SOUTH AFRICAN CHROME & ALLOYS LIMITED

ANNUAL FINANCIAL STATEMENTS

CONTENTS

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2004

The financial statements for the year ended 31 March 2004, which appear on pages 34 to 57 were approved by the directors on 30 July 2004.

The directors are responsible for the fair presentation to shareholders of the affairs of the Company and of the Group as at the end of the financial year, and of the results for the year, as set out in the annual financial statements. The directors are responsible for the overall co-ordination of the preparation and presentation and for the approval of the financial statements. Responsibility for the initial preparation of these statements has been delegated to the officers of the Company and the Group. The auditors are responsible for auditing and reporting on the financial statements in the course of executing their statutory duties. The financial statements have been prepared on a going concern basis, conforming with the applicable accounting standards and are presented applying consistent accounting policies supported by reasonable and prudent judgment and estimates. To discharge this responsibility, the Group maintains accounting and administrative control systems designed to provide reasonable assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and procedures. The accounting policies of the Group are set out on pages 38 to 42 of this report.

Chris Molefe
Non-Executive Chairman
30 July 2004

Steve Phiri
Chief Executive Officer
30 July 2004

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SOUTH AFRICAN CHROME AND ALLOYS LIMITED for the year ended 31 March 2004

We have audited the annual financial statements and Group annual financial statements of South African Chrome and Alloys Limited set out on pages 34 to 57 for the year ended 31 March 2004. These financial statements are the responsibility of the directors of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:
- examining, on a test basis, evidence supporting the amounts and disclosures included in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit Opinion

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc
Chartered Accountants (SA)
Registered Accountants and Auditors

Johannesburg
30 July 2004

COMPANY SECRETARY'S CONFIRMATION for the year ended 31 March 2004

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

A Mahendranath

A Mahendranath
Company Secretary

Johannesburg
30 July 2004

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING for the year ended 31 March 2004

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

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

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

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

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

Chris Molefe
Non-Executive Chairman
30 July 2004

Steve Phiri
Chief Executive Officer
30 July 2004

OUR REPORTING COMMITMENT for the year ended 31 March 2004

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

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

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

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

Nature of Business

SA Chrome mines chromite ore at Horizon Chrome Mine and processes UG2 ore at its UG2 plant. This ore is beneficiated into ferrochrome at the plant in Boshoek in the North West Province of South Africa. We market the ferrochrome output of the Boshoek facility to the stainless steel industry. The Group's structure is to be found on page 4.

Group Financial Results

The financial statements set out fully the financial results of the Group on pages 34 to 58. These financial statements have been prepared using appropriate accounting policies, conforming to South African Generally Accepted Accounting Practice, supported by reasonable and prudent judgements where required.

Going concern

The directors believe that SA Chrome has sufficient resources and expected cashflows to continue as a going concern.

Dividend Policy

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

Dividends for the Period Ended 31 March 2004

No dividends were declared or paid during the year.

Share Capital

Full details of the authorised and issued share capital of the Company are set out in Note 15 to the annual financial statements. During the year to 31 March 2004 the following shares were issued for the purpose stated:

- On 30 May 2003 and 17 June 2003, the Company issued 6 677 725 ordinary shares and 75 718 666 ordinary shares, respectively, at a premium of 59 cents per share in terms of the general authority, granted to the directors at the annual general meeting held on 12 August 2002, to issue shares for cash. The proceeds raised were used to acquire additional chromite reserves, upgrade the existing ferrochrome facility and settle bank debt.

- On 14 August 2003, SA Chrome issued 41 666 666 shares to RBR Holdings and 56 666 666 shares to the IDC for cash at a premium of 59 cents per share. The proceeds raised from the specific issue of shares for cash were used to acquire additional chromite reserves, upgrade the existing ferrochrome facility and settle bank debt.

- On 31 March 2004, SA Chrome issued 1 900 000 ordinary shares, 750 000 ordinary shares and 750 000 ordinary shares to Mr JG Dorfan, Mr MZ Pollack and Mr J Pollack respectively, who implemented share options due to them at an exercise price of 40 cents per share. In addition SA Chrome issued 1 500 000 ordinary shares to Mr JG Dorfan who implemented share options due to him at an exercise price of 45 cents per share.

- On 31 March 2004, SA Chrome issued 1 997 937 ordinary shares and 4 000 000 ordinary shares to Mr TM McConnachie who implemented share options due to him at an exercise price of 40 cents and 45 cents, respectively.

- On 5 April, SA Chrome issued 29 761 905 ordinary shares to a financial institution at a premium of 83 cents per share in terms of the general authority, granted to the directors at the annual general meeting held on

17 September 2003, to issue shares for cash. The proceeds raised are to be used to fund the R25 million reserve account required to fund capital expenditure improvements of the Company's ferrochrome facility in 2004 and 2005, as stipulated in the Xstrata – SA Chrome Venture agreement.

Directorate

During the year under review and up to the date of this report the following changes were made to the Group's directorate:

Resignations – Jack Dorfan, Terence McConnachie, Sipho Mkhize and Myron Pollack.
Retirements – In terms of Article 93, Bruce McBride, Steve Phiri, Stuart Elliot and Zed van der Walt retired from the board by rotation.
All four are eligible and available for re-election to the board.
Steve Phiri joined the executive on 1 May 2003
Qinisani Mbatha joined the board as a non-executive director.

Major Shareholders

To the best of our knowledge the following shareholders were the registered holders of five per cent or more of the issued ordinary shares in the Company at 31 March 2003:
• The Royal Bafokeng Nation 33.2%
• The Industrial Development Corporation of South Africa 25.2%

Details of the current board of directors are set out on pages 4 and 5 of this annual report.

A detailed report on directors' emoluments has been prepared in accordance with JSE requirements and appears in Note 3 to the annual financial statements.

Directors' Interest in SA Chrome

As at 30 July 2004 the directors of the Group are beneficially interested (directly and indirectly) in 1,428,556 shares.

	2004		2003	
	Direct	**Indirect**	Direct	Indirect
Steve Phiri	-	-	-	-
Zed van der Walt	-	-	300,000	-
Bruce McBride	-	**600,000**	-	600,000
Stuart Elliot	**1,235,112**	-	1,165,112	-
Chris Molefe	-	-	-	-
Dr Todor Vlajcic	-	-	-	-
Sipho Mkhize	-	-	-	-
Andre Bekker	-	-	-	-
Reinier Meyjes	**193,444**	-	193,444	-
Total	**1,428,556**	**600,000**	1,658,556	600,000

SUBSEQUENT EVENTS

SA Chrome reached agreement with Xstrata South Africa (Proprietary) Limited ("Xstrata") a subsidiary of Xstrata plc, to establish a shared venture (the "Xstrata - SA Chrome Venture") in which they will pool their respective South African chrome and ferrochrome assets and share in the earnings therefrom. From the third year following the commencement of the agreement, SA Chrome and Xstrata will hold 17.5% and 82.5%, respectively, in the Xstrata - SA Chrome Venture, with the relative proportions changing from Year 1 as follows:

	SA Chrome	Xstrata
Year 1	11%	89%
Year 2	14%	86%
Year 3 onwards	17.5%	82.5%

INCOME STATEMENTS for the year ended 31 March 2004

		GROUP		COMPANY	
		31 March 2004	31 March 2003	**31 March 2004**	31 March 2003
	Notes	**R**	R	**R**	R
Revenue	2	**554,442,174**	183,782,204	**-**	-
Cost of sales		**(581,307,044)**	(258,238,491)	**-**	-
Gross (loss)/profit		**(26,864,870)**	(74,456,287)	**-**	-
Other operating income		**4,340,289**	61,043	**22,367,115**	12,591,723
Other operating expenses		**(29,214,373)**	(24,597,491)	**(24,380,526)**	(16,308,978)
Loss from operations	3	**(51,738,954)**	(98,992,735)	**(2,013,411)**	(3,717,255)
Net financing (costs)/income	4	**(55,385,195)**	(48,542,768)	**2,142,951**	3,717,255
Net (loss) / profit for the period		**(107,124,149)**	(147,535,503)	**129,540**	-
Headline loss per share (cents)	7.1	**(9.43)**	(14.60)		
Basic loss per share (cents)	7.2	**(9.43)**	(14.67)		

BALANCE SHEETS for the year ended 31 March 2004

		GROUP		COMPANY	
		31 March 2004	31 March 2003	**31 March 2004**	31 March 2003
	Notes	**R**	R	**R**	R
ASSETS					
NON - CURRENT ASSETS		**692,779,617**	675,929,850	**535,349,280**	439,482,607
Options for mineral and participation rights	8	**257,487**	257,487	**257,487**	257,487
Property, plant and equipment	9	**679,896,559**	656,315,179	**4,314,341**	4,518,964
Investments	10	**9,785,163**	18,786,238	**527,937,044**	434,135,210
Non-current receivables	11	**2,840,408**	570,946	**2,840,408**	570,946
CURRENT ASSETS		**156,310,474**	113,214,709	**11,415,916**	3,176,095
Inventories	12	**92,796,953**	75,613,984	-	-
Trade and other receivables	13	**63,513,521**	30,367,429	**1,317,032**	1,985,093
Held-for-trading financial asset	14	-	5,925,000	-	-
Bank and cash	23	-	1,308,296	**10,098,884**	1,191,002
TOTAL ASSETS		**849,090,091**	789,144,559	**546,765,196**	442,658,702
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES		**231,960,439**	231,466,382	**519,056,219**	411,308,473
Share capital	15	**11,956,648**	10,149,571	**11,956,648**	10,149,571
Share premium	16	**527,217,322**	421,406,193	**527,217,322**	421,406,193
Fair value reserves	17	**129,540**	-	**129,540**	-
Accumulated loss		**(307,343,071)**	(200,089,382)	**(20,247,291)**	(20,247,291)
NON - CURRENT LIABILITIES		**360,756,004**	336,238,114	**5,575,259**	13,197,777
Long-term liabilities	18	**359,894,020**	335,414,254	**5,575,259**	12,697,777
Provision for close down and restoration costs	19	**861,984**	823,860	-	500,000
CURRENT LIABILITIES		**256,373,648**	221,440,063	**22,133,718**	18,152,452
Trade and other payables	20	**185,429,950**	165,360,608	**6,178,821**	1,492,048
Provisions	21	**12,830,402**	10,611,776	**9,837,500**	9,219,594
Current portion of long-term liabilities	18	**49,169,827**	45,467,679	**6,117,397**	7,440,810
Bank overdraft	23	**8,943,469**	-	-	-
TOTAL EQUITY AND LIABILITIES		**849,090,091**	789,144,559	**546,765,196**	442,658,702

STATEMENTS OF CHANGES IN EQUITY for the year ended 31 March 2004

	GROUP		COMPANY	
	31 March 2004	31 March 2003	**31 March 2004**	31 March 2003
	R	R	**R**	R
Share Capital	**11,956,648**	10,149,571	**11,956,648**	10,149,571
Balance at the beginning of the year	**10,149,571**	9,985,668	**10,149,571**	9,985,668
New shares issued during the year	**1,807,077**	163,903	**1,807,077**	163,903
Share Premium	**527,217,322**	421,406,193	**527,217,322**	421,406,193
Balance at the beginning of the year	**421,406,193**	407,350,312	**421,406,193**	407,350,312
Premium on new shares issued	**106,617,557**	14,111,726	**106,617,557**	14,111,726
Share issue expenses written off	**(806,428)**	(55,845)	**(806,428)**	(55,845)
Fair Value Reserve	**129,540**	-	**129,540**	-
Balance at the beginning of the year	-	520	-	520
Transfer from income statement	**129,540**	-	**129,540**	-
Revaluation surplus realised on sale of shares	-	(520)	-	(520)
Accumulated Loss	**(307,343,071)**	(200,089,382)	**(20,247,291)**	(20,247,291)
Balance at the beginning of the year as previously reported	**(200,089,382)**	(53,725,755)	**(20,247,291)**	(21,057,183)
Effect of adopting accounting statements	-	1,171,876	-	809,892
Balance at the beginning of the year restated	**(200,089,382)**	(52,553,879)	**(20,247,291)**	(20,247,291)
Net loss for the year	**(107,124,149)**	(147,535,503)	**129,540**	-
Transfer to fair value reserve	**(129,540)**	-	**(129,540)**	
Equity at the End of the Year	**231,960,439**	231,466,382	**519,056,219**	411,308,473

CASH FLOW STATEMENTS for the year ended 31 March 2004

		GROUP		COMPANY	
		31 March 2004	31 March 2003	**31 March 2004**	31 March 2003
	Notes	**R**	R	**R**	R
OPERATING ACTIVITIES		**(100,825,097)**	(73,192,761)	**6,023,007**	10,484,356
Cash utilised (by)/in operations	22	**(45,439,902)**	(24,649,993)	**3,880,056**	6,767,101
Net financing (costs)/income	4	**(55,385,195)**	(48,542,768)	**2,142,951**	3,717,255
INVESTING ACTIVITIES		**(45,226,788)**	(50,902,507)	**(96,287,400)**	(33,803,519)
Acquisition of property, plant and equipment		**(52,091,096)**	(53,193,686)	**(348,799)**	(140,718)
Proceeds on disposal of property, plant and equipment		**132,695**	2,344,407	**132,695**	2,344,407
Disposal of listed investments		**-**	(520)	**-**	(520)
Increase in investments		**9,001,075**	(4,385,079)	**(93,801,834)**	(37,641,253)
Loans receivable (granted) / repaid		**(2,269,462)**	4,332,371	**(2,269,462)**	1,634,565
FINANCING ACTIVITIES		**135,800,120**	78,783,114	**99,172,275**	10,337,382
Proceeds on issue of shares		**108,424,634**	14,275,630	108,424,634	14,275,630
Share issue expenses		**(806,428)**	(55,845)	**(806,428)**	(55,845)
Long term borrowings raised		**28,181,914**	64,563,329	**(8,445,931)**	(3,882,403)
Capital element of liabilities repaid		**-**	-	**-**	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(10,251,765)**	(45,312,154)	**8,907,882**	(12,981,781)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,308,296**	46,620,450	**1,191,002**	14,172,783
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	**(8,943,469)**	1,308,296	**10,098,884**	1,191,002

ACCOUNTING POLICIES

1. Basis of Preparation

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

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

2. Basis of Consolidation

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

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

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

3. Foreign Currency

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

4. Property, Plant and Equipment

4.1. Mining Assets

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

4.2. Mineral and Surface Rights

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

4.3. Non Mining Fixed Assets

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

ACCOUNTING POLICIES

4.4. Depreciation and Amortisation

(I) Mine Development

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

(ii) Mineral Rights

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

(iii) Other Mining Assets

Mining equipment and structures, and plant and equipment are amortised using the lesser of their estimated useful lives and the units-of-production method based on estimated proven and probable ore reserves. Where ore reserves are not determinable, because of their scattered nature, the straight line method of depreciation is applied.
The maximum life of any single item is set at twenty years. When the straight line method is applied, the following rates are used:
• Mining equipment and structures 10 per cent
• Plant and equipment 20 per cent

(iv) Other Non-Mining Assets

Other non-mining assets are recorded at cost and depreciated on a straight-line basis over their expected useful lives as follows:
• Vehicles 20 per cent
• Computers 33.3 per cent
• Furniture and equipment 20 per cent

4.5. Impairment

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

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

ACCOUNTING POLICIES

4.6. Leases

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

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

5. Deferred Taxation

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

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

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

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

6. Inventories

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

- Finished goods on hand valued using the weighted average cost. Cost includes production, amortisation and related administration costs.
- Work-in-progress is valued at weighted average cost. Costs includes production, amortisation and related administration costs.
- Consumables stores and raw materials are valued at weighted average cost.

7. Financial Instruments

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

ACCOUNTING POLICIES

7.1. Investments

Investments comprise:

(i) investments in bonds which are classified as held-to-maturity and are accounted for at amortised cost, which constitutes fair value, with all gains and losses being included in net income/loss.

(ii) investments in bonds which are classified as available for sale and are accounted for at fair value with all gains and losses included in equity.

7.2. Derivative Financial Instruments

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

8. Cash and Cash Equivalents

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

9. Trade Receivables

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

10. Trade Payables

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

11. Provisions

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

12. Environmental Obligations

Long-term environmental obligations are based on the Group's environmental management plans, in compliance with current environmental and regulatory requirements. Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to balance sheet date. Increases due to additional environmental disturbances are capitalised and amortised over the remaining lives of the mines. Annual increases in the provision relating to the change in the net present value of the provisions and inflationary increases are accounted for in earnings. The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances. Increases in estimated costs are included in fixed assets with the corresponding amount increasing the provision as appropriate. Cost estimates are not reduced by the potential proceeds from the sale of assets or from plant clean up at closure, in view of the uncertainty of estimating the potential future proceeds. When necessary, contributions are made to a dedicated rehabilitation trust fund to fund the estimated cost of rehabilitation during and at the end of the life of the relevant mine. The amounts contributed to this trust fund are included under non-current assets. Income earned on monies paid to rehabilitation trust funds is accrued on an annual basis and is recorded as interest income.

ACCOUNTING POLICIES

13. Employee Benefits

(i) Pension Plans

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

(ii) Medical Plans

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

(iii) Equity Compensation Benefits

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

14. Revenue Recognition

Revenue is recognised only when it is probable that the economic benefits associated with a transaction will flow to the Company and the amount of revenue can be measured reliably.

Revenue From Sales

Revenue from sales represents fob sales value of ferrrochrome and chrome ore exported, and the sales value of ferrochrome sold locally at the date of delivery to the customer.

Interest Income

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

15. Comparatives

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

NOTES TO THE FINANCIAL STATEMENTS

	GROUP		COMPANY	
	31 March 2004	31 March 2003	**31 March 2004**	31 March 2003
2. REVENUE	**R**	R	**R**	R
Turnover from mining operations	**554,442,174**	183,782,204	-	-
3. LOSS FROM OPERATIONS				
The following items have been charged in arriving at operating loss from operations:				
Income				
Foreign exchange gains/(loss)	**13,657,084**	3,844,805	**3,772,702**	(3,405,340)
Management fee - SA Ferrochrome and Mining (Pty) Ltd	-	-	**18,449,903**	12,591,723
Expenses				
Amortisation and depreciation:	**28,312,451**	24,803,210	**356,156**	792,052
Mineral rights	**81,609**	49,368	-	-
Ferrochrome smelter project	**22,213,127**	19,237,589	-	-
Mine development project	**1,984,910**	1,164,177	-	-
Mining equipment and structures	**2,893,678**	3,046,969	-	153,290
Motor vehicles	**262,074**	242,727	**211,263**	193,624
Office furniture and equipment	**518,146**	341,099	**126,060**	63,931
Plant and equipment	**358,907**	721,281	**18,833**	381,207
Auditors remuneration	**488,291**	431,848	**150,000**	236,473
Audit fees - current year	**424,941**	425,375	**150,000**	230,000
Under provision previous year	-	6,473	-	6,473
Other services	**63,350**	-	-	-
Loss on disposal of property, plant and equipment	**64,571**	690,726	**64,571**	-
Staff costs	**53,186,652**	30,951,354	**9,059,085**	6,548,153
Defined contribution expense - Provident fund	**4,000,491**	2,283,152	**890,764**	669,064

NOTES TO THE FINANCIAL STATEMENTS

Directors' remuneration	**2004**	2003
Non-executive directors		
The non-executive directors did not receive any fees during the year.		
Executive directors		
JG Dorfan		
Salary	**180,000**	60,000
Directors fees	-	-
Fringe benefits	**31,263**	-
Pension fund contributions	-	-
Bonus*	**180,000**	-
	391,263	60,000
SP Elliot		
Salary	**1,162,796**	1,033,594
Directors fees	-	-
Fringe benefits	**120,714**	33,723
Pension fund contributions	**174,557**	155,162
	1,458,067	1,222,479
S Phiri (appointed 1 May 2003)		
Salary	**1,044,671**	-
Directors fees	-	-
Fringe benefits	**135,468**	-
Pension fund contributions	**160,161**	-
	1,340,300	-
B McBride		
Salary	**1,162,796**	1,033,594
Directors fees	-	-
Fringe benefits	**124,915**	56,720
Pension fund contributions	**174,557**	155,162
	1,462,268	1,245,476
TM McConnachie		
Salary	**1,071,983**	1,136,953
Directors fees	-	-
Fringe benefits	**116,196**	51,104
Pension fund contributions	**174,197**	170,678
Bonus*	**924,000**	
	2,286,376	1,358,735
Z van der Walt		
Salary	**1,162,796**	1,033,594
Directors fees	-	-
Fringe benefits	**138,000**	5,000
Pension fund contributions	-	-
	1,300,796	1,038,594
	8,239,070	4,925,284

* Contractual bonus payable on completion of the SA Chrome Boshoek Project

NOTES TO THE FINANCIAL STATEMENTS

	GROUP		COMPANY	
	31 March 2004	31 March 2003	**31 March 2004**	31 March 2003
	R	R	**R**	R
4. NET FINANCING (COSTS)/INCOME				
Interest paid:	**(59,039,365)**	(53,575,242)	**(290,470)**	(359,062)
Interest-bearing borrowings	**(55,461,600)**	(52,916,173)	**(121,470)**	(352,878)
Bank overdraft	**(3,415,522)**	(658,670)	**(6,757)**	(5,785)
Other	**(162,243)**	(399)	**(162,243)**	(399)
Interest received:	**3,654,170**	5,032,474	**2,433,421**	4,076,317
Bank	**2,287,731**	1,690,190	**1,066,982**	734,032
Investment bonds	**1,157,620**	3,217,725	**1,157,620**	3,217,726
Other	**208,819**	124,559	**208,819**	124,559
Net finance costs	**(55,385,195)**	(48,542,768)	**2,142,951**	3,717,255

5. CHANGE IN ACCOUNTING ESTIMATE

During the year the estimated useful life of the smelter project was changed from 20 years to 30 years. The effect of the change is as follows;

	Gross	Tax	Outside Shareholders
Decrease of depreciation expense for current year	8,058,652	2,417,596	-
Decrease of depreciation expense in future periods	9,932,566	2,979,770	-

6. TAXATION

No provision has been made for taxation as the Company has an estimated assessed loss of R 4,758,925 (2003: R3,193,422) as well as unredeemed capital expenditure of R 198,637 (2003: R nil). No provision has been made for taxation in the Group as no companies within the Group have taxable income. The total estimated assessed losses within the Group are R 225,644,191 (2003: R 152,046,336) and the total estimated unredeemed capital expenditure of R 729,849,573 (2003: R 686,669,051).

7. LOSS PER SHARE

7.1 HEADLINE LOSS PER SHARE (CENTS)

Headline loss per share is calculated on the basis of net loss of R 107,059,578 (2003: R 146,844,777) and 1,135,527,054 (2003: 1,005,706,710) being the weighted average number of ordinary shares in issue during the year.

Net loss for the year is reconciled to the headline loss as follows

Net loss for the year	**107,124,149**	147,535,503
Loss on disposable of property plant and equipment	**(64,571)**	(690,726)
Headline earnings for the year	**107,059,578**	146,844,777

7.2 BASIC LOSS PER SHARE (CENTS)

Basic loss per share is calculated on the basis of net loss of R 107,124,149 (2003: R147,535,503) and 1,135,527,054 (2003: 1,005,706,710) being the weighted average number of ordinary shares in issue during the year.

7.3 DILUTED EARNINGS PER SHARE (CENTS)

Diluted earnings per share for the current and prior year have not been shown as they were anti-dilutive.

NOTES TO THE FINANCIAL STATEMENTS

	GROUP		COMPANY	
	31 March 2004	31 March 2003	**31 March 2004**	31 March 2003
	R	R	**R**	R
8. OPTIONS FOR MINERAL AND PARTICIPATION RIGHTS				
At cost less recoupments and amounts written off	**257,487**	257,487	**257,487**	257,487

Options acquired are in respect of the mineral rights on certain parts of the farm Schoongezicht 225, Registration Department IR Mpumalanga and portion 9 of farm Annex Glen Ross No. 562 in the Administrative District of Theunissen.

9. PROPERTY, PLANT AND EQUIPMENT

9.1 Fixed Property and Mineral Rights

	Group 31 March 2004 R	Group 31 March 2003 R	Company 31 March 2004 R	Company 31 March 2003 R
Carrying value at beginning of year	**7,649,825**	7,746,273	**3,546,593**	4,258,719
Land and mineral rights at cost	**8,008,612**	8,055,692	**3,546,593**	4,568,138
Accumulated amortisation	**(358,787)**	(309,419)	-	(309,419)
Additions	**8,783,102**	665,046	**269,883**	-
Disposals	-	(712,126)	-	(712,126)
Amortisation charge for the year- mineral rights	**(81,609)**	(49,368)	-	-
Carrying value at end of year	**16,351,318**	7,649,825	**3,816,476**	3,546,593
Land and mineral rights at cost	**16,791,714**	8,008,612	**3,816,476**	3,546,593
Accumulated amortisation	**(440,396)**	(358,787)	-	-

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

Mineral rights over portions 1 and 2 of Vogelstruiksnek 173 JP and portions 7 and 8 of Ruighoek 169 JP.

9.2 Ferrochrome Smelter Project

	Group 31 March 2004 R	Group 31 March 2003 R	Company 31 March 2004 R	Company 31 March 2003 R
Carrying value at beginning of year	**586,197,997**	565,796,464	-	-
Cost	**605,435,586**	565,796,464	-	-
Accumulated amortisation	**(19,237,589)**	-	-	-
Additions	**43,164,953**	31,906,136	-	-
UG2 transferred from mine development	-	7,732,986	-	-
Depreciation for the year	**(22,213,127)**	(19,237,589)	-	-
Carrying value at end of year	**607,149,823**	586,197,997	-	-
Land and mineral rights at cost	**648,600,539**	605,435,586	-	-
Accumulated amortisation	**(41,450,716)**	(19,237,589)	-	-

NOTES TO THE FINANCIAL STATEMENTS

	GROUP		COMPANY	
	31 March 2004	31 March 2003	**31 March 2004**	31 March 2003
	R	R	**R**	R
9.3 Mine Development Project				
Carrying value at beginning of year	**35,230,873**	28,088,863	-	-
Cost	**36,395,050**	28,088,863	-	-
Accumulated amortisation	**(1,164,177)**	-	-	-
Additions	**-**	16,039,173	-	-
UG2 transferred to ferrochrome smelter project	**-**	(7,732,986)	-	-
Depreciation for the year	**(1,984,910)**	(1,164,177)	-	-
Carrying value at end of year	**33,245,963**	35,230,873	-	-
Land and mineral rights at cost	**36,395,050**	36,395,050	-	-
Accumulated amortisation	**(3,149,087)**	(1,164,177)	-	-
9.4 Mining Equipment and Structures				
Carrying value at beginning of year	**20,738,352**	24,689,036	-	1,057,005
Cost	**29,566,375**	30,470,090	-	1,532,911
Accumulated depreciation	**(8,828,023)**	(5,781,054)	-	(475,906)
Additions	**-**	-	-	-
Disposals at carrying value	-	(903,715)	-	(903,715)
Depreciation for the year	**(2,893,678)**	(3,046,969)	-	(153,290)
Carrying value at end of year	**17,844,674**	20,738,352	-	-
Cost	**29,566,375**	29,566,375	-	-
Accumulated depreciation	**(11,721,701)**	(8,828,023)	-	-
9.5 Plant and Equipment				
Carrying value at beginning of year	**910,834**	3,051,412	**54,930**	1,855,434
Cost	**2,187,109**	3,606,406	**94,167**	1,906,035
Accumulated depreciation	**(1,276,275)**	(554,994)	**(39,237)**	(50,601)
Additions	-	-	-	-
Disposals at carrying value	-	(1,419,297)	-	(1,419,297)
Depreciation for the year	**(358,907)**	(721,281)	**(18,833)**	(381,207)
Carrying value at end of year	**551,927**	910,834	**36,097**	54,930
Cost	**2,187,109**	2,187,109	**94,167**	94,167
Accumulated depreciation	**(1,635,182)**	(1,276,275)	**(58,070)**	(39,237)
9.6 Motor Vehicles				
Carrying value at beginning of year	**894,750**	979,349	**720,953**	776,949
Cost	**1,348,333**	1,190,205	**1,094,278**	956,650
Accumulated depreciation	**(453,583)**	(210,856)	**(373,325)**	(179,701)
Additions	-	158,128	-	137,628
Disposals at carrying value	**(197,266)**	-	**(197,266)**	-
Depreciation for the year	**(262,074)**	(242,727)	**(211,263)**	(193,624)

NOTES TO THE FINANCIAL STATEMENTS

	GROUP		COMPANY	
	31 March 2004	31 March 2003	**31 March 2004**	31 March 2003
	R	R	**R**	R
Carrying value at end of year	**435,410**	894,750	**312,424**	720,953
Cost	**892,783**	1,348,333	**638,728**	1,094,278
Accumulated depreciation	**(457,373)**	(453,583)	**(326,304)**	(373,325)
9.7 Office Furniture and Equipment				
Carrying value at beginning of year	**1,861,594**	608,444	**196,488**	257,329
Cost	**2,280,595**	686,346	**320,170**	317,080
Accumulated depreciation	**(419,001)**	(77,902)	**(123,682)**	(59,751)
Additions	**137,280**	1,594,249	**78,916**	3,090
Depreciation for the year	**(518,146)**	(341,099)	**(126,060)**	(63,931)
Carrying value at end of year	**1,480,728**	1,861,594	**149,344**	196,488
Cost	**2,417,875**	2,280,595	**399,086**	320,170
Accumulated depreciation	**(937,147)**	(419,001)	**(249,742)**	(123,682)
9.8 Capital Work-in-Progress				
Costs capitalised to date	**2,836,716**	2,830,956	-	-
Total carrying value at end of year	**679,896,559**	656,315,181	**4,314,341**	4,518,964

Leased assets where the Company is the lessee is included in 9.2 Ferrochrome smelter project and 9.6 Motor vehicles. The assets consist of laboratory equipment and motor vehicles.

	2004	2003	**2004**	2003
	Rands	Rands	**Rands**	Rands
Cost - Capitalised finance leases	**1,396,776**	1,852,326	**638,728**	1,094,278
Accumulated depreciation	**(591,621)**	(379,643)	**(326,304)**	(373,325)
Carrying value at end of year	**805,155**	1,472,683	**312,424**	720,953

10. INVESTMENTS

10.1 Wholly Owned Subsidiaries

Southwits Mining Company (Pty) Ltd	-	-	**(101,784)**	(101,784)
Shares at cost	-	-	**100**	100
Loan from subsidiary	-	-	**(101,884)**	(101,884)
Orion Mining and Prospecting Company (Pty) Ltd	-	-	**518,627,649**	415,812,742
Shares at cost	-	-	**200**	200
Loan to subsidiary	-	-	**518,627,449**	415,812,542

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

NOTES TO THE FINANCIAL STATEMENTS

	GROUP		COMPANY	
	31 March 2004	31 March 2003	**31 March 2004**	31 March 2003
	R	R	**R**	R
10.2 Bonds				
Held-to-maturity investment bonds	-	18,424,252	-	18,424,252

The redemption value of these bonds has been ceded as security for the payment of all amounts due by the Company to a financial institution in respect of licensing fees payable by the institution in terms of letters of credit issued on the Company's behalf as per note 18.3

	GROUP 31 March 2004 R	GROUP 31 March 2003 R	COMPANY 31 March 2004 R	COMPANY 31 March 2003 R
Available for sale investment bonds				
At beginning of the year	-	-	-	-
Additions	-	-	-	-
Revaluation surplus transfer to equity	-	-	-	-
At end of the year	**9,411,179**	-	**9,411,179**	-
Non-current	-	-	-	-
Current	-	-	-	-

Available-for-sale investments comprising of two zero trade bonds with a maturity date of 28 September 2004 and 28 September 2005. The yield to maturity is 9.7% and 10.32% The fair value is estimated by reference to the current market value of similar instruments. Gains or losses on available-for-sale investments are taken to equity and released to income when sold.

The redemption value of these bonds has been ceded as security for the payment of all amounts due by the Company to a financial institution in respect of licensing fees payable by the institution in terms of letters of credit issued on the Company's behalf as per note 18.3

	GROUP 31 March 2004 R	GROUP 31 March 2003 R	COMPANY 31 March 2004 R	COMPANY 31 March 2003 R
10.3 Listed Investments at Valuation				
Cost at end of year	-	-	-	-
Cost at beginning of year	-	4,523	-	4,523
Disposals during the year	-	(4,523)	-	(4,523)

NOTES TO THE FINANCIAL STATEMENTS

	GROUP		COMPANY	
	31 March 2004	31 March 2003	31 March 2004	31 March 2003
	R	R	**R**	
10.4 Flexidowment Policy				
Held to maturity - Flexidowment policy	**373,984**	361,986	-	-
This flexi policy is managed by Old Mutual and the mature date is April 2005. This policy has been ceded to the Horizon Nature Conservation Trust and forms part of the Trust's accumulated rehabilitation funds.				
Total Investments	**9,785,163**	18,786,238	**527,937,044**	434,135,210
11. NON-CURRENT RECEIVABLES				
11.1 Sundry Receivables				
Loan - Disposal of Wellprop Mining	-	613,384	-	613,384
Forward exchange contract asset - licensing fee	**2,840,408**	570,945	**2,840,408**	570,945
	2,840,408	1,184,329	**2,840,408**	1,184,329
Less: Current portion	-	(613,384)	-	(613,384)
	2,840,408	570,945	**2,840,408**	570,945
12. INVENTORIES				
Consumables stores	**10,679,427**	5,756,854	-	-
Raw materials	**44,662,232**	25,259,932	-	-
Work-in-progress	**2,396,990**	2,367,569	-	-
Finished goods	**35,058,304**	42,229,629	-	-
	92,796,953	75,613,984	-	-
13. TRADE AND OTHER RECEIVABLES				
Trade receivables	**51,006,202**	9,013,375	**597,067**	-
Other receivables	**12,507,319**	21,354,054	**719,965**	1,985,093
	63,513,521	30,367,429	**1,317,032**	1,985,093
14. HELD-FOR-TRADING FINANCIAL ASSET				
At beginning of year	**5,925,000**	-	-	-
Additions	-	3,445,000	-	-
Exchange differences	-	4,335,000	-	-
Options expired during year	**(5,925,000)**	(1,855,000)	-	-
At end of year	-	5,925,000	-	-

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

NOTES TO THE FINANCIAL STATEMENTS

	GROUP		COMPANY	
	31 March 2004	31 March 2003	**31 March 2004**	31 March 2003
	R	R	**R**	
15. SHARE CAPITAL				
Authorised				
1,500,000,000 ordinary shares				
of 1 cent each	**15,000,000**	15,000,000	**15,000,000**	15,000,000
Issued				
1,195,664,842				
(2003: 1,014,957,119)				
ordinary shares of 1 cent each	**11,956,648**	10,149,571	**11,956,648**	10,149,571

The unissued share capital is under the control of the directors, subject to the Companies Act and the rules and regulations of the JSE Securities Exchange, until the next annual general meeting. The directors report and note 25 sets out the details in respect of the share incentive scheme.

	GROUP 31 March 2004	GROUP 31 March 2003	COMPANY 31 March 2004	COMPANY 31 March 2003
16. SHARE PREMIUM				
Balance at beginning of year	**421,406,193**	407,350,312	**421,406,193**	407,350,312
Arising from the issue of new shares	**106,617,557**	14,111,726	**106,617,557**	14,111,726
Share issue expenses	**(806,428)**	(55,845)	**(806,428)**	(55,845)
	527,217,322	421,406,193	**527,217,322**	421,406,193
17. FAIR VALUE RESERVE				
Revaluation of listed investments:				
Balance at beginning of year	-	520	-	520
Additions	**129,540**	-	-	-
Reversal of revaluation on investment				
written down	-	-	-	-
Surplus realised on the sale of shares	-	(520)	-	(520)
	129,540	-	-	-
18. LONG-TERM LIABILITIES				
18.1 Loan: Ferrochrome smelter				
and mine development	**376,851,449**	350,000,000	-	-
18.2 Loan: Establishment of mining				
and related operation	**20,026,000**	10,039,000	-	-
18.3 Loan: Licence fees payable	**11,228,678**	19,053,165	**11,228,678**	19,053,165
18.4 Finance leases	**957,720**	1,423,746	**463,978**	719,400
18.5 Sundry loans	-	366,022	-	366,022
	409,063,847	380,881,933	**11,692,656**	20,138,587
Current portion of interest-				
bearing borrowings	**(49,169,827)**	(45,467,679)	**(6,117,397)**	(7,440,810)
	359,894,020	335,414,254	**5,575,259**	12,697,777

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

- a general notarial bond over all of the Group's movable assets.
- a mortgage bond over the surface of portion 21 of the farm Boschoek 103, registration division JQ, North West Province.
- a collateral special notarial bond over the Ferrochrome smelter project and the mine development project (refer note 9).
- a first collateral mortgage bond over the mineral leases of the Group.
- a cession of all rights, title and interest in various securities.
- a limited guarantee by the holding companies.
- a pledge of the subsidiary's shares and a cession of all rights in respect of the shareholder's loan by the holding companies.

These loans bear interest at 13.55% per annum, and are repayable semi-annually. The loan was transferred to ABSA Bank Limited on 28 November 2003. No changes were made from the original contract with Rand Merchant Bank Limited. The current portion of interest-bearing borrowings repayable for the year is R 40,000,000.

18.2 This loan is secured as per Note 18.1. The loan is repayable in monthly instalments of R 233,000 (2003: R 351,000) and bears interest at a variable rate of 2% below prime overdraft rate.

18.3 These foreign licence fees are payable by irrevocable and transferable letters of credit issued on the Company's behalf by a financial institution (refer note 10.2). The licence fees are covered by forward exchange contracts (refer note 23), and are payable in three annual instalments commencing on 29 September 2003.

18.4 These loans are secured by finance lease agreements over equipment with a book value of R 805,155 (2003: R 1,472,683) as per note 9. These loans are repayable in monthly instalments of R 46,524 (2003: R 54,747) and bear interest at rates linked to the prime overdraft rate. Included in the prior year loan balance was a motor vehicle with a book value of R 197,266 (2003: R 236,720), which was disposed of in the current year as set out above in Note 9.6.

	2004 Rands	2003 Rands	**2004 Rands**	2003 Rands
Not later than 1 year	**638,080**	600,461	**338,068**	318,521
Later than 1 year and not later than 5 years	**426,847**	1,064,926	**176,837**	514,904
Future finance charges on finance leases	**(107,207)**	(241,641)	**(50,927)**	(114,025)
	957,720	1,423,746	**463,978**	719,400

18.5 The loan is secured by demand guarantees from financial institutions, and relates to the settlement of the Welprop Mining Services (Pty) Ltd overdraft facility in terms of the sale agreement. The loan repayments were renegotiated in January 2003 and are now repayable in monthly instalments of R35,885 (2002: R105,291). The final payment in respect of this loan was paid on 5 February 2004. The loan balance was settled during the financial year.

19. PROVISION FOR CLOSE DOWN AND RESTORATION COSTS

Balance at beginning of year	**823,860**	500,000	**500,000**	500,000
Transferred during the year	**-**	-	**(500,000)**	-
Charge for the year	**38,124**	323,860	-	-
Balance at end of year of year	**861,984**	823,860	-	500,000

NOTES TO THE FINANCIAL STATEMENTS

	GROUP		COMPANY	
	31 March 2004	31 March 2003	**31 March 2004**	31 March 2003
	R	R	**R**	
20. TRADE AND OTHER PAYABLES				
Trade payables	**6,651,219**	9,669,759	**349,739**	416,074
Other payables	**177,430,124**	155,397,265	**4,480,475**	782,390
Foreign exchange liability				
- licencing fee (refer note 23)	**1,348,607**	293,584	**1,348,607**	293,584
	185,429,950	165,360,608	**6,178,821**	1,492,048
21. PROVISIONS				
Leave pay provision:				
Opening balance	**2,057,456**	182,635	**665,271**	-
Utilised during the year	**(2,872,713)**	(182,635)	**(665,271)**	-
Additional provision	**4,542,256**	2,057,456	**734,097**	665,271
	3,726,999	2,057,456	**734,097**	665,271
Downstream project	**9,103,403**	8,554,323	**9,103,403**	8,554,323
Total provisions	**12,830,402**	10,611,779	**9,837,500**	9,219,594

The Downstream project relates to a feasibility study and investigation which was undertaken by SA Chrome. An amount of one million Euro was advanced to SA Chrome in respect of this project by ThyssenKrupp Metallurgie GMBH. Should the project be successful, and the Downstream Project is "hot commissioned", SA Chrome shall issue shares to Thyssen for the amount of one million Euros. The number of SA Chrome shares shall be the investigation payment (the amount of one million Euros, specifically excluding interest) divided by the issue price (weighted average price of SA Chrome shares dealt on the Johannesburg Securities Exchange (JSE) thirty days before the payment date (the earlier of thirty days after the Downstream Project is "hot commissioned" and/or 1 July 2004).

If the Downstream Project proves not to be feasible, then SA Chrome shall issue shares to Thyssen on 1 July 2004 for their participation in providing the funds (one million Euros) for the Downstream Investigation. In determining the number of SA Chrome shares to be issued to Thyssen, it shall be 50% of the investigation payment as defined above, divided per the issue price as defined above.

CASH FLOW INFORMATION

22. CASH FLOW UTILISED (BY)/IN OPERATIONS

Net loss for the year	**(107,124,149)**	(147,535,503)	**129,540**	-
Adjusted for:				
Depreciation	**28,312,451**	24,803,210	**356,156**	792,052
Interest received	**(3,654,170)**	(5,032,474)	**(2,433,421)**	(4,076,317)
Interest paid	**59,039,365**	53,575,242	**290,470**	359,062
Effect of adopting AC 131 -				
Business Combinations	-	361,984	-	-
Loss/(profit) on disposal of fixed assets	**64,571**	690,726	**64,571**	690,726
Operating loss before working				
capital changes	**(23,361,932)**	(73,136,815)	**(1,592,684)**	(2,234,477)
Working capital charges:	**(22,077,970)**	48,486,822	**5,472,740**	9,001,578
(Increase)/decrease in inventory	**(17,182,969)**	(52,538,504)	-	-
(Increase)/decrease in trade and				
other receivables	**(27,221,092)**	(12,028,724)	**668,061**	(596,814)
Increase/(decrease) in trade and				
other payables	**20,069,342**	113,054,050	**4,686,773**	9,598,392
Provisions	**2,256,749**	-	**117,906**	-
	(45,439,902)	(24,649,993)	**3,880,056**	6,767,101

NOTES TO THE FINANCIAL STATEMENTS

23. CASH AND CASH EQUIVALENTS

Cash and cash equivalents/(overdraft)	**(8,943,469)**	1,308,296	**10,098,884**	1,191,002

24. FAIR VALUE AND CREDIT RISK OF FINANCIAL INSTRUMENTS

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

Concentration of Credit Risk

The Group's cash and equivalents do not represent a concentration of credit risk because the Group deals with a variety of major banks. As regards receivables, the Group sells the majority of its ferrochrome to ThyssenKrupp Metallurgie, and a small number of various customers after evaluating their credit rating. As a result of these procedures, the Group believes that no concentration of risk exists with regards to sales to these customers, due to the international markets for their product. An adequate level of provision is maintained.

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

Outokumpu licencing fee liability				
- Rand amount	**11,228,678**	19,053,165	**11,228,678**	19,053,165
Outukumpu licencing fee liability				
- Euro amount	**1,433,674**	2,227,315	**1,433,674**	2,227,315

The rights which the Company has in terms of the abovementioned forward exchange contracts have been ceded as surety for a letter of credit issued on the Company's behalf in respect of foreign licence fees payable (Refer note 18.3)

Foreign Currency and Commodity Price Risk

In the normal course of business, the Group enters into transactions denominated in foreign currencies (primarily US$). In addition, the Group has liabilities in a number of different foreign currencies (primarily US$ and Euro). As a result, the Group is subject to transaction and translation exposure from fluctuations in foreign currency exchange rates. The strengthening of the South African Rand against the US$ and Euro in the current financial year resulted in exchange gains being achieved on the foreign borrowings which have been offset to an extent by unrealised exchange losses arising on foreign assets and investments. All foreign currency liabilities at 31 March 2004 are covered by forward exchange contracts. During the previous year, the Group hedged its foreign currency exposure with respect to export sales by means of option contracts (refer note 14). The Group does not hedge its exposure to the ferrochrome price fluctuation risk.

	Dollar rate	Euro rate
Year-end spot rate used		
	6.33	7.83

Interest Rate and Liquidity Risk

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

NOTES TO THE FINANCIAL STATEMENTS

25. SHARE INCENTIVE SCHEME

	Number of options 31 March 2004	Number of options 31 March 2003
Movement in the number of share options held by employees are as follows:		
Balance at the beginning of year	**89,032,936**	86,906,845
Options granted during the year	**14,523,205**	2,126,091
Options implemented during the year	**(10,897,937)**	-
Balance at the end of the year	**92,658,204**	89,032,936

Share options outstanding at the end of the period have the following terms:

Exercise price:		
35 cents	**9,985,668**	9,985,668
39 cents	**9,985,668**	9,985,668
40 cents	**5,993,812**	11,391,749
45 cents	**49,737,478**	55,237,478
54 cents	**10,149,571**	
60 cents	**1,873,634**	-
69 cents	**32,371**	32,371
73 cents	**2,500,000**	-
82 cents	**500,000**	500,000
98 cents	**1,500,000**	1,500,000
114 cents	**400,000**	400,000
	92,658,204	89,032,936

Implementation dates:		
31 December 2003	**11,845,857**	15,478,503
30 June 2004	**31,531**	31,531
31 December 2004	**25,178,525**	28,811,170
30 June 2005	**31,531**	31,531
31 December 2005	**25,346,802**	28,979,448
30 June 2006	**4,378,155**	698,198
31 December 2006	**14,662,056**	13,500,945
30 June 2007	**4,346,624**	666,667
31 December 2007	**1,329,388**	168,277
30 June 2008	**4,346,624**	666,667
31 December 2008	**1,161,111**	-

The following share options were outstanding at 31 March 2004 in favour of directors of the Company:

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

26. RELATED PARTY TRANSACTIONS

The Industrial Development Corporation of SA ("the IDC") and Royal Bafokeng Resources are considered to be related parties, due to their ability to exercise significant influence over financial and operating decisions of SA Chrome and Alloys Limited. The significant influence is a result of the aforementioned parties respective shareholding of 24.4% and 32,1%, and the financing provided by the IDC in respect of the Boschoek Smelter operation as set out above in note 18.1 and 18.2.

27. CONTINGENCIES AND COMMITMENTS

Contingencies

27.1 Guarantees

At 31 March 2003 the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. In the ordinary course of business, the Company has given guarantees amounting to R 21,708,498 to the Department of Minerals and Energy and Eskom Holdings Limited.

27.2 Closure Agreement with Bateman Projects Limited

South African Chrome and Alloys Limited is in the process of a feasibility study for the expansion of the smelter plant. In the event that the expansion proceeds, Bateman Projects Limited ("Bateman") will be requested to tender on the expansion. The tender by Bateman must be made in good faith on Bateman customary rates and prices applicable to work of a similar nature. If the tender of Bateman for the expansion is not accepted by South African Chrome and Alloys Limited, then South African Chrome and Alloys Limited shall pay to Bateman an amount of R 19,250,000 within 60 days of rejecting such tender. This amount relates to the agreed additional costs for variations, changes in scope and improvements on the Boshoek turnkey project. In the event that Bateman are awarded the contract for the expansion, and/or any other contract for expansion, including Project Lion with the Xstrata - SA Chrome venture, then South African Chrome and Alloys Limited are not liable for payment of the amount referred to above.

NOTES TO THE FINANCIAL STATEMENTS

28. SUBSEQUENT EVENTS

SA Chrome reached agreement with Xstrata South Africa (Proprietary) Limited ("Xstrata") a subsidiary of Xstrata plc, to establish a shared venture (the "Xstrata - SA Chrome Venture") in which they will pool their respective South African chrome and ferrochrome assets and share in the earnings therefrom. From the third year following the commencement of the agreement, SA Chrome and Xstrata will hold 17.5% and 82.5%, respectively, in the Xstrata - SA Chrome Venture, with the relative proportions changing from Year 1 as follows:

	SA Chrome	Xstrata
Year 1	11%	89%
Year 2	14%	86%
Year 3 onwards	17.5%	82.5%

Full details of the transaction are contained in the circular to shareholders dated 29 June 2004.

SHAREHOLDER INFORMATION

Analysis of Ordinary Shareholders at 31 March 2003

	Number of shares	Percentage shareholding
Major Shareholders (1)		
The Royal Bafokeng Nation	397,222,221	33.22%
Industrial Development Corporation	301,616,161	25.23%
Bateman Projects Limited	45,411,111	3.80%
Allan Gray	40,000,000	3.35%
Outokumpu Engineering Contracts	24,333,333	2.04%
Thyssen Krupp Metallurgie GmbH	22,221,555	1.86%
Metlife Main Account	21,682,079	1.81%
Stanlib Resources Fund	21,203,236	1.77%
	873,689,696	73.08%

Spread of Ordinary Shareholders

Public*	494,797,904	41.4%
Non-public		
- The Royal Bafokeng Nation	397,222,221	33.2%
- The Industrial Development Corporation	301,616,161	25.2%
- Directors of SA Chrome	1,428,556	0.2%
	1,195,664,842	100.0%

* 5,521 shareholders

JSE Securities Exchange South Africa - share statistics - 1 April 2003 to 31 March 2004

Share price (cents)	
- high	99
- low	53
- closing price at 31 March 2004	93
Shares traded	
- number of shares	222,961,828
- value of shares (R'm)	183,493,761
- Turnover of ordinary shares (%)	18.6%
Market cap. at 31 March 2004	R1.1 billion

SHAREHOLDERS' DIARY

Meetings

Annual General Meeting Thursday, 2 September 2004 at 11:00 at Boshoek

Reports

Interim report for the six months to 30 September 2004 released November 2004
Annual results for the nine months to 31 December 2004 released February 2005
Annual report for the nine months to 31 December 2004 published March 2005
Annual General Meeting for 2004 year April 2005

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the seventeenth Annual General Meeting of members of South African Chrome and Alloys Limited will be held at South African Ferrochrome and Mining (Pty) Ltd, Corner Boshoek Station and Rasimone Road, Boshoek, North West Province on Thursday, 2 September 2004 at 11:00 for the purpose of transacting the following business:

1. To receive, consider and adopt the annual financial statements for the period ended 31 March 2004.
2. To elect the following directors, by way of a single resolution, who retire by rotation and, being eligible, offer themselves for re-election:
   2.1 Mr McBride
   2.2 Mr Elliot
   2.3 Mr Phiri
   2.4 Mr van der Walt; and
   2.5 to ratify the appointment of Mr Mbatha.
3. To determine and approve the directors' remuneration.
4. To approve the auditors' remuneration.
5. To renew the authority that the authorised but unissued shares in the capital of the Company be and are hereby placed under the control and authority of the directors of the Company and that the directors of the Company be and are hereby authorised and empowered to allot, issue and otherwise dispose of such shares to such person or persons on such terms and conditions and at such times as the directors of the Company may from time to time and in their discretion deem fit, subject to the provisions of the Companies Act (Act 61 of 1973) as amended ("the Act"), the Articles of Association of the Company and the Listings Requirement of the JSE Securities Exchange South Africa ("JSE"), when applicable.

ORDINARY RESOLUTION NUMBER 1

Issue of share for cash

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

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

NOTICE OF ANNUAL GENERAL MEETING

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

Voting and attendance at the general meeting

Any member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and to vote thereat in his stead. The proxy so appointed need not be a member of the Company. Proxy forms should be forwarded to reach the registered office of the transfer secretaries by 11:00 on Tuesday 31 August 2004.

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

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

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

By order of the Board.

A Mahandrenath
Secretary
Johannesburg
30 July 2004

FORM OF PROXY

South African Chrome & Alloys Limited
(Registration Number 1987/003452/06)
("the Company")
ISIN:ZAE000022943
Share code:SCE

Only for use by members who have not dematerialised their shares or members who have dematerialised their shares with own name registration.

All other dematerialised shareholders must contact their CSDP or broker to make the relevant arrangements concerning voting and/or attendance at the meeting.

Form of proxy for annual general meeting

I/We ______________________________
(Name in block letters)

of ______________________________
(Address)

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

1. ______________________________
or failing him

2. ______________________________
or failing him

3. the chairman of the Company, or failing him, the chairman of the annual general meeting, as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of the Company to be held at South African Ferrochrome and Mining (Pty) Ltd, Boshoek on Thursday, 2 September 2004 at 11:00, or at any adjournment thereof.

I/We desire to vote as follows (see note 2):

	For	Against	Abstain
1. To adopt the annual financial statements			
2. To elect the following directors who retire by rotation:			
2.1 Mr McBride			
2.2 Mr Elliot			
2.3 Mr Phiri			
2.4 Mr van der Walt; and			
2.5 To ratify the appointment of Mr Mbatha			
3. To approve the directors' remuneration			
4. To approve the auditors' remuneration			
5. To place the unissued shares under the control of the directors			
6. Ordinary resolution No 1 Issue of shares for cash			

Signed at ______________________________ on ____________________ 2004

____
Signature
Assisted by me (where applicable)

Please see notes overleaf

NOTES

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting 'the chairperson of the general meeting of shareholders', but any such deletion must be initialled by the shareholder. The person whose name stands first on the form of proxy and who is present at the general meeting of shareholders will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. So as to provide for voting on a show of hands or on a poll, as the case may be, shareholders are requested to complete the form of proxy by stating the number of shares held by them. Failure to comply will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting of shareholders as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by his proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by the proxy.
3. Forms of proxy must be lodged with, posted or faxed to, the transfer secretaries' registered office PO Box 4844, Johannesburg, 2000 or +27 11 834 4398, to be received by no later than 11:00 on Tuesday 31 August 2004.
4. The completion and lodging of this form of proxy by shareholders holding certificated shares, CSDP's nominee companies, brokers' nominee companies and shareholders who have dematerialised their shares and elected own-name registration, will not preclude the relevant shareholder from attending the general meeting of shareholders and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative or other legal capacity (such as power of attorney or other written authority) must be attached to this form of proxy unless previously recorded by SA Chrome.
6. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).
7. On a show of hands, every shareholder shall have only one vote, irrespective of the number of share/s he/she holds or represents, provided that a proxy shall, irrespective of the number of shareholders he/she represents, have only one vote.
8. On a poll, every shareholder present in person or represented by proxy shall have one vote for every SA Chrome share held by such shareholder.
9. A resolution put to the vote shall be decided on a show of hands unless, before or on the declaration of the results of the show of hands, a poll shall be demanded by any person entitled to vote at the meeting.
10. If a poll is demanded, the resolution put to the vote shall be decided on a poll.

GROUP INFORMATION

South African Chrome & Alloys Limited
Registration number 1987/003452/06

Registered Office
Suite 106
Block C
Eva Park
Cnr Beyers Naude Drive/Judges Avenue
Cresta
2194

PO Box 1677
Northcliff
2115

www.sachrome.co.za

Company Secretary
A Mahendranath
PO Box 1677
Northcliff
2115
Johannesburg
South Africa

Addresses of Operations
Ferrochrome Plant Boshoek
Private Bag X4001
Boshoek 0301

Cnr Boshoek Station/Rasimone Road
Boshoek

Horizon Chrome Mines
Ferrochrome Plant Boshoek
Private Bag X4001
Boshoek 0301

Cnr Boshoek Station/Rasimone Road
Boshoek

Auditors
PriceWaterhouseCoopers
2 Eglin Road
Sunninghill, 2157
Private Bag X36
Sunninghill, 2157

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

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

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

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

Sponsor
Rand Merchant Bank
(A division of FirstRand Bank Limited)
Corporate Finance
PO Box 786273, Sandton, 2146