ANNUAL FINANCIAL STATEMENTS AND OTHER INFORMATION

CONTENTS

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

for the period ended 31 December 2004

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

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

Chris Molefe
Non-Executive Chairman
18 May 2005

Steve Phiri
Chief Executive Officer
18 May 2005

REPORT OF THE INDEPENDENT AUDITORS

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

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

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

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

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

COMPANY SECRETARY'S CONFIRMATION

for the period ended 31 December 2004

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

A Mahendranath
Company Secretary
Johannesburg
18 May 2005

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

for the period ended 31 December 2004

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

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

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

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

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

Chris Molefe
Non-Executive Chairman
18 May 2005

Steve Phiri
Chief Executive Officer
18 May 2004

OUR REPORTING COMMITMENT

for the period ended 31 December 2004

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

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

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

DIRECTORS REPORT

for the period ended 31 December 2004

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

Nature of business

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

Group financial results

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

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

DIRECTORS REPORT

for the period ended 31 December 2004

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

Borrowing powers

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

Going concern

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

Dividend policy

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

Dividends for the period ended 31 December 2004

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

Share capital

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

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

- 12 490 771 shares issued to ex-directors in exercising their share options.

DIRECTORS REPORT

for the period ended 31 December 2004

Directorate

During the period under review and up to the date of this report the following changes were made to the Group's directorate:
Resignations – Andre Bekker
Retirements – In terms of Article 93, Qinisani Mbatha, Chris Molefe, Reinier Posthumus Meyjes and Dr Todor Vlajcic retired from the Board by rotation. All four are eligible and available for re-election to the Board.
Zanele Matlala and Lebo Mogotsi joined the Board as independent non-executive directors.

Major shareholders

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

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

Details of the current board of directors are set out on pages 14 and 15 of this annual report.
A detailed report on directors' emoluments has been prepared in accordance with JSE requirements and appears in Note 4 to the annual financial statements.

Directors' interest in Merafe Resources

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

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

DIRECTORS REPORT

for the period ended 31 December 2004

Special Resolutions

The special resolutions passed during the year were:

21 July 2004

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

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

16 November 2004

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

Details of investments in subsidiaries

Details of investments in subsidiaries are as follows:

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

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

Subsequent events

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

Change of auditors

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

INCOME STATEMENTS

for the period ended 31 December 2004

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

BALANCE SHEETS

at 31 December 2004

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

STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

for the period ended 31 December 2004

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

CASH FLOW STATEMENTS

for the period ended 31 December 2004

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

ACCOUNTING POLICIES

1. Basis of Preparation

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

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

2. Basis of Consolidation

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

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

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

3. Foreign Currency

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

4. Property, Plant and Equipment

4.1. Mining assets

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

4.2. Mineral and surface rights

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

ACCOUNTING POLICIES

4.3. Non mining fixed assets

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

4.4. Depreciation and amortisation

(I) Mine development

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

(ii) Mineral rights

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

(iii) Other mining assets

Mining equipment and structures, and plant and equipment are amortised using the lesser of their estimated useful lives and the units-of-production method based on estimated proven and probable ore reserves. Where ore reserves are not determinable, because of their scattered nature, the straight line method of depreciation is applied.

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

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

(iv) Other non-mining assets

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

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

4.5. Impairment

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

ACCOUNTING POLICIES

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

4.6 Leases

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

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

5. Deferred Taxation

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

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

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

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

6. Inventories

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

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

ACCOUNTING POLICIES

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

7. Financial Instruments

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

7.1. Investments

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

7.2. Derivative financial instruments

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

7.3 Cash and cash equivalents

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

7.4 Trade receivables

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

7.5 Trade payables

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

7.6 Provisions

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

8. Environmental Obligations

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

ACCOUNTING POLICIES

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

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

9. Employee benefits

9.1 Pension plans

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

9.2 Medical plans

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

9.3 Equity compensation benefits

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

10. Revenue Recognition

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

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

11. Interest Income

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

ACCOUNTING POLICIES

11. Exploration and Evaluation Expenditure

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

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

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

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

12. Comparatives

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

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

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

4. Earnings / (loss) before taxation

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

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

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

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

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

5. Taxation

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

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

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

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

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

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

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

6.3 Diluted earnings per share (cents)

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

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

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

Comprising of:

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

Mineral rights over portions 1 and 2 of Vogelstruiksnek 173 JP and portions 7 and 8 of Ruighoek 169 JP.
Mineral rights over Bultfontein 259 JQ, Portion 10 of Portion 1.
Mineral rights over Bultfontein 259 JQ, Portion 2
Mineral rights over Bultfontein 103 JQ, Portion 13 or Portion 4
Mineral rights over Boschoek 103 JQ, Portion 66 of Portion 9
Mineral rights over Boschoek 103 JQ, Portion 71 of Portion 11
Mineral rights over Boschoek 103 JQ, Portion 67 or Portion 9
Mineral rights over Boekenhoutfontein 260 JQ, Portion 1

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

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

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

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

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

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

NOTES TO THE FINANCIAL STATEMENTS

for theperiod ended 31 December 2004

	GROUP		COMPANY	
	31 December 2004 R	31 March 2004 R	31 December 2004 R	31 March 2004 R
Cost - Capitalised finance leases	**1,396,776**	1,396,776	**638,728**	638,728
Accumulated depreciation	**(687,430)**	(591,621)	**(422,113)**	(326,304)
Carrying value at end of year	**709,346**	805,155	**216,615**	312,424

9. Investments

9.1 Wholly-owned subsidiaries

			COMPANY 31 December 2004 R	COMPANY 31 March 2004 R
Southwits Mining Company (Pty) Ltd			**(101,784)**	(101,784)
Shares at cost			**100**	100
Loan from subsidiary			**(101,884)**	(101,884)
Merafe Chrome and Alloys (Pty) Ltd			**216,735,841**	518,627,649
Shares at cost			**200**	200
Loan to subsidiary			**216,735,641**	518,627,449
Loan at cost			**507,680,702**	518,627,449
Impairment of loans			**(290,945,061)**	-
Total wholly-owned subsidiaries			**216,634,057**	518,525,865

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

	GROUP		COMPANY	
	31 December 2004 R	31 March 2004 R	**31 December 2004 R**	31 March 2004 R
14. Share capital				
Authorised				
2,000,000,000 (31 March 2004: 1,500,000,000) ordinary shares of 1 cent each	**20,000,000**	15,000,000	**20,000,000**	15,000,000
Issued				
1,237,917,518 (31 March 2004: 1,195,664,842) ordinary shares of 1 cent each	**12,379,175**	11,956,648	**12,379,175**	11,956,648

The unissued share capital is under the control of the directors, subject to the Companies Act and the rules and regulations of the JSE Securities Exchange, until the next annual general meeting. The directors report and note 24 sets out the details in respect of the share option scheme.

15. Share premium				
Balance at beginning of year	**527,217,322**	421,406,193	**527,217,322**	421,406,193
Arising from the issue of new shares	**29,928,423**	106,617,557	**29,928,423**	106,617,557
Share issue expenses	**(110,345)**	(806,428)	**(110,345)**	(806,428)
	557,035,400	527,217,322	**557,035,400**	527,217,322
16. Fair value reserve				
Revaluation of listed investments:				
Balance at beginning of year	**129,540**	-	**129,540**	-
Movements	**1,507,929**	129,540	**1,507,929**	129,540
	1,637,469	129,540	**1,637,469**	129,540

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

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

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

	GROUP		COMPANY	
	31 December 2004	31 March 2004	**31 December 2004**	31 March 2004
	R	R	**R**	R
Not later than 1 year	**402,757**	638,080	**102,745**	338,068
Later than 1 year and not later than 5 years	**82,655**	426,847	**57,655**	176,837
Future finance charges on finance leases	**(34,147)**	(107,207)	**(13,333)**	(50,927)
	451,265	957,720	**147,067**	463,978
18. Provision for close down and restoration costs				
Balance at beginning of year	**861,984**	823,860	-	500,000
Utilised during the year	**(193,404)**	-	-	(500,000)
Charge for the year	**3,545,166**	38,124	-	-
Balance at end of year	**4,213,746**	861,984	-	-
19. Trade and other payables				
Trade payables	**249,030,477**	6,651,219	**339,886**	349,739
Other payables	**161,645,120**	177,430,124	**1,527,892**	4,480,475
Included in other payables is an amount of this loan is charged at prime overdraft rates.				
Foreign exchange liability - licencing fee (refer note 9.2)	**1,402,612**	1,348,607	**1,402,612**	1,348,607
	412,078,209	185,429,950	**3,270,390**	6,178,821

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

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

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

23. Fair value and credit risk of financial instruments

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

Concentration of credit risk

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

Foreign currency and commodity price risk

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

23. Fair value and credit risk of financial instruments continued

Interest rate and liquidity risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

25. Related party transactions

25.1 Identity of related parties

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

25.2 Transactions with its directors

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

25.3 Transactions with Xstrata - Merafe Chrome Venture

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

25.4 Transactions with the Industrial Development Corporation (the IDC)

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

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

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

26. Contingencies and commitments

Contingencies

26.1 Closure agreement with Bateman Projects Limited

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

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2004

27. Subsequent events

27.1 Wonderkop acquisition

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

- 50% participation interest in the unincorporated production joint venture established between Xstrata and Samancor;
- 50% of all the rights to chrome in, on and under the Kroondal mining area; and
- 26% of all the rights to chrome in, on and under the Marikana mining area;

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

  from Samancor (collectively known as the Wonderkop Acquisition) with effect from first business day following the fulfillment of the last of the conditions precedent (effective date).

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

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

27.2 Project Lion

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

27.3 Long-term loan

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

28. Prior year adjustment

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

SHAREHOLDER INFORMATION

Analysis of Ordinary Shareholders as at 31 December 2004

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

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

Share Price (cents)		
• High	99	
• Low	68	
• Closing price at 31 December 2004	76	
Shares Traded		
• Number of shares		307,656,760
• Value of shares (R'm)		262,736,666
• Turnover of ordinary shares (%)		24.85
Market Capitalisation as at 31 December 2004		R 940 817 313

GLOBAL REPORTING INITIATIVE GUIDELINES

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SHAREHOLDERS DIARY

Meetings

Annual General Meeting 21 July 2005
Annual General Meeting for 2005-year May 2006

Reports

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

NOTICE OF ANNUAL GENERAL MEETING

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

1. To receive, consider and adopt the annual financial statements for the period ended 31 December 2004.

2. To elect the following directors, by way of a single resolution, who retire by rotation and, being eligible, offer themselves for re-election:
   - 2.1 Mr Mbatha
   - 2.2 Mr Posthumus Meyjes
   - 2.3 Mr Molefe
   - 2.4 Dr Vlajcic; and
   - 2.5 to ratify the appointment of Ms Matlala and Ms Mogotsi.

See pages 14 and 15 for details of directors.

3. To determine and approve the directors' remuneration.

4. To approve the auditors' remuneration.

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

6. To authorise the Company to issue shares for cash

Issue of shares for cash

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

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

NOTICE OF ANNUAL GENERAL MEETING

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

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

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

Voting and attendance at the general meeting

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

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

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

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

By order of the Board.

Mahendranath.

A Mahendranath
Secretary
Johannesburg
3 June 2005

FORM OF PROXY

Merafe Resources Limited (Formerly South African Chrome & Alloys Limited)
(Registration Number 1987/003452/06) ISIN:ZAE000060000
("the Company") Share code:MRF

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

Form of proxy for annual general meeting

I/We (Name in block letters) ______________________________

of (Address) ______________________________

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

1. ______________________________ or failing him

2. ______________________________ or failing him

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

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

Signed at ____________________ on ____________________ ____________________ 2005

Signature (Assisted by me - where applicable) ____________________

Please see notes overleaf

FORM OF PROXY

Notes

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

CORPORATE INFORMATION

for the year ended 31 December 2004

Company Details

Merafe Resources Limited

Company Registration Number: 1987/003452/06

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

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

Company Secretary

A Mahendranath

Auditors

KPMG Inc
85 Empire Road
Parktown
2193
PB 9 Parkview
2122

Bankers

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

Attorneys

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

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

Transfer Secretaries

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

Sponsor

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

www.meraferesources.co.za