



A YEAR OF CHANGE

Merafe Resources Limited
1987/003452/06
Annual Report 31 December 2004



POISED FOR GROWTH

The Xstrata - Merafe Chrome Venture, formed in July 2004, created the world's leading ferrochrome producer. Around 80% of the world's ferrochrome is used in the production of stainless steel, where chromium is the unique ingredient responsible for the remarkable corrosion and oxidation resistance of stainless steel, ie the 'stainless' quality. As a result, the fortunes of the ferrochrome and stainless steel industries are inextricably linked. With global demand for stainless steel continuing to grow, the outlook for ferrochrome demand and prices is good. In addition, the Company intends implementing its diversification and growth strategy approved by shareholders.



MERAFE
RESOURCES

(Formerly SA Chrome and Alloys Limited)

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

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REPORTING GUIDELINES

...reflecting the new view of business in determining economic, environmental and social well-being, with responsibilities that extend beyond its shareholders to people and places both near and far.

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

Accountability, governance and sustainability are three powerful ideas that are playing a pivotal role in how organisations operate in the 21st century. They reflect the new view of business as a prime mover in determining economic, environmental and social well-being, with responsibilities that extend beyond its shareholders to people and places both near and far.

The GRI, an independent international institution, has developed an international framework for defining, measuring and rigorously reporting on the economic, environmental and social performance. This framework has been designed to provide comprehensive information to stakeholders of an organisation on the economic, social and environmental performance that make up its triple bottom line. A cross-reference index to the GRI framework is set out on pages 78 to 80.

Report Scope

Our previous annual report covered the financial year 1 April 2003 to 31 March 2004. The decision was taken at the time of the formation of the Xstrata - Merafe Chrome Venture to align our financial reporting period with that of Xstrata plc, which is from 1 January to 31 December. As a result this annual report covers the nine months from 1 April 2004 to 31 December 2004.

Our aim with this report is to provide comprehensive information on the economic, environmental and social performance of the Company. However, the merging of the ferrochrome interests of Merafe Resources with those of Xstrata on 1 July 2004 has increased the complexity of this task.

For background information on the report contact Bruce McBride, Commercial Director, Merafe Resources (bruce@meraferesources.co.za). For additional information on financial aspects contact Finance Director Stuart Elliot (stuart@meraferesources.co.za), on environmental and technical aspects contact Technical Director Zed van der Walt (zed@meraferesources.co.za).

HIGHLIGHTS OF THE YEAR

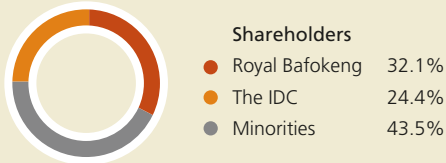
- The Xstrata - Merafe Chrome Venture commenced operation on 1 July 2004. This R8 billion transaction created the world's leading ferrochrome producer and secured Merafe's participation in the combined earnings of the Venture.
- Merafe Resources made its first profits in the financial period ended 31 December 2004.
- The Boshhoek Plant performed at 96% of design capacity.
- The change of name from South African Chrome and Alloys Limited to Merafe Resources Limited and the Company's growth and diversification strategy was unanimously approved by shareholders.
- The Company again met the exacting criteria for the FTSE/JSE SRI (Socially Responsible Investment) Index and has been selected to participate in it for a second year.
- Its empowerment credentials placed Merafe Resources second in the Resources Sector of the Financial Mail's Top Empowerment Companies Survey and ninth overall. The survey was conducted by the economic empowerment rating agency, Empowerdex.



COMPANY PROFILE

Merafe Resources Limited ('Merafe Resources'), established in 1987, trades on the JSE Securities Exchange South Africa. The Company is listed on the JSE under the share code MRF in the "Other Mineral Extractor and Mines" sector. It was also one of the first 51 companies selected in July 2004 to participate in the FTSE/JSE SRI (Socially Responsible Investment) Index.

Breakdown of Merafe Resources shareholders as of 31 December 2004.



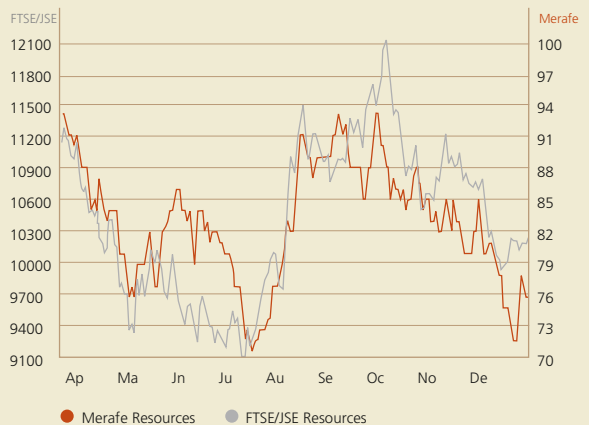
Through its wholly-owned subsidiary Merafe Ferrochrome and Mining (Pty) Limited, Merafe owns a ferrochrome facility in Boshhoek consisting of two 54 MVA closed submerged arc furnaces with charge preheating and a 520 000 tonnes per annum pelletising and sintering plant; a UG2 concentrator plant and the Horizon and Boshhoek chrome mines, which are all located in the North West Province of South Africa.

During 2004 Merafe Resources concluded an agreement with Xstrata South Africa (Pty) Limited, a wholly-owned subsidiary of Xstrata plc, a major, global, diversified mining group listed on the London and Swiss stock exchanges, to establish the Xstrata - Merafe Chrome Venture (the Venture). This resulted in Xstrata and Merafe Resources pooling and sharing their ferrochrome operations (six mines and 16 furnaces) and creating the world's leading ferrochrome producer. It also secured Merafe Resources' participation in the combined earnings of the Venture. The R8 billion Venture commenced on 1 July 2004.

Merafe Resources intends to grow its ferrochrome interests through its future investment in 20.5% of Project Lion, a 360 000 tonne a year expansion of the Xstrata - Merafe Chrome Venture. The Company plans to further grow its ferrochrome interests by increasing its interest in the Venture to 20.5% through its acquisition from Samancor of a 50% participation in the Xstrata - Samancor Wonderkop Joint Venture. This acquisition is subject to shareholder approval and certain conditions precedent.

Through the Venture both parties have pooled the risks and rewards associated with their ferrochrome assets. It also allows both parties to realise significant operational efficiencies through the transfer of best operational practice, the optimisation of ore feed from the reserves of the two parties and the introduction of new technology.

Merafe Resources Limited share price (close),
FTSE/JSE Resources (close) Daily 01.04.2004 - 31.12.2004





MERAFE
RESOURCES

Merafe Resources Limited

100%

Merafe Chrome & Alloys (Pty) Limited

100%

Merafe Ferrochrome & Mining (Pty) Limited

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders

This is the first time we are reporting under our new name, Merafe Resources. The Company changed its year-end from 31 March to 31 December and as a result this report covers the nine months from 1 April 2004 to 31 December 2004. This year, albeit they were modest, we also made our first profits.

We packed a great deal into these nine months, starting with the successful negotiation of the Xstrata - Merafe Chrome Venture. I would like to congratulate our management team on their successful negotiation and implementation of the Venture, which has already had a positive effect on the performance of the Company. Merafe's share of the Venture's EBITDA increases from the current 11% to 14% in July 2005 and to 17.5% from July 2006.

In a circular to our shareholders issued on 25 October 2004 we presented the rationale behind the Company's growth strategy, which included a change in strategic direction for the Company, together with a proposed name change to Merafe Resources. We chose the name Merafe, which means communities, because it reflects the inclusiveness of the Company with its stakeholders.

Both the proposed new strategy and the new name received the unqualified support of shareholders. The Company's major shareholders, Royal Bafokeng Resources and the Industrial Development Corporation are excited and supportive of its new direction. As part of its new growth strategy Merafe Resources will continue to grow its ferrochrome interests. At the same time its management team is assessing coal, iron ore, coke, manganese and other ferro alloys opportunities.

The Merafe Resources management team has been closely involved in the day-to-day running of its ferrochrome operations over the past three years. While its assets now form part of the Xstrata - Merafe Chrome Venture, Merafe Resources retains ownership of its assets and is closely involved in the Venture's operations through the Chrome Venture Exco and the joint board formed to manage the combined operations of both companies.

Commitment to Black Empowerment, Sustainability and Corporate Governance

The Company was very proud to be one of the first 51 companies to meet the very strict criteria for the FTSE/JSE SRI (Socially Responsible Investment) Index and is pleased to have been selected to participate in the second year of the Index. The SRI Index measures companies' policies, performance and reporting in relation to the three pillars of the triple bottom line (environmental, economic and social sustainability), as well as corporate governance practice.

Merafe Resources collected further accolades in the Financial Mail's Top Empowerment Companies for 2005. The survey of JSE-listed companies on which the results were based looked at ownership, management, employment equity, skills development, affirmative procurement, enterprise development and social development. Out of the top 185 companies Merafe Resources was placed ninth overall and second in the resources sector of the survey.

It is most gratifying to have our commitment to black empowerment, sustainability and good corporate governance recognised in this way.

Our CEO, Steve Phiri, is also a member of the Minerals and Mining Board under the Ministry of the Department of Minerals and Energy.

It is pleasing to see that considerable progress has been made with BEE in the resources sector since the Charter came into being at the end of 2002. A study of the results of the

Empowerdex Survey reveals that mining companies are making progress towards reaching the targets set in the mining scorecard in the areas of employment equity and giving historically disadvantaged South Africans preferred supplier status.

It is core to the strategy of Merafe Resources that it involves itself in the operations it invests in.



Board and Management

Sadly, we have to say farewell to our non-executive director Andre Bekker of the IDC. Andre, who has resigned from the Industrial Development Corporation (IDC) was their appointment to the Board. He resigned from the Board on 1 April 2005. His considerable experience in the ferrochrome industry has been invaluable to the Board, particularly during the start-up phase of our operations. The Board thanks him for his considerable contribution.

We advised you in our previous Annual Report that we were addressing the composition of the board and that we would be appointing further independent non-executive directors. We are delighted to welcome independent non-executive directors: Lebo Mogotsi and Zanele Matlala who were appointed to the Board on 1 April 2005. I have no doubt that Zanele's wealth of experience in the financial field will add great value to our deliberations, as will Lebo's in depth knowledge of mining and beneficiation.

The year has been a challenging one for our staff involved at all levels in the integration of the Merafe Resources operations into the Xstrata - Merafe Chrome Venture. Our thanks to all of you for the contribution you have made to our achievements during the year. My thanks also go to the Board for its support during the year.

Future Growth in Ferrochrome

In addition to announcing our decision in March 2005 to invest in Project Lion, a 360 000 tonne per annum expansion of the Xstrata - Merafe Chrome Venture, we also announced on 4 May 2005 that we had agreed with Xstrata to increase our interest in the Xstrata - Merafe Chrome Venture from 17,5% to 20,5%.

This increase is as a result of our acquisition, subject to shareholder approval and certain conditions precedent, from Samancor of a 50% participation in the Xstrata - Samancor Wonderkop Joint Venture, 50% of the Kroondal reserves and 26% of the Marikana reserves.

The combination of a tight ferrochrome supply and demand balance, with strong prices, bodes well for the Merafe Resources' future profitability and growth through its ferrochrome investment in the Xstrata - Merafe Chrome Venture.

Future Prospects

Implementation of our strategy to grow through diversifying into other resources, which we announced in 2004, is well under way. Our management team is currently in discussions regarding acquisitions in resources other than ferrochrome. We will keep you updated on our progress in this area.



Chris Molefe
Non-Executive Chairman

The tight ferrochrome supply and demand balance and strong prices bodes well for Merafe's future profitability.

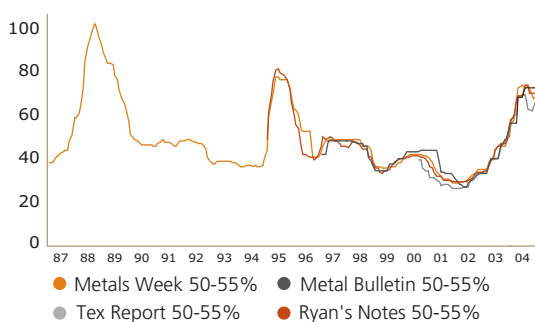
CHIEF EXECUTIVE OFFICER'S REVIEW

Review of Results

The Company's income for the first three months of the period under review was derived from its ferrochrome operations in the North West Province of South Africa. Its source of income for the remaining six months (1 July to 31 December 2004) was from the Xstrata - Merafe Chrome Venture. Merafe shares in 11% of the earnings before interest, tax, depreciation and amortisation (EBITDA) of the Venture until 30 June 2005. Thereafter the Company's share of the EBITDA from the Venture will increase to 14% from 1 July 2005 and 17,5% from 1 July 2006.

Merafe Resources' operating profit for the nine-month period ended 31 December 2004 was R44 million. After accounting for net financing costs of R38.5 million, we achieved a net profit after tax of R5.5 million. However, the results for the first six months of the Venture give a clearer idea of the Company's performance since the inception of the Venture and how it is likely to affect performance in the future. Merafe Resources 11% share of the EBITDA of the Venture for the period 1 July to 31 December 2004 was R55 million. Corporate costs during this period were R8 million.

Prices of Ferrochrome
(US c/lb; year-to-date monthly average)



This included a cost of R2 million related to the formation of the Venture. (The average exchange rate during the six months was R6.22 : US\$1.)

Review of Operations

Given the complexity of a transaction of this nature, the integration of the chrome operations of Merafe and Xstrata to form the world's leading ferrochrome producer, has gone well. Numerous synergies and economies of scale benefits have already been achieved.

Merafe now has the broader operating base of the 16 furnaces and 6 mines of the Venture from which to generate earnings. Previously it relied solely on Horizon mine and the two furnaces at its Boshhoek operation. During the period under review the latter performed at 96% of design capacity, which is a very pleasing 20% increase in its average performance over the previous financial year.

The dramatic rise in the cost of key raw materials made 2004 a challenging year for South African ferrochrome producers. The greatest negative impact was from the cost of reductants, in particular coke, which is largely imported. Within the Xstrata - Merafe Chrome Venture this was offset to some extent by the success of the Venture's coke reliance reduction programme. The acquisition of further chrome ore reserves from Samancor Holdings (Pty) Limited, described later in this report, should enable the Venture to reduce its operating costs and provide sufficient chrome ore for the foreseeable future.



A shortage, particularly of quality lumpy chrome ore, during the period was the principal cause of a decline in metallurgical efficiencies for the Venture. This was as a result of difficult geological conditions at the Western mines, which reduced mine output and lowered head grades during the period under review. An opencast mining section went into operation in the latter part of 2004. It is expected to produce 80 000 tonnes run-of-mine (ROM) chrome ore a month and should go a long way towards alleviating the ore supply and quality difficulties experienced in 2004.

The Venture has committed substantial effort and resources to ensuring security of supply and reducing costs of the major cost items involved in ferrochrome production, i.e. ore, reductants, fluxes and electric power.

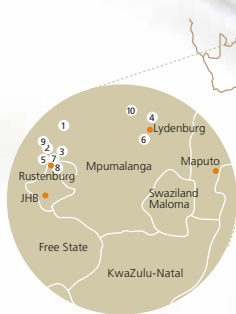
The ability of the Venture to secure a captive supply of reductants, increase its ore agglomeration capacity and improve the energy efficiency of the expansions to its operations enhanced its cost competitiveness during the year. At the same time the Venture is aggressively pursuing an overall reduction in unit costs.

A study is currently being undertaken into the brownfields feasibility of introducing either Xstrata's proprietary Premus pre-reduction pelletising technology, or the Outokumpu pelletising sinter process, to the Wonderkop operations. The suitability of both processes to a brownfields application is the main focus of the study, as both technologies are performing well at other Venture plants.

The Sustainability Report contained in this Annual Report covers in detail the Environmental and Social impacts of the Company's activities.

Given the complexity of a transaction of this nature the integration of the chrome operations of Merafe and Xstrata to form the world's leading ferrochrome producer, has gone well. Numerous synergies and economies of scale benefits have already been achieved.

Operations: Xstrata-Merafe Chrome Venture



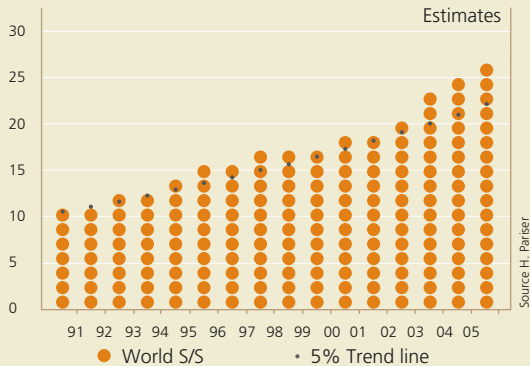
- 1 Horizon Mine
- 2 Rustenburg Smelter
- 3 Wonderkop Smelter
- 4 Thorncliffe Mine
- 5 Rietvlei Silica Mine
- 6 Lydenburg Smelter
- 7 Waterval Mine
- 8 Kroondal Mine
- 9 Boshhoek Smelter
- 10 Project Lion



Market Review of the Ferrochrome Industry

The global demand for ferrochrome, underpinned by vigorous economic activity in China, increased to some 5.5 million tonnes from 5.2 million tonnes in 2003. The main driver of this increase was the continued growth in the production of stainless steel, which accounts for around 80% of the world's ferrochrome consumption.

Market Outlook - Stainless steel melt (millions tonnes)



Forecasters predict that the demand for stainless steel in 2005 will grow by as much as 9% to over 26 million tonnes. In 2004 stainless steel melt grew around 24% in China, 16.4% in South Korea, 8.4% in the USA and 6% in Europe.

As a result of the strong demand for ferrochrome and no likelihood of any meaningful increase in ferrochrome production capacity before 2006, the outlook for prices in 2005 remains positive. Quoted European base prices for ferrochrome increased to 78 US cents a pound chrome contained in the second quarter of 2005.

Implementing our Growth Strategy in Ferrochrome

We advised shareholders in our Annual Report for the period 1 April 2003 to 31 March 2004 that we were assessing

participating in Project Lion, a R1.7 billion 360 000 tonne per annum greenfields expansion, as a potential investment opportunity.

Construction has begun on the first phase of the Project, which will underpin the growth of the Xstrata - Merafe Chrome Venture. Initial production from the project is expected in the second half of 2006 and full production of 360 000 tonnes per annum should be reached in early 2007. The decision whether or not to develop Phases two and three of Project Lion, which have the potential to provide a further 720 000 tonnes a year, will be taken over the next eight to ten years, and will depend on market conditions.

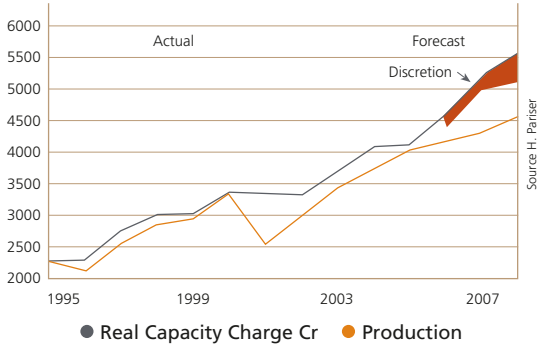
With the South African ferrochrome industry currently operating at 95% of its capacity and global demand for ferrochrome likely to continue to exceed supply for some time, we believe there is a window of opportunity which we intend taking advantage of. Project Lion will further enhance the Venture's market leadership position when it comes on stream.

On 4 May 2005 we announced that, subject to shareholder approval and certain conditions precedent, the Company had increased its ultimate interest in the Xstrata - Merafe Chrome Venture from 17,5% to 20,5%. This increase, which also provides us with the opportunity to increase our participation in Project Lion from 17,5% to 20,5%, is as a result of our acquisition of a 50% participation interest in the Gemini Joint Venture, which is an unincorporated production joint venture between Xstrata and Samancor Holdings (Pty) Limited.

At the same time we also acquired 50% of all the rights to chrome in, on and under the Kroondal mining area and 26% of all the rights to chrome in, on and under the Marikana area. Collectively these acquisitions are known as the Wonderkop Acquisition. At the same time Xstrata acquired the remaining 50% of the Kroondal resources and 74% of the Marikana Resources.

These acquisitions will be incorporated into the Xstrata - Merafe Chrome Venture.

Capacity and expansion in the ferrochrome industry between 1995 and 2007 (thousands tonnes)



Source: H. Panser

We will be applying the same investment philosophy that we have applied to our existing ferrochrome investments to any new acquisitions that we make. That is, we will participate in their management and be closely involved in their decision-making processes.

This will increase the Venture’s annual capacity from 1.4 million tonnes of ferrochrome to 1.59 million tonnes. At the same time Merafe will increase its share of earnings before interest, tax, depreciation and amortisation (EBITDA) of the enlarged Venture by 3%.

Reporting Standards

Our Chairman has already discussed the recognition we have received for our commitment to corporate governance, sustainability and empowerment, both from the JSE and the Powerdex Survey.

We are committed to transparency and inclusiveness and are continually working on improving our levels of reporting. To help us achieve this goal this report has been prepared using the Global Reporting Initiative (GRI) Guidelines as a framework. The GRI was established to create a common framework for sustainability reporting worldwide. It seeks to elevate sustainability reporting to the same level of rigour, comparability, credibility and verifiability expected of financial reporting.

We believe this report is a balanced and reasonable representation of our organisation’s economic, environmental and social performance.

Steve Phiri
Chief Executive Officer

DIRECTORATE

Non-Executive Directors



Chris Molefe (56)
Chairman
BCom, Post-graduate Diploma in Property Development

Chris Molefe, who has extensive experience in merchant banking and transformation strategy development, has served on the Merafe Resources board as Non-Executive Chairman since February 2002. He is the Chief Executive Officer of Royal Bafokeng Resources Holdings.



Zanele Matlala (41)
BCom, BCompt, CA

Zanele Matlala is the Chief Financial Officer of the Development Bank of Southern Africa. She previously served the Bank as Executive Manager: Private Sector & International, headed up Wholesale Venture Capital Funds for the Industrial Development Corporation and was Audit Supervisor at Arthur Anderson & Co.



Qinisani Mbatha (27)
BSc Quantity Surveying, MComm, PrQS

Qinisani Mbatha is the head of the Project Evaluations Department at the Industrial Development Corporation (IDC) and a member of its Sectors and Project Review Committee. He assesses the technical and commercial viability of equity and debt transactions.



Lebo Mogotsi (33)
BCom, SMDP

Lebo Mogotsi is currently a director of Lebone Resources (Pty) Limited, a women's empowerment mining company focusing on mining, beneficiation and consulting. She is also a shareholder and non-executive director of Petra Mining Limited. Prior to this she was Marketing Manager at AngloGold where she gained considerable experience in beneficiation and the development of markets for these products.



Reinier Posthumus Meyjes (59)
Pr Eng, BSc Eng, MBL

Reinier Posthumus Meyjes has over thirty years of experience in furnace projects. His involvement in turnkey smelter projects with closed ferrochrome furnaces utilising sintered ore pellets is particularly relevant to our business.



Dr Todor Vlajcic (57)
PhD (Engineering)

Dr Vlajcic, the managing director of ThyssenKrupp Metallurgie GmbH (TK Met), has been involved in the chrome industry for over 25 years, during which he has gained extensive experience in the construction of furnaces throughout the world. Prior to joining TK Met he was the sales manager and later the general manager of Ferroalloy and Nonferrous Plants Mannesmann Demag, Duisburg, Germany from 1975 to 1997.

Executive Directors



Steve Phiri (49)
Chief Executive Officer
BJuris LLB, LLM, HDip Co Law

Steve Phiri joined the Merafe Resources executive team in May 2003. Prior to this he headed up Corporate and Legal Affairs for the Royal Bafokeng Nation (RBN) and was head of RBN's Mineral and Mining Affairs team.

In this role he led the RBN negotiating team, which successfully resolved their dispute with Impala Platinum Ltd, negotiated the RBN investment in Merafe Resources and their joint venture with Anglo Platinum.

Steve is a member of the Minerals and Mining Board, established in terms of the Minerals and Petroleum Development Act.

Zed van der Walt (60)
Technical Director PrEng, BSc Engineering (MET), MBA, DPLR



Zed van der Walt has over 35 years broad operational and management experience in the ferroalloy industry, including feasibility studies, process design, construction, commissioning and operations.

Prior to joining Merafe Resources, Zed was CEO of Consolidated Metallurgical Industries Limited, at one time the second largest ferrochrome operation in the world.



Bruce McBride (45) **Commercial Director**
BA, LLB, Dip Advanced Banking, MBA, PhD

Bruce McBride was a senior partner at the law firm Bell, Dewar and Hall before he joined Merafe Resources. He specialised in commercial, banking and mining law and acted for listed and international companies in these sectors.

Stuart Elliot (41) **Finance and New Business Director**
CA (SA), HDip Co Law



Stuart Elliot's experience in the accounting and corporate finance fields, prior to joining Merafe Resources, include being an audit manager at KPMG, a senior manager at FirstCorp Merchant Bank, a project finance consultant with Gencor in London, focusing exclusively on their acquisition of Billiton plc from Royal Dutch Shell and an associate director with Deutsche Morgan Grenfell (Pty) Limited. He was also a director of The Corner House (Pty) Limited for three years.

Amritha Mahendranath (37) **Company Secretary**
BCom



Amritha Mahendranath joined Merafe Resources in February 2003 as a financial manager. She was appointed to the role of Company Secretary on 1 March, 2004. Prior to joining Merafe Resources she worked for Mondi Limited.



SUSTAINABLE DEVELOPMENT REPORT

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

In addition the Company has taken note of the critical issues highlighted by the Southern African Mining, Minerals and Sustainable Development project that need to be addressed if progress towards sustainability is to be achieved in this region. These are poverty alleviation, capacity building and skills training, gender equity, job creation and governance. Merafe Resources is committed to addressing these issues within the Xstrata - Merafe Chrome Venture, any other operations it may invest in and also in the communities in which it operates.

Reporting Guidelines

Merafe Resources has adopted the Global Reporting Initiative (GRI) guidelines for sustainability reporting, as the framework for the preparation of this report. Using the framework it is able to present and analyse the performance of Merafe Resources in economic, environmental and social terms, which are generally agreed to be the crucial determinants of sustainability that make up the 'triple bottom line'.

Recognition of Commitment to Sustainability through a Socially Responsible Approach

In June 2004 Merafe Resources became one of the founding companies chosen by the JSE Securities Exchange to participate in the FTSE/JSE SRI (Socially Responsible Investment) Index. To be included companies must meet set criteria in respect of economic, environmental and social sustainability and corporate governance. The increase in evidence suggesting an interrelationship between socially responsible practices and long-term shareholder value, prompted the JSE to establish the SRI index.

The Index showcases those listed companies who achieve the requisite score in relation to a set of criteria that measure triple bottom line commitment and performance. Merafe Resources also achieved the requisite score required to be listed on the SRI Index for the second year of the Index.



Management and Corporate Governance

Corporate governance encompasses the organisation's systems, structures and culture of governance.

GOVERNANCE STRUCTURE & MANAGEMENT SYSTEMS

The Board

The Board meets quarterly, or more frequently if circumstances require it to do so. While the Board has delegated the day-to-day running of the Company to the Chief Executive Officer and the executive directors, it retains overall accountability and full and effective control over the Company. Matters specifically reserved for its decision include the Company's financial and operational results, the strategic direction of the business, major acquisitions and disposals, approval of major capital expenditure and any other matters that could have a material effect on the business.

The Board endorses the code of corporate practices and conduct issued by the King Committee on corporate governance and has taken, and is taking, the necessary steps to transform the board and its management team to meet the recommendations of the King Report.

The Secretary

The Company Secretary ensures compliance with the rules of the JSE Securities Exchange South Africa and all statutory requirements. All directors have access to her at all times. Directors and officers of the Company keep her advised about all dealings in Company securities and a report is tabled at each board meeting.

Dealing in Securities

In accordance with the listing requirements of the JSE the Company has adopted a code of conduct for dealing in the Company's securities. During the closed period directors and designated employees are prohibited from dealing in the Company's securities. The closed period runs from the end of

a financial reporting period until the publication of the results for that period.

Roles

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

Composition

Non-executive directors

Chris Molefe (56) - Chairman	Zanele Matlala (41)
Qinisani Mbatha (27)	Lebo Mogotsi (33)
Reinier Posthumus Meyjes (59)	Dr Todor Vlajcic (57)

Executive Directors

Steve Phiri (49) - Chief Executive Officer
 Bruce McBride (45) - Commercial Director
 Stuart Elliot (41) - Finance Director
 Zed van der Walt (60) - Technical Director

Company Secretary

Amritha Mahendranath (37)

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

The roles and responsibilities of the five subcommittees that report into the Board on the key issues identified by the Board are set out in the table on page 19, as is the role and responsibility of the Executive Committee. The Executive Committee meets weekly. The subcommittees meet every quarter and more frequently if necessary.

Executive Committee	Remuneration Committee	Audit Committee	Risk Committee	Transformation and Employment Equity Committee	Nomination Committee
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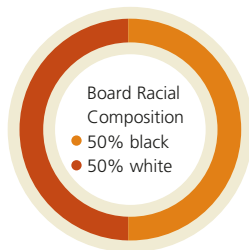
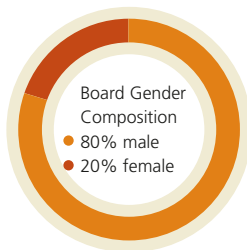
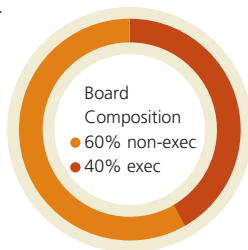
Roles & Responsibilities

Responsible for all material matters that are not the responsibility of the Board. Deals with executive business, recommends strategies and policies; monitors and co-ordinates implementation and use of resources to achieve the Company's objectives.	Responsible for remuneration policy, which includes the appropriate remuneration of executive directors and senior management and operation of the Company's share incentive scheme.	Ensures financial reporting complies with SA Statement of Generally Accepted Accounting Practice and the Companies Act. Reviews accounting policies, the effectiveness of management information and other systems of internal control, the effectiveness of the audit function and the reliability of the audit.	Responsible for identification and control of all significant business and operational risks.	Responsible for reviewing and managing the Company's commitment to social sustainability, the requirements of the Employment Equity Act and the Mining Charter.	Establishes policy governing appointment of directors, ensures board composition complies with corporate governance principles and considers suitable nominations for appointment to the Board. The Committee also assesses whether or not the board has the right mix of expertise and the ability of potential new directors to guide the Company's strategy towards sustainability.
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Composition of the committees as at 31 December 2004

S Phiri B McBride S Elliot Z v d Walt	C Molefe (Chairman) R Meyjes A Bekker B Mc Bride (invitee) Z v d Walt (invitee) S Phiri (ex officio)	C Molefe (Chairman) S Elliot Q Mbatha S Phiri (ex officio)	R Meyjes (Chairman) Dr T Vlajcic C Molefe A Bekker Z v d Walt (invitee)	C Molefe (Chairman) B McBride S Phiri	C Molefe (Chairman) Q Mbatha A Bekker S Phiri (invitee) B McBride (invitee)
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The King Committee on corporate governance emphasises the size (vis a vis executive and non-executive directors) and diversity and demographics of Boards (how it relates to the country's demographics). The Company continues to make progress in this regard, as set out below.



Board Expertise

The expertise of the Board members is set out on pages 14 & 15 of this report. All the directors are able to contribute a wide range of expertise, including financial, commercial and technical experience. The non-executive directors contribute valuable independent perspectives and judgment.

Board Committees

Remuneration Committee

The composition of the various committees as at 31 December 2004 is set out in the preceding table. The committee is responsible for remuneration policy. This includes the appropriate remuneration of executive directors and senior management and operation of the Company's share incentive scheme. The compensation of senior executives is linked to the achievement of financial and non-financial goals, which are set at the beginning of each financial year. They are rewarded through the Company's share incentive scheme and profit-related bonuses. The remuneration committee is also responsible for ensuring that appropriate succession plans are in place for the Chief Executive Officer and executive management.

Independent external consultants were used in 2004 to assess the remuneration packages of the executive and non-executive directors of Merafe Resources and to ensure they are within industry remuneration levels and aligned to the Company's remuneration philosophy. During the financial year the consultants made recommendations regarding the remuneration of both executive and non-executive directors, which have been adopted.

Audit Committee

The purpose of the Audit Committee is to assist the Board in discharging its duties in regard to the safeguarding of assets, the operation of adequate systems, financial controls and

reporting processes and the preparation of accurate financial statements in compliance with all applicable legal requirements and accounting standards. This includes overseeing the activities of the external auditors.

A statement relating to the Directors' responsibilities is to be found in the annual financial statements contained in this report. To discharge this responsibility the Company maintains internal control systems designed to safeguard assets and ensure that transactions are executed and recorded in accordance with generally accepted business practices and procedures. These systems are regularly reviewed by the Audit Committee, which consists of two non-executive directors and the financial director.

The Audit Committee evaluates the performance, independence and effectiveness of the external auditors. The Committee also considers and makes recommendations on the appointment and retention of the external auditors. Before the start of an audit the Audit Committee discusses and reviews with the external auditors the terms, scope and nature of the audit function, procedure and engagement and the audit fee. The Audit Committee also sets the principles for the use of the external auditors for non-audit functions.

Risk Management Committee

The Company's risk management is achieved through identification and control of all significant business and operational risks that could adversely affect the achievement of the Company's business objectives. The Committee provides a forum for the discussion of business risk and control issues and the development of recommendations in this regard for consideration by the Board.

The risk department of Alexander Forbes worked with management and liaised closely with the Risk Management Committee to identify and control significant risks that could affect Merafe Resources. Risk identification and mitigation are communicated quarterly to the Merafe Resources Board.

At all Merafe Resources sites, under Merafe Resources management until July 2004, a risk register, mitigation measures and cross references to all procedures in the Company SHEQ system are in place, as well as formal site-specific risk management sub committees. Under the Xstrata - Merafe Chrome Venture, the Joint Board formed for this purpose is managing the Company's chrome operations since its formation in July 2004.

The Risk Management Committee continues to identify the risks associated with the achievement of the Venture's business plan and the actions proposed to manage these risks at an acceptable level. This process is set out in a risk management framework, which includes an ongoing self-assessment process, risk reviews and updating of risk registers. The process is externally audited.

The Xstrata Health Safety Environment Community Management Standards, published in November 2004, are being applied at all sites that form part of the Xstrata - Merafe Chrome Venture.

Transformation and Employment Equity Committee

Merafe Resources has adopted a formal Employment Equity policy and the Board has set Employment Equity targets, which are aligned with and exceed the requirements of the Employment Equity Act and the Mining Charter. The Transformation and Equity Committee is responsible for monitoring the Company's performance against the targets set by the Board and its compliance with the Act. It reports to the Board every quarter on progress against targets.

In terms of the Xstrata - Merafe Chrome Venture the Committee liaises closely with the Venture's Transformation Manager to ensure the Venture will meet the requirements of the Mining Charter.

Nomination Committee

The Board has given the Nomination Committee the responsibility for identifying and nominating candidates to fill Board vacancies as and when they arise. It is also responsible for making recommendations on the size, structure and composition of the Board in general and in terms of the balance between executive, non-executive and independent non-executive directors. It is guided by the recommendations of the King II Report on board composition.

Principles and Policies

The Board has developed and approved a Charter governing its responsibilities regarding compliance, monitoring operational performance, determining policy and processes, and its shareholders. The Charter also covers the Board's performance and its strategic role. Through its Charter the Board commits itself to the principles of openness, integrity and accountability and to the provision of timeous, relevant and meaningful reporting to all stakeholders.

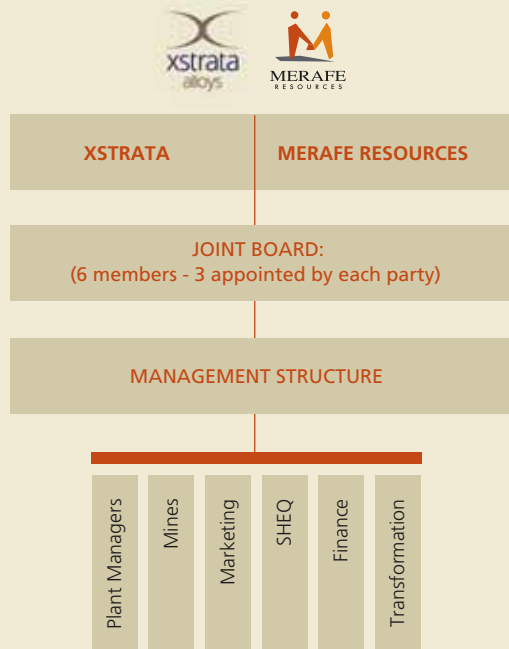
Code of Ethics

Merafe Resources has also adopted a code of ethics with the purpose of encouraging ethical behaviour and decision-making by its Board, management and employees and ensuring that its business practices are beyond reproach. At operational level Merafe Resources' approach to ethical conduct is set out in the employment and social policies, which are provided to all new employees.

Management of Xstrata - Merafe Chrome Venture

A joint board has been formed to manage the combined operations of both companies. It has six members - three representing Merafe Resources (Steve Phiri, Bruce McBride and Stuart Elliot) and three representing Xstrata (Peet Nienaber, Chairman and Chief Executive of Xstrata South Africa (Pty) Limited who was appointed as the first Chairperson of the Board, Shaun Usmar and Deon du Preez). Zed van der Walt, Merafe's Technical Director, is the Company's technical representative on the Xstrata - Merafe Chrome Venture. The management of the Venture's plants and mines, its marketing and finance, SHEQ and transformation are all represented on the senior operational management structure (Exco), set out below. The Exco reports to the joint board.

The Xstrata - Merafe Chrome Venture is committed to delivering industry-leading returns through genuine partnerships with employees, customers, shareholders, local communities and other stakeholders.





SOCIAL SUSTAINABILITY

Our stakeholders

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

Stakeholder	Engaging with our stakeholders
<p>Shareholders and other providers of capital</p> <p>Merafe Resources has a simple shareholder structure. The public and institutional shareholders hold 43.5% of its shares, 32.1% is held by the Royal Bafokeng Resources and 24.4% by the IDC. For details of the breakdown consult Shareholder Information on page 76 of this report.</p> <p>The Company borrows from South African banks. Details of our bankers are to be found on the inside back cover of this report.</p>	<p>During the current financial year the Company communicated with its shareholders through, among other things:</p> <ul style="list-style-type: none"> • Roadshows; • General meetings; • A circular to shareholders relating to the establishment of the venture between SA Chrome and Xstrata; • A circular to the shareholders relating to the change of strategy and the name change from SA Chrome to Merafe Resources; • Notice of the Annual General Meeting; • Press announcements of its interim and preliminary results; • Annual Report to Shareholders; • Presentation to the Nedsec Mid-Cap Mining Conference; • Presentation to Metal Bulletin's sixth Asian Ferro Alloys conference.
<p>Customers</p> <p>Our customers are stainless steel mills in South Africa, Europe, the Far East and the United States. They set the specifications for the product we provide to them and we produce according to these specifications.</p>	<p>Under the Xstrata - Merafe Chrome Venture the marketing of the majority of our production is undertaken by Glencore International AG who, together with the Venture's marketing team, maintain the customer relationships on our behalf. The Company continues to attend global ferrochrome conferences and to interact with customers of the Venture. ThyssenKrupp Metallurgie GmbH (TKMet), who initially marketed all our production have the right to purchase a specific quantity of ferrochrome from the Venture annually.</p>
<p>Employees</p> <p>As at 31 December 2004 Merafe Resources had 364 employees. The Venture had 3,919 employees.</p>	<p>A communication forum has been established at our operations. Regular management briefings are held with our staff to ensure engagement and feedback. A staff newsletter is circulated regularly at our operations.</p>

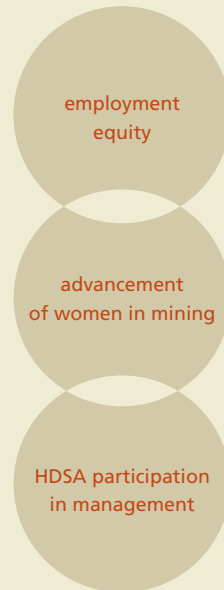
Stakeholder	Engaging with our stakeholders
<p>Suppliers</p>	<p>Merafe Resources is committed to supporting and making use of local businesses that meet the BEE criteria set out in the Broad-Based Socio Economic Empowerment Charter for the mining industry. Our major suppliers are Eskom and coal and coking coal producers. In order to benefit from the combined purchasing power of the Xstrata - Merafe Resources Chrome Venture all purchasing is handled by the Venture. The Venture has established a procurement committee that is responsible for awarding tenders and supply contracts. All potential suppliers are required to provide details of the HDSA shareholding/participation in their business.</p>
<p>Communities</p>	<p>We focus on the communities in the immediate vicinity of our operations. The Royal Bafokeng Nation (RBN) a community of 300 000 people, is a major shareholder in the Company and participates at board level. The Company has begun a process of consultation with the communities in which it operates, which includes the RBN, in order to establish and implement a corporate social responsibility strategy in partnership with these communities. The Company has engaged the services of consultants to assist with community engagement and feedback. We have also engaged with individuals and community groups in the community of Tlathaganyane near Horizon Mine. As a result of these consultations the community centre in the area is being upgraded and a job creation project is under way. The relationship of our operations with their communities will in future be managed by the Venture. Xstrata Alloys have already identified their stakeholders and established consultation processes. The Transformation Manager, Thabo Moseki, who is a member of the Xstrata - Merafe Chrome Venture's Exco, is in the process of reviewing community engagement and feedback processes within the Venture.</p>
<p>Trade Unions</p>	<p>During the first three months of this financial year at the Merafe Resources Boshhoek plant 49 employees were registered as members of National Union of Metal Workers of South Africa (NUMSA). At the Horizon mine 208 employees were registered as members of National Union of Mineworkers (NUM). No other trade union had members registered with them at any of our operations during that period. In terms of the 6 mines and 16 furnaces that make up the Xstrata - Merafe Chrome Venture at the Western mines and Thornclyffe mine, employees are represented by NUM. At the plants they are represented by NUMSA. Recognition agreements and union structures are used to effect consultation and communication.</p>

Stakeholder	Engaging with our stakeholders
<p>Government</p>	<p>Our CEO participates in Government forums both in terms of mining issues and BEE and is a member of the Government's Minerals and Mining Board. Merafe Resources also interacts regularly with the Government of the North West Province in which our operations are based and with the national government's Department of Minerals and Energy.</p>

Externally developed principles, charters and initiatives to which Merafe subscribes

Merafe is committed to the principles of the Broad-Based Socio-Economic Empowerment Charter for the South African mining industry and the Mining Scorecard established to monitor performance against the Charter. Through the Charter mining industry stakeholders committed themselves to aspiring to a baseline of 40% historically disadvantaged participation in management within five years. In terms of ensuring higher levels of inclusiveness and advancement of women they committed to a baseline of 10% of women participation in the mining industry within five years.

This year our efforts towards socio-economic empowerment were recognised when Merafe Resources was rated second in the Resources Sector and ninth overall in the Top Empowerment Companies Survey undertaken by Financial Mail and the Empowerdex Economic Empowerment Rating Agency. The areas against which participants were measured were: Direct Empowerment (ownership, management representation, employment equity, skills development) and Indirect Empowerment (preferential procurement, enterprise development and corporate social investment).



How Merafe Resources scores against the Mining Scorecard (The operations covered by this scorecard are the Merafe Resources operations which now form part of the Xstrata - Merafe Chrome Venture).

Scorecard Items	Progress Made Towards Target
<p>Human Resource Development Every employee to be offered the opportunity to be functionally literate and numerate by 2005.</p>	<p>Only eight employees need literacy training. ABET is available to all employees in the Xstrata - Merafe Chrome Venture and by the end of 2005 all will have had the opportunity to become functionally literate and numerate. Through the Xstrata - Merafe Chrome Venture the Company participates in ABET Centres established to offer skills training to the unemployed in some of the communities where the Venture operates.</p>
<p>Career paths and skills development plans implemented for all HDSA employees.</p>	<p>Evaluation interviews are conducted with individual employees to determine their aspirations, their level of qualifications and assess their potential. Defined career paths are assigned, depending on candidates ability and ambition. Where appropriate assistance with further education is offered.</p>
<p>Has the company developed systems through which empowerment groups can be mentored?</p>	<p>Yes - The Company mentors and assists empowerment groups that have a direct link to the organisational process. These groups are then contracted to perform contracts / work for the company.</p>
<p>Employment Equity Has the company published its employment equity plan and reported on its annual progress in meeting that plan?</p>	<p>Yes.</p>
<p>Has the company established a plan to achieve a target for HDSA participation in management of 40% within the 5 years (2007) and is it implementing the plan?</p>	<p>Yes - set out in Employment Equity Plan. Merafe Resources operations have already achieved the target of 40% HDSA participation in management.</p>
<p>Has the company identified a talent pool and is it fast tracking it?</p>	<p>Yes - Through the Company's participation in the Xstrata - Merafe Chrome Venture 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 which involve formal and informal interaction with mentors.</p>
<p>Has the company established a plan to achieve the target for women participating in mining of 10% within the 5 years and is it implementing the plan?</p>	<p>Yes - Merafe Resources operations already exceed 10% (13% of employees are women in operational positions). However, it is a major challenge for a male-dominated industry like the mining industry to attract sufficient suitable female candidates. With the aim of increasing its number of female employees, 50% of the bursaries Xstrata awards are targeted at women.</p>

Scorecard Items	Progress Made Towards Target
<p>Migrant Labour</p> <p>Has the company subscribed to government and industry agreements to ensure non-discrimination against foreign migrant labour?</p>	<p>Yes - In addition the policies and procedures of the Xstrata - Merafe Chrome Venture comply with foreign and local treaties and agreements on migrant labour and are aimed at ensuring that all employees are treated fairly, without bias or discrimination. The operations that fall within the Xstrata - Merafe Chrome Venture do not utilise foreign migrant labour.</p>
<p>Mine Community and Rural Development</p> <p>Has the company co-operated in the formulation of integrated development plans and is the company co-operating with government in the implementation of these plans for communities where mining takes place and for major labour sending areas? Has there been effort on the side of the company to engage the local mine community and major labour sending area communities? (Companies will be required to cite a pattern of consultation, indicate money expenditures and show a plan).</p>	<p>Through the Xstrata - Merafe Chrome Venture the Company plays a central role in the communities that exist alongside its operations. It works closely with the relevant local government, Local Economic Development forums and other regional business bodies to facilitate and help meet their needs outlined in the Integrated Development Plans (IDP). Details of the programmes in place are provided in the Social Impact section of the Sustainability Report contained in this report.</p>
<p>Housing And Living Conditions</p> <p>For company provided housing has the mine, in consultation with stakeholders, established measures for improving the standard of housing, including the upgrading of the hostels, conversion of hostels to family units and promoted home ownership options for mine employees? Company will be required to indicate what they have done to improve housing and show a plan to progress the issue over time and is implementing the plan?</p>	<p>The employees are local to our operations and therefore do not require special arrangements for housing. Opportunities have been provided to all employees to determine their own living arrangements through flexible remuneration.</p>
<p>Has the company established measures for improving the nutrition of employees? Companies will be required to indicate what they have done to improve nutrition and show a plan to progress the issue over time and implementation of this plan.</p>	<p>The Company does not provide meals for its staff unless they are at work longer than eight hours.</p>
<p>Procurement</p> <p>Has the mining company given historically disadvantaged South African's preferred supplier status?</p>	<p>On the way to complying. The Xstrata - Merafe Chrome Venture's focus is on procurement transformation as an opportunity. It is targeting suppliers for transformation and encouraging them to examine their equity ownership. ...></p>

Scorecard Items	Progress Made Towards Target
<p>Procurement (continued)</p>	<p>Existing suppliers have been advised that their support of this initiative will have a direct bearing on their future business dealings with the Venture. A procurement committee, which is responsible for awarding tenders and supply contracts is in place. All potential suppliers are required to provide details of their HDSA shareholding/participation in their business. The Company is committed to supporting and making use of local businesses that meet the BEE criteria set out in the Broad-based Socio-Economic Empowerment Charter for the Mining Industry.</p>
<p>Has the mining company identified the current level of procurement from historically disadvantaged South African companies in terms of capital goods, consumables and services?</p>	<p>Yes - Our current level of HDSA procurement is identified and recorded. On average the Company (Merafe Resources) procures 48% of all commodities and services from BEE companies and 17% from companies, which are in the process of complying with BEE requirements.</p>
<p>Has the mining company indicated a commitment to a progression of procurement from historically disadvantaged South African companies over a 3-5 year time frame in terms of capital goods, consumables and services and to what extent has the commitment been implemented?</p>	<p>On the way to complying. The Xstrata - Merafe Chrome Venture has indicated its commitment to procuring capital goods, consumables and services from historically disadvantaged South African companies where and whenever possible and is implementing this commitment. We are hopeful of achieving our targets within the stipulated timeframe.</p>
<p>Ownership and Joint Ventures</p> <p>Has the mining company achieved historically disadvantaged South African participation in terms of ownership for equity or attributable units of production of 15 per cent in historically disadvantaged South African hands within five years and 26 per cent in 10 years?</p>	<p>Target of 15% is exceeded. Royal Bafokeng Resources currently own a 32.1% shareholding in Merafe Resources.</p>
<p>Beneficiation</p> <p>Has the mining company identified its current level of beneficiation?</p>	<p>Yes - The main business of the Xstrata - Merafe Chrome Venture, which manages the Company's assets, is the beneficiation of chromite into ferrochrome in 16 furnaces in South Africa.</p>
<p>Has the mining company established its base line level of beneficiation and indicated the extent that this will have to be grown in order to qualify for an offset?</p>	<p>Yes.</p>
<p>Reporting</p> <p>Has the company reported on an annual basis its progress towards achieving its commitments in its annual report?</p>	<p>Yes - This progress is reflected in the Sustainability Report contained in this Annual Report.</p>

Employment Equity

Breakdown of Merafe Resources Management (including skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents) in terms of Historically Disadvantaged South Africans (HDSAs) and non-HDSAs.

- HDSA - 44%
- non-HDSA 56%



Gender breakdown of Merafe Resources employees

- 13% female,
- 87% male.



Transformation

When the Xstrata - Merafe Chrome Venture was established the position of Transformation Manager was established. The Transformation manager is responsible for the Venture's community investment and transformation within the Venture, which includes procurement and enterprise development. The Transformation Manager is currently establishing a Transformation Indaba, which will develop a corporate strategic plan and agenda for transformation within the Venture and will also develop an approach and a model for transformation advocacy, action and attitude change.

Included in the Venture's transformation plan is a housing development project that will help employees find homes within the vicinity of its Rustenburg, Kroonandaal and Wonderkop operations. The Venture is also investigating the development of homes for employees at its Western Limpopo Operations. The Venture is working with NAFCOC (National Federated Chamber of Commerce), the Royal Bafokeng Economic Board and non-profit structures within communities in order to extend its enterprise development programme. The Venture currently focuses on stimulating and supporting skills development in small business and developing sustainable non-profit structures within the communities within which it operates.

Community Investment

Merafe recognises that it has an important role to play in the communities within which it operates. Previously the Company was in start-up phase and had limited resources to expend on a community investment programme.

Since July 2004 the majority of Merafe Resources' community investment has been through the Xstrata - Merafe Chrome Venture. Xstrata plc has committed itself to spending 1% of Earnings Before Interest and Taxation (EBIT) on community investment and through its involvement in the Venture Merafe Resources contributes to this investment.

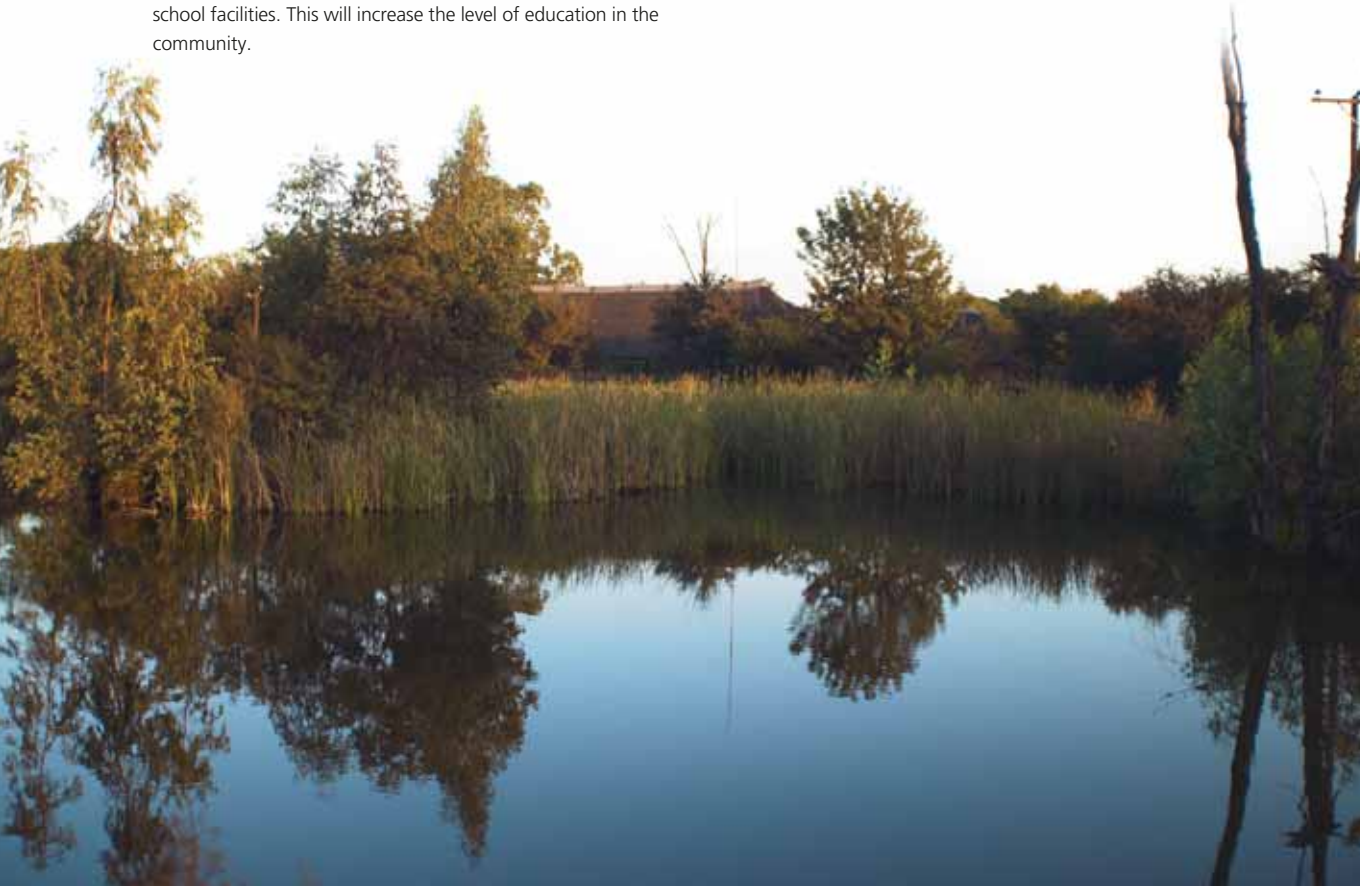
The Venture's community investment programme focuses on education, infrastructure, sustainable and facility development.

The Venture's investment in education includes capacity building in schools within the vicinity of its mining operations. The main focus is on developing maths and science teaching skills and establishing a training centre for candidates interested in mining sector programmes.

Sponsorship of Edumap is also helping pupils to obtain excellent maths and science matriculation results. The Venture's bursary and scholarship programme is aimed at developing a future workforce for the organisation. Members of the local community have been given training at the Keyboard College, which has helped them develop job skills. Some of these trainees have since joined a learnership programme and are performing secretarial duties at the Venture's offices.

Among its infrastructure and facility development projects is the Rutanang school project, which currently only offers primary school education. The objective of the project is to add high school facilities. This will increase the level of education in the community.

In its previous Annual Report Merafe Resources reported that it had started a process of consultation with local communities. As a result of this consultation the health facilities and community centre of the Tlhatlhaganyane community near Horizon mine are being upgraded.



ENVIRONMENTAL SUSTAINABILITY

Health

The main occupational hazards at the Xstrata - Merafe Chrome Venture operations are noise and dust. Training is provided for employees in the recognition and avoidance of occupational health hazards and extensive occupational health monitoring programmes are in place. The results of these programmes are linked back to the occupational health centres and medical records to determine personal exposures. Occupational health risk assessments forming the basis of management programmes are in place at all plants, employees have been categorised by job group and action plans have been developed which indicate monitoring requirements for a particular job category and stipulates the type of monitoring and the frequency.

Annual medical checks of all employees link in with the Venture's monitoring programmes and there is a site clinic at every plant.

Awareness campaigns for hearing conservation have been implemented and the introduction of custom-made hearing protection (variphones) for employees identified as working in bad noise areas continues.

The Venture's HIV/AIDS programmes provide medical treatment and counselling support. They also include anti-retroviral treatment and treatment for the prevention of mother to child transmission of HIV. HIV awareness training forms part of the general induction training at operations. The Employee Assistance Programme also provides for access to voluntary counselling and testing. A number of peer educators have been trained to enhance the level of knowledge and awareness at all plants.

Safety

Through a behavioural-based safety programme which makes employees aware of how their behaviour affects their safety and that of others the Venture's employees have been empowered to take responsibility for risk and safety management processes and promote a safety first culture within the operations. As this is the first year the Venture has been in existence it is not possible to provide comparative data for the Venture. The Venture's Total Recorded Injury Frequency Rate (TRIFR) was 16.58, while the Lost Time Injury Frequency Rate (LTIFR) was 5.41 and the Fatality Frequency Rate (FFR) was 0.16. All constituted positive trends from previous individual performances.

Health and Safety Systems

All sites are implementing a Health and Safety Management System compliant with the OHSAS 18001 standard and the Venture's health and safety policy. The Lydenburg plant has been externally certified. The system involves establishing legal and risk registers and implementing programmes that focus on changing health and safety-related behaviours. As part of the Venture's integration of its safety, health, environment and quality functions it plans to have all sites compliant to ISO 9000 and 14001 and OHSAS 18000 systems by the end of 2005.

Qualified safety practitioners manage the occupational safety programmes together with safety representatives who are elected by the employees. The programmes include safety and health risk assessments, plant inspections, development of safe work procedures, incident investigations and training of employees. Safety training and pre-shift safety talks are ongoing at all operations.

Regular internal safety audits and inspections of operations and systems by safety personnel and employees are carried out. The following audits take place:

- 1st level audits** undertaken by the department itself.
- 2nd level audits** undertaken by HSEC teams with a manager from another section.
- 3rd level** external audits are conducted (the plants audit each other).
- Certification** twice a year audited on each of the
- Body Audits** international standards.

Environment

During the year the Venture had two Category three environmental incidents (incidents which cause moderate localised reversible impacts on the environment). The first was at the Rustenburg plant where the sidewall of the slimes dam cracked and sludge was captured in the paddock system. At the Lydenburg plant the start up of a Grate and Rotary kiln required a warming up schedule of 36 hours.

Land and Biodiversity

All the Venture's sites have developed procedures to minimise land disturbance. Environmental management programmes, approved by the Department of Minerals and Energy (DME), are in place for the rehabilitation and decommissioning of the Venture's mines. The long-life profile of the operations limits the current availability of land for rehabilitation.

Water

All the Venture's operations focus on conserving water. It is not possible to produce comparative figures this year as the Venture is less than a year old. The Venture runs closed systems in all its plants and all water is recycled including water from the slimes dams, which is diverted back into the plant. All plants are zero effluent - no effluent was reported during the year.



Air Quality

All plants have Air Pollution Prevention Act certificates for Schedule 2 Process 50 issued by the Chief Air Pollution Control Officer. In addition to managing the primary sources of air pollution the Venture also manages and controls all secondary sources of pollution (e.g. stockpiles).

Dust control measures, which are in accordance with approved environmental management programmes are in place at all the operations where dust is generated by the movement of material, gravel roads and wind blown from stockpiles, tailings dams and other disturbed areas. Dust monitoring programmes are also in place and each plant has its own monitoring equipment for random sampling and analysis.

The Xstrata - Merafe Chrome Venture's processing plants have completed air dispersion modelling to determine the extent of airborne emissions around their operations.

During planned maintenance at the smelters, the community is informed through articles published in local newspapers. In an emergency breakdown situation the operations implement reduced load schedules, minimising possible impact on the environment.

Waste

Operations are focused on improving the quantification, collection and recycling of waste material.

Noise

Every blast is monitored at the Venture's operations and any noise and vibration non-compliances are reported to the relevant regulators and stakeholders. Blast techniques have been refined to reduce their impact and consultative forums are in place to discuss any noise concerns that may arise.

To overcome the crusher noise, which exceeded the recommended national noise levels, the crusher building at the Waterval Mine beneficiation plant has been clad with noise absorption material.

Energy

Electricity, coal and diesel are the primary sources of energy for the Venture.

Management Systems

Each operation is required to establish an environmental management system consistent with ISO 14001. Three out of four smelters are already certified for compliance with ISO 14001.

All operations are required to maintain risk registers incorporating key HSEC (health safety environment and community) risks.

Environmental performance at all operations was assessed by means of regular internal reviews of performance and by systems compliance and systems reviews. In addition a number of external audits were carried out.

At all operations induction programmes for new employees and contractors include an environmental component. In addition many sites have developed environmental awareness programmes. All employees repeat induction training annually.





economic sustainability

Profitability, beneficiation and
accelerating economic growth
through greater equity and
self reliance.