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Our Goals

To ensure that our interests in the ferrochrome industry are profitable and sustainable.

To diversify into other commodities.

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

FACT: Stainless steel is used in food production and storage, the pumping and storage of acids, gas and oil, the storage and desalination of water, architecture and medical applications. Not only is stainless steel corrosion resistant, it is easy to clean, hygienic and imparts no taste. The chrome content provides these qualities.



Reporting Scope

Merafe Resources Limited (Merafe Resources or the Company) has set out to report comprehensively on its economic, environmental and social performance in this annual report.

Merafe Resources' financial year is from January to December. This report reviews the results for the calendar and financial year ended 31 December 2005. The last annual report was released in June 2005.

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

The GRI, an independent international institution, has developed an international framework for defining, measuring and rigorously reporting on economic, environmental and social performance. This framework has been designed to provide comprehensive information to stakeholders of an organisation on the economic, social and environmental performance that make up its triple bottom line. A full GRI Index is included on page 70. All aspects of the GRI guidelines have been addressed.

The business principles and practices described in the report can be verified by referring to board minutes and established policies and standards (both written and unwritten).

Independent auditors report on the financial data presented in terms of International Financial Reporting Standards (see page 37).

For additional information on the report contact Bruce McBride, Commercial Director (bruce@meraferesources.co.za) or Lindiwe Montshiwagae (lindiwe@meraferesources.co.za).

For additional information on financial aspects contact Stuart Elliot, Finance and New Business Director (stuart@meraferesources.co.za), on environmental and technical aspects contact Zed van der Walt, Technical Director (zed@meraferesources.co.za).

The Year in Brief

In July 2005 Merafe Resources' share of the EBITDA of the Xstrata-Merafe Chrome Venture (the Venture) increased from 11% to 14%.

In November 2005 Merafe Resources further increased its interest in the Venture to 17%. This increase was as a result of Merafe Resources' acquisition from Samancor of a 50% participation interest in the Xstrata-Samancor Wonderkop Joint Venture, 50% interest in the Kroondal reserves and 26% interest in the Marikana reserves (the Wonderkop Acquisition), which were contributed to the Venture.

Merafe Resources' net profit increased by R21 million year-on-year to R41.707 million.

Merafe Resources concluded an agreement with Xstrata South Africa (Pty) Limited (Xstrata) for a 20.5% participating interest in Project Lion, a 360 000 tonne per annum smelter at Steelpoort, in the Lydenburg district of Mpumalanga Province.

The Company successfully raised R554 million by means of a fully underwritten rights offer to fund the Wonderkop Acquisition and its 20.5% participation in Project Lion.

Merafe Resources was ranked first in the Resources Sector of the Financial Mail's Top Empowerment Companies Survey and was again included in the JSE SRI Index.



The Project Lion plant under construction.

FACT: Not only is stainless steel corrosion resistant, it has no coating that can break down and dissolve. As a result it will not contaminate liquids. This makes it an ideal material for pipes, pumps and valves.

Company Profile

Merafe Resources Limited (Merafe Resources), established in 1987, is listed on the JSE Limited (JSE) under the share code MRF in the 'General Mining' sector.

The Xstrata-Merafe Chrome Venture (the Venture) was established on 1 July 2004 as a result of an agreement concluded between Merafe Resources and Xstrata South Africa (Pty) Limited, a wholly-owned subsidiary of Xstrata plc (a diversified mining group listed

on the London and Swiss stock exchanges with a meaningful position in six major international commodity markets: copper, coking coal, thermal coal, ferrochrome, vanadium and zinc).

In terms of the agreement both companies pooled and shared their ferrochrome operations to form the largest ferrochrome producer in the world and this secured Merafe Resources' participation in the combined earnings of the Venture.

Xstrata-Merafe Chrome Venture

- Production capacity 1 930 kt
- 20 furnaces
- Six operating mines
- Five production sites
- Resources to last in excess of 38 years, assuming current smelting capacity

Group Structure

Merafe Resources Limited

100%

Merafe Chrome & Alloys (Pty) Limited

100%

Merafe Ferrochrome & Mining (Pty) Limited

Shareholding as at 31 December 2005



- Royal Bafokeng Resources 32.04%
- The Industrial Development Corporation 24.33%
- Allan Gray 10.38%
- Minorities 33.25%



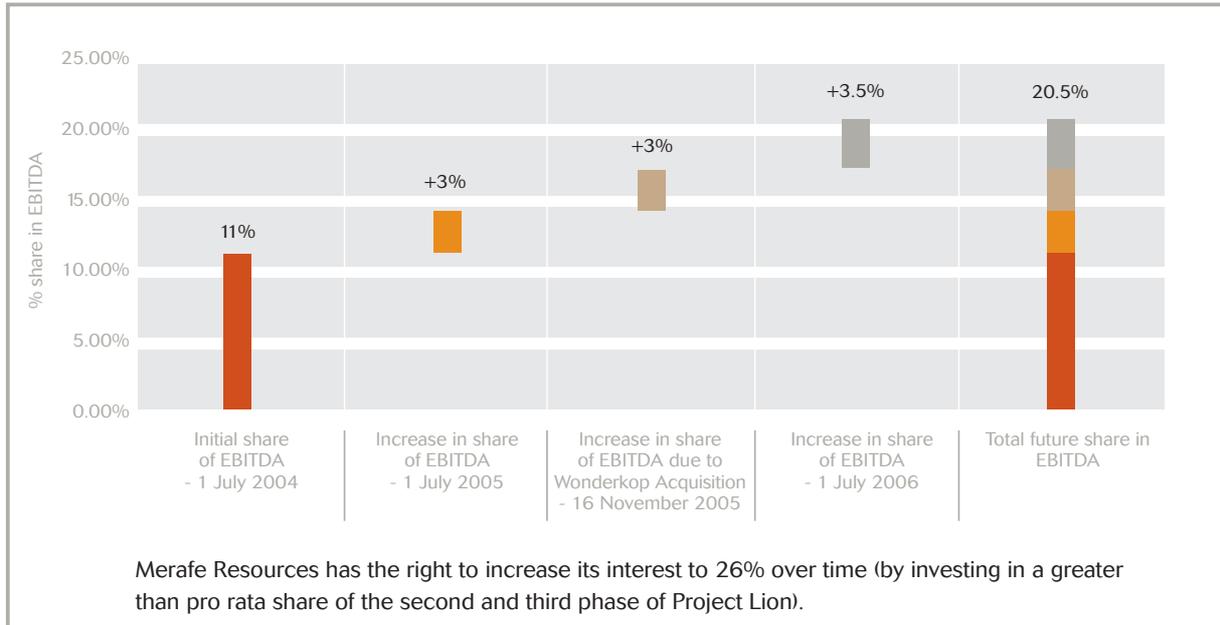
Initially, Merafe Resources' interest in the Venture was 11% of EBITDA (earnings before interest, tax, depreciation and amortisation). On 16 November 2005 its interest in the Venture had increased to 17% of

EBITDA and it will further increase to 20.5% of EBITDA on 1 July 2006.

During the 18 months that the Venture has been operating, significant operational efficiencies have been

achieved through the transfer of best operational practice, the optimisation of ore feed from the reserves of the two parties and the introduction of new technology.

Merafe Resources Growth Since 2004



Merafe Resources' Assets*

Ownership	Assets
100%	Boshhoek plant Capacity 240 Kt/a FeCr - two closed furnaces and an Outokumpu sinter plant, Boshhoek, Rustenburg Horizon mine, Pilanesburg Boshhoek mine, Boshhoek, Rustenburg Kenana UG2 concentrator plant - produces feedstock for the Boshhoek plant, Rustenburg
50%	Wonderkop Joint Venture Capacity 190 Kt/a FeCr - two semi-closed furnaces and a pelletiser
50%	Kroondal mine (underground and opencast mining), Rustenburg
26%	Marikana mine, Rustenburg
20.5%	Project Lion First phase due to be completed by third quarter 2006 Plant capacity 360Kt - two Premus kilns and two closed furnaces Helena mine, Steelport

* All the assets of Merafe Resources are owned through its wholly-owned subsidiary Merafe Ferrochrome and Mining (Pty) Limited. They have been pooled together with Xstrata Alloys' ferrochrome assets in the Xstrata-Merafe Chrome Venture.

Chairman's Letter to Shareholders

Dear Shareholders

On behalf of the Board of Directors I am pleased to present to you the annual report of Merafe Resources for the financial year ending 31 December 2005.

This year Merafe Resources enjoyed its second profitable year, with profits increasing by R21 million from R20,7 million for the nine months to 31 December 2004 to R41,7 million for this financial year.

During the first six months of the year Merafe Resources shared in 11% of the earnings before interest, tax, depreciation and amortisation (EBITDA) of the Xstrata-Merafe Chrome Venture (the Venture). From 1 July 2005, its share in the EBITDA of the Venture increased to 14%. In November 2005, following the acquisition of Wonderkop, which is covered in the Chief Executive Officer's Review, Merafe Resources' share of the Venture's EBITDA increased by a further 3% to 17%. On

1 July 2006 Merafe Resources' share in the EBITDA of the Venture increases to 20.5%.

In our circular to shareholders issued on 24 October 2005, we announced that we would be proceeding with a fully underwritten rights offer in order to raise R554 million in equity and had secured R300 million of debt to fund the Wonderkop acquisition and our participation in Project Lion. We were successful in raising both the equity and the debt funding.

During the year the Venture began achieving the synergies that were originally anticipated from the sharing of operational expertise and technological diversity.

The Merafe Resources management team is closely involved in the Venture's operations through the Joint Board and the Executive Committee formed to manage the combined operations of the Venture.

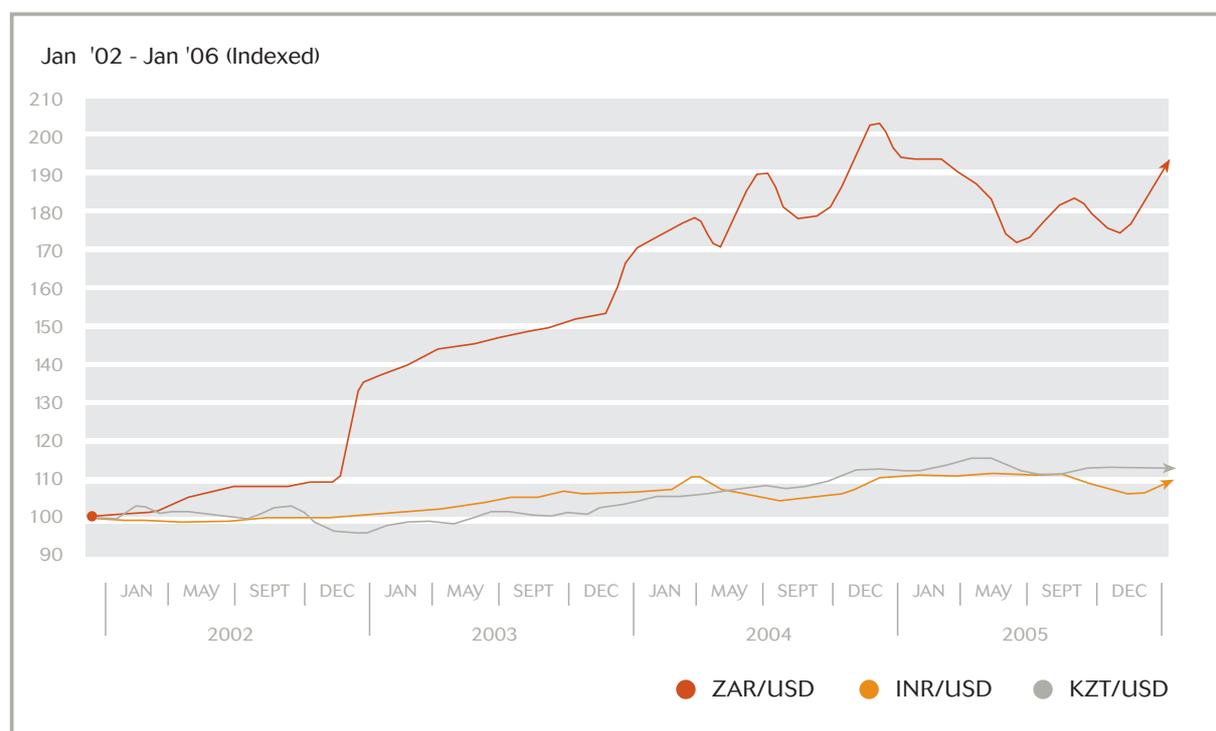
Recognition of our commitment to Black Economic Empowerment, Sustainability and Corporate Governance

I am very pleased that the Company's efforts towards Black Economic Empowerment were recognised when it was ranked first in the Resources Sector, and seventeenth overall, in the Financial Mail's Survey of Top Empowerment Companies in 2005. To assess the empowerment status of companies the survey looked at ownership, management, employment equity, skills development, preferential procurement, enterprise development and corporate social investment.

In addition we have once again met the criteria for the FTSE/JSE SRI (Socially Responsible Investment) Index and have been selected to participate in the Index for the third consecutive year. The Index measures the policies, performance and reporting of

South African Rand has strengthened almost 100% since 2002 against the US\$

The Kazakh Tenge and Indian Rupee (South Africa's main competitors in chrome) have been more stable against the US\$



Source: CRU

FACT: Stainless steel plays an increasingly important role in making water available to a growing world population. Before stainless steel, urban development in the desert was limited to the few places with access to fresh water. Nowadays stainless steel has made the desalination of seawater possible and cities have blossomed on the coasts of deserts.

companies in relation to the three elements that make up the triple bottom line: environmental, economic and social sustainability.

Strategy to maintain competitiveness

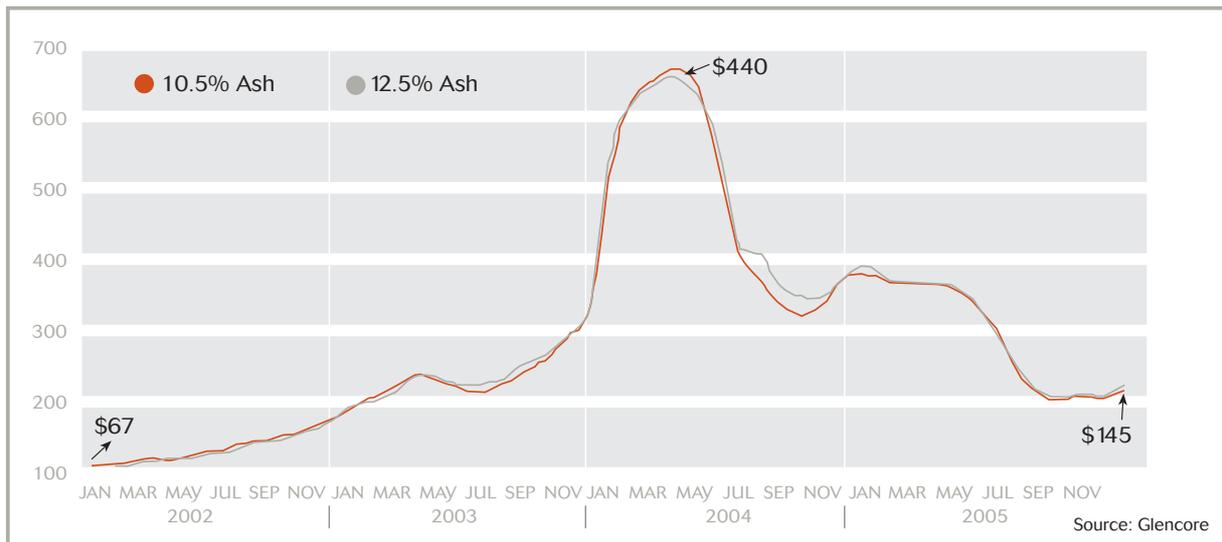
The South African ferrochrome industry's competitiveness has been negatively affected by a number of

factors. In particular, the strengthening of the Rand against the US Dollar has had a negative impact on the industry's competitiveness. The Rand has strengthened almost 100% since 2002 and since the second half of 2005 has strengthened 12%. In contrast the currencies of our competitors in Kazakhstan and India have remained relatively weak against the US Dollar.

At the same time South African ferrochrome production costs have been negatively affected by the above inflation escalation of energy costs; the global price volatility of metallurgical reductants such as coking coal; and the country's ailing logistics infrastructure, which has been negatively affected by strong demand and delayed investment. In addition

Volatile coke pricing

Jan '02 - Jan '06 (Indexed) Average FOBT Price ex-China



Chromite Reserves

	Mill t	in %	Rank
Total	7,600	100.0	
South Africa	5,500	72.4	1
Zimbabwe	930	12.2	2
Kazakhstan	320	4.2	3
Finland	120	1.6	4
India	67	0.9	5
Turkey	20	0.3	6
Brazil	17	0.2	7
Others	626	8.2	8

Source: Minerals Bureau

FACT: Xstrata-Merafe Chrome Venture

- 20 furnaces
- 6 operating mines
- 1 930 Kt in production capacity.



Charge Chrome (Cr) Price
Benchmark Chrome Price

		Charge Cr Price*)
		US\$/lb
2003	Q1	0.34
	Q2	0.41
	Q3	0.47
	Q4	0.50
2004	Q1	0.57
	Q2	0.69
	Q3	0.70
	Q4	0.73
2005	Q1	0.73
	Q2	0.78
	Q3	0.73
	Q4	0.68
2006	Q1 - a	0.63
	Q2 - a	0.70
	Q3 - f	0.72
	Q4 - f	0.75

Source: Heinz H. Pariser
Alloy Metals Steel Market Research

*) South African Producer Price
a - actual
f - forecast

the relatively poor sizing ratio of South African chrome ore means that 75% of our chromite requires agglomeration.

To overcome these disadvantages and remain competitive, South African producers need to reduce their costs. During 2005 the Venture, despite lower production volumes, contained its operating costs and unit costs fell by 2% a tonne in comparison with 2004 costs.

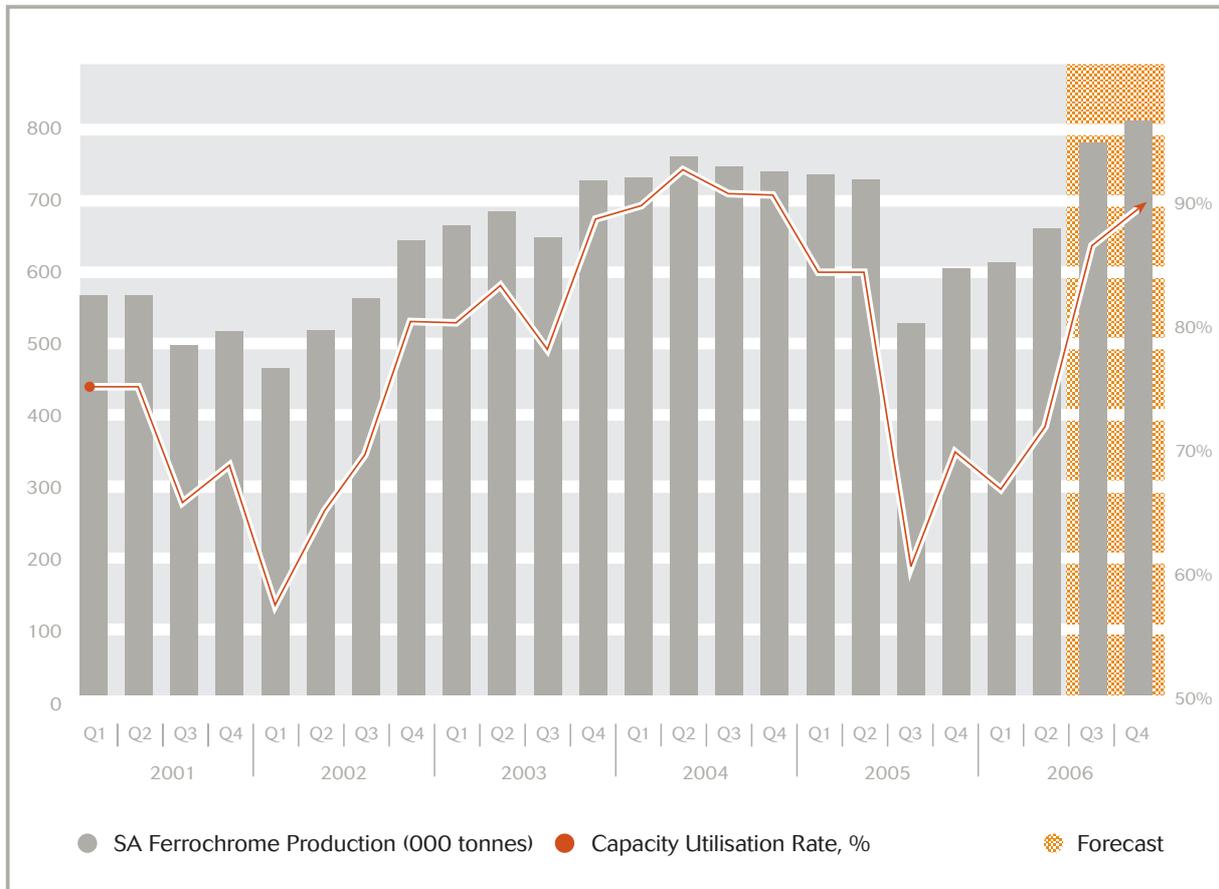
In the future the capital projects and process innovation currently under way will move the Venture back down the cost curve and further increase its competitiveness.

Future Prospects for the Ferrochrome Industry

We have forecast that the first half of 2006 will see downward pressure on ferrochrome prices, which have already declined 19% since the second quarter of 2005. The strengthening of the Rand against the US Dollar by 12% during this period has also exacerbated the situation.

The second quarter of 2006 saw a recovery in ferrochrome prices to 70 US cents per pound, while the Rand continued to strengthen against the US Dollar.

South African capacity utilisation rates drop to 60% in Q3 2005 as a result of extensive output restrictions



Source: CRU

We continue to pursue our strategy to grow our business through diversifying into resources other than ferrochrome and expect to be in a position to make announcements in this regard in the near future.

Board and Management

There were a number of changes to the Board during this financial year. Lebo Mogotsi and Zanele Matlala, who both joined the Board on 1 April 2005, have already made a significant contribution to our deliberations. During the year we said farewell to Reinier Meyjes and Dr. Todor Vlajcic. Their considerable experience in the chrome industry was invaluable to the Board during the start-up phase of our operations.

Lindiwe Montshiwagae joined our head office management team during 2005. Her areas of responsibility include

corporate finance and investor relations. I thank the Board and our staff for their support and dedication in working towards the achievement of our goals.

Chris Molefe
Non-Executive Chairman



Chief Executive Officer's Review

Review of Results

Currently, the income of Merafe Resources is derived from its participation in the Xstrata-Merafe Chrome Venture (the Venture). From January to June 2005 it shared in 11% of the EBITDA of the Venture. From July 2005 its share in the EBITDA increased to 14%. Then in November 2005, following the Wonderkop Acquisition and the incorporation of these assets into the Venture, the Merafe Resources share in the EBITDA increased to 17%. In terms of the agreement with Xstrata the Company's share in the Venture's EBITDA will increase to 20.5% in July 2006.

Merafe Resources' net profit for the 12 months ended 31 December 2005 increased by R21 million year-on-year to R41,707 million. After a positive first six months the 13% decline in ferrochrome prices, combined with an 8% strengthening of the Rand against the US Dollar and standing charges from the temporary closure of seven furnaces, resulted in a disappointing second half of the year under review.

Review of Operations

The integration of the chrome operations of Merafe Resources and Xstrata into the world's largest ferrochrome producer, which commenced in July 2004, is achieving the anticipated synergies from the sharing of operational expertise,

management and technological diversity.

As at 16 November 2005 the ferrochrome capacity of the Venture increased from 1.42 million tonnes to 1.6 million tonnes as a result of the Wonderkop Acquisition. When Project Lion is commissioned, which is expected to take place in the third quarter of 2006, the Venture's capacity will increase to 1.93 million tonnes.

Operating costs

During 2005 operating costs were contained, despite lower production volumes. Unit costs fell by 2% per tonne in real terms compared with 2004 costs. This reduction in costs was as a result of lower coke prices, improved furnace efficiencies achieved through higher pellet availability and mechanical improvements at the Boshhoek plant.

Plants

The higher pellet availability achieved through improved performance at the Venture's Rustenburg pelletising plant and the increased availability of Outokumpu pellets from the Boshhoek plant, resulted in better efficiencies and an overall reduction in raw material requirements. By selecting to carry out planned maintenance on seven of its furnaces during the 2005 winter months, the Venture avoided the higher winter energy costs.

These temporary closures had no material effect on the financial performance of the Venture. Most of these furnaces were back in operation by the fourth quarter of the year.

The modifications made to the Boshhoek furnaces during the winter shutdown have resulted in increased production volumes, a significant reduction in operating costs and exceptional stability.

Five of the Venture's furnaces were temporarily suspended in 2006 until market conditions improve. These include two furnaces at Wonderkop, two at Rustenburg and one at Boshhoek. These furnaces will be put back into production as and when market conditions dictate.

Mines

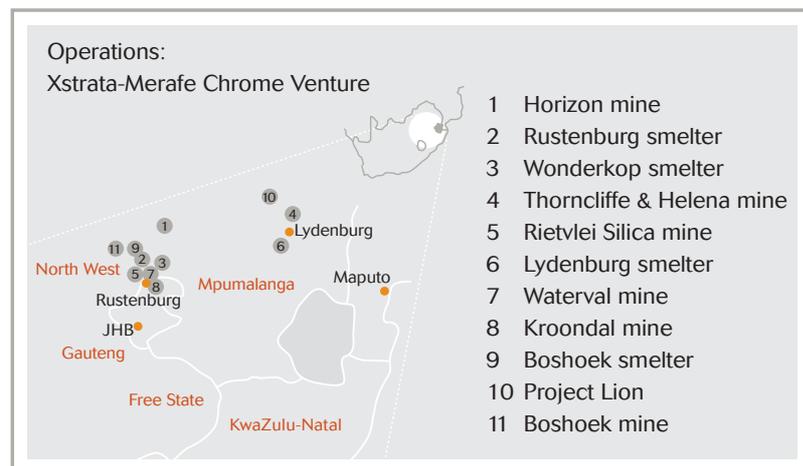
The Thorncliffe mining complex in Mpumalanga Province continued to be the best performing and lowest cost producer of the Venture's chrome mines. This mining complex is being expanded through the development of the Helena mine, which will supply ore to the new Lion ferrochrome smelter.

Underground production from the Kroondal mine, in particular after the acquisition of the Marikana reserves, made production from the lower quality opencast operations at Kroondal and Boshhoek temporarily superfluous.

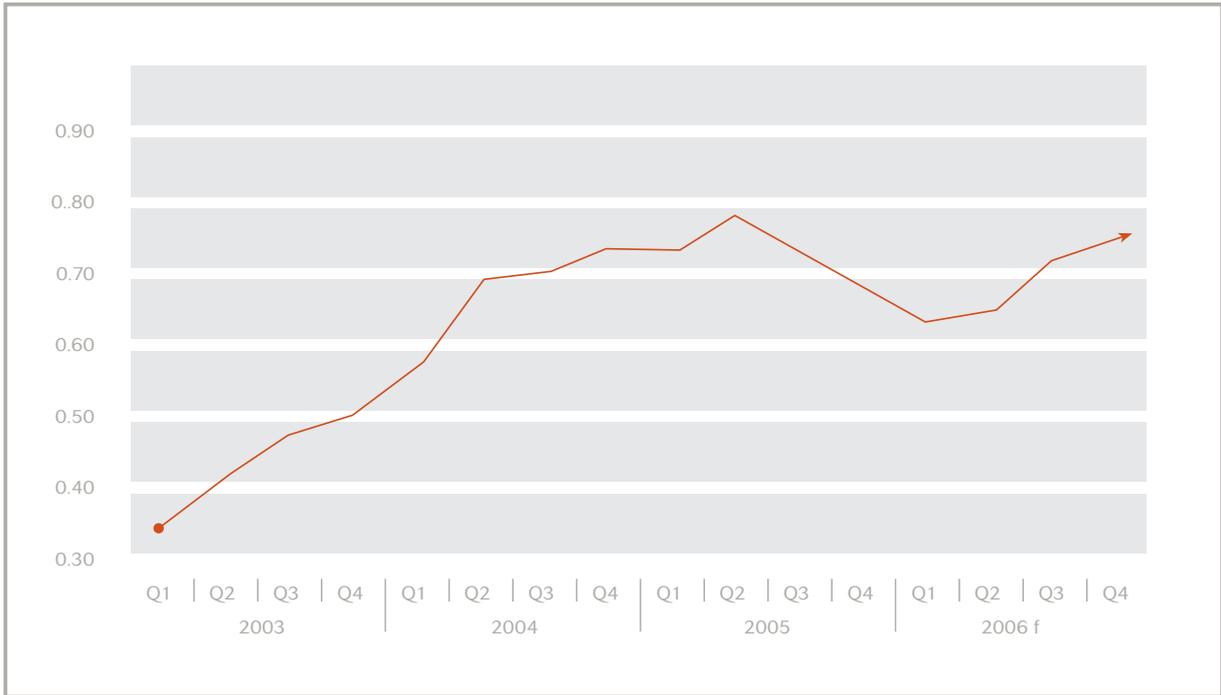
Horizon mine was refurbished between July and December 2005 with the aim of improving yields and reducing production costs

Market Review of the Ferrochrome Industry

The strong growth in stainless steel melt production during the first half of 2005, which accounts for approximately 80% of global ferrochrome consumption, resulted in ferrochrome prices rising to 78 US cents a pound during the second quarter of the year.

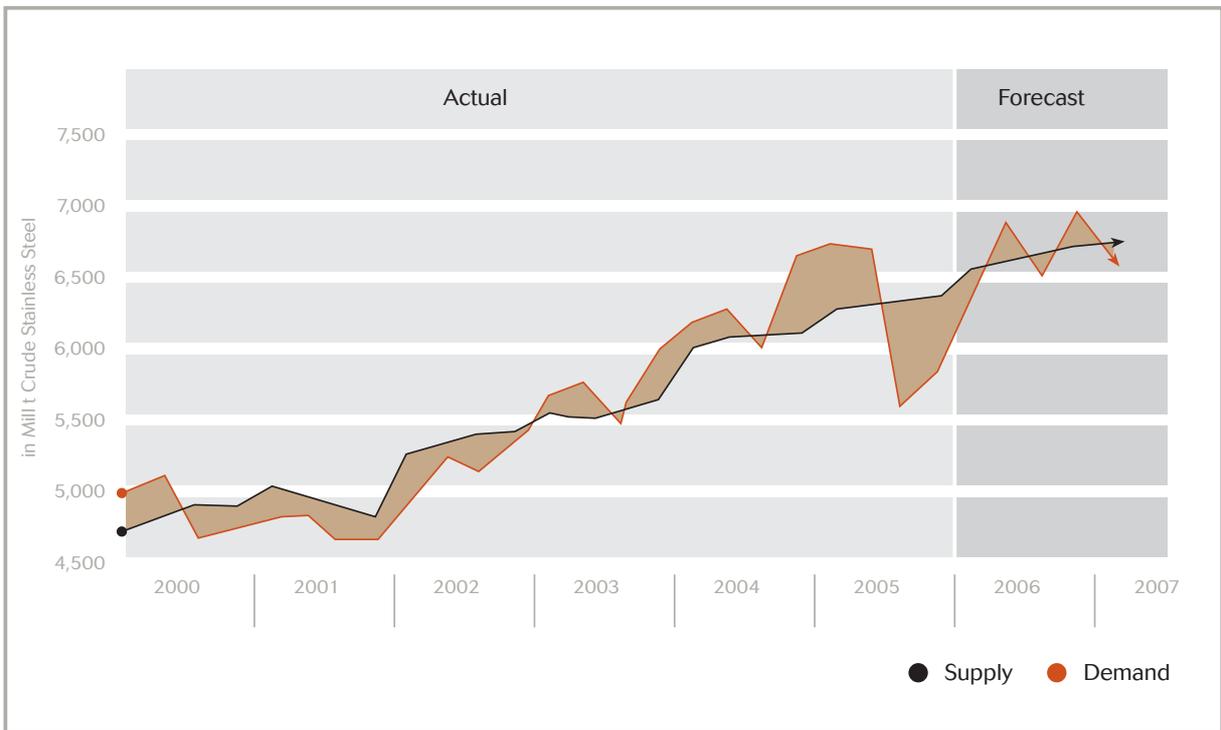


Charge Chrome Price



Stainless Steel Supply and Demand

Source: Heinz H. Pariser



Stainless Steel Melt Production

Source: Heinz H. Pariser

2005	2006 Forecast				
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
24,799	6,349	6,864	6,527	6,960	26,700

Source: Heinz H. Pariser

Then, in the second half of the year high nickel prices reduced the demand for stainless steel, which translated into a slow-down in stainless melt production. This in turn reduced the demand for ferrochrome and put ferrochrome prices under pressure.

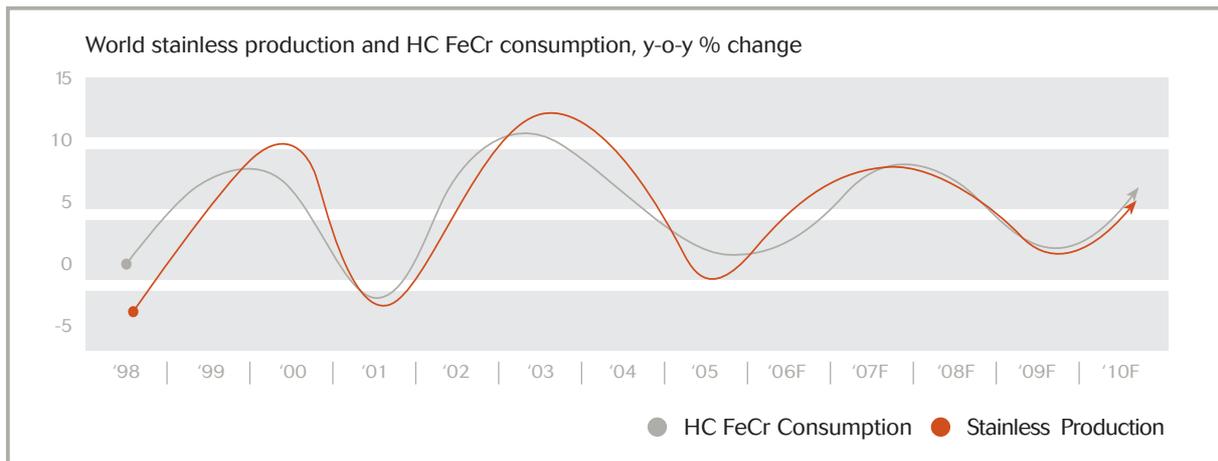
The base price for ferrochrome was reduced by five cents a quarter for the final two quarters of the year, ending the year at 68 US cents a pound. Despite this second half reduction in the ferrochrome price, the average quoted price for the year of 73 US cents a pound was 7,3% higher than the average of 68 US cents a pound for 2004.

The stainless steel production slow-down in the second half of 2005 affected Europe, the United States, Taiwan and Japan. The greatest decline was in the United States (7%). European production declined by approximately 4.8% to 8.3 million tonnes, Taiwanese production fell 4% and Japanese production declined by around 2.5% year-on-year. In contrast, in China stainless steel melt production grew 33%, resulting in the production of some 3.7 million tonnes of stainless steel in China during 2005.

The production of stainless steel melt has continued to be relatively weak during the first quarter of 2006. This

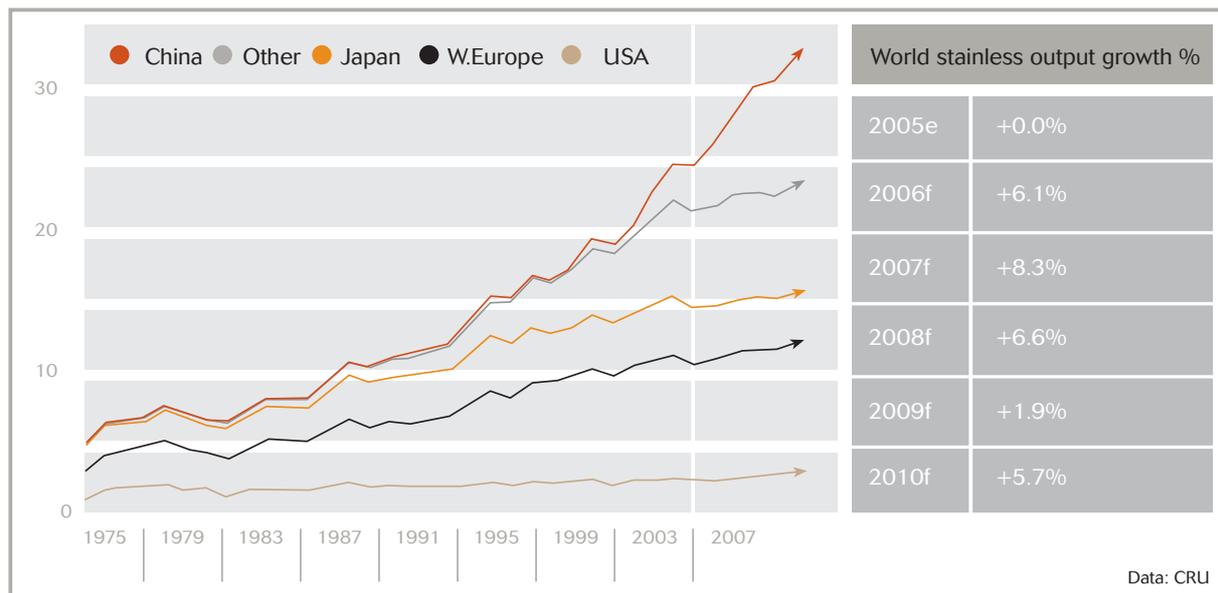
has placed further downward pressure on ferrochrome prices which were reduced a further five cents to 63 US cents a pound in the first quarter. The second quarter of 2006 saw a recovery in the ferrochrome price to 70 US cents per pound and a further recovery is expected in the second half of 2006 with the demand for ferrochrome gaining momentum, driven by China and the stainless steel melt production.

Growth in world HC FeCr Consumption Continues to Closely Follow Stainless Production



Source: CRU International Ltd

World Melt Stainless Steel Production, Mtpa, 1975-2010



Data: CRU

FACT: Stainless steel first became popular as building material during the art deco period when it was used on the upper portion of the Chrysler Building, New York. Because of its low maintenance cost, attractive appearance and anti-vandal characteristics stainless steel is increasingly being used in buildings, public transport and street furniture (lamps, bus shelters, etc).



Health, Safety, the Environment and the Community (HSEC)

HSEC issues are covered in the Environmental Sustainability section of this report on pages 30 to 31. These actions are covered in detail in the Environmental Sustainability section.

Implementing our growth strategy

In October 2004 Merafe Resources announced that its three main objectives were organic growth in the

ferrochrome industry through greenfields expansion; acquisitive growth in the ferrochrome industry through the acquisition of going concerns; and diversification into commodities outside of ferrochrome.

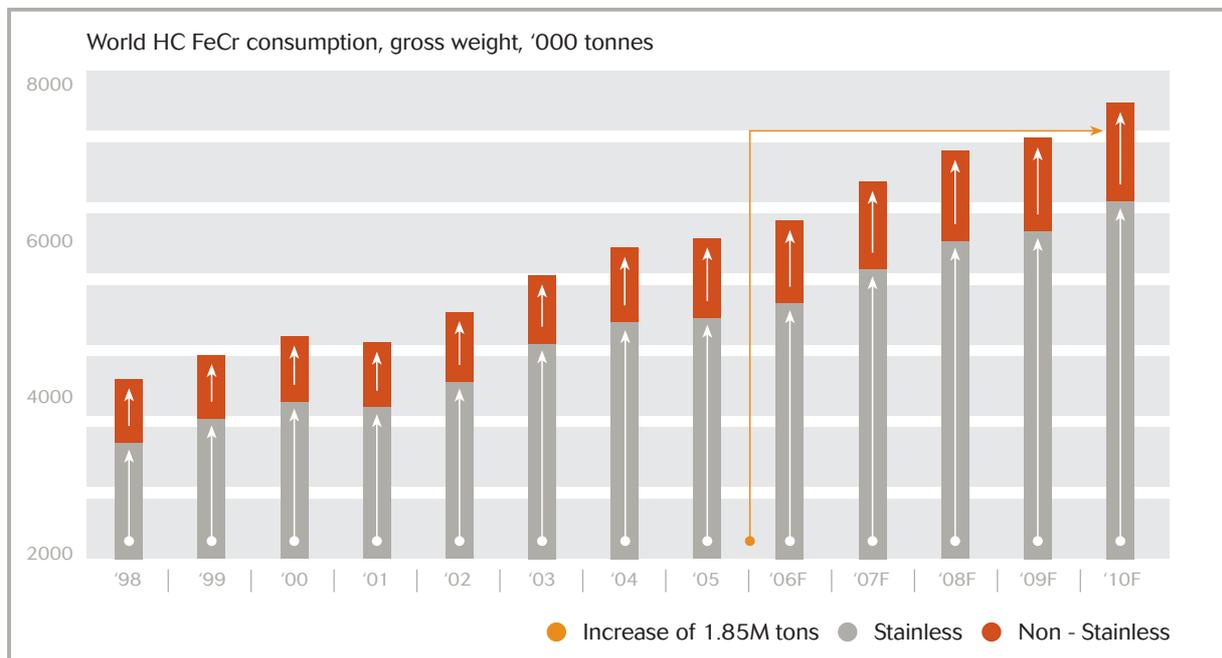
The Wonderkop Acquisition

During the year the Company successfully raised equity and debt funding to acquire Samancor's 50% stake in the Wonderkop Joint Venture and 50% of all the rights to chrome in

the Kroondal mining area and 26% of the rights to chrome in the Marikana mining area.

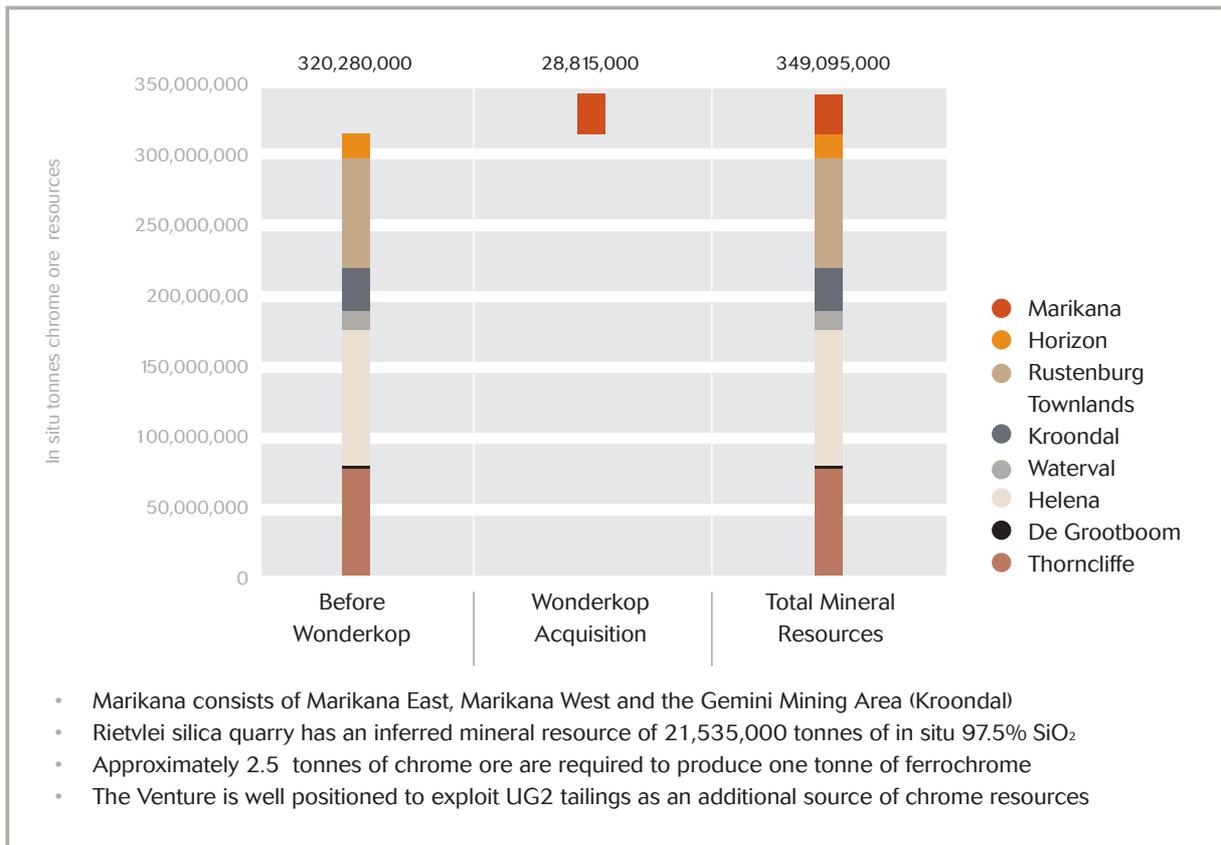
Merafe Resources' purchase of 50% of the Wonderkop Joint Venture (of which Xstrata holds the remaining 50%) increases its participation in the EBITDA of the Xstrata-Merafe Chrome Venture by 3% from 16 November 2005.

Consumption of Ferrochrome Should Increase in 2006 & 2007

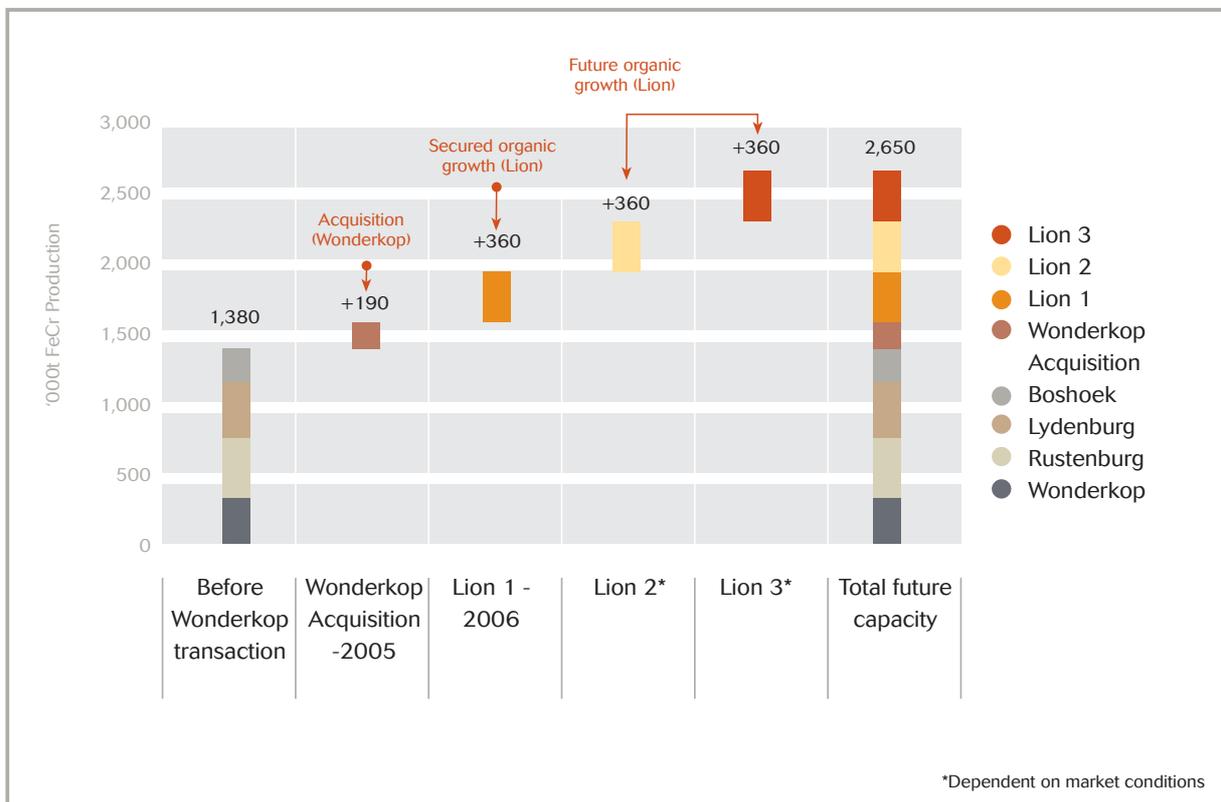


Source: CRU International Ltd

The Xstrata-Merafe Chrome Venture's Growth Story - Chrome Ore Resources



The Xstrata-Merafe Chrome Venture's Growth Story - Smelter Capacity



The Wonderkop Joint Venture acquisition was in line with the Company's growth strategy of acquiring going concern quality chrome and ferrochrome assets and incorporating these in the Xstrata-Merafe Chrome Venture in exchange for a higher percentage of the EBITDA.

The inclusion of Wonderkop, which consists of two semi-closed furnaces and a recovery plant with a ferrochrome production capacity of 190 000 tonnes per annum, has increased the Venture's production capacity to 1.570 million tonnes per annum.

Project Lion

In line with its strategy to grow organically in the ferrochrome industry, Merafe Resources reached an agreement with Xstrata on a 20.5% participation in the Project Lion greenfields expansion, at cost.

Construction of the 360 000 tonnes a year Project Lion smelting complex, near Steelpoort in Mpumalanga, began in December 2004. The Project Lion smelter complex is being established close to the Venture's existing chrome reserves at the Thorncliffe mining complex. The Project will use Premus proprietary technology, the most sophisticated and competitive process available for ferrochrome production. It is designed to reduce electrical energy consumption by reduction efficiency and utilising waste gas and heat. It provides high recoveries of metallic oxides using low cost reductants and energy sources, such as anthracite and oxygen.

The Project is on track to commission on time and within budget during the third quarter of 2006. The Helena mine development, which will provide chrome ore for the complex, remains within the Project timing schedule and budget. Chrome ore is already being brought to the surface at the mine.

The Project was awarded a grant by the Department of Trade and Industry (DTI) in 2005. The grant recognises

the Project's contribution to the sustainable development of the surrounding area.

Reporting Standards

To help us achieve transparency, inclusiveness and high standards of reporting this report has been prepared using the Global Reporting Initiative (GRI) Guidelines as a framework. The GRI was established to create a common framework for sustainability reporting worldwide. Its aim is to elevate sustainability reporting to the same level of rigour, comparability, credibility and verifiability as that expected of financial reporting.

Our participation in the FTSE/JSE SRI Index and the Financial Mail's Top Empowerment Companies Survey are both part of our commitment to high standards of corporate governance and environmental, social and economic sustainability. It is pleasing to have our efforts recognised in this way.

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

Future Prospects

Ferrochrome prices declined by 19% from 78 US cents per pound in the second quarter of 2005 to 63 US cents per pound in the first quarter of 2006. The Rand also strengthened by 12% against the US Dollar during this period.

The second quarter of 2006 saw a recovery in ferrochrome prices to 70 US cents per pound, while the Rand continued to strengthen against the US Dollar.

Despite the recovery in the ferrochrome price during the second quarter of 2006, after the company has accounted for corporate costs, interest, preference dividends and depreciation, the Company will make a loss for the first half of 2006, as previously announced on 2 March 2006.

However, the recent weakening of the Rand against the US Dollar and upward movement in ferrochrome prices bodes well for the profitability of the Company in the second half of 2006.

Now that the Company has achieved its goal of growing its ferrochrome interests (through its participation in Project Lion and the Wonderkop Acquisition) the Management team is focusing on achieving its diversification strategy.



Steve Phiri
Chief Executive Officer



Directorate

Non-Executive Directors



1 Chairman

Chris Molefe, BCom, Post-graduate Diploma in Property Development

Chris (57) has chaired the Merafe Resources Board for the past two and a half years. He is currently the Chief Executive Officer of Royal Bafokeng Resources Holdings (Pty) Limited (RBR). Prior to this appointment he had gained extensive experience in property investment, merchant banking and transformation strategy development while working for Mobil Oil, Union Carbide, Chase Manhattan Bank and Transnet. He is a non-executive director of Jubilee Platinum Limited.

2 Zanele Matlala, BCom, BCompt (Hons), CA(SA)

Zanele (42) joined the Merafe Resources Board in 2005. She is the Group Financial Director of Kagiso Trust Investments (Pty) Limited. She was Chief Financial Officer of the Development Bank of Southern Africa (DBSA), having

previously served the DBSA as Executive Manager: Private Sector and International. Before joining the Bank she headed up Wholesale Venture Capital Funds for the Industrial Development Corporation and was an Audit Supervisor at Arthur Anderson & Co.

3 Qinisani Mbatha, BSc Quantity Surveying, PrQS, MComm

Qinisani (28) joined the Merafe Resources Board in 2004. He previously worked in various positions within the construction and engineering industry before joining the Industrial Development Corporation (IDC). He heads up the Evaluations Department at the IDC and also serves as a member of IDC's Credit and Project Review Committee. Qinisani is primarily responsible for assessing the technical and commercial viability of capital intensive projects and determining the assets' security on equity and debt transactions.

4 Lebo Mogotsi, BCom, SMDP

Lebo (34) joined the Merafe Resources Board in 2005. She has considerable experience in beneficiation and the development of markets for products of the beneficiation process, which she gained as Marketing Manager of AngloGold Ashanti. This experience not only serves her well as a member of the Merafe Resources Board but also as a director of Lebone Resources (Pty) Limited, a women's empowerment mining company focusing on mining, beneficiation and consulting. Lebo is also a shareholder and Executive Deputy Chairperson of Petmin Limited.

Executive Directors

FACT: While today the most common everyday use for stainless steel is still in the manufacture of cutlery, large amounts of stainless steel are used in food production and storage. Not only is stainless steel corrosion resistant, it is easy to clean, hygienic and imparts no taste to the food with which it comes into contact and has no coating that could dissolve into the food being stored.



5 Chief Executive Officer
Steve Phiri, BJuris, LLB, LLM,
HDip Co Law

Steve (50) joined Merafe Resources as its Chief Executive Officer in May 2003. Before joining Merafe Resources he headed up Corporate and Legal Affairs for the Royal Bafokeng Nation (RBN) and led the negotiating team that successfully resolved the dispute between the RBN and Impala Platinum Limited. In this role he also negotiated the RBN investment in Merafe Resources and the Nation's, Bafokeng Rasimone Platinum Mine with Anglo Platinum.

Steve is a member of the Mineral and Mining Board, which was established in terms of the Minerals and Petroleum Development Act. He is a non-executive director of Royal Bafokeng Resources Holdings (Pty) Limited and SA Eagle Limited.

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

Zed (61) has 40 years experience in the ferroalloy industry, which includes operational and executive management experience, feasibility studies, process design, construction and commissioning. Prior to joining Merafe Resources, Zed was CEO of Consolidated Metallurgical Industries Limited. He was also Non-Executive Chairman of Time Mining (Pty) Limited.

7 Commercial Director
Bruce McBride, BA, LLB, Dip Advanced
Banking, MBA, PhD

Bruce (47) was a senior partner at law firm Bell, Dewar and Hall before joining Merafe Resources in 2001 as Commercial Director. During his time in law he specialised in commercial litigation, banking and mining law. He is a non-executive director of Mundane World Leaders Fund Limited.

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

Stuart (42) had gained extensive experience in the accounting and corporate finance fields before joining Merafe Resources in 2001. He was an audit manager at KPMG and a senior manager at FirstCorp Merchant Bank. As a project finance consultant with Gencor in London he worked exclusively on Gencor's acquisition of Billiton plc from Royal Dutch Shell. Stuart was also an associate director with Deutsche Morgan Grenfell (Pty) Limited and a director of the Corner House (Pty) Limited for three years.

9 Company Secretary
Amritha Mahendranath, BCom

Amritha (38) joined Merafe Resources in 2003 as its Financial Manager. In March 2004 she was appointed Company Secretary. Amritha's previous experience includes working as a financial manager for Mondi Limited.

Sustainable Development Report

Merafe Resources recognises that the key to the long-term prospects of any business is its sustainability. This requires integrating economic activity with environmental integrity, social concerns and an effective governance system.

Merafe Resources takes a long-term and responsible approach to its business. It is committed to the achievement of the vision of the legislation governing the mining industry in South Africa, which is to develop a globally competitive mining industry, which uses the human and financial resources of all South Africa's people, offers real benefits to all South Africans and proudly reflects the promise of a non-racial South Africa.

The Southern African Mining, Minerals and Sustainable Development project highlights that poverty alleviation, capacity building and skills training, gender equity, job creation and governance are the critical issues that need to be addressed if progress towards sustainability is to be achieved in the region. The Company has taken note of these issues.

Reporting Guidelines

Merafe Resources has adopted the Global Reporting Initiative (GRI) guidelines for sustainability reporting (see pages 70 - 71), as the framework for the preparation of this report. The

use of this framework allows the Company to present and analyse its performance in economic, environmental and social terms - the crucial determinants of sustainability and the triple bottom line.

Recognition of the Company's Socially Responsible Approach to Business

The growing body of evidence suggesting an inter-relationship between socially responsible practices and long-term shareholder value, prompted the JSE Limited to establish the FTSE/JSE SRI (Socially Responsible Investment) Index. The Index showcases listed companies who qualify to participate in it. To qualify for inclusion in the Index, companies must meet a rigorous set of criteria in respect of economic, environmental and social sustainability and corporate governance. Every year since the inception of the Index in 2003, Merafe Resources has met these criteria and been invited to participate in the JSE SRI Index.



"For a small mining company, Merafe has shown a dedication to demonstrating the various policies and systems in place to manage the sustainable development challenge."

JSE SRI Index assessment undertaken by KPMG

Empowerment credentials

Its empowerment credentials placed Merafe Resources first in the Resources Sector of the Financial Mail's Top Empowerment Companies Survey and 17th overall out of the 200 companies that participated. Companies participating in the survey are assessed by economic empowerment rating agency Empowerdex using a scorecard that rates the BEE elements of ownership, management, employment equity, skills development, procurement, enterprise development and corporate social investment.

"Now a substantial player Merafe is growing its business and helping consolidate the overall SA ferrochrome industry."

Financial Mail Top Empowerment Companies 2006

Governance and Management Systems

Corporate governance encompasses the concept of sound business practice, which includes a company's structures, management systems, policies and codes. All of these are intended to ensure that, from an economic, social and environmental perspective, a company acts in a responsible and transparent manner.

Empowerdex Resources Sector Ratings

RANK	Overall Rank	Top 10 Companies	Ownership (%) score	Mgt (%) score	Employment Equity (%) score	Skills Dev (%) score	Preferential Procurement (%) score	Enterprise Dev (%) score	CSI (%) score	Total BEE (%) score
1	17	Merafe Resources	8,0	6,7	4,4	17,5	4,6	10,0	10,0	61,27
2	20	Harmony Gold Mining	10,6	6,3	7,1	15,0	8,0	2,0	10,0	58,92
3	25	Kumba Resources	17,0	3,3	3,4	15,0	4,5	0,5	10,0	53,75
4	28	AngloGold Ashanti	12,8	2,3	5,1	20,0	8,9	4,4	0,0	53,63
5	35	Gold Fields	0,0	1,6	5,2	15,6	7,1	10,0	10,0	49,59
6	40	African Rainbow Minerals	15,0	7,7	3,3	0,0	0,0	10,0	10,0	45,96
7	43	Western Areas	0,0	1,1	3,1	16,6	13,9	0,0	10,0	44,81
8	45	Sasol	11,0	8,5	2,7	8,3	7,0	1,1	5,4	43,98
9	58	Impala Platinum Holdings	4,2	2,8	4,6	15,0	8,8	0,0	2,9	38,38
10	59	Trans Hex	10,8	4,7	4,0	0,0	8,0	0,0	10,0	37,51

Principles of Corporate Governance and Structures

The Merafe Resources Board is committed to the principles and cornerstones of sound governance. It ensures that the Company's business is conducted within pre-determined risk management parameters and in accordance with local and internationally accepted corporate practice.

The directors endorse the Code of Corporate Practices and Conduct set out in the second King Report and the Board is taking the necessary steps to ensure the Company adheres to these recommendations.

The Board of Directors

At present, the Company has a unitary board comprising four executive members and four non-executive members. Two of the non-executive members are independent. The Board is also considering the appointment of further independent non-executive directors.

The Board is responsible for setting the Company's strategy and direction. It establishes key policies and strategic objectives and monitors their implementation.

The Board has a charter which sets out its role, duties and responsibilities regarding corporate governance, strategic planning and performance, board appointments, compliance with regulations, accounting and financial compliance, its responsibilities to shareholders and the delegation of operational matters.

In terms of the Board Charter no individual has unfettered powers of decision-making. Responsibility for running the Board and executive responsibility for conducting the business are differentiated. Accordingly, the roles of the Chairman of the Board and of the Chief Executive Officer are separate. The day-to-day running of the Company is delegated to the Chief Executive Officer and the executive directors.

The Board retains overall accountability and full and effective control over the Company.

Matters specifically reserved for the Board's decision are the Company's financial and operational results, the strategic direction of the business, major acquisitions and disposals, approval of major capital expenditure and any other matters that could have a material effect on the business.

Composition

Non-executive directors

Chris Molefe (57) - Chairman
Qinisani Mbatha (28)
Zanele Matlala (42) (Independent)
Lebo Mogotsi (34) (Independent)

Executive Directors

Steve Phiri (50)
Bruce McBride (46)
Stuart Elliot (42)
Zed van der Walt (61)
Company Secretary
Amritha Mahendranath (38)

The King Report on corporate governance emphasises the size (as regards the number of executive and non-executive directors), diversity and demographics of boards (as it relates to the country's demographics). The Company continues to make progress in this regard.

The directors retire by rotation at the annual general meeting and the terms of executive directors' current contracts do not exceed three years.

The Secretary

The Company Secretary ensures compliance with the Listings Requirements of the JSE Limited and all statutory requirements. She ensures that the proceedings and affairs of the directorate, the Company itself and, where appropriate, owners of securities in the Company, are properly administered, in accordance with the pertinent laws.

Directors have access to her at all times. Directors and officers of the

Company keep her advised about all dealings in Company securities.

Dealing in Securities

In accordance with the Listings Requirements of the JSE Limited the Company has adopted a code of conduct for dealing in the Company's securities. During a closed period directors and designated employees are prohibited from dealing in the Company's securities.

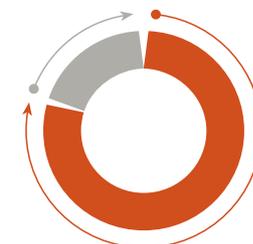
Board composition

- 50% non-executive
- 50% executive



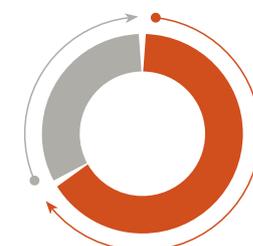
Board gender composition

- 75% male
- 25% female



Board racial composition

- Black 63%
- White 37%



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

The roles and responsibilities of the sub-committees that report to the Board on the key issues identified by the Board are set out in the table below, as are the roles and responsibilities of the Executive Committee. The sub-committees meet every quarter, and more frequently if necessary.

Executive Committee	Remuneration Committee	Audit Committee	Risk Committee	Transformation & Employment Equity Committee	Nomination Committee
Roles & Responsibilities					
Recommends policies and strategies; monitors and co-ordinates implementation; deals with all executive management business; is responsible for all material matters that are not the responsibility of the Board.	Establishes the overall principles of remuneration and determines the remuneration of executive directors & senior management and the operation of the Company's share incentive scheme; considers, reviews and approves the Company's policy on executive remuneration and communicates this to the shareholders in the annual report.	Monitors the adequacy of financial controls and reporting; reviews the audit plans of the external auditors and adherence to these plans; ensures the financial reporting complies with IFRS and the Companies Act; reviews and recommends on all financial matters.	Assists the Board in the identification of all material risks and sustainability issues to which the Company is exposed. Ensures that the requisite risk management culture, practices, policies, resources and systems are being implemented and functioning effectively.	Reviews and manages the Company's commitment to social sustainability, the requirements of the Employment Equity Act and the Mining Charter.	Establishes policy governing appointment of directors and considers suitable nominations for appointment to the Board and makes appropriate recommendations to the Board.
Composition of the committees as at 31 December 2005					
S Phiri • B McBride S Elliot Z vd Walt	C Molefe • L Mogotsi Z Matlala Q Mbatha S Phiri	Z Matlala • S Elliot C Molefe S Phiri	Q Mbatha • L Mogotsi Z Matlala Z vd Walt ~	L Mogotsi • Q Mbatha B McBride S Phiri T Moseki ~ (Transformation Manager of the Venture)	C Molefe • L Mogotsi Z Matlala Q Mbatha S Phiri
• Committee chairperson ~ Invitee					

Board Expertise

The expertise of Board members is set out on pages 16 and 17 of this report. The directors are able to contribute a wide range of expertise, including financial, commercial and technical expertise. The non-executive directors contribute valuable independent perspectives and judgement.

Board Committees

The duties of the various committees as at 31 December 2005 is set out in the preceding table.

Principles and Policies

The Board operates according to its Charter. The Charter covers the Board's performance and its strategic role. Through its Charter the Board commits itself to the principles of openness, integrity and accountability and to the provision of timeous, relevant and meaningful reporting to all stakeholders.

Code of Ethics

Merafe Resources has a code of ethics, which is intended to ensure that the Company's business practices are beyond reproach, encourage ethical behaviour and decision-making by its Board, management and employees.

Management of the Xstrata-Merafe Chrome Venture

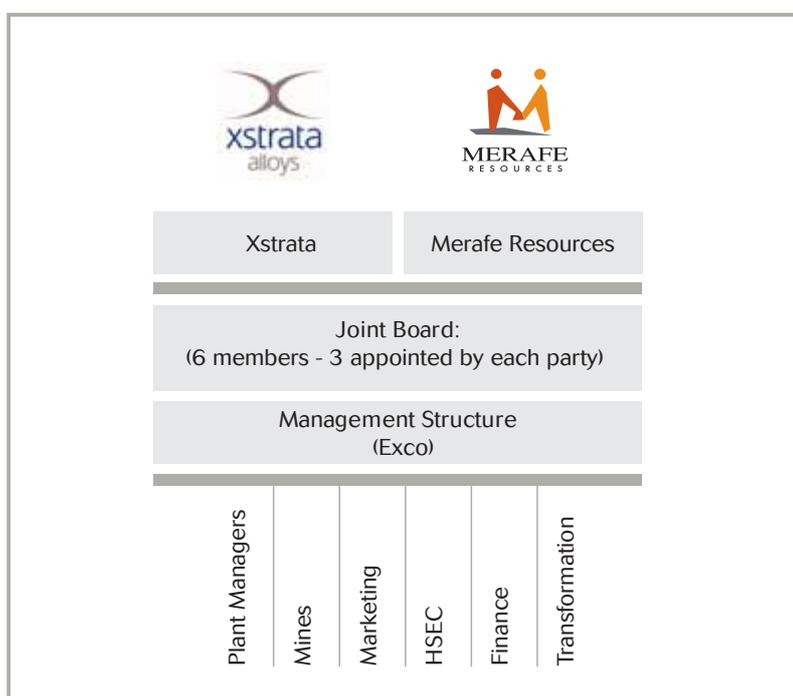
A joint board oversees the combined operations of both companies. There are three representatives from each company on this board. Merafe Resources is represented by its Chief Executive Officer Steve Phiri, Commercial Director Bruce McBride and Finance and New Business Director Stuart Elliot. Xstrata is represented by the Chief Executive of Xstrata South Africa (Pty) Limited, Peet Nienaber, who is also currently Chairman of the joint board, Shaun Usmar (Chief Financial Officer) and Deon Dreyer (Managing Director Alloys). Zed van der Walt, Merafe Resources' Technical Director,

is the Company's technical representative on the Xstrata-Merafe Chrome Venture (the Venture).

The management of the Venture's plants and mines, its marketing and finance, HSEC and transformation are all represented on the senior operational management structure (Exco), set out below. The Exco reports to the joint board.

Attendance at the Merafe Resources Board meetings during 2005. Four Board meetings were held during the financial year ended 31 December 2005

Board Member	No of meetings attended
Non-executive directors	
C Molefe	4
Q Mbatha	4
R Meyjes (resigned from the Board in August 2005)	3
T Vlajic (resigned from the Board in August 2005)	3
Z Matlala (joined the Board in March 2005)	3
L Mogotsi (joined the Board in March 2005)	3
G Clark (joined the Board in August 2005 and resigned from the Board in terms of IDC policy, when he left their employ)	0
Executive directors	
S Elliot	4
B McBride	4
S Phiri	4
Z van der Walt	4



Social Sustainability

Our stakeholders

Merafe Resources identifies its stakeholders by assessing its involvement with them or potential impact on them. Merafe Resources aims to ensure that, in the long term, all its stakeholders benefit from its strategies. In terms of the Xstrata-Merafe Chrome Venture (the Venture) the 17 Health, Safety, Environment and Community Management Standards set by Xstrata plc are applied at the Venture's operations.

Stakeholder	Engaging with our stakeholders
<p>Shareholders</p> <p>Merafe Resources has a simple shareholder structure. Public and institutional shareholders hold 43.6% of the Company's shares; Royal Bafokeng Resources Holdings (Pty) Limited hold 32.1% of its shares and the Industrial Development Corporation of South Africa Limited (IDC) holds 24.3% of the Company's shares. For details of the shareholder breakdown consult Shareholder Information on page 67 of this report.</p> <p>Lenders</p> <p>The Company borrows from South African banks. Details of our bankers are to be found on the inside back cover of this report.</p>	<p>During the year the Company communicated with its stakeholders through:</p> <p>Roadshows; Merafe Resources' Website; Site visits to the operations of the Venture; Site visit to the Project Lion site; Presentation by the CEO to the Chamber of Mines; Presentations to small-cap institutions; General meetings; Circular to shareholders concerning a fully underwritten renounceable rights offer to raise funding; Notice of the Annual General Meeting; Press announcement of interim and preliminary results; Annual Report to shareholders; and Presentations to Metal Bulletin's 6th Asian Ferro Alloys Conference.</p> <p>Regular meetings with its bankers.</p>
<p>Customers</p> <p>The customers of the Venture are stainless steel mills in South Africa, Europe, the Far East and the United States. Our customers set the specifications for the product and the Venture produces according to these specifications.</p>	<p>In terms of the Venture, Glencore International AG markets the majority of the Venture's production. While Glencore International AG and the Venture's marketing team are responsible for maintaining its customer relationships, Merafe Resources continues to interact and maintain relationships with customers of the Venture and to attend global ferrochrome conferences where buyers are present.</p>
<p>Employees</p> <p>As at 31 December 2005 the Venture had 4 384 employees.</p>	<p>Communication with the Venture's employees includes:</p> <ul style="list-style-type: none"> • Management briefings; • A communication forum at each operation; • Site specific newsletters; • Skills development committees; • Employment equity committees; and • HSEC Group newsletter.

Stakeholder	Engaging with our stakeholders
<p>Suppliers</p>	<p>The Venture has established a procurement committee which is responsible for awarding tenders and supply contracts. All potential suppliers are required to provide details of the HDSA shareholding/participation in their businesses. A scorecard has been established and the Venture's current level of procurement has been identified and recorded. The HDSA percentages of its total procurement spend was 37% during the financial year, which exceeded the Venture's target of 35%. The definitions of HDSA ownership applied by the Venture are as follows: Black Owned - 50% + 1 vote; Black Empowered - between 25.1% and 50%; Black Influenced between 5.1% and 25%.</p>
<p>Communities</p>	<p>Merafe Resources and the Venture focus on the communities in the immediate vicinity of their operations. The relationship that each operation has with the community within which it operates is managed by the Venture. Its Transformation Manager, who is a member of the Venture's Exco, is responsible for reviewing community engagement and feedback processes within the Venture. Through the Royal Bafokeng Resources Holdings (Pty) Limited, the Royal Bafokeng Nation (RBN), a community of some 300 000 people, is a major shareholder in Merafe Resources and participates in the Company at board level.</p>
<p>Trade Unions</p>	<p>In terms of the mines and furnaces that make up the Venture, mine employees are represented by the National Union of Mineworkers and those employed at the furnace operations are members of the National Union of Metal Workers of South Africa (NUMSA). Recognition agreements and union structures are used for the purposes of consultation and communication on union matters.</p>
<p>Government</p>	<p>Merafe Resources regularly interacts with National Government's Department of Minerals and Energy and with the Government of the North West Province in which our operations are based. The Company's Chief Executive Officer participates in Government forums, both in terms of mining issues and issues around Black Economic Empowerment. He is also a member of the Government's Minerals and Mining Board.</p>

Externally developed principles, charters and initiatives to which Merafe Resources subscribes.

Merafe Resources is committed to the principles of the Broad-Based Socio-Economic Empowerment Charter for the South African mining industry and the Mining Scorecard established to monitor performance against the Charter. Through the Charter the mining industry committed to aspiring to a baseline of 40% historically disadvantaged participation in management within five years (2007). To ensure higher levels of inclusiveness and advancement of women they committed to a baseline of 10% of women participation in the mining industry, also within five years.

This year Merafe Resources' efforts towards socio-economic empowerment were recognised in the Financial Mail's Top Empowerment Companies Survey, which is conducted by the Empowerdex Economic Empowerment Rating Agency. The Company was ranked first in the Resources Sector and seventeenth overall, out of the 200 companies that participated. The areas with empowerment potential on which the participants are measured are: ownership, management, employment equity, skills development, preferential procurement, enterprise development and corporate social investment.

The table below measures Merafe Resources against the Mining Scorecard (the operations of the Xstrata-Merafe Chrome Venture (the Venture) are covered in this scorecard). While the Company is making progress towards the Scorecard's targets, it recognises that this is an ongoing process.

Scorecard items	Progress Made Towards Target
<p>Human Resources Development Every employee to be offered the opportunity to be functionally literate and numerate by 2005.</p>	<p>All employees were offered the opportunity to be functionally literate and numerate by 2005. Currently, the Venture's literacy level is 75.32%. In addition to offering ABET training to all its employees, the Venture has established ABET Centres that offer skills training to the unemployed in some of the communities where the Venture operates.</p>
<p>Career path and skills development plans implemented for all HDSA employees.</p>	<p>Evaluation interviews are conducted with individual employees to determine their aspirations and qualification levels. Their potential is also assessed. Defined career paths are assigned depending on the candidate's ability and ambition. In instances where it is appropriate further education is offered.</p>
<p>Has the company developed systems through which empowerment groups can be mentored?</p>	<p>The Venture has a mentorship procedure in place, which provides policies and procedures for mentorship to ensure the transfer of knowledge and skills from experienced employees, to provide additional career and personal development support and facilitate accelerated development of those selected for mentorship by the organisation.</p>
<p>Employment Equity Has the company published its employment equity plan and reported on its annual progress in meeting that plan?</p>	<p>Yes.</p>
<p>Has the company established a plan to achieve a target for HDSA participation in management of 40% within the five years (2007) and is it implementing the plan?</p>	<p>The Venture has established a plan to achieve a target of 55% HDSA participation in management in the Venture by 2007. HDSA participation in the Merafe head office management team is 50%. HDSA participation in management in the Venture's operations is 39%.</p>

Scorecard items	Progress Made Towards Target
<p>Has the company identified a talent pool and is it fast tracking it?</p>	<p>Yes - the Venture's fast track prospects receive international exposure through extended technical visits to Xstrata's overseas operations. High potential HDSAs participate in a mentorship and coaching programme described under Human Resources Development.</p>
<p>Has the company established a plan to achieve the target for women participating in mining of 10% within the five years (2007) and is it implementing the plan?</p>	<p>The percentage of women employed at the Company's Boshhoek operation is 12.34%. The percentage of women employed overall in the Venture is currently 7.23%. A plan is in place to ensure the target of 10% is achieved throughout the Venture by 2007.</p>
<p>Migrant Labour Has the company subscribed to government and industry agreements to ensure non-discrimination against foreign migrant labour?</p>	<p>Yes. In addition, the policies and procedures of the Venture comply with foreign and local treaties and agreements on migrant labour and are aimed at ensuring that all employees are treated fairly, without bias or discrimination. The operations that fall within the Venture do not use foreign migrant labour.</p>
<p>Mine Community and Rural Development Has the company co-operated in the formulation of integrated development plans and is the company co-operating with government in the implementation of these plans for communities where mining takes place and for major labour sending areas? Has there been effort on the side of the company to engage the local mine community and major labour sending area communities (Companies will be required to cite a pattern of consultation, indicate money expenditures and show a plan)?</p>	<p>Through the Venture the Company plays a central role in the communities that exist alongside its operations. It works closely with the relevant local governments, Local Economic Development forums and other regional business bodies to facilitate and help meet their needs outlined in the Integrated Development Plans (IDP). Details of the programmes in place are provided in the Social Impact section of this Sustainability Report.</p>
<p>Housing and Living Conditions For company-provided housing, has the mine, in consultation with stakeholders, established measures for improving the standard of housing, including the upgrading of hostels, conversion of hostels to family units and promoted home ownership options for mine employees?</p>	<p>The Venture's employees are local to its operations. A funding programme has been introduced to help employees buy or rent a home near their place of work. This programme has enabled families to live together and has resulted in small communities developing near the Venture's operations.</p>



Scorecard items	Progress Made Towards Target
<p>Has the company established measures for improving the nutrition of employees? Companies will be required to indicate what they have done to improve nutrition and show a plan to progress the issue over time and implementation of this plan.</p>	<p>The Company and the Venture do not provide meals for staff unless they are at work for longer than eight hours.</p>
<p>Procurement Has the company given historically disadvantaged South African's preferred supplier status?</p>	<p>Yes. The Venture has embarked on a supplier transformation process aimed at encouraging non-HDSA suppliers to transform. It is fast-tracking BEE procurement and through its enterprise development programme is supporting the development of HDSA SMMEs.</p>
<p>Has the company identified the current level of procurement from historically disadvantaged South African companies in terms of capital goods, consumables and services.</p>	<p>Yes. The Venture had a target for 2005 of 35% HDSA procurement spend on capital goods, consumables and services. It achieved this target by December 2005. The total BEE procurement spend for the Venture was R2,5 billion.</p>
<p>Has the company indicated a commitment to a progression of procurement from historically disadvantaged South African companies over a 3-5 year time frame in terms of capital goods, consumables and services and to what extent has the commitment been implemented?</p>	<p>In year 1 (2004) the Venture had an HDSA procurement target of 25%. In year 2 (2005) its target by year end was 35%, which was achieved. In year 3 (2006) its target is 45% HDSA procurement, in year 4 the target is 55% and in year 5 it is 65%.</p>
<p>Ownership and Joint Ventures Has the company achieved historically disadvantaged South African participation in terms of ownership for equity or attributable units of production of 25% in historically disadvantaged South African hands within five years (2007) and 26% in 10 years?</p>	<p>The Company has exceeded the target of 15%. Royal Bafokeng Resources Holdings (Pty) Limited currently owns a 32.1% shareholding in Merafe Resources.</p>
<p>Beneficiation Has the company identified its current level of beneficiation?</p>	<p>Yes. The main business of the Venture, which manages the Company's assets, is the beneficiation of chromite into ferrochrome in 20 furnaces in South Africa.</p>
<p>Has the company established its base line level of beneficiation and indicated the extent that this will have to be grown in order to qualify for an offset?</p>	<p>Yes.</p>
<p>Reporting Has the company reported on an annual basis its progress towards achieving its commitments in its annual report?</p>	<p>Yes. Every year the Company's Annual Report records the Company's progress towards its commitments.</p>

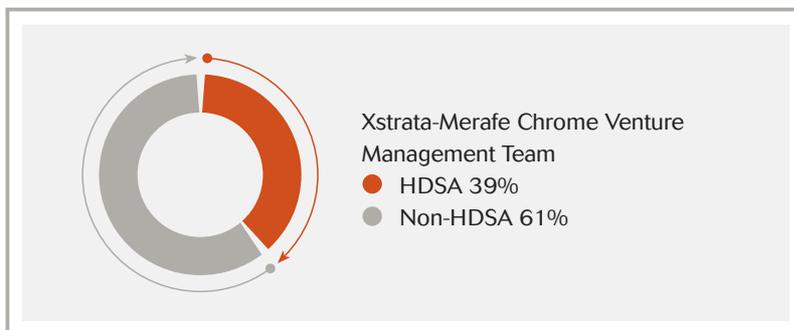


FACT: Because chrome has a great affinity for oxygen at the molecular level it forms a layer of chromium oxide on the surface of stainless steel. This layer does not react to or influence other materials; it clings to the steel, is not transferred to anything else and is self-renewing. As a result stainless steel remains bright and shiny for decades without any coating or corrosion protection.

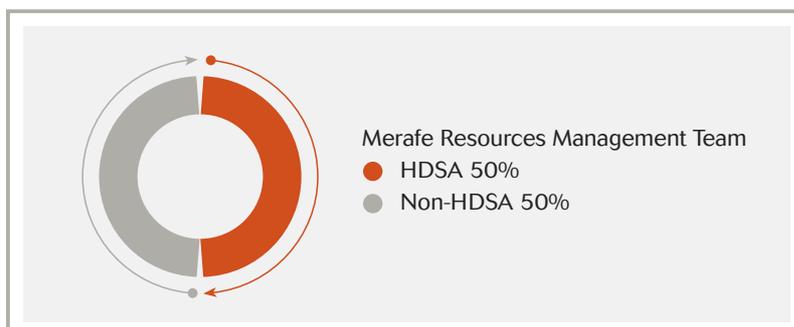
Lindiwe Montshiwagae (BCompt (Hons)), joined the Merafe Resources management team during 2005 as Corporate Finance and Investor Relations Manager. Lindiwe completed her articles with PricewaterhouseCoopers in 1999 and joined Nedbank in 2000 as a financial accountant before moving to its corporate finance division in 2001.

Employment Equity

The targets set by the Xstrata-Merafe Chrome Venture in terms of Historically Disadvantaged South Africans (HDSAs) in management is 55% by December 2007. Current percentages for HDSAs in management in the Venture are as follows:



The Merafe Resources management team, with an HDSA component of 50%, has already achieved the Mining Scorecard target.



The percentage of women employed in mining by the Venture is 7.23% for the year 2005. The Venture aims to achieve a minimum of 10% by 2007. The women employed at Merafe Resources' operations at Boshhoek make up 12.34% of the workforce, which exceeds the 10% target set for achievement in 2007 by the Mining Scorecard.

The Venture has set itself a target of 55% HDSA participation in management by 2007 and this target is supported by its equity plan. HDSA participation in the Merafe Resources head office management team is 50%.

Recruitment and Training

At 31 December 2005 the Venture employed 4,384 people. It views employing and providing opportunities for the self-realisation of any disadvantaged group as a priority. It has a gender-specific recruitment programme for women and 50% of its bursaries are targeted at women.

A formal full time mentorship and coaching programme has been implemented at all operations in the Venture for employees receiving educational assistance, employees that have entered into learnership agreements, fast-tracked employees and those on the Venture's list for accelerated development. Where non-employees enter into learnership agreements with the Venture they are also included on a mentorship programme.

In terms of the South African Skills Development Act all the Venture's operations have a workplace skills plan in place. During the year the average number of training days per employee was 14.7.

Transformation

The Transformation Manager, Thabo Moseki, appointed when the Venture was established is responsible for its community investment and transformation within the Venture, which includes procurement and enterprise development.

Community Investment

Merafe Resources recognises that it has an important role to play in the communities within which it operates. The Venture manages its community investment. It has a social involvement plan in place, which reports on the engagement of the Venture with local communities and details the range of initiatives and projects funded or undertaken by the Venture and the resources involved in the programme.

A wide range of projects in enterprise development and job creation; education; social and community development; the environment; health; and culture and art are supported by the Venture.

The enterprise development programme of the Xstrata-Merafe Chrome Venture is aimed at expanding the economic opportunities of the communities in which it operates.

Among the enterprise development projects currently undertaken by the Venture is a project empowering community-based organisations and helping them to become self-sustaining. The project is also providing skills to unemployed youths.

In both the Mpumalanga and North West Provinces a skills and enterprise development fund with a value of R2,25 million has been established to assist in the creation of start up enterprises.

In the Mpumalanga Province, as a result of the training of HDSA candidates in business skills, members of the community have had the opportunity to start their own businesses. Pirana Garden Services, a company owned and run by historically disadvantaged South Africans was awarded a contract with the Venture to take care of the gardens at its operations.

One of the major concerns in the area where Project Lion is situated is an unemployment rate of 70%. To help address this issue the names of all unemployed people in these communities have been entered into a database and when the project or its

contractors need semi-skilled or unskilled workers they draw these from the database. To increase the skills base of the local community the Venture has constructed a skills development centre where artisans such as boilermakers, fitters and electricians can be trained.

The centre will also be used for community education and training and will offer literacy and basic management courses. Project Lion and the Venture's corporate social investment programme are funding the centre jointly.

A community committee consisting of representatives from all the communities in the vicinity of Project Lion meets monthly. Through this committee projects that can contribute to the development of these communities have been identified.

The Venture's contribution to education through its community investment programmes includes the building of Ratanang primary school and the Whole School Development project, which is aimed at improving the quality of tuition (in particular mathematics, science and English tuition) and school management in 30 schools. ABET Centres have been established that offer skills training to the unemployed in some of the communities where the Venture operates.

Often children orphaned by AIDS are left destitute. The Venture has helped communities in which it operates by providing accommodation for orphans. In addition the Venture funded the training of members of the community who care for terminally ill patients.

Children at the Rehlahleng Centre for the Disabled working in the Centre's vegetable garden. The Centre is supported by the Venture's Community Investment Programme.



Environmental Sustainability

The Xstrata-Merafe Chrome Venture (the Venture) is committed to the principles of sustainable development. It aspires to inflict zero harm on its people and the communities and environment in which it operates.

Health

The Occupational Health Risk Assessments conducted at all operations during the year, classified employees by the particular requirements of their jobs. The frequency of employees' medicals is determined by their work situation. Employees are also advised of the possible impact on their bodies of their working conditions (e.g. noise, dust, heat, vibration, Chrome 6).

Safety

Behavioural-based safety programmes are in place at all operations. To ensure experience is shared across the Venture each operation submits a monthly observation report. Corrective actions are also reported.

The management of the Venture deeply regrets that there were two fatalities at the operations during the year. One was as a result of a fall of ground at Kroondal mine and the other was as a result of a contractor's staff member entering a prohibited area. The fall of ground was as a result of a dome formation not being detected by the Ground Penetrating Radar (GPR) equipment being used to measure rock characteristics. The supplier of the

instruments has since refined the GPR equipment to ensure detection of dome formations. To further reduce the risk of fall of ground a number of alternative support systems were evaluated to replace the grouted rebar system in use. Resin bolts have been introduced as secondary support at Kroondal mine. The system now in use eliminates sub-standard installation and provides active systematic support on the working face.

Simulation training has been introduced and will always be part of annual refresher training. The focus of this training is the enhancement of hazard awareness.

Independent dedicated safety compliance officers carry out weekly inspections at all operations. Their inspections focus on a particular area each week. They report directly to the Chairman of the Venture's Joint Board and the head of the Mining Division. Any issues they identify are communicated and preventive action is taken.

A Sustainable Development Department has been established to provide an integrated approach to HSEC (health, safety, environmental and community) issues across the Venture. A balanced scorecard, with clear targets, has been developed. Every month each operation scores its performance against the scorecard and the compliance of each operation is audited.

Safety Performance - Frequency Rates

	2005	2004	Percentage improvement 2004 - 2005
Lost Time Injury Frequency Rate (LTIFR)	3.96	5.41	26.8%
Total Recorded Injury Frequency Rate (TRIFR)	11.98	16.58	27.7%
Fatality Frequency Rate	0.12	0.16	25.0%

Management Systems

Each operation under the Venture has an integrated HSEC management system. This system ensures compliance with the 17 HSEC standards developed by Xstrata plc, ISO 9001, ISO 14001, OHSAS18001 and SANAS 17025.

The Business Management System, known as the Enterprise View, used by the Venture, allows for standardisation of documentation required at all operations and the availability of a central database which includes legal documents.

All operations maintain risk registers incorporating key HSEC risks.

Environment

Environmental performance at all operations is assessed by means of regular internal reviews of performance and by systems compliance and systems reviews. A number of external audits are also conducted.

The Venture's induction programmes for new employees and contractors include an environmental component. All employees have to attend induction training every year.

Environmental Management on Project Lion

Fauna, flora and archaeological surveys were completed as part of Project Lion's Environmental Impact Assessment (EIA). Fauna surveys identified a limited number of small mammals, reptiles and amphibians living in the area. They were captured and released in a suitable habitat away from industrial activity. A record has been kept of the localities, numbers and species captured and released. An ecologist was employed to identify and collect red data (endangered) plant species on the Project Lion site and temporarily relocate them to an onsite nursery where they will remain until they are needed for revegetation purposes.

The archaeological survey identified 13 cultural sites, of which two were deemed important. Archaeologists excavated the sites and removed all the pottery and artefacts, which are now on view at the University of Johannesburg. Three grave sites were identified and fenced off from the project. After a local advertising campaign invited people to identify additional grave sites, two further sites were identified and fenced off for protection.

The nursery at Project Lion where endangered plant species are temporarily located.





Helena mine at the Thornccliffe mining complex, which is the best performing and lowest cost producer of the Venture's chrome mines.



The South African Department of Trade and Industry awarded Project Lion a substantial grant in recognition of its beneficial impact on local communities, in the form of direct and indirect employment, training schemes and specific social development programmes.



The Xstrata-Merafe Chrome Venture applies 17 HSEC standards developed around the ICMM principles of sustainable development and global leading practice management systems and benchmarked against industry peers. To support the management of these standards and to provide assurance that the standards are being met, each site is independently audited every two years.



Behavioural based safety programmes have been rolled out across all operations. To allow for sharing each operation submits its monthly observation report. Corrective actions are implemented for all read observations reported.