



ABN 30 003 207 467

31 March 2009 Quarterly Activities Report

Key Highlights:

- **Settlement of Sale of 53% of Ruighoek Chrome Project**
- **Repayment of US\$6m Outstanding Debt**
- **Settlement of Purchase of 26% Black Economic Empowerment equity in Batlhako Mining Ltd**
- **Continued production from Ruighoek Open Cut Operations**
- **Registry Management**

Ruighoek Chrome Project – North West Province, South Africa

On 23 February 2009 Chrome Corporation Ltd ("Chrome") and AMCOL International Corporation ("AIC") agreed to vary the conditional share sale agreement dated 5 March 2008 between Chrome, Chrome Holdings Limited ("Chrome Holdings") and AIC whereby AIC or its nominated buyer ("AMCOL") agreed to purchase 100% of the equity in Bonmerci Investments 103 (Pty) Ltd ("Bonmerci"), the holder of 74% of the shares in Batlhako Mining Ltd ("Batlhako"), the registered holder of the Ruighoek Chrome Project. The key terms of the original agreement were announced on 5 March 2008 and shareholders approved the transaction on 30 June 2008.

The settlement of the sale was conditional on approval from three South African regulatory authorities. In July 2008, AMCOL in conjunction with the Chrome, lodged applications for consent to the transaction with the Competition Commission, the Minister of Minerals and Energy under Sec 11 of Mineral and Petroleum Resources Development Act and the Exchange Control Department of the South African Reserve Bank. Consent from the Competition Commission of South Africa was received in late August 2008.

Consent was required from the Minister of Minerals and Energy under Section 11(1) of the Mining and Petroleum Resources Development Act for the indirect change in the controlling interest in Batlhako Mining Limited, ie from one foreign owned entity, ASX listed Chrome to another foreign owned entity, NYSE listed AMCOL. Following an extended period of unsuccessfully lobbying the Department of Minerals and Energy Directorate for the approval, Chrome and AMCOL retained specialist consultants to liaise with the Directorate on finding solutions to the impasse. In November Chrome successfully completed negotiations with Aka Resources, Batlhako's Black Economic Empowerment ("BEE") partner, for Bonmerci to repurchase the Batlhako BEE shares to enable them to be on sold to a new BEE entity. The Section 11(1) approval was subsequently granted on 2 December 2008.

Completion of the sale was also subject to the approval from the Exchange Control Department of the South African Reserve Bank. Complications brought about by the structure of the proposed purchasing entity, namely AMCOL and their local South African partners, plus the need for the US\$ funding from AMCOL to be converted to South African Rand before being converted to A\$, caused further delays with Exchange Control approval. As a result of there being limited solutions to another regulatory impasse, Chrome agreed to take on the foreign exchange risk in the transaction and change the

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denomination of the settlement from A\$ to US\$, thereby simplifying the Exchange Control approvals process.

During the period that Chrome and AMCOL were pursuing the above approvals, the meltdown in the international financial and capital markets caused by the global financial crisis resulted in the purchaser's previously approved bank financing arrangements for the funding of the transaction changing significantly. Following further protracted negotiations between Chrome and AMCOL to keep the transaction alive, the terms were renegotiated so that completion effectively occurs in two stages as further detailed below. It should be noted that there was no change to the consideration for the sale, being A\$41 million.

The key amendments to the terms of the agreement were:

1. AMCOL to purchase 53% of Bonmerci for consideration of US\$14 million (A\$21.75 million based on an exchange rate at 30 January 2009 of US\$0.6438) ("Stage 1 Completion");
2. Chrome to repay outstanding US\$6 million loan to AMCOL upon Stage 1 Completion;
3. AMCOL be granted a call option to purchase the remaining 47% equity in Bonmerci from Chrome for US\$12.4 million (A\$19.25 million based on an exchange rate at 30 January 2009 of US\$0.6438) exercisable at any time for a period of 24 months (the purchase by AMCOL of the remaining 47% equity in Bonmerci from Chrome, whether by call option or put option, to be referred to as ("Stage 2 Completion");
4. Chrome to be paid a monthly option fee of US\$75,000/month for the first 12 months and US\$150,000/month for the second 12 months;
5. Chrome to be granted a put option to sell the remaining 47% equity in Bonmerci to AMCOL for US\$12.4 million (A\$19.25 million based on an exchange rate at 30 January 2009 of US\$0.6438) for a one off fee of US\$300,000, which fee is only payable if the put option is exercised by Chrome;
6. Stage 1 Completion and Stage 2 Completion are not conditional on any further approvals.

On 26 February 2009 Chrome announced that Stage 1 Completion had occurred. The outstanding US\$6 million loan to AMCOL was repaid and provision was made for payment of the 7.5% Withholding Tax due to the South African Revenue Service for the assessable capital gain on the settled part of the transaction. Capital Gains Tax is fully assessed at the rate of 15% in South Africa with purchaser liable to ensure the payment of the 7.5% Withholding Tax on behalf of the vendor. The balance of tax owing is subject to allowable deductions once Chrome Holdings lodges a South African tax return.

Following Stage 1 Completion, AMCOL and their South African partners took full operational control of the Ruighoek Chrome Project and continue the open cut mining of chrome ore from the LG6 and LG6A chrome seams commenced late last year.

Chrome recognises that the sale of its interest in the Ruighoek Chrome Project has taken considerably longer to complete than ever expected. The initial delays were in part due to the level of interest shown by other participants in the chrome industry at the time of



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the original announcement of the sale of the project. A number of these industry players spent considerable time and effort to disrupt the sale process to protect their market position. It was not in the best interests of these players, particularly the traders, to allow a major participant in the global foundry sands market, AMCOL, to become vertically integrated from mine site through to marketing to the consumers thus freeing them from their dependence on the producers and traders cartel.

Once Chrome shareholders had approved the sale to AMCOL four months after the signing of the conditional share sale agreement, a further 6 months was consumed on the requirement to fulfil all conditions precedent, in particular the regulatory approvals in South Africa. The hold up with the DME Directorate was responsible for 5 of those 6 months and in the end the transaction never received the Exchange Control approval until after the Stage 1 Completion. The intervention of the global financial crisis very nearly caused the failure of the transaction to complete at all. Both AMCOL and Chrome have always worked together tirelessly in a spirit of co-operation to finalise this transaction for the mutual benefit of both parties.

Batlhako Mining Ltd Black Economic Empowerment

As previously announced, on 14 November 2008 Bonmerci signed a Heads of Agreement with Blue Horison Investments 1 (Pty) Ltd, a wholly owned subsidiary of Aka Resources Holdings (Pty) Ltd, and varied 25 February 2009, for the conditional sale of their 26% shareholding in Batlhako Mining Limited. This agreement will allow Batlhako to engage a Black Economic Empowerment partner who will be better aligned with the emerging Broad Based Black Economic Empowerment guidelines of increased participation by local communities and landowners in resource projects.

On 25 March 2009 Chrome announced that final settlement of the sale of a 26% shareholding in Batlhako had occurred. The shares were purchased by Bonmerci for ZAR30m plus forgiveness of the outstanding ZAR9.5m owed by Aka Resources from the original share purchase by Aka Resources of the Batlhako shares for ZAR10m on deferred terms.

Ruighoek Operations

Mining operations commenced originally in October 2008 have continued at the Ruighoek Chrome Project. As was provided for under the share sale agreement Bulk Sampling Operations and Commercial Operations could commence prior to Closing with AMCOL to provide all funding for the operations and take delivery of the run of mine chrome ore.

Volclay South Africa (Pty) Ltd, a company jointly owned by AMCOL and their South African partner, Niemcor Africa (Pty) Ltd, is now conducting full scale open cut mining operations on the LG6 and LG6A chrome seams using Benhaus, a local chrome mining contracting specialist. During this period a further 60,000 tonnes (25,188 tonnes in December 2008 quarter) of chrome ore was removed from site. Volclay has since reduced the mining rate to around 30% of the peak rate experienced during the last quarter.



Fig 1 : View Looking East along Open Cut Slot from Pre Strip to High Wall with Waste Dump in Background



Fig 2 : Mining of the LG6 Chrome Seam

Corporate

Now that Chrome has finally locked in the settlement of the transaction, which based on the structuring of the call and the put options, will reach Stage 2 Completion in either 12 or 24 months, the board can now address the parlous state of the company's share price. It is recognised that a number of shareholders invested in the company at the time of the announcement of the conditional share sale agreement when it was flagged that there was an intention on completion of the sale of the asset under the original terms, to make a return to shareholders of the order of 15 cents per share. Since that time a number of things have changed which have had a significant impact on that statement.

1. The much anticipated higher bids from the other market players which ranged from A\$45m to A\$52m which were to trump the AMCOL bid and provide the windfall gain for all failed to eventuate;
2. The number of shares on issue has increased by 15% as a result of the placement last year to maintain sufficient working capital during the extended transaction settlement process;

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3. The transaction has only half settled with the Stage 1 Completion having to carry all the transaction costs that the full transaction would have covered;
4. The collapse of the A\$ from 0.9355 to 0.6438 at the time of Stage 1 Settlement meant the repayment of the US\$6m AMCOL loan used to redeem the old listed convertible notes cost an extra A\$2.9m;
5. The buyout of the Black Economic Empowerment partners by Chrome and AMCOL for ZAR30m (US\$3m) was never anticipated in the original scenario;
6. The original tax advice indicated that because of previous expenditure and the offsetting of intercompany loans the maximum of Withholding Tax paid would be of the order of A\$1m whilst actual Withholding Tax paid was A\$1.5m on just the Stage 1 Completion with a further A\$1.5m to be paid again at Stage 2 Completion.

Based on the number of shares on issue on 5 March 2008, the transaction value of A\$41m gave a valuation of \$0.286/share with an anticipated net position post completion of around \$0.213/share. After Stage 1 Completion with repayment of all debts, funding of contributions to payout the BEE and payment of all transaction costs, the net cash position as at 31 March 2009 is A\$0.043/share. However if the value of the option fees plus the Stage 2 Completion payment is added less the Withholding Tax, the value of the shares rises to \$0.142/share under the 12 month option scenario and to \$0.149/share under the 24 month option scenario. These figures were calculated based on an A\$/US\$ exchange rate of 0.7000 and an annualised discount rate of 5%. If the A\$ were to weaken back to around the 0.6500 mark where the original deal was set then the cash backing rises to \$0.150/share and A\$0.158/share respectively. If the A\$ were to strengthen against the US\$ to around 0.8000 then the backing drops to around \$0.128 and A\$0.135/share respectively. Whilst the foreign exchange risk is not desirable, it was necessary for Chrome to take on that risk if the transaction was to ever settle.

Investment Strategy

The Directors of Chrome have decided that as there will be a period of at least 12 months before Stage 2 Completion, that a formal investment strategy be agreed for the balance of funds from the Stage 1 Completion. As a result of the record low interest rates the decision has been made to split the investment portfolio between standard bank accounts which give minimal yield but security, higher fixed interest investments with some equity participation and liquid ASX listed resource stocks that have significant upside potential. The company will also be receiving US\$975,000 in option fees over the next 12 months which will also be invested along the lines described above.

Unmarketable Parcel Buyback and Share Purchase Plan

Chrome currently has 2,242 shareholders, 1,611 of whom do not hold marketable parcels of shares of \$500. This is mainly as a result of the 20:1 consolidation of shares that Chrome carried out in June 2007 but also from holders that purchased shares in Chrome Corporation Ltd's previous guise as Preston Resources Ltd when it was an aspiring lateritic nickel producer in the late 1990's. To give those shareholders who are holding unmarketable parcels an opportunity to dispose of their shares for no brokerage cost, the Company has decided to conduct an Unmarketable Parcel Buyback ("UMP").

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Concurrently with UMP the Company will also be conducting a Share Purchase Plan ("SPP") which will be available to all shareholders. This will also enable those holders who currently hold unmarketable parcels the ability to purchase sufficient shares to make their holding up to a marketable parcel should they so wish. Further information on the intended SPP and UMP is expected to be sent to shareholders in the next few weeks.

New Projects

Chrome will continue to review potential opportunities as they are presented, mindful of which commodities will appreciate in value with an impending recovery. In addition a thorough assessment of the sovereign risk profile of the potential project locations will be undertaken.

Yours faithfully



Brian Thomas
Managing Director
Chrome Corporation Ltd

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

CHROME CORPORATION LIMITED

ABN

30 003 207 467

Quarter ended ("current quarter")

31 March 2009

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date \$A'000 (9 months)
1.1 Receipts from product sales and related debtors	106	106
1.2 Payments for		
(a) exploration and evaluation	-	-
(b) development	-	(132)
(c) production	-	-
(d) administration	(1,032)	(1,853)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	24	53
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – Other income	12	53
- Transactions costs of Ruighoek Sale	(3,686)	(3,686)
- Withholding tax on sale	(1,438)	(1,438)
Net Operating Cash Flows	(6,014)	(6,897)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	(210)	(278)
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	21,539	21,539
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	(750)	(813)
1.11 Loans repaid by other entities	-	(1)
1.12 Other – Cash outflow on disposal of subsidiary	(448)	(448)
Net investing cash flows	20,131	19,999

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	14,117	13,102
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	1,518
1.15	Convertible Note Expenses	-	-
1.16	Proceeds from borrowings	-	107
1.17	Repayment of borrowings	(9,231)	(9,231)
1.18	Proceeds from Convertible Note	-	-
1.19	Costs associated with issue of shares	(7)	(28)
	Net financing cash flows	(9,238)	(7,634)
	Net increase (decrease) in cash held	4,879	5,508
1.20	Cash at beginning of quarter/year to date	1,347	758
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	6,226	6,226

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2 and 1.7	659
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payments of Consultancy fees to Director	64
Payments of Directors Fees and Superannuation	595

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	250
4.2 Development	
Total	250

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	6,226	1,347
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other – In Trust	-	-
Total: cash at end of quarter (item 1.22)	6,226	1,347

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Nil		
6.2	Interests in mining tenements acquired or increased	Nil		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference + securities <i>(description)</i>				
7.2 Changes during quarter				
(a) Increases through issues	Nil	Nil		
(b) Decreases through returns of capital, buy-backs, redemptions	Nil	Nil		
7.3 +Ordinary securities	167,284,722	167,284,722		
7.4 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>	Nil			
7.6 Changes during quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 Options	82,106,789	82,106,789	<i>Exercise Price</i> 40 cents	<i>Expiry Date</i> 30/09/09
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				

+ See chapter 19 for defined terms.

7.11	Debentures <i>(totals only)</i>	Nil	Nil
7.12	Unsecured notes <i>(totals only)</i>	Nil	Nil

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Print Name: Brian Thomas
Managing Director
Date: 30 April 2009

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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