# CHROMETCO LIMITED

(Registration number 2002/026265/06)

Integrated Annual Report 2011

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# Administration

## Secretary
CIS Company Secretaries (Pty) Limited
(Registration number 2006/024994/07)
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

## Registered office
70 Marshall Street
Johannesburg, 2001
(PO Box 3787, Dainfern, 2055)

## Designated Advisor
Sasfin Capital
(A division of Sasfin Bank Limited)
(Registration number 1951/002280/06)
29 Scott Street
Waverley, 2090
(PO Box 95104, Grant Park, 2051)

## Attorneys
DLA Cliffe Dekker Hofmeyer Incorporated
1 Protea Place Sandown Sandton, 2196
(Private Bag X7, Benmore, 2010)

Lanham – Love Incorporated
28 Fricker Road
Illovo, 2196
(PO Box 55711, Northlands, 2116)

## Transfer secretaries
Computershare Investor Services (Pty) Limited
(Registration number 2004/003647/07)
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

## Auditors
RSM Betty & Dickson (Johannesburg) Registered Auditors
Executive City
Cross and Charmaine Avenues
President Ridge, Randburg, 2125

## Bankers
First National Bank
Corporate Account Services
3rd Floor
4 FirstPlace
Bank City
Corner Simmonds and Pritchard Streets Johannesburg, 2001

# Board of Directors

**Jonathan Scott**
BSc (Hons), MBA
*Independent non-executive chairman*
Member of the audit and corporate governance committee
Member of the remuneration committee

Jonathan has many years of experience in mining, mining finance, banking and corporate finance, and has served on the boards of a number of JSE-listed companies over the years.

**Petrus Cilliers**
PrEng, BEng (Chem Eng), MBA
*Managing director*

Petrus started his career as a chemical engineer at Impala Platinum and has more than twenty years' experience in the mining and metallurgical industry. He has been involved in a wide variety of projects in territories including South Africa, the DRC and Zambia.

**Trevor Scott**
BCom (Hons), BAcc, CA(SA)
*Financial director*

Trevor is a specialist in providing IFRS, tax, corporate governance, and other services to both local and offshore listed companies. He has many years of experience in the disciplines of corporate finance and management.

**Edward Bramley**
*Non-executive director*
Member of the audit and corporate governance committee
Member of the remuneration committee

Edward is an experienced mining and exploration professional with international experience in business exploration and management. Edward is a co-founder of the Chrometco group of companies and has had a long-standing association with the Chrometco group. Edward has a wealth of experience in the limestone industry, and is also an experienced player in the iron ore market. Edward has extensive experience in minerals exploration and development in central and southern Africa.

# Note on Integrated Reporting

This year marks the first year that Chrometco will present a more integrated report, in terms of its social, environmental, economic and financial impact. This is one of the recommendations of the revised King Code and Report on Governance for South Africa ("King III") which was published in 2010. Chrometco has worked towards ensuring compliance with King III's many guidelines and recommendations. This Integrated Annual Report provides a detailed overview of Chrometco's operations and financial performance for the year ended 28 February 2011. The report also describes the company's mineral prospects and other development activities. This integrated annual report comprised reporting that examines our operational, sustainability and financial performance together. The aim of our integrated approach is to enable investors and other stakeholders, including Government, local communities and our employees, to make a better informed assessment of the value of Chrometco – and our ability to thrive in the new growth environments of the future.

It should be noted that Chrometco is a young company with early stage mineral exploration activities, few employees and a small number of public stakeholders. Accordingly, the size and nature of the company's operations limits the extent to which the company has a significant impact on the social and natural environment in which it operates. To the extent possible, Chrometco remains committed to ensuring that the company operates in a socially responsible manner and remains an upstanding corporate citizen.

Section 1 of the report addresses the strategy, vision, prospects and an overview of the operational performance of the company. Section 2 focuses on accountability, compliance and transparency. Section 3 contains a detailed insight into the company's financial performance, position and information.

# Chairman’s Review

On behalf of your board of directors, I am pleased to present the chairman’s report for the 2010/2011 year under review.

## Activities

The past year has seen your board preoccupied with resolving outstanding legal and regulatory matters affecting your company. These matters were principally the accounting treatment in the books of the company of the sale in the 2008 financial year of the Rooderand chrome property, and then the presentation of that sale to shareholders for consideration.

The former matter was raised by the Johannesburg Securities Exchange pursuant to the submission for consideration of the Lime-Chem transaction which was referred to in last year’s annual report. After extensive consultation with its auditors, IFRS consultants, the JSE, the GAAP monitoring panel of the JSE (now called the Financial Reporting Investigation Panel) and others, your board acting on the advice of the audit committee, agreed to restate the company accounts in accordance with the JSE’s interpretation. The full restated annual financial statements, which had no material impact on shareholder value, were presented for the first time in last year’s annual report.

The consideration by the shareholders of the Rooderand chrome deposit sale required the compilation of a category 1 circular, which included a competent persons report on the Rooderand chrome deposit, as well as a valuation of the deposit. Shareholders considered the sale at an extraordinary general meeting of shareholders on 6 July 2011 where an overwhelming majority voted against the implementation of the sale. This has had the effect of the company retaining ownership of the Rooderand chrome deposit which was valued at R182 million in the circular posted to shareholders ahead of the extraordinary general meeting. Largely as a result of this valuation, which translates into 98 cents per share, the share price of the company has moved upwards during the course of the current calendar year.

In addition to the above matters, the board and executive management team attended to the restructuring of group companies, including the introduction of a BEE partner at mine ownership level in accordance with regulatory requirement, on-going conversion of old order mining rights to new order rights, monitoring the mining operations conducted by DCM Chrome on the Rooderand property, and investigating new opportunities.

## Financial performance

The financial performance of the company has been satisfactory, reporting a net profit for the full financial year of R5.1 million, translating into earnings of 2.78 cents per share. The financial position of the company remains healthy with a net asset value per share of 21 cents after the payment of a dividend of 5 cents per share. Cash comprised the major portion of the company’s net assets as at the end of the 2011 financial year.

The company has incurred significant costs dealing with the matters referred to earlier in this report. Nevertheless the effort and money expended on these matters has already produced a tangible benefit to shareholders through the retention of the Rooderand chrome deposit. This benefit is clearly reflected in the positive trend of the share price. The past levels of operating expenditure should reduce in the future as the abnormal legal, regulatory and compliance activities faced by the company over the past two years declines. Nonetheless, the company will face new challenges in dealing with the Rooderand chrome asset, which will carry their own financial implications.

## Changes to the board

The company said goodbye to our former chairman, Mr Paul Baloyi in November 2010. Mr Baloyi joined the board as a non-executive director in 2007 and assumed the position of independent non-executive Chairman in August 2008. Mr Baloyi provided invaluable guidance to the board during his term as Chairman, a period during which the board was faced with many challenges. His steady hand and wise counsel is missed, but we nevertheless thank him for his contribution over the years.

Following the departure of Mr Baloyi, I accepted the appointment as independent non-executive chairman of the board in his stead. Mr Edward Bramley, a founder and substantial shareholder in the company who was also its first chief executive officer, joined the board in November 2010. We welcome Mr Bramley’s appointment to the board and look forward to benefitting from his considerable knowledge of the mining industry in general and the chrome sector in particular.

## Outlook

The outlook for your company remains encouraging. Your board is considering various alternatives for maximising the value of the Rooderand chrome deposit. Concrete developments in this regard will be communicated to shareholders at the appropriate time. While we are optimistic about the future of the Rooderand chrome deposit, this optimism is tempered by continuing uncertainty in the global financial markets, and the affect of this instability on the outlook for commodities, including chrome. However your board remains confident that, having dealt with the outstanding matters referred to earlier, it is now in a position to focus on its primary task, which is to enhance the value of its shareholders’ investments in the company.

**JG Scott**
*Chairman*

24 August 2011

# Managing Director's Review

## Introduction

I am glad to report that we achieved a positive increase in our earnings for the year ended 28 February 2011, primarily as a result of a slight decrease in operating expenditure and the receipt of further amounts from mining activities conducted at the Rooderand site in terms of the DCM Chrome mining and management agreement.

We achieved an increase in earnings per share of 196% compared to the prior period. Additionally, the company's share price has also reflected the company's performance for the 2011 year and has achieved exceptional gains, with the share price up over 230% for the year ended 28 February 2011.

The company's financial position continues to remain solid at year-end, with cash assets of R37.7 million and no significant debt.

## Overview of financial performance for the period

Net profit for the year increased to R5.1 million, an increase of 196% compared the prior period. The increase can be attributed to the following:

- receipt of a further R13 million from DCM Chrome in terms of the mining and management agreement; and
- a R1.1 million decrease in operating expenditure compared to the prior year, mainly as a result of decrease remuneration expenses and a reduction in professional fees and overheads.

It should be noted that the increase in net profit for the period comes after deducting a R1.9 million tax charge; which can be attributed to Secondary Tax on Companies resulting from the July 2010 dividend, as well as deferred tax charges relating to amounts received from DCM in terms of the mining and management agreement.

Cash and cash equivalents at year-end (before taking the effects of the July 2010 dividend into account) was also up by approximately R5.5 million. Deferred tax assets reduced by approximately R0.981 million as a result of the reversal of timing differences relating to proceeds received in terms of the mining and management agreement. Accounts receivable increased by approximately R0.5 million as a result of VAT receivables.

The fair value of the Rooderand resource (held by the company's subsidiaries) was independently assessed at having an average market value of R181 million, with an upper value of R257 million. The resource is not recognised as an asset in the company's balance sheet from an accounting perspective, as a result of an IFRS opinion. The valuation can be significantly enhanced with further exploration.

At year-end, the company had a solid financial position with assets of R39.2 million and no significant debt.

## Overview of operations during the period

In September 2007, Chrometco announced the conditional disposal of its interests in the Rooderand assets to DCM Chrome for R62 million. The agreement was subject to, *inter alia*, the following suspensive conditions, which the parties anticipated would be fulfilled only over an extended period and which remain outstanding at the beginning for the 2010/2011 financial year:

- the conversion of Chrometco's old order mining rights relative to the Rooderand assets into the new order mining rights and the transfer of these rights to Rooderand Chrome in terms of section 11 of the MPRDA;
- Ministerial approval of the transfer of the mining rights to DCM Chrome in terms of the MPRDA; and
- approval of the disposal by Chrometco shareholders in terms of the JSE Listings Requirements and in terms section 112 of the Companies Act (Act 71 of 2008), previously section 228 of the old Act.

Subsequent to entering into the conditional sale agreement, Chrometco also entered into a mining and management agreement with DCM Chrome in terms of which the parties agreed that:

- DCM Chrome would have the right conduct mining activities in relation to the Rooderand assets,for their account and benefit;
- Chrometco would receive R13 million on every anniversary of the mining and management agreement's signature date, which amounts would be deducted from the disposal consideration, until such time as the disposal conditions were fulfilled;
- at financial year-end, Chrometco had received a total of R52 million from DCM (R13 million as a non-refundable deposit and the balance in terms of the mining and management agreement), with a further R10 million due upon the fulfilment of the disposal conditions or 3 December 2011, whichever is the earlier date.

Management spent the latter part of the 2010 year, as well as the beginning of 2011 preparing a circular to shareholders concerning the conditional disposal of Rooderand to DCM Chrome. In June of this year, the circular was issued to shareholders and, at a general meeting of the company held on 6 July 2011, a majority of shareholders voted against the conditional disposal of Rooderand to DCM Chrome.

The company updated its mineral resources and reserves statement during the year, as part of the Rooderand circular. The updated mineral resources and reserves statement takes into account the results of exploration drilling conducted by Mineral Corporation. The results of these exploration activities commence on page 7 of this integrated annual report. The updated mineral resources and reserves statement also notably included potential resources of 51.1 Mt classified as Exploration Result based on drill hole information owned by others.

# Managing Director's Review continued

Venmyn was commissioned by Chrometco to perform an independent valuation of Rooderand based on the updated mineral resources and reserves statement. Venmyn valued Rooderand as having a fair market value of R181 million, with a lower and upper value range of R257 million.

During the latter part of the financial year under review, the company also concluded BEE transactions with the Moepi empowerment group. In terms of these transactions, Moepi acquired 14% of Chrometco's Rooderand subsidiaries; which is commensurate with the Mining Charter. Chrometco intends to achieve a minimum empowerment target of 26% BEE ownership by 2014.

Management continued to attend to the conversion of the old order mining rights held by its subsidiaries to new order mining rights. The conversion of the rights remains a complex task due to the structure of the Chrometco group, but after the efforts of the past two years, management is confident that conversion is imminent with only the provision of rehabilitation guarantees outstanding.

Management has spent a significant part of the past two years attending to the restructuring of the group's internal affairs and operations. Accordingly, the company has experienced a higher than normal amount of operating costs as a result of these intensive activities. We expect that these costs will decrease towards the middle part of the 2011/2012 financial year as these activities come to an end. The result of the restructuring is expected to assist the group in achieving favourable returns in the future through an expected reduction in future operating costs as well as the realisation of residual value in the group's chrome assets.

## Outlook

Despite strong growth in demand and price for the majority of commodities world-wide over the year under review; most commodities including chrome is subject to ongoing market volatility. From an operating income perspective, Chrometco is currently still protected from market price fluctuations as a result of the fixed price arrangement with DCM Chrome in terms of the mining and management agreement, which will come to an end in December 2011. The valuation of the Rooderand resource is however exposed to chrome market price volatility, and foreign exchange.

Management and the board are currently pursuing several strategies to extract value from the Rooderand assets which is better aligned with the current valuation than the agreements with DCM were.

## General and closure

My thanks go to our outgoing chairman, Mr Paul Baloyi, and the members of the Chrometco board for your guidance during the 2010/2011 year. I would like to extend a warm welcome to our new board member Mr Edward Bramley and I look forward to your contribution in 2011/2012.

My thanks also go to the Chrometco team, including our consultants for your outstanding efforts during the year.

**PJ Cilliers**
*Managing Director*

24 August 2011

# Mineral Resources and Reserves Statement

## Mineral Resources

### Historical

In 2005, Chrometco hired Mr N A Bleeker to complete an estimate of mineral resources. Using an average $Cr_2O_3$ grade of 45.50%, Inferred Mineral Resource estimates were calculated within the Rooderand 46JQ Portion 2 only. These are presented with no geological losses (first table below), and with 15% geological losses (second table below).

**2005 Inferred Mineral Resources in Portion 2: No geological losses**

| Unit | Dip | SG | Width (cm) | Volume ($m^3$) | Tonnes (without losses) | $Cr_2O_3$ content (tonnes) |
|---|---|---|---|---|---|---|
| LG6 | 14° | 4.25 | 77.00 | 5 290 000 | 22 470 000 | 10 223 850 |
| LG5 | 14° | 4.05 | 94.00 | 6 210 000 | 25 160 000 | 11 447 800 |
| MG4A | 14° | 3.75 | 97.00 | 4 660 000 | 17 490 000 | 7 957 950 |
| Total | | | | 16 160 000 | 65 120 000 | 29 629 600 |

**2005 Inferred Mineral Resources in Portion 2: With geological losses**

| Unit | Dip | SG | Width (cm) | Volume ($m^3$) | Tonnes (with losses) | $Cr_2O_3$ content (tonnes) |
|---|---|---|---|---|---|---|
| LG6 | 14° | 4.25 | 77.00 | 5 290 000 | 19 100 000 | 8 690 500 |
| LG5 | 14° | 4.05 | 94.00 | 6 210 000 | 21 390 000 | 9 732 450 |
| MG4A | 14° | 3.75 | 97.00 | 4 660 000 | 14 890 000 | 6 774 950 |
| Total | | | | 16 160 000 | 55 380 000 | 25 197 900 |

## Mineral Corporation

In late 2008, DCM hired Mineral Corporation to manage an exploration programme which entailed the drilling of 25 surface drillholes. The results from this programme were used to define SAMREC compliant mineral resource estimates. These are presented for Indicated Mineral Resources (first table below) and for Inferred Mineral Resources (second table below) and only represent approximately 25% of the total tenement area held by Chrometco. Geological losses of 20% to 30% have been applied on a block-by-block basis.

**2008 Indicated Mineral Resources in Portion 2**

| Source | Unit | Tonnes | Grade $Cr_2O_3$ (%) | $Cr_2O_3$ content (tonnes) |
|---|---|---|---|---|
| Open Pit | LG5, LG6, LG7, MG2, MG3, MG4 | 2 008 958 | 37.10 | 745 244 |
| Underground | LG6, MG4A | 6 662 671 | 39.42 | 2 626 098 |
| Total | | 8 671 629 | 39.00 | 3 371 342 |

**2008 Inferred Mineral Resources in Portion 2**

| Source | Unit | Tonnes | Grade $Cr_2O_3$ (%) | $Cr_2O_3$ content (tonnes) |
|---|---|---|---|---|
| Open Pit | MG2 | 213 764 | 35.36 | 75 587 |
| Total | | 213 764 | 35.36 | 75 587 |

# Mineral Resources and Reserves Statement continued

## Current

In 2010, Bleeker was approached by the Directors of Chrometco to re-evaluate the potential mineral resources within Portion 2 and the remainder extent of Rooderand 46JQ farm. The Mineral Corporation only reported on a selected area which only represents about 25% of the tenement area, and only utilised exploration drilling results as undertaken by DCM Chrome. However, in this recalculation, Bleeker utilised available drilling and geological information obtained from Chrometco, DCM Chrome, Nkwe Platinum (Pty) Limited (Nkwe) and Anglo Platinum Limited (Anglo). Drilling information from Nkwe and Anglo only reported intersections on economic platinum bearing layers. MG chromitite layers were intersected in some of Nkwe exploration holes. The average thickness between LG6 chromitite and UG2 chromitite layers is approximately 230m.

Only three stratigraphicaly delineated chromitite layers (i.e. LG5, LG6 and MG4) were selected in the recalculation of potential mineral resource estimation and these are shown without (first table below) and with 15% geological losses (second table below) in and, respectively, using an average $Cr_2O_3$ grade of 45.5%.

**Inferred Mineral Resources in Portion 2: No geological losses**

| Unit | SG | Width (cm) | Tonnes (without losses) | $Cr_2O_3$ content (tonnes) |
|---|---|---|---|---|
| LG6 | 4.25 | 77.00 | 31 700 000 | 14 423 500 |
| LG5 | 4.05 | 94.00 | 25 600 000 | 11 648 000 |
| MG4A | 3.75 | 97.00 | 25 200 000 | 11 466 000 |
| Total | | | 82 500 000 | 37 537 500 |

**Inferred Mineral Resources in Portion 2: With geological losses**

| Unit | SG | Width (cm) | Tonnes (with losses) | $Cr_2O_3$ content (tonnes) |
|---|---|---|---|---|
| LG6 | 4.25 | 77.00 | 27 000 000 | 12 285 000 |
| LG5 | 4.05 | 94.00 | 21 800 000 | 9 919 000 |
| MG4A | 3.75 | 97.00 | 21 400 000 | 9 737 000 |
| Total | | | 70 200 000 | 31 941 000 |

## Summary

Considering all available data and vast amount of experience that the various authors have of the area, this report concludes that the mineral resources within the entire tenement held by Chrometco comprises the work completed by DCM and Bleeker; these are presented for Indicated Mineral Resources (first table below), and for Inferred Mineral Resources (second table below).

**Indicated Mineral Resources: Entire license area**

| Unit | Tonnes | Grade $Cr_2O_3$ (%) | $Cr_2O_3$ content (tonnes) |
|---|---|---|---|
| LG5, LG6, LG7, MG2, MG3, MG4 | 2 008 958 | 37.10 | 745 244 |
| LG6, MG4A | 6 662 671 | 39.42 | 2 626 098 |
| Total | 8 671 629 | 97.00 | 9 737 000 |

**Inferred Mineral Resources: Entire license area**

| Unit | Tonnes | Grade $Cr_2O_3$ (%) | $Cr_2O_3$ content (tonnes) |
|---|---|---|---|
| LG6 | 27 000 000 | 45.50 | 12 285 000 |
| LG5 | 21 800 000 | 45.50 | 9 919 000 |
| MG4A | 21 400 000 | 45.50 | 9 737 000 |
| Total | 70 200 000 | 45.50 | 31 941 000 |

# Corporate Governance

## Corporate Governance Statement

As a company listed on the JSE Limited (JSE) Alternative Exchange, the minimum standards against which Chrometco is managed are those prescribed by the JSE Listings Requirements, and the principles of the King Code on Corporate Practices (King II), including the latest King Report on Governance for South Africa 2009 (King III). The responsibility for managing the group's affairs rests with the board and all directors are required to maintain the highest standards of integrity to ensure that Chrometco's business affairs are conducted responsibly and in the interests of both the group and its stakeholders. The board and individual directors accept their duty and responsibility to ensure that the principles set out in King III are observed and are committed to the highest level of corporate governance and the implementation of effective structures, policies and practices that improve corporate governance and create sustainable value for our shareholders and other stakeholders.

Both the board and the individual directors support embedding best governance principles and practices throughout the group.

The board of directors continue to subscribe to the values of good corporate governance as set out in King III and are committed to the application of corporate governance best practices in the conduct of the group's business. There is commitment, going forward, to comply with the provisions of King III. While the board is of the opinion that the group complies in all material respects with the principles embodied in King III and the additional requirements for corporate governance stipulated by the JSE. Where specific principles have not been applied, explanations for these are contained within the integrated annual report.

Disclosure in this integrated annual report demonstrates the group's commitment to comply with the principles of King III, as well as the actual compliance achieved. The board is equally committed to apply the principles of King III, which came into effect on 1 March 2010. Subsequent to the year under review, the board and specifically the members of the audit and compliance committees will participate in an externally facilitated assessment of the group's compliance with the provisions of King III, and the Companies Act. Areas which require further focus will be addressed during the current year and compliance with King III will be reported on in detail in the 2012 integrated annual report.

## Board accountability and authority

The general powers of the directors of Chrometco are conferred either by the company's Memorandum of Incorporation or by the South African Companies Act, 2008, as amended, or in terms of the JSE Listings Requirements. The board has adopted a charter through which it controls and monitors the group's business. The charter outlines the following major responsibilities:

- Determining the strategic direction of the group;
- Retaining full and effective control of the group and monitoring the management's implementation of board plans and strategies;
- Identification and monitoring of key risk areas to ensure the integrity of managing risk and internal control;
- Appointing directors in terms of the group's policy and procedures;
- Appointing a managing director and financial director;
- Establishing a framework for delegation of authority and responsibilities to the executive directors;
- Managing conflicts of interest;
- Cultivating an ethical corporate culture;
- Maintaining succession plans at executive level; and
- Any other matters that have a material impact on the group's affairs.

While retaining overall accountability and subject to matters reserved for the board, the board has delegated authority to run the day-to-day affairs of the group to the executive directors.

Audit, risk, nomination and remuneration committees assist the board in discharging its duties and responsibilities. All committees act under their respective terms of reference, through which certain functions of the board are assigned with defined purposes, membership requirements, duties and reporting procedures. They are required to carry out self-evaluations at least annually. The board believes that the evaluation of performance should currently be performed in-house. Board committees are also required to be reviewed by the board. Board committees may take independent professional advice at the group's expense, when necessary. Chairmen of the board committees or their representatives are required to attend annual general meetings to answer shareholders' questions.

## Board composition

The names and brief résumé of the directors in office appear on page 3 of this integrated annual report.

There are integrated procedures for appointment to the board. All appointments are formal and transparent, and a matter for the board as a whole, assisted by the nomination committee.

At 28 February 2011, the board had a unitary structure that comprised four members, one of which is an independent non-executive director (the chairman), one is a non-executive director, and the remaining two are executive directors. The independent non-executive director meets the test of independence as embodied in King III and in the JSE Listings Requirements. All non-executive directors are individuals of high calibre and make a significant contribution to the board's deliberations. The board comprises a balance of non-executive and executive directors. Of the non-executives, only the chairman is independent. Accordingly, the company does not have a majority of independent non-executive directors. The board is currently in the process of addressing this area of non-compliance.

The executive directors have overall responsibility for implementing the group's strategy.

Directors are apprised, whenever relevant, of any new legislation and changing commercial risks that may affect the affairs of the company.

# Corporate Governance continued

Non-executive directors do not hold service contracts with the company. The office of the managing director and the financial director is terminable with immediate effect. The board meets at least quarterly to discuss and review issues of strategy, planning, operational and financial performance, stakeholder communications and other material matters reserved for its decision. Further operational meetings are held as required. An agenda, the minutes of the previous meeting and supporting papers are distributed to all directors prior to each board meeting, giving them sufficient time to consider matters for discussion.

Where directors are unable to attend board meetings for any reason, every effort is made to obtain and communicate to the meeting their comments on agenda items, as well as general items. Explanations and motivations for items of business requiring decisions are given in the meeting, ensuring that all the relevant facts and circumstances are brought to the attention of directors. Directors have unrestricted access to all group property and records and are kept fully informed of progress on matters between formal meetings by way of *ad hoc* meetings and regular communications. Directors also have unrestricted access to the group secretary for advice and information.

Executive directors' service contracts are currently under review, and shareholders will be notified in a future announcement as to the results of this process.

## Attendance at board meetings

Non-executive directors are available to management at all times when required and did attend several non-board meetings during the year. During the review period (1 July 2010 to 31 May 2011), the board met formally four times, with the group's designated advisor and secretary present.

| Director | Meetings held during time in office | Number of meetings attended |
|---|---|---|
| J G Scott** | 4 | 4 |
| P J Cilliers | 4 | 4 |
| T W Scott | 4 | 4 |
| E Bramley* | 2 | 2 |
| P C Baloyi* | 3 | 2 |

* *Denotes non-executive*
** *Denotes independent non-executive*

## Board changes

The following changes to the board took place during the year under review:

- P C Baloyi – resigned as independent non-executive chairman in November 2010;
- J G Scott – appointed as independent non-executive chairman in November 2010 (was previously an independent non-executive director); and
- E Bramley – appointed as non-executive director in November 2010.

## Chairman and managing director

The role of chairman and managing director remains separate and distinct. The chairman is responsible for running the board, while the managing director is responsible for conducting the affairs of the group. Consequently, no one individual at board level has unfettered powers of decision-making. During review period and at the date of this report, the chairman can be considered an independent non-executive director as embodied in the King Code and JSE Listings Requirements.

## Board committees

Audit, nomination, risk and remuneration committees have been constituted to assist the board in the discharge of its duties and responsibilities. All committees act within their respective terms of reference, under which certain functions of the board are assigned with defined purposes, membership requirements, duties and reporting procedures. They are required to carry out self-evaluations of their performance at least annually. Board committees are also required to be reviewed by the board. Board committees may take independent professional advice at the company's expense when necessary. Chairmen of the board committees or their representatives are required to attend all general meetings to answer questions raised by shareholders. The board is satisfied that the board committees set out below have effectively discharged their responsibilities as contained in their respective terms of reference for the year under review. A description of each board committee, and details of attendance and membership of the committees is set out below:

### Audit and corporate governance committee

| | | Number of meetings held/attended |
|---|---|---|
| J G Scott *(chairman)* | Independent non-executive director | 4/4 |
| E Bramley | Non-executive director | 2/2 |
| P C Baloyi | Independent non-executive director | 2/3 |

The primary role of the audit and corporate governance committee is to ensure the integrity of financial reporting and the audit process. A full report of the committee is set out on page 14. The committee, which must have a minimum of three members, consists exclusively of non-executive directors. The committee meets at least twice each year with the quorum being two members. The board has determined that the chairman has the skills, qualifications and experience necessary to contribute meaningfully to the committee's deliberations as a member rather than as an invitee. The managing director, financial director and the external auditors attend meetings by invitation. The group's designated advisor is also required to attend meetings of this committee. Each member has one vote and the chairman has no casting vote. The terms of the audit and corporate governance committee are reviewed annually. The King Code recommends that the chairman of the board should not be a member of the audit committee. Due to the fact that the board only consists of four members and that there are only two non-executives on the board, Mr J G Scott was required to become a member of the audit and corporate governance committee. Additionally, section 94 of the Companies Act and the King Code recommends that the audit committee consists of at least three members. Again, due to the size of the board, the audit and corporate governance committee consists of only two members, with one being an independent non-executive director. The audit and corporate governance committee obtains at its discretion, the services of advisors, experts and specialists in order for it to appropriately consider all matters presented to it and to assist the committee in executing its duties.

The audit and corporate governance committee's duties mainly include:

- The group's relationship with the external auditors;
- Approval of all non-audit services to be provided by the external auditors;
- Presentation of financial statements and reports complying with all relevant corporate disclosure requirements and accounting standards;
- Reviewing any other announcement on the group's results or other financial information;
- The identification of exposure to significant risks;
- All corporate governance issues;
- Operating adequate processes of internal control;
- Approval of fees payable to external auditors for audit and non-audit services; and
- Approving the appointment of the financial director and satisfying itself as to his/her competence on an annual basis.

In addition, the committee considers any matters referred to it by the board. The chairman of the committee reports to the board on its recommendations.

Members complete a self-evaluation analysis of the committee's performance during the year. The board will determine at its next meeting whether the audit and corporate governance committee has satisfied its responsibilities for the review period in compliance with its terms of reference.

The board is of the opinion that the external auditors observe the highest level of business and professional ethics and that their independence is not in any way impaired.

The audit and corporate governance committee met four times during the year under review.

The audit and corporate governance committee has satisfied itself as to the competence of the financial director during the current financial year.

**Remuneration committee**

| | | Number of meetings |
|---|---|---|
| P C Baloyi *(chairman)** | Independent non-executive director | 0/0 |
| J G Scott *(chairman)*** | Independent non-executive director | 0/0 |
| E Bramley | Non-executive director | 0/0 |

* *Denotes resigned in November 2010*

** *Denotes appointed chairman in November 2010 (was previously an independent non-executive member of the committee)*

The remuneration committee, which must have a minimum of two members, comprises two non-executive directors, with one being independent. The remuneration committee must meet at least twice per year. The remuneration committee did not meet during the year under review due to fact that the remuneration committee did not consider it necessary. The financial director and managing director do not attend remuneration committee meetings. Neither of them, nor any other senior executive, may be present at meetings of the committee when remuneration issues applicable to them are discussed or considered. A quorum for a meeting is two members present in person. Each member has one vote and the chairman has no casting vote. The terms of reference of the remuneration committee are reviewed annually.

The areas of responsibility of the committee are an annual review of:

- the salary package payable to any executive director and the company secretary;
- the remuneration payable to directors and board committee members of the company;
- the remuneration payable to non-executive directors for services provided other than as a director;
- the company's compliance with employment equity requirements;
- the company's share incentive scheme.

The chairman of the committee reports to the board on recommendations made by the committee. The committee also advises the board on succession planning.

The members of the committee will complete a self-evaluation analysis of the committee's performance during the year. The board will determine at its next meeting whether the remuneration committee has satisfied its responsibilities for the year under review in compliance with its terms of reference.

**Risk committee**

The risk committee comprises the independent non-executive chairman, the non-executive director and both of the executive directors. The risk committee handles any matter referred to it by the board. The risk committee met once during the year under review. The meeting was attended by all the directors named on page 3 of the integrated annual report.

**Nomination committee**

The nomination committee comprises only the non-executive directors and assists the board in the appointment of directors:

- identifying and nominating fit and proper candidates for approval of the board as additional directors or to fill any board vacancies as they arise; and
- the group's compliance with employment equity requirements.

The nomination committee did not meet during the year under review due to lack of requirement.

# Corporate Governance continued

## Directors' remuneration

### Composition of executive directors' remuneration

**Basic salary**

Where the remuneration committee determines that the composition of directors' remuneration requires re-assessment, executive directors' salaries are reviewed annually by the remuneration committee and benchmarked against external market data considering the size and complexity of the group and its operations. Individual performance and overall responsibility are also considered. The chairman reviews the performance of the executive managing director annually.

**Long-term incentive plan**

The company has an approved plan in place. At year-end, no awards had been issued under the plan. The plan is a cash-settled incentive scheme.

**Annual performance bonus**

The executive directors do not participate in a formal annual performance bonus scheme.

### Non-executive directors' emoluments

Where the remuneration committee feels that it is necessary, the remuneration and fees of non-executive directors are reviewed annually to ensure that they remain competitive and that they attract individuals of appropriate reputation and experience to the board. Shareholders are required to approve the remuneration of non-executive directors in advance at a general meeting of the company.

### Board committee fees

The remuneration of board committee members is determined by the board, as provided in the Memorandum of Incorporation. For the financial year to 28 February 2011, the following rates of fees were applicable:

**Board meeting**
Members: R8 000 per meeting

**Audit and corporate governance committee**
Members: R4 000 per meeting

**Remuneration committee**
Members: R4 000 per meeting

**Nomination committee**
Members: R nil per meeting

**Risk committee**
Members: R nil per meeting

The rates above have been proposed to shareholders for approval for the 2012 financial year.

**Fees for services rendered other than as a director**

In terms of the Memorandum of Incorporation, non-executive directors who perform services outside the scope of the ordinary duties of a director may be paid additional remuneration. Such duties have historically often been required to be rendered by the non-executive directors. In lieu of services rendered, non-executive directors who regularly perform additional services accrue fees at a rate of R1 000 per hour.

### The group company secretary

The appointment and removal of the group company secretary is a matter for the board as a whole. The company secretary is a central source of information and advice to the board and within the company on matters of ethics and good governance.

The group secretary's functions include the following:

- Providing the directors, collectively and individually, with detailed guidance on their duties, responsibilities and powers;
- Providing information on all laws, legislation, regulations and matters of ethics and good corporate governance relevant to or affecting the group;
- Making certain that all statutory requirements are complied with;
- Ensuring that the minutes of all shareholders' meetings, directors' meetings, board committee meetings, as well as meetings of management, are properly recorded;
- Administering closed periods for dealing in the group's shares; and
- Managing the induction of new directors.

### Annual financial statements

The directors are required by the South African Companies Act to maintain adequate accounting records and are responsible for the preparation of the annual financial statements and related financial information of the company and group at the end of the financial year, in conformity with International Financial Reporting Standards and in terms of the JSE Listings Requirements.

The external auditors, RSM Betty & Dickson (Johannesburg), are responsible for independently auditing and reporting on the annual financial statements in conformity with International Standards on Auditing and the Companies Act. Their unqualified report appears on page 16.

## Risk management and internal control

The board has ultimate responsibility for the total process of risk management and its effectiveness within the group. Management is accountable to the board and has established internal controls to manage significant group risk. This assists the board in discharging its responsibility for ensuring that the range of risks associated with its operations are effectively managed in support of the creation and preservation of shareholder value.

In view of the limited extent of the nature of the group's business, the board considers it unnecessary to operate an internal audit function.

Regular management reports, which provide a balanced assessment of key risks, are an important component of board assurance.

The board is satisfied that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the group.

## IT Governance

Due to the size of the company, and the nature of its operations, reliance and dependence on IT systems is insignificant. For this reason, the board has no formal policy regarding IT governance. The board will revise this assessment in the future in the event that there is a change in the circumstances described above.

## Dealing in securities

The group has a policy in place to restrict the dealing in its securities by directors, employees or other designated persons.

No employee may deal, either directly or indirectly, in the group's ordinary shares on the basis of unpublished price-sensitive information regarding its business or affairs. No director, company secretary, officer or other employee of the group or designated person may trade in the group's shares during a closed period as determined by the board in accordance with the JSE Listings Requirements. A list of persons who are restricted for this purpose has been approved by the board and is revised from time to time. A register of directors, company secretary and officers is available for inspection at the company secretary's registered office at 70 Marshall Street, Johannesburg.

## Corporate social responsibility and sustainability

As a young company, the group has not yet established a corporate social responsibility and sustainability policy, but endeavours to be a responsible corporate citizen in all its dealings with stakeholders.

## Group ethics

The group is committed to the highest standards of professionalism and organisational integrity, as well as ethical and legal conduct in business dealings with stakeholders. A code of business conduct has been developed by the group, which outlines the ethical and professional management that Chrometco upholds. Upon approval by the board, the code will be distributed to all employees.

## Communication

Chrometco subscribes to a policy of full, accurate and consistent communication in respect of both its financial and operating affairs.

The group regularly communicates with major shareholders, institutional investors, analysts and the media.

Chrometco encourages its shareholders to attend the group's general meetings, which provide opportunities for shareholders to ask questions of the board, including the chairmen of the two standing committees of the board, or their representatives.

Shareholders are informed at annual general meetings of the results of voting, in person and by proxy, in respect of all ordinary and special resolutions proposed at such meetings.

The group's website address is www.chrometco.co.za

## Designated Advisor

Sasfin Capital (a division of Sasfin Bank Limited) acts as Designated Advisor to the group in compliance with the JSE Listings Requirements.

# Report by the Audit and Corporate Governance Committee

The Corporate Laws Amendment Act, 24 of 2006 (CLAA), came into effect on 14 December 2007. The composition of the audit and corporate governance committee is in line with the provisions of the CLAA and it is chaired by Jonathan Scott. Subsequent to financial year-end, the Companies Act of 2008 came into effect on 1 May 2011. With the exception of meeting the minimum number of audit committee members requirement, the composition of the audit and corporate governance committee is in line with the provisions of the Companies Act of 2008. During the financial year ended 28 February 2011, in addition to the duties set out in the audit and corporate governance committee's charter (a summary commences on page 10 of the Corporate Governance Report), the audit and corporate governance committee carried out its functions as follows:

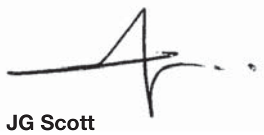
- Nominated the appointment of RSM Betty & Dickson (Johannesburg) as the registered independent auditors after satisfying itself through enquiry that RSM Betty & Dickson (Johannesburg) is independent as defined in the terms of the CLAA;
- Determined the fees to be paid to RSM Betty & Dickson (Johannesburg) and their terms of engagement;
- Ensured that the appointment of RSM Betty & Dickson (Johannesburg) complied with the CLAA and any other legislation relating to the appointment of auditors;
- Approved a non-audit services policy which determines the nature and extent of any non-audit services which RSM Betty & Dickson (Johannesburg) may provide to the company; and
- Approved the appointment of the financial director and satisfied itself as to his competence.

RSM Betty & Dickson (Johannesburg) do not provide non-audit services to the company at this point in time, other than acting as Reporting Accountants on the conditional disposal of Rooderand.

The audit and corporate governance committee has satisfied itself through enquiry that RSM Betty & Dickson (Johannesburg) and Mr John Jones, the designated auditor, are independent of the company.

The audit and corporate governance committee recommended the financial statements for the year ended 28 February 2011 for approval to the board. The board has subsequently approved the financial statements which will be open for discussion at the forthcoming annual general meeting.

On behalf of the audit and corporate governance committee



**JG Scott**
*Audit and corporate governance committee chairman*

24 August 2011

# Directors' Responsibility for the Annual Financial Statements

The directors are responsible for monitoring the preparation of and the integrity of the annual financial statements and related information included in this integrated annual report.

In order for the board to discharge its responsibilities, management has developed and continues to maintain a system of internal control. The board has ultimate responsibility for the system of internal control and reviews its operation, primarily through the audit committee and various other risk-monitoring committees.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the group's policies and procedures. These controls are implemented by trained, skilled personnel with an appropriate segregation of duties, are monitored by management and include a comprehensive budgeting and reporting system operating within strict deadlines and an appropriate control framework.

The annual financial statements are prepared in accordance with statements of International Financial Reporting Standards, the AC 500 series Standards as issued by the Accounting Practices Board and its successor and in the manner required by the Companies Act of South Africa, 1973, and incorporate disclosure in line with the accounting philosophy of the group. They are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors believe that the group will be a going concern in the year ahead. For this reason they continue to adopt the going concern basis in preparing the group annual financial statements.

The annual financial statements for the year ended 28 February 2011 set out on pages 17 to 41 were approved by the board of directors on 24 August 2011 and are signed on its behalf by:

**JG Scott**
*Chairman*

**PJ Cilliers**
*Managing Director*

## Declaration by company secretary

In my capacity as company secretary, I hereby confirm, to the best of my knowledge, in terms of the Companies Act, 1973, that for the year ended 28 February 2011, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.

**C Naidoo**
*CIS Company Secretaries (Pty) Limited*

24 August 2011

# Report of the Independent Auditors

**To the members of Chrometco Limited**

We have audited the accompanying annual financial statements of Chrometco Limited and subsidiaries, which comprise the directors' report, consolidated statement of financial position as at 28 February 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 17 to 41.

**Directors' responsibility for the annual financial statements**

The directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards, the AC 500 Standards as issued by the Accounting Practices Board and its successor and in the manner required by the Companies Act of South Africa, 1973. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual 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 in the circumstances.

**Auditor's responsibility**

Our responsibility is to express an opinion on these annual 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 annual financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of the company as of 28 February 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, the AC 500 Standards as issued by the Accounting Practices Board and its successor and in the manner required by the Companies Act of South Africa, 1973.

RSM Betty, Dickson (Johannesburg)

**RSM Betty & Dickson (Johannesburg)**
Registered Auditors
Per: John Jones

24 August 2011
Randburg

# Directors' Report

The board of directors has pleasure in presenting their report for the year ended 28 February 2011.

This directors' report forms part of the audited annual financial statements of the company and the group for the year ended 28 February 2011.

### Nature of business

Chrometco Limited (Chrometco or the company) is involved in the exploration of mineral resources projects and the possible beneficiation thereof.

The company has the right of use of a used old order mining licence on Portion 2 of the farm Rooderand and the remainder thereof. The mining licence is held by Pilanesberg Mining Company (Pty) Limited, a subsidiary of Korpo Trust (Pty) Limited.

Chrometco entered into a conditional sale of shares agreement with DCM Chrome SA (Pty) Limited (DCM) in 2007, in terms of which the company would sell its Rooderand assets (held through its subsidiary companies) to DCM for a total consideration of R62 million subject to, amongst other conditions precedent, shareholder approval. In July 2011, the conditional sale was presented to shareholders at a general meeting of the company. Shareholders did not approve the sale of the Rooderand assets to DCM for R62 million and, accordingly, the conditions precedent to the sale of shares agreement were not met.

In terms of a mining and management agreement entered into in 2007 with DCM, pursuant to which DCM is currently mining the Rooderand assets, DCM is obliged to pay Chrometco an amount equal to R13 million annually for the right to mine and for mining activities at Rooderand. Chrometco received the first payment in December 2007, as well as three subsequent payments in December 2008, 2009 and 2010. These payments have been received in terms of the mining and management agreement. The total amount of payments to be made under the mining and management agreement is limited to R62 million. The mining and management agreement terminates on 3 December 2011.

Due to the fact that the conditions precedent to which the sale agreement was subject were not fulfilled, Chrometco is currently in the process of investigating other opportunities in relation to realising the residual value of the Rooderand assets in a manner which result in the maximisation of shareholder wealth.

Rooderand Chrome (Pty) Limited is the intended recipient of a new order mining right on the Rooderand property, subject to the successful conversion and transfer (in terms of the Mineral Petroleum and Resources Development Act) of the used old order mining license held by Pilanesberg Mining Company (Pty) Limited.

Korpo Trust (Pty) Limited, a wholly-owned subsidiary, holds 81% of the issued share capital of Pilanesberg Mining Company (Pty) Limited; which is the holder of a used old order mining license on portion 2 of the farm Rooderand.

### General review of operations

During the year under review, management focused its attention on the following issues:

- Presenting the conditional sale of its subsidiaries to shareholders and finalisation of the conversion application to convert its "old order" mining licence into a "new order" mining right in terms of the Minerals and Petroleum Resources Development Act;
- Revising the company's mineral resources and reserves statement;
- Successfully concluding empowerment transactions in the company's subsidiary companies;
- Management of the company's financial assets and contractual relationships;
- The acquisition of mineral rights, and business opportunities in the Republic and elsewhere in SADEC (Southern African Development Community);
- Optimisation of the allocation of capital resources; and
- Management and oversight of mining operations sub-contracted to DCM on the Rooderand site. In terms of the mining and management agreement, certain mining management activities relating to Rooderand are contractually undertaken by DCM.

### Corporate Governance

The company agrees with the principles of corporate governance as laid out in the King Code and intends to comply with its recommendations.

# Directors' Report continued

## Segment report

Chrometco is a minerals exploration company with prospects in the North West Province of the Republic of South Africa.

As the group is currently involved in the exploration for various mineral resources only and all income and expenditure, assets and liabilities are held and incurred in this single activity, segmental information will not be presented until such time as the business has developed and segments of the business can be properly identified and a meaningful allocation can be made between such segments.

## Financial results

The group achieved a profit after tax for the year amounting to R5 147 794 (2010: loss of R5 336 776) after deducting tax of R1 905 823 (2010: adding tax of R988 072).

## Dividends

A final cash dividend of 5 cents per ordinary share was declared by the board on 7 May 2010.

## Subsidiaries

Directly and indirectly held

| 28 February 2011 | Issued share capital R | Percentage holding % | Shares at cost R | Due by subsidiaries R | Share of net profit/(loss) R |
|---|---|---|---|---|---|
| Korpo Trust (Pty) Limited | 104 | 100 | 2 600 000 | 114 001 | (8 304) |
| Rooderand Chrome (Pty) Limited | 100 | 86 | 1 | 45 601 | 72 012 |
| Pilanesberg Mining Company (Pty) Limited | 1 000 | 81 | 1 | 549 955 | (170 352) |
| | | | 2 600 002 | 709 557 | |

During the year Chrometco advanced the amount of R250 800 (2010: R11 400) by way of interest free loans to the subsidiary companies as disclosed in note 19 to the financial statements. These loans have been subordinated in favour of the other creditors of the companies until such time as the assets of the subsidiary, fairly valued, exceed the liabilities of the subsidiaries.

Chrometco has also supplied the subsidiary companies with letters of support indicating that Chrometco will provide the subsidiary companies with financial support to meet their obligations.

While Chrometco retains ownership of 100% of the issued share capital of Korpo Trust (Pty) Limited and 86% of the issued share capital of Rooderand Chrome (Pty) Limited, these subsidiaries do not form part of the group annual financial statements for accounting purposes.

## Share capital

There were no changes to the company's authorised or issued share capital during the year under review, or the comparative period presented.

## Directors' interests in share capital

At 28 February 2011 the directors of the company held, directly the following shares in the company:

| Directors | **Number 2011** | Number 2010 | **Percentage 2011** | Percentage 2010 |
|---|---|---|---|---|
| **Ordinary shares directly beneficial** | | | | |
| J Francey (resigned November 2009) | | 325 000 | | 0.18 |
| E Bramley (appointed November 2010) | **37 465 732** | – | **19.18** | – |
| P J Cilliers | **200 100** | 200 100 | **0.11** | 0.11 |
| T W Scott | **25 000** | 25 000 | **0.01** | 0.01 |
| | **35 690 832** | 550 100 | **19.30** | 0.30 |

The company has not been informed of any material changes in these holdings at the date of this report. The amounts reflected above include any interests held by a director of the company in the past 18 months.

## Executive share incentive scheme

The company has a cash-settled long-term incentive plan in place. At year-end, no awards had been made in terms of the plan.

## Major shareholders of the company

The interests reflected below relate to any shareholders, other than directors, that directly or indirectly, are beneficially interested in 5% or more of any class of the issued share capital.

| At 28 February 2011 | **Percentage holding 2011** | Percentage holding 2010 | **Shares held 2011** | Shares held 2010 |
|---|---|---|---|---|
| **Shareholder ordinary shares** | | | | |
| Six Sis Limited (Swiss-based) | **28.12** | 28.12 | **52 000 000** | 52 000 000 |
| Audax Resources (Pty) Limited | **17.78** | 17.78 | **32 877 532** | 32 877 532 |
| Mayborn Resource Investments (Pty) Limited | **–** | 6.41 | **–** | 11 859 450 |
| Anglorand Securities Limited | **8.54** | – | **15 784 191** | – |
| | **54.44** | 52.31 | **100 661 723** | 96 736 982 |

The shareholding can be summarised as follows:

| At 28 February 2011 | **Percentage holding 2011** | Percentage holding 2010 | **Shares held 2011** | Shares held 2010 |
|---|---|---|---|---|
| Non-public shareholders | **57.04** | 46.02 | **105 475 023** | 85 102 632 |
| Public shareholders | **42.96** | 53.98 | **79 453 660** | 99 826 051 |
| | **100.00** | 100.00 | **184 928 683** | 184 928 683 |

For a detailed breakdown of non-public shareholders, please refer to the share analysis on page 41.

## Special resolutions

Since the date of the last directors' report, a special resolution was passed to enable the company to hold the general authority to acquire its own shares. The directors hold the general authority to issue up to 315 071 317 ordinary shares until the date of the next annual general meeting. Subsequent to financial year-end, a special resolution was passed to enable the company to provide financial assistance to its subsidiaries. Refer to "Events Subsequent to Year-End" below for further information.

## Borrowings

There were no significant borrowings at 28 February 2011.

## Dividends

A dividend of 5 cents per ordinary share was declared and paid during the financial year.

## Property, plant and equipment

There were no changes in the nature of property, plant and equipment nor in the policy regarding their use during the year.

## Disposal of subsidiary company

The company disposed of its 50% interest in Ingonyama Holdings (Pty) Limited on 1 March 2010.

## Events subsequent to year-end

There have been no facts or circumstances of a material nature, other than those described below, which have occurred between the accounting date and the date of this report:

# Directors' Report continued

**Conditional disposal of Rooderand assets**

In May 2011, shareholders voted against the conditional disposal of Rooderand Chrome (Pty) Limited and Korpo Trust (Pty) Limited to DCM Chrome in terms of the conditional sale of shares agreement.

**Financial assistance to subsidiary company**

In July 2011, shareholders voted in favour of an appropriate special resolution enabling the company to provide financial assistance to its subsidiaries. In terms of this authority, the company extended a loan of R6 000 000 to Rooderand Chrome (Pty) Limited in order for that entity to obtain a bank guarantee in respect of the financial provision required by the Department of Mineral Resources for the environmental rehabilitation obligation of the Rooderand property. The guarantee is required for the purposes of converting the used old order mining licence held by Pilanesberg Mining Company (Pty) Limited to a new order mining right.

**Directors**

The directors of the company during the accounting period and up to the date of this report were as follows:

| | |
|---|---|
| P C Baloyi | Independent non-executive chairman (resigned November 2010) |
| P J Cilliers | Executive |
| J G Scott | Independent non-executive (appointed as chairman November 2010) |
| E Bramley | Non-executive (appointed November 2010) |
| T W Scott | Executive |

The following changes to the board took place during the year under review:

| | |
|---|---|
| P C Baloyi | Resigned November 2010 |
| E Bramley | Appointed November 2010 |
| J G Scott | Appointed as independent non-executive chairman in November 2010 (was previously a non-executive director) |

**Secretary**

The secretary at the date of this report is CIS Company Secretaries (Pty) Limited.

| Business address | Postal address | Registered address |
|---|---|---|
| 70 Marshall Street | PO Box 61051 | 70 Marshall Street |
| Johannesburg | Marshalltown | Johannesburg |
| South Africa | South Africa | South Africa |
| 2001 | 2107 | 2001 |

**Auditors**

In accordance with section 270(2) of the Companies Act, RSM Betty & Dickson (Johannesburg) will continue in office.

**Going concern**

The financial statements have been prepared on the going concern basis, since the directors have reason to believe that the company has adequate resources in place and available to it from its shareholders to continue in operation for the foreseeable future.

24 August 2011

## Statement of Financial Position *at 28 February 2011*

| | Note | Group 2011 R | Group 2010 R | Company 2011 R | Company 2010 R |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | **46 264** | 650 288 | **46 264** | 650 288 |
| Tangible assets | 2 | **46 264** | 55 040 | **46 264** | 55 040 |
| Deferred taxation | 13.4 | **–** | 595 248 | **–** | 595 248 |
| Other long-term receivables | 4 | **–** | – | **–** | – |
| **Current assets** | | **39 211 096** | 42 498 326 | **39 211 096** | 42 498 326 |
| Trade and other receivables | 5 | **1 552 527** | 1 052 535 | **1 552 527** | 1 052 535 |
| Cash and cash equivalents | 6 | **37 658 569** | 41 445 791 | **37 658 569** | 41 445 791 |
| **Total assets** | | **39 257 360** | 43 148 614 | **39 257 360** | 43 148 614 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves** | | **38 817 396** | 42 916 036 | **38 817 396** | 42 916 036 |
| Issued capital | 7 | **1 849** | 1 849 | **1 849** | 1 849 |
| Share premium | 7 | **35 485 397** | 35 485 397 | **35 485 397** | 35 485 397 |
| Retained earnings | | **3 330 150** | 7 428 790 | **3 330 150** | 7 428 790 |
| **Non-current liabilities** | | **385 932** | – | **385 932** | – |
| Deferred taxation | 13.4 | **385 932** | – | **385 932** | – |
| **Current liabilities** | | **54 032** | 232 579 | **54 032** | 232 578 |
| Trade and other payables | 8 | **54 032** | 232 579 | **54 032** | 232 578 |
| **Total equity and liabilities** | | **39 257 360** | 43 148 614 | **39 257 360** | 43 148 614 |

## Statement of Comprehensive Income *for the year ended 28 February 2011*

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2011** | 2010 | **2011** | 2010 |
| | Note | **R** | R | **R** | R |
| Other income | 9 | **317 664** | 412 432 | **317 664** | 412 432 |
| Reversal of impairment loss | 4 | **13 000 000** | – | **13 000 000** | – |
| Operating expenses | | **(8 077 081)** | (9 168 691) | **(8 077 081)** | (9 164 940) |
| **Profit/(loss) before interest and taxation** | 10 | **5 240 583** | (8 756 259) | **5 240 583** | (8 752 508) |
| Investment income | 12 | **1 813 034** | 2 431 411 | **1 813 034** | 2 431 411 |
| **Profit/(loss) before taxation** | | **7 053 617** | (6 324 848) | **7 053 617** | (6 321 097) |
| Taxation | 13 | **(1 905 823)** | 988 072 | **(1 905 823)** | 988 072 |
| **Profit/(loss) for the year** | | **5 147 794** | (5 336 776) | **5 147 794** | (5 333 025) |
| Other comprehensive income | | **–** | – | **–** | – |
| **Total comprehensive profit/(loss) for the year** | | **5 147 794** | (5 336 776) | **5 147 794** | (5 333 025) |
| Loss attributable to non-controlling interests | | **–** | – | **–** | – |
| **Total comprehensive profit/(loss) attributable to owners of the parent** | | **5 147 794** | (5 336 776) | **5 147 794** | (5 333 025) |
| Basic earnings/(loss) per share (cents) | 14 | **2.78** | (2.89) | **2.78** | (2.89) |
| Diluted earnings/(loss) per share (cents) | 14 | **2.78** | (2.89) | **2.78** | (2.89) |

# Statement of Changes in Equity *for the year ended 28 February 2011*

| | Share capital and share premium R | Non-controlling interests R | Retained earnings R | Total R |
|---|---|---|---|---|
| **Group** | | | | |
| **Balance at 28 February 2009** | 35 487 246 | – | 12 765 566 | 48 252 812 |
| Comprehensive loss for the year | – | – | (5 336 776) | (5 336 776) |
| **Balance at 28 February 2010** | 35 487 246 | – | 7 428 790 | 42 916 086 |
| Dividend paid | – | – | (9 246 434) | (9 246 434) |
| Comprehensive income for the year | – | – | 5 147 794 | 5 147 794 |
| **Balance at 28 February 2011** | **35 487 246** | **–** | **3 330 150** | **38 817 396** |
| **Company** | | | | |
| **Balance at 28 February 2009** | 35 487 246 | – | 12 761 815 | 48 249 061 |
| Comprehensive loss for the year | – | – | (5 333 025) | (5 333 025) |
| **Balance at 28 February 2010** | 35 487 246 | – | 7 428 790 | 42 916 036 |
| Dividends paid | – | – | (9 246 434) | (9 246 434) |
| Comprehensive income for the year | – | – | 5 147 794 | 5 147 794 |
| **Balance at 28 February 2011** | **35 487 246** | **–** | **3 330 150** | **38 817 396** |

# Statement of Cash Flows *for the year ended 28 February 2011*

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2011** | 2010 | **2011** | 2010 |
| | Note | **R** | R | **R** | R |
| **Cash flows from operating activities** | | | | | |
| Cash (utilised)/generated by operations | | **(8 422 068)** | 2 467 739 | **(8 422 068)** | 2 457 585 |
| Operating loss before working capital changes | 20.1 | **(7 743 530)** | (8 741 096) | **(7 743 530)** | (8 737 345) |
| Working capital changes | 20.2 | **(678 538)** | 11 208 835 | **(678 538)** | 11 194 930 |
| Investment income | | **1 813 034** | 2 431 411 | **1 813 034** | 2 431 411 |
| Taxation paid | | **(924 643)** | – | **(924 643)** | – |
| **Net (outflow)/inflow from operating activities** | | **(7 553 677)** | 4 899 150 | **(7 533 677)** | 4 888 996 |
| **Cash flows from investing activities** | | | | | |
| Additions to property, plant and equipment | | **(14 414)** | (30 382) | **(14 414)** | (30 382) |
| Proceeds on disposal of subsidiary | | **7 303** | – | **7 303** | – |
| Movement in long-term receivables | | **13 000 000** | – | **13 000 000** | – |
| **Net cash inflow/(outflow) from investing activities** | | **12 992 889** | (30 382) | **12 992 889** | (30 382) |
| **Cash flows from financing activities** | | | | | |
| Dividends paid | | **(9 246 434)** | – | **(9 246 434)** | – |
| **Net cash inflow from financing activities** | | **(9 246 434)** | – | **(9 246 434)** | – |
| Net increase in cash and cash equivalents | | **(3 787 222)** | 4 868 768 | **(3 787 222)** | 4 858 614 |
| Cash and cash equivalents at beginning of the year | | **41 445 791** | 36 577 023 | **41 445 791** | 36 587 177 |
| **Cash and cash equivalents at end of the year** | 6 | **37 658 569** | 41 445 791 | **37 658 569** | 41 445 791 |

## 1. ACCOUNTING POLICIES

Chrometco Limited (the company) is a company domiciled in the Republic of South Africa. The financial statements are presented in South African Rand ("R").

### 1.1 Statement of compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the AC 500 Standards as issued by the Accounting Practices Board and its successors and its interpretations adopted by the International Accounting Standards Board (IASB) and in the manner required by the Companies Act of South Africa, 1973.

These accounting policies are consistent with the previous period, except for the changes set out in note 22 – new standards and interpretations.

### 1.2 Basis of preparation

The financial statements are prepared on the historical cost basis, except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading and financial instruments classified as available for sale.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

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 about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may vary 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 revision and future periods if the revision affects both current and future periods. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on amount recognised in the annual financial statements.

Significant judgements include:

**Trade receivables and Loans and receivables**

The group assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

**Impairment testing**

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

**Taxation**

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

## 1. ACCOUNTING POLICIES CONTINUED

### 1.3 Basis of consolidation

**1.3.1 Investment in subsidiaries**

Subsidiaries are those entities over whose financial and operating policies the group has the power to exercise control, so as to obtain benefits from their activities.

**1.3.2** The group financial statements incorporate the assets, liabilities and results of the operations of the company and its subsidiaries. The results of subsidiaries acquired and disposed of during a financial year are included from the effective dates of acquisition and to the effective dates of disposal. Where necessary, the accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the group.

**1.3.3 Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

### 1.4 Tangible assets

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on the straight-line basis, over the estimated useful lives of assets. Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased and/or the capacity to generate future economic benefits is increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Surpluses/(deficits) on the disposal of property, plant and equipment are credited to income. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

**Useful lives of tangible assets**

| **Company** | **Useful lives** |
|---|---|
| Computer equipment | 3 years |
| Office equipment | 6 years |
| Other assets | 6 years |
| Furniture and fittings | 10 years |

The depreciation method, residual values and useful lives are reviewed annually and adjusted if appropriate.

Each part of an item of property, plant and equipment with cost that is significant in relation to the total cost of the item shall be depreciated separately.

### 1.5 Leases

**Finance leases**

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the group are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease, and depreciated over the estimated useful life of the asset. The capital element of future obligations under the leases is included as a liability in the balance sheet. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

### 1.6 Impairment

The carrying amounts of the group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use. For intangible assets that are not yet available for use, or intangible assets amortised over a period exceeding 20 years, the recoverable amount is estimated at each balance sheet date or if there are indications of impairment present.

In assessing value in use, the expected future cash flows from the asset 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. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

For an asset that does not generate cash inflows that are largely independent of those from other assets the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised in the income statement whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

## 1. ACCOUNTING POLICIES CONTINUED

### 1.7 Financial instruments

Financial assets and financial liabilities within the scope of IAS 39 are classified as:

- financial assets at fair value through profit or loss;
- loans and receivables; and
- financial liabilities measured at amortised cost.

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category. Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

**Subsequent measurement**

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss as part of other income. Dividends received on available-for-sale equity instruments are recognised in profit or loss as part of other income when the company's right to receive payment is established.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

**Impairment of financial assets**

At each reporting date the group assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

**Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Gains or losses on investments held for trading are recognised in profit or loss.

The company assesses whether embedded derivatives are required to be separated from host contracts when the company first becomes party to the contract. Re-assessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

## 1. ACCOUNTING POLICIES CONTINUED

### 1.7 Financial instruments continued

**Financial assets at fair value through profit or loss** continued

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the company has the positive intention and ability to hold to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

**Trade and other receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

**Interest bearing loans and borrowings**

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs, and have not been designated as 'at fair value through profit or loss'.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

**Trade and other payables**

Trade and other payables are initially recognised at fair value, plus transaction costs that are directly attributable to the acquisition or issue. Subsequent to initial recognition, the company measures trade and other payables at amortised cost using the effective interest rate method.

**Cash and cash equivalents**

Cash and cash equivalents are measured at amortised cost.

**Offset**

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 1.8 Revenue

Revenue comprises net invoiced sales to customers excluding VAT. Sales are recognised when significant risks and rewards of ownership are transferred to the buyer, costs can be measured reliably and receipt of the future economic benefits is probable.

### 1.9 Investment income

Interest is recognised on a time:proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is probable that such income will accrue to the group.

Dividends are recognised when the right to receive payment is established.

### 1.10 Exploration costs

Exploration costs are recognised in the income statement until completion of a final feasibility study supporting proven and probable reserves. Expenditure incurred subsequent to proven and probable reserves being identified is capitalised.

### 1.11 Taxation

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the balance sheet date, and any adjustment of tax payable for previous years.

Deferred tax is provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is charged to the income statement except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition. The effect on deferred tax of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Secondary Tax on Companies is recognised as part of the current tax charge in the income statement when the related dividend is declared.

## 1. ACCOUNTING POLICIES CONTINUED

### 1.12 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation. Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### 1.13 Employee benefits

**Short-term employee benefits**

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service.

The provisions for employee entitlements to wages, salaries, annual and sick leave represent the amount, which the group has a present obligation to pay as a result of employees' services provided to the balance sheet date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates.

### 1.14 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the group unless otherwise stated.

### 1.15 Segment reporting

The group is involved in exploration for and beneficiation of chrome resources. It is envisaged that, on a primary basis, the company would be organised into two major operating divisions:

- exploration activities; and
- beneficiation activities.

In time a secondary segment basis, either the geographical location of the group's facilities or, in the event of other resources being developed, the specific resource activities, will be identified. The basis of segment reporting will be representative of the internal structure used for management reporting.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of enterprise revenue and expenses that can be allocated on a reasonable basis to a segment, whether from external transactions or from transactions with other group segments. Inter-segment transfer pricing is based on cost plus an appropriate margin. Unallocated items mainly comprise corporate expenses, research and development costs, and amortisation of intangible assets. Segment results are determined before any adjustments for minority interest.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets are determined after deducting related allowances that are reported as direct offsets in the group's balance sheet. Segment assets and liabilities do not include income tax items.

Capital expenditure represents the total costs incurred during the period to acquire segment assets that are expected to be used during more than one period (namely, property, plant and equipment, and intangible assets).

As the group is currently involved only in the exploration for chrome resources and all income and expenditure, assets and liabilities are held and incurred in this single activity, segmental information will not be presented until such time as the business has developed and segments of the business can be properly identified and a meaningful allocation can be made between such segments.

### 1.16 Borrowing costs

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is before 1 January 2009, the group recognises the borrowing costs in profit or loss. The group considers a period more than 12 months to be a considerable time to construct a qualifying asset.

## 2. TANGIBLE ASSETS

| Group and Company | Useful lives | Cost R | Accumulated depreciation R | Carrying amount R |
|---|---|---|---|---|
| **28 February 2011** | | | | |
| Computer equipment | **3 years** | **46 848** | **29 177** | **17 671** |
| Office equipment | **6 years** | **10 977** | **5 432** | **5 545** |
| Other assets | **6 years** | **21 619** | **16 071** | **5 548** |
| Furniture and fittings | **10 years** | **35 000** | **17 500** | **17 500** |
| | | **114 444** | **68 180** | **46 264** |
| **28 February 2010** | | | | |
| Computer equipment | 3 years | 38 777 | 21 921 | 16 856 |
| Office equipment | 6 years | 13 477 | 6 036 | 7 441 |
| Other assets | 6 years | 21 619 | 12 168 | 9 451 |
| Furniture and fittings | 10 years | 35 000 | 13 708 | 21 292 |
| | | 108 873 | 53 833 | 55 040 |

The carrying amounts of tangible assets can be reconciled as follows:

| Group and Company | 2011 R | 2010 R |
|---|---|---|
| Carrying amount at beginning of the year | **55 040** | 39 821 |
| At cost | **100 030** | 69 648 |
| Accumulated depreciation | **(44 990)** | (29 827) |
| Additions – expansion | **14 414** | 30 382 |
| Computer equipment | **14 414** | 24 185 |
| Office equipment | **–** | 6 197 |
| Depreciation | **(23 190)** | (15 163) |
| Computer equipment | **(13 598)** | (7 922) |
| Office equipment | **(1 896)** | (730) |
| Furniture and fittings | **(3 792)** | (3 208) |
| Other assets | **(3 904)** | (3 303) |
| Carrying amount at end of the year | **46 264** | 55 040 |

## 3. INVESTMENT IN SUBSIDIARY

| Directly held | Issued share capital R | Percentage holding % | Shares at cost R | Due by subsidiaries R | Share of net profit/(loss) R |
|---|---|---|---|---|---|
| **28 February 2011** | **–** | **–** | **–** | **–** | **–** |
| **28 February 2010** | | | | | |
| Ingonyama Holdings (Pty) Limited | 200 | 50 | 2 000 000 | 1 622 721 | (15 152) |
| | | | 2 000 000 | 1 622 721 | (15 152) |

The company's voting power is in direct proportion to their percentage shareholding.

The above mentioned investment is incorporated in South Africa and was disposed on 1 March 2010.

| Net investment in subsidiaries | Company 2011 R | 2010 R |
|---|---|---|
| Shares at cost | **–** | 2 000 000 |
| Net loans to subsidiaries | **–** | 1 662 721 |
| Less: provision for losses | **–** | (3 622 721) |
| | **–** | – |

The loan to the subsidiary company has been subordinated in favour of the other creditors of the subsidiary.

Net loans to the subsidiary are interest free with no fixed terms of repayment.

The company disposed of its 50% interest in Ingonyama Holdings (Pty) Limited on 1 March 2010.

## 4. OTHER LONG-TERM RECEIVABLES

| Group and Company | Group 2011 R | Group 2010 R | Company 2011 R | Company 2010 R |
|---|---|---|---|---|
| Receivable on Rooderand sale | **10 000 000** | 23 000 000 | **10 000 000** | 23 000 000 |
| *Less:* Impairment losses | **(10 000 000)** | (23 000 000) | **(10 000 000)** | (23 000 000) |
| Fair value adjustments | **–** | – | **–** | – |
| *Less:* Current portion (net of impairments loss) | **–** | – | **–** | – |
| Balance | **–** | – | **–** | – |
| Pilanesberg Mining Company (Pty) Limited | **549 955** | 358 955 | **549 955** | 358 955 |
| *Less:* Impairment losses | **(549 955)** | (358 955) | **(549 955)** | (358 955) |
| Balance | **–** | – | **–** | – |
| Advances to previous shareholders of Korpo Trust (Pty) Limited | **–** | 20 500 | **–** | 20 500 |
| *Less:* Impairment losses | **–** | (20 500) | **–** | (20 500) |
| Balance | **–** | – | **–** | – |
| Loan to Korpo Trust (Pty) Limited | **114 000** | 57 000 | **114 000** | 57 000 |
| *Less:* Impairment losses | **(114 000)** | (57 000) | **(114 000)** | (57 000) |
| Balance | **–** | – | **–** | – |
| Loan to Rooderand Chrome (Pty) Limited | **45 600** | 22 800 | **45 600** | 22 800 |
| *Less:* Impairment losses | **(45 600)** | (22 800) | **(45 600)** | (22 800) |
| Balance | **–** | – | **–** | – |
| Sub-total | **–** | – | **–** | – |

Chrometco Limited entered into a conditional sale agreement in 2007 for the sale of the Rooderand assets. In terms of this agreement, the selling price is to be paid in annual instalments of R13 million. Management has impaired an amount of R10 million (2010: R23 million) being the balance receivable in terms of the sale agreement due to uncertainty over its recoverability.

The loans are unsecured, bear no interest and no fixed repayment arrangements have been made.

The company entered into an agreement in terms of which Chrometco Limited obtained the shareholders' loan accounts in Pilanesberg Mining Company (Pty) Limited for no consideration. The loan was converted to ordinary shares subsequent to year-end.

At 31 December 2010, the financial year-end of Pilanesberg Mining Company (Pty) Limited, the said loan amounted to R455 472 (2010: R455 472).

## 5. TRADE AND OTHER RECEIVABLES

| | Group 2011 R | Group 2010 R | Company 2011 R | Company 2010 R |
|---|---|---|---|---|
| Current portion of receivable on Rooderand sale: | **–** | – | **–** | – |
| Trade receivables | **126 090** | 200 986 | **126 090** | 200 986 |
| VAT receivable | **1 426 437** | 805 049 | **1 426 437** | 805 049 |
| Deposits | **–** | 46 500 | **–** | 46 500 |
| | **1 552 527** | 1 052 535 | **1 552 527** | 1 052 535 |

Management has impaired R10 000 000 being the balance receivable in terms of the conditional Rooderand sale agreement due to uncertainty over its recoverability. Refer to note 4.

There is no material difference between the fair value of trade and other receivables and their book value.

## 6. CASH AND CASH EQUIVALENTS

| | Group 2011 R | Group 2010 R | Company 2011 R | Company 2010 R |
|---|---|---|---|---|
| Current account | **37 658 569** | 41 445 791 | **37 658 569** | 41 445 791 |
| | **37 658 569** | 41 445 791 | **37 658 569** | 41 445 791 |

There is no material difference between the fair value and the book value of cash and cash equivalents.

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2011** | 2010 | **2011** | 2010 |
| | | **R** | R | **R** | R |
| **7.** | **ISSUED CAPITAL** | | | | |
| | *Authorised* | | | | |
| | 500 000 000 (2010: 500 000 000) ordinary par value shares of 0,001 cent each | **5 000** | 5 000 | **5 000** | 5 000 |
| | Reconciliation of number of shares issued: | | | | |
| | 184 928 683 (2010: 184 928 683) ordinary par value shares of 0,001 cent each reported as at I March 2010 | **1 849** | 1 849 | **1 849** | 1 849 |
| | *Issued* | | | | |
| | At the end of the year (184 928 683 ordinary par value shares of 0,0001 cent each) | **1 849** | 1 849 | **1 849** | 1 849 |
| | Share premium at year-end | **35 485 397** | 35 485 397 | **35 485 397** | 35 485 397 |
| | | **35 487 246** | 35 487 246 | **35 487 246** | 35 487 246 |
| **8.** | **TRADE AND OTHER PAYABLES** | | | | |
| | Accruals | **54 032** | 232 579 | **54 032** | 232 578 |
| | | **54 032** | 232 579 | **54 032** | 232 578 |
| **9.** | **OTHER INCOME** | | | | |
| | Management fees | **220 000** | 230 000 | **220 000** | 230 000 |
| | Sundry income | **90 361** | 182 432 | **90 361** | 182 432 |
| | Profit on sale of investment, refer to note 3 | **7 303** | – | **7 303** | – |
| | | **317 664** | 412 432 | **317 664** | 412 432 |
| **10.** | **PROFIT/(LOSS) BEFORE INTEREST AND TAXATION** | | | | |
| | Operating profit is arrived at after taking into account: | | | | |
| | Auditor's remuneration | **838 090** | 617 470 | **838 090** | 617 470 |
| | – Current year audit fee | **340 000** | 320 555 | **340 000** | 320 555 |
| | – Fees for other services | **498 090** | 296 915 | **498 090** | 296 915 |
| | Depreciation of vehicles and equipment | **23 190** | 15 163 | **23 190** | 15 163 |
| | – Computer equipment | **13 598** | 7 922 | **13 598** | 7 922 |
| | – Office equipment | **1 896** | 730 | **1 896** | 730 |
| | – Other assets | **3 792** | 3 303 | **3 792** | 3 303 |
| | – Furniture and fittings | **3 904** | 3 208 | **3 904** | 3 208 |
| | Employee costs | **2 650 873** | 3 013 672 | **2 650 873** | 3 013 672 |
| | Impairment loss on loan to group companies (refer to note 5) | **250 800** | 79 808 | **250 800** | 91 200 |
| | Profit/(Loss) on disposal of investment in subsidiary | **7 303** | – | **7 303** | – |

**11. DIRECTORS' EMOLUMENTS**

| **Group and Company** | **For services as directors** | **Re-muneration** | **Allowances and benefits** | **Total** |
|---|---|---|---|---|
| **28 February 2011** | **R** | **R** | **R** | **R** |
| **Executives** | | | | |
| P J Cilliers | **–** | **794 140** | **362 260** | **1 156 400** |
| T W Scott* | **–** | **841 785** | **247 025** | **1 088 810** |
| | **–** | **1 635 925** | **609 285** | **2 245 210** |
| **Non-executives** | | | | |
| J G Scott | **64 000** | **–** | **–** | **64 000** |
| P C Baloyi | **28 000** | **–** | **–** | **28 000** |
| | **92 000** | **–** | **–** | **92 000** |
| | **92 000** | **1 635 925** | **609 285** | **2 337 210** |

** Previously non-executive*

## 11. DIRECTORS' EMOLUMENTS CONTINUED

| 28 February 2010 | For services as directors R | Re-muneration R | Allowances and benefits R | Total R |
|---|---|---|---|---|
| **Executives** | | | | |
| J R Francey | – | 312 393 | 333 722 | 646 115 |
| P J Cilliers | – | 1 136 700 | 120 750 | 1 257 450 |
| T W Scott* | 60 000 | 322 340 | 145 860 | 528 200 |
| | 60 000 | 1 771 433 | 600 332 | 2 431 765 |
| **Non-executives** | | | | |
| J G Scott | 60 000 | 91 000 | – | 151 000 |
| P C Baloyi | 68 108 | – | – | 68 108 |
| | 128 108 | 91 000 | – | 219 108 |
| | 188 108 | 1 862 433 | 600 332 | 2 650 873 |

** Previously non-executive*

| | Group 2011 R | Group 2010 R | Company 2011 R | Company 2010 R |
|---|---|---|---|---|
| **12. INVESTMENT INCOME** | | | | |
| Interest received | **1 813 034** | 2 431 411 | **1 813 034** | 2 431 411 |
| | **1 813 034** | 2 431 411 | **1 813 034** | 2 431 411 |
| **13. TAXATION** | | | | |
| South African normal tax: | | | | |
| Current tax | **–** | – | **–** | – |
| Deferred tax | **(981 180)** | (988 072) | **(981 180)** | (988 072) |
| Secondary Taxation on Companies | **(924 643)** | – | **(924 643)** | – |
| | **(1 905 823)** | (988 072) | **(1 905 823)** | (988 072) |
| | **%** | % | **%** | % |
| **13.1 Reconciliation of tax rate** | | | | |
| South African normal tax rate | **28.0** | 28.0 | **28.0** | 28.0 |
| Adjusted for: | | | | |
| – Non-deductible expenditure | **(14.09)** | (12.37) | **(14.09)** | (12.37) |
| – Secondary Taxation on Companies | **13.11** | | **13.11** | |
| Net change in tax rate | **(0.98)** | (12.37) | **(0.98)** | (12.37) |
| Effective tax rate | **27.02** | 15.63 | **27.02** | 15.63 |
| **13.2 Estimated tax losses** | **R** | R | **R** | R |
| At beginning of year | **20 325 885** | 15 628 067 | **20 325 885** | 15 628 067 |
| Incurred during the year | **2 995 789** | 4 697 818 | **2 995 789** | 4 697 818 |
| Available for set-off against future taxable income | **23 321 674** | 20 325 885 | **23 321 674** | 20 325 885 |
| Attributable to ordinary shareholders | **23 321 674** | 20 325 885 | **23 321 674** | 20 325 885 |
| **13.3 Unredeemed capital expenditure** | | | | |
| At beginning of year | **1 867 540** | 1 867 540 | **1 867 540** | 1 867 540 |
| Incurred during the year | **–** | – | **–** | – |
| Available for set-off against future taxable income from mining activities | **1 867 540** | 1 867 540 | **1 867 540** | 1 867 540 |
| **13.4 Deferred tax** | | | | |
| At beginning of year | **595 248** | (392 824) | **595 248** | (392 824) |
| Charge for the year | **(981 180)** | 988 072 | **(981 180)** | 988 072 |
| At end of the year | **(385 932)** | 595 248 | **(385 932)** | 595 248 |
| Deferred tax asset comprises income received in advance | **(6 916 000)** | (5 096 000) | **(6 916 000)** | (5 096 000) |
| Provisions | **–** | – | **–** | – |
| Unutilised tax losses | **6 530 068** | 5 691 248 | **6 530 068** | 5 691 248 |
| | **(385 932)** | 595 248 | **(385 932)** | 595 248 |

The utilisation of the deferred tax assets is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. The deferred tax asset relating to unutilised tax losses relates to losses incurred in the preceding period in the tax jurisdiction to which the deferred tax asset relates. Deferred tax assets relating to unutilised tax losses have been measured on the basis that revenue relating to the Rooderand transaction has been assessed at capital gains tax rates by revenue authorities. The nature of this estimate may be subject to revision in the event that the conditions precedent to the sale transaction are not fulfilled.

## 14. EARNINGS/(LOSS) PER SHARE

### 14.1 Basic earnings per share and diluted earnings per share

The calculation of basic earnings/(loss) per share and diluted earnings/(loss) per share at 28 February 2011 is based on profits attributable to ordinary shareholders of R5 147 794 (2010: loss of R5 336 776) and a weighted average number of ordinary shares outstanding during the year ended 28 February 2011 of 184 928 683 (2010: 184 928 683), calculated as follows:

| | **2011** **R** | 2010 R |
|---|---|---|
| Profit/(loss) for the year | **5 147 794** | (5 336 776) |
| Profit/(loss) attributable to ordinary shareholders | **5 147 794** | (5 336 776) |

| | **Number of shares issued** | | **Weighted average number of shares** | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| Weighted average number of ordinary shares | | | | |
| Issued shares at beginning of year | **184 928 683** | 184 928 683 | **184 928 683** | 184 928 683 |
| Movement for the year | **–** | – | **–** | – |
| Weighted average number of ordinary shares at 28 February | **184 928 683** | 184 928 683 | **184 928 683** | 184 928 683 |
| Earnings/(loss) per share (cents) | | | **2.78** | (2.89) |

### 14.2 Headline earnings per share and diluted headline earnings per share

The calculation of headline loss per share at 28 February 2011 is based on the loss attributable to ordinary shareholders of R7 608 709 (2010: R5 256 974) and a weighted average number of ordinary shares outstanding during the year ended 28 February 2011 of 184 928 683 (2010: 184 928 683) calculated as follows:

| | **2011** **R** | 2010 R |
|---|---|---|
| Profit/(loss) for the year | **5 147 794** | (5 336 776) |
| Adjustment for: | | |
| Profit on disposal of subsidiary | **(7 303)** | – |
| Reversal of impairment on long-term receivables | **(13 000 000)** | – |
| Impairment of receivable | **250 800** | 79 801 |
| Loss attributable to ordinary shareholders | **(7 608 709)** | (5 256 974) |

| | **Number of shares issued** | | **Weighted average number of shares** | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| Weighted average number of ordinary shares | | | | |
| Issued shares at beginning of the year | **184 928 683** | 184 928 683 | **184 928 683** | 184 928 683 |
| Movement for the year | **–** | – | **–** | – |
| Weighted average number of ordinary shares at 28 February | **184 928 683** | 184 928 683 | **184 928 683** | 184 794 683 |
| Headline loss per share (cents) | | | **(4.11)** | (2.81) |

There are no equity instruments that will dilute headline earnings per share.

## 15. CAPITAL COMMITMENTS

No capital commitments existed at balance sheet date.

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2011** | 2010 | **2011** | 2010 |
| | | **R** | R | **R** | R |
| **16.** | **CONTINGENT LIABILITIES** | | | | |
| **16.1** | Third party guarantees | **8 923 695** | 8 923 695 | **8 923 695** | 8 923 695 |
| | | **8 923 695** | 8 923 695 | **8 923 695** | 8 923 695 |
| | In terms of an agreement between Chrometco and Pilanesberg Mining Company (Pty) Limited, Chrometco has agreed to provide financial support to Pilanesberg Mining Company (Pty) Limited to the extent of R8 923 495 (2010: R8 923 495) until such time that the assets of Pilanesberg Mining Company (Pty) Limited, fairly valued, exceed its liabilities. At the date of the financial statements, the solvency of Pilanesberg Mining Company (Pty) Limited had not yet been restored. | | | | |
| **16.2** | Secondary Taxation on Companies on remaining reserves of:<br>Group – R38 817 396 (2010: R42 916 036)<br>Company – R38 817 396 (2010: R42 916 036) | **3 528 854** | 3 901 458 | **3 528 854** | 3 901 458 |
| **16.3** | **Income tax liabilities**<br>Future potential tax liability on sale of Rooderand assets | **7 280 000** | 5 963 739 | **7 280 000** | 5 963 739 |
| | Taxation on Rooderand receipts has been measured at capital gains tax rates based on assessments received from revenue authorities. The nature of this estimate may be subject to revision in the event that the conditions precedent to the sale transaction are not fulfilled. | | | | |
| **16.4** | **VAT liability**<br>Rooderand assets selling price at applicable VAT rates | **7 641 035** | 7 641 035 | **7 614 035** | 7 614 035 |

## 17. FINANCIAL RISK MANAGEMENT

The main risks arising from the company's financial instruments are credit risk, liquidity risk and market risk.

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

**Credit risk**

Credit risk is the risk of financial loss to the company if a counter-party to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables arising from non-trade-related transactions as the company is currently still in the exploration phase of its business activities.

The company transacts only with recognised creditworthy third parties. The company's exposure to credit risk is influenced by the individual characteristics of each counter-party. In addition, receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant. The credit risk currently only arises from non-trade-related financial assets. The exposure to credit risk arises from default of the counter-party, with a maximum exposure equal to the carrying amount of these instruments.

**Liquidity risk**

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

The company monitors its risk to a shortage of funds by using cash flow forecasting tools. The cash flow forecasting tool determines cash requirements over the foreseeable future, as well as evaluating expected cash flows from operations.

The company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, inter-company loans, trade payables and trade receivables.

**Market risk**

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Interest rate risk**

The company's exposure to changes in interest rates relates primarily to the company's holdings of cash and cash equivalents.

**Capital management**

The company's capital consists of the share capital, share premium and retained earnings as presented in the statement of changes in equity.

The primary objective of the company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios (e.g: return on capital) in order to support its business and maximise shareholder value. Going forward, the company will manage its capital using a gearing ratio (where applicable), which is debt divided by the total of capital and debt.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

## 18. FINANCIAL INSTRUMENTS

As trading activities have not yet commenced, this exposure is currently very limited and consequently no formal measures are adopted to reduce these risks.

It is envisaged that once the group's activities reach a level where these risks become material, appropriate measures will be put in place to reduce these risks.

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2011** | 2010 | **2011** | 2010 |
| | | **R** | R | **R** | R |
| **18.1** | **IAS 39 – Categories: Loans and Receivables** | | | | |
| | Trade and other receivables | **126 090** | 247 486 | **126 090** | 247 486 |
| | Cash and cash equivalents | **37 658 569** | 41 445 791 | **37 658 569** | 41 445 791 |
| | Other long-term receivables | **–** | – | **–** | – |
| | | **37 784 659** | 41 693 277 | **37 784 659** | 41 693 277 |
| | **Financial liabilities at amortised cost** | | | | |
| | Trade and other payables | **54 032** | 232 578 | **54 032** | 232 578 |
| | | **54 032** | 232 578 | **54 032** | 232 578 |
| **18.2** | **Credit risk** | | | | |
| | Exposure to credit risk: | | | | |
| | The carrying amount of financial assets represents the maximum exposure to credit risk. | | | | |
| | The maximum exposure to credit risk at reporting date was: | | | | |
| | Trade and other receivables | **126 090** | 247 486 | **126 090** | 247 486 |
| | Cash and cash equivalents | **37 658 569** | 41 445 791 | **37 658 569** | 41 445 791 |
| | Other long-term receivables | **–** | – | **–** | – |
| | **Total maximum exposure to credit risk** | **37 784 659** | 41 693 277 | **37 784 659** | 41 693 277 |
| | Concentration of credit risk by geographic location: | | | | |
| | The maximum exposure of financial assets to credit risk by geographical region at reporting date is as follows: | | | | |
| | Domestic | **37 784 659** | 41 693 277 | **37 784 659** | 41 693 277 |
| | **Total maximum exposure to credit risk** | **37 784 659** | 41 693 277 | **37 784 659** | 41 693 277 |
| | Concentrations of credit risk by receivable category: | | | | |
| | The maximum exposure of financial assets to credit risk by receivable type at reporting date is as follows: | | | | |
| | Trade and other receivables | **126 090** | 247 486 | **126 090** | 247 486 |
| | Cash and cash equivalents | **37 658 569** | 41 445 791 | **37 658 569** | 41 445 791 |
| | Other long-term receivables | **–** | – | **–** | – |
| | **Total maximum exposure of receivables to credit risk** | **37 784 659** | 41 693 277 | **37 784 659** | 41 693 277 |
| | The ageing of receivables at reporting date: | | | | |
| | Receivables not past due: | | | | |
| | Current | **37 784 659** | 41 693 277 | **37 784 659** | 41 693 277 |
| | 31 – 60 days | **–** | – | **–** | – |
| | 61 – 90 days | **–** | – | **–** | – |
| | **Total receivables not past due** | **37 784 659** | 41 693 277 | **37 784 659** | 41 693 277 |
| | Receivables past due: | | | | |
| | 91 – 120 days | **–** | – | **–** | – |
| | 121 – 150 days | **–** | – | **–** | – |
| | Over 150 days | **–** | – | **–** | – |
| | **Total receivables past due** | **–** | – | **–** | – |

At year-end, management had fully provided for the impairment of all other long-term receivables with a carrying amount of R10 000 000 (2010: R23 000 000). Refer to note 4 for further information.

At company level, management has provided for the impairment of the long-term loan to the group companies with a total carrying amount of R2 081 476 (2010: R2 081 476). Provisions for impairment of receivables are recognised when management assesses that there is a low probability of receiving the amounts due. Management has fully provided for all other receivables that are past their due date.

## 18. **FINANCIAL INSTRUMENTS** CONTINUED

### 18.3 Liquidity risk

The following table represents the contractual maturity for all financial liabilities of the company at reporting date:

| Group and Company | Between one and two years | Between two and five years | More than five years |
|---|---|---|---|
| **2011** | | | |
| Trade and other payables | **54 032** | **–** | **–** |
| **Total financial liabilities** | **54 032** | **–** | **–** |
| **2010** | | | |
| Trade and other payables | 232 578 | – | – |
| **Total financial liabilities** | 232 578 | – | – |

### 18.4 Interest rate risk

Profile

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2011 R** | 2010 R | **2011 R** | 2010 R |
| **Variable rate instruments – carrying amounts** | | | | |
| **Financial assets:** | | | | |
| Cash and cash equivalents | **37 658 569** | 41 445 791 | **37 658 569** | 41 445 791 |
| **Total variable rate financial assets** | **37 658 569** | 41 445 791 | **37 658 569** | 41 445 791 |

**Cash flow sensitivity analysis for variable rate financial instruments**

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. The sensitivity analysis was calculated by multiplying the year-end balances by the increase or decrease in the interest rate. This analysis assumes that all other variables remain constant.

| | | Effect on profit or loss before tax | | | |
|---|---|---|---|---|---|
| | | Group | | Company | |
| | **Increase/decrease in basis points** | **2011 R** | 2010 R | **2011 R** | 2010 R |
| Cash and cash equivalents | + 100 | **376 586** | 414 458 | **376 586** | 414 458 |
| **Total** | | **376 586** | 414 458 | **376 586** | 414 458 |
| Cash and cash equivalents | – 100 | **(376 586)** | (414 458) | **(376 586)** | (414 458) |
| **Total** | | **(376 586)** | (414 458) | **(376 586)** | (414 458) |

## 19. **RELATED PARTIES**

Common directors
- Korpo Trust (Pty) Limited
- Rooderand Chrome (Pty) Limited
- Pilanesburg Mining Company (Pty) Limited
- Mokwele Group

During the year the company entered into the following transactions with the directors, shareholders and/or related entities.

| Subsidiary entity | Percentage interest held directly and indirectly, in Chrometco Limited | Repayment of expenses incurred on behalf of the company R | Services provided to the company R | Amounts owed by/(to) related parties R |
|---|---|---|---|---|
| **2011** | **–** | **–** | **–** | **–** |
| **2010** | | | | |
| Ingonyama Holdings (Pty) Limited | – | 371 740 | 177 000 | – |

Refer to note 3 for the disposal of investment.

## 19. RELATED PARTIES CONTINUED

| Common directors | Percentage interest held directly and indirectly, in Chrometco Limited | Repayment of expenses incurred on behalf of the company R | Services provided to the company R | Amounts owed by/(to) related parties R |
|---|---|---|---|---|
| **28 February 2011** | | | | |
| Mokwele Group – Consulting Services | **–** | **35 105** | **60 000** | **–** |
| **28 February 2010** | | | | |
| Mokwele Group – Consulting Services | – | 371 740 | 177 000 | – |

**Directors**

The directors named in the attached directors' report held office as directors of the company during the periods ended February.

| Companies with common directors | Expenses recovered from related party not shown elsewhere R | Services to related party not shown elsewhere R | Amount owed by related party not shown elsewhere R |
|---|---|---|---|
| **2011** | | | |
| Korpo Trust (Pty) Limited | **–** | **57 000** | **114 000** |
| Rooderand Chrome (Pty) Limited | **–** | **22 800** | **45 601** |
| Pilanesberg Mining Company (Pty) Limited | **–** | **171 000** | **529 955** |
| | **–** | **250 800** | **689 556** |
| **2010** | | | |
| Korpo Trust (Pty) Limited | – | 57 000 | 57 000 |
| Rooderand Chrome (Pty) Limited | – | 22 800 | 22 800 |
| Pilanesberg Mining Company (Pty) Limited | – | 150 000 | 358 955 |
| | – | 229 800 | 438 955 |

| | Group | | Company | |
|---|---|---|---|---|
| | **2011 R** | 2010 R | **2011 R** | 2010 R |
| **20. NOTES TO THE CASH FLOW STATEMENT** | | | | |
| **20.1 Operating loss before working capital changes** | | | | |
| Net profit/(loss) before taxation | **7 053 617** | (6 324 848) | **7 053 617** | (6 321 097) |
| Adjusted for: | | | | |
| – (Profit)/loss on disposal of subsidiary | **(7 303)** | – | **(7 303)** | – |
| – Investment income | **(1 813 034)** | (2 431 411) | **(1 813 034)** | (2 431 411) |
| – Depreciation | **23 190** | 15 163 | **23 190** | 15 163 |
| – Finance costs | **–** | – | **–** | – |
| – Reversal of impairment loss on long-term receivables | **(13 000 000)** | – | **(13 000 000)** | – |
| | **(7 743 530)** | (8 741 096) | **(7 743 530)** | (8 737 345) |
| **20.2 Working capital changes** | | | | |
| (Increase)/decrease in trade and other receivables | **(499 992)** | 12 145 249 | **(499 992)** | 12 131 343 |
| Decrease in trade and other payables | **(178 546)** | (936 414) | **(178 546)** | (936 413) |
| | **(678 538)** | 11 208 835 | **(678 538)** | 11 194 930 |
| **20.3 Taxation** | | | | |
| Amount due at beginning of period | **–** | – | **–** | – |
| Current tax charge | **–** | – | **–** | – |
| Secondary Tax on Companies paid | **(924 643)** | | **(924 643)** | – |
| Interest on amounts due | **–** | – | **–** | – |
| Amount due at end of period | **–** | – | **–** | – |
| **Tax paid** | **(924 643)** | | **(924 643)** | – |

| | Group 2011 R | 2010 R |
|---|---|---|
| **21. ASSET VALUE PER SHARE** | | |
| Net asset value per share | **21.00** | 23.21 |
| Net tangible asset value per share | **21.00** | 23.21 |

The calculation of net asset value per ordinary share is based on a net asset value of R38 817 336 (2010: R42 916 035) and an issued number of shares of 184 928 683 (2010: 184 928 683). The calculation of net tangible asset value per ordinary share is based on net tangible assets of R38 817 336 (2010: R42 916 035) and an issued number of ordinary shares of 184 928 683 (2010: 184 928 683).

## 22. NEW STANDARDS AND INTERPRETATIONS

### 22.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

**IFRS 3 (Revised) Business Combinations**

The revisions to IFRS 3 (AC 140) Business Combinations, require:

- Acquisition costs to be expensed.
- Non-controlling interest to either be calculated at fair value or at their proportionate share of the net identifiable assets of the acquiree.
- Contingent consideration to be included in the cost of the business combination without further adjustment to goodwill, apart from measurement period adjustments.
- All previous interests in the acquiree to be remeasured to fair value at acquisition date when control is achieved in stages, and for the fair value adjustments to be recognised in profit or loss.
- Goodwill to be measured as the difference between the acquisition date fair value of consideration paid, non-controlling interest and fair value of previous shareholding and the fair value of the net identifiable assets of the acquiree.
- The acquirer to reassess, at acquisition date, the classification of the net identifiable assets of the acquiree, except for leases and insurance contracts.
- Contingent liabilities of the acquiree to only be included in the net identifiable assets when there is a present obligation with respect to the contingent liability.

The effective date of the standard is for years beginning on or after 1 July 2009.

The impact of the standard is not material.

**IAS 27 (Amended) Consolidated and Separate Financial Statements**

The revisions require:

- Losses of the subsidiary to be allocated to non-controlling interest, even if they result in the non-controlling interest being a debit balance.
- Changes in level of control without loss of control to be accounted for as equity transactions, without any gain or loss being recognised or any remeasurement of goodwill.
- When there is a change in the level of control without losing control, the group is prohibited from making reclassification adjustments.
- When control is lost, the net identifiable assets of the subsidiary as well as non-controlling interest and goodwill are to be derecognised. Any remaining investment is remeasured to fair value at the date on which control is lost, and a gain or loss on loss of control is recognised in profit or loss.

The effective date of the amendment is for years beginning on or after 1 July 2009.

The impact of the amendment is not material.

2009 Annual Improvements Project: Amendments to IFRS 8: Operating Segments, are only required to report segment assets if they are regularly reported to the chief operating decision-maker.

The effective date of the amendment is for years beginning on or after 1 January 2010.

The impact of the amendment is not material.

## 22. NEW STANDARDS AND INTERPRETATIONS CONTINUED

### 22.1 Standards and interpretations effective and adopted in the current year continued

**2009 Annual Improvements Project: Amendments to IAS 1: Presentation of Financial Statements**
The amendment clarifies that a liability which could, at the option of the counterparty, result in its settlement by the issue equity instruments, does not affect its classification as current or non-current.

The effective date of the amendment is for years beginning on or after 1 January 2010.

The impact of the amendment is not material.

**2009 Annual Improvements Project: Amendments to IAS 7: Statement of Cash Flows**
The amendment provides that expenditure may only be classified as 'cash flows from investing activities' if it resulted in the recognition of an asset on the statement of financial position.

The effective date of the amendment is for years beginning on or after 1 January 2010.

The impact of the amendment is not material.

**2009 Annual Improvements Project: Amendments to IAS 38: Intangible Assets**
The amendment provides guidance on the measurement of intangible assets acquired in a business combination.

The effective date of the amendment is for years beginning on or after 1 July 2009.

The impact of the amendment is not material.

### 22.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 1 March 2011 or later periods:

**IFRS 9: Financial Instruments**
The effective date of the standard is for years beginning on or after 1 January 2013.

It is unlikely that the standard will have a material impact on the group's annual financial statements.

**IAS 24: Related Party Disclosures (Revised)**
The effective date of the amendment is for years beginning on or after 1 January 2011.

It is unlikely that the amendment will have a material impact on the group's annual financial statements.

**2010 Annual Improvements Project: Amendments to IFRS 3: Business Combinations**
The effective date of the amendment is for years beginning on or after 1 July 2010.

It is unlikely that the amendment will have a material impact on the group's annual financial statements.

**2010 Annual Improvements Project: Amendments to IFRS 7: Financial Instruments: Disclosures**
The effective date of the amendment is for years beginning on or after 1 January 2011.

It is unlikely that the amendment will have a material impact on the group's annual financial statements.

**2010 Annual Improvements Project: Amendments to IAS 1: Presentation of Financial Statements**
The effective date of the amendment is for years beginning on or after 1 January 2011.

It is unlikely that the amendment will have a material impact on the group's annual financial statements.

### 22.3 Standards and interpretations not yet effective or relevant

All other standards and interpretations that have been published and are mandatory for the group's accounting periods beginning on or after 1 March 2011 or later periods are not relevant to its operations.

## 23. SEGMENTAL REPORTING

Management has not presented segment reporting during the year under review as the group has only one operating segment.

# **Share Analysis** *for the year ended 28 February 2011*

| | Number of shareholders | Percentage of shareholders | Number of shares | Percentage of shares |
|---|---|---|---|---|
| **Shareholder spread** | | | | |
| 1 – 1 000 shares | 82 | 7.05 | 55 541 | 0.03 |
| 1 001 – 10 000 shares | 490 | 42.13 | 2 673 429 | 1.45 |
| 10 001 – 99 999 shares | 442 | 38.01 | 15 281 736 | 8.26 |
| 100 000 – 1 000 000 shares | 128 | 11.01 | 31 273 261 | 16.91 |
| 1 000 000 shares and over | 21 | 1.81 | 135 644 716 | 73.35 |
| **Total** | **1 163** | **100.00** | **184 928 683** | **100.00** |
| **Distribution of shareholders** | | | | |
| Close Corporations | 27 | 2.32 | 2 860 174 | 1.55 |
| Individuals | 1 077 | 92.61 | 67 660 630 | 36.59 |
| Nominees and trusts | 30 | 2.58 | 5 253 180 | 2.84 |
| Other corporations | 5 | 0.43 | 70 595 885 | 38.17 |
| Private companies | 24 | 2.06 | 38 558 814 | 20.85 |
| **Total** | **1 163** | **100.00** | **184 928 683** | **100.00** |
| **Non-public/public shareholders** | | | | |
| Non-public shareholders | | | | |
| Directors (includes indirect shareholding) | 7 | 0.60 | 37 690 832 | 20.38 |
| Shareholders interested in 10% or more of issued share capital (see page 19) | 2 | 0.17 | 67 784 191 | 36.65 |
| Public shareholders | 1 154 | 99.23 | 79 453 660 | 42.96 |
| **Total** | **1 163** | **100.00** | **184 928 683** | **100.00** |

# CHROMETCO LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 2002/026265/06)
Share code: CMO ISIN: ZAE000070249
(Chrometco or the company)

# Notice of Annual General Meeting

*Notice is hereby given:*

That the annual general meeting of members of Chrometco will be held in the boardroom, at Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg on Friday, 30 September 2011 at 10:00 to consider the business set out herein and if deemed fit, to pass, with or without modification the ordinary and special resolutions set out below:

**Memorandum of Incorporation**
Until the Companies Act, No 71 of 2008, as amended ("Companies Act") came into effect on 1 May 2011, the memorandum of incorporation ("MoI") of the company comprised its memorandum of association and its articles of association. On the date that the Companies Act came into effect, the memorandum of association and articles of association of the company automatically converted into the company's MoI. Accordingly, for consistency of reference in this notice of annual general meeting, the term "MoI" is used throughout to refer to the company's memorandum of incorporation (which comprised the company's memorandum of association and its articles of association, as aforesaid).

**Ordinary Business:**
**Ordinary resolution number 1: Consideration of Annual Financial Statements**
To receive and adopt the annual financial statements for the company and the group for the year ended 28 February 2011, together with the directors' and auditors' reports.

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% of the voting rights plus one vote to be cast on the resolution.

**Ordinary resolution number 2: Re-appointment of auditors**
To re-appoint RSM Betty & Dickson (Johannesburg) as independent auditors of the company (the designated auditor being Mr J Jones) for the ensuing year, such auditors having been nominated by the company's Audit Committee.

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% of the voting rights plus one vote to be cast on the resolution.

**Ordinary resolution number 3: Election of directors**
In terms of the company's MoI, the following directors retire by rotation at the annual general meeting, but being eligible, offer themselves for re-election and the ratification of directors:

- Mr T Scott; and
- Mr E Bramley.

Accordingly, shareholders are requested to consider and, if deemed fit, to re-elect the directors named above by way of passing the separate ordinary resolutions set out below:

**Ordinary resolution number 3(a)**
Appointment of T Scott as director
Resolved that T Scott be and is hereby elected as a director of the company.

**Ordinary resolution number 3(b)**
Appointment of E Bramley as director
Resolved that E Bramley be and is hereby elected as a director of the company.

The election of each director who, among other things, retires by rotation is required at the company's annual general meeting. The election will be conducted by a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy as required under section of 68(2) of the Companies Act.

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% of the voting rights plus one vote to be cast on the resolution.

A brief *curriculum vitae* of each director is available on page 3 of this integrated annual report.

**Ordinary resolution number 4: Appointment of Audit Committee**
To appoint individually the following independent non-executive directors to the Audit Committee:

**Ordinary resolution number 4(a)**
Appointment of J G Scott as chairperson of the Audit Committee.

**Ordinary resolution number 4(b)**
Appointment of E Bramley as a member of the Audit Committee.

A brief *curriculum vitae* of each director is available on page 3 of this integrated annual report.

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% of the voting rights plus one vote to be cast on the resolution.

**Ordinary resolution number 5: General authority to issue shares for cash**
Resolved that, in terms of the Listing Requirements of the JSE Limited ("JSE"), the mandate given to the directors of the company in terms of a general authority to issue shares for cash, as and when suitable opportunities arise, be renewed subject to the following conditions:

1. The general authority be valid until the company's next annual general meeting, provided that it shall not extend beyond fifteen months from the date of the passing of this ordinary resolution (whichever period is shorter).

2. The allotment and issue of the shares must be made to public shareholders as defined in the Listing Requirements of the JSE and not to related parties.

3. The shares which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such shares or rights that are convertible into a class already in issue.

4. The number of shares issued for cash in aggregate in any one financial year shall not exceed 50% (fifty percent) of the company's issued ordinary share capital. The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue at the date of such application less any ordinary shares issued during the current financial year, provided that any ordinary shares to be issued pursuant to a rights issue (announced, irrevocable and fully underwritten) or acquisition (concluded up to the date of application including announcement of the final terms) may be included as though they were shares in issue at the date of application.

5. The maximum discount at which ordinary shares may be issued is 10% (ten percent) of the weighted average traded price of those shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the securities or any other price agreed to by the JSE.

6. After the company has issued shares for cash which represent, on a cumulative basis within a financial year, 5% (five percent) or more of the number of shares in issue prior to that issue, the company shall publish an announcement containing full details of the issue (including the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed in writing between the issuer and the party subscribing for the shares and the effect of the issue on net asset value, net tangible asset value, earnings and headline earnings per share), or any other announcements that may be required in such regard in terms of the Listings Requirements of the JSE which may be applicable from time to time.

In terms of the Listings Requirements of the JSE, a 75% (seventy-five percent) majority of the votes cast by shareholders present or represented by proxy at the general meeting, excluding the Designated Advisor and the controlling shareholders together with their associates, must be cast in favour of ordinary resolution number 6 for it to be approved.

**Special resolution number 1: General authority to repurchase shares**
Resolved in terms of the MoI of the company (or one of its wholly-owned subsidiaries) and section 48 of the Companies Act, that the directors of the company be authorised, by way of a general authority, until this authority lapses at the next annual general meeting of the company, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution (whichever period is the shorter), to acquire the company's own shares, upon such terms and conditions and in such amounts as the directors may from time to time decide, but subject to the Listings Requirements of the JSE, subject to the following terms and conditions:

1. Any repurchase of securities must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter-party;

2. At any point in time, the company may only appoint one agent to effect any repurchases on its behalf;

3. The number of shares which may be repurchased pursuant to this authority in any financial year may not in the aggregate exceed 20% (five percent) of the company's issued share capital as at the date of passing of this general resolution or 20% (twenty percent) of the company's issued share capital in the case of an acquisition of shares in the company by a subsidiary of the company;
4. Repurchases of shares may not be made at a price greater than 10% (ten percent) above the weighted average of the market value of the securities for the 5 (five) business days immediately preceding the date on which the transaction was effected;

5. Repurchases may not be undertaken by the company or any of its wholly-owned subsidiaries during a prohibited period as defined in the Listings Requirements of the JSE unless a repurchase programme is in place where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period;

6. After the company has acquired shares which constitute, on a cumulative basis, 3% (three percent) of the initial number of shares in issue (at the time that authority from shareholders for the repurchase is granted) of the relevant class of securities and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, the company shall publish an announcement containing full details of such repurchase, and;

7. The company may not enter the market to proceed with the repurchase of its shares until the company's Designated Advisor has confirmed the adequacy of the company's working capital for purposes of undertaking the repurchase of shares in writing to the JSE.

8. The board of directors have passed a resolution authorising the repurchase and that the company has passed the solvency and liquidity test contained in section 4 of the Companies Act, and that since the test was done, there have been no material changes to the financial position of the company.

The effect of the general resolution and the reason there for is to extend the general authority given to the directors of the company or any subsidiary of the company in terms of the Companies Act and the JSE Listings Requirements for the acquisition by the company or its subsidiaries of the company's securities which authority shall be used at the directors' discretion during the course of the period authorised.

In accordance with the Listings Requirements of the JSE Limited, the directors record that:

They have no specific intention to repurchase shares, but would utilise the renewed general authority to repurchase securities to serve our shareholders' interests, as and when suitable opportunities present themselves, which opportunities may require expeditious and immediate action.

The directors, after considering the effect of the maximum number of securities which may be repurchased pursuant to the general authority, are of the opinion that, for a period of 12 (twelve) months after the date of the general repurchase:

- the company and the group will be able to pay their debts in the ordinary course of business;
- the consolidated assets of the company and of the group will be in excess of the liabilities of the company and the group; the assets and liabilities being recognised and measured in accordance with the accounting policies used in the latest audited group annual financial statements;
- the share capital and reserves of the company and of the group are adequate for ordinary purposes; and
- the working capital of the company and the group will be adequate for ordinary business.

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% plus one vote to be cast on the resolution.

**Ordinary resolution number 6: Remuneration philosophy**
To approve, by way of a non-binding advisory vote, the remuneration philosophy of the company as set out on page 12 of this integrated annual report.

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% of the voting rights plus one vote to be cast on the resolution.

**Special resolution number 2: Approval of directors' remuneration**

Resolved that, in terms of section 66(9) of the Companies Act, the company be authorised to pay a maximum amount of remuneration to its non-executive directors for their services as directors as listed below:

| | **Fees year ended 28 February 2011** | Fees year ended 29 February 2012 |
|---|---|---|
| Board chairman | **R48 000** | R48 000 |
| Board member | **R48 000** | R48 000 |
| Audit Committee chairman | **R12 000** | R12 000 |
| Audit Committee member | **R12 000** | R12 000 |
| Remuneration Committee chairman | **R8 000** | R8 000 |
| Remuneration Committee member | **R8 000** | R8 000 |

The reason for special resolution 2 is to obtain shareholder approval by special resolution for directors' remuneration for services as directors in compliance with the Companies Act.

It is noted that the remuneration payable to directors in their capacities as such and does not include salaries and other benefits payable to directors in other capacities.

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy-five percent) of the voting rights plus one vote to be cast on the resolution

**Disclosures required in terms of paragraph 11.26 of the JSE Listings Requirements**

The following additional information, some of which may appear elsewhere in this annual report is provided in terms of the JSE Listings Requirements for purposes of the special resolution:

Directors of the company – page 3.
Major shareholders – page 19.
Directors' interests in the company's shares – page 18.
Company's share capital – page 32.

**Directors' responsibility statement**

The directors, whose names are given on page 3 of this annual report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to the above special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the aforementioned special resolution contains all the information required by the JSE.

**Material change**

Other than the facts and developments reported on in this annual report, there have been no material changes in the financial or trading position of the company or its subsidiaries since the company's financial year-end and the signature date of this annual report.

**Litigation statement**

Save for certain proceedings which have been threatened by DCM Chrome, which are set out below, there are no legal or arbitration proceedings, including proceedings that are pending or threatened of which the group is aware, that may have or have had in the recent past, being at least the 12 months prior to the date of this integrated annual report, a material effect on the group's financial position. DCM Chrome have indicated that they may elect to recover such amounts as paid in terms of the mining and management agreement from Chrometco in the event that the general meeting convened on 6 July 2011, proceeded and the implementation of the disposal agreement not be approved by shareholders. It is the view of the board, having regard to legal advice obtained in this regard, that the claims of and proceedings threatened by DCM Chrome are without merit.

**Voting and proxies**

A shareholder of the company entitled to attend, speak, and vote at the annual general meeting is entitled to appoint a proxy or proxies to attend, speak and on a poll vote in his stead. The proxy need not be a shareholder of the company. A form of proxy is attached for the convenience of any certificated shareholder and own name registered dematerialised shareholder who cannot attend the annual general meeting, but who wishes to be represented.

Additional forms of proxy may also be obtained on request from the company's registered office. The completed forms of proxy must be deposited at, posted or faxed to the transfer secretaries at the address set out below, to be received by no later than 10:00 on Wednesday, 28 September 2011. Any member who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the annual general meeting should the member subsequently decide to do so.

On a show of hands, every shareholder of the company present in person or by proxy shall have 1 (one) vote only, irrespective of the number of shares he holds or represents, provided that a proxy shall, irrespective of the number of members he represents have only 1 (one) vote. On a poll, every shareholder of the company who is present in person or represented by proxy, shall have one vote for every share held in the company by such shareholder.

Shareholders who have dematerialised their ordinary shares through a CSDP or broker, other than own name registered dematerialised shareholders, and who wish to attend the annual general meeting must request their CSDP or broker to issue them with a Letter of Representation. Alternatively dematerialised shareholders, other than own name registered dematerialised shareholders, who wish to be represented, must provide their CSDP or broker with their voting instructions in terms of the custody agreement between them and their CSDP or broker in the manner and by time-frame stipulated.

Any shareholder of the company that is company may authorise any person to act as its representative at the annual general meeting. Please also note that section 63(1) of the Companies Act, requires that persons wishing to participate in the annual general meeting (including the aforementioned representative) provide satisfactory identification before they may so participate.

Voting will be performed by way of a poll so that each shareholder present or represented by way of a poll so that each shareholder present or represented by way of proxy will be entitled to vote the number of shares held or represented by him.

Equity securities held by a share trust or scheme will not have their votes at the annual general meeting taken into account for the purposes of resolutions proposed in terms of the JSE Listings Requirements.

Unlisted securities (if applicable) and shares held as treasury shares may not vote.

The last day to trade in order to be eligible to vote at the annual general meeting is Friday, 16 September 2011.

The record date in order to vote at the annual general meeting is Friday, 23 September 2011.

By order of the board

**PJ Cilliers**
*Managing Director*

Johannesburg
24 August 2011

# CHROMETCO LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 2002/026265/06)
Share code: CMO ISIN: ZAE000070249
(Chrometco or the company)

# Form of Proxy

For use by the holders of the company's certificated ordinary shares ("certificated shareholder") and/or dematerialised ordinary shareholders whose shares are held through a CSDP or broker and who have selected own name registration ("own name dematerialised shareholders") at the annual general meeting of the company to be held at the offices of Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 at 10:00 on Friday, 30 September 2011 and at any adjournment thereof.

Not for the use by holders of the company's dematerialised ordinary shares who are not own name dematerialised shareholders. Such shareholders must contact their CSDP or broker timeously if they wish to attend and vote at the annual general meeting and request that they be issued with the necessary Letter of Representation to do so, or provide the CSDP or broker timeously with their voting instructions should they not wish to attend the annual general meeting in order for the CSDP or broker to vote thereat in accordance with their instructions.

I/We ________________________________________ (please print full names)

of ________________________________________ (address)

being the holder(s) of [                    ] ordinary shares in the company, hereby appoint:

1. ________________________________________ or failing him/her,

2. ________________________________________ or failing him/her,

3. the chairman of the annual general meeting,

as my/our proxy to attend and speak out and, on a poll, vote for me/us on my/our behalf at the annual general meeting of the company to be held for the purpose of considering and, if deemed fit, passing the ordinary and special resolutions to be proposed thereat and at each adjournment thereof, and to vote for and/or against and/or abstain from voting in respect of the ordinary shares in the issued share capital of the company registered in my/our name/s in accordance with the following instructions:

Please indicate with an "X" the appropriate space below how you wish your votes to be cast unless otherwise instructed my/our proxy may vote as he/she thinks fit.

| | IN FAVOUR | AGAINST | ABSTAIN |
|---|---|---|---|
| **ORDINARY BUSINESS** | | | |
| 1. To adopt the annual financial statements for the year ended 28 February 2011 | | | |
| 2. To re-appoint RSM Betty & Dickson (Johannesburg) as independent auditors of the company (the designated auditor being Mr J Jones). | | | |
| 3. (a) To re-elect T Scott as a director | | | |
| (b) To re-elect E Bramley as a director | | | |
| 4. (a) To appoint Mr J G Scott as a member of the Audit Committee | | | |
| (b) To appoint Mr E Bramley as a member of the Audit Committee | | | |
| 5. General authority to issue shares for cash | | | |
| 6. Remuneration philosophy | | | |
| **SPECIAL BUSINESS** | | | |
| 1. General authority to repurchase shares | | | |
| 2. Approval of directors' remuneration | | | |

A member entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend, speak and, on a poll, vote in his stead. A proxy so appointed need not be a member of the company.

Signed at ____________________ on ____________________ 2011

Signature ________________________________________

Assisted by ________________________________________ (if applicable)

**Please read the notes on the reverse.**

# Notes to form of proxy

1. This form of proxy is to be completed only by those members who are:
   - holding shares in certificated form; or
   - recorded in the sub-register in electronic form in their "own name".

2. A shareholder may insert the name or names of two alternative proxies of his choice in the space provided, with or without deleting "the chairman of the annual general meeting". The person whose name appears first on this form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. Any such proxy, who need not be a shareholder of the company, is entitled to attend, speak and vote on behalf of the shareholder.

3. A proxy is entitled to one vote on a show of hands and, on a poll, one vote for each share held. A shareholder's instructions to the proxy must be indicated in the appropriate space.

4. If a shareholder does not indicate on this instrument that the proxy is to vote in favour of or against any resolution or to abstain from voting or gives contradictory instructions, or should any further resolution/s or any amendment/s which may be properly put before the annual general meeting be proposed, the proxy shall be entitled to vote as he thinks fit.

   Forms of proxy must be lodged at, posted to or faxed to the transfer secretaries, Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to reach the company by no later than 10:00 on Wednesday, 28 September 2011.

5. Documentary evidence establishing the authority of the person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretaries or waived by the chairman of the annual general meeting.

6. The completion and lodging of this form of proxy does not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person to the exclusion of any proxy appointed in terms of this form of proxy.

7. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.

8. The chairman of the annual general meeting may accept or reject any form of proxy, which is completed and/or received, other than in accordance with these notes, provided that the chairman shall not accept a proxy unless the chairman is satisfied as to the manner in which a member wishes to vote.

9. Shareholders who have dematerialised their shares must inform their CSDP or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the necessary Letter of Representation to attend the annual general meeting or provide their CSDP or broker with their voting instructions should they not wish to attend the annual general meeting in person but wish to be represented thereat. This must be done in terms of the agreement entered into between the members and their CSDP or broker.

10. Please note that, in terms of section 58(3) of the Companies Act:
    - the appointment of a proxy is revocable unless the proxy appointment expressly states otherwise. If the appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy; and delivering a copy of the revocation instrument to the proxy, and to the company. The revocation will take effect on the later of: (i) the date stated in the revocation instrument or (ii) the date on which the revocation instrument was delivered to the proxy and the company.
    - a proxy may delegate his authority to act on your behalf to another person, subject to any restriction set out in this form of proxy;
    - a proxy must be delivered to the company, or to the transfer secretaries of the company, namely Computershare Investor Services (Pty) Limited, before your proxy exercises any of your rights as a shareholder at the annual general meeting.

    The last day to trade in order to be eligible to vote at the annual general meeting is Friday, 16 September 2011.

    The record date in order to vote at the annual general meeting is Friday, 23 September 2011.

CHROMETCO
LIMITED

www.chrometco.co.za