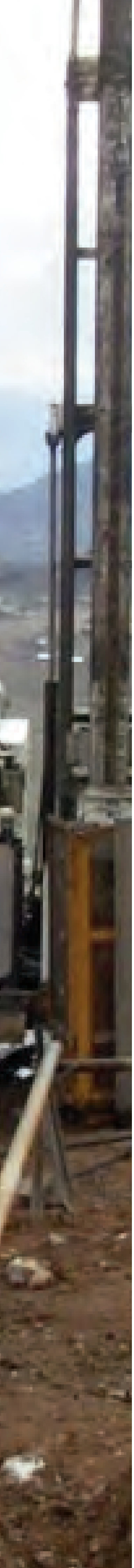
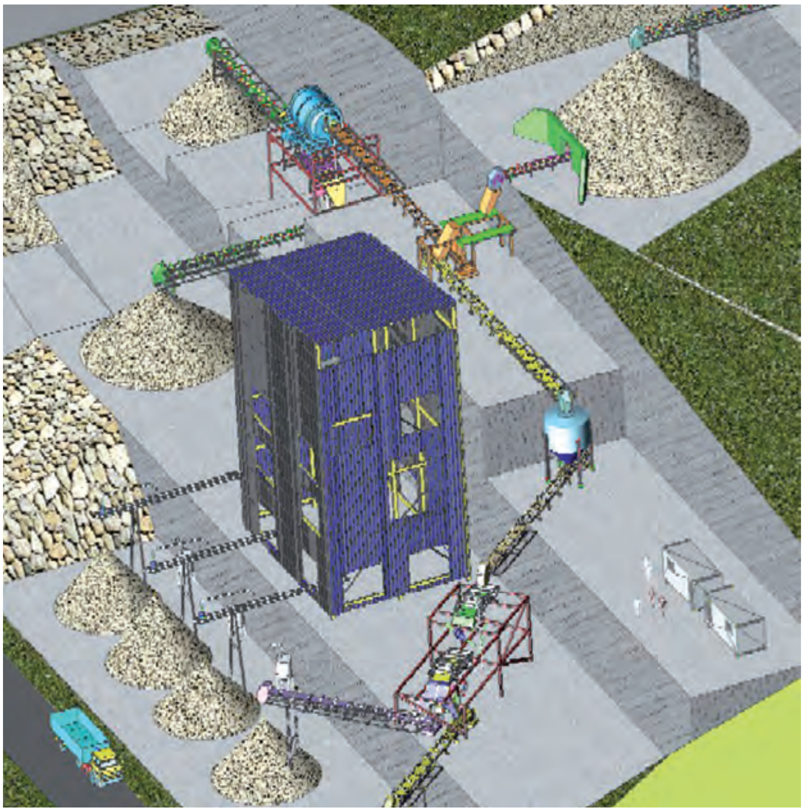


CHROMEX MINING

Annual report and financial statements

for the year ended 30 September 2007

CHROMEX MINING



Chrome mine plan

Chromex Mining plc, a dedicated chrome company established to acquire, control and develop chromite mining and processing facilities with the intention of building an expanding resource base.

Directors, Officers and Advisers

Directors
Brian Michael Moritz (Executive Chairman)
Nigel Patrick Gordon Wyatt (Chief Executive Officer)
James Everett Burgess (Non-Executive Director)
Vusimuzi Moses Nkosi (Non-Executive Director)
Dr Christopher Alan Lee (Non-Executive Director)
Robert Sinclair (Non-Executive Director)

Secretary and registered office
Cargil Management Services Limited
27-28 Eastcastle Street
London W1W 8DH

Company registered number
05566992

Nominated Adviser and Broker
Blue Oar Plc
30 Old Broad Street
London EC2N 1HT

Auditor
Chantrey Vellacott DFK LLP
Russell Square House
10-12 Russell Square
London WC1B 5LF

Solicitors
Memery Crystal LLP
44 Southampton Buildings
London WC2A 1AP

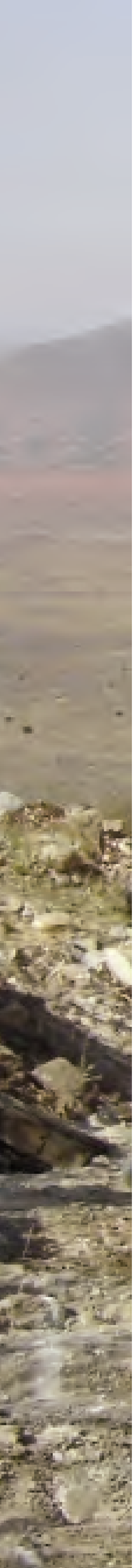
Solicitors (South Africa)
Fluxmans
11 Biermann Avenue, Rosebank 2196
Johannesburg
South Africa

Geological consultants
RSG Global
Block D Somerset Office Estate 604 Kudu Street
Allen's Nek, Roodepoort 1737
South Africa

Registrars
Share Registrars Limited
Craven House
West Street
Farnham
Surrey GU9 7EN

Financial Public Relations
St Brides Media and Finance
Chaucer House
38 Bow Lane
London EC4M 9AY

Web site
www.chromexmining.co.uk



Drill rig set-up for MEK06-01

Chairman's statement

The year under review was one of considerable achievement for Chromex, but at the same time the pace of moving forward to production was slower than the Directors would have wished, due to matters outside their control.

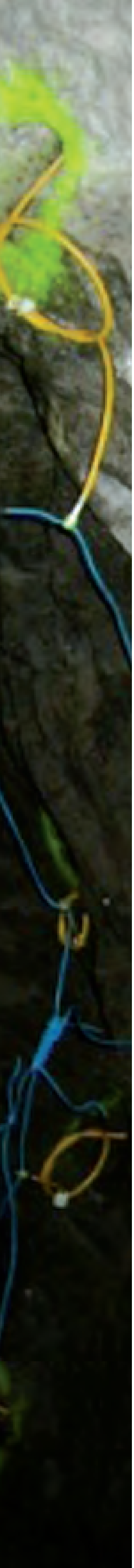
Chromex's first objective is to bring its Mecklenburg project into production. It has a "New Order" Prospecting Right over the farm Mecklenburg in Limpopo Province, South Africa, and intends to mine chromite there. Mecklenburg is part of the Eastern Limb of the Bushveld complex, well known for hosting much of the world's known resources of platinum, but also a major source of chromite. The LG6 and LG6A chromite reefs outcrop at surface at Mecklenburg and Chromex intends to mine this resource over a 10 year period.

In March 2007 the Bankable Feasibility Study ('BFS') for the Mecklenburg project was signed off by RSG Global, Chromex's consultants. In April 2007 Chromex submitted an application to convert its Prospecting Right to a Mining Right. Although the holder of the Prospecting Right has the exclusive right to apply for conversion, no time scale for approval is included in the legislation, and the Mining Right has yet to be issued. The position became more complicated when it became clear that a conflicting Prospecting Right had been issued covering much of the same area as the Company's Prospecting Right. A legal opinion was obtained by Chromex as to the merits of the two conflicting rights, which clearly demonstrated that the conflicting claim was based on errors in its legal title and was invalid, and leading Counsel confirmed this opinion. On the basis of further legal advice the Company has applied, under Section 47 of the Mineral and Petroleum Resources Development Act of South Africa, for the cancellation of the conflicting right. The Directors believe that such cancellation would pave the way for the issue of the Mining Right. It cannot be stressed too strongly that the Directors, on the basis of their legal advice, believe that the Company's title and claims are valid, and discussions with the Department of Minerals and Energy, both formal and informal, have done nothing to dissipate the Board's confidence. Although a resolution of the Section 47 application is expected in the near future, no progress on mine construction can be made until the dispute is resolved and the Mining Right issued.

Bulk sample blasting site

Chromex has stated its intention to increase the ore resources under its control. The first stage of this expansion was achieved when Chromex entered into binding Heads of Agreement with Mkhombi Stellite (Pty) Ltd ("Mkhombi") whereby Mkhombi will vend 100% of its chrome assets into Chromex's South African subsidiary, Chromex Mining (Pty) Ltd, for a total consideration of ZAR34m (approximately GBP2.4m). This comprises ZAR14m (approximately GBP1m) cash with the balance of ZAR20m (approximately GBP1.4m) in new Chromex shares at a price of 25p per share.

Mkhombi is the controlling (51%) and managing shareholder of Ilitha Mining (Pty) Ltd ("Ilitha") which is the 100% owner of the Stellite chrome project located on the Western Limb of the Bushveld complex in South Africa. A New Order Mining Right has been granted to Ilitha, encompassing the entire 271 hectare Stellite property. The project has an estimated 15 million tonnes of chrome resources comprising four seams, namely the LG6, MG1, MG2 and MG4. All four seams outcrop on the property and it is anticipated that approximately 3 million tonnes will be open-cast. The project has been extensively drilled and has had approximately 170,000 tonnes of chromite mined and sold to the domestic and international chrome markets by the previous owners.



The Mining Right will fast track development of the Stellite open-cast resources, which will significantly reduce the Company's timeline to production.

The proposed transaction will more than double the Company's controlled resources from 9 million tonnes to approximately 24 million tonnes and reduce the Company's operational risk through the development of two mines instead of a single stand-alone operation. Chromex will be the operators of the project and it is intended that Russell Lamming, a member of the previous management team, will join the Chromex board as an Executive Director.

The acquisition will be completed as soon as permission is received under Section 11 of the Mineral and Petroleum Resources Development Act for the change of control. This permission is also expected in the near future, and the current expectation of the Directors is that the Stellite project will enter production before Mecklenburg, probably in the first half of 2008.

The cash element of the acquisition will be settled from the company's existing resources, which amounted to more than £2 million at 30 September 2007. This healthy cash position is due largely to a placing of new shares at 25p each in June 2007 which raised £1.75 million before costs. The subscribers received one warrant for every two shares applied for. These unlisted warrants entitle the holder to subscribe for new ordinary shares at 35p per share at any time up to 30 June 2009.

The financial results for the year show a loss of some £495,000. However, almost half of this loss, £177,000, was the cost of the BFS, and will not recur in future.

The Board retains its focus on commencing production as soon as possible to take advantage of the ongoing buoyant ferrochrome market. As previously stated, the Stellite project is likely to be first into production. Nevertheless, as soon as the Mining Right at Mecklenburg is confirmed, Chromex will seek to raise new equity to commence mining there within a tight time frame. The notice of the Annual General Meeting contains a resolution allowing the Directors to place sufficient new shares for this purpose, and it is for this reason that the proposed authority exceeds normal levels.

Importantly, the company continues to discuss offtake agreements with potential end-users of the chrome ore including major steel producers in the Far East. The directors are confident that such agreements will be signed at prices advantageous to the company as and when we can guarantee to supply the ore.

Chris Lee, a non-executive director, has notified the company that he does not wish to seek re-election at the Annual General Meeting, as he feels the tasks for which he joined the board have now been completed, as the group moves towards the production phase of its development. Chris, an exploration geologist, has made a valuable contribution to the early stages of the company and I thank him for his efforts.

The time taken to obtain regulatory approvals has been frustrating, but I remain confident that the company will make significant progress during the current year and that shareholders will be rewarded for their continued support accordingly.

Brian Moritz
15 February 2008

Directors' report

for the year ended 30 September 2007

The directors present their report and the audited financial statements for the year ended 30 September 2007.

Principal activities

The principal activity of the company continues to be that of a holding company of a group which mines chromite. The initial project is the Mecklenburg mine on the Eastern limb of the Bushveld Complex in South Africa. It has applied to convert its Prospecting Right on this project to a Mining Right and intends to raise mining finance, comprising both debt and equity, as soon as the Mining Right is received and to commence mining operations at Mecklenburg.

The group has also agreed to purchase Mkhombi Stellite (Pty) Ltd, which in turn owns 51% of a chrome mine on the Western Limb of the Bushveld Complex. Permission for the change of control is being sought from the South African authorities, and the process to bring this mine into production will start as soon as such permission is received.

In the longer term the company intends to expand the chromite resources under its control by the acquisition of other resources in Southern Africa.

Chromex Mining plc is incorporated in England and Wales as a public limited company. Its registered office is:
27-28 Eastcastle Street
London
W1W 8DH.

Its web site is www.chromexmining.co.uk

Review of business and future developments

The company has remained in its development stage at 30 September 2007, its share capital and warrants having been admitted to AIM on 7 September 2006. The Chairman's statement covers his review of the year.

As the company has not traded our report does not include any analysis of Key Performance Indicators.

Creditors payment policy

The company's policy is to ensure that, in the absence of dispute, all suppliers are dealt with in accordance with its standard payment practice whereby all outstanding trade accounts are settled within the term agreed with the supplier at the time of the supply or otherwise 30 days from the receipt of the relevant invoice.

Financial risk management

The company's operations expose it to a variety of financial risks that includes liquidity risk – see note 3 to the accounts.

Dividends

The directors do not recommend payment of a dividend.

Directors and their interests

The following directors served during the year:

Serafa Hill

B M Moritz (Chairman)
N P G Wyatt (Chief Executive)
P Pouroulis – appointed 4 May 2007
J E Burgess
V M Nkosi
Dr C A Lee
R Sinclair

The directors' interests in the ordinary shares of the company at 30 September 2007 were as follows:

	Number of ordinary shares of 1p each	**Percentage of issued share capital**
B M Moritz	5,050,000	7.94%
J E Burgess	5,000,000	7.86%

No other director had a beneficial interest in the share capital of the company. Mr Nkosi is a director of Umnotho weSizwe Investment Holdings (Pty) Limited, which holds 26% of the company's operating subsidiary company in South Africa, Chromex Mining Company (Pty) Limited.

Dr Lee has an option to subscribe for 125,000 ordinary shares at 20p per share at any time up to 7 September 2011. Subject to this no director has any right to subscribe for shares in or debentures of the company.

There have been no changes in these interests since 30 September 2007.

Substantial shareholdings

In addition to the directors' interests set out above, the company had been notified of the following substantial interests as at 30 September 2007.

	Number of ordinary shares of 1p each	**Percentage of issued share capital**
Spruce Management Limited	36,500,000	57.41%
Sprott Asset Management Limited	4,000,000	6.29%
Photon Global Limited	3,340,000	5.25%
Sirius Resource Fund 1 Limited	2,000,000	3.15%

Photon Global Limited also holds 2,500,000 warrants to subscribe for ordinary shares.

Since 30 September 2007 the following changes have been notified:
Spruce Management Limited has transferred shares to underlying beneficial holders and now holds 34,000,000 ordinary shares (53.48%).
Photon Global Limited has both sold and purchased shares and now holds 2,760,000 ordinary shares (4.34%).
Sirius Resource Fund 1 Limited has purchased further shares and now holds 3,275,000 ordinary shares (5.15%)
There have been no other notifications of changes in these interests since 30 September 2007.

Political and charitable donations

There were neither political nor charitable donations by Chromex Mining plc during the year ended 30 September 2007.

Directors' report

continued

Corporate governance statement

The Board has established an audit committee and a remuneration committee with formally delegated duties and responsibilities.

The audit committee consists of James Burgess and Robert Sinclair and is chaired by Robert Sinclair. The audit committee has responsibility for ensuring that the financial performance, position and prospects of the company are properly monitored and reported on, for meeting with the auditor and discussing their reports on the accounts and the company's financial controls and for recommending the appointment of auditors.

The remuneration committee consists of Robert Sinclair and James Burgess and is chaired by James Burgess. The remuneration committee has responsibility for reviewing the performance of the executive directors, setting their remuneration, determining the payment of any bonuses and considering the grant of options under the company's share option schemes.

The remuneration and terms and conditions of appointment of the non-executive directors are set by the Board. No director may participate in any discussions or decisions regarding his own remuneration.

The Board meets on a quarterly basis.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

Each director of the company has confirmed that, in fulfilling their duties as a director, they have:

- taken all the necessary steps in order to make themselves aware of any information relevant to the audit and to establish that the auditor is aware of that information; and
- so far as they are aware, there is no relevant audit information of which the auditor has not been made aware.

By order of the Board:
B M Moritz
Director
15 February 2008

Independent auditor's report

to the shareholders of Chromex Mining plc

We have audited the consolidated and parent company financial statements (the "financial statements") of Chromex Mining plc for the year ended 30 September 2007 which comprise the consolidated income statement, consolidated and parent company balance sheets, consolidated and parent company cash flow statements, consolidated and parent company statements of changes in equity, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the parent company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985.

We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Independent auditor's report

to the shareholders of Chromex Mining plc

continued

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion;

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union, of the state of the group's and the parent company's affairs as at 30 September 2007 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985.
- the information given in the directors' report is consistent with the financial statements.

Chantrey Vellacott DFK LLP
Chartered Accountants
Registered Auditor
London
15 February 2008

The maintenance and integrity of the Chromex Mining plc web site is the responsibility of the directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may occur to the accounts after they are initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Consolidated income statement

for the year ended 30 September 2007

	Note	2007 £'000	2006 £'000
Revenue		**–**	–
Administrative expenses		**(366)**	(55)
Cost of bankable feasibility study		**(176)**	–
Loss from operations		**(542)**	(55)
Income from investments	5	**47**	1
Loss for the year		**(495)**	(54)
Loss per share			
Basic and diluted	8	**8.44p**	0.35p

The operating losses arise from the group's continuing operations.

Consolidated and company balance sheets

as at 30 September 2007

		Consolidated		Company	
		2007	2006	2007	2006
	Notes	£'000	£'000	£'000	£'000
Assets					
Non-current assets					
Intangible assets	9	**400**	400	**–**	–
Investments	10	**–**	–	**400**	400
		400	400	**400**	400
Current assets					
Cash and cash equivalents	12	**2,188**	779	**2,187**	586
Trade and other receivables	13	**12**	300	**414**	519
		2,200	1,079	**2,601**	1,105
Total assets		**2,600**	1,479	**3,001**	1,505
Equity and liabilities					
Equity attributable to equity holders of the company					
Share capital	15	**636**	564	**636**	564
Share premium		**2,440**	794	**2,440**	794
Exchange reserves		**(15)**	(13)	**–**	–
Accumulated losses		**(549)**	(54)	**(105)**	(31)
Total equity		**2,512**	1,291	**2,971**	1,327
Current liabilities					
Trade and other payables	14	**88**	188	**30**	178
Total liabilities		**88**	188	**30**	178
Total equity and liabilities		**2,600**	1,479	**3,001**	1,505

These financial statements were approved by the Board of directors and authorised for issue on 15 February 2008

They were signed on its behalf by:
B M Moritz
Director

Statements of changes in equity

for the year ended 30 September 2007

Consolidated	Share capital £'000	Share premium £'000	Accumulated losses £'000	Exchange reserves £'000	Total £'000
Period ended 30 September 2006					
Loss for the year	–	–	(54)	–	(54)
Issue of share capital	564	1,124	–	–	1,688
Costs associated with the issue of share capital	–	(330)	–	–	(330)
Exchange translation loss	–	–	–	(13)	(13)
As at 30 September 2006	564	794	(54)	(13)	1,291
Year ended 30 September 2007					
Loss for the year	**–**	**–**	**(495)**	**–**	**(495)**
Issue of share capital	**72**	**1,714**	**–**	**–**	**1,786**
Costs associated with the issue of share capital	**–**	**(68)**	**–**	**–**	**(68)**
Exchange translation loss	**–**	**–**	**–**	**(2)**	**(2)**
As at 30 September 2007	**636**	**2,440**	**(549)**	**(15)**	**2,512**

Company	Share capital £'000	Share premium £'000	Accumulated losses £'000	Total £'000
Period ended 30 September 2006				
Loss for the year	–	–	(31)	(31)
Issue of share capital	564	1,124	–	1,688
Costs associated with the issue of share capital	–	(330)	–	(330)
As at 30 September 2006	564	794	(31)	1,327
Year ended 30 September 2007				
Loss for the year	**–**	**–**	**(74)**	**(74)**
Issue of share capital	**72**	**1,714**	**–**	**1,786**
Costs associated with the issue of share capital	**–**	**(68)**	**–**	**(68)**
As at 30 September 2007	**636**	**2,440**	**(105)**	**2,971**

Consolidated and company cash flow statements

for the year ended 30 September 2007

		Consolidated		Company	
		2007	2006	2007	2006
	Note	£'000	£'000	£'000	£'000
Net cash from operating activities	(a)	**(356)**	(181)	**(158)**	(374)
Cash flows from investing activities					
Purchase of intangible assets		**–**	(400)	**–**	–
Purchase of investments		**–**	–	**–**	(400)
Interest received		**47**	1	**41**	1
Net cash from investing activities		**47**	(399)	**41**	(399)
Cash flows from financing activities					
Proceeds of issues of share capital		**1,718**	1,359	**1,718**	1,359
Net cash from financing activities		**1,718**	1,359	**1,718**	1,359
Net increase in cash and cash equivalents		**1,409**	779	**1,601**	586
Cash and cash equivalents at the beginning of the year		**779**	–	**586**	–
Cash and cash equivalents at the end of the year		**2,188**	779	**2,187**	586

Notes to the cash flow statements

(a) **Operating loss from continuing operations**	**(542)**	(54)	**(115)**	(32)
Decrease/(Increase) in receivables	**288**	(300)	**105**	(519)
(Decrease)/Increase in payables	**(100)**	186	**(148)**	177
Foreign exchange adjustment	**(2)**	(13)	**–**	–
Net cash from operating activities	**(356)**	(181)	**(158)**	(374)

Notes to the financial statements

for the year ended 30 September 2007

1. Accounting policies

a) Presentation of financial information

Chromex Mining plc is incorporated in the United Kingdom under the Companies Act 1985.

The consolidated financial statements are presented in pounds sterling, which is considered by the directors to be the most appropriate presentation currency for the consolidated financial statements.

b) Basis of preparation of the financial statements

The financial statements have been prepared in accordance with applicable International Financial Reporting Standards. The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The preparation of the financial statements requires the directors to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions, which are based on the directors' best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and enterprises controlled by the company (its subsidiaries) made up to 30 September each year. Control is achieved where the company has the power to govern the financial and operating policies of a subsidiary.

On acquisition and when control is achieved, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition or at the date control is achieved.

Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the group.

Notes to the financial statements

for the year ended 30 September 2007

continued

d) Revenue recognition

Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate.

e) Foreign currency

All assets and liabilities of foreign subsidiaries are translated at the closing rate existing at the balance sheet date. Income and expense items are translated at an average rate for the period. Equity items other than the net profit or loss for the year that is included in the balance of accumulated profit or loss are translated at the closing rate existing at the balance sheet date.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

f) Prospecting and Mining Rights

Prospecting and Mining Rights are stated at cost less depreciation and any accumulated impairment losses. Cost includes pre-production expenditure incurred during the development of the mine. Cost also includes borrowing costs capitalised during the construction period where such costs are financed by borrowings.

Mining Rights will be amortised over ten years from the commencement of mining on a straight-line basis, or such lesser period as may be appropriate, on an individual asset basis.

g) Trade and other receivables

Trade receivables are stated at their nominal value less allowances for irrecoverability.

h) Cash and cash equivalents

Cash and cash equivalents comprise cash held by the company and short-term bank deposits with an original maturity of three months or less.

i) Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

j) Taxation

The tax charge represents the sum of current and deferred tax.

Deferred tax is provided, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts, in the financial statements. Deferred tax assets relating to the carry-forward of unused tax losses are recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised.

2. Business and geographical segments

For management purposes, the company's main activity is that of a holding company. Its activity is wholly within the United Kingdom. The activity of the subsidiary company, Chromex Mining Company (Pty) Limited will initially be wholly within the Republic of South Africa.

3. Financial risk management

The company's operations expose it to a variety of financial risks that include liquidity risk. The company has in place a risk management programme that seeks to limit the adverse effect of such risks on its financial performance.

Liquidity risk

The company reviews its facilities regularly to ensure that it has adequate funds for operations and expansion plans. As set out in the Chairman's statement the company will require further funds to bring its mines into production.

4. Employees and directors

	2007 £'000	2006 £'000
Staff costs, including directors:		
Wages and salaries	**149**	10
	No	**No.**
Average monthly number of staff, including directors, employed by the company during the year:		
Management and administration	**7**	6
	£'000	**£'000**
Key management personnel compensation:		
Salaries and short term employee benefits	**149**	10

All of the above key management personnel compensation relates to directors' aggregate emoluments

5. Interest receivable

	2007 £'000	2006 £'000
Bank interest received	**47**	1

6. Loss for the period

	2007 £'000	2006 £'000
Loss has been arrived at after charging:		
Auditor's remuneration for audit services	**15**	12

In respect of the previous year the auditors also received £12,000 in relation to the AIM admission.

Notes to the financial statements
for the year ended 30 September 2007
continued

7. Taxation

	2007 £'000	2006 £'000
Loss on ordinary activities before tax	**(495)**	(54)
Tax on loss on ordinary activities at standard CT rate of 30.00%	**(149)**	(16)
Effects of:		
Expenses not deductible for tax purposes	**–**	16
Non-taxable income	**(11)**	–
Unrelieved tax losses and other deductions arising in the year	**160**	–
Current tax charge for the period	**–**	–

Tax losses of £548,000 are available to carry forward and set off against any future taxable profits from the same trade. No deferred tax asset has been recognised in respect of these losses, as there is currently insufficient evidence that the asset will be recoverable in the foreseeable future.

8. Loss per ordinary share
The calculation of basic and diluted loss per ordinary share is based on the following losses and number of shares

	2007 £'000	2006 £'000
Loss for the financial period	**(495)**	(54)
	No of shares	**No of shares**
Weighted average number of shares	**58,627,068**	15,486,684

The share options and warrants outstanding at 30 September 2006 are not included in the calculation of diluted earnings per share as, in the opinion of the directors, they are antidilutive.

9. Intangible assets
Consolidated

	2007 £'000	2006 £'000
Brought forward	**400**	–
Mining rights acquired with subsidiary undertaking	**–**	400
Valuation at 30 September	**400**	400

The "New Order" Prospecting Right is over the farm Mecklenburg in Limpopo Province, South Africa. The LG6 and LG6A chromitite reefs outcrop at surface at Mecklenburg and Chromex intends to mine this resource over a 10 year period. The fair value of the Prospecting Right is deemed to be its acquisition cost.

In April 2007 Chromex submitted an application to convert its Prospecting Right to a Mining Right. A conflicting Prospecting Right had been issued which covered much of the same area as the Company's Prospecting Right. A legal opinion was obtained by Chromex as to the merits of the two conflicting rights, which clearly demonstrated that the conflicting claim was based on errors in its legal title and was invalid, and leading Counsel confirmed this opinion. On the basis of further legal advice the Company has applied for the cancellation of the conflicting right.

10. Investments

Company

	2007 £'000	2006 £'000
Cost brought forward	**400**	–
Additions – subsidiary undertakings	**–**	400
At 30 September	**400**	400

The company has one subsidiary, Chromex Mining Company (Pty) Ltd., which is incorporated in South Africa, 74% owned and operating in mining exploration.

The losses incurred in the year attributable to the minority interest have been consolidated in full, as they are not currently recoverable.

11. Loans to related undertakings

Company

	2007 £'000	2006 £'000
Loans to subsidiary undertakings		
Brought forward	**219**	–
Funds advanced	**188**	219
At 30 September	**407**	219

The directors consider that the fair value of the loans outstanding are not materially different from their book values. The loans have interest payable at LIBOR plus 2% with no fixed terms of repayment. The interest has been waived up to 30 September 2007.

12. Cash and cash equivalents

	Consolidated		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Cash at bank	**2,038**	799	**2,037**	586
Cash in transit	**150**	–	**150**	–
Total	**2,188**	799	**2,187**	586

Bank balances and cash comprise cash held by the group and the company and short-term bank deposits with an original maturity date of three months or less. The carrying value of these assets approximates their fair value. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies

Notes to the financial statements

for the year ended 30 September 2007

continued

13. Trade and other receivables

	Consolidated		Company	
	2007	**2006**	**2007**	**2006**
	£'000	**£'000**	**£'000**	**£'000**
Advance to subsidiary undertaking	**–**	–	**407**	219
Other debtors	**12**	300	**7**	300
Total	**12**	300	**414**	519

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

14. Trade and other payables

	Consolidated		Company	
	2007	**2006**	**2007**	**2006**
	£'000	**£'000**	**£'000**	**£'000**
Trade creditors	**58**	120	**–**	120
Accruals	**30**	68	**30**	58
Total	**88**	188	**30**	178

The directors consider that the carrying amount of trade and other payables approximates their fair value.

15. Called up share capital

	2007	**2007**	**2006**	**2006**
	No.	**£'000**	**No.**	**£'000**
Authorised:				
Ordinary shares of 1p each	**200,000,000**	**2,000**	200,000,000	2,000
Issued and fully paid ordinary shares of 1p each				
Brought forward	**56,440,000**	**564**	–	–
Issued during the period	**7,140,000**	**72**	56,440,000	564
Balance at 30 September	**63,580,000**	**636**	56,440,000	564

On 13 June 2007, 7,000,000 new 1p ordinary shares were issued, and on 20 June a further 140,000 1p ordinary shares were issued. These issues were for cash at 25p per share to provide further working capital. In each case investors received one warrant for every two shares subscribed for, entitling the holder to apply for one new 1p ordinary share at 35p at any time up to 30 June 2009.

As at 30 September 2007, there were also 5,530,000 warrants outstanding, which are traded on AIM, exercisable up to the earlier of five years from the date of admission to AIM and the day ten business days after an offer for the issued share capital of the company becomes or is declared unconditional in all respects, at an exercise price of 20p per share, with each warrant being convertible to one ordinary share.

Dr Christopher Lee, a director, has 125,000 assignable options to subscribe for ordinary shares at 20p per share, exercisable at any time between the first and the fifth anniversary of the admission to AIM.

Blue Oar PLC, the company's broker, has an option to subscribe for 282,500 ordinary shares at 20p per share, exercisable at any time up to the third anniversary of admission to AIM.

The directors have calculated the value of options granted during the year using the Black Scholes valuation method. On this basis, and on assumptions considered reasonable by the directors, no charge has been made in the income statement.

16. Ultimate controlling party

In the opinion of the directors, the ultimate controlling party is the immediate parent undertaking, Spruce Management Limited, a company incorporated in the British Virgin Islands.

17. Subsidiary company

The subsidiary company is Chromex Mining Company (Pty) Limited, which is 74% owned, and is incorporated and operating in South Africa. There are no arrangements in place requiring the outside interests to contribute to losses, so that the whole of the loss is dealt with in the Consolidated Income Statement.

18. Capital commitment

On 20 July 2007 the company entered into a binding Heads of Agreement with Mkhombi Stellite (Pty) Ltd ("Mkhombi") whereby Mkhombi will vend 100% of its chrome assets into Chromex's South African subsidiary Chromex Mining (Pty) Ltd for a total consideration of ZAR34m (approximately £2.4m). This comprises ZAR14m (approximately £1m) cash with the balance of ZAR20m (approximately £1.4m) in new Chromex shares at a price of 25p per share.

Mkhombi is the controlling (51%) and managing shareholder of Ilitha Mining (Pty) Ltd ("Ilitha") which is the 100% owner of the Stellite chrome project located on the Western Limb of the Bushveld complex in South Africa. A New Order Mining Right has been granted to Ilitha, encompassing the entire 271 hectare Stellite property. The project has an estimated 15 million tonnes of chrome resources comprising four seams, namely the LG6, MG1, MG2 and MG4.

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