ANNUAL REPORT 09



MERAFE
RESOURCES

SCOPE OF THE REPORT

This report covers the economic, social and environmental performance of the Merafe Group (consisting of the entities set out in this report, including Merafe Resources Limited and Merafe Ferrochrome and Mining (Pty) Limited) for the 12-month period from 1 January 2009 to 31 December 2009. It is Merafe Resources' ninth annual report and its sixth sustainability report. Merafe Resources has integrated its reporting on social, environmental and economic issues in one annual report and it intends continuing with this practice. The company's financial year runs from 1 January to 31 December. Its previous annual report was published in March 2009.

AUDIENCE

This report is intended to provide information on the economic, social and environmental performance of the company to a wide range of stakeholders with an interest in its performance. These include existing and prospective shareholders and socially responsible investment analysts, government (local, provincial and national), industry organisations, trade unions, employees and their families, communities in the vicinity of our operations, contractors, non-governmental organisations (NGOs), suppliers, customers, joint venture partners, business partners and the media.

APPLYING THE GRI

This report meets application level B+ of the Global Reporting Initiative (GRI) G3 Reporting Guidelines, including the Mining and Metals sector supplement in draft format (an addendum to the GRI G3). There is a GRI Index on pages 142 to 151 and on our website www.meraferesources.co.za.

Independent assurance

In terms of International Financial Reporting Standards an independent auditors' report on the financial statements contained in this report is presented on page 85. The report was prepared by KPMG Inc.

SustainabilityAssurance was engaged to afford independent third party assurance over the sustainability aspects of this report, in accordance with AccountAbility's AA1000AS Assurance Standard (Type II, Moderate), including an assessment over Merafe's ability to adhere to the principles of Inclusivity, Materiality and Responsiveness. Site visits were conducted at Kroondal mine and Boshoek smelter to review a set of 14 material sustainability indicators, and drafts of the Sustainability Report were reviewed to assess Xstrata-Merafe Chrome's (the Venture) adherence to the Global Reporting Initiative's GRI G3 Guidelines (Application Level B+).

FEEDBACK

We welcome feedback on any aspect of our performance or reporting. Please provide your feedback or ask for additional information on the report by contacting Lindiwe Montshiwagae (lindiwe@meraferesources.co.za)

Glossary of terms used throughout this report can be found on pages 137 to 141.

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 Merafe Resources Limited and its subsidiary companies, as well as the industries in which it operates, to be materially different from future results, performances, objectives or achievements expressed or implied by these forward looking statements.

The extent of Merafe Group is subject to the effect of changes in commodity prices, currency fluctuations, uncertainty around the supply of electrical power, the risks involved in mining and smelting operations and the operating procedures of the Venture and Merafe Coal.

The company undertakes no obligation to update publicly or to release any revisions to these forward looking statements to reflect events or circumstances after the date of publication of these pages or to reflect the occurrence of unanticipated events.

OUR GOALS

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

To firstly continue growing our interests in ferrochrome and secondly to grow through diversification

To become a regular dividend payer

OUR STRATEGY

Organic growth in the ferrochrome industry through expansion

Acquisitive growth in the ferrochrome industry

Growth through diversification

MERAFE
RESOURCES

www.meraferesources.co.za

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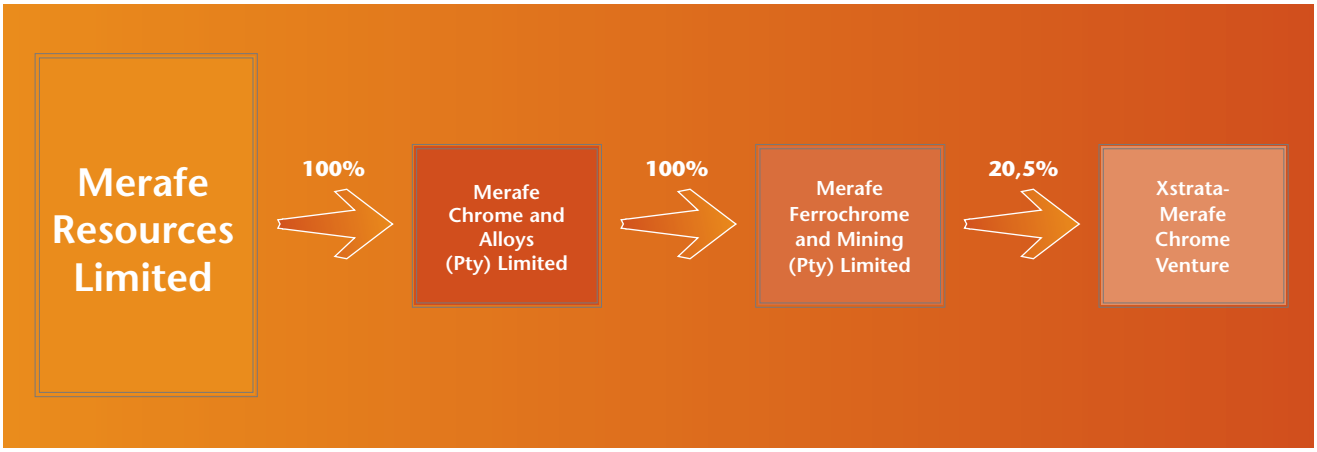
GROUP PROFILE

Merafe Resources Limited (Merafe or the company) is listed on the JSE Limited under the share code MRF in the "General Mining" sector. Its main business is the production and sale of ferrochrome to the stainless steel industry through its 20,5% participation in the earnings before interest, tax, depreciation and amortisation (EBITDA) of the Xstrata-Merafe Chrome Venture (the Venture).

The Venture, the largest ferrochrome producer in the world, supplies approximately 20% of the world's ferrochrome requirements to stainless steel mills primarily in Europe, USA and Asia (including China, Japan, Taiwan and Korea).

Merafe and Xstrata South Africa (Pty) Limited (a wholly-owned subsidiary of Xstrata plc*) established the Venture on 1 July 2004. Both parties agreed to pool their chrome operations (while retaining ownership of their assets) and to share in the EBITDA of the Venture. Merafe has the right to increase its interest in the Venture to 26% over time, when and if sustainable and value enhancing opportunities arise. Since the inception of the Venture Merafe has increased its ferrochrome interests by acquiring further smelters at Wonderkop and reserves from Samancor (2005); through organic growth (Lion ferrochrome plant in 2006) and the acquisition of additional UG2 plants (2006). In 2007 the group further increased its ferrochrome investment by purchasing a 20.5% interest in the Bokamoso chrome ore pelletising and sintering plant, which is the largest plant of its kind in the world.

**Xstrata plc is a diversified mining group listed on the London and Swiss stock exchanges*



Merafe participates in 20.5% of the Venture's EBITDA, while retaining ownership of its assets which include:

	Ownership percentage
• Boshoek ferrochrome plant	100.0%
• Boshoek and Horizon mines	100.0%
• Kanana UG2 plant	100.0%
• Wonderkop 5 and 6 furnaces	50.0%
• Kroondal mine	50.0%
• Marikana mine	26.0%
• Lion ferrochrome plant	20.5%
• Bokamoso pelletising and sintering plant	20.5%
• Mototolo and EPL UG2 plants	20.5%
• Magareng mine	20.5%

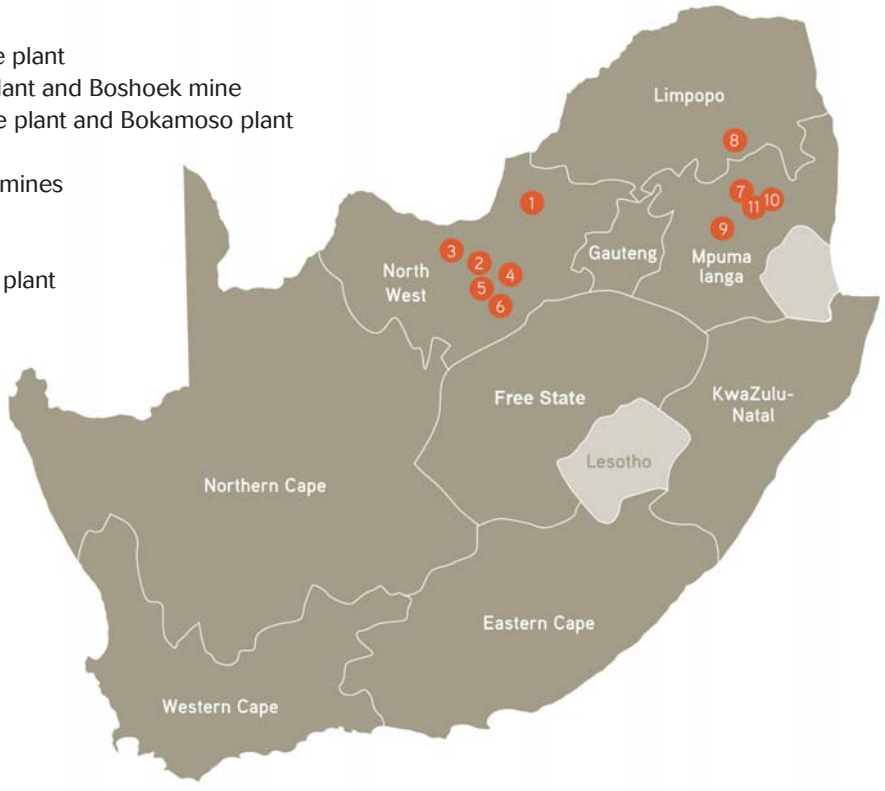
THE VENTURE'S OPERATIONS

- **Twenty furnaces on five production sites with a total ferrochrome production capacity of 1 979 ktpa**
- **Technologies include Conventional technology; Premus technology, the world's lowest cost ferrochrome technology, (proprietary to the Venture); and Outokumpu (now Outotec) pelletising and sintering technology**
- **Resources in excess of 100 years, assuming current smelting capacity, taking into account chromite ore from the Venture's eight mines and its access to UG2 ore.**

Smelters	Capacity	Technology	Mines and UG2 plants
Western Limb			
Wonderkop	553 ktpa FeCr – 6 furnaces 1 200 ktpa – pelletising capacity	Conventional semi-closed furnaces Bokamoso pelletising and sintering plant using Outokumpu technology	Kanana UG2 plant, Horizon, Kroondal, Waterval, Marikana and Boshoek opencast reserve mines
Rustenburg	430 ktpa FeCr – 6 furnaces	Conventional semi-closed furnaces	
Boshoek	240 ktpa FeCr – 2 furnaces	Closed furnaces and pelletising and sintering plant	
Eastern Limb			
Lydenburg	396 ktpa FeCr – 4 furnaces	Premus – kilns, 3 closed furnaces and 1 semi-closed furnace	Mototolo and EPL UG2 plants, Helena, Thorncliffe and Magareng mines
Lion	360 ktpa FeCr – 2 furnaces	Premus – kilns and closed furnaces	

Xstrata-Merafe Chrome Venture operations

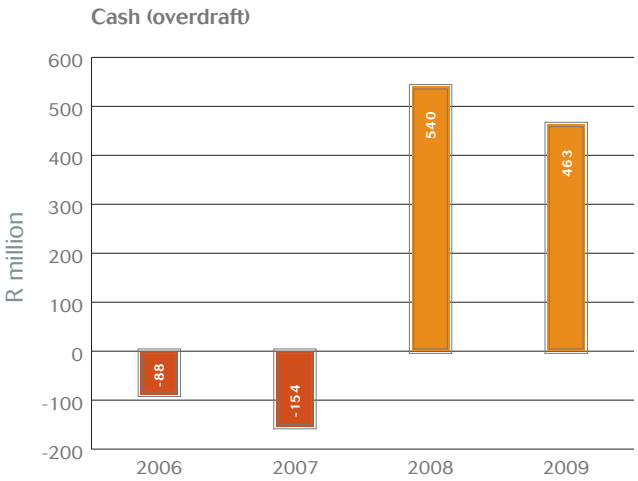
1. Horizon mine
2. Rustenburg ferrochrome plant
3. Boshoek ferrochrome plant and Boshoek mine
4. Wonderkop ferrochrome plant and Bokamoso plant
5. Waterval mine
6. Kroondal and Marikana mines
7. Thorncliffe mine
8. Lion ferrochrome plant
9. Lydenburg ferrochrome plant
10. Helena mine
11. Magareng mine

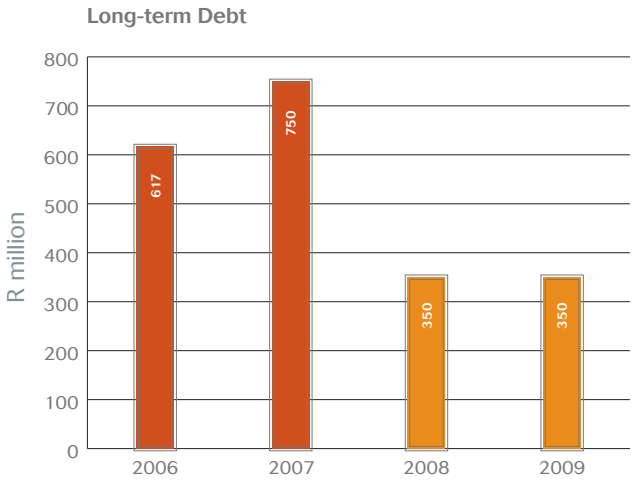


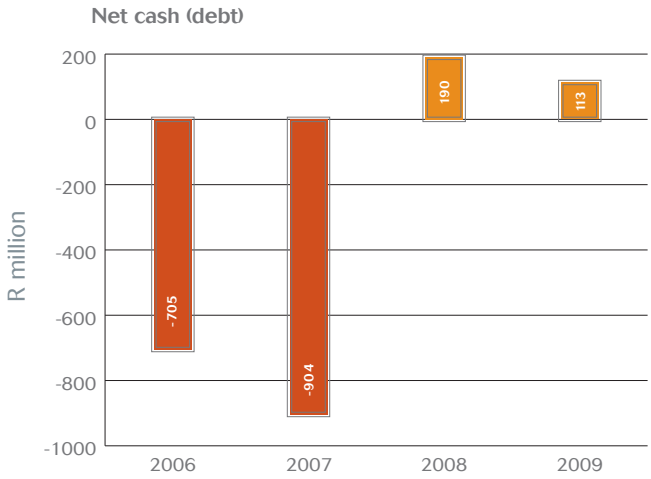
SALIENT FEATURES

- Sales volumes increased by 26%
- Ferrochrome inventory reduced by 49%
- Healthy cash balance of R463 million
- Maiden dividend declared of 2 cents per share
- All New Order Mining Rights granted

GROUP CASH AND DEBT POSITION

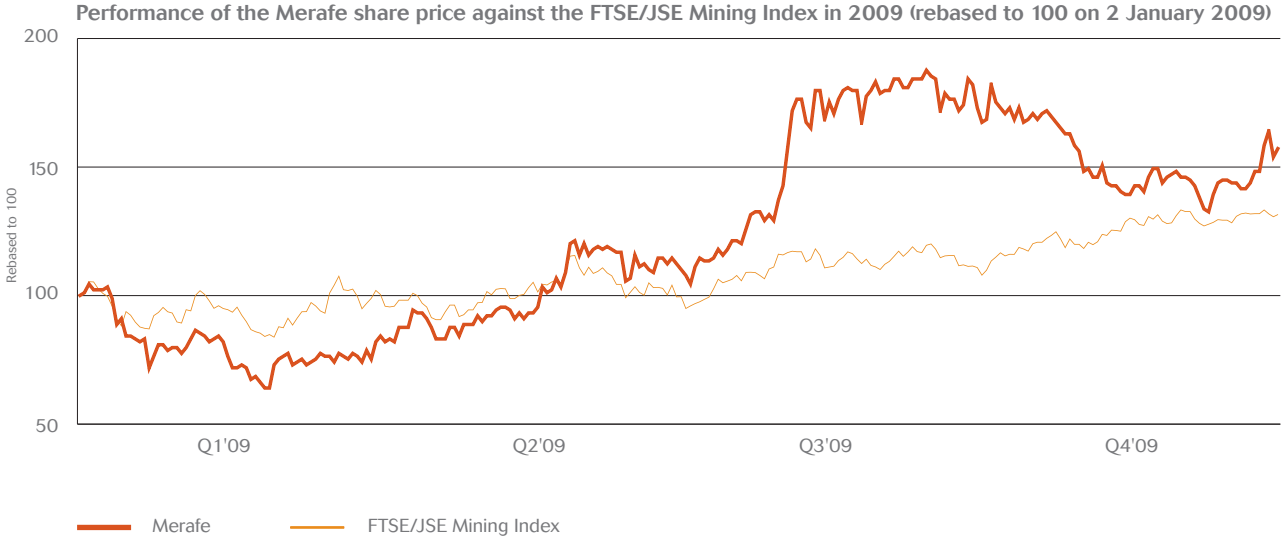




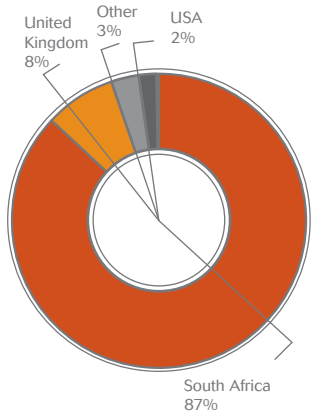


SHARE INFORMATION

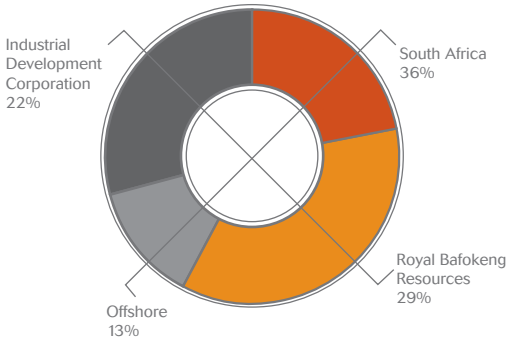
Performance of the Merafe share price against the FTSE/JSE Mining Index in 2009 (rebased to 100 on 2 January 2009)



Geographical distribution of Merafe shares – 2009



Major shareholders at 31 December 2009





Boshoek ferrochrome plant, North West Province

BOARD OF DIRECTORS





NON-EXECUTIVE DIRECTORS

1. Chris Molefe (Independent)

CHAIRMAN

BCom, Post-graduate Diploma in Property Development

Chris (61) has chaired the Merafe board for the past six years. He has extensive experience in mining and resources, merchant banking and transformation strategy development. He gained his experience while working for Mobil Oil, Union Carbide, Chase Manhattan Bank, Transnet and Royal Bafokeng Resources Holdings (Pty) Limited, where he held the position of Chief Executive Officer. He is currently Executive Chairman of Nishati Oil and Energy Consulting (Pty) Limited. He is also a non-executive director of Jubilee Platinum plc and Kiwara plc.

2. Con Fauconnier (Independent)

DSc (hc), DEng, MBA, MSc (Eng), BSc Hons (Eng) BSc (Eng)

Con (62) joined the Merafe board in March 2008. He heads up Fauconnier Consulting, a mining consulting business, having retired as Chief Executive Officer of Exxaro in August 2007. From 2001 to 2006 he was the Chief Executive of Kumba Resources Limited. Prior to this appointment he was Managing Director of Iscor Mining from 1999. He worked for the Anglo American Corporation, Gencor Limited and JCI Limited before joining Iscor in 1995 as General Manager Business Development.

3. Zanele Matlala (Independent)

BCompt (Hons), CA (SA)

Zanele (46) joined the Merafe board in 2005. She has extensive financial experience, acquired as Group Financial Director of Kagiso Investments (Pty) Limited (her current position), Chief Financial Officer of the Development Bank of Southern Africa (DBSA), having previously served the DBSA as Executive Manager: Private Sector and International. Prior to joining the DBSA she was head of Wholesale Venture Capital Funds for the IDC and an Audit Supervisor at Arthur Anderson & Co.

4. Tlamelo Ramantsi

BCom (Accountancy), BCompt (Hons), CA (SA), HDip Tax Law

Tlamelo (35) was appointed to the Merafe board in November 2006. He is currently a Senior Account Manager with the IDC – Project and Structured Finance. Prior to joining the IDC Tlamelo was an Investment Associate with Tri-linear Specialised Finance (Pty) Limited, an associate at African Harvest Capital and an Audit Manager at Gobodo Incorporated.

5. Meryl Mamathuba

BProc LLB

Meryl (37) joined the Merafe board in June 2007. She heads up the Corporate Funding Department at the IDC. Prior to joining the IDC in 2002 she was an associate of Kunene Inc from 1998.





6. Belese Majova (Independent)

BCompt

Belese (35) joined the Merafe board in January 2009. She is currently Chief Executive Officer of Zeleb Holdings (Pty) Limited, a business consultancy specialising in financial management capacity building interventions, business process mapping and supply chain management integration. Previously, she was Financial Director of City of Johannesburg Housing and Financial Manager and acting Chief Financial Officer of the South African Enterprise Development Fund (SAEDF). After completing her articles she gained audit experience as the Internal Audit Manager for Transnet.

7. Mzila Mthenjane

BSc (Eng), SMDP

Mzila (39) was appointed to the Merafe board in March 2007. He is currently Director: Business Sustainability at Bafokeng Rasimone Platinum, a joint venture between Royal Bafokeng Holdings (Pty) Limited (RBH) and Anglo Platinum Limited. Prior to joining RBH he was Vice President, Global Corporate Finance at Deutsche Securities SA (Pty) Limited from 2004 to 2006 and Senior Manager Corporate Development at Gold Fields Limited from 2002 to 2004.

EXECUTIVE DIRECTORS

8. Steve Phiri

CHIEF EXECUTIVE OFFICER

BJuris, LLB, LLM, HDip Co Law

Steve (54), an admitted attorney of the High Court of South Africa, has been Merafe's Chief Executive Officer for the past six years. Before joining Merafe 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 and the Nation's joint venture with Anglo Platinum Limited. He is a member of the Minerals and Mining Development Board and the South African Diamond and Precious Metals Regulator, a non-executive director of Royal Bafokeng Holdings (Pty) Limited, Impala Platinum Limited and Zurich Insurance Company SA.

9. Stuart Elliot

CHIEF FINANCIAL OFFICER

CA (SA), HDip Co Law

Stuart (46), who has been the Chief Financial Officer of Merafe for the past nine years, gained extensive experience in the accounting and corporate finance fields before joining Merafe 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 Bank and a director of the Corner House (Pty) Limited for three years.

10. Bruce McBride

COMMERCIAL DIRECTOR

BA, LLB, Dip Advanced Banking, MBA, PhD

Bruce (50), who has been the Commercial Director of Merafe for the past nine years, 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.

CHAIRMAN'S STATEMENT



Chris Molefe
CHAIRMAN

The board approved payment of the first dividend to Merafe's shareholders totalling R49.185 million, equivalent to two cents per share

I am pleased to advise that despite difficult trading and economic conditions in 2009 Merafe is in a healthy financial position and its balance sheet remains strong, with R463 million cash on hand at year end.

As a result, I am delighted to advise you that after taking into consideration the company's cash and long-term debt position and the positive short-term and medium to long-term outlook for the ferrochrome industry, the company has decided to return some cash to shareholders.

On 26 February 2010 the board approved payment of the first dividend to Merafe's shareholders totalling R49.185 million, equivalent to two cents per share.

STRATEGY REVIEW

The Merafe board conducted its bi-annual strategy review in 2009. We concluded that our strategy of growing organically through expansion and acquisition in the ferrochrome industry, was still valid.

After a year of record ferrochrome prices in 2008, this year proved to be the toughest year in the Xstrata-Merafe Chrome Venture's (the Venture) history as a result of the prolonged economic recession. We believe that the worst of the recession is behind us. As a result the Venture has prepared its business plan for 2010 to maintain its leadership position by optimising production levels to maintain market equilibrium, while at the same time taking into account the high power tariffs in the winter months.

It also aims to optimise major maintenance/sustaining capital expenditure, manage costs and volumes in a strong Rand environment, continue with its rigorous assessment of overhead structures, employ efficient working capital management and exercise industry leadership, where relevant to achieve its goals.

The board also confirmed its commitment to its diversification strategy, specifically into coal. Merafe will continue to assess opportunities with a view to creating shareholder value.

SAFETY

The Venture achieved an excellent safety record this year, which was sadly marred by the tragic death of contractor Mr Julias Ngele in December. We extend our deepest sympathies to his wife Efeniya and his children. All necessary assistance has and will continue to be given to the family. Mr Ngele was a front end loader (FEL) operator employed by Fraser Alexander Bulkmech, the main internal transport contractors at the Venture's Lydenburg plant.

MERAFE COAL

Merafe and Sentula Mining Limited (Sentula) have agreed to terminate their 50/50 joint venture, Merafe Coal, formed in 2007. The objective of the venture was to develop existing coal projects in its portfolio, as well as pursuing further coal opportunities in South Africa. Sentula will continue to pursue the development projects both parties contributed to the joint venture. In terms of the agreement Sentula will fund all historic, present and future costs associated with these projects. Merafe will continue to independently consider other opportunities in coal.

LEGISLATIVE ENVIRONMENT

I am pleased to advise that the Venture has received all its New Order Prospecting and Mining Rights and Mining Right conversions from the Department of Mineral Resources (DMR).

During the year, South Africa's Mining Charter, developed in 2004 as a transformation blueprint, was reviewed by the DMR. The review is in accordance with the agreement reached with the mining industry in 2004 that the Charter's provisions of social and labour plans, skills development, employment equity, beneficiation and preferential procurement would be reviewed within five years. The DMR expects to release the review to the public during March 2010.

2010 sees South Africa's new Companies Act, No 71 of 2008 (the Act) and the latest King Report on Governance for South Africa 2009 (King III) come into effect. The board has held workshops on these two important legislative developments and the company is well placed to comply with King III and the Act.

Merafe's annual report for 2009 provides its stakeholders with the integrated reporting King III recommends, which will allow stakeholders to make an informed assessment of the economic value of the company.

RECOGNITION OF COMMITMENT TO BEE, SUSTAINABILITY AND GOOD CORPORATE GOVERNANCE

Merafe's commitment to black economic empowerment was once again recognised when it was rated the most empowered company in the Mining Sector in the Financial Mail's Top Empowerment Companies survey for 2009 for the second year running.

The company's commitment to doing business in a sustainable manner was also recognised by the JSE Limited when it was listed as one of the top 10 best performers on the JSE Social Responsible Investment (SRI) Index over the past three years.

Merafe's sustainability reporting for 2008 was adjudged "excellent" in the Ernst and Young in Sustainability Reporting Awards.

DIRECTORATE AND STAFF

On behalf of the board I thank the Merafe team for its efforts to achieve the best possible result in a very difficult business environment.

I would also like to extend the appreciation of the board to all its stakeholders and, in particular, to its partners in the Xstrata-Merafe Chrome Venture.

My thanks also go to the members of the board for their commitment to their responsibilities as directors and their support and guidance of the company's management team.



Chris Molefe
Chairman

MANAGEMENT TEAM



1. Dr Jurg Zaayman

GENERAL MANAGER – MERAFE CHROME

BEng, MEng, PhD (Metallurgical Engineering)

Jurg (41) started his career in the ferrochrome industry with Xstrata Alloys in 1997. He joined Merafe Resources as Operations Manager during 2001 and later headed up its operations as Managing Director Merafe Ferrochrome. In 2004 he was seconded to the Xstrata-Merafe Chrome Venture as project leader for the Bokamoso pelletising plant project before being appointed to his current position in 2008.

2. Lindiwe Montshiwagae

CORPORATE FINANCE AND INVESTOR RELATIONS

BCompt (Hons)

Lindi (38) joined the Merafe management team during 2005. She 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. She is currently completing her dissertation towards completion of a Masters Degree in Financial Management.

3. Kajal Bissessor

FINANCIAL CONTROLLER

BAcc, Post graduate diploma in accounting, CA (SA)

Kajal (27) joined Merafe in 2009. She worked as an article clerk at KPMG from 2004 and was appointed Audit Manager in 2007. During her time with KPMG Inc she also gained international experience as an Audit Senior with KPMG Ireland.

4. Amritha Mahendranath

COMPANY SECRETARY

BCom

Amritha (42) joined Merafe in 2003 as Financial Manager. In March 2004 she was also appointed Company Secretary. She has a corporate governance qualification from the University of Johannesburg and is currently studying for a post-graduate diploma in compliance.



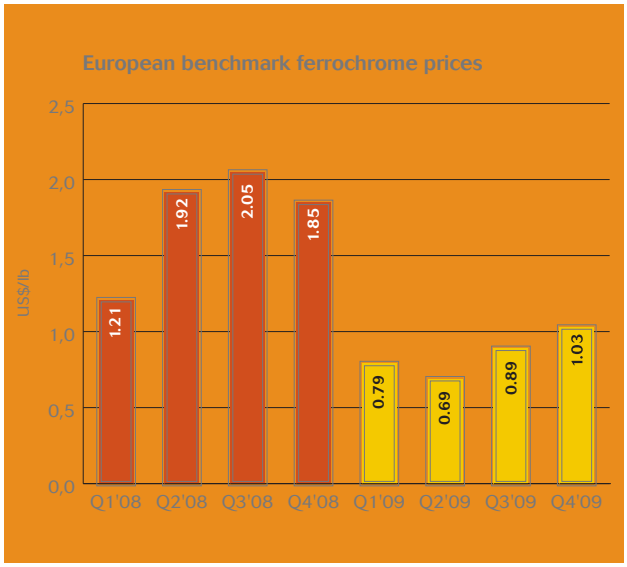
Lion ferrochrome plant, Limpopo Province

CHIEF EXECUTIVE OFFICER'S REVIEW



Steve Phiri
CHIEF EXECUTIVE OFFICER

Merafe is well-positioned to ride out the current uncertain economic times



FINANCIAL REVIEW

The declining global demand for ferrochrome and a sharp fall in the ferrochrome price during the first half of the year, which was exacerbated by the strengthening of the Rand throughout the year, all contributed to Merafe reporting a loss in earnings before interest, tax, depreciation and amortisation (EBITDA), of R100 million for the year ended 31 December 2009.

Its 20.5% participation in the EBITDA loss from the Venture, for the year ended 31 December 2009, accounted for R60 million of this EBITDA loss. The EBITDA loss from the Venture includes Merafe's share of standing charges from the temporary suspension of furnaces, amounting to R159 million, and its share of foreign exchange losses of R82 million. The remaining R40 million loss is made up of corporate costs of R33,5 million and a share-based payment expense of R6,5 million.

Merafe's loss and total comprehensive loss for the year is R152 million. This is after taking into account net financing costs of R12 million, depreciation of R106 million, deferred tax income of R68 million and a current tax expense of R2 million. Finance income, generated from larger cash balances, increased year-on-year. At the same time the repayment of debt in 2008 resulted in a 41% reduction in finance costs year-on-year.

The increase in depreciation was as a result of the capital expenditure incurred on temporarily suspended furnaces and the annual re-assessment of useful lives and residual values as required in terms of International Accounting Standard (IAS) 16, which prescribes the accounting treatment for property, plant and equipment. The capital expenditure incurred as a result of work carried out on these furnaces also resulted in an increase, year-on-year, in property, plant and equipment.

The deferred tax income of R68 million relates to R33 million recognised on the assessable loss and R35 million recognised on current temporary differences, mainly relating to property, plant and equipment.

At year-end the balance of unredeemed capital expenditure is estimated at R252 million and the assessable loss in the group is estimated to be R117 million. Merafe also has R350 million in long-term debt.

The company was well-positioned financially at the start of this very challenging year, with a cash balance of R540 million. The 49% reduction, during the year, of the Venture's finished goods inventory generated strong cash

flows. As a result, despite the extremely difficult trading conditions, Merafe closed the year with a healthy cash balance of R463 million.

The company's market capitalisation had recovered from R2 090 million on 31 December 2008 to R3 443 million on 31 December 2009.

REVIEW OF OPERATIONS

The Venture's ability to respond very rapidly to changes in market conditions saw it reduce production before January 2009 when the first quarter ferrochrome price dropped 57%. As already mentioned in the Financial Review, the Venture used this period to destock.

Despite improved efficiencies, the Venture's variable costs rose 20% in nominal Rand terms. This was due to cost increases which included a 34% increase in the cost of electricity and a 30% increase in average reductant prices.

To limit the impact of increased costs the use of contractors was reduced, as was expenditure on maintenance and reduced overtime. The Venture's cost saving initiatives limited fixed cost increases to approximately 5% on 2008 costs.

Bearing in mind the shortage of skills in the mining and minerals industry and anticipating a market upturn in the near future, the Venture wished to avoid retrenching employees. By means of these cost saving initiatives, it was able to achieve this goal.

Smelters

The increases in the price of electricity and reductants impacted mainly on smelter costs.

The use of the low cost Premus technology furnaces through most of the downturn resulted in a 5% improvement in ore consumption efficiency and a similar increase in electricity efficiency over 2008. (The Premus technology was specifically developed to reduce energy consumption and operating costs.) The optimisation of the use of UG2 chromite ore also reduced the smelters' input costs.

With ferrochrome production suspended at most of its smelters during the first half of the year, the Venture used the opportunity to carry out additional training, maintenance and repairs. Its training hours for the year increased 56%. As a result of the maintenance and repair programme, the Venture was ready to restart its furnaces quickly and efficiently in the second half of the year.

Mines

The Ventures' mining activities were also scaled down in line with smelter requirements and contractual production obligations at the opencast mines were reduced to a minimum.

In the Western Limb mines, normal production ceased at the Horizon mine which made it possible to start work on the next phase of the mine's development, which should see it increase its capacity from 180 000 to 480 000 tonnes per annum by 2013. The Waterval mine development was temporarily suspended and its commissioning has been delayed.

In the Eastern Limb, the Magareng mine development at the Thorncliffe complex continued, albeit at a slower rate than anticipated. It will share the beneficiation plant at Helena mine until demand recovers.

Merafe is also pleased to announce that the Venture has signed a contract with Lonmin for the construction of a Chrome Recovery Plant (CRP) to treat the current tailings from UG2 concentrators at Lonmin's Marikana operations. The Venture will construct, own and operate the CRP and purchase the chromite concentrate produced from the CRP, which is expected to be in full production in 2011. The duration of the contract is based on total volume treated, rather than a fixed time period and the Venture is expected to treat approximately 1.5 million tonnes of chromite concentrate contained in the tailings feed per annum.

HEALTH, SAFETY, THE ENVIRONMENT AND THE COMMUNITY (HSEC)

The Sustainability Report, which forms part of this annual report, covers the Venture's HSEC issues in detail.

This year, the Venture was hopeful, when December approached without any fatalities, that it would reach its target of zero fatalities. Sadly, this was not to be. The Venture deeply regrets the death of contractor Mr Julias Ngele at its Lydenburg plant in December 2009. Mr Ngele, an employee of Fraser Alexander Bulkmech, was operating a front-end loader (FEL) as part of his normal duties. He suffered severe burns when, at some point, the left-hand side door of the FEL was opened. He was immediately taken to Lydenburg Hospital where he tragically succumbed to his injuries. He was 52 years old and leaves his wife Efeniya and five children – Solly, Godfrey, Matete, Amos and Frans.

The Venture has developed a computer-generated virtual reality reconstruction of the incident that caused Mr Ngele's death in order to understand how it occurred and to establish how to prevent a similar incident in the future.

The Venture benchmarks its safety performance internationally. Its Total Recordable Injury Frequency Rate (TRIFR) of 4.64 for 2009 compares very well with an International average of 12.30 for the same period. (The TRIFR is based on the number of total recordable injuries per million hours worked.)

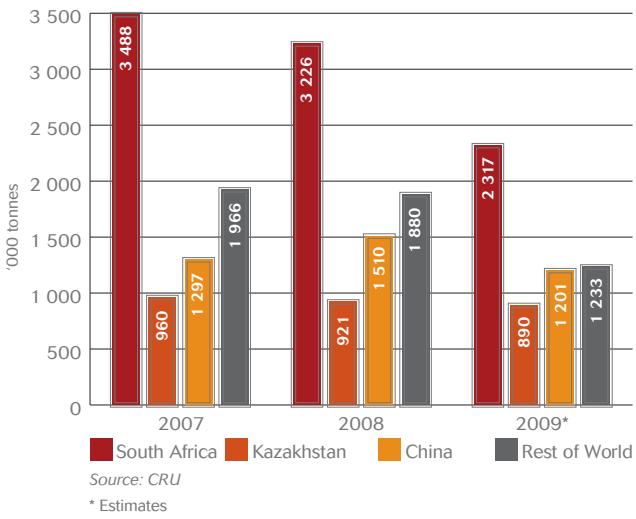
GLOBAL MARKETS

Stainless steel melt production, in particular from Western Europe, Japan and the USA, continued to weaken significantly during the first six months of 2009. This materially reduced demand for ferrochrome from these regions. The increase in utilisation of their production capacity by the Chinese stainless steel mills to almost 100% during the second and third quarter of 2009 increased the demand for ferrochrome during this period.

As a result of China's increased production of stainless steel the stainless steel market became fully supplied. The Chinese then curtailed stainless steel melt production for the remainder of the year.

Despite the significant Chinese production of stainless steel melt during 2009 annual stainless steel melt production declined year-on-year by 3% to 25 million tonnes.

Global ferrochrome supply



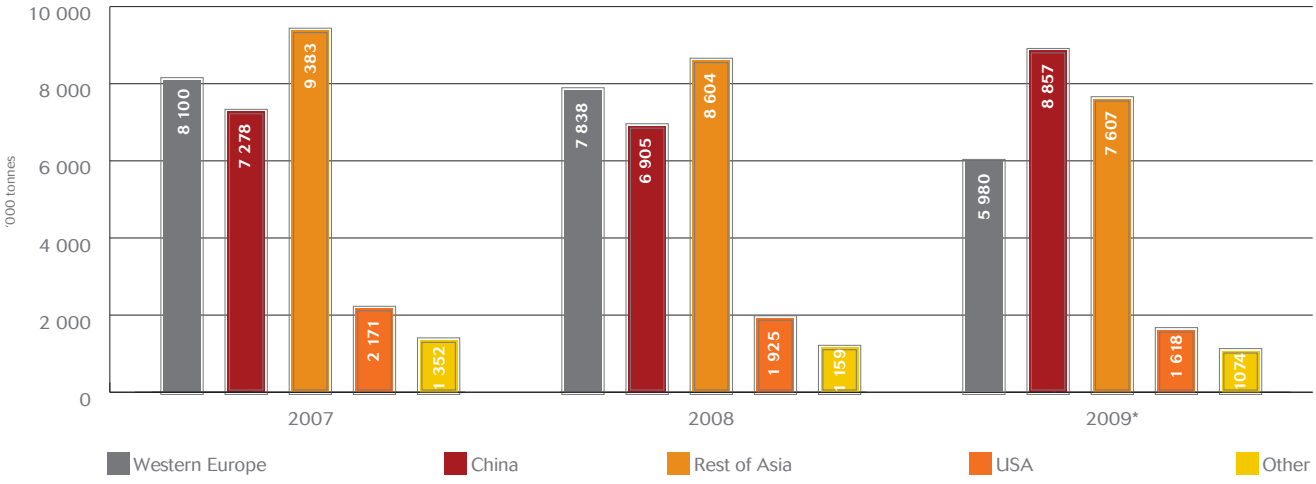
Source: CRU
* Estimates

The Venture's ferrochrome sales by region compared with the regional stainless steel production for 2009

Region	Venture sales by region	Stainless steel production by region
Asia	54%	59%
Europe	32%	23%
USA	8%	7%
Others	6%	11%

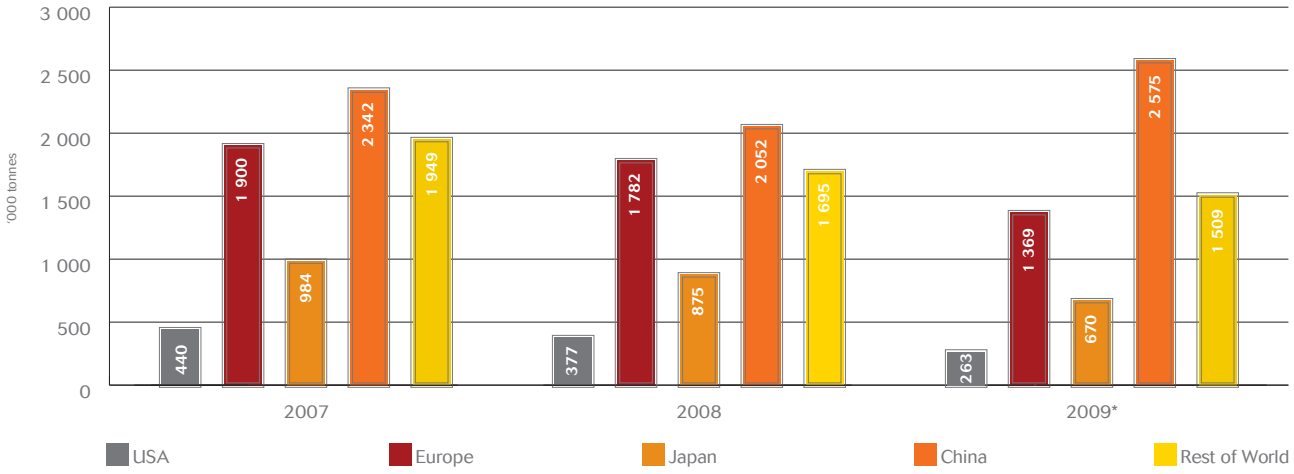
The European benchmark ferrochrome price, affected by the reduced demand for ferrochrome during the first half of the year, declined sharply from a record high of 205 USc/lb in the third quarter of 2008 to 79 USc/lb

Global stainless steel production



Source: CRU
* Estimates

Global consumption of ferrochrome



Source: CRU

• Estimates

in the first quarter of 2009 and declined further in the second quarter to 69 USc/lb.

Ferrochrome producers, led by South Africa, reduced production significantly in the fourth quarter of 2008. They maintained these in the first half of 2009. Low levels of production, combined with price increases from Eskom, South Africa's power utility, and a strengthening Rand, led to an increase in the third quarter European benchmark ferrochrome price to 89 USc/lb and a further increase in the fourth quarter of 2009, to 103 USc/lb. This resulted in an average European benchmark ferrochrome price of 85 USc/lb for 2009, which was 52% lower than the average price of 176 USc/lb for 2008.

OUTLOOK FOR THE FUTURE

Although the first quarter of 2010 has seen a slight reduction in the European benchmark ferrochrome price of 2% to 101 USc/lb, ferrochrome prices are expected to increase during 2010.

The limited availability of power from Eskom, access to financing as well as the large capital cost, have acted and will continue to act as barriers to any planned expansions by South African ferrochrome producers or new entrants for at least the next three years. At the same time China is expected to continue to be the fastest growing stainless steel producing market globally, driving strong demand for ferrochrome. This bodes well for the outlook for ferrochrome both in the short-term and the medium to long-term.

Despite the challenges of 2009, Merafe continued to maintain its strong cash position with R463 million cash on hand at the end of 2009. Strong cash flows were generated during the difficult operating environment of 2009, from the unwinding of finished goods inventory.

While the strong Rand continues to impact on earnings, Merafe's statement of financial position remains strong and the Company continues to be well poised going forward. The Venture continues in its endeavours to constantly improve efficiencies and contain costs, thereby retaining its position as one of the lowest cost ferrochrome producers globally.

World market stocks of ferrochrome

World market stocks of ferrochrome			Weeks consumption		
2007	2008	2009	2007	2008	2009
1 255,2	2 018,8	1 291,7	8,7	24,2	9,6

Source: CRU

South African chrome producers are currently running at 86% of capacity. The Venture is currently operating 19 of its 20 furnaces.

The Venture has a low capital cost brownfield expansion option. The Lion ferrochrome plant, which uses proprietary Premus technology to reduce energy consumption and operating costs compared to conventional smelting technology, was designed for two further phases of expansion to a total capacity of one million tonnes a year. Phase two would increase capacity by 350 000 tonnes, but is dependent on appropriate market conditions for ferrochrome and greater certainty regarding electricity supply and pricing. Lack of electricity generating capacity remains a concern for industry and households alike.

THANKS

The management and staff of Merafe and our partner in the Xstrata-Merafe Chrome Venture have made every effort to achieve the efficiencies and cost reductions necessary during this challenging year. Thank you for your efforts. I also extend my thanks to the members of the board for their continued support and guidance.



Steve Phiri
Chief Executive Officer

POTENTIAL RISKS AND OPPORTUNITIES

PRINCIPAL RISKS AND UNCERTAINTIES

Risk is an intrinsic aspect of business and is inseparable from opportunity.

The risks set out below represent some of the principal uncertainties and trends which may have an impact on Merafe's ability to execute its strategy effectively in the future. These risks have been assessed according to materiality, likelihood and residual risk after controls.

Risk	Mitigation
Commodity price volatility Merafe's revenue and earnings are dependent on the effect of prevailing ferrochrome prices on the earnings before interest, tax, depreciation and amortisation (EBITDA) of the Xstrata-Merafe Chrome Venture (the Venture). The ferrochrome price is determined by supply and demand and is closely linked to global economic growth.	Ongoing process improvement initiatives and investments to reduce costs, cost savings initiatives, including scaling down mining activities during downturns in global demand and optimising UG2 ore consumption to reduce input costs, are adopted to mitigate the impact of reduced ferrochrome prices on the Venture. In addition, close relationships with customers and the technical expertise to predict and plan for upturns and downturns in demand assist the Venture to mitigate their impact.
Fluctuation in currency exchange rate The Venture's product is sold in US dollars, while a large portion of its operating costs are in Rands. As a result, fluctuations in the exchange rate can impact positively or negatively on its earnings.	Merafe's policy is not to hedge currency and is therefore exposed to Rand/US dollar fluctuations. Containing production costs by means of process improvement initiatives and investments to reduce costs, helps mitigate the impact of currency fluctuations in favour of a stronger Rand.
Cost control The Venture's competitiveness and long-term profitability depend significantly on its ability to reduce costs and maintain low-cost efficient operations.	The Venture prides itself on being a low cost producer. Cost performance is regularly reported to the executive committee and is a key management performance measurement. Its development of lower cost proprietary technology has played a significant part in cost reduction.
Operational risks The Venture's operations are affected by a number of factors which are outside its control including the availability and costs of raw materials, water and power, unusual ground conditions, climatic conditions as a result of climate change (e.g. drought or flooding), interruptions to power supplies, congestion at ports, industrial action, environmental hazards, technical failures and incidents at its operations.	Merafe and the Venture have in place a comprehensive programme to identify, understand and manage the risks that affect the business and its operations. Regular risk reviews are undertaken and both organisations' risk registers are accordingly updated.
Carbon emissions and climate change The Venture's operations emit CO_2 from the use of reductants, fuel and electricity which is mostly generated from the burning of fossil fuels. Climate change may also adversely affect its operations.	Climate change issues are given a high priority. The Venture's strategy to reduce operational greenhouse gas (GHG) emissions is to minimise its energy consumption and find ways of generating energy from low carbon sources.
Health, safety and environment The Venture's operations are subject to health, safety and environmental regulations, legislation and community expectations.	These three issues are given priority by the Venture and significant resources are committed to providing a safe and healthy workplace and keeping our impact on the environment to a minimum and address the impact of HIV and AIDS on its employees and the communities in the vicinity of its operations. Both Merafe and the Venture monitor legislative requirements and engage with government and regulators to ensure compliance. All operations are regularly independently audited through the Venture's Sustainable Development Assurance Programme and health, safety, environmental and social performance is reported on to management.

Risk	Mitigation
Labour and key employees All the Venture's operations are unionised and generally have good relations with employees and unions. Its operations depend on a relatively small number of key employees the loss of whom could have an adverse effect on the business.	We provide industry-leading career opportunities and recently, despite the economic downturn, retained our fulltime employees. We are committed to the participation of Historically Disadvantaged South Africans (HDSA) in management. Fast track and executive development programmes are in place and formal succession planning is regularly reviewed.
Credit market conditions and credit rating Credit markets have significantly restricted the supply of credit as financial institutions apply more stringent lending criteria.	Regular meetings are held with the group's bankers to proactively assess terms and conditions before potential problems arise. However, with its strong cash balance and available banking facilities Merafe is presently well placed in this regard. Credit ratings of customers are critically assessed before supplying ferrochrome to them.



The Wonderkop ferrochrome plant, North West Province



SUSTAINABILITY REPORT

We all have a moral duty to ensure that whatever we do today does not compromise the needs of those who come after us.

The Rustenburg plant choir performs during a Wellness Day at the plant

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DEFINING REPORT CONTENT

The principles of inclusivity, materiality and responsiveness, as defined by the AccountAbility 1000 Accountability Principles Standard 2008 (AA1000APS) are applied in our reporting. We are committed to being accountable to our stakeholders. The way we engage with and respond to stakeholders is described on pages 31 to 37.

We prioritise issues that are material, because they have the potential to affect the long-term success of our business or the sustainability of the economy, the environment and the communities in which we operate, or are considered to be material to our stakeholders. It is our aim to provide a complete and balanced view of our performance, both the challenges and the successes.

To identify the material issues for the business we review the:

- Results of our business risk assessment process;
- Code of Corporate Practice and Conduct set out in King II and King III;
- Business Principles, Sustainable Development Framework, policies and procedures applied in the Venture's operations;
- Topics and challenges reported by our peers or raised by industry associations; and
- External initiatives and best practice guidelines, including the Global Reporting Initiative (GRI) G3 guidelines and its draft Mining and Metals sector supplement.

DATA MEASUREMENT

Data measurement is according to specific indicators throughout the report, particularly where tables and graphs are included. Where GRI G3 indicators have been deemed 'not applicable' reference is made within the GRI G3 Content Index Table, which includes a thorough indicator-specific self-assessment which is available on the Merafe website at www.meraferesources.co.za. Data measurement is according to the Venture's policies, procedures, codes and guidelines, which were developed to meet international best practice for sustainability monitoring and measurement. Where possible, data measurement is implicitly defined via units of measure. Additional information is available upon request.

STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

This report is a key component of our engagement with our stakeholders and our response to risks and opportunities as they relate to the sustainability of our business. Its aim is to inform our stakeholders on how the many risks and opportunities that present themselves have been managed by Merafe and its partner in the Xstrata-Merafe Chrome Venture (the Venture). We will not be reporting on sustainability issues in Merafe Coal as this jointly controlled entity is not operational.

It is the sixth sustainability report published by Merafe Resources as an integral part of its annual reporting and the second report we have prepared using the Global Reporting Initiative (GRI) Guidelines and the Mining and Metals Sector Supplement (an addendum to the GRI G3) as a framework. This is the second year the non-financial content of our annual report has been subject to third party independent assurance by SustainabilityServices A description of the assurance process and the signed independent assurance statement are provided on pages 70 to 72 of this report. A GRI index is published in this report on pages 142 to 151 and on our website. An annotated copy of the annual report and sustainability report is available on our website.

I am very proud that our efforts to provide our stakeholders with transparent reporting on the risks and issues that are material to Merafe, the Venture and our stakeholders were recognised as Excellent in the Ernst & Young Excellence in Sustainability Reporting 2009 survey. The survey assesses all the companies on the JSE Socially Responsible Investment (SRI) Index and the top five state-owned entities by total asset value. Of the reports adjudicated in the survey only 26% were ranked as excellent. The efforts towards sustainability of our partners in the Venture was further recognised when Xstrata was named as the resources sector leader for the second consecutive year and was included in the Dow Jones Sustainability Indexes of sustainability leaders for the third year.

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

Through its investments, Merafe has created value for its shareholders. The commitment of the Venture to achieving operational excellence in a safe and responsible way benefits investors, employees, government and the communities in which it operates. The Venture's efficient use of resources and its provision of a safe and healthy working environment also contribute to the sustainability of the business and the environment in which it operates.

CHALLENGES AND OPPORTUNITIES

The economic risks that face Merafe, specifically, have been addressed in the table on pages 16 and 17 as well as in the Chairman's statement and my Review of Operations. The key economic, environmental and social impacts the Venture currently faces include:

- The impact of the global recession and mining inflation on the Venture and how best to manage the business to reduce their impact;
- The environmental challenges of resource management, climate change, biodiversity and land management;
- Workplace safety;
- Enterprise development and procurement from black empowered businesses and black-owned businesses as an opportunity to contribute to the socio-economic development of the communities in which we operate; and
- Health issues and in particular HIV and AIDS.

There is much that the Venture can do and has done to improve its energy and water efficiency. Some of these efforts were recognised with a mining sector energy efficiency award in 2008. This report will update you on our efforts in this regard during 2009.

The Venture's smelting operations are energy intensive and therefore contribute indirectly to the production of greenhouse gas emissions (GHGs), as a result of their high consumption of electricity produced from fossil fuels. The Venture has therefore concentrated its efforts on reducing its consumption of energy and finding alternative sources of energy that will not produce GHGs.

This report also covers in detail our efforts to eliminate injuries and fatalities in the Venture's operations.

The Venture's wellness programme has a major focus on HIV and AIDS. During the 2009 financial year 96% of its employees and 93% of its contractors underwent voluntary HIV testing. In 2010 the Venture will be ramping up its Tuberculosis (TB) programme to strengthen its efforts to mitigate the impact HIV and AIDS has on its sustainability. Its medical scheme service provider reported that there has been a three-fold increase in the number of hospital admissions for TB from 0.7 to 1.9 per 1 000 lives. This dramatic increase is attributed to the fact that TB, which had previously gone undiagnosed and untreated in those found to be HIV positive during the wellness campaign, is now being diagnosed and treated.

Merafe believes that poverty alleviation, capacity building and skills training, gender equity, job creation and governance are the critical issues which need to be addressed if South Africa is to make progress towards sustainability. The company is committed to assisting the Government to achieve its vision of developing a globally competitive mining industry that offers real benefits to all South Africans and proudly reflects the promise of a non-racial South Africa. Merafe has demonstrated this by complying with the Mining Charter, which includes the completion of the Venture's social and labour plans and allocating 1% of its after-tax profits for community development projects.



Steve Phiri
Chief Executive Officer



The Lion ferrochrome plant, Limpopo Province

GOVERNANCE, ETHICS AND ENGAGEMENT

INTRODUCTION

South Africa has chosen to apply a code of principles and practices on a 'comply or explain' basis, known as the King Code of Corporate Governance, because it believes that a 'comply or else' approach may result in a focus on compliance, but could deflect the attention of the board of a company away from its responsibility to ensure the optimal performance of the business. The 57 countries in the Commonwealth (including the United Kingdom), and the 27 states in the European Union, have also opted for a 'comply or explain' approach.

The fact that South African listed companies are regarded by foreign institutional investors as being among the best governed in the world's emerging economies has resulted in significant capital inflows into South Africa and would seem to endorse its adoption of the 'comply or explain' approach.

Merafe's commitment to best practice corporate governance is reflected in its participation in the JSE Limited's FTSE/JSE SRI Index since the inception of the Index and among the top 10 best performers on the Index for the past three years. In order to participate in the Index, companies must meet a rigorous set of criteria in respect of corporate governance and economic, environmental and social sustainability.

The latest King Report on Governance for South Africa 2009 (King III) takes into account the new South African Companies Act, No 71 of 2008 (the Act) and changes in international governance trends. It supports the integration of sustainability reporting with financial reporting. Integrated reporting allows stakeholders to make a more informed assessment of the economic value of a company.

Merafe has combined its sustainability reporting with its financial reporting since 2004.

RECOGNITION OF MERAFE'S SOCIALLY RESPONSIBLE APPROACH TO BUSINESS

In May 2004, in response to the burgeoning debate around sustainability globally and particularly in the South African context, the JSE Limited launched its Socially Responsible Investment (SRI) Index. The Index was a pioneering initiative: the first of its kind in an emerging market, and the first to be launched by an exchange. It has been a driver for increased attention to responsible investment into emerging markets like South Africa.

The Index showcases listed companies who qualify to participate in it. Qualifying companies must meet a rigorous set of criteria in respect of corporate governance and economic, environmental and social sustainability. Every year since its inception Merafe has met these criteria and has been invited to participate in the Index. Merafe has been recognised as one of the top 10 best performers on the Index for the past three years.

The commitment of Xstrata, our partner in the Venture, is demonstrated in their recognition by the Dow Jones Sustainability Index (DJSI) as the Global Super Sector Leader for Basic Resources in its World and STOXX Indexes. This is the second consecutive year that Xstrata has been named as the resources sector leader and the third year that Xstrata has been included in the Dow Jones Sustainability Indexes of sustainability leaders.

EMPOWERMENT CREDENTIALS

This year Merafe's efforts towards socio-economic empowerment were once again recognised in the Financial Mail's 2009 Top Empowerment Companies Survey. It was again ranked the most empowered company in the Resources Sector of the JSE. The survey is conducted by the Empowerdex Economic Empowerment Rating Agency using the generic broad-based black economic empowerment (BEE) scorecard which supports the Broad-based BEE Codes of Good Practice that came into effect in 2008. The areas on which the participants are measured are: ownership, management, employment equity, skills development, preferential procurement, enterprise development and socio-economic development.

GOVERNANCE AND MANAGEMENT SYSTEMS

Merafe is committed to best practice corporate governance. It recognises that, in order to manage risk and ensure optimal performance, a company needs to practice strong and accountable governance. To ensure a balance of power and authority there is a clear division of responsibilities among the company's directors. In accordance with the recommendations of the King III Report the directors' contracts do not exceed three years.

Towards compliance with King III Code of Corporate Practices and Conduct

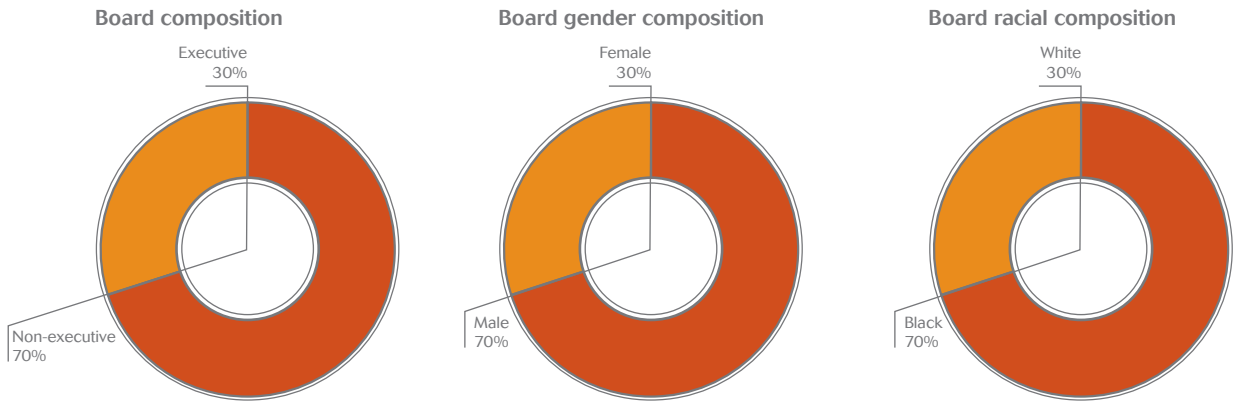
Merafe's directors endorsed the Code of Corporate Practices and Conduct (the Code) as set out in the King Report on Corporate Governance (King II), and the board took the necessary steps to ensure its recommendations were applied throughout the company during the 2009 financial year. The latest updates to the Code, set out in the King III Report on Corporate Governance, were published in 2009 and became effective from 1 March 2010. The board has analysed the recommendations contained in the revised Code, noted where it already complies with the new Code and where there are opportunities to implement changes that will improve governance standards within Merafe in the future.

Board and sub-committee membership

Merafe continues to make good progress towards the King Report recommendations on the composition of boards. At 31 December 2009 the ten-member board was composed of seven non-executive directors (of which four were independent+) and three executive directors. In accordance with the recommendations of the Code of Corporate Practices and Conduct, the majority of the members of the Merafe Resources board are non-executive directors and the chair of the board is an independent non-executive director.

+***Definition of an independent director***

These are the criteria that Merafe uses to define an independent director: the director is not a representative of a shareholder who has the ability to control or significantly influence management; has not been employed by the company in any executive capacity in the three preceding financial years; is not a professional advisor to the company other than in his/her capacity as a director; is not a significant supplier to, or customer of the company and is free from any business or other relationship which could be seen to materially interfere with the individual's capacity to act in an independent manner.



The racial and gender composition of the board

At 31 December 2009, in line with the country's demographics, the majority of the board's directors were black. In addition, three of the board members were black women.

Non-executive directors

Chris Molefe (61) – Chairman – Independent
Con Fauconnier (62) – Independent
Belese Majova (35) – Independent
Meryl Mamathuba (37)
Zanele Matlala (46) – Independent
Mzila Mthenjane (39)
Tlamelo Ramantsi (35)

GOVERNANCE, ETHICS AND ENGAGEMENT CONTINUED

Executive directors
Steve Phiri (54) – Chief Executive Officer
Bruce McBride (50) – Commercial Director
Stuart Elliot (46) – Chief Financial Officer

Company Secretary
Ami Mahendranath (42)

Attendance at the Merafe Resources board meetings during 2009
Four board meetings were held during the financial year ended 31 December 2009.

Board member	No of meetings attended
Non-executive directors	
Chris Molefe (Chairman)	4/4
Con Fauconnier	4/4
Belese Majova	4/4
Meryl Mamathuba	2/4
Zanele Matlala	3/4
Mzila Mthenjane	4/4
Tlamelo Ramantsi	3/4
Executive directors	
Steve Phiri (Chief Executive Officer)	4/4
Stuart Elliot	4/4
Bruce McBride	4/4



The Bokamoso pelletising and sintering plant, North West Province

Board sub-committee membership at 31 December 2009
The Remuneration and Nomination Committee and the Audit and Risk Committee are both chaired by independent non-executive directors and the Transformation and CSI Committee is chaired by a non-executive director.

Audit and Risk Committee	Attendance	Remuneration and Nomination Committee	Attendance	Transformation Committee	Attendance
Zanele Matlala° (Chairperson)	2/3	Chris Molefe° (Chairperson)	2/2	Meryl Mamathuba (Chairperson)	1/2
Con Fauconnier°	3/3	Con Fauconnier°	2/2	Mzila Mthenjane	2/2
Chris Molefe°	3/3	Zanele Matlala°	1/2	Bruce McBride**	2/2
Belese Majova°	*2/3*	Mzila Mthenjane	1/2	Steve Phiri**	2/2
Stuart Elliot*	3/3	Steve Phiri*	2/2	Lindiwe** Montshiwagae	2/2
Mzila Mthenjane**	2/3			Stuart Elliot***	2/2
Tlamelo Ramantsi**	2/3			Thabo Moseki +	1/2
Steve Phiri*	3/3				
Jurg Zaayman**†	3/3				
Kajal Bissessor **#	*2/2*				

* *Executive only attending board sub-committee by invitation*
** *Invitee to the committee*
*** *Invitee for CSI matters*
\+ *Invitee from the Xstrata-Merafe Chrome Venture*
° *Independent director*
†*Attendance is risk specific*
 # Appointed after first Audit and Risk Committee

The board's corporate governance role

The board's role, duties and responsibilities in respect of corporate governance, strategic planning and performance, board appointments, compliance with regulations, risk management, accounting and financial compliance; its responsibilities to shareholders and the delegation of operational matters are set out in the board charter. Through its charter the board commits itself to openness, integrity, accountability and the provision of timeous, relevant and meaningful reporting to all stakeholders.

In terms of the board charter, no individual has unfettered powers of decision-making. The board is ultimately responsible for setting the company's strategic objectives and establishing key policies. It is also responsible for monitoring their implementation.

The company develops new strategic plans every two years. These plans are reviewed annually. The board participates in all strategic planning processes. A strategic planning session was held in June 2009.

The board retains overall accountability and full and effective control of the company. Decisions regarding matters that could have a material effect on the business are reserved for the board. These include the company's financial and operational results, the strategic direction of the business, major acquisitions and disposals and approval of major capital expenditure.

Board expertise

The expertise of the board members is set out on pages 6 and 7 of this report. Collectively, the directors have a wide range of expertise, including financial, commercial and technical expertise, which they are able to contribute to the board's deliberations. The independent non-executive directors are also able to contribute valuable independent perspectives and judgement.

Board induction

All appointed directors attend both formal and informal induction training related to the company and their duties as directors. During the year board members attended workshops run by the company, the Institute of Directors and external consultants, during which they considered the impact of the new Companies Act and King III on the duties and responsibilities of directors and boards.

Performance evaluation

In 2009 the members of the Merafe board were asked to evaluate the performance of the board. Their evaluation indicated that they believe the board is effective and that its charter is descriptive of its role and performance. All its members believe that the board has identified key risk areas and key performance indicators for the business, that appropriate policies and processes to effectively protect the company's assets and reputation are in place, that it is effective in monitoring operational and financial performance, the integrity of the processes involved and the company's internal controls. In addition, the non-executive directors indicated that the Merafe board's performance compares very favourably with other boards on which they serve.

Any shortfalls or areas for improvement that were identified were referred to the appropriate committee for its attention.

Mechanisms for shareholder communication with the board

The formal mechanisms in place for communication with shareholders include: one-on-one meetings with investors, road shows to investors, site visits by investors, presentations, the annual general meeting, press announcements of the interim and year-end results, the company's website, its annual report to shareholders and the proxy form shareholders use to exercise their voting rights.

The Company Secretary

It is the responsibility of the Company Secretary to ensure the company complies with the JSE Limited Listings Requirements and all statutory requirements. The Company Secretary is also responsible for ensuring 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 relevant laws. It is her responsibility to provide the board as a whole, and directors individually, with guidance as to how their responsibilities should be properly discharged in the best interests of the company.

Directors have access to the Company Secretary at all times. Directors and officers of the company keep the Company Secretary advised of all dealings in company securities.

Retirement and appointment of directors

To ensure board continuity, the retirement of the company's directors is staggered. They retire by rotation at the Annual General Meeting.

The procedures for appointing directors to the board are formal and transparent. The board is assisted, where appropriate, by its remuneration and nomination committee. Instructed by the board, the committee investigates whether or not potential board members have the necessary skills and experience to make judgements independent of management, on issues of strategy, performance, risks and opportunities, resources, transformation, employment equity, standards of conduct and evaluation of performance. The committee also ensures that potential new directors are fit and proper and not disqualified from being directors. It presents its findings to the board in order that it may make informed decisions on the appointment of directors.

Dealing in securities

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

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

The roles and responsibilities of the committees that report to the board on the key issues identified by the board are set out in the following table, as are the roles and responsibilities of the executive committee. The committees meet in accordance with King II recommendations and when necessary.

In line with King III the composition of the Audit Committee for 2010 will be presented to the shareholders for approval at the Annual General Meeting.

Committee	Roles and responsibilities
Executive Committee	Recommends policies and strategies; monitors and coordinates implementation; deals with all executive management business; and is responsible for all material matters that are not the responsibility of the board.
Audit and Risk Committee	The Audit Committee monitors the adequacy of financial controls and reporting; reviews the audit plans of the external auditors and adherence to these plans; considers the extent of non-audit services undertaken by external auditors; ensures that financial reporting complies with IFRS and the Companies Act; and reviews and recommends on all financial matters. The Risk Committee assists the board in the identification of all material risk 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 are functioning effectively. The risks listed in the Merafe's register, as well as those of the Venture, are reviewed by the committee at each meeting. It is also responsible for monitoring environmental risk. The committee complies with the Corporate Laws Amendment Act in terms of having an independent non-executive director as its chairperson and members who are independent non-executive directors.
Remuneration and Nomination Committee	The Remuneration and Nomination Committee establishes the overall principles of remuneration; considers, reviews and approves the company's policy on executive and non-executive remuneration. From time to time independent external consultants determine whether or not remuneration is in line with industry standards. Bonuses for executive directors are performance-based and are only paid if the company makes a profit. It establishes policy governing the appointment of directors, considers suitable nominations for appointment to the board and makes appropriate recommendations to the board.

Committee	Roles and responsibilities
Transformation and Corporate Social Investment Committees	The Transformation Committee reviews and manages the company's commitment to transformation to ensure it complies with the Employment Equity Act, the Mining Charter and the BEE Codes of Good Practice. In accordance with the Transformation Committee's terms of reference its Chairperson will always be a non-executive director. A Corporate Social Investment (CSI) committee monitors and manages Merafe's CSI policies and programmes. This committee is a sub-committee of the Transformation committee.

Overall governance of the Xstrata-Merafe Chrome Venture

A joint board oversees the operations of the Venture. It comprises three representatives from each company.

Merafe is represented by its Chief Executive Officer, its Chief Financial Officer and its Commercial Director.
Xstrata is represented by the Chief Executive of Xstrata South Africa (Pty) Limited, who is currently also Chairman of the joint board, its Chief Financial Officer and the Managing Director Chrome Division. Merafe's representative to the Venture at operational level is General Manager Merafe Chrome, Dr Jurg Zaayman who attends meetings of the joint board and the Merafe board as an invitee.

The joint board meets quarterly. Members of Merafe's management team also attend the Venture's monthly Executive Committee meetings as well as Treasury, Audit Committee and Transformation Committee meetings.

OPERATIONAL RISK MANAGEMENT

Currently, the main operational risk to which Merafe is exposed is that of the Venture. Independent of the Venture the Merafe Audit and Risk Committee assesses the risks faced by the company (see pages 16 and 17 of this report for a table setting out some of the principal uncertainties and trends which may have an impact on Merafe's ability to execute its strategy effectively in the future).

The Venture integrates sustainable development risk management with enterprise risk management with the aim of developing and protecting its people, assets, environment and reputation. Each operation within the Venture is required to implement and maintain appropriate risk control systems and processes. Business plan objectives are aligned with a summary of the key risks, internal controls and accountabilities. Planned mitigating actions are also included in the business plan and regularly reviewed. Any significant changes to the business risk profile and the actions taken to address control and mitigate these risks are reported to the Venture's Executive Committee and the joint board in a monthly report. This allows management to gain a better perspective of how, and the extent to which, key risks are being managed and monitored.

The Venture applies the precautionary principle in its approach to actively managing identified risks, without necessarily requiring a scientific consensus regarding the potential for risk to occur before action is taken.

Roles and responsibilities for risk management are clearly established throughout the Venture. The Venture's internal audit function tests the adequacy of management controls in its operations throughout the year.

The Venture's Health, Safety, Environment and Community (HSEC) resources are focused at site level. In order to manage the HSEC risks, the Venture's Group Manager: Sustainable Development assists sites to develop HSEC frameworks and management systems that are aligned with the Venture's policies and standards.

GOVERNANCE, ETHICS AND ENGAGEMENT CONTINUED

ETHICS

Merafe's Code of Ethics (the Code), which is available on its website: www.meraferesources.co.za, governs how it does business. Merafe's board believes ethics are about an attitude towards doing business in the best possible way. The highest standards of ethical business conduct are required of all its directors and employees, including contractors and consultants. The Code, which is binding on all Merafe employees and directors, provides behaviour guidelines.

The Statement of Business Principles applied in the Venture, sets out for its employees the ethical framework within which the business operates. Every employee receives a copy in their language of choice at the time of their induction. The Statement recognises that the Venture's commitment to genuine partnerships with its stakeholders requires that its employees:

- **Work ethically** and are committed to the highest standards of personal and professional ethical behaviour at all times and that they act with integrity in their relationships with stakeholders and fulfil their promises and obligations to them. In turn the Venture requires it business partners to uphold its Business Principles, Policies and Sustainable Development Standards.
- **Work responsibly** and commit to the goal of sustainable development and strive to meet equitably the developmental, environmental and economic needs of the present with those of the future.
- **Work openly** and are committed to the maximum transparency that is commercially possible in its business. Communicate in advance the potential impacts and benefits of all proposed major changes to operations, projects or activities to all relevant stakeholders in a transparent, comprehensive and culturally appropriate manner.
- **Work together and with others** to achieve open and two-way engagement with employees, employee representatives, communities, customers, suppliers, shareholder and other stakeholders. Identify the stakeholders in the Venture's activities and communicate honestly and engage in good faith with all stakeholder groups.

Each employee and contractor is responsible for acting in accordance with the Venture's Business Principles. They are encouraged to raise any concerns about compliance with their immediate supervisor/manager or with the general manager at their operation. This includes concerns over fraud, theft, dishonest business activities, misappropriation of company resources, incorrect health and safety practices, corruption or any other unethical behaviour in the workplace. However, in instances where it is not possible to speak to a supervisor or general manager, for whatever reason, a toll-free telephone number (printed on the back page of the Statement of Business Principles) has been provided and is independently run by KPMG. Callers can remain anonymous and any concerns reported through the telephone line will be relayed in confidence to the Head of Internal Audit for appropriate action. A confidential e-mail address is also available for the same purpose.

The Venture requires all relevant employees to complete a competitive and fair trade web-based training programme annually. They must achieve a score in excess of 70%. The programme addresses all major anti-trust and competition issues and uses simulated situations and questions to test employees' understanding of competition law and appropriate behaviour when dealing with customers, competitors, trade associations, suppliers and distributors. In 2009 95% of the Venture's employees were trained in its anti-corruption policies and procedures.

During 2009 nine incidents of unethical behaviour were reported and investigated in the Venture. As a result of these investigations eight employees were dismissed and one employee received a final warning.

HUMAN RIGHTS

Xstrata plc is a signatory to the UN Global Compact and supports the UN Universal Declaration of Human Rights and the International Labour Organisation Conventions. The Venture has aligned its strategy and operational performance with universally accepted principles in the areas of human rights, labour and anti-corruption. Its Statement of Business Principles upholds the elimination of all forms of forced or compulsory labour and prohibits any form of child labour.

Merafe and the Venture have a zero tolerance approach to any behaviour that may compromise the principles of human rights. Two cases of verbal abuse were reported in the Venture during 2009. In both cases, after due process had been followed, the guilty parties were dismissed. The Venture complies with South African human rights legislation in the form of the country's Constitution and Bill of Rights that safeguard the basic human rights of employees in South Africa. The policies of both Merafe and the Venture clearly state that they do not tolerate any form of discrimination. All operations report the age of their youngest employee and are audited through the internal audit and risk management programme. The age of the youngest employee in 2009 was 18 years of age.

Merafe and the Venture have the necessary grievance and corrective action procedures to ensure that breaches are reported and dealt with appropriately.

All the Venture's major suppliers and contractors are required to comply with its Business Principles, including its stand on human rights. Significant suppliers to the Venture undergo screening on their human rights performance. This year 391 suppliers underwent screening.

All security personnel employed at the Venture's operations undergo appropriate human rights training to ensure compliance with its Business Principles. During 2009, 5 947 Venture employees received training in human rights appropriate to its operations. In 2008, 4 255 employees received this training.

No breaches of human rights were reported at any of the Venture's operations during the year, nor were there any incidents of the rights of indigenous people being violated. Employees of the Venture can use an independent hotline to report activities that they feel are not consistent with the Venture's policies on human rights issues.

LABOUR RELATIONS

The Venture upholds the rights of its employees to collective bargaining and freedom of association and does not tolerate discrimination. Potential employees are advised of this. It adheres to collective bargaining agreements with due regard to the relevant legislation. Collective agreements are the product of negotiation between the parties. The trade unions negotiate terms and conditions of employment for their members. The Venture settles wages with the unions annually, for implementation in July each year.

The Venture consults with employees in advance of any significant operational changes. Consultation is always undertaken in an attempt to reach consensus with the unions.

Union and bargaining forum membership

Union membership (Percentage of workforce)		Bargaining forum (Percentage of workforce)	
2008	2009	2008	2009
58%	61%	70%	65%

GOVERNANCE, ETHICS AND ENGAGEMENT CONTINUED

Industrial action

In 2009 the Venture experienced one case of unlawful industrial action. A strike held by workers at the Lion ferrochrome plant in Limpopo Province was declared illegal by the Labour Court. The Court ruled that the strike was illegal because it was based on a dispute regarding the interpretation of a collective agreement, which is a dispute of right and as such is not a strikeable issue. The unions involved were the National Union of Mineworkers (NUM) and the National Union of Metal Workers of South Africa (NUMSA). The strike was resolved after agreement was reached through engagement.

Operation	Date and duration of action	Number of employees involved	Cause of action
Lion ferrochrome plant	22 June to 28 August 2009 (66 days)	318	Disagreement over bonuses (interpretation of a collective agreement over production incentive/bonus scheme)



Bokamoso pelletising and sintering plant after a rainstorm, North West Province

STAKEHOLDER ENGAGEMENT

Merafe and the Venture have identified a broad range of internal and external stakeholders who have a material interest in or are affected by both Merafe and the Venture and have assessed their involvement with them, or their potential impact on them, at a corporate office and operational level. The engagement of both Merafe and the Venture with stakeholders is as diverse as the various stakeholders are. Both Merafe and the Venture are proactive in communicating and engaging with their internal and external stakeholders.

A broad range of methods are used to engage with stakeholders and, wherever possible, dialogue and feedback is encouraged. They include: face-to-face formal or informal meetings (including the Merafe's Annual General Meeting); media and stock exchange announcements; presentations; conference calls; the Merafe website (www.meraferesources.co.za); intranet and xtranet sites available to Venture employees; open days and operational site visits; perception studies and reputation audits; whistleblowing facilities and formal grievance mechanisms; financial and sustainability reports; newsletters, circulars and e-mail updates; community, employee or multi-stakeholder forums and workshops; dedicated e-mail and telephone facilities; regular customer, business partner and supplier meetings; cultural, social and environmental impact assessments; and formal consultation and audit processes.



STAKEHOLDER ENGAGEMENT CONTINUED

Stakeholders are further categorised as:
- Those directly affected, both positively and negatively, by the activities of Merafe and the Venture;
- Interested parties who, while not directly affected by our activities, have an interest in or influence over them; and
- Authorities at all levels (local, regional and national).

Stakeholder	Summary of material issues	Methods of engagement	Frequency of engagement	Key topics and concerns raised at engagement and response/s to these
Shareholders and the investor community				
Merafe Resources has a simple shareholder structure. At 31 December 2009 Royal Bafokeng Resources held 29% of its shares and the Industrial Development Corporation (IDC) held 22% of the company's shares. Public and institutional shareholders held the balance of the shareholding (49%).	• Merafe's returns to shareholders and potential for future returns • Financial and non-financial risk management • Corporate governance including executive remuneration • Performance against strategy • Trends and outlook for commodity markets • Management of environmental and social risks and opportunities • Sustainability	Road shows to investors in South Africa, the United Kingdom, Europe and the USA	Ongoing	Issues raised by shareholders and the investor community included power constraints and the cost of power. They were advised that the Venture is improving efficiencies and engaging with the authorities. Over reliance on China as a major customer was raised as a concern. The Venture is working on increasing sales in Europe, but European demand at this stage is still weak. Ferrochrome pricing was raised as a concern. It was explained that the Venture always pushes hard to get the best possible price under prevailing market conditions. Exports of unbeneficiated chrome ore. Merafe has engaged with government in this regard.
		Presentations at conferences both locally and abroad	Ongoing	
		Half-year results and year-end results presentations to shareholders	Annually	
		Merafe's annual general meeting	Annually	
		Press announcements of its interim and year-end results	Ongoing	
		SENS announcements via the JSE	Ongoing	
		Merafe's annual report to shareholders and sustainability report	Annually	
		Merafe's website	Ongoing	
Providers of debt				
South African banks	• Ability of the company to repay borrowings • Risk management	The company borrows from South African banks. Regular meetings are held with its bankers. Details of its bankers are to be found on the inside back cover of this report.	Ongoing	Key covenants and ratios prescribed in loan agreements are assessed regularly by management and any breaches or potential breaches due to market conditions are anticipated and agreements reached with bankers going forward. Regular meetings are held with our bankers to assist their understanding of the business and the market.

Stakeholder	Summary of material issues	Methods of engagement	Frequency of engagement	Key topics and concerns raised at engagement and response/s to these
Customers				
Our customers are primarily stainless steel mills in South Africa, Europe, Asia and the USA. They set the specifications for the product we produce and we produce according to these specifications.	• High quality product and stewardship • Contract terms and delivery • Reliability of supply	Glencore International AG (Glencore) markets the majority of the Venture's production. While Glencore and the Venture's marketing team are responsible for maintaining its customer relationships, Merafe continues to interact with customers of the Venture. It also attends global ferrochrome conferences where delegates include producers and customers.	• Quarterly pricing negotiations • Ongoing communi-cation	Customers are engaged each quarter to settle pricing agreements. Glencore's field offices are in constant contact with the Venture's customers. The Venture frequently liaises with Glencore and its customers to ensure their needs are satisfied. General market pricing and material availability in the market, specific strategic and/or business opportunities are key topics raised by and addressed with customers.
Employees, their families and dependants				
As at 31 December 2009 Merafe had 11 employees, while the Venture (which includes employees of Merafe Ferrochrome) had 6 326 permanent and fixed term employees.	• Remuneration, benefits and workers' rights • Recruitment, skills development, training, career development and opportunities • Operational practices (e.g. health and safety initiatives) • Community issues (health – including HIV and AIDS, education, housing, and job creation) • Sustainability • Employment equity and non-discrimination • Business issues • Adherence to Business Principles	Communication with employees includes: • quarterly newsletters for all operations and monthly newsletters at each operation • posters • digital messaging boards • industrial theatre • employee briefings • a communication forum at each operation • toolbox talks • skills development committees • employment equity committees • occupational health and safety committees • ethics line • cultural surveys and a • a helpline	• Daily workplace communi-cation • Quarterly newsletters • Ongoing communi-cation in various forms	A stakeholder perception survey was conducted during the year to assess employees' perceptions of the Venture's social involvement. Seventy-eight percent of the Venture's employees in the Western limb operations rated the Venture's social involvement as great (a score of between 7 and 10 out of 10), while in the East 69% of employees rated its social involvement as great. At the Venture's Lion ferrochrome plant a disagreement over bonuses arose as a result of differing interpretations of a collective agreement over a production incentive/bonus scheme, which resulted in an illegal strike. After agreement was reached through engagement, the strike was resolved.

STAKEHOLDER ENGAGEMENT CONTINUED

Stakeholder	Summary of material issues	Methods of engagement	Frequency of engagement	Key topics and concerns raised at engagement and response/s to these
Communities surrounding operations				
Communities in the vicinity of the Venture's operations	• Consultation on proposed new projects or changes to existing operations • Environmental and social impacts of operations • Consultation to assess community needs and priorities and social involvement planning • Enterprise development • Job opportunities, health, education, community infrastructure • Support for community initiatives • Protection of traditional rights • cultural heritage, sacred sites and protected areas • sustainable community benefits after closure of operations	The Venture focuses on the communities in the immediate vicinity of their operations. The relationship that each operation has with its host community is managed by the Venture. The Venture's manager responsible for community development, reviews community engagement and feedback processes within the Venture. During 2009 all of the Venture's operations drafted and implemented comprehensive stakeholder engagement plans. These are to be reviewed annually. Stakeholder Relations Managers have been appointed at the operations. Merafe engages with the Royal Bafokeng Nation (RBN), a community of some 300 000 people and a major shareholder in Merafe that participates in the company at board level. The engagement is through RBN's wholly-owned subsidiary Royal Bafokeng Resources. The Venture also engages with communities through open days held at the various operations which expose members of the community to operational processes and give them an opportunity to discuss their concerns regarding the operation in their area.	• Quarterly meetings • Ongoing ad hoc communi-cation including meetings, emails and letters • Annual open days	Regular scheduled quarterly meetings are held by the Venture to discuss operational issues that might have a significant impact on the community, or that are of interest to the communities in the vicinity of the operations. A register is kept of who attends, what is discussed and what actions resulted from the engagement sessions. Ad hoc meetings are also held when issues arise either from the operation, or are raised by the community. Open days were held at operations during the year. The Wonderkop plant held exhibitions on all aspects of its operations to which the community was invited. They were well received. Communities were also engaged through the Integrated Development Plans (IDP) and Local Economic Development (LED) forums. Baseline studies were undertaken during the year to identify the needs of the communities in the vicinity of the Venture's operations and to identify suitable Social and Labour Plan projects. The issue of the Lydenburg hospital, mentioned under material issues, has been addressed with the erection by the Venture of a new clinic and pharmacy at the hospital. Other responses to needs addressed as a result of community engagement include upgrading schools, providing bursaries and tertiary education opportunities through the Venture's community development programme, assisting SMMEs with facilities such as an SMME business park at Kroondal and training in business skills. A register of community complaints is maintained at each operation and complaints are dealt with at operational level. All of the Venture's operations appointed Community Liaison Officers with the aim of improving engagement with communities. A stakeholder perception survey was conducted during the year to assess the perceptions of members of the surrounding communities. The survey provided valuable feedback that will be used to improve aspects of the Venture's community engagement in the future.

Stakeholder	Summary of material issues	Methods of engagement	Frequency of engagement	Key topics and concerns raised at engagement and response/s to these
Suppliers				
All purchasing for the Venture's operations is handled by the Venture, which supports free enterprise and fair competition. A procurement committee awards 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	• Power supply and costs • Requirements regarding HDSA procurement and procurement policies • Requirements regarding suppliers' HSEC standards sustainable development policies, practices and procedures • Contract terms and delivery • Technology transfer	Regular meetings held by the Venture and Merafe with key suppliers. Merafe suppliers were required to provide details of the HDSA shareholding/ participation in their businesses and the company has established its current level of procurement in terms of the Department of Trade and Industry's (DTI) Codes of Good Practice. Correspondence was sent to all suppliers, who needed to complete a form on the company's website and provide certification.	Ongoing and ad hoc	Regular engagement by the Venture at all levels with Eskom regarding power supply and costs. In 2009 Merafe communicated with all its suppliers during the year in order to establish their status in terms of the DTI's Codes of Good Practice and where necessary provided some suppliers who were very small businesses with advice on how to complete the certification process.
Unions and other employee representative forums				
Unions and other employee representative forums	• Remuneration, benefits and workers' rights • Operational practices (e.g. health and safety initiatives) • Consultation on forthcoming operational changes • Disputes	In terms of the mines and smelters that make up the Venture, employees are represented by the National Union of Mineworkers (NUM), Solidarity and 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. The relationship and engagement are dictated by various collective agreements, applicable labour legislation and management/union structures.	• Monthly meetings • Ad hoc meetings based on subject matter and urgency	Demands for amendments to terms and conditions of employment. Dissatisfaction in the work environment (e.g. heat, dust, shift patterns, overtime, etc). These are responded to in line with the Venture's mandate, compliance with legislative requirements and the maintenance of workable relationships. Each topic requires and receives a specific response.

STAKEHOLDER ENGAGEMENT CONTINUED

Stakeholder	Summary of material issues	Methods of engagement	Frequency of engagement	Key topics and concerns raised at engagement and response/s to these
Government and regulators				
Government and regulators	• Adherence to and development of metals and mining related legislation proposed, including royalties, taxes, licensing, emission and environmental permitting • Access to natural resources including mineral resources, energy supply and water • Environmental performance with regard to regulations • Job creation and enterprise development • Social development initiatives • Infrastructure and investment opportunities • Operational health and safety, environmental practices and community relations • Broader social issues including human rights and security conditions	Merafe regularly interacts with National Government's Department of Mineral Resources and with the Government of the North West Province, in which its operations are based. The company participates in Government forums, which consider both mining issues and black economic empowerment. The Chief Executive Officer is a member of the Government's Minerals and Mining Development Board. The Venture engages with government at a number of levels with regard to issues such as the development of ambient air standards, integrated water and waste management strategies, capacity building within provincial health facilities. It regularly engages with district authorities and local municipalities through various forums and committees.	Regular and ongoing	Government and regulators were engaged in respect of adherence to and development of metals and mining related legislation. In addition Merafe and the Venture engage with the Department of Mineral Resources over chrome ore exports.

Stakeholder	Summary of material issues	Methods of engagement	Frequency of engagement	Key topics and concerns raised at engagement and response/s to these
Business partners				
Business partners	• New acquisitions and developments • Financial returns • Risk management • Regulatory and policy compliance • Accountable and transparent corporate governance • Sustainability	Merafe engages with its partner in the Venture, Xstrata, through regular joint board meetings, the Venture's executive committee and sub-committee meetings and regular contact on operational issues. It also held meetings with its partner in the Merafe Coal joint venture.	• Monthly exco meetings • Audit and Risk, Treasury and Transformation meetings • Quarterly board meetings • Ad hoc meetings and communi-cation as required	Performance figures, risks and opportunities, sustainable development issues and safety issues are reported on. Strategy is discussed and decisions are taken in exco and board meetings. Queries are raised where necessary and responded to in meetings or in ad hoc communication.

EXTERNALLY DEVELOPED PRINCIPLES, CHARTERS AND INITIATIVES TO WHICH MERAFE AND THE VENTURE SUBSCRIBE

Merafe is committed to the principles of the Broad-Based Socio-Economic Empowerment Charter (the Charter) for the South African mining industry and the Mining Scorecard, established to monitor performance against the Charter. Through the Charter, the members of the mining and metals industry committed to aspiring to achieve targets of 40% participation of historically disadvantaged South Africans' (HDSAs) in company management within five years. To ensure higher levels of inclusiveness and advancement of women in mining, members further committed to achieving a baseline of 10% women participation in the mining industry within five years.

Merafe's partner in the Venture plays an active role in a number of significant international and national industry organisations and stakeholder groups through membership, funding, provision of expertise and participation in committees and working groups. Its commitments, through these involvements, are met in the Venture's operations. They include: the UN Global Compact, the Dow Jones Sustainability Index, the International Council on Mining and Metals (ICMM), the North West Province Air Pollution Control Forum (NAPCOF) and the Ferro-Alloys Producers' Association (FAPA). NAPCOF and FAPA discuss air quality issues and partner with regulators in setting best practice air quality standards. Their task teams deal with specific air quality issues and also engage with regulators through providing feedback and advice.

This year Merafe's efforts towards socio-economic empowerment were again recognised in the Financial Mail's 2009 Top Empowerment Companies Survey. It was ranked the most empowered company in the Resources Sector of the JSE. The survey is conducted by the Empowerdex Economic Empowerment Rating Agency using the generic broad-based BEE scorecard which supports the broad-based BEE Codes of Good Practice that came into effect in 2008. The elements of the scorecard against which the participants are measured are ownership, management control, employment equity, skills development, preferential procurement, enterprise development and socio-economic development.

Merafe Resources qualified for the 2009 JSE Socially Responsible Investment (SRI) Index and was identified as being one of the top ten best performers over the past three years. Merafe has been included in the Index every year since its inception in 2003.

Xstrata plc was recognised by the Dow Jones Sustainability Index (DJSI) as the Global Super Sector Leader for Basic Resources in its World and STOXX Indexes. This is the second consecutive year that Xstrata plc has been named as the resources sector leader and the third year that Xstrata plc has been included in the DJSI of sustainability leaders.

MERAFE'S PERFORMANCE AGAINST THE MINING SCORECARD

Merafe's performance against the Mining Scorecard (the performance of the operations of the Xstrata-Merafe Chrome Venture are included)

Scorecard items	Score	Progress made towards target
Human resources development		
Has every employee been offered the opportunity to be functionally literate and numerate by 2005 and are employees being trained?	✓	Yes. All employees were offered the opportunity to be functionally literate and numerate by 2005. Currently, the literacy levels are 84% at ABET level 3 (numeracy, literacy) and 76% at ABET level 4 (numeracy, literacy). 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. (See Social Performance section for further details.)
Have career path and skills development plans been implemented for all HDSA employees?	✓	Yes. 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.
Has the company developed systems through which empowerment groups can be mentored?	✓	Yes. The Venture has a mentorship programme 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.
Employment equity		
Has the company published its employment equity plan and reported on its annual progress in meeting that plan?	✓	Yes. An employment equity plan, in which annual progress towards meeting the plan's targets is reported, is published every year.
Has the company established a plan to achieve a target for HDSA participation in management of 40% within the five years and is it implementing the plan?	✓	Yes. HDSA participation in Merafe's management in 2009 was 57%. HDSA participation in management in the Venture's operations during 2009 was 46%.
Has the company identified a talent pool and is it fast tracking it?	✓	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 in this table.
Has the company established a plan to achieve the target for women participating in mining of 10% within the five years and is it implementing the plan?	✓	Yes. The percentage of women employed at Merafe in 2009 was 46%. The percentage of women at Merafe who can be defined as working in mining is 27%.* The percentage of women employed in the Venture in 2009 was 12% and the percentage of these participating in mining was 6%.
Migrant labour		
Has the company subscribed to government and industry agreements to ensure non-discrimination against foreign migrant labour?	✓	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.
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)?	✓	Yes. The Venture 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 Performance section of this Sustainability Report.

Scorecard items	Score	Progress made towards target
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?	✓	Yes. The Venture's employees are mainly 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.
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.	✓	Yes. The Company does not provide meals for its staff unless they are at work for longer than eight hours, because it does not have employees living in hostels.
Procurement		
Has the company given historically disadvantaged South African's preferred supplier status?	✓	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.
Has the company identified the current level of procurement from historically disadvantaged South African companies in terms of capital goods, consumables and services?	✓	Yes. The Venture's BEE procurement during 2009 was 58% (R2,519 billion). The Venture's ability to increase BEE procurement spend is hampered by the necessity to make major purchases from white only suppliers (e.g. the purchase of steel and coke).
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?	✓	Yes. In year one (2004) the Venture had a BEE procurement target of 25%. In year two (2005) its target for the year was 35%, which was achieved. In year three (2006) its target was 45% BEE procurement – 43% was achieved. In year four (2007) the target of 50% was achieved, in year five (2008) the target was 55% and the Venture achieved 49.7%. In 2009 the target was 60% and 58% was achieved.
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 15% in historically disadvantaged South African hands within five years (2007) and 26% in 10 years (2014)?	✓	Yes. The Company has exceeded both the target for 2007 and that for 2014. As at 31 December 2009 Royal Bafokeng Resources owns a 29% shareholding in Merafe.
Beneficiation		
Has the company identified its current level of beneficiation?	✓	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.
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?	✓	Yes it has.
Reporting		
Has the company reported on an annual basis its progress towards achieving its commitments in its annual report?	✓	Yes. Every year the company's annual report records the company's progress towards its commitments.

**Definition of women in mining: Women in Mining is the total number of women working in technical positions*

✓ = *scorecard target met*

THE WORKPLACE

CHALLENGES

Building a stable workforce

The workplace challenges that face the Venture in building a stable workforce include:

- Periods of strong demand leading to competition for skilled labour in the mining and metals industry, wage escalation and increased employee turnover;
- Periods of weak demand in poor economic conditions result in oversupply or overstaffing;
- Fluctuations in demand for commodities, linked to the economic cycle, cause periodic shortages and surpluses in the labour market; and
- Locally available labour may be predominantly unskilled or have low levels of literacy.

Employee development

- Providing career development opportunities and retaining key personnel;
- Identifying, developing and retaining high-potential employees;
- Addressing risk-tolerant or ingrained behaviours that impact negatively on safety in the operations; and
- Implementing effective training.

Diversity

- Maximising local employment and training;
- Preventing discrimination;
- Making careers in mining more accessible to women; and
- Increasing the proportion of HDSAs in management.

Policy and approach

Merafe and the Venture comply with the South African Basic Conditions of Employment Act No 75 of 1997 and the Labour Relations Act No 66 of 1995, which govern labour relations and conditions of employment in South Africa. The Venture is also committed to upholding the United Nations Universal Declaration of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work.

Merafe and the Venture are committed to providing a workplace based on mutual respect, fairness, integrity, non-discrimination and equal opportunity at all levels. Both are committed to open and two-way engagement with employees and their representatives.

The Sustainable Development Framework applied in the Venture includes Business Principles which set out how the Venture conducts business; a Sustainable Development Policy which sets out the principles applied to the management of the Venture's people, their health and safety; and Sustainable Development Standards which provide detailed guidance on the requirements and expectations of the business towards sustainability issues. Sustainable Development Standard 3: Behaviour, Awareness and Competency describes the Venture's aim to attract and retain the best people at every level of its business and to provide industry-leading career development opportunities and competitive remuneration.

RECRUITMENT AND RETENTION OF EMPLOYEES

Merafe retained all but one member of staff in 2009. Staff turnover in the Venture in 2009 was 8.29%. The turnover of employees classified as skilled workers was 3.9% of the total permanent workforce.

When hiring employees the Venture gives preference to members of the local community and, in some cases, offers training opportunities to community members that will allow them to develop the skills they require to be employed by the Venture. While senior management vacancies are mostly filled through recruitment agencies with the candidates drawn from all over the country, around 80% of employees can be regarded as local or from local communities.

The mining and metals industry faces critical shortages across a range of disciplines. As a result, the Venture has identified its ability to retain and/or train people with the appropriate skills as a principle risk to its sustainability. The Venture is addressing this risk through its retention and recruitment policies and other interventions. In 2009, when the global recession resulted in a number of companies in the South African mining and metals industry retrenching staff, the Venture, despite operating at an average ferrochrome production capacity of only 30% during the first half of the year, did not retrench any permanent staff members.

The artisan turnover rate in the industry is of particular concern. To reverse this trend, the Venture offers financial incentives and multi-skilling and career development opportunities.

EMPLOYEE BENEFITS

The benefits that Merafe and the Venture provide their full-time employees, over and above the legally mandated employment benefits, include retirement benefits in the form of provident funds and medical scheme benefits. These additional benefits are not offered to temporary or part-time employees.

EMPLOYMENT EQUITY

Merafe and the Venture aim to operate safe and healthy workplaces, based on mutual respect, fairness and integrity. All the Venture's operations publish employment equity plans and report annually on their progress towards achieving their targets. Employment equity at each operation in the Venture is monitored monthly by management and the employment equity committees in place at each operation.

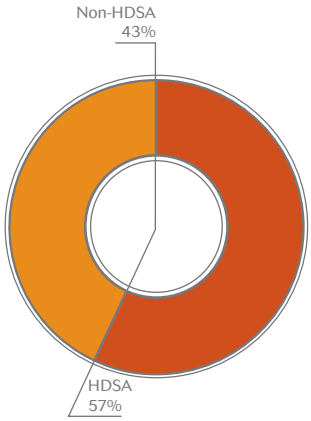
Merafe and the Venture offer an equal rate of pay to male and female employees of equal experience. Their employment equity policies are based on providing all potential and existing employees with equal opportunities in terms of recruitment, promotion, transfer, employee benefits, training and conditions of service.

DIVERSITY AND EQUAL OPPORTUNITY

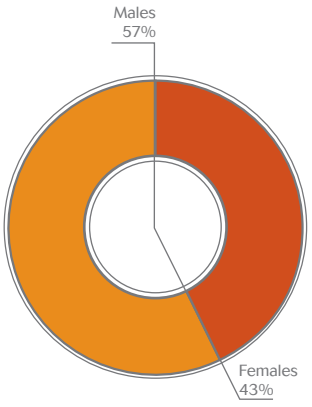
A breakdown of Merafe's employment equity statistics as at 31 December 2009

Management

Merafe management team's HDSA and non-HDSA composition

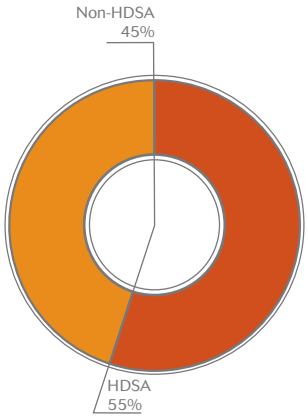


Merafe management team's gender composition

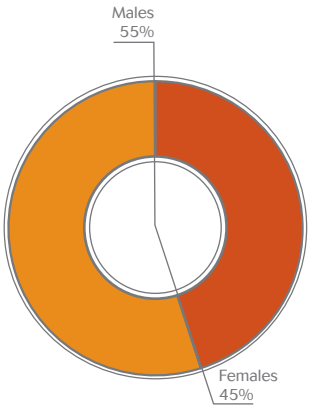


THE WORKPLACE CONTINUED

Merafe employees' HDSA and non-HDSA composition

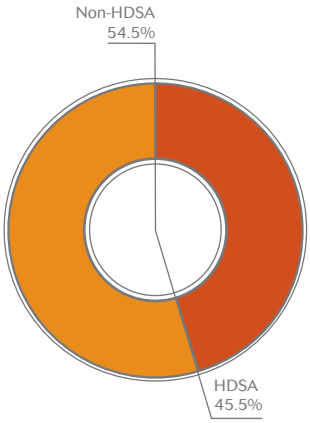


Merafe employees' gender composition

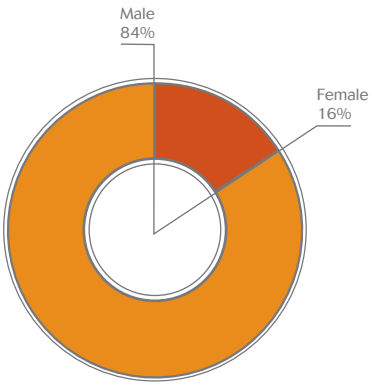


A breakdown of the Venture's employment equity statistics as at 31 December 2009

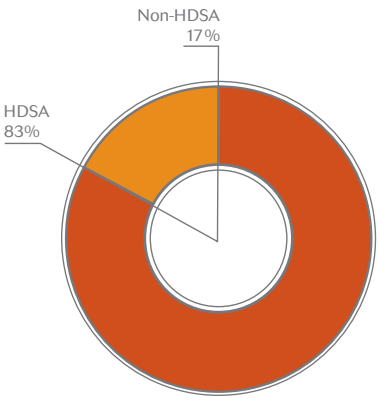
Venture management team's HDSA and non-HDSA composition



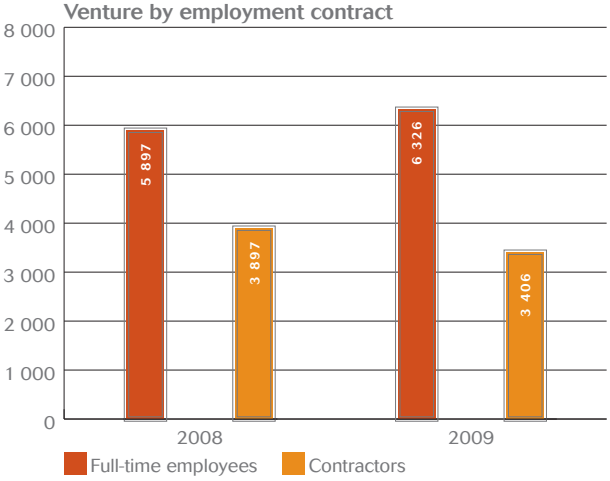
Venture management team's gender composition



Venture employees' HDSA and non-HDSA composition



The total workforce of the Xstrata-Merafe Chrome Venture by employment contract



EMPLOYEE TRAINING AND DEVELOPMENT

The shortage of skills in the mining industry has already been highlighted in this report. Clearly the need to develop its workforce is material to Merafe and the Venture. The Venture took the opportunity during the first half of 2009 when its smelter operations were only operating at 30% of capacity to upgrade employees' skills with additional training.

Training in the Venture is structured to meet each operation's specific needs. Each operation has a workplace skills planning committee, which is responsible for identifying the operation's specific training requirements.

The Venture's training and development centre, established at Steelpoort in Limpopo Province, is accredited by the Mining Qualifications Authority (MQA) and is also ISO 9001 accredited. The centre also provides training for members of the local community, which makes it possible for the Lion ferrochrome plant to hire employees from the local community. Since the Centre opened its door in 2006 it has trained:

- 250 engineering learners;
- 80 bridging education learners (English communication, mathematics, science and problem solving);
- 180 civil construction learners;
- Over 1 200 learners in safety, induction and mobile equipment training; and
- Over 70 learners from the community in welding, household electrical skills, plumbing, pipefitting and mobile equipment training.

The Venture's investment in training

	2008	2009	Percentage increase/decrease
Spend on training	R4 371 681	R22 195 164	+407.7%

Apprenticeships, learnerships and scholarships

The Venture offers graduate trainee positions, work placements for students, bursaries, financial assistance and scholarships. The main focus of this assistance is on the communities in which the Venture operates. These programmes are intended to go some way towards addressing the shortage of mining, engineering and related skills.

Employees receiving educational assistance, those who have entered into learnership agreements, fast-tracked employees and those identified for accelerated development are supported by a mentorship and coaching programme.

	2008	2009	Percentage increase/decrease
Total training hours	188 020	253 358	35
Average number of training hours for permanent employees during the year	19	21	11
Average number of training hours for contractors during the year	19	35	84
Total monthly hours of training hours for permanent employees	112 877	135 797	20
Total monthly hours of training hours for contractors	75 143	119 561	59
Number of health issue training sessions	7 764	9 706	25
Safety training sessions	11 285	24 736	119
Human rights issues training sessions	4 255	5 947	40
Environmental training sessions	7 456	8 334	12
Number of non-workers, family and community members, trained in health issues	0	16	100
Number of non-workers, family and community members trained in environmental issues	0	14	100

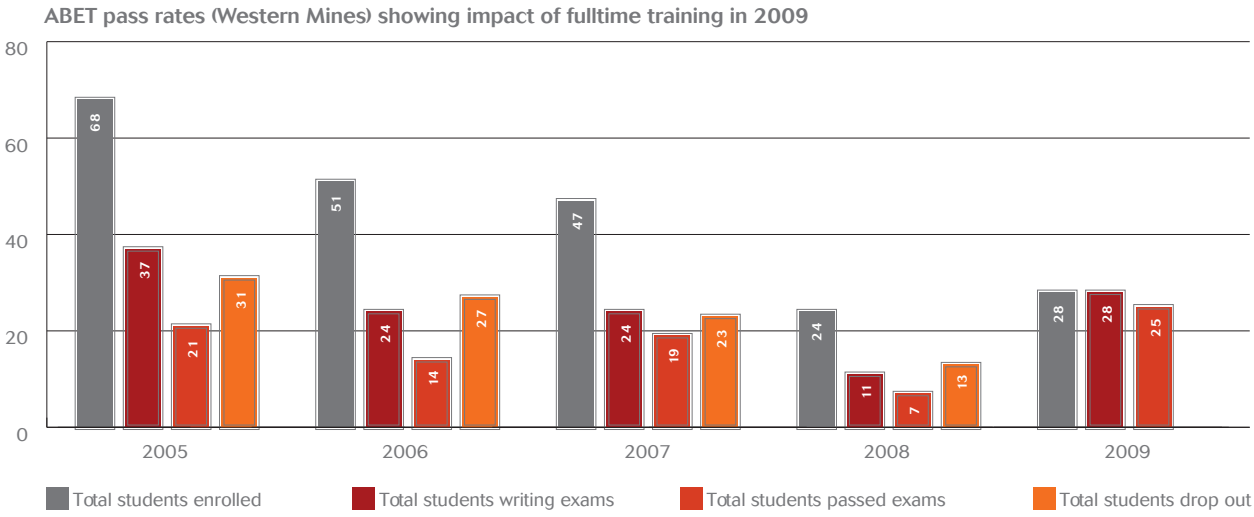
ABET training – opening up opportunities for growth

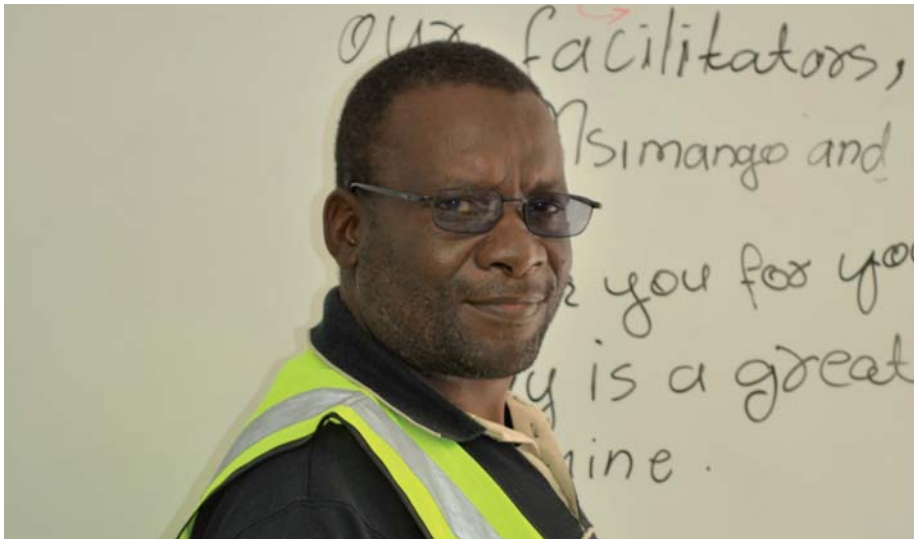
While the Venture met its obligations in terms of the Mining Charter regarding offering all its employees the opportunity to become literate and numerate, it was disappointed by the lack of progress employees were making with their ABET studies through the part-time tuition they had been offered. Without the necessary literacy and numeracy skills, employees miss out on opportunities to study, become better qualified and be promoted to a better job. With the aim of improving the levels of progress the Venture decided to invest in providing full-time ABET tuition in its training centre in Rustenburg in the North West Province.

Those students who had persevered with their part-time ABET studies were the first to be offered the opportunity to have full-time ABET training. Twenty eight students received full-time ABET training this year. Supervisors in the operations were asked to nominate candidates who they believed would benefit from ABET training because their lack of skills meant they were missing out on development and promotion opportunities and they joined the original students.

As students complete the four ABET levels their place in the class will become available to another employee.

In 2009, of the 28 students who were enrolled for ABET classes, all 28 wrote the exams and 25 passed their exams. The graph below shows the improvement in performance since students started receiving full time tuition in 2009.





Samuel Mohotsi, who started his ABET studies part-time and is now studying full-time at the mine training centre in the North West Province, proudly displays the note of thanks he wrote on the board in the ABET classroom. Having passed Levels 1 and 2 with flying colours, Samuel is now studying Level 3 Communication and Mathematical Literacy which he hopes to pass in the first quarter of 2010. Once he has finished his ABET studies (Level 4 being the final level) Samuel says he wants to achieve his dream of becoming a motor mechanic.

Samuel Mohotsi

Leadership development

Members of the Venture's management team that have been identified as having leadership potential participate in the Venture's leadership programme. Participants are mentored by a member of senior management and given additional training, support and career development opportunities. They may also have the opportunity to be seconded overseas. Some 87% of the participants are HDSAs.

SAFETY

KEY CHALLENGES

- Eliminating fatalities and serious injuries
- Understanding the root causes of near-misses and actual incidents to improve major hazard controls and continuously improve systems and performance
- Further reducing the frequency of injuries sustained, particularly in operations with very low frequency rates.

Comparative analysis of safety statistics for the Venture's employees and contractors

	2005	2006	2007	2008	2009	Target for 2010
Fatality frequency rate (FFR)*	0.11	0.00	0.07	0.04	0.05	0.00
Lost time injury frequency rate (LTIFR)*	3.90	2.31	183	4.03	1.34	< 0.95
Total recordable injury frequency rate (TRIFR)*	11.99	8.39	6.91	5.36	4.64	< 4.44
Disabling injury severity rate (DISR)*	245.38	137.92	126.03	72.97	123.48	< 65.12

* *Rate refers to per one million hours worked*

Policy and approach

The Venture relies on contractors to provide additional labour and for specialist skills and services. It values the safety of contractors in the same way as it values its own employees. Contractors are included in its safety reporting and must comply in full with its safety standards and procedures.

The Venture's Sustainable Development Policy states its commitment to zero injuries, occupational illnesses or fatalities.

Health and safety agreements are in place between the trade unions and the Venture, which at operational level cover safety management and employee engagement. All operations have health and safety committees on which management and the workforce are represented. They meet once a month to discuss health, safety, environment and community-related issues. Daily "green time" meetings – attended by all workers – contribute to effective environmental, health and safety management in the operations, as do monthly departmental sustainable development meetings.

The Venture's Executive Committee reviews performance and receives regular audit reports on safety performance.

Reducing the incident rate and eliminating fatalities

Preventing fatalities is a priority of the Venture. The one fatality that occurred in the Venture is one too many. The Venture deeply regrets the death of Julias Ngele, an employee of Fraser Alexander Bulkmech, who was operating a front-end loader (FEL) as part of his normal duties, which were to clear the dam-ring bay at the Lydenburg smelter. During this operation hot material in the dam-ring bay is cooled by being sprayed with water. A FEL is used to collect the cooled material. It appears that the FEL entered the dam-ring bay just as hot material fell from the chute and this resulted in flames emanating from the heap. At some point the left-hand side door of the FEL was opened, resulting in flames entering the cabin of the FEL through the open door. Julias reversed out of the dam-ring bay and was able to get out of the FEL. He was discovered next to the FEL having suffered severe burns and was immediately taken to Lydenburg Hospital where he tragically succumbed to his injuries. Julias, who was 52 years old, leaves his wife Efeniya and five children – Solly, Godfrey, Matete, Amos and Frans.

Identifying, managing and mitigating risk

The ability to identify hazards is of utmost importance. Therefore, employees are trained accordingly. The emphasis is on the review of the baseline risk assessments and conducting spot risk assessments, continuous risk assessments and issue-based risk assessments. Major Hazards Management Plans were developed for all the major hazards identified, these include a fault tree analysis, and the development of a Trigger Action Response Plan.

To assist in language differences a Virtual Reality training programme exists where the trainee can select his language of choice when working through the electronic training material.

SAFETY CONTINUED

A rigorous process for the identification, management and mitigation of risks was put in place. All incidents and accidents are analysed to identify the major hazards encountered. These are then categorised according to their potential severity for injuries and their frequency. Workgroups are set up to address each identified hazard, develop a Major Hazard Management Plan (MHMP), which identifies the corrective or remedial actions that should be implemented and draw up a Trigger Action Response Plan (TARP) which identifies the indicators preceding major accidents and specifies the action to be taken when these indicators occur. Based on these findings training material was developed and implemented at all the Venture's operations. A verification audit evaluates the effectiveness of the training.

Applying leading-practice technology to save lives

The Venture was determined to find a way to enhance the identification of weak spots and prevent deaths. It worked with an equipment manufacturer to adapt ground-penetrating radar (GPR) to give rock engineers the 'x-ray vision' needed to complement underground visual observations and keep miners safe by predicting possible falls of ground and thereby preventing accidents.

Used in combination with a TARP, GPR allows underground supervisors to classify the safety of ground conditions according to the severity of the risk posed, and give sufficient attention to any problem areas.

GPR is used directly in long-term service excavations, especially where hangingwall excavations are to be conducted. This technology was able to confirm low-angled features at numerous proposed sites for tip areas, which resulted in the use of safer areas.

Changing behaviour and creating awareness

In order to modify the at-risk behaviour of operators and supervisors and to improve their awareness of potentially harmful situations, the Venture increased safety training at all levels and introduced behaviour-based safety (BBS) programmes, which apply a research-supported intervention strategy to improve what people do. Some of the Venture's operations have advanced to the next level, which is competency-based safety (CBS) programmes.

Using regular safety inspections to reduce injuries.

Safety Compliance Officers compile photographic reports that identify non-compliance with safety standards and unsafe working conditions. These reports are circulated throughout the Venture. Once the operation at fault has taken corrective action an updated report showing before and after pictures is circulated to all operations. This process alerts all operations to preventive actions that need to be taken to ensure safe working conditions.



Morithi Thotse refurbishing a cooler at Lion ferrochrome plant, Limpopo Province

CASE STUDY

Using virtual reality to save lives

The Venture's use of computerised virtual reality safety training has made training easily accessible to anyone who can use a computer mouse.

Simulated Training Solutions working in collaboration with the University of Tshwane developed the first virtual reality training programme used by the Venture called Hazard Identification. Three-dimensional models are merged with live video footage or photographs to create site-specific simulations. This allows the learner to identify with his/her working environment, which enhances the impact of the learning experience.

The programme is available in all the languages used in the Venture's operations including Xhosa, Setswana and Northern Sotho. When the learner moves the mouse over the screen the voice-over which guides the learner through the programme is activated. Should the learner choose the wrong answer to a question the programme immediately shows what could happen if the learner was to make the same mistake in real life.

Feedback from supervisors and learners indicates a noticeable improvement in the ability of employees to identify and react appropriately to hazards present in the working environment.

A number of other virtual reality programmes have been developed for the Venture, including fall of ground training.

A supervisory training programme is currently being developed, which will provide training in risk assessments but will also help supervisors understand the technology they have to use in their jobs. The programme will be linked to SAP and all changes to procedures, etc, will immediately be linked into the programme. Learners will be advised when they need to update their training in a particular module and they will be able to do so from within their own offices.

Examples of virtual reality training material



A damaged grizzly at the tip area. This exercise helps learners to spot potentially hazardous situation and incorrect practices regarding conveyor belts and to learn about the corrective actions to be taken



This exercise shows what could happen when working at the tip area in close proximity to moving machinery



Learner who gave an incorrect answer sees what happens when personal protective equipment standards are ignored and someone undertakes grinding without eye protection



Learner sees what happen when there are poor housekeeping practices – they lead to injury

HEALTH

CHALLENGES

- The impact of HIV and AIDS on our workforce and the communities in which we operate.
- The link between tuberculosis (TB) and AIDS emphasised the need to significantly ramp up the Venture's TB programme to provide the highest quality of prevention and care for its employees and contractors.
- A lack of public healthcare facilities and, in particular, access to HIV and AIDS prevention, treatment and care for communities in the areas in which we operate.

Policy and approach

The Venture's policy sets out its commitment to eliminating illness from its operations by providing a workplace that is free from significant occupational health and hygiene hazards. It is important to the business that its employees are fit and healthy, which means taking care of their overall wellbeing and working with them to promote healthy lifestyles. The main health issues affecting the workforce and the community are identified at each operation. This includes communicable diseases such as HIV and AIDS and TB and non-communicable diseases of lifestyle.

The Venture appointed a Group Wellness Manager in 2008 who has established a comprehensive company wellness programme which is being integrated with the annual occupational health assessments. The wellness programme is a systematic process across all sites. It has a strong educational element in which the operations' wellness champions play a major role. This includes educating employees on a different health topic every month.

Union representatives participated in the development of the approach to wellness in the Venture and members of the community, including doctors and tribal chiefs were included in the wellness programme and were invited to attend training on HIV and living with HIV.

An expert in the field of HIV and AIDS management, service provider Aid for AIDS (AfA) independently monitors voluntary counselling and testing (VCT) uptake rates and tracks antiretroviral treatment (ART) and default rates as part of the comprehensive wellness programme.

A comprehensive confidential database has been established to manage all the HIV/wellness information and a monitoring and evaluation system ensures real-time performance of the programme at sites.

Occupational diseases

There is ongoing medical monitoring of significant occupational diseases at all operations. This monitoring covers adherence to policies and standards and the use of personal protective equipment (PPE).

The Venture's occupational health targets for the year included:

Target	Achievement
No new occupational illnesses resulting from current working conditions	Compliant
All operations to achieve full compliance with hearing conservation programmes	All operations are compliant and there is an ongoing process in place to ensure all new equipment and employees/contractors comply with the standards set
100% personal dust exposure to be <2mg/m3 by 2010	All operations are compliant
Drug and alcohol policy fully implemented	The Venture's policy implemented across all operations
Annual review of occupational hygiene hazard register	Compliant

Occupational health risks

Noise-induced hearing loss

The key occupational health risk associated with the Venture's operation is noise-induced hearing loss (NIHL). All the Venture's operations have implemented hearing conservation programmes with the aim of reducing and eliminating noise at source, wherever possible, to levels below internationally recommended standards. Appropriate equipment design and modification criteria have been established and a 'buy quiet' procurement policy is in place.

Static and personal monitoring and regular audiometric testing and baseline assessments are carried out for all potentially exposed employees and contractors at every operation. Wherever noise levels may exceed recommended levels, suitable PPE is issued. Employees are encouraged to be responsible about their use of PPE. They also receive training in the use, maintenance and storage of the variphones issued for personal hearing protection. Because typically NIHL manifests over time, the majority of the NIHL cases recorded at the Venture's operations are long-standing employees.

Noise curtains, berms and a variety of engineering interventions are employed to reduce any noise resulting from the Venture's operations that could impact on neighbouring areas.

Occupational illnesses

Six cases of noise-induced hearing loss (NIHL) were reported this year. Five of these cases were diagnosed as being the result of prolonged exposure to noise levels above 85 dB without proper use of hearing protection devices (HPD). These cases were all found to have been working in the mining industry for between 12 and 15 years. The sixth employee was found to be suffering from severe high frequency sensory neural hearing loss which could have been affected by his diabetes. In addition his age could be a contributing factor.

The Venture established a workgroup in conjunction with the Department of Mineral Resources (DMR) to reduce machine noise levels to below 110dB by the year 2013 as per the DMR's strategy for noise induced hearing loss. Each individual case is investigated and handled in accordance with the approved code of practice for minimum standards of fitness to perform work at the Venture.



Health and safety training at Steelpoort Development Centre, Limpopo Province

HIV AND AIDS

POLICY AND APPROACH

HIV and AIDS is a human rights issue that the Venture is committed to. Its HIV and AIDS policy commits it to:

- Providing employees and contractors with the knowledge they require to protect themselves and their families from HIV and AIDs through workplace education programmes that explain clearly how HIV can be contracted, what can be done to prevent contracting and transferring HIV and what should be done to enhance the quality and length of life of those who are HIV positive;
- Encouraging employees and contractors to know their HIV status and providing counselling and testing facilities for them;
- Running HIV and AIDS campaigns that will involve employees at every level of the organisation;
- Ensuring that every employee attends an HIV and AIDS education session during working hours, followed by an individual wellness counselling session with a healthcare provider;
- Ensuring that testing for HIV is voluntary and that employees are only tested for HIV and AIDS after giving their informed consent;
- Guaranteeing the confidentiality of medical information – an HIV and AIDS confidentiality policy is in place to support this;
- Providing pre and post test counselling for employees or contractors wishing to be tested for HIV and AIDS;
- Forming public/private partnerships with local, provincial and national government structures in joint projects to fight HIV and AIDS; and
- Facilitating the training of peer educators and establish and train home-based care workers through the Venture's corporate social investment programme. The purpose of these programmes will be to assist workers and the members of the community in which the Venture operates to combat HIV and AIDS.

HIV and AIDS strategy

The Venture's HIV and AIDS strategy is based on the results of a cost benefit analysis which indicated that the cost of not addressing HIV and AIDS was likely to be between 3% and 6% of its annual wage bill. On the other hand early intervention – including the provision of antiretroviral (ARV) drugs – would benefit the business through the increased longevity of employees; the continued productivity of HIV positive employees and the slowing of the spread of HIV and AIDS. The cost benefit analysis indicated that the benefits of early intervention would be felt within the first three to five years.

The uptake of HIV testing has exceeded expectations in the Venture with an average of more than 96% of employees and 93% of contractors undergoing testing in 2009. The Venture's HIV positive rate (14%) is far lower than the public sector provincial averages (21-35%), suggesting that its prevention activities – now and in the past – have been effective.

While the enrolment in the care and treatment programme for those found to be HIV positive was initially slow, it has improved significantly since the start of the wellness programme in 2008.

The Venture's medical aid service provider reported that there has been a three-fold increase in the number of hospital admissions for TB from 0.7 to 1.9 per 1000 lives. This dramatic increase is attributed to the fact that TB, which had previously gone undetected and untreated in those found to be HIV positive during the wellness campaign, is now being diagnosed and managed appropriately.

Ramping up TB programme

The Venture has decided to significantly increase its efforts to fight TB. A policy and set of operating procedures is being developed for the programme which will encompass TB prevention activities, diagnosis and treatment. The programme will be incorporated into the annual medical checks. The staff of the occupational health clinics operating at each site will be trained to make TB assessments.

Community outreach adopting a public private partnership strategy

The Venture has adopted a strategy of forming public private partnerships (PPP) to ensure public health objectives are addressed and communities have access to prevention, treatment and care for HIV and AIDS as well as other communicable and associated diseases. Its approach to establishing PPPs includes building up a community profile by means of mapping, zoning, demographics, socio-economic data and stakeholder analysis. Thereafter, the required capacity building, coaching and mentoring of care givers will take place. To prevent HIV and AIDS, STIs and TB and other household problems a household risk assessment will be undertaken in the community, followed by community mobilisation and awareness campaigns and the provision of technical support for NGOs. VCT treatment preparedness assessments, referrals to other service providers and support groups, defaulter tracing and adherence counselling will all be offered.

The future

The future focus of the Venture's HIV and AIDS programme is on four main elements:

- A collaboration with the Aurum Institute for Health Research within which every HIV-infected contractor will be able to access HIV care and treatment was established. Aurum who will be using funding it has received from the President's Emergency Plan for AIDS Relief (PEPFAR) to finance the programme.
- A TB protocol has been developed for the Venture and this will be rolled out at all sites.
- The integration of the HIV and Wellness programme within the Venture's annual occupational health medical assessments is in progress. Every employee and contractor will be able to access the same HIV and wellness testing every year when they have their occupational health assessment.
- Additional strengthening of community health structures.



The Wellness Champions at Rustenburg plant, North West Province



Steve Makgoba, Wellness Manager addresses employees at Rustenburg plant, North West Province

ENVIRONMENT

CHALLENGES

- Greenhouse gas emissions.
- Resource management and, in particular, water and energy.
- Biodiversity and landscape functions.
- Waste, emissions and tailings management.
- Closure planning and closed site management.

POLICY AND APPROACH

The Venture's aim is to ensure that while it is operating a site, and after it has closed a site, the natural environment should be able to sustain biodiversity, landscape functions and the needs of local communities. In the long term the environment in which we have operated should be able to return to as close to its original state as possible.

The impact that the Venture's operations have on the natural environment is managed in the context of Xstrata's Sustainable Development Policy and its 17 Sustainable Development Standards, which are detailed under the Sustainable Development section of the Merafe Resources website (www.meraferesources.co.za). Both the Policy and the Standards clearly articulate management and performance expectations regarding the environment, biodiversity and landscape management, lifecycle management of products and operations, incident management and product stewardship.

ENVIRONMENTAL MANAGEMENT

The Venture's operations have developed and implemented their own environmental management systems (EMS) which are fully aligned with ISO 14001 and the ICMM principles of sustainable development.

Various audits are conducted across the operations. These range from first and second level internal audits to third party external audits. Other audits and checks cover legal compliance, self assessments, risk-based and verification audits. In addition, various specialist reports are ordered and safety compliance officers conduct regular inspections.

ENVIRONMENTAL RISKS AND OPPORTUNITIES

The Venture maintains an Aspects and Impacts register that identifies key environmental risks and details the programme and controls used to manage these. Detailed action plans are prepared to address areas of under-performance and to improve environmental management and performance. Audits of these plans determine the success of their implementation and verify their effectiveness.

Risks

The environmental risks associated with the production of ferrochrome – which involves the mining and smelting of chrome ore – include ground water contamination, dust pollution from slimes dams and loss of biodiversity. Abating greenhouse gas emissions, biodiversity and land management, resources management, emissions, waste and tailings management, closure planning and closed-site management all represent material environmental challenges.

Opportunities

Opportunities identified by the Venture that could impact positively on the environment include:

- using the platinum waste product, UG2, to make chromite pellets for use in its ferrochrome smelters; and
- evaluating the possibility of algae production as a sustainable carbon dioxide sequestration method.

CLIMATE CHANGE

The Venture recognises the environmental, social and economic threat posed by climate change and the need for coordinated global action to reduce greenhouse gas emissions. The mining industry's activities contribute to global carbon emissions through the release of greenhouse gases (GHGs). The Venture's greenhouse gas emissions are reported to the Carbon Disclosure Project (CDP).

Reducing operational GHGs

The Venture's strategy is to minimise its energy consumption and GHG emissions and to find ways of generating energy from low-carbon sources. We also aim to reduce the carbon intensity of our products measured as the GHGs emitted per tonne of product.

The Venture's GHG emissions result from:

Scope 1 emissions (direct)	• CO_2 emissions from the use of reductants, such as anthracite, coke and coal in the ferrochrome smelting process • fuel such as diesel and oil used on-site
Scope 2 emissions (indirect)	• purchased electricity used to run its operations, generated mostly from burning fossil fuels
Scope 3 emissions (from sources not owned or controlled by the Venture)	• transport of materials and consumables to our operations • waste sent to off-site landfill • emissions from business travel

During 2009 CO_2 equivalents (CO_2-e) generated from the Venture's mines and smelters decreased by 31% to 5 657 152 of CO_2-e from 8 192 396 in 2008. This reduction in energy consumption was as a result of decreased production levels due to market conditions.

Indirect emissions of CO_2 from electricity purchased by the Venture accounted for 63% of the total or 3 537 324 CO_2 e-tonnes, down from the 2008 figures of 5 110 633 CO_2 e-tonnes.

ENERGY CONSUMPTION AND EFFICIENCY

The Venture has conducted studies into the possibility that GHGs produced during smelting, including carbon monoxide, could be captured and used for energy generation. A possible project generating electricity using carbon monoxide from the Venture's ferrochrome smelters at Lydenburg and Boshoek could result in a carbon neutral energy source. Such a project would qualify as a clean development mechanism under the EU Emissions Trading Scheme and it would be possible to use a portion of the carbon credits it receives to fund other sustainable development projects. Currently, the project would not be cost effective, but should electricity tariffs continue to increase the project may become financially viable.

CASE STUDY

EVALUATING THE POSSIBILITY OF USING ALGAE AS A CARBON SEQUESTRATION METHOD FOR THE CARBON DIOXIDE EMISSIONS FROM FURNACES

The pilot algae plant the Venture acquired from the Netherlands company AlgaeLink, was erected and commissioned during July 2009. The aim of the project is to establish the operating parameters, such as pH and nutrient feed rates, at which the highest biomass growth rate will be achieved.

The first objective was to introduce the cultivated algae culture into the system and to observe its growth behaviour.

The plant is currently operated on carbon dioxide from a gas cylinder. This is to minimise the variables until all the operating parameters are determined. It is intended to switch to furnace gas during the first quarter of 2010. An onsite laboratory has also been established.

A sample of the algae was analysed to determine the type of algae present in the system. Literature indicates that the specific specie is known to have a high oil content. Analysis indicated a relatively high energy value. The algae indicated extreme resilience during upset operating conditions. The plant is operated on process water from the breaking floors.

The second phase of the project commenced in December 2009. Several operating parameters are varied to determine the impact on the system. This is to determine optimal operating conditions for the plant during which the highest amount of carbon dioxide will be sequestrated by the algae biomass. The impact of the furnace gas as a source of carbon dioxide will also be determined. Harvesting technologies will be tested and potential uses of the algae product will be explored. It is intended that this phase will continue until mid 2010. The information from this phase will be used to determine the possible feasibility of using algae as an effective sequestration method for the carbon emission from the ferrochrome furnaces.

This is a totally green concept which, if successful, will make a positive contribution towards reducing greenhouse gas emissions.



The pilot algae plant at Boshoek ferrochrome plant, North West Province.

ENERGY USE

Total energy use

Primary source	2007 (Gj)	2008 (Gj)	2009 (Gj)
Coal	102 936	49 316	116 812
Diesel	412 034	469 867	400 705
Fuel oil	246 579	146 183	114 642
Liquid petroleum gas (LPG) non transport	2 165 602	2 161 368	945
Petroleum	2 931	2 585	2 855
Polyfuel	76 109	90 423	24 969
Propane	0	0	3 846
Wood	217	298	0
Electricity	20 773 341	18 813 663	13 038 270
Total energy consumed	23 779 781	21 733 703	13 703 046

Electricity use by the Venture (indirect energy consumption)

	2007 (kilowatt hours)	2008 (kilowatt hours)	2009 (kilowatt hours)
Electricity use	5 770 382 542.32	5 226 017 656.36	3 621 741 679.60

The table above reflects a reduction in electricity consumption of 31% during 2009. This needs to be viewed in terms of the 30% reduction in production during the year due to market constraints.

Electricity used per tonne of product/ore produced

	2008 kWh/tonne	2009 kWh/tonne	Percentage increase/ decrease
Average consumption of electricity per tonne of product produced by the Venture's smelters	3 680.96	3 567.24	-3.09
Average consumption of electricity per tonne of ore produced by the Venture's mines	4.09	24.19	*+491.44

Electricity used per tonne of product/ore produced

Operation	2008 kWh/tonne	2009 kWh/tonne	Description	Percentage increase/ decrease
Boshoek mine	0.00	0.02	Per tonne of ore	+100.00
Boshoek ferrochrome plant	3 744.53	3 742.22	Per tonne of product	-0.06
Chrome recovery plants	0.16	4.83	Per tonne of ore	+2918.75
Lion ferrochrome plant	3 204.72	3 120.84	Per tonne of product	-2.62
Lydenburg ferrochrome plant	3 396.15	3 159.13	Per tonne of product	-6.98
Rustenburg ferrochrome plant	3 750.50	3 917.84	Per tonne of product	4.46
Wonderkop ferrochrome plant	4 061.29	3 902.34	Per tonne of product	-3.91
Thorncliffe mine	28.26	26.27	Per tonne of ore	-7.04
Waterval mine	12.92	483.13	Per tonne of ore	*+3639.40

** This increase is because Waterval mine was mothballed and as a result no ore was produced by the mine during the year.*

Energy efficiency has high priority at the Venture. Its energy efficiency achievements received a special mining sector award for its overall savings in energy consumption of >12% per tonne of alloy produced, achieved by its R2.4 billion investment in world-class energy-efficient furnaces at its Lion ferrochrome plant in Limpopo Province and the Bokamoso pelletising plant in North West Province. By reducing the energy it uses to produce ferrochrome the Venture reduces the indirect emission of CO_2 that results from the burning of fossil fuels to produce the electricity it requires for its smelters.

New designs introduced into its operations and the improvement of existing designs are enhancing efficiency and lowering emissions.

WATER MANAGEMENT

The Venture's water use includes water employed in its primary activities, which include mining and smelting and its non-primary activities (e.g. garden maintenance and dust control). The potable water used in the operations is sourced from various water service providers, including local municipalities, Magalies Water and Rand Water.

The actual and future potential water scarcity of all sites is assessed. All operations have submitted waste and water management plans to the Department of Water Affairs and Forestry for approval.

WATER USAGE

The Venture's water consumption is not only affected by its efforts to decrease water consumption, but also by its production levels in a particular year. Due to the global recession, the Venture's ferrochrome production levels in 2009 were 30% lower than in 2008. However, its water usage in the same period dropped by 58% (23 358.44 megalitres).

Water use by source

Category	2007 (Ml)	2008 (Ml)	2009 (Ml)
Raw groundwater	1 665.20	3 842.74	2 650.73
Raw surface water	4 802.67	4 707.57	1 248.30
Potable water	2 900.00	2 902.97	4 593.80
Total water recycled or reused	8 056.64	27 423.74	7 869.85
Water imported	0.00	0.00	10.31
Total water usage	17 424.51	38 877.02	15 950.74

There are no water bodies or related habitats significantly affected by the discharge of water and runoff by the Venture's operations. The only water source sensitive to withdrawal is the Dwars River and the licensed boreholes at the Lion ferrochrome plant.

Overall, these steps taken to reduce water usage have had a positive impact.

Water usage per tonne of ferrochrome product produced

Smelter	2008 M^3/tonne	2009 M^3/tonne	Percentage increase / decrease
Boshoek	5.5	7.14	+29.82
Lion	9.53	10.26	+7.66
Lydenburg	21.62	16.62	-23.13
Rustenburg	3.36	2.63	-21.73
Wonderkop	4.43	3.01	-32.05
Average usage	8.63	7.93	-8.11

Water usage per ton of ore processed

Mine	2008 M^3/tonne	2009 M^3/tonne	Percentage increase / decrease
Boshoek	2.50	2.27	-9.20
Helena	0.80	0.15	-81.25
Horizon	12.81	2.08	-83.76
Kroondal	21.07	5.35	-74.61
Thorncliffe	0.59	1.10	+86.44
Waterval	75.26	17.41	-76.87
Total	8.65	2.59	-70.06

EMISSIONS, EFFLUENT AND WASTE

Emissions to air

Nitrous oxides (NOx), sulphur oxides (SOx) and particulate matters are the Venture's major emissions to air.

EMISSIONS TO AIR

Category	Emission tonnes 2007	Emission tonnes 2008	Emission tonnes 2009
NOx	224.33	238.51	2.74
SOx	777.93	1 266.29	1 685.22
Total particulates	963.09	1 304.67	923.39
Total emissions to air	1 965.35	2 809.47	2 611.35

The drop in the emission of nitrous oxides is as a result of the decrease in production and a continuous improvement on the quantification accuracy of these emissions.

Xstrata is a member of the North West Province Air Pollution Control Forum (NAPCOF) and the Ferro-Alloys Producers' Association (FAPA). These bodies discuss air quality issues and partner with the regulators to set best practice air quality standards. They also set up task teams to address specific air quality issues and provide feedback and advice to regulators.

The steps taken by the Venture to reduce emissions include:

- Fitting high-efficiency membrane filter bags and improving the design of cyclone systems at semi-closed furnaces;
- Wet scrubbers used on closed furnaces;
- Installing standby induced draft fans on bag filter plant units;
- Using canon water sprayers to reduce windblown dust;
- Dedicated road sweeping units to clean fine dust particles from the roads; and
- Fogger systems on conveyor belts and at loading bins to reduce dust.

EFFLUENT

All of the Venture's operations are zero-effluent discharge operations. In terms of its licence conditions and requirements, effluent may only be discharged in an emergency and in consultation with the relevant authorities.

WASTE

To reduce the amount of waste sent to landfill, the Venture recycles and reuses whatever possible. It uses accredited/certified service providers to dispose of its remaining waste in a responsible manner. The Venture currently recycles scrap metal, paper, wood, conveyor belts and materials captured in air pollution control equipment.

WASTES DISPOSED AND RECYCLED

Category	Units	2007	2008	2009
Hazardous waste offsite disposal – landfill	tonnes	109.49	325.90	744.71
Hazardous waste onsite disposal – landfill	tonnes	0.00	0.00	0.00
Hazardous waste recycled/reused	tonnes	0.00	0.00	8 141.80
Non-hazardous waste offsite disposal – landfill	tonnes	743.99	793.76	2 450.92
Non-hazardous waste onsite disposal – landfill	tonnes	0.00	0.01	0.00
Non-hazardous wastes recycled/reused	tonnes	1 206.69	1 597.94	184 939.63
Incinerated waste	tonnes	13.91	0.79	0.03
Offsite to landfill garden/green waste	tonnes	0.00	0.00	25.78
Offsite to landfill paper/cardboard	tonnes	0.00	0.00	58.04
Offsite to landfill concrete/metal/plastic/glass	tonnes	0.00	0.00	941.80
Batteries recycled	tonnes	9.79	129.53	71.86
Copper reverts recycled	tonnes	0.00	0.20	0.00
Domestic waste recycled	tonnes	9.75	11.65	16.45
Conveyor belt disposal	metres	221.00	644.81	101.80
Other recyclables	tonnes	0.00	19.23	129.26
Pallets recycled	tonnes	216 282.60	2 329.75	119.29
Refractory brick recycled	tonnes	0.00	0.00	33.68
Scrap metal recycled	tonnes	3 429.94	3 109.77	4 901.47
Slag containing metals recycled	tonnes	1 350 505.51	744 354.74	1 113 429.07
Slimes recycled	tonnes	150 721.00	425 325.25	77 042.60
Tailing recycled	tonnes	97 822.00	425 287.00	65 028.98
Waste oil recycled	kilolitres	218.05	315.61	841.29

WASTES PRODUCED

Category	2007 (tonnes)	2008 (tonnes)	2009 (tonnes)
Delisted metallurgical slag	274 939.80	261 446.00	113 836.00
Excavated materials, overburden and waste rock	933 968.80	3 941 024.51	5 969 965.84
Quench ash	770.43	883.43	4 983.98
Regulated ferrochrome slimes	94 580.09	95 715.42	75 859.25
Regulated slag	3 809 175.00	2 356 623.47	1 461 550.94
Tailings and processing wastes	580 142.19	1 159 382.98	715 279.00

ENVIRONMENTAL INCIDENTS

Environmental incidents recorded at the Venture's operations include incidents that occur under the control of contractor activities.

Incident category	2007	2008	2009
Category 1 – negligible (causing negligible, reversible environmental impact, requiring very minor or no remediation)	40	32	47
Category 2 – minor (causing minor, reversible environmental impact, requiring minor remediation)	4	10	22
Category 3 – significant (causing moderate, reversible environmental impact with short-term effect, requiring moderate remediation)	0	1*	0
Category 4 – major (causing serious environmental impact, with medium-term effect, requiring significant remediation)	0	0	0
Category 5 – disastrous (causing disastrous environmental impact, with long-term effect requiring major remediation)	0	0	0

* *Stormwater discharges off-site caused by dam overflows as a result of severe storms and heavy rainfall*

BIODIVERSITY AND LANDSCAPE FUNCTIONS

The Venture owns 11 314 ha of land and leases 832 ha in the North West, Limpopo and Mpumalanga provinces of South Africa. To date 2 723 ha of this land has been disturbed. In 2009, 117 ha of land was disturbed and 71 ha of disturbed land was rehabilitated.

The Venture is committed to rehabilitating and restoring landscapes once its mining, smelting and exploration activities have ceased.

All operations have biodiversity management plans in place. Some of the areas mined by the Venture are located in or adjacent to biodiversity-rich areas.

Before beginning to operate in a new area or making changes to existing operations, the Venture conducts a baseline survey to identify and record the existing biodiversity of a site and to determine whether any threatened species (including species listed on the IUCN Red List) or vulnerable ecosystems are present. The biodiversity of a site is monitored throughout the lifecycle of an operation and the Venture works with external stakeholders, including local and national government, local communities and conservation NGOs, to develop and implement biodiversity conservation programmes in the areas in which the Venture operates.

A number of sensitive species were identified during a biodiversity and land management assessment of Waterval, Horizon and Kroondal mines in the Rustenburg area of the North West Province. The plan arising out of this assessment has been included in the Venture's Environment Management Programme Report (EMPR). Invasive species were also identified during the assessment and they have all been removed.

The Thorncliffe and Helena mines in Mpumalanga Province have endemic Red List species within or adjacent to their lease areas. A biodiversity action plan is in place for these mines. This involved establishing core biodiversity management areas and implementing an integrated alien plant control programme at the mines.

Despite not being located in a biodiversity protected area, a biodiversity and land management programme has been implemented for the Boshoek smelter.

At the Lion ferrochrome plant a project plan is to be implemented to improve the concentration of these Red List species within and outside the site area. A technical survey through an appointed consultant has been completed and work to implement recommendations is expected to begin this summer.

Operations in or adjacent to areas of high biodiversity value

Operation	Ecological sensitivity
Horizon Mine (Pilanesberg)	Protected species or species of concern include: the plants belonging to the genera *Gladiolus, Scadoxus, Sclerocarya* and *Euphorbia spp*. Data deficient: the mammal *Lemniscomys rosalia* (single-striped mouse).
Kroondal Mine (Rustenburg)	A number of protected orchid species occur in the natural areas of the mine, species of *Ceopegi* and the mammal *Lemniscomys rosalia*.
Thorncliffe Mine and Helena Mine and Mototolo (Mpumalanga)	Short stem carnation weed; Sekhukhune (Bushman's tea); Blue Shield Fruit; Red Ivory (Rooi Ivoor); Sekhukhune elephant-root *(sekuhunebasboontjie)*. Also found is the *Cicada Pycna Sylvia* – rare but not on IUCN Red List due to insufficient data.
Lion Ferrochrome (Steelpoort)	*Boscia* species A *(Balbitrunca var macrophylla); Elephantorrhiza praetermissa; Lydenburgia cassinoides; Rhus sekhukhuniensis*; Short stem carnation weed; Blue Shield Fruit; Red Ivory; *Cicada Pycna Sylvia* (insufficient data for Red List).

MANAGEMENT OF OVERBURDEN, ROCK, TAILING AND SLUDGES/RESIDUES

The Sustainable Development Standards and guidelines that apply to the Venture's operations set stringent requirements for the management of tailings and waste rock facilities. They include having processes in place at all operations to manage tailings disposal facilities to ensure: their designs comply with international standards; that there are regular external inspections and audits of tailings dams, including physical stability control risk assessments and monitoring; leaching control, groundwater monitoring and effluent treatment (e.g. seepage collection systems); progressive rehabilitation or reclamation; and planning that includes worst case scenario weather and geological conditions.

The reclassification of slag from chrome would allow the Venture to realise value from this waste product. There is a high demand in the building industry for this type of waste product, but in South Africa it is classified as a hazardous substance (class 2) and its use for landfill, substrate for road construction, building aggregate, etc is prohibited. While a number of meetings have been held with the Department of Environmental Affairs and Tourism (DEAT) regarding the reclassification of slag from chrome, as yet no progress has been made in this regard.

CLOSURE PLANS

Closure plans, which include a full assessment of all significant environmental risks, are in place at all operations. They are based on the ICMM's closure planning guidance. These plans are reviewed annually and checks are made to ensure that closure and rehabilitation costs are still accurate and that environmental, social and legal circumstances have not changed. At the same time any new potential commercial opportunities for reuse of the site are identified. It is the Venture's aim to rehabilitate sites to a standard that will allow them to be used for residential or agricultural purposes after mining or to be returned to a condition similar to their natural state before operations began. Every year we estimate the cost of rehabilitating the Venture's sites at closure over the lifetime of the operation and make provisions as prescribed by law.

Environmental protection expenditure and investment by the Venture

Item	2007 US$	2008 US$	2009 US$
Audits/EMS/EIA/EIS Expenditure	373 415	103 374	13 259
Capital	644 947	1 414 089	225 399
Environmental consultants/contractors	478 010	322 581	139 295
Environmental personnel – employees	251 393	145 681	17 719
Licences / liability insurance	8 873	16 611	0
Rehabilitation and decommissioning costs	110 031	0	58
Treatment and disposal of waste	302 560	249 790	251 683
Treatment of emissions	1 511 299	273 785	46 539
Monitoring and analysis equipment	39 516	163 572	66 702
Rehabilitation provision	0	266 034	244 022
Guarantee/trust/security deposit	22 502	5 402	0
Closure provision	57 838	22 998	0
Operating costs – other	255 859	73 440	18 704

The Venture did not incur any environmental fines or fines for non-compliance with any laws or regulations concerning the provision and use of its products during the year.

EMERGENCY PREPAREDNESS

There was one incident affecting employees and the local community in which emergency preparedness procedures were activated. The incident, which took place at the Boshoek sintering plant, was classified as a high potential risk incident. A fire started at the plant's vaporisers, which are in close proximity to a propane tank. The entire Boshoek plant was evacuated, as was the local Boshoek community close to the western side of the plant. Three fire brigades were called to the scene. The fire was quickly extinguished and the section of the plant was declared safe, but has since been shut down for repairs.



Motololo UG2 plant, Mpumalanga Province

PRODUCT STEWARDSHIP

The Venture maintains an integrated system, which identifies, analyses, evaluates and treats impacts and risks associated with its product throughout its life cycle, including the stages which may be beyond its direct control, such as use, recovery, recycling and disposal.

Xstrata plays an active role in the ICMM initiatives that contribute to product stewardship and innovation, including the ICMM Guide on Material Stewardship.

The Venture has participated in a life cycle inventory (LCI) project for primary ferrochrome production. The scope of the project was to create an LCI for 1 kg of chromium contained in ferrochrome. The project includes the mining of chrome ore and transportation to the smelters, the transport of reductants and fluxes to the smelters and the smelting and production of ferrochrome up to the gate of the smelters. It will also include a complete assessment of downstream ferrochrome uses (e.g. in the stainless steel industry). The Venture is collaborating with other South African producers on this project.

To ensure the quality of its products, the Venture's systems are aligned with the requirements of ISO 9001, 2000 and some of the smelters have been certified. Its laboratories are ISO 17025 accredited, which ensures that the methods and equipment used are accurate.

Ferrochrome is the final product produced by the Venture. None of the Venture's product is produced from secondary material. In terms of customer health and safety, there are no material health or safety complications related to the final product produced and marketed by the Venture.

Most of the ferrochrome it produces is used in the manufacture of stainless steel. Stainless steel is not a single alloy but rather the name applies to a group of iron-based alloys containing a minimum of 10.5% chrome. Other elements, such as nickel and molybdenum are added and the chromium content increased to improve corrosion resistance, improve heat-resisting properties, and to improve fabricating characteristics. There are over 60 stainless steel grades that were originally recognised by the American Iron and Steel Institute (AISI). It is the presence of ferrochrome that creates the invisible surface layer that prevents the rusting of the iron base by forming a complex chrome oxide that will not let oxygen attack the surface.

A global LCI study has also been carried out by the International Stainless Steel Forum (ISSF) to quantify resource use, energy and environmental emissions associated with the processing of eight stainless steel industry products, from the extraction of raw materials in the ground through to the stainless steel factory gate. The eight products included in the study are the main stainless steel grades and finishes.

The ISSF also developed a methodology for allocation of credits for recycling in order to assess accurate profiles of stainless steel products. The methodology is consistent with the ISO standard conforming methodology used by the International Iron and Steel Institute (IISI) for carbon steel. The LCI data with recycling credit were calculated by using LCI data both in the case of production based on 100% virgin metal and in the case of production based on 100% recycled scrap. In the methodology report it is demonstrated that stainless steel is a highly sustainable material and that the recycling ratio at end of life is a very significant factor when assessing the environmental profile of a metal like stainless steel.

As stainless steel is a corrosion resistant alloy its life expectancy is usually long. It requires a minimum of maintenance and offers attractive life-cycle cost benefits over alternatives such as carbon steels. Stainless steel is easily cleaned and is therefore an obvious choice for catering equipment and the food and beverage manufacturing industries.

The stainless steel is melted electrically and, in most cases, it is refined by using inert air distilled gases such as argon. Great care is taken to minimise fume and dust emissions. Some plants are equipped to re-cycle dust into the stainless steel making process. Most of the stainless steel processing consumable materials, including cooling water, lubricating oils, pickling acids and interleaving paper are re-cycled in the plant or by specialist contractors.

Ferrochrome is not sold as a retail product. As a result no marketing communications, advertising promotion or sponsorship is involved in the sale of this product. Sales are negotiated directly with stainless steel producers.

COMMUNITY

CHALLENGES

- Community engagement.
- Increasing procurement from small and medium enterprises and BEE enterprises.
- Engaging with previously advantaged suppliers with a view to encouraging them to become black-empowered.
- Enhancing the socio-economic capacity, prosperity and sustainability of the communities in which we operate.
- Job creation and skills development.

When it is well managed, the development of a country's mineral wealth makes an important contribution to improve the nation's health, education, prosperity and standards of living. The Venture contributes by paying appropriate taxes and royalties, investing in infrastructure, prioritising local and BEE procurement, job creation, investing in enterprise and skills development and a range of initiatives intended to benefit the communities in which it operates, but particularly in the areas of community development, health and education.

POLICY AND APPROACH

Merafe and the Venture engage with and support communities affected by the Venture's operations. They recognise the rights of community members and respect the legal rights, customs and cultural heritage. Both Merafe and the Venture contribute to the social and economic development of the communities in which the Venture operates.

No resettlements took place and the Venture does not operate sites where artisanal mining and small-scale mining takes place, either on the site or adjacent to it.

SOCIO-ECONOMIC DEVELOPMENT

Procurement

The Venture's procurement policies are aligned with the government's Preferential Procurement Policy Framework ACT 2000 (PPPFA) and the Mining Charter Scorecard. It gives preference to HDSA-owned, empowered and controlled businesses for all capital goods, consumables and services. It also gives preference to local suppliers and small, medium and micro-enterprises (SMMEs).

Procurement criteria

The procurement criteria applied by the Venture are the following:

- The sustainable development performance of the business must meet the standards set out by the Venture;
- The capital goods and services provided must be competitively priced;
- The quality of goods, consumables and services must comply with set standards;
- Supply must be timeous; and
- After sales service must meet the Venture's standard operating practice.

The Venture encourages its top previously advantaged suppliers to become black-empowered and identifies services and the purchase of consumables that can be moved to HDSA supply companies. It also invests in the development of existing and new HDSA enterprises and ring fences segments of tenders to facilitate their participation in the Venture's procurement. The Venture's BEE procurement spend during 2009 was 58% (R2,519 billion) of its total procurement spend compared with 49,7% in 2008. While the Venture has increased its BEE procurement by 33% since it started recording its BEE spend in 2004, its ability to increase BEE procurement spend is hampered by the necessity to make major purchases from white only suppliers (e.g. the purchase of steel and coke).





The ring-fencing of a portion of a security tender gave Sizani Security Services the opportunity to undertake security work for the Venture. In terms of the agreement, a well-established non-HDSA security company which was awarded the bulk of the tender undertook to mentor Sizani and share the experience they have gained from years of running large security service contracts.

In early 2007, Sizani started work providing seven security guards on the Venture site. Less than two years later it has over 50 security guards employed doing security work at the Venture's operations and the business is still growing.

The owner of Sizani says that the Venture does a very good thing when it puts small companies with big ones because it gives everybody a chance.

ENTERPRISE DEVELOPMENT

Supporting community members to establish SMMEs is an important part of the Venture's approach to community development.

The Venture supports enterprise development through the provision of loans with preferential terms, assistance with developing business plans and skills training and development. The Venture also encourages other mining houses to use the services of businesses supported by its enterprise development programme.

During 2009 the Venture invested R12 344 748 in start-ups and existing enterprises. Many of the enterprises assisted by the Venture's enterprise development programme are now supplying the Venture with a range of goods and services including bricks, cleaning, catering and logistics.

INVESTING IN INFRASTRUCTURE DEVELOPMENT

The majority of the Venture's operations are located in relatively undeveloped areas of a developing country. In order to improve living conditions for its employees and the communities in which it operates the Venture partners with government and local communities to, in some cases, repair the infrastructure and in others, to provide roads, running water, community centres and business parks.

One such project is the Kroondal SMME Business Park which houses 12 factory shops, the construction of which was funded by the Venture, which worked with the local municipality to select the SMMEs who would occupy the shops.





Golela Bricks has supplied the Venture with the hollow bricks it uses in its underground mines for many years. Its owner, Ben Simelane, has managed his business well. He currently employs 26 people from the local community and produces around 15 000 bricks a month. However, because Ben was unable to comply with the requirements of financial institutions, he was unable to qualify for a loan that would allow him to access the capital needed to take his business to the next level. He wanted to buy equipment for making housing bricks and to upgrade his existing equipment. Assistance from the Venture has helped Ben find a partner who has the equipment he needs to expand the business. The Venture's financial assistance allowed Ben and an employee trust to purchase shareholdings in the partnership.

CORPORATE SOCIAL INVESTMENT

Policy and approach

Merafe established a formal CSI programme in 2007, to which it contributes the equivalent of one percent of its annual post-tax profits. Before establishing this programme, a strategy was agreed by the board and a plan was developed working with consultants specialising in the development of CSI programmes. Merafe views its CSI programme as a strategic business function and it is therefore aligned with its core business. Its CSI objectives are to:

- increase the company's involvement in the communities in which it operates;
- empower and uplift disadvantaged communities in the areas in which Merafe operates, thus making a measurable impact on the socio-economic conditions of these communities; and
- build relationships with the company's stakeholders.

Merafe identified skills shortages, low levels of education and healthcare issues (particularly in the area of HIV and AIDS) as the key areas needing to be addressed in these communities. As a result its programme focuses on these three primary areas. Its investment in education focuses on supporting secondary school projects aimed at providing maths, science and technology education for both educators and learners and study bursaries for engineering and commerce degrees. Its skills training investment is in teaching artisan skills, particularly electrical, mechanical and welding skills. Its investment in health focuses on HIV and AIDS projects.

Prior to the formation of the programme, Merafe set up the Batlhako-Ba-Leema Education Trust in 2002, to provide bursaries for the tertiary education of children from the community. These bursaries funded tuition fees, accommodation, study material and, if required, a living allowance. Eighteen students were funded for studies as varied as chemical engineering, extractive metallurgy, law, the arts, commerce, social work and human resources. When the trust funds came to an end Merafe continued to fund students who still needed to complete their qualifications.

The value of investing in members of the local community

"I had to make sure I did not fail. No one in my family is working and if I failed I would spoil the chances of my sister and my brothers."

Thabo Nyelenyele

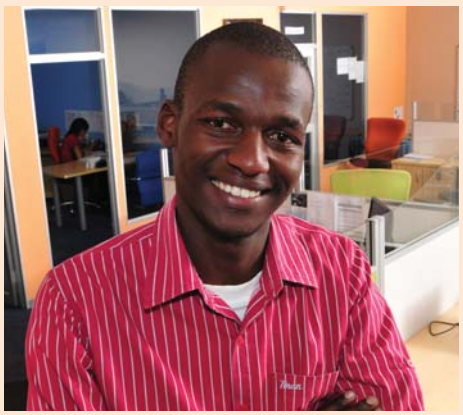
A recently qualified Mining Engineering student

This year three of the students who received bursaries from the Batlhako-Ba-Leema Education Trust graduated. This Trust was set up by Merafe in 2002 to provide bursaries for the tertiary education of children from the community.

Phillimon Moeng gained a National Diploma in Banking, Tshego Ramoupi obtained a B Tech degree in human resources and Thabo Nyelenyele graduated with a degree in mining engineering which he completed in four years, without failing a single subject in those four years. He has also acquired a National Diploma in Mining Engineering, a Blasting Certificate and a First Aid Certificate. During his year of practical training and his vacation employment with the Venture he also completed enough mining hours to qualify him for his Mine Manager's Certificate.

Phillimon and Tshego have joined the Venture's Graduate Development Programme this year and Thabo has joined the staff of the Venture's western mines as a mining engineer.

The investment Merafe made in these students has been most worthwhile. It has given members of one of the communities in which the Venture operates the opportunity to excel, achieve their potential and contribute to the transformation of the mining industry and South Africa as a whole.



Phillimon Moeng



Tshego Ramoupi

Phillimon Moeng and Tshego Ramoupi who received bursaries from the Batlhako-Ba-Leema Education Trust, set up by Merafe and are now on the Venture's Graduate Development Programme

COMMUNITY CONTINUED

Merafe's investment

In the first year of its existence the major investments made by Merafe's CSI programme were in healthcare (35%) and skills development (63%). The remaining funding went into bursaries. The project receiving healthcare funding ran over two years (2008-2009).

In 2009, in addition to the existing healthcare project (the funding of which was accounted for in the 2008 budget), the focus of Merafe's CSI was on education and skills development.

Projects in which Merafe has invested

Healthcare – assisting communities affected by HIV and AIDS

The Tapologo AIDS project provides a holistic response to the HIV and AIDS-related health needs of communities in the Rustenburg area. Their services include an outreach programme, the provision of ART and an orphans and vulnerable children programme (OVC). The outreach programme provides home-based care and support services to those who do not have access to adequate support structures.

The funding Tapologo received from Merafe was used to improve the facilities at Tapologo's outreach centres in Ledig and Chaneng, which are hubs for this programme. Existing structures were refurbished and containers were brought in to provide suitable centres in which the supervisors, volunteers and Tapologo's ART medical team can perform their clinical and administrative tasks.

Skills development – empowering mining communities
The Steelpoort Development Centre
Meeting the Venture's commitment to substantially and meaningfully expanding the opportunities for HDSAs in the mining industry, through human resource development focusing on HDSAs and developing the communities in which it operates.





Skills training at the Steelpoort Development Centre, Limpopo Province

When the Venture decided to establish the Lion ferrochrome plant in the remote Steelpoort area of Limpopo Province it needed to find a self-sustaining local solution to the plant's immediate and ongoing training and development requirements.

An assessment of the needs of the local community indicated high unemployment levels and a shortage of skills. If the Venture was going to be able to hire as many members of the Lion workforce from the local community as possible, it would need to provide them with training. The Venture also needed to help the community as a whole become more sustainable. Providing its members with the opportunity to develop marketable skills would do this.

The business case was established for building a development centre. The first phase of the Steelpoort Development Centre (the Centre) included a training workshop. The second phase included the construction of a community and career centre. Merafe's ongoing financial contribution to the Venture's investment in the centre is in proportion to its shareholding in the Venture.

Training for the mining industry
In addition to providing training for the Venture's chrome mines, the Centre's client base includes seven other mining companies operating in the Limpopo and Mpumalanga provinces. In 2006, an average of 85 learners a day were trained in the Centre. By 2009 this number had risen to 175 learners a day.

The training offered by the Centre to the Venture's employees and those of other mining companies includes: production training in a variety of skills, engineering experiential training and management training.

The first 80 artisans to qualify at the Centre had an average pass rate of over 85%.

Skills development for the unemployed
Community education projects run by the Steelpoort Development Centre include teacher training in technology education, ABET facilitator training, science teacher training, engineering workshop training for further education and training (FET) lecturers and a chess development programme for local schools.

Members of the community are given training in construction/civils, mining production, bricklaying, bridging education in technical subjects, welding, pipefitting, plumbing and household electrical skills. They can be trained as fitters, electrical and boiler-making aides and conveyor operators. They are taught flame proofing, computer skills, craft skills (including jewellery making skills) and secretarial and administrative skills.

Since the Centre opened its door in 2006 it has trained:
- 250 engineering learners;
- 80 bridging education learners (English communication, mathematics, science and problem solving);
- 180 civil construction learners;
- Over 1 200 learners in safety, induction and mobile equipment training; and
- Over 70 learners from the community in welding, household electrical skills, plumbing, pipefitting and mobile equipment training.

Protec – providing maths, science and technology education for HDSA learners and teachers

Protec provides high quality science, maths and technology education and career development programmes in previously disadvantaged communities in South Africa. Its approach includes both educators and learners. The Protec project in which Merafe is investing approximately R4 million will run for three years, in 15 schools, in villages around Rustenburg and Boshoek in the North West Province. The aim of the project is to improve the subject matter content knowledge of science and maths teachers in specific sections of the curriculum; improve the results in science and maths of selected Grade 10 to 12 learners; assist project teachers to implement the new National Curriculum Statement for technology, maths and science; improve the ability of teachers to develop and apply continuous assessment strategies and techniques in accordance with the National Assessment Policy; and to supplement mathematics, science and technology learner and teacher support materials at project schools.





A furnace tapping at Lion ferrochrome plant

INDEPENDENT ASSURANCE STATEMENT

TO THE BOARD AND STAKEHOLDERS OF MERAFE RESOURCES:

SustainabilityServices.co.za (SS) was commissioned by Merafe Resources to provide independent third party assurance (ITPA) over this 2009 Sustainability Report (the 'Report', covering the period 1 January to 31 December 2009).
The assurance team comprised primarily of Michael H. Rea, the principal Sustainability Assurance Practitioner, with experience in environmental and social performance measurement. Over the past 11 years, Michael has undertaken over 30 assurance engagements in various countries, including Sudan, Kenya, the DRC, Nigeria, Cameroon, Swaziland, Zimbabwe, Namibia, South Africa, Peru and Canada: working either as part of a team (while in the employ of PwC and KPMG), or as an Independent CSR Consultant.

ACCOUNTABILITY AA1000S (REVISED, 2008)

To the best of our ability, this assurance engagement has been managed in accordance with AccountAbility's AA1000AS (2008) assurance standard, where the format of the engagement was structured to meet the AA1000AS Type II (Moderate) requirements.

INDEPENDENCE

SS was not responsible for the preparation of any part of this Report and has not undertaken any commissions for Merafe in the reporting period concerning reporting or data collection. SS did, however, conduct an assurance engagement for Merafe's 2008 Report, including the identification of reporting gaps that ultimately have been incorporated into Merafe's 2009 reporting processes. However, this work has not compromised our ability to afford ITPA over this year's Report. SS's responsibility in performing its assurance activities is to the management of Merafe alone and in accordance with the terms of reference agreed with them. It is the responsibility of Merafe to take full responsibility for the contents of the preparation and presentation of this report, as well as for the establishment of the scope and objectives of the assurance engagement

ASSURANCE OBJECTIVES

The objectives of the assurance process were to provide stakeholders of Merafe with an independent 'moderate level assurance' opinion on whether the Report meets the AA1000AS (2008) principles of Inclusivity, Materiality and Responsiveness, as well as to assess the degree to which the Report is consistent with the Global Reporting Initiative (GRI) G3 guidelines, with the objective of establishing whether or not the Report has met the B+ level of reporting requirements. In meeting the Type II assurance objectives, SS undertook a review of selected sustainability performance indicators at two of the Xstrata-Merafe Chrome Venture (hereafter the Venture) operational sites.

SCOPE OF WORK PERFORMED

AA1000AS (2008) Compliance

The process used in arriving at this assurance statement is based on AccountAbility's AA1000AS (2008) guidance, as well as other best practices in sustainability reporting assurance. Our approach to assurance included the following:

- A review of sustainability measurement and reporting procedures at Merafe's and Xstrata Alloys' head offices (due to the nature of the Venture);
- A review of the data collection, collation and reporting procedures at Boshoek Smelter and Kroondal Mine, with specific reference to the following selected sustainability performance indicators:
  1. New cases of Chronic Obstructive Airways Diseases (COADs)
  2. Total Recordable Injury Frequency Rate (TRIFR), including Restricted Work and Medical Treatment Cases
  3. Lost Time Injury Frequency Rate (LTIFR)
  4. Fatal Injury Frequency Rate (FIFR)
  5. New cases of tuberculosis (TB)
  6. Noise Induced Hearing Loss (NIHL)

7. Stakeholder Engagement – presence and application of site-specific engagement plans
8. Number of 'Women in Mining' versus 'Women at Mining'
9. HIV/AIDS – Including number of Voluntary Counselling and Testing (VCT) cases, and patients on antiretroviral treatments (ARTs)
10. Electricity consumption
11. Petrol consumption
12. Diesel consumption
13. LPG/LNG consumption
14. Total volume of water consumed – from all sources

- A review of drafts of the Report for any significant errors and/or anomalies; and
- A series of interviews with the individuals responsible for collating and writing various parts of the Report in order to ensure selected claims were reported and substantiated.

It should be noted that due to the scope and nature of this AA1000AS (Type II, Moderate) assurance engagement, site visits were undertaken at Boshoek smelter and Kroondal mine to test the authenticity of data at the primary source of collection and collation, and this report has been assessed at the point of data aggregation for accuracy of reporting.

GRI Compliance

In determining the GRI G3 'Application Level' of the Report, we performed the following exercises:

- A review of the process used to define the content of the Report by looking at materiality of issues included in the Report, stakeholder engagement response to stakeholder issues identified, determination of sustainability context and coverage of material issues;
- A review of the approach of management to addressing topics discussed in the Report; and
- A confirmation that the requisite number of performance indicators had been covered in the Report.

FINDINGS

AA1000AS (2008) – Inclusivity, Materiality and Responsiveness

In general, the company's sustainability reporting processes are adequate. It was found that:

- Merafe relies on the Venture to obtain quantitative data with respect to most sustainability indicators;
- The Venture, via the Xstrata Alloys (XA) portion of the Xstrata Sustainability Database (XSD) undergoes a process of internal and independent assurance reviews of their key sustainability indicators;
- Where controls within XA's XSD data management processes were deemed weak, recommendations were made to ensure that additional site-specific controls were implemented to improve the overall accuracy and reliability of pre-assurance reviewed data;
- Although certain site-reported data within XSD was found to be inaccurate and/or unreliable on a number of occasions – particularly with respect to Women in Mining stats and Contractor Hours Worked – thus affecting all injury frequency rates – none of the identified errors were deemed significant enough to warrant a qualified assurance report, and all errors were adequately addressed prior to the conclusion of the assurance engagement, thus the data reported herein appears to be accurate;
- Although Merafe actively engages an array of key stakeholders, as defined within this Report, the assurance process did not allow for additional engagement to confirm or refute Merafe's assertion that the Report adequately reflects the information requirements of their key stakeholders, although management assertions of engagement were deemed reasonably supportable;
- Within the parameters of a 'Moderate Level Type II assurance assessment', the Report – without exception – appears to reflect an accurate accounting of Merafe's performance, including the review of data supplied by XA, to be contained within their 2009 Sustainability Report.

INDEPENDENT ASSURANCE STATEMENT CONTINUED

GRI Compliance

Based on our review of the Report, as well as the processes employed to collect and collate information reported herein, it is our assertion that this Report meets the GRI G3's requirements for Application Level B+ (responses to all required indicators, as well as no fewer than 20 Core indicators, with at least one from each of Economic, Environment, Human Rights, Labour, Society and Product Responsibility). It was found that:

- The reporting of performance against some GRI G3 indicators continues to require either data quality improvements, or further detail in disclosure. Indicator-specific performance is identified in Merafe's GRI Indicator Table, adopting a colour coding system to identify strengths, weaknesses and non-compliance.

RECOMMENDATIONS

AA1000AS (2008)

- Merafe should continue to employ a sustainability reporting cycle that accommodates for AA1000AS (Type II) assurance over interim data (i.e., quarters 1 through 3) or to align itself with the sustainability reporting cycle of XA;
- As has been adopted by sustainability reporting leaders such as Sasol and Anglo Platinum (in South Africa) Merafe should ensure that stakeholder engagement procedures include an assessment of whether or not this Report, and all future Reports, adequately reflects the reporting requirements of key stakeholders; and
- Merafe should continue, as it has been doing, to improve its reporting according to the principles of Inclusiveness, Materiality and Responsiveness, as guided by AA1000AS (2008), ultimately seeking Type 2 (High) levels of assurance in future Reports.

GRI Compliance

Having addressed the requirements of GRI G3 Application Level B+, it is our recommendation that Merafe review the process followed in compiling this Report and, while making further improvements on the quality of data required for Application Level B, ultimately address the requirements of GRI G3 Application Level A.

Conclusions

Based on the information reviewed, SustainabilityServices.co.za is confident that this Report provides a comprehensive and balanced account of the environmental, safety and social performance of Merafe during the period under review. The data presented is based on a systematic process and we are satisfied that the reported performance data accurately represents the current environmental, safety and social performance of Merafe, while meeting the AA1000AS (2008) principles of Inclusivity, Materiality and Responsiveness. Moreover, and although the quality or quantity of data of some GRI G3 indicators can be improved, this Report appears to meet the GRI G3's requirements for Application Level B (B+ with this assurance engagement).



SustainabilityServices.co.za
26 February 2010

SustainabilityAssurance.co.za

MINERAL RESOURCES AND MINERAL RESERVES

XSTRATA-MERAFE CHROME VENTURE

The mineral resources and reserves statement of the Venture is set out below. Merafe has a 20,5% attributable interest in the resources and reserves in terms of the Venture Agreement. Merafe's ownership of the specific resources and reserves are set out earlier in the report. Copies of the consenting letters and diagrams of the areas and modifying factors are available on request from the company secretary and/or are on the website. The address of the Competent Persons is Xstrata Head Office, Portion 27, Farm Waterval 306JQ, Rustenburg, 0300.

The Venture has adopted the 2007 SAMREC and the JORC Codes for Reporting Exploration Results, Mineral Resources and Ore Reserves as its mandatory standards for the estimation of public reporting of Mineral Resources, Ore Reserves (Mineral Reserves in the case of the SAMREC Code) and Exploration Results.

The estimation process of the Venture is further based on the Xstrata Alloys procedure "HSEC-G-08-The Procedure for the estimation of Mineral Resources and Ore Reserves".

The Ore Reserves and Mineral Resources are declared as at 30 June 2009, unless stated otherwise.

The Ore Reserve and Mineral Resource information in the tables on the following pages is based on information compiled by Competent Persons (as defined by the JORC and SAMREC Codes).

The Competent Person initials have been included after each mine or project for which the Competent Person has been responsible. Each of the Competent Persons has the appropriate professional membership and the relevant experience in relation to the mineral resources and/or ore reserves being reported by them to qualify as a competent person as defined in the SAMREC Code. The competent persons have consented to the inclusion in the report of the matters based on their information in the form and context in which it appears. Copies of the consenting letters are kept with the legal department of the Venture.

Metric units are used throughout. All data is presented on a 100% basis. All tonnage and grade information has been rounded to reflect the relative uncertainty in the estimates; there may therefore be small differences in the totals. Mineral Resources are reported inclusive of those Mineral Resources modified to produce Ore Reserves.

Commodity prices and exchange rates used to estimate the economic viability of Ore Reserves are based on long-term forecasts applied at the time the estimate was calculated.

STATEMENT BY COMPETENT PERSON

The Resource and Reserve statement has been reviewed and the relevant data extracted and compiled by Pieter-Jan Gräbe (P-JG). P-JG is the Lead Competent Person. P-JG is registered with the South African Council for Natural Scientists (SACNASP, Private Bag X450, Silverton, 0127), Reg. No. - 400177/87 and holds a BSc Hons. degree in Geology as well as a NHD in Metalliferrous Mining. P-JG is a geologist with 22 years experience in mineral exploration and mining geology, directly linked to the mining industry. P-JG is a full time employee of Xstrata Alloys. P-JG consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

Pieter-Jan Gräbe
Xstrata Alloys
PO Box 2131
Rustenburg
0300
RSA
Tel: (014) 590 2415
Fax: (014) 590 2498

MINERAL RESOURCES AND MINERAL RESERVES CONTINUED

DEFINITIONS

The following definitions (as per the SAMREC Code 2007), have been applied in estimating the Mineral Reserves and Mineral Resources position of in respect of the Xstrata-Merafe Chrome Venture disclosed within this document.

Mineral resource: a concentration or occurrence of material of economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable and realistic prospects for eventual economic extraction. The location, quantity, grade, continuity and other geological characteristics of a Mineral Resource are known, or estimated from specific geological evidence, sampling and knowledge interpreted from an appropriately constrained and portrayed geological model. Mineral Resources are sub-divided, and must be so reported, in order of increasing confidence in respect of geoscientific evidence, into Inferred, Indicated and Measured categories.

Inferred mineral resource: is that part of a Mineral Resource for which volume or tonnage, grade and mineral content can be estimated with only a low level of confidence. It is inferred from geological evidence and sampled and assumed but not verified geologically or through analysis of grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that may be limited in scope or of uncertain quality and reliability.

Indicated mineral resource: is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on information from exploration, sampling and testing of material gathered from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological or grade continuity but are spaced closely enough for continuity to be assumed.

Measured mineral resource: is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable information from exploration, sampling and testing of material from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

Mineral reserve: the economically mineable material derived from a Measured or Indicated Mineral Resource or both. It includes diluting and contaminating materials and allows for losses that are expected to occur when the material is mined. Appropriate assessments to a minimum of a Pre-Feasibility Study for a project and a Life of Mine Plan for an operation must have been completed, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors (the modifying factors). Such modifying factors must be disclosed.

Probable mineral reserve: is the economically mineable material derived from a Measured or Indicated Mineral Resource or both. It is estimated with a lower level of confidence than a Proved Mineral Reserve. It includes diluting and contaminating materials and allows for losses that are expected to occur when the material is mined. Appropriate assessments to a minimum of a Pre-Feasibility Study for a project or a Life of Mine Plan for an operation must have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. Such modifying factors must be disclosed.

Proved mineral reserve: is the economically mineable material derived from a Measured Mineral Resource. It is estimated with a high level of confidence. It includes diluting and contaminating materials and allows for losses that are expected to occur when the material is mined. Appropriate assessments to a minimum of a Pre-Feasibility Study for a project or a Life of Mine Plan for an operation must have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. Such modifying factors must be disclosed.

BRIEF DESCRIPTION OF EXPLORATION ACTIVITIES

Exploration is done mainly through drilling vertical core exploration boreholes. In addition, geophysical surveys are conducted on all the major operating mines and projects. Exploration drilling is done on two fronts, firstly ahead of the operating mines and secondly in project areas. The main emphasis is to increase geological knowledge and to comply with legislative requirements. The bulk of the exploration boreholes are drilled on a pre-determined grid. Further exploration boreholes are drilled to target geological anomalies and to provide geological and geotechnical information for detailed mine planning. The Venture has spent R11.6 million during the 2009 financial year on exploration activities for the various mines and project areas. A total of 95 boreholes were drilled, totalling 22 861m of drill core. The borehole lengths ranged from 20m to over 400m.

GEOLOGICAL SETTING

The Venture's chrome mining operations are all mining the chromitite deposits developed within the world renowned Bushveld Complex of South Africa. The Bushveld Complex is the largest known deposit of chrome ore in the world. The chrome ore is mined from shallow dipping (10° - 14°) tabular ore bodies. The chromitite ore-bodies are named as the LG6 Chromitite Package and the MG1 Chromitite Layer. The ore-bodies are modelled from exploration drillhole data, geophysical survey data and the geological data gathered from mapping the ore-bodies in the underground - and opencast mine workings. The spatial geometric - and geochemical characteristics of the various ore-bodies are modelled. It is from these models that the data is extracted to compile the Mineral Resource and Ore Reserve tonnage and grade estimates.

TYPE OF MINING AND MINING ACTIVITIES

The chromitite layers are mined mainly underground using trackless mechanized mining equipment to transport the blasted ore to conveyor belt systems which convey the ore out of the mine to Run-of-Mine (ROM) stockpiles. The various ore-bodies are accessed through decline shafts developed on reef.

From the ROM stockpiles the ore is fed into the various plants for further beneficiation of the chromite. The ore-bodies are mined on a board-and-pillar lay-out. Opencast mining is done from time to time as required, usually down to a depth from surface of 30-35m.

PRODUCTION FIGURES

The Venture has mined a total of 3,33Mt of ROM ore up to 31 December against a budget of 3.58Mt. The main reason for the lower actual ROM tonnage compared to the 2009 budget was the economic downturn, lower furnace production and the resultant cut back of ROM production. The 2009 ROM production was also lower than the 2008 ROM production of 3.77Mt for the same reason. The ROM production and beneficiated chromite is produced to supply the Venture's furnaces with feed stock for the production of FeCr. As stated earlier, this statement reflects the estimates at 30 June 2009. From 1 July 2009 to 31 December 2009, 1.789Mt of ROM was mined. This represents the tonnage depleted from the June 2009 ore reserve estimate.

LEGAL ENTITLEMENT.

In the Venture all new order mining rights applications, mining right conversions, prospecting rights conversions and new order prospecting rights, have been granted by the Department of Mineral Resources and executed.

In respect of a portion of Horizon Mine (Ruighoek and Vogelstruiknek), an application to the High Court has been made by certain members of the Moloana family to review and set aside the conversion of mining rights granted by the Minister of Mineral Resources and to request that the conversion process start again. The Venture, Xstrata and Merafe, have entered a notice to oppose the application, as have the DMR and the advice of external legal advisors of the Venture, Merafe and Xstrata, having considered the matter and the papers, is that the application for the conversion process to be set aside is unlikely to be successful.

MINERAL RESOURCES AND MINERAL RESERVES CONTINUED

DESCRIPTION OF THE METHOD AND KEY ASSUMPTIONS MADE TO ESTIMATE MINERAL RESOURCES AND ORE RESERVES

The raw geological data is validated through various steps and routines before finally being compiled into a final data base. The data base data is statistically and geostatistically analysed to determine the inherent characteristics and variability of the data. The main ore-body components that are analysed are the distribution and variability of the thicknesses, the specific gravity of the various lithologies and the critical grade elements. The findings of the geostatistical analysis are used as input parameters in the interpolation and extrapolation of the borehole data to create a 2D block model covering the whole mining or project area. The block models form the basis from which the tonnage and grades are reported for the various Mineral Resource and Ore Reserve categories. The Mineral Resource categories are mainly based on the data point density. A data point density of 200m x 200m is used for the classification of Measured Mineral Resources. For Indicated Mineral resources a density of between 200m and 400m are used. Inferred Mineral Resources will be classified where the density is lower than 400m x 400m. All the non-mineralised areas and areas that may not be mined are excluded from the Mineral Resources, e.g. boundary pillars, crown pillars, large potholes, transgressive bodies, etc. The Ore Reserves are estimated by converting the Indicated Mineral Resources to Probable Ore Reserves and the Measured Mineral Resources to Proved Ore Reserves. The conversion is done by applying the following modifying factors; - an estimated geological loss factor (determined by losses in mined-out areas and projected forward), the predetermined mining extraction rate, ore losses on ore contamination rates from mining over break. The Ore Reserves areas are restricted to the 5-year detailed mine plan, except in the case of Thorncliffe - and Kroondal Mine where detailed Mine 2.4D mine plans have been constructed for the Life-of-Mine. No Inferred Mineral Resources have been converted to Ore Reserves.

COMPARISON OF MINERAL RESOURCE AND ORE RESERVE ESTIMATES WITH PREVIOUS YEAR'S ESTIMATES

The annual Resource and Reserve estimate are compared with the previous year's statement and reconciled. The June 2008 Mineral Resource estimate for the Venture as a whole (eight operating mines and three project areas) was 438.23Mt (on a 100% basis). The June 2009 Mineral Resources estimate is 428.75Mt. The year-on-year difference of 9.48Mt is made up of 3.07Mt being mined from the Resource base. The balance of the difference is made up of changes due to new data becoming available through exploration drilling causing adjustments in SG's, thicknesses, geological loss areas and new results from the constructed block models. A first time block model was constructed for Horizon/Chromeden Mine. The June 2008 Ore Reserve estimate was 72.17Mt and the June 2009 estimate 69.23Mt. The year-on-year difference of 2.94Mt is made up of 2.69Mt ROM being mined from the Reserve base. The balance of the difference is made up of the combined result of gains and losses due to the reasons mentioned above (inclusive reporting), changes in the modifying factors and the 5-year detail mine plans.

STATEMENT REGARDING INFERRED MINERAL RESOURCES AND FEASIBILITY STUDIES.

No feasibility studies were conducted during the reporting period and hence no Inferred Mineral Resources have been included.

MATERIAL RISK FACTORS

No material risk effects the validity of the current Mineral Resource and Ore Reserve statement. All the legislative requirements have been met with respect to the rights to mining and prospecting for which the Mineral Resources and Ore Reserves have been reported. All the operating mines are mining under new order, executed, Mining Rights. The prospecting rights of all the prospecting areas have been converted to new order Prospecting Rights.

SUMMARY OF ENVIRONMENTAL FUNDING AND MANAGEMENT

All Venture operations have developed and implemented their own environmental management programs (EMP), and systems which are fully aligned with ISO 14001 and the ICMM principles of sustainable development. The majority of its smelters achieved ISO 14001 certification and/or re-certification during 2009. Its mining operations use environmental management systems aligned with ISO 14001 standards, but are not certified. Baseline biodiversity and landscape function studies are conducted at the feasibility or exploration phase of projects and environmental risk assessments associated with impacts on biodiversity and landscape functions are undertaken for new operations or major changes to existing operations. Information from these studies is used, in consultation with the affected parties and concerned external stakeholders, for the development and implementation of biodiversity and landscape function management systems and programmes. Various audits are conducted across the operations. These range from first and second level internal audits to third party external audits. The Venture also makes use of specialist reports where necessary.

The Venture sets targets and effectively measure environmental performance against such targets and benchmark their performance against leading practises in the industry. Such targets and performances are reviewed at regular intervals to ensure continual improvement of environmental performance.

All employees are coached and trained regarding the efficient use of natural resources, reducing input material and waste.

All operations have closure plans which entails the rehabilitation of all disturbed areas, buildings etc. These plans are reviewed annually internally and independently and amended where applicable. They include closure cost estimates and anticipated costs of rehabilitation and restoration are provided for throughout the life of the operations. Day to day cost relating to environmental issues is budgeted for on an annual basis.

MINERAL RESOURCES AND MINERAL RESERVES CONTINUED

CONSOLIDATED CHROME MINERAL RESOURCES AND ORE RESERVES STATEMENT

as at 30 June 2009

Tonnages are quoted in million metric tonnes. Grades are quoted as % Cr_2O_3

				ORE RESERVES		MINERAL RESOURCES			
				Run-of-Mine					
	Attributable portion (%)	Mining Method	Commodity	Proved (Mt)	Probable (Mt)	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Competent Person
Operating Mines									
Waterval Mine	20,5%	UG	Chrome Ore	10 028	1,53	16 313	2,12	0,4	NM/DR
			Cr_2O_3	31,63%	27,2%	41,28%	42,1%	43%	
Kroondal Mine	20,5%	UG/OC	Chrome Ore	2 426	3,13	9 570	3,78	–	NM/DR
			Cr_2O_3	29,03%	27,0%	42,69%	42,4%	–	
Kroondal Gemini (Kroondal ext)	20,5%	UG/OC	Chrome Ore	6 013	6,44	9 740	7,73	0,9	NM/DR
			Cr_2O_3	31,86%	28,6%	43,00%	42,4%	42%	
Marikana East (Kroondal ext)	20,5%	UG	Chrome Ore	1 510	0,26	4 644	1,89	0,5	NM/DR
			Cr_2O_3	29,09%	27,4%	42,63%	42,2%	42%	
Thorncliffe Mine	20,5%	UG/OC	Chrome Ore	26 372	5,76	39 391	11,53	18,7	BS/DR
			Cr_2O_3	37,76%	36,7%	40,38%	40,6%	41%	
Helena Mine	20,5%	UG/OC	Chrome Ore	5 729	0,04	17 116	8,14	63,0	BS/DR
			Cr_2O_3	34,94%	34,1%	40,57%	39,7%	40%	
Horizon/Chromeden Mine	20,5%	UG/OC	Chrome Ore	–	–	0,066	14,31	8,3	NM/DR
			Cr_2O_3	–	–	41,80%	44,0%	43%	
Total				**52,078**	**17,147**	**96,841**	**49,50**	**91,9**	
Projects/Non-operating Mines									
Wonderkop	20,5%	UG	Chrome Ore	–	–	–	6,46	–	PJG
			Cr_2O_3	–	–	–	40,1%	–	
Townlands Extension 9	20,5%	UG	Chrome Ore	–	–	–	14,96	–	PJG
			Cr_2O_3	–	–	–	41,7%	–	
De Grooteboom	20,5%	UG/OC	Chrome Ore	–	–	0,838	0,66	–	BS/DR
			Cr_2O_3	–	–	40,32%	40,4%	–	
Boshoek Mine	20,5%	OC/UG	Chrome Ore	–	–	0,101	18,23	0,1	AM/PJG
			Cr_2O_3	–	–	39,12%	40,3%	41%	
Klipfontein/Waterval	20,5%	UG	Chrome Ore	–	–	3 213	6,60	133,9	NM/DR
			Cr_2O_3	–	–	42,48%	42,6%	42%	
Marikana West (Waterval Ext)	20,5%	UG	Chrome Ore	–	–	3 869	0,81	0,8	NM/DR
			Cr_2O_3	–	–	42,44%	42,6%	43%	
Total				**–**	**–**	**8,021**	**47,72**	**134,8**	
Grand Total			Ore	**52,078**	**17,147**	**104,863**	**97,22**	**226,7**	

Definitions

OC = Opencast; UG = Underground

Notes

- The Mineral Resources are estimated as chromitite tonnages and grades to reflect the grades of the various individual chromitite layers. Xstrata is currently mining the LG6 - and MG1 Chromitite Layers.
- The grade block models for Thorncliffe, Helena, Kroondal and Waterval have been updated during August 2009 with the latest geological information. A new block model for Horizon/Chromeden was constructed during the same period.

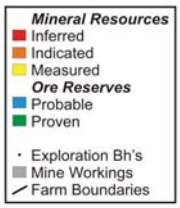
Competent Person

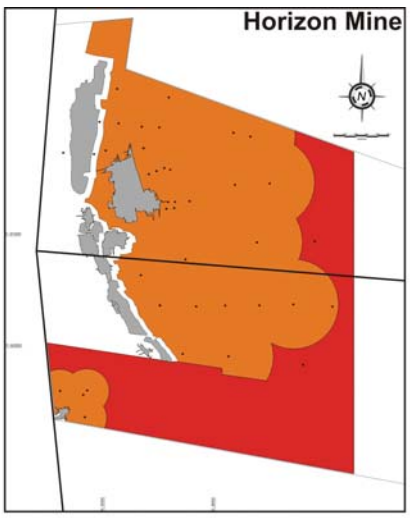
PJG – Pieter-Jan Gräbe, Xstrata Alloys, (SACNASP). (Overall Responsibility for Resources and Reserves).; BS – Brian Smith, Xstrata Alloys, (PLATO). (Overall Responsibility for Resources and Reserves).; AM – Alfred Mabelane, Xstrata Alloys, (SACNASP). (Responsible for collection and validation of Resources data).; NM – Nathi Mntungwa, Xstrata Alloys, (SACNASP). (Overall Responsibility for Resources and Reserves).; DR – Dean Richards, Obsidian Consulting Services (SACNASP). Responsible for data validation, geostatistical analysis of data, Resource classification and construction of tonnage and grade block models and reporting of tonnage and grades from block models.

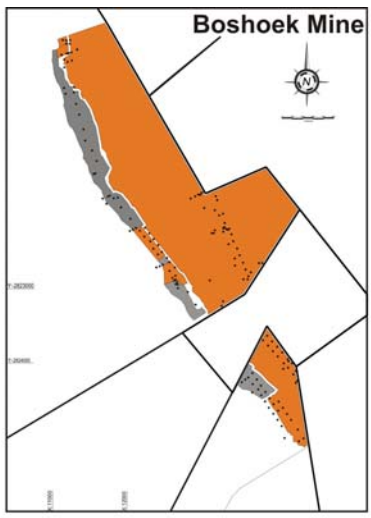
LOCALITY MAPS

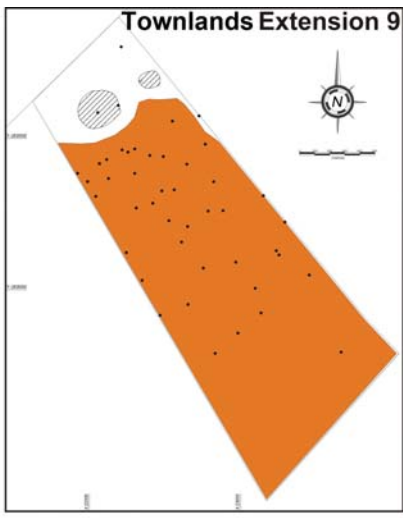
Appropriate locality plans indicating the Mineral Resource and Ore Reserve categories for the various mining and prospecting areas are included below:

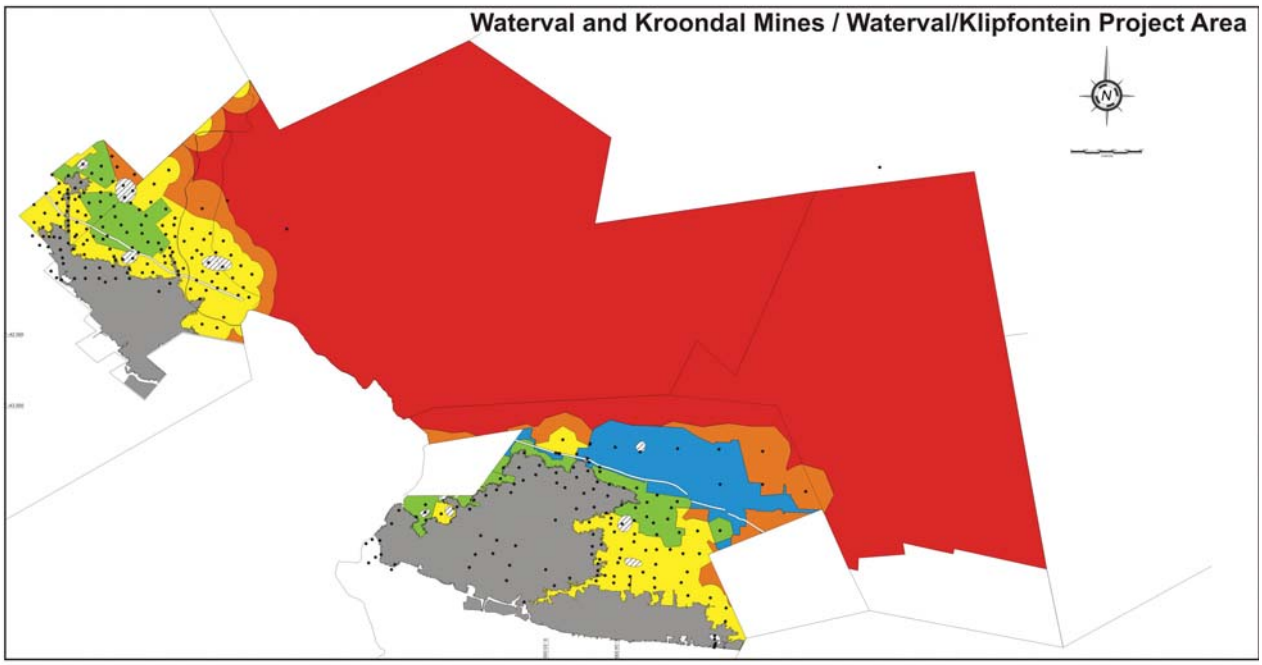
Kroondal – and Waterval Mines and Klipfontein/Waterval Project areas











MINERAL RESOURCES AND MINERAL RESERVES CONTINUED

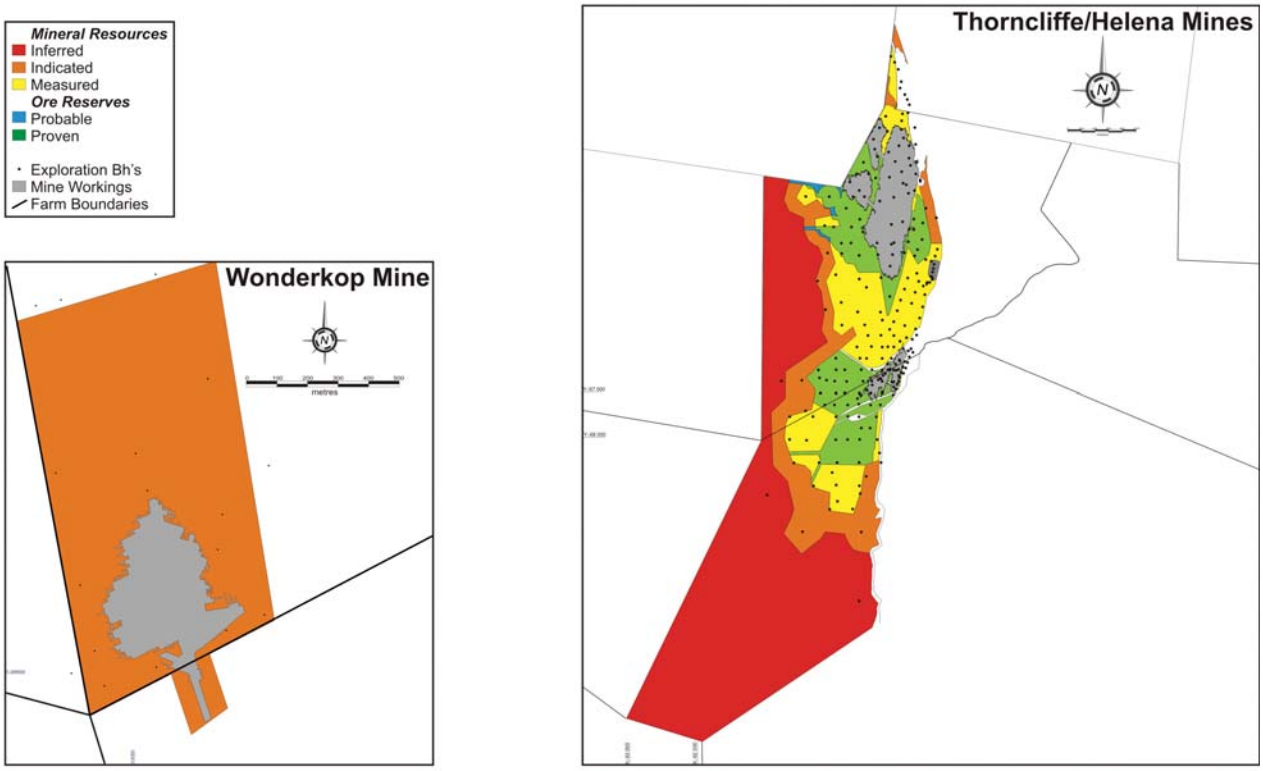
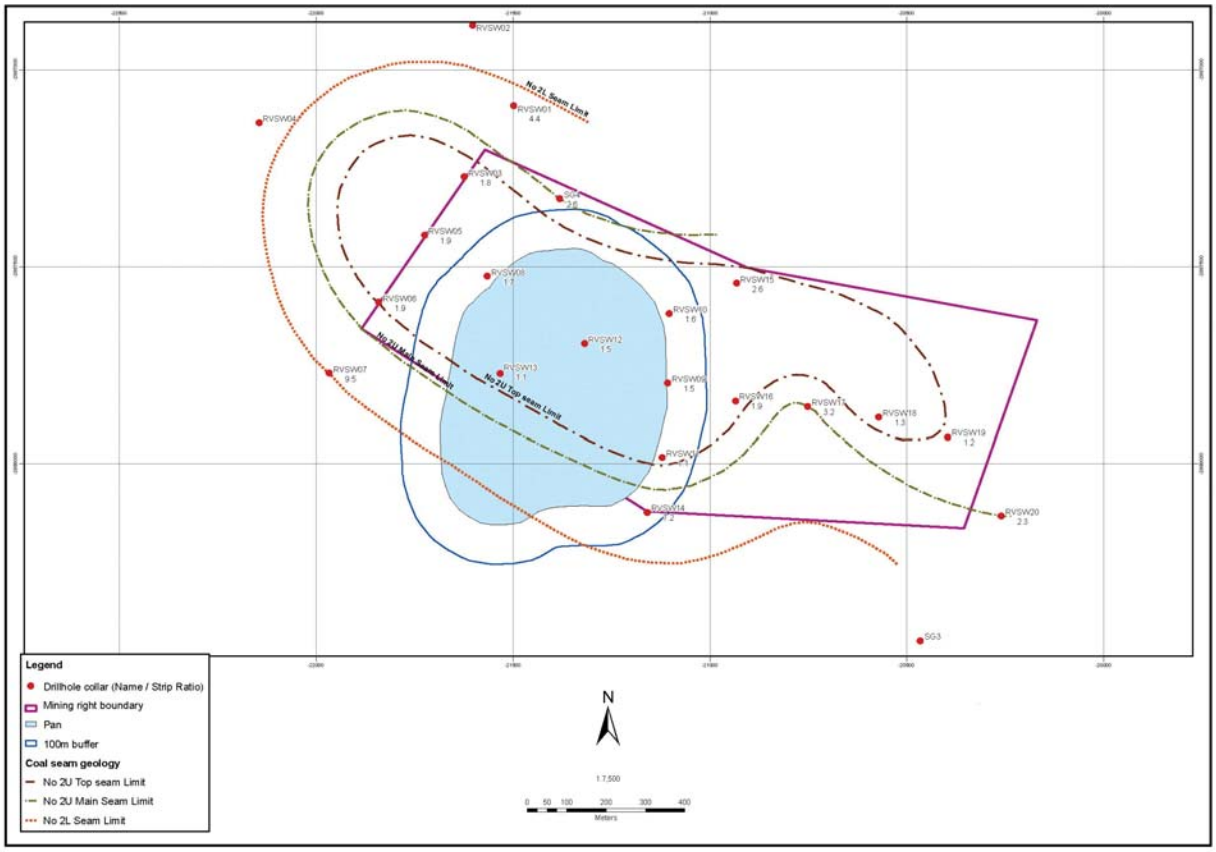


DIAGRAM OF SCHOONGEZICHT



MERAFE COAL – MINERAL RESOURCE AND RESERVE STATEMENT OF SCHOONGEZICHT

The Schoongezicht coal resource is contained within an area of 542.9 hectares comprising Mineral Areas 1 and 2 on Portions 7 and Remaining Extent of the farm Schoongezicht 225 IR in the Delmas District of Mpumalanga Province. An application for a mining right as well as a renewal of the prospecting right and an application for a new prospecting right has been submitted to the Department of Mineral Resources (DMR).

The coal resource information at 31 December 2009, set out below, is based on historical information, which has been compiled and interpreted by Competent Persons, as defined by the SAMREC Code, in the employ of the Mineral Corporation, Homestead Office Park, 65 Homestead Avenue, Bryanston. The Competent Persons have consented to the inclusion in the report of the matters set out below in the form and context in which it appears. Copies of the consenting letter are with the Merafe Company Secretary.

Three shallow-lying coal seams, named No 2 Upper Top, No 2 Upper Main and No 2 Lower occur in a small, elongated, synclinal Karoo outlier extending approximately 1.5km east-west by 1.0 km north-south. The seams range in thickness from 0.5m to 4.9m and sub-outcrop to the north, west and south. The economic extent of the seams is controlled by the depth of weathering which ranges from about 10 to 30 metres below surface. All seams dip gently towards the centre of the synclinal basin.

Twenty two cored boreholes have been drilled on the property and immediately adjacent areas and coal resource estimates have been based on this historical drill data. It is considered that certain of the existing technical information would not be compliant with current SAMREC, JORC or NI 43-101 regulatory requirements relating to public disclosure. However, to the extent that it is possible, coal resources have been estimated according to guidelines defined in the SAMREC Code (2007) and SANS 10320-2004. The density of drill coverage for each seam within the defined resource limits ranges from 16 to 20 boreholes per 100ha which allows the resources to be classed as measured.

The table below shows in situ resources contained within a selected mining area delimited by the extent of the No 2 Upper Main seam. Within this area, all three seams are present and the cumulative stripping ratio is less than 2 to 1 (BCM waste overburden plus interburden to tonnes coal). Geological losses of 10% were applied.

Seam	Sub seam	Thick m	RD gm/cc	GTIS Mt	MTIS Mt
No. 2 upper top		0.64	1.52	0.522	0.470
Bi, 2 upper main	Upper	0.74	1.68	1.026	0.923
	Lower	3.76	1.53	4.599	4.139
No. 2 lower		3.01	1.65	3.665	3.298
Total				**9.811**	**8.830**

Definitions
BCM = Bank Cubic Metres; RD = Relative Density; GTIS = Gross In-situ Tonnage; MTIS = Mineable In-situ Tonnage

A large pan exists on the property (see diagram on page 80). An EMPR by an independent environmentalist has been completed and submitted to the DMR in respect of the mining application. The environmentalist concluded that the pan covers 48% of the proposed mining area and it is important not only for the supply of surface and ground water to the hydrological system but also for specific uses in the area and that rehabilitation of a pan is very difficult. The environmentalist's report has been submitted to the DMR and recommends that other locations are considered due to environmental sensitivity in the proposed mining area. Interested and affected party meetings have taken place and there are challenges from farmers and other stakeholders in the area. The report is at present being considered by Merafe Coal and the DMR.

ANNUAL FINANCIAL STATEMENTS 2009



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DIRECTORS' RESPONSIBILITY AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2009

The company's directors are responsible for the preparation and fair presentation of the group and company annual financial statements, comprising the statements of financial position at 31 December 2009; the statements of comprehensive income; the statements of changes in equity; statements of cash flows and the notes to the financial statements for the year then ended, which include a summary of significant accounting policies and other explanatory notes and the directors' report in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act of South Africa.

The directors' responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable under the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as the preparation of supplementary schedules included in these financial statements.

The directors have made an assessment of the group's and company's ability to continue as a going concern and there is no reason to believe that the business will not be a going concern in the year ahead.

The auditors are responsible for reporting on whether the group annual financial statements and separate company annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of group and company annual financial statements

The group and company annual financial statements were approved by the board of directors on 26 February 2010 and signed on its behalf by:



Chris Molefe
Non-executive Chairman
26 February 2010



Steve Phiri
Chief Executive Officer
26 February 2010

COMPANY SECRETARY'S CERTIFICATION

for the year ended 31 December 2009

I certify that, to the best of my knowledge and belief, the company has lodged with the Registrar of Companies all such returns as are required to be lodged by a public company in terms of section 268 G(d) of the Companies Act of South Africa, and that all such returns are true, correct and up to date.



Amritha Mahendranath
Company Secretary
Sandton
26 February 2010

REPORT OF THE AUDIT COMMITTEE

for the year ended 31 December 2009

The Audit Committee reports that it has adopted formal terms of reference as its Audit Committee Charter, and that it has discharged all of its responsibilities for the year, in compliance with its Charter.

The Audit Committee is satisfied that an adequate system of internal control is in place to reduce significant risks faced by the group to an acceptable level, and that these controls have been effective during the period under review. The system is designed to manage, rather than eliminate, the risk of failure and to maximise opportunities to achieve business objectives. This can provide only reasonable, but not absolute assurance.

As required by the JSE Listings Requirement 3.84(h), the Audit Committee has satisfied itself that the Chief Financial Officer has appropriate expertise and experience.

The Audit Committee has evaluated the group and company annual financial statements of Merafe Resources Limited for the year ended 31 December 2009 and based on the information provided to the Audit Committee, considers that it complies, in all material respects with the requirements of the various Acts governing disclosure and reporting in the annual financial statements. The Audit Committee has evaluated the independence of the external auditors and the Audit Committee is satisfied that the external auditors have remained independent. The Audit Committee therefore recommends the adoption of the annual financial statements by the board.



Zanele Matlala
Chairperson – Audit and Risk Committee
26 February 2010

OUR REPORTING COMMITMENT

for the year ended 31 December 2009

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

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

The scorecard for the Charter was released by the South African government in February 2003. The objective of this scorecard, which is divided into nine monitoring areas, is to measure the progress by stakeholders in achieving the aims of the Charter. In the corporate governance section preceding the annual financial statements we have measured ourselves against both the specific targets set in the scorecard and the targets that we have set for ourselves.

INDEPENDENT AUDITORS' REPORT

To the members of Merafe Resources Limited and its subsidiaries

for the year ended 31 December 2009

Report on the financial statements

We have audited the group annual financial statements and the annual financial statements of Merafe Resources Limited which comprise the statements of financial position at 31 December 2009, the statements of comprehensive income, the statements of changes in equity, the statements of cash flows, and the notes to the financial statements for the year then ended, which include a summary of significant accounting policies and other explanatory notes, and the directors' report as set out on pages 86 to 134.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable under the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Merafe Resources Limited at 31 December 2009, its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc.
Registered Auditors



Per Riaan Davel
Chartered Accountant (SA)
Registered Auditor
Director
26 February 2010

KPMG Crescent
85 Empire Road
Parktown
Johannesburg

DIRECTORS' REPORT

for the year ended 31 December 2009

Nature of business

The company, through its wholly-owned ultimate subsidiary, Merafe Ferrochrome and through a pooling and sharing venture with Xstrata, participates in chrome mining and the beneficiation of chrome ore into ferrochrome. The Venture operates twenty ferrochrome furnaces and eight mines and Merafe Ferrochrome's share of the earnings before interest, taxation, depreciation and amortisation ("EBITDA") is 20,5%.

The major ferrochrome assets and chrome mines of the Venture are listed on pages 2 and 3 of this annual report.

Merafe Ferrochrome has granted the right of use of the following ferrochrome assets to the Venture:
- 100% interest in the Boshoek smelter and pelletising and sintering plant;
- 50% interest in the Wonderkop 5 and 6 furnaces;
- 20,5% interest in the Lion Ferrochrome smelter; and
- 20,5% interest in the Bokamoso pelletising and sintering plant.

Merafe Ferrochrome has granted the right of use of the following chrome mines to the Venture:
- 100% interest in the Horizon mine;
- 100% interest in the Boshoek mine;
- 50% interest in the Kroondal mine;
- 26% interest in the Marikana mine; and
- 20,5% interest in the Magareng mine.

The Venture has received all of its New Order Prospecting and Mining Rights and Mining Right Conversions from the Department of Mineral Resources.

The company holds a 50% interest in Merafe Coal, with the other 50% interest being held by Sentula Mining Limited.

Group financial results

The financial statements set out the financial results of the group and company on pages 89 to 134. These financial statements have been prepared using appropriate accounting policies, conforming to International Financial Reporting Standards, supported by reasonable and prudent judgements where required.

Merafe Ferrochrome's share of EBITDA from the Venture is accounted for at 20,5%.

In addition to Merafe Ferrochrome's share of EBITDA from the Venture, corporate expenses, interest on debt, depreciation and interest received is accounted for to determine earnings before taxation of the group. No transfer of assets to the Venture occurred. Property, plant and equipment is depreciated and amortised as described in the accounting policies.

Significant weakened demand for stainless steel in the early part of the year, resulted in a severe reduction in ferrochrome production in the first quarter and an ongoing destocking during the year, in the face of the ongoing financial crisis. Reduced demand for ferrochrome from the stainless steel sector also led to a sharp fall in the European Benchmark ferrochrome price from a record high in quarter three of 2008, of 205 US cents per pound to a low of 69 US cents per pound in quarter two of 2009, recovering to 103 US cents in quarter four of 2009.

In response to improved demand, ferrochrome production in the fourth quarter was restored to 85% of the Venture's total capacity.

Despite the tough trading conditions, the group effectively managed working capital and closed with a healthy cash balance of R463 million at 31 December 2009.

Borrowing powers

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

Going concern

The directors believe that the company has sufficient resources and expected cash flows to continue as a going concern.

Dividend policy

The company has adopted a hybrid dividend policy that has features of a stable dividend policy and a residual dividend policy. The company intends to pay a stable dividend once a year, based on the annual financial performance and economic circumstances prevailing at the time. In addition, in any given year, the directors may consider an additional distribution in the form of special dividends and/or share buy-backs dependent on the company's financial condition, future cash requirements, future earnings prospects, availability of distributable reserves and other factors. Dividends are recognised when they are declared by the board of the company.

Ordinary dividends

No ordinary dividends were declared or paid during the year (31 December 2008: nil). On 26 February 2010 a dividend was declared by the board (refer note 27).

Share capital

Full details of the authorised and issued share capital of the company are set out in note 6 to the annual financial statements.

Directorate

In January 2009, Ms Belese Majova joined the board as an independent non-executive director.

Non-executive directors are remunerated quarterly for their contribution to the board. Executive directors do not receive board fees in addition to their remuneration, in terms of their employment contracts with the company. Details of the current board of directors are set out on pages 6 and 7 of this annual report. A detailed report on directors' remuneration has been prepared in accordance with the JSE Limited Listings Requirements and appears in note 22.1 to the annual financial statements.

Major shareholders

The following shareholders were the registered holders of 5% or more of the issued ordinary shares in the company at 31 December 2009:

- Royal Bafokeng Resources Holdings (Proprietary) Limited – 29,3%
- The Industrial Development Corporation of South Africa Limited – 22,2%
- JP Morgan Asset Management (UK) Limited – 7,4%

Directors' interests in Merafe Resources Limited

As at 31 December 2009, the directors of the company are beneficially interested (directly and indirectly) in 11 417 225 shares (31 December 2008: 10 954 615 shares) in the company.

	2009		2008	
	Direct	**Indirect**	Direct	Indirect
Steve Phiri	**254 000**	**–**	254 000	–
Stuart Elliot	**10 076 115**	**–**	10 076 115	–
Bruce McBride	**–**	**1 000 000**	–	600 000
Zanele Matlala	**24 500**	**–**	24 500	–
Belese Majova	**–**	**62 610**	–	–
Total	**10 354 615**	**1 062 610**	10 354 615	600 000

Details of investments in subsidiaries, jointly controlled entity and special purpose entities

	Issued share capital	Percentage holding		Shares at cost		Loans (from)/to subsidiaries	
		2009	2008	**2009**	2008	**2009**	2008
	R	**%**	%	**R**	R	**R'000**	R'000
Investments in subsidiaries							
Directly held							
Southwits Mining Company (Proprietary) Limited	100	**100**	100	**100**	100	**(102)**	(102)
Merafe Chrome & Alloys (Proprietary) Limited	100	**100**	100	**200**	200	**1 116 438**	982 129
Indirectly held							
Merafe Ferrochrome & Mining (Proprietary) Limited	100	**100**	100	**400**	400	**–**	–

Interest in the losses of subsidiaries for the year ended 31 December 2009 amounts to R152,2 million and interests in the profits of subsidiaries for the year ended 31 December 2008 amounted to R1 030,8 million. Subsidiaries are incorporated in the Republic of South Africa.

	Issued share capital	Percentage holding		Shares at cost		Loans (from)/to subsidiaries	
		2009	2008	**2009**	2008	**2009**	2008
	R	**%**	%	**R**	R	**R'000**	R'000
Investment in jointly controlled entity							
Directly held							
Merafe Coal (Proprietary) Limited	100	**50**	50	**50**	50	**–**	–

Special purpose entities
In accordance with SIC 12 Consolidations – Special Purpose Entities, the following entities are consolidated and considered to be subsidiaries of the Merafe Resources Limited group:
- Horizon Nature Conservation Trust;
- Merafe Kroondal Rehabilitation Trust; and
- Merafe Resources Share Incentive Scheme Trust.

Refer to the related parties note 22 for further details on investments in subsidiaries, jointly controlled entity and special purpose entities.

Property, plant and equipment

There were no changes in the nature of property, plant and equipment or in the policy regarding their use during the year under review. No impairment of property, plant and equipment has been recognised as management is of the opinion that property, plant and equipment is reflected at less than its recoverable amount and no impairment is necessary.

Post-balance sheet date events

No material facts or circumstances, other than set out in note 25 have occurred after the balance sheet date, being 31 December 2009, and the date of this report.

STATEMENTS OF CONSOLIDATED AND SEPARATE COMPREHENSIVE INCOME

for the year ended 31 December 2009

		GROUP		COMPANY	
	Notes	**2009 R'000**	2008 R'000	**2009 R'000**	2008 R'000
Revenue	14	**1 839 169**	2 781 304	**17 807**	51 115
Foreign exchange (losses)/gains		**(81 753)**	131 487	**–**	–
Operating and other (expenses)/income		**(1 857 727)**	(1 300 868)	**(39 612)**	237 585
(Losses)/earnings before interest, taxation, depreciation and amortisation		**(100 311)**	1 611 923	**(21 805)**	288 700
Depreciation		**(106 189)**	(77 918)	**(222)**	(253)
Results from operating activities	15	**(206 500)**	1 534 005	**(22 027)**	288 447
Net finance (expense)/income	16	**(11 975)**	(63 983)	**22 695**	2 498
Finance expense		**(39 568)**	(67 045)	**(1)**	(1)
Finance income		**27 593**	3 062	**22 696**	2 499
(Loss)/profit before income tax		**(218 475)**	1 470 022	**668**	290 945
Income tax	17	**66 150**	(442 331)	**(795)**	(3 144)
(Loss)/profit and total comprehensive (loss)/income for the year		**(152 325)**	1 027 691	**(127)**	287 801
(Loss)/profit and total comprehensive (loss)/income for the year attributable to:					
Owners of the company		**(152 325)**	1 027 691	**(127)**	287 801
(Loss)/earnings per share					
Basic (loss)/earnings per share (cents)	18.1	**(6)**	42		
Diluted (loss)/earnings per share (cents)	18.3	**(6)**	41		

Dividend declared (R'000)*	27	**49 185**	–
Dividends per share (cents)*	27	**2**	–

**This relates to the dividend that was approved at a board meeting on 26 February 2010.*

STATEMENTS OF CONSOLIDATED AND SEPARATE FINANCIAL POSITION

as at 31 December 2009

		GROUP		COMPANY	
	Notes	**2009 R'000**	2008 R'000	**2009 R'000**	2008 R'000
Assets					
Property, plant and equipment	2.1	**1 949 464**	1 861 185	**4 417**	4 589
Investments	3	**–**	–	**1 116 336**	982 027
Deferred tax assets	11	**–**	–	**4 452**	3 364
Total non-current assets		**1 949 464**	1 861 185	**1 125 205**	989 980
Inventories	4	**757 457**	1 067 153	**–**	–
Trade and other receivables	5	**234 346**	286 271	**1 844**	2 368
Cash and cash equivalents	19.1	**462 632**	539 741	**144 596**	293 751
Total current assets		**1 454 435**	1 893 165	**146 440**	296 119
Total assets		**3 403 899**	3 754 350	**1 271 645**	1 286 099
Equity					
Share capital	6	**24 593**	24 593	**24 593**	24 593
Share premium	7	**1 244 072**	1 244 072	**1 244 072**	1 244 072
Equity-settled share-based payment reserve	8	**22 109**	15 586	**22 109**	15 586
Retained earnings/(accumulated loss)		**1 042 762**	1 195 087	**(25 151)**	(25 024)
Total equity attributable to equity holders of the company		**2 333 536**	2 479 338	**1 265 623**	1 259 227
Liabilities					
Loans and borrowings	9	**363 626**	366 174	**1 481**	1 382
Provision for closure and restoration costs	10	**37 347**	29 730	**–**	–
Deferred tax liability	11	**381 180**	449 232	**–**	–
Total non-current liabilities		**782 153**	845 136	**1 481**	1 382
Loans and borrowings	9	**888**	1 200	**–**	–
Financial liability	12	**8 568**	11 466	**–**	–
Trade and other payables	13	**278 735**	331 364	**4 541**	17 179
Current tax liability		**19**	85 846	**–**	8 311
Total current liabilities		**288 210**	429 876	**4 541**	25 490
Total liabilities		**1 070 363**	1 275 012	**6 022**	26 872
Total equity and liabilities		**3 403 899**	3 754 350	**1 271 645**	1 286 099

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2009

	Notes	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
Issued share capital – ordinary shares	6	**24 593**	24 593	**24 593**	24 593
Balance at beginning of year		**24 593**	24 494	**24 593**	24 494
Share options exercised		**–**	99	**–**	99
Share premium – ordinary shares	7	**1 244 072**	1 244 072	**1 244 072**	1 244 072
Balance at beginning of year		**1 244 072**	1 238 643	**1 244 072**	1 238 643
Share premium arising from share options exercised		**–**	5 429	**–**	5 429
Equity-settled share-based payment reserve	8	**22 109**	15 586	**22 109**	15 586
Balance at beginning of year		**15 586**	7 993	**15 586**	7 993
Share-based payment		**6 523**	7 593	**6 523**	7 593
Retained earnings/(accumulated loss)		**1 042 762**	1 195 087	**(25 151)**	(25 024)
Balance at beginning of year		**1 195 087**	167 396	**(25 024)**	(312 825)
(Loss)/profit and total comprehensive (loss)/income for the year		**(152 325)**	1 027 691	**(127)**	287 801
Total equity at end of year		**2 333 536**	2 479 338	**1 265 623**	1 259 227

STATEMENTS OF CONSOLIDATED AND SEPARATE CASH FLOWS

for the year ended 31 December 2009

		GROUP		COMPANY	
	Notes	**2009 R'000**	2008 R'000	**2009 R'000**	2008 R'000
Cash flows from operating activities					
Cash generated from/(utilised in) operating activities	19	**266 703**	929 088	**(27 396)**	19 087
Interest paid	16	**(39 568)**	(55 579)	**(1)**	(1)
Interest received	16	**27 418***	3 062	**22 696**	2 499
Taxation paid	19.2	**(87 728)**	(700)	**(10 194)**	–
Net cash generated from/(utilised in) operating activities		**166 825**	875 871	**(14 895)**	21 585
Cash flows from investing activities					
(Advance)/repayment of subsidiary loan account		**–**	–	**(134 309)**	256 646
Acquisition of property, plant and equipment					
– sustaining		**(180 990)**	(124 664)	**(50)**	(297)
– expansionary		**(1 593)**	(13 658)	**–**	–
Proceeds from disposal of property, plant and equipment		**–**	60	**–**	60
Net cash (used in)/generated from investing activities		**(182 583)**	(138 262)	**(134 359)**	256 409
Cash flows from financing activities					
Proceeds from issue of share capital		**–**	5 528	**–**	5 528
Loans raised during the year		**–**	–	**99**	129
Repayment of borrowings		**(2 548)**	(119 879)	**–**	–
Net cash (used in)/generated from financing activities		**(2 548)**	(114 351)	**99**	5 657
Net (decrease)/increase in cash and cash equivalents		**(18 306)**	623 258	**(149 155)**	283 651
Cash and cash equivalents at 1 January		**539 741**	(153 469)	**293 751**	10 100
Effect of exchange rate fluctuations on cash held during the year		**(58 803)**	69 952	**–**	–
Cash and cash equivalents at 31 December	19.1	**462 632**	539 741	**144 596**	293 751

** amount is net of the interest accrual of R0,175 million*

SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 December 2009

1.1 Reporting entity

The company is domiciled in the Republic of South Africa. The address of the company's registered office is 68 Wierda Road East, Block B, First Floor, Wierda Valley, Sandton. The consolidated financial statements of the company as at and for the year ended 31 December 2009 comprise the company and its subsidiaries (together referred to as the group and individually as group entities) and the group's interest in the Venture, jointly controlled entities and special purpose entities. The group is primarily involved in the mining and beneficiation of chrome ore into ferrochrome.

1.2 Basis of preparation

The annual financial statements were authorised by the board on 26 February 2010.

1.2.1 Statement of compliance

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act of South Africa.

1.2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following assets and liabilities which are stated at their fair value:

- derivative financial instrument
- equity-settled share-based payments (at grant date)

1.2.3 Functional and presentation currency

The consolidated financial statements are presented in South African Rand, which is the company's functional currency. All financial information presented in South African Rand has been rounded to the nearest thousand, unless otherwise stated.

1.2.4 Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 1.5.3	Measurement of depreciation and amortisation of property, plant and equipment
Note 1.8	Measurement of provision for closure and restoration costs
Note 1.11.2	Share-based payment transactions
Note 1.19	Determination of fair values
Notes 9 and 24	Lease classification
Note 10	Provision for closure and restoration costs
Note 11	Utilisation of tax losses

The accounting policies set out below have been applied consistently to all periods presented in these consolidated and separate financial statements, and have been applied consistently by group entities.

1.2 Basis of preparation (continued)

1.2.5 Standards and interpretations issued and not yet effective

There are new or revised Accounting Standards and Interpretations in issue that are not yet effective. The directors have considered all of these Standards and Interpretations and do not expect them to have any significant impact on future financial statements. All accounting standards and interpretations in issue at the time of finalising the financial statements were considered. The accounting policies have been applied consistently by the group for all periods presented.

1.3 Basis of consolidation

1.3.1 Subsidiaries

Subsidiaries are entities controlled by the group. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. In the company financial statements, subsidiaries are stated at cost less accumulated impairment losses. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the group.

1.3.2 Transactions with the Venture

The Venture resulted in Xstrata and Merafe Ferrochrome pooling and sharing their ferrochrome assets. The consolidated financial statements include the assets that the group controls and the liabilities that it incurs in the course of pursuing the operation, and the expenses that the group incurs and its share of the income that it earns from the Venture. Note 22.2 contains details of the group's share of the working capital and EBITDA of the Venture.

1.3.3 Special Purpose Entities

The group has established Special Purpose Entities ("SPEs"). Refer to Related Parties note 22 for the identity and relationship of the Special Purpose Entities to the group. The group does not have any direct or indirect shareholdings in these entities. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the group and the SPE's risks and rewards, the group concludes that it controls the SPE. SPEs controlled by the group were established under terms that impose strict limitations on the decision making powers of the SPE's management and that result in the group receiving the majority of the benefits related to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets.

1.3.4 Investments in jointly controlled entities

A joint venture is an entity over whose activities the group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Investments in jointly controlled entities are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The consolidated financial statements include the group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

1.3.5 Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1.4 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the group entities at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to South African Rand at the foreign exchange rate ruling at that date. The foreign exchange gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to Rand at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

1.5 Property, plant and equipment

1.5.1 Recognition and measurement

1.5.1.1 Mining assets

Mining assets, including mine development costs and mine plant facilities, are stated at cost less accumulated depreciation and accumulated impairment losses. Costs include pre-production expenditure incurred in the development of the mine and the present value of future decommissioning costs. Development costs incurred to develop new ore bodies, to define mineralisation in existing ore bodies and to establish or expand productive capacity are capitalised. Mine development costs in the ordinary course of maintaining production are expensed as incurred. Initial development and pre-production costs relating to a new ore body are capitalised until the ore body achieves commercial levels of production, at which time the asset is deemed to be available for use and is amortised as set out below.

1.5.1.2 Mineral and surface rights

Mineral and surface rights are stated at cost less accumulated depreciation and accumulated impairment losses. When there is little likelihood of a mineral right being exploited, or the value of mineral rights have diminished below cost, an impairment loss is raised against income in the period that such determination is made.

1.5.1.3 Non-mining assets

Land is shown at cost and is not depreciated. Buildings and other non-mining property, plant and equipment are shown at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items, and restoring the site on which they are located and, any other costs directly attributable to bringing the assets to a working condition for their intended use.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within “operating and other (expenses)/income”.

1.5 Property, plant and equipment (continued)

1.5.1 Recognition and measurement (continued)

1.5.1.4 Exploration and evaluation expenditure

Exploration and evaluation expenditure relates to costs incurred on the exploration and evaluation of potential mineral reserves and resources and includes costs such as exploratory drilling and sample testing and the costs of pre-feasibility studies. Exploration and evaluation expenditure for each area of interest, other than acquired from the purchase of another mining company, is carried forward as an asset provided that one of the following conditions is met:

- Such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- Exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future. Purchased exploration and evaluation assets are recognised as assets at their cost of acquisition or at fair value if purchased as part of a business combination.

An impairment review is performed, either individually or at the cash-generating unit level, when there are indications that the carrying amounts of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the financial year in which this is determined. Exploration and evaluation assets are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions outlined above is met. Expenditure is transferred to mine development assets or capital work in progress once the work completed to date supports the future development of the property and such development received appropriate approvals.

1.5.1.5 Capital work in progress

Assets in the course of construction are capitalised in the capital work in progress account. On completion, the cost of construction is transferred to the appropriate category of property, plant and equipment. The cost of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. Costs associated with a start-up period are capitalised where the asset is available for use but incapable of operating at normal levels without a commissioning period.

1.5.2 Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the group and its cost can be measured reliably. The carrying amount of the replacement part is derecognised. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

1.5.3 Depreciation and amortisation

Depreciation and amortisation are calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Management has assessed the residual values of certain of the operating assets as higher than the current carrying values of these assets, and therefore no depreciation has been calculated on these assets. Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if appropriate.

1.5.3.1 Mineral and surface rights

Mineral rights that are being depleted are amortised over their estimated useful lives using the units-of-production method, based on proven and probable ore reserves. Mineral rights that are not being depleted are not amortised. Mineral rights that have no commercial value are impaired in full.

1.5 Property, plant and equipment (continued)

1.5.3 Depreciation and amortisation (continued)

1.5.3.2 Mining assets including mine development costs

Mining equipment, structures and plant and equipment are depreciated using the straight-line method over the estimated useful life. The useful life ranges between one and thirty years, depending on the nature of the asset.

1.5.3.3 Capital work in progress is not depreciated

The net carrying amounts of capital work in progress at each mine property are reviewed for impairment either individually or at the cash-generating unit level when events and changes in circumstances indicate that the carrying amount may not be recoverable. To the extent that these values exceed their recoverable amounts, that excess is fully provided against in the financial year in which this is determined.

1.5.3.4 Non-mining assets

Non-mining assets are depreciated on the straight-line basis over their current estimated useful lives as follows:

- Motor vehicles 20% per annum
- Furniture and equipment 20% per annum.

1.5.3.5 Leased assets

Leases in terms of which the group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are accounted for as described in accounting policy note 1.13. Leased assets are depreciated over the shorter of the lease term and their useful lives.

Other leases are operating leases and are not recognised in the group's statement of financial position.

1.6 Financial instruments

1.6.1 Derivative financial instrument

The group holds derivative financial instruments to hedge its interest rate risk exposure. Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit and loss when incurred. Subsequent to initial recognition, non-trading derivatives that are not designated in a qualifying hedge relationship are measured at fair value and any changes therein are recognised immediately in profit or loss.

1.6.2 Non-derivative financial assets

The group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the date at which the group becomes a party to the contractual provisions of the instrument.

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the group is recognised as a separate asset or liability. Assets that are transferred via the debtors discounting agreement are accounted for as a reduction in trade and other receivables.

1.6 Financial instruments (continued)

1.6.2 Non-derivative financial assets (continued)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The group has the following non-derivative financial assets:

- trade and other receivables
- cash and cash equivalents

Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Investment in equity and debt securities are financial assets that are not quoted in an active market. Trade and other receivables and investments in equity and debt securities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these non-derivative financial assets are measured using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and cash equivalents are measured at amortised cost using the effective interest rate method.

1.6.3 Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date at which the group becomes a party to the contractual provisions of the instrument.

The group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The group has the following non-derivative financial liabilities: loans and borrowings; bank overdrafts and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these non-derivative financial liabilities are measured at amortised cost using the effective interest method.

1.7 Share capital

1.7.1 Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

1.7.2 Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon approval by the company's shareholders.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as an interest expense in profit or loss as accrued.

1.8 Provisions

A provision is recognised if, as a result of a past event, the group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.
The unwinding of the discount is recognised in profit or loss, where appropriate.

Provision for closure and restoration costs
Long-term environmental obligations are based on the group's environmental management plan, in compliance with current environmental and regulatory requirements.

Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date. The related costs are capitalised to mining assets and are amortised over the useful lives of the related assets. Annual movements in the provision relating to the change in the net present value of the provision due to changes in estimated cash flows or discount rates are adjusted against the costs capitalised to mining assets.

Annual movements in the provision relating to passage of time, i.e. unwinding of discount, are expensed.

Cost estimates are not reduced by the potential proceeds from the sale of assets or from plant clean-up at closure.

Guarantees have been provided by the Venture to the Department of Mineral Resources in respect of the liability for closure and restoration costs.

1.9 Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost is determined on the following basis:

- Finished goods on hand and work-in-progress are valued using the weighted average cost. Cost includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Cost includes an appropriate share of production overheads based on normal operating capacity and directly attributable administration costs.
- Consumable stores and raw materials are valued at weighted average cost and include expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

1.10 Impairment

1.10.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.
All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

1.10 Impairment (continued)

1.10.2 Non-financial assets

The carrying amount of the group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (cash-generating unit).

An impairment loss is recognised if the carrying amount of the asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss has been recognised. Impairment losses on goodwill are not reversed.

1.11 Employee benefits

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

1.11.1 Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus plans and accumulated leave if the group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

Defined contribution plans are funded through monthly contributions to the Provident Fund, which is governed by the Pension Fund Act of 1956. All employees of the group belong to the fund. The group's liability is limited to its annually determined contributions.

The group provides medical cover to current employees through various funds. The medical plans are funded through monthly contributions to the medical aid fund. The group's liability is limited to its annually determined contributions.

1.11 Employee benefits (continued)

1.11.2 Share-based payment transactions

The share option programme allows qualifying directors and certain employees to be granted share options under an employee share incentive scheme. Share options may be granted to all employees of the company and any of its subsidiaries at the discretion of the directors, subject to the limitations imposed by the share option scheme. The fair value of options is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes-Merton model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting. Grant date fair value is recognised as an employee expense with corresponding increase in equity over the vesting period.

Share-based payment arrangements in which the group received goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions.

1.12 Revenue

1.12.1 Goods sold

Revenues associated with sales of commodities are recognised when all significant risks and rewards of ownership of the commodities are transferred to the customer, usually when the commodity is delivered to the shipping agent, when there is no continuing managerial involvement, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and the amount of revenue can be measured reliably. Revenue usually includes priced cost, insurance and freight ("CIF"). Revenue from the sales of by-products is also included in revenue.

Revenue is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

1.12.2 Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the group will comply with the conditions associated with the grant. Grants that compensate the group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

1.12.3 Management fees

Revenue from management fees is recognised at the fair value of the consideration received or receivable.

1.13 Lease payments

1.13.1 Operating lease payments

Payments made under operating leases is recognised in profit or loss on a straight-line basis over the term of the lease.

1.13.2 Finance lease payments

Minimum lease payments are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a consistent periodic rate of interest in the remaining balance of the liability.

1.14 Finance income and expenses

1.14.1 Finance income

Finance income comprises interest income on funds invested and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

1.14.2 Finance expenses

Finance expenses comprise interest expense on borrowings, dividends on preference shares classified as liabilities using the effective interest method and changes in the fair value of financial assets at fair value recognised in profit or loss.

Borrowing costs directly related to the financing of a qualifying capital project under construction are capitalised to the project cost during construction, until such time as the related asset is substantially ready for its intended use, i.e. when it is capable of commercial production. Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available in the short term from money borrowed specifically to finance a project, the income generated from such short-term investments is also capitalised and deducted from the total capitalised borrowing costs. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average rate applicable to the relevant general borrowings of the group during the period.

1.15 Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The current tax rate is 28%.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authorities on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets, including deferred tax assets relating to the carry forward of unutilised tax losses and/or unutilised capital allowances are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Secondary Tax on Companies

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend. Refer to note 17 of the annual financial statements.

1.16 Segment reporting

The company adopted IFRS 8: Operating Segments, which is an accounting policy effective from the current year and requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. The group has one reportable segment being the mining and beneficiation of chrome ore into ferrochrome. Internal management accounts are prepared monthly on the basis of one reportable segment which is reviewed monthly by the Chief Financial Officer.

		GROUP	
		2009 R'000	2008 R'000
1.16.1	**Revenue from mining and smeltering operations**	**1 839 169**	2 781 304

Ferrochrome is the final product produced by the Venture. Most of the product produced is used in the manufacture of stainless steel.

1.16.2 Geographical areas of operation

The majority of customers are stainless steel mills located at the following revenue destinations:

	2009		2008	
Revenue destination	**Revenue R'000**	**% of revenue in relation to total revenue**	Revenue R'000	% of revenue in relation to total revenue
Africa*	**50 097**	**2,7**	119 535	4,3
Americas**	**192 497**	**10,5**	407 100	14,6
Asia***	**994 955**	**54,1**	1 093 633	39,3
Australia	**5 610**	**0,3**	6 579	0,2
Europe****	**596 010**	**32,4**	1 154 457	41,6
	1 839 169	**100,0**	2 781 304	100,0

** includes South Africa and Morocco*

*** includes Canada and USA*

**** includes China, Japan, Korea, Singapore, Taiwan and Thailand*

***** includes UK, Austria, Belgium, France, Germany, Italy, Netherlands, Slovenia, Spain and Sweden*

1.17 Earnings per share

The group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees and a future equity-settled share-based payment set out in note 8. Headline EPS is calculated by dividing the headline earnings by the weighted average number of ordinary shares in issue/outstanding during the period. Diluted headline EPS is calculated by dividing headline earnings by the weighted average number of ordinary shares outstanding adjusted for the effects of all dilutive potential ordinary shares which comprise share options granted to employees and future equity-settled share-based payments set out in note 8.

1.18 Dividend distributions

Dividend distributions to the company's shareholders are recognised as a liability in the group's and company's financial statements in the period in which the dividends are approved by the board of directors. Dividends declared in the post-balance sheet period are disclosed in the notes to the financial statements and are not recognised in the current financial statements.

1.19 Determination of fair values

A number of the group accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. The carrying values of financial assets and liabilities as reflected in the statement of financial position are a reasonable approximation of their fair values.

1.19.1 Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

1.19.2 Derivatives

The fair value of the interest rate swap is based on broker quotes. The quotes are tested for reasonableness by discounting estimated future cash flows based on the term and maturity of the contract and using market interest rates for a similar instrument at the measurement date.

1.19.3 Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

1.19.4 Share-based payment transactions

The fair value of employee share options is measured using the Black-Scholes-Merton model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

2. Property, plant and equipment

2.1 Property, plant and equipment

	At the beginning of year – 2009			Movements during the year – 2009				At the end of year – 2009		
	Cost R'000	Accumulated depreciation R'000	Carrying value R'000	Additions R'000	Disposals R'000	Depreciation charge for the year R'000	Net movement from capital work in progress to additions R'000	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
Group 2009										
Fixed property and mineral rights	137 606	(23 891)	113 715	–	–	(4 883)	–	137 606	(28 774)	108 832
Boshoek smelter	868 021	(52 087)	815 934	66 891	(36 507)	(48 077)	–	898 405	(63 657)	834 748
Horizon, Kroondal and Marikana mines	83 322	(14 131)	69 191	65 092	(821)	(5 414)	–	147 593	(18 724)	128 869
Wonderkop smelter	203 559	(22 457)	181 102	40 662	(471)	(8 245)	–	243 750	(30 231)	213 519
Wonderkop mine	29 186	(4 426)	24 760	–	–	(2 213)	–	29 186	(6 639)	22 547
Lion ferrochrome smelter	346 609	(20 863)	325 746	21 397	(11 568)	(24 366)	–	356 438	(33 661)	322 777
Helena and Magareng mines	70 195	(6 287)	63 908	16 790	(1 103)	(5 243)	–	85 882	(10 427)	75 455
Bokamoso pelletising and sintering plant	186 016	(6 927)	179 089	4 109	(2 489)	(9 956)	–	187 636	(14 394)	173 242
Corporate assets	1 558	(992)	566	50	–	(222)	–	1 608	(1 214)	394
Capital work in progress	87 174	–	87 174	–	–	–	(18 093)	69 081	–	69 081
Total	2 013 246	(152 061)	1 861 185	214 991	(52 959)	(108 619)*	(18 093)	2 157 185	(207 721)	1 949 464
Company 2009										
Fixed property and mineral rights	4 023	–	4 023	–	–	–	–	4 023	–	4 023
Corporate assets	1 558	(992)	566	50	–	(222)	–	1 608	(1 214)	394
Total	5 581	(992)	4 589	50	–	(222)	–	5 631	(1 214)	4 417

** R106,2 million is recognised in the statement of comprehensive income and R2,4 million is capitalised to inventory*

A register of the mineral rights and title deeds is available for inspection at the registered office of the company.

The total carrying value of property, plant and equipment is encumbered by a loan more fully described in note 9.2.

2. Property, plant and equipment (continued)

2.1 Property, plant and equipment (continued)

	At the beginning of year – 2008			Movements during the year – 2008					At the end of year – 2008		
	Cost R'000	Accumulated depreciation R'000	Carrying value R'000	Additions R'000	Disposals R'000	Depreciation charge for the year R'000	Transfer within asset classes R'000	Net movement from capital work in progress to additions R'000	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
Group 2008											
Fixed property and mineral rights	137 606	(18 191)	119 415	–	–	(5 700)	–	–	137 606	(23 891)	113 715
Boshoek smelter	817 377	(26 755)	790 622	51 123	–	(34 230)	8 419	–	868 021	(52 087)	815 934
Horizon, Kroondal and Marikana mines	44 206	(7 201)	37 005	13 321	–	(2 291)	21 156	–	83 322	(14 131)	69 191
Mining equipment and structures	12 943	(2 677)	10 266	–	–	–	(10 266)	–	–	–	–
Plant and equipment	2 371	(1 807)	564	–	–	–	(564)	–	–	–	–
Motor vehicles	800	(400)	400	–	–	–	(400)	–	–	–	–
Office furniture and equipment	23 148	(4 268)	18 880	–	–	–	(18 880)	–	–	–	–
Wonderkop smelter	200 081	(15 267)	184 814	3 478	–	(7 190)	–	–	203 559	(22 457)	181 102
Wonderkop mine	29 186	(2 213)	26 973	–	–	(2 213)	–	–	29 186	(4 426)	24 760
Lion ferrochrome smelter	336 420	(10 588)	325 832	16 399	–	(16 485)	–	–	346 609	(20 863)	325 746
Helena mine	48 988	(3 241)	45 747	21 207	–	(3 046)	–	–	70 195	(6 287)	63 908
Bokamoso pelletising and sintering plant	108 689	(417)	108 272	77 327	–	(6 510)	–	–	186 016	(6 927)	179 089
Corporate assets	–	–	–	297	(13)	(253)	535	–	1 558	(992)	566
Capital work in progress	132 003	–	132 003	–	–	–	–	(44 829)	87 174	–	87 174
Total	1 893 818	(93 025)	1 800 793	183 152	(13)	(77 918)	–	(44 829)	2 013 246	(152 061)	1 861 185
Company 2008											
Fixed property and mineral rights	4 023	–	4 023	–	–	–	–	–	4 023	–	4 023
Plant and equipment	94	(94)	–	–	–	–	–	–	–	–	–
Motor vehicles	138	(133)	5	–	–	–	(5)	–	–	–	–
Office furniture and equipment	1 179	(649)	530	–	–	–	(530)	–	–	–	–
Corporate assets	–	–	–	297	(13)	(253)	535	–	1 558	(992)	566
Total	5 434	(876)	4 558	297	(13)	(253)	–	–	5 581	(992)	4 589

	GROUP		COMPANY	
	2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
2. Property, plant and equipment (continued)				
2.2 Leased assets				
The following leased assets where Merafe Ferrochrome is the lessee are included in the Boshoek and Lion ferrochrome smelters:				
Plant and equipment				
Cost	**45 962**	45 962	**–**	–
Accumulated depreciation	**(5 272)**	(3 413)	**–**	–
Carrying value at end of year	**40 690**	42 549	**–**	–
3. Investments				
Wholly-owned subsidiaries				
Southwits Mining Company (Proprietary) Limited			**(102)**	(102)
– Shares at cost			*	*
– Loan from subsidiary			**(102)**	(102)
Merafe Chrome & Alloys (Proprietary) Limited			**1 116 438**	982 129
– Shares at cost			*	*
– Loan to subsidiary**			**1 116 438**	982 129
Total wholly-owned subsidiaries			**1 116 336**	982 027
Jointly controlled entity – accounted for under the equity method				
Merafe Coal (Proprietary) Limited			*	*
– Shares at cost			*	*
– Loan to jointly controlled entity			*	*

** Amount is less than one thousand*

***Merafe Ferrochrome and Mining (Proprietary) Limited is a wholly-owned subsidiary of Merafe Chrome and Alloys (Proprietary) Limited which is a wholly-owned subsidiary of Merafe Resources Limited. Merafe Ferrochrome and Mining (Proprietary) Limited is both liquid and solvent and management therefore consider this inter-company loan fully recoverable.*

The above loans are unsecured, have no fixed repayment terms, but by intent are of a long-term nature and are interest free.

The wholly-owned subsidiaries and the jointly controlled entity are incorporated in the Republic of South Africa.

		GROUP		COMPANY	
		2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
4.	**Inventories**				
	Consumables stores	**54 695**	59 521	**–**	–
	Raw materials	**293 082**	268 372	**–**	–
	Finished goods	**409 680**	739 260	**–**	–
	Carrying value	**409 680**	769 170	**–**	–
	Write-down of inventory to net realisable value	**–**	(29 910)	**–**	–
		757 457	1 067 153	**–**	–
	The write-down of inventories to net realisable value in 2008 amounted to R29 909 719. R3 432 053 of the write-down related to a stockpile of 1 829 tonnes of chrome sand. R26 477 666 of the loss related to 2 050 tonnes of finished product that was purchased at an average of US$1,75 per pound and written down to a net realisable value of US$0,75 per pound.				
	The carrying value of inventories written down to net realisable value is R43 357 000 in 2008.				
5.	**Trade and other receivables**				
	Trade receivables	**341 445**	294 233	**–**	–
	Trade receivables factored	**(163 016)**	(90 903)	**–**	–
	Prepayments	**5 906**	26 615	**163**	177
	Other receivables	**50 011**	53 309	**1 681**	2 191
	The Venture	**–**	3 017	**–**	–
		234 346	286 271	**1 844**	2 368
	The group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 20. Trade receivables relating to local sales have an average payment term of 60 days and are non-interest bearing. Trade receivables relating to foreign sales have an average payment term of 90 days and bear interest at US$ LIBOR + 1,5% (London Interbank Offered Rate) on balances that are overdue.				

		GROUP		COMPANY	
		2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
6.	**Share capital**				
	Authorised – 3 500 000 000 ordinary shares of 1 cent each	**35 000**	35 000	**35 000**	35 000
	Issued – 31 December 2009 and 31 December 2008: 2 459 258 860 ordinary shares of 1 cent each				
	Issued share capital at beginning of year	**24 593**	24 494	**24 593**	24 494
	Share options exercised	**–**	99	**–**	99
	Issued share capital at end of year	**24 593**	24 593	**24 593**	24 593

		GROUP		COMPANY	
		2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
7.	**Share premium**				
	Balance at beginning of year	**1 244 072**	1 238 643	**1 244 072**	1 238 643
	Arising from share options exercised	**–**	5 442	**–**	5 442
	Share issue expenses arising from share options exercised	**–**	(13)	**–**	(13)
	Balance at end of year	**1 244 072**	1 244 072	**1 244 072**	1 244 072
	10% of the authorised but unissued share capital is under the control of the directors, subject to the Companies Act and the JSE Limited Listings Requirements, until the next annual general meeting. Note 8 sets out the details of the share option scheme.				
8.	**Equity-settled share-based payment reserve**				
	On 14 December 1999 a share incentive scheme was approved by shareholders as an incentive to employees (including directors) of the company and its subsidiaries to identify themselves more closely with the activities of the company and to promote its continued growth by giving them an opportunity of acquiring shares therein. Management has applied the provisions of IFRS 2: Share-based payments in accounting and disclosing for all share options granted, except for share options granted before 7 November 2002, or share options granted after this date, but which had vested prior to 1 January 2005.				
	Reconciliation of share-based payment				
	Balance at beginning of year	**15 586**	7 993	**15 586**	7 993
	Movement during the current year	**6 523**	7 593	**6 523**	7 593
	Balance at end of year	**22 109**	15 586	**22 109**	15 586

8. Equity-settled share-based payment reserve (continued)

The terms and conditions of the grants are listed below and all options are settled by physical delivery of shares against receipt of payment of the option price:

Grant date/employees entitled	Number of options	Vesting conditions
Options granted prior to 7 November 2002	1 450 000	One third per year over the period 31 December 2004 to 31 December 2006
	17 472	One third per year over the period 31 December 2005 to 31 December 2007
Options granted to senior employees on 1 February 2003	333 333	One third per year over the period 30 June 2006 to 30 June 2008
Options granted to key management on 30 April 2003	6 534 098	One third per year over the period 30 June 2006 to 30 June 2008
Options granted to senior employees on 1 August 2003	833 333	One third per year over the period 31 December 2006 to 31 December 2008
Options granted to senior employees on 1 August 2005	2 000 000	One third per year over the period 31 December 2008 to 31 December 2010
Options granted to key management on 1 December 2005	30 217 197	One third per year over the period 31 December 2008 to 31 December 2010
Options granted to senior employees on 12 June 2006	1 000 000	One third per year over the period 30 June 2009 to 30 June 2011
Options granted to key management on 30 June 2006	2 652 648	One third per year over the period 30 June 2009 to 30 June 2011
Options granted to senior employees on 27 July 2006	2 000 000	One third per year over the period 30 June 2009 to 30 June 2011
Options granted to key management on 1 March 2008	17 436 635	One third per year over the period 1 March 2011 to 1 March 2013
Options granted to senior employees on 1 March 2008	4 566 637	One third per year over the period 1 March 2011 to 1 March 2013
Options granted to a senior employee on 9 March 2009	3 000 000	One third per year over the period 30 June 2012 to 30 June 2014
	72 041 353	

The options are granted to employees and lapse after 10 years if not implemented while employed within the group. The options are forfeited when an employee resigns from the group and has not exercised his/her options. In the event of an employee leaving the group for a reason approved of by the directors or in the event of the employee's death, the employee or his/her estate has 12 and 24 months respectively to exercise and/or implement options granted to that employee. Once contractually granted by the company, the trustees of the scheme administer the scheme and determine the rights and obligations *vis-à-vis* the scheme and employees.

8. Equity-settled share-based payment reserve (continued)

The number and weighted average exercise prices of share options are as follows:

	2009		2008	
	Weighted average exercise price in cents per share	**Number of options '000**	Weighted average exercise price in cents per share	Number of options '000
Outstanding balance at the beginning of the year	**111**	**72 317**	56	59 400
Options granted during the year	**69**	**3 000**	227	23 279
Options exercised during the year	**–**	**–**	56	(9 862)
Options forfeited during the year	**125**	**(3 276)**	79	(500)
Outstanding balance at the end of the year	**105***	**72 041**	111*	72 317
Exercisable at the end of the year	**56****	**33 197**	56**	19 907

**This relates to the weighted average exercise price of all options in issue that have both vested and not vested at year end.*

***This relates to the weighted average exercise price of all options that have vested at year end.*

Share options outstanding at the end of the year have the following exercise price:

	COMPANY	
	2009 R'000	2008 R'000
45 cents	**1 467**	1 467
54 cents	**6 534**	6 534
55 cents	**30 218**	30 218
56 cents	**2 653**	2 653
60 cents	**3 000**	5 000
67 cents	**2 000**	2 000
69 cents	**3 000**	–
73 cents	**833**	833
98 cents	**333**	333
227 cents	**22 003**	23 279
	72 041	72 317

8. Equity-settled share-based payment reserve (continued)

Share options outstanding at the end of the year have the following exercise dates:

	COMPANY	
	2009	2008
	R'000	R'000
31 December 2004	**450**	450
31 December 2005	**500**	500
31 December 2006	**500**	500
30 June 2007	**3 267**	3 267
31 December 2007	**17**	183
30 June 2008	**3 600**	3 600
31 December 2008	**11 572**	11 406
30 June 2009	**1 884**	1 884
31 December 2009	**11 406**	11 406
30 June 2010	**884**	1 884
31 December 2010	**11 406**	11 406
1 March 2011	**7 334**	7 760
30 June 2011	**884**	1 884
31 December 2011	**667**	667
1 March 2012	**7 335**	7 760
30 June 2012	**1 000**	–
1 March 2013	**7 335**	7 760
30 June 2013	**1 000**	–
30 June 2014	**1 000**	–
	72 041	72 317

The following share options were outstanding at 31 December 2009 in favour of directors of the company:

	DS Phiri	**SP Elliot**	**B McBride**
Average exercise price (cents)	103	119	103
	000's	**000's**	**000's**
Exercisable on 30 June 2007	3 267	–	–
Exercisable on 31 December 2007	–	9	9
Exercisable on 30 June 2008	3 267	–	–
Exercisable on 31 December 2008	3 357	3 357	3 357
Exercisable on 30 June 2009	295	295	295
Exercisable on 31 December 2009	3 357	3 357	3 357
Exercisable on 30 June 2010	295	295	295
Exercisable on 31 December 2010	3 357	3 357	3 357
Exercisable on 1 March 2011	2 240	2 165	1 407
Exercisable on 30 June 2011	295	295	295
Exercisable on 1 March 2012	2 240	2 165	1 407
Exercisable on 1 March 2013	2 240	2 165	1 407
Total	24 210	17 460	15 186

8. Equity-settled share-based payment reserve (continued)

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black-Scholes-Merton model, with the following inputs:

	Key management personnel		Senior and other employees	
	2009	2008	**2009**	2008
Fair value at grant date in cents	**67**	54	**60**	58
Share price in cents (weighted average)	**110**	251	**110**	251
Exercise price in cents (weighted average)	**158***	130*	**139***	141*
Expected volatility	**35%**	35%	**39%**	35%
Option life (expected weighted average)	**5 years**	5 years	**5 years**	5 years
Expected dividends	**1,57%**	1,78%	**1,33%**	1,91%
Risk-free interest rate	**9,08%**	8,73%	**8,66%**	8,97%
Weighed average share price of options exercised	**–**	3,72	**–**	3,42

* *This relates to the weighted average exercise price of options that have not yet vested at year end.*

		GROUP		COMPANY	
		2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
9.	**Loans and borrowings**				
9.1	Finance leases – property, plant and equipment	**14 514**	17 374	**–**	–
9.2	ABSA Bank Limited	**350 000**	350 000	**–**	–
9.3	Horizon Nature Conservation Trust	**–**	–	**1 481**	1 382
	Total loans and borrowings	**364 514**	367 374	**1 481**	1 382
	Current portion of loans and borrowings – finance leases	**(888)**	(1 200)	**–**	–
	Non-current portion of loans and borrowings	**363 626**	366 174	**1 481**	1 382

Minimum finance lease repayments:

2009	**Capital R'000**	**Interest R'000**	**Total R'000**
Repayable within the next year	**888**	**2 042**	**2 930**
Repayable later than 1 year but not later than 5 years	**2 415**	**7 117**	**9 532**
Repayable greater than 5 years	**11 211**	**13 429**	**24 640**
	14 514	**22 588**	**37 102**
2008			
Repayable within the next year	2 869	2 299	5 168
Repayable later than 1 year but not later than 5 years	2 814	7 950	10 764
Repayable greater than 5 years	11 691	15 090	26 781
	17 374	25 339	42 713

9.1 These loans are secured by finance leases over plant and equipment with a book value of R40 690 000 (31 December 2008: R42 549 000) as per note 2.2. The loans are repayable in monthly instalments averaging R431 000 (31 December 2008: R283 114) per month. Interest is payable at an average of 14,81% (31 December 2008: 14,59%) per annum.

9. Loans and borrowings (continued)

In accordance with the agreement with the Venture, Merafe Ferrochrome receives 20,5% of the Venture's working capital whilst retaining ownership of its assets. The finance lease obligations in the group's statement of financial position and the minimum finance lease repayments represent 20,5% of the Venture's total obligations whereas the carrying values of assets that secure the finance leases, relate to the assets that are controlled by the group and are reflected in the group statement of financial position.

9.2 This is a long-term loan and is repayable in full on 31 December 2012. R225 million of the loan bears interest at the Johannesburg Interbank Acceptance Rate plus a margin of 1,2958% plus bank costs and R125 million bears interest at a fixed rate of 10,61% plus a margin of 1,2958% plus bank costs. At year end, the variable rate including the margin and bank costs was 8,82% (31 December 2008: 13,23%). The board has decided to repay R50 million of the long-term debt on 31 March 2010.

The loan is secured by a General Notarial Bond over all property, plant and equipment owned by Merafe Ferrochrome and a cession of rights, title and interest in and to the participation interest in and under the Pooling and Sharing Agreement with Xstrata and a cession of rights, title and interest of Merafe Ferrochrome in and to the Wonderkop assets, Bokamoso assets and Lion ferrochrome and a cession of rights, title and interest in and to an amount of R90 million held with Prudential Portfolio Managers Unit Trust Limited on call and a guarantee by Merafe Resources Limited.

The security relates to a total carrying value of property, plant and equipment of R1 949 464 000 (31 December 2008: R1 861 185 000).

The financial covenants relating to the revolving credit facility, for the year ended 31 December 2009 were as follows:

- The debt service cover ratio should not be less than 1,5:1; and
- The gearing ratio shall not be more than 50%.

In addition, in terms of the agreement with ABSA Bank Limited, should the ferrochrome base (contract) price (ZAR cents per pound) decrease below 572 cents, then the aggregate of the outstanding loans will become due and payable in equal semi-annual instalments over the period from 30 June 2009 to the final maturity date, with the first repayment being due and payable on 31 December 2009.

During the six month period ending 30 June 2009, the ferrochrome base (contract) price (ZAR cents per pound) decreased below 572 cents per pound and the debt service cover ratio financial covenant was less than 1,5:1.

Management reached agreement with ABSA Bank Limited that the covenant breaches as at 30 June 2009 as well as any further potential breaches in the debt service cover ratio to 30 June 2010 are condoned subject to Merafe Ferrochrome ceding all its rights, title and interest in and to an amount of R90 million held on call with Prudential Portfolio Managers Unit Trust Limited.

The cession will be released when the debt service cover ratio for the period 1 July 2010 to 31 December 2010 has not been breached.

The gearing ratio financial covenant was complied with during the year ended 31 December 2009.

9.3 This loan is unsecured, interest free, has no fixed repayment terms but by intent is of a long-term nature.

		GROUP		COMPANY	
		2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
10.	**Provision for closure and restoration costs**				
	Balance at beginning of year	**29 730**	25 161	**–**	–
	Utilised during the year	**(1 093)**	–	**–**	–
	Provisions made during the year	**6 612**	4 569	**–**	–
	Unwinding of discount	**2 098**	–	**–**	–
	Balance at end of year	**37 347**	29 730	**–**	–

The provision relates to a liability for the rehabilitation of land involved in any prospecting or mining operations of the group and to discharge any liability which may arise in terms of the Atmospheric Pollution Prevention Act of 1965, the Environment Conservation Act, No 73 of 1989, the Minerals Act, No 50 of 1991, the Water Act, No 54 of 1956 and any such other legislation that may be enacted in the future. The environmental obligations and corresponding liability remains the sole responsibility of the Venture.

For purposes of calculating this provision, management has assumed a long-term inflation rate of 5% and a discounting rate of 8% for both the current and prior year.

11.	**Deferred tax (liabilities)/assets**				
	Recognised deferred tax (liabilities)/assets:				
	Property, plant and equipment	**(438 635)**	(477 079)	**(30)**	8
	Provisions and accruals	**20 678**	22 982	**209**	3 356
	Finance leases	**4 061**	4 865	**–**	–
	Tax losses	**32 716**	–	**4 273**	–
		(381 180)	(449 232)	**4 452**	3 364

Movement in temporary differences during the year

	Balance 1 January 2008	**Recognised in profit**	**Balance 31 December 2008**	**Recognised in profit**	**Balance 31 December 2009**
Property, plant and equipment	(107 755)	(369 324)	(477 079)	38 444	**(438 635)**
Provisions and accruals	15 770	7 212	22 982	(2 304)	**20 678**
Finance leases	–	4 865	4 865	(804)	**4 061**
Tax losses	–	–	–	32 716	**32 716**
	(91 985)	(357 247)	(449 232)	68 052	**(381 180)**

In 2009, tax losses in the group of R116,8 million were recognised as a deferred tax asset as management consider it probable, based on budgets for the year ahead, that future taxable profits will be available against which the tax losses can be utilised.

		GROUP		COMPANY	
		2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
12.	**Financial liability**				
	Interest rate swap	**8 568**	11 466	**–**	–
	The nominal amount of the interest rate swap is R125 million. The instrument ensures that the interest rate, before the margin and the bank costs, on the R125 million nominal amount, which is part of the ABSA loan, is fixed at 10,61% (31 December 2008: 10,61%). Refer note 9.2.				
	Refer to note 20.2 for details regarding liquidity risk.				
13.	**Trade and other payables**				
	Trade payables	**163 490**	166 936	**503**	789
	Employee benefit accruals	**46 896**	57 252	**3 295**	16 369
	Income received in advance	**5 548**	96 044	**–**	–
	Other payables	**51 504**	11 132	**743**	21
	The Venture	**11 297**	–	**–**	–
		278 735	331 364	**4 541**	17 179

Trade payables are non-interest bearing and are normally settled on 30 to 45 day terms. Other payables are non-interest bearing and are normally settled on 30 day terms. Income received in advance is interest bearing, at US$ LIBOR.

An accrual is recognised for the employee's liability for annual leave and associated costs. The accrual for compensated absences is recognised when the employee renders the service and the accrual is updated on a monthly basis. Employee benefits include an accrual for bonuses in terms of the group's bonus scheme.

The group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 20.

		GROUP		COMPANY	
		2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
14.	**Revenue**				
	Revenue from mining and smelting operations	**1 839 169**	2 781 304	**–**	–
	Management fee	**–**	–	**17 807**	51 115

	GROUP		COMPANY	
	2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
15. Results from operating activities				
The following items have been taken into account in arriving at results from operating activities:				
Reversal of impairment	**–**	–	**–**	290 945
Profit on disposal of property, plant and equipment	**5302**	47	**–**	47
Auditors' remuneration	**(2 518)**	(1 236)	**(1 469)**	(624)
The company	**(1 469)**	(624)	**(1 469)**	(624)
– Audit fees	**(1 131)***	(574)**	**(1 131)***	(574)
– Other services	**(338)**	(50)	**(338)**	(50)
The Venture	**(1 049)**	(612)	**–**	–
– Audit fees – current year	**(722)**	(612)	**–**	–
– Other services	**(327)**	–	**–**	–
** R877 000 relates to the 2008 financial year and R254 000 relates to the 2009 financial year*				
*** relates to the 2007 financial year*				
Consulting fees	**(9 267)**	(8 855)	**(711)**	(698)
The company	**(711)**	(698)	**(711)**	(698)
The Venture	**(8 556)**	(8 157)	**–**	–
Write-down of inventory to net realisable value	**–**	(29 910)	**–**	–
Increase in provision for closure and restoration	**(8 710)**	(4 569)	**–**	–
Operating lease expenses	**(4 237)**	(6 174)	**(844)**	(622)
The company	**(844)**	(622)	**(844)**	(622)
– Office equipment	**(144)**	(77)	**(144)**	(77)
– Buildings	**(700)**	(545)	**(700)**	(545)
The Venture	**(3 393)**	(5 552)	**–**	–
– Office equipment	**(637)**	(756)	**–**	–
– Buildings	**(2 756)**	(4 796)	**–**	–
Personnel expenses	**(370 723)**	(344 556)	**(15 614)**	(27 843)
– Salaries and wages	**(301 771)**	(279 748)	**(7 556)**	(18 513)
– Defined contribution expense – provident fund	**(24 275)**	(24 875)	**(1 636)**	(1 689)
– Defined contribution expense – medical aid	**(17 862)**	(19 143)	**(267)**	(227)
– Equity-settled share-based payment expense	**(6 523)**	(7 593)	**(6 523)**	(7 593)
– (Increase)/decrease in accrual for leave pay and bonuses	**(20 292)**	(13 197)	**368**	179

The provident fund is governed by the Pension Funds Act and is a defined contribution benefit plan. There is no commitment of the group to meet unfunded benefits. The proportion of the group's employees covered by the plan is as follows:

	% of employees covered by the plan	
	2009	2008
Merafe Resources Limited	**100**	100
The Venture	**100**	100

		GROUP		COMPANY	
		2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
16.	**Net finance (expense)/income recognised in profit and loss**				
	Finance expense	**(39 568)**	(67 045)	**(1)**	(1)
	Finance expense on financial liabilities measured at amortised cost	**(39 568)**	(55 579)	**(1)**	(1)
	Dividends on redeemable preference shares	**–**	(8 681)	**–**	–
	Interest on loans and borrowings	**(39 359)**	(46 897)	**–**	–
	Finance expense on bank overdraft	**(209)**	(1)	**(1)**	(1)
	Fair value adjustment on interest rate swap	**–**	(11 466)	**–**	–
	Finance income	**27 593**	3 062	**22 696**	2 499
	Interest income on bank deposits	**15 925**	3 056	**15 506**	2 499
	Dividend income on other deposits	**8 770**	–	**7 190**	–
	Interest income on other deposits	**–**	6	**–**	–
	Fair value adjustment on interest rate swap	**2 898**	–	**–**	–
	Net finance (expense)/income	**(11 975)**	(63 983)	**22 695**	2 498
	Net finance (expense)/income per financial instrument category				
	Loans and receivables	**24 486**	3 061	**22 695**	2 498
	Interest income on bank deposits	**15 925**	3 056	**15 506**	2 499
	Dividend income on other deposits	**8 770**	–	**7 190**	–
	Interest income on other deposits	**–**	6	**–**	–
	Finance expense on bank overdraft	**(209)**	(1)	**(1)**	(1)
	Financial liabilities measured at amortised cost	**(39 359)**	(55 578)	**–**	–
	Dividends on redeemable preference shares	**–**	(8 681)	**–**	–
	Interest expense on borrowings	**(39 359)**	(46 897)	**–**	–
	Financial liabilities at fair value through profit and loss	**2 898**	(11 466)	**–**	–
	Fair value adjustment on interest rate swap	**2 898**	(11 466)	**–**	–
		(11 975)	(63 983)	**22 695**	2 498

		GROUP		COMPANY	
		2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
17.	**Income tax income/(expense)**				
	Normal taxation	**66 150**	(441 463)	**(795)**	(3 144)
	Current tax	**(1 902)**	(84 216)	**(1 883)**	(6 508)
	– current year	**(19)**	(84 216)	**–**	(6 508)
	– prior year underprovision	**(1 883)**		**(1 883)**	–
	Deferred tax	**68 052**	(357 247)	**1 088**	3 364
	Deferred taxation – current charge	**68 052**	(360 419)	**1 088**	3 364
	Reduction in rate	**–**	3 172	**–**	–
	Secondary tax on companies (STC)	**–**	(868)	**–**	–
	Total taxation	**66 150**	(442 331)	**(795)**	(3 144)
	The total estimated unredeemed capital expenditure in the group is R252 million (31 December 2008: R52 million).				
	The company has unutilised STC credits of R719 000 (31 December 2008: Rnil).				
	(Loss)/profit before income tax	**(218 475)**	1 470 022	**668**	290 945
		%	%	**%**	%
	Taxation on (loss)/profit before taxation at standard rate	**(28,0)**	**28,0**	**28,0**	**28,0**
	Taxation effect of non-deductible expenditure	**3,6**	0,9	**295,0**	0,8
	Taxation effect of non-taxable income	**(6,8)**	–	**(485,6)**	(28,0)
	Taxation effect of assessed losses and unredeemed capital expenditure utilised	**–**	(25,0)	**–**	–
	Reduction in tax rate	**–**	(0,2)	**–**	–
	Taxation effect of temporary differences	**–**	26,3	**–**	0,3
	Prior year underprovision	**0,9**	–	**281,8**	–
	Secondary taxation on companies	**–**	0,1	**–**	–
	Effective tax rate	**(30,3)**	30,1	**119,2**	1,1

		2009 cents	2008 cents
18.	**(Loss)/earnings per share**		
18.1	**Basic (loss)/earnings per share**	**(6)**	42

The calculation of basic (loss)/earnings per share is based on loss attributable to ordinary shareholders of R152 325 000 for the year ended 31 December 2009, profit attributable to ordinary shareholders of R1 027 691 771 for the year ended 31 December 2008, and a weighted average number of ordinary shares outstanding during the year of 2 459 258 860 (31 December 2008: 2 456 110 621).

18. (Loss)/earnings per share (continued)

18.1 Basic (loss)/earnings per share (continued)

	Number of shares	
	2009	2008
Calculation of weighted average number of shares		
Issued ordinary shares at 1 January	**2 459 258 860**	2 449 397 232
Effect of share options exercised	**–**	6 713 389
Weighted average number of shares at 31 December	**2 459 258 860**	2 456 110 621

	2009 cents	2008 cents
18.2 Headline (loss)/earnings per share	**(6)**	42

The calculation of headline (loss)/earnings per share is based on loss attributable to ordinary shareholders of R157 627 000 for the year ended 31 December 2009, profit attributable to ordinary shareholders of R1 027 644 810 for the year ended 31 December 2008 and a weighted average number of shares outstanding during the year of 2 459 258 860 (31 December 2008: 2 456 110 621).

	2009 R	2008 R
Headline (loss)/earnings is calculated as follows:		
Total comprehensive (loss)/income for the year	**(152 325 000)**	1 027 691 771
Profit on disposal of property, plant and equipment	**(5 302 000)**	(46 961)
Headline (loss)/earnings	**(157 627 000)**	1 027 644 810

The tax effect of disposal of property, plant and equipment is R nil (31 December 2008: R37 487).

	2009 cents	2008 cents
18.3 Diluted (loss)/earnings per share	**(6)**	41

The calculation of diluted (loss)/earnings per share is based on loss attributable to ordinary shareholders of R152 325 000 for the year ended 31 December 2009, profit attributable to ordinary shareholders of R1 027 691 771 for the year ended 31 December 2008 and a weighted average number of shares outstanding during the year of 2 482 014 143 (31 December 2008: 2 492 203 126).

	Number of shares	
	2009	2008
Calculation of weighted average number of shares		
Weighted average number of ordinary shares used in calculating diluted (loss)/earnings per share	**2 459 258 860**	2 456 110 621
Deemed issue of ordinary shares in respect of share options	**22 755 283**	36 092 505
Weighted average number of ordinary shares used in calculating diluted (loss)/earnings per share	**2 482 014 143**	2 492 203 126

	2009 cents	2008 cents
18.4 Diluted headline (loss)/earnings per share	**(6)**	41

The calculation of diluted headline (loss)/earnings per share is based on loss attributable to ordinary shareholders of R157 627 000 for the year ended 31 December 2009, profit attributable to ordinary shareholders of R1 027 644 810 for the year ended 31 December 2008 and a weighted average number of shares outstanding during the year of 2 482 014 143 (31 December 2008: 2 492 203 126).

		GROUP		COMPANY	
		2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
19.	**Cash generated from operating activities**				
	(Loss)/profit before income tax	**(218 475)**	1 470 022	**668**	290 945
	Adjustments for:				
	Depreciation of property, plant and equipment	**106 189**	77 918	**222**	253
	Write-down of inventory to net realisable value	**–**	29 910	**–**	–
	Finance income	**(27 593)**	(3 062)	**(22 696)**	(2 499)
	Finance expense	**39 568**	55 579	**1**	1
	Equity-settled share-based payment expense	**6 523**	7 593	**6 523**	7 593
	Reversal of impairment	**–**	–	**–**	(290 945)
	Provision for closure and restoration	**7 617**	4 569	**–**	–
	Profit on disposal of plant and equipment	**–**	(47)	**–**	(47)
	Fair value adjustment on interest rate swap	**(2 898)**	11 466	**–**	–
	Effect of exchange rate fluctuations on cash held during the year	**58 803**	(69 952)	**–**	–
		(30 266)	1 583 996	**(15 282)**	5 301
	Change in inventories	**312 124**[a]	(600 186)	**–**	–
	Change in trade and other receivables	**52 100**[b]	(35 207)	**524**	(1 171)
	Change in trade and other payables	**(67 255)**[c]	(19 515)	**(12 638)**	14 957
	Cash generated from/(utilised in) operating activities	**266 703**	929 088	**(27 396)**	19 087

[a] *net of depreciation capitalised to stock of R2,4 million*
[b] *net of interest accrual of R0,175 million*
[c] *net of movement in loan account with the Venture of R14,3 million and net of current portion of loans and borrowings of R0,312 million.*

19.1	**Cash and cash equivalents**				
	Bank balances	**163 534**	261 390	**898**	15 537
	Call deposits	**261 206**	278 307	**143 696**	278 208
	Cash on hand	**23**	44	**2**	6
	Cash held by Xstrata*	**37 869**	–	**–**	–
	Cash and cash equivalents in statement of cash flows	**462 632***	539 741	**144 596**	293 751

** This cash balance is held by Xstrata on behalf of Merafe Ferrochrome at 31 December 2009 and relates to cash distributed by the Venture during December 2009 of US$5 125 000. The cash was subsequently banked by Merafe Ferrochrome in the post balance sheet period.*

	R'000
Cash in the Venture	*183 165*
Cash in Merafe Ferrochrome, the company and Merafe Kroondal Rehabilitation Trust	*279 467*
Total	*462 632*

R90 million of the call deposits held with Prudential Portfolio Managers Unit Trust Limited is ceded to ABSA Bank Limited as security for the R350 million loan more fully described in note 9.2.

Cash at bank earns interest at a floating rate based on daily bank deposit rates. Call deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the group, and earn interest/dividends at the respective call deposit rates.

The group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 20.

		GROUP		COMPANY	
		2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
19.	**Cash generated from operating activities (continued)**				
19.2	**Taxation paid**				
	Income tax	**(87 728)**	–	**(10 194)**	–
	Secondary tax on companies	**–**	(868)	**–**	–
	Secondary tax on companies owing at year end	**–**	168	**–**	–
	Taxation paid	**(87 728)**	(700)	**(10 194)**	–

20. Financial instruments

Principles of risk management

The group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The board has established a group Audit and Risk management committee, which is responsible for developing and monitoring the group's risk management policies. The committee reports directly to the board of directors on its activities.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. The group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The group Audit and Risk Management Committee oversees how management monitors compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group. The group Audit and Risk Management Committee is assisted in the oversight role at operations level by internal audit. Internal audit undertakes both regular and ad hoc reviews of Risk management controls and procedure, the results of which are reported to the group Audit and Risk management committee.

Whilst the recommendations are reviewed and approved by the board of directors, the group's treasury department is responsible for implementing these recommendations at the Venture level.

The overall objective of the treasury department is to effectively manage credit risk, liquidity risk and other market risks in accordance with the group's strategy. Other responsibilities of the Treasury Committee include management of the group's cash resources, approval of counter-parties and relevant transaction limits and the monitoring of all significant treasury activities undertaken by the group. The group uses both conventional financial instruments and derivative financial instruments to manage these risks.

20. Financial instruments (continued)

Principles of risk management (continued)

The treasury department prepares monthly treasury reports which monitor all significant treasury activities undertaken by the Venture. The report also benchmarks significant treasury activities and monitors key banking risks to ensure continued effectiveness.

The group's significant financial instruments comprise loans and receivables, financial liabilities measured at amortised cost and financial liabilities at fair value through profit and loss. The main purpose of these financial instruments is to finance the group's acquisitions and ongoing operations.

20.1 Credit risk

Credit risk is the risk of financial loss to the group if a customer or counter-party to a financial instrument fails to meet with its contractual obligation.

Exposure to credit risk arises as a result of transactions in the group's ordinary course of business and is applicable to all financial assets. Counter-parties are assessed both prior to, during, and after conclusion of transactions to ensure exposure to credit risk is limited to an acceptable level.

Cash and cash equivalents

The group limits its exposure to credit risk by investing only in liquid securities and only with approved banks and financial institutions. The group's cash balances are in the form of short-term deposits in both local and foreign currency.

Trade and other receivables

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the group's customer base, including the default risk of the industry and country in which the customers operate, has less of an influence on credit risk.

The group sells the majority of its ferrochrome to a broad range of international customers in terms of the Xstrata-Merafe Chrome Venture agreement. As a result, the group believes that no concentration of credit risk exists with regard to sales to these customers.

The marketing agent, Glencore, which is a related party to the Xstrata group, accepts 60% of the risk related to non-payment of credit sales of ferrochrome. In general, Glencore acts as a sales and marketing agent, on-selling purchases from the group to a wide variety of purchasers. These sales are governed by various sales, marketing and distribution agreements. As these agreements have been in place for a number of years and the group has not been exposed to significant unrecoverable amounts, the group does not believe these arrangements expose it to unacceptable credit risks.

Where concentrations of credit risk exist, management closely monitors the receivable and ensures appropriate controls are in place to ensure recovery. The group does not have netting arrangements with any debtors.

Investments

The company has a loan receivable from Merafe Chrome and Alloys (Proprietary) Limited, a wholly-owned subsidiary. The recoverability of the loan is assessed periodically.

	GROUP		COMPANY	
	2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
20. Financial instruments (continued)				
20.1 Credit risk (continued)				
Guarantees				
The group's policy is to provide financial guarantees only to wholly-owned subsidiaries.				
Exposure to credit risk				
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:				
Loans to subsidiaries	**–**	–	**1 116 336**	982 027
Trade and other receivables	**234 346**	286 271	**1 844**	2 368
Cash and cash equivalents	**462 632**	539 741	**144 596**	293 751
	696 978	826 012	**1 262 776**	1 278 146
The ageing of trade receivables at the reporting date was:				
Not past due	**212 579**	273 956	**432**	940
Past due 31 – 120 days	**21 767**	12 315	**1 412**	1 428
	234 346	286 271	**1 844**	2 368

20.2 Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations on time or at a reasonable price. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The group's treasury department is responsible for management of liquidity risk, including funding, settlements, related processes and policies. The group manages its liquidity risk on a concentrated basis, utilising various sources of finance to maintain flexibility while ensuring access to cost-effective funds when required. The operational, tax, capital and regulatory requirements and obligations of the group are considered in the management of liquidity risk. In addition, management utilises both short- and long-term cash flow forecasts and other consolidated financial information to manage liquidity risk.

The group uses activity-based costing to cost its products, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition, the group maintains the following lines of credit:

Merafe Resources Limited

- ABSA Bank Limited: R1 million credit card facilities. Interest is payable at ABSA Bank Limited's prime lending rate. At year end the prime lending rate was 10,50%.
- ABSA Bank Limited: R0,3 million guarantee facility.

20. Financial instruments (continued)

20.2 Liquidity risk (continued)

Merafe Ferrochrome and Mining (Proprietary) Limited

- ABSA Bank Limited: R15 million general banking facility and/or customer foreign currency account facility. Interest would be payable at the prime overdraft rate.
- ABSA Bank Limited: R20,2 million financial guarantee facility.
- ABSA Bank Limited: R0,5 million credit card facility. Interest on arrears is payable at prime overdraft rate plus 4,5%.
- ABSA Bank Limited: R29,4 million foreign exchange contracts.
- ABSA Bank Limited: R1,9 million foreign exchange settlements.
- ABSA Bank Limited: R350 million long-term loan. (See note 9.2 for interest rates)

The Venture

- ABSA Bank Limited: US$50 million foreign currency overdraft account. Interest charged at US$ LIBOR plus a margin of 0,25%.
- Standard Bank debtors factoring facility: US$135 million. Interest is charged at US$ LIBOR plus a margin of 1,5%. At year end US$ LIBOR was 0,2% (31 December 2008: 0,2%).

The following guarantee facilities are in place:

	ABSA R'000	Nedbank R'000	Total R'000
31 December 2009			
Facility available	**31 227**	**5 433**	**36 660**
Facility utilised	**31 227**	**5 433**	**36 660**
Eskom	**21 580**	**–**	**21 580**
DMR	**8 191**	**5 433**	**13 624**
Customs and Excise	**109**	**–**	**109**
Town Councils and Water Boards	**1 347**	**–**	**1 347**
Percentage utilised	**100%**	**100%**	**100%**
31 December 2008			
Facility available	34 178	5 433	39 612
Facility utilised	34 178	5 433	39 612
Eskom	21 605	–	21 605
DMR	10 887	5 433	16 321
Customs and Excise	314	–	314
Town Councils and Water Boards	1 372	–	1 372
Percentage utilised	100%	100%	100%

Note: All of the above guarantees are in the name of Xstrata and relate to the Venture.

20. Financial instruments (continued)

20.2 Liquidity risk (continued)

The following are the contractual maturities of financial liabilities including estimated interest payments and excluding the impact of netting arrangements.

	Year ended 31 December 2010 R'000	Year ended 31 December 2011 R'000	Year ended 31 December 2012 R'000	Year ended 31 December 2013 and onwards R'000	Total R'000
ABSA Bank Limited	31 602	31 602	381 688	–	444 892
Finance lease liabilities	2 930	2 723	2 332	29 117	37 102
Trade and other payables*	278 735	–	–	–	278 735
Interest rate swap	4 291	3 196	1 981	–	9 468
Total	317 558	37 521	386 001	29 117	770 197

** This amount will be settled between 30 and 45 days from 31 December 2009.*

20.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and ferrochrome prices, will affect the group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return. The group does not hedge its foreign currency exposure on US$ revenue, however, ferrochrome prices are fixed quarterly which provides the group with the ability to negotiate price adjustments taking into account both macro and micro ferrochrome market developments.

Currency risk

Foreign currency

In the normal course of business, the group enters into transactions denominated in foreign currencies (primarily US$). As a result, the group was subject to transaction and translation exposure from fluctuations in foreign currency exchange rates. The group does not hedge its foreign currency exposure to the ferrochrome price fluctuation risk or Rand:US$ exchange rate. The group endeavours to ensure that its US$ denominated assets equal or exceed its US$ denominated liabilities by actively managing any distributions from and to these accounts.

	31 December 2009 US$	31 December 2008 US$
Exposure to currency risk		
The group's exposure to foreign currency risk based on notional amounts was as follows:		
Trade receivables	**44 212**	28 703
CFC account	**19 382**	23 952
Cash held by Xstrata on behalf of Merafe Ferrochrome	**5 125**	–
Net exposure	**68 719**	52 655

20. Financial instruments (continued)

20.3 Market risk (continued)

Currency risk (continued)

	Average rate		Reporting date spot rate	
	2009	2008	**2009**	2008
The following exchange rates applied during the year				
Rand: United States Dollar	**8,41**	7,91	**7,39**	9,32

Sensitivity analysis

A 10 percent (strengthening)/weakening of the Rand against the US$ would have (decreased)/increased equity and profit or loss after tax by R49,1 million (2008: R50,8 million). This analysis assumes that all other variables, in particular interest rates, remain constant. This sensitivity does not represent the statement of comprehensive income impact that would be expected from a movement in foreign currency exchange rates over the course of a period of time.

Interest rate risk

The group adopts a policy of ensuring that between 40 to 60 percent of the interest rates on borrowings are on a fixed rate basis to minimise its exposure to changes in interest rates. This is achieved by fixing the interest rate with the lender, or through the use of interest rate swaps.

Profile

At the reporting date, the interest rate profile of the group's interest-bearing financial instruments was:

	2009		2008	
	Average interest rate %	**Carrying amount R'000**	Average interest rate %	Carrying amount R'000
Fixed rate instruments				
ABSA Bank Limited	**12,41**	**(125 000)**	12,41	(125 000)
Variable rate instruments				
ABSA Bank Limited	**10,75**	**(225 000)**	13,85	(225 000)
Finance leases – plant and equipment	**14,81**	**(14 505)**	14,59	(17 374)
Cash and cash equivalents				
– local currency	**8,64***	**281 549**	11,1	316 480
– foreign currency	**0,57****	**181 083**	0,86	223 261
Total variable rate instruments		**223 127**		297 367

** Cash balances in local currency receive interest as follows:*

- *The Venture: prime less 4,15%*
- *The company and Merafe Ferrochrome:*
  - *Call deposits: daily call deposit rates. At year end the call deposit rate was 6,75%*
  - *Current account balances – favourable: 1,6%*
    – unfavourable: prime
    At year end prime was 10,5%.
  - *Prudential: effective daily rates. At year end the rate was 5,7%.*

*** Cash balances in foreign currency bear interest at LIBID (London Interbank Bid Rate) less 0,05%. At year end the LIBID was 0,1881%.*

20. Financial instruments (continued)

20.3 Market risk (continued)

Fair value sensitivity analysis for fixed rate instruments

An increase in interest rates of 100 basis points at the reporting date would have decreased loss before taxation and increased equity by R3,4 million. A decrease in interest rates of 100 basis points at the reporting date would have increased loss before taxation and decreased equity by R3,5 million. This analysis assumes that all other variables remain constant.

An increase in interest rates of 100 basis points at 31 December 2008 would have increased profit before taxation and equity by R4,4 million. A decrease in interest rates of 100 basis points would have reduced profit before taxation and equity by R4,6 million. This analysis assumes that all other variables remain constant.

		GROUP		COMPANY	
		2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
20.4	**Financial instruments carrying amounts**				
	Loans and receivables	**691 072**	799 397	**1 262 615**	1 277 969
	Investments	**–**	–	**1 116 336**	982 027
	Trade and other receivables (excluding prepayments)	**228 440**	259 656	**1 683**	2 191
	Trade and other receivables (including prepayments)	**234 346**	286 271	**1 846**	2 368
	Prepayments	**(5 906)**	(26 615)	**(163)**	(177)
	Cash and cash equivalents	**462 632**	539 741	**144 596**	293 751
	Financial liabilities measured at amortised cost	**(576 291)**	(528 068)	**(2 727)**	(2 192)
	Loans and borrowings (excluding finance lease liabilities)	**(350 000)**	(350 000)	**(1 481)**	(1 382)
	Loans and borrowings (including finance lease liabilities)	**(364 514)**	(367 374)	**(1 481)**	(1 382)
	Finance lease liabilities	**14 514**	17 374	**–**	–
	Trade and other payables (excluding income received in advance and employee benefit accruals)	**(226 291)**	(178 068)	**(1 246)**	(810)
	Trade and other payables (including income received in advance and employee benefit accruals)	**(278 735)**	(331 364)	**(4 541)**	(17 179)
	Income received in advance	**5 548**	96 044	**–**	–
	Employee benefit accruals	**46 896**	57 252	**3 295**	16 369
	Financial liabilities at fair value through profit and loss	**8 568**	(11 466)	**–**	–
	Interest rate swap*	**8 568**	(11 466)	**–**	–

**This relates to level 2 hierarchy per IFRS 7: Financial Instruments Disclosures. The valuation is based on inputs, other than quoted prices, that are observable either directly or indirectly from prices.*

The carrying amount of financial assets and liabilities reflected in the statements of financial position approximate their fair values.

21. Capital management

The board's policy is to maintain a strong capital base in order to maintain investor, debt providers and the market confidence in the business.

The strong capital base should ensure that any organic or acquisitive growth in the business is sustainable and provides a cushion for the cyclical nature of a resources business.

The board has actively pursued a policy of debt reduction and its objective is to maintain its gearing level to a maximum of 25% versus equity, excluding cash balances at year end. At year end, the gearing level excluding cash balances was 16% (31 December 2008: 15%), whereas if cash balances are included, the net gearing is 0% (31 December 2008: 0%).

As the required gearing level has been achieved, the board will focus on balancing the requirement to pay dividends, whilst at the same time ensuring that there is sufficient capital in the business to see the company through the continued global economic uncertainty, to fund working capital and to fund organic growth opportunities in the business.

When analysing growth opportunities, the board seeks to obtain a minimum internal rate of return of 20%.

There were no changes to the group's approach to capital management during the year, other than the requirement to retain cash to ensure the company has sufficient working capital during the continued global economic uncertainty.

Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements with the exception of the capital requirements imposed by ABSA Capital (refer note 9.2).

22. Related parties

Identity of related party	Relationship	Transactions and balances
The Venture	In July 2004, Xstrata and Merafe Ferrochrome and Mining (Proprietary) Limited pooled and shared ferrochrome assets to form the Xstrata-Merafe Chrome Venture.	Refer note 22.2 for the amounts that are included in the consolidated financial statements of the group.
Merafe Ferrochrome and Mining (Proprietary) Limited	Merafe Ferrochrome and Mining (Proprietary) Limited is a wholly-owned subsidiary of Merafe Chrome and Alloys (Proprietary) Limited.	Merafe Resources Limited charges Merafe Ferrochrome and Mining (Proprietary) Limited, a management fee for strategically managing the pooling and sharing venture.
Merafe Chrome and Alloys (Proprietary) Limited	Merafe Chrome and Alloys (Proprietary) Limited is a wholly-owned subsidiary of Merafe Resources Limited.	A loan account is recognised with Merafe Resources Limited and Merafe Ferrochrome and Mining (Proprietary) Limited.
Merafe Coal (Proprietary) Limited	Merafe Coal (Proprietary) Limited is a joint venture that was entered into between Sentula Mining Limited and Merafe Resources Limited. Merafe Resources Limited owns 50% of the issued share capital of Merafe Coal (Proprietary) Limited. Merafe Coal (Proprietary) Limited is equity accounted in the financial statements of the group.	Merafe Coal (Proprietary) Limited has not traded since incorporation. R4 million of expenses relating to the Schoongezicht and Bankfontein coal deposits are accrued for in Merafe Coal (Proprietary) Limited.
Southwits Mining Company (Proprietary) Limited	Wholly-owned subsidiary of Merafe Resources Limited.	No transactions occurred during the year.
Horizon Nature Conservation Trust	The Trust, which was registered on 15 July 1998, was established to provide funds for the rehabilitation of land involved in any prospecting or mining operations of Merafe Ferrochrome and Mining (Proprietary) Limited's Horizon mine and to discharge any liability which might arise in terms of the Atmospheric Pollution Prevention Act of 1965, the Environment Conservation Act No 73 of 1989, the Minerals Act No 50 of 1991, the Water Act No 54 of 1956 and any such other legislation as may be enacted in the future.	No transactions occurred during the year.

22. Related parties (continued)

Identity of related party	Relationship	Transactions and balances
Merafe Kroondal Rehabilitation Trust	The Trust, which was registered on 31 May 2006, was established to provide funds for the rehabilitation of land involved in any prospecting or mining operations of Merafe Resources Limited's share of the Kroondal mine and to discharge any liability which might arise in terms of the Atmospheric Pollution Prevention Act of 1965, the Environment Conservation Act No 73 of 1989, the Minerals Act No 50 of 1991, the Water Act No 54 of 1956 and any such other legislation as may be enacted in the future. The environmental obligations and corresponding liability remains the sole responsibility of the Venture.	No transactions occurred during the year.
Merafe Resources Share Incentive Scheme Trust	The Trust was established for the purpose of implementing the company's share incentive scheme. The trust operates and administers any share options which the company may grant to participants.	No transactions occurred during the year.
Industrial Development Corporation of South Africa Limited ("IDC")	The IDC holds 22,2% of the issued share capital of Merafe Resources Limited and has the ability to exercise significant influence over Merafe Resources Limited as a result of their shareholding.	The IDC received the non-executive directors' fees for T Ramantsi and M Mamathuba as disclosed in note 22.1.
Royal Bafokeng Resources Holdings (Proprietary) Limited ("RBR")	RBR holds 29,3% of the issued share capital of Merafe Resources Limited and has the ability to exercise significant influence over Merafe Resources Limited as a result of their shareholding.	No transactions occurred during the year.
C Molefe, M Mthenjane, M Mamathuba, J Matlala, L Mogotsi *, T Ramantsi, C Fauconnier, BN Majova	Non-executive directors of Merafe Resources Limited.	Refer to note 22.1.
S Phiri, SP Elliot, B McBride, Z van der Walt**	Executive directors of Merafe Resources Limited.	Refer to note 22.1.

** Resigned 28 February 2008*

*** Retired 28 February 2008*

22. Related parties (continued)

22.1 Transactions with directors

Directors of the company and their immediate families control 0,72% (31 December 2008: 0,69%) of the voting shares of the company. In addition to their salaries, the company also contributes to a provident fund (defined contribution plan) and medical aid fund on their behalf. Executive directors also participate in the company's share option scheme (refer note 8).

	COMPANY	
	2009 R'000	2008 R'000
Directors' fees		
Non-executive directors		
C Molefe	**(212)**	(229)
M Mthenjane	**(115)**	(137)
M Mamathuba	**(65)**	(104)
BN Majova	**(129)**	–
J Matlala	**(134)**	(196)
T Ramantsi	**(78)**	(91)
C Fauconnier	**(165)**	(96)
	(898)	(853)
Directors' remuneration		
Executive directors		
S Phiri		
Salary	**(2 354)***	(2 299)
Bonus	**(6 894)****	(1 962)
Fringe benefits	**(182)**	(144)
Provident fund contributions	**(353)**	(340)
	(9 783)	(4 745)
Cost of share options exercised		(1 890)
Proceeds on disposal of share options exercised		(12 540)
SP Elliot		
Salary	**(2 208)***	(2 156)
Bonus	**(6 625)****	(1 836)
Fringe benefits	**(147)**	(145)
Provident fund contributions	**(331)**	(318)
	(9 311)	(4 455)
B McBride		
Salary	**(2 153)***	(2 103)
Bonus	**(4 205)****	(1 789)
Fringe benefits	**(244)**	(169)
Provident fund contributions	**(323)**	(311)
	(6 925)	(4 372)
Z van der Walt***		
Salary	**–**	(691)
Bonus	**–**	(1 222)
Fringe benefits	**–**	(35)
	–	(1 948)

** Directors' salaries are reviewed on 1 March each year – the directors' salaries were not increased on 1 March 2009.*
*** This relates to the bonus for the 2008 financial year of which 75% was paid in March 2009 and 25% was paid in December 2009. No bonuses will be paid to directors for the 2009 financial year.*
**** Retired 28 February 2008*

Note: Fringe benefits include a defined contribution expense in respect of medical aid.

22. Related parties (continued)

22.1 Transactions with directors (continued)

There are no fixed term director service contracts and there are no director service contracts with provisions for predetermined compensation on termination of the contracts in excess of one year's salary and benefits.

22.2 Transactions with the Xstrata-Merafe Chrome Venture

The Venture resulted in Xstrata and Merafe Ferrochrome pooling and sharing their ferrochrome assets. While Merafe Ferrochrome's assets form part of the Venture, Merafe Ferrochrome retains ownership of its assets and is closely involved in the Venture's operations through the Chrome Executive Committee, joint board and sub-committees (Treasury, Audit and Risk, Transformation and Health and Safety) formed to oversee the combined operation of both companies. The group receives 20,5% of the Venture's working capital and earnings before interest, tax, depreciation and amortisation ("EBITDA").

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

	Year ended 31 December 2009 R'000	Year ended 31 December 2008 R'000
Inventories	**754 379**	1 066 505
Trade and other receivables	**225 050**	248 625*
Bank and cash	**183 165**	241 597
Finance leases	**(14 514)**	(17 374)
Provisions	**(37 347)**	(29 730)
Trade and other payables	**(267 763)****	(311 734)
Net assets	**842 970**	1 197 889
Revenue	**1 839 169**	2 781 304
Foreign exchange (losses)/gains	**(81 753)**	131 487
Operating expenses: the Venture	**(1 817 453)**	(1 240 573)
(Losses)/earnings before interest taxation depreciation and amortisation	**(60 037)**	1 672 218

** Included in trade and other receivables in 2008 is a loan account with the Venture of R3 017 361*

*** Included in trade and other payables in 2009 is a loan account with the Venture of R11 297 000*

23. Contingencies

To the best of our knowledge and belief there are no contingent liabilities to third parties and/or contingent assets which may materially affect the financial position of the group.

	GROUP		COMPANY	
	2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
24. Operating leases				
Non-cancellable operating lease rentals are payable as follows:				
Less than one year	**(1 226)**	(992)	**(727)**	(258)
Between one and five years	**(1 736)**	(1 212)	**(1 068)**	(198)
Greater than five years	**(6 527)**	(6 724)	**–**	–
	(9 489)	(8 928)	**(1 795)**	(456)

The group leases various items of office equipment, mine properties and buildings. The lease payments escalate between 7% to 10% per annum for both the prior and current year.

25. Post-balance sheet date events

Merafe Resources Limited announced in the post-balance sheet period that the company and Sentula Mining Limited ("Sentula") have agreed to terminate the 50:50 joint venture called Merafe Coal (Proprietary) Limited. Sentula will be continuing to pursue the development projects contributed to the joint venture. In terms of the agreement, Sentula will fund all historic, present and future costs associated with the projects.

The Venture has signed a contract with Lonmin for the construction of a Chrome Recovery Plant ("CRP") to treat the current tailings from UG2 concentrators at Lonmin's Marikana operations. The Venture will construct, own and operate the CRP and purchase the chromite concentrate produced from the CRP, which is expected to be in full production in 2011. The duration of the contract is based on total volume treated, rather than a fixed time period, and the Venture is expected to treat approximately 1.5 million tonnes of chromite concentrate contained in the tailings feed per annum.

In addition, the board has decided to repay R50 million of the long-term debt on 31 March 2010.

No other material fact or circumstance has occurred after the balance sheet date, being 31 December 2009 and the date of this report.

	GROUP		COMPANY	
	2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
26. Capital commitments				
The group's capital commitments at year end were:				
– contracted for but not provided for	**33 980**	47 145	**–**	–
– authorised but not contracted for	**234 122***	230 630	**–**	–
	268 102	277 775	**–**	–

All capital commitments relate to property, plant and equipment.

** R52 million of the total R234 million is forecasted to be spent in the following financial year*

27. Dividends per share

At the board meeting on 26 February 2010, a final dividend of 2 cents per share amounting to R49.185 million was approved. The Secondary Tax on Companies (STC) on the dividend will amount to R4.919 million, before taking the deferred tax asset into account. A deferred tax asset has not been recognised on unutilised STC credits at 31 December 2009.

These financial statements do not reflect this dividend and related STC payable. The dividend will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2010.

28. Changes to comparative disclosure notes

During the current financial year, management performed a detailed exercise in order to provide more useful, relevant and comparable information to the users of the financial statements. There is no net impact to the profit and total comprehensive income for the 2008 year and no net impact to each of the separate line items as reported in statements of consolidated and separate financial position for the 2008 year. The 2008 comparatives have been adjusted to provide more consistent information.

SHAREHOLDER INFORMATION

Analysis of ordinary shareholders as at 31 December 2009

	Number of shareholders	% of all shareholders	Number of shares held	% of shares issued
Analysis of shareholdings				
Range				
1 – 1 000	1 322	11,37	804 750	0,03
1 001 – 5 000	3 054	26,26	9 470 652	0,39
5 001 – 10 000	2 133	18,34	17 725 075	0,72
10 001 – 100 000	4 319	37,13	148 855 462	6,05
100 001 – 1 000 000	682	5,86	183 894 427	7,48
1 000 001 and more	121	1,04	2 098 508 494	85,33
Totals	**11 631**	**100,00**	**2 459 258 860**	**100,00**
Distribution of shareholders				
Category				
Diluted funds	47	0,40	155 106 731	6,30
Pension funds	20	0,17	26 669 075	1,08
Private companies	212	1,82	777 517 928	31,62
Individuals	10 348	88,97	421 471 335	17,14
Close corporations	195	1,68	12 210 581	0,50
Other corporations	595	5,12	641 058 085	26,07
Nominees and other institutions	178	1,53	182 785 798	7,43
Banks	36	0,31	242 439 327	9,86
Totals	**11 631**	**100,00**	**2 459 258 860**	**100,00**
Shareholders holding 5% or more of shares in issue				
Name				
Royal Bafokeng Resources Holdings (Pty) Limited			720 163 887	29,28
Industrial Development Corporation			546 830 100	22,24
JP Morgan Asset Management (UK) Limited			181 375 000	7,37
Totals			**1 448 368 987**	**58,89**
Shareholder spread				
Public	11 620	99,89	993 755 501	40,42
Non-public	11	0,11	1 465 503 359	59,58
Directors (directly held)	5	0,05	10 354 615	0,42
Associates	3	0,03	6 779 757	0,27
Royal Bafokeng Resources Holdings (Pty) Limited	1	0,01	720 163 887	29,28
Industrial Development Corporation	1	0,01	546 830 100	22,24
JP Morgan Asset Management (UK) Limited	1	0,01	181 375 000	7,37
Totals	**11 631**	**100,00**	**2 459 258 860**	**100,00**

JSE LIMITED SHARE STATISTICS

as at 31 December 2009

Share statistics

Share price (cents)	
High	170
Low	55
Closing price as at 31 December 2009	140
Shares traded	
Volume of shares traded	1 301 189 485
Value of shares	R1 529.87 million
Volume traded as a percentage of weighted average shares in issue	53%
Market capitalisation	
As at 31 December 2009	R3 443 million
Shares in issue as at 31 December 2009	2 459 258 860

SHAREHOLDERS' DIARY

Meetings
Annual general meeting for the 2010 financial year to be held on Tuesday 13 April 2010.

Reports
Interim reports for the six months to 30 June 2010 to be released on or about 3 August 2010.
Annual results for the 12 months to 31 December 2010 to be released in March 2011.
Annual report for the 12 months to 31 December 2010 to be published in March 2011.

GLOSSARY OF TERMS

for the year ended 31 December 2009

ABET	Adult Basic Education and Training. ABET assists adult learners to become functionally literate and numerate
AfA	Aid for AIDS is the independent organisation undertaking the VCT programme and providing ongoing medical support for the Venture's employees affected by HIV/AIDS
AIDS	Acquired Immune Deficiency Syndrome
AISI	American Iron and Steel Institute
ASGISA	Accelerated and Shared Growth initiative for South Africa
BBBEE	Broad-Based Black Economic Empowerment - a form of Black economic empowerment initiated by the South African government with the goal of distributing wealth across as a broad a spectrum of South African society as possible
BBS	Behaviour Based Safety, which focuses on what people do, analyses why they do it and then applies a research supported intervention strategy to improve what people do
BBSEE Charter	Broad-Based Socio-Economic Empowerment Charter for the mining industry refers to a Mining Charter strategy aimed at redressing the results of past or present discrimination in the minerals and petroleum industries
BEE	Black Economic Empowerment is a South African government policy aimed at increasing the participation of black people in the ownership, management and control of business
dti Codes of Good Practice	The dti Codes of Good Practice are to be applied in the development, evaluation and monitoring of BEE charters, initiatives, transactions and other implementation mechanisms
Biodiversity	An abbreviation of biological diversity, which means the full range of variety and variability within and among living organisms and the ecological complexes in which they occur and encompasses ecosystem or community diversity, species diversity and genetic diversity
Biodiversity offset	Setting aside of an area to compensate for the disturbance of biodiversity
Carbon intensity	Carbon intensity is calculated as tonnes of carbon dioxide equivalent (CO2-e) emissions per tonne of product
CBS	Competency Based Safety
CDP	Carbon Disclosure Project
Closure plan	A formal document detailing a costed conceptual outline of how the operation will be closed, taking into account prevailing social and environmental issues
CO_2	Carbon Dioxide
CO_2-e	Carbon Dioxide Equivalents
Company	Merafe Resources Limited
COP	Codes of Practice
CSI	Corporate Social Involvement. CSI is based on the concept that organisations have a responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholders, as well as the environment. This obligation extends beyond the statutory obligation to comply with legislation and sees organisations voluntarily taking further steps to improve the quality of life for employees and their families as well as for the local community and society at large
DEAT	Department of Environmental Affairs and Tourism
Disabling injuries	Calculated as lost time injuries plus restricted work injuries (LTI + RWI)
DISR	Disabling Injury Severity Rate. The number of disabling injuries per million hours worked
DMR	Department of Mineral Resources
EBITDA	Earnings before interest, tax, depreciation and amortisation

GLOSSARY OF TERMS CONTINUED

ED	Enterprise Development
EE	Employment Equity
EMPR	Environmental Management Programme Report (the South African equivalent of an Environmental Impact Study)
EMS	Environmental Management System
Environmental Incident Categories	Category 1: Negligible – An incident that has caused negligible, reversible environmental impact, requiring very minor or no remediation
	Category 2: Minor – An incident that has caused minor, reversible environmental impact, requiring minor remediation
	Category 3: Significant – An incident that has caused moderate, reversible environmental impact, with medium-term effect, requiring major remediation
	Category 4: Serious – An incident that has caused serious environmental impact, with medium-term effect, requiring significant remediation
	Category 5: Disastrous – An incident that has caused disastrous environmental impact, with long-term effect, requiring major remediation
EPS	Earnings Per Share
ERM	Environmental Resources Management
FAPA	Ferro Alloys Producers Association
Fatality	A death resulting from an occupational injury or illness and identified within the reporting period
FeCr	Ferrochrome
FIFR	Fatal Injury Frequency Rate. The number of fatalities per million hours worked
Fresh water intensity	Raw ground and surface water use per tonne of product
GHGs	Greenhouse Gases, (GHGs) are the gases present in Earth's atmosphere which reduce the loss of heat into space and contribute to global temperatures through the greenhouse effect. On Earth, the most abundant greenhouse gases are, in order of relative abundance: water vapour, carbon dioxide, methane, nitrous oxide, ozone and chlorofluorocarbons
GJ	Gigajoules (1 GJ = 1,000,000,000 joules)
Global Compact	The UN Global Compact is a voluntary corporate responsibility initiative to advance ten universal principles in the areas of human rights, labour, the environmental and anti-corruption.
GRI	Global Reporting Initiative. The GRI is a multi stakeholder international process whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines to assist corporations in reporting on the economic, environmental and social performance of their operation
Group	Merafe Resources Limited and all other group entities including: Merafe Ferrochrome and Mining (Pty) Limited, Merafe Chrome and Alloys (Pty) Limited Southwits Mining Company (Pty) Limited, Horizon Nature Conservation Trust, Kroondal Rehabilitation Trust, Merafe Resources Limited Share Incentive Scheme Trust, Merafe Coal (Pty) Limited
Ha	Hectares (1 ha = 10,000 square metres)
HDSA	Historically Disadvantaged South African
HIRA	Hazard Identification and Risk Assessment
HIV	Human Immunodeficiency Virus
Hours worked	Total number of hours worked by employees, including overtime and training, excluding leave, sickness and other absences, including the total number of contractor hours worked on site during the year
HSEC	Health, Safety, Environment and Community

GLOSSARY OF TERMS CONTINUED

ICDA	International Chromium Development Association
ICMM	International Council of Metals and Mining
IDC	Industrial Development Corporation
IAS	International Auditing Standards
IFRS	International Financial Reporting Standards
IISI	International Iron and Steel Institute
ISSF	International Stainless Steel Forum
ILO	International Labour Organisation
ISO	Organisation for Standardisation
ISO 14001	The ISOs for environmental management systems
ISO 9001	The ISOs standard for quality management systems
IUCN	International Union for the Conservation of Nature and Natural Resources, also known as the World Conservation Union
JIPSA	Joint Initiative on Priority Skills Acquisition. JIPSA is an initiative started to support ASGISA. Its objective is to identify urgent skills needs and quick and effective solutions. JIPSA seeks to equip people with skills so that they can participate in accelerated growth
JSE Limited Listings Requirements	What the JSE Limited requires of listed companies
JSE SRI Index	JSE Limited Socially Responsible Investment Index
JV	Joint Venture
kW	A kW (kilowatt) is a measure of the rate of energy use or production. 1kW = 1000 Watts
Kl	Kilolitres are a metric unit of volume or capacity equal to 1000 litres
Ktpa	Kilotonnes per annum
Land disturbed	Land disturbed by operational activities
Land rehabilitated	Land disturbed by operational activities and then reshaped and revegetated. It is generally accepted that after mining, land must be returned to a land capability equivalent to its pre-mining state
LCI	Life Cycle Inventory is a stage of a Life Cycle Assessment. This stage involves an analysis of extractions and emissions, the energy and raw materials used, and emissions to the atmosphere, water and land
LED	Local Economic Development. The purpose of LED is to build the economic competitiveness of a local area to improve its economic future and the quality of life for all. It is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation
LPG	Liquid Petroleum Gas
LTI	Lost Time Injury. An LTI is an occupational injury or illness that results in days away from work on any rostered shift subsequent to the day on which the injury occurred. A fatality is also recorded as an LTI
LTIFR	Lost Time Injury Frequency Rate. The number of LTIs per million hours worked. (=(LTI/hrs worked) x 1,000,000) = LTIS/(Hours worked/1,000,000)
M^3	Cubic Metres
Materiality	Materiality in reporting means disclosing all information of significant concern to stakeholders for assessing economic, environmental and social performance
Merafe	Merafe Ferrochrome and the Company

GLOSSARY OF TERMS CONTINUED

Merafe Coal	Merafe Coal (Pty) Limited
Merafe Ferrochrome	Merafe Ferrochrome and Mining (Pty) Limited
MHMP	Major Hazard Management Plan
MHSC	Mine Health and Safety Council
Mining Charter	The policy objective stated in the South African Mineral and Petroleum Resources Development Act, which is to expand opportunities for historically disadvantaged South Africans to enter the mining and minerals industry or benefit from the exploitation of the nation's mineral resources
Ml	Megalitre (1Ml = 1,000,000 litres or 1,000 kilolitres)
MPRDA	South African Minerals and Petroleum Resources Development Act 2004. The MPRDA governs the transfer of mining rights and granting of mining authorisations
MQA	Mining Qualifications Authority
Mt	Megatonnes (1 Mt = 1,000,000 tonnes)
MTI	Medical Treatment Injuries. An MTI is an occupational injury/illness which is not classified as an LTI or RWI, but which results in loss of consciousness or medical treatment after first aid
NAPCOF	North West Province Air Pollution Control Forum
NGO	Non-Governmental Organisation
NIHL	Noise Induced Hearing Loss
NOx	Oxides of nitrogen (nitric oxide and nitrogen dioxide)
Occupational illness	An occupational illness is registered when it is confirmed as a work-related compensable case by a medical practitioner/physician
OHSAS	Occupational Health and Safety Assessment Specification. OHSAS 18000 is an international occupational health and safety management system specification
PEPFAR	President's Emergency Plan for AIDS Relief – America's Initiative formed to combat the global HIV/AIDS epidemic
pH	A measure of the acidity levels of a solution. a low pH = Acid. A high pH = Base
Potable water	Water of a suitable quality for human consumption
PPE	Personal Protective Equipment
PPP	Public-Private Partnership
PPPFA	Preferential Procurement Policy Framework Act 2000. The purpose of this Act is to enhance the participation of historically disadvantaged individuals (HDIs) and the small, medium and micro enterprises (SMMEs) in the public sector procurement system
Premus technology	This is proprietary technology for the production of ferrochrome, developed and patented by Xstrata Alloys. Premus technology has significant cost and environmental benefits compared to existing technology
Raw water	Raw water consists of untreated water extracted from groundwater, dams or rivers. Groundwater is extracted from wells, boreholes, cut off trenches and mine dewatering both on and off site. Surface water is defined as water from streams, lakes and dams including storm water and collected runoff
REACH	Registration, Education and Authorisation of Chemicals
Recycled water	Recycled/re-used water is water that has been used at least once in a process within the operation or at another operation within the organisation that would otherwise be part of a waste stream, and if not re-used, would require the input of raw water
Red List	IUCN Red List of Threatened Species
RWI	Restricted Work Injury

GLOSSARY OF TERMS CONTINUED

ROM	Run of Mine
Royal Bafokeng Resources	Royal Bafokeng Resources Holdings (Pty) Limited
SABS	South African Bureau of Standards
SCADA	Supervisory Control and Data Acquisitions – a computer system monitoring and controlling a process
SETA	Sector Education Training Authority
SLP	Social and Labour Plan. The Mineral and Petroleum Resources Development Act, 2002, (Act No 28 of 2002) (MPRDA) requires the submission of the Social and Labour Plan as a pre-requisite for the granting of mining or production rights. The Social and Labour Plan requires applicants for mining and production rights to develop and implement comprehensive Human Resources Development Programmes including Employment Equity Plans, Local Economic Development Programmes and processes to save jobs and manage downscaling and/or closure
SMEs	Small and Medium-Sized Enterprises
SMMEs	Small, Medium and Micro Enterprises
SO_2	Sulphur Dioxide
SOx	Sulphur Oxide gases
SPE	Special Purpose Entity
STIs	Sexually Transmitted Infections
Tailing and tailings dams	Tailings are the waste rock remaining after the mining and on-site processing of mineral resources. Tailings are piped into engineered impoundments known as tailings dams
TARP	Trigger Action Response Plan. It is believed that major accidents are usually preceded by indications of trouble (triggers). A TARP identifies these preceding indicators and specifies appropriate action to be taken when they occur
TB	Tuberculosis – An infectious lung disease caused by exposure to airborne myco bacteria.
The Venture	The Xstrata-Merafe Chrome Venture, the parties being Xstrata and Merafe Ferrochrome
Total fresh water	Total fresh water is the sum of all water drawn into the boundaries of the reporting organisation from all sources (including surface water, ground water, rain water, and municipal water supply) for any use over the course of the reporting period
Transformation	In South Africa the term transformation describes the ongoing process to develop a sustainable, equitable society and economy in South Africa
TRI	Total Recordable Injuries. TRI is a measure that includes lost time injuries (including fatalities), restricted work injuries and medical treatment injuries
VCT	Voluntary Counselling and Testing for HIV/AIDs
Waste water discharged	This consists of total volume of effluent discharged to surface water for irrigation, third parties for treatment and/or rivers or oceans
Xstrata	Xstrata South Africa (Pty) Limited

MERAFE GLOBAL REPORTING INDEX (GRI) CONTENT INDEX 2009

GRI Indicator		Page No
	STANDARD DISCLOSURES PART I	
1	**STRATEGY AND ANALYSIS**	
1.1	Statement from the most senior decision maker about the relevance of sustainability to the organisation and its strategy.	8-9, 20-21
1.2	Description of key impacts, risks and opportunities.	4-5, 16-17, 20-21
2	**ORGANISATIONAL PROFILE**	
2.1	Name	FC, throughout
2.2	Major products and/or services.	2
2.3	Operational structure of the organisation.	2-3
2.4	Location of organisation's head office.	73
2.5	Number of countries where the organisation operates and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	3
2.6	Nature of ownership and legal form.	2
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	2-3
2.8	Scale of the reporting organisation including: • Number of employees (identify indirect employees if possible); • Net sales; • Total capitalisation broken down in terms of debt and equity; and • Quantity of products or services provided.	4-5, 42
2.9	Significant changes during the reporting period regarding size, structure, or ownership including: • The location of, or changes in operations, including facility openings, closing and expansions; and • Changes in the share capital structure and other capital formation, maintenance and alteration operations.	4-5, 8-9, 20-21
2.10	Awards received in the reporting period	22
3	**REPORT PARAMETERS**	
	Report profile	
3.1	Reporting period for information provided.	IFC
3.2	Date of most recent previous report.	IFC
3.3	Reporting cycle	IFC
3.4	Contact point for question regarding the report or its content.	IFC

MERAFE GLOBAL REPORTING INDEX (GRI) CONTENT INDEX 2009 CONTINUED

GRI Indicator		Page No
	Report scope and boundary	
3.5	Process of defining report content, including: • Determining materiality; • Prioritising topics within the report; and • Identifying stakeholders the organisation expects to use the report.	IFC, 19-20
3.6	Boundary of the report (e.g. countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	IFC, 19-20
3.7	Any specific limitations on the scope or boundary of the report.	IFC, 19-20
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organisations.	IFC, 19-20
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report. Explanation of decisions not to apply GRI principles or protocols in the preparation of the report.	IFC, 19-20
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g. mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	88-134
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report.	19-20
3.12	GRI Content index (i.e. this table)	142-151
3.13	Assurance policy and current practice with regard to external assurance.	19-20, 70-71
4	**GOVERNANCE, COMMITMENTS AND ENGAGEMENT**	
4.1	Governance structure including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	6-7, 22-30
4.2	Is Chair of the board executive or non-executive?	6-7, 10, 22-30
4.3	Organisations with a unitary board structure state the number of members of the board that are independent and/or non-executive members. Define independent and non-independent.	23
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the board of directors including the use of shareholder resolutions or other mechanisms for enabling minority shareholders to express opinions to the highest governance body and informing and consulting employees about working relationships with formal representation bodies and representation of employees on the board.	25, 32-33
4.5	Linkage between compensation for members of the board, senior managers and executives (including departure arrangements) and the organisation's performance (including social and environmental performance.	22-30
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	25-26
4.7	Process for determining the qualifications and expertise for the members of the board for guiding the organisation's strategy on economic, environmental and social topics.	22-30

MERAFE GLOBAL REPORTING INDEX (GRI) CONTENT INDEX 2009 CONTINUED

GRI Indicator		Page No
4.8	Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance and the status of implementation.	1,28
4.9	Procedures of the highest governance body for overseeing the organisations identification and management of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct and principles. Frequency with which highest governance body assesses sustainability performance.	26-27
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance.	25-26
	COMMITMENT TO EXTERNAL INITIATIVES	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation i.e.,The organisation's approach to risk management in operational planning or the development and introduction of new products).	27
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses, defining whether non-binding or obligatory.	IFC, 19 & 37
4.13	Memberships in associations (such as industry, national/international advocacy associations/organisations of governance bodies, project or committees) in which the organisation has positions in governance bodies, participates in projects or committees; provides substantive funding beyond routine membership dues, or views membership as strategic.	37-39
	STAKEHOLDER ENGAGEMENT	
4.14	List of stakeholder groups engaged by the organisation.	31-37
4.15	Basis for identification and selection of major stakeholders.	31-37
4.16	Approaches to stakeholder engagement including frequency of engagements by type and by stakeholder group.	31-37
4.17	Key topics and concerns that have been raised through stakeholder engagement and how the organisation has responded to those key topics and concerns, including through its reporting.	31-37
	STANDARD DISCLOSURES PART II: Disclosures on Management Approach (DMAs)	
DMA EC	Disclosure on Management Approach EC (Governance, Ethics and Engagement)	8-9, 12-15, 27
DMA EN	Disclosure on Management Approach EN (Environment)	52-53
DMA LA	Disclosure on Management Approach LA (The Workplace, Safety, Health, HIV/AIDS)	40, 45, 48, 50
DMA HR	Disclosure on Management Approach HR (Human Rights)	29
DMA SO	Disclosure on Management Approach SO (Community)	62-68
DMA PR	Disclosure on Management Approach PR (Product Stewardship)	61

MERAFE GLOBAL REPORTING INDEX (GRI) CONTENT INDEX 2009 CONTINUED

GRI Indicator		Page No
	ECONOMIC PERFORMANCE INDICATORS	
	Economic performance	
EC1 (Core)	Direct economic value generated and distributed including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	62, 88-92
EC2 (Core)	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	16-17, 20-21, 52-53
EC3 (Core)	Coverage of the organisation's defined benefit plan obligations.	40-44, 100-101
EC4 (Core)	Significant financial assistance received from government.	101
	Market presence	
EC5 (Additional)	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	N/A
EC6 (Core)	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation.	62-63
EC7 (Core)	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	40-42
	Indirect economic aspects	
EC8 (Core)	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement.	62-68
EC9 (Additional)	Understanding and describing significant indirect economic impacts, including the extent of impacts.	63-64
	ENVIRONMENTAL PERFORMANCE INDICATORS	
	Materials	
EN1 (Core)	Materials used by weight or volume.	53-57
EN2 (Core)	Percentage of materials used that are recycled input materials.	57
	Energy	
EN3 (Core)	Direct energy consumption by primary energy source.	53-57
EN4 (Core)	Indirect energy consumption by primary source.	53-54
EN5 (Additional)	Energy saved due to conservation and efficiency improvement.	53-54
EN6 (Additional)	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	53-54
EN7 (Additional)	Initiatives to reduce indirect energy consumption and reductions achieved.	53-57

MERAFE GLOBAL REPORTING INDEX (GRI) CONTENT INDEX 2009 CONTINUED

GRI Indicator		Page No
	Water	
EN8 (Core)	Total water withdrawal by source.	55-57
EN9 (Additional)	Water source significantly affected by withdrawal of water.	56
EN10 (Additional)	Percentage and total volume of water recycled and reused.	55
	Biodiversity	
(EN11 Core)	Location and size of land owned, leased and managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	58-60
EN12 (Core)	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	58-60
EN13 (Additional)	Habitats protected or restored.	58-60
EN14 (Additional)	Strategies, current actions, and future plans for managing impacts on biodiversity.	58-60
EN15 (Additional)	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by levels of extinction rate.	58-60
	Emissions, effluents and waste	
EN16 (Core)	Total direct and indirect greenhouse gas emissions by weight.	53-57
EN17 (Core)	Other relevant indirect greenhouse gas emissions by weight.	53-57
EN18 (Additional)	Initiatives to reduce greenhouse gas emissions and reductions achieved.	53-57
EN19 (Core)	Emissions of ozone-depleting substances by weight.	56
EN20 (Core)	NO, SO and other significant air emissions by type and weight.	56
EN21 (Core)	Total water discharge by quality and destination.	N/A
EN22 (Core)	Total weight of waste by type and disposal method.	57-88
EN23 (Core)	Total number and volume of significant spills.	57-88
EN24 (Additional)	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VII, and percentage of transported waste shipped internationally.	57-88
EN25 (Additional)	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff.	56

MERAFE GLOBAL REPORTING INDEX (GRI) CONTENT INDEX 2009 CONTINUED

GRI Indicator		Page No
	Products and services	
EN26 (Core)	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	52-61
EN27 (Core)	Percentage of products sold and their packaging materials that are reclaimed by category.	61
	Compliance	
EN28 (Core)	Monetary value of significant fines and global number of non-monetary sanctions for non-compliance with environmental laws and regulations.	58-60
	Transport	
EN29 (Additional)	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.	
EN30 (Additional)	Total environmental protection expenditures and investments by type.	60
	SOCIAL PERFORMANCE INDICATORS	
	Employment	
LA1 (Core)	Total workforce by employment type, employment contract and region.	42
LA2 (Core)	Total number and rate of employee turnover by age group, gender and region.	40
LA3 (Additional)	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	41
	Labour/management relations	
LA4 (Core)	Percentage of employees covered by collective bargaining agreements.	29-30
LA5 (Core)	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	29-30
	Occupational health and safety	
LA6 (Additional)	Percentage of total workforce represented in formal joint management – worker health and safety committees that help monitor and advise on occupational health and safety programmes.	45-46
LA7 (Core)	Rate of injury, occupational disease, lost days, and absenteeism, and number of work-related fatalities by region.	43-49
LA8 (Core)	Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members, regarding serious disease.	48-51
LA9 (Additional)	Health and safety topics covered in formal agreements with trade unions.	45-46
LA10	Average hours of training per year per employee by employee category.	43
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	43-44
LA12	Percentage of employees receiving regular performance and career development reviews.	40-44

MERAFE GLOBAL REPORTING INDEX (GRI) CONTENT INDEX 2009 CONTINUED

GRI Indicator		Page No
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	6-7, 10, 22-30, 41-42
LA14	Ratio of basic salary of men to women by employee category.	41
HIV1 (Additional)	Describe the organisation's HIV/AIDS policy (include policy statement).	48, 50
HIV2 (Additional)	Describe the overall strategy for managing the HIV/AIDS risk.	16, 50
HIV3 (Additional)	Describe extent of preparedness and contingency planning in anticipation of expected HIV/AIDS impacts.	50-51
HIV4 (Additional)	Describe how your organisation monitors its progress and reports in terms of HIV indicators 1-3.	50-51
HIV5 (Additional)	Describe how the organisation involves stakeholders in the formulation of HIV policy, strategy and implementation.	51
HIV6 (Additional)	Indicate current and projected future HIV/AIDS prevalence and incidence rates among relevant populations (e.g. workforce, service providers, communities where the workforce is resident, target consumers, direct suppliers).	50-51
HIV7 (Additional)	Report current HIV/AIDS-associated costs and losses to the organisation.	50
HIV8 (Additional)	Indicate total assumed future HIV/AIDS associated costs/losses.	50
HIV9 (Additional)	Describe the workplace and workplace-related HIV/AIDS programmes and interventions, and the extent to which they maintain a workplace environment respectful of human and legal rights.	50-51
HIV10 (Additional)	Indicate total allocated budget dedicated to HIV/AIDS programmes per annum.	50
HIV11 (Additional)	Detail the organisations' Voluntary Counselling and Testing (VCT) programme.	21, 48
HIV12 (Additional)	Describe other support and counselling programmes and measures.	21, 48, 50-51
HIV13 (Additional)	Describe the organisation's HIV/AIDS education and training programme.	21, 50-51
HIV14 (Additional)	Describe the organisation's condom and femidom distribution programme.	50
HIV15 (Additional)	Describe the organisations' general healthcare and wellness provisions for employees (and/or ex-employees) and their families, making specific mention of STD-treatment for those who are AIDS sick.	21, 8, 50-51
HIV16 (Additional)	Describe additional benefits and support for employees sick, dying or deceased from AIDS-related conditions.	50-51

MERAFE GLOBAL REPORTING INDEX (GRI) CONTENT INDEX 2009 CONTINUED

GRI Indicator		Page No
	HUMAN RIGHTS PERFORMANCE INDICATORS	
	Investment and procurement practices	
HR1 (Core)	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	29
HR2 (Core)	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	29
HR3 (Additional)	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	29
	Non-discrimination	
HR4 (Core)	Total number of incidents of discrimination and actions taken.	29
	Freedom of association and collective bargaining	
HR5 (Core)	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	29
HR6 (Core)	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.	29
	Forced and compulsory labour	
HR7 (Core)	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour.	29
	Security practices	
HR8 (Additional)	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.	29
	Indigenous rights	
HR9 (Additional)	Total number of incidents of violations involving rights of indigenous people and actions taken.	29
	SOCIETY PERFORMANCE INDICATORS	
	Community	
SO1 (Core)	Nature, scope and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting.	62-68
	Corruption	
SO2 (Core)	Percentage and total number of business units analysed for risk related to corruption.	28
SO3 (Core)	Percentage of employees trained in organisation anti-corruption policies and procedures.	28
SO4 (Core)	Actions taken in response to incidents of corruption.	28

MERAFE GLOBAL REPORTING INDEX (GRI) CONTENT INDEX 2009 CONTINUED

GRI Indicator		Page No
	Public policy	
SO5 (Core)	Public policy positions and participation in public policy development and lobbying.	28
SO6 (Additional)	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	28
	Anti-competitive behaviour	
SO7 (Additional)I	Total number of legal actions for anti-competitive behaviour, antitrust, and monopoly practices and their outcomes.	28
	Compliance	
SO8 (Core)	Monetary value of significant fine and total number of non-monetary sanctions for non-compliance with laws and regulations.	58
	PRODUCT RESPONSIBILITY	
PR1 (Core)	Life cycle stages in which health and safety impacts of products and services are assessed for improvement and percentage of significant products and services categories subject to such procedures.	61
PR2 (Additional)	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	NC
	Product and service labelling	
PR3 (Core)	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.	N/A
PR4 (Additional)	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling by type of outcomes.	61
PR5 (Additional)	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	33
	Marketing communications	
PR6 (Core)	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.	61
PR7 (Additional)	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes.	61
	Customer privacy	
PR8 (Additional)	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	N/A
PR9 (Core)	Monetary value of significant fines for non-compliance with laws/regulations concerning the provision and use of products and services.	58

MERAFE GLOBAL REPORTING INDEX (GRI) CONTENT INDEX 2009 CONTINUED

GRI Indicator		Page No
	SECTOR SUPPLEMENT FOR MINING AND METALS	
	ENVIRONMENTAL	
	Biodiversity	
MM1	Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated.	58
MM2	Number and percentage of total sites identified as requiring biodiversity plans according to stated criteria and the number (percentage) of those sites with plans in place.	58-60
	Emissions effluents and waste	
MM3	Total amount of overburden, rock, tailings and sludges presenting potential hazards.	58-60
	LABOUR PRACTICES AND DECENT WORK	
	Labour/management relations	
MM4	Number of strikes and lock-outs exceeding one week's duration, by country.	29-30
	HUMAN RIGHTS	
	Indigenous rights	
MM5	Total number of operations taking place in or adjacent to indigenous peoples' territories and number and percentage of operations or sites where there are formal agreements with indigenous peoples communities.	N/A
	SOCIETY PERFORMANCE INDICATORS	
	Community	
MM6B	The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and indigenous peoples and the outcomes.	N/A
	Artisanal and small-scale mining	
MM7	Number and percentage of company operating sites with artisanal and small-scale mining (ASM) taking place on, or adjacent to, the site; describe the associated risks and the actions taken to manage and mitigate these risks.	62
	Resettlement	
MM8	List sites where resettlements took place, the number of households resettled in each and how their livelihoods were affected in the process.	62
	Closure	
MM9	Number and percentage of operations with closure plans.	73
	Grievance mechanisms and procedures	
MM10	Significant incidents involving communities in which grievance mechanisms have been invoked to address them, together with their outcomes.	34
	Emergency preparedness	
MM11	Number and description of incidents affecting employees, communities, or the environment in which emergency preparedness procedures were activated.	60
	Product responsibility – materials stewardship	
MM12	Programmes and progress relating to materials stewardship.	61

Adequate disclosure *Needs improvement* *Not covered*

NOTICE OF ANNUAL GENERAL MEETING

Merafe Resources Limited
(Incorporated in the Republic of South Africa)
(Registration number 1987/003452/06)
ISIN: ZAE000060000
Share code: MRF
(Merafe Resources or the company)

Notice is hereby given that the twenty third annual general meeting of members of Merafe Resources Limited will be held at 1st Floor, Block B, Sandton Place, 68 Wierda Road East, Wierda Valley, Sandton at 11:00 on Tuesday, 13 April 2010, for the purpose of conducting the following business:

1. To receive, consider and adopt the annual financial statements for the company for the year ended 31 December 2009.

2. To elect the following directors, who retire by rotation and, being eligible, offer themselves for re-election:
   2.1 Stuart Elliot
   2.2 Chris Molefe
   2.3 Meryl Mamathuba
   2.4 Tlamelo Ramantsi
   Brief *curriculum vitae* of all the directors are set out on pages 6 and 7 of this annual report.

3. To approve the non-executive directors' fees for the year ended 31 December 2009 as set out on page 132 of the annual report.

4. To present the proposed members of the Audit Committee for 2010 to the shareholders for their approval:
   4.1 Zanele Matlala – Chairperson
   4.2 Chris Molefe
   4.3 Con Fauconnier
   4.4 Belese Majova

5. To re-appoint KPMG Inc. as auditors for the ensuing year.

6. To authorise the directors to determine the auditors' remuneration for the forthcoming financial year.

7. To approve the auditors' remuneration for the year ended 31 December 2009.

8. **Ordinary resolution number 1**
   Electronic communication to shareholders
   "Resolved that shareholders agree to the company publishing investor information such as circulars, abridged and full annual financial statements, interim reports, dividend notices, notice of annual general meetings and proxy forms ("investor information") on its website and/or for distributing to shareholders via email instead of printing and posting the investor information to shareholders. The company would consult its shareholders in advance to offer the shareholders the opportunity to elect to continue receiving the investor information by post."

9. **Ordinary resolution number 2**
   Proposed amendments to the Merafe Resources Limited Share Incentive Scheme
   "Resolved that in accordance with the recent amendments to Schedule 14 of the JSE Limited Listings Requirements, amendments be made to the Merafe Resources Limited Share Incentive Scheme approved by shareholders in December 1999 as set out in the enclosed annexure."

   The approval of a 75% (seventy five percent) majority of the votes cast by shareholders present or represented by proxy at this meeting is required for ordinary resolution number 2 to become effective.

10. **Ordinary resolution number 3**

Control of authorised but unissued shares

"Resolved that 10% (ten percent) or 104 074 114 ordinary shares of the authorised but unissued share capital of the company be placed under the control of the directors of the company until the next annual general meeting, with the authority to allot and issue all or part thereof on such terms and conditions as they may deem fit, subject to the provisions of sections 221 and 222 of the Companies Act, 61 of 1973, as amended, the articles of association of the company and the JSE Limited Listings Requirements."

11. **Ordinary resolution number 4**

"Resolved that the directors of the company be authorised, until the next annual general meeting, to allot and issue shares in terms of the Merafe Resources Limited Share Incentive Scheme, subject to the provisions of sections 221 and 222 of the Companies Act, 61 of 1973, as amended, the articles of association of the company and the JSE Limited Listings Requirements."

12. **Ordinary resolution number 5**

Issue of shares for cash

"Resolved that, in terms of the JSE Limited Listings Requirements, the directors be given general authority to issue all or any of the authorised but unissued ordinary shares of one cent each for cash as and when suitable situations arise, subject to the Companies Act, 61 of 1973, as amended, the articles of association of the company and subject to the following conditions:

- that this authority shall not extend beyond 15 (fifteen) months from the date of this annual general meeting or the date of the next annual general meeting, whichever is the earlier date;
- that a press announcement giving full details, including the effect on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within one financial year, 5% (five percent) of the company's issued share capital;
- that issues in the aggregate in any one financial year will not exceed 10% (ten percent) of the company's issued ordinary share capital, including instruments which are compulsorily convertible into shares of that class;
- that, in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price of the shares in question, as determined over the 30 (thirty) days prior to the date that the price of the issue is agreed between the company and the party subscribing for the securities;
- that there will be no restrictions in regard to the persons to whom shares may be issued, provided that such shares are to be issued to public shareholders as defined by the JSE Limited and not to any related parties."

The approval of a 75% (seventy five percent) majority of the votes cast by shareholders present or represented by proxy at this meeting is required for ordinary resolution number 5 to become effective.

13. **Special resolution number 1**

"Resolved that, in terms of the authority granted in the articles of association of the company, the company and/or its subsidiaries be and are hereby authorised, by way of a general authority, to acquire the company's shares upon such terms and conditions and in such amounts as the directors of the company may from time to time decide but subject to the provisions of the Companies Act, 61 of 1973, as amended (the Companies Act) and, subject to the rules and requirements of the JSE Limited (JSE) Listings Requirements (Listings Requirements), as amended, provided that:

(a) the general authority granted to the directors shall be valid only until the company's next annual general meeting or for 15 (fifteen) months from the date of this resolution, whichever period is shorter;

(b) any repurchases of shares in terms of this authority be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter-party, such repurchases being effected by only one appointed agent of the company at any point in time and may only be effected if after the repurchase the company still complies with the minimum spread requirements of the Listings Requirements;

(c) the general authority shall be limited to a maximum of 10% (ten percent) of the company's issued share capital of the shares in the applicable class at the time that the authority is granted;
(d) any repurchase must not be made at a price more than 10% (ten percent) above the weighted average of the market value of the share for the five business days immediately preceding the date of such acquisition;
(e) the repurchase of shares may not be effected during a prohibited period, as defined in the Listings Requirements, unless a repurchase programme is in place, where dates and quantities of shares to be traded during the prohibited period are fixed and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period; and
(f) such details as may be required in terms of the Listings Requirements be announced when the company or its subsidiaries have cumulatively repurchased 3% (three percent) of the shares in issue at the time the authority was given."

Reason for and effect of special resolution number 1
The reason for the special resolution is to enable the directors of the company, up to and including the date of the next annual general meeting of the company, to approve the acquisition by the company, or by any of its subsidiaries, of the company's shares.

The effect of the special resolution is that the directors of the company will be able to approve the purchase of up to a maximum of 10% (ten percent) of the company's issued ordinary shares on the open market in accordance with the Companies Act, as amended, and the JSE Limited Listings Requirements as and when they deem appropriate, until the next annual general meeting of the company, or until this authority is revoked by the shareholders.

It is further recorded that the directors have resolved that no such re-purchase in the period of this authority will be undertaken or implemented unless the following conditions have been met:
(a) the company and the company and its subsidiaries will be able, in the ordinary course of business, to pay its debts for a period of 12 (twelve) months after the date of this notice;
(b) the assets of the company and the group will be in excess of the liabilities of the company and the group for the period of 12 (twelve) months after the date of this notice, such assets and liabilities being fairly valued in accordance with the accounting policies used in the latest annual financial statements and in accordance with International Financial Reporting Standards;
(c) the company and the group will have adequate share capital and reserves for ordinary business purposes for a period of 12 (twelve) months after the date of this notice;
(d) the company and the group will have adequate working capital for ordinary business purposes for a period of 12 (twelve) months after the date of this notice; and
(e) the sponsor of the company provides a letter to the JSE confirming that it has discharged all of its responsibilities in terms of Schedule 25 of the Listings Requirements relating to the working capital of the company prior to the commencement of any repurchase of the company shares on the open market.

Disclosures in terms of paragraph 11.26(b) of the Listings Requirements
The following disclosures are required in terms of paragraph 11.26(b) of the Listings Requirements, which appear in the Annual Report of which this Notice forms part, and is provided for purposes of special resolution number 1:
- the company's directors and management (pages 6 to 7 and 10);
- major shareholders (page 135)
- any material changes (page 134)
- directors' interests in securities (page 87)
- share capital of the company (page 108); and
- material litigation (page 75)

Directors' responsibility statement
The directors, whose names appear on pages 6 and 7 of this Annual Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 1 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that special resolution number 1 contains all information required by law and the Listings Requirements.

Voting and attendance at the annual general meeting
Any member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy to attend and to vote at the meeting in his/her stead. The proxy so appointed need not be a member of the company. Proxy forms should be forwarded to reach the registered office of the transfer secretaries or the company's registered office by no later than 11:00 on Friday, 9 April 2010.

Members who have not dematerialised their shares or who have dematerialised their shares with own name registration are entitled to attend and vote at the meeting and are entitled to appoint a proxy or proxies to attend, speak and vote in their stead. The person so appointed need not be a member. Proxy forms should be forwarded to reach the registered office of the transfer secretaries of the company or the company's registered office by no later than 11:00 on Friday, 9 April 2010.

Members who have dematerialised their shares, other than those members who have dematerialised their shares with own name registration, should contact their Central Securities Depository Participant (CSDP) or broker, in the manner and time stipulated in their agreement:
- to furnish them with their voting instructions; and
- in the event that they wish to attend the meeting, to obtain the necessary letter of representation to do so.

In terms of the JSE Limited Listings Requirements, equity securities held by a share trust or scheme will not have their votes at a general meeting or annual general meetings taken into account for purposes of resolutions proposed in terms of the JSE Limited Listings Requirements.

In terms of the Companies Act, 61 of 1973, as amended, no voting rights attaching to treasury shares or repurchased shares may be exercised.

By order of the board,



A Mahendranath
Company Secretary

Sandton
26 February 2010

NOTES

FORM OF PROXY

Merafe Resources Limited
(Incorporated in the Republic of South Africa)
(Registration number 1987/003452/06)
ISIN: ZAE000060000
Share code: MRF
(Merafe Resources or the company)

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

A shareholder is entitled to appoint one or more proxies (none of whom need to be shareholders of Merafe Resources) to attend, speak and vote or abstain from voting in the place of that shareholder at the annual general meeting.

Form of proxy for the twenty third annual general meeting

I/We (name in block letters)

of (address)

being the holder/s of [ ] ordinary shares in the company hereby appoint (see note 1)

1. or failing him/her

2. or failing him/her

3. The chairman of the company, or failing him, the chairperson of the annual general meeting, as my/our proxy to vote on my/our behalf at the annual general meeting of the company to be held at Merafe Resources Limited at 1st Floor, Block B, Sandton Place, 68 Wierda Road East, Wierda Valley, Sandton at 11:00 on Tuesday, 13 April 2010, or at any adjournment thereof.

I/We desire to vote as follows (see note 2):

	Number of votes		
	For	Against	Abstain
1. To receive, consider and adopt the annual financial statements			
2. To elect the following directors who retire by rotation:			
2.1 Stuart Elliot			
2.2 Chris Molefe			
2.3 Meryl Mamathuba			
2.4 Tlamelo Ramantsi			
3. To approve the non-executive directors' fees for the year ended 31 December 2009			
4. To present the proposed members of the Audit Committee for 2010 to the shareholders for their approval:			
4.1 Zanele Matlala – Chairperson			
4.2 Chris Molefe			
4.3 Con Fauconnier			
4.4 Belese Majova			
5. To re-appoint KPMG Inc. as auditors for the ensuing year and to appoint Riaan Davel as the designated partner			
6. To authorise the directors to determine the auditors' remuneration for the forthcoming financial year			
7. To approve the auditors' remuneration for the year ended 31 December 2009			
8. Ordinary resolution number 1: To approve electronic communication to shareholders			
9. Ordinary resolution number 2: To approve amendments to the Merafe Resources Limited Share Incentive Scheme			
10. Ordinary resolution number 3: To place the unissued shares under the control of the directors			
11. Ordinary resolution number 4: To authorise the directors to issue shares in terms of the Merafe Resources Limited Share Incentive Scheme			
12. Ordinary resolution number 5: To authorise the company to issue shares for cash			
13. Special resolution number 1: To repurchase the company's shares by way of a general authority limited to a maximum of 10% of the company's issued share capital			

Signed at on 2010

Signature (assisted by me – where applicable)

Please see notes overleaf

NOTES TO FORM OF PROXY

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting "the chairperson of the annual general meeting", but any such deletion must be initialled by the shareholder. The person whose name stands first on the form of proxy and who is present at the annual general meeting of shareholders will be entitled to act as proxy to the exclusion of those whose names follow.

2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. Failure to comply will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting of shareholders as he/she deems fit with respect to all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by his proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by the proxy.

3. Forms of proxy must be lodged with, posted or faxed to, the transfer secretaries' registered office: Link Market Services (Pty) Limited, 16th Floor, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000), or +27 11 834 4398, or the company's registered offices: 1st Floor, Block B, Sandton Place, 68 Wierda Road East, Wierda Valley, Sandton, 2196 (PO Box 652157, Benmore, 2010), or fax +27 11 783 4789 to be received no later than 11:00 on Friday, 9 April 2010.

4. The completion and lodging of this form of proxy shall not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative or other legal capacity (such as power of attorney or other written authority), must be attached to this form of proxy unless previously recorded by Merafe Resources.

6. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.

7. On a show of hands, every shareholder shall have only one vote, irrespective of the number of shares he/she holds or represents, provided that a proxy shall, irrespective of the number of shareholders he/she represents, have only one vote.

8. On a poll, every shareholder present in person or represented by proxy shall have one vote for every Merafe Resources share held by such shareholder.

9. A resolution put to the vote shall be decided on a poll.

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CORPORATE INFORMATION

Company details
Merafe Resources Limited
Company registration number: 1987/003452/06

www.meraferesources.co.za

Business address and registered office
1st Floor
Block B
Sandton Place
68 Wierda Road East
Wierda Valley
Sandton
2196

Postal address
PO Box 652157
Benmore
2010

Telephone: +27 11 783 4780
Telefax: +27 11 783 4789

Company Secretary
A Mahendranath

Auditors
KPMG Inc.
85 Empire Road
Parktown
2193
Private Bag 9
Parkview
2122

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

Attorneys
Bowman Gilfillan Inc.
165 West Street
Sandton
2196
PO Box 785812
Sandton
2146

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

Transfer Secretaries
Link Market Services (Proprietary) Limited
16th Floor
11 Diagonal Street
Johannesburg
2001
PO Box 4844
Johannesburg
2000

Sponsor
Deutsche Securities (SA) (Proprietary) Limited
Registration number 1995/011798/07
3rd Floor
3 Exchange Square
87 Maude Street
Sandton
2196
Private Bag X9933
Sandton
2146

The text of this report is printed on Triple Green, a range of coated paper products which are manufactured on an environmental platform using an alternative fibre source. A portion of the fibre used in this paper is from sugar cane bagasse (post industrial waste material remaining after sugar has been extracted). The paper pulp is bleached using an elemental chlorine-free process, which is without rival in terms of pollution prevention, resource conservation and product quality. The remaining wood fibre used is traced and verified to ensure it has been produced in renewable tree plantations and not derived from ancient, indigenous or rain forests. All wood fibre used is certified as coming from sustainable afforestation areas which are in synergy with the long term preservation of the environment, conservation of fauna and flora and overall socio-economic welfare of the broader community. Merafe is also seeking to reduce its use of print as per the ordinary resolution number 1 in this annual report.

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