SASOL LTD
Form 20-F
November 02, 2006

As filed with the United States Securities and Exchange Commission on 2 November 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 – for the year ended 30 June 2006

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 001-31615

Sasol Limited
(Exact name of registrant as Specified in its Charter)

Republic of South Africa
(Jurisdiction of Incorporation or Organization)

1 Sturdee Avenue, Rosebank 2196
South Africa
(Address of Principal Executive Offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
American Depositary Shares	New York Stock Exchange
Ordinary Shares of no par value*	New York Stock Exchange

*
Listed on the New York Stock Exchange not for trading or quotation purposes, but only in connection with the registration of
American Depositary Shares pursuant to the requirements of the United States Securities and Exchange Commission.

Securities registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the
period covered by the annual report:

622,866,948 ordinary shares of no par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to
Section 13 or 15(d) of the Securities Exchange Act of 1934.
Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the

Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file
such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.
See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer
Accelerated filer
Non-accelerated filer
Indicate by check mark which financial statement item the registrant has elected to follow.
Item 17
Item 18
If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the
Exchange Act).
Yes No

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PRESENTATION OF INFORMATION

We are incorporated in the Republic of South Africa as a public company under South African Company law. Our consolidated financial statements included in our corporate filings in South Africa were prepared in accordance with International Financial Reporting Standards (IFRS), for the financial years ended 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005 and 30 June 2006.

For purposes of this annual report on Form 20-F, we have prepared our consolidated financial statements in accordance with United States Generally Accepted Accounting Principles, or US GAAP. Our consolidated financial statements for each of the financial years ended 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005 and 30 June 2006 have been audited by KPMG Inc., independent accountants.

As used in this Form 20-F:

• “rand” or “R” means the currency of the Republic of South Africa;
• “US dollars”, “dollars”, “US$” or “$” means the currency of the United States;
• “euro” or “€” means the common currency of the member states of the European Monetary Union;
• “GBP” means British Pound Sterling, the currency of the United Kingdom;
• “JPY” means Japanese Yen, the currency of Japan;
• “AUD” means Australian dollar, the currency of Australia.

We present our financial information in rand, which is our reporting currency. Solely for your convenience, this Form 20-F contains translations of certain rand amounts into US dollars at specified rates. These rand amounts do not represent actual US dollar amounts, nor could they necessarily have been converted into US dollars at the rates indicated. Unless otherwise indicated, rand amounts have been translated into US dollars at the rate of R7.76 per US dollar, which was the noon buying rate for customs purposes of the rand as reported by the Federal Reserve Bank of New York on 29 September 2006.

All references in this Form 20-F to “years” refer to the financial years ended on 30 June.

Besides applying barrels (b) for reporting oil and gas reserves and production, Sasol applies the Système International (SI) metric measures for all global operations. A ton or tonne denotes one metric ton equivalent to 1,000 kilograms (kg). Sasol’s reference to metric tons should not be confused with an imperial ton equivalent to 2,240 pounds (or about 1,016 kg). Barrels per day or bpd is used to refer to our oil and gas production.

All references to billions in this Form 20-F are to thousands of millions.

All references to the “group”, “us”, “we”, “our”, “the company”, or “Sasol” in this Form 20-F are to Sasol Limited, its group of subsidiaries and its interests in associates and joint ventures. All references in this Form 20-F are to Sasol Limited or the companies comprising the group, as the context may require. All references to “(Pty) Limited” refers to (Proprietary) Limited, a form of corporation in South Africa which restricts the right of transfer of its shares, limits the number of members and prohibits the public offering of its shares.

All references in this Form 20-F to “South Africa” and “the government” are to the Republic of South Africa and its government. All references to the “JSE” are to the JSE Limited (formerly known as the JSE Securities Exchange, South Africa). All references to “SARB” refer to the South African Reserve Bank and all references to “PPI” refer to the Producer Price Index, which is a measure of inflation in South Africa. All references to “GTL” and “CTL” refer to our gas-to-liquids and coal-to-liquids processes, respectively.

Certain industry terms used in this Form 20-F are defined in the Glossary of Terms.

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Unless otherwise stated, presentation of financial information in this annual report on Form 20-F will be under US GAAP. Our discussion of business segment results follows the basis on which management measures business segment performance. Presentation of business segment results on a management basis differs from results on a US GAAP basis in certain respects. For more information on the reconciliation of segmental turnover and operating profit see Note 3 to our consolidated financial statements.

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FORWARD-LOOKING STATEMENTS

We may from time to time make written or oral forward-looking statements, including in this Form 20-F, in other filings with the United States Securities and Exchange Commission, in reports to shareholders and in other communications. These statements may relate to analyses and other information which are based on forecasts of future results and estimates of amounts not yet determinable. These statements may also relate to our future prospects, developments and business strategies. Examples of such forward-looking statements include, but are not limited to:

- statements regarding our future results of operations and financial condition and regarding future economic performance;
- statements regarding recent and proposed accounting pronouncements and their impact on our future results of operations and financial condition;
- statements of our business strategy, plans, objectives or goals, including those related to products or services;
- statements regarding future competition and changes in market share in the South African and international industries and markets for our products;
- statements regarding our existing or anticipated investments (including the GTL projects in Qatar and Nigeria, the Arya Sasol Polymer Project, the potential development of two CTL projects in China and other investments), acquisitions of new businesses or the disposition of existing businesses;
- statements regarding our estimated oil, gas and coal reserves;
- statements regarding future development in legal and regulatory matters, including initiatives for the economic empowerment of historically disadvantaged South Africans;
- statements regarding future fluctuations in refining margins and crude oil, natural gas and petroleum product prices;
- statements regarding the demand and the cyclicality of petrochemical product prices;
- statements regarding changes in the manufacturers' fuel pricing mechanism in South Africa and their effects on fuel prices and our operating results and profitability;
- statements regarding future fluctuations in exchange and interest rates;
- statements regarding our plans in respect of the South African retail and commercial markets for liquid fuels;
- statements regarding our current or future products and anticipated customer demand for these products;
- statements regarding acts of war, terrorism or other events that may adversely affect the group's operations or that of key stakeholders to the group; and
- statements of assumptions underlying such statements.

Words such as "believe", "anticipate", "expect", "intend", "seek", "will", "plan", "could", "may", "endeavor" and "project" and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements.

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By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and there are risks that the predictions, forecasts, projections and other forward-looking statements will not be achieved. If one or more of these risks materialize, or should underlying assumptions prove incorrect, our actual results may differ materially from those anticipated in this Form 20-F. You should understand that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include among others, and without limitation:

- the outcomes in developing regulatory matters and the effect of changes in regulation and government policy;
- the political, social, fiscal regime and economic conditions and developments in the world, especially those countries in which we operate;
- our ability to maintain key customer relations in important markets;
- our ability to improve results despite unusual levels of competition;
- the continuation of substantial growth in significant developing markets, such as China;
- the ability to benefit from our capital spending policies;
- the capital cost of projects (including material, engineering and construction cost);
- growth in significant developing areas of our business;
- changes in the demand for and international prices of crude oil, petroleum and chemical products and changes in foreign currency exchange rates;
- gaining access to sufficient competitively priced gas reserves;
- our success in continuing technological innovation and commercialization;
- our ability to maintain sustainable earnings despite fluctuations in foreign exchange rates and interest rates;
- our ability to attract and retain sufficient skilled employees; and
- our success at managing the risks of the foregoing.

The foregoing list of important factors is not exhaustive. When relying on forward-looking statements to make investment decisions, you should carefully consider the foregoing factors and other uncertainties and events. Such forward-looking statements apply only as of the date on which they are made, and we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

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ENFORCEABILITY OF CERTAIN CIVIL LIABILITIES

We are a public company incorporated under the Company law of South Africa. All of our directors and officers reside outside the United States, principally in South Africa. You may not be able, therefore, to effect service of process within the United States upon those directors and officers with respect to matters arising under the federal securities laws of the United States.

In addition, substantially all of our assets and the assets of our directors and officers are located outside the United States. As a result, you may not be able to enforce against us or our directors and officers judgments obtained in United States courts predicated on the civil liability provisions of the federal securities laws of the United States.

A foreign judgment is not directly enforceable in South Africa, but constitutes a cause of action which will be enforced by South African courts provided that:

- the court which pronounced the judgment has jurisdiction to entertain the case according to the principles recognized by South African law with reference to the jurisdiction of foreign courts;
- the judgment is final and conclusive, that is, it cannot be altered by the court which pronounced it;
- the judgment has not been prescribed;
- the recognition and enforcement of the judgment by South African courts would not be contrary to public policy, including observance of the rules of natural justice which require that the documents initiating the proceeding were properly served on the defendant and that the defendant was given the right to be heard and represented by counsel in a free and fair trial before an impartial tribunal;
- the judgment was not obtained by fraudulent means;
- the judgment does not involve the enforcement of a penal or revenue law; and
- the enforcement of the judgment is not otherwise precluded by the provisions of the Protection of Businesses Act, 99 of 1978, as amended, of the Republic of South Africa.

It is the policy of South African courts to award compensation for the loss or damage actually sustained by the person to whom the compensation is awarded. Although the award of punitive damages is generally unknown to the South African legal system that does not mean that such awards are necessarily contrary to public policy. Whether a judgment was contrary to public policy depends on the facts of each case. Exorbitant, unconscionable, or excessive awards will generally be contrary to public policy. South African courts cannot enter into the merits of a foreign judgment and cannot act as a court of appeal or review over the foreign court. South African courts will usually implement their own procedural laws and, where an action based on an international contract is brought before a South African court, the capacity of the parties to the contract will usually be determined in accordance with South African law. It is doubtful whether an original action based on United States federal securities law can be brought before South African courts. A plaintiff who is not resident in South Africa may be required to provide security for costs in the event of proceedings being initiated in South Africa. Furthermore the Rules of the High Court of South Africa require that documents executed outside South Africa must be authenticated for the purpose of use in South Africa.

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PART I

ITEM 1.

IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable

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ITEM 2.
OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable

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ITEM 3.
KEY INFORMATION

3.A
Selected financial data

The following information should be read in conjunction with "Item 5. – Operating and financial review and prospects" and the consolidated financial statements, the accompanying notes and other financial information included elsewhere in this annual report on Form 20-F.

The US GAAP financial data set forth below has been extracted from the audited consolidated financial statements for the years ended and as at 30 June 2006, 30 June 2005 and 30 June 2004 which are included in this Form 20-F and which have been prepared in accordance with US GAAP. The US GAAP financial information for the two years ended and as at 30 June 2003 and 30 June 2002 has been extracted from audited financial statements not included in this annual report on Form 20-F. The IFRS financial data set forth below for the years ended as at 30 June 2006, 30 June 2005, 30 June 2004, 30 June 2003 and 30 June 2002 has been derived from audited consolidated financial statements prepared in accordance with IFRS.

Year ended
30 June
30 June
30 June
30 June
30 June
30 June
1
2002
2003
2004
2005
2006
2006
restated
restated
restated
restated
(US$ in
(Rand in millions)
millions)
(except per share information and weighted average shares in issue)
Income statement data:
US GAAP
Continuing operations
Turnover
55,667
63,769
43,606
50,687
61,857
7,973
Operating profit
2
14,158
10,860

8,546
14,377
20,688
2,666
Income from continuing operations
2
9,368
7,193
5,376
9,611
14,159
1,825
Discontinued operations
Net (loss)/income from discontinued operations (including fair value write-down), net of tax
(139)
108
(2,860)
(369)
Earnings attributable to shareholders
2
9,368
7,193
5,237
9,719
11,299
1,456
IFRS
Continuing operations
Turnover
59,590
64,555
44,999
52,497
63,850
8,228
Operating profit
3
14,671
11,767
9,136
14,383
20,732
2,672
Profit from continuing operations
3
9,743
7,762
5,949
9,836
13,909

1,792
Discontinued operations
Loss from discontinued operations, net of tax
(88)
(289)
(3,360)
(433)
Total profit
3
9,743
7,762
5,861
9,547
10,549
1,359

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Year ended
30 June
30 June
30 June
30 June
30 June
30 June
1
2002
2003
2004
2005
2006
2006
restated
restated
restated
restated
(US$ in
(Rand in millions)
millions)
(except per share information and weighted average shares in issue)
Per share information (Rand and US$):
US GAAP
Basic earnings/(loss) per share
15.29
11.81
8.58
15.83
18.22
2.35
from continuing operations
15.29
11.81
8.81
15.66
22.83
2.94
from discontinued operations
(0.23)
0.17
(4.61)
(0.59)
Diluted earnings/(loss) per share
14.99
11.61
8.54
15.65
17.93
2.31

from continuing operations
14.99
11.61
8.77
15.48
22.47
2.90
from discontinued operations
(0.23)
0.17
(4.54)
(0.59)
IFRS
Basic earnings/(loss) per share
15.84
12.59
9.50
15.37
16.73
2.15
from continuing operations
15.84
12.59
9.64
15.85
22.15
2.85
from discontinued operations
(0.14)
(0.48)
(5.42)
(0.70)
Diluted earnings/(loss) per share
15.53
12.39
9.40
15.11
16.42
2.11
from continuing operations
15.53
12.39
9.55
15.58
21.74
2.80
from discontinued operations
(0.15)
(0.47)
(5.32)
(0.69)

Dividends per share
4
450
450
450
540
710
92
Weighted average shares in issue (in millions):
Average shares outstanding—basic
612.5
609.3
610.0
613.8
620.0
Average shares outstanding—diluted (IFRS)
625.0
619.6
616.2
624.4
631.7
Average shares outstanding—diluted (US GAAP)
625.0
619.6
613.0
620.9
630.2
Balance Sheet data:
IFRS
Total assets
5
65,730
69,619
73,346
87,869
102,802
13,247
Total shareholders' equity
2
31,315
33,518
35,029
43,533
52,352
6,746
Share capital
2,706
2,783
2,892
3,203
3,634

468
US GAAP
Total assets
62,493
67,905
68,765
80,428
93,888
12,099
Total shareholders' equity
30,944
32,793
33,669
40,945
50,668
6,529
Share capital
2,772
2,842
2,976
3,814
4,414
569
1.
Translations into US dollars in this table are for convenience only and are computed at the noon buying rate of the Federal Reserve
Bank of New York on 29 September 2006 of R7.76 per US dollar. You should not view such translations as a representation that such
amounts represent actual US dollar amounts.
2.
In accordance with the adoption of SFAS 123(R), Share-based compensation, in 2006, the financial statement amounts for prior
periods presented have been adjusted to reflect the grant-date fair value of equity awards issued through the Sasol Share Incentive
Scheme.
3.
In accordance with the adoption of IFRS 2, Share-based payment, in 2006, the financial statement amounts for prior periods presented
have been adjusted to reflect the grant-date fair value of equity awards issued through the Sasol Share Incentive Scheme.
4.
Includes the final dividend which was declared subsequent to the balance sheet date and is presented for information purposes only.
No provision for this final dividend has been recognized.
5.
Restated for IFRS reporting purposes for the reclassification of certain transaction fees incurred in 2004 in raising finance.
6.
All financial statement amounts in the periods previously presented have been adjusted to reflect the presentation of Sasol Olefins &
Surfactants as discontinued operations.

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Exchange rate information

The following table sets forth certain information as published by the Federal Reserve Bank of New York with respect to the noon buying rate of US dollars in terms of rand for the years shown:

Rand per US dollar for the year ended 30 June or the respective month

Average

1

High

Low

2002

10.20

13.60

8.23

2003

9.04

10.90

7.18

2004

6.88

7.80

6.17

2005

6.21

6.92

5.62

2006

6.41

7.43

5.99

2007

2

7.15

7.76

6.72

April 2006

6.08

6.17

5.99

May 2006

6.31

6.71

6.00

June 2006

6.97

7.43

6.63

July 2006

7.07

7.23

6.83

August 2006

6.95
7.20
6.72
September 2006
2
7.45
7.76
7.16
1.
The average exchange rates for each full year are calculated using the average exchange rate on the last day of each month during the period. The average exchange rate for each month is calculated using the average of the daily exchange rates during the period.
2.
Through 29 September 2006.
The rate on 29 September 2006 was R7.76 per US dollar.

3.B

Capitalization and indebtedness

Not applicable.

3.C

Reasons for the offer and use of proceeds

Not applicable.

3.D

Risk factors

Fluctuations in exchange rates may adversely affect our business, operating results, cash flows and financial condition

The rand is our principal operating currency. However, a large part of our group's turnover is denominated in US dollars and some part in euro, derived either from exports from South Africa or from our manufacturing and distribution operations outside South Africa. Also, a significant part of our turnover is determined by the US dollar, as petroleum prices in general and the price of most petroleum and chemical products in South Africa are based on global commodity and benchmark prices which are quoted in US dollars. Hence, a large part of our group turnover is denominated in US dollars or influenced by the underlying global commodity and benchmark prices which are quoted in US dollars. Furthermore, a significant part of our capital expenditure is also US dollar-denominated, as it is directed to investments outside South Africa or constitutes equipment or plant imported into South Africa. In our South African operations the majority of our costs are rand based and in our European operations a large part of our costs are euro based. Accordingly, fluctuations in the exchange rates between the rand and US dollar, the rand and the euro and the euro and the US dollar may have a material effect on our business, operating results, cash flows and financial condition.

During the 2006 financial year the rand/US dollar exchange rate averaged R6.41 and fluctuated between R5.99 and R7.43. This compares to an average exchange rate of R6.21 during the 2005 financial year, fluctuating between R5.62 and R6.92. The rand exchange rate is impacted by various international and South

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African economic and political factors and we are unable to forecast whether the relatively stable performance of the rand in the 2005 and 2006 financial years will continue in the foreseeable future. Subsequent to 30 June 2006 the rand has weakened significantly against the US dollar and euro.

In addition, although the exchange rate of the rand is primarily market-determined, its value at any time may not be an accurate reflection of its underlying value, due to the potential effect of, among other factors, exchange controls. For more information regarding exchange controls in South Africa see “Item 10.D – Exchange controls”.

We use derivative instruments to protect us against adverse movements in exchange rates on certain transactional risks in accordance with our group hedging policies see “Item 11 – Quantitative and qualitative disclosures about market risk”.

Fluctuations in refining margins and crude oil, natural gas and petroleum product prices may adversely affect our business, operating results, cash flows and financial condition

Market prices for crude oil, natural gas and petroleum products may fluctuate as they are subject to local and international supply and demand fundamentals and factors over which we have no control. Worldwide supply conditions and the price levels of crude oil may be significantly influenced by international cartels, which control the production of a significant proportion of the worldwide supply of crude oil, and by political developments, especially in the Middle East. Other factors which may influence the aggregate demand and hence affect the markets and prices for petroleum products in regions which influence South African fuel prices through the Basic Fuel Price (BFP) price formula (used for the calculation of the refinery gate price in South Africa) and/or where we market these products, may include changes in economic conditions, the price and availability of substitute fuels, changes in product inventory, product specifications and other factors. In recent years, prices for petroleum products have fluctuated widely. For most of the 2006 financial year the crude oil price fluctuated at levels above US$60 per barrel. See “Item 5 – Operating and financial review and prospects”.

A substantial proportion of our turnover is derived from sales of petroleum and petrochemical products. Through our equity participation in the National Petroleum Refiners of South Africa (Pty) Limited (Natref) crude oil refinery, we are exposed to fluctuations in refinery margins resulting from differing fluctuations in international crude oil and petroleum product prices. We are also exposed to changes in absolute levels of international petroleum product prices through our synthetic fuels and oil operations. Fluctuations in international crude oil prices affect our results mainly through their indirect effect on the BFP price formula, see “Item 4.B – Business overview – Sasol Synfuels” and “Sasol Oil”, as well as the impact on oil derived feedstock. Prices of petrochemical products and natural gas are also affected by fluctuation in crude oil prices. Fluctuations in the price of crude oil and petroleum products can have a material adverse effect on our business, operating results, cash flows and financial condition.

We use derivative instruments to protect us against day-to-day US dollar oil price and rand to US dollar exchange rate fluctuations affecting the acquisition cost of our crude oil needs. During the course of the 2006 financial year, we have again hedged a portion of our synthetic fuel production against falling oil prices in respect of the 2007 financial year. See “Item 11 – Quantitative and qualitative disclosures about market risk”. While the use of these instruments may provide some protection against short-term fluctuation in crude oil prices it does not protect us against longer term fluctuations in crude oil prices or differing trends between crude oil and petroleum product prices.

We are unable to accurately forecast fluctuations in refining margins and crude oil, natural gas and petroleum products prices. Fluctuations in any of these may have a material adverse effect on our business, operating results, cash flows and financial condition.

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Cyclicality in petrochemical product prices may adversely affect our business, operating results, cash flows and financial condition

The demand for chemicals and especially products such as solvents, alkylates, fertilizers and polymers is cyclical. Typically, higher demand during peaks in the industry business cycles leads producers to increase their production capacity. Although peaks in the business cycle have been characterized by increased selling prices and higher operating margins, in the past such peaks have led to overcapacity and supply exceeding demand growth. Low periods in the business cycle are then characterized by decreasing prices and excess capacity, which can depress operating margins and may result in operating losses. We believe that some areas within the chemicals industry currently show overcapacity with the possibility of further capacity additions in the next few years. We cannot assure you that future growth in demand will be sufficient to absorb current overcapacity or future capacity additions without downward pressure on prices of chemical products. Such pressure may have a material adverse effect on our business, operating results, cash flows and financial condition.

We may not be able to exploit technological advances quickly and successfully

Most of our operations, including the gasification of coal and the manufacture of synfuels and petrochemical products, are highly dependent on the development and use of advanced technologies. The development, commercialization and integration of the appropriate advanced technologies can affect, among other things, the competitiveness of our products, the continuity of our operations, our feedstock requirements and the capacity and efficiency of our production.

It is possible that new technologies or novel processes may emerge and that existing technologies may be further developed in the fields in which we operate. Unexpected rapid advances in employed technologies or the development of novel processes can affect our operations and product ranges in that it could render the technologies we utilize or the products we produce obsolete or less competitive in the future. Difficulties in accessing new technologies may impede us from implementing them and competitive pressures may force us to implement these new technologies at a substantial cost. Examples of new technologies which may in the future affect our business include the following:

- The development and commercialization of non-hydrocarbon-dependent energy carrier technologies, including the further development of fuel cells or the large scale broadening of the application of electricity to drive motor vehicles. These may be disruptive to the use of hydrocarbon and refined crude oil-derived fuels.
- The development of improved fuels (and associated automotive technologies) from a crude oil base with equivalent properties to that of Fischer-Tropsch derived fuels, which may erode the competitive advantage of Fischer-Tropsch fuels.
- The development by competitors of next generation catalysts in which catalyst performance is manipulated, resulting in highly selective and high purity chemical products, which may render the use of our mixed feed stream catalytic-based production processes uncompetitive.

We cannot predict the effect of these or other technological changes or the development of novel processes on our business or on our ability to provide competitive products. Our ability to compete will depend on our timely and cost-effective implementation of new technological advances. It will also depend on our success in commercializing these advances in spite of competition we face by patents registered by our competitors. If we are unable to implement new technologies in a timely or cost-efficient manner, or penetrate new markets in a timely manner in response to changing market conditions or customer requirements, we could experience a material adverse effect on our business, operating results, cash flows and financial condition.

Our GTL projects may not prove sufficiently viable or as profitable as planned

We are currently developing GTL projects in Qatar and Nigeria. In addition we are considering opportunities for further GTL investments in other areas of the world. The development of these projects, either

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solely or through our joint venture with Chevron Corporation (Chevron), is a capital-intensive process and requires us to commit significant capital expenditure and devote considerable management resources in utilizing our existing experience and know-how, especially in connection with Fischer-Tropsch synthesis technologies. See “Item 4.B – Business overview – Sasol Synfuels International”. This process and its products may also give rise to patent risks in connection with the use of our GTL technology. See below, “Intellectual property risks may adversely affect our products or processes and our competitive advantage”.

We consider the development of our GTL projects a major part of our strategy for future growth and believe that GTL fuels will in time develop to become an efficient and widely used alternative and/or supplement to conventional diesel fuel. In assessing the viability of our GTL projects, we make a number of assumptions relating to specific variables, mainly including:

• access to sufficient competitively priced gas reserves;
• prices of crude oil, petroleum products and gas;
• fluctuations in the exchange rate of the US dollar against the rand;
• fluctuations in interest rates;
• fiscal dispensation in the countries in which we invest;
• capital cost of our facilities, including material, engineering and construction costs;
• various operating costs;
• technology and catalyst performance;
• conditions in the countries in which we invest, including factors relating to political, social and economic conditions;
• availability of skilled workers to construct and operate the plants; and
• timely completion of projects.

Significant variations in any one or more of the above factors which are beyond our control, or any other relevant factor, may adversely affect the profitability or even the viability of our GTL investments. Should we not be successful in the implementation of our GTL projects, we may be required to write off significant amounts devoted to them and we may need to redirect our strategy for future growth. In view of the resources invested in these projects and their importance to our growth strategy, problems we may experience as a result of these factors may have a material adverse effect on our business, operating results, cash flows and financial condition and opportunities for future growth.

There are risks relating to countries in which we operate that could adversely affect our business, operating results, cash flows and financial condition

Several of our subsidiaries, joint ventures and associates operate in countries and regions that are subject to significantly differing political, social, economic and market conditions. See “Item 18 – Financial statements – Note 3 – Segmental analysis” for a description of the extent of our operations in the main countries and regions in which we operate. We are a South African domiciled company. The majority of our operations are located in South Africa and 81% of our turnover from continuing operations is generated from our South African facilities. Specific aspects of country risks that may have a material impact on our business, operating results, cash flows and financial condition include:

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(a) Political, social and economic issues

We have invested or are in the process of investing in significant operations in African, Southeast Asian and Middle Eastern countries that have in the past to a greater or lesser extent experienced social, economic and political uncertainty. More recently certain countries in which we operate have achieved greater social, political and economic stability. Since 1994 South Africa, in particular, has experienced significantly improved social, economic and political conditions.

(b) The possible imposition of windfall taxes on our synthetic fuel operations

A task team was appointed by the South African Minister of Finance during May 2006 to investigate possible reforms to the fiscal regime applicable to windfall profits in South Africa's liquid fuel energy sector, with particular reference to the synthetic fuel industry. A discussion document for public comment was released in this regard. We have presented our submissions in writing to the task team and have made oral submissions at the public hearings. We cannot predict whether this investigation will lead to amendments to the current fiscal regime, which we are presently subject to.

(c) Fluctuations in inflation and interest rates

Over recent years, the South African economy has had relatively low and stable levels of inflation and interest rates. Should increases in these rates occur, our costs could increase and our operating margins could be affected. High interest rates could also adversely impact on our ability to ensure cost-effective debt financing in South Africa.

(d) Transportation, water and electricity and other infrastructure

The infrastructure in some countries in which we operate, such as rail infrastructure and electricity and water supply in South Africa, may need to be further upgraded and expanded and in certain instances possibly at our own cost.

(e) Unionized Labor

The majority of our employees worldwide belong to trade unions. These employees comprise mainly general workers, artisans and technical operators. Although we have had minor labor disruptions in South Africa during 2006 we have not experienced significant labor disruptions in recent years. We have constructive relations with our employees and their unions, but we cannot assure you that significant labor disruptions will not occur in the future.

(f) Southern African regional issues

There have been some instances of social, political, and economic instability in some of the countries in the Southern African region. Although we believe South Africa's growing stature has increasingly separated it from the effects of regional issues, such political or economic instability in neighboring countries could negatively affect market conditions in South Africa.

(g) Exchange control regulations

South African law provides for exchange control regulations which restrict the export of capital from the Common Monetary Area, which includes South Africa, subject to South African Reserve Bank dispensation. These regulations apply to transactions involving South African residents, including both natural persons and legal entities. These regulations also affect our ability to borrow funds from non-South African sources for use in South Africa or to repay these funds from South Africa and, in some cases, our ability to guarantee the obligations of our subsidiaries with regard to these funds. These restrictions have affected the manner in which we have financed our acquisitions outside South Africa and the geographic distribution of our debt. See "Item 10.D – Exchange controls" and "Item 5.B – Liquidity and capital resources".

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(h)

HIV/AIDS in sub-Saharan Africa

Based on the results of our voluntary counseling and testing program which had an 82% uptake amongst all levels of the organization, we estimate that 7% of our South African workforce may be currently infected, with the highest concentration of infections in our mining operations. This is less than the 10% to 15% initially estimated during 2004. Based on an actuarial study, which excludes the positive impact of any prevention and management intervention program, we estimate that, while the percentage of infected employees may not rise significantly in the forthcoming years, there will be a significant increase in the number of AIDS-related fatalities. See “Item 6.D – Employees”.

We incur costs relating to the medical treatment and loss of infected personnel, as well as the related loss of productivity. We also incur costs relating to the recruitment and training of new personnel. We are not in a position to accurately quantify these costs. Based on our actuarial models, we estimate that the impact of HIV/AIDS on our payroll expenses should be less than 1% of our current payroll for our South African employees by the year 2007. This calculation is based on the estimated financial impact on production resulting from the projected prevalence of HIV/AIDS among our workforce, but does not take into account indirect costs of productivity losses. We are investing human and financial resources to establish and maintain programs to address the HIV/AIDS pandemic. In September 2002, we launched the Sasol HIV/AIDS Response Programme (SHARP), which is our initiative to respond to the HIV/AIDS pandemic, on which we have spent a total amount of approximately R22 million to June 2006. We are committed to the on-going funding of SHARP.

We cannot assure you that the costs we are currently incurring and will incur in the future in connection with the HIV/AIDS pandemic will not have a material adverse effect on our business, operating results, cash flows and financial condition.

(i) Transformation issues

In some countries our operations are required to comply with local procurement, employment equity, ownership and other regulations which are designed to address country specific social and economic transformation issues.

As a leading and patriotic South Africa-based company, we embrace and will engender or participate in initiatives to bring about meaningful transformation to assist in correcting the imbalances and injustices of the apartheid era. We consider these initiatives to be a strategic imperative and we acknowledge the risk of not vigorously pursuing them or of them not succeeding and adversely impacting on the long-term sustainable performance and reputation of our company. It is not currently known what additional costs or implications will arise for us to comply with these transformation initiatives.

As part of an initiative of the government of South Africa to advance the participation of historically disadvantaged South Africans in the country’s economy, in November 2000, we became party to an agreement with the government and the liquid fuels industry, the Charter for the South African Petroleum and Liquid Fuels Industry on Empowering Historically Disadvantaged South Africans in the Petroleum and Liquid Fuels Industry (the Liquid Fuels Charter). The Charter deals with the following key matters:

- participation in ownership and control in all facets of the industry by historically disadvantaged South Africans;
- addressing the skills gap in the industry;
- employment equity; and
- procurement from historically disadvantaged South Africans.

See “Item 4.B – Business overview – Sasol Oil” and “- Empowerment of historically disadvantaged South Africans”.

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The Liquid Fuels Charter requires us, amongst other things, to ensure that historically disadvantaged South Africans hold at least 25% equity ownership of our liquid fuels business by the year 2010. We entered into a 25% equity transaction with Tshwarisano LFB Investment (Pty) Limited (Tshwarisano), on 1 July 2006 and we are now compliant with the equity ownership targets of the Liquid Fuels Charter. See “Item 8.B – Significant changes”.

The financing arrangements for the Tshwarisano transaction are set out in “Item 5.A – Operating results – Our operations are subject to various laws and regulations in the countires in which we operate” and “Item 8.B – Significant changes”.

In October 2002, the government and representatives of South African mining companies and mineworkers’ unions reached broad agreement on a charter (the Mining Charter), designed to facilitate the participation of historically disadvantaged South Africans in the country’s mining industry. The Charter’s stated objectives include the:

- expansion of opportunities for persons disadvantaged by unfair discrimination under the previous political dispensation;
- expansion of the skills base of such persons;
- promotion of employment and advancement of the social and economic welfare of mining communities; and
- promotion of beneficiation of ore into higher value substances.

The Mining Charter, together with the scorecard to facilitate the interpretation of and compliance with the Mining Charter, requires mining companies to ensure that historically disadvantaged South Africans hold at least 15% ownership of mining assets or equity in South Africa within 5 calendar years (i.e. by 2009) and 26% ownership within 10 calendar years (i.e. by 2014) from the effective date of the Mineral and Petroleum Resources Development Act which was on 1 May 2004. The Charter further specifies that the mining industry is required to assist historically disadvantaged South Africans in securing finance to fund their equity participation up to an amount of R100 billion within the first 5 calendar years after the implementation of the aforementioned Act. Beyond this R100 billion commitment, the Mining Charter requires that participation of historically disadvantaged South Africans should be increased towards the 26% target on a willing buyer-willing seller basis. See “Item 4.B – Business overview – Sasol Mining” and “Empowerment of historically disadvantaged South Africans”.

Various principles of the Mining Charter have been incorporated in regulations promulgated by the Minister of Minerals and Energy under the new Mineral and Petroleum Resources Development Act with respect to the South African mining industry. We have commenced a process to apply for the conversion of our existing mining licenses under the new Mineral and Petroleum Resources Development Act. See below “New mining legislation may have an adverse effect on our mineral rights”. When considering applications for the conversion of existing mining licenses under the Mineral and Petroleum Resources Development Act, the Minister of Minerals and Energy must take into account, among other factors, the applicant company’s compliance with the Mining Charter. We have entered into a transaction with Eyesizwe Coal (Pty) Limited (Eyesizwe) for our mining export activities which is expected to be effective in 2007. This venture will result in approximately an 8% indirect black economic empowerment (BEE) equity ownership in Sasol Mining and together with other BEE transactions under consideration by Sasol Mining would result in 15% BEE equity ownership by 2009 and 26% by 2014.

In December 2004 the Minister of Trade and Industry issued certain draft Codes of Good Practice for Broad-based Black Economic Empowerment for public comment pursuant to the Broad-based Black Economic Empowerment Act of 2003. These codes are intended to provide businesses with guidance on implementing the requirements of the Act. These Codes have been published for comments and we have commented on the Codes and await publication in the South African Government Gazette.

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It is not currently known what additional costs or implications will arise for us to comply with the said Act and other requirements of both the Liquid Fuels and Mining Charters or the Codes of Good Practice for Broad-based Black Economic Empowerment and we cannot assure you that these costs or implications will not have a material adverse effect on our shareholders or business operating results, cash flows and financial condition.

(j) Engineering and construction contract costs

The increase worldwide in the sanctioning of large engineering and construction contracts has resulted in a shortage of engineering and construction resources and strains in these industries. These have impacted on some of our projects and have affected construction timing schedules and costs. Whilst higher international crude oil prices may boost post-commissioning income streams and compensate for construction delays and higher capital costs, these strains in the engineering and construction industries are nevertheless a cause for concern and may impact on our project plans and growth ambitions.

(k) Other specific country risks that are applicable to countries in which we operate and which may have a material impact on our business include:

• external acts of warfare and civil clashes;
• government interventions, including protectionism and subsidies;
• regulatory, taxation and legal structure changes;
• the control of oil and gas field developments and transportation infrastructure;
• failure to receive new permits and consents;
• cancellation of contractual rights;
• expropriation of assets;
• lack of capacity to deal with emergency response situations; and
• the introduction of selective environmental and carbon taxes.

Some of the countries where we have already made, or other countries where we may consider making, investments are in various stages of developing institutions and legal and regulatory systems that are characteristic of parliamentary democracies. However, institutions in these countries may not yet be as firmly established as they are in parliamentary democracies in South Africa, the United States and some European countries. Some of these countries are also transitioning to a market economy and, as a result, experience changes in their economies and their government policies that could affect our investments in these countries. Moreover, the procedural safeguards of the new legal and regulatory regimes in these countries are still being developed and, therefore, existing laws and regulations may be applied inconsistently. In some circumstances, it may not be possible to obtain the legal remedies provided under those laws and regulations in a timely manner. As the political, economic and legal environments remain subject to continuous development, investors in these countries face uncertainty as to the security of their investments. Any unexpected changes in the political or economic conditions in the countries in which we operate (including neighboring countries) may have a material adverse effect on the investments that we have made or may make in the future, which may in turn have a material adverse effect on our business, operating results, cash flows and financial condition.

New mining legislation may have an adverse effect on our mineral rights

The Mineral and Petroleum Resources Development Act came into effect on 1 May 2004. The fundamental principle of the Act is that mineral resources are the common heritage of all South Africans and collectively belong to all the people of South Africa. The Act provides that the right to prospect and mine, including the right to grant prospecting and mining rights on behalf of the nation, be administered by the government of South Africa which will have the right to exercise full and permanent custodianship over mineral resources.

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The Act requires mining companies, including our company, to apply for conversion of their existing prospecting and mining permits. A wide range of factors and principles must be taken into account by the Minister of Minerals and Energy when considering these applications. These factors include the applicant's access to financial resources and appropriate technical ability to conduct the proposed prospecting or mining operation, the environmental impact of the operation and, in the case of prospecting rights, considerations relating to fair competition. Other factors include considerations relevant to promoting employment and the social and economic welfare of all South Africans and showing compliance with the provisions of the Mining Charter for the empowerment of historically disadvantaged South Africans in the mining industry. See "Item 4.B – Business overview – Regulation of mining activities in South Africa" and "– Empowerment of historically disadvantaged South Africans".

The Act also provides that a mining right granted under the Act may be cancelled if the mineral to which such mining right relates is not mined at an optimal rate. Furthermore, royalties from mining activities will become payable to the state under provisions contained in the "Mineral and Petroleum Resources Royalty Bill". This Bill was first published in March 2003 and has since been revised, with the final Bill was published on 11 October 2006. The Bill provides for a royalty rate of 1% on coal with an ash content of higher than 15% for South African energy consumption and 3% on coal with an ash content lower than 15%. The royalty is revenue based, payable bi-annually in arrears, and will take effect from 1 May 2009. The royalty will be deductible for normal income tax purposes. It is the declared intent of the South African government not to disrupt operations as a result of the introduction of the new legislation and we intend to undertake the appropriate actions in order to ensure conversion of our existing prospecting and mining rights. However, we cannot assure you that we will be successful in all our applications for conversion and that our rights on existing coal mine reserves will not be affected, which could have a material adverse effect on our business, operating results, cash flows and financial condition.

New legislation on petroleum and energy activities may have an adverse impact on our business, operating results, cash flows and financial condition

The Petroleum Products Amendment Act became effective on 17 March 2006. This Act amends the existing Petroleum Products Act, enacting provisions regulating a range of matters including the licensing of persons involved in the manufacturing, wholesale and retail sale of petroleum products. As the Act and regulations to be promulgated there under regulate matters pertaining to wholesale and retail sales of petroleum products, Sasol Oil, Natref and Sasol Synfuels are currently in the process of applying for licenses for manufacturing and wholesale and site licenses for our plants, wholesale activities and retail sites as required by the Act and regulations. We cannot assure you that these licenses will be granted and if they are granted that the conditions of the licenses will not have a material adverse impact on our business, operating results, cash flows and financial condition. New retail site development could be delayed given the requirements under the new regulations. See "Item 4.B – Business overview – Sasol Oil" and "- Regulation of petroleum-related activities in South Africa".

The Petroleum Pipelines Act became effective on 1 November 2005. The Act regulates petroleum pipelines and storage and loading facility activities, including the construction and operation of petroleum pipelines and the delivery of certain commercial services in connection with these pipelines and facilities. The Petroleum Pipelines Act grants broad discretion to the Minister of Minerals and Energy to adopt different pricing methodologies in connection with the setting of tariffs, which may prove advantageous for some competitors, because of different market and geographic positions. The regulations pertaining to pricing methodologies have not been issued yet, but the regulations that may be promulgated under the Act may affect our advantage due to the location in the economic heartland of the country of our Natref refinery and our synfuels facilities at Secunda. See "Item 4.B – Business overview – Sasol Oil" and "- Regulation of petroleum-related activities in South Africa". We have applied for licenses under the Petroleum Pipelines Act and the rules issued by the National Energy Regulator of South Africa (NERSA) for our depots and related infrastructure and await the issue of licenses. Notwithstanding continuous interaction and comments submitted in respect of regulations to be issued under these statutes, we cannot assure you that the enactment of new legislation or the amendment of

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existing laws and regulations will not have a material adverse effect on our business, operating results, cash flows and financial condition. Among the matters governed by the Petroleum Pipelines Act, of particular significance to our business are issues relating to the discretion granted to the South African Minister of Minerals and Energy with respect to the exercise of executive powers, the determination or approval of tariffs and the issue of open access to pipelines and depots.

The Gas Act came into effect on 1 November 2005. The Act regulates matters relating to gas transmission, storage, distribution, liquefaction and re-gasification activities. Although we negotiated a ten year regulatory dispensation (8 years remaining until 2014) with the South African government covering the supply of Mozambican natural gas to the South African market, we cannot assure you that the enactment of the Gas Act and the appointment of the NERSA (appointed pursuant to the National Energy Regulator Act which became effective on 1 November 2005) will not have a material adverse impact on our business, operating results, cash flows and financial condition. See “Item 4.B – Business overview – Sasol Gas” and “- Regulation of gas related activities in South Africa”.

The South African government issued guidelines relating to new fuel specifications, portions of which came into effect in January 2006 and resulted in regulations being issued on 23 June 2006. These specifications relate to the phasing out of lead from the petroleum products we manufacture, a reduction in the sulfur content in certain of these products and a new national octane structure. The clean fuels introduction plans have been successfully completed and in order to meet these new specifications we have made significant capital investments at our manufacturing sites to modify our current petroleum production processes. It is as yet uncertain what the final market demand will be for the various new products. Should the demand for particular products outstrip our ability to manufacture them as a result of a delay in completing modifications to our plants and/or anticipated demand projections being exceeded this could have a material adverse effect on our business, operating results, cash flows and financial condition.

The guidelines regarding the importation and exportation of petroleum products were issued for public comment on 23 June 2006. From the guidelines it can be concluded that there may be more flexibility afforded to oil companies and wholesalers, including airline companies, to directly import petroleum products. No protection will be granted to local and domestic manufacturers to satisfy their needs from local production before imports are undertaken.

The Consumer Protection Bill was issued for public comment on 23 June 2006 and intends to establish national norms and standards relating to consumer protection and prohibits certain unfair marketing and business practices and to promote responsible consumer behavior.

It remains uncertain what the impact on our business will be when the guidelines and the Consumer Protection legislation are passed. This could have a material adverse effect on our business, operating results, cash flows and financial condition.

We may not be successful in attracting and retaining sufficient skilled employees

We are highly dependent on the continuous development and successful application of new technologies. In order to achieve this, we need to maintain a focus on recruiting and retaining qualified scientists and engineers. In the past, we have been successful in recruiting and retaining such personnel. We have also established certain research and development facilities overseas. However, demand for personnel with the range of capabilities and experience required in our industry is high globally and success in attracting and retaining such employees is not guaranteed. The risk exists that our scientific, engineering and project execution skills base may be depleted over time because of, for example, natural attrition and a shortage of people being available in these disciplines. Failure to attract and retain people with the right capabilities and experience could negatively affect our ability to introduce and maintain the appropriate technological improvements to our business and our ability to successfully construct and commission new plants. This may have a material adverse effect on our business, operating results, cash flows and financial condition.

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Intellectual property risks may adversely affect our products or processes and our competitive advantage

Our various products and processes, including most notably, our chemical, CTL and GTL products and processes have unique characteristics and structures and, as a result, are subject to patent protection, the extent of which varies from country to country. The expiry of a patent results in increased competition in the market for the previously patented products and processes. In addition, aggressive patenting by our competitors may result in an increased patent infringement risk.

A high percentage of our products can be regarded as commodity chemicals, some of which have unique characteristics and structure. These products are normally utilized by our clients as feedstock to manufacture specialty chemicals or application-type products. We have noticed a worldwide trend of increased filing of patents relating to the composition of application-type products. These patents may create pressure on our clients who market these application-type products which may adversely affect our sales to these clients. Patent-related pressures may adversely affect our business, operating results, cash flows and financial condition.

We believe that our proprietary technology, know-how and trade secrets, especially in the Fischer-Tropsch area, provide us with a competitive advantage. A possible loss of experienced personnel to competitors, and a possible transfer of know-how and trade secrets associated therewith, may negatively impact this advantage. Similarly, operating and licensing technology in countries in which intellectual property laws are not well established and enforced may result in some transfer of our know-how and trade secrets to our competitors. This may adversely affect our business, operating results, cash flows and financial condition.

Increasing competition from products originating from countries with low production costs may adversely affect our business, operating results, cash flows and financial condition

Certain of our chemical production facilities are located in developed countries, including the United States and Europe. Economic and political conditions in these countries result in relatively high labor costs and, in some regions, inflexible labor markets, compared to others. Increasing competition from regions with lower production costs, for example the Middle East and China, exercises pressure on the competitiveness of our chemical products and, therefore, on our profit margins and may result in withdrawal of particular products or closure of facilities. We cannot assure you that increasing competition by products originating from countries with low production costs will not result in withdrawal of our products or closure of our facilities, which may have a material adverse effect on our business, operating results, cash flows and financial condition.

Changes in consumer and safety, health and environmental regulations and legislation and public opinion may adversely affect our business, operating results, cash flows and financial condition

Our products are required to comply with legislation relating to the protection of the environment, health and safety of employees, the public and/or the end consumer, as well as customer needs. As these regulations may grow stricter, we may be required in some cases to incur additional expenditure in providing additional test data in order to register our products or to adjust the manufacturing processes for certain of our products, including liquid fuels and chemicals, or even withdraw some of them, in order to be in a position to comply with market needs or more stringent regulatory requirements. For example, compliance with the registration, evaluation and authorization of chemicals (REACH) procedure proposed by the European Commission (EC) may have significant cost implications as we may be required, among other things, to provide risk assessments and apply for registration of our products. Similarly, public opinion is growing more sensitive to consumer health and safety and environmental protection matters, and, as a result, markets may apply pressure on us concerning certain of our products. Should we be required to comply with REACH requirements we may incur significant additional costs. We may be required to withdraw from the market certain products which we consider uneconomical given these additional costs of compliance or otherwise due to public opinion considerations. These factors may have a material adverse effect on our business, operating results, cash flows and financial condition.

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Our exploration, mining and production operations are required to conform to legislation relating to the protection of the environment, health and safety of the workforce and/or neighboring communities. As these regulations may grow stricter, we may be required in some cases to incur additional expenditure in order to provide additional protection or to adjust specifications or manufacturing processes or transport and distribution arrangements for certain of our operations or products. Should we make changes or incur such costs this may have a material adverse effect on our business, operating results, cash flows and financial condition. More specifically:

- the National Environmental Management: Air Quality Act, in terms of which the Vaal Triangle area (in which our Sasolburg operations are located) has been declared a Priority Area for purposes of implementation of an emission reduction and management plan by the South African Department of Environmental Affairs and Tourism. The Department is also in the process of setting ambient air quality and emission standards, which will form the basis for a review of atmospheric emission licenses for our operations in Sasolburg and Secunda. More stringent air quality standards may have significant cost implications for us; and
- the nature of some of our processes, like the gasification of coal to produce synthetic fuels and petrochemicals, result in relatively high emission of carbon dioxide, a greenhouse gas. Although certain countries in which we operate are exempt from greenhouse gas reduction targets set in terms of the Kyoto Protocol, it is uncertain how any future developments in carbon dioxide restrictions will affect our group.

We may face potential costs in connection with industry-related accidents or deliberate acts of terror causing property damage, personal injuries or environmental contamination

We operate coal mines, explore for and produce oil and gas and operate a number of plants and facilities for the storage, processing and transportation of oil, chemicals and gas related raw materials, products and wastes. These facilities and their respective operations are subject to various risks, including, but not limited to, fire, explosion, leaks, ruptures, discharges of toxic hazardous substances, soil and water contamination, flooding and land subsidence, among others. As a result, we are subject to the risk of experiencing, and have in the past experienced, industry-related incidents.

The terrorist attacks in the United States on 11 September 2001 and subsequent attacks in various parts of the world demonstrated the increased risk posed by the threat of terrorism. Our facilities, located mainly in South Africa, the United States and various European countries, as well as in various African countries, the Middle East and Southeast Asia, are subject to the risk of experiencing deliberate acts of terror.

Industry-related accidents and acts of terror may result in damages to our facilities and may require shutdown of the affected facilities, thereby disrupting production and increasing production costs. Furthermore, acts of terror, accidents or our historical operations may cause, or may have caused, environmental contamination, personal injuries, health impairment or fatalities and may result in exposure to extensive environmental remediation costs, civil litigation, the imposition of fines and penalties and the need to obtain costly pollution control technology.

We obtain insurance cover over our assets and against business interruption. We also obtain insurance to limit certain of our exposures. In some cases we also have indemnity agreements with the previous owners of acquired businesses which limit certain of our exposures to environmental contamination. As a result of the terrorist attacks on 11 September 2001 and more recently hurricanes Katrina and Rita, our insurance costs and deductibles (retained risk) have increased significantly. We are implementing a number of programs, including on-the job safety training, in order to increase safety, and we closely monitor our safety, health and environmental procedures. However, there can be no assurance that accidents or acts of terror will not occur in the future, that insurance will adequately cover the entire scope or extent of our losses or that we may not be found directly liable in connection with claims arising from these events.

In general, we cannot assure you that costs incurred as a result of the above or related factors will not have a material adverse effect on our business, operating results, cash flows and financial condition.

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Failure to comply with safety, health and environmental and other laws may adversely affect our market position and our business, operating results, cash flows and financial condition

We are subject to a wide range of general and industry-specific environmental, health and safety and other legislation in jurisdictions in which we operate. Environmental requirements govern, among other things, land use, air emissions, use of water, wastewater discharge, waste management and site remediation. These regulations often require us to obtain and operate in compliance with the conditions of permits, licenses and authorizations from the appropriate regulatory authorities. Compliance with these laws, regulations, permits, licenses and authorizations is a significant factor in our business, and we incur, and expect to continue to incur, significant capital and operating expenditures in order to continue to comply, in all material respects, with applicable laws, regulations, permits and authorizations.

Failure to comply with applicable safety, health and environmental laws, regulations or permit requirements may result in fines or penalties or enforcement actions, including regulatory or judicial orders enjoining or curtailing operations or requiring corrective measures, installation of pollution control equipment or other remedial actions, any of which could entail significant expenditures.

We are also continuing to take remedial actions at a number of sites due to soil and groundwater contamination. The process of investigation and remediation can be lengthy and is subject to the uncertainties of site specific factors, changing legal requirements, developing technologies, the allocation of liability among multiple parties and the discretion of regulators. Accordingly, we cannot estimate with certainty the actual amount and timing of costs associated with site remediation.

In order to comply with these safety, health and environmental licenses, laws and regulations we may have to incur costs which we could finance from our available cash flows or from alternative sources of financing. We may be required to provide for financial security for environmental rehabilitation in the form of a trust fund, guarantee, deposit or any other method as may be required by the regulations (not yet promulgated) under the Petroleum Products Act in respect of the rehabilitation of environmental impacts. However, this is not required in terms of the Petroleum Products Amendment Act and the regulations if a license applicant at the time of the commencement of the Petroleum Products Amendment Act, held or was in the process of developing a site, manufactured or wholesaled or retailed petroleum products. No assurance can be given that changes in safety, health and environmental laws and regulations or their application or the discovery of previously unknown contamination or other liabilities will not have a material adverse effect on our business, operating results, cash flows and financial condition.

Whilst it is our policy that asbestos-containing materials will be phased out on a risk-based order of priority, there are currently certain asbestos-containing materials at our facilities. In addition, our manufacturing processes may utilize and result in the emission of substances with potential carcinogenic properties. We also manufacture products which may contain carcinogenic components. Although we implement occupational health and safety, product stewardship and other measures to eliminate or mitigate potential risks we cannot assure you that no liabilities may arise as a result of the use or exposure to these materials.

In addition to undertaking internal investigations we are also subject to review from time to time by government authorities on our compliance with, inter alia, tax, customs and excise duty, anti-trust laws and regulations impacting our operations. Our product pricing structures are also reviewed from time to time by regulatory authorities. Whilst it is our policy to conduct our operations in accordance with applicable laws and regulations and we have established control systems to monitor such compliance, no assurance can be given that these control systems will not fail or that some of our product pricing structures will not change in the future. Failure to interpret correctly and comply with such laws and regulations and/or changes to our product pricing and cost structures may have a material adverse impact on our business, operating results, cash flows and financial condition.

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Our coal, crude oil and natural gas reserve estimates may be materially different from reserves that we may actually recover

Our reported coal reserves are estimated quantities based on applicable reporting regulations that under present and anticipated conditions have the potential to be economically mined and processed. Our proved developed and undeveloped crude oil and natural gas reserves are estimates based on applicable reporting regulations. There are numerous uncertainties inherent in estimating quantities of reserves and in projecting potential future rates of coal, oil and natural gas production, including many factors beyond our control. In addition, reserve/reservoir engineering is a subjective process of estimating underground deposits of reserves that cannot be measured in an exact manner and the accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation and judgment. Estimates of different engineers may vary and results of our mining/drilling and production subsequent to the date of an estimate may justify revision of estimates. Reserve estimates may require revision based on actual production experience and other factors. In addition, several factors including the market price of coal, oil and natural gas, reduced recovery rates or increased production costs due to inflation or other factors may render certain of our estimated proved and probable coal reserves and proved developed and undeveloped oil and natural gas reserves uneconomical to exploit and may ultimately result in a restatement of reserves. This may have a material adverse effect on our business, operating results, cash flows and financial condition. See “Item 4.D – Property, plants and equipment”.

There is a possible risk that sanctions may be imposed by the US government as a result of our Iran related activities

There are possible risks posed by the potential imposition of US economic sanctions in connection with activities we are undertaking in the polymers field and considering in respect of a GTL opportunity (with respect to which no investment decision has yet been made) in Iran. For a description of our activities in Iran see “Item 4.B – Business overview – Sasol Polymers” and “Sasol Synfuels International”. The risks relate to two sanctions programs administered by the US government that we have considered: the Iranian Transactions Regulations (ITR) administered by the US Treasury Department Office of Foreign Assets Control (OFAC) and the Iran and Libya Sanctions Act (ILSA) administered by the
US Department of State.

The ITR prohibit or restrict most transactions between US persons and Iran. The ITR, administered by OFAC, do not apply directly to either Sasol or the group entities involved in activities in Iran, because none of them would be considered a US person under these regulations. Nonetheless, because the group is a multinational enterprise, we are aware that the ITR may apply to certain entities associated with the group, including US employees, investors and certain subsidiaries.

We are taking measures to ensure that US employees, investors and certain subsidiaries of the group to which the ITR applies will not violate the ITR as a result of their respective affiliations with the group. For instance, to that end, we are taking measures to:

- ensure that no US persons are involved in our Iranian activities, either as directors and officers, or in other positions, including engineering, financial, administrative and legal;
- ensure that funds dedicated to projects in Iran will be kept segregated from general group funds;
- ensure that no funds of US investors will be utilized in the projects by using separate bank accounts for any funds directed to, or to be received from, these projects and monitoring the flow of funds to and from these projects; and
- separate the results of these businesses into separate legal entities.

By undertaking these steps, we believe that any risks posed by the ITR to US persons and entities affiliated with the group will be mitigated. Nevertheless, we cannot predict OFAC’s enforcement policy in this regard and it is possible that OFAC may take a different view of the measures described above. In such event, US persons or affiliates associated with the group may be subject to a range of civil and criminal penalties.

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ILSA was adopted by the US government with the objective of denying Iran and Libya the ability to support acts of international terrorism and fund the development or acquisition of weapons of mass destruction. ILSA is now only applicable to Iran following the removal of sanctions imposed against Libya. ILSA grants the President of the United States discretion in imposing sanctions on companies found to be in violation of its provisions involving investment in the petroleum industry in Iran. Should the US government determine that some or all of our activities in Iran are investments in the petroleum industry, as statutorily defined by ILSA, the President of the United States may in his discretion impose, among other sanctions, restrictions on our ability to obtain credit from US financial institutions, restrictions on our ability to procure goods, services and technology from the United States or restrictions on our ability to make sales into the United States.

We cannot predict future interpretations of ILSA or the implementation policy of the US government with respect to ILSA. Although we believe that our polymers project is not in the petroleum industry and we were only involved in a feasibility study in connection with other activities in Iran, we cannot assure you that our activities in Iran would not be considered investments as statutorily defined by ILSA or that the imposition of sanctions on the company or other entities of the group would not have a material adverse impact on our business, operating results, cash flows and financial condition**.**

The exercise of voting rights by holders of American Depositary Receipts is limited in some circumstances

Holders of American Depositary Receipts (ADRs) may exercise voting rights with respect to the ordinary shares underlying their American Depositary Shares (ADSs) only in accordance with the provisions of our deposit agreement (Deposit Agreement) with The Bank of New York, as the depositary (Depositary). For example, ADR holders will not receive notice of a meeting directly from us. Rather, we will provide notice of a shareholders meeting to The Bank of New York in accordance with the Deposit Agreement. The Bank of New York has undertaken in turn, as soon as practicable after receipt of our notice, to mail to holders of ADRs voting materials. These voting materials include information on the matters to be voted on contained in our notice of the shareholders meeting and a statement that the holders of ADRs on a specified date will be entitled, subject to any applicable provision of the laws of South Africa and our Articles of Association, to instruct The Bank of New York as to the exercise of the voting rights, pertaining to the shares underlying their respective ADSs on a specified date. In addition, holders of our ADRs will be required to instruct The Bank of New York how to exercise these voting rights.

Upon the written instruction of an ADR holder, The Bank of New York will endeavor, in so far as practicable, to vote or cause to be voted the shares underlying the ADSs in accordance with the instructions received. If instructions from an ADR holder are not received by The Bank of New York by the date specified in the voting materials, The Bank of New York will not request a proxy on behalf of such holder. The Bank of New York will not vote or attempt to exercise the right to vote other than in accordance with the instructions received from ADR holders. We cannot assure you that you will receive the voting materials in time to ensure that you can instruct The Bank of New York to vote the shares underlying your ADSs. In addition, The Bank of New York and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that you may not be able to exercise your right to vote and there may be no recourse if your voting rights are not exercised as you directed.

Sales of a large amount of Sasol’s ordinary shares and ADSs could adversely affect the prevailing market price of the securities

Historically, trading volumes and liquidity of shares listed on the JSE have been low in comparison with other major markets. The ability of a holder to sell a substantial number of Sasol’s ordinary shares on the JSE in a timely manner, especially in a large block trade, may be restricted by this limited liquidity. Sales of ordinary shares or ADSs, if substantial, or the perception that these sales may occur and be substantial, could exert downward pressure on the prevailing market prices for the Sasol ordinary shares or ADSs, causing their market prices to decline.

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ITEM 4.
INFORMATION ON THE COMPANY
4.A
History and development of the company

Sasol Limited, the ultimate holding company of our group, is a public company. It was incorporated under the laws of the Republic of South Africa in 1979 and has been listed on the JSE since October 1979. Our registered office and corporate headquarters are at 1 Sturdee Avenue, Rosebank, 2196, South Africa, and our telephone number is +27 11 441 3111. Our agent for service of process in the United States is Puglisi and Associates, 850 Library Avenue, Suite 204, P.O. Box 885, Newark, Delaware 19715.

In 1947, the South African Parliament enacted legislation detailing the establishment of an oil-from-coal industry in South Africa. This followed 20 years after the publication of a White Paper by Parliament, aiming to protect the country's balance of payments against increasing crude oil imports in view of the lack of domestic crude oil reserves. As a result of this initiative, the South African government in 1950, through the Industrial Development Corporation of South Africa Limited (IDC), a state-owned entity, formed our predecessor company known as the South African Coal, Oil and Gas Corporation Limited to manufacture fuels and chemicals from indigenous raw materials.

Construction work on our synthetic fuels plant at Sasolburg (Sasol One), in the Free State province, about 80 kilometres (km) south of Johannesburg, commenced in 1952, and in 1955, the original Sasol One production units were commissioned. We supplied our first gasoline and diesel to motorists at Sasolburg in November 1955. The operation of this plant was based on a combination of the German fixed-bed and the US fluidized-bed Fischer-Tropsch technologies, together with German Lurgi coal gasification technologies for the synthetic production of gasoline, diesel, other liquid fuels and chemical feedstock from coal.

During the 1960s, we became a major supplier of raw materials for the chemical industry. This included products such as solvents for paints, butadiene and styrene for synthetic rubber and ammonia for nitrogenous fertilizer. When our first naphtha cracker became operational in the mid-1960s, we added ethylene and propylene for the plastics industry to our product portfolio.

In 1966, we completed construction of our first gas pipeline, which connected 250 industrial companies in the greater Johannesburg area to pipeline gas.

In December 1967, Natref was incorporated and, at the same time, construction of the oil refinery commenced at Sasolburg. The refinery was commissioned in February 1971. Currently, we, as the major shareholder, and Total South Africa (Pty) Limited (Total), a subsidiary of Total S.A. of France, hold 63.64% and 36.36%, respectively, in Natref.

The increased oil prices of the early seventies presented us with an opportunity to increase our synfuels production capacity and assist in reducing South Africa's dependence on imported crude oil. We commenced the construction of Sasol Two in Secunda, 145 km southeast of Johannesburg in the Mpumalanga province, in 1976, and in March 1980, this plant produced its first synthetic fuel. During the final construction phases of Sasol Two in 1979, work commenced on the construction of our third synfuels and chemicals plant, Sasol Three, which was completed in 1982. The virtually identical operations of Sasol Two and Sasol Three were merged in 1993 to form Sasol Synthetic Fuels, now Sasol Synfuels.

Towards the time of the completion of the Sasol Three project, all our technical and research and development services were consolidated into a new company, Sasol Technology. Since then, Sasol Technology has been an important area of our activities, responsible for research and development, technology development and commercialization, project management and specialist engineering skills.

In October 1979, Sasol Limited was listed on the JSE, and 70% of its share capital was privatized. We used the proceeds from the private and public issue to acquire 100% shareholding in Sasol One and 50% shareholding in Sasol Two and Sasol Three from the IDC. During 1983 we acquired the IDC's remaining interest in Sasol Two and the remaining interest in Sasol Three was acquired effective 1 July 1990. Subsequently, the interest in our share capital held by the South African government through the IDC was further reduced to its current 7.8%.

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In 1982, our ADRs were quoted on the NASDAQ National Market through an unsponsored ADR program, which was later converted to a sponsored ADR program in 1994. With effect from 9 April 2003 we transferred our listing to the New York Stock Exchange (NYSE) from NASDAQ.

Our technology enabled us to enter the downstream production of higher-value chemicals, including nitrogenous fertilizers and commercial explosives in 1983 and 1984, respectively, and also of solvents, phenolics, waxes and alpha olefins.

During 1988 and 1989, we undertook the construction of a large polypropylene plant that incorporated BASF gas-phase technology. Between 1990 and 1993, Sasol One underwent a R820 million renovation, during which we discontinued the production of synfuels and increased the production of higher-value chemicals, including ammonia, solvents, phenolics, paraffin and waxes.

Polifin Limited (Polifin) was established in Johannesburg in January 1994, as a joint venture with AECI Limited (AECI), a South African listed chemicals and explosives company. The joint venture manufactured and marketed monomers and polymers. In 1996, Polifin was listed on the JSE. In 1999, pursuant to a takeover offer, we acquired Polifin's remaining share capital from AECI and the public, delisted Polifin and subsequently it became part of our chemicals portfolio and was renamed Sasol Polymers.

In June 1994, the first alpha olefins plant at Secunda was commissioned to produce 1-hexene and 1-pentene for the international copolymers market.

In 1995, we founded Sasol Petroleum International (SPI) to undertake oil and gas exploration and production in selected high potential areas in West and Southern Africa. SPI is active in South Africa, Gabon, Equatorial Guinea, Nigeria and, most notably, in Mozambique. In 2000 and 2001, we signed agreements with the government of Mozambique for the development of natural gas fields and the construction of a gas pipeline transporting gas to the South African market. The construction of this pipeline was completed in 2004. We introduced natural gas to the South African pipeline gas market as of 2004 and use natural gas as part of our feedstock for our chemicals and synfuels operations in both Secunda and Sasolburg.

The Schümann Sasol International wax manufacturing and marketing venture was established in 1995 after a merger of Sasol Waxes and the Hamburg-based Schümann wax operations. It produces paraffin and Fischer-Tropsch waxes and operates in various countries. Effective 1 July 2002, we acquired from Vara Holdings GmbH and Co KG the remaining third of the share capital of Schümann Sasol, for approximately 51.1 million euro (approximately R521 million at actual rates), and this group of companies, now 100% owned, has been renamed Sasol Wax.

By early 1999, Sasol Synfuels had commissioned the last of its eight new generation Sasol Advanced Synthol (SAS) reactors at Secunda, and a ninth reactor was commissioned in 2001. The 1-octene plant, also at Secunda, was commissioned in April 1999 by Sasol Alpha Olefins and commenced supply to The Dow Chemical Company polyethylene plants in May 1999.

In recent years, we have been exploring opportunities through Sasol Synfuels International (SSI) to exploit the Sasol Slurry Phase Distillate (Sasol SPD™) process technology for the production of high-quality, environment-friendly diesel and other higher-value hydrocarbons from natural gas. In October 2000, we signed agreements with Chevron for the creation of Sasol Chevron, a 50:50 global joint venture founded on GTL technology. Sasol Chevron was formed in order to take advantage of the synergies of Sasol's and Chevron's GTL strengths. Sasol has advanced Fischer-Tropsch technology and Chevron has extensive global experience with respect to natural gas utilisation, product marketing and hydrotreating technology.

Sasol Chevron is currently involved in the development of a GTL project in collaboration with the Nigerian National Petroleum Corporation (NNPC) and Chevron Nigeria Limited at existing oil and gas facilities at Escravos in Nigeria. In April 2005, the engineering, procurement and construction contract for this project was awarded to Team JKS, a consortium of the Japan Gasoline Corporation; Kellogg, Brown and Root (KBR), a subsidiary of Halliburton and Italy's Snamprogetti. SSI and Sasol Chevron continue to explore opportunities to develop other GTL plants over the next decade.

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To promote the performance and environmental merits of cleaner synthetic fuels, Sasol Chevron co-founded the Alliance for Synthetic Fuels in Europe (ASFE) with DaimlerChrysler, Renault, Royal Dutch Shell and Volkswagen, which was launched in Brussels in March 2006.

In July 2001, we signed a joint venture agreement with Qatar Petroleum (Qatar Petroleum 51% and Sasol 49%) to establish Oryx GTL. The joint venture is constructing, on behalf of both venture partners, a GTL plant based at Ras Laffan Industrial City to produce high quality synfuels from Qatar's natural gas resources. The inauguration ceremony of the ORYX GTL plant was held at Ras Laffan Industrial City in Qatar on 6 June 2006. The plant is scheduled to commence operations during the second quarter of 2007.

We acquired Condea in March 2001 from German-based RWE-DEA AG for 1.3 billion euro (R8.3 billion). Most of this business was subsequently hosted in Sasol Olefins & Surfactants with production facilities mainly in the US, Europe and South Africa. In 2003, it was determined that we would continue to grow our chemical businesses conditional upon projects leveraging our technology or securing integrated and highly cost-competitive feedstock positions. We announced in August 2005 that we are considering the divestment of the Sasol Olefins & Surfactants business excluding our comonomers activities in South Africa. The Sasol Olefins & Surfactants business is not vertically integrated to our required standards; is not adequately linked to our proprietary Fischer-Tropsch technology process and has not adequately provided the integration benefits which we require. The financial impact of changes in the input costs of the business – together with current market-place dynamics – exceeds the benefits of significant reductions that have successfully been achieved in the fixed costs of the business and various other productivity improvements. After a review of valuations and bids received from interested parties, which confirmed our valuation, it was necessary to write-down the net asset value of the business to its fair value. By 30 June 2006, we had substantially completed most of the activities required to prepare this business for sale and are presently in negotiations with potential buyers. It is envisaged that the disposal of the Sasol Olefins & Surfactants business will be completed within the next 12 months, subject to obtaining the relevant regulatory and other approvals. Until the business is sold, we remain committed to the strategic and operational goals of Sasol Olefins & Surfactants and will continue to provide the business with the support necessary to uphold its effectiveness and success.

In 2004 we initiated Project Turbo, our fuel enhancement project, intended to liberate further chemical feedstock and enable concomitant investments by Sasol Polymers to expand its South African polymer production capacity by more than 80%. The synfuels catalytic cracker (SCC) at Secunda is being commissioned in four sections. The first three are currently being commissioned and the commissioning of the fourth section commenced in June 2006. The SCC is expected to commence beneficial operation in October 2006.

Effective 1 January 2004, Sasol Oil entered the South African retail fuel market with the establishment of its first Sasol-branded retail convenience center (service station). Sasol Oil also completed the acquisition and integration of Exel Petroleum in a major step towards forming Sasol Oil. We now have 376, compared to 345 in 2005, Sasol- and Exel-branded retail convenience centres.

We announced on 16 March 2006 the first phase implementation of Sasol Mining's broad-based empowerment strategy through the formation of Igoda Coal (Pty) Limited (Igoda Coal), an empowerment venture with Eyesizwe Coal (Pty) Limited (Eyesizwe), a black-owned mining company. Igoda Coal will comprise the full value chain of Sasol Mining's coal export business – the Twistdraai mine and beneficiation plant at Secunda, the marketing and logistics components of its coal export business, and Sasol Mining's 5% shareholding in Richards Bay Coal Terminal.

In June 2006 we announced the signing of a co-operation agreement with a consortium led by Shenhua Corporation of the People's Republic of China to proceed with the second stage of feasibility studies to determine the viability of an 80,000 barrels per day (bpd) CTL plant in the Shaanxi Province, about 650 kilometres west of Beijing in China and for another 80,000 bpd CTL plant in the Ningxia Hui Autonomous region, about 1,000 kilometres west of Beijing.

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On 30 June 2006 we announced that our R1.45 billion broad-based black economic empowerment (BEE) transaction, through partnership with Tshwarisano LFB Investment (Pty) Limited (Tshwarisano), was successfully concluded following the prohibition by the Competition Tribunal of the proposed merger of our liquid fuels business with Engen Limited, a South African subsidiary of Petroliam Nasional Berhad (Petronas). In terms of the agreement, Tshwarisano has acquired a 25% shareholding in Sasol Oil effective 1 July 2006.

Since May 2000 we have undertaken share repurchases, which may be made at times and at prices deemed appropriate by management and consistent with the authorization of the shareholders. No repurchases were made during the year ended 30 June 2006. At 30 June 2006, a total of 60,111,447 shares, representing 8.8% of the issued share capital of the company, had been repurchased since 9 May 2000 at an average price of R60.67 per share. At a general meeting held on 3 October 2006, shareholders approved that we acquire 60,111,477 Sasol Limited shares held by our subsidiary, Sasol Investment Company (Pty) Limited. These shares were cancelled on 10 October 2006. Except for the related transaction costs, the repurchase and cancellation of these shares had no effect on the consolidated financial position of the group. At the meeting of 3 October 2006, shareholders also approved that we be granted the authority to acquire Sasol Limited shares by way of a general repurchase. We may consider repurchasing additional shares on the open market.

As of 29 September 2006, we were the largest JSE listed South African domiciled company by market capitalization (R174.8 billion), with total consolidated turnover from continuing operations of approximately R61,857 billion in 2006. We employ approximately 27,933 people in our continuing operations.

Capital expenditure

In 2006 we invested approximately R13 billion, compared with R12 billion and R11 billion in respect of 2005 and 2004, respectively, in capital expenditure (on a cash flow basis excluding capitalized interest and including projects and investments incurred by our equity accounted investees) to enhance our existing facilities and to expand operations. Capital expenditure incurred on key projects to expand our operations includes:

30 June
30 June
30 June
Projects and investments
1
Business categories
2006
2005
2004
(Rand millions)
Project Turbo – low-density
polyethylene and polypropylene
Sasol Polymers
2,608
3,321
936
Oryx GTL and Escravos GTL
Sasol Synfuels International
1,734
1,245
1,235
Arya Sasol Polymers (Iran)
Sasol Polymers International Investments
1,590
823
295
2

nd
and 3
rd
Octene trains
Sasol Solvents
714
288
519
Sasol Oil distribution network
Sasol Oil
191
294
114
Mozambique Natural Gas
Sasol Gas and Sasol Petroleum International
38
244
2,077
Clean Fuels Project
Sasol Oil
–
215
–
Tar Naphta Phenolic Extraction
Other
–
105
–
Acrylic acid and acrylates
Sasol Solvents
–
–
740
15
th
Oxygen train
Sasol Synfuels
–
–
104
Other smaller projects
Various
820
722
1,771
7,695
7,257
7,791
1.
The amounts include business development costs and our group's share of capital expenditure of equity accounted investees. The amounts exclude borrowing costs capitalized. These amounts were approved by our board of directors

and are stated on a management reporting basis. We hedge all our major capital expenditure in foreign currency immediately upon commitment of the expenditure or upon approval of the project.

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Key projects to address environmental matters and enhance existing assets during the 2006 year include:

30 June

30 June

Projects and investments

1

Business categories

2006

2005

(Rand millions)

Project Turbo – fuel enhancement

Sasol Synfuels

1,867

2,520

Clean fuels project

Sasol Oil

224

–

Mining renewal

Sasol Mining

171

177

Waste recycling facility

Sasol Synfuels

98

263

Reconstruction of the ethylene plant (Unit 24) and the revamp of the furnaces

Sasol Polymers

3

185

Other smaller projects

Various

2,968

2,018

5,331

5,163

1.

The amounts include business development costs and our group's share of capital expenditure of equity accounted investees. The amounts exclude borrowing costs capitalized. These amounts were approved by our board of directors and are stated on a management reporting basis. We hedge all our major capital expenditure in foreign currency immediately upon commitment of the expenditure or upon approval of the project.

In addition, we invested approximately R428 million in intangible assets (including investments made by equity accounted investees), mainly in respect of software, patents and trademarks during the year. For a discussion of the method of financing for our capital expenditures, see "Item 5.B – Liquidity and capital resources – liquidity".

Capital commitments

As at 30 June 2006, we had authorized approximately R34 billion of group capital expenditure, of which we had spent R20 billion at 30 June 2006. Of the unspent capital commitments of R14 billion, R8 billion has been contracted for. We expect to spend R9 billion in 2007, R5 billion in 2008 and the remainder in 2009 and

thereafter of our unspent capital commitments. For more information regarding our capital commitments see “Item 5.B – Liquidity and capital resources – liquidity” and “Item 5.F – Tabular disclosure of contractual obligations”.

We expect to spend approximately R7 billion of our capital commitments on projects in South Africa, R5 billion in other African countries, R2 billion in the Middle East and the remainder on projects in other regions.

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The following table reflects key projects approved and contracted which were not completed at 30 June 2006:

Business categories	Project	Total project cost (Rand in millions)	Scheduled operation date
Syferfontein Kriel South Phase 2	Sasol Mining	310	June 2007
Mooikraal underground coal mine	Sasol Mining	229	June 2007
Project Turbo – fuel-optimization	Sasol Synfuels	5,369	October 2006
Black product site remediation	Sasol Synfuels	145	February 2015
Oryx GTL (Qatar)	Sasol Synfuels International	3,795	1 December 2006
Escravos GTL (Nigeria)	Sasol Synfuels International	9,778	2 December 2009
3rd Octene train	Sasol Solvents	2,087	September 2007
Project Turbo – polymers projects – low-density polyethylene and polypropylene	Sasol Polymers	9,381	June 2007
Arya Sasol Polymer (Iran)	Sasol Polymers International Investments		

4,881
3
April – June 2007
The amounts include business development costs and our group's share of capital expenditure of equity accounted investees.
1.
The project cost of US$489 million and has been translated at a rate of R7.76 per US$1.00 solely for the reader's convenience.
2.
Sasol provides risk-based financing for 50% of the capital expenditure on the Escravos GTL joint venture. The project cost is under review. Sasol's portion is not expected to exceed US$ 1.45 billion. Due to concurrent increases in commodity values, this development is not expected to materially affect the returns of this project. This amount has been translated at a rate of R7.76 per US$1.00 solely for the reader's convenience.
3.
Sasol Polymers' share of the estimated cost to establish the Arya Sasol Polymer production facilities is 494 million euro and has been translated at a rate of R9.88 per euro 1.00 solely for the reader's convenience.

4.B

Business overview

Sasol is an integrated oil and gas company with complementary interests in coal, chemicals and the international development of synthetic-fuel ventures based on our proprietary Fischer-Tropsch (FT) technology.

We mine coal in South Africa. Through Sasol Synfuels, we convert this coal, along with Mozambican natural gas, into fuels and chemical feedstock through our FT technology.

We also have chemical manufacturing and marketing operations in Europe, Asia and the Americas.

Our larger chemical portfolios include polymers, solvents, waxes, phenolics and nitrogenous products.

We are advancing the divestiture process of Sasol Olefins & Surfactants business excluding its comonomers activities in South Africa. The Sasol Olefins & Surfactants business has been presented in the financial statements as discontinued operations.

The group explores for, and produces, crude oil offshore Gabon, refines crude oil into liquid fuels in South Africa and retails liquid fuels and lubricants produced in our refinery and by Sasol Synfuels through a growing network of retail service centers. Our liquid fuels business includes wholesaling in South Africa and overland exports to several sub-Saharan African countries.

We produce natural gas in Mozambique for supply to customers and as feedstock for some of our fuel and chemical production in South Africa.

We shall commission our first GTL plant in Qatar during 2007 and a second GTL plant is under construction in Nigeria, for planned commissioning in 2010. These two GTL plants will incorporate our proprietary Sasol SPD™ process.

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Our activities

The financial information presented to our Group Executive Committee (GEC), including the financial information in the reportable segments, is presented based on IFRS. Since IFRS financial information is the basis for segmental financial decisions, resource allocation and performance assessment, it forms the accounting basis for segmental reporting that is disclosed to the investing and reporting public. The IFRS segmental reporting information is reconciled to the amounts reported in our group consolidated financial statements, prepared in accordance with US GAAP, for all years presented. We divide our operations into the following segments (turnover percentages and amounts in terms of IFRS):

Continuing operations:

• *Sasol Mining.* We mine about 46.2 million tons (Mt) a year of saleable coal at Sasolburg and Secunda for our South African plants and export about 3.6 Mt of coal annually. Sasol Mining accounted for 2% of our total external segmental turnover from continuing operations in 2006.

• *Sasol Synfuels.* We operate the world's only large commercial-scale coal-based synfuels manufacturing facility at Secunda. We produce synthesis gas through coal gasification and natural gas reforming, and use proprietary Fischer-Tropsch technology to convert synthesis gas into synthetic fuel components, pipeline gas and chemical feedstock. Sasol Synfuels accounted for 1% of our total external segmental turnover from continuing operations in 2006.

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• *Sasol Oil (previously Sasol Liquid Fuels Business)*. We manufacture and market liquid fuels at Secunda and through our interest in the Natref refinery in Sasolburg (South Africa's only inland crude oil refinery). Liquid fuels include gasoline, diesel, jet fuel, bitumen and lubricants. Sasol Oil accounted for 5% of our total external segmental turnover from continuing operations in 2006.

• *Sasol Gas*. We distribute Mozambican-produced natural gas and Secunda-produced methane-rich gas to customers in the Gauteng, Mpumulanga, Free State, and KwaZulu-Natal provinces of South Africa. We have a 49% interest in Spring Lights Gas (Pty) Limited, an empowerment gas marketing company in Durban, and a 75% interest in Republic of Mozambique Pipeline Investment Company (Pty) Limited (Rompco), the owner of the Mozambican-South African gas pipeline. Sasol Gas accounted for 3% of our total external segmental turnover from continuing operations in 2006.

• *Sasol Synfuels International*. We and our joint venture Sasol Chevron develop and implement international ventures based on the Sasol SPD™ GTL process. We will bring our first international GTL plant into production with Qatar Petroleum during the second quarter of 2007. These activities are only expected to contribute to our total external segmental turnover in 2007. We also pursue opportunities based on other hydrocarbons that could be beneficiated through our Fischer-Tropsch technology.

• *Sasol Polymers.* We operate plants at Sasolburg and Secunda and market ethylene, propylene, polyethylene, polyvinyl chloride, chlor-alkali chemicals and mining reagents to a diverse South African and international customer base. We also have an interest at Kertih, Malaysia in ethylene, propylene and polyethylene production and marketing. Sasol Polymers accounted for 12% of our total external segmental turnover from continuing operations in 2006.

• *Sasol Solvents.* We operate plants in South Africa and Germany and supply a diverse range of solvents (including alcohols and ketones) and associated products through various business units, including an acrylic acid and acrylates joint venture in South Africa with Mitsubishi Chemical Corporation and a maleic anhydride joint venture in Germany with Huntsman Corporation. The comonomers division previously included as part of Sasol Olefins & Surfactants is now included in Sasol Solvents. Sasol Solvents accounted for 16% of our total external segmental turnover from continuing operations in 2006.

• *Other*. We are involved in a number of other activities in the energy and chemicals industries, both in South Africa and abroad, which, among others, include international petroleum and gas exploration and production, production of other chemical products, production of wax and explosive products as well as technology research and development, and our financing activities. These activities accounted for 15% of our total external segmental turnover from continuing operations in 2006.

Discontinued operations:

• *Sasol Olefins & Surfactants.* We manufacture and market surfactants and surfactant intermediates, as well as monomers and inorganic specialty chemicals, mainly at plants in Germany, Italy, the United States of America and South Africa, for customers across the globe. The Sasol Olefins & Surfactants business has been disclosed as a discontinued operation and we expect to sell the business before the end of 2007.The following tables present our total external turnover after the elimination of inter-segment turnover by business operation and geographic market (in terms of IFRS, except where otherwise indicated):

36
Sasol
Total
Sasol
Sasol
Sasol
Sasol
Synfuels
Sasol
Sasol
continuing
2006
Mining Synfuels
Oil
Gas
International
Polymers
Solvents
4
Other operations
(Rand in millions)
South Africa
204
631
29,598
1,663
–
5,936
1,092
3,721
42,845
Rest of Africa
–
19
2,643
–
98
846
158
1,227
4,991
Europe
1,313
107
2
–
15
88
4,317
2,438
8,280

Middle East and India
–
4
–
–
48
2
1,121
197
1,372
Far East
–
2
–
–
–
386
991
113
1,492
North America
–
136
–
–
–
1,829
1,067
3,032
South America
–
8
–
–
–
12
307
177
504
Southeast Asia and Australasia
–
8
–
–
–
267
670
389
1,334
Total segment

1,517
915
32,243
1,663
161
7,537
10,485
9,329
63,850
Adjustments to US GAAP
Equity accounting and reversal of proportionate consolidation
2
(1,993)
Turnover under US GAAP
1
61,857
Sasol
Total
Sasol
Sasol
Sasol
Sasol
Synfuels
Sasol
Sasol
continuing
2005
Mining Synfuels
Oil
Gas
International
Polymers
Solvents
4
Other operations
(Rand in millions)
South Africa
42
642
22,902
1,408
–
5,651
1,303
3,364
35,312
Rest of Africa
–
6

620
–
–
752
155
909
2,442
Europe
1,429
107
3
–
–
86
3,732
2,840
8,197
Middle East and India
–
16
–
–
–
28
880
173
1,097
Far East
–
–
–
–
–
358
1,145
116
1,619
North America
–
20
–
–
–
–
1,302
843
2,165
South America
–
11
–

–
–
7
217
136
371
Southeast Asia and Australasia
–
18
–
–
–
317
627
332
1,294
Total segment
1,471
820
23,525
1,408
–
7,199
9,361
8,713
52,497
Adjustments to US GAAP
Equity accounting and reversal of proportionate consolidation
2
(1,810)
Turnover under US GAAP
1
50,687

37
Sasol
Total
Sasol
Sasol
Sasol
Sasol
Synfuels
Sasol
Sasol
continuing
2004
Mining Synfuels
Oil
Gas
International
Polymers
Solvents
4
Other operations
(Rand in millions)
South Africa
45
1,077
17,237
1,389
–
5,063
869
3,202
28,882
Rest of Africa
6
26
1,305
–
7
815
112
675
2,946
Europe
1,032
153
–
–
–
26
3,502
2,574
7,287

Middle East and India
–
21
–
–
–
48
848
216
1,133
Far East
–
6
–
–
–
178
940
124
1,248
North America
–
21
–
–
–
–
1,146
903
2,070
South America
–
7
–
–
–
14
187
132
340
Southeast Asia and Australasia
–
18
12
–
–
432
333
298
1,093
Total segment

1,083
1,329
18,554
1,389
7
6,576
7,937
8,124
44,999
Adjustments to US GAAP
Equity accounting and reversal of proportionate consolidation
2
(1,659)
Entities previously not consolidated
3
266
Turnover under US GAAP
1
43,606

1.
For more information on the reconciliation of segmental turnover to the corresponding amounts prepared under US GAAP, see "Item 5.A – Operating results – Reconciliation of segmental results to US GAAP" and Note 3 of "Item 18 – Financial statements".
2.
For the years ended 30 June 2006, 30 June 2005 and 30 June 2004, proportionate consolidation is applied with respect to incorporated joint ventures for management reporting purposes. Under US GAAP, the equity method of accounting is applied.
3.
Relates to Naledi Petroleum Holdings (Pty) Limited (included in the Sasol Oil segment) which was equity accounted for management reporting purposes until 31 December 2003 and consolidated as a subsidiary with effect from 1 January 2004. However, under US GAAP it is consolidated as a subsidiary for all reporting years.
4.
The segment information has been adjusted for the reclassification of the comonomers division from Sasol Olefins & Surfactants to Sasol Solvents.

Our strategy

We are active in the oil, gas and chemical sectors, primarily in integrated petroleum and chemical centers of activity in Southern Africa and other countries where we can obtain competitive feedstock advantages. Our core business is adding value to low-cost coal and gas feedstock through our unique Fischer-Tropsch synthesis and other proprietary technologies for the production of fuel, fuel components and chemical feedstock.

Commercializing and expanding our Fischer-Tropsch GTL and CTL technology – We have made further progress towards the drive to commercialize our GTL technology based on the Sasol SPD™ process in natural gas-rich regions. The Sasol SPD™ process allows us to monetize underutilized gas resources by converting them into ultra-low sulfur, high-performing diesel in line with global trends towards cleaner fuel and reduced emissions to the environment.

• SSI and Qatar Petroleum inaugurated their 49:51 joint venture in respect of the Oryx GTL plant in Ras Laffan, Qatar in June 2006. The plant with its capacity of 34,000 bpd is the world's first commercial scale Slurry Phase Fischer-Tropsch GTL plant outside South Africa, developed and built specifically to produce GTL diesel and to a lesser extent, GTL naphtha and liquefied petroleum gas (LPG). The GTL

diesel will be used either as a fuel neat or as a blend stock.

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• Work on the Escravos GTL plant in Nigeria, a joint venture between NNPC and Chevron Nigeria Limited is progressing according to plan. It is envisaged that the plant will be operational in 2009. With its capacity of 34,000 bpd the Escravos GTL plant will produce GTL diesel, GTL naphtha and liquefied petroleum gas utilizing Sasol licensed technology.

Following our progress in Qatar and Nigeria, other potential GTL options are also under review. These options include a second GTL plant in Qatar and possible GTL investments in Algeria and Australia. We are not progressing with a feasibility study on a potential GTL project in Iran, although this may change pending a review of the political situation in Iran. The political situation in Iran is being monitored. If a stage-one feasibility study is initiated it will, however, take up to two years before the investment merits of a potential GTL project are precisely determined for consideration and scrutiny by the relevant risk assessment, governance and investment decision-making bodies within the group, which will also take full cognizance of the political situation prevailing in Iran at that time.

In support of this growth driver, our team of researchers continue to advance our second-generation GTL technology, including our proprietary low-temperature Fischer-Tropsch Slurry Phase reactor and cobalt-based catalysts.

We signed agreements in June 2006 enabling us to continue with feasibility studies for the potential development of two CTL plants in China. We anticipate completing the feasibility studies during 2008 for the two envisaged CTL plants in China. China has been able to sustain high levels of economic growth for more than a decade, coupled with a growing demand for energy which outstrips the world average. With its vast coal reserves, China offers a potential opportunity for us to commercialize our CTL technology. Potential CTL opportunities in the United States and other coal-rich regions may also be considered.

Our researchers will continue to explore new opportunities to commercialize our competitive Fischer-Tropsch synthesis technology for the beneficiation of coal and other hydrocarbon resources, including environmentally friendly biomass.

Grow our integrated chemicals portfolio in selected areas – we will focus on organically growing our chemicals portfolio either by:

• leveraging new chemical growth opportunities from our Fischer-Tropsch processes; or

• securing integrated positions with highly cost-competitive feedstocks.

Sasol Polymers remains an outstanding performer in our chemicals portfolio by focusing on continued business optimization and benefiting from a buoyant demand for polyethylene, polypropylene and polyvinyl chloride. As part of Project Turbo, this division is advancing the construction of two new polymer plants in South Africa to increase our polymer capacity by about 80%. We intend to bring the two plants into operation during 2007. Outside South Africa, our polymer business continues to gain momentum. In Iran, Sasol, through Sasol Polymers International Investments is investing up to euro 494 million (our 50% share of the total capital project) in a new polymer plant which is designed to produce one million tons of ethylene to be converted into polyethylene, or exported as ethylene. This project is a 50:50 joint venture (called Arya Sasol Polymer Company) between Sasol and the National Petrochemical Company of Iran, and comprise one ethane cracker for producing polymer-grade ethylene and two polyethylene plants. The cracker start-up is currently targeted for between April and June 2007, followed by commissioning of the two polyethylene plants soon thereafter.

Sasol Solvents continues to benefit from its status as a diversified producer and marketer of industrial solvents. The breadth of our solvents product portfolio and international market presence covering all major regions are competitive strengths of this business unit.

Substantial work has been undertaken to prepare the Sasol Olefins & Surfactants business for sale. Since the start of the divestiture process in August 2005, international oil prices have increased significantly, which represent fundamental changes in energy costs and their related impact on oil derived feedstock prices. Irrespective of the negative impact of the increased feedstock costs on the Sasol Olefins & Surfactants business,

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the strategic rationale for considering the disposal of the business, as expressed in our initial announcement in August 2005, remains relevant and valid. It is not backward integrated into the primary feed streams to our required standards and is also not adequately linked to our proprietary Fischer Tropsch technology process.

Exploit upstream hydrocarbon opportunities – SPI has become a steady producer of natural gas in the Temane field in Mozambique. We will continue to explore for additional natural gas reserves in and around the Temane and Pande onshore fields as well as two offshore fields. Moreover, SPI remains a 27.75% partner in Gabon's offshore Etame oil field, where crude oil production is being sustained at about 18,000 bpd.

Sasol Gas continues to focus on growing the South African gas market following the successful introduction of natural gas from Mozambique in 2004. At 30 June 2005 Sasol held a 100% interest in Republic of Mozambique Pipeline Investments Company (Pty) Limited (Rompco), a company which operates and maintains the cross-border pipeline that conveys natural gas from the Temane central processing facility to the gas network at Secunda. On 1 July 2005, we sold a 25% interest in Rompco to South African Gas Development Company (Pty) Limited (iGas), owned by the South African government), and realized a profit of R205 million. Companhia Mocambicana de Gasoduto S.A.R.L (CMG), a company owned by the Mozambique government, has taken steps to exercise its option to acquire a 25% interest in Rompco in 2007.

Continuing operations

Sasol Mining

Nature of the operations and principal activities

We have three South African coal mining operations:

• Secunda Mining Complex, consisting of four underground mines (Bosjesspruit, Brandspruit, Middelbult and Syferfontein) at Secunda supplying 40.3 Mt of coal to Sasol Synfuels, its primary customer. A new business portfolio supplying utility coal to Eskom Holdings Limited (Eskom), South Africa's state-owned power company, has been established and performed well during the year. In line with a supply agreement, the company supplied 1.7 Mt of coal to Eskom power stations during 2006.

• Export Complex (situated in the Secunda Mining Complex), supplied by the Twistdraai mine at Secunda, producing coal for the international market (export coal sales of 3.6 Mt) as well as a secondary product (middlings), supplied to Sasol Synfuels.

• Sigma Mining Complex. The Mooikraal mine near Sasolburg was brought into operation shortly before 30 June 2006. It has been designed to supply utility coal to the group's utility plants in Sasolburg at a rate of about 1.9 Mt a year to replace the depleted Mohlolo underground operation and the Wonderwater high-wall operation, which are undergoing final closure and rehabilitation.

During 2006 total production was 46.2Mt of coal, compared to 47.7Mt in the previous year. The decrease in production resulted from coal purchases from Anglo Operations (Pty) Limited (Anglo Operations) for supply to Sasol Synfuels and the introduction of natural gas at Sasolburg. Saleable production volumes vary each year according to inter-segment demand and export capacity.

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Operational statistics	**2006**	**2005**	**2004**
(Mt, unless otherwise stated)			
Sigma Mine	1.6	2.6	6.2
Secunda Mines	44.6	45.1	46.2
Total production	**46.2**	**47.7**	**52.4**
Saleable production from all mines	1	44.5	45.5	50.4
External coal purchases from Anglo Operations	3.1	–	–
Sales to Sasol Infrachem, Sasolburg	1.7	3.0	6.8
Sales to Sasol Synfuels, Secunda	40.3	39.4	40.2
Additional South African market sales	2.1	0.5	0.5
Export sales (primarily Europe)	3.6	3.6	3.6
Total sales including exports	**47.7**	**46.5**	**51.1**
Production per shift of continuous miner (mining production machine) (t/cm/shift)	1,674	1,561	

1,707

1.

Saleable production equals our total production minus discard and includes both product sold and movements in stockpiles.

Strategy

An analysis of the challenges facing our mining operations and a review of our strategy culminated in the determination of the following six key strategic themes:

• Mining Charter compliance;
• Safety, health and environment (SH&E);
• Continuous improvement;
• Business and reserve optimization;
• Product and market optimization and logistics; and
• Winning with people.

Mining Charter compliance

Economic empowerment of historically disadvantaged South Africans. We pursued a rigorous BEE strategy formulation process, followed by a partner selection process, resulting in the selection of Eyesizwe as our preferred strategic BEE partner in our coal export operations. We announced in March 2006 the first phase of the implementation of Sasol Mining's broad-based BEE strategy through the formation of Igoda Coal, Sasol Mining's 65:35 empowerment venture with Eyesizwe.

As a result of this transaction, BEE equity ownership in Sasol Mining's operations will indirectly comprise about 8%. We are now expediting plans to advance the second phase of our broad-based BEE ownership strategy, pursuant to which we intend to achieve a 26% BEE equity ownership by 2014, in compliance with the Mining Charter.

These future BEE ventures will further assist operational capacity building in the mining sector. We intend to create a new, sustainable BEE entity, which will be involved in selected mining operations. This entity preferably, will include a women's group and other broad-based stakeholders drawn from historically disadvantaged groups in South Africa. We expect to finalise our next BEE equity ownership deal in the year ahead.

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The submission of applications for the conversion of Sasol Mining's Secunda "old order" mining rights were provided to government. This submission provides detail and information on how stated objectives of the Mining Charter will be addressed as well as plans on how to achieve the targets. See "Item 3.D – Key information – Risk factors – New mining legislation may have an adverse effect on our mineral rights" and "Item 4.B – Business overview – Regulation – Empowerment of historically disadvantaged South Africans".

Safety, health and environmental

The recordable case rate (recordable case rate (RCR) is the standard international measure for reporting work-related injuries and illnesses and other safety incidents resulting in injury) for 2006 was 0.93 compared to 1.51 for 2005, and the lost work day case rate for 2006 was 0.25 compared to 0.24 for 2005. Safety is of critical importance and various interventions have and are being implemented in order to improve Sasol Mining's safety performance. This includes entrenching safety as a key value at Sasol Mining, in line with the group's focus on safety. A process to improve safety-related behaviors was implemented two years ago and will be fully implemented at all our mining operations by the end of the 2008 calendar year.

With regards to safety and health, the underground dust levels at locations with mechanical miners have decreased to 3.42 milligrams per meters cubed (mg/m
3
) from 3.63mg/m
3
in 2005. This measurement is still well below the legal limit of 5mg/m
3
.

In addition all the mining operations have a legally required Environmental Management Program, as well as an internationally recognized Environmental Management System (ISO 14001). They are individually audited at least annually.

Continuous improvement

Through a process of consultation with all role players, a "Sasol Way" of operating was designed, supported by a tracking tool for monitoring progress and sustainability. This process will be implemented throughout all the mining operations during the next eighteen months.

In keeping with recent trends, we continue to advance our mechanical productivity, measured by the average number of tons produced by one continuous miner in one eight-hour shift (t/cm/shift). Since launching a dedicated productivity-improvement program seven years ago, Sasol Mining has increased its continuous miner productivity by 108%, while also sustaining a general trend during this period of lowering its recordable injuries. Machine productivity increased by 7% during the year from 1,561 t/cm/shift to 1,674 t/cm/shift.

Business and reserve optimization

A business planning process has been established which allows for integrated planning from the strategic level to life-of-complex planning, ten year budgets and short-term planning. During 2006 the business has operated soundly within the context of this business plan. The business plan is focused to continuously operate the mines in the most cost effective manner whilst also focusing on reserve optimization.

Product and market optimization and logistics

The changes in both the demand pattern at the Sasolburg petrochemical complex (only utility coal required) and the supply sources at the Secunda Mining Complex (less Twistdraai coal produced and more coal purchases from Anglo Operations) have necessitated more focus to ensure stability in the coal blends supplied to our internal customers (Sasol Synfuels and Sasol Infrachem). Different computerized blending models have been developed and implemented to manage coal quality and coal blends of products supplied to customers.

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Winning with people

Talent management and succession planning processes within the company are entrenched and we continue to experience year on year improvements in people productivity. The relationship with all our union stakeholders is good. We achieved 38% representation of historically disadvantaged South Africans (HDSAs) from first line supervisory to senior management levels. The introduction of an additional 67 women in core business was successfully completed. Currently we have over 100 women in core business and are well on our way towards achieving targets set by the Mining Charter and relevant legislation. Overall progress towards the achievement of employment equity and Mining Charter targets is satisfactory. Current retention challenges in skilled, professional positions are mainly due to a national growth in the requirements for these skills. Strategies to mitigate these challenges including, targeted recruitment, fast-tracking of professional growth of employees and increased artisan and miner learnership are yielding favorable outcomes, resulting in lower voluntary labor turnover for Sasol Mining as against the mining industry in general and continuous inflow of skilled employees from internal development. With increased economic growth in the country, Sasol Mining will continue to seek and implement innovative ways to attract and retain talented people within the company.

Principal markets

We extract and supply coal mainly to our synfuels and chemical plants under terms and conditions which are determined on an arm's length basis. We export approximately 8% of the Secunda Mining Complex's production. In 2006, external sales, primarily exports, amounted to 3.6 Mt, compared to 3.9 Mt in 2005. In a volatile market, US dollar export prices decreased by 7%, while the rand weakened by 3%. This resulted in a net decrease in the rand export coal price of 4%.

Marketing opportunities for coal in both the international and domestic utility market are being explored. It is our intention to increase our presence in the international market over the ensuing decade. This is currently constrained by our throughput entitlement at the Richards Bay Coal Terminal, South Africa's predominant coal export outlet. The planned expansion of this terminal has been delayed and its timing is uncertain.

Seasonality

The demand for inter-segment coal is consistent throughout the year. The demand for coal in Europe, the international market in which Sasol Mining is most active, is consistent throughout the year. Variations in tonnage from season to season in the export market are therefore limited.

Marketing channels

Sasol Mining has appointed a limited number of agents in Europe to represent the company, each with their own specific geographic markets. These agents operate on a commission basis and are authorized to act as intermediaries only. All sales require approval of Sasol Mining before they may be concluded with the customer.

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Property, plants and equipment

Sasol Mining operates six mines for the supply of coal to Sasol Synfuels, Sasol Infrachem (utility coal only) and the external market. The annual production of each mine, the primary market to which it supplies coal and the location of each mine are indicated in the table below:

Mining activities	**Mine**	**Market**	**Location**	**2006**	**2005**	**2004**
				Production (Mt)		
	Bosjesspruit	Sasol Synfuels	Secunda	7.8	7.7	8.2
	Brandspruit	Sasol Synfuels	Secunda	8.2	8.3	8.4
	Middelbult	Sasol Synfuels	Secunda	9.3	8.0	8.5
	Syferfontein	Sasol Synfuels	Secunda	8.8	7.1	6.8
	Twistdraai	Export/Synfuels	1 Secunda	10.5	14.0	14.3
	Sigma/Mooikraal	Sasol Infrachem	Sasolburg	1.6	2.6	6.2
				46.2		

47.7
52.4
1.
The middlings product from the export beneficiation plant is supplied to the Synfuels market.
Beneficiation Plant
A coal beneficiation plant is operated at Secunda to enable coal export to the international market. The design capacity of the plant is 10.5 Mt throughput per annum. The plant feedstock is supplied by Twistdraai mine via overland conveyor belts of approximately 22 kilometres.
Sasol Synfuels
Nature of the operations and principal activities
Sasol Synfuels operates a coal and gas-based synfuels manufacturing facility which, on the basis of our knowledge of the industry and publicly available information, we believe to be the world's only large commercial-scale facility of this type. Based at Secunda, we produce syngas primarily from low-grade coal with a smaller portion of feedstock being natural gas. The process uses advanced high temperature Fischer-Tropsch technology to convert syngas into a range of synthetic fuel components, as well as industrial pipeline gas and chemical feedstock. We produce most of South Africa's chemical and polymer building blocks, including ethylene, propylene, ammonia, phenols, alcohols and ketones. We operate the world's largest oxygen production facilities (according to Air Liquide, the French industrial gas company), currently consisting of 15 units. As a result, we also have the capacity to recover high volumes of two noble gases, krypton and xenon.
We obtain our coal feedstock requirements from Sasol Mining and purchase natural gas feedstock from Sasol Gas.
Strategy
The primary strategic objectives of Sasol Synfuels are:
• to maintain all-round operational excellence (including safety performance);
• to maintain a motivated and skilled human resources base;
• to position itself strategically for long-term growth in a complex and evolving environment; and
• to continuously reduce the environmental footprint of our operations in Secunda.

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Major growth opportunities exist for us in domestic and international markets. Sasol Synfuels is partnering with Sasol Technology, Sasol Oil and key chemical businesses in a feasibility study for a phased 20% increase in production over the next 10 years. The envisaged first-phase growth of 10% would be based on higher throughput of natural gas and thereafter on higher throughput of coal. The latter coal-based growth phase would require new-generation coal gasification technology. Sasol Synfuels envisages complementing the current low-temperature Lurgi coal gasifiers with high-temperature gasifiers, mostly to improve plant efficiency and reduce emissions to the atmosphere. High-temperature gasifiers produce carbon monoxide, which – along with hydrogen – can be used to produce synthesis gas instead of being emitted to the atmosphere. The additional volumes of reaction hydrogen would be sourced from natural gas.

Working in partnership with Sasol Oil and Sasol Technology, we met the new mandatory South African fuel specifications which were implemented on 1 January 2006. Besides terminating the production and marketing of leaded fuel and introducing lead replacement fuel for older vehicles, we have introduced diesel with a substantially lower sulfur content – a reduction from 3,000 parts per million (ppm) to 500ppm. Project Turbo, the fuel-optimization and polymer-expansion project entered the final stage during the last quarter of the year. As part of the fuel-optimization portion of the project, we commenced with the commissioning of the synfuels catalytic cracker (SCC) in August 2006. Project Turbo has necessitated the rerouting of almost one-million cubic meters a year of fuel precursors produced by Sasol Synfuels to the SCC, where they are now being converted into higher-octane fuel, as well as ethylene and propylene. As a result of starting up the SCC, we have a different end-product ratio because our fuel volumes will decrease slightly as some of the fuel streams will be converted into polymer feedstock. In the longer term, however, our growth plans will offset the Project Turbo-related reduction in fuel volumes and the negative impact on unit cost. We expect that in addition to delivering the new fuels solution for 2006, this project will also address most of the envisaged more stringent fuel specifications which are expected to be mandated in future years.

Various safety initiatives have yielded positive returns, with our RCR decreasing by 50% from 1.31 in 2005 to 0.65 in 2006 for Sasol Synfuels employees.

Principal markets

The company sells fuel components to Sasol Oil, and methane-rich gas is sold to Sasol Gas. Chemical feedstocks are processed and marketed by Sasol and its joint ventures, including Merisol. Unrefined ethylene and propylene are purified by Sasol Polymers' monomers division at Secunda for the downstream production of polymers. Ammonia is sold to the fertilizer and explosives industries, including Sasol Nitro, our nitrogenous products division.

The inland South African market for liquid transportation fuels continues to grow, as do many of the major markets for the group's main chemical businesses.

Property, plants and equipment

Specific product volumes

2006

2005

2004

(% of total production)

Liquid and gaseous fuels

65

64

66

Petrochemical feedstock

25

25

20

Carbon plus nitrogenous feedstock for fertilizers and explosives

8

8

11
Specialized cokes, creosote and related carbon and tar products
2
3
3
We have procured a preventative maintenance program, which we continue to benchmark against those of leading international energy and chemical companies. The planned March 2006 shutdown was postponed to September 2006 to accommodate the complex scope of the work required for Project Turbo. Greater energy efficiency is also being pursued through new programs aimed at reducing overall unit cost, improving environmental performance and assuring the reliability of electricity supply. This is particularly important at a

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time when Sasol Synfuels are pursuing significant expansion plans. Sasol Synfuels have been given the go-ahead to commence work in the year ahead for the development of a 100 to 350-megawatt power-generation plant at Secunda. This facility will use waste-gas streams as an energy source to reduce costs and environmental impact. Overall production integrity and reliability remained at high levels throughout the year despite four unplanned shutdowns. Ongoing programs are followed to improve plant reliability, availability and efficiency of operations. One of the year's key initiatives was the formation of a dedicated operational improvement team to support Synfuel's pursuit of operational excellence.

Sasol Synfuels continued to advance a series of major environmental projects as part of a wider group initiative in South Africa to reduce our environmental footprint and enhance operational efficiency. We are partnering with Sasol Nitro to build a R638 million sulfuric acid plant at Sasol Synfuels and an ammonium sulfate facility at Sasol Nitro. The acid plant will use hydrogen sulfide and offtake gas from the Rectisol plant as feedstock. Sasol Nitro will convert a large percentage of the sulfuric acid into ammonium sulfate, an important fertilizer ingredient.

We are also focusing on opportunities to reduce volumes of low-level volatile organic compounds (VOCs), as well as emissions of sulfur oxides (SOx) and nitrous oxides (NOx). Conceptual studies are progressing with a view to reduce emissions significantly below the VOC, SOx and NOx limits prescribed by South Africa's more stringent new legislation, the National Environmental Management: Air Quality Act.

We completed further environmental cleanup projects with a combined cost of R175 million. In the year ahead, besides the sulfur-reduction investments associated with building plants for producing sulfuric acid and ammonium sulfate, Sasol Synfuels expects to invest a further R86 million to improve environmental performance.

Sasol Oil

Nature of the operations and principal activities

Sasol Oil encompasses the established liquid fuels and lubricants marketing, distribution, commercial and retailing interests, including the Exel business, our shareholding in the Natref refinery, and the acquisition of fuel components and the fuel blending and storage facilities at Sasol Synfuels in Secunda. Products include gasoline, diesel, jet fuel, fuel alcohol, illuminating paraffin, liquefied petroleum gas, fuel oils, motor and industrial lubricants and bitumen. Sasol Oil also encompasses crude oil procurement, shipping and refining, as well as final product supply to, and trading with, other oil companies operating in Southern Africa.

Strategy

On 6 February 2004, it was announced that Sasol Limited and Petronas were in discussions concerning the combination of Sasol's liquid fuels business and Petronas' South African liquid fuels businesses, Engen, in a joint venture to create a leading South African liquid fuels business. On 23 February 2006, despite earlier approval by the European Commission, the proposed joint venture was prohibited by the Competition Tribunal in South Africa as it ruled that it would have had anti-competitive effects on the industry. Since the ruling, Sasol Oil has reviewed and re-aligned its strategy and has also appropriately structured the organization and management team to drive the revised strategy.

In order to ensure the achievement of our commitment given in terms of South Africa's Liquid Fuels Charter and the advancement of BEE we planned to attain the equity commitment through the above mentioned joint venture transaction. The ruling by the Competition Tribunal delayed such realization, however, on 1 July 2006 we realized this commitment when Tshwarisano acquired a 25% shareholding in Sasol Oil. This transaction has facilitated the meeting of the 25% BEE ownership target in compliance with the Liquid Fuels Charter. See "Item 4.B – Business overview – Regulations – Empowerment of historically disadvantaged South Africans".

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Principal markets

Liquid fuels marketed	**2006**	**2005**	**2004**
Total liquid fuel sales (million m3)	9.61	9.60	9.32
Fuel and bitumen exports (million m3)	0.8	0.8	0.7

Natref refinery operational statistics[1]	**2006**	**2005**	**2004**
Crude oil processed (million m3)	3.09	3.18	3.11
White product yield (% of raw material)	89.3	89.5	90.7
Total product yield (%)	97.1	97.9	99.4

1. Data based on our 63.64% share in Natref.

Our 63.64% share of Natref's production represents about 12% of South Africa's total liquid fuels demand. In addition, 25% of South Africa's fuel demand is met from components produced at Sasol Synfuels in Secunda. Our main wholesale customers in the South African liquid fuels market include Engen, BP, Chevron, Shell and Total. These companies, amongst others, currently purchase part of their liquid fuels requirements for the South African market from us through short to long term supply agreements. The process of concluding supply agreements with smaller emerging oil companies is progressing as well.

Raw materials

Natref obtains approximately 55% of its crude oil requirements from the Middle East (of the purchases from the Middle East approximately 12,000 bpd of crude oil is purchased from Naftiran Intertrade Company Limited of Iran and approximately 20,000 bpd of crude oil is purchased from Saudi Arabia) through crude oil term contracts and the balance at spot prices from West Africa and other sources. Crude oil is landed at Durban and is transferred to the refinery through a 670 kilometer pipeline owned by Petronet, a subsidiary of Transnet,

which is a state-owned pipeline company.

Marketing channels

The Natref refinery at Sasolburg and our facilities at Secunda are located in the economic heartland of South Africa, where an estimated 63% of the country's white products are consumed. We currently supply approximately 9.1 million m
3
of white products per year to the South African market. Fuel export volumes decreased from 636,033m
3
in 2005 to 269,003m
3
in 2006 owing to planned and unplanned refinery and plant shutdowns at Sasolburg and Secunda.

Since the expiry of the Main Supply and Blue Pump agreements at the end of December 2003, we have concluded individual supply agreements with the main and emerging oil companies operating in South Africa. These agreements, differing in duration, cover the supply of liquid fuels, including gasoline, diesel, liquefied petroleum gas, jet fuel and illuminating paraffin. Over the last 12 months we have been able to supply our committed volumes in terms of the supply agreements, albeit under very challenging circumstances. Our supplies from Natref and Synfuels have been interrupted because of plant and/or refinery instability. We were only able to comply with our supply obligations by importing refined petroleum products. Even though Natref and Synfuels have been stable over the last period, it is envisaged that the importation of refined petroleum products will continue because of planned plant shutdowns.

We have an empowerment venture with Namibia Liquid Fuels (Pty) Limited, to supply 50% of Namibia's white product requirements (about 500,000 m
3
a year) for at least three years as from 1 January 2005.

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We have an existing agreement with the government of Lesotho and have entered into a major new supply agreement with the government of Swaziland for the supply of white product requirements. We have secured 11 retail service stations in Lesotho increasing our total market share from 19% to 36% to supplement our commercial market presence in that country.

In the commercial sector, we are targeting four primary business sectors for the marketing and supply of fuels and lubricants: the mining industry, the transport industry, reseller/distributors and government organizations. Our marketing of products, such as our low-sulfur Sasol turbodiesel™, has promoted our sales in both the commercial and retail markets.

In the retail sector we have successfully developed new, or converted existing, service stations, growing from 345 to 376 Sasol Convenience Centers and Exel-branded service stations as at 30 June 2006, in line with our dual-branding approach, which supports two distinctive but complementary marketing strategies.

We retain our competitive advantage in direct sales marketing on a commercial basis in the industrial and related energy markets because of the notably low sulfur content of our fuel oils and special distillate fuels.

We maintain our belief that independent access to the retail and commercial markets has strategic, competitive and growth advantages and we intend to improve our position in the South African fuels market in this respect. The previous restrictions on our direct sales to the South African market have been removed creating opportunities to increase our fuel production and sales through access to the retail and commercial markets. We do, however, envisage that local and national regulatory requirements will delay the approval of sites.

Property, plants and equipment

Natref is a technologically advanced refinery, highly efficient in refining heavy crude oil into gasoline, diesel and other white products. It is South Africa's only inland crude oil refinery, as the other three crude oil refineries are located along the country's shores. Its inland location does not allow the refinery easy access to the bunkers fuel market, as is the case for coastal refineries. Therefore, Natref focuses on the production of refined distillate fuels and only produces a small percentage of fuel oil and bitumen. It is designed to upgrade relatively heavy crude oil with a high sulfur content (sour) to yield about 90% white petroleum products. Crude oil selection and degree of upgrade are ultimately dictated by refinery configuration and overall economics. Other products of the refinery include commercial propane, jet fuel, different grades of bitumen and fuel oils.

While we operate the refinery, Total participates in its management with veto rights in respect to a number of corporate actions, including, among others, increasing or reducing Natref's share capital, amending Natref's Memorandum and Articles of Association and the rights attaching to its shares, appointing directors to serve as executive officers and determining directors' remuneration.

Under the terms of an agreement concluded between Total and Sasol, Total has the option to purchase up to 13.64% of the ordinary shares in Natref from Sasol at fair market value upon the occurrence of certain events. Since December 2003 Total had two opportunities to increase its shareholding in Natref to 50%, the first being the termination of the Main Supply Agreements and the second the proposed transaction between Sasol and Petronas which was prohibited by the Competition Tribunal. On both occasions Total decided not to exercise its option to increase its shareholding in Natref.

During 2006 we have invested in the Natref refinery to meet new fuel specifications. This project was completed in October 2005. The project objectives to discontinue the addition of lead additive to gasoline and produce diesel that contains less than 500 ppm of sulfur were both achieved within the approved budget of R531 million. The impact of this has been that Natref's refining capacity is reduced to 89% of previous capacity. In addition, new processing units will have to be built to meet the further evolution of South African required fuel specifications (required for the control of exhaust emissions from road-going vehicles in South Africa) by the earliest in 2010 and restore the reduced capacity of the refinery, which will require a substantial investment.

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The overall refinery availability amounted to 92% due to a 3.5% unplanned availability. Of the unplanned shutdowns the most significant were outages of the crude distillation unit and a power failure. A major turnaround of the crude distillation unit and catalytic reforming units is planned for the 2007 financial year that will result in net budgeted availability, excluding unplanned downtime to reduce to 94% as opposed to 96% for the 2006 financial year.

Petronet, which transfers synthetic fuel components from Secunda to Natref, in Sasolburg, purported to terminate the agreement to transfer these components with effect from 1 January 2005. After evaluating various technical options, agreement was reached with Petronet to continue with the transfer of synthetic fuel components to Natref. Modifications to the pipeline have now been effected in order to ensure that the transfer of synthetic fuel components can take place whilst allowing Petronet to also use the line for other products.

Sasol Gas

Nature of the operations and its principal activities

Established in 1964, originally as the South African Gas Distribution Corporation Limited (Gascor), Sasol Gas operates a 2,084 km pipeline network. Sasol Gas is a shareholder in ROMPCO and Spring Lights Gas (Pty) Limited (Spring Lights Gas). Sasol Gas operates and maintains the 865 km transmission pipeline from the gas fields in Mozambique to Secunda in South Africa on behalf of ROMPCO under a contractual agreement.

The first pipeline was constructed in 1966 to distribute gas produced from coal to approximately 250 industrial customers in the then Witwatersrand area. We expanded our network to more than 800 kilometres of distribution pipelines by 1977. During 1996 we concluded an agreement with Petronet to utilize the Lilly pipeline in order to expand our network to the geographical area of KwaZulu-Natal. Our network has reached 1,350 kilometres of distribution lines after the expansion to the Pretoria geographical area in 1997. Based on the availability of methane-rich gas in Secunda we developed the industrial markets of Secunda, Witbank, Middelburg and developed the KwaZulu-Natal market down to the Durban South Area.

As part of the Natural Gas Project for the development, production and transportation of natural gas from Mozambique, ROMPCO was established as the owner of the Mozambique to Secunda gas transmission pipeline (MSP).

Initially, ROMPCO was wholly owned by Sasol Gas. Pursuant to the ROMPCO Shareholders' Agreement the South African and Mozambican governments nominated shareholders, namely the South African Gas Development Company (Pty) Limited (iGas) and Companhia de Moçambicana de Gasoduto (CMG) were afforded a deferred option to purchase in aggregate up to 50% of the shareholding in ROMPCO. With effect from 1 July 2005, iGas exercised its option and purchased 25% of the shares in ROMPCO. A profit of R205 million was realized on this transaction. CMG is finalizing its financing arrangements for the exercise of its option to acquire a 25% interest in ROMPCO. CMG submitted a conditional offer to purchase on 26 June 2006, subject to the approvals of the respective financing institutions and the guarantor. These approvals have been obtained subsequent to 30 June 2006. We anticipate this transaction will be finalized before the end of second quarter of 2007. The business risk profile of the particular investment will not be adversely affected as a result of the exercise of the option. On the contrary, the exercise of the option would positively affect the political risk profile of the investment in ROMPCO and the MSP.

As part of Sasol Gas' commitment to BEE, Sasol Gas has formed a joint venture company and contributed its business rights to market pipeline gas in the Durban South area to Spring Lights Gas which is now entering its fourth year of successful commercial operations with increased operating profit on the previous year. A BEE company, Coal Energy and Power Resources, holds 51% of the shares and Sasol Gas the balance. During the last quarter of 2006 the shareholders signed an amendment to the existing shareholders agreement to negotiate a new supply agreement to expand the Spring Lights Gas marketing area to the remainder of KwaZulu-Natal.

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Since 1996 Sasol Gas has been using Petronet's Lilly pipeline for the transportation of gas to the KwaZulu-Natal market. In April 2005 we renewed the gas transportation agreement to continue the use of the pipeline for a duration of 17 years (until 2022), with an option to extend the agreement for a further three years.

Strategy

Sasol Gas follows a growth strategy which it believes will enable us, as part of the "Sasol Pipeline Gas Value Chain", to add value to its stakeholders through the marketing of pipeline gas from various gas sources in Southern Africa as it becomes available.

The medium term goal, "Zero harm when growing from 96 million gigajoules per annum (MGJ/a) to 141 MGJ/a by June 2008", has been set and internally communicated to ensure alignment in objectives of the original Natural Gas Project aimed to supply 120 MGJ/a natural gas for 25 years with a ramp-up period of four years to June 2008 as well as supply 21 MGJ/a methane-rich gas to the KwaZulu-Natal and Secunda, Witbank and Middelburg markets.

Although the strategy focuses on volume growth, it takes diligent cognizance of safety, profit margin, infrastructure capacity, customer focus and stakeholder relationships.

We play an important role in monetizing Sasol's natural gas reserves in Mozambique and our growth strategy provides an incentive for further gas exploration by Sasol Petroleum International. Sasol Gas also adds value to methane-rich gas produced by the Synfuels plant in Secunda through the marketing of the gas.

The majority of the volume growth is expected to come from sales to Sasol Synfuels and the external coal alternative market. The latter includes the wider definition of all applications of coal (e.g. power generation and cogeneration) and not only in boilers for steam generation. Growth opportunities in the high value markets, where the energy alternatives include liquefied petroleum gas, fuel oil and other oil products, especially through organic growth from existing customers, are regarded as being equally important.

Targeted geographical expansion is essential to provide access to new markets. It is also expected that for the remainder of the ramp-up to the full 120 MGJ/a natural gas, Sasol Synfuels will utilize additional gas. This increase in the planned gas consumption during the ramp-up period will have a positive impact not only on Sasol Gas and Sasol Synfuels, but also on the overall economics of the Natural Gas Project.

Due to the nature of the coal alternative markets, it takes longer to penetrate such markets. Signing new customer contracts encompasses the negotiation of long term commitments, gas supply contracts and capital allocations. Large projects, such as co-generation, require significant time to be developed as it is integrated into the customer's production facility through the supply of electricity and steam utilities.

The long-term strategy is to increase the natural gas market to 240 MGJ/a over the next 15 years. Should further exploration activities in Mozambique by SPI be successful the second phase expansion of the supply infrastructure would enable a total of 240 MGJ/a to supplied to markets in South Africa and Mozambique commencing 2012.

Principal markets

We market methane-rich gas, produced by Sasol Synfuels and natural gas produced from the gas fields in Mozambique. In the energy market, our marketed gas competes with crude oil-derived products, electricity and coal in various industries, such as ceramics, glass, metal, manufacturing, chemical, food, paper and pulp and a number of other sectors.

The pipeline gas segment in the energy industry in South Africa is still in its infancy. It is expected that the market will grow further as a result of the introduction of natural gas from Mozambique in 2004. The current supply of 106 MGJ/a of pipeline gas has increased from 53 MGJ/a in 2004. Compared to developed countries, South Africa is a small consumer of natural gas as a percentage of its total energy requirements. This presents us with opportunities to increase sales of environmentally preferred natural gas. Environmental and technological

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trends together with new environmental legislation are expected to entice customers to convert to gas as a substitute for environmentally less desirable energy sources. During 2006 natural gas volumes sold reached 88 MGJ and methane-rich gas volumes 18 MGJ.

Sasol Gas supplies 49 MGJ/a of gas to 541 industrial and commercial customers in the provinces of Mpumalanga, Gauteng, KwaZulu-Natal, North-West and the Free State. Besides marketing pipeline gas to these customers, natural gas is also supplied as feedstock to Sasol's facilities in Sasolburg and Sasol Synfuels in Secunda.

Raw materials

The natural gas purchased in Mozambique is transported by ROMPCO. Methane-rich gas is purchased from the Sasol Synfuels facility in Secunda pursuant to a gas supply agreement. Sasol Synfuels has been supplying methane-rich gas to us since 1994. We have recently renewed the gas supply agreement which is effective as from 1 July 2006. Methane-rich gas is transported through Petronet's Lilly pipeline and distributed via our own pipelines to customers in the Kwazulu-Natal area as well as via our own pipelines to customers in the Secunda, Witbank and Middelburg area.

Property, plants and equipment

The Mozambique to Secunda Pipeline The 865 km Mozambique to South Africa natural gas pipeline starts from the natural gas central processing facility at Temane in Mozambique and ends at the pressure protection station in Secunda in South Africa. The instantaneous peak capacity of the pipeline is 136 MGJ/a with an average of 120 MGJ/a.

Inland Distribution Network The Gauteng network is fed from Secunda at a pressure of 4,500 kPa. The network is operated at a pressure of 3,350 kPa and lower and the capacity of the distribution network is 80 MGJ/a. These pipelines supply the various low pressure distribution areas as well as some customers directly. Where these lines enter the various distribution areas, a pressure reduction station reduces the pressure to 625 kPa.

Secunda, Witbank and Middelburg Distribution Network Sasol Synfuels produce and supply methane-rich gas to Sasol Gas. This is fed into the Secunda-Witbank-Middelburg pipeline to feed the customers and users in Mpumalanga province. The normal maximum operating pressure for this pipeline is 3,000 kPa. The capacity of this distribution network is 10 MGJ/a.

KwaZulu-Natal Network The same methane-rich gas as supplied to Witbank and Middelburg is compressed and fed into the Petronet transmission pipeline to feed our customers and users in the KwaZulu-Natal Province. The operating pressure of the pipeline is 5,300 kPa. The maximum operating pressure of the pipeline is 5,900 kPa and the capacity of the network is 20MGJ/a.

Sasol Synfuels International

Nature of operations and principal activities

Based in Johannesburg and formed in 1997, SSI, our technology marketing and support subsidiary, is responsible for developing and implementing international business ventures based on our Fischer-Tropsch synthesis technology. SSI initiates and develops new ventures from project conception through to venture implementation. We expect that, in time, it will participate fully in supporting those ventures and the marketing of their products after commercial start-up.

Working in partnership with Sasol Technology, SSI continues to explore for new opportunities to commercialize Sasol's competitive Fischer-Tropsch synthesis technology for the beneficiation of coal and other hydrocarbon resources, including biomass.

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The Sasol SPD™ process

Exploiting our long and extensive experience in the commercial application of Fischer-Tropsch technology, we have successfully developed a Fischer-Tropsch-based SPD™ process for converting natural gas into high-quality, environment-friendly diesel and other liquid hydrocarbons. The GTL process consists of three main steps, each of which is commercially proven. These include:

• the Haldor Topsøe reforming technology, which converts natural gas and oxygen into syngas;
• our Slurry Phase Fischer-Tropsch reactor, which converts syngas into hydrocarbons; and
• where possible, the Chevron Isocracking™ technology, which converts hydrocarbons into particular products, mainly diesel, naphtha and LPG.

Currently we believe, based on our knowledge of the industry and publicly available information, that on a worldwide basis we have extensive experience in the application of Fischer-Tropsch technology on a commercial scale, with Shell being the only other company with significant experience in this field. Given the increasing discovery of extensive natural gas reserves, especially in remote regions, our Sasol SPD™ process can be applied with significant commercial and efficiency advantages in various parts of the world. The transportation of fuels in liquid form is easier and cheaper than the transportation of gas. As a consequence, our technology has evoked interest from countries and companies with extensive natural gas reserves as an appealing alternative for exploiting these reserves. In recent years, we have been actively promoting our Sasol SPD™ technology and are examining several projects with a view to commencing commercial application at new GTL plants.

The Sasol SPD™ process converts natural gas into diesel and other liquid hydrocarbons which are generally more environment-friendly and of higher quality and performance compared to the equivalent crude oil-derived products. In view of product specifications gradually becoming more stringent, especially with respect to emissions, we believe that the option of environment-friendly GTL fuels will become more appealing in time. However, the construction of GTL facilities and the production of GTL fuels require significant capital investments, at least during their initial stages, as is usually the case with the application of new technologies. GTL fuels can be used with optimized engines for best performance, although they can also be utilized with current compression ignition engines. We also expect that GTL diesel may be suitable as a cost-competitive blend stock for conventional diesels, thereby enabling diesel producers to improve the quality of their existing diesel formulations without investing substantially in sophisticated new plants and infrastructure. We anticipate the combined factors of GTL diesel’s superior characteristics and the prevailing market conditions in developed economies will enable GTL products to initially command premium prices for either niche applications or as a blend stock for upgrading off-specification products.

The Sasol Chevron joint venture

In June 1999, SSI and Chevron Corporation, agreed to create a global alliance Sasol Chevron (SC) in order to identify and implement ventures based on the Sasol SPD™ process as part of our strategy to exploit our Fischer-Tropsch technology and to develop and commercialize the GTL process. We believe that there are considerable synergies between the two companies, which will enable the alliance to accelerate both the implementation of GTL ventures and the development of markets for the new products, to be produced from the ventures that will be established. We finalized and implemented our global joint venture in October 2000.

SC and SSI continue to be involved in exploratory discussions and feasibility studies with some of the world’s gas-rich countries, including Qatar, Nigeria, Algeria and Australia, with the view to develop GTL plants over the next decade.

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Increasing cost challenges

Our GTL ventures have not been spared the general challenges experienced by the industry caused by the sharp increase in commodity prices and hence project cost. Because of the fortunate timing of the project award and planning of orders for the major equipment our GTL project in Qatar has experienced only a limited impact on cost. The GTL project in Nigeria has been more exposed, but we are working closely with all stakeholders to deal with these challenges. We believe that these actions will be sufficient to address all known challenges. Both projects are however showing robust economics, partly as a result of the positive impact of higher crude oil prices.

Working closely with Sasol Technology's Fischer-Tropsch process innovation teams at Sasolburg and Johannesburg, SSI and SC are involved in an ongoing program aimed at further improving competitiveness by lowering the capital and operating costs of future GTL plants.

We are confident that notwithstanding the cost challenges faced by the industry as a whole our technology package still supports a very competitive GTL value proposition.

The Qatari GTL project

We have formed a joint venture with Qatar Petroleum (QP), Qatar's state-owned energy company, the Oryx GTL venture, in respect of the joint development of a 34,000 bpd GTL plant at Ras Laffan Industrial City in Qatar. We hold 49% in this venture, with QP holding 51%. Since the project commenced in March 2003 a dedicated Sasol management team has been established in Qatar.

In November 2002 we jointly appointed 15 banks as lead arrangers to provide the US$700 million non-recourse debt financing for the venture. QP and SSI awarded the lump-sum, turnkey engineering, procurement and construction (EPC) contract to the multinational, French-based engineering company, Technip, in December 2002. The EPC contract became effective in March 2003 after finalization of the financing agreements. The EPC contract is being executed from Technip's operations in Rome. Sasol Technology design engineers and project managers are managing the technology, engineering and project management portfolios for SSI and QP.

Site work for the construction of the Oryx GTL plant began in September 2003. Civil engineering work, including pipe laying, was completed by mid-2005. Most major pieces of long-lead-order equipment, including the two low-temperature Fischer-Tropsch Slurry Phase reactors fabricated in Japan, Haldor Topsøe autothermal reformers, a Chevron Isocracking™ unit and the compressors arrived at Ras Laffan in phases during 2005. The inauguration of the plant took place on 6 June 2006. The commissioning of the plant has been delayed to the second quarter of 2007 following damage during early commissioning to a supporting utility system. Most of the Oryx GTL diesel will be marketed to customers in Western Europe, where much of this ultra-low-sulfur diesel will most likely be used as blend stock for higher-sulfur diesel derived from conventional oil refining.

In March 2004, SC and QP announced plans to expand the Oryx GTL plant in order to increase its capacity to about 100,000 bpd. In support of these plans, SC and QP signed a memorandum of understanding for the expansion project that would add a further capacity of about 66,000 bpd. This expansion is still under review and will partly depend on the timely availability of natural gas.

Escravos GTL (EGTL)

SC is participating in the development of a 34,000 bpd GTL plant, at Escravos in the Niger Delta region of southern Nigeria. EGTL is a joint venture between the Nigerian National Petroleum Corporation and Chevron Nigeria Limited, two companies with established petroleum production interests at Escravos. In April 2005 the EPC contract for this project was awarded to Team JKS. Site preparation was completed and plant construction commenced earlier this year and start-up of the EGTL facility is expected in the 2009 calendar year.

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Early-stage investigation of potential GTL projects

QP and SC have agreed to evaluate the opportunity of developing an integrated GTL project, at Ras Laffan, Qatar, with a capacity of about 130,000 bpd. SC has completed a feasibility study that will be presented to QP for their support.

SC and Chevron Australia completed a joint pre-feasibility study for a GTL facility in Australia. SC is to engage with Chevron Australia to agree on progressing with a feasibility study.

SC has continued with discussions regarding the upstream and downstream aspects of a potential Algerian GTL project.

Coal beneficiation study for China

SSI and its Chinese partners are reviewing two coal-rich sites: one in Shaanxi Province at a site about 650 kilometers west of Beijing; and another in Ningxia Hui Autonomous Region at a site about 1,000 kilometers west of Beijing. We have already established at Beijing a CTL project office with an initial complement of 10 specialists.

Working in partnership with the National Development Reform Commission of China and two potential joint-venture partners, Shenhua Corporation and Shenhua Ningxia Coal Limited, SSI recently completed the pre-feasibility studies for these CTL plants. The outcome of these pre-feasibility studies conducted during 2005 and 2006 was favorable.

Agreements were signed at Cape Town in June 2006 for the potential development of two CTL plants in China. In terms of these agreements, SSI and the Chinese partners will complete feasibility studies for the envisaged development of two CTL plants in China during 2008.

Our comprehensive feasibility studies will be based on CTL plants each with an 80,000 bpd capacity. Should the investment decision be made to proceed with these projects, the plants could be brought into operation as early as 2012/2013. The estimated capital cost for each plant is currently approximately US$ 5 billion to US$ 6 billion.

Early-stage investigation of potential CTL projects

SSI has initiated engagement with key stakeholders to evaluate the potential for a CTL project in India. This has resulted in the decision to open a representative office, likely in Mumbai, with an initial complement of six specialists.

Sasol in association with two large US based energy companies has completed the pre-feasibility studies undertaken in response to the passing of the US Energy Policy Act of 2005, which aims to combat growing energy problems. A decision to progress to a full feasibility study is expected during the first half of 2007 calendar year.

Catalyst facility

To support our plans to globally develop and exploit our GTL technology, Sasol Technology developed a cobalt catalyst for application in the Sasol SPD™ reactor to be utilized in future GTL plants. We entered in to a co-investment agreement with BASF Catalyst during 2002 to manufacture proprietary advanced cobalt catalyst. The first cobalt catalyst production facility with a current production capacity of 675 Mt per annum was commissioned at De Meern in the Netherlands and has since been producing and stockpiling catalyst for our Nigerian and Qatari GTL plants. We are currently undertaking engineering studies for the second catalyst plant in the Netherlands.

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Sasol Polymers

Our polymer-related activities are managed in two separate entities, Sasol Polymers a division of Sasol Chemical Industries Limited and Sasol Polymers International Investments (Pty) Limited (Sasol Polymers International Investments) a subsidiary of the Sasol Investment Company. Sasol Polymers International Investments manages our offshore operations.

Nature of the operations and its principal activities

In Sasol Polymers we produce ethylene by separating and purifying an ethylene-rich mixture supplied by Sasol Synfuels and by cracking of ethane. Propylene is produced by depropanizing a propylene-containing Fischer-Tropsch stream supplied from the Sasol process. The ethylene is polymerized into low density polyethylene (LDPE), linear low density polyethylene (LLDPE) and the propylene into polypropylene. We operate a fully integrated chlor-alkali/polyvinylchloride chain. Ethylene and chlorine, which arises from on-site chlor-alkali plants, are reacted to produce vinyl chloride monomer and then polymerized to polyvinylchloride (PVC). Caustic soda, hydrochloric acid, soda hypochlorite and calcium chloride are other chlor-alkali products which are produced.

We are a major South African plastics and chemicals operation with a vision of being a world-class producer and supplier of quality monomers, polymers, chlor-alkali chemicals and mining reagents.

Our South African operation was formed from the Polifin group of companies, which was previously a joint venture between Sasol and AECI. In 2000 Sasol purchased AECI's shareholding. Polifin was divisionalized in Sasol Chemical Industries Limited.

In South Africa Sasol Polymers has five operating businesses:

• Monomers;
• Polypropylene;
• Polyethylene;
• Vinyls; and
• Chemicals.

We have a 60% interest in Peroxide Chemicals (Pty) Limited, a joint venture with Degussa Africa (Pty) Limited, a manufacturer and supplier of organic peroxide chemicals and a 50% interest in DPI Holdings (Pty) Limited, a joint venture with Group Five Limited, a manufacturer of PVC pipes and components for the building industry. Our board approved the disposal of interest in DPI Holdings (Pty) Limited to Dawn Limited for a consideration of R51 million. The transaction was approved by the South African Competition Tribunal and became effective during October 2006.

In Sasol Polymers International Investments we manage the following international investments:

• Our 12% shareholding in Optimal Olefins (Malaysia) Sdn. Bhd. (with Petronas of Malaysia and The Dow Chemical Company of the USA), a manufacturer of ethylene and propylene. Optimal Olefins operates a 600 kilotons per annum (ktpa) ethane/propane cracker.
• Our 40% shareholding in Petlin (Malaysia) Sdn. Bhd. (with Petronas of Malaysia), a manufacturer and supplier of LDPE. A 255 ktpa tubular plant is operated by Petlin (Malaysia).
• Our 50% shareholding in Arya Sasol Polymer Company in Iran with Pars Petrochemical Company, a subsidiary of the National Petrochemical Company, a manufacturer and supplier of ethylene (1,000 ktpa), LDPE (300 ktpa), and medium and high density polyethylene (300 ktpa). The facilities are under construction and are expected to be ready for operation between April and June 2007.
• A 40% share in Wesco China Limited (with Rhine Park Holdings), a polymer distributor in China and Taiwan.

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Strategy

To direct resources and activity within Sasol Polymers and Sasol Polymers International Investments, we have two strategic ambitions:

• to lead the sub-Saharan African market with the existing product portfolio; and

• to expand through alliances and thereby to become a bi-regional business operating across the Indian Ocean Rim.

In addition to the investment in the Petlin and Optimal Olefins plants in Malaysia and the recent enlargement of the PVC/vinyl chloride monomer plants to 200 ktpa, two major expansions in pursuit of these strategic ambitions have been undertaken and are nearing completion:

• in South Africa, Project Turbo is being implemented to upgrade gasoline blend components by Sasol Synfuels at Secunda. This project will also result in increased ethylene and propylene feedstock and hence expansions of production and purification plants have taken place in Secunda and Sasolburg. Consumption of the additional ethylene and propylene will be in-house by means of a new tubular reactor LDPE plant of 220 ktpa using ExxonMobil technology at Sasolburg; enlargement of the existing Univation linear low density polyethylene (LLDPE) plant to 150 ktpa; and a new 300 ktpa Innovene polypropylene plant at Secunda. Except for the polypropylene plant which is still under construction, all other plants have achieved successful start-up and will consume monomers from Sasol Synfuels' new selective catalytic cracker at Secunda; and

• in Iran a complex comprising 1,000 ktpa of ethylene in an ethane-fed cracker, 300 ktpa of LDPE using Sabtec technology, and 300 ktpa medium density polyethylene using Basell's Lupotech G technology are under construction.

Our South African plants will be able to continue to supply the growing needs of the South African polymer markets for the immediate future in terms of PVC and LLDPE and for the medium to long term in terms of LDPE and polypropylene.

Substantial investments in plant and equipment, technologies and skills have been made to achieve a leading domestic market position in all core businesses.

Principal markets

Over the past three years between 83% and 86% of Sasol Polymers' revenue has been earned from sales into the South African market.

We are the sole polymer producer of PVC, LDPE and LLDPE in South Africa and hold the leading share of these markets. Our main competition is in the form of polymer imports from Asian and Middle Eastern producers. We supply 160 ktpa of ethylene and 100 ktpa of propylene under contract to The Dow Chemical Company's plastics operation in Sasolburg, South Africa, by pipeline for the production of HDPE and polypropylene, respectively. We compete directly with The Dow Chemical Company in the polypropylene market, where we hold 50% of the South African market. Caustic soda is sold into the pulp and paper, minerals beneficiation and soap and detergent industries in South Africa. We hold a 40% share of the caustic soda market. Another merchant supplier, NCP Chlorchem, has a 24% market share, the Mondi Paper Company produces caustic soda for its own use (6% of demand) and a 30% shortfall exists in the South African market which is serviced through imports.

We are the sole local producer of liquid cyanide which is sold to local gold producers. The major user of calcium cyanide for the reworking of goldmine sand deposits ceased operation in March 2005, and the cyanide assets were reconfigured to produce only sodium cyanide. Declining gold production in South Africa is the main cause for reduction in sales of sodium cyanide in the past year.

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Currently, we export polymers from our South African operations, 29% is sold into West Africa (Nigeria, Angola, Ivory Coast, Senegal and the Democratic Republic of Congo); 23% is sold into China; 21% into East Africa (Tanzania, Uganda and Kenya); 19% into Southern Africa (Zimbabwe, Zambia, Malawi, Mozambique and Swaziland) and 8% into Western Europe with Spain being the largest market. Product from the Petlin plant in Malaysia is sold into Malaysia, India, China, Australia, and New Zealand.

Seasonality

Global polymer demand does not show any marked annual seasonality although higher demand tends to arise in the third quarter as converters stock up for the December holiday period.

The global polymer industry is, however, cyclical in terms of margins given the large capital investment and the size of plants. The duration of a typical cycle is seven years and margins can vary from low trough conditions to extreme peak conditions. During tight supply/demand periods, which usually coincide with increases in economic activity as measured by gross domestic product, margins may increase disproportionately with high peaks. In time margins reduce as investment is stimulated or as demand dissipates. It may happen that too much capacity is installed which results in collapsed margins.

Raw materials

Feedstock for ethylene and propylene in South Africa is purchased from Sasol Synfuels at market-priced fuel-alternative values. The mechanism for determining the fuel-alternative value is based on the Basic Fuel Price. With the recent volatility in the oil price and refinery margins, our feedstock costs have put severe strain on margins particularly as Far East polymer prices, though high in dollar terms according to historical norms, have not fully responded to the increase in the oil-based costs of production. Salt used in our production process is imported from Namibia and Botswana at US-dollar denominated prices.

Feedstock for Sasol Polymers International Investments' joint venture cracker in Malaysia (Optimal Olefins) is purchased from Petronas at a set price, unrelated to oil, that escalates annually in line with US inflation rates. Petlin (Malaysia) buys its ethylene feedstock from Optimal Olefins at market related prices. Arya Sasol (Sasol Polymers International Investments joint venture in Iran) will buy its feedstock, ethane, from the Pars Petrochemical Company at a set price, unrelated to the oil price. In times of high oil prices this provides a competitive advantage to the operations in Malaysia and Iran, compared to crude oil based producers.

Marketing channels

Our sales in South Africa are made directly to customers using our own marketing and sales staff. Sales offices are located in Johannesburg, Durban and Cape Town. Account Managers are responsible for management of our relationship with customers. Sales administration staff manage order processing, logistics and payment collections.

For exports, an international trading business was established to sell directly into Southern Africa and through distributors and agents into East and West Africa, the Far East, Europe and South America. No infrastructure currently exists in the export markets with all administration and logistics arranged from the Johannesburg office.

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Property, plants and equipment

The following table summarizes the installed production capacities of each of our main product areas.

Production capacity		
Product	**South Africa**	**Malaysia**
	1	
	(ktpa)	**(ktpa)**
Ethylene	456	72
Propylene	520	11
LDPE (Poly 1)	100	
LDPE	220	102
LLDPE	150	
Polypropylene	220	
Ethylene dichloride	160	
Vinyl chloride	205	
PVC	200	
Chlorine	145	
Caustic soda	160	
Cyanide	40	
Hydrochloric acid	90	
Calcium chloride	10	

1. Includes our attributable share of the production capacity of equity accounted investees.

The 100 ktpa autoclave LDPE plant at Sasolburg (Poly 1) will be closed down as part of Project Turbo in which a new 220 ktpa tubular LDPE plant has been built.

Sasol Solvents

Nature of the operations and its principal activities

We manufacture and globally market a range of primarily oxygenated solvents to various industries. These are used in the manufacture of paints, inks, coatings, adhesives, pharmaceuticals, cosmetics, fragrances and other applications. In addition to their solvent applications, a number of these products serve as intermediates for the production of downstream chemicals. We believe that the breadth of our product portfolio is a competitive

advantage, compared to more limited portfolios of some of our competitors in the global solvents market.

Strategy

The Solvents strategy (Optimize – Perform – Grow) supports the overall group strategy.

The comonomers business unit which formed part of the Sasol Olefins & Surfactants business was incorporated into Sasol Solvents for reporting purposes as a result of the proposed divestiture of Sasol Olefins & Surfactants. The alpha-olefin comonomers, 1-pentene, 1-hexene and 1-octene, are manufactured at facilities in Secunda as an integral part of Sasol's synfuels process. The proposed divestiture of the Sasol Olefins & Surfactants business has also led to certain organizational changes. These changes have not had a significant effect on the strategy of our solvents business.

Sasol Dia Acrylates is a joint venture with Mitsubishi Chemical Corporation of Japan. The integrated, four-plant facility produces acrylic acid used captively for the production of glacial acrylic acid, butyl acrylate and ethyl acrylate from feedstock produced by the group. This facility underscores our commitment to expand our chemical portfolio by adding value to chemical feedstock we produce.

Sasol Huntsman is a joint venture with Huntsman Corporation of the United States. This joint venture operates a 55 ktpa maleic anhydride production facility in Moers, Germany.

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Principal markets

In 2006, we sold approximately 1.58 Mt of products worldwide. We manage our global business from offices in Johannesburg, South Africa and Hamburg, Germany. We operate thirteen regional sales offices and seven storage hubs in South Africa, the Asia-Pacific region, the Middle East, the United States and Europe. Our competition varies depending on the products and includes a number of major international oil and chemical companies. In the market for ketones, our main competitors are ExxonMobil, Shell Chemicals and Ineos. In the alcohols market, our main competitors are BP Chemicals, Shell Chemicals, The Dow Chemical Company, Celanese and Equistar. In the market for acetates and acids, our main competitors include Celanese, Eastman and BP Chemicals.

The comonomers produced by our operations in South Africa are used by third parties in the manufacture of polyethylene plastics, which end up in applications such as shrink-wrap film, woven plastic bags and refuse bags. The main competitors include Ineos, Shell and Chevron.

Marketing channels

We utilize a number of distributors worldwide as an extension of our sales and marketing force to enable increased market penetration for end-use customers.

Property, plants and equipment

Production capacity

Product

Facilities location

Total

1

(ktpa)

Ketones

333

• *Acetone*

South Africa

175

• *MEK*

South Africa and Germany

130

• *MiBK*

South Africa

28

Glycol ethers

80

• *Butyl glycol ether*

Germany

80

Acetates

60

• *n-Propyl acetate*

South Africa

10

• *Ethyl acetate*

South Africa

50

Mixed alcohols

South Africa

181

Pure alcohols

860
• *Methanol (C*
1
)
South Africa
140
• *Ethanol (C*
2
)
South Africa and Germany
285
• *n-Propanol (C*
3
)
South Africa
45
• *Isopropanol (C*
3
)
Germany
225
• *n-Butanol (C*
3
)
South Africa
150
• *iso-Butanol*
South Africa
15
Acrylates
94
• *Ethyl acrylate*
South Africa
26
• *Butyl acrylate*
South Africa
60
• *Glacial acrylic acid*
South Africa
8
Comonomers
275
C5-C8 alpha olefins
South Africa
275
Other
South Africa and Germany
28
1.
Consolidated nameplate capacities excluding internal consumption, including our attributable share of the production capacity of equity accounted investees.

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Approximately 75% of our production capacity is at sites in South Africa and 25% in Germany. The South African production facilities are located at Secunda, Germiston and in Sasolburg. The German production facilities are located at Herne, Marl and Moers in the Ruhr area.

Completion of an additional Methyl Iso-butyl Ketone (MiBK) train using improved Sasol technology which will increase capacity by 30 ktpa is planned for the middle of 2008. The estimated expenditure amounts to R250 million. A number of small de-bottlenecking projects will also be implemented.

A significant portion of our South African product is derived as a co-product of the synfuels process at Secunda and certain products are synthesized from chemical feedstock. Ethanol, isopropanol and methyl ethyl ketone (MEK) are synthesized from ethylene, propylene and butene, respectively, at the German plants. In South Africa, butanol and acrylic acid are synthesized from propylene.

Certain of our products result from the downstream conversion of primary chemicals to higher value-added derivatives, including:

• MiBK from acetone;
• ethyl acetate from ethanol;
• propyl acetate from propanol and acetic acid;
• ethyl and butyl acrylates from acrylic acid and the corresponding alcohols; and
• ethylene glycol butyl ethers from butanol and ethylene oxide.

We manufacture comonomers, 1-pentene, 1-hexene and 1-octene, at Secunda, South Africa. Market demand for these products has been strong and, combined with the recent shutdown by a major competitor of a US production plant, the supply/demand balance is healthy and is expected to remain so for the foreseeable future.

Other activities

Sasol Wax

Nature of the operations and its principal activities

We produce and market wax and wax-related products to commodity and specialty wax markets globally. We manufacture crude oil-derived paraffin waxes, as well as synthetic waxes produced on the basis of our Fischer-Tropsch technology. Sasol Wax has its head office in Hamburg and employs 970 people globally.

The overall volume of products marketed by the business amounts to 822 ktpa, of which 27% are products derived from the Fischer-Tropsch process. The main product portfolio includes paraffin waxes, both fully refined and semi-refined, produced and marketed in various grades, as well as Fischer-Tropsch-based synthetic waxes which include the Fischer-Tropsch-derived hard wax, the Fischer-Tropsch-derived medium wax and liquid paraffins in the carbon range C
5
through C
20
. Various specialty blends of waxes are also produced and marketed.

We continue to develop niche markets for higher-value specialty waxes, such as those used by the food, cosmetics, pharmaceutical, construction-board and adhesive industries. Demand for our liquid paraffins for environmentally preferred drilling fluids has been growing in the Gulf of Mexico following the introduction of more stringent US Environmental Protection Agency specifications for drilling fluids and other oilfield chemicals. We produce, as a result, about 106 ktpa of wax emulsion at facilities in Germany, Austria and the United Kingdom.

Strategy

Our strategy is to beneficiate synthesis gas (South Africa) and slack wax (Hamburg) to create value added products marketed globally. We are a unique and important player in the wax market, having a product portfolio sought after by customers in more than 100 countries.

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Principal markets

The division markets its products globally, but its main markets are in Europe and the United States. In both Europe and the United States, approximately 50% of paraffin waxes are sold to candle manufacturing companies and the balance is sold to numerous industries, including rubber and tire, cosmetics, adhesives and surface coatings industries and for use as a drilling fluid. Fischer-Tropsch-derived hard wax production is sold predominantly in the United States and Europe, and also in Asia. Fischer-Tropsch-derived medium waxes and paraffin waxes produced in South Africa are predominantly sold to the candle industry in South Africa.

The overall world market for waxes is estimated at about 3,300 ktpa and our main competitors in the market are the Chinese producers China Oil and Sinopec. In specialty wax markets our main competitor is H and R Wax Company.

Marketing Channels

Marketing is mostly done by own resources in all geographical areas where we operate. Primary marketing areas are the United States and Europe, but we also market our products in Latin and South America, Southern Africa, the Middle East, North Africa, Asia, and Australia. Distributors and agents are used but operate under direct guidance from our marketing team.

Property, plants and equipment

The main production assets are located in Hamburg, Germany; Sasolburg and Durban, South Africa and Richmond, California, United States.

Our plant in Hamburg has a production and blending capacity for paraffin wax of 300 ktpa. It purchases slack wax feedstock from numerous lube-oil-producing refineries predominantly in Western Europe and from Eastern Europe and Africa. We initially de-oil slack waxes to fully or semi-refined quality and fully hydrogenate all final products. Subsequently, various product blends are produced. Products are sold either in liquid bulk or in solidified form. This operation has a trading activity of about 100 ktpa.

Our plant in Sasolburg operates Fischer-Tropsch-based technology for the production of synthetic waxes. It used coal-derived syngas as feedstock, which was converted to Mozambican natural gas as from July 2004. We own and operate a wax plant integrated into the Engen refinery in Durban, South Africa. This plant produces wax blends predominantly for the South African and other African candle industries. The production capacity of the South African wax plants amounts to 240 ktpa of Fischer-Tropsch-derived products, of which 70 ktpa are hard waxes, 80 ktpa medium waxes, 30 ktpa waxy oils and 60 ktpa liquid paraffins.

We also operate a major candle factory located in Johannesburg with a capacity of up to 30 ktpa, which represents approximately 40% of the South African candle industry market.

In the United States, our wholly owned subsidiary Sasol Wax Americas, Inc. (formerly Moore and Munger Inc.), based in Shelton, Connecticut, is engaged predominantly in trading activities, both in Fischer-Tropsch-derived and paraffin waxes. Sasol Wax Americas, Inc. holds a 50% share in the Lux International Corporation wax business based in Richmond, California. The total product manufactured and traded by Sasol Wax Americas, Inc. in the United States amounts to approximately 100 ktpa.

Production capacity

Product	**Facilities location**	**Total (ktpa)**
Paraffin wax	Germany	300
FT Hard wax	South Africa	70
FT Medium wax	South Africa	80

Waxy oils
South Africa
30
Liquid Paraffins
South Africa
60
Semi-refined paraffin wax
South Africa
30
Specialty wax blends
Germany, United States
80
Wax emulsion
Europe
100

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Sasol Nitro

Nature of the operations and its principal activities

We manufacture and market ammonia, fertilizers, commercial explosives and related products. The division also markets ammonia, sulfur and specialty gases produced by other entities in the group. All our production activities are located in South Africa. We focus on supplying the Southern African market with selective exports of fertilizers, ammonium nitrate-based explosives and explosives accessories.

Our product portfolio includes:

• ammonia;
• nitric acid;
• ammonium nitrate solution;
• sulfuric acid;
• hydrogen;
• phosphoric acid and phosphate derivatives;
• various grades of fertilizer;
• explosives-grade ammonium nitrate;
• various packaged explosives; and
• explosive accessories – non-electronic initiation systems.

Strategy

Having completed a period of consolidation and exiting from non-core businesses in the past 3 years, the business is now well positioned to achieve growth. In the short-term (1-3 years) growth will be achieved mainly through expansion of our current business. Over the longer-term (3-5 years) growth will be achieved through development of new business. Long-term plans include inter alia, a biodiesel plant and an ammonium sulfate plant.

Principal markets

Approximately half of our total ammonia production is used to produce ammonium nitrate-based fertilizers and explosives. The remaining production is sold mainly to other South African explosives and fertilizer manufacturers with small quantities made available for industrial usage in chemical manufacture and mineral beneficiation.

The Sasol group is the only producer of ammonia in South Africa. Sasol Nitro produces half of this ammonia and is the sole supplier to the market. Approximately 4% of South Africa’s ammonia requirement in 2006 was imported. Omnia and AECI are our two major customers for ammonia and compete in the downstream fertilizer and explosives markets. We have entered into market-related contractual arrangements with these customers.

Marketing channels

The combined impact of a drastic increase in the South African maize surplus at the end of the previous planting season and sustained low prices for maize had a significant negative impact on maize plantings for the 2005/2006 season and thereby also the demand for fertilizers in Southern Africa.

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The South African explosives market remains very competitive and prices are amongst the lowest worldwide. Explosive products are supplied mainly to the Southern African market, with exports of explosives grade ammonium nitrate mainly to Australia. Some quantities of cartridged explosives are also exported to other African countries.

The market for explosive accessories in South Africa is significant with large quantities of detonators required for extensive mining activities. Demand for products from Sasol Dyno Nobel (Pty) Limited, a joint venture, reached record levels, mainly as a result of growth in niche markets. This business is poised for further growth. The acquisition of the remaining 40% of Sasol Dyno Nobel (Pty) Limited for a consideration of US$ 31 million (approximately R213 million) was approved on 30 August 2006.

Property, plants and equipment

Our 330 ktpa ammonia plant in Sasolburg uses natural gas as feedstock. The plant also produces hydrogen that is sold to the oil and metal refining industries in South Africa. We also derive 330 ktpa of ammonia as a by-product from coal gasification in Secunda.

Sasol Nitro operates two nitric acid plants. The smaller 315 ktpa unit in Sasolburg is linked to a downstream ammonium nitrate plant. The ammonium nitrate produced in Sasolburg is used mainly for the production of explosive grade low-density ammonium nitrate. The 470 ktpa nitric acid plant in Secunda supplies a downstream ammonium nitrate plant linked to a 500 ktpa granulation facility that produces limestone ammonium nitrate and various other grades containing nitrogen, phosphorus and potassium. Ammonium nitrate for industrial use is sourced from both sites.

In Phalaborwa, adjacent to the phosphate rock mine of Foskor Limited (Foskor), Sasol Nitro operates a 325 ktpa phosphoric acid plant, of which 100 ktpa capacity has been mothballed since 2004 due to adverse market conditions. Sasol has been toll manufacturing phosphoric acid for Foskor since September 2005 and a longer term tolling deal is awaiting approval from the South African Competition Commission.

Sasol Nitro also manufactures bulk explosives at various mining sites and cartridged explosives in Secunda and Ekandustria.

Sasol has exited the manufacture of electronic initiation systems. A sale of the electronic initiation systems plant in Cape Town to Orica Limited was signed in June 2006.

Production capacity

Product	**Facilities location**	**Total (ktpa)**
Ammonia		
1		
South Africa		
660		
Sulfur		
South Africa		
205		
Granular and liquid fertilizers		
South Africa		
700		
Fertilizers bulk blending		
South Africa		
300		
Phosphates		
2		
South Africa		
375		
Explosives		

South Africa
300
1.
Includes volumes produced by Sasol Synfuels.
2.
Includes 100 ktpa mothballed capacity at Phalaborwa.

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Sasol Infrachem

Nature of the operations and its principal activities

Sasol Infrachem is the sole supplier of utilities and services to various Sasol businesses units (Sasol Polymers, Sasol Solvents, Sasol Wax and Sasol Nitro) as well as external businesses in Sasolburg. We operate and maintain the autothermal reformer (ATR) which reforms natural gas into synthesis gas on behalf of Sasol Gas. Sasol Infrachem is also responsible for managing the group's corporate affairs related to the Sasolburg and Free State regions.

From July 2005 we converted from coal gasification to natural gas reforming at Sasolburg. The environmental benefits of converting from coal to natural gas are being realized through a substantial reduction in emissions to air (including hydrogen sulfide, carbon dioxide, NOx and volatile organic compounds).

Strategy

Our vision is to see all businesses prosper in Sasolburg. Our competent and committed people provide a pace-setter platform for gas, utilities and site support services.

Our strategic ambition is to ensure a competitive advantage through reliable supply, cost competitiveness, specialized knowledge and expertise in services, infrastructure and utilities.

Property, plants and equipment

Production capacity	**Product**	**Facilities location**	**Total**
Steam	South Africa	2 000 tph	
Electricity	South Africa	176 MWh	
Water	South Africa	100 Ml/day	

Merisol

Nature of the operations and its principal activities

Merisol is a joint venture company formed in 1997 by the merger of Sasol Phenolics with the phenolics activities of Merichem Company, based in Houston, Texas. The joint venture partners each own 50% of Merisol. Merisol has a strong presence in the global market for natural phenolics and cresylics with manufacturing facilities in Houston, Sasolburg and Oil City, Pennsylvania. Merisol has an interest in the production of synthetic meta, para-cresol through a 50:50 manufacturing joint venture with Sumitomo Chemicals. Merisol also has a 20:80 venture (Merisol holding 20%) with Chang Chun of Taiwan for the production in Sasolburg of ortho-cresol novolac, a precursor to high-performance epoxy resins used for encapsulating memory and processor chips. Merisol is the supplier of ortho-cresol feedstock to this plant.

Natural phenolics are products related to phenol, which are derived as by-products of coal gasification, coal carbonization and certain petroleum refining processes and are recovered for purification and separation. Merisol manufactures the pure products, phenol, ortho-cresol, meta-cresol and para-cresol, and a diverse range of blended products, consisting of mixtures of phenol, cresols, xylenols and other phenol derivatives. These blends are known collectively as cresylic acids. Both the Sasolburg and Houston plants produce phenol- and ortho-cresol and cresylic acids. The Houston plant uses proprietary separation technologies to produce high-purity meta, para-cresol and pure meta-cresol and para-cresol, making Merisol one of the few producers of these products in the world.

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Principal markets

Merisol markets its products worldwide through sales offices in the United Kingdom, Hong Kong, the United States and South Africa. Markets are served from product inventories held in Rotterdam, for the European market, in Houston, for the US market and in Taiwan and Sasolburg for most other markets.

The pure products, phenol, ortho-cresol, meta-cresol and para-cresol, are sold in competition with synthetically produced equivalents. Merisol is relatively small in the global phenol market, but strong in the South African market and in selected niche markets elsewhere.

Merisol supplies major shares of the cresol and cresylic acids global markets for:

• ortho-cresol, where the main competitors include General Electric, Lanxess, Nippon Steel Chemicals, Rütgers Chemicals and Deza;

• meta-cresol, where the main competitors include Lanxess, Honshu Chemical and Sumitomo Chemicals;

• para-cresol, where the main competitors include Degussa, Konan Chemical, Atul Chemicals and various Chinese producers;

• high purity meta, para-cresol, where the main competitors include Mitsui Chemicals, Lanxess and Sumitomo Chemicals; and

• wire enamel solvents where the main competitors are Rütgers-Chemicals, Deza, C-Chem and Mitsui Chemicals.

Merisol derives about 80% of its turnover from the North and South America, Europe and Far East markets and the balance from other regions.

Property, plants and equipment

Merisol's Sasolburg plant uses feedstock from our coal gasification activities at Secunda. Merisol completed the first and major part of its R400 million project to expand and improve feedstock recovery and processing operations. This part of the investment includes a new Sasolburg plant to extract and refine additional volumes of Secunda tar acids, to enable Merisol to grow with future market demand and compensate for the decrease of other feedstock globally. These additional volumes are further processed at the Houston plant. Following the successful completion of the new Sasolburg plant, the Houston operations are now in the final stage of being rationalized and streamlined to reduce costs.

Merisol owns a butylation plant at Oil City, Pennsylvania, producing di-butyl para-cresol and meta-cresol from meta, para-cresol and pure para-cresol feedstock made by Merisol at its Houston plant.

Production capacity

Product	**Facilities location**	**Total (ktpa)**
Phenol	South Africa, United States	45
Ortho-cresol	South Africa, United States	15
Meta-cresol and para-cresol	United States	16
Pure meta,para-cresol	United States	30
Cresylic acids and xylenols	South Africa, United States	28
High-boiling tar acids		

United States
4
Butylated products
United States
13

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Sasol Petroleum International

Nature of the operations and its principal activities

Mozambique

Our natural gas extraction and processing activities on the Temane reservoir have been fully operational since the first quarter of calendar year 2004. Current gas production levels (at 75% of the design capacity) are very much in line with original expectations at the time of project approval.

The development of the Pande reservoir, with associated trunk and gathering lines to the gas processing plant has been initiated, and is scheduled for completion by the end of the 2007 calendar year. This is the second stage of development of the business and will bring gas production to 100% of design capacity.

Whilst the Mozambican government has been a 30% partner in the gas field development since inception, they have now also acquired an interest in the gas processing plant. With effect from 1 April 2006, the effective ownership structure of the current business in Mozambique is 70% Sasol Petroleum Temane Limitada (SPT), 25% Companhia Moçambicana de Hidrocarbonetos, SARL (CMH) and 5% International Finance Corporation.

Sufficient additional gas reserves exist in the Temane and Pande reservoir areas to support a 50% expansion of the capacity of the current Mozambican business.

Onshore exploration activities continue, with some 1,000 km

2

of seismic surveys having been completed

during 2005, and good progress having been made with the environmental impact assessment that is required to allow seismic surveys to be conducted in the Offshore Block 16/19 area during 2007. These exploration activities are aimed at further expansion of gas reserves in support of market opportunities that have been identified, both in South Africa and in Mozambique.

Gabon

In Gabon, we hold a 27.75% interest in the Etame marine block with the operator, Vaalco Gabon (Etame) Inc. (28.07%) and other members of the consortium. Exploration efforts resulted in the discovery of the Etame oil field in 1998. The field went on stream in 2002 at an average rate of 15,000 bpd. During 2006, the field produced oil, at an average rate of 18,500 bpd. The last development well, Etame-6-Horizontal, came on stream in July 2005. The field is currently producing from one vertical and three horizontal wells.

During the year, the Gabonese Government approved development plans for the Avouma field and agreed that the Ebouri field was commercially viable. Both discoveries were made in the previous year. The Avouma field is currently under development with the first oil expected to be produced by the end of the 2006 calendar year. It will be tied back to the Floating Production Storage and Off-take (FPSO) vessel on the Etame field. This will contribute significantly to the flow of oil from the block. The development plans of the Ebouri field are nearly completed and will be submitted to the Gabonese government for approval during 2007. The field is expected to be on stream by the end of the 2007 calendar year. The Gabonese government also approved a three year extension of the exploration rights covering the acreage that is not yet producing. A large three dimensional seismic survey will obtain a better understanding of a large structural closure.

In the Dussafu marine block offshore Gabon, we hold a 50% interest and are the operator. Our partners, Premier Oil BV and Perenco s.a., hold 25% each.

In 2004 a dry hole was drilled but prospectivity remains on the block. Three dimensional seismic data on the block was acquired during the year and will be incorporated into existing information with the aim to define a location to drill a second exploration well. We are still deciding whether to enter the next exploration phase.

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Equatorial Guinea

In Equatorial Guinea, we currently hold a 10% interest in Block L with Chevron (45%), Amerada Hess (25%), and Tullow Oil (20%). We secured a farm-out agreement with Petrobras which when fully ratified by all partners will reduce our interest to 5%. The Banyan L-2 well was drilled in 2006 and was a dry hole. The partners are currently considering the remaining prospectivity of the block prior to the end of the current exploration period in October 2006. This block carries no outstanding obligations in the current exploration phase.

Nigeria

Through our relationship with Chevron we have gained entry into some highly prospective exploration acreage in Nigeria. We have been offered a 5% interest in the OPL 214 permit. The farm-in has received all of the necessary approvals and is currently being finalized. A successful exploration well was drilled in 2005 and follow up drilling is being planned. We currently hold a 3.75% interest, after all approvals were received in June 2005, in the OPL 249 permit. The license includes part of the Bonga-SW/Aparo field on which a development plan has been presented to the government for consideration. Appraisal drilling was completed on the N'siko discovery and the development plan is in preparation. We have accepted a 6% interest in the OPL 247 permit. The farm-in has received all of the necessary approvals but still awaits Nigerian governmental ratification. A further opportunity to take up a 5.1% interest in Block 1 of the Nigeria/Sao Tome Principe joint development zone has been accepted and government approval has been received. The partners are concluding internal agreements to make this entry effective.

South Africa

We are a 10% partner in a prospecting sub-lease agreement, in Block 3A/4A, offshore of South Africa's West Coast. During the year, and as provided for in the 2005 farm-out agreement between Sasol and BHP Billiton, operatorship of the block was transferred to BHP Billiton upon commencement of the second exploration period. BHP Billiton also concluded a farm-out agreement for a 30% participating interest with the South African State Oil Company, PetroSA. Reprocessing of three dimensional seismic data has been completed by BHP Billiton.

Our strategy

Our strategic focus is on finding, developing and operating gas and oil opportunities. We continue to be a gas feedstock supplier to the group's South African businesses and the gas markets. We are aligning ourselves to be a gas feedstock supplier to the group's international GTL opportunities. In addition, we are striving to become the centre of excellence within the group for enhanced oil and gas recovery uses for carbon dioxide.

Principal markets

Mozambique

Other than royalty gas provided to the Mozambican government, all gas produced is exported to South Africa. The Mozambican government is dedicating royalty gas for use in the vicinity of the processing plant in Temane as well as developing the gas market in the capital city, Maputo. The natural gas condensate produced in the gas processing plant is currently exported via the port of Maputo to the Western European market, where it is used as a fuel blend stock.

Gabon

Oil production from operations is sold on the open market.

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Equatorial Guinea and Nigeria

There is currently no production as the projects are in the exploration, appraisal or early development stages. Oil production from their future operations will be sold on the open market.

Marketing channels

Mozambique

In the ongoing business, all natural gas is sold on a long-term sales contract to Sasol Gas, for marketing in the South African market. In the future it is foreseen that we will enter into a long-term sales agreement with a single Mozambican entity that will purchase some of the additional gas volume that will become available from the proposed expansion of the current operations for use in Mozambique.

Natural gas condensate has, up to now, been marketed in the international spot market by Sasol Oil. In the future, it is foreseen that Sasol Petroleum Temane will enter into a long-term condensate sales agreement with an international commodity trading organization.

Gabon

An annual sales contract is typically entered into based on a competitive bidding process and prices are linked to international prices at time of sale.

Property, plants and equipment

Mozambique

Our gas processing facilities in Mozambique are located some 700 km north of the capital, Maputo. Ownership is shared with the Mozambican government through CMH (25%) and the International Finance Corporation (5%).

Gabon

The production occurs through a dedicated FPSO vessel. This is moored offshore at the site of the field.

Sasol Technology

Nature of the operations and its principal activities

Sasol Technology acts as the technology partner to all the business units through launching and helping to sustain the Sasol growth initiatives. Sasol Technology aims to provide functionally driven support across geographic boundaries through its research and development, new business development, engineering and project management and plant technical support.

Strategy

The strategy for Sasol Technology is based on four pillars:

• to direct Sasol’s technology future;

• to position and structure Sasol Technology for short, medium and long-term performance and delivery;

• to ensure a sustainable execution capacity to deliver on business ventures; and

• to ensure meaningful work for the people allowing them and the company to excel and grow.

Sasol Technology, as the technology partner in the group, is fully committed to the growth objectives by working together with the business units and taking responsibility for the long-term research and development of technology improvements as well as developing new technologies. Through engineering and project execution activities Sasol Technology demonstrates its commitment to the delivery of functional plants to our business partners for their operation. Technical support works on an integrated basis with the business units' operations personnel to improve the profitability throughout the group.

The constraints that Sasol Technology experiences are related to available resources and capacity. These constraints are manageable at this stage but are foreseen to become more problematic over the following years. Strategic plans are being developed to address these issues.

Research and development

The central research and development division in Sasolburg, South Africa employs over 500 people who focus on fundamental research, while the decentralized divisions focus on product applications. A phased expansion and modernization program of the Sasolburg research facility was implemented with the aim to:

• enhance infrastructure through enabling the installation of new pilot-plants to expand operational efficiency and flexibility;
• allow the relocation, upgrading and full integration of existing pilot plants;
• install modern process control systems; and
• improve the information generated.

This program was initiated after the completion of a comprehensive exercise to benchmark the structure, equipment and performance of the research and development facilities against those of other international organizations. The enhanced facilities will allow the opportunity to commercialize new and improved petrochemical processes more effectively.

The central research function has a full suite of state-of-the-art pilot plants to support both current and the development of future technologies.

Research activities are also conducted through external alliances and research collaborations with over 100 research institutions, consortia and universities worldwide. In addition, strong emphasis is placed on training; as a result of this at least 20 of the employees from South Africa are at any given time studying abroad in a continuing effort to ensure top level in-house research competency.

Fundamental research activities

Noteworthy Sasol technology research and development successes over the past decade include the development of the Slurry Phase and Advanced Synthol reactors, the development of the proprietary cobalt catalyst, the low temperature Fischer-Tropsch process, recarburized carbon, ethylene tetramerization and the 1-heptene to 1-octene conversion process.

A significant part of the research focuses on supporting the CTL and GTL technologies and associated products. This includes research on coal gasification and gasification products, syngas conversion through the application of Fischer-Tropsch synthesis and research relating to adding value to Fischer-Tropsch-derived products. Catalysis research includes the development of both iron- and cobalt-based proprietary Fischer-Tropsch catalysts. Sasol Technology has progressed in developing the second generation of the integrated Sasol SPD™ process to convert natural gas into a clean-burning synthetic fraction of diesel and other premium-grade products. In time, we plan to integrate some of the experience gained from operating the Nigerian and Qatari GTL plants into the new-generation Sasol SPD™ process. Sasol Technology is also investigating chemical expansion opportunities based on GTL plants. In particular, the fuel products of the GTL plants can be diverted towards the production of chemicals. As was the case with chemical production at Secunda, unique beneficiation technologies are being developed.

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The wide range of products in our product portfolio requires extensive research on product work-up and beneficiation, including separation and purification processes and new product development. Among other carbon-based products and cresylic acids require adaptation of technology to meet product needs. Research has been carried out on cresylic acids, another gasification by-product, on behalf of the Sasol joint venture with Merisol, relating to purification of various associated products and adding value to certain feed streams.

Over the years, a strong competency has been developed in purification in order to extract high value alpha olefins from Fischer-Tropsch products. This has helped to successfully develop purification processes for 1-pentene, 1-hexene, 1-heptene and 1-octene products, which allow the application of these products as comonomers in polymers. Ongoing studies include those dedicated to the commercial viability of exploiting metathesis and other processes to convert odd-number alpha olefins (such as 1-pentene and 1-heptene) into even-numbered counterparts (such as 1-hexene and 1-octene), which are in far greater demand. Sasol Technology is also focused on improving hydroformylation as an alternative process for producing specialty alcohols from olefins. Sasol Technology has also been successful at increasing the purities of hexene and octene comonomers to enable their optimal application with new-generation polyolefin catalyst systems. In order to benefit from the projected demand growth in global markets for 1-hexene and 1-octene, we are investigating various potential production routes, including ethylene trimerization and ethylene tetramerization.

Research is also focused on the reduction of the Sasol operations' environmental footprint which includes water treatment and purification. In this regard, special attention is given to water utilization, given the location of some of the current and future plants in semi-arid areas. An integrated approach is being followed toward optimization of current processes focusing, among others, on energy efficiency, emissions and water utilization. End of pipe solutions include technology such as microbial treatment processes and desalination technology, which has already been tested and implemented.

Continued focus is on identification and implementation of new technologies, to help reduce production cost. This includes research focusing on the application of catalytic distillation in various new and existing processes.

Renewable and alternative fuels are fast becoming important for future competitive strategies. Sasol Technology is investigating biodiesel and fuel cells. We are experimenting with the formulation and performance of biodiesels derived from soya beans as well as from Fischer-Tropsch applied on biomass derived syngas. We expect that Sasol will be able to produce high-quality biodiesels based on renewable resources for potential use as a future fuel blend stock.

We have implemented techniques such as computational chemistry and will embark on using combinatorial chemistry during 2006, on a smaller scale, in order to improve productivity and speed up technology development efforts.

Front end engineering and technology management

All front end engineering and technology integration and management is performed by specialist Sasol Technology teams taking the ideas from our research and development teams and engineering them into a commercial proposition for exploitation by the group.

The conceptual and basic design, engineering management and plant commissioning of projects is undertaken on a integrated basis with the business unit leveraging with external technology suppliers and contractors.

Project execution and engineering

Sasol Technology is responsible for the project engineering and project management of the major capital projects in the group. The involvement is currently focussed in South Africa as well as Qatar for the execution and handover of the plants. Delivery of smaller projects and shutdowns are also undertaken.

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African Amines

African Amines is a 50:50 joint venture of Sasol and Air Products. It manufactures, purchases and sells alkylamines, principally for use in explosives, water-treatment chemicals and agricultural chemicals. Its products range includes:

• mono-methylamine;
• di-methylamine;
• mono-ethylamine; and
• iso-propylamine.

African Amines has production facilities in Newcastle, Kwa-Zulu Natal, in South Africa. This location makes African Amines an efficient and cost-effective supplier to markets in Australasia, South America, the Asia-Pacific region and the Indian subcontinent. African Amines tends to be less competitive in the main ports of Europe and the United States due to the density of local producers serving those markets.

Discontinued operations

Sasol Olefins & Surfactants

We announced our intention to consider the divestiture of the Sasol Olefins & Surfactants business subject to fair value being received. Substantial work was undertaken since the announcement to prepare the business for sale including:

• issuance of the Information Memorandum on 22 May 2006 to interested parties inviting them to participate in the auction process to acquire the business;
• completion of vendor due diligence regarding finance and tax, safety, health and environmental, human resources and market/industry considerations; and
• evaluation of indicative bids received on 16 June 2006 and inviting certain interested parties to participate in the next round of bidding.

All of this work was substantially completed by 30 June 2006.

The income statement has been restated for all periods to exclude Sasol Olefins & Surfactants from continuing operations and report these results as a single line item. In the 2006 balance sheet the assets and liabilities of Sasol Olefins & Surfactants have been classified as held for sale.

Nature of the operations and its principal activities

Sasol Olefins & Surfactants comprises four business units:

• Alkylates and surfactants;
• Alcohols and surfactants;
• Inorganic specialties; and
• Monomers.

Alkylates and surfactants

The main products of the business unit are paraffins, olefins (including poly-internal olefins), linear alkylbenzene (LAB) and their surfactant derivatives such as paraffin sulfonate and linear alkylbenzene sulfonate (LAS). LAB is the feedstock for the manufacture of LAS, an essential surfactant ingredient for the detergents industry. Paraffins (n-paraffins) and n-olefins are produced mainly as feedstock for the production of LAB and oxo-alcohols. A portion of this business unit’s products are used internally for the production of downstream surfactants.

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Alcohols and surfactants

The business unit produces a diversified portfolio of linear and semi-linear alcohols of carbon range between C
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and C
22+
. Nonionic and anionic surfactants enhance the product portfolio, as well as some surfactant intermediates such as ethylene oxide, alkyl phenols and alkanolamines. The diversity of this product portfolio is supported by the wide range of raw materials (petrochemical, oleochemical and coal-based), technologies and manufacturing facilities used. A portion of the alcohols production is consumed internally to produce surfactants and specialty plasticizers.

Inorganic specialties

This business unit produces mainly alumina products both as co-products from the Ziegler units (together with alcohol) as well as in dedicated production units. The alumina is upgraded by means of a variety of technical processes to adapt the product characteristics, in some cases to highly specialized products. This business unit also produces zeolites in a production facility in Italy.

Monomers

The business unit produces ethylene in the United States at our ethane-based cracker in Lake Charles, Louisiana.

Strategy

Our strategy has been to extract the maximum value from vertical value chain integration, and horizontal integration by being present in both the major value chains in surfactant manufacture and technical and site integration benefits from the three major producing countries, Germany, Italy and the United States. Furthermore the business has fostered strong relationships with customers and has leveraged this to provide additional value chain benefits by developing and supplying differentiated and specialty products. A challenge for the business has remained the increasing and fluctuating raw material/feedstock pricing associated with crude oil and energy prices.

Principal markets

The bulk of the production from the alkylates and surfactants business unit would end up as surfactants, either produced internally or by other parties having acquired the intermediates from us. The bulk of these surfactants in turn end in detergents or industrial or institutional cleaning products. The main competitors include: ExxonMobil, Shell and Petresa in n-paraffins; Huntsman, Petresa and ISU in the LAB market; and Stepan, Huntsman and Cognis in the LAS market.

Although a substantial portion of the alcohols and surfactants business unit products also end up in detergents and industrial and institutional products, these products also find wide application in industries such as metalworking, flavors and fragrances, personal care, cosmetics, plastic additives, textiles and agriculture. The main competitors include Shell and Cognis.

Aluminas from the inorganic specialties business unit are used in a broad range of applications, including catalyst support, raw material for ceramics, coatings and polymer additives. Competitors on aluminas include Akzo Filtrol and BASF Catalyst. Zeolites are used as softening components in detergents. There are numerous competitors in zeolites.

Ethylene is sold to plastic manufacturers in the US Gulf Coast region and is used internally to manufacture alcohols. There are numerous competitors in the United States ethylene market.

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Seasonality

There is very little seasonality associated with our products or the markets in which they participate. Cyclicality of this business is more related to the general chemical investment cycle, which impacts the supply side of the market equation. Many of the markets that we serve typically follow global and regional gross domestic product and are therefore impacted more by macro-economic factors.

Raw materials

The main raw materials and feedstocks used in this business are kerosene, benzene, ethane, ethylene and aluminum (all purchased externally). The price of most of these materials are related to crude oil and energy pricing and the prices would follow the crude oil and energy pricing reasonably closely. Over the past 4 years these crude oil and energy prices have been increasing steeply and have been quite volatile.

Marketing channels

Over 90% of the products produced by Sasol Olefins & Surfactants are sold directly to end-use customers by our sales and marketing personnel. A limited number of distributors are used and are primarily centered in Europe. Approximately 60% of the total sales by Sasol Olefins & Surfactants are conducted under annual and in some cases multi-year contracts.

Property, plants and equipment

The following table summarizes the production capacity for each of our main product areas.

Production capacity

Product

Facilities location

Total

(ktpa)

Ethylene

United States

455

C

6+

alcohol

United States, Europe, South Africa

625

Inorganics

United States, Europe

170

Paraffins and olefins

United States, Europe

990

LAB

United States, Europe

550

Surfactants

United States, Europe, Far East, Middle East

1,000

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Legal proceedings and other contingencies

Litigation in respect of continuing operations

Fly Ash Plant Sasol Synfuels is in legal proceedings with regard to the operation of a plant in Secunda. Ashcor has claimed damages of R313 million relating to its inability to develop its business and a projected loss of future cash flows. We believe the prospect of future loss is reasonably possible with the loss unlikely to exceed R10 million.

Nationwide Poles The South African Competition Commission received a complaint against Sasol Oil (Carbo-Tar division) in April 2003. The complaint was referred by the plaintiff to the South African Competition Tribunal. The Competition Tribunal found against Sasol that during the period of the complaint Sasol was a dominant firm whose conduct met the test required in establishing prohibited price discrimination. The company filed a notice of appeal and the appeal was heard by the Competition Appeal Court during September 2005. Likelihood of loss is remote as the Competition Appeal Court found in favor of Sasol.

Nutri-Flo Nutri-Flo filed a complaint in 2002 alleging that Sasol Nitro was engaged in price discrimination, excessive pricing and exclusionary pricing. In November 2003, Nutri-Flo made an urgent application to the Competition Tribunal to obtain an interdict preventing Sasol from implementing a new price list. In this application Nutri-Flo again filed a complaint on grounds similar to those specified above. In addition it was alleged that Sasol, Kynoch and Omnia are acting as a cartel in fixing prices in the fertilizer industry. Nutri-Flo subsequently withdrew its application. However, the South African Competition Commission has investigated the complaint and in May 2005, referred the matter to the Competition Tribunal, alleging findings of price fixing, prevention/lessening of competition, abuse of dominance and exclusionary conduct. The Competition Commission requested the Competition Tribunal to impose the maximum administrative penalty in terms of the South African Competition Act. Sasol took the matter on review to the South African Competition Appeal Court. The court ruled against Sasol in April 2006 and the matter must consequently be heard by the Competition Tribunal. Sasol has filed an exception to the referral of the complaint to the Competition Tribunal on the basis that it is vague and does not disclose a clear contravention of the Competition Act. On the basis of the pleadings in their current form, we believe the likelihood of a finding of unlawful conduct is remote. In the event that the Competition Commission amends the referral, our current assessment may require review. For this reason, it is currently not possible to make an estimate of the contingent liability (whether arising out of penalties that may be imposed by the Competition Tribunal or civil lawsuits that may arise in the event of a finding of unlawful conduct).

Sasol Wax On 28 and 29 April 2005 the European Commission conducted an investigation at the offices of Sasol Wax International AG and its subsidiary Sasol Wax GmbH, both located in Hamburg, Germany. A parallel investigation is being conducted by the US Department of Justice. On 28 April 2005 Sasol Wax Americas Inc. received a subpoena for information from the United States District Court regarding its wax sales activities. The investigations in the US and the European Union arise from alleged anticompetitive behavior among industry members in the paraffin wax industry. Sasol Wax is co-operating with the competition authorities in the US and in the European Union in order to clarify this issue. At this point of the investigation it is not possible to assess the financial implications or inherent risk. A reliable estimate of the amount of the possible penalty cannot be made, since the determination thereof is at the sole discretion of the antitrust authorities.

Profert Profert filed a complaint against Sasol in August 2004 alleging that Sasol Nitro refused to supply Profert, that discriminatory pricing towards Profert in sales of LAN was committed and that Sasol is engaged in exclusionary conduct to exclude Profert from the fertilizer market. In May 2006, the South African Competition Commission referred the complaint to the South African Competition Tribunal alleging that Sasol, AECI and Kynoch have entered into agreements dividing the LAN market in order to make Sasol the exclusive supplier, that Sasol is engaged in conduct that favors Kynoch in supply arrangements to the exclusion of other suppliers, and that Sasol is committing discriminatory pricing against Profert. The Competition Commission requested the Competition Tribunal to impose the maximum administrative penalty in terms of the South African Competition Act. Sasol filed a reply to the referral of the complaint on 4 August 2006. The Competition Commission has not

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yet replied to Sasol's submission. Preparations for the hearing are proceeding. On the basis of the pleadings in their current form, we believe the likelihood of the Competition Tribunal imposing a penalty is remote. In the event that the Competition Commission amends its referral, our current assessment may require review. For this reason, it is currently not possible to make an estimate of the contingent liability (whether arising out of penalties that may be imposed by the Competition Tribunal or civil lawsuits that may arise in the event of a finding of unlawful conduct).

Sale of Phosphoric Acid production assets In June 2004, Foskor increased its phosphate rock price to such an extent that Sasol indicated that it would shut down the operations in Phalaborwa. Sasol and Foskor then entered into an agreement in terms of which Foskor would purchase the Phalaborwa plant. For the period that this intended sale was under assessment by the regulatory authorities, the parties entered into an agreement that Foskor would supply phosphate rock at its cost and Sasol would toll manufacture phosphoric acid for Foskor. The toll manufacturing agreement commenced on 1 September 2005. In October 2005, the South African Competition Commission issued a recommendation that the proposed merger be prohibited and referred the matter to the South African Competition Tribunal. The parties abandoned the merger in June 2006 and notified the Competition Commission that they intend to enter into a new toll manufacturing agreement for a period of 4 years. The Competition Commission has not expressed any view on whether the intended transaction would amount to a merger or not. The parties intend to finalize the terms of a new toll manufacturing agreement and to notify the Competition Commission of the provisions of such agreement. Views that may be expressed by the Competition Commission will be taken into consideration prior to implementation of the new agreement.

The Competition Commission is also investigating whether the current toll manufacturing agreement (that commenced in September 2005) amounts to pre-implementation of a merger without the required approval by the Competition Tribunal and/or if there were any other unlawful agreements between Foskor and Sasol relating to the proposed sale of the phosphoric acid assets. If the matter is ultimately referred to the Competition Tribunal and the parties are found to have implemented a merger without the necessary Tribunal approval, the parties could be faced with penalties of up to 10% of the turnover of their relevant businesses. We believe the likelihood of the finding of unlawful conduct to be remote. In the event that the Competition Commission refers the matter to the Tribunal, our current assessment may require review. For this reason, it is currently not possible to make an estimate of the contingent liability.

Other From time to time Sasol companies are involved in other litigation and administrative proceedings in the normal course of business. Although the outcome of these proceedings and claims cannot be predicted with certainty, the company does not believe that the outcome of any of these cases would have a material effect on the group's financial results.

Litigation in respect of discontinued operations

The EDC pipeline litigation Sasol North America (Sasol NA) has numerous separate pending cases which originated as a result of a 1994 rupture of the ConocoPhillips ethylene dichloride (EDC) pipeline connecting Conoco's dock to Sasol NA's vinyl chloride monomer plant in the United States. Plaintiffs are seeking compensatory and punitive damages as a result of alleged exposure to EDC. As of 30 June 2006 there is a class action and 13 lawsuits pending, brought by approximately 500 plaintiffs. Plaintiffs allege various personal injuries resulting from exposure to EDC while employed as contractors of ConocoPhillips to clean up the EDC or to perform other projects on the ConocoPhillips refinery where the rupture occurred. The plaintiffs seek recovery of unspecified compensatory and punitive damages. Sasol NA has successfully obtained substantial insurance cover for costs to be incurred in connection with this litigation. Previous settlements for approximately US$10 million of which Sasol NA's share was US$3 million were made in 2003. While the cases are being vigorously defended the likelihood of financial loss in the future is probable. The loss is unlikely to exceed the amount of US$3 million for previously settled cases.

Under the Asset and Share Purchase agreement with RWE-DEA AG for the acquisition of Condea, the costs in respect of the EDC pipeline cases are reimbursable by RWE-DEA AG less insurance and tax benefits.

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Sulfur dioxide litigation During January 2003 Sasol NA and ConocoPhillips refinery released a quantity of sulfur dioxide into the environment as a result of a power outage in the ConocoPhillips Lake Charles refinery. Lawsuits were filed against ConocoPhillips and Sasol NA has since been added as a defendant. At 30 June 2006 more than 600 lawsuits had been filed on behalf of more than 20,000 plaintiffs. ConocoPhillips and Sasol NA jointly defended the lawsuits and Sasol NA's liability for defense and settlement costs has been limited by agreement. Sasol NA has paid the "cap" as per the agreement and therefore we believe the prospect of future loss in this matter is remote, with no future loss expected.

Yellow Rock litigation In July 2005 Sasol NA received notice of a suit filed by Yellow Rock LLC alleging over US$1 million in damages and seeking an injunction that would require Sasol NA to remove its ethylene from Salt Storage Dome 1-A in Sulfur, Louisiana near the Lake Charles Chemical Complex. The suit alleges that in 2004 the Dome 1-A was leaking ethylene and caused the "blow out" of an oil and gas exploration well being drilled by Yellow Rock. An integrity assessment of the well performed by an independent consultant in early 2005 concluded that the Dome 1-A was not leaking. While these results were conveyed to Yellow Rock and were approved by the Louisiana Department of Natural Resources, it did not deter the filing of suit. We believe the prospects of future events confirming a loss are therefore remote.

US hearing loss cases There are presently approximately 160 hearing loss cases pending in the Sasol NA business. These claims for occupational hearing loss in Louisiana are not covered by workers compensation. The likelihood of loss is considered reasonably possible as these claims will be settled. The range of expected future loss through settlement is estimated to be between US$ 800,000 and US$ 1,150,000.

Environmental Orders

The group is subject to loss contingencies pursuant to numerous national and local environmental laws and regulations that regulate the discharge of materials into the environment or that otherwise relate to the protection of human health and the environment in all locations in which it operates. These laws and regulations may, in future, require the group to remediate or rehabilitate the effects of its operations on the environment. The contingencies may exist at a number of sites, including, but not limited to, sites where action has been taken to remediate soil and groundwater contamination. These future costs are not fully determinable due to factors such as the unknown extent of possible contamination, uncertainty regarding the timing and extent of remediation actions that may be required, the allocation of the environmental obligation among multiple parties, the discretion of regulators and changing legal requirements.

The group's environmental obligation for continuing operations accrued at 30 June 2006 was R2,268 million compared to R2,161 million in 2005 (R238 million and R158 million was accrued for 2006 and 2005 respectively for our discontinued operations). Included in this balance is an amount accrued of approximately R395 million (R134 million for our discontinued operations) in respect of the costs of remediation of soil and groundwater contamination and similar environmental costs. These costs relate to the following activities: site assessments, soil and groundwater clean-up and remediation, and ongoing monitoring. Due to uncertainties regarding future costs the potential loss in excess of the amount accrued cannot be reasonably determined.

Under the agreement for the acquisition of Sasol Chemie, we received an indemnification from RWE-DEA AG for most of the costs of remediation and rehabilitation of environmental contamination existing at Condea Vista Company located in the United States on or before 1 March 2001.

Although the group has provided for known environmental obligations that are probable and reasonably estimable, the amount of additional future costs relating to remediation and rehabilitation may be material to results of operations in the period in which they are recognized. It is not expected that these environmental obligations will have a material effect on the financial position of the group.

As with the oil and gas and chemical industries generally, compliance with existing and anticipated environmental, health, safety and process safety laws and regulations increases the overall cost of business, including capital costs to construct, maintain, and upgrade equipment and facilities. These laws and regulations have required, and are expected to continue to require, the group to make significant expenditures of both a capital and expense nature.

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September 2004 Accident Trust

On 1 September 2004 the lives of ten employees and contractors were lost and a number of employees and contractors were injured during an explosion that occurred at our Secunda West ethylene production facility. Since January 2006, the Company, Solidarity, the Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union and an attorney representing the unions have been in negotiations to find a mechanism to pay compensation to the dependants of people that died or were physically injured in the accident to the extent that they had not been previously compensated in terms of existing policies and practices. It was agreed to establish an independent trust, the September 2004 Accident Trust, to expeditiously make ex gratia grants to persons who were physically injured in the 1 September 2004 explosion at our Secunda West ethylene production facilities and to the dependants of persons who died in that accident. The September 2004 Accident Trust was registered on 29 June 2006. Qualifying victims of the accident have been invited to submit applications for compensation. These grants will be calculated in accordance with the applicable South African legal principles for the harm and loss suffered by them as a result of the accident to the extent that they have not already been compensated.

The Company will fund the September 2004 Accident Trust to pay the ex gratia grants. Whilst accepting social responsibility, the Company has not acknowledged legal liability in creating the trust. As at 30 June 2006 it is believed that a loss contingency exists and that it is probable that the future claims will be received from the dependents of the deceased or from those physically injured and to whom ex gratia grants will be made.

No accrual has been made as at 30 June 2006 as the amount of the loss cannot be reliably estimated. The future payments are dependent on the number of applications submitted to the Trust, the independent findings of each application and the calculation of the grants based on the applicable South African legal principles. It is believed that the possible loss is unlikely to exceed R20 million.

Regulation

The majority of our operations are based in South Africa, but we also operate in numerous other countries throughout the world. In South Africa, we operate coal mines and a number of plants and facilities for the storage, processing and transportation of raw materials, products and wastes related to coal, oil, chemicals and gas. These facilities and the respective operations are subject to various laws and regulations that may become more stringent and may, in some cases, affect our business, operating results, cash flows and financial condition.

Empowerment of historically disadvantaged South Africans

The Liquid Fuels Charter

In November 2000, following a process of consultation, the Minister of Minerals and Energy and representatives of the companies in the liquid fuels industry, including Sasol Oil, signed the Liquid Fuels Charter setting out the principles for the empowerment of historically disadvantaged South Africans in the South African petroleum and liquid fuels industry.

The Liquid Fuels Charter requires liquid fuels companies, including Sasol Oil, to ensure that historically disadvantaged South Africans hold at least 25% equity ownership in the South African company holding their liquid fuels assets by the calendar year 2010. It also envisages methods of measuring progress by requiring participants in the industry to meet targets set in connection with transformation of ownership. In addition, the Liquid Fuels Charter requires that historically disadvantaged persons be given preferred supplier status, where possible, in the procurement of supplies, products, goods and services, as well as access to use and ownership of facilities.

Sasol and Exel's BEE transaction

One of our major BEE transactions was the establishment of Exel in November 1997 as a 22.5% minority shareholder. At the time of the merger with Sasol Oil, Exel was a model empowerment enterprise 77.5% owned and controlled by HDSAs. With the help of Sasol, through the secondment of specialized personnel, the

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provision of technical support and training, and other support services, Exel evolved rapidly from a zero base to establishing 195 retail fuel stations by December 2003. By that time, Exel had won 4% and 7% of the competitive South African liquid fuels retail and commercial markets, respectively. Exel recorded an operating profit (before interest and tax) of almost R8 million in 1998. Five years later, the company posted an annual operating profit of more than R100 million. Subsequently Sasol Oil acquired the entire shareholding of Exel with the empowerment partners obtaining a 2% interest directly in Sasol Oil.

Sasol and Tshwarisano BEE transaction

It is our fundamental objective to comply with the terms of the Liquid Fuels Charter. We have therefore facilitated a transaction with our BEE partner in the form of Tshwarisano.

It was initially envisaged and announced that Tshwarisano would have acquired a 12.5% shareholding in the former proposed joint venture if the Competition Tribunal had approved the proposed merger of our liquid fuels business with Petronas' South African liquid fuels business. Pursuant to the Competition Act of 2000, the Competition Tribunal prohibited the merger on 20 February 2006.

By agreement as a result of the proposed merger not occurring, Tshwarisano has acquired a 25% shareholding in Sasol Oil effective 1 July 2006.

BEE policies

As from 1 July 2006, Sasol Oil will meet the 25% BEE ownership target with Tshwarisano holding 25% of the shares in Sasol Oil with BEE policies as follows:

• procuring goods and services, on a preferential basis, from HDSAs;

• progressing employment equity in our businesses, with focus on employment equity, capacity building, training and development;

• facilitating the development of small, micro and medium-sized enterprises and focusing on training, entrepreneurship and broadening the dealer mix; and

• advancing social upliftment objectives and nation-building.

Employees

In keeping with the spirit of the Liquid Fuels Charter, as well as the Employment Equity Act, we have set employment equity targets. This requires that advantageous treatment be given to HDSAs in aspects of employment such as hiring and promotion. Employment Equity targets are set out and reviewed periodically to ensure that they are met. Special training and mentorship programs are in place to create a work environment that is suited to the successful nurturing of HDSA staff.

Procurement

Procurement is a crucial element of BEE as set out in the Liquid Fuels Charter, as well as in other industry charters and government policy. BEE procurement affords smaller industry players the opportunity to participate meaningfully in the sector. As prescribed in the Liquid Fuels Charter, HDSA companies are accorded preferred supplier status as far as possible.

Sasol Oil has established a BEE procurement policy, an enhanced procurement governance model and unique strategies to stimulate growth in its BEE spend.

Corporate social investment

We focus on facilitating the socioeconomic development of the communities in which we operate, through partnerships with key stakeholders in these communities.

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Social investments are presently channeled into five main areas:

• education (particularly in math and science);
• job creation and capacity building;
• health and welfare;
• arts, culture and sport development; and
• environment.

The Mining Charter

In October 2002, the government and representatives of South African mining companies and mineworkers' unions reached broad agreement on the Mining Charter, which is designed to facilitate the participation of HDSAs in the country's mining industry. The Mining Charter's stated objectives include the:

• expansion of opportunities for persons disadvantaged by unfair discrimination under the previous political dispensation;
• expansion of the skills base of such persons;
• promotion of employment and advancement of the social and economic welfare of mining communities; and
• promotion of beneficiation, or the crushing and separation of ore into valuable substances or waste within South Africa.

The Mining Charter, together with a scorecard which was published on 18 February 2003 to facilitate the interpretation of and compliance with the Mining Charter (the scorecard), requires mining companies to ensure that HDSAs hold at least 15% ownership of mining assets or equity in South Africa within five calendar years and 26% ownership within ten calendar years from the enactment of the new Mineral and Petroleum Resources Development Act (MPRD Act) which came into force on 1 May 2004. The Mining Charter further specifies that the mining industry is required to assist HDSAs in securing finance to fund their equity participation up to an amount of R100 billion within the first 5 calendar years after the coming into force of the aforementioned Act. Beyond this R100 billion commitment, the Mining Charter requires that participation of HDSAs should be increased towards the 26% target on a willing-seller willing-buyer basis at fair market value

Various principles of the Mining Charter have been incorporated in regulations promulgated by the Minister of Minerals and Energy under the MPRD Act with respect to the South African mining industry. These regulations came into force on 1 May 2004.

The scorecard provides a method of indicating the extent to which applicants for the conversion of their mineral rights under the MPRD Act have complied with the provisions of the Mining Charter. It is intended that the entire scorecard would be taken into account in decision making. Notes attached to the scorecard provide guidance in interpreting the objectives of the Mining Charter.

On 16 March 2006 we announced the implementation of the first phase of Sasol Mining's broad-based BEE strategy through the formation of Igoda Coal, an empowerment venture with Eyesizwe Coal, a black-owned mining company. Igoda Coal will be one of South Africa's largest empowered coal export companies. Eyesizwe Coal will own 35% of Igoda Coal, while Sasol Mining holds the remaining 65%. Igoda Coal will become fully operational as a statutory business entity and take transfer of the relevant mining area from Sasol Mining once the transfer of the mining rights have been effected. It is expected that the transaction will become effective in 2007.

As a result of this transaction we will obtain credit towards equity ownership targets. It has been announced that we will further expedite plans to advance the second phase of Sasol Mining's broad-based BEE ownership strategy. This strategy will see Sasol Mining achieve full compliance with the Mining Charter's 2009 and 2014 targets for BEE ownership, respectively, through conversion of its mining rights.

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The Restitution of Land Rights Act

Our privately held land and mineral rights could be subject to land restitution claims under the Restitution of Land Rights Act 1994. Under this Act, any person who was dispossessed of rights in land in South Africa as a result of past racially discriminatory laws or practices is granted certain remedies, including, but not limited to:

• restoration of the land claimed with or without compensation to the holder;
• granting of an appropriate right in alternative state-owned land to the claimant; or
• payment of compensation by the state or the holder of the land to the claimant.

If land is restored without fair compensation, it is possible that a constitutional challenge to the restoration could be successful. Once a land claim has been lodged with the Commission on Restitution of Land Rights, the rights of any person in respect of such land are restricted in that he may not perform certain actions relating to the land, including, but not limited to, selling, leasing or developing such land, without the consent of the Commission. The Commission is obligated to notify the land owner of such a claim lodged or any other party which might have an interest in a claim. All claims had to have been lodged with the Commission by 31 December 1998. Although this was the final date for filing claims, many claims lodged before the deadline are still being reviewed and not all parties who are subject to claims have yet been notified. We have not been notified of any land claim that could have a material adverse effect on our rights to any of our significant properties.

The Restitution of Land Rights Amendment Act became law on February 2004. Under the original Act, in the absence of a court order, the power of the Minister for Agriculture and Land Affairs to acquire or expropriate land for restitution purposes is limited to circumstances where an agreement has been reached between the interested parties. The Act would entitle the Minister to expropriate land in the absence of agreement. Such an expropriation could be for restitution or other land reform purposes. Compensation payable to the owner of the land would be subject to the provisions of the Expropriation Act 63 of 1975 and section 25(3) of the Constitution which provides, in general, that compensation must be just and equitable.

Broad-based Black Economic Empowerment Act

The South African Department of Trade and Industry introduced the Broad-based Black Economic Empowerment Act (the Act). The Act's stated objectives are to:

• promote economic transformation in order to facilitate meaningful participation of black people in the economy;
• achieve a substantial change in the racial composition of ownership and management structures in new and existing enterprises;
• increase the instance of ownership and management of communities, workers and collective enterprise cooperatives in new and existing enterprises;
• promote investment programs that lead to broad-based and meaningful participation by black people in the economy in order to achieve sustainable development and general prosperity; and
• develop rural communities and empower local communities by enabling access to economic activities, land, infrastructure, ownership and skills.

The Act establishes a Black Economic Empowerment Advisory Council (the Council) to advise the President on BEE. In terms of the Act, the Minister of Trade and Industry may issue codes of practice on BEE, which may include:

• the interpretation and definition of BEE;
• qualification criteria for preferential purposes for procurement and other economic activities;

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• indicators and weighting to measure BEE;
• guidelines for stakeholders in the relevant sectors of the economy to draw up transformation charters for their sectors;
• the development of a system of reporting on the implementation of BEE; and
• any other matter necessary to achieve the objectives of the Act.

The Act provides that every organ of the State must take into account any relevant code of practice issued pursuant to the Act in determining qualification criteria for the issuing of licenses and other authorizations pursuant to any law and in developing and implementing a preferential procurement policy.

The Minister of Trade and Industry may propose regulations under this Act.

Codes of good practice for broad-based black economic empowerment (the Codes)

Draft codes of good practice were issued for comment by the Minister of Trade and Industry in December 2004 pursuant to the Act mentioned above. These draft codes are in the process of being amended so as to provide further clarity as to the organization of the Codes.

Progress to date includes the publishing of Phase 1 of the Codes in November 2005, which includes the following:

• Code 000: Framework for the Measurement of Broad-based BEE;
• Code 100: Measurement of the Ownership Element of Broad-based BEE; and
• Code 200: Measurement of the Management and Control Element of Broad-based BEE.

Additional draft codes were also issued for public comment in December 2005 as Phase 2 of the Codes.

This phase of the Codes provides further clarity on Codes 000, 100 and 200 referred to above and set out in Codes 300 to 1000 outlining measurement of employment equity, skills development, preferential procurement, enterprise development, the residual element, any sector codes and qualifying small enterprises.

Pursuant to the published codes and draft codes, private sector enterprises are urged to apply the principles contained in the Codes when implementing broad-based BEE initiatives. In interactions with public entities and organs of state, it is considered essential that the private sector applies these principles to ensure full recognition for their efforts. Furthermore, it is considered desirable that the private sector also apply these principles in their interactions with one another.

Stakeholders are encouraged to align any legislation properly enacted prior to the Act, which imposes BEE objectives, with the Act and the Codes. This will apply specifically to the Liquid Fuels Charter as contained in the Petroleum Products Amendment Act and the Mining Charter as contained in the Mineral and Petroleum Resources Development Act which shall remain in force unless amended, substituted or repealed. Alignment of all such legislation, over time, will reduce any residual uncertainty.

Regulation of mining activities in South Africa

The Minerals Act

For the period up to 30 April 2004, all mineral rights, encompassing the right to prospect and mine, were held, either privately or by the government of South Africa. Ownership of private mineral rights was held through title deeds and constitutes real rights in land, which are enforceable against any third party. Prospecting and mining were regulated by the Minerals Act and South African common law. The Minerals Act regulated the prospecting for and the optimal exploitation, processing and utilization of minerals, in addition to imposing reclamation requirements on prospecting and mining operations. The Act required that anyone undertaking prospecting or mining operations had to compile an environmental management program and to provide for the environmental impact of the proposed prospecting or mining activities. This program had to be approved by the

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relevant Director of Mineral Development. The Minerals Act has subsequently been repealed by the implementation of the Mineral and Petroleum Resources Development Act (Act 28 of 2002), which came into effect on 1 May 2004.

Under the Minerals Act, we owned all the coal rights for the properties over which we have mining authorizations, except for small tracts of land at Secunda, which were owned by the government of South Africa and for which we have obtained the government's consent to mine in consideration for the payment of a royalty per ton of coal mined from those properties.

The Mineral and Petroleum Resources Development Act (MPRD Act)

The fundamental principle of the MPRD Act is the recognition that the mineral resources of the country are the common heritage of all South Africans and therefore belong to all the people of South Africa. The Act vests the right to prospect and mine, including the right to grant prospecting and mining rights on behalf of the nation, in the state, to be administered by the government of South Africa. Thus, the state is the guardian of all mineral rights and has the right to exercise full and permanent custodianship over mineral resources.

The MPRD Act imposes significantly more stringent environmental obligations on mining activities than the repealed Minerals Act. However, it contains transitional arrangements for existing operations. Under these transitional provisions, the environmental management programs will continue in force, as the Department of Minerals and Energy (DME) introduces the more stringent requirements of the MPRD Act.

The MPRD Act adopts the environmental management principles and environmental impact assessment provisions of the National Environmental Management Act. The MPRD Act addresses the allocation of responsibilities for environmental damage, pollution and degradation and imposes rehabilitation obligations. It significantly extends the scope of liability of directors who may be jointly and severally liable for any unacceptable negative impact on the environment, advertently or inadvertently caused by the company. It also allows the state to take remedial action and claim costs. It maintains the requirement for an environmental management program for all mining operations, but with more detailed specifications than under the Minerals Act, and prohibits the carrying out of mining activities before the approval of the program. When rehabilitation is required, it is not limited to the land surface. We were in material compliance with the repealed Minerals Act, and we expect to continue to be in compliance with the new legislation.

Mining rights

Transitional provisions are included in the MPRD Act, which phases out privately held mineral rights held under the repealed legislation. The transitional provisions contemplate three types of rights:

(a) mineral rights in respect of which no prospecting permit or mining authorization has been issued and/or no prospecting or mining activities are taking place;

(b) mineral rights in respect of which prospecting permits have been issued and prospecting is taking place; and

(c) mineral rights in respect of which mining authorizations have been issued and mining is taking place.

The rights described in these three categories are defined as Old Order rights. Under category (a), the holders of privately-held mineral rights had to apply for a prospecting or mining right in their own names to replace their existing mineral rights by 30 April 2005. Under categories (b) and (c), any prospecting permit or mining authorization granted under the previous legislation would continue to be valid for a maximum period of two and five calendar years from enactment, respectively. After the lapse of the one-year period referred to in category (a) and the respective periods in categories (b) and (c), the mineral rights will cease to exist. Within these periods, the holders of mineral rights and prospecting permits or mining authorizations, in order to continue with their mining or prospecting operations, must apply for a new prospecting right or mining right in respect of category (a) and for conversion to new prospecting or mining rights in respect of categories (b) and (c).

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Under the Act, prospecting rights will be granted for an initial maximum period of five calendar years, and could be renewed once, upon application, for a period not exceeding three calendar years. Mining rights will be valid for a maximum period of thirty calendar years, and could be renewed, upon application, for further periods, each not exceeding thirty calendar years. Provision is made for the grant of retention permits, which would have a maximum term of three calendar years and could be renewed once, upon application for a further two calendar years.

A wide range of factors and principles will be taken into account by the Minister of Minerals and Energy when considering these applications. These factors include the applicant's access to financial resources and appropriate technical ability to conduct the proposed prospecting or mining operation, the environmental impact of the operation and, in the case of prospecting rights, considerations relating to fair competition. Other factors include considerations relevant to promoting employment and the social and economic welfare of all South Africans and showing compliance with the provisions of the Mining Charter for the empowerment of HDSAs in the mining industry.

Part II of the Regulations promulgated under the MPRD Act relate to the social and labor plan that must accompany any application for a mining right. The Mining Titles Registration Amendment Act (Act 24 of 2003) and regulations have been implemented simultaneously with the implementation of the MPRD Act. It provides the mechanism to give effect to the provisions of the MPRD Act, in particular with regard to the registration of rights under that Act. Draft regulations under this Bill have also been published for comment.

Sasol Mining held various prospecting permits or mining authorizations with respect to our existing mining operations, which are now being classified as old order rights. We have commenced with the process to apply for conversion of our existing mining and prospecting rights into new order rights and for any new licenses Sasol Mining may require under the MPRD Act. It is the declared intent of the South African government not to disrupt operations as a result of the introduction of the new legislation. When considering applications for the conversion of existing mineral rights under the MPRD Act, the Minister of Minerals and Energy must take into account, among other factors, the applicant company's compliance with the Mining Charter. We intend to undertake any appropriate action required to ensure conversion of our existing mineral, prospecting and mining rights under the MPRD Act.

The act provides that a mining right granted under the Act may be cancelled if the mineral to which such a mining right relates is not mined at an optimal rate.

Furthermore, royalties from mining activities will become payable to the state under provisions contained in the Mineral and Petroleum Resources Royalty Bill. This Bill was first published in March 2003 and has since been revised, with the final Bill being published on 11 October 2006. The Bill provides for a royalty rate of 1% on coal with an ash content of higher than 15% for South African energy consumption and 3% on coal with an ash content lower than 15%. The royalty is revenue based, payable bi-annually in arrears to the state, and will take effect on 1 May 2009. The royalty will be deductible for normal income tax purposes.

Regulation of pipeline gas activities in South Africa

The Gas Act

The Gas Act came into effect on 1 November 2005 as proclaimed by the President. The Gas Act regulates matters relating to gas transmission, storage, distribution, liquefaction and re-gasification activities. Among its stated objectives are:

- promoting the efficient development and operation of the respective facilities and the provision of respective services in a safe, efficient, economically and environmentally responsible way;
- promoting companies in the gas industry that are owned or controlled by HDSAs;
- promoting competition and investment in the gas markets; and
- securing affordable and safe access to gas services.

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The Gas Act provides for the powers of the National Energy Regulator of South Africa (NERSA) regarding pipeline gas, whose powers include the issuance of licenses for a range of activities including:

• the construction, conversion or operation of gas transmission, storage, distribution, liquefaction and re-gasification facilities; and
• trading in gas.

NERSA has the authority to determine maximum prices for distributors, reticulators and all classes of consumers where there is inadequate competition as contemplated in the South African Competition Act. NERSA may impose fines not exceeding R2 million a day, if a licensee fails to comply with its license conditions or with any provisions of the Gas Act.

The National Energy Regulator Act

The National Energy Regulator Act came into operation on 15 September 2005 as proclaimed by the President. The National Energy Regulator Act provides for the establishment of a single regulator to regulate the piped gas, petroleum pipeline and electricity industries and for the functions and composition of the energy regulator.

On 1 November 2005 NERSA, pursuant to the National Energy Regulator Act, came into existence by the appointment of the four full-time regulators, of which one is the designated chief executive officer of NERSA. The Regulator consists of nine members, including four full-time members and five part-time members. Although the full-time members of NERSA are appointed for specific portfolios (gas, electricity and petroleum pipelines), NERSA will operate as a collective and decisions will be made on a collective basis.

According to Section 35 of the Gas Act license applications for existing business activities had to be submitted to NERSA within six months from the effective date of the Gas Act (2 May 2006) by any person owning or operating gas facilities or trading in gas. Accordingly, ROMPCO submitted an application for the operation of a gas transmission facility whilst Sasol Gas submitted license applications for the operation of distribution facilities as well as for trading in gas.

All the license applications have been compiled in accordance with the Gas Act and the rules published by NERSA. In accordance with the rules, the applications were advertised, inviting objections within a 30-day period. Thereafter NERSA has 60 days to consider the objections and responses thereon in order to decide on the granting of the licenses. As the regulations under the Gas Act have not been promulgated yet, Sasol Gas envisages that the decision on granting of the licenses should be concluded during the first quarter of the 2007 calendar year.

The Mozambique Gas Pipeline Agreement (Regulatory Agreement)

This agreement entered into between the Minister of Minerals and Energy of South Africa, the Minister of Trade and Industry and our company in connection with the introduction of natural gas by pipeline from Mozambique into South Africa is incorporated into the Gas Act through the reference thereto in Section 36 of the Act. The Gas Act provides that the terms of the agreement bind the Gas Regulator for a period until 10 years after natural gas is first received from Mozambique (26 March 2004). From the date of the conclusion of the agreement, the terms of the agreement relating to the following matters constitute conditions of the licenses to be issued to Sasol Gas and ROMPCO under the Gas Act:

• our rights and periods granted in respect of transmission and distribution of gas;
• third party access to the transmission pipeline from Mozambique and to certain of our pipelines;
• tariffs we charge for gas;
• our obligation to supply customers, distributors and reticulators with gas; and
• the administration of the agreement.

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As part of the Gas Act, the Mozambique Gas Pipeline Agreement forms part of the legislation and as such it may be susceptible to the same legislative processes generally applicable to changes in legislation.

The Gas Regulator Levies Act was signed into law on 15 January 2003 and came into effect on 1 November 2005. It provides for the imposition of levies by the Gas Regulator on the amount of gas delivered by importers and producers to inlet flanges of transmission or distribution pipelines. These levies will be used to meet the general administrative and other costs of the gas regulation activities of NERSA and the functions performed by NERSA in this regard. In terms of the Act, NERSA has submitted a budget to the Minister of Minerals and Energy, which after approval by the Minister in conjunction with the Minister of Finance, will be relayed into a levy charged as a per gigajoule levy on the volumes of gas transported. The regulations published under the Gas Act for comment specifically precludes the recovery by licensees of such levies from their customers.

Regulation of petroleum-related activities in South Africa

The Petroleum Products Amendment Act

This Amendment Act, which became effective on 17 March 2006, amends the existing Petroleum Products Act by enacting provisions regulating a range of matters including the licensing of persons involved in the manufacturing, wholesale, holding or development of sites, and retail sale of petroleum products. The Amendment Act prohibits licensed wholesalers from holding retail licenses, except for training purposes. As the Amendment Act and regulations to be promulgated thereunder regulate business activities conducted by Sasol Oil, Natref and Sasol Synfuels, they are currently in the process of applying for manufacturing licenses in respect of our plants, wholesale licenses in respect of our wholesale activities and site licenses for our retail sites. We cannot assure you that these licenses will be granted. It should be noted that, as a person conducting the aforesaid activities at the commencement of the Amendment Act, Sasol Oil and Sasol Synfuels are entitled to the issue of such licenses if they are found to be in compliance with all legal requirements in force for the operation of their respective activities. However, new site developments could be delayed given the requirements under the new regulations.

The Petroleum Pipelines Act

This Act, which was signed by the President of South Africa on 31 May 2004 and became effective on 1 November 2005, among other things, establishes a petroleum pipelines authority as custodian and enforcer of the regulatory framework applicable to petroleum pipelines.

Among the stated objectives of the Petroleum Pipelines Act are:

• promoting competition and limiting anticompetitive practices within the scope of the regulated activities;

• promoting the efficient, sustainable and orderly development, operation and use of pipelines, marine offloading facilities and storage facilities from a national and industry-specific perspective;

• ensuring the safe, efficient, economic and environmentally responsible transport and storage of crude oil and petroleum products;

• promoting fair and equitable access to pipelines, offloading and storage facilities and related commercial services; and

• promoting companies in the petroleum pipeline industry that are owned or controlled by HDSAs.

The Act provides that no person may construct, or operate, a petroleum pipeline, loading facility or storage facility without a license issued by the authority. It enables the authority to impose conditions to such licenses relating, *inter alia*, to:

• pipelines being licensed for crude oil or petroleum products, or both;

• interested parties being allowed to negotiate changes with licensees in the proposed routing, size and capacity of proposed pipelines;

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• shippers to be provided access to pipelines and capacity to be shared among users in proportion to their needs and within commercially reasonable and operational constraints; and
• tariffs to be set by the authority for pipelines, and approved by the authority for loading and storage facilities.

The Act enables the authority to expropriate land in accordance with section 25 of the Constitution if a licensee is unable to acquire such land by agreement with the owner and the land is reasonably required for facilities which will enhance South Africa's petroleum pipelines infrastructure. The Act authorizes the South African Minister of Minerals and Energy to promulgate regulations and we cannot assure you that the application of the provisions of the Act, or the promulgation of regulations in terms thereof, will not have a material adverse effect on our business, operating results, cash flows and financial condition.

We have submitted applications for the issue of licenses for our depots and related infrastructure and currently await their issue.

The Petroleum Pipelines Levies Act

The Petroleum Pipelines Levies Act, No. 28 of 2004, empowers the National Energy Regulator to impose levies on petroleum transported by petroleum pipelines. The proposed levy will be based on the amount of petroleum, measured in liters, delivered by importers, refiners and producers to inlet flanges of petroleum pipelines and must be paid by the person holding the title to the petroleum immediately after it has entered the inlet flange.

The levy is intended for the purpose of meeting the general administrative and other cost of the Authority and the functions performed by the National Energy Regulator.

Any levies intended to be imposed by the Authority must be published for representation by stakeholders and must be approved by the Minister of Minerals and Energy, with the concurrence of the Minister of Finance. Levies lapse five years after their imposition and the Minister must approve a re-imposition of levies.

To date no levies have been imposed, although their imposition is imminent.

Safety, health and environment

We are committed to zero harm to people, facilities and the environment. Our safety, health and environment (SH&E) performance is driven by the quest for continuous improvement that will help us achieve our vision of being a world class company.

Our combined mining, fuels and chemical operations are subject to numerous local, national and regional safety, health and environmental laws and regulations in Southern Africa, Europe, the United States, the Asia-Pacific region, the Middle East and the Indian subcontinent. Our global operations, including marketing and logistics, are also affected by international environmental conventions.

We focus on our safety, health and environmental responsibilities through our SH&E policy, strategy and minimum requirements and are committed to ensure that we operate under safe working practices, safeguard against accidents and avoid harm to people and the environment in all our businesses.

Safety, health and environmental laws and regulations affect a wide spectrum of our group activities. These statutory requirements often require permits or licenses to be obtained for the use of natural resources such as water, and for the operation of our facilities and the disposal of our waste products. They also prescribe minimum standards for the safety and health of our employees. They impose restrictions on the types and quantities of emissions that can be released into the environment, and also regulate issues of product safety, waste generation, management and ultimate disposal. It is our expectation that these laws and regulations will become more stringent in the future.

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Safety, health and environment policy and management systems

We have developed a systems-oriented approach towards the management of these issues. We have moved from a division-based safety, health and environment management policy to a structure directed on a group basis. We are committed to sustainable development and legal compliance being the minimum requirement for all our operations. Matters of safety, health and environment are treated as critical business issues. Planning of safety, health and environmental issues includes the setting of targets, performance measurement, reporting and review. In order to ensure that our safety, health and environmental performance is aligned with our group targets and objectives, corporate governance and other audits are carried out regularly. All of our businesses are required to track their performance and furnish quarterly reports to their respective operating boards to the Group Executive Safety, Health and Environment Committee and to the group Risk and Safety, Health and Environment Committee. At the highest level, the Risk and Safety, Health and Environment Committee of the Sasol Limited Board considers the major risks and liabilities, progress on our internal indicators of performance and any major incidents and events of non-compliance. For information regarding our Group Executive Safety, Health and Environment Committee and the Risk and Safety, Health and Environment Committee of the Sasol Limited Board, see also “Item 6.C—Board practices”. Similar reports are also required to address significant division-specific issues. We use the findings emanating from corporate governance and other audits to implement improvement measures.

Our businesses are required to manage their safety, health and environmental risks in line with internationally accredited management systems. On environmental management systems, we are well on the way towards our group target of achieving ISO (International Standards Organization) 14001 certification for all our businesses. The ISO 14001 standard is an internationally accepted standard for the development and implementation of environmental management systems. Certification to the standard entails regular audits by an independent, accredited third party auditor. We have also set OSHAS 18001 and Process Safety Management (based on the US Occupational Safety and Health Administration and other Sasol requirements) as additional minimum corporate requirements, including a behavioral safety program for all Sasol businesses. These systems and programs are being implemented and good progress has been made.

Health and safety

Safety. In the 2006 year we regrettably lost 4 workers, including contractors. Sasol Mining experienced three fatalities – two underground and one on surface which resulted in the unfortunate deaths of two contractors and one employee. In the other unfortunate incident a contractor fell from scaffolding during construction at Secunda and died as a result of his injuries.

Sasol appointed DuPont Safety Resources (DuPont), an internationally reputable safety consultancy, in November 2004 to undertake a comparative safety review of its selected South African operations against international best practices in the areas of leadership, organization, and operational and process safety. The results from this intense focus of safety resulted in an overall improved safety performance with Sasol achieving an all time low recordable case rate of 0.7. DuPont performed a second review during March 2006 to determine progress with the implementation of actions as a result of the first review recommendations. The review report highlighted the fact that while there are still many improvement opportunities, Sasol has made good progress. The results, if measured by injury statistics, are clearly visible. Details of the second DuPont Safety Review are available on our website (www.sasol.com).

The performance of our United States and European operations have been excellent. All facilities are in the best quartile of performance in the chemical industry.

Emissions. Because of the nature of some of our processes, including coal gasification for the production of petrochemical products, our operations generate relatively high carbon dioxide emissions. Our coal gasification operations are situated in South Africa, which is classified as a developing country in terms of the Kyoto Protocol and though we are largely exempt from the emissions reduction targets required under the Protocol we

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have implemented a successful project to replace coal as a feedstock with natural gas at our Sasolburg chemical operations. Sasol is also committed to reducing greenhouse gas emissions. We support the voluntary Energy Efficiency Accord championed by the South African Department of Minerals and Energy.

We monitor and measure ambient air quality around our SA plants. In Lake Charles in the United States, we also are part of an authority-led initiative to monitor ambient air concentrations, in order to identify and address proactively major risks for community health in a timely manner. In addition, our operations in the United States have reduced reported emissions under the Toxic Release Inventory by over 80% since reporting began in 1987.

As expected, our hydrogen sulfide odors from coal gasification, which were within statutory limits, were eliminated when natural gas replaced coal as a feedstock at our Sasolburg operations. Significant efforts are also being made to reduce hydrogen sulfide emissions emanating from the Secunda operation. The sulfur recovery plants are being upgraded to reduce levels of hydrogen sulfide emissions and improved monitoring and control equipment will also be addressed as part of this long-term project. Sasol also conducted an international audit focusing on air pollution management at our South African operations. Findings and recommendations made during the audit are being incorporated into current improvement and business plans.

Water. Water use is increasingly becoming a source of concern, not only in mining, but in all our operations, in particular in South Africa, Qatar and other arid countries. A series of water treatment and saving programs and projects were introduced or are currently under way to address relevant challenges in all of our operations. We have progressed significantly in the research and development of managing the water-related impacts of our mining activities.

Our project team of internal and external experts in mining, geohydrology, geochemistry, water and waste treatment is currently committed to researching innovative and cost-effective solutions to further reduce our impact on the environment.

The long-term supply of water to the Secunda complex (up to 2030) has been assured by the Vaal River Eastern Sub-System Augmentation Project (VRESAP). The Trans-Caledon Tunnel Authority was mandated by the Minister of Water Affairs and Forestry of South Africa to fund and implement the VRESAP project to meet the growing demands of Eskom and Sasol in the Mpumalanga region. Construction of the VRESAP pipeline is currently in progress and completion is expected in the last quarter of 2007 calendar year.

Fires, explosions and releases. The manufacture of petrochemicals involves using high volumes of flammable substances, often under high pressure and at high temperatures. Hence, managing the risk of fires, explosions and releases of hazardous substances is essential for us. In the course of our operations, we experienced a number of fires, explosions and releases of hazardous chemical substances, the most significant being an explosion that occurred at Sasol Polymers on 1 September 2004. We have taken steps to reduce the frequency and severity of these events, and do not expect any other past fires, explosions or releases to have a material effect on our results or operations.

Our operations in the United States are conducted in accordance with the requirements of the Occupational Safety and Health Administration Process Safety Management and US Environmental Protection Agency (US EPA) Risk Management Program regulations. Through the application of these regulations, we implement a thorough safety management process designed to minimize the risks of accidents and releases of hazardous substances.

In addition, since 11 September 2001, assessing and improving the security of chemical operations in the United States has become an important focus. Our Baltimore and Lake Charles plants have since evaluated plant security programs and made changes in procedures and physical security measures. As a member of the American Chemistry Council, Sasol NA has also adopted a Security Code of Management Practice, which requires that we conduct a security vulnerability analysis to identify areas in which additional security measures are necessary, and have a management system in place for other aspects of plant, distribution and cyber security.

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All Sasol sites have identified and quantified their major risks with regards to major fires, explosions or releases. Risk mitigation plans are in place.

We maintain a comprehensive insurance program, to address identified risks.

Land remediation and rehabilitation. Because of our chemicals and fuels processes, we have particular legacy and current risks that we have addressed or are currently addressing. We are consolidating our regional strategies to form a group-wide strategy to address potential liabilities associated with land remediation and rehabilitation.

Our gas pipelines are buried underground in order to reduce long-term impacts. We implemented this approach for the Mozambique natural gas project, for which we used World Bank guidelines for environmental impact assessment studies.

The decommissioned Klipspruit cyanide factory has been satisfactorily rehabilitated and negotiations are underway for the Johannesburg Metro Council to take over the land for future development.

Waste. Potential risks associated with waste are a priority for us. Historical legacies are addressed in accordance with relevant legal requirements, and cleaner production techniques are implemented to address future risks. Where we acquire new plants, the attendant risks are identified and the necessary indemnities sought from the sellers. Where we have not secured such indemnities, we are confident that such risks and attendant liabilities will not have a material adverse effect.

The Natural Gas Conversion Project has had significant impact on the reduction of waste produced, specifically with regards to tar and oil waste, and ash at our operations in Sasolburg. The ash dump presently has a negative growth rate due to ash sales for brick making.

The South African Waste Discharge Charge System for the controlled discharge of effluent to a water body will be implemented by the Department of Water Affairs and Forestry over the next two to three years. The financial impact to Sasol has yet to be quantified, but could be substantial. Waste and waste water effluent minimization projects are receiving specific attention.

Asbestos. We have a strategy for the risk-based phase-out of asbestos, which is being implemented by our operations. We have implemented a policy to ensure that new sources of asbestos are not procured in the construction of new facilities worldwide. Asbestos is removed and disposed of under strict regulatory requirements as plant modifications are made or as necessary for maintenance.

South Africa

Environmental regulation

The Constitution of the Republic of South Africa provides the framework for the environmental legislation in South Africa. Section 24 of the Constitution enshrines the right of all citizens to an environment that is not harmful to their health and well-being and provides individuals with a right to the protection of the environment. It further provides that these rights can be enforced through reasonable legislative and other measures to prevent pollution and degradation, to promote conservation and to secure an ecologically sustainable development. Further constitutional provisions provide relevant rights of enforcement, including class actions. A number of laws and regulations address specific issues relating to the protection of the environment. The following includes an analysis of some of these laws, which may be relevant to our operations.

National Environmental Management Act. The National Environmental Management Act provides for cooperative environmental governance and coordination of the environmental functions of the government. The Act regulates environmental authorization requirements compliance and provides for enforcement measures including provision for fines up to R5 million. The Act principally imposes a duty of care on persons who have or may pollute or degrade the environment and other responsible parties to take reasonable measures to prevent and remediate environmental damage, protects workers refusing to undertake environmentally hazardous work

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and provides for control over emergency incidents. It promotes access to environmental information, protects whistleblowers and allows for private prosecution and class actions. The Act was recently amended to include provisions and requirements for environmental authorizations and impact assessments. Provisions in this regard under the Environment Conservation Act were repealed. Section 24G was also added to the Act, providing for retrospective applications in respect of activities undertaken in contravention of the law. Consideration of applications is subject to payment of a fine, up to R1 million.

National Environmental Management: Biodiversity Act. This Act, deals with various issues relating to biological diversity including its management and conservation.

National Environmental Management: Protected Areas Act. This Act provides for the declaration of conservation areas. Of particular significance is that it provides for the expropriation of private land, including servitudes, in the interests of conservation. We have not been notified of any action that could have a material adverse effect on our rights to any of our significant properties.

Mineral and Petroleum Resources Development Act. This Act makes provision for the effective management of impacts associated with mining activities. An environmental management program (EMP) must be compiled, approved by the Department of Minerals and Energy, and regularly reviewed. The EMP is required to cover potential environmental as well as socio-economic impacts. The Act further requires the making of financial provision for the rehabilitation or management of negative environmental impacts.

Water protection

The National Water Act provides for the equitable allocation of water for beneficial use, sustainable water resource management and the protection of the quality of water resources. The Act establishes water management procedures and protects water resources through the licensing of various uses of water. It also includes provisions for pollution prevention, remediation requirements and emergency incidents. The Department of Water Affairs and Forestry is currently implementing a Waste Discharge Charge System, which may have a significant impact on operational costs.

A significant part of our operations, including mining, chemical processing and others, require use of large volumes of water. South Africa is generally an arid country and prolonged periods of drought or significant changes to current water laws could increase the cost of our water supplies or otherwise impact our operations. In this regard, the Department of Water Affairs and Forestry is implementing a Pricing Strategy aimed at allocating the appropriate price for the use of water, which may have a significant impact on operational costs. Further initiatives in this regard include the National Water Resource Strategy and the National Water Resource Allocation Strategy, aiming to ensure the equitable distribution of water.

Air protection

The National Environmental Management: Air Quality Act has recently been promulgated, enabling the Department of Environmental Affairs and Tourism to set ambient air quality and emission standards, declare Priority Areas for the purposes of implementation of Air Quality Management Plans, and prepare for the review of atmospheric emission licenses. It is expected that this Act will impose stricter standards on air quality management in South Africa, through the adoption of internationally accepted ambient and emission standards and that this will result in significant capital and operational costs. The Department of Environmental Affairs and Tourism recently declared the Vaal Triangle as a Priority Area.

Some of our processes in South Africa, especially coal gasification, result in relatively high carbon dioxide emissions. South Africa is considered a developing country in terms of the Kyoto Protocol and, accordingly, it is largely exempt from the emissions reductions required. We are taking measures to reduce our emissions, amongst which has been the use of natural gas from Mozambique as of 2004 in lieu of coal, which is reducing sulfur dioxide emissions and hydrogen sulfide odors from gasification operations in the Sasolburg region. We also monitor air emissions at our plants to measure ambient air quality. The Department is also finalizing ambient air quality standards. Compliance with these standards will require significant capital expenditure.

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Waste and hazardous substances

Environment Conservation Act. The Environment Conservation Act establishes a licensing framework for the establishment, operation and closure of any waste disposal site. The Department of Environmental Affairs and Tourism is currently finalizing a National Waste Management Implementation Programme, to be supported by the Waste Management Bill, still to be drafted. The Bill is expected to cover solid waste management and incorporate the principles of the Basel Convention on the trans-boundary movement of waste.

Hazardous Substances Act. The Hazardous Substances Act provides for the control and licensing of substances that may cause injury, ill-health or death to human beings by reason of their toxic, corrosive, irritant, strongly sensitizing or flammable nature.

Other environmental legislation

The National Road Traffic Act and its regulations regulate the transportation of dangerous goods and substances. The Act provides specifications for road tankers, labeling, duties of responsible persons, compatibility of multi-loads, driver training and hazardous substance documentation. The National Railway Safety Regulator Act provides for similar regulation in respect of rail transport.

The Explosives Act consolidates the laws relating to the manufacture, storage, sale, transport, importation, exportation and the use of explosives and imposes an authorization requirement for the manufacture and storage, as well as for the import, export and sale of explosives.

The Fertilizers, Farm Feeds, Agricultural Remedies and Stock Remedies Act regulates the registration, importation, sale, acquisition, disposal or use of fertilizers, among other products.

Health and safety regulation

Occupational Health and Safety Act. The Occupational Health and Safety Act covers a number of areas of employment activity and use of machinery in South Africa, excluding mining activities. The Act imposes various obligations on employers and others to maintain a safe workplace and minimize the exposure of employees and the public to workplace hazards and establish penalties and a system of administrative fines for non-compliance.

Mine Health and Safety Act. The principal objective of the Mine Health and Safety Act is to protect the health and safety of persons at mines by requiring that employers and others ensure that their operating and non-operating mines provide a safe and healthy working environment, determining penalties and a system of administrative fines for non-compliance and giving the Minister of Minerals and Energy the right to restrict or stop work at any mine and require an employer to take steps to minimize health and safety risks at any mine.

Compensation for Occupational Injuries and Diseases Act. The purpose of this Act is to provide for compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases. The Act is administered by the Minister of Labor, through a Director-General who manages a compensation fund to which employers contribute, directly or indirectly. Where indirect contributions are made, these contributions are made to a mutual association, which acts as the insurer in respect of claims against the employers. All employers, with the exception of those in national, provincial and local government, are required either to register under the Act or to be fully insured against related liabilities.

Occupational Diseases in Mines and Works Act. This Act relates to the payment of compensation in respect of certain diseases contracted by persons employed in mines or at locations where activities ancillary to mining are conducted. Any mine (including the Sasol Mining operations) at which risk work takes place is deemed to be a controlled mine in respect of the employees for whom the employer is required to make payments to the fund for occupational diseases, in order to meet relevant claims. Persons who are employed in controlled mines are required to have a certificate of fitness, which must be renewed from time to time.

For further information, see “Item 6.C—Board practices—The risk and safety, health and environment committee”.

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Germany

In Germany, we operate a number of plants and facilities for the storage, processing and transportation of chemical feedstock, products and wastes. These operations are subject to numerous laws and ordinances relating to safety, health and the protection of the environment.

General environmental care

The lack of a general environmental code in Germany means that no guideline legislation is available for general environmental care. In terms of the Act on the Assessment of Environmental Impacts, the environment impact assessment (EIA) is an instrument of preventative environmental care that is legally binding. This has been introduced in existing public procedures for the licensing of, or considerable amendment to, certain projects of relevance to the environment, including chemical facilities. The EIA is based on the cooperation between the environmental authorities and the parties intending to carry out the project.

The Environmental Information Act guarantees everyone's access to official environmental information.

Issues relating to general environmental care are addressed by the environmental provisions of the Regional Planning Act and other specific and planning law designed to ensure environmental soundness, as well as by the Environmental Liability Act, which provides for liability in the case of environmental risks. Where human life or health is disturbed and where emissions have entered the soil, water or the air, the owner of a facility is liable, even if he or she is not at fault and irrespective of whether the damage was caused as a result of a hazardous incident or during normal operations. Damage resulting from force majeure is excluded from liability. The right to the restoration of the previous state also extends to nature and the landscape. Installations that pose a particular risk to the environment must have provisions for sufficient cover, an obligation which may be met by arranging liability insurance.

Criminal law provisions are included in the Act to Combat Environmental Crime, which targets a range of polluting activities, including water, soil and air pollution, environmentally damaging waste disposal and noise. It also addresses licensing of the operation of installations and the handling of hazardous substances and goods and particularly serious environmental offences.

Specific environmental protection legislation

Emission control. The guideline legislation to protect humans and the environment from air pollution and noise pollution is the Federal Emission Control Act. This Act and the ordinances promulgated under it provide the framework for environmental protection and the technical safety of installations. It provides for licensing for installations that are particularly susceptible to causing harmful environmental impacts, including chemical facilities or mineral oil refineries.

Regulation of hazardous substances. Provisions for the protection of humans and the environment against the harmful effects of hazardous substances and preparations are provided in the Chemicals Act, the related ordinances on the Prohibition of Certain Chemicals and the Hazardous Incidents Ordinance. New substances are subject, as laid down in European law, to a registration and notification obligation before they can be brought onto the market. Old substances that have been on the market since 1981 are assessed on the basis of relevant European regulation. Hazardous substances and preparations must be classified, labeled and packed in line with their hazardous properties, their manufacture, marketing and use may be prohibited or limited.

The Chemicals Act is complemented by the Plant Protection Act of 14 May 1998 and the Fertilizers Act, as well as by legislation on animal feedstuffs and human foodstuffs and by substance-related provisions in other areas of care of the environment. This also includes the provisions concerning the environmental impacts of genetic technology under the Genetic Technology Act.

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Avoidance, recovery and disposal of waste. The Closed Substance Cycle and Waste Management Act regulates the avoidance, recovery and disposal of waste. The aim of the Act is to promote an economy based on closed substance cycles, thus conserving resources, and to guarantee the environmentally sound disposal of waste. Wherever waste cannot be avoided, recovered or used to produce energy, it must be removed from the cycle and, as a matter of principle, be disposed of within Germany in a way that is not detrimental to the common good. Under law, waste is defined as a tangible item, which falls under one of the legally determined categories of waste, and which the owner is getting rid of, desires to get rid of or must get rid of.

The Waste Transportation Act regulates the transport of waste into, out of or through the area of application of the Act and creates the basis for the establishment of a solidarity fund to finance the return of waste exported illegally.

Water protection. The guideline legislation in the field of water protection is the Federal Water Act. This requires everyone to exercise adequate care when carrying out measures which may have an impact on a water body so that water pollution or any other negative effect on water is prevented. Surface waters and groundwater are, as public utilities, subject to a public management and utilization code, which leaves the allocation of users' rights at official discretion.

The Waste Water Charges Act complements the Water Management Act and authorizes an annually rising waste water charge linked to the toxicity of the discharged waste water. Water legislation promulgated by the Federal States goes beyond merely the enforcement of the framework of federal law to determine administrative procedures and regulate issues of private water law.

Water protection is also addressed directly or indirectly by substance-related provisions in other laws, including the Chemicals Act, the Fertilizers Act and the Waste Avoidance and Waste Management Act. They also comprise provisions through which water is indirectly protected via the soil and the air.

Soil protection. The protection and care of soil as an environmental medium and part of the ecosystem is promoted by a range of environmental provisions, primarily the Federal Soil Protection Act. Soil protection measures, preventative or remedial, aim at avoiding or reducing substance inputs into the soil, or removing already existing soil damage, and at addressing the extensive land consumption caused by soil sealing.

Health and safety

The Health and Safety at Work Act provides for protection of the health and safety of employees. It places the employer under a duty to assess hazards at the workplace, to take appropriate preventive measures, and to instruct employees about measures used. The employer must take precautions for especially hazardous areas and situations and provide preventive occupational healthcare. This Act is complemented by the Safety at Work Act, which places employers under a duty to appoint appropriately qualified officers to support them in occupational health and safety matters, including ergonomic workplace design. Also, the Mining Act contains stipulations regarding the health protection of mine workers and is complemented by a special ordinance treating this topic.

Italy

In Italy, we operate a number of plants and facilities for the storage and processing of chemical feedstock, products and wastes. These operations are subject to numerous laws and ordinances relating to safety, health and the protection of the environment.

General environmental care

On 28 April 2006 a new Environmental Decree (Legislative Decree 152/2006) came into force, regulating the most important environmental matters, including authorizations, emissions, water management, wastes and remediation and environmental damages. The effectiveness of the authorization chapter has been postponed to the beginning of the 2007 calendar year, and the environmental damage section will come in force in the 2008 calendar year. Nonetheless, the company is liable for damages caused to the environment under general and special rules.

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European Directive 96/61/CE (Integrated Pollution Prevention and Control) provides that companies must obtain an integrated authorization for all environmental impact. This directive has already been implemented in Italy but has not yet taken effect. Sasol Italy is preparing the documentation required to be compliant with the directive.

Specific environmental protection legislation

Emission control. Environmental protection and the technical requirements licensing of all installations from which emissions emanate is now regulated by Legislative Decree 152/06, section 5.

Regulation of hazardous substances. Legislative Decree 52/1997 implemented in Italy the EU Directive relevant to classification, packaging and labeling of dangerous substances. Legislative Decree 65/2003 implemented the EU Directives relevant to classification, packaging and labeling or dangerous preparations. New substances are subject, as laid down in European law, to a registration and notification process before they can be brought onto the market. Old substances that have been on the market since 1981 are assessed on the basis of relevant European regulation. Hazardous substances and preparations must be classified, labeled and packed in line with their hazardous properties; their manufacture, marketing and use may be prohibited or limited.

Avoidance, recovery and disposal of waste. Legislative Decree 152/06, part 4 incorporates the principle of 'polluters pay' and further provides for cradle to the grave liability for wastes.

Water protection. Legislative Decree 152/2006, part 3, defines the authorization procedure and discharge limits, in order to protect surface and underground water. Surface water and groundwater are, as public utilities, subject to a public management and utilization regulation which leaves the allocation of users' rights at official discretion.

Soil protection. The protection and care of soil as an environmental medium and part of the ecosystem is promoted by Legislative Decree 152/06, which essentially follows the Ministerial decree 471/1999 with some simplification as far as documentation is concerned. Soil protection measures, preventative or remedial, aim at avoiding or reducing substance inputs into the soil, or removing already existing soil damage. The Legislative decree sets forth both the acceptable limits and the rules for monitoring communication and reclamation.

Health and safety

The Health and Safety at Work Legislative decree 626/1994 provides for protection of the health and safety of employees. It places the employer under a duty to assess hazards at the workplace, to take appropriate preventive and protective measures, and to instruct employees about risks and relevant measures. The employer must take precautions for especially hazardous areas and situations and provide preventive occupational healthcare.

United States

Environmental compliance

Sasol NA and Merisol are subject to numerous federal, state, and local laws and regulations that regulate the discharge of materials into the environment or that otherwise relate to the protection of human health and the environment. As with the chemical industry, generally, compliance with existing and anticipated environmental, health, safety, and process safety laws and regulations increases the overall cost of business, including capital costs to construct, maintain, and upgrade equipment and facilities. These laws and regulations have required, and are expected to continue to require, Sasol NA and Merisol to make significant expenditures of both a capital and expense nature. Environmental compliance expenditures for our interest in Merisol and Sasol NA's manufacturing sites for the next 5 years are estimated to range from US$9 million to US$13 million per year.

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Under the agreement for the acquisition of Condea, the whole of RWE-DEA AG's chemical business which we renamed Sasol Chemie, we received indemnities from the seller, RWE-DEA AG, for most of the costs of operational compliance with respect to conditions existing on or before 1 March 2001. These indemnities expired on 1 March 2006.

The Louisiana Department of Environmental Quality (LDEQ) in 2000 issued to Sasol NA four violations of state and federal air emission laws and regulations. These allegations assert violations of air-based reporting and record-keeping requirements, as well as minor exceedance of permitted air emissions. Sasol NA settled the LDEQ air enforcement action in 2006 for a penalty of US$ 50,000 and performance of a Beneficial Environmental Project valued in the settlement at US$ 165,000.

The Baltimore Plant received Clean Air Act Section 114 and RCRA Section 3007 information requests from the US EPA in 2006. The Baltimore Plant also received notices of violations in 2006 from US EPA with respect to compliance with spill control and countermeasures and hazardous waste regulations, but no penalties were assessed.

Remedial action

Active and former manufacturing sites. Sasol NA has been investigating and the remediation soil and groundwater contamination at the Lake Charles chemical complex (LCCC) and Baltimore plant sites resulting from historical operations under orders issued by LDEQ and the Maryland Department of the Environment (MDE). The Vinyl Chloride Monomer (VCM) Plant which was sold to Georgia Gulf in 1999 is also subject to US Resource Conservation and Recovery Act (RCRA) corrective action requirements. The Baltimore Plant is monitoring the natural attenuation of hydrocarbon contaminants in the groundwater and regularly reporting to MDE and is not being actively remediated. The current costs of monitoring the Baltimore Plant site and the VCM Plant site and any foreseeable remediation costs are not expected to be material.

In addition to Sasol NA's operating sites, Sasol NA also has retained liability to Georgia Gulf Corporation for the remediation of four manufacturing operations sold in November 1999 and located in Mansfield, Massachusetts, Aberdeen, Mississippi, Jeffersontown, Kentucky, and Oklahoma City, Oklahoma. The Mansfield site, which is still owned by Sasol NA, has been extensively investigated and remediated since 1991, and the remediation of groundwater and an area of soil contamination is ongoing. The Aberdeen plant site has also been investigated under several orders issued by state authorities, and several areas of contamination have been remediated. Property to the west of the Aberdeen plant was purchased in 2002 and part of the plume migrating off-site was delineated and contained on-site during 2003. Further investigations of part of the Aberdeen site are still being performed and the need for further remediation is currently being investigated.

Under the agreement for the acquisition of Sasol Chemie, most of Sasol NA's costs of the remediation contamination from historical operations at its active and sold sites are being indemnified by RWE-DEA AG, and will continue to be indemnified until at least 1 March 2023 in respect of Lake Charles and Baltimore, and in perpetuity in respect of the Mansfield, Aberdeen, Jeffersontown, and Oklahoma City sites. In addition to indemnities from RWE-DEA AG, Sasol NA also has indemnities from some of its predecessors— British Petroleum for Mansfield and Reichhold Chemical for Jeffersontown—for contamination resulting from those companies' operations at the sites. Sasol NA does not expect costs to address contamination at these sites to have a material effect on operations or results.

Calcasieu Estuary CERCLA Site. In June 1999, Sasol NA and other Calcasieu Parish industry members received letters from USEPA making demand under Section 107 of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) for past costs and future remedial investigation, remediation, and restoration costs associated with the Calcasieu Estuary. The Calcasieu Estuary, which includes the Calcasieu River and several major tributaries in the vicinity of Lake Charles, Louisiana, has received releases and discharges from Parish industry since the 1930s. Bayou Verdine has historically received releases and discharges from the Conoco Lake Charles Refinery beginning in the 1940s and from the LCCC beginning in the 1960s. The "Bayou Verdine Area of Concern" is one of the areas of concern of the Calcasieu Estuary CERCLA Site.

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In 1999 and 2000, ConocoPhillips and Sasol NA completed a voluntary joint remedial investigation of Bayou Verdine under the oversight of state and federal authorities. In 2001, ConocoPhillips and Sasol NA completed ecological and human health risk assessments of Bayou Verdine and in 2002 performed an Engineering Evaluation and Cost Analysis (EE/CA) of removal actions for Bayou Verdine under an Administrative Order on Consent (AOC) with USEPA.

Beginning in October 2002, ConocoPhillips and Sasol NA performed a sediment removal action for a relatively small area of elevated EDC concentrations located near the confluence of Sasol NA's West Ditch and Bayou Verdine. The West Ditch Project was completed in July 2003 at a cost to Sasol NA of about US$ 2 million. To date, no third party claims have been filed in connection with the West Ditch Project.

The EE/CA also recommends removal actions for the "Main Channel Area" of Bayou Verdine. ConocoPhillips and Sasol NA intend to perform the Main Channel Removal Action under a Consent Decree which will be negotiated in 2005 and 2006. Under a Consent Decree, ConocoPhillips and Sasol NA hope to resolve all of the government's CERCLA claims against the companies in connection with the Calcasieu Estuary and will receive protection against CERCLA contribution claims by other "Potentially Responsible Parties" against the companies. An agreement in principle has been reached with US EPA and the resource trustees concerning the scope of Main Channel and natural resource restoration projects and the amount of past agency response costs to be reimbursed by Sasol NA and ConocoPhillips. Sasol NA will pay 10% of these costs. Sasol NA's total estimated liability for its share of Bayou Verdine and the Calcasieu Estuary CERCLA Site is about US$ 1.7 million. Under the agreement for the acquisition of the Condea group (now renamed Sasol Chemie), 80% of Sasol NA's Estuary-related remediation costs are expected to be indemnified by RWE-DEA AG, and will continue to be indemnified until 1 March 2023.

Mozambique

In Mozambique, Sasol operates a processing plant and associated facilities for the extraction, processing and transportation of natural gas. The Central Processing Facility has been in operation since 18 February 2004. These operations are subject to numerous Mozambican laws and regulations as well as World Bank requirements and best practice standards.

Environmental, health and safety regulations. The Ministry for the Coordination of Environmental Affairs (MICOA) was created in 1994 to coordinate environmental affairs in Mozambique. In 1995, the Ministry drew up a National Environmental Management Program, which is a policy document outlining the priorities for environmental management and sustainable development in Mozambique. This program contains a National Environmental Policy, a proposal for Framework Environmental Legislation and Environmental Legislation and an Environmental Strategy.

The Framework Environmental Law was enacted in July 1997. The aims of the Environmental Law are to provide a legal framework for the use and correct management of the environment and its components and to assure sustainable development in Mozambique. The Law is applicable to all public or private activities that may directly or indirectly influence the environment. It requires licensing of activities that are liable to cause significant environmental impacts. The granting of an environmental license is subject to the preparation and approval of an appropriate level of environmental impact study and management plan. Over the last year, new environmental legislation has been enacted, namely the Regulation on Environmental Quality and Effluent Emissions Standards (June 2004) and the Regulation on Environmental Impact Assessment Process (December 2004), the latter revoking the 1998 regulation. In terms of environmental protection and safety, the Petroleum Act No. 3/2001 requires that holders of exploration and production rights conduct petroleum operations in compliance with environmental and other applicable legislation.

In 2004 the Mozambican operations were certified in terms of ISO 14001 and ISO 9001. Sasol Petroleum Temane Limitada, our Mozambican subsidiary, received OHSAS 18001 certification during January 2006.

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We are currently involved in de-mining and seismic activities inside the exploration area. These activities are governed by best practice environmental management approaches and periodic reports on environmental performance are submitted to MICOA. The seismic lines are aligned so that they avoid dwellings and no resettlement, temporary or permanent, is foreseen. Compensation due to affected community members as a result of these activities is being undertaken under the Resettlement and Compensation Procedures for the Natural Gas Project, approved by the Mozambican Ministerial Project Liaison Committee in early 2003. During the year, we signed agreements with the Mozambican government for two off-shore blocks in the Indian Ocean. Seismic activities are due to start on these blocks following a detailed Environmental Impact Assessment (EIA) process. To ensure an open and transparent process, Sasol will promote wide and active public consultation and engagement with all identified stakeholders. This will be governed by the new EIA Regulations, as will the planned expansion aimed at the de-bottle necking of the gas processing and transporting facilities of the Natural Gas Project.

Mineral Rights. Petroleum activities are regulated by the provisions of the Law Regulating Petroleum Activities. The National Directorate of Coal and Hydrocarbons administers and regulates petroleum operations on behalf of the government. The Mozambique government encourages the exploration and development of the country's hydrocarbon potential within a certain defined project framework.

In accordance with the constitution of Mozambique, the land and the natural resources of the soil and the subsoil of the territorial waters and continental shelf are the property of the state, which determines the conditions for their development and use.

The Petroleum Law creates a state enterprise, Empresa Nacional de Hidrocarbonetos de Mozambique, which is appointed as the custodian of rights for the use, benefit, administration and disposal of hydrocarbons and may grant licenses to international investors to conduct exploration and production.

Other countries

In a number of other countries we are engaged in various activities that are regulated by local and international laws, regulations and treaties. In Malaysia, China and other countries, we operate plants and facilities for the storage, processing and transportation of chemical substances, including feedstock, products and wastes. In Qatar, the United Arab Emirates, Nigeria, Gabon, Equatorial Guinea and other countries, we are involved, or are in the process of being involved, in exploration, extraction, processing/or storage and transportation activities in connection with feedstock, products and waste relating to natural gas, petroleum and chemical substances. Our operations in the respective jurisdictions are subject to numerous laws and regulations relating to exploration and mining rights and the protection of safety, health and the environment.

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4.C

Organizational Structure

Sasol Limited is the ultimate parent of the Sasol group of companies. Our wholly owned subsidiary, Sasol Investment Company (Pty) Limited, a company incorporated in the Republic of South Africa, holds our interests in companies incorporated outside South Africa. The following table presents each of Sasol's significant subsidiaries (including direct and indirect holdings), the nature of business, percentage of shares of each subsidiary owned and the country of incorporation at 30 June 2006.

Name	**Nature of business**	**Percentage ownership**	**Country of incorporation**
Sasol Mining (Pty) Limited	Coal mining activities	100	South Africa
Sasol Synfuels (Pty) Limited	Production of liquid fuels, gases and chemical products and refining of tar acids	100	South Africa
Sasol Technology (Pty) Limited	Engineering services, research and development and technology transfer	100	South Africa
Sasol Financing (Pty) Limited	Management of cash resources, investment and procurement of loans	100	South Africa
Sasol Investment Company (Pty) Limited	Holding company of the group's foreign investments	100	South Africa
Sasol Chemical Industries Limited	Production and marketing of mining explosives, gases, petrochemicals and, fertilizers	100	South Africa
Sasol Gas Holdings	Holding company for the group's gas	100	South Africa

(Pty) Limited
interests
Sasol Oil (Pty) Limited
Marketing of fuels and lubricants
100
1
South Africa
Republic of Mozambique
Owning and operating the natural gas
75
2
South Africa
Pipeline Investments
transmission pipeline between Temane
Company (Pty) Limited
in Mozambique and Secunda in South
Africa for the transportation of natural
gas produced in Mozambique to markets
in Mozambique and South Africa
Sasol Chemical Holdings
Investment in the Sasol Chemie group
100
South Africa
International (Pty) Limited
Sasol Chemicals Europe
Marketing and distribution of chemical
100
United Kingdom
Limited
products
Sasol Chemicals Pacific
Marketing and distribution of chemical
100
Hong Kong
Limited
products
Sasol-Chem Inc.
Marketing and distribution of chemical
100
United States
products
Sasol Financing
Management of cash resources, investment
100
Isle of Man
International plc
and procurement of loans
Sasol Gas Limited
Marketing, distribution and transportation
100
South Africa

of pipeline gas and the maintenance of pipelines used to transport gas			
Sasol Oil International Limited	Buying and selling of crude oil	100	**1**
Isle of Man			
Sasol Petroleum International (Pty) Limited	Exploration, production, marketing and distribution of petroleum and natural gas	100	
South Africa			

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Name	**Nature of business**	**Percentage ownership**	**Country of incorporation**
Sasol Polymers International	Holding company for Sasol Polymers'	100	South Africa
Investments (Pty) Limited	foreign investments		
Sasol Synfuels International	Develop and implement international	100	South Africa
(Pty) Limited	GTL and CTL ventures		
Sasol Wax International	Holding company for Sasol Wax operations	100	Germany
Aktiengesellschaft			
Sasol Wax GmbH	Production, marketing and distribution of	100	Germany
	waxes and wax related products		
Sasol Wax (SA) (Pty) Limited	Production, marketing and distribution of	100	South Africa
	waxes and wax related products		
Tosas Beherend (Pty) Limited	Investment holding company	100	South Africa
National Petroleum Refiners of	Refining crude oil	64	South Africa
South Africa (Pty) Limited			
Sasol Chemie GmbH	Investment in Sasol Germany GmbH	100	Germany
and Co. KG	and Sasol Olefins and Surfactants GmbH		
Sasol Germany GmbH	Production, marketing and distribution of		

100
Germany
olefin and surfactant products
Sasol Italy SpA
Manufacturing, trading and transportation
100
3
Italy
of oil products, petrochemicals and
chemical products and derivatives
Sasol North America Inc.
Manufacturing of commodity and
100
3
United States
speciality chemicals
1.
25% interest in Sasol Oil (Pty) Limited was sold to Tshwarisano LFB Investment (Pty) Limited effective 1 July 2006.
2.
CMG is finalizing its financing arrangements for the exercise of its option to acquire a 25% interest in ROMPCO.
3.
Subsidiaries which form part of our discontinued operations.

4.D

Property, plants and equipment

Plants and facilities

We operate coal mines and a number of plants and facilities for the storage, processing and transportation of oil, chemicals and gas related raw materials, products and wastes. For a detailed discussion regarding the use, capacity and products of these facilities provided for each business see “Item 4.B – Business overview”.

Coal mining facilities

Our main coal mining facilities are located at the Secunda Mining Complex, consisting of underground mines (Bosjesspruit, Brandspruit, Middelbult, Syferfontein and Twistdraai export mine) and the Sigma Mining Complex, consisting of underground mines (Mohlolo and Mooikraal) near Sasolburg.

Pages M–2 to M–4 include maps showing the location of our coal properties and major manufacturing plants in South Africa.

Our Secunda facilities

Our main manufacturing facilities are located at Secunda and they are the base for numerous of our Synfuels operations and a range of our chemical industries operations, including explosives, fertilizers, monomers and polymers, solvents, alpha olefins and tar. The approximate size of this property is 82.5 square kilometers (km).
2

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Our Sasolburg facilities

Our facilities at Sasolburg are the base for numerous of our chemical industries operations, including ammonia, explosives, mining chemicals, phenols, solvents, polymers, fertilizers, tars and waxes operations. The approximate total size of these properties is 51.4 km
2
.
The size of the Natref refinery, also based in Sasolburg, is approximately 1.1 km.
2

Our Mozambican facilities

Our natural gas processing operations in Mozambique are operated by Sasol Petroleum Temane Limitada (a subsidiary of Sasol Petroleum International). These facilities, located some 700 km north of the Mozambican capital, Maputo, on a site of approximately 400,000 m
2
, extract and process gas from the Temane gas field. The
processed gas is supplied to the South African gas market, utilizing a newly installed high pressure pipeline, some 865 km in length owned by ROMPCO.

Our facilities in Germany

Various operations of Sasol Solvents are based at a number of locations in Germany, most significant of these facilities are at Marl (site size approximately 160,000 m
2
; plant size 75,000 m
2
) and Moers site (site size
approximately 808,000 m
2
; plant size 400,000 m
2
). Sasol Wax facilities are based in Hamburg.
Various operations of Sasol Olefins & Surfactants are based at a number of locations in Germany. The most significant of these facilities are at Brunsbüttel (site size approximately 1.5 million m
2
; plant size 500,000 m).
2

Our facilities in Italy

Various operations of Sasol Olefins & Surfactants are based at a number of locations in Italy. The primary facilities are at Augusta (site size approximately 1.35 million m
2
; plant size 220,000 m
2
) and Terranova (site size
approximately 185,000 m
2
; plant size 75,000 m).
2

Our facilities in the United States

Various operations of Sasol Olefins & Surfactants are based at a number of locations in the United States. The most significant of these facilities are located at Lake Charles, Louisiana (site size approximately 3 million m

2
; plant size 540,000 m
2
) and in Baltimore, Maryland (site size approximately 293,000 m ;
2

plant size 255,000 m).
2

Merisol also has operations based at Oil City, Pennsylvania and Houston and Winnie, Texas.
For more information regarding capital expenditure in respect of these properties and the related facilities and operations, see “Item 4.A – History and development of the company – Capital expenditure” for a description of our material plans to construct, expand and enhance our facilities.

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Mining properties and operations

Mine systems and their production capacity

Sasol Mining operates six mines, the annual nominated capacities and actual production values are indicated in the following table:

Nominated capacity and production

	Nominated 2006 capacity per year 1 (Mt)	**Actual production (Mt)**
Mine		
Bosjesspruit Mine (Secunda)	8.1	7.8
Brandspruit Mine (Secunda)	8.4	8.2
Middelbult Mine (Secunda)	8.2	9.3
Syferfontein Mine (Secunda)	8.7	8.8
Twistdraai Export Mine (Secunda)	10.6	10.5
Sigma Mine (Mohlolo and Mooikraal) (Sasolburg)	1.7	1.6

1. The 2006 nominated capacity of the mines is the expected maximum production of that mine during normal operational hours.

All mines employ the underground room and pillar mining method, using continuous miners. At Sasolburg, the Sigma Mine was first established in 1950. In the Secunda area, production at the first two mines, Brandspruit and Bosjesspruit commenced in 1977. Twistdraai and Middelbult followed during the early 1980s, while Syferfontein started production in 1992. In 1996, the Twistdraai Export Mine was commissioned. The mine boundaries are adjusted into new reserve areas with brownfield extensions, facilitated by satellite shaft systems, based on ongoing studies and new planning. All the production equipment is either replaced or overhauled on a regular basis according to a managed maintenance system.

Processing operations

Export business – Secunda operations. The export business was initiated in August 1996 as part of a growth strategy. To date, a total of 32.5 Mt of coal has been exported, beneficiated from 86.1 Mt at the Twistdraai Export Plant from 1996 through 2006. Coal is fed to the beneficiation plant from the existing Twistdraai Export Mine. The beneficiation plant produces primary export product with an ash content of approximately 10.3% as well as a secondary product for the Sasol Synfuels market.

The export beneficiation plant has a design throughput capacity of 10.5 Mt per year. In 2006, 10 Mt was

processed. The plant consists of a primary and secondary stage. The primary stage comprises three modules with two feed streams each. The coal is fed at a rate of 550 tons per hour into two 800 millimeter (mm) diameter dense medium cyclones per feed stream. There are a total of 18 cyclones in the primary stage. The secondary stage consists of two modules with two 1,000 mm diameter dense medium cyclones.

The run of mine (ROM) coal is transported via overland conveyor belts to the export beneficiation plant from the Twistdraai export mine. The export product is loaded onto trains by means of a rapid load-out system, and then transported to the Richards Bay Coal Terminal in KwaZulu-Natal.

The existing capacity at the Richards Bay Coal Terminal is 72 Mt per year. Sasol Mining has a 5% share in this terminal, which relates to an existing entitlement of 3.6 Mt per year. It is expected that the planned Richards Bay Coal Terminal expansion project will increase the total throughput capacity to 82 Mt.

Sasol Coal Supply – Secunda operations. Sasol Coal Supply operates the coal handling facility between Sasol Mining and Sasol Synfuels by stacking and blending coal on six stockpiles of 110,000 tons each.

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The Sasol Coal Supply operation has a stockpile capacity of 660,000 tons, which is turned over approximately 1.5 times per week. In addition, there is a reserve stockpile capacity of more than 2.2 Mt. The objectives of this facility are:

• to homogenize the coal quality supplied to Sasol Synfuels;
• to keep the Sasol Synfuels bunkers full with a product that conforms to customer requirements;
• to maintain a buffer stockpile to ensure even supply; and
• to prevent fine coal generation.

The daily coal supply to Sasol Synfuels is approximately 110,000 tons to 118,000 tons.

Coal exploration techniques

Sasol Mining's geology department employs several exploration techniques in assessing the geological risks associated with the exploitation of the coal deposits. These techniques are applied in a mutually supportive way to achieve an optimal geological model of the relevant coal seams, targeted for production purposes. The Highveld Basin is considered to be structurally complex when compared to the other coalfields in South Africa where mining activities are taking place. As a result, Sasol Mining bases its geological modeling on sufficient and varied geological information. This approach is utilized in order to achieve a high level of support to the production environment.

Core recovery exploration drilling. This is the primary exploration technique that is applied in all exploration areas, especially during reconnaissance phases. In and around operational mines, the average vertical borehole density varies from 1:10 to 1:15 (boreholes per hectare), while in medium term mining areas, the average borehole density is in the order of 1:25. Usually, the drilling depth ranges from 200m to 250m. Depths of the boreholes drilled vary, depending on the depth to the Pre-Karoo basement, which vary from 160m to 380m. The major application of this technique is to locate the coal horizons, to determine coal quality and to gather structural information about dolerite dykes and sills, and the associated de-volatilization. This information is used to compile geological models and forms the basis of geological interpretation.

Directional drilling (surface to in-seam). Directional drilling from surface to in-seam has been successfully applied for several years. A circular area with a radius of approximately 2km of coal deposit can be covered by this method, from one drill site. The main objective of this approach is to locate dolerite dykes and steep dipping dolerite sills, as well as faults with displacements larger than the coal seam thickness.

Horizontal drilling. This technique is applied to all operational underground mines and supplies short-term (minimum three months) exploration coverage per mining section. No core is usually recovered, although core recovery is possible, if required. The main objective is to locate dolerite dykes and steep dipping sills intersecting the coal mining horizon, by drilling horizontal holes in the coal seam from a mined out area. A drilling reach of up to 1km is possible, although the average length is usually 800m.

Aeromagnetic surveys. All exploration areas are usually aero-magnetically surveyed before the focused exploration is initiated. The main objective is to locate dolerite sills and dykes, as well as large-scale fault zones.

Airborne electro-magnetic surveys. Due to the occurrences of non-magnetic dolerite dykes and sills, it has been necessary to survey certain exploration areas electro-magnetically to pinpoint these structures to optimize mine deployment.

Geophysical wireline surveys of directional boreholes. Geophysical surveys are routinely conducted in the completed directional drilled boreholes. This resulted in the availability of detailed information leading to increased confidence of the surface directional drilling results. This technique has also been applied in underground directional drilling with excellent results.

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Secunda operations

The coal supplied to Sasol Synfuels is the raw coal mined on the tied mines and the secondary product from the export mine's beneficiation plant.

Extensive geological exploration has been done in the coal resource areas. Annually, additional exploration is undertaken to update and refine the geological models, which allows accurate forecasting of geological conditions and coal qualities, for the effective planning and utilization of the coal reserves.

Computation and storage of geological information

Geological information is stored in a Sequel Server database. Data validation and quality checking through several in-house methods is conducted regularly. Data modeling is conducted by manual interpretation and computer-derived geological models, using the Minex 5 edition of the SURPAC/MINEX software. Reserves and composite qualities are computed using established and recognized geo-statistical techniques.

General stratigraphy

The principal coal horizon, the Number 4 Lower Coal Seam, provides some 90.8% of the total proven and probable reserves. The Number 4 Lower Coal Seam is one of six coal horizons occurring in the Vryheid Formation of the Karoo Supergroup, a permo-carboniferous aged, primarily sedimentary sequence. The coal seams are numbered from the oldest to the youngest.

Characteristics of the Number 4 Lower Coal Seam. The Number 4 Lower Coal Seam is a bituminous hard coal, characterized by the following borehole statistics:

• The depth to the base of the seam ranges from 40m to 241m with an average depth of 135m below the surface topography. All the current mining done on this seam is underground.

• The floor of the seam dips gently from north to south at approximately 0.5 degrees.

• The thickness of the seam varies in a range up to 10.0m with a weighted average thickness of 3.30m. In general, thinner coal is found to the south and thicker coal to the west adjacent to the Pre-Karoo basement highs.

• The inherent ash content (air dried basis) is an average 24.5%, which is in-line with the coal qualities supplied during the past 29 years to Sasol Synfuels.

• The volatile matter content is tightly clustered around a mean of 22.8% (air dried).

• The total sulfur content (air dried), which primarily consists of mineral sulfur in the form of pyrite and minor amounts of organic sulfur, averages 1.08% of the total mass of the coal.

The other potential coal seam is:

• The Number 2 Coal Seam, which provides an additional tonnage to the reserve in one area and is being evaluated in a number of other areas to provide supplemental reserve tonnage.

Mining parameters and assumptions used during reserve estimation

• **Minimum Mining Height (meters);** the minimum mining height used is 2.2m. The exception is Bosjesspruit mine, where the height is 2.0m.

• **Maximum mining height (meters):** the maximum mining height used is 4.8m (Syferfontein).

• **Primary Safety factor.**

1

:

the safety factor used in the mine planning, for primary development, in normal ground conditions is 1.8.

• **Secondary Safety factor.**

1

:

the safety factor used in the mine planning, for secondary development, in normal ground conditions is 1.6.

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• **Minimum dry ash free volatile matter content:** the dry ash free volatile matter content gives an indication of devolatilized coal. During estimations, areas with a dry, ash free volatile matter content of less than 28%, are excluded, and considered to be devolatilized coal areas.
• **Geological loss factor:** the geological loss factors vary in the respective blocks from 5.2% (Brandspruit) to 35% (Block 5 East). The geological loss factor is a discount factor applied to the gross in situ tonnage to take into account as yet unobserved geological features, which may occur. The geological loss factor is therefore a function of the borehole density and known geological complexity of the area, as well as the judgment of the competent person involved.
• **Mine layout losses:** the mine layout loss factors, expressed as a percentage of the in situ coal reserves vary between 11% (Rooipoort) and 28% (Block 5 East). The mine layout loss factor is a discount factor required to account for the expected loss of coal reserves, due to actual mining activities, not reaching the defined boundary of the minable in situ coal reserve block. The mine layout loss factors applied are therefore a function of the complexity of the depicted actual and anticipated geological structures and the actual historical loss factors experienced.
• **Mine method losses:** the mine method loss factor, expressed as a percentage of the minable in situ coal reserves vary between 40.4% (Twistdraai) and 50.6% (Syferfontein). The mine method loss factor is the discount factor required to account for the expected loss of coal reserves, due to actual mining activities, which requires support pillars to be left in situ. The mine method loss factors applied are therefore a function of the mine method used and planned to be used, as well as the actual historical loss factors experienced.
• **Contamination factor:** the contamination factor expressed as a percentage of the extractable coal reserve, vary between 0% (Syferfontein) and 2.7% (Middelbult). The contamination factor refers to the extraneous coal and non-coal material which is unintentionally added to the practical mining horizon, as a result of the mining operations. The contamination factors applied are therefore a function of expected geological conditions in the immediate roof and floor of the mining horizon, as well as the actual and historical contamination factors experienced.
• **Superficial moisture factor:** the superficial moisture factor, expressed as a percentage of the extractable coal reserve, vary between 4.5% (Middelbult) and 3.1% (Brandspruit). The superficial moisture refers to the extraneous moisture added to the extracted coal as a result of the mining operations. The factors applied are therefore based mostly on the historical factors experienced.

1.

The safety factor is calculated by dividing the strength of the pillar by the stress acting on the pillar. The strength of the pillar is determined by the inherent strength of the coal material, the width of the pillar and the height of the pillar. The stress on the pillar is the result of the pillar load, which is determined by the depth of mining, the pillar width and the bord width.

Reserve estimation (remaining reserves at 31 March 2006)

We have approximately 4.0 billion tons (Bt) of gross in situ proven and probable coal reserves in the Secunda Deposit and approximately 1.5 Bt of recoverable reserves. The coal reserve estimations are set out in the table 1 below. The different reserve areas are depicted on a map on page M–4, as well as whether the reserve areas are allocated or not.

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Table 1.

Coal reserve estimations

1

in the Secunda area where Sasol Mining has interim statutory rights (old order mining rights), for which applications were submitted to convert to mining rights in terms of the Mineral and Petroleum Resources Development Act, Act 28 of 2002

Mine	**Gross in situ coal resource**	**Geological losses**	**Extraction rate**	**Recoverable reserves**	**Beneficiated yield**	**Proven/ probable**
Reserve area	**(Mt)** **5**	**(Mt)** **5**	**(Mt)** **5**	**(%)**	**(Mt)** **5**	**(%)**
Middelbult Mine	851	180	168	57	306	100
Proven						
Bosjesspruit Mine	502	55	115	54	189	100

Proven
Twistdraai Mine
166
30
24
60
71
P40, S36
4
Proven
Syferfontein Mine
508
40
56
49
212
100
Proven
Brandspruit Mine
169
9
36
53
69
100
Proven
Rooipoort Area
300
49
28
55
129
100
6
Probable
Evander Town
30
6
6
58
11
100
Probable
Secunda Town
88
18
18
54
30
100
Probable

Block 2, Number 4 seam
810
219
148
59
273
100
Probable
Block 2, Number 2 seam
370
100
68
59
125
100
Probable
Block 5 East
184
64
34
51
47
100
Probable
Total Secunda Area
3,978
1,462

1.
The coal reserve estimations in this table were compiled under supervision of Mr. Phill Grobler Pr. Nat. Sci (Professional Natural Scientist). The "South African Code for Reporting of Minerals Resources and Minerals reserves, (The SAMREC Code)"dealing with competence and responsibility, paragraph 4.1, state: Documentation detailing exploration results, mineral resources and mineral reserves estimates from which a public report on exploration results,
mineral resources and mineral reserves is prepared, must be prepared by or under the direction of, and signed by, a competent person. Paragraph 4.3 states: A competent person is a person who is a member of the South African Council
for Natural Scientific Professions. Mr. JD Conradie, on behalf of Gemecs (Pty) Limited reviewed the correctness of the
methodology and the assumptions used to obtain coal resource/reserve estimations in tables 1 and 2.

2.
The gross in Situ coal resource is an estimate of the coal tonnage, contained in the full coal seam above the minimum thickness cut off and relevant coal quality cut off parameters. No loss factors are applied and seam height does not include external dilution or contamination material.

3.
The recoverable coal reserve is an estimate of the expected recovery of the mines in these areas and is determined by the subtraction of losses due to geological and mining factors and the addition of dilutants such as moisture and contamination.

4.
The P% refers to the yield export product from the recoverable coal reserve and the S% refers to secondary product yield, which will be supplied to the Synfuels factory. The balance of this is discard material.

5.

Mt refers to 1 million tons. Reference is made of tons, each of which equals 1,000 Kilograms, approximately 2,205 pounds or 1,102 short tons.

6.

The Rooipoort area contains some coal which can be beneficiated for the export market. Investigations to prove the viability of beneficiation are underway.

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Coal qualities per associated reserve estimation (remaining reserves at 31 March 2006)

In tables 2 and 3, additional information regarding coal qualities is provided.

Table 2.

Coal qualities, on an air dry basis, in respective coal reserve areas, where Sasol Mining has interim statutory rights (old order mining rights), in the Secunda mining complex, for which applications were submitted to convert to mining rights, in terms of the Mineral and Petroleum Resources Development Act, Act 28 of 2002

Reserve area	**Average inherent moisture content (air dry basis) (%)**	**Average superficial moisture content (%)**	**Heat value Steam/ Assigned/ metallurgical basis) (air dry basis) MJ/kg**	**Sulfur Wet/dry Assigned/ unassigned coal (air dry basis)**
Middelbult Mine	Wet	4.3	4.5	Assigned
Steam	20.9	0.8		
Bosjesspruit Mine	Wet	3.7	3.6	Assigned
Steam	22.1	1.4		
Twistdraai Mine	Wet	3.8		

4.1
Assigned
Steam
21.2
1.1
Syferfontein Mine
Wet
6.3
4.3
Assigned
Steam
22.4
0.7
Brandspruit Mine
Wet
4.1
3.5
Assigned
Steam
18.9
1.3
Rooipoort Area
Wet
3.8
3.1
Assigned
Steam
21.2
1.1
Evander Town
Wet
4.3
3.1
Unassigned
Steam
21.1
0.8
Secunda Town
Wet
3.8
3.1
Unassigned
Steam
21.6
1.0
Block 2, number 4 seam
Wet
4.3
4.5
Unassigned
Steam

21.5
0.9
Block 2, number 2 s