized in the income statement whenever the carrying amount of the asset exceeds its recoverable amount, to the extent that the carrying amount exceeds the assets' recoverable amount. The revised carrying amounts are amortised in line with Group accounting policies.

ACCOUNTING POLICIES

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount. This reversal is recognised in the income statement and is limited to the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised in prior years. The estimates of future discounted cash flows are subject to risks and uncertainties including the future ferrochrome price and exchange rates. It is therefore reasonably possible that changes could occur which may affect the recoverability of mining assets.

4.6 Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

5. Deferred Taxation

The Group follows the comprehensive liability method of accounting for deferred tax using the balance sheet approach. Under this method deferred income and mining taxes are recognised for the tax consequences of temporary differences by applying expected tax rates to the differences between the tax base of certain assets or liabilities and its balance sheet carrying amount.

Deferred tax is charged to the income statement except to the extent that it relates to a transaction that is recognized directly in equity, or a business combination that is an acquisition. The effect on deferred tax of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

The principal temporary differences arise from amortisation and depreciation on property, plant and equipment, provisions, post retirement benefits, tax losses and/or unutilised capital allowances carried forward.

Deferred tax assets relating to the carry forward of unutilised tax losses and/or unutilised capital allowances are recognised to the extent that it is probable that future taxable profit will be available against which the unutilised capital allowances can be utilised.

6. Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the following basis:

- Finished goods on hand valued using the weighted average cost. Cost includes production, amortisation and related administration costs.

ACCOUNTING POLICIES

- Work-in-progress is valued at weighted average cost. Costs includes production, amortisation and related administration costs.
- Consumables stores and raw materials are valued at weighted average cost.

7. Financial Instruments

Financial instruments recognised on the balance sheet include cash and cash equivalents, investments, trade and other receivables, borrowings, trade and other payables and derivative financial instruments. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

7.1. Investments

Investments comprise investments in bonds which are classified as available-for-sale and are accounted for at fair value with all gains and losses included in equity.

7.2. Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently are remeasured at their fair value. Derivative financial instruments, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules of AC133. Therefore all gains and losses resulting from such derivative financial instruments are immediately recognised in the income statement.

7.3 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and investments in money market instruments. The carrying amount of cash and cash equivalents is stated at cost, which approximates fair value.

7.4 Trade receivables

Trade receivables are carried at anticipated realisable value. Estimates are made for impairment losses based on a review of all outstanding amounts at year-end. Irrecoverable amounts are written off during the year in which they are identified.

7.5 Trade payables

Accounts payable are stated at cost, adjusted for payments made to reflect the value of the anticipated economic outflow of resources.

7.6 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

8. Environmental Obligations

Long-term environmental obligations are based on the Group's environmental management plans, in compliance with current environmental and regulatory requirements. Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to balance sheet date.

ACCOUNTING POLICIES

The related entry was capitalised to mining assets and is amortised over the useful life of the mine. Annual increases in the provision relating to the change in the net present value of the provisions and inflationary increases are accounted for in earnings.

Cost estimates are not reduced by the potential proceeds from the sale of assets or from plant clean up at closure, in view of the uncertainty of estimating the potential future proceeds. When necessary, contributions are made to a dedicated rehabilitation trust fund to fund the estimated cost of rehabilitation during and at the end of the life of the relevant mine. The amounts contributed to this trust fund are included under non-current assets. Income earned on monies paid to rehabilitation trust funds is accrued on an annual basis and is recorded as interest income.

9. Employee benefits

9.1 Pension plans

Pension plans are funded through monthly contributions to the SA Chrome Provident Fund. The Group's contributions to the defined contribution pension plans are charged to the income statement in the year to which they relate. The Group's liability is limited to its annually determined contributions.

9.2 Medical plans

The Group provides medical cover to current employees through one fund. The medical plans are funded through monthly contributions to the medical aid fund. The Group's contributions to the defined contribution medical aid plans are charged to the income statement in the year to which they relate. The Group's liability is limited to its annually determined contributions.

9.3 Equity compensation benefits

The Group grants share options to qualifying directors and certain employees under an employee share plan. Share options may be granted to all employees of the Company and of its subsidiaries at the discretion of the directors, subject to the limitations imposed by the share scheme. The movement in the number of share options held by employees during the year is set out in note 25 of the annual financial statements.

10. Revenue Recognition

Up to 31 June 2004, (before the Xstrata-Merafe Chrome Venture) revenue was recognised only when it was probable that the economic benefits associated with a transaction would flow to the Company and the amount of revenue could be measured reliably. Revenue from sales represented FOB sales value of ferrochrome and chrome ore exported, and the sales value of ferrochrome sold locally at the date of delivery to the customer.

From 01 July 2004, after the establishment of the Xstrata - Merafe Chrome Venture, Merafe accounts for its share of revenue generated by the Xstrata - Merafe Chrome Venture. Revenues associated with sales of commodities are recognised when all significant risks and rewards of ownership of the asset are sold and transferred to the customer, usually when the commodity is delivered to the shipping agent. Revenue is recognised at invoiced amounts, with most sales being priced free on board (FOB), free on rail (FOR), or cost, insurance and freight (CIF). Revenues from the sales of by-products are also included in revenue.

11. Interest Income

Interest income is recognised on a time proportion basis taking account of the principal outstanding and the effective rate to maturity on the accrual basis.

ACCOUNTING POLICIES

11. Exploration and Evaluation Expenditure

Exploration and evaluation expenditure for each area of interest, other than that acquired from the purchase of another mining company, is carried forward as an asset provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploration of the area of interest or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Exploration and evaluation expenditure which fails to meet at least one of the conditions outlined above is written-off.

Identifiable exploration and evaluation assets acquired are recognised as assets at their cost of acquisition. Exploration and evaluation assets are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions outlined above is met.

12. Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

	GROUP		COMPANY	
	Period ended 31 December 2004 R	Year ended 31 March 2004 R	Period ended 31 December 2004 R	Year ended 31 March 2004 R
2. Revenue				
Revenue from mining operations	502,368,687	554,442,174	-	-
3. Net financing (costs)/income				
Interest paid:	(42,218,272)	(59,039,365)	(42,935)	(290,470)
Interest-bearing borrowings	(40,990,877)	(55,461,600)	(21,298)	(121,470)
Bank overdraft	(1,227,395)	(3,415,522)	(21,637)	(6,757)
Other	-	(162,243)	-	(162,243)
Interest received:	3,633,544	3,654,170	2,104,990	2,433,421
Bank	2,932,890	2,287,731	2,029,722	1,066,982
Investment bonds	-	1,157,620	-	1,157,620
Other	700,654	208,819	75,268	208,819
Net finance costs	(38,584,728)	(55,385,195)	2,062,055	2,142,951

4. Earnings / (loss) before taxation

The following items have been charged in arriving at earnings (loss) before taxation:

Income				
Realised and unrealised foreign exchange (losses) / gains	(1,626,869)	13,657,084	(78,864)	3,772,702
Management fee - Merafe Ferrochrome and Mining (Pty) Ltd	-	-	10,350,753	18,449,903

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

	GROUP		COMPANY	
	Period ended 31 December 2004 R	Year ended 31 March 2004 R	Period ended 31 December 2004 R	Year ended 31 March 2004 R
4. Earnings / (loss) before taxation (continued)				
Expenses				
Depreciation and amortisation:	26,230,361	28,312,451	163,438	356,156
Net amount included in income statement	16,103,814			
Amount capitalised as part of inventories	10,126,547			
Impairment of loan to subsidiary	-	-	290,945,061	-
Auditors' remuneration	544,361	488,291	371,550	150,000
Audit fees - current year	352,811	424,941	180,000	150,000
Other services	191,550	63,350	191,550	-
Loss on disposal of property, plant and equipment	-	64,571	-	64,571
Staff costs	26,228,704	53,186,652	6,204,086	9,059,085
Defined contribution expense - Provident fund	4,186,465	4,000,491	652,709	890,764
Directors' remuneration				
Non-executive directors				
The non-executive directors did not receive any fees during the period / year				

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

	Period ended 31 December 2004 R	Year ended 31 March 2004 R
Executive directors:		
SP Elliot:		
Salary	1,275,930	1,162,796
Fringe benefits	108,264	120,714
Pension fund contributions	158,039	174,557
	1,542,233	1,458,067
S Phiri:		
Salary	1,322,838	1,044,671
Fringe benefits	153,880	135,468
Pension fund contributions	165,215	160,161
	1,641,933	1,340,300
B McBride:		
Salary	1,255,000	1,162,796
Fringe benefits	111,448	124,915
Pension fund contributions	155,348	174,557
	1,521,796	1,462,268
Z van der Walt:		
Salary	1,255,000	1,162,796
Fringe benefits	103,500	138,000
	1,358,500	1,300,796
JG Dorfan:		
Salary	-	180,000
Fringe benefits	-	31,263
Bonus	-	180,000
	-	391,263
TM McConnachie:		
Salary	-	1,071,983
Fringe benefits	-	116,196
Pension fund contributions	-	174,197
Bonus	-	924,000
	-	2,286,376
	6,064,462	8,239,070

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

5. Taxation

No provision has been made for taxation as the company has an estimated assessed loss of R 3,100,340 (31 March 2004: R 4,758,925) as well as unredeemed capital expenditure of R 198,637 (31 March 2004: R 198,637). No provision has been made for taxation in the Group as the Group companies have assessed losses. The total estimated assessed losses within the Group are R 191,067,027 (31 March 2004: R 225 644 191) and the total estimated unredeemed capital expenditure of R 742,953,403 (31 March 2004: R729 849 573) No deferred tax assets were raised on the estimated assessed losses and the estimated unredeemed capital expenditure as it is uncertain whether future taxable profit will be available against which the unutilised tax losses and capital allowances can be utilised. As a result no tax rate reconciliation is presented.

6. Earnings / (loss) per share (cents)

6.1 Headline earnings / (loss) per share (cents)

Headline earnings / (loss) per share is calculated on the basis of net profit of R5,547,730 (31 March 2004: net loss of R 107,059,578) and 1,236,676,723 (31 March 2004: 1,135,527,054) being the weighted average number of ordinary shares in issue during the period / year.

	Period ended 31 December 2004 R	Year ended 31 March 2004 R
Net profit / (loss) for the year is reconciled to the headline earnings as follows:		
Net profit / (loss) for the period / year	5,547,730	(107,124,149)
Loss on disposal of property, plant and equipment	-	64,571
Headline earnings / (loss) for the period / year	5,547,730	(107,059,578)

6.2 Basic earnings / (loss) per share (cents)

Basic earnings / (loss) per share is calculated on the basis of net profit of R 5,547,730 (31 March 2004: net loss of R107,124,149) and 1,236,676,723 (31 March 2004: 1,135,527,054) being the weighted average number of ordinary shares in issue during the period / year

6.3 Diluted earnings per share (cents)

The calculation of diluted earnings per share is based on net earnings for the period attributable to ordinary shareholders of R5,547,730 and on 1,276,850,171 shares, being the weighted average number of ordinary shares outstanding during the period, adjusted for the effects of all dilutive potential ordinary shares. Dilutive earnings per share in the previous year were not shown as they were anti-dilutive.

	Period ended 31 December 2004
Weighted average number of ordinary shares used in calculating basic earnings per share	1,236,676,723
Deemed issue of ordinary shares in respect of share options	40,173,448
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,276,850,171

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

	GROUP		COMPANY	
	31 December 2004 R	31 March 2004 R	31 December 2004 R	31 March 2004 R
7. Options for mineral and participation rights				
At cost less recoupments and amounts written off	257,487	257,487	257,487	257,487
Options acquired are in respect of the mineral rights on certain parts of the farm Schoongezicht 225, Registration Department IR Mpumalanga and portion 9 of farm Annex Glen Ross No. 562 in the Administrative District of Theunissen.				
8. Property, plant and equipment				
8.1 Land and mineral rights				
Carrying value at beginning of year	16,351,318	7,649,825	3,816,476	3,546,593
Land and mineral rights at cost	16,791,714	8,008,612	3,816,476	3,546,593
Accumulated amortisation	(440,396)	(358,787)	-	-
Carrying value transferred from mining equipment and structure	7,990,150	-	-	-
	24,341,468	7,649,825	3,816,476	3,546,593
Additions	722,698	8,783,102	-	269,883
Amortisation charge for the year	(649,975)	(81,609)	-	-
Carrying value at end of year	24,414,191	16,351,318	3,816,476	3,816,476
Land and mineral rights at cost	30,161,863	16,791,714	3,816,476	3,816,476
Accumulated amortisation	(5,747,672)	(440,396)	-	-

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

Comprising of:

Remaining extent of portion 21 of the farm Boschoek 103 and 103JQ, North West Province, subdivided and rezoned into portions 138, 139 and 140.

Mineral rights over portions 1 and 2 of Vogelstruiksnek 173 JP and portions 7 and 8 of Ruighoek 169 JP.

Mineral rights over Bultfontein 259 JQ, Portion 10 of Portion 1.

Mineral rights over Bultfontein 259 JQ, Portion 2

Mineral rights over Bultfontein 103 JQ, Portion 13 or Portion 4

Mineral rights over Boschoek 103 JQ, Portion 66 of Portion 9

Mineral rights over Boschoek 103 JQ, Portion 71 of Portion 11

Mineral rights over Boschoek 103 JQ, Portion 67 or Portion 9

Mineral rights over Boekenhoutfontein 260 JQ, Portion 1

	GROUP		COMPANY	
	31 December 2004 R	31 March 2004 R	31 December 2004 R	31 March 2004 R
8.2 Ferrochrome smelter project				
Carrying value at beginning of year	607,149,823	586,197,997	-	-
Cost	648,600,539	605,435,586	-	-
Accumulated amortisation	(41,450,716)	(19,237,589)	-	-
Additions	4,935,930	43,164,953	-	-
Amortisation for the year	(20,952,597)	(22,213,127)	-	-
Carrying value at end of year	591,133,156	607,149,823	-	-
Cost	653,536,468	648,600,539	-	-
Accumulated amortisation	(62,403,312)	(41,450,716)	-	-
8.3 Mine development project				
Carrying value at beginning of year	33,245,963	35,230,873	-	-
Cost	36,395,050	36,395,050	-	-
Accumulated amortisation	(3,149,087)	(1,164,177)	-	-
Additions	7,247,804	-	-	-
Amortisation for the year	(2,538,108)	(1,984,910)	-	-
Carrying value at end of year	37,955,659	33,245,963	-	-
Cost	43,642,854	36,395,050	-	-
Accumulated amortisation	(5,687,195)	(3,149,087)	-	-

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

	GROUP		COMPANY	
	31 December 2004 R	31 March 2004 R	31 December 2004 R	31 March 2004 R
8.4 Mining equipment and structures				
Carrying value at beginning of year	17,844,674	20,738,352	-	-
Cost	29,566,375	29,566,375	-	-
Accumulated depreciation	(11,721,701)	(8,828,023)	-	-
Carrying value transferred to land and mineral rights	(7,990,150)	-	-	-
	9,854,524	20,738,352	-	-
Depreciation for the year	(1,176,554)	(2,893,678)	-	-
Disposals at carrying value	-	-	-	-
Carrying value at end of year	8,677,970	17,844,674	-	-
Cost	15,980,308	29,566,375	-	-
Accumulated depreciation	(7,302,338)	(11,721,701)	-	-
8.5 Plant and equipment				
Carrying value at beginning of year	551,927	910,834	36,097	54,930
Cost	2,187,109	2,187,109	94,167	94,167
Accumulated depreciation	(1,635,182)	(1,276,275)	(58,070)	(39,237)
Depreciation for the year	(386,200)	(358,907)	(14,125)	(18,833)
Carrying value at end of year	165,727	551,927	21,972	36,097
Cost	2,187,109	2,187,109	94,167	94,167
Accumulated depreciation	(2,021,382)	(1,635,182)	(72,195)	(58,070)

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

	GROUP		COMPANY	
	31 December 2004 R	31 March 2004 R	31 December 2004 R	31 March 2004 R
8.6 Motor vehicles				
Carrying value at beginning of year	435,410	894,750	312,424	720,953
Cost	892,783	1,348,333	638,728	1,094,278
Accumulated depreciation	(457,373)	(453,583)	(326,304)	(373,325)
Disposals at carrying value	-	(197,266)	-	(197,266)
Depreciation for the year	(147,669)	(262,074)	(95,809)	(211,263)
Carrying value at end of year	287,741	435,410	216,615	312,424
Cost	892,783	892,783	638,728	638,728
Accumulated depreciation	(605,042)	(457,373)	(422,113)	(326,304)
8.7 Office furniture and equipment				
Carrying value at beginning of year	1,480,728	1,861,594	149,344	196,488
Cost	2,417,875	2,280,595	399,086	320,170
Accumulated depreciation	(937,147)	(419,001)	(249,742)	(123,682)
Additions	197,260	137,280	-	78,916
Depreciation for the year	(379,258)	(518,146)	(53,504)	(126,060)
Carrying value at end of year	1,298,730	1,480,728	95,840	149,344
Cost	2,615,135	2,417,875	399,086	399,086
Accumulated depreciation	(1,316,405)	(937,147)	(303,246)	(249,742)
8.8 Capital work-in-progress				
Costs capitalised to date	17,120,365	2,836,716	-	-
Total carrying value at end of year	681,053,539	679,896,559	4,150,903	4,314,341

Leased assets where the company is the lessee is included in 8.2 Ferrochrome smelter project and 8.6 Motor vehicles. The assets consist of laboratory equipment and motor vehicles.

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

	GROUP		COMPANY	
	31 December 2004 R	31 March 2004 R	31 December 2004 R	31 March 2004 R
Cost - Capitalised finance leases	1,396,776	1,396,776	638,728	638,728
Accumulated depreciation	(687,430)	(591,621)	(422,113)	(326,304)
Carrying value at end of year	709,346	805,155	216,615	312,424
9. Investments				
9.1 Wholly-owned subsidiaries				
Southwits Mining Company (Pty) Ltd			(101,784)	(101,784)
Shares at cost			100	100
Loan from subsidiary			(101,884)	(101,884)
Merafe Chrome and Alloys (Pty) Ltd			216,735,841	518,627,649
Shares at cost			200	200
Loan to subsidiary			216,735,641	518,627,449
Loan at cost			507,680,702	518,627,449
Impairment of loans			(290,945,061)	-
Total wholly-owned subsidiaries			216,634,057	518,525,865

In light of post acquisition losses incurred by Merafe Chrome and Alloys (Pty) Limited, the loan in the subsidiary has been impaired so that the loan is carried at no more than its recoverable amount. The impairment cost will be reversed if the subsidiary reduces its accumulated loss and becomes profitable.

These loans are unsecured, interest free and have no fixed repayment terms. The loan to Merafe Chrome and Alloys (Pty) Ltd has been subordinated in favour of claims by other creditors of that company.

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

	GROUP		COMPANY	
	31 December 2004 R	31 March 2004 R	31 December 2004 R	31 March 2004 R
9.2 Bond				
Available for sale investment bond				
At beginning of the year	9,411,179	18,424,252	9,411,179	18,424,252
Revaluation surplus transfer to equity	1,507,929	129,540	1,507,929	129,540
Redeemed during the year	(4,856,724)	(9,142,613)	(4,856,724)	(9,142,613)
At end of the year	6,062,384	9,411,179	6,062,384	9,411,179
Non-current	-	4,554,455	-	4,554,455
Current	6,062,384	4,856,724	6,062,384	4,856,724

9.2 Available-for-sale investment bond comprising of one zero trade bond with a maturity date of 28 September 2005. The yield to maturity is 10.32%. The fair value is estimated by reference to the current market value of similar instruments. Gains or losses on available-for-sale investments are taken to equity and released to income when sold.

The bond has been ceded as security for the payment of all amounts due by the Company to a financial institution in respect of licensing fees guaranteed by the financial institution in terms of letters of credit issued on the Company's behalf as per note 17.3.

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

	GROUP		COMPANY	
	31 December 2004 R	31 March 2004 R	31 December 2004 R	31 March 2004 R
9.3 Flexidowment policy				
Held to maturity - Flexidowment policy	346,192	373,984	-	-
This flexidowment policy is managed by Old Mutual and the mature date is April 2005. This policy has been ceded to the Horizon Nature Conservation Trust and forms part of the Trust's accumulated rehabilitation funds.				
Total Investments	6,408,576	9,785,163	222,696,441	527,937,044
Non-current	346,192	4,928,439	216,634,057	523,080,320
Current	6,062,384	4,856,724	6,062,384	4,856,724
10. Financial asset				
Forward exchange contract asset - licensing fee (refer 17.3)	1,751,632	2,840,408	1,751,632	2,840,408
Non-current	-	2,840,408	-	2,840,408
Current	1,751,632	-	1,751,632	-
11. Inventories				
Consumables stores	14,917,053	10,679,427	-	-
Raw materials and work-in-progress	76,294,326	47,059,222	-	-
Final product	146,059,124	35,058,304	-	-
	237,270,503	92,796,953	-	-
12. Trade and other receivables				
Trade receivables	139,314,390	51,006,202	822,836	597,067
Other receivables	50,171,617	12,507,319	331,494	719,965
	189,486,007	63,513,521	1,154,330	1,317,032
13. Held-for-trading financial asset				
At beginning of year	-	5,925,000	-	-
Options expired during year	-	(5,925,000)	-	-
At end of year	-	-	-	-

The held-for-trading financial asset relates to outstanding option contracts at their fair value, as at 31 December 2004, which gives the Group the option to convert all US dollar currency amounts at a rate of R8.80 to the US dollar. The last option contract expired on 16 May 2003.

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

	GROUP		COMPANY	
	31 December 2004 R	31 March 2004 R	31 December 2004 R	31 March 2004 R
14. Share capital				
Authorised				
2,000,000,000 (31 March 2004: 1,500,000,000) ordinary shares of 1 cent each	20,000,000	15,000,000	20,000,000	15,000,000
Issued				
1,237,917,518 (31 March 2004: 1,195,664,842) ordinary shares of 1 cent each	12,379,175	11,956,648	12,379,175	11,956,648
15. Share premium				
Balance at beginning of year	527,217,322	421,406,193	527,217,322	421,406,193
Arising from the issue of new shares	29,928,423	106,617,557	29,928,423	106,617,557
Share issue expenses	(110,345)	(806,428)	(110,345)	(806,428)
	557,035,400	527,217,322	557,035,400	527,217,322
16. Fair value reserve				
Revaluation of listed investments:				
Balance at beginning of year	129,540	-	129,540	-
Movements	1,507,929	129,540	1,507,929	129,540
	1,637,469	129,540	1,637,469	129,540

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

	GROUP		COMPANY	
	31 December 2004 R	31 March 2004 R	31 December 2004 R	31 March 2004 R
17. Long-term liabilities (secured and unsecured)				
17.1 Loan: Ferrochrome smelter and mine development	435,306,760	376,851,449	-	-
17.2 Loan: Establishment of mining and related operation	5,379,000	20,026,000	-	-
17.3 Licence fees payable	5,308,559	11,228,678	5,308,559	11,228,678
17.4 Finance leases	451,265	957,720	147,067	463,978
	446,445,584	409,063,847	5,455,626	11,692,656
Current portion of long-term liabilities	(54,669,145)	(49,169,827)	(5,408,049)	(6,117,397)
	391,776,439	359,894,020	47,577	5,575,259

17.1 The following securities in respect of these loans are held by Investage 123 (Pty) Ltd on behalf of the lenders and have been or are in the process of being registered:

- a general notarial bond over all of the Group's movable assets.
- a mortgage bond over the surface of portion 21 of the farm Boschoek 103, registration division JQ, North West Province.
- a collateral special notarial bond over the Ferrochrome smelter and the mine development project (refer note 8.3).
- a first collateral mortgage bond over the mineral leases of the Group.
- a cession of all rights, title and interest in various securities.
- a limited guarantee by the holding companies.
- a pledge of the subsidiary's shares and a cession of all rights in respect of the shareholder's loan by the holding companies.

These loans from Absa Merchant Bank Limited and the Industrial Development Corporation bear interest at 13.55% per annum. Interest on these loans and a fixed portion of these loans are repaid twice a year in May and November. The current portion of interest-bearing borrowings repayable is R 46,185,661.

17.2 This loan is secured as per Note 17.1. The loan is repayable in monthly instalments of R 233,000 (31 March 2004: R 233,000) and bears interest at a variable rate of 2% below prime overdraft rate.

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

17.3 These foreign licence fees are payable by irrevocable and transferable letters of credit issued on the Company's behalf by a financial institution (refer note 9.2). The licence fees, which are covered by forward exchange contracts, are payable on 28 September 2005. The licence fees payable are not secured and bear no interest.

17.4 These loans are secured by finance lease agreements over equipment with a book value of R 709 346 (31 March 2004: R 805,155) as per note 8. These loans are repayable in monthly instalments of R 42 463 (31 March 2004: R 46 525) and bear interest at rates linked to the prime overdraft rate.

	GROUP		COMPANY	
	31 December 2004 R	31 March 2004 R	31 December 2004 R	31 March 2004 R
Not later than 1 year	402,757	638,080	102,745	338,068
Later than 1 year and not later than 5 years	82,655	426,847	57,655	176,837
Future finance charges on finance leases	(34,147)	(107,207)	(13,333)	(50,927)
	451,265	957,720	147,067	463,978

18. Provision for close down and restoration costs

Balance at beginning of year	861,984	823,860	-	500,000
Utilised during the year	(193,404)	-	-	(500,000)
Charge for the year	3,545,166	38,124	-	-
Balance at end of year	4,213,746	861,984	-	-

19. Trade and other payables

Trade payables	249,030,477	6,651,219	339,886	349,739
Other payables	161,645,120	177,430,124	1,527,892	4,480,475
Included in other payables is an amount of this loan is charged at prime overdraft rates.				
Foreign exchange liability - licencing fee (refer note 9.2)	1,402,612	1,348,607	1,402,612	1,348,607
	412,078,209	185,429,950	3,270,390	6,178,821

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

	GROUP		COMPANY	
	31 December 2004 R	31 March 2004 R	31 December 2004 R	31 March 2004 R
20. Provisions				
Leave pay provision:				
Opening balance	3,726,999	2,057,456	734,097	665,271
Utilised during the year	(768,977)	(2,872,713)	(619,740)	(665,271)
Additional provision	8,310,123	4,542,256	604,955	734,097
	11,268,145	3,726,999	719,312	734,097
Legal and self insurance				
Opening balance	-	-	-	-
Utilised during the year	(2,839)	-	-	-
Additional provision	1,448,672	-	-	-
	1,445,833	-	-	-
Downstream project	9,103,403	9,103,403	9,103,403	9,103,403
Total provisions	21,817,381	12,830,402	9,822,715	9,837,500

The Downstream project relates to a feasibility study and investigation which is being undertaken by Merafe Resources Limited.

An amount of R9,103,403 (one million Euros at the date of transaction) was advanced to Merafe Resources Limited by ThyssenKrupp Metallurgie GmbH in respect of this project. Merafe Resources Limited shall issue shares to Thyssen for the amount of R9,103,403 for this investigation receipt.

The number of Merafe Resources Limited shares shall be the investigation receipt divided by the issue price (weighted average price of Merafe shares dealt on the JSE Securities Exchange) thirty days before the payment date (being the earlier of thirty days after the Downstream Project is "hot commissioned" and /or 31 December 2005).

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

	GROUP		COMPANY	
	Period ended 31 December 2004 R	Year ended 31 March 2004 R	Period ended 31 December 2004 R	Year ended 31 March 2004 R
Cash flow information				
21. Cash flow generated by / (utilised in)				
Net earnings/(loss) for the period / year	5,547,730	(107,124,149)	(290,945,061)	129,540
Adjusted for:				
Depreciation and amortisation	26,230,361	28,312,451	163,438	356,156
Interest received	(3,633,545)	(3,654,170)	(2,104,990)	(2,433,421)
Interest paid	42,218,272	59,039,365	42,935	290,470
Impairment of loan to subsidiary	-	-	290,945,061	-
Unrealised foreign exchange loss	1,637,504	-	-	-
Loss and disposal of property, plant and equipment	-	64,571	-	64,571
Operating profit / (loss) before working capital changes	72,000,322	(23,361,932)	(1,898,617)	(1,592,684)
Working capital changes	(33,096,539)	(22,077,970)	(2,760,515)	5,472,740
Increase in inventory	(144,473,550)	(17,182,969)	-	-
(Increase)/decrease in trade and other receivables	(130,748,358)	(27,221,092)	162,702	668,061
Increase/(decrease) in trade and other payables	229,786,627	20,069,342	(2,908,431)	4,686,773
Increase in provisions	12,338,742	2,256,749	(14,786)	117,906
	38,903,783	(45,439,902)	(4,659,132)	3,880,056
22. Cash and cash equivalents				
Bank and cash	52,220,119	-	48,397,630	10,098,884
Bank overdraft	(24,033,251)	(8,943,469)	-	-
	28,186,868	(8,943,469)	48,397,630	10,098,884

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

23. Fair value and credit risk of financial instruments

In the normal course of its operations, the Group is exposed to commodity price, currency, interest, liquidity and credit risk. In order to manage these risks, the Group may enter into transactions that make use of financial instruments. The Group did not acquire, hold or issue derivative instruments for trading purposes.

Concentration of credit risk

The Group's cash and equivalents do not represent a concentration of credit risk because the Group deals with a variety of major banks. As regards receivables, the Group sells its ferrochrome to Xstrata's global range of customers in terms of the Xstrata - Merafe Chrome Venture agreement. As a result of these procedures, the Group believes that no concentration of risk exists with regards to sales to these customers, due to the international markets for their product. An adequate level of provision is maintained.

Foreign currency and commodity price risk

In the normal course of business, the Group enters into transactions denominated in foreign currencies (primarily US\$). In addition, the Group has liabilities in a number of different foreign currencies (primarily US\$ and Euro). As a result, the Group is subject to transaction and translation exposure from fluctuations in foreign currency exchange rates. The strengthening of the South African Rand against the US\$ and Euro in the current financial year resulted in exchange gains being achieved on the foreign borrowings which have been offset to an extent by unrealised exchange losses arising on foreign assets and investments. All foreign currency liabilities at 31 December 2004 are covered by forward exchange contracts. During the previous year, the Group hedged its foreign currency exposure with respect to export sales by means of option contracts (refer note 13). The Group does not hedge its exposure to the ferrochrome price fluctuation risk or Rand: US \$ exchange rate.

	Dollar rate	Euro rate
Year-end spot rate used	5.66	7.71

Forward exchange contracts, which relate to a specific balance sheet item together with interest payable thereon, amounting to the following were outstanding at 31 December 2004:

	GROUP		COMPANY	
	31 December 2004 R	31 March 2004 R	31 December 2004 R	31 March 2004 R
Outokumpu licencing fee liability - Rand amount	5,308,559	11,228,678	5,308,559	11,228,678
Outokumpu licencing fee liability - Dollar amount	629,025	1,433,674	629,025	1,433,674

The rights which the Company has in terms of the abovementioned forward exchange contracts have been ceded as surety for a letter of credit issued on the Company's behalf in respect of foreign licence fees payable (Refer note 17.3).

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

23. Fair value and credit risk of financial instruments continued

Interest rate and liquidity risk

Fluctuations in interest rates impact on the value of cash investments and financing activities, giving rise to interest rate risk. In the ordinary course of business, the Group receives cash from its operations to fund working capital and capital expenditure requirements, as well as debt repayments. This cash is managed to ensure surplus funds are invested in a manner to achieve maximum returns while minimising risks.

	Number of options 31 December 2004	Number of options 31 March 2004
24. Share incentive scheme		
Movement in the number of share options held by employees are as follows:		
Balance at the beginning of the period / year	92,658,204	89,032,936
Options granted during the period / year	-	14,523,205
Options exercised during the period / year	(1,592,834)	(10,897,937)
Balance at the end of the period / year	91,065,370	92,658,204
Share options outstanding at the end of the period have the following terms:		
Exercise price:		
35 cents	9,985,668	9,985,668
39 cents	9,985,668	9,985,668
40 cents	5,993,812	5,993,812
45 cents	48,144,644	49,737,478
54 cents	10,149,571	10,149,571
60 cents	1,873,634	1,873,634
69 cents	32,373	32,373
73 cents	2,500,000	2,500,000
82 cents	500,000	500,000
98 cents	1,500,000	1,500,000
114 cents	400,000	400,000
	91,065,370	92,658,204

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

	Number of options 31 December 2004	Number of options 31 March 2004
24. Share incentive scheme (continued)		
Implementation dates:		
31 December 2003	11,314,912	11,845,857
30 June 2004	31,531	31,531
31 December 2004	24,647,580	25,178,525
30 June 2005	31,631	31,531
31 December 2005	24,815,758	25,346,802
30 June 2006	4,378,155	4,378,155
31 December 2006	14,662,056	14,662,056
30 June 2007	4,346,624	4,346,624
31 December 2007	1,329,388	1,329,388
30 June 2008	4,346,624	4,346,624
31 December 2008	1,161,111	1,161,111
	91,065,370	92,658,204

The following share options were outstanding at 31 December 2004 in favour of directors of the company:

	Z van der Walt	SP Elliot	B McBride	DS Phiri
Average Exercise Price (Cents)	45	45	45	54
Implementable on 31 December 03	3,328,556	3,328,556	3,328,556	-
Implementable on 30 June 04	7,883	7,883	7,883	-
Implementable on 31 December 04	3,330,778	3,330,778	3,330,778	-
Implementable on 30 June 05	7,883	7,883	7,883	-
Implementable on 31 December 05	3,372,848	3,372,848	3,372,848	-
Implementable on 30 June 06	7,883	7,883	7,883	3,380,730
Implementable on 31 December 06	44,291	44,291	44,291	-
Implementable on 30 June 07	-	-	-	3,380,730
Implementable on 30 December 07	42,069	42,069	42,069	-
Implementable on 30 June 08	-	-	-	3,380,731
Total	10,142,191	10,142,191	10,142,191	10,142,191

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

25. Related party transactions

25.1 Identity of related parties

The Group has related party relationships with its wholly owned subsidiaries (refer note 9.1), Xstrata - Merafe Chrome Venture (refer note 25.3), the Industrial Development Corporation (refer note 25.4), Royal Bafokeng Resources Holding (Pty) Limited (refer note 25.5) and with its directors (refer note 25.2).

25.2 Transactions with its directors

Directors of the Group control 0.12 percent of the voting shares of the Group. In addition to their salaries, the Group also provide non-cash benefits to its directors and contributes to a defined contribution pension plan and medical aid fund on their behalf (refer note 4). Executive directors also participate in the Group's share incentive scheme (refer note 24).

25.3 Transactions with Xstrata - Merafe Chrome Venture

The Xstrata - Merafe Venture resulted in Xstrata and Merafe Resources pooling and sharing their ferrochrome assets. While Merafe's assets form part of the Xstrata - Merafe Venture, Merafe Resources retains ownership of its assets and is closely involved in the Venture's operations through the Chrome Exco and joint board formed to manage the combined operations of both companies. The Group received 17.5% and 11% of the Venture's working capital and EBITDA respectively during the year.

Included in the consolidated financial statements are the following items that represents the Group's share of the working capital and EBITDA of the Venture:

Inventories	230,688,147
Trade and other receivables	149,570,607
Cash and cash equivalents	2,621,357
Trade account between participants	(17,170,803)
Provisions	(16,208,415)
Trade and other payables	(218,614,000)
Bank overdraft	(24,033,251)
Net assets	106,853,642
EBITDA	55,099,730

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

25.4 Transactions with the Industrial Development Corporation (the IDC)

The IDC is considered to be a related party, due to their ability to exercise significant influence over financial and operating decisions of Merafe Resources Limited. The significant influence is a result of the aforementioned party's shareholding of 24.4%. The IDC has provided financing in respect of the Boshhoek Smelter operation as set out in note 17.1 and 17.2.

25.5 Transaction with Royal Bafokeng Resources Holdings (Pty) Limited (RBR)

The RBR is considered to be a related party, due to their ability to exercise significant influence over financial and operating decisions of Merafe Resources Limited. The significant influence is a result of the aforementioned party's shareholding of 32.1%. No other transactions occurred during the period.

26. Contingencies and commitments

Contingencies

26.1 Closure agreement with Bateman Projects Limited

The Closure agreement with Bateman Projects Limited (Bateman) makes provision for an amount of R19,250,000 payable to Bateman, being reduced and/or extinguished in the event of Bateman being successful in tendering for any expansion opportunities in which Merafe Resources Limited participates, including Project Lion. The tender process and evaluations in this regard should be completed by 31 July 2005.

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

27. Subsequent events

27.1 Wonderkop acquisition

27.1.1 On 4 May 2005, Merafe announced that it had entered into an agreement (subject to the fulfillment of certain conditions precedent) to acquire for a purchase consideration of R 331.7 million:

- 50% participation interest in the unincorporated production joint venture established between Xstrata and Samancor;
- 50% of all the rights to chrome in, on and under the Kroondal mining area; and
- 26% of all the rights to chrome in, on and under the Marikana mining area; from Samancor (collectively known as the Wonderkop Acquisition) with effect from first business day following the fulfillment of the last of the conditions precedent (effective date).
- Xstrata, which already owns 50% of the unincorporated production joint venture will acquire:
- 50% of all the rights to chrome in, on and under the Kroondal mining area; and
- 74% of all the rights to chrome in, on and under the Marikana mining area; from Samancor (collectively known as the Wonderkop Acquisition) with effect from first business day following the fulfillment of the last of the conditions precedent (effective date).

27.1.2 Following the Wonderkop Acquisition, Merafe and Xstrata have agreed to each contribute their respective rights and interests in the Wonderkop Acquisition to the existing Xstrata-Merafe Chrome Venture. This will increase the total annual capacity of the Xstrata-Merafe Chrome Venture by 13.6% to 1.59 million tonnes of ferrochrome per annum from the current 1.4 million tonnes.

27.1.3 As a result of the above transactions, Merafe will increase its share of the earnings before interest, tax, depreciation and amortisation (EBITDA) in an enlarged Xstrata-Merafe Chrome Venture by 3% on the effective date. Merafe's share will ultimately increase from 17.5% to 20.5% from 1 July 2006 onwards.

27.2 Project Lion

As announced on SENS on 2 March 2005 and in the press on 3 March 2005, the Company has assessed phase one of the R1.7 billion Project Lion, 360 000 tonnes per annum ferrochrome expansion. As a result of the Wonderkop Acquisition increasing Merafe's ultimate share in the EBITDA of the Xstrata-Merafe Chrome Venture to 20.5%, the board of Merafe has decided to increase its investment in Project Lion to 20.5%.

27.3 Long-term loan

The long-term loan referred to in Note 17.1 was converted into cumulative redeemable preference shares in March 2005, which carry a fixed preference dividend of 9.95% per annum.

28. Prior year adjustment

The prior year adjustment of R9,4 million relates to a loan between the IDC and Merafe Resources Limited financed through Absa Corporate Financing. The confirmation presented to Merafe at 31 March 2004 as the loan amount outstanding, between the IDC and Merafe Resources Limited, was in fact the confirmation for the loan between the IDC and Absa Corporate Finance. For the year end December 2004, the loans between the IDC, Merafe Resources Limited and Absa Corporate Finance have been adjusted and confirmed to reflect the correct amounts. The difference relates to interest payable on the loan amount that was not accounted for in the prior year.

SHAREHOLDER INFORMATION

Analysis of Ordinary Shareholders as at 31 December 2004

	No of Shareholders	Number of Shares	Percentage Shareholding
Major Shareholders			
The Royal Bafokeng Resources (RBR)		397,222,221	32.09%
Industrial Development Corporation		301,616,161	24.36%
Allan Gray Asset Management		90,427,894	7.30%
Investec Asset Management		50,165,595	4.05%
Stanlib Asset Management		46,894,236	3.79%
Metlife Asset Management		40,255,389	3.25%
Thyssenkrupp Metallurgie GmbH (Germany)		22,221,555	1.80%
J P Morgan Chase Bank		13,377,200	1.08%
		962,180,251	77.72%
Shareholder Spread			
Non-public	7	706,343,383	57.06%
Directors	4	1,490,556	0.12%
Associates	1	6,014,445	0.49%
Royal Bafokeng Resources (RBR)	1	397,222,221	32.09%
Industrial Development Corporation	1	301,616,161	24.36%
Public	5,469	531,574,135	42.94%
	5,476	1,237,917,518	100.00%

JSE Securities Exchange South Africa - share statistics - as at 31 December 2004

Share Price (cents)

- High 99
- Low 68
- Closing price at 31 December 2004 76

Shares Traded

- Number of shares 307,656,760
- Value of shares (R'm) 262,736,666
- Turnover of ordinary shares (%) 24.85

Market Capitalisation as at 31 December 2004

R 940 817 313

GLOBAL REPORTING INITIATIVE GUIDELINES

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SHAREHOLDERS DIARY

Meetings

Annual General Meeting 21 July 2005

Annual General Meeting for 2005-year May 2006

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Annual results for the 12 months to 31 December 2005 released March 2006

Annual report for the 12 months to 31 December 2005 published May 2006

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the eighteenth Annual General Meeting of the members of Merafe Resources Limited will be held at Merafe Resources Limited, Suite 106, Block C, Eva Park, Cnr Beyers Naude Drive and Judges Avenue, Cresta on 21 July, 2005 for the purpose of transacting the following business:

1. To receive, consider and adopt the annual financial statements for the period ended 31 December 2004.
2. To elect the following directors, by way of a single resolution, who retire by rotation and, being eligible, offer themselves for re-election:
 - 2.1 Mr Mbatha
 - 2.2 Mr Posthumus Meyjes
 - 2.3 Mr Molefe
 - 2.4 Dr Vlajcic; and
 - 2.5 to ratify the appointment of Ms Matlala and Ms Mogotsi.See pages 14 and 15 for details of directors.
3. To determine and approve the directors' remuneration.
4. To approve the auditors' remuneration.

5. To renew the authority that the authorised but unissued shares in the capital of the Company be and are hereby placed under the control and authority of the directors of the Company and that the directors of the Company be and are hereby authorised and empowered to allot, issue and otherwise dispose of such shares to such person or persons on such terms and conditions and at such times as the directors of the Company may from time to time and in their discretion deem fit, subject to the provisions of the Companies Act (Act 61 of 1973) as amended ("the Act"), the Articles of Association of the Company and the Listings Requirement of the JSE Securities Exchange South Africa ("JSE"), when applicable.

6. To authorise the Company to issue shares for cash

Issue of shares for cash

"Resolved that, in terms of the Listings Requirements of the JSE, the directors be given general authority to issue ordinary shares of one cent each for cash as and when suitable situations arise, subject to the following limitations;

- that this authority shall not extend beyond 15 (fifteen) months from the date of this meeting or the date of the next annual general meeting, whichever is the earlier date;

NOTICE OF ANNUAL GENERAL MEETING

6. To authorise the Company to issue shares for cash (continued)

- that a paid press announcement giving full details, including the effect on net asset value and earnings per share will be published at the time of any issue representing, on a cumulative basis, within one financial year, 5% or more of the number of shares of that class in issue prior to the issues;
- that issues in the aggregate in any one financial year will not exceed 15% of the number of shares of any class of the Company's issued share capital, including instruments which are compulsorily convertible into shares of that class;
- that, in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of the shares in question, as determined over the 30 days prior to the date that the price of the issue is determined or agreed by the directors;
- that any such issue will only be made to public shareholders as defined by the JSE and not to any related parties."

The approval of a 75% majority of the votes cast by shareholders present or represented by proxy at this meeting is required for ordinary resolution number 1 to be carried.

Voting and attendance at the general meeting

Any member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and to vote thereat in his stead. The proxy so appointed need not be a member of the Company. Proxy forms should be forwarded to reach the registered office of the transfer secretaries by 11:00 on 19 July 2005.

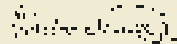
Members who have not dematerialised their shares or who have dematerialised their shares with own name registration are

entitled to attend and vote at the meeting and are entitled to appoint a proxy or proxies to attend, speak and vote in their stead. The person so appointed need not be a member. Proxy forms should be forwarded to reach the registered office of the company not less than 48 hours before the time fixed for the holding of the meeting.

Members who have dematerialised their shares, other than those members who have dematerialised their shares with own name registration, should contact their CSDP or broker, in the manner and time stipulated in their agreement:

- to furnish them with their voting instructions; and
- in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

By order of the Board.



A Mahendranath
Secretary
Johannesburg
3 June 2005

FORM OF PROXY

Merafe Resources Limited (Formerly South African Chrome & Alloys Limited)
(Registration Number 1987/003452/06)
("the Company")

ISIN:ZAE000060000
Share code:MRF

Only for use by members who have not dematerialised their shares or members who have dematerialised their shares with own name registration. All other dematerialised shareholders must contact their CSDP or broker to make the relevant arrangements concerning voting and/or attendance at the meeting.

Form of proxy for annual general meeting

I/We (Name in block letters) _____

of (Address) _____

being the holder/s of _____ ordinary shares
in the Company, hereby appoint (see note 1):

1. _____ or failing him

2. _____ or failing him

3. the chairman of the Company, or failing him, the chairman of the annual general meeting, as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of the Company to be held at Merafe Resources Limited at Suite 106, Block C, Eva Park, Cnr Beyers Naude Drive / Judges Ave, Cresta on 21 July 2005 at 11:00, or at any adjournment thereof.

I/We desire to vote as follows (see note 2):	For	Against	Abstain
1. To adopt the annual financial statements			
2. To elect the following directors who retire by rotation:			
2.1 Mr Mbatha			
2.2 Mr Molefe			
2.3 Mr Posthumus Meyjes			
2.4 Dr Vlajcic; and			
2.5 To ratify the appointment of Ms Matlala and Ms Mogotsi			
3. To approve the directors' remuneration			
4. To approve the auditors' remuneration			
5. To place the unissued shares under the control of the directors			
6. To authorise the Company to issue shares for cash			

Signed at _____ on _____ 2005

Signature (Assisted by me - where applicable) _____

Please see notes overleaf

FORM OF PROXY

Notes

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting 'the chairperson of the general meeting of shareholders', but any such deletion must be initialled by the shareholder. The person whose name stands first on the form of proxy and who is present at the general meeting of shareholders will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. So as to provide for voting on a show of hands or on a poll, as the case may be, shareholders are requested to complete the form of proxy by stating the number of shares held by them. Failure to comply will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting of shareholders as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by his proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by the proxy.
3. Forms of proxy must be lodged with, posted or faxed to, the transfer secretaries' registered office: 11, Diagonal Street, Johannesburg, PO Box 4844, Johannesburg, 2000 or +27 11 834 4398, to be received by no later than 11:00 on 19 July 2005.
4. The completion and lodging of this form of proxy by shareholders holding certificated shares, CSDP's nominee companies, brokers' nominee companies and shareholders who have dematerialised their shares and elected own-name registration, will not preclude the relevant shareholder from attending the general meeting of shareholders and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative or other legal capacity (such as power of attorney or other written authority) must be attached to this form of proxy unless previously recorded by Merafe Resources.
6. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).
7. On a show of hands, every shareholder shall have only one vote, irrespective of the number of share/s he/she holds or represents, provided that a proxy shall, irrespective of the number of shareholders he/she represents, have only one vote.
8. On a poll, every shareholder present in person or represented by proxy shall have one vote for every Merafe share held by such shareholder.
9. A resolution put to the vote shall be decided on a show of hands unless, before or on the declaration of the results of the show of hands, a poll shall be demanded by any person entitled to vote at the meeting.
10. If a poll is demanded, the resolution put to the vote shall be decided on a poll.

CORPORATE INFORMATION

for the year ended 31 December 2004

Company Details

Merafe Resources Limited

Company Registration Number: 1987/003452/06

Business address and registered office
Suite 106
Block C
Eva Park
Cnr Beyers Naude Drive/Judges Avenue
Cresta
2194
South Africa

Telephone: +27 11 478 1112
Telefax: +27 11 478 0125
PO Box 1677
Northcliff
2115

Company Secretary

A Mahendranath

Auditors

KPMG Inc
85 Empire Road
Parktown
2193
PB 9 Parkview
2122

Bankers

ABSA Bank Limited
ABSA Towers North
180 Commissioner Street
Johannesburg, 2001
PO Box 8054
Johannesburg
2000

Attorneys

Bowman Gilfillan
9th Floor, Twin Towers West, Sandton City,
Sandton, Johannesburg
PO Box 785812, Sandton, 2146, South Africa

Wessels & Smith Inc
Wessels & Smith Building
26-28 Heeren Street
Welkom, 9459
PO Box 721, Welkom, 9460

Transfer Secretaries

Ultra Registrars (Proprietary) Limited
11 Diagonal Street
Johannesburg, 2001
PO Box 4844, Johannesburg, 2000

Sponsor

ABSA Bank Limited
ABSA Towers North
180 Commissioner Street
Johannesburg, 2001
PO Box 8054
Johannesburg
2000

www.meraferesources.co.za