CHROMETCO LIMITED

(Registration number 2002/026265/06)

ANNUAL REPORT 2006

CONTENTS

SALIENT FEATURES

Group financial statistics	2006	2005
Basic loss per share (cents)	7.00	0.89
Headline loss per share (cents)	3.62	1.08
Net asset value per share (cents)	0.72	0.77

ADMINISTRATION

Secretary

River Group
Parc Nouveau Building
225 Veale Street, Brooklyn
Pretoria, 0181
(PO Box 1666, Groenkloof, 0027)

Registered office

Office 8, Morgenster Building
3 Main Road
Irene, 1675
(PO Box 460, Irene, 0062)

Corporate advisor

River Group
Parc Nouveau Building
225 Veale Street, Brooklyn
Pretoria, 0181
(PO Box 1666, Groenkloof, 0027)

Designated Advisor

River Group
Parc Nouveau Building
225 Veale Street, Brooklyn
Pretoria, 0181
(PO Box 1666, Groenkloof, 0027)

Transfer secretaries

Computershare Investor Services 2004 (Proprietary) Limited
(Registration number 2004/003647/07)
70 Marshall Street
Johannesburg, 2001
(PO Box 61763, Marshalltown, 2107)

Auditors

RSM Betty & Dickson (Johannesburg)
Registered Accountants and Auditors
Randburg

BOARD OF DIRECTORS

Bruce Williamson

BCom

Non-executive Chairman

Member of the Audit and Corporate Governance Committee

Chairman of the Remuneration Committee

Bruce worked for Gold Fields for seven years during which time he completed the Higher National Diploma (Metalliferous Mining) in 1977 and worked underground, mainly at Kloof Mine.

Thereafter he completed a B.Com degree (Accountancy, Economics) at Cape Town University and then joined stockbrokers ED. Hern, Rudolph in 1981 as a mining investment analyst. In 1985 he joined stockbrokers JD. Anderson & Co. and was one of five partners that sold the business to SBC Warburg in 1995. His responsibilities as a gold and platinum investment analyst included interacting with the major South African asset managers and senior South African mining personnel. Work involved extensive contact with UK, European and US institutional investors.

In 1998 he joined ABN AMRO as an investment analyst and then moved to the corporate finance division for 15 months. In August 2002 ABN AMRO closed a large part of its South African business.

Bruce currently acts in a private advisory and fund raising capacity to small and medium-sized local and offshore mining companies.

Other directorships held:

Centurion Gold Holdings Inc.	*Non-executive Director*	*Current*

Stuart Simons

Chief Operating Officer

Stuart worked at Barclays Bank from 1966 to 1968, after which he then joined Sidney Isaacs Stockbrokers from 1968 to 1970. After spending two years in London, Stuart then returned to South Africa to start Stuart's Transport. Based in Boksburg, this company specialised in the consolidation of mining freight. Stuart's Transport was contracted to numerous mining companies with operations throughout South Africa and Namibia. Since 1991, Stuart has traded in commodities, specifically chrome and coal, and has acquired and sold mineral rights up until the end of 2002. It was at this time that an association with Edward Bramley developed and certain chrome mineral rights became the foundation for the formation of Chrometco. Stuart brings a wealth of commercial experience to Chrometco and is directly involved in the development of the various commodities it now owns.

Other directorships held:

Woad Minerals (Proprietary) Limited	*Executive Director*	*Current*

John Francey

BBA, IPM, LDP, MDP, ITC

Financial Director

John commenced his career in auditing with Betty & Dickson (Chartered Accountants). At the age of 24 John then became Financial Director of a motor manufacturing and engineering concern supplying original equipment to the motor industry. John also was an executive member of an import and export business, distributing critical and sensitive engineering components and equipment to the MESA and SADAC areas. John has also acted as company secretary of a leading financial institution. John has spent 23 years in the financial sector, with principal focus in project and corporate finance, management accounting and administration, human resources and industrial relations, company law, board reporting and project management, internal audit, forensic and compliance.

John has also acted as a registered business broker, financial advisor and tax consultant.

Edward Bramley

Non-executive Director

Member of the Audit and Corporate Governance Committee

Member of the Remuneration Committee

Edward matriculated at Grey College in Bloemfontein, whereafter he studied law at the University of Port Elizabeth and at the University of Pretoria.

Edward started his own business importing ferrous metals to South Africa from various African countries and subsequently joined the family mining business Lime-Chem (Proprietary) Limited, a base mineral mining company. Edward has extensive experience in exploration, mining, marketing and management of smaller mining entities.

List of other directorships held:

Egor CC	*Member*	*Current*
Lime-Chem (Proprietary) Limited	*Director*	*Current*
Lime-Chem (MPHOFU) (Proprietary) Limited	*Director*	*Current*
Anglo Associates (Proprietary) Limited	*Director*	*Past*
Cross Africa Investments Incorporated	*Director*	*Current*
Audax (SA) Limited	*Director*	*Past*
Audax Mining Corporation (Proprietary) Limited	*Director*	*Past*
Versatex Trading 12 (Proprietary) Limited	*Director*	*Current*
Bubesi Investments 57 (Proprietary) Limited	*Director*	*Current*
Bubesi Investments 72 (Proprietary) Limited	*Director*	*Current*
Rooderand Chrome (Proprietary) Limited	*Director*	*Current*
Korpo Trust (Proprietary) Limited	*Director*	*Current*
Blue Pointer Trading (Proprietary) Limited	*Director*	*Current*
Lime-Chem (TLOU) (Proprietary) Limited	*Director*	*Past*
Tswalo Resources (Proprietary) Limited	*Director*	*Current*
Tswalo Minerals (Proprietary) Limited	*Director*	*Current*
Audax Resources (Proprietary) Limited	*Director*	*Current*
Ingonyama Ho/dings (Proprietary) Limited	*Director*	*Current*

Trevor Scott

BCom (Hons), BAcc, CA(SA)

Non-executive Director

Chairman of the Audit and Corporate Governance Committee

Member of the Remuneration Committee

Trevor is a qualified Chartered Accountant and is a founder and principal of the Mokwele Group. The Mokwele Group provides specialist tax, corporate governance, audit, corporate finance and technical accounting and compliance services (particularly those relating to IFRS and Sarbanes-Oxley compliance) to both local and offshore listed companies. Prior to forming the Mokwele Group, Trevor worked at a "Big Four" public accounting firm. He has extensive experience in the disciplines of audit, tax, corporate finance, corporate law and accounting.

Other directorships held:

Mokwele Incorporated	*Director*	*Current*
Mokwele Advisory Services (Proprietary) Limited	*Director*	*Current*

CHAIRMAN'S REVIEW

On behalf of the board of directors, I am pleased to present the 2006 annual report for Chrometco Limited. This is the company's first report since listing on the Alt^{x} on the JSE Limited ("JSE") in August 2005.

LISTING OF CHROMETCO LIMITED ON THE JSE

During the early part of 2005, the River Group assisted Chrometco with preparations for a listing on the JSE Main Board. The intention was to raise R22 million by way of a private placement to continue funding the Rooderand chrome exploration programme and to investigate several other early-stage mineral opportunities. Whilst the strengthening commodity markets suggested that the private placement would be successful, sadly the local appetite for mining exploration and development remained weak. In the event, only R5 million was raised and the Company was listed on the Alt^{x} board instead of the JSE Main Board.

I must add that the enthusiasm of Noah Greenhill, JSE business development manager, is to be commended. One can only hope that his vision and efforts to promote the case of local junior miners will find more widespread support.

EXPLORATION ACTIVITIES

In September 2005, Chrometco obtained an option over the chrome rights on the farm Naboom 451, in the district of Zebediela, Limpopo Province. Since this property offered a larger target than Rooderand, the board decided to concentrate any drilling activities on Naboom. Despite the laborious procedure of obtaining the necessary mining licenses and permits in South Africa, a prospecting license for Naboom was granted in October/November 2005. A further delay in securing the services of a drilling contractor meant that only seven exploration holes were completed by financial year-end under the guidance of independent geologist, Nico Bleekers. The positive results were published shortly before the financial year-end in February 2006. However, the excessive cost of establishing a mine and processing infrastructure was a primary factor in the Company not actively pursuing further activities at Naboom. A detailed analysis of the exploration activities pursued during the year at Naboom appears on pages 6 to 21.

CORPORATE GOVERNANCE

During the year under review, a number of initiatives were instituted to further and improve the overall corporate governance framework of the Company. The detailed Corporate Governance report appears on pages 22 to 27.

OUTLOOK

The stress of a limited budget has made endeavours to continue the planned work unnecessarily difficult, with the main focus being to raise additional funds for further exploration activities and to keep copper negotiations on track.

I expect that 2007 will hold many exciting opportunities and developments for Chrometco, as the funding is sourced and the Company can continue pursuing its exploration and development programme.

Bruce Williamson
Chairman

25 August 2006

EXPLORATION AND GEOLOGICAL REPORT

PREPARED FOR AND ON BEHALF OF

CHROMETCO LIMITED

ON THE FARMS

NABOOM 451 KS AND VAALBOSCHLAAGTE 454 KS

LIMPOPO PROVINCE

BY

N A BLEEKER
B.Sc (Hons), M.Sc., Pr.Sci.Nat

REPORT ON DIAMOND DRILLING ON THE FARM NABOOM 451 KS

1. SUMMARY

My company, NA Bleeker Geological Services, was instructed by the Chrometco Limited management to undertake a diamond drilling programme on the southern portion, prospect area, of the farm Naboom 451 KS, to verify, investigate and to evaluate all the chromitite layers included within the Middle and Lower groups of the Critical Zone, within the western portion of the eastern Bushveld Complex. A total of seven diamond drill holes were drilled (about 1 256.12m) during the month of February 2006 on the southern portion of Naboom 451 KS (prospect area).

The LG6 chromitite proves to be the most economic layer within the prospect area and was intersected in four of the boreholes at variable depths of between 38m to 450m, the other three boreholes were drilled in the western portion of the prospect area to intersect representing marker horizons to extrapolate the LG6 sub-outcrop from that particular depth, the UG1 chromitite horizon was intersected and used for that purpose.

The farm Naboom 451 KS is underlain by both Transvaal Supergroup and Critical Zone Rocks (Figure 2). Stratiform-type chromitite layered deposits were intersected. The prospect area covers an area of 196.0462 ha and is underlain by most of the chrome horizons, except MG1 and LG7 chromitite horizons which are probably coalescence either with the MG2 chromitite or poorly developed or not continuous throughout the prospect area. The average thickness for the LG6 ranges between 1.5m to 2.25m. The dip normally ranges between 54° and 65° (dips mainly towards the south) and the average grade for the LG6 is between 40% and 43% Cr_2O_3. The quoted average grade for LG6 chromitite in the Mineral Resources of South Africa for the same area is 45.5% Cr_2O_3, with a Cr: Fe ratio of between 1.5 : 1.54.

The ROM LG6 Resource Estimate of 9.8 x 10^6 tons was calculated over the investigated area.

2. INTRODUCTION

Naboom 451 KS prospect area lies approximately 25 km south-east of Zebediela, approximately 6 km east of the Lonmin's Messina Platinum Mine and approximately 55 km south of the town of Polokwane (Pietersburg) in the Limpopo Province. Naboom 451 KS occurs between the farms Vaalboschlaagte 454 KS and Rooibokbult 121 KS east and west of the farm, Dwaalboom 255 KS, Turfpan 122 KS and Doornvlei 255 KS (Figures 1 and 2). Lonmin is currently undertaking a drilling programme for proposed platinum opencast mining on both the Merensky and UG2 chromitite reefs. This would not effect chromitite operations when undertaken on the Naboom prospect.

Access to Naboom project area is off the main R555 provincial road between Polokwane and Burgersfort past Lebowakgomo to Phokwane and turn to Makurung. The property is accessed by a surfaced all-weather internal road system and local gravel roads. Electricity may be sourced from a nearby Escom line supplying electricity to Messina Mine on the farm Voorspoed 458 KS. The prospect area is characterised by relatively low ground slope topography.

The prospect area was previously exploited underground, by an unknown small company during the mid-fifties (information obtained from a survey beacon dated 1954). The area consists of a vertical shaft, remnants of a possible primary plant and office buildings. An approximately 200 tons big lump and 150 tons small lump/chips stockpiles exists on the property. These stockpiles were sampled and average grades of 42.4% Cr_2O_3 (Cr: Fe ratio 1.56) and 40.1 % Cr_2O_3 (Cr: Fe ratio 1.5) was analysed, respectively. A 2.5m x 3m wide inclined prospect shaft was also undertaken on the MG2 chromitite layer up to a depth of about 50m by unknown company.

Samancor Limited, also undertook a LG6 chromitite bulk sampling project on the property during 1998, immediately east (approximately 100m west) of the current MG2 shaft. This investigation on the LG6 chromitite outcrop was to determine the feasibility of an opencast operation. A total of eight shallow percussion boreholes were drilled. It was determined that opencast operations within this area proved to be too expensive due to the depth of weathering and steep dip of the reef (strip ratio too high). This operation was supervised by me when I was a Chief Geologist at Samancor Limited.

Preliminary resource estimation was undertaken by our company during March 2005. The resource estimation was initially calculated from utilising a strike distance of 3.3 km, a dip of 75° and LG6 chromitite seam thickness of 2.5m. The most recent information obtained from the current drilling programme indicates a LG6 seam thickness of 1.75m, average dip of 59° and a strike distance of 3.3 km. The LG6 outcrop also occurs more south than previously expected. The end result of this is that the current resource statement will be less than the previous statement. However, it was determined that other chromitite seams (MG2, MG3, MG4 and UG1) can be exploited for its chromium content.

It is considered that the grade values obtained on various chromitite layers, from current drilling programme, are remarkably consistent down dip to about 500m depth. However, additional drilling will be necessary to change resource category from inferred to eventually measured. Analyses were undertaken by Quality Laboratories, but the pulps will be sent to other Laboratories for QA and accuracy. The average grade of the LG6 ore body is calculated as 42.3% Cr_2O_3 and a Cr : Fe ratio of 1.52 and average thickness is 175cm.

3. GENERAL GEOLOGY

South Africa and its neighbouring country of Zimbabwe are hosts of the most prolific source of platinum and chromium deposits in the world. The stable Kaapvaal and Zimbabwe Cratons in Southern Africa are characterised by the presence of large Mafic to Ultramafic layered complexes, the best known of which are the Great Dyke in the Zimbabwe Craton and the Bushveld Craton. The Bushveld Complex (Figure 1) is by far the largest, best-known and economically most important platinum bearing layered intrusion in the world with a diameter of over 350 km and a surface extent of approximately 66 000 km^2. The Bushveld Complex intruded sedimentary rocks of the Transvaal Supergroup approximately 2 060 million years ago. This complex consists of a basal Mafic to Ultramafic suite, better known as the Rustenburg Layered Suite and an upper part comprising Rooiberg felsites, granophyres and overlaying Lebowa Granite Suite. Younger formations cover about half of the Bushveld Complex rocks.

The Mafic rocks of the Bushveld Complex constitute the world's largest known resource of PGE's, chromium and vanadium. This mafic component of the Bushveld Complex can be divided into a number of general segments. These include the north-western and south-western lobes separated for the most part by the Pilanesberg Alkaline Complex and the somewhat analogous north-eastern and south-eastern lobes, transected by the Steelpoort fault and finally the northerly trending Potgietersrus lobe.

The Rustenburg Layered Suite can be divided into five zones known as the Marginal, Lower, Critical, Main and Upper Zones from the base upwards. The Critical Zone hosts the extensive chromites and platinum bearing rocks in the BC.

The chromitite layers within the Critical Zone occur as three stratigraphically delineated groups. The Lower Group ("LG") consists of seven chromitite layers hosted within a feldsphatic pyroxenite. Four chromitite layers contained within a norite and feldspathic pyroxenite sequence constituting the Middle Group ("MG") which is situated immediately between the Lower Group and the Upper Group ("UG"). The UG chromitite layers are contained within norite and anorthosite sequences.

The main focus of the envisaged chrome exploration by Chrometco will be in the north-western lobe of the Bushveld Complex. Structurally defined boundary zones separate the different sectors of the eastern Bushveld Complex. The farm Naboom 451 KS (Figures 2 and 3) is situated in the Western Sector (Scoon ef *al*., 1995) or Doornvlei Section (Schurmann *et al*., 1998). The western sector is situated adjacent west of the Wonderkop Fault.

Stratigraphical variations of the different zones are essentially controlled by floor folds and faults, causing thinning of the lower zone. The marginal zone is not developed while the lower and upper Critical is relatively unaffected, except for lithological differences. The Rustenburg layered Suite in the Doornvlei section south of Lebowakghomo is thus well-exposed. The Floor consists mainly of meta-sedimentary rocks of the Transvaal Supergroup. The dip of the layered rocks can be as high as 60°.

The chromitite layers in the western sector, occur in both the lower and upper critical zones and classified as three stratigraphically delineated groups; the lower, middle and upper groups. The middle and lower groups of the Critical zone is not widely studied in this part of the eastern limp of the Bushveld Complex. The lower group in the area consists of six chromitite layers (LG1 to LG6) hosted within feldsphathic pyroxenite. The LG7 chromitite layer is either not developed or pinched out. Immediately above the lower group chromitite layers occurs three of the normally four major chromitite layers which constituting the middle group ("MG"). Here the MG1 chromitite layer either coalescence with the lower unit of the MG2 or completely pinched out. These layers occur close together and straddle the transition contact between the lower (pyroxenitic) and upper (anorthositic) critical zones (Schurmann *et al.,* 1998), whereas the layers of the upper group are developed close to the top of this zone. The Upper Group ("UG") chromitite layers overlie the MG chromitite layers and are contained in norite and anorthosite sequences.

The lower zone chromitites (LG1 to LG6) are present, to a variable degree, in the Doornvlei section and the most exploitable LG6 chromitite (usually 2.0m to 2.5m thick) is developed throughout the prospect area. Harzburgite units are developed in the lower Critical Zone and are useful in correlating the closely associated chromitite layers. The expected lower harzburgite unit is not developed within the prospect area and both the LG1 and LG2 chromitite layers are thus developed directly below the LG3 chromitite unit. The LG3 is found below a harzburgite unit, while the LG4 is developed within the upper harzburgite/dunite layer. The LG5 chromitite, a composite layer approximately 3m thick, together with the LG6 (LG6A or LG6 leader is not developed within the area) are present above the upper harzburgite unit.

4. LOCAL GEOLOGY, STRUCTURE AND INTRUSIONS

Naboom 451 KS is located (Figures 2, 3 and 4) within the western sector of the north-eastern Bushveld Complex immediately west of the Wonderkop and Stofpoort Faults. The LG6, MG4, MG3 and MG2 chromitite layers having economic potential are hosted by the Middle and Lower Critical Zones.

Table 1 showing the average composition and thicknesses of some chromitite layers in the Naboom Project area determined by current drilling programme (LG6 chromitite grade within the Doornvlei section of the western sector of the eastern Bushveld Complex, published by the Council of Geosciences, handbook 16, The Mineral Resources of South Africa, 1998. Average Cr_2O_3 content of 45.5% with a Cr: Fe ratio of 1.56 was noted).

Layer/ Unit	**Cr_2O_3 (%)**	**Cr:Fe**	**Expected ROM recovery (%)**	**Thickness (cm)**
UG1	44*	1.25	45	360
MG4	30-33	1.32	45	350
MG3	33-35	1.40	70	120
MG2	38-41	1.41	50	250
LG6	40-43	1.52	85	175
LG5	38-39	1.49	30	100

* Estimated not sampled.

* Recoveries are different due to the amount of waste or intercalated layers/lenses that occurs within each of various chromitite units.

* LG5 chromitite unit is mainly composed of very thin chromitite layers separated by thicker pyroxenite waste, except for few basal chromitite layers (30cm to 50cm thick) separated by thin pyroxenite waste.

The Cr_2O_3 grade percentage obtained from the LG6 chromitite intersections from the current drilling is approximately 2.5% less than the quoted figures for the western sector within the Mineral Resources of South Africa, Council of Geosciences. The reason is that some intersections were contaminated by internal pyroxenite waste. It can thus, with reasonable confidence, be expected that the grades within the prospect area will reflect the grades as quoted by the Council of Geosciences for this sector. Additional drilling will determine this reasoning.

Layering in the area strikes east-west to west-northwest-east-southeast and varying dips of between 54° and 65° was measured, with the average dip being 59° in a southerly direction.

A prominent joint system (with three main approximately NE-SW, NW-SE and N-S directions) is developed throughout the investigated area. A number of these joints and faults are being intruded by dolerite dyke material. Fractures are, in filled mainly by calcite, serpentinite, chlorite or quartz and are mainly developed parallel or sub-parallel to the layering. Sometimes fractures are often developed along upper or lower contacts of the chromitite layers and show micro-structures which indicate sub-horizontal movement along these planes.

The ore body is occasionally block faulted into several displacements. Major faults within the investigated area create large open mineable blocks, which can be negotiated with ease when underground mining does occur.

5. DRILLING.

Seven diamond drill holes were drilled in the project area (Figure 4), at a distance of approximately 1 000m apart, except for VN5 to VN7 which are drilled closer to each other to investigate the UG1 chromitite in the western part of the property. Four of the boreholes intersected the economic LG6 chromitite layer at various depths of between 35m and 450m. The prospect area is underlain by most of the chrome horizons, except for the MG1 and LG7 chromitite horizons which are probably coalescence either with the MG2 chromitite, not developed or not continuously developed throughout the prospect area.

Table 2 is a summary of the various chromitite seams intersected and are as follows:

SECTION: DOORNVLEI

CHROMITITE UNIT GRADES

FARM: NABOOM 451 KS

Table 2: Naboom 451 KS Drilling Schedule

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

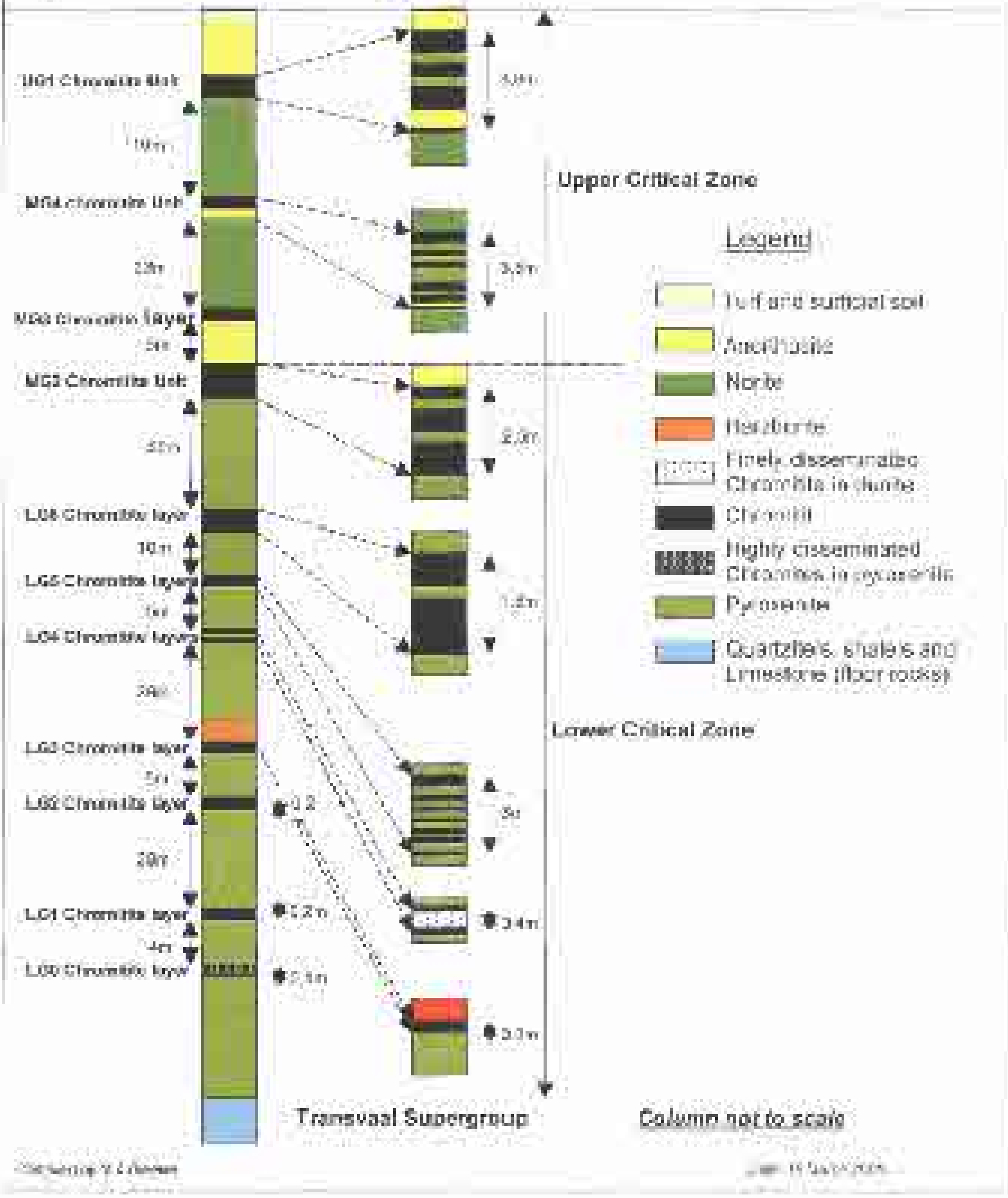
[illegible]

[illegible]

[illegible]

CHROMETCO Ltd. Exploration

Figure 5: Schematic Stratigraphy Column in the Naboom 451 KS Area



A schematic stratigraphical succession of the chromitite layers being compiled in Figure 5. The lowest four chromitite layers are of no economic significance because of its seemingly restricted distribution and limited thicknesses and are therefore not sampled. The chromitite layers are described in a chronological order below:

The first massive chromitite layer is the LG1 seam, which is approximately 20cm thick. The basal approximately 5cm of the layer is much harder (more lumpy) and more compact than the remainder (semi-friable) of the layer. A 10cm highly disseminated chromitite footwall marker or LG0 occurs approximately 4m below the LG1 which is also the lowest chromitite layer in the lower group.

The LG2 chromitite occurs approximately 20m above the LG1 and has a semi-friable nature. This layer is about 20cm thick and developed within pyroxenite. The expected lower harzburgite unit between the LG2 and LG3 is not intersected in the prospect area and it is assumed that it is thus not developed or it pinches out.

The LG3 chromitite layer is developed about 5m above the LG2. It is overlain by a harzburgite unit and underlain by pyroxenite. This chromitite layer is between 15cm and 30cm thick and is mainly semi-friable. Both top and bottom contacts are sharp.

The LG4 chromitite unit differs from all the other chromitite layers in that it is the only chromitite disseminated dunite/harsburgite layer of which the top and bottom contacts are massive very friable chromitite layers of few centimetres thick. The chromitite grains are associated with clay minerals, chlorite and serpentine, probably alteration products of olivine. The LG4 unit is about 40cm thick with upper sharp and lower gradational contact and developed approximately 28m above the LG3 chromitite unit.

The LG5 chromitite package is mainly developed approximately 4m above the LG4 chromitite unit. This package consists mainly of a group of alternating thin (10cm to 30cm thick) chromitite layers separated by pyroxenite to form a composite layer/package of about 2m. The bottom 30cm layer was sampled and a Cr_2O_3 content of between 38% and 39% with a Cr: Fe ratio of 1.49 was analysed. It is estimated that approximately 30% of this chrome ore can be extracted by means of dense medium separation if costing permits.

The LG6 chromitite layer is developed approximately 10m above the LG5 chromitite package. This layer shows lateral variations in thickness of between 1m to 2.5m (average 1.75m thick), in such a way that the amount of disseminated chromite above and below the layer seems to increase when the thickness of the layer decreases. This layer normally has a fairly sharp lower and a gradational upper contact of disseminated chromite of approximately 20cm thick. This layer was sampled and analysed and a Cr_2O_3 content of between 40% and 43% with a Cr : Fe ratio of 1.52 was obtained (this is slightly lower than the Cr_2O_3 content of 45.5% with a Cr : Fe ratio of 1.54 that was quoted by The Mineral Resources of South Africa, by the Council of Geosciences, 1998). It seems that the pyroxenite waste lenses found intercalated within the LG6 chromitite layer intersections could dilute the analyses.

The LG6 consists of an accumulate-type, medium to coarse-crystalline chromite, constituting 97% of the rock with the remaining 3% being made up of orthopyroxene, clinopyroxene, plagioclase and other minor accessory minerals such as biotite, sulphide minerals, quartz, talc, chlorite and carbonate. The chromitite is generally of a friable nature with some patches of 'hard lumpy' present. The LG6 is further characterised by a poikilitic texture which is the result of pyroxene and/or plagioclase crystals enclosing very fine-grained chromitite grains. These oikocrysts vary in size from 5mm to 20mm in diameter.

The LG6A which is often referred to as the leader marker seam of the LG6 chromitite layer is not intersected within borehole drilling and it is assumed that the seam is not developed or the seam coalescence with LG6 chromitite layer within the prospect area.

Both the LG7 and MG1 were not intersected by the drilling. It is assumed that these layers either pinched out, not developed or coalescence with the MG2C chromitite layer.

The MG2 fine-granular chromitite package consists of three (A, B and C) distinct layers with intercalated pyroxenite and is developed approximately 55m above the LG6 chromitite layer. These layers are separated by pyroxenite and are 40cm, 70cm and 95cm, respectively, thick. This unit contains an average thickness of about 2.5m.

The MG3 fine-granular chromitite layer is developed approximately 5m above the MG2 chromitite layer. All borehole intersections indicate that the MG3 chromitite consists of only one layer and is about 1.2m thick. The lateral variation of the MG2 and MG3 chromitite layers can be correlated by using the intercalated anorthosite layer known to define the upper and lower Critical Zones.

The MG4 chromitite package is developed approximately 20m to 25m above the MG3 chromitite layer. This package consists mainly of a group of two (MG4A and MG4B) thick layers with associated alternating thinner layers (15cm to 200cm thick) of fine-crystalline chromitite, separated mainly by medium-crystalline feldspathic pyroxenite. The bottom chromitite layer is normally underlain by an anorthosite layer, sometimes with occasional chromite disseminations. A thin chromitite is occasionally developed at the basal contact of this anorthositic layer. The MG4 thus occurs as a composite layer/package of about 3.5m.

The UG1 chromitite layer was intersected in two of the boreholes (VN1 and VN7) and is developed approximately 110m to 150m above the MG4 chromitite unit. The UG1 unit may consist of a single or several very fine-crystalline chromitite layers separated by anorthosite, norite or feldsphatic pyroxenite layers. Typical of this unit is that it overlies a mottled anorthosite, with thin bifurcating chromitite layers developed mainly within the upper portion of this layer. The average thickness of the UG1 chromitite unit intersected through drilling is approximately 3.6m. However the thickness may vary depending on the amount of layers developed.

The UG2 chromitite layer was not intersected in any of the boreholes drilled. This sub-outcrop occurs south of the prospect area on the farm Dwaalboom and thus outside the farm Naboom. The extrapolated thickness between the UG1 and UG2 chromitite layers is approximately 150m to 175m. The Merensky reef occurs between 100m to 120m above the UG2.

6. RESOURCE ESTIMATE

The resource estimates for chromitite seams intersected by drilling is summarised in the following tables:

Table 3 Showing In Situ Inferred Resource Estimate for project area on portion of the farm Naboom 451 KS

Unit	Thickness	Specific Gravity	Tonnage (Mtons)	Tonnage (Mtons)	Tonnage (Mtons)	Tonnage (Mtons)
			0-250m	250-500m	> 500m	Total
LG6	1.75	4.2	7 194 445	3 737 460	593 821	11 525 726
LG5	2.00	4.05	7 928 572	4 316 830	694 559	12 939 961
MG4	3.50	4.05	13 875 000	2 762 424	0	16 637 424
MG3	1.20	4.05	4 757 143	2 380 827	408 123	7 546 093
MG2	2.50	4.05	9910715	5 092 835	887 406	15 890 956
Total			**43 665 875**	**18 290 376**	**2 583 909**	**64 540 160**

Table 4 Showing ROM Inferred Resource Estimate for project area on portion of the farm Naboom 451 KS

Unit	Thickness	Specific Gravity	Recovery	Tonnage (Mtons)	Tonnage (Mtons)	Tonnage (Mtons)	Tonnage (Mtons)
			(%)	0-250m	250-500m	> 500m	Total
LG6	1.75	4.2	85	6 115 278	3 176 841	504 748	9 796 867
LG5	2.00	4.05	30	2 378 571	1 295 049	208 368	3 881 988
MG4	3.50	4.05	45	6 243 750	1 243 091	0	7 486 841
MG3	1.20	4.05	70	3 330 000	1 666 579	285 686	5 282 265
MG2	2.50	4.05	51	5 054 464	2 597 346	452 577	8 104 387
Total				**23 122 063**	**9 978 906**	**1 451 379**	**34 552 348**

Table 5 Showing In Situ Inferred Resource Estimate for project area on portion of the farm Vaalboschlaagte 454 KS

Unit	Thickness	Specific Gravity	Tonnage (Mtons)	Tonnage (Mtons)	Tonnage (Mtons)	Tonnage (Mtons)
			0-250m	250-500m	> 500m	Total
LG6	1.75	4.2	2 551 913	168 756	593 821	3 314 490
LG5	2.00	4.05	2 812 312	194 902	694 559	3 701 773
MG4	3.50	4.05	2 972 398	0	0	2 972 398
MG3	1.20	4.05	1 407 271	0	0	1 407 271
MG2	2.50	4.05	3 310 845	0	0	3 310 845
Total			**13 054 739**	**363 658**	**1 288 380**	**14 706 777**

Unit Thickness	Specific Gravity	Recovery	Tonnage (Mtons)	Tonnage (Mtons)	Tonnage (Mtons)	Tonnage (Mtons)
		(%)	**0-250m**	**250-500m**	**> 500m**	**Total**
LG6 1.75	4.2	85	2 169 126	143 443	504 748	2 817317
LG5 2.00	4.05	30	843 694	58 471	208 368	1 110 533
MG4 3.50	4.05	45	1 337 579	0	0	1 337 579
MG3 1.20	4.05	70	985 090	0	0	985 090
MG2 2.50	4.05	51	1 688 531	0	0	1 688 531
Total			**7 024 020**	**201 914**	**713 116**	**7 939 050**

The figures listed above are calculated for ROM tonnages only. Geological and mining losses are thus included within the calculations. Geological losses are expected to be very low because of the evidence of the large open easy negotiable mineable faulted blocks which were noted from current drilling programme within the prospect area. Estimated recoveries vary for each of the various chromitite layers, because some units are composed of alternating chromitite layers separated by waste material (mostly pyroxenite) or single chromitite layers with intercalated waste (pyroxenite) lenses or chromitite layer without waste material.

Table 7 Showing In Situ Inferred Resource Estimate for the farms Naboom 451 KS and Vaalboschlaagte 454 KS

Unit	Thickness	Specific Gravity	Tonnage (Mtons)	Tonnage (Mtons)	Tonnage (Mtons)	Tonnage (Mtons)
			0-250m	**250-500m**	**> 500m**	**Total**
LG6	1.75	4.2	9 746 357	3 906 216	1 187 642	14 840 215
LG5	2.00	4.05	10 740 884	4 511 732	1 389 118	16 641 734
MG4	3.50	4.05	16 847 399	2 762 424	0	19 609 823
MG3	1.20	4.05	6 164414	2 380 827	408 123	8 953 364
MG2	2.50	4.05	13 221 559	5 092 835	887 406	19 201 800
Total			**56 720 613**	**18 654 034**	**3 872 289**	**79 246 936**

Table 8 Showing ROM Inferred Resource Estimate for the farms Naboom 451 KS and Vaalboschlaagte 454 KS

Unit	Thickness	Specific Gravity	Recovery	Tonnage (Mtons)	Tonnage (Mtons)	Tonnage (Mtons)	Tonnage (Mtons)
			(%)	0-250m	250-500m	> 500m	Total
LG6	1.75	4.2	85	8 284 404	3 320 284	1 009 496	12 614 184
LG5	2.00	4.05	30	3 222 265	1 353 520	416 735	4 992 520
MG4	3.50	4.05	45	7 581 329	1 243 091	0	8 824 420
MG3	1.20	4.05	70	4 315 090	1 666 579	285 686	6 267 355
MG2	2.50	4.05	51	6 742 995	2 597 346	452 577	9 792 918
Total				**30 146 083**	**10 180 820**	**2 164 494**	**42 491 397**

It must be noted that the current drilling is not adequate enough to upgrade the confidence limit of the resources category. The estimation will thus be referred to as Inferred Resources. Additional infill drilling will thus be necessary to upgrade resources to indicate and eventually to measure. The purpose of current drilling was to prove the existence and grade distribution of the various chromitite layers which exists within the prospect area.

The most economical exploitable seams are probably the LG6 and MG2 chromitite, within the prospecting area. Although the MG3 and MG4 consists of lower grades than abovementioned seams, they may be considered exploitable for the reason that these seams are successfully exploited in the Marikana (Samancor Limited - Mooinooi, Elandsdrift, Buffelsfontein and Mamba Sections: International Ferrochrome - Buffelsfontein section: Hernic Chrome - Elandsfontein, Kafferskraal and Elandskraal sections) and Brits (Hernic Chrome - Maroela section) areas, within the southwestern Bushveld Complex. The MG 1 and MG2 (A, B and C seams) chromitite seams are mined by Samancor Limited at their Tweefontein Section, south-eastern Bushveld Complex.

7. CONCLUSIONS

It is concluded that:

(a) The prospect area contains stratiform economically exploited chromitite layers resulted in an estimated total ROM indicated resource of approximately 30Mtons (the LG6 chromitite layer is nearly 10MTons).

(b) The economic chromitite horizons (layers/units) normally strike east-west and dip approximately at 59° in a southerly direction.

(c) In previous report on "Estimated Resource Potential of the Farm Naboom 451 KS" (submitted during 26 March 2005), only the LG6 chromitite seam was targeted on the property, but sampling of the other chromitite seams intersected proved to be economically viable. The preliminary resource LG6 chromitite seam estimation was previously calculated from utilising a 75° dip and a seam thickness of 2.5m. Information obtained from current drilling programme indicates that the overall dip in the project area is actually 59° and that the average thickness of the LG6 seam is 1.75m. The LG6 seam's sub-outcrop also shifted more to the south and is block-faulted. Initial calculations thus somewhat higher than latest values, but was without the other chromitite seams.

(d) The ore body is occasionally block faulted. Major faults within the investigated area create large open mineable blocks, which can be negotiated with ease when extracted.

(e) The LG6 and MG2 have been considered as the most economical seams within the area. The other chromitite seams can also be exploited, but their final recoveries will be less than those of the LG6 and MG2 and thus more expensive to extract.

(f) Infra, i.e. power, roads and water, in close vicinity of project area which made it easily accessible to obtain.

(g) No villages exist on project area and proposed mining activities will not have a large impact on surface and local people.

(h) Additional infill drilling necessary to upgrade resource category to a measured category.

8. REFERENCES

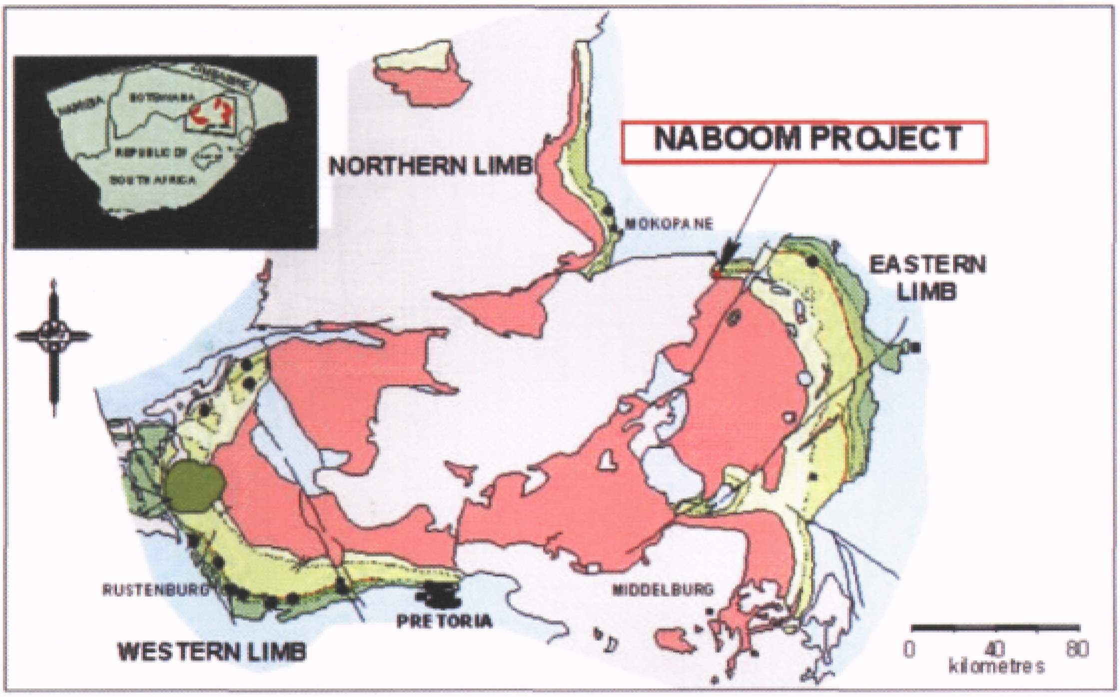
Cousins C A, 1964. Notes on the chromite deposits of the eastern part of the Bushveld Complex in Geology of Some Ore Deposits in Southern Africa (S H Haughton, Ed): Special Publication, Geology Society of South Africa, 2, p169 - 202.

Scoon, R N 2002. A new occurrence of Merensky reef on the flanks of the Zaaikloof Dome, north-eastern Bushveld Complex: Relationship between diapirism and magma replenishment. Econ. Geol., Vol. 97, p1 037 - 1 050.

Schurmann, L W, Grabe, P J and Steenkamp, C J. Chromium: in The Mineral Resources of South Africa (Wilson M G C and Anhaesser C R, Ed): Council for Geosciences, sixth edition, handbook 8, p90 - 105.

N A Bleeker
B.Sc.(Hons), M.Sc., Pr.Sci.Nat

Figure 1



Bushveld-complex – Naboom small

Figure 2

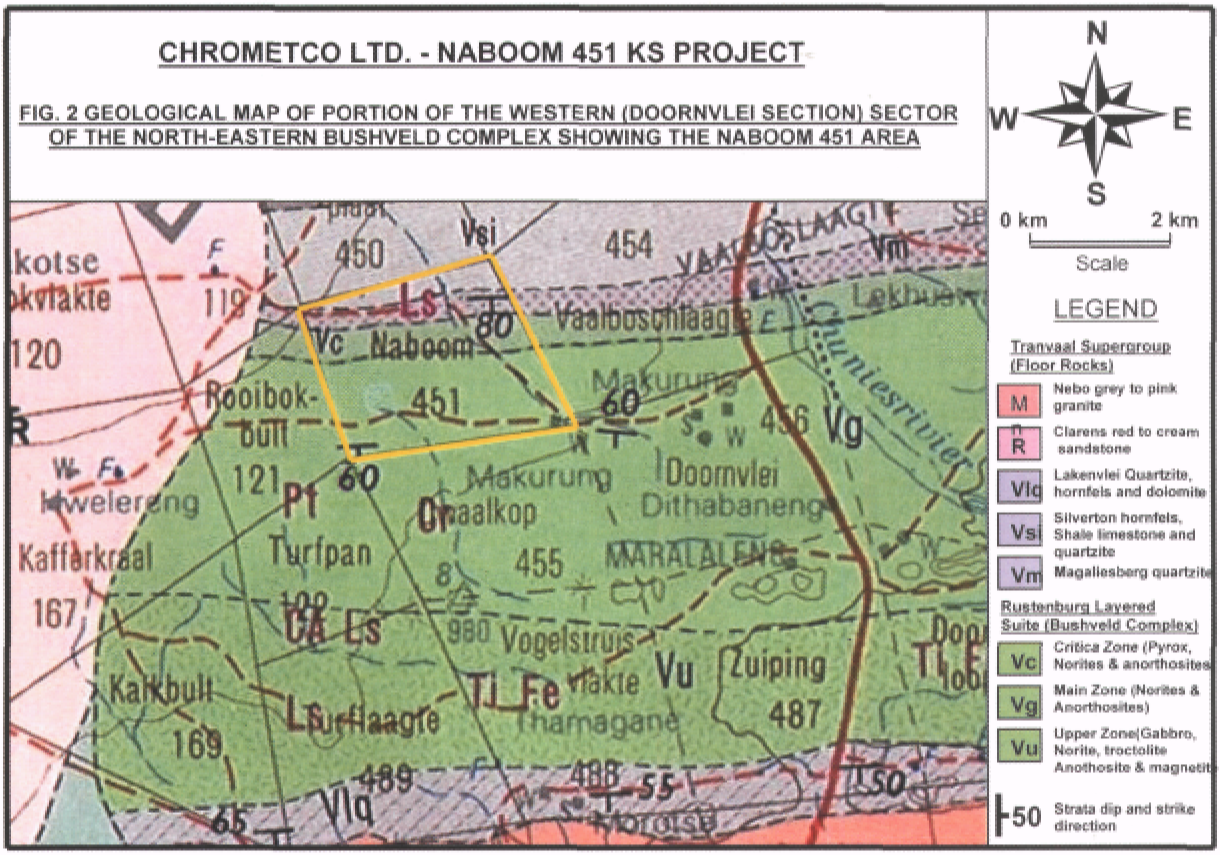


Figure 3

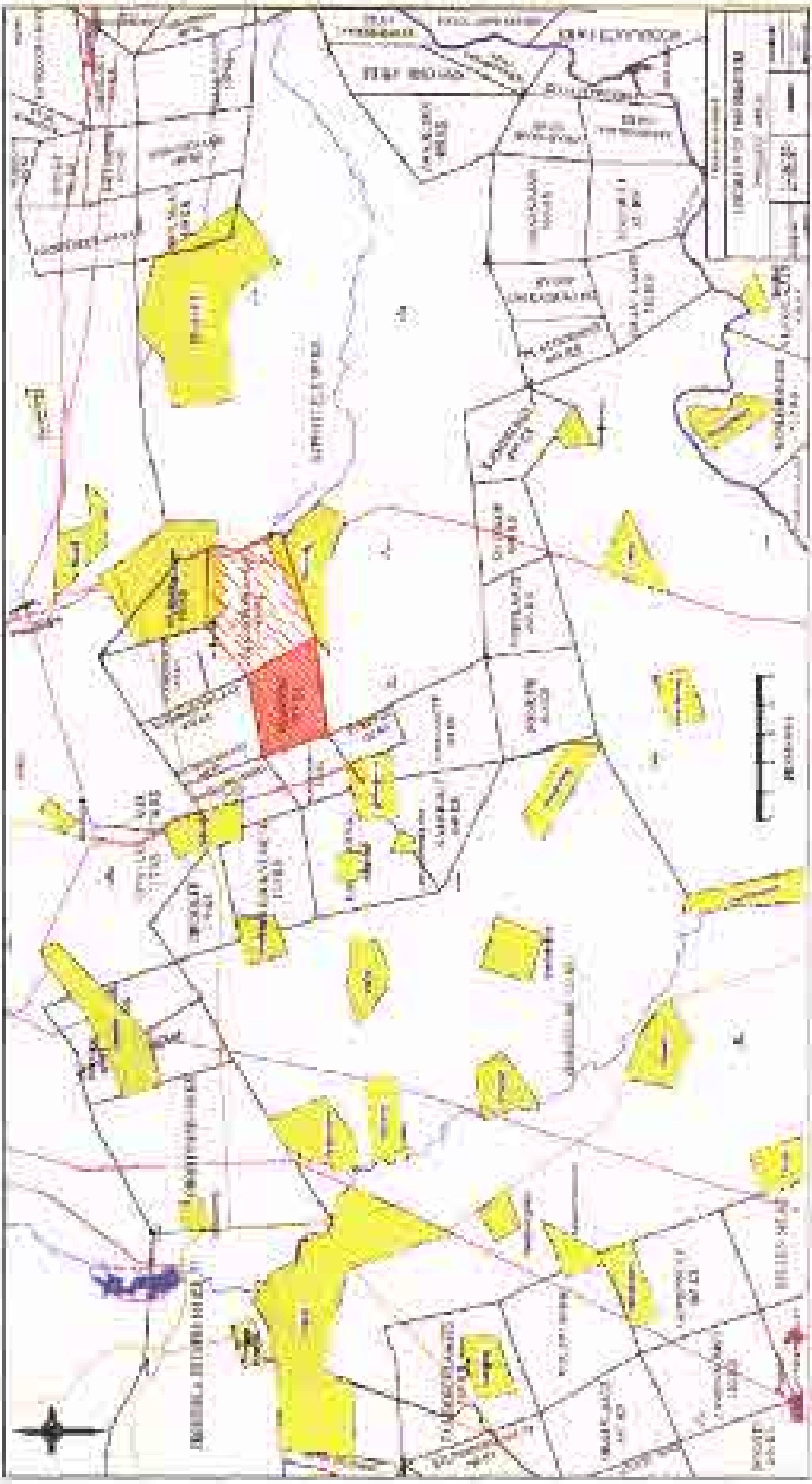
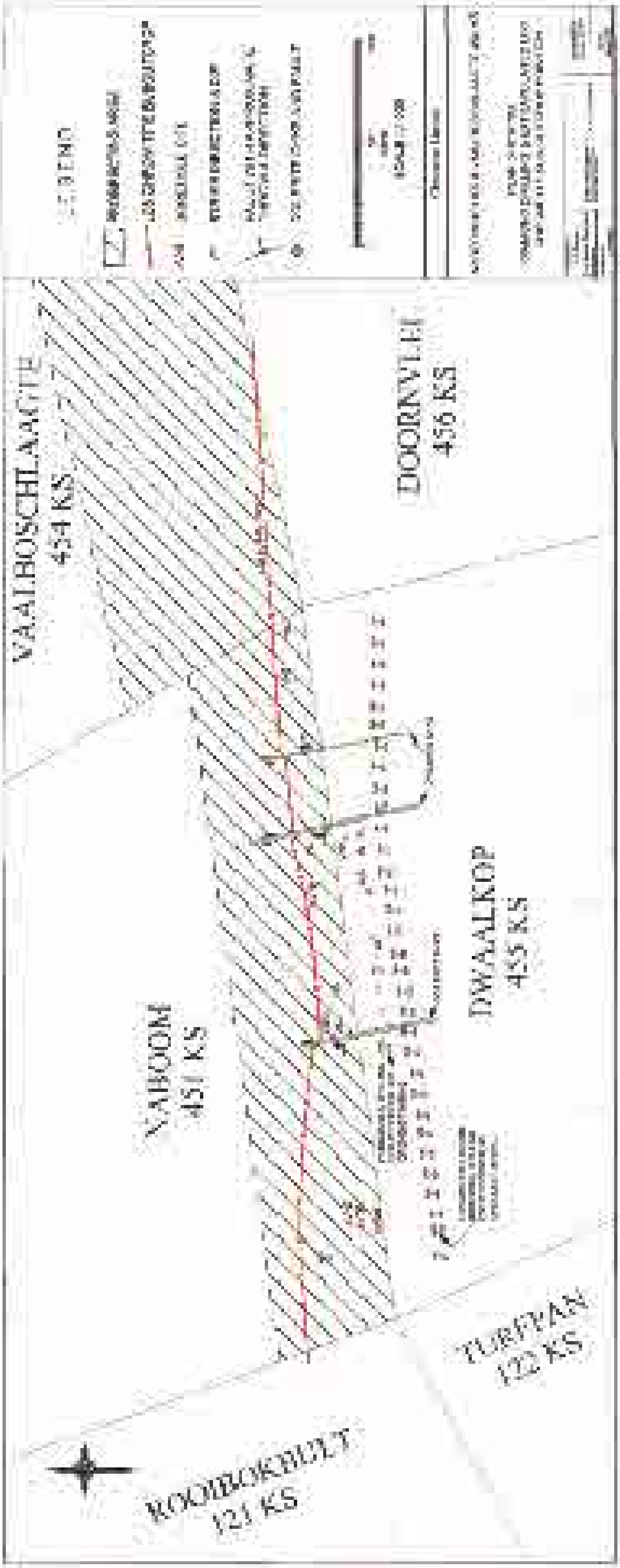


Figure 4


LEGEND
VAALBOSCHLAAGTE
454 KS
DOORNVLEI
456 KS
VABOOM
451 KS
DWAALKOP
455 KS
TURFPAN
122 KS
ROOIBOKBULT
121 KS

CORPORATE GOVERNANCE

INTRODUCTION

The board of Chrometco adheres to high standards of integrity, behaviour and ethics in dealing with all of the Group's stakeholders. All directors of the Group are required to adopt and maintain high ethical standards to ensure that the business affairs of the Group are conducted in a responsible manner and in the interests of the Group and its stakeholders.

The responsibility for managing the affairs of the Group rests with the board and, accordingly, they are accountable to the Group's stakeholders.

The minimum standard on which the Group follows is that prescribed by the statute JSE requirements and the principles of the King II Report on Corporate Governance ("the King Code").

The board, in support of corporate governance, has taken a number of initiatives since March 2006 as part of the process of continuous improvement and enhancement of the overall corporate governance framework of the Group. The most significant of these was the establishment of an Audit and Corporate Governance Committee, as well as a Remuneration Committee.

The board continues to monitor developments in the area of corporate governance with the view to reviewing and adapting corporate governance structures and practices where appropriate.

The board is of the opinion that Chrometco complies in most respects with the recommendations and spirit of the King Code, as well as the additional requirements for corporate governance stipulated in the JSE Listings Requirements.

The principal corporate governance structures, policies and procedures currently in place, are set out below. Areas of non-compliance with the King Code and the JSE Listings Requirements are explained.

BOARD ACCOUNTABILITY AND AUTHORITY

The general powers of the directors of Chrometco are conferred either by the Company's Articles of Association or by the South African Companies Act, or in terms of the JSE Listings Requirements. The board has adopted a charter through which it controls and monitors the Group's business. The board charter outlines the following major responsibilities:

- giving of strategic direction of the Group;
- retention of full and effective control of the Group and the monitoring of the implementation of board plans and strategies by management;
- identification and the monitoring of key risk areas to ensure the integrity of the Group's management of risk and internal control;
- appointment of directors in terms of the Group's policy and procedures;
- appointment of a chief executive officer;
- maintenance of succession plans at executive level; and
- any other matters that have a material impact on the Group's affairs.

While retaining overall accountability and subject to matters reserved to itself, the board has delegated authority to run the day-to-day affairs of the Group to the Chief Operating Officer.

Audit and Remuneration Committees have been constituted to assist the board in the discharge of its duties and responsibilities. Both committees act within their respective terms of reference, under which certain functions of the board are assigned with defined purposes, membership requirements, duties and reporting procedures. They are required to carry out self-evaluations at least annually. Board committees are also required to be reviewed by the board. Board committees may take independent professional advice at the Group's expense, when necessary. Chairmen of the board committees or their representatives are required to attend annual general meetings to answer questions raised by shareholders.

BOARD COMPOSITION

The names of the directors in office appear in the Directors' report.

The board has adopted a policy detailing the procedures for appointments to the board. All appointments are formal and transparent, and a matter for the board as a whole, assisted by the Nomination Committee. There is also a policy evidencing a clear division of powers and authority such that no one individual has unfettered powers of decision-making.

The Group has a board structure which consists of five members, three of whom are non-executive directors (including the chairman) and two are executive directors. At present, the Group does not have an independent non-executive director which meets the test of independence as embodied in the King Code and in the JSE Listings Requirements. Because of their present or past involvements with the operations of Chrometco, neither Mr Edward Bramley nor Mr Trevor Scott can be categorised as independent at this point in time. All of the non-executive directors are high caliber individuals and make a significant contribution to the board's deliberations and decisions.

All the directors in office have the appropriate knowledge, experience and ability to meet the present and future requirements of the Group.

The board meets at least on a quarterly basis to discuss and review issues of strategy, planning, operational and financial performance, stakeholder communications and other material matters reserved for its decision. Further operational meetings are held as and when required.

An agenda, the minutes of the previous meeting and supporting papers are distributed in a timely manner to all directors prior to each board meeting, thereby giving directors sufficient time to consider matters for discussion. Where directors are unable to attend board meetings for any reason, every effort is made to obtain and communicate to the meeting any comments that they may have on items appearing on the agenda, as well as for general items. Explanations and motivations for items of business requiring decisions are given in the meeting, thereby ensuring that all the relevant facts and circumstances are brought to the attention of directors who, in any event, have unrestricted access to, and may inspect, all Group property and records. In addition, directors are kept fully informed of progress on matters between formal meetings by way of *ad hoc* meetings and communications on a regular basis. The directors also have unrestricted access to the Group Secretary for advice and information.

The board, at the present time, does not include an independent non-executive director.

ATTENDANCE AT BOARD MEETINGS

The non-executive directors are available to management at all times when required and did attend several non-board meetings during the period under review. Between listing and financial year-end the board met formally on three occasions, at which the Group's operational manager, Mr Stuart Simons and the Group's Designated Advisor and Secretary, were also in attendance:

Director	Meetings held during time in office	Number of meetings attended
Michael Saner*	3	3
Edward Bramley	3	3
Josef de Beer	3	3
Bruce Williamson*	3	3

* Denotes non-executive.

CHANGE OF DIRECTORS

On 17 January 2006, the chairman Mr Michael Saner resigned. The remaining non-executive director, Mr Bruce Williamson, was nominated to then take over as chairman on 18 January 2006. Additionally, Mr John Francey was appointed as a non-executive director on the same date.

On 17 March 2006, it was decided to reconstitute the board:

- Mr Edward Bramley resigned as Chief Executive Officer and became a non-executive director;
- Mr Stuart Simons was appointed as Chief Operating Officer;
- Mr John Francey was appointed as executive Financial Director; and
- Mr Trevor Scott joined the board as a non-executive director.

Any new appointment of a director is considered by the board as a whole. The Secretary ensures that new directors are provided with an induction programme aimed at deepening their understanding of the Group and the business environment and markets in which it operates. The programme also includes an explanation of the director's fiduciary duties and responsibilities. Directors are apprised, whenever relevant, of any new legislation and changing commercial risks that may affect the affairs of the Group.

The board of directors has given general declarations of interest in terms of section 234(3) of the Companies Act, 1973. These declarations indicate that each member of the board holds various other positions in local entities and some members of the board hold interests in certain entities. A register detailing directors' and officers' interests in contracts is available for inspection at the Group's registered office.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The role of chairman and chief executive officer remains separate and distinct. The chairman has the responsibility for running the board, while the chief executive officer has the responsibility for the conduct of the affairs of the Group. Consequently, no one individual at board level has unfettered powers of decision making.

At the date of this report, the position of chief executive officer remains vacant. As mentioned previously, the duties normally assigned to the chief executive officer have been delegated to the chief operating officer until such time that the vacant position can be filled.

BOARD COMMITTEES

A description of each board committee is provided below:

Audit and Corporate Governance Committee

Mr Trevor Scott *(Chairman)*

Mr Bruce Williamson

Mr Edward Bramley

The Audit and Corporate Governance Committee, which must have a minimum of three members, consists exclusively of non-executive directors. The Audit and Corporate Governance Committee is to have meetings at least twice per year. The board has determined that the chairman possesses the skills, qualification and experience necessary to contribute meaningfully to the committee's deliberations as a member rather than as an invitee. The financial director attends meetings by invitation. A *quorum* for a meeting is two members present. Each member has one vote and the chairman has no casting vote. The terms of reference of the Audit and Corporate Governance Committee are reviewed annually.

The Audit and Corporate Governance Committee's duties mainly cover:

- the Group's relationship with the external auditors;
- the presentation of financial statements and reports complying with all relevant corporate disclosure requirements and accounting standards;
- the review of any other announcement regarding the Group's results or other financial information;
- the identification of exposure to significant risks;
- the operation of adequate processes of internal control;
- all corporate governance issues.

In addition, the Audit and Corporate Governance Committee considers any matters referred to it by the board.

The chairman of the Audit and Corporate Governance Committee reports to the board on recommendations made by the committee. The committee did not meet during the financial year as it was only constituted in April 2006. The committee has met once subsequent to year-end. All members attended the committee meetings.

The members of the committee will complete a self evaluation analysis of the committee's performance during the year. The board will determine at its next meeting whether the Audit and Corporate Governance Committee has satisfied its responsibilities for the year under review in compliance with its terms of reference.

Remuneration Committee

Mr Bruce Williamson *(Chairman)*

Mr Edward Bramley

Mr Trevor Scott

The Remuneration Committee has a minimum of three members and is composed entirely of non-executive directors. The Remuneration Committee must meet at least twice per year. The financial director and chief operating officer attend Remuneration Committee meetings by invitation. Neither of them, nor any other senior executive, may be present at meetings of the committee when remuneration issues applicable to them are discussed or considered. A *quorum* for a meeting is two members present in person. Each member has one vote and the chairman has no casting vote. The terms of reference of the Remuneration Committee are reviewed annually.

The areas of responsibility of the committee are, an annual review of:

- the salary package payable to the chief executive officer, chief operating officer and financial director, as well as salaries paid to members of staff;
- the remuneration payable to directors and board committee members of the Group;
- the Group's compliance with employment equity requirements.

The chairman of the committee reports to the board on recommendations made by the committee.

The committee did not meet during the financial year as it was only constituted in April 2006. The inaugural meeting of the Remuneration Committee is to take place in September 2006.

The members of the committee will complete a self-evaluation analysis of the committee's performance during the year. The Board will determine at its next meeting whether the Remuneration Committee has satisfied its responsibilities for the year under review in compliance with its terms of reference.

DIRECTORS' REMUNERATION

The remuneration paid to executive directors is determined on a cost-to-company basis. The remuneration package comprises a basic salary and other benefits.

Basic salary

The salary of executive directors is reviewed annually by the Remuneration Committee and is benchmarked against external market data taking into account the size and complexity of the Group and its operations. Individual performance and overall responsibility is also taken into consideration. The chairman appraises the performance of the executive director annually.

Fringe benefits

The chief operating officer has the benefit of a fully expensed Company car.

Please refer to Note 17 in the annual financial statements for a detailed summary of the remuneration paid to directors for the year ended 28 February 2006.

Non-executive directors' emoluments

The remuneration of non-executive directors is approved by shareholders in terms of the Company's Articles of Association. Non-executive directors derive no benefits from the Group for their services as directors, other than their remuneration and fees. In terms of the Articles of Association, non-executive directors who perform services outside the scope of the ordinary duties of a director may be paid additional remuneration.

Please refer to Note 17 in the annual financial statements for a detailed summary of the remuneration paid to non-executive directors for the year ended 28 February 2006.

THE GROUP SECRETARY

Appointment and removal of the Group Secretary is a matter for the board as a whole.

The Group Secretary's functions include the following:

- providing the Group's directors, both collectively and individually, with detailed guidance on their duties, responsibilities and powers;
- providing information on all laws, legislation, regulations and matters of ethics and good corporate governance relevant to or affecting the Group;
- making certain that all statutory requirements are complied with;
- ensuring that the minutes of all shareholders' meetings, directors' meetings, board committee meetings, as well as meetings of management, are properly recorded;
- administering closed periods for dealing in the Group's shares; and
- managing the induction of new directors.

ANNUAL FINANCIAL STATEMENTS

The directors are required by the South African Companies Act to maintain adequate accounting records and are responsible for the preparation of the annual financial statements and related financial information of the Company and Group at the end of the financial year, in conformity with International Financial Reporting Standards and in terms of the JSE Listings Requirements.

The external auditors, RSM Betty & Dickson (Johannesburg), are responsible for independently auditing and reporting on the annual financial statements in conformity with International Standards on Auditing and the Companies Act. Their unqualified report appears on page 29.

RISK MANAGEMENT AND INTERNAL CONTROL

The board has ultimate responsibility for the total process of risk management and its effectiveness within the Group. Management is accountable to the board and has established internal controls to manage significant Group risk. This assists the board in discharging its responsibility for ensuring that the range of risks, associated with its operations, are effectively managed in support of the creation and preservation of shareholder wealth.

In view of the limited extent of the nature of the Group's business, the board considers it unnecessary to operate an internal audit function.

Regular management reports, which provide a balanced assessment of key risks, are an important component of board assurance.

The board is satisfied that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group.

INSIDER TRADING

The Group has a policy in place to restrict the dealing in its securities by directors, employees or other designated persons.

No employee may deal either, directly or indirectly, in the Group's ordinary shares on the basis of unpublished price-sensitive information regarding its business or affairs. No director, secretary, officer or other employee of the Group or designated person may trade in the Group's shares during a closed period as determined by the board in accordance with the JSE Listings Requirements. A list of persons who are restricted for this purpose has been approved by the board and is revised from time to time. A register of directors, secretary and officers is available for inspection at the Group's registered office in 3 Main Road, Irene.

CORPORATE SOCIAL RESPONSIBILITY

The Group has not yet established a corporate social responsibility policy.

GROUP ETHICS AND BUSINESS

The Group is committed to the highest standards of professionalism and organisational integrity, as well as ethical and legal conduct in business dealings with stakeholders. A Code of Business Conduct is in the process of being implemented. Upon completion and approval by the board, the Code will be distributed to all employees.

COMMUNICATION

Chrometco subscribes to a policy of full, accurate and consistent communication in respect of both its financial and operating affairs.

The Group regularly communicates with major shareholders, institutional investors, analysts and the media.

Chrometco encourages its shareholders to attend the Group's general meetings, which provide opportunities for shareholders to ask questions of the board, including the chairmen of the two standing committees of the board, or their representatives.

Shareholders are informed at annual general meetings of the results of voting, in person and by proxy, in respect of all ordinary and special resolutions proposed at such meetings.

DESIGNATED ADVISOR

River Group acts as Designated Advisor to the Group in compliance with the JSE Listings Requirements.

DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The directors are responsible for monitoring the preparation of and the integrity of the financial statements and related information included in this annual report.

In order for the board to discharge its responsibilities, management has developed and continues to maintain a system of internal control. The board has ultimate responsibility for the system of internal control and reviews its operation, primarily through the Audit Committee and various other risk-monitoring committees.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the Group's policies and procedures. These controls are implemented by trained, skilled personnel with an appropriate segregation of duties, are monitored by management and include a comprehensive budgeting and reporting system operating within strict deadlines and an appropriate control framework.

The financial statements are prepared in accordance with Statements of International Financial Reporting Standards and incorporate disclosure in line with the accounting philosophy of the Group. They are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors believe that the Group will be a going concern in the year ahead. For this reason they continue to adopt the going concern basis in preparing the Group annual financial statements.

The annual financial statements for the year ended 28 February 2006 set out on pages 30 to 62 were approved by the board of directors on 25 August 2006 and are signed on its behalf by:

B A Williamson
Director

***S* H Simons**
Director

DECLARATION BY COMPANY SECRETARY

In my capacity as Company Secretary, I hereby confirm, in terms of the Companies Act, 1973, that for the year ended 28 February 2006, the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.

A Lianos
River Group

REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF CHROMETCO LIMITED

We have audited the annual financial statements and Group annual financial statements of Chrometco Limited set out on pages 30 to 62 for the year ended 28 February 2006. These annual financial statements are the responsibility of the entity's directors. Our responsibility is to express an opinion on these annual 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 annual financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the annual financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of the Company and of the Group at 28 February 2006 and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

RSM Betty & Dickson (Johannesburg)
Registered Accountants and Auditors

Randburg
25 August 2006

DIRECTORS' REPORT

The board of directors has pleasure in presenting their report for the year ended 28 February 2006.

This Directors' report forms part of the audited financial statements of the Company and the Group for the year ended 28 February 2006.

NATURE OF BUSINESS

Chrometco Limited ("the Company" or "Chrometco") is involved in the exploration of chrome resources and the possible beneficiation thereof, as well as investigations into parallel activities in copper, cobalt, nickel and manganese.

Ingonyama Holdings (Proprietary) Limited is involved with the development of commercial opportunities with respect to base and metal recovery, beneficiation and marketing.

Rooderand Chrome (Proprietary) Limited is involved with the joint development of mining activities and exploration of chrome resources and the possible beneficiation thereof. The Company is the current holder of a valid Environmental Management Programme Report on the farm Rooderand.

Tswalo Minerals (Proprietary) Limited is a BEE initiative between Chrometco and Moepi Mining (Proprietary) Limited and is involved with the development of general mining and quarrying activities.

Tswalo Resources (Proprietary) Limited is a BEE initiative between Chrometco and Moepi Mining (Proprietary) Limited and is involved with the development of general mining and quarrying activities.

Korpo Trust (Proprietary) Limited is involved with the development of general mining and quarrying activities. The Company is the current holder of an old order mineral right on the farm Rooderand.

GENERAL REVIEW OF OPERATIONS

General review

During most of the year under review, management focused on gathering the necessary information and documentation for the imminent listing of Chrometco on the JSE Limited ("JSE").

Mike Saner, a director of Chrometco, was commissioned to prepare the Competent Person's Report on the asset to be listed, namely the Chromite ore resource, situated on the farm Rooderand, 40 km by road, North of Sun City, in the North West Province.

The River Group, represented by Andrew Lianos, was appointed as the Company's Designated Advisor. The Company intended listing on the JSE Main Board, but failed to reach its capital target of R22 million during local fund raising activities. The Company was subsequently admitted to the Alt^{x} sector of the JSE having raised just R5 million and was listed on 12 August 2005

A board of directors was assembled, comprising:

M G Saner	*Chairman*
E Bramley	*Chief Executive Officer*
B A Williamson	*Non-Executive*
J J de Beer	*Financial Director*

Subsequent to the listing, the board then authorised management to target two main opportunities:

1. sign an option with Versatex (Proprietary) Limited to explore for Chromite on the farm Naboom in the Limpopo Province; and
2. to acquire 50% of the equity in Ingonyama Holdings (Proprietary) Limited and, through this acquisition, undertake a feasibility study for the construction of a copper/cobalt refinery to produce high grade cathode from these two commodities.

Seven holes were drilled in a limited scoping study on Naboom, producing positive results. The intersection of the LG6, MG2 and MG4 chrome seams amongst others, proved to be significant with regard to quality and volume. The cost of establishing a mine and processing infrastructure is still to be ascertained by completing a bankable feasibility study, but early indications are that this would be extremely expensive, given the steep dipping nature of the ore body. Subsequent to financial year-end, the board has decided not to renew the option agreement on Naboom.

The investigation of the development of a Base Metals Refinery progressed well. Ore supply was sourced both in the Democratic Republic of the Congo, as well as in Zambia. A suitable production site was found in Brits.

Doug Gosling of Ingonyama Holdings (Proprietary) Limited was responsible for providing the information for the development of this project.

Copper, Cobalt and Nickel Refinery Project

The Company has undertaken an in-depth investigation into the feasibility of erecting a refinery to produce copper and cobalt cathode.

Matters regarding the following areas of business have been attended to:

- Sourcing and pricing of raw material;
- Monthly tonnage supply;
- Cost of road transport delivery;
- Reliability and consistency of delivery;
- Export/Import permissions;
- Production and site facility;
- Plant design and cost;
- Staffing;
- Management and metallurgical expertise;
- Competency of plant design engineers;
- Timing of turn-key supply of plant;
- Cost of production (copper and cobalt);
- Marketing of finished products; and
- Project finance.

The Company has negotiated the purchase of a suitable production facility situated at No. 35 Piet Rautenbach Street, Industrial Sites, Brits. A purchase price of R15.9 million has been provisionally agreed for this property, which includes a 5 800m^2 factory, a solvent extraction process plant, a separate office block, staff amenities and a fully equipped laboratory and maintenance workshop. Occupation is available immediately. A sufficient electricity and water supply is in place at this site to facilitate our business.

The erection of the additional plant coupled with the integration of the existing SX facility will be completed and commissioned within seven months of the date that the project is approved by the board. At the date of these financial statements, this transaction had not yet been approved by the board.

The total investment for the supply and construction of this refinery will be approximately R40 million, which excludes the purchase of the land and existing infrastructure.

An experienced and competent team is on standby and ready to drive this enterprise. Douglas Gosling, the Company's metallurgist, will be responsible for constructing the refinery. Batemans Limited will be responsible for the process and project management activities. The refinery will adopt a two X eight-hour shift system and employ a total staff complement of 49 employees.

TRANSACTIONS ENTERED INTO

Korpo Trust (Proprietary) Limited: In terms of the agreement in terms of which 100% of the share capital of Korpo Trust (Proprietary) Limited was acquired, the outstanding portion of the purchase price of Korpo (R2 000 000) was settled through the issue of 2 000 000 ordinary shares in June 2005. Chrometco was, in terms of this agreement, under obligation, until 15 June 2006, to buy-back the shares thus issued subject to a maximum buy-back price of R2 000 000 *(refer to the discussion of significant subsequent events for further information).* The Company subsequently paid an amount of R60 000 to extend the buy-back period until such time as the funds are available to buy-back the shares.

Ingonyama Holdings (Proprietary) Limited: Chrometco acquired 50% of the issued share capital of Ingonyama Holdings (Proprietary) Limited ("Ingonyama") for a total purchase consideration of R2 000 000. Ingonyama holds a key ore supply agreement with a mining company based in the Democratic Republic of the Congo. The entire purchase price was settled through an issue of 4 000 000 ordinary shares.

CORPORATE GOVERNANCE

The Company agrees with the principles of corporate governance as laid out in the King Code and intends to comply with its recommendations. Refer to the Corporate Governance report for a detailed insight into the Company's principles and practice of sound corporate governance.

SEGMENT REPORT

Chrometco is a chrome exploration company with prospects in the following geographical areas:

- North West Province South Africa; and
- Limpopo Province South Africa,

and is investigating other base metals possibilities in Gauteng Province, South Africa.

As the Group is currently involved only in the exploration for chrome resources and all income and expenditure, assets and liabilities are held and incurred in this single activity. Segmental information will not be presented until such time as the business has developed and segments of the business can be properly identified and a meaningful allocation can be made between such segments.

FINANCIAL RESULTS

The Group incurred a loss on ordinary activities after taxation for the year amounting to R9 923 031 (2005: loss of R857 058), after deducting taxation of R nil (2005 - R nil)).

It is the intention of the Group to make minimal use of external sources of financing and to look to investors on the JSE to raise the capital required to pursue its stated objectives.

DIVIDENDS

No dividends were recommended or declared during the year.

28 February 2006	**Issued share capital R**	**Percentage holding**	**Shares at cost R**	**Due by subsidiaries R**
Korpo Trust (Proprietary) Limited	104	100	2 600 000	13 584
Rooderand Chrome (Proprietary) Limited	1	100	1	88 603
Tswalo Resources (Proprietary) Limited	1 000	90	900	3 604
Tswalo Minerals (Proprietary) Limited	1 000	60	600	3 604
Ingonyama Holdings (Proprietary) Limited	200	50	2 000 000	952 032
			4 601 501	**1 061 427**

The attributable interest in the aggregate net losses after tax of subsidiaries is:

	2006 R	2005 R
Net losses	**4 601 501**	19 417

During the year Chrometco advanced the amount of R1 061 427 (2005: R17 917) by way of interest free loans to subsidiary companies as disclosed in Note 4 to the financial statements. These loans have been subordinated in favour of other creditors until such time as the assets of the subsidiaries, fairly valued, exceed the liabilities of the subsidiaries.

Chrometco has also supplied the subsidiary companies with letters of support indicating that Chrometco will provide the subsidiary companies with financial support to meet their obligations.

SHARE CAPITAL

During the year 10 921 800 (2005: 42 220 000) ordinary shares were issued for a gross cash consideration of R5 932 149 (2005: R1 423 895). Detail of the authorised and issued share capital of the Company appears in Note 9 to the financial statements.

The shares were issued under the following circumstances:

- 6 880 000 ordinary shares were issued to settle certain creditors and contractual liabilities at an average issue price of 100 cents per share to an additional 12 shareholders; and
- 4 041 800 ordinary shares were issued as part of the Company's listing at an average issue price of 125 cents per share.

DIRECTORS' INTEREST IN SHARE CAPITAL

	2006	2005
	%	%
At 28 February 2006 the directors of the Company held, directly and indirectly, the following shares in the Company:		
Directors		
Ordinary shares		
- beneficial	**66.4**	34.2

At 28 February 2006, the directors interests in the share capital of Chrometco were as follows:

- E Bramley, directly and indirectly, held 46 975 000 shares (2005: 45 000 000 shares);
- B Williamson, directly and indirectly, held 900 000 (2005: nil); and
- S H Simons, directly and indirectly, held 48 105 000 (2005: nil).

The Company has not been informed of any material changes in these holdings to the date of this report.

EXECUTIVE SHARE INCENTIVE SCHEME

The Company currently has no executive share incentive scheme in place.

Schedule of major shareholders of the Company

At 28 February	**Percentage holding**		**Shares held**	
Shareholder	**2006**	2005	**2006**	2005
Ordinary shares:				
Audax Resources (Proprietary) Limited (previously Angelfish Investments 148 CC)	**27.7**	30.0	**40 000 000**	40 000 000
Woad Minerals (Proprietary) Limited	**31.1**	33.7	**45 000 000**	45 000 000
E Bramley	**3.5**	3.7	**4 950 000**	5 000 000
Other - each holding less than 3% of the issued share capital	**37.7**	32.6	**54 491 800**	43 520 000
	100	100	**144 441 800**	133 520 000

The shareholding can be summarised as follows:

	Percentage holding		Shares held	
At 28 February	**2006**	2005	**2006**	2005
	%	%		
Non-public shareholders	**66.4**	70.3	**95 980 000**	93 815 000
Public shareholders	**33.6**	29.7	**48 461 800**	39 705 000
	100.0	100.0	**144 441 800**	133 520 000

SPECIAL RESOLUTIONS

Since the date of the last Directors' report, the following special resolutions were passed:

- in April 2005, the authorised share capital of the Company was increased to 500 000 000 of 0.00001 cent each; and
- a special resolution was passed in April 2006 to enable the Company to pursue a financing agreement with offshore partners.

BORROWINGS

In 2005, Chrometco acquired the shares in Korpo for a maximum purchase consideration of R2 600 000. R600 000 of the purchase price was settled in cash during that year. Additionally, an agreement was entered into with the previous shareholders of Korpo in terms of which the previous shareholders of Korpo will, upon the listing of Chrometco on the JSE, take up equity in Chrometco *in lieu* of the payment of the outstanding purchase price. Upon listing, the outstanding portion of the purchase price of R2 000 000 was settled through the issue of 2 000 000 ordinary shares *(refer to Note 10 to the financial statements).*

There were no significant borrowings at 28 February 2006.

PROPERTY, PLANT AND EQUIPMENT

There were no changes in the nature of property, plant and equipment nor in the policy regarding their use during the year.

EVENTS SUBSEQUENT TO YEAR-END

There have been no facts or circumstances of a material nature, other than those described below, which have occurred between the accounting date and the date of this report.

Buy-back of shares issued to previous shareholders of Korpo Trust (Proprietary) Limited

Pursuant to an agreement between Chrometco and the previous shareholders of Korpo Trust (Proprietary) Limited ("Korpo"), in terms of which the Company was under obligation at 15 June 2006 to buy-back the 2 000 000 ordinary shares issued to the previous shareholders of Korpo subject to a maximum buy-back price of R2 000 000. The previous shareholders of Korpo exercised their right to sell their shares back to the Company for a price of R2 000 000 by 15 June 2006. The buy-back of the shares was still pending at the date of this report and the Company has paid an amount of R60 000 to extend the buy-back period until such time as the funds are available to buy-back the shares.

Issue of share capital

During August 2006, the following share capital transactions took place:

- 2 300 000 ordinary shares of par value 0.00001 cent each were placed privately for a gross cash consideration of R1 012 000; and
- 5 258 200 ordinary shares of par value 0.00001 cent each were placed privately for a gross cash consideration of R2 102 751.

DIRECTORS

The directors of the Company during the accounting period and up to the date of this report were as follows:

B A Williamson	*Chairman* (Non-executive - appointed 18 January 2006)
S H Simons	*Executive* (appointed 17 March 2006)
J R Francey	*Executive* (appointed 18 January 2006)
E Bramley	*Non-executive*
T W Scott	*Non-executive* (appointed 17 March 2006)

The following changes to the board took place during the year under review:

M G Saner - resigned 17 January 2006

J J de Beer - resigned 17 January 2006

SECRETARY

The Secretary at the date of this report is River Group.

Business address	**Postal address**	**Registered address**
Parc Nouveau	PO Box 1666	Parc Nouveau
225 Veale Street	Groenkloof	225 Veale Street
Brooklyn	0027	Brooklyn
0181		0181

AUDITORS

KPMG Inc. resigned from the office of auditor in February 2006. RSM Betty & Dickson (Johannesburg) accepted appointment to the office of auditor in March 2006.

GOING CONCERN

The financial statements have been prepared on the going concern basis, since the directors have reason to believe that the Company has adequate resources in place and available to it from its shareholders to continue in operation for the foreseeable future.

The directors have taken the following steps and placed into action the following plans to ensure the Company's ability to continue as a going concern:

- In February 2006, management visited numerous potential providers of finance in London and returned feeling comfortable with the positive reception they had received during their brief stay. Messrs Williamson and Simons also made enquiries regarding a Secondary Listing of Chrometco on the AIM sector of the London Stock Exchange plc ("LSE").
- In August 2006, a private placement of ordinary shares took place in order for the Company to obtain further cash resources *(refer to the discussion of significant subsequent events for further information).* The funds received will allow the Company to resume exploration activities on Rooderand, as well as to initiate an exploration programme on its nickel interests and to establish a copper operation. Currently, the Company also intends to pursue an immediate cash generating opportunity in copper ingot trading.
- Exploration activities indicate the presence of sufficient chrome resources to warrant further exploration with the aim of defining a Measured Reserve on Rooderand 46 QJ.

The Group's ability to continue as a going concern is dependant on the successful conclusion of the above actions together with the implementation and establishment of the potential opportunities detailed.

Pretoria
25 August 2006

BALANCE SHEETS
at 28 February 2006

	Notes	Group 2006 R	Group 2005 R	Company 2006 R	Company 2005 R
ASSETS					
Non-current assets		**245 468**	2 960 975	**238 804**	2 934 542
Property, plant and equipment	2	**245 468**	234 541	**238 804**	234 541
Intangible assets	3	**-**	2 599 898	**-**	-
Investment in subsidiaries	4	**-**	-	**-**	2 600 001
Other long-term receivables	5	**-**	126 536	**-**	100 000
Current assets		**2 118 096**	256 652	**1 944 212**	256 652
Inventories	6	**53 180**	53 180	**53 180**	53 180
Trade and other receivables	7	**237 906**	5 217	**225 603**	5 217
Cash and cash equivalents	8	**1 827 010**	198 255	**1 665 429**	198 255
Total assets		**2 363 564**	3 217 627	**2 183 016**	3 191 194
EQUITY AND LIABILITIES					
Capital and reserves		**1 042 619**	1 033 501	**1 122 469**	1 033 501
Share capital	9	**1 444**	1 335	**1 444**	1 335
Share premium	9	**11 945 500**	2 013 460	**11 945 500**	2 013 460
Accumulated loss		**(10 904 325)**	(981 294)	**(10 824 475)**	(981 294)
Non-current liabilities		**96 405**	1 953 550	**96 405**	1 953 550
Long-term liabilities	10	**-**	1 818 981	**-**	1 818 981
Long-term borrowings	11	**96 405**	134 569	**96 405**	134 569
Current liabilities		**1 224 540**	230 576	**964 142**	204 143
Provisions	12	**51 804**	3 181	**51 804**	3 181
Trade and other payables	13	**1 101 168**	167 284	**874 522**	167 284
Current portion of borrowings	11	**37 816**	33 678	**37 816**	33 678
Taxation payable	14	**33 752**	26 433	**-**	-
Total equity and liabilities		**2 363 564**	3 217 627	**2 183 016**	3 191 194

INCOME STATEMENTS
for the year ended 28 February 2006

		Group		Company	
	Notes	**2006**	2005	**2006**	2005
		R	R	**R**	R
Revenue	15	**-**	172 316	**-**	172 316
Cost of sales		**-**	(125 263)	**-**	(125 263)
Gross profit		**-**	47 053	**-**	47 053
Other income		**10 877**	2 000	**10 877**	2 000
Operating expenses		**(9 769 282)**	(1 074 592)	**(9 696 650)**	(1 074 092)
Fair value adjustment for non-derivative financial liabilities		**(181 819)**	181 819	**(181 819)**	181 819
Operating loss	16	**(9 940 224)**	(843 720)	**(9 867 592)**	(843 220)
Investment income	18	**40 632**	5 243	**40 632**	5 243
Finance costs	19	**(23 539)**	(19 081)	**(16 221)**	(19 081)
Net loss before taxation		**(9 923 131)**	(857 558)	**(9 843 181)**	(857 058)
Taxation	20	**-**	-	**-**	-
Net loss after taxation		**(9 923 131)**	(857 558)	**(9 843 181)**	(857 058)
Minority interest in losses		**100**	500	**-**	-
Net loss for year		**(9 923 031)**	(857 058)	**(9 843 181)**	(857 058)
Basic loss per share (cents)	21	**7.00**	0.89		
Diluted loss per share (cents)	21	**7.00**	0.89		
Headline loss per share (cents)	21	**3.62**	1.08		
Dividends per share (cents)		**-**	-		

STATEMENTS OF CHANGES IN EQUITY
for the year ended 28 February 2006

	Note	Share capital and share premium R	Minority interest R	Accumulated loss R	Total R
GROUP					
Balance at 1 March 2004		590 900	-	(124 236)	466 664
Issue of share capital and premium	9	1 423 895	-	-	1 423 895
Change in share holding of subsidiaries		-	500	-	500
Net loss for year		-	(500)	(857 058)	(857 558)
Balance at 1 March 2005		2 014 795	-	(981 294)	1 033 501
Issue of share capital and premium	9	9 932 149	-	-	9 932 149
Change in share holding of subsidiaries		-	100	-	100
Net loss for year		-	(100)	(9 923 031)	(9 923 131)
Balance at 28 February 2006		**11 946 944**	**-**	**(10 904 325)**	**1 042 619**
COMPANY					
Balance at 1 March 2004		590 900		(124 236)	466 664
Issue of share capital and premium	9	1 423 895		-	1 423 895
Net loss for year		-		(857 058)	(857 058)
Balance at 1 March 2005		2 014 795		(981 294)	1 033 501
Issue of share capital and premium	9	9 932 149		-	9 932 149
Net loss for year		-		(9 843 181)	(9 843 181)
Balance at 28 February 2006		**11 946 944**		**(10 824 475)**	**1 122 469**

CASH FLOW STATEMENTS
for the year ended 28 February 2006

	Notes	Group **2006** R	Group 2005 R	Company **2006** R	Company 2005 R
Cash outflows from operating activities					
Cash utilised by operations		**(4 186 376)**	(861 454)	**(3 313 289)**	(842 037)
Operating loss before working capital changes	26.1	**(4 887 570)**	(949 536)	**(3 800 141)**	(930 119)
Working capital changes	26.2	**701 194**	88 082	**486 852**	88 082
Investment income		**40 632**	5 243	**40 632**	5 243
Finance costs		**(23 539)**	(19 081)	**(16 221)**	(19 081)
Taxation	26.3	**7 319**	-	**-**	-
Net outflow from operating activities		**(4 161 964)**	(875 292)	**(3 288 878)**	(855 875)
Cash flows from investing activities					
Additions to fixed assets		**(29 504)**	(2 423)	**(20 661)**	(2 423)
Acquisitions of subsidiaries	26.4	**-**	(600 001)	**-**	-
Decrease in long-term receivables		**(77 100)**	(100 000)	**(77 100)**	(100 000)
Increase in investment in subsidiaries				**(1 043 510)**	(619 418)
Net cash outflow from investing activities		**(106 604)**	(702 424)	**(1 141 271)**	(721 841)
Cash flows from financing activities					
Shares issued		**5 932 149**	1 423 895	**5 932 149**	1 423 895
Long-term borrowings repaid		**(34 026)**	(116 193)	**(34 026)**	(116 193)
Decrease in amount owing to director		**(800)**	(2 278)	**(800)**	(2 278)
Net cash inflow from financing activities		**5 897 323**	1 305 424	**5 897 323**	1 305 424
Net increase/(decrease) in cash and cash equivalents		**1 628 755**	(272 292)	**1 467 174**	(272 292)
Cash and cash equivalents at beginning of year		**198 255**	470 547	**198 255**	470 547
Cash and cash equivalents at end of year		**1 827 010**	198 255	**1 665 429**	198 255

1. ACCOUNTING POLICIES

Chrometco Limited (the "Company") is a company domiciled in the Republic of South Africa. The consolidated financial statements of the Company for the year ended 28 February 2006 comprise the Company and its subsidiaries (together referred to as the "Group").

1.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board (IASB).

1.2 Basis of preparation

The financial statements and Group financial statements are prepared on the historical cost basis, except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading and financial instruments classified as available for sale.

1.3 Adoption of new pronouncements

Both the Company and the Group have not yet applied the following new standards, interpretations and amendments that have been issued but are not yet effective:

Standard or interpretation	Effective date
IFRS 6: Exploration for and Evaluation of Mineral Resources The adoption of IFRS 6 is expected to impact on both the Company's and the Group's accounting policy for exploration and evaluation assets and expenditures. The statement introduces the requirement to determine an accounting policy for the recognition and measurement of exploration and evaluation assets and expenditures. Management are currently in the process of determining an appropriate accounting policy. The Group will apply IFRS 6 from annual periods commencing on or after 1 March 2006.	1 January 2006
IFRS 7: Financial Instruments: Disclosures, and IAS 1: Presentation of Financial Statements - Capital Disclosures IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30: Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32: Financial Instruments: Disclosure and Presentation. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group has assessed the impact of IFRS 7 and the amendment to IAS 1 and have concluded that the main impact of the new statement and amendment will be additional disclosures. The Group will apply IFRS 7 and the amendment to IAS 1 from annual periods commencing on or after 1 March 2007.	1 January 2007
IFRIC 4: Determining Whether an Arrangement Contains a Lease IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. Management is currently assessing the impact of IFRIC 4 on the Group's operations.	1 January 2006

Standard or interpretation	Effective date
IFRIC 5: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2006
IFRIC 5 is not relevant to the Group's operations.	
IFRIC 6: Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 December 2005
IFRIC 6 is not relevant to the Group's operations.	
IFRIC 7: Applying the Restatement Approach Under IAS 29 Financial Reporting in Hyperinflationary Economies	1 March 2006
The Group does not operate in a hyperinflationary economy. This interpretation will not affect the Group's financial statements.	
IFRIC 8: Scope of IFRS 2, and AC 503: Accounting for Black Empowerment Transactions	1 May 2006
These interpretations are, at this stage, not expected to affect the Group's financial statements.	
IFRIC 9: Re-assessment of Embedded Derivatives, and AC 503: Accounting for Black Empowerment Transactions	1 June 2006 and 1 May 2006
These interpretations are, at this stage, not expected to affect the Group's financial statements.	
IAS 19 (Amendment): Employee Benefits	1 January 2006
The amendment will not affect the Group's financial statements.	
IAS 21 (Amendment): The Effects of Changes in Foreign Exchange Rates Net Investment in a Foreign Operation	1 January 2006
The amendment will not affect the Group's financial statements.	
IAS 39 (Amendment): Cash Flow Hedge Accounting of Forecast Intra-Group Transactions	1 January 2006
The amendment will not affect the Group's financial statements.	
IAS 39 (Amendment): The Fair Value Option	1 January 2006
This amendment changes the definition of financial instruments held at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments as the Group currently has no assets classified as held at fair value through profit or loss and the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit or loss. The Group will apply this amendment from annual periods beginning 1 March 2007.	
IAS 39 (Amendment): Financial Guarantee Contracts	1 January 2006
The amendment will not affect the Group's financial statements.	

1.4 Sources of estimation uncertainty

Managements key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that could have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in Note 12 -Provisions.

Property, plant and equipment

Management has made certain estimations with regards to the determination of estimated useful lives and residual values of items of property, plant and equipment, as discussed further in Note 1.7.

1.5 Significant judgements

Other than those dealt with below, judgements made by management in applying the accounting policies that could have a significant effect on amounts recognised in the financial statements include:

Contingent liabilities

Management applies its judgement to advice it receives from its attorney, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

1.6 Basis of consolidation

1.6.1 Investment in subsidiaries

Subsidiaries are those entities over whose financial and operating policies the Company has the power to exercise control, so as to obtain benefits from their activities.

The Group financial statements incorporate the assets, liabilities and results of the operations of the Company and its subsidiaries. The results of subsidiaries acquired and disposed of during a financial year are included from the effective dates of acquisition and to the effective dates of disposal. Where necessary, the accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group.

On acquisition the Group recognises the subsidiary's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less costs-to-sell.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

1.6.2 Transactions eliminated on consolidation

Intra-Group balances and transactions and any unrealised gains arising from intra-Group transactions are eliminated in preparing the consolidated financial statements.

1.7 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Group;
- the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Day-to-day expenses incurred on property, plant and equipment is expensed directly in profit or loss for the period. Major maintenance that meets the recognition criteria is capitalised.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Depreciation commences when an asset is available for use. Depreciation is charged so as to write-off the depreciable amount of items to their residual values, over their estimated useful lives, using a method that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Group.

Where an item comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment and depreciated over their estimated useful lives.

Methods of depreciation, useful lives and residual values are annually reviewed. The following methods and useful lives were applied during the year:

Item	Method	Useful life
Other equipment	Straight-line	3 years
Motor vehicles	Straight-line	5 years
Office equipment	Straight-line	3 to 6 years
IT equipment	Straight-line	3 years

The depreciation charge for each period is recognised in profit or loss.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

When a decision is made by the directors that an item of property, plant and equipment will be disposed of, and the requirements of IFRS 5: Non-Current assets Held for Sale and Discontinued Operations, are met, then those specific assets will be presented separately on the face of the balance sheet. The assets will be measured at the lower of carrying amount and fair value less costs to sell and depreciation on such assets shall cease.

1.8 Leases

Finance leases

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the Group are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease and depreciated over the estimated useful life of the asset. The capital element of future obligations under the leases is included as a liability in the balance sheet. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

1.9 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the group; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost unless acquired as part of a business combination, in which case they are recognised at fair value.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other subsequent expenditure is expensed as incurred.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets, if in use.

The Company is still in the exploration phase and therefore the existing intangible assets are not in use. The assets will be amortised over the useful life of the mine once in production, but limited to 20 years.

The difference between the net disposal proceeds and the carrying amount of an intangible asset is the gain or loss on disposal of that asset. These gains and losses are recognised in income.

1.10 Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use. For intangible assets that are not yet available for use, or intangible assets amortised over a period exceeding 20 years, the recoverable amount is estimated at each balance sheet date.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

For an asset that does not generate cash inflows that are largely independent of those from other assets the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised in the income statement whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

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, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

1.11 Inventories

Inventories are carried at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition and is determined using the first-in, first-out method. Obsolete, redundant and slow-moving inventories are identified on a regular basis and are written-down to their estimated net realisable values.

1.12 Financial instruments

1.12.1 Initial recognition

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are recognised initially at fair value. In the case of financial assets or liabilities not classified as at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting.

1.12.2 Subsequent measurement

After initial recognition financial assets are measured as follows:

- loans and receivables and held-to-maturity investments are measured at amortised cost using the effective interest method;
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost; and
- other financial assets, including derivatives, at fair values, without any deduction for transaction costs which may incur on sale or other disposal.

After initial recognition financial liabilities are measured as follows:

- financial liabilities at fair value through profit or loss, including derivatives that are liabilities, are measured at fair value; and
- other financial liabilities are measured at amortised cost using the effective interest method.

1.12.3 Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- a gain or loss on a financial asset or financial liability classified as at fair value through profit or loss is recognised in profit or loss;

- a gain or loss on an available-for-sale financial asset is recognised directly in equity, through the statement of changes in equity, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss; and
- financial assets and financial liabilities carried at amortised cost; a gain or loss is recognised in profit or loss when the financial asset or financial liability is derecognised or impaired and through the amortisation process.

The particular recognition methods adopted are disclosed in the individual policies stated below:

Loans to/from Group companies

These include loans to/from the subsidiaries.

Loans to Group companies are classified as loans and receivables. Loans from Group companies are classified as other financial liabilities measured at amortised cost.

Loans receivable

Loans receivable are classified as loans and receivables.

Trade and other receivables

Trade and other receivables are classified as loans and receivables and are carried at amortised cost less any impairment. Impairment is determined on a specific basis, whereby each asset is individually evaluated for impairment indicators. Write-downs of these assets are expensed in profit or loss.

Cash and cash equivalents

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash. Cash and cash equivalents are measured at fair value.

Borrowings

Borrowings are classified as financial liabilities and measured at amortised cost and comprise original debt less principal payments and amortisation.

Trade and other payables

Trade and other payables are classified as other financial liabilities measured at amortised cost.

1.13 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the Group reacquires its own equity instruments, those instruments are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Consideration paid or received shall be recognised directly in equity.

1.14 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates and Value-Added Tax.

1.15 Investment income

Interest is recognised on a time : proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is probable that such income will accrue to the Group.

Dividends are recognised when the right to receive payment is established.

1.16 Exploration costs

Exploration costs are recognised in the income statement until completion of a final feasibility study supporting proven and probable reserves. Expenditure incurred subsequent to proven and probable reserves being identified are capitalised.

1.17 Taxation

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the balance sheet date and any adjustment of tax payable for previous years.

Deferred tax is provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is charged to the income statement, except to the extent that it relates to a transaction that is recognised 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.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Secondary Tax on Companies is recognised as part of the current tax charge in the income statement when the related dividend is declared.

1.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur and where a reliable estimate can be made of the amount of the obligation. Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

1.19 Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service.

The provisions for employee entitlements to wages, salaries, annual and sick leave represent the amount, which the Group has, a present obligation to pay as a result of employees' services provided to the balance sheet date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates.

1.20 Segment reporting

The Group is involved in exploration for and beneficiation of chrome resources. It is envisaged that, on a primary basis, the Group would be organised into two major operating divisions:

- exploration activities; and
- beneficiation activities.

In time a secondary segment basis, either the geographical location of the Group's facilities or, in the event of other resources being developed, the specific resource activities, will be identified. The basis of segment reporting will be representative of the internal structure used for management reporting.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of enterprise revenue and expenses that can be allocated on a reasonable basis to a segment, whether from external transactions or from transactions with other Group segments. Inter-segment transfer pricing is based on cost plus an appropriate margin. Unallocated items mainly comprise corporate expenses, research and development costs and amortisation of intangible assets. Segment results are determined before any adjustments for minority interest.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets are determined after deducting related allowances that are reported as direct offsets in the Group's balance sheet. Segment assets and liabilities do not include income tax items.

Capital expenditure represents the total costs incurred during the period to acquire segment assets that are expected to be used during more than one period (namely, property, plant and equipment and intangible assets).

As the Group is currently involved only in the exploration for chrome resources and all income and expenditure, assets and liabilities are held and incurred in this single activity, segmental information will not be presented until such time as the business has developed and segments of the business can be properly identified and a meaningful allocation can be made between such segments.

1.21 Share-based payments

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or as the services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions, the goods or services received are measured, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably.

If the fair value of the goods or services received cannot be estimated reliably, their value and the corresponding increase in equity, indirectly, are measured by reference to the fair value of the equity instruments granted.

For cash-settled share-based payment transactions, the goods or services acquired and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is remeasured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

For share-based payment transactions in which the terms of the arrangement provide either the entity or the counterparty with the choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments, the components of that transaction are recorded, as a cash-settled share-based payment transaction if, and to the extent that, a liability to settle in cash or other assets has been incurred, or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

1.22 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

2. PROPERTY, PLANT AND EQUIPMENT

Group	Cost R	Accumulated depreciation R	Carrying amount R
28 February 2006			
Motor vehicles	284 440	64 976	219 464
Computer equipment	25 069	4 286	20 783
Office equipment	4 923	1 349	3 574
Other assets	1 935	288	1 647
	316 367	**70 899**	**245 468**
28 February 2005			
Motor vehicles	284 440	52 056	232 384
Office equipment	2 423	266	2 157
	286 863	52 322	234 541

Company	Cost R	Accumulated depreciation R	Carrying amount R
28 February 2006			
Motor vehicles	284 440	64 976	219 464
Computer equipment	18 726	2 524	16 202
Office equipment	2 423	932	1 491
Other assets	1 935	288	1 647
	307 524	**68 720**	**238 804**
28 February 2005			
Motor vehicles	284 440	52 056	232 384
Office equipment	2 423	266	2 157
	286 863	52 322	234 541

Motor vehicles are encumbered in terms of instalment sale agreements (see Note 11).

2. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The carrying amounts of property, plant and equipment can be reconciled as follows:

Group	2006 R	2005 R
Carrying amount at beginning of year	**234 541**	-
At cost	**286 863**	-
Accumulated depreciation	**(52 322)**	-
Additions - expansion	**20 661**	286 863
Additions - business combinations	**8 843**	-
Depreciation	**(18 577)**	(52 322)
Carrying amount at end of year	**245 468**	234 541

Company	2006 R	2005 R
Carrying amount at beginning of year	**234 541**	-
At cost	**286 863**	-
Accumulated depreciation	**(52 322)**	-
Additions - expansion	**20 661**	286 863
Depreciation	**(16 398)**	(52 322)
Carrying amount at end of year	**238 804**	234 541

3. INTANGIBLE ASSETS

Group	Mineral rights R	Ore supply agreement R	Total R
Cost			
Balance at 1 March 2004	-	-	-
Acquisition through business combinations	2 599 898	-	2 599 898
Balance at 28 February 2005	2 599 898	-	2 599 898
Balance at 1 March 2005	2 599 898	-	2 599 898
Acquisition through business combinations	-	1 999 900	1 999 900
Balance at 28 February 2006	**2 599 898**	**1 999 900**	**4 599 798**

3. INTANGIBLE ASSETS *(continued)*

	Mineral rights R	Ore supply agreement R	Total R
Amortisation and impairment losses			
Balance at 1 March 2004	-	-	-
Impairment charge	-	-	-
At 28 February 2005	-	-	-
Balance at 1 March 2005	-	-	-
Impairment charge	(2 599 898)	(1 999 900)	(4 599 798)
At 28 February 2006	**(2 599 898)**	**(1 999 900)**	**(4 599 798)**
Carrying values			
At 1 March 2004	-	-	-
At 28 February 2005	2 599 898	-	2 599 898
At 1 March 2005	2 599 898	-	2 599 898
At 28 February 2006	**-**	**-**	**-**

Mining rights held by Korpo Trust (Proprietary) Limited

Due to the fact that the conversion of the old order mineral right (relating to Portion 2 of the farm Rooderand 46 JQ) to a new order right is still in progress and the outcome is reasonably uncertain. The Group assessed the recoverable amount of the old order mineral right to be zero. The resulting impairment loss amounted to R2 599 898 (2005: R nil). In subsequent accounting periods, the Group will continue to monitor the circumstances surrounding the impairment of the old order mineral right, in order to assess whether the impairment should be reversed.

Ore supply agreement held by Ingonyama Holdings (Proprietary) Limited

Due to concerns over the enforceability of the ore supply agreement held by Ingonyama Holdings (Proprietary) Limited, as well as uncertainty over the ability of the Group to utilise this agreement, the Group assessed the recoverable amount of the ore supply agreement to be zero. The resulting impairment loss amounted to R1 999 900 (2005: R nil). In subsequent accounting periods, the Group will continue to monitor the circumstances surrounding the impairment of the ore supply agreement, in order to assess whether the impairment should be reversed.

4. INVESTMENT IN SUBSIDIARIES

Directly held

28 February 2006	Issued share capital R	Percentage holding	Shares, at cost R	Due by subsidiaries R
Korpo Trust (Proprietary) Limited	104	100	2 600 000	13 584
Rooderand Chrome (Proprietary) Limited	1	100	1	88 603
Tswalo Resources (Proprietary) Limited	1 000	90	900	3 604
Tswalo Minerals (Proprietary) Limited	1 000	60	600	3 604
Ingonyama Holdings (Proprietary) Limited	200	50	2 000 000	952 032
			4 601 501	**1 061 427**

4. INVESTMENT IN SUBSIDIARIES *(continued)*

28 February 2005	Issued share capital R	Percentage holding	Shares, at cost R	Due by subsidiaries R
Korpo Trust (Proprietary) Limited	104	100	2 600 000	5 685
Rooderand Chrome (Proprietary) Limited	1	100	1	5 286
Tswalo Resources (Proprietary) Limited	1 000	90	900	3 473
Tswalo Minerals (Proprietary) Limited	1 000	60	600	3 473
			2 601 501	17 917

The Company's voting power is in direct proportion to their percentage shareholding.

	Company	
Net Investments in Subsidiaries	**2006**	2005
	R	R
Shares, at cost	**4 601 501**	2 601 501
Net loans to subsidiaries	**1 061 427**	17 917
Less: Provision for losses	**(5 662 928)**	(19 417)
	-	2 600 001

The loans to all subsidiary companies have been subordinated in favour of other creditors of the subsidiaries, until such time as the asset of the subsidiaries, fairly valued, exceeds their liabilities.

Acquisitions

	Group		Company	
	2006	2005	**2006**	2005
	R	R	**R**	R
The following acquisitions took place during the year:				
Korpo Trust (Proprietary) Limited			**-**	2 600 000
Rooderand Chrome (Proprietary) Limited			**-**	1
Tswalo Resources (Proprietary) Limited			**-**	900
Tswalo Minerals (Proprietary) Limited			**-**	600
Ingonyama Holdings (Proprietary) Limited			**2 000 000**	-
			2 000 000	2 601 501

5. OTHER LONG-TERM RECEIVABLES

	-	100 000	**-**	100 000
Pilansberg Mining Company (Proprietary) Limited	**177 100**	100 000	**177 100**	100 000
Less: Impairment losses	**(177 100}**	-	**(177 100)**	-
	-	26 536	**-**	-
Advances to previous shareholders of Korpo Trust (Proprietary) Limited	**20 500**	26 536	**20 500**	-
Less: Impairment losses	**(20 500)**	-	**(20 500)**	-
	-	126 536	**-**	100 000

5. **OTHER LONG-TERM RECEIVABLES** *(continued)*

The loans are unsecured, bear no interest and no fixed repayment arrangements have been made.

The Company entered into an agreement in terms of which Chrometco obtained cession of the loan account of Lion Mining Finance Limited in Pilansberg Mining Company (Proprietary) Limited.

At 31 December 2005, the financial year-end of Pilansberg Mining Company (Proprietary) Limited, the said loan amounted to R455 472.

	Group		Company	
	2006	2005	**2006**	2005
	R	R	**R**	R
6. INVENTORIES				
Raw materials	**53 180**	53 180	**53 180**	53 180
7. TRADE AND OTHER RECEIVABLES				
Trade debtors	**6 525**	500	**-**	500
Value-Added Tax receivable	**131 381**	4 717	**125 603**	4 717
Other receivables	**100 000**	-	**100 000**	-
Short-term advances	**100 000**	20 000	**100 000**	20 000
Less: Impairment losses	**-**	(20 000)	**-**	(20 000)
	237 906	5 217	**225 603**	5 217
8. CASH AND CASH EQUIVALENTS				
Current account	**1 825 282**	197 579	**1 663 701**	197 579
Cash on hand	**1 728**	676	**1 728**	676
	1 827 010	198 255	**1 665 429**	198 255
9. ISSUED CAPITAL AND SHARE PREMIUM				
Authorised				
500 000 000 (2005: 200 000 000) ordinary par value shares of 0.00001 cent each	**5 000**	2 000	**5 000**	2 000
Issued				
144 441 800 (2005: 133 520 000) ordinary par value shares of 0.00001 cent each	**1 444**	1 335	**1 444**	1 335
Share premium	**11 945 500**	2 013 460	**11 945 500**	2 013 460
	11 946 944	2 014 795	**11 946 944**	2 014 795

The unissued share capital is, subject to the Companies Act requirements, under the control of the directors until the next annual general meeting.

	Group		Company	
	2006	2005	**2006**	2005
	R	R	**R**	R
10. LONG-TERM LIABILITIES				
Unsecured loan - balance outstanding on purchase of Korpo Trust (Proprietary) Limited shares	**-**	1 818 181	**-**	1 818 181
Original debt	**-**	2 000 000	**-**	2 000 000
Less: Fair value adjustment	**-**	(181 819)	**-**	(181 819)
Loans from directors	**-**	800	**-**	800
Total liabilities	**-**	1 818 981	**-**	1 818 981
Long-term liabilities	**-**	1 818 981	**-**	1 818 981
11. LONG-TERM BORROWING				
Liabilities under instalment sale agreements payable over a period of five years at an effective interest rate equivalent to the prime interest rate of 10.5%, per annum, at year-end. Secured by motor vehicles with a book value of R219 464 (2005: R232 384) (refer to Note 2)	**134 221**	168 247	**134 221**	168 247
Total instalment sale obligation	**134 221**	168 247	**134 221**	168 247
Less: Current portion included in current liabilities	**(37 816)**	(33 678)	**(37 816)**	(33 678)
Long-term instalment sale obligation	**96 405**	134 569	**96 405**	134 569
Reconciliation between the total of minimum payments due in terms of instalment sale agreements and the present value thereof:				
Total minimum payments	**158 503**	210 968	**158 503**	210 968
Less: Finance charges	**(24 282)**	(42 721)	**(24 282)**	(42 721)
Present value of instalment sale	**134 221**	168 247	**134 221**	168 247

	Total minimum lease payments		Present value at balance sheet date	
	2006	2005	**2006**	2005
	R	R	**R**	R
Not later than 1 year	**50 169**	50 632	**37 816**	33 678
Between 1 and 5 years	**108 334**	160 336	**96 405**	134 569
	158 503	210 968	**134 221**	168 247

	Group 2006 R	Group 2005 R	Company 2006 R	Company 2005 R
12. PROVISIONS				
Provision for short-term employee benefits				
Balance at beginning of year	**3 181**	-	**3 181**	-
Provisions made during year	**51 804**	3 181	**51 804**	3 181
Provisions used during year	**(3 181)**	-	**(3 181}**	-
Balance at end of year	**51 804**	3 181	**51 804**	3 181
13. TRADE AND OTHER PAYABLES				
Trade creditors	**-**	42 141	**-**	42 141
Accruals	**476 383**	125 143	**249 737**	125 143
Other payables	**624 785**	-	**624 785**	-
	1 101 168	167 284	**874 522**	167 284
14. TAXATION PAYABLE				
Balance at beginning of year	**26 433**	26 433	**-**	-
Interest on outstanding balance	**7 319**	-	**-**	-
Charged to income statement	**-**	-	**-**	-
Taxation payable	**33 752**	26 433	**-**	-
15. REVENUE				
Gross revenue comprises turnover, which excludes Value-Added Tax and represents the invoiced value of goods and services supplied.				
Major classes of revenue comprise:				
Sale of raw materials	**-**	172 316	**-**	172 316
16. OPERATING LOSS				
is arrived at after taking into account:				
Auditors' remuneration	**22 321**	99 240	**22 321**	90 960
- Current year audit fee	**22 321**	99 240	**22 321**	90 960
Depreciation of property, plant and equipment	**18 577**	52 322	**16 398**	52 322
- Motor vehicles	**12 890**	52 056	**12 890**	52 056
- Computer equipment	**4 295**	-	**2 533**	-
- Office equipment	**1 083**	266	**666**	266
- Other assets	**309**	-	**309**	-
Employee costs	**538 095**	89 633	**538 095**	89 633
Exploration costs	**632 649**	311 724	**632 649**	311 724
Impairment loss on intangible assets (refer to Note 3)	**4 599 798**	-	**•**	-
Impairment loss on loans to subsidiaries (refer to Note 4)			**1 061 427**	-
Impairment loss on investment in subsidiaries (refer to Note 4)	**-**	-	**4 601 501**	19417
Impairment loss on other receivables (refer to Notes 5 and 7)	**202 100**	20 000	**202 100**	20 000

	Group		Company	
	2006	2005	**2006**	2005
	R	R	**R**	R
17. DIRECTORS' EMOLUMENTS				
In connection with the affairs of the Group:				
- E Bramley	**562 500**	37 000	**562 500**	37 000
- M Saner	**65 500**	-	**65 500**	-
- B A Williamson	**48 000**	-	**48 000**	-
- J J de Beer	**24 000**	-	**24 000**	-
	700 000	37 000	**700 000**	37 000
18. INVESTMENT INCOME				
Interest received	**40 632**	5 243	**40 632**	5 243
19. FINANCE COSTS				
Bank overdraft	**-**	506	**-**	506
Finance leases	**16 221**	16 792	**16 221**	16 792
Other	**7 318**	1 783	**-**	1 783
	23 539	19 081	**16 221**	19 081
20. TAXATION				
No provision has been made for 2006 taxation due to an estimated tax loss incurred.				
20.1 Reconciliation of tax rate	**%**	%	**%**	%
South African normal tax rate	**29.0**	30.0	**29.0**	30.0
Adjusted for:				
- Non-taxable income	**-**	6.4	**-**	6.4
- Disallowable expenditure	**(18.6)**	(2.1)	**(18.6)**	(2.8)
- Deferred tax asset not raised	**(10.4)**	(34.3)	**(10.4)**	(33.6)
Net decrease in tax rate	**(29.0)**	(30.0)	**(29.0)**	(30.0)
Effective tax rate	**0.0**	0.0	**0.0**	0.0
20.2 Estimated tax losses	**R**	R	**R**	R
At beginning of year	**505 200**	41 720	**485 283**	41 720
Incurred during year	**3 729 417**	463 480	**3 715 582**	443 563
Available for set-off against future taxable income	**4 234 617**	505 200	**4 200 865**	485 283
Attributable to ordinary shareholders	**4 234 617**	505 200	**4 200 865**	485 283
20.3 Unredeemed capital expenditure				
At beginning of year	**586 213**	70 000	**586 213**	70 000
Incurred during year	**632 649**	516213	**632 649**	516 213
Available for set-off against future taxable income from mining activities	**1 218 862**	586 213	**1 218 862**	586 213

20.4 Deferred tax

As the Group is still in the exploration phase and future taxable profits are uncertain and cannot be reliably measured, no deferred tax asset is recognised.

21. LOSS PER SHARE

21.1 Basic loss per share and diluted loss per share

The calculation of basic loss per share and diluted loss per share at 28 February 2006 is based on the loss attributable to ordinary shareholders of R9 923 031 (2005: R857 058) and a weighted average number of ordinary shares outstanding during the year ended 28 February 2006 of 141 851 050 (2005: 96 493 601), calculated as follows:

	2006	2005
	R	R
Loss for year	**(9 923 031)**	(857 058)
Loss attributable to ordinary shareholders	**(9 923 031)**	(857 058)

	Number of shares issued		**Weighted average number of shares**	
	2006	2005	**2006**	2005
Weighted average number of ordinary shares:				
Issued shares at 1 March	**133 520 000**	91 300 000	**133 520 000**	91 300 000
Effect of shares issued in March 2004	**-**	634 000	**-**	620 104
Effect of shares issued in August 2004	**-**	500 000	**-**	254 794
Effect of shares issued in October 2004	**-**	489 489	**-**	162 269
Effect of shares issued in December 2004	**-**	268 000	**-**	60 329
Effect of shares issued in January 2005	**-**	40 328 511	**-**	4 096 105
Effect of shares issued in April 2005	**4 880 000**	-	**4 473 333**	-
Effect of shares issued in June 2005	**2 000 000**	-	**1 500 000**	-
Effect of shares issued in August 2005	**4 041 800**	-	**2 357 717**	-
Weighted average number of ordinary shares at 28 February	**144 441 800**	133 520 000	**141 851 050**	96 493 601
Loss per share (cents)			**7.00**	0.89

21. LOSS PER SHARE *(continued)*

21.2 Headline loss per share

The calculation of headline loss per share at 28 February 2006 is based on the loss attributable to ordinary shareholders of R5 141 414 (2005: R1 038 877) and a weighted average number of ordinary shares outstanding during the year ended 28 February 2005 of 141 851 050 (2005: 96 493 601), calculated as follows:

	2006	2005
	R	R
Loss for year	**(9 923 031)**	(857 058)
Adjustments for:		
Impairment of intangible assets	**4 599 798**	-
Fair value adjustment for long-term liability (refer to Note 10)	**181 819**	(181 819)
Loss attributable to ordinary shareholders	**(5 141 414)**	(1 038 877)

	Number of shares issued		**Weighted average number of shares**	
	2006	2005	**2006**	2005
Weighted average number of ordinary shares:				
Issued shares at 1 March	**133 520 000**	91 300 000	**133 520 000**	91 300 000
Effect of shares issued in March 2004	**-**	634 000	**-**	620 104
Effect of shares issued in August 2004	**-**	500 000	**-**	254 794
Effect of shares issued in October 2004	**-**	489 489	**-**	162 269
Effect of shares issued in December 2004	**-**	268 000	**-**	60 329
Effect of shares issued in January 2005	**-**	40 328 511	**-**	4 096 105
Effect of shares issued in April 2005	**4 880 000**	-	**4 473 333**	-
Effect of shares issued in June 2005	**2 000 000**	-	**1 500 000**	-
Effect of shares issued in August 2005	**4 041 800**	-	**2 357 717**	-
Weighted average number of ordinary shares at 28 February	**144 441 800**	133 520 000	**141 851 050**	96 493 601
Headline loss per share (cents)			**3.62**	1.08

22. CAPITAL COMMITMENTS

No capital commitments existed at balance sheet date.

	Group 2006 R	Group 2005 R	Company 2006 R	Company 2005 R
23. CONTINGENT LIABILITIES				
Contingent liabilities	**2 455 472**	-	**2 455 472**	-

23.1 Pursuant to an agreement in terms of which Chrometco acquired the share capital of Korpo Trust (Proprietary) Limited ("Korpo"), Chrometco is under obligation until 15 June 2006 to buy-back the 2 000 000 shares issued to the previous shareholders of Korpo as part of the original purchase consideration for a maximum purchase price of R1.00 per share, subject to written notification of the intent of the previous shareholders of Korpo to exercise the buy-back clause.

In terms of the agreement, Chrometco has the option to revert the buy-back of the shares to a monthly payment of R15 000. The previous shareholders of Korpo have the right to dispose of the Chrometco shares issued to them at any time.

23.2 In terms of an agreement between Chrometco and Pilanesberg Mining Company (Proprietary) Limited, Chrometco has agreed to provide financial support to Pilanesberg Mining Company (Proprietary) Limited to the extent of R455 472 until such time that the assets of Pilanesberg Mining Company (Proprietary) Limited, fairly valued, exceed its liabilities.

23.3 The Company is currently in negotiations with the Bakgatla Ba Kgafela Traditional Authority ("the Tribe"), whereby the Tribe will make available to Chrometco the surface area of portion 2 of the farm Rooderand 46 JQ in the district of Mankwe, for the mining and mining related activities of the Chromite as well as the surface of the land directly neighbouring the abovementioned land. For the use of the surface area Chrometco will possibly make available to the Tribe 10% of the shares in Rooderand Chrome (Proprietary) Limited.

24. FINANCIAL INSTRUMENTS

Exposure to currency, interest rate and credit risk arises in the normal course of the Group's business.

As trading activities have not yet commenced, this exposure is currently very limited and consequently no formal measures are adopted to reduce these risks.

It is envisaged that once the Group's activities reach a level where these risks become material appropriate measures will be put in place to reduce these risks.

24.1 Currency risk

The Group may incur currency risk as a result of purchases, sales and borrowings in foreign currencies. The currency in which the Group will primarily deal will most likely be the US Dollar.

24.2 Interest rate risk

The Group generally adopts a policy of ensuring that its exposure to changes in interest rates is on a floating rate basis and endeavours to keep this risk to a minimum by utilising own and shareholders' funds to finance its capital requirements.

24.3 Repricing analysis

The following table identifies the period until those financial instruments that are sensitive to interest rate risk reprice:

	Effective interest rate %	Total R	1 - 12 months R	1 - 5 years R
Cash balances	0	-	-	-
Instalment sale liabilities	10.5	134 221	37 816	96 405
Long-term liabilities	0	-	-	-

Finance lease liabilities are linked to prime overdraft rates and reprice whenever the prime overdraft rates vary.

24. FINANCIAL INSTRUMENTS *(continued)*

24.4 Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Credit evaluations are performed on all customers requiring credit over a certain limit.

Reputable financial institutions are used for investing and cash handling purposes.

At balance sheet date there were no significant concentrations of credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

24.5 Fair values

The fair values of all financial instruments are substantially identical to the carrying amounts reflected in the balance sheet.

25. RELATED PARTIES

During the year the Company entered into the following transactions with the directors, shareholders and/or related entities:

	Percentage interest held. directly and indirectly, in Chrometco	**Repayment of expenses incurred on behalf of the Company**	**Services provided to the Company**	**Amounts owed by parties**
		R	**R**	**R**
28 February 2006				
E Bramley - Motor vehicle expenses	34	2 281		
E Bramley - Other operating expenses	34	468		
E Bramley - Consulting fees	34		145 500	
S H Simons - Motor vehicle expenses	36	13 950		
S H Simons - Travelling and accommodation	36	71 340		
S H Simons - Other operating expenses	36	21 571		
S H Simons - Consulting services	36		189 722	
J Francey - Other operating expenses		9 022		
M G Saner - Consulting services	0.45		17 500	
J J de Beer - Accounting fees			159 421	
Lime-Chem (Mphofu) (Proprietary) Limited				
- Consulting fees paid	0.37		37 790	
28 February 2005				
E Bramley - Motor vehicle expenses	34	14 808		800
E Bramley - Travelling and accommodation	34	2 804		
E Bramley - Other operating expenses	34	8 751		
S H Simons - Travelling and accommodation	36	8 000		
S H Simons - Other operating expenses	36	3 000		
S H Simons - Consulting services	36		140 500	
M G Saner - Consulting services	0.45		100 000	
Lime-Chem (Mphofu) (Proprietary) Limited				
- Consulting fees paid	0.37		11 404	

25. RELATED PARTIES *(continued)*

Lime-Chem (Mphofu) (Proprietary) Limited is a related entity to Chrometco through the family relationships of a director.

Amounts paid to M G Saner relate to services provided prior to his appointment as director of the Company.

Fringe benefits	**Percentage interest held, directly and indirectly in Chrometco**	**Value of fringe benefits R**
28 February 2006		
S H Simons - Use of motor vehicle	36	52 097
28 February 2005		
S H Simons - Use of motor vehicle	36	56 319

The Group has not been informed of any material changes in these holdings to the date of this report.

Loans to and from directors and managers

Loans to directors and their director-related entities are disclosed in Note 4. Loans from directors are disclosed in Note 10. No interest was received and/or paid on these loans to and from directors, shareholders and related entities.

Directors

The directors named in the attached Directors' report held office as directors of the Company during the period ended 28 February 2006.

Subsidiary Companies

During the year the Company entered into the following transactions with subsidiary companies:

	Percentage interest held by Chrometco	**Expenses paid on behalf of subsidiaries R**	**Services provided to subsidiaries R**	**Amounts owed by subsidiaries R**
Korpo Trust (Proprietary) Limited	100	7 899	-	13 584
Rooderand Chrome (Proprietary) Limited	100	83 317	-	88 603
Tswalo Resources (Proprietary) Limited	90	131	-	3 604
Tswalo Minerals (Proprietary) Limited	60	131	-	3 604
Ingonyama Holdings (Proprietary) Limited	50	-	-	952 032
		91 478	-	1 061 427

	Group		Company	
	2006	2005	**2006**	2005
	R	R	**R**	R
26. NOTES TO THE CASH FLOW STATEMENT				
26.1 Operating loss before working capital changes				
Net loss before taxation	**(9 923 131)**	(857 558)	**(9 843 181)**	(857 058)
Adjusted for:				
- Investment income	**(40 632)**	(5 243)	**(40 632)**	(5 243)
- Depreciation	**18 577**	52 322	**16 398**	52 322
- Finance costs	**23 539**	19 081	**16 221**	19 081
- Fair value adjustments	**181 819**	(181 819)	**181 819**	(181 819)
- Impairment loss on loans to subsidiaries			**1 061 427**	-
- Impairment loss on other receivables	**203 637**	20 000	**177 100**	20 000
- Impairment of intangibles assets	**4 599 798**	-	**-**	-
- Movement in provisions	**48 623**	3 181	**48 623**	3 181
- Provision for losses in subsidiaries			**4 582 084**	19417
- Minority share of losses not yet recovered	**200**	500	**-**	-
	(4 887 570)	(949 536)	**(3 800 141)**	(930 119)
26.2 Working capital changes				
Increase in trade and other receivables	**(232 689)**	(24 085)	**(220 386)**	(24 085)
Increase in trade and other payables	**933 883**	165 347	**707 238**	165 347
Increase in inventories	**-**	(53 180)	**-**	(53 180)
	701 194	88 082	**486 852**	88 082
26.3 Normal taxation				
Amount outstanding at beginning of year	**(26 433)**	(26 433)	**-**	-
Charged to income statement	**-**	-	**-**	-
Amount outstanding at end of year	**33 752**	26 433	**-**	-
	7 319	-	**-**	-

	Group 2006 R	2005 R
26. NOTES TO THE CASH FLOW STATEMENT *(continued)*		
26.4 Acquisition of subsidiaries		
During the year the Company acquired Ingonyama Holdings (Proprietary) Limited. Various subsidiaries were acquired in the prior year (see Note 4 for detail).		
Purchase consideration	**2 000 000**	2 601 501
Assets and liabilities acquired		
Intangible assets	**1 999 900**	2 599 898
Long-term receivables	**-**	26 536
Trade and other payables	**100**	(26 433)
Fair value of net assets	**2 000 000**	2 600 001
Less: Amounts due on deferred payment arrangements	**(2 000 000)**	(2 000 000)
Cash outflow on acquisition of shares	**-**	600 001

NOTICE OF ANNUAL GENERAL MEETING

Notice is herby given:

That the annual general meeting of members of the Company will be held in the boardroom, No. 8 Morgenster Building, 3 Main Road, Irene on Tuesday, 26 September at 10:00 for the following purposes:

To receive, consider, and if deemed fit adopt the annual financial statements of the Company for the year ended 28 February 2006, including the Directors' Report and the Report of the Auditors thereon.

To re-appoint Mr E Bramley and Mr S Simons as directors;

To approve the remuneration of the directors for the year ended 28 February 2006.

To approve the remuneration payable to the non-executive directors for the year ended 28 February 2006.

To authorise the directors to fix the remuneration of the auditors for the past year.

To appoint RSM Betty & Dickson (Johannesburg) as auditors until the conclusion of the next annual general meeting.

To consider, and if deemed fit to pass the following special and ordinary resolutions:

Special resolution - general authority to acquire own shares

"THAT the Company hereby approves, as a general approval contemplated in sections 85(2) and 85(3) of the Companies Act, 1973 (Act 61 of 1973), as amended ("the Act"), the acquisition by the Company from time to time of the issued ordinary shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the Articles of Association of the Company, the provisions of the Act and the Listings Requirements of the JSE Limited ("JSE") from time to time and provided that:

- any such acquisition of ordinary shares will be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;
- this general authority shall only be valid until the Company's next annual general meeting and the expiry of a period of 15 (fifteen) months from the date of passing this special resolution;
- when the Company has cumulatively repurchased 3% (three percent) of the number of ordinary shares in issue at the time that this general authority is granted ("initial number"), and for each 3% in aggregate of the initial number acquired thereafter, an announcement will be made;
- acquisitions of ordinary shares in the aggregate in any one financial year may not exceed 20% (twenty percent) of the Company's issued ordinary share capital from the date of the grant of this general authority;
- in determining the price at which the Company's ordinary shares are acquired by the Company in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over 5 (five) trading days immediately preceding the date on which the transaction is effected;
- the consolidated assets of the Company, being fairly valued in accordance with International Financial Reporting Standards, will be in excess of the consolidated liabilities of the Company for the following year;
- the ordinary capital and reserves of the Company are adequate for the next 12 months;
- the available working capital is adequate;
- the Company only appoints one agent to effect any acquisition(s) on its behalf."

The reason for the passing of the above special resolution is that it is in accordance with the JSE Listings Requirements and the effect of the passing of the above special resolution is that the directors are given authority to acquire, under certain conditions, shares issued by the Company.

Ordinary resolution number 1 - unissued shares to be placed under the control of the directors

"THAT the authorised but unissued ordinary 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 be and are herby authorised and empowered to allot and issue all or any such ordinary shares, to such person(s) on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit, subject to the provisions of the Act and the Articles of Association of the Company and the JSE Listings Requirements."

Ordinary resolution number 2 - general authority to issue shares for cash

"That the directors of the Company and/or any of its subsidiaries from time to time be and are hereby authorised, by way of a general authority, to:

- allot and issue, or to issue any options in respect of, all or any of the authorised but unissued ordinary shares in the capital of the Company; and/or
- sell or otherwise dispose of or transfer, or issue any options in respect of, ordinary shares in the capital of the Company purchased by subsidiaries of the Company,

for cash, to such person/s on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit subject to the Act and the Articles of Association of the Company and its subsidiaries and the JSE Listings Requirements from time to time, which currently provide, *inter alia,* the following limitations:

- the securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue may only be made to public shareholders as defined in the JSE Listings Requirements and not to related parties;
- added to those that may be issued in future (arising from the conversion of options/convertibles) at the date of such application, less any ordinary shares issued or to be issued pursuant to a rights issue which has been announced, is irrevocable and is fully underwritten, or an acquisition which has had final terms announced;
- this general authority will be valid until the earlier of the Company's next annual general meeting or expiry of a period of 15 (fifteen) months from the date that this authority is given;
- in determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of the ordinary shares over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed to by the directors of the Company; and
- when ever the Company wishes to use ordinary shares, held as treasury stock by a subsidiary of the Company, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of ordinary shares."

In terms of the JSE Listings Requirements, ordinary resolution number 2 must be passed by a 75% majority of the votes cast in favour of such resolution by all members present or represented by proxy at the annual general meeting.

Ordinary resolution number 3 - authority to execute requisite documentation

"THAT any director of the Company or the Company Secretary be and hereby is authorised to do all such things and sign all such documents issued by the Company and required to give effect to the special resolutions numbers 1 and 2 and ordinary resolutions numbers 1 and 2."

To transact such other business that may be transacted at an annual general meeting.

Voting and proxies

A member entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies to attend and vote in his/her stead, subject to the general instructions attached to this notice. Any proxy so appointed need not be a member of the Company. Forms of proxy must be received at the registered office of the Company by no later than 10:00 on Friday, 22 September 2006.

For the convenience of registered members of the Company, a form of proxy is attached.

The attached form of proxy is only to be completed by those ordinary shareholders who:

- hold ordinary shares in certificate form; or
- are recorded on the sub-register in "own-name" dematerialised form.

Ordinary shareholders who have dematerialised their ordinary shares through a Central Securities Depository Participant ("CSDP") or broker without "own-name" registration and wish to attend the annual general meeting, must instruct their CSDP or broker to provide them with the relevant Letter of Representation to attend the annual general meeting in person or by proxy and vote. If they do not wish to attend in person or by proxy, they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

Forms of proxy must be received at the registered office of the Company by no later than 10:00 on Friday, 22 September 2006.

By order of the board

River Group
Secretary

Registered office

Office 8, Morgenster Building
3 Main Road
Irene, 1675
(PO Box 460, Irene, 0062)

See "General instructions" overleaf.

General instructions

All shareholders are encouraged to attend the annual general meeting of the Company.

1. All registered shareholders of ordinary shares ("shares") in the Company are entitled to attend, speak and vote at the annual general meeting.

2. Please note that the Company has moved to the JSE Limited electronic settlement systems Shares Totally Electronic ("STRATE"). If you are a dematerialised shareholder (i.e. you have replaced your paper share certificates with electronic records of ownership under STRATE) and are not an own-name dematerialised shareholder, then:

   if you wish to attend the annual general meeting you should contact your CSDP or broker, as the case may be, and obtain the relevant Letter of Representation from them. The Letter of Representation must be obtained within the time period required by your CSDP or broker, as the case may be, and allow them sufficient time to provide such letter to the Company Secretary prior to the annual general meeting;

   or, alternatively,

   if you are unable to attend the annual general meeting, you must contact the CSDP or broker, as the case may be, and furnish them with your voting instructions in respect of the annual general meeting in accordance with the mandate between yourself and the CSDP or broker, as the case may be. You should not complete the attached form of proxy. If your CSDP or broker does not obtain voting instructions from you in respect of the annual general meeting, it will be obliged to act in terms of your mandate. The instructions must be provided within the time period required by your CSDP or broker, as the case may be.

   If you hold certificated shares (i.e. you have not dematerialised your shares in the Company) or are an own-name dematerialised shareholders, then:

   you may attend and vote at the annual general meeting; or, alternatively,

   you may appoint a proxy to represent you at the annual general meeting by completing the attached form of proxy and returning it to the registered office of the Company by no later than 10:00 on Friday, 22 September 2006.

Chrometco Limited

(formerly Sweet Equity Investments (Pty) Limited)

(Incorporated in the Republic of South Africa)
(Registration number 2002/026265/06)
Share code: CMO ISIN: ZAE000070249
("Chrometco" or "the Company")

FORM OF PROXY

For the sole use by the following holders of ordinary shares in the Company at the annual general meting of the Company, to be held in the boardroom. No. 8 Morgenster Building, 3 Main Road, Irene on Tuesday, 26 September 2006 at 10:00 and at any adjournment thereof:

- Certificated shareholders; and
- CSDP nominee companies, brokers' nominee companies and dematerialised shareholders who have elected "own-name" registration.

Forms of proxy must be completed and delivered to the registered office of the Company, Office 8, Morgenster Building, 3 Main Road, Irene, 1675 (PO Box 460, Irene, 0062) to be received by no later than 10:00 on Friday, 22 September 2006.

I/We (BLOCK LETTERS please)

of (address)

Telephone work (   ) Telephone home (   )

being the holder/custodian of ______ ordinary shares in the Company, hereby appoint:

1. or failing him/her,

2. or failing him/her,

3. the chairman of the annual general meeting,

as my/our proxy to attend and speak out and, on a poll, vote for me/us on my/our behalf at the annual general meeting of the Company to be held for the purpose of considering and, if deemed fit, passing the special and ordinary resolutions to be proposed thereat and at each adjournment thereof, and to vote for and/or against and/or abstain from voting in respect of the ordinary shares in the issued share capital of the Company registered in my/our name/s in accordance with the following instructions:

	FOR	AGAINST	ABSTAIN
Adoption of the annual financial statements			
To re-elect Mr E Bramley and Mr S Simons as directors			
To approve the remuneration payable to the non-executive directors			
To authorise the directors to fix the remuneration of the auditors			
To approve the appointment of the auditors			
Special resolution - general authority to acquire own shares			
Ordinary resolution number 1 - unissued shares placed in directors' control			
Ordinary resolution number 2 - general authority to issue shares for cash			
Ordinary resolution number 3 - authority to execute requisite documentation			

(Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable.)

A member entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend, speak and, on a poll, vote in his stead. A proxy so appointed need not be a member of the Company.

Signed at on 2006

Signature

Assisted by (if applicable)

Please read the notes on the reverse side of this form of proxy.

Notes:

1. A shareholder may insert the name of the proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the chairman of the annual general meeting". The person whose name stands first on this form of proxy and who is present at the annual general meeting 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 shares to be voted on behalf of that member in the appropriate space provided. Failure to comply with the above will be deemed to authorise the proxy or the chairman of the annual general meeting, if the chairman of the annual general meeting is the authorised proxy, to vote or to abstain from voting at the annual general meeting as the chairman of the annual general meeting deems fit, in respect of all the shares concerned. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable, the chairman will reduce the numbers entered in each of the three columns *pro rata* in order to reduce the total to the number exercisable as reflected in the Company's share register at the closing time for the acceptance of the proxies.
3. Forms of proxy must be lodged at, or posted to the Company at Office 8, Morgenster Building, 3 Main Road, Irene, 1675 (PO Box 460, Irene, 0062) to reach the Company by no later than 10:00 on Friday, 22 September 2006.
4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries of the Company or waived by the chairman of the annual general meeting.
6. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
7. A minor must be assisted by his/her parents or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of the Company.
8. The chairman of the annual general meeting may reject or accept a form of proxy which is completed and/or received, other than in accordance with these notes, if the chairman of the annual general meeting is satisfied as to the manner in which a shareholder wishes to vote.

Certificated own-name registered dematerialised shareholders

If you are unable to attend the annual general meeting of Chrometco to be held at No. 8 Morgenster Building, 3 Main Road, Irene on Tuesday, 26 September 2006 at 10:00 and wish to be represented thereat, you must complete and return this form of proxy in accordance with the instructions contained herein and lodge it with, or post it to the Company as detailed in Note 3 above, to be received by them by no later than 10:00 on Friday, 22 September 2006.

Dematerialised shareholders

If you hold dematerialised shares in Chrometco through a CSDP or broker and do not have an "own-name" registered dematerialised registration, you must timeously advise your CSDP or broker of your intention to attend and vote at the annual general meeting or be represented by proxy thereat in order for your CSDP or broker to provide you with the necessary authorisation to do so, or should you not wish to attend the annual general meeting in person, you must timeously provide your CSDP or broker with your voting instructions in order for the CSDP or broker to vote in accordance with your instructions at the annual general meeting.