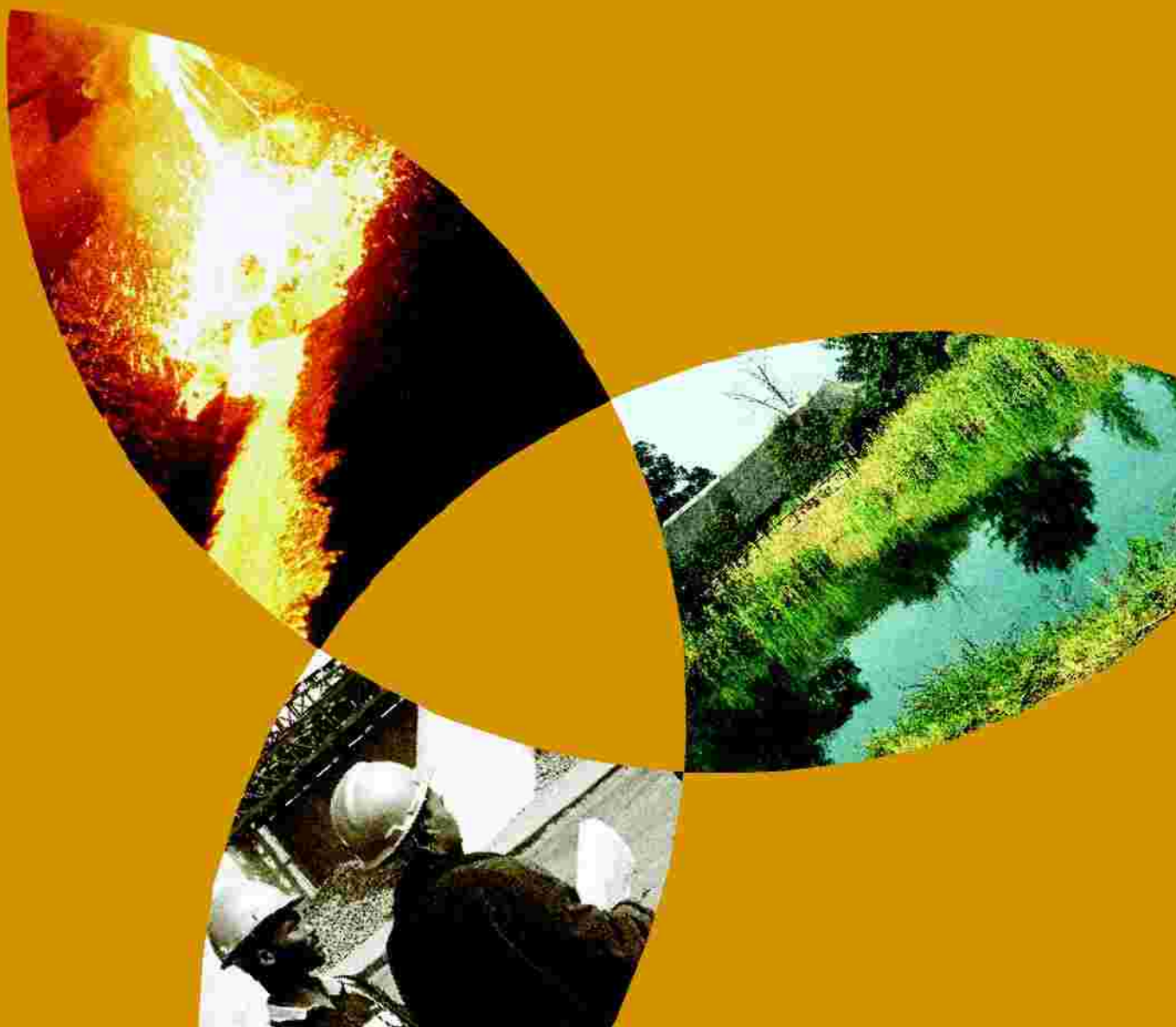
SA CHROME

SOUTH AFRICAN CHROME & ALLOYS LIMITED

annual report 2004





SA Chrome is proudly South African, owned by South Africans and is committed to:

- Producing a product in an environmentally friendly manner;
- Continuing as a technology leader;
- Being a reliable supply partner to the stainless steel industry;
- Adding value to the country and its people;
- Empowerment and employment equity; and
- Creating shareholder value on a sustainable basis.



SA CHROME

SOUTH AFRICAN CHROME & ALLOYS LIMITED



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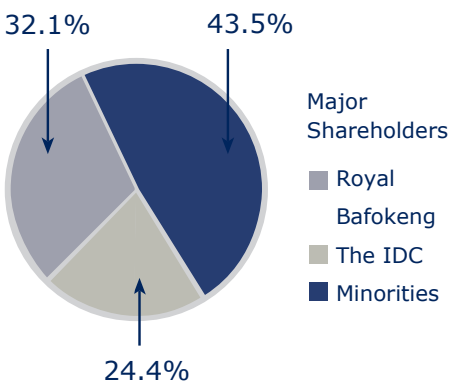
COMPANY PROFILE

South African Chrome and Alloys Limited (SA Chrome) is listed on the JSE Securities Exchange South Africa, under 'Resources – Mineral Extractors and Mines', share code 'SCE'. It is also listed on the FTSE/JSE SRI Index. It had 1,195, 664, 842 ordinary shares in issue as at 31 March 2004. The Company's market capitalisation was R1,1 billion on 31 March 2004.

BREAKDOWN OF SA CHROME MAJOR SHAREHOLDERS AS OF 15 JULY 2004



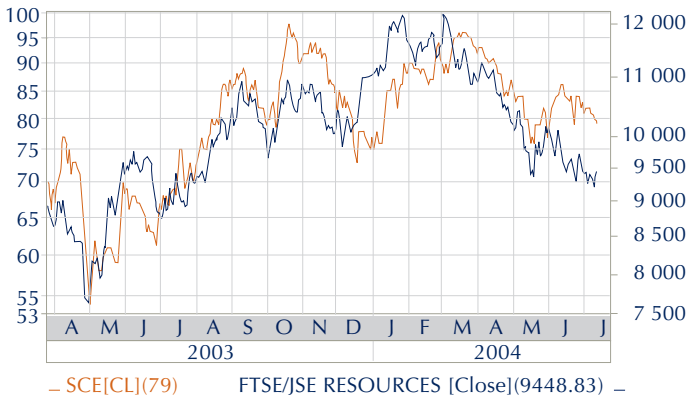
SA Chrome's assets consist of a ferrochrome facility in Boshoek, a UG2 concentrator plant and the Horizon chrome mine, in the North West Province of South Africa. The Boshoek facility consists of two 54 MVA closed submerged arc furnaces with charge preheating, and a 520 000 tonnes per annum pelletising and sintering plant based on Outokumpu technology. The feedstock for the Boshoek facility is provided by the Horizon chrome mine and a UG2 concentrator plant.

The Xstrata - SA Chrome Venture which came into being on 1 July 2004 has created the world's largest ferrochrome producer.

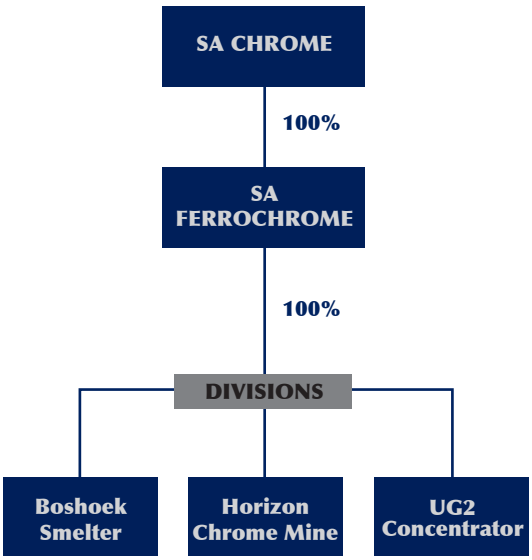
SA Chrome forms part of the JSE Securities Exchange FTSE/JSE SRI (Socially Responsible Investment) Index.



SA CHROME AND ALLOYS LTD (Close), FTSE/JSE RESOURCES (CLOSE) Daily 25/3/2003 - 12/7/2004



GROUP STRUCTURE



Forward Looking Statements

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 SA Chrome and its subsidiary companies as well as the ferrochrome industry to be materially different from future results, performances, objectives or achievements expressed or implied by these forward looking statements. SA Chrome is subject to the effect of changes in commodity prices, currency fluctuations and the risks involved in mining and smelting operations.

DIRECTORATE

Non-Executive Directors



Chris Molefe (54)
Chairman
BCom, Post-graduate Diploma in Property Development
Chris Molefe joined the SA Chrome board as Non-Executive Chairman in February 2002. He is the Chief Executive Officer of Royal Bafokeng Resources Holdings. He has had extensive experience in merchant banking and transformation strategy development.



Reinier Posthumus Meyjes (58)
Pr Eng, BSc Eng, MBL
Reinier Meyjes has been involved in numerous furnace projects spanning 30 years in this field. Of specific importance is his close involvement in turnkey smelter projects with closed ferrochrome furnaces utilising sintered ore pellets.



Qinisani Mbatha (28)
BSc Quantity Surveying, MComm, PrQS
Qinisani Mbatha is the head of the Project Evaluations Department at the Industrial Development Corporation (IDC). He is also a member of the Sectors and Project Review Committee, looking at technical and commercial viability of equity and debt transactions.



Andre Bekker (43)
BSc Hons, MDP
Andre Bekker is a senior project manager at the Industrial Development Corporation with extensive international experience in the ferrochrome industry, having been involved in the development of a number of ferrochrome projects in South

Africa. He has visited and has an in depth knowledge of ferrochrome and stainless steel operations in Kazakhstan, India, China and Europe.



Dr Todor Vlajcic (56)
PhD (Engineering)
Dr Vlajcic is the managing director of ThyssenKrupp Metallurgie GmbH (TK Met). He has been involved in the chrome industry for over 25 years and has vast experience in the construction of furnaces throughout the world. Prior to joining TK Met he was the sales manager and later the general manager of Ferroalloy and Nonferrous Plants Mannesmann Demag, Duisburg, Germany (1975 – 1997).

Executive Directors



Steve Phiri (48)
Chief Executive Officer
BJuris LLB, LLM, HDip Co Law
Before joining the SA Chrome executive Steve Phiri was head of Corporate and Legal Affairs for the Royal Bafokeng Nation (RBN) and joint head of RBN's Mineral and Mining Affairs Committee. He led their negotiating team, which successfully resolved the dispute with Impala Platinum Ltd in the 1990s and negotiated their investment in SA Chrome and their joint venture with Anglo Platinum. Steve is a member of the Government's Standing Advisory Committee on the Mining Charter.



Bruce McBride (44)
Commercial Director
BA, LLB, Dip Advanced Banking, MBA, PhD.
Prior to joining SA Chrome, Bruce McBride was a senior partner at Bell Dewar and Hall, where he specialised in commercial, banking and mining law, acting for listed and international companies in these sectors.



Stuart Elliot (40)
Finance Director
CA (SA), HDip Co Law
Stuart Elliot was an audit manager at KPMG and a senior manager at FirstCorp Merchant Bank. He later joined Gencor in London as a project finance consultant, focusing exclusively on their acquisition of Billiton plc from Royal Dutch Shell, and then moved on to Deutsche Morgan Grenfell (Pty) Limited as an associate director. He was also a director of The Corner House (Pty) Limited.



Zed van der Walt (59)
Technical Director
PrEng, BSc Engineering (MET), MBA, DPLR
Zed van der Walt is a metallurgical engineer with over 35 years broad operational and management experience in the ferroalloy industry, including feasibility studies, process design, construction, commissioning and operations. Prior to joining SA Chrome, Zed was managing director and CEO of Consolidated Metallurgical Industries Limited, at one time the second largest ferrochrome operation in the world.

Company Secretary



Amritha Mahendranath (36)
BCom (Hons)
Amritha Mahendranath joined SA Chrome in February 2003 as a financial manager and was appointed to the role of Company Secretary on 1 March, 2004. Prior to joining SA Chrome she worked for Mondi Limited.

The address of the directors is:
Suite 106, Block C, Eva Park, Cnr Beyers Naude Drive and Judges Ave, Cresta, 2194.







CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REVIEW

The Year Under Review

While the Company continued to achieve a steady improvement in production performance with turnover increasing from R184 million in 2003 financial year to R554 million this year, ongoing technical start-up and design problems took longer to eradicate than expected. This resulted in lower than expected production volumes, which together with a number of other factors, including the strong Rand, adversely affected production costs and revenue.

There were, however, a number of positive developments:

- On 24 February 2004, SA Chrome concluded an agreement with Xstrata South Africa (Pty) Limited, a wholly-owned subsidiary of Xstrata plc, a major, global, diversified mining group, listed on the London and Swiss stock exchanges. This R8 billion transaction created the world's leading ferrochrome producer and secured SA Chrome's participation in the combined earnings of the venture.

- In June 2004 SA Chrome was proud to be one of 51 companies listed on the JSE Securities Exchange selected to participate in the FTSE/JSE SRI (Socially Responsible Investment) Index.

  Those included in the index had to meet set criteria in respect of economic, environmental and social sustainability and corporate governance. It is rewarding to have our commitment to a long-term sustainable approach to our business recognised in this way.

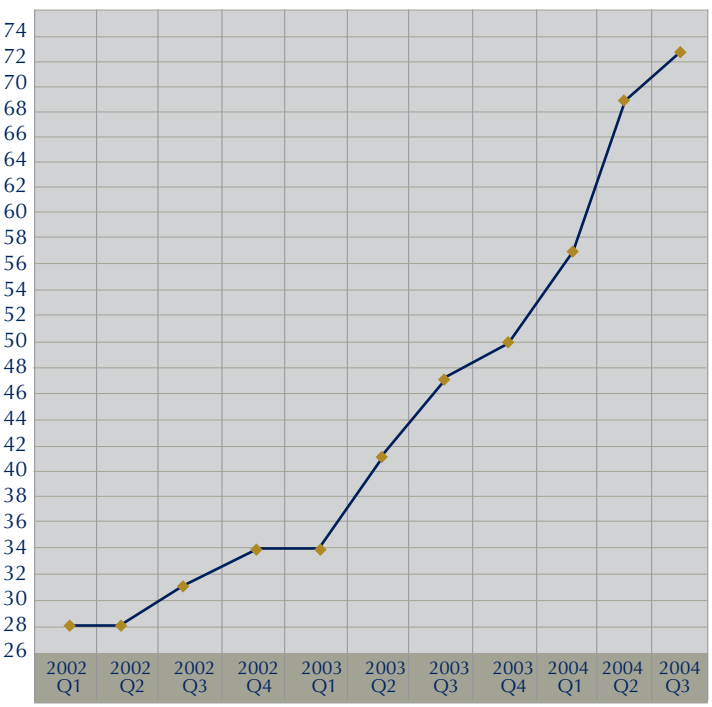
- Our Boshoek plant achieved certification and accreditation in May 2004 for compliance with the requirements of SANS IS0 9001:2000 for its Quality Management System.

- The ferrochrome facility exceeded its production capacity of 20, 000 tonnes per month in both June and July 2004

Review of Results

SA Chrome's turnover, on an fob basis, for the 12 months ended 31 March 2004, was R554 million. It was achieved from the sale of

MARKET OUTLOOK - PRICES



Published ferrochrome base price in USc/lb chrome contained

193 832 tonnes of ferrochrome at an average Rand: US$ exchange rate of R7.00: US$1, 40 000 tonnes below production capacity.

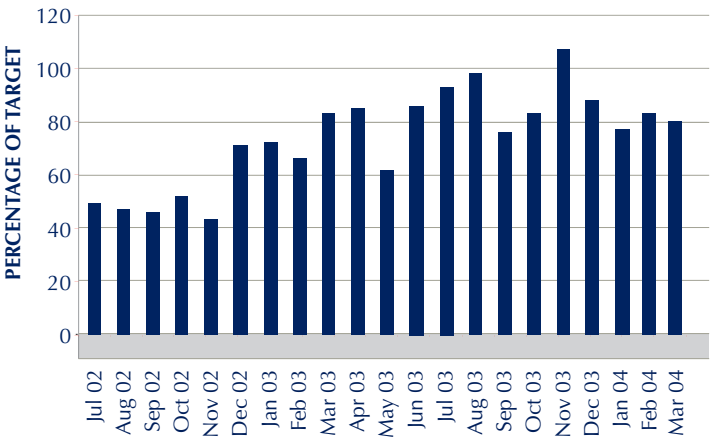
We incurred an operating loss before interest, tax and depreciation of R23.4 million. The transaction expenses relating to the SA Chrome – Xstrata Venture of R3 million and the cost of R6 million for the feasibility study conducted into the expansion of our Boshoek ferrochrome facility, are included in this loss. After taking into account depreciation of R28.3 million and interest on debt of R55.4 million, the Company's net loss after tax totalled R107.1 million.

The stronger Rand against budget caused a negative variance in earnings of R115 million. The negative variance in production costs against budget reduced earnings by a further R70 million. These negative variances were partially offset by a positive variance of R45 million resulting from favourable ferrochrome prices.

Review of Operations

Progress on the performance of our operations was slower than expected during the second half of the reporting period compared to the performance reported at half-year. The ferrochrome production rate improved by only 4% during the second half of the year to reach 193 832 tonnes, which was 14% less than budget expectations. Plant cost of production improved by 7% in the second half of the year over production in the first half of the year, but still fell short of expectations for the year by 16% in Rand per tonne terms.

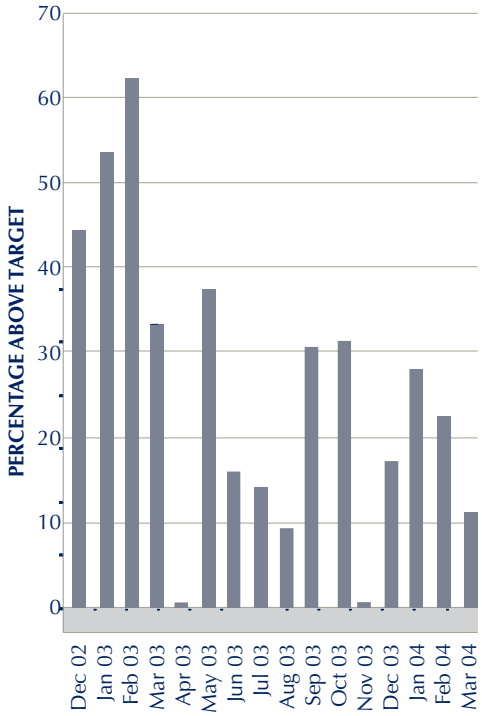
FURNACES - PRODUCTION



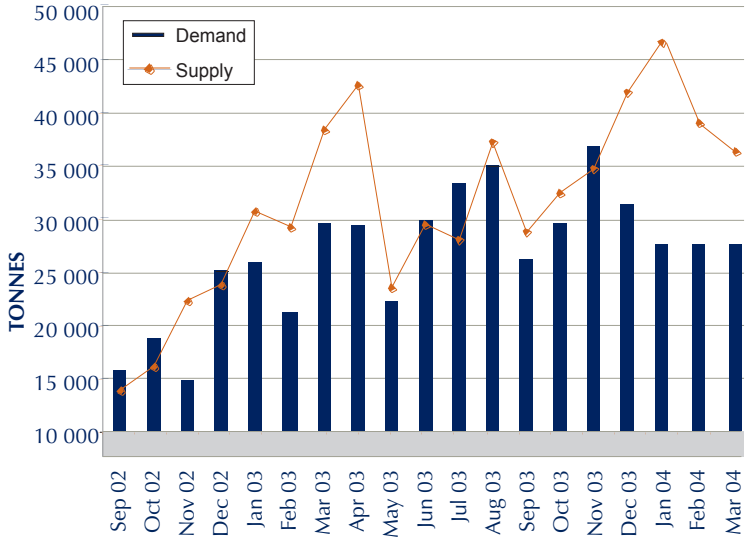
The main reasons for the slower than expected performance improvement were:

- The metal recovery plant, although partly commissioned on an experimental basis during October 2003, was only completed after the end of the financial year. An estimated 5% of production went unrecovered to the slag dump. It will be at least a year before the plant can recover the backlog of previously unrecovered production from the slag dump.

MONTHLY COST DEVIATION



SINTERPLANT PRODUCTION
Supply versus Demand







- Slower than expected underground mining development at Horizon Chrome Mine resulted in a shortfall in quality LG6 chromite ore feed to the Horizon beneficiation plant. As a result, the plant could not meet the Boshoek smelter's ore requirements. To overcome this shortfall, it was necessary to buy in lumpy ore at higher prices.

Underground production at Horizon Mine is increasing as the development of the Ruighoek shaft and Chromeden decline are nearing completion and are brought into production. Encouraging results have been achieved from the bulk sampling of the proposed Boshoek opencast mine adjacent to the Boshoek smelter. The development of this mine is awaiting a mining license application and the completion of an Environmental Management Programme Report (EMPR) currently being conducted. It will alleviate all the supply problems we have experienced during the past 18 months. The EMPR also caters for Environmental Impact Assessment (EIA) elements of an extensive feasibility study into expansions and opportunities for the Boshoek smelter. This study will be completed shortly.

The high cost of raw materials, such as ore and imported coke, were responsible for a price variance of 5% on total production costs. Drastic measures were taken to avert the impact of the doubling of the price of coke during the year by replacing it with more affordable reductants. These made demands on operational stability, particularly in the last quarter of the financial year.

In spite of these production setbacks there has been a steady improvement in performance at the plant, which continued at an accelerated pace after year-end.

In June and July 2004 production at the Boshoek plant exceeded its full capacity of 20, 000 tonnes a month. We are proud to enter the Xstrata – SA Chrome Venture as a successful operation. We expect this improvement in performance to continue into the Xstrata – SA Chrome Venture and to be enhanced by our relationship with Xstrata.

The Xstrata – SA Chrome Venture

The Xstrata – SA Chrome Venture, which commenced on 1 July 2004, has resulted in SA Chrome and Xstrata pooling and sharing their ferrochrome operations.

The Venture will significantly reduce operational risk as SA Chrome will no longer be dependent on the output of one mine and two furnaces, but will be participating in the output of six mines and 16 furnaces and future growth. At the same time, Xstrata, the most competitive South African ferrochrome producer, gains meaningful empowerment credentials for its ferrochrome assets.

SA Chrome's initial participation in the combined earnings before interest, tax, depreciation and amortisation (EBITDA), will be 11%, rising to 17,5% from year three onwards of the Venture. The Company also has the option to acquire an additional 2,5% interest in the Xstrata – SA Chrome Venture which, if exercised, would increase its shareholding in the Venture to 20%. Thereafter, SA Chrome will be entitled to increase its participation to 26% by contributing more than its pro rata share of the cost of any expansion or acquisition.

SA Chrome and Xstrata retain ownership of their respective assets, mining rights and land.

An executive committee appointed by the joint board will manage the Venture's day-to-day operations. Its members will be drawn from Xstrata and SA Chrome and will be accountable to the joint board, consisting of six members; three representing SA Chrome and three representing Xstrata.

Both parties will benefit from the transfer of best operational practice, the optimisation of ore feed from the reserves of both SA Chrome and Xstrata, and the introduction of the full spectrum of technology systems. SA Chrome





will, among other things, have access to Xstrata's exclusive Premus technology to be employed in the expansion project known as 'Project Lion'.

SA Chrome will also benefit from operational synergies, production flexibility, greater purchasing power with suppliers, lower freight rates and optimal utilisation of reserves.

ThyssenKrupp Metallurgie GmbH (TK Met) agreed to relinquish its marketing and associated rights to SA Chrome's production in exchange for the right to purchase 100 000 tonnes of ferrochrome annually from the Xstrata – SA Chrome Venture. TK Met has also been appointed as a sub-agent for sales of ferrochrome to ThyssenKrupp Stainless GmbH. Our thanks to TK Met for their marketing efforts and their support.

Glencore International AG, becomes the marketing agent for the Xstrata – SA Chrome Venture, under the same terms and conditions as its existing marketing agreement with Xstrata. Glencore is one of the world's largest suppliers of a wide range of commodities and raw materials to industrial consumers.

Market Review

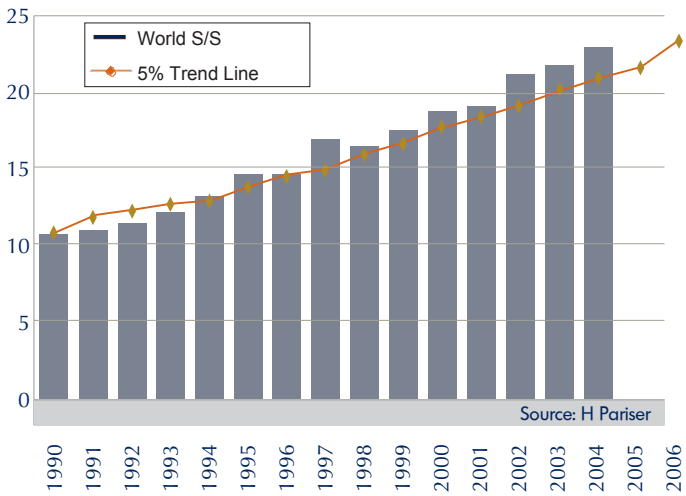
Global ferrochrome demand in 2003 remained exceptionally strong, exceeding 4,9 million tonnes. The continued growth in stainless steel production supported this growth.

The combined stainless steel output of China, Taiwan, India and Korea was up 18% to 5,9 million tonnes and in Europe stainless steel production grew 3,9% to 8,4 million tonnes.

Ferrochrome prices, underpinned by this strong demand, increased substantially in 2003 and into 2004 after year end. A 12 US cents/lb chrome contained increase was achieved for Q2:2004 and a further 4 US cents/lb chrome contained increase followed in Q3, which brought the price up to 73 US cents/lb for Q3. The drivers for higher ferrochrome prices include global economic recovery and growth in stainless steel consumption.

The outlook for ferrochrome demand remains strong, as stainless steel melt is expected to grow a further 6 - 7% to over 24 million tonnes in 2004. Improving global economic conditions and new melt capacity in China supports this. As a result, the fundamentals for ferrochrome demand remain exciting and strong growth in ferrochrome consumption is anticipated.

MARKET OUTLOOK - STAINLESS STEEL MELT GROWTH ESTIMATE

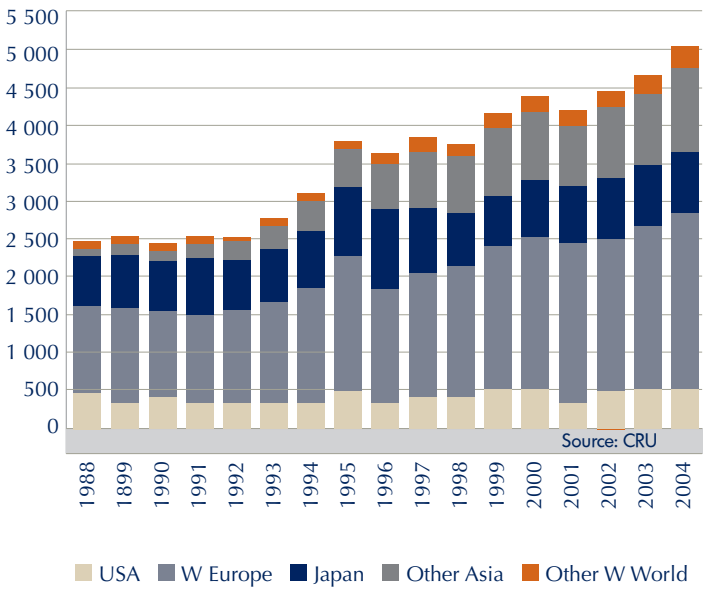


There will be no meaningful increase in global ferrochrome production in 2004. This should ensure that the supply and demand balance will continue to be tight and prices will remain firm.

Board and Management

We wish to thank the board and all our staff for working towards the achievement of our objectives. A special thanks goes to the executive team for their commitment and dedication to the Company in difficult times, and

FERROCHROME CONSUMPTION RISING SHARPLY



Western world consumption of ferrochrome

for their efforts in concluding the Xstrata – SA Chrome Venture, which we believe will bring substantial benefits to the Company in the years ahead.

Last, but not least, we would also like to thank former directors Mr Terence McConnachie, Mr Jack Dorfan, Mr Myron Pollack and Mr Sipho Mkhize for their contributions to the Company. We welcome Mr Qinisani Mbatha of the Industrial Development Corporation to the board as a non-executive director.

We are addressing the composition of the board and will be appointing further independent non-executive directors. An announcement in this regard will be made in due course.

Prospects

The combination of improving production levels, strong ferrochrome prices and the creation of the world's leading ferrochrome producer through the Xstrata – SA Chrome joint Venture, all bode well for SA Chrome's future.

The board and management team have always seen SA Chrome as a company poised for growth. It is well positioned, with its empowerment credentials and strong shareholder base, to take advantage of the opportunities currently available in South Africa.

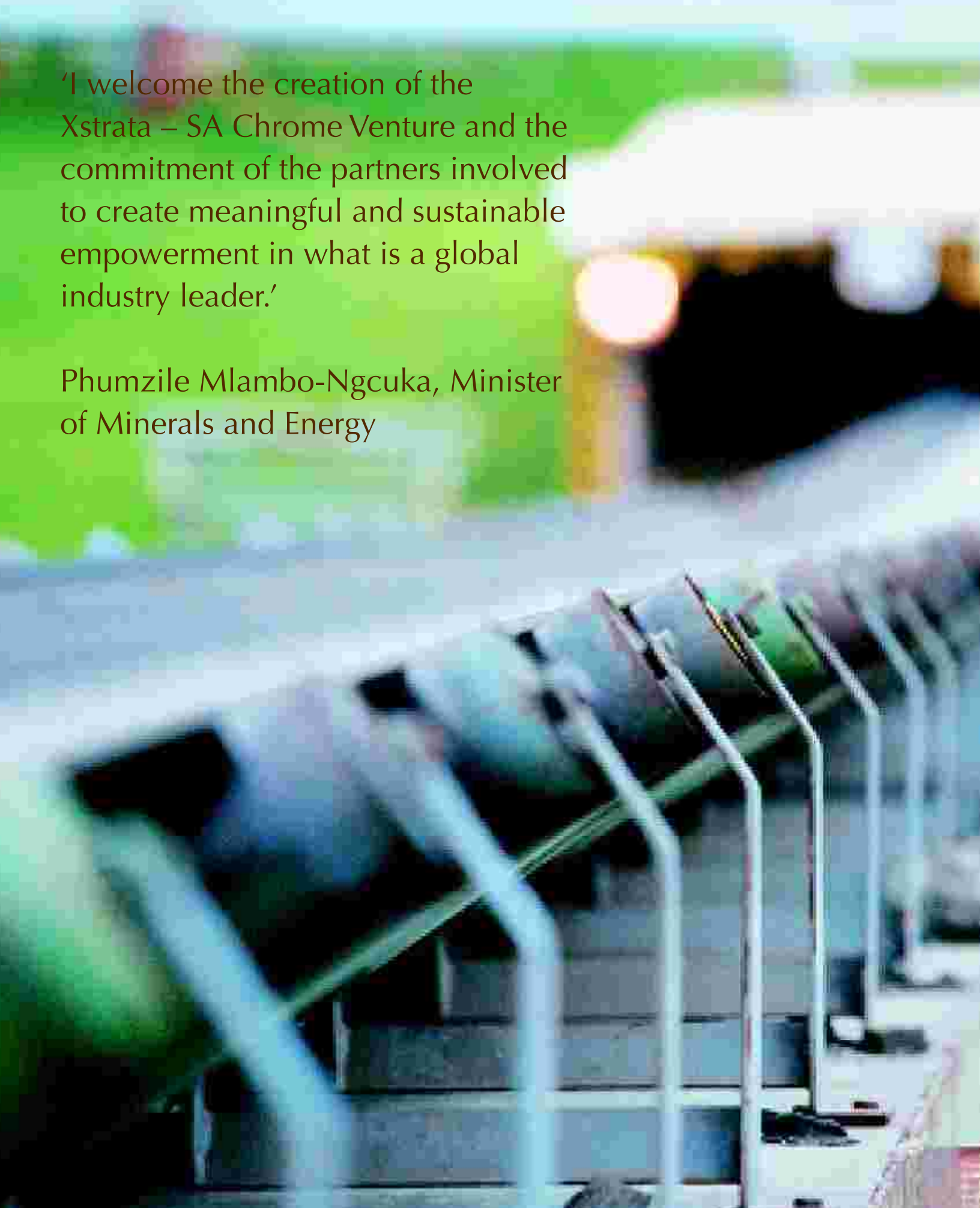
To this end the board will be focusing on growing the Company in a manner that will ensure its long-term prospects and its sustainability in the new financial year. The Company's growth strategy has two aims; to grow its ferrochrome interests both organically and through acquisitions and to diversify into other resources. We will be sharing the details of this strategy with our shareholders once it is finalised.



Chris Molefe
Non-Executive Chairman



Steve Phiri
Chief Executive Officer



‘I welcome the creation of the Xstrata – SA Chrome Venture and the commitment of the partners involved to create meaningful and sustainable empowerment in what is a global industry leader.’

Phumzile Mlambo-Ngcuka, Minister of Minerals and Energy





XSTRATA - SA CHROME VENTURE – A WIN-WIN PARTNERSHIP

The Xstrata – SA Chrome Venture offers transfer of best operational practice; optimisation of ore resources; introduction of new technology and reduced operational risk.

About Xstrata

Xstrata plc, with its headquarters in Switzerland, is a global diversified mining company, listed on the London and Swiss stock exchanges. Besides having meaningful international positions in the six major commodities of copper, coking coal, thermal coal, ferrochrome, vanadium and zinc, it also has gold, lead and silver interests. Xstrata plc has operations in Australia, South Africa, Spain, Germany, Argentina and the United Kingdom, which employ some 18 000 people.

Xstrata South Africa (Pty) Limited is a 100% indirectly held subsidiary of Xstrata plc, which owns Xstrata plc's coal, chrome and vanadium assets through the Xstrata Coal and Alloys divisions.

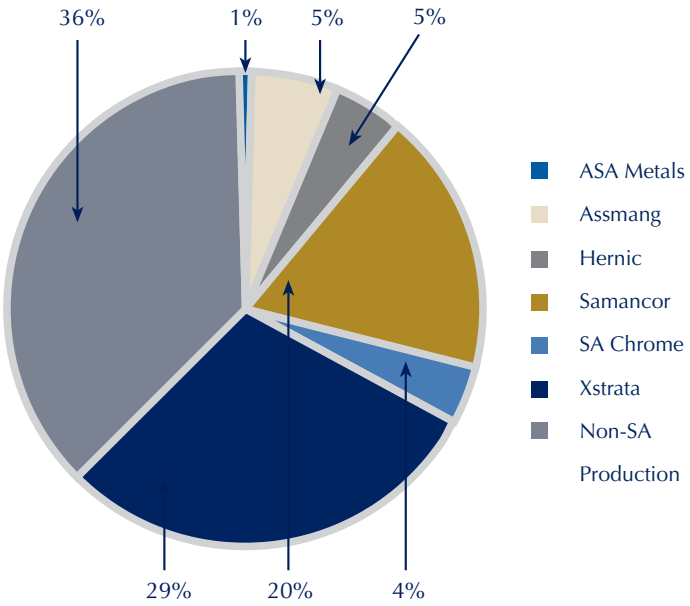
The Xstrata chrome mining and ferrochrome production facilities include four underground mining operations on the Bushveld Igneous Complex, three near Rustenburg on the western side of the complex and one near Lydenburg on the eastern side of the complex.

Their smelters are situated at Lydenburg and near Rustenburg.

The Rationale

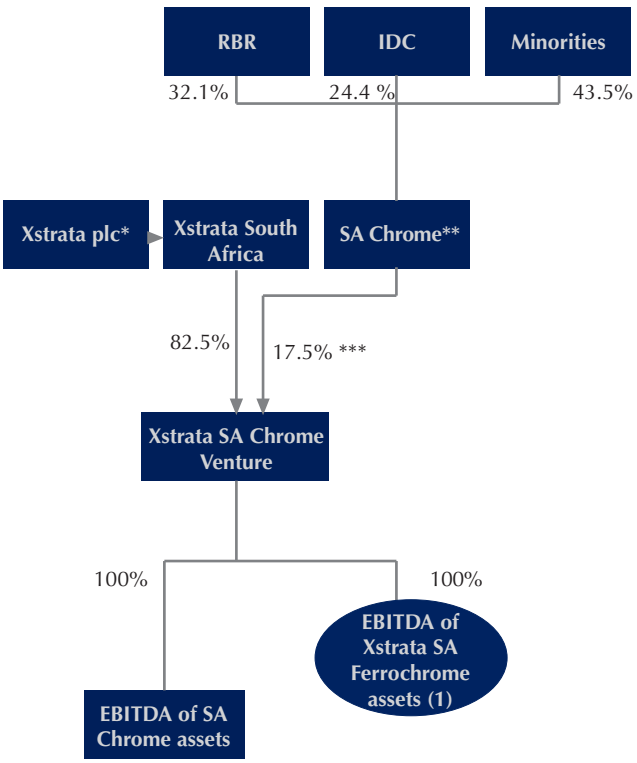
- The Venture allows both companies to participate jointly in the world's leading ferrochrome producer and to realise significant operational efficiencies through the transfer of best operational practice, the optimisation of ore feed from the reserves of the two parties and the introduction of new technology.
- The Venture provides our shareholders with an opportunity to participate in significant future growth with significantly reduced operational risk. SA Chrome relied on the output of one mine and two furnaces with a production capacity of 235 000 tonnes. The Xstrata – SA Chrome Venture has the combined output of six mines and 16 furnaces to draw on with an annual ferrochrome capacity of approximately 1.4 million tonnes, which represents around 30% of the current global ferrochrome output.
- SA Chrome and Xstrata have pooled the risks and rewards associated with their ferrochrome assets in the Venture. The two companies will share in the pooled earnings before interest, tax, depreciation and amortisation (EBITDA) in proportion to their respective participation in the Venture.

GLOBAL FERROCHROME MARKET



- SA Chrome's initial participation in the combined EBITDA will be 11%, rising to 17,5% from year three onwards of the Venture. SA Chrome also has the right to increase its effective interest in the Xstrata – SA Chrome Venture to 26% by contributing proportionately more than its participation interest to the cost of any expansion or acquisition.

Transaction Structure

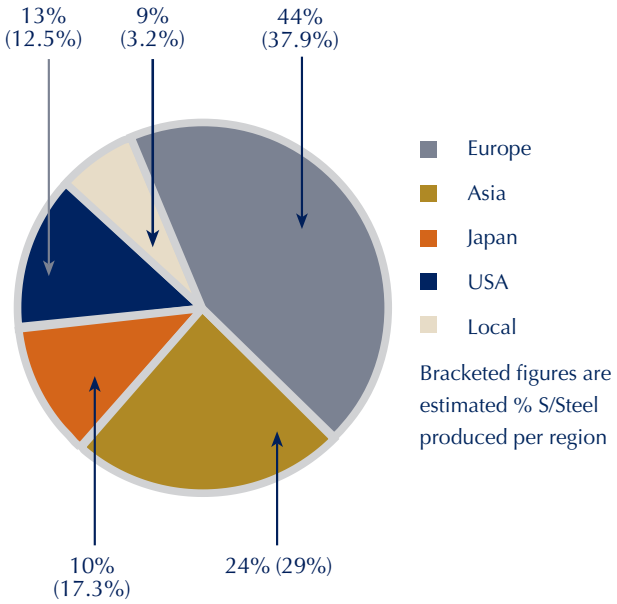


* Listed on the LSE and Swiss Stock Exchange
** Listed on JSE
*** From Year 3 onwards
(1) Excludes EBITDA from the two furnaces at Wonderkop Plant, which form part of the existing Xstrata-Samancor JV.

- The Venture provides Xstrata with an opportunity to introduce meaningful and sustainable empowerment ownership and involvement to its ferrochrome assets, as well as the opportunity to participate in the benefits of future synergies between Xstrata and SA Chrome.

INDICATIVE XSTRATA FERROCHROME SALES 2004

By geographic sales distribution



Bracketed figures are estimated % S/Steel produced per region

Empowerment Objectives of Venture

Both Xstrata and SA Chrome are committed to ensuring that the Venture takes a long-term and responsible approach to its business. A transformation manager, appointed to the executive team by SA Chrome, will oversee the achievement of the Venture's empowerment objectives.

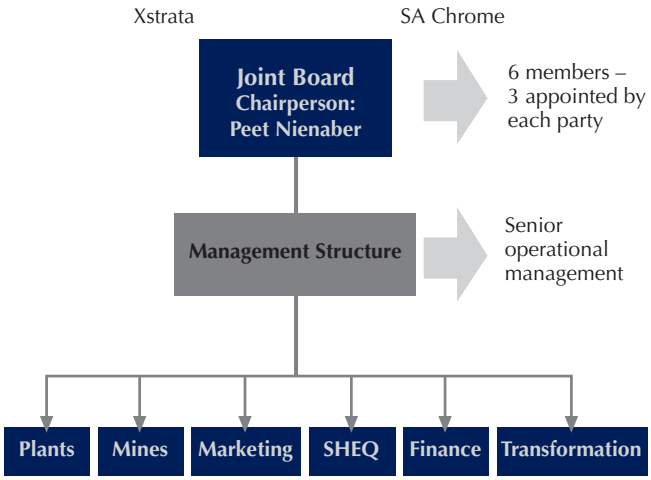
These will include:
- Skills development
- Preferential procurement practices
- Social upliftment of the surrounding communities through social development projects.

Marketing

Xstrata, as a major producer of ferrochrome products has detailed market knowledge and expertise. A large proportion of its ferrochrome sales are through long-term contracts negotiated by its marketing agent, Glencore International AG, which, as one of the world's largest suppliers of a wide range of commodities and raw materials to industrial consumers, is a major participant in the global flow of natural resources.

Management of Xstrata - SA Chrome Venture

A joint board for the combined operations of both companies has been formed. The board has six members – three representing SA Chrome and three representing Xstrata. Mr Peet Nienaber, the Chairman and Chief Executive of Xstrata South Africa (Pty) Limited has been appointed as the first chairperson of the board.



Both Xstrata and SA Chrome are committed to delivering industry-leading returns for their shareholders through genuine partnerships with employees, customers, shareholders, local communities and other stakeholders, which are based on integrity, co-operation, transparency and mutual value creation.

LOCATION OF SMELTER OPERATIONS



WONDERKOP
Design Capacity: 430 Kt FeCr
Slag Recovery: 30.0 Kt FeCr
Employees: 750

LYDENBURG
Design Capacity: 378 Kt FeCr
Slag Recovery: 24.0 Kt FeCr
Employees: 545

RUSTENBURG
Design Capacity: 400.0 Kt FeCr
Slag Recovery: 30.0 Kt FeCr
Employees: 758

BOSHOEK
Design Capacity: 235 Kt FeCr
Slag Recovery: 8.0 Kt FeCr
Employees: 340







THE WAY FORWARD

SA Chrome has established its empowerment credentials in the ferrochrome industry and positioned itself as a major player in the ferrochrome industry through the Xstrata – SA Chrome Venture.

The board's future growth strategy is aimed at capitalising on this position by growing the Company's ferrochrome interests by acquisition and organically. An example is SA Chrome's interest in participating in Project Lion, an ultimate one million tonne per annum ferrochrome complex, in the Mpumalanga Province.

The project is a brown field expansion chosen because of Xstrata's significant ore reserves in the area, the potential for UG2 from future PGM extractions, the proximity of the plant to the Maloma anthracite mine in Swaziland and Maputo harbour. The project will be constructed in three phases, each with 330 000 tonnes of annual smelting capacity.

Phase One includes two 63 MVA closed submerged arc furnaces and a pre-reduction kiln with an estimated capital cost of R1,4 billion, which will be funded by Xstrata and SA Chrome in proportion to their participation interests. The project is progressing on schedule. Design work will be completed by mid 2004 and Phase One is expected to go into production early in 2006.

Xstrata's exclusive Premus process, a substantial modification of the highly efficient closed furnace and pelletising technology, is expected to deliver operating costs around 20% below alternative technologies. The process achieves these cost reductions through the significant substitution of anthracite for coke, and reduced power costs. The Premus process power costs are between 25% and 45% lower than those for the processes currently in use in the industry. The process has already been successfully implemented at Xstrata's Lydenburg ferrochrome facility.

In addition we wish to use our empowerment credentials and our ability to access project capital to diversify into other minerals and metals and establish ourselves as a major player in the resources sector. Shareholders will be advised in due course of the Company's strategy.







SUSTAINABILITY REPORT

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

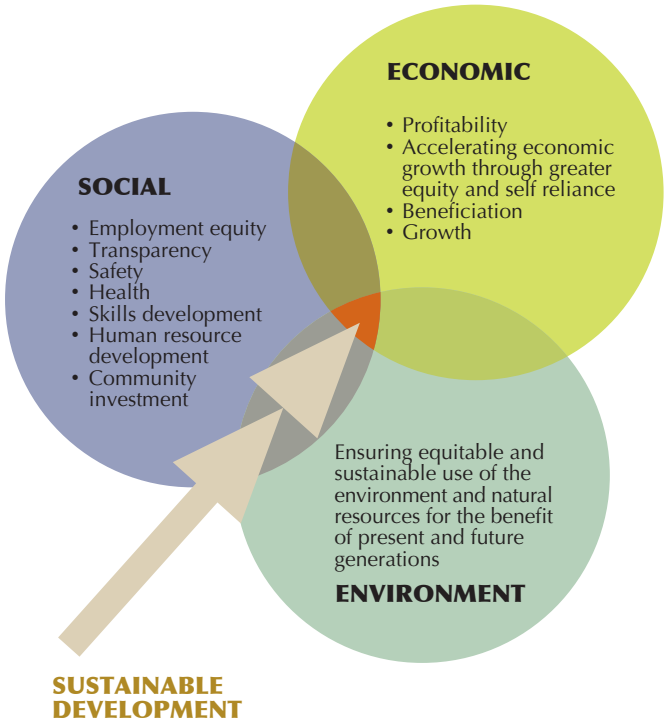
In addition we have taken note of the critical issues highlighted by the Southern African Mining, Minerals and Sustainable Development project that need to be addressed if progress toward sustainability is to be achieved in this region. These are poverty alleviation, capacity building and skills training, gender equity, job creation and governance. SA Chrome is committed to addressing these issues within its own workforce, and also in the community in which it operates.

FTSE/JSE SRI Index

In June 2004 SA Chrome was one of 51 companies, listed on the JSE Securities Exchange, chosen to participate in the FTSE/JSE SRI (Socially Responsible Investment) Index.

The integrated/inclusive approach to corporate governance standards in all corporate activities advocated by King II and the rise in socially responsible investment and SRI funds, together with increasing evidence suggesting an interrelationship between socially responsible practices and long-term shareholder value, prompted the JSE to establish the SRI index.

The SRI Index criteria reflect the complexity of corporate social responsibility in South Africa. The companies included in the Index were independently assessed by a JSE-appointed task team. They had to meet set criteria in respect of economic, environmental and social sustainability and corporate governance.







THE SA CHROME SCORECARD IN TERMS OF THE MINING SCORECARD

	Progress Made Towards Target	5-Year Target Met
HUMAN RESOURCE DEVELOPMENT		
Every employee to be offered the opportunity to be functionally literate and numerate by 2005	Eight out of 211 employees need literacy training – ABET programmes and computer literacy and numeracy training is scheduled to start in the new financial year.	On the way to complying
Career paths and skills development plans implemented for all HDSA employees.	Career path plans have been developed for all occupations and skills development plans are in place.	Yes
Has the company developed systems through which empowerment groups can be mentored?	The Company mentors and assists empowerment groups that have a direct link to the organizational process. These groups are then contracted to perform contracts / work for the Company.	Yes
EMPLOYMENT EQUITY		
Has the company published its employment equity plan and reported on its annual progress in meeting that plan?	Yes	Yes
Has the company established a plan to achieve a target for HDSA participation in management of 40% within 5 years and is it implementing the plan?	Yes – set out in Employment Equity Plan	Yes
Has the company identified a talent pool and is it fast tracking it?	A talent pool has been identified in terms of our equal opportunities policy and it is being fast tracked.	Yes

	Progress Made Towards Target	5-Year Target Met
Has the company established a plan to achieve the target for women participating in mining of 10% within 5 years and is it implementing the plan?	Yes – already exceed 10% (13% of employees are women in operational positions).	Yes
MIGRANT LABOUR		
Has the company subscribed to government and industry agreements to ensure non-discrimination against foreign migrant labour?	Yes	Yes
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).	The Company has engaged with the local mining communities and independent external experts who, together with management, are in the process of formulating an integrated social development plan.	On the way to complying.
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 the hostels, conversion of hostels to family units and promoted home ownership options for mine employees? Company will be required to indicate what they have done to improve housing and show a plan to progress the issue over time and is implementing the plan.	Our employees are local to our operations and therefore do not require special arrangements for housing. Opportunities have been provided to all employees to determine their own living arrangements through flexible remuneration.	Not applicable
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.	The Company does not provide meals for its employees unless they are at work longer than eight hours. It is preparing a health education programme, which will include nutritional training to be implemented in the near future.	On the way to complying
PROCUREMENT		
Has the mining company given historically disadvantaged South African's preferred supplier status?	The Company has in place a procurement committee, which is responsible for awarding tenders and supply contracts. All potential suppliers are required to provide us with details of HDSA	On the way to complying

	Progress Made Towards Target	5-Year Target Met
	shareholding/participation in their business. The Company is committed to supporting and making use of local businesses that meet the BEE criteria set out in the Broad-Based Socio-Economic Empowerment Charter for the Mining Industry.	
Has the mining company identified the current level of procurement from historically disadvantaged South African companies in terms of capital goods, consumables and services?	Yes - our current level of HDSA procurement is identified and recorded. On average the Company procures 48% of all commodities and services from BEE companies and 17% from companies, which are in the process of complying with BEE requirements.	Yes
Has the mining company indicated a commitment to a progression of procurement from historically disadvantaged South African companies over a 3-5 year time frame in terms of capital goods, consumables and services and to what extent has the commitment been implemented?	SA Chrome has indicated its commitment to procuring capital goods, consumables and services from historically disadvantaged South African companies where and whenever possible and is implementing this commitment. We are hopeful of achieving our targets within the stipulated timeframe.	On the way to complying
OWNERSHIP AND JOINT VENTURES		
Has the mining company achieved historically disadvantaged South African participation in terms of ownership for equity or attributable units of production of 15 per cent in historically disadvantaged South African hands within five years and 26 per cent in 10 years?	The Royal Bafokeng currently own a 32.1% shareholding in SA Chrome.	Yes – target of 15% exceeded by an additional 20%
BENEFICIATION		
Has the mining company identified its current level of beneficiation?	The main business of SA Chrome is the beneficiation of chromite at our Boshoek smelter.	Yes
Has the mining company established its base line level of beneficiation and indicated the extent that this will have to be grown in order to qualify for an offset	Yes	Yes
REPORTING		
Has the company reported on an annual basis its progress towards achieving its commitments in its annual report?	This progress is reflected in the Corporate Review of this report.	Yes





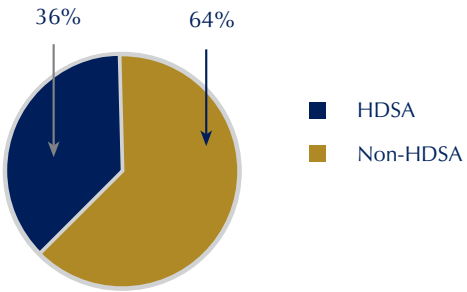
SUSTAINABILITY REPORT

Additional Comments on our Progress Towards Sustainable Development

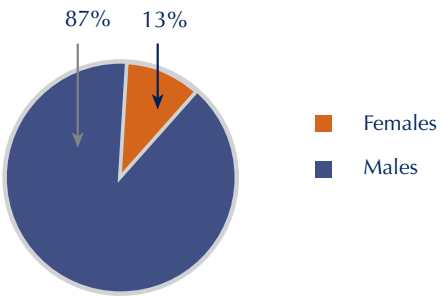
Employment Equity

In terms of the Broad-Based Socio-Economic Empowerment Charter for the South African mining industry the stakeholders committed themselves to aspiring to a baseline of 40% historically disadvantaged participation in management within five years; and in terms of ensuring higher levels of inclusiveness and advancement of women they committed to a baseline of 10% of women participation in the mining industry within five years.

Racial Breakdown of SA Chrome's Management

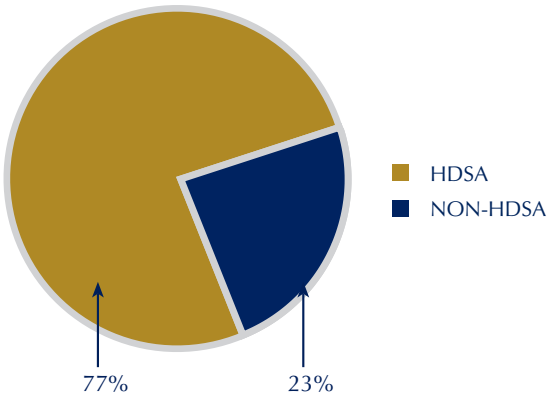


Gender Breakdown of SA Chrome's Employees



The percentage of participation of permanently employed HDSAs in management in SA Chrome's operations is currently 36%, while the overall percentage of HDSA employees is 77%. Our 5-year employment equity plan was submitted in 2003 and our employment equity annual report was published and submitted on 1 October 2003 and will be published on 1 October every subsequent year. We have set ourselves the goals of

RACIAL BREAKDOWN OF SA CHROME'S EMPLOYEES



increasing our percentage of HDSA members of management to 54% by 2008 and our targeted percentage of HDSA managers, professionals, technicians and associate professionals is set at 73% by 2008. As can be seen from the statistics set out in this report SA Chrome has already more than achieved its commitment as far as women participation is concerned, with 13% of its staff being female. Female participation at management level is included in our equity plan.

The employment equity committee at our operations meets regularly and consists of representatives from the various groups, as set out in the Employment Equity Act.

Social Responsibilities

Safety, Health, Environment and Quality (SHEQ)

The ISO 9001 – 2000 international quality management system has been implemented in our operations. The assessment for certification was conducted in May 2004 and certification and accreditation was awarded in June 2004. We have a complete safety, health, environment and quality system (SHEQ), together with the relevant policies and procedures, in place. Internal audits of these systems have already been completed

Safety

Providing a safe and healthy working environment for our employees is a priority at SA Chrome. The operation presently has a reportable injury frequency rate of 2.2.

Health

Primary health care facilities are available from the on-site clinic, which manages minor ailments and on duty injuries. A tuberculosis programme, DOT (Directly Observed Treatment) is in place at the clinic. The clinic also monitors chronic illnesses, such as hypertension and undertakes the medical screening of employees. A doctor visits the clinic once a week.

Every month the Occupational Health Nurse inspects all First Aid Boxes and the hygiene status of relevant sections of the plant.

HIV/AIDS

The Company has an HIV/AIDS and life threatening disease policy in place, which was drawn up after close liaison with employees and stakeholders. The Company does not allow discrimination towards those with HIV/AIDS. It has entered into an agreement with the RBN/Rasimone Clinic to provide medical services and counselling to employees of the Company with HIV/AIDS.

Voluntary prevalence testing was conducted in December 2003 using the Oraquick Rapid Saliva HIV – 2 test. Voluntary participation in the prevalence testing was high. The testing indicated that 11% of SA Chrome's permanent employees are HIV-positive and 23% of the contractors working on site are HIV-positive.

Our employees are encouraged to go for voluntary counselling and testing, which is conducted at the clinic on site. To date 12 staff members have availed themselves of this facility. In addition employees who qualify for Anti Retro-Viral (ARV) treatment have been provided with treatment.

On site HIV/AIDS awareness campaigns are ongoing. The emphasis in these campaigns is on prevention through the use of condoms.
We are in the process of selecting and training peer educators.

The Environment

We adhere to the requirements of our EMPR as a minimum standard and are constantly striving to reach exemplary standards, and to preserve the natural environment in and surrounding the plant. We are re-introducing indigenous fauna and flora to the area, which were lost to farming.

On-site boreholes, registered with the government as monitoring points, are sampled monthly. The stream, which passes through the plant, is sampled as it enters and leaves the plant. SA Chrome's laboratory and an independent laboratory undertake analysis of the samples to check for potentially harmful elements. The plant's storm water dams, which are used to collect rainwater and to prevent runoff, are lined to prevent seepage into the ground. This water is used in the plant and recycled.

Community investment

While SA Chrome has had limited financial resources to expend on a community investment programme, during the year under review it was involved in a number of projects. These included participating in school projects, career exhibitions, skills programmes and donations.

We are also in the process of formulating our social plan and have employed the services of independent external specialists to assist us with this process. The process has been started by engaging with the local communities.





CORPORATE GOVERNANCE

The Board

The board is committed to the principles of openness, integrity and accountability and to the provision of timeous, relevant and meaningful reporting to all stakeholders.

The directors endorse the code of corporate practices and conduct issued by the King Committee on corporate governance. The board has carefully assessed the King II Report and is taking the necessary steps to transform the board to meet its recommendations.

Board Composition

The board, which meets quarterly, consists of nine directors; a non-executive chairman, four executive directors and four non-executive directors.

As set out in the review by the Chairman and Chief Executive Officer, the board will be appointing further independent non-executive directors in accordance with King II.

Appointment Policy

The Board's nomination committee, chaired by Non-Executive Chairman, Chris Molefe, is responsible for establishing the policy for the appointment of directors and for ensuring that the composition of the board complies with corporate governance principles. The committee regularly reviews the mix of skills, experience and other qualities, such as demographics and diversity among its directors, in order to assess the effectiveness of the board. Any such appointments are formal and transparent and a matter for the board as a whole.

The Company's articles of association stipulate that the maximum term of office of a director is three years. One-third of all directors retire by rotation annually and, if eligible for re-election, their names are submitted for election at the annual general meeting. All directors who were appointed subsequent to the last annual general meeting are required to seek election at the following annual general meeting.

The directors' diverse skills and expertise are set out on pages 4 and 5 of this report.

All board members have access to the advice of the Company Secretary and are entitled to seek independent professional advice about the affairs of the Company at its expense.

Effective Control

The board retains full and effective control over the Company. While the board currently has in place policies covering its responsibility for strategy, monitoring operational performance, management and determination of policy and processes.

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

Committees

The Company has a remuneration committee, an audit committee, a risk committee and a transformation and employment equity committee.

Remuneration Committee

The remuneration committee is comprised of non-executive directors. Executive directors are invited to attend its meetings from time to time. The members of the remuneration committee are; Andre Bekker (Chairman), Chris Molefe and Reinier Meyjes.

The remuneration committee is responsible for remuneration policy, which includes the appropriate remuneration of executive directors and senior management and operation of the Company's share incentive scheme. Senior executives are incentivised through the Company's share incentive scheme and profit-related bonuses. As the business was in a start-up phase during the past three years, no-one received any profit - related bonuses and the non-executive directors received no remuneration.

The remuneration committee is also responsible for ensuring that appropriate succession plans are in place for the Chief Executive Officer and executive management.

The committee used PE Consulting Services to perform an independent assessment of the remuneration packages of SA Chrome's executives and to ensure they are aligned to our remuneration philosophy. The assessment showed that executive remuneration packages are within industry remuneration levels. PE Consulting Services also assessed and made recommendations regarding the remuneration of non-executive directors.

Audit Committee

The audit committee met both with management and with the auditors, to review interim and annual financial statements and accounting policies, the effectiveness of management information and other systems of internal control, the effectiveness of the audit function and to discuss the auditors' findings. The audit committee is responsible for setting the principles for recommending the use of an accounting firm of external auditors for non-audit services. It is also responsible, annually, for making recommendations to the board regarding the appointment of auditors.

The external auditors, PriceWaterhouseCoopers Inc, have unrestricted access to the audit committee and its chairman. The audit committee consists of Chris Molefe (Chairman), Stuart Elliot and Qinisani Mbatha.

Dealing in Securities

In accordance with the Listing Requirements of the JSE, the Company has adopted a code of conduct for dealing in the Company's securities. During the closed period, directors and designated employees are prohibited from dealing in the Company's securities. The closed period runs from the end of a financial reporting period until the publication of the financial results for that period.

Risk Management Committee

The Company's risk management is achieved through identification and control of all significant business and operational risks that could adversely affect the achievement of the Company's business objectives.

The risk department of Alexander Forbes works with management and liaises closely with the risk committee to identify and control significant risks.

A risk register, mitigation measures and cross-references to all procedures in the Company SHEQ systems are in place, as well as formal site specific risk management sub committees. Risk identification and mitigation are formally communicated quarterly.

The risk committee consists of Reinier Meyjes (Chairman), Andre Bekker, Dr Todor Vlajcic and Chris Molefe.

Employment Equity

The Company has established itself as a leader in the ferrochrome industry in this area (refer to details on page 23 of this report). SA Chrome is committed to employment equity and to the visions and aims of the Employment Equity Act, being:

- promoting equal opportunity and fair treatment in employment, through the elimination of unfair discrimination;
- treating all people equally, fairly and with dignity and respect;
- achieving a diverse, efficient workforce that is equitably representative of the population; and
- involving employees and their representatives in employment equity matters.

The Company has in place a diverse workforce, representative of the population and the country's demographics. It has further identified certain work categories, where people from disadvantaged communities did not previously have opportunities and where there is a shortage of employment equity skills to fill these positions. It has also established procedures whereby the ratios in terms of the Act will be met, within a reasonable time frame.

At our operations an employment equity committee is in place, which meets regularly and consists of representatives from the various groups as set out in the Employment Equity Act. In addition the board has a Transformation and Employment Equity Committee, whose members are Bruce McBride, Chris Molefe and Steve Phiri.