contents

Directors' responsibility and approval of annual financial statements

for the year ended 31 December 2006

The Company's directors are responsible for the preparation and fair presentation of the Group annual financial statements and separate Company annual financial statements, comprising the balance sheets at 31 December 2006 and the income statements; the statements of changes in shareholders' equity; cash flow statements; and the notes to the financial statements for the year then ended, which include a summary of significant accounting policies and other explanatory notes and the directors' report in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

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

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

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

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

Approval of Group annual financial statements and separate Company annual financial statements

The Group annual financial statements and Company annual financial statements were approved by the Board of directors on 18 June 2007 and signed on its behalf by:

Chris Molefe
Non-Executive Chairman
18 June 2007

Steve Phiri
Chief Executive Officer
18 June 2007

Company secretary's certification

for the year ended 31 December 2006

I certify that, to the best of my knowledge and belief, the Company has lodged with the Registrar of Companies all such returns as are required to be lodged by a public company in terms of section 268 G (d) of the Companies Act 61 of 1973 as amended, and that all such returns are true, correct and up to date.

Amritha Mahendranath
Company secretary
Sandton
18 June 2007

Report of the independent auditors

to the Members of Merafe Resources Limited for the year ended 31 December 2006

We have audited the group annual financial statements and the annual financial statements of Merafe Resources Limited, which comprise the balance sheets at 31 December 2006 and the income statements; the statements of changes in shareholders' equity; cash flow statements and the notes to the financial statements for the year then ended, which include a summary of significant accounting policies and other explanatory notes and the directors' report as set out on pages 51 to 83.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Merafe Resources Limited at 31 December 2006, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc

KPMG Inc.
Registered Auditor

Per Ian Kramer
Chartered Accountant (SA)
Registered Auditor
Director
18 June 2007

Report of the Audit Committee

for the year ended 31 December 2006

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

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

The Audit Committee has evaluated the annual financial statements of the Merafe Group for the year ended 31 December 2006 and based on the information provided to the Audit Committee, considers that it complies, in all material respects with the requirements of the various Acts governing disclosure and reporting in the annual financial statements. The Audit Committee therefore recommends the adoption of the annual financial statements by the Board.

Joyce Matlala
Chairperson-Audit Committee
18 June 2007

Our reporting commitment
for the year ended 31 December 2006

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 and the Global Reporting Initiative Framework.

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 that we have set for ourselves.

Directors' report
for the year ended 31 December 2006

Nature of business

Merafe Resources Limited (Merafe Resources) through the Xstrata-Merafe Chrome Venture (the Venture), participates in chrome mining and the beneficiation of chrome ore into ferrochrome. Currently its major assets consist of the Kenana UG2 beneficiation plant, a ferrochrome smelter at Boshoek in the North West Province of South Africa at which chrome ore is beneficiated into ferrochrome and Horizon chrome mine, which produces chrome ore. Its assets also include a 50% interest in the Kroondal resources; a 26% interest in the Marikana resources; a 20.5% interest in the Lion Ferrochrome smelting complex and the Mototolo UG2 plant situated in the Mpumalanga Province of South Africa; and a 20.5% interest in the EPL UG2 plant and the Rustenburg pelletiser in the North West Province. The ferrochrome output of the Venture is marketed to the stainless steel industry.

Group financial results

The financial statements set out fully the financial results of the Group on pages 54 to 83. These financial statements have been prepared using appropriate accounting policies, conforming to International Financial Reporting Standards, supported by reasonable and prudent judgements where required.

Merafe Resources' share of the earnings before interest, taxation, depreciation and amortisation (EBITDA) from the Xstrata-Merafe Chrome Venture is accounted for at 17% up until 30 June 2006 and thereafter it is accounted for at 20.5%.

In addition to Merafe Resources' share of EBITDA, corporate expenses, interest on debt and depreciation on assets of Merafe Resources are deducted to determine earnings before taxation. No transfer of assets to the Venture occurred and these assets are depreciated and amortised as described in the accounting policies.

Borrowing powers

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

Going concern

The directors believe that Merafe Resources has sufficient resources and expected cash flows 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, repayment of its long-term debt and prevailing market circumstances.

Ordinary dividends

No ordinary dividends were declared or paid during the year (31 December 2005: nil).

Share capital

Full details of the authorised and issued share capital of the Company are set out in note 13 to the annual financial statements. During the year to 31 December 2006 the following shares were issued for the purpose stated:

- 88,421,661 ordinary shares issued to Merafe Resources shareholders in a private placement to raise R50 million which was used to reduce the long-term debt.
- 5,657,110 ordinary shares were issued to employees exercising their share options.

Directorate

In November 2006, Mr Tlamelo Ramantsi joined the Board as a non-executive director, replacing Qinisani Mbatha.

Payment for attendance at Board meetings forms part of the fees of non-executive directors, who are remunerated for the meetings they attend.

Details of the current Board of directors are set out on pages 17 and 19 of this annual report.

A detailed report on directors' emoluments has been prepared in accordance with the JSE Limited Listings Requirements and appears in note 3 to the annual financial statements.

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 December 2006:

- Royal Bafokeng Resources Holdings (Pty) Limited - 30.76%;
- The Industrial Development Corporation of South Africa Limited - 23.35%;
- Allan Gray Asset Management - 14.49%.

Directors' interests in Merafe Resources Limited

As at 31 December 2006 the directors of the Group are beneficially interested (directly and indirectly) in 1,897,112 shares (31 December 2005: 1,897,112).

	2006		2005	
	Direct	Indirect	Direct	Indirect
Steve Phiri	62,000	-	62,000	-
Bruce McBride	-	600,000	-	600 000
Stuart Elliot	1,165,112	70,000	1,165,112	70,000
Total	1,227,112	670,000	1,227,112	670 000

Details of investments in subsidiaries

	Issued share capital	Percentage holdings		Shares at cost		Loans (from)/to subsidiaries	
		31 December 2006	31 December 2005	31 December 2006	31 December 2005	31 December 2006	31 December 2005
	R			R	R	R'000	R'000
Directly held							
Southwits Mining Company (Pty) Ltd	100	100%	100%	100	100	(102)	(102)
Merafe Chrome & Alloys (Pty) Ltd	200	100%	100%	200	200	849,463	725,567
Indirectly held							
Merafe Ferrochrome & Mining (Pty) Ltd	400	100%	100%	400	400	-	-

Interest in the profits of subsidiaries for the year ended 31 December 2006 amounts to R139.2 million (31 December 2005: R41.7 million). Subsidiaries are incorporated in the Republic of South Africa.

Property, plant and equipment

There were no changes in the nature of property, plant and equipment or in the policy regarding their use during the year under review.

Post balance sheet date events

The directors are not aware of any material fact or circumstance that has occurred after the balance sheet date, being 31 December 2006 and the date of this report, other than those disclosed in the "Outlook for the future" section of the Chief Executive Officer's Review.

Income statements
for the year ended 31 December 2006

		Group		Company	
	Notes	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000
Revenue	2	**1,030,486**	614,562	**-**	-
Cost of sales*		**(877,169)**	(511,387)	**(22,989)**	(23,525)
Gross profit/(loss)		**153,317**	103,175	**(22,989)**	(23,525)
Other operating income		**24**	-	**22,353**	20,775
Operating profit/(loss) before net financing (costs)/income	3	**153,341**	103,175	**(636)**	(2,750)
Net financing (costs)/income	4	**(39,189)**	(57,933)	**636**	2,750
Interest paid		**(39,915)**	(60,948)	**(29)**	(18)
Interest received		**726**	3,015	**665**	2,768
Profit before taxation		**114,152**	45,242	**-**	-
Income tax income/(expense)	5	**24,991**	(3,535)	**(88)**	-
Profit/(loss) for the year		**139,143**	41,707	**(88)**	-
Basic earnings per share (cents)	6.1	**6**	3		
Diluted earnings per share (cents)	6.3	**6**	3		

* Includes depreciation and amortisation amounts as follows:	**(25,303)**	(6,987)	**(198)**	(153)

Balance sheets
as at 31 December 2006

	Notes	Group 31 December 2006 R'000	Group 31 December 2005 R'000	Company 31 December 2006 R'000	Company 31 December 2005 R'000
Assets					
Non-current assets		**1,494,910**	1,330,840	**854,145**	729,688
Options for mineral rights	7	**-**	258	**-**	258
Property, plant and equipment	8	**1,465,739**	1,330,236	**4,784**	3,965
Deferred tax	9	**28,825**	-	**-**	-
Investments	10	**346**	346	**849,361**	725,465
Current assets		**612,540**	692,500	**14,057**	85,597
Inventories	11	**319,356**	324,309	**-**	-
Trade and other receivables	12	**273,708**	281,449	**980**	890
Bank and cash	20.2	**19,476**	86,742	**13,077**	84,707
Total assets		**2,107,450**	2,023,340	**868,202**	815,285
Equity and liabilities					
Capital and reserves		**1,105,989**	904,868	**865,881**	803,991
Issued share capital	13	**23,416**	22,475	**23,416**	22,475
Share premium	14	**1,142,887**	1,091,743	**1,142,887**	1,091,743
Equity-settled share-based payments	15	**3,300**	2,510	**3,300**	2,510
Non-distributable reserve	16	**9,103**	-	**9,103**	-
Accumulated loss		**(72,717)**	(211,860)	**(312,825)**	(312,737)
Non-current liabilities		**424,753**	232,425	**-**	7
Non-current borrowings	17	**413,799**	224,833	**-**	7
Provision for closure and restoration costs	18	**10,954**	7,592	**-**	-
Current liabilities		**576,708**	886,047	**2,321**	11,287
Trade and other payables	19	**316,194**	611,831	**2,314**	11,240
Current portion of non-current borrowings	17	**153,371**	100,047	**7**	47
Bank overdraft	20.2	**107,143**	174,169	**-**	-
Total equity and liabilities		**2,107,450**	2,023,340	**868,202**	815,285

Statements of changes in shareholders' equity
for the year ended 31 December 2006

	Notes	Group Year ended 31 December 2006 R'000	Group Year ended 31 December 2005 R'000	Company Year ended 31 December 2006 R'000	Company Year ended 31 December 2005 R'000
Issued share capital-ordinary shares	13	**23,416**	22,475	**23,416**	22,475
Balance at beginning of year		**22,475**	12,379	**22,475**	12,379
New shares issued during the year		**941**	10,096	**941**	10,096
Share premium-ordinary shares	14	**1,142,887**	1,091,743	**1,142,887**	1,091,743
Balance at beginning of year		**1,091,743**	557,035	**1,091,743**	557,035
Premium on new shares issued during the year		**51,144**	534,708	**51,144**	534,708
Equity-settled share-based payments		**3,300**	2,510	**3,300**	2,510
Balance at beginning of year		**2,510**	1,545	**2,510**	1,545
Share-based payments		**790**	965	**790**	965
Accumulated loss		**(72,717)**	(211,860)	**(312,825)**	(312,737)
Balance at beginning of year		**(211,860)**	(253,567)	**(312,737)**	(312,737)
Net profit/(loss) for the year		**139,143**	41,707	**(88)**	-
Non-distributable reserve	16	**9,103**	-	**9,103**	-
Balance at beginning of year		**-**	-	**-**	-
Downstream project		**9,103**	-	**9,103**	-
Total equity at end of year		**1,105,989**	904,868	**865,881**	803,991

Statements of cash flows
for the year ended 31 December 2006

	Notes	Group: Year ended 31 December 2006 R'000	Group: Year ended 31 December 2005 R'000	Company: Year ended 31 December 2006 R'000	Company: Year ended 31 December 2005 R'000
Cash(utilised in)/generated by operations	20.1	**(85,091)**	113,535	**356**	(3,125)
Interest paid	4	**(39,915)**	(60,948)	**(29)**	(18)
Interest received	4	**726**	3,015	**665**	2,768
Taxation paid	5	**(3,746)**	(3,535)	**-**	-
Cash flows from operating activities		**(128,026)**	52,067	**992**	(375)
Cash flows from investing activities		**(166,589)**	(590,920)	**(124,660)**	(502,717)
Movement in financial instrument		**-**	6,177	**-**	6,177
Movement in subsidiary loan account				**(123,896)**	(508,831)
Acquisition of property, plant and equipment		**(166,589)**	(597,097)	**(764)**	(63)
Cash flows from financing activities		**294,375**	423,239	**52,038**	539,401
Proceeds from issue of shares		**52,085**	544,804	**52,085**	544,804
Loans raised during the year		**343,583**	-	**-**	-
Loans repaid during the year		**(101,293)**	(121,565)	**(47)**	(5,403)
Net (decrease)/increase in cash and cash equivalents		**(240)**	(115,614)	**(71,630)**	36,309
Cash and cash equivalents at beginning of year		**(87,427)**	28,187	**84,707**	48,398
Cash and cash equivalents at end of year	20.2	**(87,667)**	(87,427)	**13,077**	84,707

Significant accounting policies

Merafe Resources Limited (the Company) is a company domiciled in the Republic of South Africa. The consolidated financial statements of the Company for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the Group).

The consolidated financial statements were authorised for issue by the directors on 18 June 2007.

1.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) and in the manner required by the Companies Act of South Africa.

1.2 Basis of preparation

The financial statements are presented in the Company's functional currency, Rand, rounded to the nearest thousand. They are prepared on the historical cost basis, except for the following assets and liabilities, which are stated at their fair value: derivative financial instruments, financial instruments held for trading, financial instruments classified as available-for-sale and equity-settled share-based payments.

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

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

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

Note 1.5.5 Depreciation and amortisation of property, plant and equipment
Note 1.7.1 Provision for closure and restoration costs
Note 1.11.3 Equity-settled share-based payments
Note 1.15 Utilisation of tax losses and raising of deferred tax assets

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

There are Standards and Interpretations in issue that are not yet effective. These include the following Standards that are applicable to the business of the entity and may have an impact on future financial statements:

- IAS 23 Borrowing costs
- IFRS 7 Financial instruments: disclosures (including amendments to IAS 1 Presentation of financial statements: capital disclosure)
- IFRS 8 Operating segments
- IFRIC 8 Scope of IFRS 2
- IFRIC 11 IFRS 2 group and treasury share transactions
- AC 503 Accounting for black economic empowerment transactions

The effect of these standards has not been determined.

The following statements have been issued but do not appear to have a material affect on the annual financial statements:

- IFRIC 7 Applying the restatement approach under IAS 29 financing reporting in hyperinflationary economies
- IFRIC 9 Reassessment of embedded derivatives
- IFRIC 10 Interim financial reporting and impairment
- IFRIC 12 Service concession arrangements

The accounting policies have been applied consistently by Group entities.

1.3 Basis of consolidation

1.3.1 Subsidiaries

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

1.3.2 Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

1.3.3 Transactions with Xstrata-Merafe Chrome Venture

The Xstrata-Merafe Chrome Venture resulted in Xstrata and Merafe Resources pooling and sharing their ferrochrome assets. Accounting policy 1.12.1 describes the accounting of the Group's share of revenue generated by the Venture, while note 22.3 contains details of the Group's share of the working capital and EBITDA of the Venture.

1.4. Foreign currency

1.4.1 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group entities at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Rand at the foreign exchange rate ruling at that date. The foreign exchange gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Rand at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in the income statements.

1.5. Property, plant and equipment

1.5.1 Mining assets

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

1.5.2 Mineral and surface rights

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

1.5.3 Non-mining assets

Land is shown at cost and is not depreciated. Buildings and other non-mining property, plant and equipment are shown at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located and, an appropriate proportion of production overheads.

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

1.5.4 Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

1.5.5 Depreciation and amortisation
Assets are depreciated and amortised using the methods disclosed below to their respective residual values.

Management has assessed the residual values of certain of the operating assets as higher than the current carrying values of these assets, hence no depreciation has been calculated on these assets.

Residual values are re-assessed annually and any change in estimate is taken into account in the determination of remaining depreciation and amortisation charges.

1.5.5.1 Mine development costs
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.

1.5.5.2 Mineral and surface rights
Mineral rights that are being depleted are amortised over their estimated useful lives using the units-of-production method, based on proven and probable ore reserves. Where the reserves are not determinable, due to their scattered nature, the straight-line method is applied. Mineral rights that are not being depleted are not amortised. Mineral rights that have no commercial value are impaired in full.

1.5.5.3 Mining assets
Mining equipment, structures and plant and equipment are depreciated 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.

1.5.5.4 Non-mining assets
Non-mining assets are depreciated on a straight-line method over their current estimated useful lives as follows:

- Motor vehicles 20%;
- Furniture and equipment 20%.

1.5.5.5 Leased assets
Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Lease payments are accounted for as described in accounting policy 1.13.

1.6 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. Financial instruments are recognised initially at fair value. Subsequent to initial recognition, financial instruments are measured as described below:

1.6.1 Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

1.6.2 Trade and other receivables
Trade receivables are carried at amortised cost. Estimates are made for impairment losses based on a review of all outstanding amounts at year-end. Irrecoverable amounts are written off during the year in which they are identified.

1.6.3 Trade and other payables
Trade and other payables are stated at amortised cost, adjusted for payments made to reflect the value of the anticipated economic outflow of resources.

1.6.4 Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest rate basis.

1.7 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.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

1.7.1 Provision for closure and restoration costs
Long-term environmental obligations are based on the

Group 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.

The related costs are capitalised to mining assets and are amortised over the useful lives of the related assets.

Annual movements in the provision relating to the change in the net present value of the provision due to changes in estimated cash flows or discount rates are adjusted against the costs capitalised to mining assets. Annual movements in the provision relating to passage of time, i.e. unwinding of discount are expensed in earnings.

Cost estimates are not reduced by the potential proceeds from the sale of assets or from plant clean up at closure. 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 investments. Income earned on monies paid to rehabilitation trust funds is accrued on an annual basis and is recorded as interest income.

1.8 Inventories

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

Cost is determined on the following basis:

: Finished goods on hand are valued using the weighted average cost. Cost includes production, amortisation and directly attributable administration costs.

: Work-in-progress is valued at weighted average cost. Costs include production, amortisation and related administration costs.

: Consumable stores and raw materials are valued at weighted average cost.

1.9 Impairment

1.9.1 Non-financial assets

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

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. Impairment losses on goodwill are not reversed.

1.9.2 Calculation of recoverable amount

The recoverable amount of assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

1.9.3 Reversals of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.10 Share capital

1.10.1 Preference share capital

Preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary, or is redeemable but only at the Company's option. Dividends on preference share capital classified as equity are recognised as distributions within equity.

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

1.10.2 Dividends

Dividends on redeemable preference shares are recognised as a liability and expensed as interest on an accrual basis. Other dividends are recognised as a liability in the period in which they are declared.

1.11 Employee benefits

1.11.1 Defined contribution plans

Pension plans are funded through monthly contributions to the Merafe Resources Provident Fund, which is governed by the Pension Fund Act, 1956. All employees of Merafe Resources belong to this fund. Obligations for contribution to the defined contribution pension plans are recognised as an expense in the income statement as incurred. The Group's liability is limited to its annually determined contributions.

The Group provides medical cover to current employees through various funds. The medical plans are funded through monthly contributions to the medical aid fund. The Group's contributions to the defined contribution medical aid plans are recognised as an expense in the income statement as incurred. The Group's liability is limited to its annually determined contributions.

1.11.2 Short-term benefits

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

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

1.11.3 Equity-settled share-based payments

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

1.12 Revenue from mining and smelting operations

1.12.1 Goods sold

The Group accounts for its share of revenue generated by the Xstrata-Merafe Venture. Revenues associated with sales of commodities are recognised when all significant risks and rewards of ownership of the commodities are transferred to the customer, usually when the commodity is delivered to the shipping agent and when there is no continuing managerial involvement. Revenue usually includes priced cost, insurance and freight (CIF). Revenue from the sales of by-products is also included in revenue.

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

1.13 Lease payments

1.13.1 Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line method over the term of the lease.

1.13.2 Finance lease payments

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

1.14 Finance income and expenses

1.14.1 Finance income

Finance income comprises interest income on funds invested and is recognised as it accrues, using the effective interest rate method.

1.14.2 Financing costs

Financing costs comprise interest payable on borrowings calculated using the effective interest rate method and dividends on redeemable preference shares.

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

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

1.15 Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

1.16 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group identified only one business segment.

1.17 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees and a future equity-settled share-based payment set out in note 16.

	Group		Company	
	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000

2. Revenue

Revenue from mining and smelting operations	**1,030,486**	614,562	-	-

3. Operating profit/(loss) before net financing (costs)/income

The following items have been taken into account in arriving at operating profit/(loss) before net financing (costs)/income:

Realised and unrealised foreign exchange (losses)/gains	**(23,680)**	503	-	503
Management fee - Merafe Ferrochrome and Mining (Pty) Ltd			**22,329**	20,775
Disposal of property, plant and equipment	**(6,042)**	(96)	**(5)**	(96)
Auditors' remuneration	**(876)**	(477)	**(876)**	(382)
Audit fees - current year	**(625)**	(337)	**(625)**	(270)
Other services	**(108)**	-	**(108)**	-
Tax services	**(143)**	(140)	**(143)**	(112)
Bad debts written off	**(78)**	-	**(78)**	-
Consulting fees	**(449)**	(8,973)	**(449)**	(8,973)
Depreciation and amortisation of property, plant and equipment	**(25,303)**	(6,987)	**(198)**	(153)
Write-down of inventory to net realisable value	**(1,749)**	-	-	-
Feasability study costs	-	(4,173)	-	(4,173)
Increase in accrual for leave pay	**(20,267)**	(10,110)	**(145)**	(535)
Increase in accrual for bonuses	**(4,792)**	-	-	-
Increase in accrual for legal and self-insurance	**(107)**	(144)	-	-
Increase in provision for closure and restoration	**(6,765)**	(4,906)	-	-
Operating lease expenses	**(575)**	(348)	**(575)**	(348)
Office equipment	**(122)**	(101)	**(122)**	(101)
Buildings	**(453)**	(247)	**(453)**	(247)
Staff costs	**(152,394)**	(81,275)	**(1,888)**	(1,242)
Defined contribution expense - Provident Fund	**(7,765)**	(1,837)	**(480)**	(1,079)
Share-based payment expense	**(790)**	(965)	**(790)**	(965)

	Group		Company	
	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000
3. Operating profit/(loss) before net financing (costs)/income (continued)				
Directors' remuneration				
Non-executive directors				
C Molefe	**(115)**	(213)	**(115)**	(213)
Q Mbatha	**(94)**	(121)	**(94)**	(121)
*R Meyjes	-	(104)	-	(104)
L Mogotsi	**(97)**	(69)	**(97)**	(69)
J Matlala	**(84)**	(46)	**(84)**	(46)
*T Vlajcic	-	(100)	-	(100)
	(390)	(653)	**(390)**	(653)
*Resigned in August 2005				
Executive directors				
S Phiri				
Salary	**(2,013)**	(1,851)	**(2,013)**	(1,851)
Bonus	**(1,043)**	(370)	**(1,043)**	(370)
Fringe benefits	**(101)**	(97)	**(101)**	(97)
Provident fund contributions	**(263)**	(244)	**(263)**	(244)
	(3,420)	(2,562)	**(3,420)**	(2,562)
SP Elliot				
Salary	**(1,888)**	(1,736)	**(1,888)**	(1,736)
Bonus	**(1,043)**	(321)	**(1,043)**	(321)
Fringe benefits	**(92)**	(185)	**(92)**	(185)
Provident fund contributions	**(251)**	(234)	**(251)**	(234)
	(3,274)	(2,476)	**(3,274)**	(2,476)
B McBride				
Salary	**(1,776)**	(1,694)	**(1,776)**	(1,694)
Bonus	**(1,043)**	(321)	**(1,043)**	(321)
Fringe benefits	**(98)**	(160)	**(98)**	(160)
Provident fund contributions	**(244)**	(228)	**(244)**	(228)
	(3,161)	(2,403)	**(3,161)**	(2,403)
Z van der Walt				
Salary	**(1,298)**	(1,284)	**(1,298)**	(1,284)
Bonus	**(800)**	(321)	**(800)**	(321)
Fringe benefits	**(78)**	(78)	**(78)**	(78)
	(2,176)	(1,683)	**(2,176)**	(1,683)
	(12,031)	(9,124)	**(12,031)**	(9,124)

Fringe benefits includes a defined contribution expense in respect of medical aid.

		Group		Company	
	Notes	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000
4. Net financing (costs)/income					
Interest paid:		**(39,915)**	(60,948)	**(29)**	(18)
Interest-bearing borrowings		**(8,777)**	(32,648)	-	-
Interest accrued during the year		**(24,893)**	(36,305)	-	-
Less interest capitalised in property, plant and equipment	8.9	**16,116**	3,657	-	-
Dividends on redeemable preference shares		**(29,967)**	(28,281)	-	-
Bank		**(1,171)**	(10)	**(29)**	(9)
Other		-	(9)	-	(9)
Interest received:		**726**	3,015	**665**	2,768
Bank		**687**	2,749	**626**	2,714
Other		**39**	266	**39**	54
Net finance (costs)/income		**(39,189)**	(57,933)	**636**	2,750
5. Income tax income/(expense)					
Current tax expense		**(88)**	-	**(88)**	-
Deferred taxation	9	**28,825**	-	-	-
Normal taxation		**28,737**	-	**(88)**	-
Secondary tax on companies		**(3,746)**	(3,535)	-	-
Total taxation		**24,991**	(3,535)	**(88)**	-

The Company has unredeemed capital expenditure of R198,637 (31 December 2005: R 198,637). The total estimated unredeemed capital expenditure in the Group is R 1,404,641,123 (31 December 2005: R1,262,091,079).

	Group		Company	
	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000
Reconciliation of effective Group tax rate				
Standard tax rate	**29.0%**	29.0%	**29.0%**	29.0%
Taxation on net profit at standard tax rate	(33,104)	(13,120)	-	-
Taxation effect of non-deductible expenditure	(8,878)	(5,425)	**(580)**	(313)
Taxation effect of assessed losses and unredeemed capital expenditure utilised	41,894	18,545	**492**	313
Recognition of deferred tax assets	28,825	-	-	-
	28,737	-	**(88)**	-
Secondary tax on companies	(3,746)	(3,535)	-	-
Total taxation	24,991	(3,535)	**(88)**	-

	Group	
	Year ended 31 December 2006 cents	Year ended 31 December 2005 cents
6. Earnings per share		
6.1 Basic earnings per share (cents)		
Basic earnings per share (cents)	**6**	3

The calculation of basic earnings per share at 31 December 2006 is based on profit attributable to ordinary share holders of R139,142,390 (31 December 2005: R41,707,132) and a weighted average number of ordinary shares outstanding of 2,296,747,099 (31 December 2005: 1,365,455,520).

Calculation of weighted average number of shares

	Numbers of shares	Number of days adjusted for	Weighted average
Balance at beginning of year	2,247,490,793		2,247,490,793
Share issue 3 February 2006	2,328,556	332	2,118,029
Share issue 10 March 2006	333,333	296	270,319
Share issue 23 June 2006	40,178,572	191	21,024,951
Share issue 28 June 2006	48,243,089	186	24,584,149
Share issue 6 July 2006	2,328,555	178	1,135,569
Share issue 9 October 2006	333,333	83	75,800
Share issue 9 November 2006	333,333	52	47,489
	2,341,569,564		2,296,747,099

	Group	
	Year ended 31 December 2006 cents	Year ended 31 December 2005 cents
6.2 Headline earnings per share		
Headline earnings per share (cents)	**6**	3

The calculation of headline earnings per share at 31 December 2006 is based on profit attributable to ordinary shareholders of R145,183,885 (31 December 2005: R39,843,491) and a weighted average number of shares outstanding during the year ended 31 December 2006 of 2,296,747,099 (31 December 2005: 1,365,455,520). Headline earnings are calculated as follows:

	Group	
	Year ended 31 December 2006 R	Year ended 31 December 2005 R
Net profit for the year	**139,142,390**	41,707,132
Fair value gain on available-for-sale financial instrument matured	-	(1,959,685)
Disposal of property, plant and equipment	**6,041,495**	96,044
Headline earnings	**145,183,885**	39,843,491

	Group	
	Year ended 31 December 2006 cents	Year ended 31 December 2005 cents
6.3 Diluted earnings per share		
Diluted earnings per share (cents)	**6**	3

The calculation of diluted earnings per share at 31 December 2006 is based on profit attributable to ordinary shareholders of R 139,142,390 (31 December 2005: R41,707,132) and a weighted average number of shares outstanding during the year ended 31 December 2006 of 2,328,678,892 (31 December 2005: 1,387,858,250).

Calculation of weighted average number of shares

	Group	
	Year ended 31 December 2006 No. of shares	Year ended 31 December 2005 No. of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	2,296,747,099	1,365,455,520
Deemed issue of ordinary shares in respect of share options	16,795,207	22,402,730
Thyssenkrupp in respect of the Downstream Project	15,136,586	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	2,328,678,892	1,387,858,250

	Group		Company	
	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000
7. Options for mineral rights				
At cost less recoupments and accumulated impairment	-	258	-	258

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. The options in respect of farm Schoongezicht were converted to new order prospecting rights in 2006 and are now included under land and mineral rights. The options in respect of farm Annex Glen Ross No. 562 have been fully impaired.

	Group		Company	
	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000
8. Property, plant and equipment				
8.1 Fixed property and mineral rights				
Carrying value at beginning of year	**120,462**	24,556	**3,816**	3,816
Land and mineral rights at cost	**126,882**	30,162	**3,816**	3,816
Accumulated depreciation	**(6,420)**	(5,606)	-	-
Additions	-	96,720	-	-
Depreciation charge for the year	**(4,682)**	(814)	-	-
Reclassification	**5,495**	-	**258**	-
Carrying value at end of year	**121,275**	120,462	**4,074**	3,816
Land and mineral rights at cost	**133,783**	126,882	**4,074**	3,816
Accumulated depreciation	**(12,508)**	(6,420)	-	-

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

8.2 Ferrochrome smelter project				
Carrying value at beginning of year	**698,687**	648,121	-	-
Cost	**706,580**	653,537	-	-
Accumulated depreciation	**(7,893)**	(5,416)	-	-
Additions	**5,198**	53,043	-	-
Depreciation charge for the year	**(9,403)**	(2,477)	-	-
Reclassifications	**17,502**	-	-	-
Transfer from capital work in progress	**1,688**	-	-	-
Carrying value at end of year	**713,672**	698,687	-	-
Cost	**730,871**	706,580	-	-
Accumulated depreciation	**(17,199)**	(7,893)	-	-
8.3 Mine development project				
Carrying value at beginning of year	**39,396**	40,878	-	-
Cost	**43,643**	43,643	-	-
Accumulated depreciation	**(4,247)**	(2,765)	-	-
Depreciation charge for the year	**(1,471)**	(1,482)	-	-
Reclassification	**(9)**	-	-	-
Carrying value at end of year	**37,916**	39,396	-	-
Cost	**43,643**	43,643	-	-
Accumulated depreciation	**(5,727)**	(4,247)	-	-
8.4 Mining equipment and structures				
Carrying value at beginning of year	**37,785**	13,539	-	-
Cost	**41,599**	15,980	-	-
Accumulated depreciation	**(3,814)**	(2,441)	-	-

	Group		Company	
	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000
8.4 Mining equipment and structures (continued)				
Additions	**7,316**	25,619	-	-
Depreciation charge for the year	**(386)**	(1,373)	-	-
Reclassifications	**(22,731)**	-	-	-
Carrying value at end of year	**21,984**	37,785	-	-
Cost	**24,660**	41,599	-	-
Accumulated depreciation	**(2,676)**	(3,814)	-	-
8.5 Plant and equipment				
Carrying value at beginning of year	**462**	675	**3**	22
Cost	**2,187**	2,187	**94**	94
Accumulated depreciation	**(1,725)**	(1,512)	**(91)**	(72)
Depreciation charge for the year	**(70)**	(213)	**(3)**	(19)
Carrying value at end of year	**392**	462	-	3
Cost	**2,187**	2,187	**94**	94
Accumulated depreciation	**(1,795)**	(1,725)	**(94)**	(91)
8.6 Motor vehicles				
Carrying value at beginning of year	**93**	301	**60**	217
Cost	**392**	893	**138**	639
Accumulated depreciation	**(299)**	(592)	**(78)**	(422)
Disposals at carrying value	-	(96)	-	(96)
Depreciation charge for the year	**(58)**	(112)	**(28)**	(61)
Carrying value at end of year	**35**	93	**32**	60
Cost	**392**	392	**138**	138
Accumulated depreciation	**(357)**	(299)	**(106)**	(78)
8.7 Office furniture and equipment				
Carrying value at beginning of year	**863**	1,316	**86**	96
Cost	**2,678**	2,615	**462**	399
Accumulated depreciation	**(1,815)**	(1,299)	**(376)**	(303)
Additions	**1,459**	63	**764**	63
Disposals at carrying value	**(5)**	-	**(5)**	-
Depreciation charge for the year	**(649)**	(516)	**(167)**	(73)
Carrying value at end of year	**1,668**	863	**678**	86
Cost	**4,032**	2,678	**1,121**	462
Accumulated depreciation	**(2,364)**	(1,815)	**(443)**	(376)
8.8 Wonderkop assets				
Carrying value at beginning of year	**231,913**	-	-	-
Cost	**231,913**	-	-	-
Accumulated depreciation	-	-	-	-

	Group		Company	
	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000
8.8 Wonderkop assets (continued)				
Additions	**183**	231,913	-	-
Disposals at carrying value	**(4,254)**	-	-	-
Depreciation charge for the year	**(8,215)**	-	-	-
Carrying value at end of year	**219,627**	231,913	-	-
Cost	**227,842**	231,913	-	-
Accumulated depreciation	**(8,215)**	-	-	-

The Wonderkop assets are encumbered by a loan more fully described under note 17.4.

8.9 Lion Ferrochrome plant

Carrying value at beginning of year	**198,887**	-	-	-
Cost	**198,887**	-	-	-
Accumulated depreciation	-	-	-	-
Additions	**151,199**	198,887	-	-
Disposals at carrying value	**(1,782)**	-	-	-
Depreciation charge for the year	**(369)**	-	-	-
Carrying value at end of year	**347,935**	198,887	-	-
Cost	**348,304**	198,887	-	-
Accumulated depreciation	**(369)**	-	-	-

Additions in respect of the Lion Ferrochrome plant include capitalised borrowing costs of R 16,116,350 (31 December 2005: R 3,657,222).

8.10 Capital work-in-progress

Costs capitalised to date	**1,235**	1,688	-	-
Total carrying value at end of year	**1,465,739**	1,330,236	**4,784**	3,965
Cost	**1,516,949**	1,356,449	**5,427**	4,510
Accumulated depreciation	**(51,210)**	(26,213)	**(643)**	(545)

8.11 Capitalised finance leases

The following leased assets where the Company is the lessee are included in 8.2, Ferrochrome smelter project and 8.6 Motor vehicles.

8.11.1 Motor vehicles

Cost	**138**	138	**138**	138
Accumulated depreciation	**(106)**	(78)	**(106)**	(78)
Carrying value at end of year	**32**	60	**32**	60

8.11.2 Plant and equipment

Cost/carrying value at end of year	**12,497**	-	-	-

	Group		Company	
	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000
9. Deferred tax assets				
Recognised deferred tax assets				
Property, plant and equipment	**19**	-	-	-
Unredeemed capital expenditure	**19,044**	-	-	-
Provisions and accruals	**9,762**	-	-	-
	28,825	-	-	-

Deferred taxation is based on previously unrecognised unredeemed capital expenditure. The Company has raised a deferred tax asset for deductable temporary differences as it is probable that sufficient future taxable income will be generated against which these temporary differences can be utilised.

Movement in temporary differences during the year

	Balance 1 January 2006	Recognised in income	Balance 31 December 2006
Property, plant and equipment	-	19	19
Unredeemed capital expenditure	-	19,044	19,044
Provisions and accruals	-	9,762	9,762
	-	28,825	28,825

	Group		Company	
	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000
10. Investments				
10.1 Wholly-owned subsidiaries				
Southwits Mining Company (Pty) Ltd			(102)	(102)
Shares at cost			*	*
Loan from subsidiary			(102)	(102)
Merafe Chrome & Alloys (Pty) Ltd			849,463	725,567
Shares at cost			*	*
Loan to subsidiary			849,463	725,567
Loan at cost			1,140,408	1,016,512
Provision for impairment			(290,945)	(290,945)
Total wholly-owned subsidiaries			849,361	725,465

* Amount is less than one thousand

	Group		Company	
	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000
10.2 Flexidowment policy				
Held to maturity - Flexidowment policy	346	346	-	-

This Flexidowment policy is managed by Old Mutual and matured in 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	**346**	346	**849,361**	725,465
11. Inventories				
Consumables stores	**32,459**	26,725	-	-
Raw materials and work-in-progress	**73,703**	82,886	-	-
Final product	**213,194**	214,698	-	-
Carrying value	**214,943**	214,698	-	-
Write-down of inventory to net realisable value	**(1,749)**	-	-	-
	319,356	324,309	-	-

The net realisable value adjustment represents the write-down of a stockpile of 1,829 tonnes of final product.

12. Trade and other receivables				
Trade receivables	**268,107**	277,824	**433**	116
Prepayments	**1,631**	2,167	**141**	125
Other receivables	**3,970**	1,458	**406**	649
	273,708	281,449	**980**	890
13. Share capital				
Authorised - 2,750,000,000 (31 December 2005: 2,750,000,000) ordinary shares of 1 cent each.	**27,500**	27,500	**27,500**	27,500
Issued - 2,341,569,564 (31 December 2005: 2,247,490,793) ordinary shares of 1 cent each.	**23,416**	22,475	**23,416**	22,475
14. Share premium				
Balance at beginning of year	**1,091,743**	557,035	**1,091,743**	557,035
Arising from issue of new shares	**51,239**	544,836	**51,239**	544,836
Share issue expenses	**(95)**	(10,128)	**(95)**	(10,128)
Balance at end of year	**1,142,887**	1,091,743	**1,142,887**	1,091,743

The unissued share capital is under the control of the directors, subject to the Companies Act and the JSE Limited Listings Requirements, until the next annual general meeting. The directors' report and note 15 set out the details in respect of the share option scheme.

15. Equity-settled share-based payments

On 1 August 2000, the Group established a share option programme that entitles key management personnel and senior employees to acquire shares in the Company. Management has applied the provisions of IFRS 2 - *Share-based payments* in accounting and disclosing for all share options granted, except for share options granted before 7 November 2002, or share options granted after this date, but which had vested prior to 1 January 2005 and those subject to review referred to later in this note.

	Group		Company	
	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000

15. Equity-settled share-based payments (continued)

Reconciliation of share based payment obligation

Balance at beginning of year	**2,510**	1,545	**2,510**	1,545
Fair value movement during the current year	**790**	965	**790**	965
Balance at end of year	**3,300**	2,510	**3,300**	2,510

The terms and conditions of the grants are listed below and all options are settled by physical delivery of shares:

Grant date/employees entitled	Number of instruments	Vesting conditions
Options granted prior to 7 November 2002	49,730,851	
Options granted to senior employees on 1 February 2003	1,000,000	One third per year over the period 30 June 2006 to 30 June 2008
Options granted to senior employees on 1 March 2003	500,000	One third per year over the period 30 June 2006 to 30 June 2008
Options granted to key management on 30 April 2003	10,034,098	One third per year over the period 30 June 2006 to 30 June 2008
Options granted to key management on 1 August 2003	2,500,000	One third per year over the period 31 December 2006 to 31 December 2008
Options granted to senior employees on 1 August 2005	2,000,000	One third per year over the period 31 December 2008 to 31 December 2010
Options granted to senior employees on 12 June 2006	3,000,000	One third per year over the period 30 June 2009 to 30 June 2011
Options granted to senior employees on 27 July 2006	2,000,000	One third per year over the period 30 June 2009 to 30 June 2011

The options are granted to employees and lapse after 10 years if not implemented while employed within the Group. The options are forfeited when an employee resigns from the group and does not exercise his/her options. In event of an employee leaving the Group for a reason approved of by the directors or dying then the employee or his/her estate has 12 and 24 months respectively to exercise and/or implement options due to that employee. Once contractually granted by the Company, the trustees of the scheme administer the scheme and determine the rights and obligations vis a vis the scheme and employees.

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

	2006		2005	
	Weighted average exercise price in cents per share	Number of options ('000)	Weighted average exercise price in cents per share	Number of options ('000)
Outstanding balance at the beginning of the year	46	79,608	46	91,065
Options granted during the year	63	5,000	60	2,000
Options exercised during the year	**39**	(5,657)	**41**	(2,333)
Options forfeited during the year	**37**	(8,186)	**50**	(11,124)
Outstanding balance at the end of year	**49**	70,765	**46**	79,608
Excercisable at the end of year		54,380		49,675

	Company	
	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000
15. Equity-settled share-based payments (continued)		
Share options outstanding at the end of the year have the following terms		
Exercise price:		
35 cents	**5,329**	8,985
39 cents	**3,300**	9,985
40 cents	**5,994**	5,994
45 cents	**35,108**	38,110
54 cents	**10,034**	10,034
60 cents	**5,000**	2,000
67 cents	**2,000**	-
73 cents	**2,500**	2,500
82 cents	**500**	500
98 cents	**1,000**	1,500
	70,765	79,608
Exercise dates:		
31 December 2003	**9,987**	9,987
30 June 2004	**15**	15
31 December 2004	**13,326**	16,316
30 June 2005	**15**	15
31 December 2005	**15,352**	23,342
30 June 2006	**3,860**	4,027
31 December 2006	**11,825**	14,190
30 June 2007	**3,845**	4,011
31 December 2007	**860**	860
30 June 2008	**3,845**	4,011
31 December 2008	**1,500**	1,500
30 June 2009	**1,667**	-
31 December 2009	**667**	667
30 June 2010	**1,667**	-
31 December 2010	**667**	667
30 June 2011	**1,667**	-
	70,765	79,608

15. Equity-settled share-based payments (continued)

The following share options were outstanding at 31 December 2006 in favour of directors of the Company:

	Z van der Walt	SP Elliot	B McBride	DS Phiri
Average exercise price (Cents)	44	44	44	54
	000's	000's	000's	000's
Exercisable on 31 December 2003	3,329	3,329	3,329	-
Exercisable on 30 June 2004	5	5	5	-
Exercisable on 31 December 2004	3,331	3,331	3,331	-
Exercisable on 30 June 2005	5	5	5	-
Exercisable on 31 December 2005	3,340	3,340	3,340	-
Exercisable on 30 June 2006	5	5	5	3,345
Exercisable on 31 December 2006	11	11	11	-
Exercisable on 30 June 2007	-	-	-	3,345
Exercisable on 30 December 2007	9	9	9	-
Exercisable on 30 June 2008	-	-	-	3,345
Total	10,035	10,035	10,035	10,035

In terms of the Company's share incentive scheme and contracts of employment, further options are due to executive directors at the date and offer price of any rights offers to shareholders of the Company or increases in share capital up to a maximum 1% of the issued share capital. In terms of the rights offer in November 2005, such options to executive directors would become implementable in terms of the scheme at the rights offer price at the end of 2008 (as to one third), 2009 (as to one third) and 2010 (as to one third). However, in line with many listed companies, and the impact of IFRS 2 and the accounting treatment of share options which are now classified as an expense, the Remuneration Committee together with its auditors, KPMG Inc, are reviewing the appropriateness of the scheme, as many commentators are suggesting alternative reward systems for employees, more beneficial to the Company, shareholders and employees as a result of changes brought about by IFRS 2 and the movement to performance based schemes. This exercise should be completed during 2007. Any changes, amendments or replacement of the scheme would require the approval of the Board of the Company, its shareholders, the JSE Limited and where any change impacts on any employee, the consent of that employee.

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

	Key management personnel		Senior and other employees	
	2006	2005	2006	2005
Fair value at grant date in cents	22	22	26	30
Share price in cents (weighted average)	54	54	70	75
Exercised price in cents (weighted average)	54	54	70	75
Expected volatility	23%	23%	30%	27%
Option life (expected weighted average)	6 years	6 years	5.39 years	5.86 years
Expected dividends	1.33%	1.33%	2.15%	1.62%
Risk free interest rate	10.51%	10.51%	8.95%	9.48%

16. Non-distributable reserve

The non-distributable reserve relates to a feasibility study and investigation into a Downstream Project at Boshoek which was being undertaken by Merafe Resources. In terms of this agreement an amount of R 9,103,403 (one million Euros at the date of transaction) was advanced to Merafe Resources by ThyssenKrupp Metallurgie GMBH (Thyssen) in respect of this project. Merafe Resources shall issue shares to Thyssen for the amount of R9,103,403 for this investigation receipt. The number of Merafe Resources shares shall be the investigation receipt divided by the issue price (weighted average price of Merafe Resources shares traded on the JSE Limited thirty days before the payment date being the earlier of thirty days after the Downstream Project is "hot commissioned" and/or 1 April 2006).

		Group		Company	
		Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000
17. Non-current borrowings					
17.1	Loan: Establishment of mining and related operations	-	2,350	-	-
17.2	Finance leases-motor vehicles	**7**	54	**7**	54
17.3	Preference shares	**223,580**	322,476	-	-
17.4	ABSA Bank Limited	**125,000**	-	-	-
17.5	ABSA Bank Limited	**175,000**	-	-	-
17.6	Xstrata South Africa (Pty) Ltd	**16,862**	-	-	-
		65,134	-	-	-
	EBITDA due for the year	**(48,272)**	-	-	-
17.7	Xstrata South Africa (Pty) Ltd	**14,224**	-	-	-
17.8	SVR Steelworks (Pty) Ltd- Finance lease	**10,440**	-	-	-
17.9	Dataqwip Rentals (Pty) Ltd- Finance lease	**2,057**	-	-	-
Balance at end of year		**567,170**	324,880	**7**	54
Current portion of non-current borrowings		**(153,371)**	(100,047)	**(7)**	(47)
		413,799	224,833	-	7
Minimum lease payments:					
Repayable within the next year		**4,507**	50	**7**	50
Repayable later than 1 year but not later than 5 years		**13,284**	8	-	8
Future finance charges on finance leases		**(5,287)**	(4)	-	(4)
		12,504	54	**7**	54

17.1 This loan was secured and repayable in monthly instalments of R 233,000 (31 December 2005: R 233,000) and bore interest at a variable rate of 2% below prime overdraft rate. The loan was settled on 31 October 2006.

17.2 This loan is secured by finance lease agreements over a motor vehicle with a book value of R 32,113 (31 December 2005: R 59,639) as per note 8.11. This loan is repayable in monthly instalments of R 4,116 (31 December 2005: R 4,100) and bears interest at the prime overdraft rate.

17. Non-current borrowings (continued)

17.3 These redeemable preference shares, held by ABSA Corporate and Merchant Bank Limited and the Industrial Development Corporation, have a fixed preference dividend rate of 9.95% (2005: 9.95%), payable quarterly. In terms of the agreement, capital will be redeemed as follows: 2007: R 104,337,000, 2008: R 84,464,000, 2009: R 34,779,000.

17.4 This loan is secured by cession of claims in respect of the participation interest in the Pooling and Sharing Agreement attributable to Wonderkop and in respect of the Wonderkop assets. Additional security has been provided in the form of guarantees from Xstrata South Africa (Proprietary) Limited and Merafe Ferrochrome and Mining (Proprietary) Limited. The loan is repayable bi-annually with the final payment due on 31 December 2010. In terms of the agreement, capital will be repaid as follows: 2007 - R 18,750,000, 2008 - R 31,250,000, 2009 - R 37,500,000, 2010 - R 37,500,000. Interest including bank costs is fixed at 10.54% per annum.

17.5 This loan is secured by cession of claims in respect of the participation interest in the Pooling and Sharing Agreement attributable to Project Lion and guarantees from Xstrata South Africa (Proprietary) Limited and Merafe Ferrochrome and Mining (Proprietary) Limited. The loan is repayable bi-annually with the final payment due on 31 December 2010. In terms of the agreement, capital will be repaid as follows: 2007 - R 26,250,000, 2008 - R 43,750,000, 2009 - R 52,500,000, 2010 - R 52,500,000. Interest including bank costs is charged at the Johannesburg Interbank Agreed Rate plus 1.45% per annum.

17.6 This loan is unsecured and has no fixed repayment terms. Interest is charged at prime overdraft rate.

17.7 This loan is unsecured and has no fixed repayment terms. Interest is charged at prime less 1% per annum.

17.8 This loan is secured by a finance lease agreement over plant and equipment with a book value of R10 439 658 as per note 8.11. The loan is repayable in monthly instalments determined by the level of production of the plant, repayments have averaged at R186 810 per month. Interest is determined by the level of production, rates have averaged 10.28% per annum.

17.9 This loan is secured by a finance lease agreement over plant and equipment with a book value of R2 056 124 as per note 8.11. The loan is repayable in monthly instalments of R106 545 with the final payment in October 2008. Interest is charged at prime plus 2%.

	Group		Company	
	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000
18. Provision for closure and restoration costs				
Balance at beginning of year	**7,592**	4,214	-	-
Utilised during the year	**(3,403)**	(1,528)	-	-
Charge for the year	**6,765**	4,906	-	-
Balance at end of year	**10,954**	7,592	-	-
19. Trade and other payables				
Trade payables	**314,987**	585,313	**2,226**	10,247
Other payables	**1,207**	26,518	**88**	993
	316,194	611,831	**2,314**	11,240

Included in trade payables in 2005 is an amount of R63.3 million owed to Xstrata.

	Group		Company	
	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000
20. Cash flow information				
20.1 Cash (utilised in)/generated by operations				
Profit for the year before tax	**114,152**	45,242	**-**	-
Adjusted for:				
Depreciation and amortisation	**25,303**	6,987	**198**	153
Write-down of inventory to net realisable value	**1,749**	-	**-**	-
Interest received	**(726)**	(3,015)	**(665)**	(2,768)
Interest paid	**39,915**	60,948	**29**	18
Equity-settled share-based payment expense	**790**	965	**790**	965
Movement in accruals	**25,166**	10,254	**-**	-
Bad debts written off	**78**	-	**-**	-
Adjustment in respect of straight-lining of lease	**24**	-	**-**	-
Provision for closure and restoration	**6,765**	4,906	**-**	-
Payment for closure and restoration	**(3,403)**	(1,528)	**-**	-
Disposal of property, plant and equipment	**6,042**	96	**5**	96
Operating profit/(loss) before working capital changes	**215,855**	124,855	**357**	(1,536)
Working capital changes	**(300,946)**	(11,320)	**(1)**	(1,589)
Decrease/(increase) in inventories	**3,204**	(87,038)	**-**	-
Decrease/(increase) in trade and other receivables	**7,663**	(91,963)	**(90)**	264
(Decrease)/increase in trade and other payables	**(311,813)**	167,681	**89**	(1,853)
	(85,091)	113,535	**356**	(3,125)
20.2 Cash and cash equivalents				
Bank and cash	**19,476**	86,742	**13,077**	84,707
Bank overdraft	**(107,143)**	(174,169)	**-**	-
	(87,667)	(87,427)	**13,077**	84,707

21. 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 financial instruments.

The Group did not acquire, hold or issue derivative instruments for trading purposes.

21. Financial instruments (continued)

Credit risk

The Group sells the majority of its ferrochrome to a broad range of international customers in terms of the Xstrata-Merafe Chrome Venture agreement. As a result, the Group believes that no concentration of credit risk exists with regards to sales to these customers. The Group has a policy to monitor its exposure to credit risk on an ongoing basis. At year end, the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Foreign currency and commodity price risk

In the normal course of business, the Group enters into transactions denominated in foreign currencies (primarily US$). In addition the Group had liabilities in US$. As a result, the Group was subject to transaction and translation exposure from fluctuations in foreign currency exchange rates. The weakening of the South African Rand against the US$ in the current financial year resulted in exchange losses being realised on the foreign borrowings which have been offset to an extent by realised and unrealised exchange gains arising on foreign sales contracts. The Group does not hedge its foreign currency exposure to the ferrochrome price fluctuation risk or Rand: US$ exchange rate.

Interest rate and liquidity risk

Fluctuations in interest rates impact on the value of 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.

Interest rates and repricing analysis - 2006

	Average interest rate	Total R'000	Less than one year	1 - 2 years	2 - 5 years
Fixed rate instruments					
Preference shares	9.95%	(223,580)	(104,337)	(84,464)	(34,779)
ABSA Bank Limited	10.54%	(125,000)	(18,750)	(31,250)	(75,000)
		(348,580)	(123,087)	(115,714)	(109,779)
Variable rate instruments					
Finance lease motor vehicles	12.50%	(7)	(7)	-	-
ABSA Bank Limited	10.83%	(175,000)	(26,250)	(43,750)	(105,000)
Xstrata South Africa (Pty) Ltd	11.08%	(16,862)	-	(16,862)	-
Xstrata South Africa (Pty) Ltd	10.08%	(14,224)	-	(14,224)	-
SVR Steelworks (Pty) Ltd	10.28%	(10,440)	(2,242)	(2,242)	(5,956)
Dataqwip rentals (Pty) Ltd	14.50%	(2,057)	(1,279)	(778)	-
Bank overdraft (US Dollar account)	5.77%	(107,143)	(107,143)	-	-
Cash and cash equivalents	6.69%	19,476	19,476	-	-
		(306,257)	(117,445)	(77,856)	(110,956)

21. Financial instruments (continued)

Interest rates and repricing analysis - 2005

	Average interest rate	Total R'000	Less than one year	1 - 2 years	2 - 5 years
Fixed rate instruments					
Preference shares	9.95%	(322,476)	(98,896)	(104,337)	(119,243)
Variable rate instruments	-	-	-	-	-
Establishment of mining and					
related operations	8.65%	(2,350)	(2,350)	-	-
Finance leases motor vehicles	10.65%	(54)	(47)	(7)	-
Xstrata South Africa (Pty) Ltd	10.65%	(64,470)	(64,470)	-	-
Bank overdraft (US Dollar account)	5.77%	(174,169)	(174,169)	-	-
Cash and cash equivalents	7.90%	86,742	86,742	-	-
		(154,301)	(154,294)	(7)	-

22. Related party transactions

22.1 Identity of related parties

The Group has related party relationships with its wholly-owned subsidiaries (refer note 10.1), Xstrata-Merafe Chrome Venture (refer note 22.3), the Industrial Development Corporation of South Africa Limited (refer note 22.4), Royal Bafokeng Resources Holdings (Pty) Limited (refer note 22.5) and with its directors (refer note 22.2).

22.2 Transactions with its directors

Directors of the Company, and their immediate family (associates) control 0.08% of the voting shares of the Company. In addition to their salaries, the Company also contributes to a provident fund (defined contribution plan) and medical aid fund on their behalf (refer note 3). Executive directors also participate in the Company's share option scheme (refer note 15).

22.3 Transactions with the Xstrata-Merafe Chrome Venture

The Xstrata-Merafe Chrome Venture resulted in Xstrata and Merafe Resources pooling and sharing their ferrochrome assets. While Merafe Resources' assets 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 Exco and joint board and sub-commitees formed to oversee the combined operations of both companies. The Group received 11% to 30 June 2005, 14% to 15 November 2005, 17% to 30 June 2006 and 20,5% to 31 December 2006 of the Venture's working capital and EBITDA.

	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000
Included in the consolidated financial statements are the following items that represent the Group's share of the working capital and EBITDA of the Venture:		
Inventories	**315,276**	318,480
Trade and other receivables	**270,019**	249,920
Bank and cash	**5,162**	1,283
Trade account between participants	-	(172,354)
Provisions	**(32,618)**	(23,593)
Trade and other payables	**(280,391)**	(168,009)
Bank overdraft	**(107,143)**	(174,169)
Net assets	**170,305**	31,558
EBITDA	**203,047**	143,624

22.4 Transactions with the Industrial Development Corporation of South Africa Limited (IDC)

The IDC is considered to be a related party, due to their ability to exercise significant influence over financial and operating decisions of Merafe Resources. The significant influence is a result of the aforementioned party's shareholding of 23.35%. The IDC has provided financing in respect of the operations as set out in note 17.1 and 17.3.

22.5 Transaction with Royal Bafokeng Resources Holdings (Pty) Limited (RBR)

The RBR is considered to be a related party due to their ability to exercise significant influence over financial and operating decisions of Merafe Resources. The significant influence is a result of the aforementioned party's shareholding of 30.76%. No transactions occurred during the year.

23. Contingencies and commitments

To the best of our knowledge and belief there are no contingent liabilities to third parties and/or contingent assets not set out or referred to in this report which may materially affect the financial position of the Group.

	Group		Company	
	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000
24. Operating leases				
Non-cancellable operating lease rentals are payable as follows:				
Less than one year	**476**	179	**476**	179
Between one and five years	**718**	193	**718**	193
	1,194	372	**1,194**	372

The Group leases offices and various items of office equipment. The leases typically run for a period of five years. The office equipment lease payment escalates at 15% per annum (31 December 2005: 15%) and the building lease payment escalates at 9% per annum (31 December 2005: 9%).

	Group		Company	
	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000	Year ended 31 December 2006 R'000	Year ended 31 December 2005 R'000

25. Post balance sheet date events

The directors are not aware of any material fact or circumstance that has occurred after the balance sheet date, being 31 December 2006 and the date of this report, other than those disclosed in the "Outlook for the future" section of the Chief Executive Officer's Review.

26. Capital commitments

The Group's capital commitments at year end were:

: Project Lion	10,507	128,481	-	-
: Other Xstrata-Merafe Chrome Venture commitments:	-	6,467	-	-
	10,507	134,948	-	-

These commitments are expected to be settled in the following financial year through funds generated from operations

27. Determination of fair values

Determination of fair values

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

Trade and other receivables

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

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Share-based payment transactions

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

Investment in equity and debt securities

The fair value of available-for-sale financial assets is determined by reference to their quoted bid price at balance sheet date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

Shareholder information

Analysis of ordinary shareholders as at 31 December 2006

	No. of Shareholders	% of all Shareholders	No. of Shares held	% of shares Issued
Analysis of shareholdings				
Range				
1 - 1 000	553	10.46	313,375	0.01
1 001 - 5 000	1,033	19.55	3,339,636	0.14
5 001 - 10 000	949	17.96	8,022,732	0.34
10 001 - 100 000	2,203	41.68	79,632,613	3.40
100 001 - 1 000 000	422	7.98	120,037,582	5.13
1 000 001 and more	125	2.37	2,130,223,626	90.98
Totals	5,285	100.00	2,341,569,564	100.00
Distribution of shareholders				
Category				
Diluted funds			1,478,807,571	63.16
Pension funds			299,018,838	12.77
Nominees & trusts			221,345,608	9.45
Individuals			167,880,556	7.17
Other corporate bodies			84,041,103	3.59
Private companies			74,342,021	3.17
Banks			13,083,501	0.56
Close corporations			3,050,366	0.13
Totals			2,341,569,564	100.00
Shareholders holding 5% or more of shares in issue				
Name				
Royal Bafokeng Resources Holdings (Pty) Ltd			720,163,887	30.76
Industrial Development Corporation			546,830,100	23.35
Allan Gray Asset Managers			339,376,246	14.49
Totals			1,606,370,233	68.60
Shareholder spread				
Public	5,279	99.88	1,065,333,820	45.50
Non-public	6	0.12	1,276,235,744	54.50
Directors (directly held)	2	0.04	1,227,112	0.05
Associates	2	0.04	8,014,645	0.34
Royal Bafokeng Resources	1	0.02	720,163,887	30.76
Industrial Development Corporation	1	0.02	546,830,100	23.35
Totals	5,285	100.00	2,341,569,564	100.00

JSE Limited share statistics at 31 December 2006

Share price (cents)	
High	83
Low	44
Closing price at 31 December 2006	75
Shares traded	
Number of shares	660,916,517
Value of shares	R407,238,640
Volume traded as a % of weighted average shares in issue	28%
Market Capitalisation	
As at 31 December 2006	R1,756,177,173

Shareholders' diary

Meetings

Annual General Meeting for 2007 to be held in June 2008

Reports

Interim report six months to 30 June 2007 to be released on or around 7 August 2007

Annual results for the 12 months to 31 December 2007 to be released in March 2008

Annual report for the 12 months to 31 December 2007 to be published May 2008

Notice of annual general meeting

Merafe Resources Limited
(Incorporated in the Republic of South Africa)
(Registration Number 1987/003452/06)
(the Company)
ISIN:ZAE000060000
Share code: MRF

Notice is hereby given that the twentieth annual general meeting of members of Merafe Resources Limited will be held at 1st Floor, Block B, Sandton Place, 68 Wierda Road East, Wierda Valley, Sandton, at 11:00 on Thursday, 26 July 2007, for the purpose of conducting the following business:

1. To receive, consider and adopt the annual financial statements for the Company for the year ended 31 December 2006.
2. To elect the following directors, who retire by rotation and, being eligible, offer themselves for re-election:
   - 2.1 Ms Lebo Mogotsi;
   - 2.2 Ms Joyce Matlala;
   - 2.3 Mr Bruce McBride; and
   - 2.4 Mr Stuart Elliot
3. To ratify the appointment of Mr Tlamelo Ramantsi to the Board as a non-executive director.
4. To ratify the appointment of Mr Mzila Mthenjane to the Board as a non-executive director.

Brief CVs of these directors are set out on page 17 and 19 of this annual report.

5. To approve the directors' remuneration for the year ended 31 December 2006.
6. To re-appoint KPMG Inc. as auditors for the ensuing year.
7. To authorise the directors to determine the auditors' remuneration.
8. To approve the auditors' remuneration.

As special business to consider and, if deemed fit, to pass with or without modification the following resolutions:

Special resolution number 1

Increase of authorised share capital

"Resolved as a special resolution that, in terms of section 75(1) (a) of the Companies Act, Act 61 of 1973, as amended, and Article 20 of the Articles of Association of the Company and with effect from the registration of this special resolution, the Company's authorised share capital be and is hereby increased from R35 000 000 by the creation of 750 000 000 ordinary shares with a par value of R0.01 each ranking *pari passu* in all respects with the ordinary shares in the capital of the Company".

Special resolution number 2

Amendments to the Memorandum of Association

"Resolved as a special resolution that, subject to the passing and registration of special resolution number 1 proposed at the Company's twentieth annual general meeting, paragraph 8(a) and paragraph 8(a)(i) of the Company's Memorandum of Association be and is hereby amended by substituting "R35 000 000" for the reference for "R27 000 000" and "3 500 000 000" for the reference of "2 750 000 000."

Reasons for and effect of special resolutions 1 and 2

The reason for special resolutions 1 and 2 is to increase the share capital of the Company. The effect is to create 750 000 000 new ordinary shares of R0.01 each thereby creating additional authorised share capital in the Company of R7 500 000 in order to ensure that the Company has sufficient unissued shares available should a need to issue shares arise in the future.

Ordinary resolution number 1

Control of authorised but unissued shares

"Resolved that the entire authorised but unissued share capital of the Company from time to time be placed under the control of the directors of the Company until the next annual general meeting, with the authority to allot and issue all or part thereof at their discretion, subject to the provisions of sections 221 and 222 of the Companies Act, Act 61 of 1973, as amended, the Articles of Association of the Company and the JSE Limited Listings Requirements."

Ordinary resolution number 2

Issue of shares for cash

"Resolved that, in terms of the JSE Limited ("JSE") Listings Requirements, the directors be given general authority to issue all or any of the authorised but unissued ordinary shares of one cent each for cash as and when suitable situations arise, subject to the Companies Act, Act 61 of 1973, as amended, the Articles of Association of the Company, and the following limitations, namely:

- 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 10% 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; and
- that any such issue will only be made to public shareholders as defined by the JSE and not to any related parties."

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 2 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/her stead. The proxy so appointed need not be a member of the Company. Proxy forms should be forwarded to reach the registered office of the transfer secretaries of the Company or the Company's registered office by no later than 11:00 on Tuesday, 24 July 2007.

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 no later than 11:00 on Tuesday, 24 July 2007.

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

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

By order of the Board.

Mahandranath

A Mahandrenath
Company Secretary

Sandton
29 June 2007

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Form of proxy

Merafe Resources Limited
(Incorporated in the Republic of South Africa)
(Registration Number 1987/003452/06)
(the Company)

ISIN:ZAE000060000
Share code: MRF

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 annual general meeting.

Form of proxy for the twentieth annual general meeting

I/We (name in block letters) ____________________

Of (address) ____________________

Being the holders/of ____________________ ordinary shares

in the Company hereby appoint (see note 1):

1. ____________________ or failing him/her

2. ____________________ or failing him/her

3. The chairman of the Company, or failing him, the chairperson of the annual general meeting, as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of the Company to be held at Merafe Resources Limited at 1st Floor, Block B, Sandton Place, 68 Wierda Road East, Wierda Valley, Sandton, at 11:00 on Thursday, 26 July 2007, or at any adjournment thereof.

I/We desire to vote as follows (see note 2):	Number of Votes		
	For	Against	Abstain
1. To receive, consider and adopt the annual financial statements			
2. To elect the directors who retire by rotation:			
2.1 Ms Lebo Mogotsi;			
2.2 Ms Joyce Matlala;			
2.3 Mr Bruce McBride; and			
2.4 Mr Stuart Elliot			
3. To ratify the appointment of Mr Tlamelo Ramantsi to the Board as a non-executive director			
4. To ratify the appointment of Mr Mzila Mthenjane to the Board as a non-executive director			
5. To approve the directors' remuneration			
6. To re-appoint KPMG Inc. as auditors for the ensuing year			
7. To authorise the directors to determine the auditors' remuneration			
8. To approve the auditors' remuneration			
9. Special resolution number 1: Increase of authorised share capital			
10. Special resolution number 2: Amendments to the memorandum of association			
11. Ordinary resolution number 1: To place the unissued shares under the control of the directors			
12. Ordinary resolution number 2: To authorise the Company to issue shares for cash			

Signed at ____________________ on ____________________ 2007

Signature (assisted by me - where applicable) ____________________ Please see notes overleaf

Form of proxy

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 annual general meeting of shareholders will be entitled to act as proxy to the exclusion of those whose names follow.

2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. Failure to comply will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting of shareholders as he/she deems fit in respect to all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by his proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by the proxy.

3. Forms of proxy must be lodged with, posted or faxed to, the transfer secretaries' registered office: 5th floor, 11, Diagonal Street, Johannesburg, 2001 (P O Box 4844, Johannesburg, 2000), or +27 11 834 4398, or the Company's registered office: 1st Floor, Block B, Sandton Place, 68 Wierda Road East, Wierda Valley, Sandton, 2196 (P O Box 652157, Benmore, 2010), or fax: +27 11 783 4789 to be received by no later than 11:00 on Tuesday, 24 July 2007.

4. The completion and lodging of this form of proxy shall not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative or other legal capacity (such as power of attorney or other written authority) must be attached to this form or proxy unless previously recorded by Merafe Resources Limited.

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 Merafe 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.